

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

PART-I-(A)

1. INTRODUCTORY :

The unit was established in 1981 for construction of Buildings/Bridges/Roads etc. The new name of the company “Rajasthan State Road Development & Construction Corporation Limited” has come into force with effect from 18.2.01. The works are normally undertaken on the basis of cost plus centage charges or on tender basis. The Resident Engineer is the Head of the Unit and he is assisted by Four A.R.Es. and one AAO. During the period under audit, the charge of the posts was held by the officers/officials indicated below for the period noted against each:

(i) RESIDENT ENGINEER

1.	Sh. R.K. Jain	26.2.04 to 27.12.04
2.	Sh. P.K. Hingorani	28.12.04 to 16.7.05
3.	Sh. Rajeev Garg	16.7.05 to 26.11.05
4.	Sh. N.K. Sethi	26.11.05 to 31.3.06

(ii) ASSISTANT ACCOUNTS OFFICER

1.	Sh. Jagmohan Sharma	1.11.02 to 4.10.04
2.	Sh. Anil Jain	05.10.04 to 31.3.06

(iii) CASHIER

1.	Sh. Mukesh Sharma	1.6.02 to 31.3.06
----	-------------------	-------------------

2. WORKING RESULTS

The unit prepares monthly trial balance and also a final trial balance as at the end of the financial year. Profit & loss account and balance sheet are not prepared at the unit level. Hence working results could not be compiled at unit level.

3. PHYSICAL PERFORMANCE

During the years 2004-2005 and 2005-2006 the unit had undertaken the following works

(Amount Rs. in crore)

Particulars	2004-05		2005-06	
	No. of works	Amount of expenditure inclusive of centage charges	No. of works	Amount of expenditure inclusive of centage charges
I Building works:				
1. Centage	53	3.52	55	13.15
2. Tendered	2	0.92	-	-
3. Free	1	0.38	1	0.02
II Bridge works	2	0.34	-	-
III Road works	-	-	-	-

It can be observed from the above that the unit is fully dependent on deposit works allotted by Government/Government organizations. Efforts be made to increase the share of Tendered works so as to utilize the resources of the unit fully as well as to reduce the dependence on allotment of works by Government.

4. The Audit of the accounts of Resident Engineer, Unit-II, RSRDC, Jaipur for the years 2004-05 and 2005-06 was conducted by Audit Party headed by Shri Deepak Kumar Agarwal, SO from 10.8.2006 to 14.8.2006 and supervised by Sh. Mohammed Ilias Shereeff, Audit Officer during the period from 10.8.2006 to 24.8.06.

PART-I B

Outstanding paras of previous Inspection Reports:

I.R. for the year	Date of issue	Paras outstanding	Paras settled during audit	Balance
2002-04	24.5.04	2	2	NIL

PART-I-(C)

- Nil -
-

PART-II A

- Nil -

PART- II-(B)

Non-recovery of penalty for slow progress Rs. 4.44 Lakh

With a view to construct S.I. Women Hostel at Rajasthan Police Academy, Jaipur under modernization of Police Scheme, a detailed estimate for Rs. 85.00 Lakh was prepared by the unit and submitted (February 2005) to Head Office for sanction. The estimate was technically sanctioned for Rs. 84.45 Lacs by the Head Office. This work was allotted by the Finance department on cost plus 9% centage charges and conveyed the same in March 2005. Notice inviting tender (NIT) for awarding the work was invited on 8.2.05. The estimated cost of the work was Rs. 50.00 Lakh. In response to the NIT, 3 bids were received (February 2005) and the work was awarded (March 2005) to M/s Ram Chandra, Jaipur being the lowest bidder at Rs. 44, 37, 981.24. A work order was issued (March 2005) for Rs. 44,37,981/- comprising of Civil work (Rs. 35,59,273.74), Sanitary work (Rs. 5,62,707.50) and Non BSR items (Rs. 3,16,000.00). The date of commencement was 15.4.05 and the date of completion was 14.10.05. An agreement was entered into with the Contractor in March 2005.

A review of the work in Audit revealed that the work was commenced on 15.4.05 and drawings of the building were approved on 27.4.05. The work which was to be completed by 14.10.05, could not be completed by the date and hence provisional extension of time limit for the work was granted (October 2005) upto 30.11.05 by the RE, RSRDC, Unit-II Jaipur. Further, since the work could not be completed even by this date, a notice was issued in January 2006 to expedite the progress. Ultimately the work was completed by 2.2.06 and the building was handed over on 17.4.06 to the client department. Since the work was delayed by 110 days, time extension was sought (May 2006) by RE, Unit-II upto 2.2.06. During the execution of the work, extra and excess items were executed the reasons for which were attributed to construction of boundary wall, extra windows, provision of chequered tiles, provision of cooler congestions etc. as desired by the client department. The Head Office of the Company approved the time extension sought upto 2.2.06 without penalty and conveyed the same in June 2006.

