



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

FIFTIETH REPORT
(Presented on 11th December, 2014)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014**

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

FIFTIETH REPORT

On

**The Action Taken by Government on the Recommendations
contained in the Seventy Fourth Report of the Committee on
Public Undertakings 2001 relating to Kerala Water Authority
based on the Report of the Comptroller and
Auditor General of India for the year ended
31st March, 1996, No. 3 (Civil)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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„ M. K. Surendra Lal, Joint Secretary

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 Fiftieth Report on the Action Taken by Government on the recommendations contained in the Seventy Fourth Report of the Committee on Public Undertakings 2001 on the working of the Kerala Water Authority based on the Report of the Comptroller and Auditor General of India for the year ended 31-3-1996, No. 3 (Civil).

The Statements of Action Taken by the Government included in this Report were considered by the Committee constituted for the year (2008-11) and (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 Audit Paragraphs included in this Report.

Thiruvananthapuram,
11th December, 2014.

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

REPORT

The Report deals with the Action Taken by Government on the recommendations contained in the Seventy Fourth Report of Committee on Public Undertakings (2001). The Seventy Fourth Report relating to Kerala Water Authority is based on the report of the Comptroller and Auditor General of India for the year ended 31-3-1996, No. 3 (Civil) which was presented to the House on 11-3-1997.

The Report contained 19 recommendations. Government have furnished replies to all the recommendations. The Committee (2008-11), (2011-14) considered the replies received from Government in their meetings held on 15-9-2010 and 17-9-2012 respectively.

The Committee accepted the replies to the recommendations 1 (15), 2 (16), 3 (17), 4 (18), 6 (33), 7 (34), 8 (49), 9 (50), 10 (51), 11 (52), 12 (66), 15 (103), 16 (115), 17 (116), 18 (126) and 19 (127) without any remarks. These recommendations and their replies form Chapter I of the report.

The replies to the recommendations No. 5 (26), 13 (81), 14 (91) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

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

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
1	15	Water Resources	The Committee is not satisfied with the reason for the deviation from the Purchase Manual in finalizing the tender. It is difficult for the Committee to appreciate the stand taken by the Authority in this deal, when it was clearly indicated in the Store Purchase Manual to give exemption to public undertakings from remitting the Security Deposit. It was stated that the Authority followed the course of action followed in yesteryear and did not take note of the provisions of the purchase	The supply order was placed by KWA with M/s IISCO on 1-2-1993. However, M/s IISCO acknowledged the receipt of the supply order only on 29-4-1993, with certain conditions such as payments should be made within 72 hours of supply, clearance of all pending payments, etc. These conditions have to be sorted out before finalizing the agreement, which would take more time. Supplies had to be completed within four months from finalizing the terms and conditions of supply order. The actual supply could have started only after 11-6-1993, i.e. the date on which DCS & D rate revision was made effective. The loss could not have been avoided as the payment

		<p>manual. If the deal was settled in time by negotiations, the loss incurred by the Authority could have been avoided. The careless and callous attitude taken by the officials resulted in further complications due to the price escalation for the materials in the market.</p>	<p>had to be made at the price which was to be calculated at the DGS & D rate on the date of supply.</p> <p>The non-compliance of the Stores Purchase Manual in exempting the Public Undertakings from remitting Security Deposit may be condoned, as there was no additional loss.</p>
2	16	<p>The Officials of the Authority were well aware of the price fluctuations in the market for these items and it was better to settle the issue with M/s IISCO without waste of time rather than to accept the tender conditions put forward by firm B. A thorough enquiry about the whole deals may be conducted and the result intimated to the Committee.</p>	<p>According to the directions of the PUC, the technical Member, Kerala Water Authority was appointed as Enquiry Officer. He had conducted the enquiry on the whole matter and the report of the enquiry was furnished. The Enquiry Officer had concluded that taking into consideration various facts explained in the 'report', a lenient view is required to be taken to absolve all the officers involved from any liability.</p>
3	17	<p>The Committee also urge the Authority to take urgent steps to settle the dues outstanding against M/s IISCO and to intimate the results.</p>	<p>KWA had settled the dues to M/s IISCO and there are no outstanding payments at present.</p>

