

**CONFIDENTIAL**  
**BY SPEED POST**

F.No.1301-9/2016-Vig  
Govt. of India  
Ministry of Culture  
Vigilance Division

New Delhi, dated 21<sup>st</sup> July, 2016

To

The Director,  
Kalashetra Foundation,  
Chennai,

**Sub: Koothambalam Project of Kalashetra Foundation –reg.**

Madam,

I am direct to say, as you are aware, the CVC carried out an intensive examination of the Koothambalam Project of your institute during 11-13/4/2016. Following the report of CVC on Intensive Examination, a team of the Ministry of Culture also carried out further investigation during 30-6-2016 to 2-7-2016.

2. Based on the findings contained in both the reports, the following officials have been identified as suspects for various procedural lapses as given in the note enclosed at Annexure-I :-Ms. Leela Samson, (the then) Director, KF (ii) Mr. Karunakar K. Memon, (the then) Dy. Director (iii) Mr. T.S.Murthi, (the then) Chief Accounts Officer (iii) Mr. T.S.Muirthi, (the then) Chief Accounts Officer (iv) Mr. M.Srinivasan, Engineer Officer (v) Mr. S. Ramachandran, Manager, CREC.
3. You are ,therefore, requested to seek explanation of all these suspected officials and offer your comments on the explanation to be given by them in the format given at Annexure II.
4. It has also been decided that KF may entrust the task to CPWD to assess the actual work completed (physical progress) against the total expenditure of Rs.7.03 crores.
5. The entire process may be completed in a time bound manner and the requisite reply be sent to the Ministry at the earliest and in any case by 19<sup>th</sup> August, 2016. The copies of letters seeking explanation and the explanation given by susepected officials may also be sent to this Ministry.

Yours faithfully,

  
(Yash Veer Singh)

Under Secretary to the Govt. of India

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**Upgradation/ Renovation of Koothambalam Auditorium,  
Kalakshetra Foundation, Chennai**

The Kalakshetra Foundation (KF), Chennai, an autonomous organization established by an Act of Parliament initiated a project for upgradation and renovation of Koothambalam Auditorium in the year 2005-06. However, no headway could be made till 2009. The Governing Board (GB) of the KF, in 2009, constituted a Work Committee (WC) of three members including the then Director, KF to act as an advisory body and seek approval of Finance Committee (FC) and GB, being the competent authorities as per KF Rules, 1998, for implementation of the project.

2. The WC engaged an Architect Consultant M/s. Centre for Architectural Research and Design (CARD) through limited tendering without approval of the FC and GB. The powers of invitation of tenders which needed to be carried out by the KF were delegated to M/s. CARD.

3. At the time of conception of the project, no DPR including the total estimated cost was prepared. The estimates for various civil, electrical and other works were prepared by M/s. CARD, which were not got vetted or certified by the CPWD or State PWD.

4. Following the audit by C&AG which pointed out various irregularities, the GB, in its 38<sup>th</sup> meeting held on 10.04.2012, directed to prepare a detailed proposal and place the same before the Finance Committee and then for consideration of the Board. The GB further directed that till the matter is resolved, further work be brought to a close. On the request of CVO, Ministry of Culture, the CVC carried out an intensive examination of the project during 11.03.2016 to 13.03.2016. The CVC, in its Intensive Technical Examination (CTE) Report, has pointed out various irregularities including non-adherence to codal procedures, poor work quality, no basis for estimates for civil work, interest free advances to various firms, release of payment without proper record of measurement etc.

5. On the direction of CVC, the CVO, Ministry of Culture constituted a team of four officers including an engineer for detailed investigation. Accordingly, the team carried out the investigation in KF during 30<sup>th</sup> June, 2016 to 2<sup>nd</sup> July, 2016.

6. After detailed investigation of relevant files/ records made available to the team as well as physical verification of the site, the team arrived at the conclusion that the laid down procedures/ codal formalities have been blatantly violated and the following lapses have been observed:

- i. The GB in its 32<sup>nd</sup> and 33<sup>rd</sup> meeting approved to constitute a Work Committee so that after the schemes were approved by the committee be placed before

the Finance Committee and then to Governing Board. It was also decided to prepare necessary estimates before calling for tenders. However, no formal order constituting the WC was issued by the Management of KF.

- ii. The KF on 2<sup>nd</sup> July 2009 issued Expression of Interest (EOI) to five firms seeking their willingness within one week. No open tender for appointment of consultant was issued as per laid down norms. The EOI was not specific to Koothambalam project only. It did not contain the basic requirements like eligibility criteria, name of work, scope of the work, time frame, etc. The process adopted by KF in issuing EOI and selection of Consultant was totally in contravention of the laid down procedure of General Financial Rules (GFRs). While calling EOI, KF should have followed a fair, transparent and reasonable process with requisite publicity as laid down in GFRs. As this was not followed by KF, it led the entire process of engaging consultant through EOI depriving the other reputed competent competitive firms to participate.
- iii. Based on the recommendations/ approvals of the WC, the management of KF conveyed the offer of appointment to M/s CARD for engaging consultant. An agreement dated 11<sup>th</sup> December 2009 was signed between KF and M/s. CARD. The management of KF, however, did not obtain approval of the FC and GB despite categorical decision by the GB in its 33<sup>rd</sup> meeting. The WC was not empowered to take such decisions.
- iv. Sub-consultants were appointed by consultant M/s CARD on its own. The contractors were engaged by sub-consultants for different work on quotation basis for works valuing as high as Rs.2.19 crores.
- v. It was informed by Engineer Officer of KF that no detailed estimates were prepared by the Consulting Agency (M/s CARD). It was observed that the entire process of the execution of works was taken up as per the guidance of the M/s. CARD who also formulated the terms and conditions suited to them and the KF accepted the same and entered into the agreement with M/s CARD. From there onwards every next step relating to the project was in favour of M/s CARD and KF was totally misled on the entire project.
- vi. As per the conditions of the agreement, M/s CARD was the sole consultant for the entire work and also to invite the Quotations and Tenders for the work and for checking/ inspecting the same and to analyze the standards and submit its recommendations to KF for approval. Such conditions should not have been considered and accepted by the KF from the beginning of the project itself.
- vii. In one of the conditions, M/s CARD stated that if the works were awarded to them or to the agencies recommended by them, the advances for taking up the work (Mobilization advance) had to be given by KF.

