

Inspection Report on the accounts of Resident Engineer, Rajasthan State Road Development & Construction Corporation Ltd., Unit – Ajmer for the years 2004-05 and 2005-06

PART – I-(A)

INTRODUCTORY :

The Unit at Maharshi Dayanand Saraswati University, Ajmer was established in 1990 with the object of constructing Buildings/ Bridges/ Roads on behalf of Government Undertakings/ Departments. Normally, the works are undertaken by the Unit on cost plus centage charges and on tender basis. Resident Engineer is the head of the Unit and is assisted by 3 Assistant Resident Engineers, one Assistant Accounts Officer and a Cashier.

During the period covered under audit, the charge of the following posts was held by the officers/ officials indicated below during the period noted against each:

(i) Resident Engineer

1. Sh. Rajendra Mathur 01.04.2004 to 03.10.2004
2. Sh. Manwar Ali 04.10.2004 to 31.03.2006

(ii) Assistant Accounts Officer

1. Sh. Patanjali Sharma 01.04.2004 to 06.10.2004
2. Sh. Sunil Kumar Jain 23.10.2004 to 31.03.2006

(iii) Cashier

1. Sh. P.C Kumawat 01.04.2004 to 22.10.2005
2. Sh. D.R. Vijay 23.10.2005 to 31.03.2006

During the two years ending 31 March 2006 the works undertaken by the Unit and the expenditure incurred thereon were as under:

S. No.	Year	No. of works executed	Actual Expenditure (Rs in lakh)
1.	2004-05	17	680.05
2.	2005-06	14	901.84

The audit of the RE, RSRDCC, Ajmer unit for the period from April 2004 to March 2006 was conducted by Sh.Deepak Kumar Agarwal, Section Officer during the period from 31.8.06 to 5.9.06 and supervised by Sh. Md. Ilias Sharif, A.O. during the same period 25.8.06 to 05.9.06.

PART-I-(B)

(Outstanding paras of previous Inspection Reports)

The outstanding paras of previous Inspection Reports were reviewed during the course of current audit and as a result the position of outstanding paras emerged as under:-

Year of I.R.	No. of Paras outstanding	No. of Paras settled	Paras Outstanding
2000-2002	1	1	Nil
2002-2004	1	1	Nil

PART - I-(C)

(Persistent Irregularities)

- NIL -

PART -II- (A)

(Major Irregularities)

- NIL -

PART – II-(B)
(Minor Irregularities)
- Vide report -

1-(A). Non- recovery of Interest for delayed payments by RREIS Rs. 1510853.16

An agreement between Rajasthan State Road Development & Construction Corporation Limited (RSRDCCL) and Rajasthan Residential Educational Institutions Society (RREIS) was made (June, 2002) for the construction of R.R. School at Atun (Bhilwara) under Package-4 at a cost of Rs.449.82 lakh. The work was executed departmentally by awarding Labour contracts and supplying material like steel and cement. As per programme of activities as shown in Bar Chart, the work was to be commenced in September 2002 and completed by January 2004. The work was commenced on 01.09.2002 and substantial works were completed by 31.12.2004 with a delay of 1 year and the buildings were physically handed over to the principal of the school on 05.01.05 and Taking over certificate to that effect had also been issued.

It was observed in audit that a final bill of the work amounting to Rs.76,02,265.44 was submitted to the consultants (February 2005) for payment. Against this RREIS paid (January 2006) a lump-sum amount of Rs.60 lakh pending scrutiny of the bill and also retaining Rs.7 lakh towards removal of defects noticed in the work as recommended by the consultants. The balance of Rs.16,02,265.44 was pending realization as yet (August 2006). The defects like leakages, removal of bushes, replacement of rusted stay cables and rectification of eyes & hook etc. pointed out in December 2005 are being attended to for correction. In this regard, it was observed in audit that the defects liability period of the work executed by the contractors expired due to limiting the period to 6 months while the same in the Company's contract was one year. The company estimated the liability on rectification of defects at Rs.7,56,645 and accordingly made provision during 2005-06. Thus, failure to include the defects liability period of 1 year in the contractors agreements resulted in the company incurring avoidable expenditure of Rs.7,56,645.