1	2	3	4	5
4	18	Water Resources	The reason for not approaching Government for prior sanction for cases exceeding the limit of ₹ 1 crore may also be intimated to the Committee.	<p>According to KWS & S Act, any contract or agreement involving more than ₹ 1 crore shall be entered into by the Authority only with the previous approval of the Government. Hence when any purchase proposal is placed before the Authority, the decision would be to place the purchase order with the supplier, if the value of the order is less than ₹ 1 crore and if the value of the order is above ₹ 1 crore, to seek the approval of the Government. In case of orders less than ₹ 1 crore, once an agreement is entered into, any subsequent price variation causing the order value to become more than ₹ 1 crore can be allowed without referring to Government.</p> <p>In the present case, the value of the order, as approved by the Authority, was ₹ 96.35 lakh. In the meanwhile, DGS & D had increased the rates. The accepted prices were linked to the DGS & D rate.</p>

6	33	"	The Committee may be informed of the particulars of the official who were responsible for this laps and the action taken against them.	<p>Due to this, the value of the purchase order exceeded ₹ 1 crore. As the Authority had already decided to place the order against the particular tender at ₹ 96.35 lakh, overlooking the provision of the Act regarding entering into agreement involving more than ₹ 1 crore, the supply order was placed for ₹ 1.19 crore. This might be construed as an inadvertent mistake. Had the purchase order been placed initially for ₹ 96.35 lakh and subsequently the price variation admitted, there would have been no irregularity. Viewed in this perspective, the procedural irregularity may please be condoned, as no financial commitment is involved on this aspect.</p>
				<p>Soon after the mistake was pointed out by audit, necessary action have been taken to recover the excess amount paid with 18% interest and recovery effected. This mistake was due to oversight and may kindly be excused since no loss occurred to KWA.</p>

1	2	3	4	5
7	34	Water Resources	The Committee recommends the Authority to be cautious at least in future to avoid recurrence of such instances.	The recommendation of the Committee is noted for future guidance.
8	49	"	The Water Authority invited the tender of laying pipes under the presumption of getting the pipes during the time of actual execution. The inordinate delay in supplying pipes resulted in the termination of the contract with the first tenderer and giving the tender to the second tenderer afterwards by splitting the order.	The request for the purchase of pipes was received in 10/1991 and the tenders invited were opened on 13-7-1992. After obtaining Government Orders in 11/1992, the supply order was placed in 12/1992. The work under reference was awarded on 11/1992 expecting that the pipes would be available immediately. However, the firm executed the agreement only on 3/1993. After supplying some quantity of pipes, the firm informed that due to transport strike and shortage of resin there would be delay in completing the supply. KWA took action for cancelling the contract and retendering for the unsupplied materials and for invoking the Bank guarantee. In the meanwhile, in 9/1993, the firm offered materials for inspection. At first this was not considered as the contract was terminated in 8/1993. In 12/1993, as the

				<p>firm again expressed their willingness, their offer was considered as there was savings of ₹ 31.64 lakh, compared to the rate at which supply order was placed on a new tender. The delivery period was hence extended up to 5/1994.</p> <p>Meanwhile, the contractor for the work, vide his letter dated 15-12-1993 requested KWA to absolve him from doing the work or let him do the work at enhanced rate. Since there was no provision for rate escalation as per the original agreement, the contract was terminated. Under these circumstances the work was awarded to the second tenderer. The whole work was completed in November 1994.</p>
9	50	"	<p>The Committee noticed that the unholy haste shown by the officers resulted in a additional expenditure of ₹ 13.54 lakh. The witness failed to explain the discrepancy in the figures and the Committee wanted to know the reason for the huge escalation. The break-up of</p>	<p>As the work had to be completed before 31-3-1994, as agreed before the co-ordination committee of the Dutch Mission, it was decided to split the work into 4 zones and tenders for these works were invited in February 1994 and completed in November 1994. The original estimate was prepared based on the 1990 schedule of rates. But when the work was</p>

