



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FIFTY SEVENTH REPORT
(Presented on 11th December, 2014)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FIFTY SEVENTH REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Sixteenth Report of the Committee on Public Undertakings (2006-08)
relating to Kerala Water Authority based on the Report of the
Comptroller and Auditor General of India for the year
ended 31st March, 2002 (Civil)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifty Seventh Report on the Action Taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (2006-08) on the working of the Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Civil).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2011-14).

This Report was considered and approved by the Committee at the meeting held on 3-9-2014.

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

Thiruvananthapuram,
11th December, 2014.

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

REPORT

This Report deals with the Action Taken by Government on the recommendations contained in the Sixteenth Report of the Committee on Public Undertakings (2006-08) relating to Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Civil) which was laid on the table of the House on 13-3-2007.

The Report on Kerala Water Authority contained 5 recommendations. The Government have furnished replies to all those recommendations. The Committee (2011-14) considered the replies at its meeting held on 12-2-2014.

The Committee accepted the replies to the recommendation Nos. 1(9), 2(10), 3(14), 4(25), 5(26) without remarks. These Recommendations and their replies form Chapter I of this Report.

CHAPTER I

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF
THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE
WITHOUT REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	9	Water Resources	Due to shortage of pipes, inordinate delay had occurred in the implementation of the comprehensive Water Supply Scheme at Guruvayoor, Kunnamkulam, Chavakkad and adjoining panchayats in Thrissur and also Anjukunnu, Kuppathode Rural Water Supply Scheme in Sulthan Bathery. Necessary action had not been initiated against the contractor before the expiry of term of contract.	WSS to Guruvayoor, Kunnamkulam, Chavakkad and adjoining Panchayaths in Thrissur Requirement of 4000 m. of 400 m.m. CI Class A pipes for the scheme was received in the Head Office of KWA vide letter dated 18-6-1998 of the Executive Engineer, P.H. Division, Thrissur. At that time, a revised proposal for the scheme was under scrutiny in the Head Office and so the Executive Engineer, P.H. Division, Thrissur was directed to report the requirement of pipes for the scheme with revised technical sanction, after the approval of the proposal. The requirement of 4000 m. of 400 m.m. CI Class A pipe was again reported on 19-6-1999 by the

Executive Engineer, P.H. Division, Thrissur. Out of this, 1308 m. pipe was diverted from the stock in the P.H. Division, Mattannur. Balance quantity required at that time was included in the pipes to be procured in 2000-01. After getting sanction from the Authority and Government, Tender No. KWA/HO/SP-15/2000-01 for the requirement of CI pipe was invited on 12-3-2001 and opened on 31-7-2001.

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The Committee opines that it is due to the culpable negligence and callous attitude of the higher officials of the Authority/ Department. The Committee therefore recommends to take stringent action against those responsible for the delay and that the matter should be reported to the Committee.

M/s Lanco Kalahasti who was a new entrant was the lowest for all the 24 items they had quoted. Factory inspection is mandatory for all the new firms and as per the recommendation of tender committee, joint inspection of third party inspection Agency and the Chief Engineer (CECF) was arranged. The firm was informed of the inspection on 8-8-2001, but they had not arranged manufacturing of CI pipes in their factory, when the inspection team visited the factory and hence team could not observe the pipe production.

Hence the factory inspection had to be again arranged. The inspection report of the Chief Engineer (OECF) was received

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on 24-9-2001. The total cost of purchase was about ₹ 14.08 crore for M/s Lanco, the lowest tenderer. The tender Committee recommended to get performance report of the supplies made by the firm in other Water Supply Departments/Boards. The Hyderabad Metro and the Punjab Public Health Department were requested to furnish the confidential performance report of the firm. There was delay in getting reports. In the Meantime Kerala Water Authority received correspondence in blacklisting of M/s Lanco in Punjab. This also caused delay in processing the tender. Hence the tender could not be settled within the original firm period.

All the tenderers extended the validity up to 28-2-2002 from the expiry of original period on 30-11-2001. In the meantime the tender was recommended by the Kerala Water Authority Board to Government of Kerala in its 228th meeting held on 16-1-2002. But the tender could not be submitted to Government due to strike of Government Employees. So the validity of

the tender was requested to be extended till 31-5-2002. But the firm M/s Lanco withdrew their validity on 26-2-2002, citing the reason that due to the increase in cost of various inputs for the production of CI pipes, they were unable to execute the order of KWA. So Government decided in principle to black list the firm at the request of KWA and issued circular to all Government Departments and PSUs not to enter into contract with the firm. The firm filed a suite in the Hon'ble High Court of Kerala. The Hon'ble High Court ordered to set aside the Government Circular barring business with M/s LKCL.

