

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)**

EIGHTIETH REPORT

(Presented on 17th December, 2008)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2008

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EIGHTIETH REPORT

On

**Action taken by Government on the Recommendations
contained in the Fortieth Report of the Committee
on Public Accounts 2001-2004**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the 80th Report on Action Taken by Government on the Recommendations contained in the 40th Report of the Committee on Public Accounts (2001-2004).

The Committee considered and finalised this Report at the meeting held on 11th December, 2008.

Thiruvananthapuram,
17th December, 2008.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Fortieth Report of the Committee on Public Accounts (2001-2004).

The Fortieth Report of the Committee on Public Accounts (2001-2004) was presented to the House on 19th February 2003. This Report contained twelve recommendations relating to Public Works Department. Government were addressed on 5th March 2003 to furnish the Statements of Action Taken on the recommendations contained in the Report and final replies were received on 18th April 2006. The Committee examined the Statements of Action Taken at its meetings held on 8-12-2005 and 28-11-2007.

The Committee was not satisfied with the action taken by Government on the recommendation Nos. 5 and 7 (para Nos. 16 and 22) and decided to pursue them further. These recommendations, replies furnished thereon and further recommendations of the Committee are included in Chapter I of this Report.

The Committee decided not to pursue further action on the remaining recommendations in the light of the replies furnished by Government. These recommendations of the Committee and action taken by Government are incorporated in Chapter II of this Report.

CHAPTER I

**Recommendations in respect of which the action taken by
Government is not satisfactory and which
requires reiteration**

PUBLIC WORKS DEPARTMENT

Recommendation*(Sl. No. 5, Para No. 16)*

1.1 The Committee express serious concern that only six Bitumen hot mix plants out of the total 17 purchased were now in working condition. The Committee also find no justification for the action of the Public Works Department in not taking any action against the supplier firms for getting the defects rectified/making good the loss sustained by Government.

Action Taken

1.2 Under the Superintending Engineer, R&B South Circle, Thiruvananthapuram, hot mix plants are available in Roads Division Kollam, Alappuzha and they are disposed by auction. The hot mix plants in Roads Division, Pathanamthitta was under repair since 1994 for want of funds. Hot mix plants are not available in any other divisions under the south circle.

1.3 Hot mix plant No. 044003 Chasis No. 3500800-123 of PWD Roads Section, Irinjalakuda under Superintending Engineer, R&B Central Circle, Aluva has been disposed of as per quotation for an amount of Rs. 95,500 + ST Rs. 11,460 and IT Rs. 5,969 total Rs. 1,12,929. The amount was collected from Shri. K.K. Polachan and remitted into the treasury on 18-5-2000 as per cbr item No. 13 of 5/2000. H.M. plants idling under Ernakulam have already been disposed of in public auction. Details of the disposal of H.M. plant (idling) are as follows:

Date of Auction	:	4-7-2003
Bid Amount	:	Rs. 1,38,000
S.T @ 12%	:	Rs. 17,250
Total Amount	:	Rs. 1,55,250

Further Recommendation

1.4 **The Committee express its displeasure that the PWD hadn't taken any action against the supplier firms of hot mix plants, even though PAC recommended to initiate action against them. The Committee recommends that the department should take action against the supplier firms urgently.**

Recommendation

(Sl. No. 7, Para No. 22)

1.5 The Committee observe that though the Department has decided to wind up the functioning of Stores and Purchase Wing of Public Works Department, the action of the department to clear the audit objections in respect of the wing is not satisfactory. The Committee cannot understand the logic of the decision of the Department for closure of this wing without preparing a consolidated stock account of all District Stores related to Public Works Department in the State and other issues of Stores pointed out by Audit. The Committee notice that even after the irregularities are brought to light in the Audit Report no action is seen taken to reconcile the discrepancies or to rectify the defects, to maintain the essential basic records to update the stock register and auctioning the remaining materials. The Committee recommend that physical verification of each Public Works Department District Stores should be conducted on the eve of its closure and action may be initiated to dispose of all the remaining inventories. The Committee also desire that the result of physical verification of all District Stores and the returns received from auction of the inventories should be intimated to the Committee.

Action Taken

1.6 The charge of the defunct District Stores have since been assigned with the Executive Engineers of Building Divisions concerned and they have already been instructed to conduct necessary annual physical verification of the inventories available and arrange to dispose of the remaining inventories in the proper manner and to credit the sale proceeds to Government funds and report the progress of action in the matter. The result of the physical verification of the District Stores and the returns received thereof will be intimated to the Committee without delay.