1	2	3	4	5															
			<p>figures showing the amount as per tender and the actual amount spent for the particular contract may be intimated to the Committee.</p>	<p>terminated and rearranged, the schedule of rates were revised. Hence the escalation in cost.</p> <p>The break-up of figures showing the amounts as per tender and the actual amounts spend are given below:</p> <table border="1"> <thead> <tr> <th>Work</th> <th>Amount as per tender</th> <th>Actual amount spent</th> </tr> </thead> <tbody> <tr> <td>Zone I</td> <td>₹ 3,94,097</td> <td>₹ 7,79,346</td> </tr> <tr> <td>Zone II</td> <td>₹ 3,94,097</td> <td>₹ 7,69,898</td> </tr> <tr> <td>Zone III</td> <td>₹ 3,94,097</td> <td>₹ 8,84,436</td> </tr> <tr> <td>Zone IV</td> <td>₹ 3,94,097</td> <td>₹ 8,63,225</td> </tr> </tbody> </table>	Work	Amount as per tender	Actual amount spent	Zone I	₹ 3,94,097	₹ 7,79,346	Zone II	₹ 3,94,097	₹ 7,69,898	Zone III	₹ 3,94,097	₹ 8,84,436	Zone IV	₹ 3,94,097	₹ 8,63,225
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Zone III	₹ 3,94,097	₹ 8,84,436																	
Zone IV	₹ 3,94,097	₹ 8,63,225																	
10	51	Water Resources	<p>The reason for not obtaining prior approval for splitting up of order may also be intimated.</p>	<p>As the work had to be completed before 31-3-1994, as agreed before the co-ordination committee of the Dutch Mission, it was decided to split the work into 4 zones and tenders for these works was invited by the Executive Engineer after obtaining prior permission from the SE. This was done with the intention of avoiding delay.</p>															

11	52	”	In the light of the Government Order, the Authority should take necessary steps to avoid such instances in future.	The Authority had already taken steps to avoid such instances in future.
12	66	”	The Authority in one instance justified the payment as it was an additional work but at the same time had taken steps to recover the excess amount paid as pointed out by the audit. The Committee criticizes the dual attitude of the authority and urged to stick on to the tender conditions while regulating payments.	Direction shall be followed strictly in future.
15	103	”	The Committee noted the remarks of the witness about the testing of water but wanted to know the reason for not pointing out the same during the time of Audit. Much waste of time and money could have been avoided if the same was pointed out at the time of audit. The Committee urge the authority to avoid such lapses in future.	This arised due to oversight at the time of audit and may be excused.

1	2	3	4	5
16	115	Water Resources	The Committee pointed out that it was not proper to raise the rate subsequently just to make good the loss.	Committee had pointed out that the Authority had revised the rate of tender form for the purchase of material with effect from 6th August, 1993 on the ground that the cost of manpower and cost of stationery were high. However, the cost of tender form for works were not revised resulting in short realization of ₹ 25.95 lakh during the period December 1993 to March 1995.
17	116	"	The Committee wanted to know whether the responsibility was fixed, and action taken against officers who were responsible for the lapse, and if so, the details thereof.	The rate revision for the cost of tender form for works was not considered by the Board of the Authority in the year 1993 and the enhanced rate was effected only in October 1996 and again from 1997. It is true that internal working of KWA should have been calibrated and co-ordinated in such a manner that the revision of the tender forms for store purchase and works took effect from 1993 itself when Government effected the revision. However, the loss of ₹ 0.25 lakh calculated was recouped in the later years. In the circumstances, fixation of responsibility on individual is not considered desirable.

18	126	”	<p>The Committee recommends that the Internal Audit Wing of the Authority should be strengthened to ensure regular check-up of financial records. The Committee also recommends to recognize the staff system, so that more efficient hand are deployed in the financial wing of the Authority.</p>	<p>The Internal Audit Wing is functioning more effectively and regular check of the financial records are being done by them. The staff will be reorganised as recommended by the Committee.</p>
19	127	”	<p>The latest position of the amount pending collection and progress in realization may be intimated.</p>	<p>The amount has been recovered fully.</p>

CHAPTER II

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department concerned	Conclusions/Recommendations	Action Taken by Government
1	2	3	4	5
5	26	Water Resources	The Committee notes that the Authority has violated the terms of payment of the contract to save the Government owned company from closure. The Committee is of the view that the loss could have been minimised, if the Authority had made the payment of advance in instalments after watching the supply of materials. The Committee cannot comprehend the payment of such a huge amount as advance violating the terms of payment. However the steps taken by the Authority to realize the amount may be intimated to the Committee.	As against an amount of ₹ 59.23 lakh due from M/s Premo Pipe Factory, ₹ 52.04 lakh was remitted on 18-7-1998, to the Authority. As M/s Premo Pipe Factory is closed and is under liquidation, it is not likely that KWA can get any further amount from them.