Further, as per clause 60.10 of General conditions monthly payments shall be made within 14 days of receiving the interim payment certificate (IPC) stating the amount of payment and in the event of failure to do so, interest at the rate of 10% (simple) upon delayed payments shall become payable to the contractor. From a review of running bills, MBs and related records/ files of construction of R.R. School, Atun (Bhilwara) it was noticed that the payment of bills after passing by MCA was made belatedly. The delay's in payment was as under:

S. No.	Sl. No. of Bill	Amount and Date cleared by MCA (Rs. in lakh)		Date of payment made by RREIS	Delay in payment after leaving a period of 14 days	Interest at 10% for delayed payment (Amount in Rs.)
1.	1 Running Bill	37.46	26.3.03	13.9.03	156 days	1,60,103.01
2.	2 Running Bill	53.68	6.6.03	30.9.03	101 days	1,48,539.20
3.	3 Running Bill	67.52	22.12.03	15.3.04	68 days	1,25,790.68
4.	4 Running Bill	41.47	16.3.04	24.7.04	115 days	1,30,658.90
5.	5 Running Bill	58.15	12.7.04	06.11.04	103 days	1,64,094.52
6.	6 Running Bill	137.67	29.11.04	17.01.05	36 days	1,35,784.11
7.	7 & final Bill	75.56 (Rs.60 lakh paid)	28.2.05	20.01.06	312 days	6,45,882.74
TOTAL						15,10,853.16

In can be noticed from the above that the client (RREIS) made the payments with a delay for a period ranging from 31 days to 312 days. Though, a claim was raised (July, 2005) for payment of interest, no payment was received so far (August, 2006). Necessary claim may be made to realize the interest on belated payments immediately. Necessary action may also be taken expeditiously to rectify the defects pointed by the client and recover the balance amount of Rs.16.02 lakh on account of the final bill.

It was stated in reply (September, 2006) that claim for interest had already been raised. The progress made in recovery of interest as well as outstanding amount on account of the final bill may be intimated to audit.

1-(B). Non- recovery of Interest for delayed payment - Rs.3.23 lakh

A work for Widening & strengthening of road from Bus Stand to M.D.S. University Tiraha on Jaipur road in Ajmer city (RUIDP Package AJM/ST/03) was allotted vide No.2644 dt.23.11.02 to RSRDC by RUIDP at a cost of Rs.816.35 lakh. The work was to be completed within 9 months from the date of issue of notice dated 5.12.2002. The stipulated date of completion was 4.9.2003. The work was actually completed on 15.12.2004 with delay of 15 months. The final bill of work amounting to Rs.628.75 lakh

was submitted to the client on 26.4.05 alongwith the time extension which is still pending for want of payment. In this connection, the audit observations are as under:

- (i) As per clause 50.1 of section III of contract, the Employer shall check the contractor's final bill submitted within 56 days and certify the amount to be paid to the contractor. Further, as per clause 37.1 the certified amount is to be paid within 28 days of the date of certificate. Otherwise the interest on the late payment made was to be paid to contractor. The final bill submitted by RSRDC has not been paid so far (August,2006). Therefore, interest on the amount of final bill amounting to Rs.3.23 lakh (Rs.19.96 lakh x 12% x 492/365) was also recoverable from the client as on 31.8.06.
- (ii) The amount upto the last running bill before final bill passed by the client was Rs.60878936.00. However, the amount deducted in the final bill was of Rs.6,11,45,552.00. This has resulted in a difference of Rs.2,66,616.00 (6,11,45,552.00 – 6,08,78,936.00) on account of payment made which needs clarifications.

2. Non-Disposal/ Utilization of Stock of material amounting to Rs.3.33 lakh

A review of Store & Stock records and Physical verification reports of Unit revealed that store valued Rs.3.33 lakh pertaining to various completed works as detailed below are lying unutilized as on 31.8.06 at the work sites.