Further Recommendation

1.7 The Executive Engineers of Building Divisions concerned should have conducted necessary annual physical verification of the District Stores according to Financial Code and the report submitted to the Government. But the Committee understood that department hadn't done any stock verification. The Committee, therefore, suggests that stringent action should be taken against the responsible officers for the serious lapse on their part.

CHAPTER II

**Recommendations in respect of which the Committee does
not desire to pursue action in the light of replies
furnished by Government**

PUBLIC WORKS DEPARTMENT

Recommendation*(Sl. No. 1, Para No. 3)*

2.1 From the evidence tendered before the Committee, it is seen that the only one tender which was received for the construction of a building for Sub Treasury, Koothattukulam and recommended by the Chief Engineer, was not accepted by the Tender Committee without stating the reason for rejection of tender. Instead, they invited fresh tender and awarded the work during 1984 based on the revised schedule of rates and this resulted in an additional expenditure of Rs. 1.59 lakh apart from the delay in execution of works. In the light of the above fact, the Committee find no justification for the injudicious decision of the Tender Committee to reject the earlier offer when revision of Schedule of Rates was imminent and chances to get a better offer was remote. The Committee find that the department has thereby violated the guidelines contained in Circular No. 24654/H.2/82/PW&E dated 28-7-1982 which stipulate that the reason for rejection be clearly mentioned. The Committee urge the Government to issue strict instructions to ensure that all the procedures prescribed and guidelines issued in respect of accepting tenders are strictly followed to avoid such losses to Government in future.

Action Taken

2.2 The department has noted the recommendations of the Committee in its full spirit. Necessary strict instructions for ensuring proper adherence to the procedures and guidelines in respect of accepting tenders will be issued to all the concerned in the form of a circular as urged by the Committee.

Recommendation*(Sl. No. 2, Para No. 7)*

2.3 The Committee is distressed to note that the delay in supply of departmental materials, due to non-payment of bills and non- acceptance of quotation on retender by Chief Engineer in respect of the work relating to construction of a building for Government High School, Kumaranalloor resulted in an expenditure of Rs. 7.56 lakhs which remained unfruitful and the student

community had been deprived of the benefits for about 8 years. Therefore, the Committee urge that Government should evolve a system to review and monitor the progress of works of buildings which were delayed and suggest that follow up action should be taken for completion of works in a time bound manner, so as to prevent the recurrence of such lapses.

Action Taken

2.4 The supply of materials for the construction of buildings is not the responsibility of the department at present. However, as suggested by the Committee an effective system to review and monitor the execution and progress of construction of building works will be evolved for avoiding delay and for time bound completion of works, without delay.

Recommendation

(Sl. No. 3, Para No. 8)

2.5 The Committee also desire to know whether the redeployment of the idling staff in some of the sub divisions of the Buildings and Roads Wing of Public Works Department have been completed and the details of their redeployment should be intimated to the Committee.

Action Taken

2.6 The following staff have already been deployed to LSGD.

<i>Sl. No.</i>	<i>Name of Post</i>	<i>No.</i>
1	Chief Engineer	1
2	Administrative Assistant	1
3	Executive Engineer	17
4	Assistant Executive Engineer	98
5	Assistant Engineer	207
6	Overseers	545
7	Junior Superintendent	18
8	Clerk	337
9	Typist	106
10	Peons	103
11	Part Time Sweeper	4

2.7 Therefore there is no idling staff in Roads or Buildings Sub divisions at present. Consequent on the deployment of staff from PWD it has become imperative to restructure PWD with reduced staff strength. The restructuring will be completed shortly, in such a way that there will be no scope for idling of staff in any of the Roads or Buildings Sub divisions.

Recommendation

(Sl. No. 4, Para No. 14)

2.8 The heavy loss sustained by Government on account of lapses due to the provision for payment of seigniorage charges for a non-existing item in their estimates could have been averted had the Department amended the Schedule of Rates. The Committee view the lapses on the part of the Engineers in Public Works Department for continuance of this provision for 13 years for inadmissible payments to the contractors with due seriousness. The foregoing facts lead the Committee to the conclusion that the payment on account of royalty on such materials which were deleted is highly irregular and the Committee deprecate the action of officers in having ordered the inadmissible payment to contractors without verifying and satisfying whether any expenditure warranting this reimbursement had been made.