Remarks :— The Committee finds that in the reply furnished by the Government, it is only stated that the Premo Company

has been shut down, but no mention has been made in the reply regarding the huge amount given to the company in violation of the contract agreement. The Committee want to be furnished with a clear reply in this regard.

13	81	<p>The Committee notes that in this case the Authority has violated the instructions in the Kerala Public Works Department Manual; the Authority should have ensured the availability of land before inviting tenders for the work. The Committee recommends that such lapses should be avoided in future. The details of the steps taken by the Authority to recover the amount due from the contractor may be intimated to the Committee.</p>	<p>The recommendation of the Committee is noted for future guidance. In compliance of the observation of the Committee, revenue recovery proceedings were taken up by the W. S. Division, Attingal. The contractor filed a writ Petition No. 141135 of 2005 against the Revenue Recovery in the Hon'ble High Court.</p>
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Remarks:--The Committee wants to be furnished with the present position of the case filed by the contractor in the Hon'ble High Court against the recovery of tax.

14	91	<p>The Committee urge the Authority to find out the officers responsible for the lapse and to take suitable action against them. The Committee recommends to give top priority to the special component plan as it was for the benefit of Schedule Caste people of Kulakkada Harijan Colony and to complete the WSS without further delay.</p>	<p>A detailed enquiry was conducted and found that 13 officers were responsible for non-completion of the work. Out of this one officer has expired and 11 persons has since retired. Action has already been initiated by the KWA to issue showcause notice to those who retired from service. The only officer in service, Sri Jacob Chacko who joined the scheme after commencement of work was awarded a minor punishment of barring one</p>
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1	2	3	4	5
				<p>increment without cumulative effect for one year.</p> <p>The pipes laid under the distribution system of the scheme can be commissioned only when ARWSS to Kulakkada and Pavithreswaram Panchayat is completed. It is expected that the project will be commissioned by October 2011.</p>

Remarks:—The Committee wants to be informed of the responses to show cause notice issued to the delinquent officers who had retired from service and also wants to know whether Kulakkada water supply scheme has started functioning.

K. N. A. KHADER,

Chairman,

Committee on Public Undertakings.

Thiruvananthapuram,
11th December, 2014.

APPENDIX I

ENQUIRY REPORT

Sub:— Extra expenditure in the purchase of CI Pipes-Local Audit report of KWA for the period from 1-4-1992 to 31-3-1994-Decision taken at the PUC meeting (1998-2000) 18-4-2000-Enquiry Report-Regarding.

Ref:— (1) KWA/HO/SP-9635/92/CI/ECL/Vol. II Part dated 1-6-2001.

(2) PUC Decision—vide Letter No. 6827/WSC-1/2001/Ird.
of Irrigation (WSC) Dept. dated 17-3-2001.

(3) Note on meeting of PUC held on 18-4-2000.

(4) Audit para 7.13.

(5) Remarks on the statement of facts.

1.0 Observations of cag*Extra expenditure due to delay in acceptance of tender*

The CE (PS & GI) had invited a tender for the supply of CI Pipes in September 1992. Firm A i.e. M/s IISCO a Government of India undertaking was the lowest tenderer with a rate of ₹ 4,550.70 per m. Firm B. i.e. M/s Electrosteel Castings was the second lowest with a rate of ₹ 4,587.99 per m. The above rates were DGS & D rates with price variation clause.

In December 1992, the tender committee recommended to purchase the pipes from firm A. However in January 1993, the firm A informed that they would supply only if dues are paid. This condition was accepted by the Authority and the supply order was placed with firm A in February 1993.

But the agreement could not be executed till May 1993, as the firm A did not remit the Security Deposit of ₹ 4.78 lakh. Subsequently in July 1993 the firm A agreed to remit the security Deposit if their dues of ₹ 40.39 lakh were paid. So in October 1993 the Authority decided to cancel the supply order placed on Firm A and to accept the offer of firm B and cancelled the supply order placed with firm A. Supply order was placed on firm B in November 1993. In the mean time the rates of firm B was revised from ₹ 4,587.99 to ₹ 5,657.55 per m. consequent on the

revision in the DGS & D rates from 11th June, 1993 and the firm B supplied the pipes. The value of the offer of the firm was ₹ 1.19 crore resulting in an extra expenditure of ₹ 17.57 lakh.