S. No.	Name of work	Value of Stock (Amount in Rs.)	Date of completion of work
1.	Construction of R.R. School, Paota (Nagour)	46566.47	31.8.2003
2.	Construction of Alternate Route of Rishi Ghati, Ajmer	70644.20	2002-03
3.	Area Development work such as Public Toilets in various housing colonies of Ajmer city, RUIDP Package AJM/SI/01	58772.00	18.5.2005
4.	Construction of R.R. School, Atun (Bhilwara)	39754.40	15.12.2004
5.	Construction of 100 Men's Barrack at RAC Battalion, Nareli (Ajmer)	111220.18	31.3.2006
6.	G.A.D. Quarters, Ajmer (Elect.)	6250.61	
	TOTAL Rs.	333207.86	

It is observed in audit that most of the works were completed during 2002-04 and the materials were still (August,2006) lying in stock at the work sites. The details of the materials are enclosed is Annexure-;A'. As the materials were pending utilization since long necessary action may be taken to utilize before they deteriorate in value.

It was stated in reply (September, 2006) that the materials at Sl.Nos.2,3 & 5 were shifted to work site of Girls Hostel at M.D.S. University, Ajmer during the current year. Further, the materials valued Rs.0.85 lakh at Sl.Nos.1 & 4 were un-serviceable and action for auction of these materials was in process. It was further stated that inventory at G.A.D. Qtrs. amounting to Rs.6250.61 were fans and were required to be fixed in the Quarters at time of taking over by allottees. The Utilization of the materials valued Rs.2.41 lakh shifted to the work site of Girls Hostel and the sale of unserviceable items valued Rs.0.85 lakh alongwith utilization of fans valued Rs.0.06 lakh may be intimated to audit.

3. Non-recovery of outstanding amount from the client departments Rs.44.04 lakh

As per Head Office letter No.CT/Funds/2005-06/3509-30 dated 27/5/2005, it was directed to pursue the matter of outstanding amount pending with the client departments and get the payment released promptly.

While reviewing the records relating to outstanding amounts due from client departments, it was noticed that amount of Rs. 44.04 lakh is still outstanding from various departments as at the end of July,2006. The details of the dues is as under:

S. No.	Name of work	Year of completion	Balance amount outstanding upto July,2006 (Rs. in lakh)
1.	D.M.B., Kishangarh	1995-96	0.43
2.	Bar – Beawer road work	1995-96	0.38
3.	Pumping Station (PHED)	1995-96	5.70
4.	CWR, Narsirabad	1995-96	9.98
5.	R.R. School, Paota (Nagour)	2001-03	11.53
6.	R.R. School, Atun (Bhilwara)	2002-04	16.02
		Total Rs.	44.04

On a further test check of files pertaining to outstanding dues against clients it was observed that:

1. In respect of cases at Sl.Nos.1 and 2 the recovery of outstanding amount was not agreed to by the client and thus, the recovery had become doubtful.
2. In case of clients at Sl.Nos.3 & 4 there was dispute of shuttering charges which is not resolved so far (July,2006)

In case of R.R. School, Atun (Bhilwara) and R.R. School, Paota (Nagour) lump sum amount by the RRIES was deposited at Head Office against the various packages of R.R. Schools of RRIES. The amounts were pending payment though the works were handed over and in use by the client.

Further, it was also revealed that works were completed and handed over to client department during 1995-96, 2001-03 and 2002-04, itself for their use and no complaints about workmanship were received and thus non-recovery of the dues lacked justification.

It was reply (September,2006) that the client accounts were being maintained at Head Office level and that amounts were not as per Unit accounts. It was further stated that efforts shall be made for getting the outstanding payment released. The reply is not tenable as the correspondence and pursuance with the client departments is being done at unit level. The progress made in recovery of the above amounts may be intimated to audit.

PART III
(Test Audit Note)
NIL

Sr. Audit Officer/CAW-II.