The 400 m.m. CI Class A pipe 2330 m. required for laying a portion of the gravity main of Water Supply Scheme to Kunnamkulam, Guruvayur, Chavakkad Municipalities and adjoining Panchayats was included in the above tender. Vide Letter No.CE/CR/TSR/9249/47 dated 1-12-2001 a proposal was submitted to Head Office for laying 2330 m. 400 m.m. CI Class A pipe for gap connection as Supply and laying work considering water scarcity felt in the Guruvayoor township

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Area. So the Kerala Water Authority Board met on 16-1-2002 and resolved to take up the work on supplying and laying basis. In the same meeting tender for finalization of CI pipes was recommended to Government. The work was tendered, but it had to be cancelled and re-tendered. The work was subsequently completed on 4-3-2004. The calendar of events is attached herewith as Annexure I.

Pipe requirement for Water Supply Scheme to Anjukunnu and Kuppathodu

For the Water Supply Scheme to Anjukunnu, Kuppathodu, requirement of 300 m.m. AC to 63 m.m. PVC pipes for the distribution system was received from the Executive Engineer, P.H. Division, Sulthan Bathery on 25-3-1998. Tender No. KWA/HO/SP-8/98-99 including the above requirement was opened on 5-8-1998 and it was placed before the Authority for recommendation to Government for prior approval. The Authority noted some infirmities including clause No.12 of the NIT which read as

offers for the supply of part quantity of any particular size and class of pipe will not be accepted and such tenders will be rejected. This was considered as against the interest of the Authority and not in line with the relevant provisions of SP rules. So, the Authority resolved to delete/modify the above clause in the NIT and re-tender the work. So, the tender was cancelled and re-tendered on 11-2-1999 with date of opening as 20-3-1999 as tender No. KWA/HO/SP-33/98-99. After approval of the Kerala Water Authority Board the tender was submitted to Government for approval. But Government had directed to take some corrective measures regarding the proceedings adopted by Kerala Water Authority regarding NSIC Competency Certificate for exemption from furnishing the EMD. The evaluation of the tender was done again and re-submitted to the Government on 2-5-2000. The Government subsequently informed that the tender had run into difficulties on account of the defective procedures adopted and hence directed to cancel the said tender vide letter dated 8-11-2000. So, the pipes required for the

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WSS to Anjukunnu, Kuppathodu could not be arranged through centralized purchase and the work was arranged subsequently on supplying and laying bases. The detailed report on this was already submitted to the Deputy Accountant General vide letter No. KWA/HO/SP9898/98/PUC dated 22-6-2002 (Annexure II).

The finalization of the tender was delayed due to the following reasons: There were 31 offers of which 6 were new entrants and required factory inspection. This resulted in some delay in the finalization of the tenders by which time the original validity period expired. In this time two firms refused to extend the validity period. Hence the other firms had to be addressed to match their rates to those who had refused to extend the validity period further in the case of new firms, the quantity was limited to 25% to 30% of the eligible amount and the next lowest tenderer were requested to match the rates to that of the lowest. Some of the

23/2015

firms agreed to reduce their rates, but some did not. Therefore repeated negotiations were to be held before the quantity and rates could be finalized. Each time the tender committee also had to meet to take further decisions. In this tender the tender committee met 8 times for finalizing the above tender. The Kerala Water Authority Board also considered the issue in three meetings before making the final recommendations. The delay occurred in finalizing the tender was due to unavoidable and unintentional factors.

In the matter of the above two, vide letter No. Rep Copu 5340/2006-08/16/2008 dated 12-4-2012, it is stated that the witness accepted that the delay in placing the order was avoidable but did not give any satisfactory explanations for the same and therefore the Committee recommended the Government/Management to initiate action against officers, responsible and report to Government.

Before adopting the supplying and laying works in Kerala Water Authority, centralized purchase system was followed for the procurement of pipes and

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materials. The requirement of pipes for each scheme was collected from the Division Offices every year and then consolidated in the purchase wing of Head Office. After getting approval for the quantity of purchase, tenders were invited by the Chief Engineer (PS & GL). The terms and conditions followed while inviting the tenders were as per the Store Purchase Manual of Government of Kerala. After receiving the tenders, evaluation of the tenders were done at various levels. In this connection it may be noted that supply order for the procurement of pipes for the schemes can be placed only when the tenders are finally accepted by the Kerala Water Authority Board or Government (if the cost is more than 100 lakh).