The CAG had made the following observations:

- (i) The decision of the Authority to insist on Firm A to remit security deposit was not in order as all Government of India undertakings were exempted from furnishing security deposited.
- (ii) Had the authority finalized the tender with firm A in April 1993, when they came forward with the agreement, extra expenditure of ₹ 17.57 lakh due to subsequent increase in DGS & D rates and sales tax could have been avoided.
- (iii) As per the KWSS Act, purchases costing more than ₹ 1 crore need prior sanction of the Government which was not obtained.

2.0 Calendar of Events as per Files

1. Request from Executive Engineer PH Division, Calicut for .. 4-6-1992
procurement of 5500 m. 750 mm. CI class A pipe
2. Proposal for procurement placed before the Authority .. 30-7-1992
3. Invitation of tender (notice) .. 23-9-1992
4. Tender sent to PH Division, TVM. for sale .. 9-10-1992
5. Tender received and opened .. 5-11-1992
6. First Tender Committee meeting .. 11-12-1992
7. Tender placed in the Authority (first time) .. 31-12-1992
8. Tender placed in the Authority (second time) .. 21-1-1993
9. Supply order placed with M/s IISCO .. 1-2-1993
10. Supply order despatched .. 10-2-1993
11. Telegram sent from this office for executing Agreement .. 13-4-1993
12. Submission of agreement by the firm without security deposit .. 29-4-1993
and signed copy of the supply order

- | | | |
|--|----|---------------|
| 13. Reminder for agreement from this office | .. | 17-5-1993 |
| 14. Final notice for agreement | .. | 8-6-1993 |
| 15. Reply from M/s IISCO to the effect that supply order is taken into books and security deposit can be made only after clearing the old payments | .. | 5-7-1993 |
| 16. Letter from this office to M/s IISCO rejecting their reason for not furnishing security deposit | .. | 8-7-1993 |
| 17. Letter from M/s IISCO claiming pending payments before furnishing security deposit | .. | 16-7-1993 |
| 18. Letter to M/s ECL requesting their willingness to supply at their quoted rate | .. | 31-7-1993 |
| 19. Reply from M/s ECL that new DGS & DRC has come into force and so rate revision is required, Delivery Period for 8 months and revolving letter of credit for smooth payment | .. | 4-8-1993 |
| 20. Request letter to M/s ECL to withdraw their additional conditions | .. | 13-9-1993 |
| 21. Request Letter to M/s ECL for validity extension | .. | 6-10-1993 |
| 22. Proposal for placing supply orders with M/s ECL (Resolution No. 2865) | .. | 29-10-1993 |
| 23. Supply order placed with M/s ECL | .. | 15/17-11-1993 |
| 24. Supply order placed with M/s IISCO cancelled | .. | 11-1-1994 |

3.0 Remarks of Kerala Water Authority

- (i) As regards exempting firm A from the provisions of submitting security deposit, firm A i.e., M/s IISCO, a GOI undertaking had been a regular supplier of CI pipes to the Authority. They had always submitted security deposit and even in the present case they had not claimed exemption from furnishing security deposit at any point of time. They were also willing to remit the security deposit subject to the Authority accepting certain

conditions such as the payment to be made within 72 hrs. of supply, clearance of all pending payments etc. Therefore accepting their agreement without insisting on security deposit was neither considered necessary nor was there any request for the same at that point of time.

(ii) The Authority could not finalize the agreement, as the above-mentioned conditions of IISCO could not be accepted. The arrears of ₹ 20.71 lakh were disputed payments relating to breakage, short receipt etc. Similarly making payment within 72 hrs. of supply was also not practicable as the materials had to be verified, funds should be transferred from head office etc. In the above circumstances, the order with Firm A had to be cancelled and the orders placed with firm B at the DGS & D rate. Therefore the delay in finalizing the supply order and the consequent extra expenditure of ₹ 17.57 lakh due to subsequent increase in DGS & D rate and CST was unexpected and due to reasons beyond the control of Authority.