Accordingly, Interest free advances were given to various firms. Amount of Rs.18,05810/- is yet to be recovered.

- viii. In the case of M/s Chennai Engineers, the cheque No.018580 dated 14<sup>th</sup> April, 2010 from Bank of Baroda, Kolathur Branch, Chennai for Rs.50,000/- as EMD was accepted which was later on dishonored by the Bank on 3<sup>rd</sup> May 2010. On the request of M/s CARD vide its letter dated 24<sup>th</sup> May 2010, a Banker's Cheque No.584418 dated 24.5.2010 for Rs.50,000 issued by Bank of Baroda, Kolathur Branch, Chennai was accepted and work awarded to M/s Chennai Engineers, being L-I. The tender schedules submitted by the participating firms were not opened and certified by the KF officials. Hence, the whole tendering process adopted was in violation of the prescribed rules of GFRs and CPWD Manual and the tender should have been cancelled.
- ix. For the work, M/s CARD had given only the Abstract Cost of the Estimate and not the detailed estimates and sub-data and rate analysis based on the PWD Schedule of Rates (SOR) of the particular year during the preparation of the original estimates. Even if the estimate is prepared by a Private Agency based on the SOR, the same should be got checked, verified, and vetted by the CPWD/ State PWD so as to satisfy its appropriateness, suitability to the need of the organization, and stability with reference to quality assurance, etc. This was not followed by KF despite the fact that KF is having a regular Engineer Officer.
- x. No estimate of electrical, sound, lighting, sculpture work by M/s CARD or sub-consultants.
- xi. The estimated items are in two different fields viz. Civil and Electrical. Hence, it needed two separate estimates duly certified by the Civil and Electrical Engineers. KF did not get the estimates for electrical items vetted or certified from the CPWD. The need of electrical wattage and their installations should be got checked and verified by the competent electrical engineers to avoid any untoward incident.
- xii. Awarding of the works/ contracts by the Kalashekthra Foundation was done as per the recommendations of M/s CARD and with the approval of the Works Committee. But, since the Works Committee was not having any representative of Engineers, it was totally wrong in deciding the technical matters and approving the Quotations and Tenders to the Contractors. The process of tenders and quotations should have been scrutinized properly by putting up proper notes on files seeking recommendations of the technical personnel either within the Deptt or the Engineer from outside Deptt. But, this was not done by the Kalashekthra Foundation, and they remained silent in this regard.

- xiii. On checking the Measurement Books, which are prime documents for the works, it was noticed that the measurement entries were made by the clerks of works engaged by M/s CARD even without mentioning any date of measurement in many Books. In some of the Measurement Books, the irregular entries of the dates were seen. The works were not got check-measured by the Engineers. Without the check-measurement by the Departmental Engineer, payments were released. Hence, the Accounts Department and other concerned officials of the KF who have passed all these bills did not follow the normal procedure as laid down in the CPWD manual. The bill passing orders contain signatures of the concerned officials.
- xiv. It was reported by CVC that the roof was leaking even after spending an amount to the tune of Rs.59.40 lakhs. On site inspection carried out on 1<sup>st</sup> July 2016 it was observed that the technicality involved in laying the Mangalore Pressed Tiled roof was not studied properly by the agency who was awarded this work, and now the tiles have got disturbed. The laid acoustic proof boards get wet and losing its purpose. The Mangalore Pressed tiles should have been laid by engaging the tiles layer with the help of mason category workers who are well versed in laying and side by side engaging the carpenters by set righting the rafters and purlins for the placement of the tiles by which the leakages can be arrested.
- xv. Higher payment to contractors vis-a-vis estimate by CPWD for executed work.
- xvi. Poor quality of civil/ electric work.
- xvii. No Performance Bank Guarantee was taken in any of the work.
- xviii. Additional works awarded at the rates decided without market rate analysis.
- xix. Earnest Money Deposit (EMD) for electric work was fixed @1% of quoted value. Offer of M/s Kevin in electric work was considered in spite of the fact that their EMD was not 1% of their quote and later on it became L-1
- xx. In respect of electrical work, Bank Guarantee for mobilization advance was valid upto 17.2.2011 which was renewed on 3.3.2011 after lapse of 14 days. Hence, irregular renewal of Bank Guarantees for mobilization advances.
- xxi. In slab cooling work, L-2 offer by M/s Vibrant without any signature or seal of firm.
- xxii. Items supplied by M/s Modern Stage Service are not of make mentioned in Procurement Order. Only the cover of them is of that make. No embossing of power rating in wattage over these equipments

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**EXPLANATION OF THE SUSPECTED OFFICIALS FOR LAPSES IN THE EXECUTION OF KOTHAMBALAM PROJECT**

Name/Designation of the Official:

Sl. No.	Lapses	Explanation given By the official	Comments of KF

Signature  
Director KF