Deputy Chief Engineer presented the evaluated tender with all findings and observations before the tender committee with Technical Member as chairman and Accounts Member, Finance Manager and Chief Engineer (PS & GI) as members. For

the acceptance of the offer, Factory Inspection, Collection of details and performance reports from other States, verification of SSI Registration were necessitated for the pre-qualification of all quoted eligible firms.

The Recommendation of the tender committee was placed/endorsed for the approval of Managing Director and then placed before the Board for acceptance/ submission to the Government.

After this, three cover system is adopted for tendering of all works/supplies. The price bid of those firms pre-qualified are considered for price bid opening. Also Government increased the power of entering into contract from 1 crore to 5 crore by amending the Water Supply and Sewerage Act.

Now all major project works are executed on supplying and laying basis whereby it is possible to complete the projects in a much shorter period.

From the above explanation, it may kindly be noted that no intentional delay on the part of the officers who dealt with the

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3	14	Water Resources	<p>The Committee notice that the fund sanctioned by LIC for RWSS is being diverted to a 100% Centrally Sponsored Scheme without keeping any record of transfer of funds of materials. The Committee expresses displeasure over it and wants to have a detailed explanation of the diversion of funds and materials.</p>	<p>tender and hence the recommendation of the committee to take action against those responsible may kindly be re-considered.</p> <p>RWSS to Madakkathara was delayed due to non-availability of land. When land acquired, the reservoirs were constructed and an amount of ₹ 48.92 lakh was expanded under LIC Assistance. Further LIC Assistance was stopped and the scheme was held up.</p> <p>Pipes purchased for the scheme was very meagre against the requirement. The scheme could not be completed due to paucity of funds as LIC assistance was stopped; the consumables like pipes purchased for the scheme were transferred to ARP Scheme so as to utilize the funds so spent.</p> <p>There was no diversion of funds; only the materials procured for the scheme was utilized. Otherwise the expenditure on this account would be infructuous. The materials procured was transferred and</p>
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The Committee finds that Kerala Water Authority has created additional posts without conducting any evaluation of the available human resources.

records updated. Now the project is dropped as KRWSA is implementing Jalanidhi Schemes in Madakkathara Panchayat. In the case of Anakayam, the balance work was included in NABARD 2008-09 and completed on 28-2-2010 except weir.

JICA assisted WSS is a big project which necessitated creation of additional posts to avoid delay in implementing the project by availing assistance as per the schedule. The additional posts were created for the smooth execution of the project. Since the project cost is very high and requires monitoring and evaluation at various levels, the officers appointed were fully engaged in the preliminary works including re-tendering for international loading for appointing consultants for the land acquisition and preparation of detailed design work. Government created the additional posts for completion of JICA project on condition that these posts will automatically be abolished on completion of the project. The posts were created after an evaluation study of the human resources in the Authority.

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Quite a few posts were created in the Authority after the re-organization of PHED into Authority. Public Health Engineering Department operated and maintained a few Water Supply Schemes. Huge amount was invested into the sector and a great number of Water Supply Schemes were commissioned. In addition to the existing schemes, 67 major WSSs and 222 minor WSSs were commissioned, operated and maintained by the Authority. Moreover projects worth approximate ₹ 2000 crore are in the implementation stage. So, there is no possibility of re-deployment of staff. The posts created are absolutely essential for the implementation of the project.

PH Division, Nattika

Staff had to attend WS connections in addition to maintenanc and the project work of Mala WS and Guruvayur Drainage Scheme.

PH Mechanical Division, Kochi

On handing over the rigs and other drilling equipments to the Ground Water

Department, this mechanical division was abolished and the staff attached had been suitably redeployed to various offices and utilized their services properly. On their retirement no further requirement has been made.

Now IIM, Bangalore is formulating a proposal for Business Process Re-engineering. Once the report is received, a proper decision will be taken to redeploy the staff if found excess.

- 5 26 Water Resources The Committee opined that it is lack of planning and foresight to post employees before the commencement of projects. The Committee recommends that a decision should be taken at higher level for abolishing such unnecessary posts and the result be intimated to the Committee.
- The created posts were absolutely necessary for the implementation of JBIC project.
- It may please be noted that Government have created 48 additional posts (including upgradation) vide G.O.(Ms.) No.1/08/WRD dated 23-1-2008 on the basis that enhancing the staff strength of JBIC unit of Kerala Water Authority was very essential, subject to the condition that the enhancement will be in effect only up to the completion of the JBIC Assisted KWSP (Copy of the Government Order enclosed) (Annexure III).