Action Taken

2.9 Seigniorage charge is not included in the PWD Schedule of Rates at present.

2.10 Seigniorage charges were allowed in PWD only when supply of earth/other materials were from private sources; where the rates quoted by contractors included seigniorage, ground rent etc. payable to owners of private quarries. Also clause 30 of NIT provided that contractor will be exempted from payment of seigniorage for rubble and metal quarried from PWD quarries exclusively for PWD work. In the Schedule of rates revised and enforced with effect from 1-6-1990 itself; the provision of seigniorage charges was deleted and at present estimates are prepared without including such charges.

Recommendation

(Sl. No. 6, Para No. 17)

2.11 The Committee feel that since it is quite certain that the unserviceable plants could not be utilised, the department should take steps to dispose of such plants without further delay. The details about the final disposal of these plants and the amount realised by the department should be intimated to the Committee.

Action Taken

2.12 Name of the higher bidder—P.K. Raju, Palaparambil house, Nadakavu P.O.

2.13 One unserviceable hot mix plant under Muvattupuzha division bearing Engine No. 11-A 304/03. 1013/86 was auctioned and the same is approved. The amount comes to Rs. 68,280.

2.14 Regarding the H.M. Plant under the Superintending Engineer, PWD Roads & Bridges North Circle, Kozhikode is concerned, the following replies are furnished.

2.15 The Agreement for the supply of H.M. plant was executed by the Chief Engineer (Mechanical), Thiruvananthapuram. So as per letter No. A6-824/81 HMP dated 2-8-1988 of the Executive Engineer, Roads Division, Wayanad, the Chief Engineer (Mech.) had been requested to forward a copy of the agreement. It has been pointed out that the trial run can be done only at the time of arranging BT works ie, after the rainy season. This fact has been informed to the Sales Manager of M/s. Nikhil Automobile Engineering Private Limited. The suppliers of the HM plant and the Assistant Executive Engineer, Kalpetta has been asked to fix a convenient date.

2.16 Accordingly the Executive Engineer in his letter dated 19-2-1988 has requested the firm to send the Mechanic to commission the plant. Subsequently the plant was commissioned on 2-7-1988. As the plant was commissioned, there is no action to be taken against the supplier for getting manufacturing defects rectified. As such there is no loss to the Government. These facts were reported while submitting the replies to I.R. and these objections were dropped by the Accountant General vide their letter No. IAU (W)/IV/2-1/342 dated, 23-8-2001.

2.17 Out of the Seventeen hot mix plants, seven hot mix plants were auctioned, since then and an amount of Rs. 4,40,172 was released in this regard. Of the remaining ten plants, nine are under repair and one plant is in use. Auction proceedings have been initiated in case of two plants which have become unserviceable beyond repair.

2.18 The unserviceable hot mix plants were attached to the Roads Divisions, Thiruvananthapuram, Kollam, Alappuzha, Ernakulam, Muvattupuzha, Kasargod, Kannur, Kozhikode and Manjeri. Of this the hot mix plants attached to Roads Division Kannur, Muvattupuzha, Manjeri, Alappuzha, Thiruvananthapuram and Kollam are auctioned and disposed of. Action is being pursued to dispose of the plants attached to Roads Division, Kasargode and

Kozhikode. The plants attached to Kalpetta Division is in working condition and Pathanamthitta under repair. The unserviceable plant attached to Roads Division, Ernakulam was disposed of in public auction on 4-7-2003.

2.19 The plant was commissioned on 2-7-1988 and there after the plant was in working condition. Therefore this plant pertaining to Roads Division, Wayanad is not to be included in the list of the unserviceable plants to be disposed of.

Recommendation

(Sl. No. 8, Para No. 23)

2.20 During evidence, the Committee directed the Principal Secretary, Public Works Department to furnish the Remedial Measures Taken on audit para 5.1.9 for which the Department failed to submit in time. The Committee are constrained to give a serious note that any further breach of instructions/norms with regard to the time limit fixed for submission of notes to the Committee would meet with serious consequences in future. The Committee urge the Government to furnish Remedial Measures Taken on audit paragraph 5.1.9 within two months after the presentation of this Report.

Action Taken

2.21 3 tonne platform scale procured in 1983 with accessories not assembled was kept in the office premises of the Buildings Sub Division, Perinthelmann as such. On receipt of the information the Executive Engineer, Malappuram has been directed to auction the same as per decision of the PAC under para 5.1.9 and instructed him to take emergent action in the matter. The urgency in the matter was also intimated to the Executive Engineer, Buildings Divisions, Malappuram. The Executive Engineer, Mechanical Division, Kozhikode has been requested to prepare survey report for the disposal of the same in public auction. The Executive Engineer, Buildings Division, Malappuram has been directed to follow up the matter and to see that the auction is conducted within a month and to report compliance promptly.