(iii) The orders for the supply of pipes was placed with M/s Electrosteel Castings vide Purchase Order No. SP/9635/92/Electrosteel dated 15-11-1993. The value of the above purchase order was only ₹ 8985165 (less than ₹ One crore.) Hence Government approval was not required. However when DGS & D rates were revised the value of the supply increased to ₹ 1.19 crore. This was the reason for not seeking the approval of the Government for the purchases referred to in the Audit Para.

4.0 Decision Taken at the PUC Meetings

"The committee is not satisfied with reason for the deviation from the purchase manual in finalizing the tender. It is difficult for the committee to appreciate the stand taken by the authority in this deal, when it was clearly indicated in the SP Manual to give exemption to public undertakings from remitting the security deposit. It was stated that the Authority followed the course of action followed in yesteryears and did not take note of the provisions of the purchase manual; If the deal was settled in time by negotiations the loss incurred by the Authority could have been avoided. The careless and callous attitude taken by the officials resulted in further complications due to the price escalation for the materials in the market".

"The officials of the Authority were well aware of the price fluctuations in the market for these items and it was better to settle the issue with M/s IISCO without waste of time, rather than to accept the tender conditions put forward by the firm B. A thorough enquiry about the whole deal may be conducted and the result intimated to the committee. The committee also urged the Authority to take urgent steps to settle the dues outstanding against M/s IISCO and to intimate the results".

"The reason for not approaching the Government for prior sanction for cases exceeding the limit of ₹ 1 crore may also be intimated to the committee".

5.0 Observations

5.1 The enquiry is centered around the available records in the following files related to the subject matter:

(1) KWA HO/SP-9635/92/CI Vol.I

(2) KWA HO/SP-9635/92/CI Vol.II

(3) KWA HO/SP-9635/92/CI ECL

5.2 The calendar of events speak on the activities taken place from the requisition of pipes from the concerned Executive Engineer to the placing of supply order with M/s ECL.

(1) The supply order was placed by KWA with M/s IISCO on 1-2-1993 (seen despatched only on 10-2-1993).

(2) Agreement required to be executed by M/s IISCO on 15-2-1993 (considering the despatch date of 10-2-1993, the execution of the agreement had to be 25-2-1993).

(3) Delivery period of 4 months from the date of supply order expires on 30-5-1993 (even if we allow supply order despatch date of 10-2-1993, the delivery period expires on 10-6-1993).

(4) DGS & D rate revision was effective from 11-6-1993.

5.3 Had the supply order been accepted and acknowledged by M/s IISCO in the usual manner, the said supply would have been completed in the specified time limit and the DGS & D rate revision need not have been incurred at all by KWA.

- 5.4 But M/s IISCO acknowledged the receipt of the supply orders only on 29-4-1993 i.e., after a lapse of nearly three months with a condition that their earlier dues should be cleared and the delivery period will be reckoned only after all earlier outstanding from KWA to them are cleared. No signed supply order and the security deposit which form part of the agreement was seen submitted by M/s IISCO.
- 5.5 Vide their letter 5-7-1993 M/s IISCO had informed that necessary security deposit could be made only after KWA clearing the outstanding dues amounting to Rs. 40.39 lakh.
- 5.6 At no point of time M/s IISCO has requested exemption from furnishing the security deposit. Even in this case exemption from furnishing security deposit was not requested by M/s IISCO, but wanted pending payments cleared.
- 5.7 M/s IISCO was reminded for executing agreement and to a final notice, M/s IISCO vide their letter dated 16-7-1993 put forth conditions that a specific time frame should be spelt out for clearing all the outstanding dues and to release payment within seventy two hours on receipt and verification of materials by the consignees and in the event of delay, 22% penal interest will be charged. Moreover the firm wanted confirmation on the above before 31-7-1993 failing which the freight charges quoted by them will be revised.
- 5.8 The outstanding payments indicated by the firm is reported to be due to breakages in supplies for which no follow-up action was taken up by the firm. Past experience with M/s IISCO shows recovery from the firm towards damages and hence KWA insisted for security deposit. At no point of time M/s IISCO requested exemption of security deposit.
- 5.9 The materials ordered are found to be urgently required for the works and hence the attempts were seen taken by the KWA to procure the materials from M/s Electrosteel Castings Ltd. After observing various official formalities as could be seen from the calendar of events. Finally the supply order was seen placed with M/s Electrosteel Castings Ltd.