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				<p>The Officers appointed were fully engaged in the preliminary works including re-tendering for international loading for appointing consultants for the land acquisition work and the detailed survey for the design work. When the project delayed some post including post of Chief Engineer were abolished as the work were not started. The posts created were exclusively for the project and on the completion of the project the post will automatically be abolished.</p> <p>Now IIM, Bangalore is formulating a proposal for Business process Re-engineering. Once the report is received, a proper decision will be taken to redeploy the staff if found excess.</p>

Thiruvananthapuram,
11th December, 2014.

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

ANEXURE I

Calendar of Action Taken

Item No	Particulars	Date/Duration
1	Tender opening	31.07.01
2	1 st tender committee meeting recommending to conduct joint inspection of the factory of M/s. Lanco kalahasthi by KWA officials and the present 3 rd party inspection agency of KWA, M/s. PDIL	2.08.01
3	Obtained the rate of M/s. PDIL for factory inspection and approval of rate.	6.08.01
4	M/s. Lanco Kalahasthi was addressed informing the joint inspection of their factory.	8.08.01
5	Joint inspection of the factory	10.08.01
6	2 nd tender committee meeting recommending to request performance report of M/s. Lanco Kalahasthi from Hyderabad and Punjab Water Supply Departments and withdrawal of conditions that are against NIT put forth by the tenderers	14.08.01
7	1 st inspection report from M/s. PDIL	20.08.01
8	Clarification to M/s. PDIL on their 1 st inspection report	27.08.01
9	Inspection report from CE (OECF Projects)	21.08.01
10	2 nd inspection report from M/s. PDIL	1.09.01
11	3 rd tender committee meeting recommending to conduct inspection of the factory of M/s. Lanco Kalahasthi by KWA official, CE (OECF Projects) to observe and report the production of CI pipes, which was not possible during 1 st inspection	13.09.01

- 12 2nd inspection of the factory 21.09.01
&
22.09.01
- 13 2nd inspection report from CE (OECF Projects) 24.09.01
- 14 4th tender committee meeting recommending to 12.10.01
seek clarification from Govt. of Punjab and
Deputy Director General DGS&D on the
authenticity of correspondences received
regarding steps taken in Punjab to blacklist M/s.
Lanco Kalahasthi and requesting the firm to
furnish performance report of pipes supplied by
them to Government Water Supply undertakings
in Andhra Pradesh and Punjab. The committee
recommended to negotiate with M/s. Kalinga to
reduce the freight charge to zero for the items
for which they are the lowest and to place trial
orders worth Rs. 18711699/- with M/s. Lanco
Kalahasthi.
- 15 Addressed The Principal Secy. to Govt. of 23.10.01
Punjab and Deputy Director General, DGS&D &
regarding steps taken to blacklist M/s. Lanco 15.11.01
Kalahasthi, and reminded.
- 16 Addressed the firms, M/s. Lanco Kalahasthi, 23.11.01
M/s. Kalinga and M/s. Kapilansh for validity
extension up to 28.02.02
- 17 Addressed M/s. kalinga Iron Works for
absorbing freight charge.
- 18 5th tender committee meeting recommending to 27.10.01
defer the items for which M/s. Kalinga is lowest
as they had requested to place orders for the
items for which they are not the lowest, and to
negotiate with them again
- 19 Agenda Note placed in the 225th meeting of 31.10.01

- KWA - The Authority deferred the item.
- 20 Supplementary Note-I to agenda note placed in 30.11.01
the 225th meeting to inform the Authority
regarding the firm period extension up to
28.02.02 and placed in the 226th meeting of
KWA. - The 227th meeting of KWA proposed on 26/12/01 ^{of these} ~~advised about~~
~~the notification~~
- 21 Supplementary Note-II to agenda note placed in 16.01.02
the 226th meeting to inform the Authority
regarding (1) the performance certificate of
M/s. Lanco Kalahasthi received from Hyderabad
MWS&SB, (2) report from M/s. Lanco
Kalahasthi on the vigilance enquiry on them in
Punjab and (3) M/s. Kalinga's denial to supply
pipes absorbing freight charges. The trial order
proposal was altered and the revised trial
order amount was Rs. 18981295/- and placed in
the 228th meeting of KWA.
- 22 Authority resolution no: 598: on the tender, 02:02.02
received.
- 23 Addressed the firms, M/s. Lanco Kalahasthi, 14.02.02
M/s. Kalinga and M/s. Kapilash for validity
extension up to 31.05.02
- 24 The purchase proposal ready to be furnished to 23.02.02
Government, but kept back due to strike of
Government employees. ^{32 day long employees strike (both regular & casual)}
~~Commenced on 6/2/2002.~~
- 25 Validity extension received from M/s. Lanco 18.02.02
Kalahasthi. 19
- 26 Withdrawal of extended validity by M/s. Lanco 26.02.02
Kalahasthi.