2.22 The Assistant Executive Engineer, Mechanical Sub Division, Calicut has prepared the Survey Report for the 3 tonne platform balance and also unserviceable 2 Nos. weighing balance available at District Store, Angadippuram of 500 kg. and 1000 kg. The assessed Survey Report value for the 3 Nos. weighing balance is Rs. 11,500. The Auction was conducted on 21-1-2004 and it was confirmed for an amount of Rs. 13,000+ 10% S.T. on 4-2-2004.

2.23 The inordinate delay occurred in disposing of the idle unit was noticed and taken as a serious lapse on the part of the officers concerned and they were given strict warning against such lapses. It is found that there is no possibility of fixing liability against the concerned officers after a lapse of about 10 years. The audit para may therefore be dropped.

Recommendation

(Sl. No. 9, Para No. 32)

2.24 The Committee understand that there was extra liability of Rs. 6.03 lakh due to the delay in the acceptance of tender within the validity period for the work of extension of Civil Engineering Laboratory, Govt. Engineering College, Thrissur. The Committee learn that the original tender for the work quoting 58% above estimate was rejected citing the high rate on the hope of getting better offers. Later the work was retendered twice. The Committee opine that lack of prudence in accepting the original tender by the Department led to the extra expenditure.

Action Taken

2.25 The facts and circumstances in the matter have already been explained. The rejection of an earlier tender on account of high rate was on the hope of a better offer. Though the expectation was not found fruitful later, such a stand can only be treated as unfortunate. The views expressed by the Committee is noted for future guidance.

Recommendation

(Sl. No. 10, Para No. 33)

2.26 The Committee notice that the department failed to accept the lowest tender received for the work for constructing quarter for District Collectors and other Senior Officers. The action of the Tender Committee to ask the contractor who quoted the lowest tender to lower the rate again, by overlooking the recommendation of SE for acceptance of second lowest offer as the rate was reasonable and as there was remote chance of getting a better offer, was not prudent and acceptance of a higher offer, resulted in an excess expenditure of Rs. 2.66 lakhs. The Committee deplore the Tender Committee's action which led to the additional liability to Government.

Action Taken

2.27 As already submitted, the result of rejection of an offer in anticipation of a better one may be positive or negative. The action of the Tender Committee was in bonafide public interest. Hence the explanations submitted already may be accepted and further action in the matter may be dropped.

Recommendation

(Sl. Nos. 11 & 12, Para Nos. 34 & 35)

2.28 The Committee also find no justification for delay in communicating the decision of acceptance of tender before the expiry of validity period for the work of constructing the Government High School Building in Malappuram district which resulted in a liability of Rs. 2.43 lakhs. A similar case that occurred in the construction of a building for Junior Technical School, Kuttippuram has also resulted in an extra expenditure of Rs. 2.04 lakhs.

2.29 The Committee observe that there was often undue delay amounting to total negligence/lapses in accepting the tenders and intimating the acceptance of tenders within the validity period to the contractors at Government level as well as Department level. The Audit had pointed out four cases causing an extra expenditure of Rs. 13.16 lakhs to Government. The Committee are of the opinion that the Government/Department should bestow maximum effort and attention in this field to avoid extra expenditure due to delay and other departmental omissions. The Committee recommend that Government should ensure the non-recurrence of such lapses by restructuring the present system of acceptance of tenders so as to avoid injudicious decision. The Committee also urge the Government to take immediate steps to revamp the set up in the office of Chief Engineers in Public Works Department to reduce the administrative delays and lapses in communicating the acceptance of tender.

Action Taken

2.30 The Department accepts the recommendations of the Committee. Earnest steps will be taken to review the existing systems, procedures and practices in regard to the processing of tender offers in the office of the Chief Engineer, PWD for ensuring the speedy and time bound disposal of such papers avoiding all forms of delay.

Thiruvananthapuram,
17th December, 2008.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	1.4	Public Works	The Committee expresses its displeasure that the PWD hadn't taken any action against the supplier firms of hot mix plants, even though PAC recommended to initiate action against them. The Committee recommends that the department should take action against the supplier firms urgently.
2	1.7	„	The Executive Engineers of Building Divisions concerned should have conducted necessary annual physical verification of the District Stores according to Financial Code and the report submitted to the Government. But the Committee understood that department hadn't done any stock verification. The Committee, therefore, suggests that stringent action should be taken against the responsible officers for the serious lapse on their part.