6.0 Findings

- 6.1 The tenders received and opened on 5-11-1992 were processed as per rules and finally the supply order placed with M/s IISCO as on 1-2-1993. It took only three months to finalize the tender which included placing the tenders in the tender committee, KWA Board (two times) for consideration and approval etc.
- 6.2 M/s IISCO refrained from accepting and acknowledging the supply orders given by KWA on 1-2-1993 and responded to the same only on 29-4-1993, that too without security deposit and signed copy of the supply order etc. Their conditions on acceptance of supply order vide their letters dated 29-4-1993, 5-7-1993, 16-7-1993 (refer 5.4, 5.5, 5.7 etc.) is not acceptable to KWA at all.
- 6.3 At no point of time M/s IISCO has requested exemption from furnishing the security deposit. Insistence by KWA for remittance of security deposit was never been a dispute at all. The outstanding payments indicated by the firm also includes the cost of pipe broken during supply. This issue was being sorted out at that time by KWA.
- 6.4 The conditions stipulated by M/s IISCO for acceptance of supply order can only be treated as pressure tactics by the firm to get the pending payments which includes indirectly the cost of pipes that got broken during the supply etc. (the subject issue was being sorted out).
- 6.5 Clearing outstanding payments to the firm is a separate issue and it is nothing to do with new supply order (subject order). M/s IISCO would not have linked the subject supply order with that of outstanding payments as M/s IISCO has long years business links with KWA. It was an unusual stand taken by M/s IISCO and KWA could not agree to the conditions and hence went for the offer of second lowest.
- 6.6 The officers of KWA connected with this subject purchase are seen to have taken all out effort to get M/s IISCO, the Government of India undertaking agreeing to the tender conditions in toto. But the attempts did not give any fruitful results. Had the KWA conceded to the conditions put forth by

M/s IISCO on 29-4-1993 the supply of materials would have been after 11-6-1993 (RC revision date) in which case payment would have been as per the revised rate (increased one). The conditional acceptance of supply order by M/s IISCO cannot be accepted by KWA and hence the only alternative is to go in for the next lowest offerer in view of the urgent requirement of pipes for various ongoing works.

6.7 The alternate arrangement of placing supply order with the second lowest tenderer was seen resorted by the officials as the situation was beyond the control of KWA. Had retender been resorted to, procurement of pipes would have been delayed and finally the financial commitment would have been the same as what has been pointed out, as revised RC rate from 11-6-1993 and CST will be applicable to the subject supply.

6.8 The attempt by KWA on this issue was seen to be in good interest of KWA.

7.0 **Conclusion**

7.1 It is true that the public undertakings are exempted from security deposit, but here in this case, insistence by KWA for security deposit from M/s IISCO was not disputed by M/s IISCO and at no point of time, the firm requested for exemption from furnishing the security deposit. The finalization of supply order was prolonged due to stipulation of unacceptable conditions for accepting the supply order given by KWA and delay on the part on M/s IISCO in acknowledging the receipt of the supply order.

7.2 Earnest attempts were seen made by the officials to get the supply order placed by KWA accepted by M/s IISCO as per NIT conditions. But the firm was adamant on their conditions such as clearance of all outstanding dues and clearance of payments for the subject supply within 72 hours etc. This condition was not acceptable to KWA and hence resorted to placing orders with second lowest tenderer M/s Electrosteel Casting Ltd. By this time the DGS & D rate contract got revised and the supply order with M/s Electro steel Casting Ltd. had to be governed or based on the revised RC and CST. Hence the consequent extra expenditure of ₹ 17.57 lakh is due to subsequent increase in DGS & D rate and CST.

- 7.3 Difficult situation was faced by the officials in finalizing the tender and the issues cropped in were beyond the control of KWA. Moreover the revision of RC was unexpected.
- 7.4 Considering various facts explained in this report a lenient view is required to be taken to absolve all the officers involved from any liability. It is recommended that the PUC may be pleaded through Government to review the decision taken on 18-4-2000 to absolve all officers from any liability.
- 7.5 The officials of KWA dealing with procurement of materials should be alerted and warned to be more vigil in finalizing the tenders so as to avoid extra expenditure and loss to KWA due to delay in taking appropriate decisions.

(Sd.)

Technical Member.

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