THE HINDU

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Southern States - Kerala

Kerala Govt. staff call off strike

By Our Special Correspondent

THIRUVANANTHAPURAM, MARCH 9. The State Government employees and teachers called off their 22-day-old strike following talks with the Chief Minister, A.K. Antony, and other Ministers here on Saturday.

The Government agreed to reduce the discount rate of commuted value of pension, which was enhanced from 4.75 per cent to 8.75 per cent in January, by about two per cent and pay full salaries to protected teachers until June.

The Chief Minister told mediapersons after the talks that the Government had promised to discuss all the remaining demands of the employees, including leave surrender benefits, with an open mind after one year, based on the then prevailing condition of the State's finances. Mr. Antony said that the dies non (no work, no pay) policy of the Government remained. The employees and teachers would not get salaries for the strike period.

The Government, he said, would adopt a lenient attitude in withdrawing police cases filed against employees except in cases involving violence. It would also facilitate release of persons arrested under the provisions of the Kerala Essential Maintenance Act with the permission of the courts. The Government would not take any vindictive action against the employees.

He recalled that as per the order issued by the Government on January 16, protected teachers were to get only 50 per cent of their salary from January. Every effort would be made now to redeploy them by June. However, those who could not be absorbed in vacancies would get only 50 per cent of the salary after June. Discussions on the remaining 26 of the 28 items in the

Stories in this Section

- Kerala Govt. staff call off strike
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*Strike 9th Mar 2002
6/2/2002*

order would be covered in talks to be held next year.

He said the talks, attended by the Ministers, K. Sankaranarayanan, P.K. Kunhallikutty, K.M. Mani, Babu Divakaran, T.M. Jacob and K.B. Ganesh Kumar, were cordial.

After the talks, the employees' organisations belonging to the ruling and Opposition parties met separately and

The pro-Congress organisations had held discussions with the KPCC president, K. Muraleedharan, and the UDF Liaison Committee convener, Gommen Chandy, before the official talks. An understanding was reached there and this was communicated to the Chief Minister before the official talks.

The Pro-LDF Action Council of State Employees and Teachers and Action Council of Teachers and Service Organisations said the strike had forced the Government to initiate talks and blocked its plans to curtail more benefits of the employees and teachers.

Their leaders, C.H. Asokan and M.N.V.G. Adiyodi, said that though the Government had not conceded all their demands, the gains made by the employees were substantial.

The Joint Council of State Service Organisations said that public interest and unity of employees were also considerations behind its decision to call off the stir.

In a separate statement, the Kerala NGO Association led by Mangad Rajendran said that though the outcome of the talks was not fully satisfactory, it was postponing the strike considering the difficulties caused to the public and the students and also to maintain unity.

The NGO Association led by Kampara Narayanan said that it was calling off the strike temporarily. It would continue with the agitation to press for the remaining demands. (Both the associations belong to the SETO).

The pro-BJP, Federation of Employees and Teachers Organisation, said the outcome of the talks was not satisfactory. However, the Federation was withdrawing from the stir as others had done so.

Send this article to Friends by E-Mail

**Minutes of the 227th Meeting of KWA held on
24-12-2001 at 3.00 P M in the Conference Hall
of Jalabhavan, Thiruvananthapuram.**

227th meeting of the Kerala Water Authority was convened on 24/12/2001 at 3 p.m under the Chairmanship of Sri. K. Jayakumar, IAS. Apart from the Chairman, Sri. R.Ramannujam, Managing Director, Kerala Water Authority and Sri. M.Ganesan, Accounts Member, Kerala Water Authority were present at the meeting. As there was no quorum (minimum 4 members), the meeting was adjourned with out transacting any business.

Sd/-

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Sd/-

SECRETARY

MANAGING DIRECTOR

CHAIRMAN

**Minutes of the 226th Meeting of KWA held on
30-11-2001 at 10 A M in the Conference Hall
of Jalabhayan, Thiruvananthapuram.**

*Item No. II(8) : Purchase of C I Pipes for the year
2000-2001 as per Tender No. KWA
HO/SP-15/2000-2001 opened on 31-7-2001.*

Deferred.

ANEXURE II

Fax : 91-0471-32490.

Tel : 32865.

KERALA WATER AUTHORITY

JALA BHAVAN
THIRUVANANTHAPURAM-695 033
KERALA-INDIA

NO: KWA /HC/SP-9899/98/PVC

Dated: 22-6-2002.

From,

The Managing Director.

To: Sri. S. Chandrasekharan Nair,

Deputy Accountant General (comml),

Accountant General (Audit), Kerala,

P.B.No:5608, Thiruvananthapuram- 695039

Sir,

Sub: Inordinate delay in completing a rural water supply
scheme due to non-procurement of pipes-reg:

Ref:-I. D.O Lr. NO:RAO/KWA/T/PDP-482/2001-2002/61

Dt: 22/05.2002.

2. This office letter of even no: dated 7/5/02.

This is in response to the letter cited. It may please be seen that in letter dated 8.11.2000 (copy of which has already been furnished) Government remarked that the tender has run into difficulties on account of the 'defective procedure' said to be adopted. At any time it was not remarked that it was due to the lapses on the part of the Chief Engineer(PS&GI). In fact, as per the Government letter dated 19.8.2000, Government accepted that there is discrepancy between the provision of the SP manual and the views of the CTE regarding competency certificate in the case of NSIC registered firms. It was also directed to keep in abeyance, the recommendations of the CTE communicated by the Government earlier. NIT conditions of the tender and evaluation were strictly as per the provisions of the SP Manual. Hence there is no defective procedure adopted by the Chief

Engineer(P&G) in inviting tenders. As far as evaluation is concerned, he is only one member of the Tender Committee. Even there, no defective procedure has been adopted by the Committee. This aspect has not been clearly understood in the observation by the Audit and hence the fixing of responsibility to the Chief Engineer.

The remark that the KWA had not contested with the Government, is not correct. As mentioned in the reference letter (2), retender for the purchase of PVC pipes for the requirement of the year 1998-99 was invited vide tender No:KWA/HO/SP-33/98-99 with due date of opening as on 20-3-99. The tenders were evaluated and purchase proposal for Rs. 6.57 crores recommended by the KWA Board was submitted to Government for prior approval.

The main objections of the Government in the evaluation of the tenders was regarding the competency certificate insisted by the KWA for granting exemption from EMD to those firms having registration with NSIC and rejection of tenders for not furnishing requisite EMD or certificates for exemption for all the quoted items.

Out of 31 tenders received by KWA, 11 offers were not considered due to various reasons such as (a) no competency certificate issued by the NSIC enclosed in lieu of EMD, (b) DGS&D registration certificate enclosed for EMD exemption is not applicable for all items quoted etc. But the Government had remarked that these reasons are not made applicable to all tenders and that they are not sustainable also.

KWA had furnished a detailed reply clarifying all the points and it was informed to that office also vide reference 2nd cited.

As regards the acceptance or rejection of certain tenders, all the tenders were processed applying the following criteria: "The tender should be accompanied by EMD @ 1% of the quoted amount. EMD is exempted in the case of firms with DGS&D registration or with competency certificate from the NSIC (as per para 25(c) and (s) of SP Manual and as per special condition no: 8 of NIT). If a firm has not given the requisite EMD either in the form of DD or exemption certificate for the entire quoted amount, then the tender is rejected outright.

Even-though all the facts were furnished to the Government, the Government had returned the tenders vide letter dated 23.03.2000 directing to take corrective measures and for re-submission. It was conveyed to KWA in the Government letter that only at the interest of KWA, Government to consider the offer of those firms with respect to those items having NSIC registration or for those part of the items for which EMD is furnished.

The Government did not consider it right to consider the recommendation letter from NSIC in lieu of competency certificate and remarked that if such a recommendation letter was considered for exemption from EMD, rejection of those firms having NSIC registration, but not produced a similar recommendation letter from NSIC is not justifiable and the tender condition to this effect is not sustainable.

Vide letter dated 28.04.2000, the Government was again addressed for reconsidering the evaluation done by KWA and seeking clear direction on further action. It was reported by KWA that as per special condition no: 8 of NIT, EMD exemption to SSI units sponsored by the NSIC will be allowed only on production of competency certificate issued by the NSIC. Request for exemption from EMD based on permanent enlistment certificate on account of registration with NSIC will not be accepted. This condition was incorporated in the NIT as per para 27(e) of the SP Manual which reads as follows: "In the matter of purchase of stores by the State Government Departments, SSI units sponsored by the NSIC and in respect of which competency certificate are issued by the Corporation will be exempted from payment of EMD and Security Deposits". In reply to a clarification sought from this office, the Store Purchase Department had also confirmed the necessity of the competency certificate.

In the evaluation of the subject tender by the Tender Committee, EMD exemption was admitted to the SSI units who had furnished competency certificate or at least a letter from the NSIC recommending the firm for EMD exemption which was treated at par with competency certificate. But the Government had observed that if such a recommendation letter was considered for exemption from EMD, rejection

of those firms having NSIC registration, but not produced a similar letter from the NSIC is not justifiable.

To this view, it was pointed out that the tender conditions were strictly in conformity with the SP Manual. Some of the SSI units had informed the KWA that usually the competency certificate is issued by the NSIC against approved supply orders only. Copy of the letter from NSIC to one of the SSI units, M/s. Mayfair Polymers, in this regard was also submitted to Government for reference. Therefore letters received from the NSIC were also considered in lieu of competency certificate. This practice had been followed previously and the Government had issued sanction for purchase from an SSI unit which had produced the recommendation letter from NSIC. It was also brought to notice that the stand of NSIC in the issuance of competency certificate and the conditions in the Store Purchase Manual 27(e) do not match.

In the Government letter dated 23.03.00, it was directed to consider the offer of firms with respect to which NSIC registration or for those part of the items for which EMD is furnished. According to this, we should consider the offer of firms with less than 1% EMD or no EMD for the items for which EMD/NSIC or DGS&D registration certificate is not furnished. But it may be noted that stipulation of 1% EMD (as per special condition no: 6 of NIT) is based on para 25, 31(a), and 31(a)(ii) of SP Manual. Considering firms with no or insufficient EMD is absolute violation of SP rules. The clause on requisite EMD is one of the basic pre-conditions for a tender to be accepted and the SP Manual does not permit considering firms without requisite EMD. Moreover, in the case of firms with less than the requisite EMD, there are no guidelines to decide which items are to be taken for tabulation, as there are different permutations and combinations.

However, in obedience to the Government direction, firms with less than 1% EMD or no EMD and all the NSIC registered firms, whether they had furnished the recommendation letter from NSIC or not, were taken into consideration and re-tabulated. The revised purchase proposal was again placed before the Authority meeting held on 31.07.2000.

But considering the clarification furnished by KWA, the Government had informed that on perusing the section 27(e) of SP Manual the

competency certificate issued by the NSIC is necessary for exemption from EMD. It was also stated that there appears to be a discrepancy between this provision of the SP Manual and the views of the CTE communicated vide Government letter dated 23.03.2000 which required to be settled in consultation with the Store Purchase Department. It was informed that in the above circumstances, the recommendation of the CTE communicated to KWA vide Government letter dated 23.03.2000 may be kept in abeyance until the issue is finally settled in Government.

In continuation to this letter, the Government, vide letter dated 8.11.2000 requested to cancel the tender and to go for re-tender.

Meanwhile KWA had invited another tender of no: KWA/HO/SP-17/99-2000 for the purchase of PVC pipes for the requirement of 99-2000 with due date of opening on 25/10/99. As the previous tender was not settled and sanction from Government was not received for purchase, opening of the tender for 99-2000 was kept postponed to avoid rate collusion. After several extensions of the due date, that tender was finally cancelled, with the approval of the competent authority.

Regarding re-tender, it may be noted that the Government direction to cancel the subject tender and to go for re-tender was placed in the 213rd meeting of KWA Board held on 28.11.2000. At the same time, requirement of all types pipes to be procured for the year 2000-2001 was being finalized for procurement. PVC pipes required for the three years from 1998-99 to 2000-2001 were to be purchased. Detailed discussions on the requirement was conducted with the field staff for fixing priority for purchase and to prune down the requirements in accordance with the budget. The purchase proposal for the requirement of 2000-2001 for 46.89 crores with provision of Rs.5.88 crores for PVC pipes was placed for the approval of KWA Board in the 215th meeting. But the KWA Board resolved to limit the cost of purchase to 75%. This again necessitated limiting of requirements in consultation with the field officers. In another resolution taken at the same meeting of the Authority, it was also resolved to purchase PVC pipes for 3 years from 98-99 to 2000-2001, limiting the purchase cost to Rs.7.5 crores.

Tenders were invited for all types of pipes including PVC pipes with due date from 7.5.2001 to 16.5.2001. But the state assembly election was

fixed on 10.5.2001 and the tender forms were not ready for sale. The special conditions of the tenders had to be examined by the Tender Committee of KWA. So the due dates of tenders were postponed and opening dates were fixed from 5.7.2001. The tender for the purchase of PVC pipes for 3 years from 98-99 to 2000-2001 was opened on 5.7.2001. The tender is at the Government for prior approval for purchase.

Regarding the WSS to Anjukunnu, Kuppathodu villages, it has been decided to take up the distribution system on supplying and laying basis. But it has been decided to reduce the distribution system by 50% due to financial constraints. After finalisation of the same, the supplying and laying work will be arranged.

It may be seen from what has been stated above that there was no irregular procedure adopted by the Chief Engineer (P.S&E) or the Tender Committee. In fact all actions had been approved by the KWA Board and all procedures adopted were in the best interest of KWA and Government. ARWSS to Anjukunnu, Kuppathodu villages has been partially commissioned now with few taps excluding PVC distribution pipes. Hence the Audit para may kindly be dropped.

Yours Faithfully,


Managing Director

ANEXURE III

~~CONFIDENTIAL~~
GOVERNMENT OF KERALA

Abstract

Water Resources Department - Kerala Water Authority - Creation of posts for the implementation of JBIC assisted Kerala Water Supply Project - Sanction accorded - Orders issued

Special Officer	
Chief Engineer	8/28/11
Project Co-ordinator/Executive Engineer	1/2/11
Project Accountant	B

WATER RESOURCES (WATER SUPPLY, B) DEPARTMENT

G.O (MS) No.1/2008/WRD

Dated, Thiruvananthapuram 23.01.2008

• Read - Letter No.KWA/JBIC/HQ/W-1586/04 dated 20.12.2006

ORDER

The JBIC Unit in Kerala Water Authority is entrusted with the task of implementing the huge JBIC assisted Water Supply Project worth Rs.2600 crores. Now the implementation of the Project is going on in full swing. Close monitoring and proper supervision is very essential at this stage. The Managing Director, Kerala Water Authority has forwarded a proposal for the enhancement of staff strength in the Project Implementing Units of the JBIC assisted Kerala Water Supply Project vide letter read above. The Empowered Committee in its meeting held on 18.11.2006 has decided to recommend the proposal of the Managing Director, Kerala Water Authority for creation of 48 posts (including upgradation) for the project.

Government has examined the matter in detail. Kerala Water Authority has the responsibility to ensure that the JBIC assisted water supply works carried out by both contractors and consultancy are properly executed. This requires a well-equipped mechanism with sufficient man power to co-ordinate the work and assess its progress and quality.

There are 24 major Contracts to be managed, including the Consultancy Contract. As per contract conditions any variation involving financial commitment has to be approved by the Chief Engineer. The interpretations of consultants may not always be in agreement with Kerala Water Authority/ Government interest. Hence the need for utmost surveillance of the claims at a micro level. Delayed payment will entitle the contractor for claiming huge excesses. Meticulous scrutiny of various proposals is essential to avoid excess claims by the contractors.

The staff proposals have been drawn keeping the engagement and the role of consultants in its true spirit. The post upgradation had been proposed considering the magnitude of work in each project office. A senior officer is required for maintaining effective control over the Consultants and Contractors. JBIC also insisted that all the posts including the post of Deputy Chief Engineers are to be in position to ensure effective implementation of the project, and this has been committed to the JBIC.

In the circumstances it is found that enhancing the staff strength of JBIC unit of Kerala Water Authority is very essential. Accordingly Government are pleased to accord sanction to the Managing Director, Kerala Water Authority for the creation of 48 posts as detailed below subject to the condition that the enhancement of staff strength and the consequent upgradation of certain

posts ordered herein will be in effect only up to the completion of the JBIC assisted Water Supply Project.

Designation	PIU	Project Offices
Project Co-ordinator (Dy.CE)	2	-
Project Director (Dy.CE)	-	5*
Executive Engineer	3	0
Dy.Project Co-ordinator/ Dy.Project Manager (AEE)	2	14
Assistant Engineer	10	-
Project Accountant (DA)	5	-
Dy.Accountant (LDC/UDC)	2	-
Peon	5 ✓	-
Total	29	19
Grand Total		48

* only upgradation of existing EEs posts:

By Order of the Governor

K JAYAKUMAR

Principal Secretary to Government

To

✓ The Managing Director, Kerala Water Authority.
 The Accountant General (Audit/A&E), Kerala, Thiruvananthapuram
 The General Administration (SC) Dept. vide Item No.1863 dated 16.1.2008
 The Finance Department.
 Stock file, O/c.

Forwarded/By Order

DL
 Section Officer