It was noticed in audit that as per clause 2 of the agreement time being the essence of the contract, contractor shall pay compensation an amount equal to one percent on the tendered amount for every week the work remained uncommenced or unfinished after the proper date and further to ensure good progress during execution, the contractor was bound to complete 1/8th of the work before 1/4th of the time allowed elapsed and 3/4th of the work before 3/4th of the time elapsed. Though the work was delayed by 110 days for completion and the rate of progress as stipulated also could not be achieved, the unit did not levy the penalty as prescribed in the contract the details of such penalty not levied was as indicated below:

Rate of progress :

Elapse of time	Work to be completed	Work completed and date	Delay	Penalty 1% per week
1/4 th of time	1/8 th of the work	Rs. 554747.50 by 29.6.05	4 weeks	
(1/4x183)=46 days from start i.e. May 2005	(1/8 x 44, 37,981) = Rs. 5,54,747.50 by May 2005			22189.90
3/4 of time	3/4 of work			
(3/4 x 183 days) = 137 days from star t i.e. by August 2005	3/4 of the work (3/4 x 44,37,981) = 33,28,485.75 by Aug. 2005	Rs. 2855239.50 by 02.02.06	155days or 22 weeks	628152.69
			Total :	650342.59
Limited to Rs. 4,43,798.00 10% of tender				

Further, it is observed that no progress statement was attached to the agreement as stipulated in the clause in the absence of which the progress of work execution could not be monitored. Though time extension was sought and obtained the causes of delay in execution of

work were not on record. As per clause 5, if the contractor desired time extension on the grounds of his having been unavoidably hindered, he shall apply in writing to the unit office within 30 days of date of such hindrance. However, in the instant case no such written request was received from the contractor in the absence of which time extension granted without penalty is not justified. Further, as per clause 39, the contractor has to engage one qualified degree holder as technical staff for works costing more than Rs. 5.00 Lakh. It is not known whether this condition was fulfilled or not. The contract did not stipulate any compensation in the event of non-performance of this condition. The reasons for not keeping record of employment of technical staff as prescribed and non stipulation of compensation in the event of non-performance were not on record. In view of this the performance of this condition could not be ensured in audit.

As per the condition stipulated in work order, the contractor should furnish P.F. registration in the absence of which deduction shall be made. Through the contractor did not furnish P.F. registration, no deduction was made the reasons for were also not record.

2. Non disposal/utilization of stock of material amounting to Rs. 1.94 Lakh

Review of store & stock records of various works executed through RSRDCC Unit-II, revealed that store inventory valued Rs. 1.94 Lakh pertaining to various completed works as detailed below was lying unutilized as on 31.3.06 at the respective sites.

S. No.	Name of work	Value of stock
1.	Indoor Stadium	Rs. 56,474.00
2.	Ajmer/Sikar Road	Rs. 4,487.00
3.	WMM Plant	Rs. 1,33,210.00
Total		Rs. 1,94,171.00

It is observed in audit that the above works have already been completed long back and the materials were still (July 2006) lying in stock at the sites. The details of the materials are enclosed in Annexure –II. As there was no companies own Godown for stocking these items at these work sites after the completion of work, the exhibition of materials as lying at site is not justified. It may please be intimated whether the materials are stocked properly and safely as work sites have been vacated on handing over of the sites to the clients concerned.

While reviewing the physical verification reports, it was also noticed that the materials pertaining to Indoor Stadium valued Rs. 56.474 were lying for the last 7-8 years and materials of steel and ballast could not be actually weighted. In the absence of weighment it may please be stated as to how it could be ensured about availability of the actual quantity of steel & ballast etc. lying at site during physical verification and excesses or shortages as compared to book balances arrived at.

Action may be intimated to utilize the above materials on other works being undertaken or dispose off as per rules pertaining to the disposal of material in the department under intimation to audit so as to avoid deterioration in quality and loss in intrinsic value.

It was replied (August 2006) by the R.E., Unit-II that materials valued Rs. 0.56 lakh was serviceable and would be utilized on other work. It was further stated that materials valued Rs. 1.38 lakh were unserviceable and that progress for auction was under progress.

The utilization of the serviceable materials and auction of unserviceable materials may be intimated to audit.

PART- II-(B)

1. Non recovery of outstanding amount from the client departments Rs. 735.22 Lakh

As per circular No. C-18(1)XV/28243-300 dated 26.3.96 & subsequent instruction issued vide Head Office letter No. CT/Funds/2005-06/3509-30 dated 27.5.05 that no excess expenditure should be incurred beyond the amount deposited by the client for works executed on cost plus centage charges basis through RSRDCC. It was also directed to pursue the matter of outstanding amounts 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 a huge amount of Rs. 7.35 crore was outstanding from various departments as at the end of March 2006. The details of the dues are enclosed in Annexure- I. It was noticed in audit that out of the pending amount of Rs. 7.35 Crore, only Rs. 0.50 Lakh was realized during the period 2004-05 & 2005-06 and no effective action had been taken to recover the pending dues of Rs. 7.35 Crore from the client departments.

During test check of files pertaining to some outstanding dues against clients, it was observed in audit that: -

- i).** In respect of cases at Sl. Nos. 4,5,6,17,18,19 and 20 final bill along with required information was sent to client department but no payment was released by the client for reasons not on record. No effective measures were taken to pursue payment though the Head Offices of these clients were situated locally at Jaipur.
- ii).** In case of construction of Community Centre at Pink City Press Club, Jaipur the payment was not released due to claim by the client to exempt the work from payment of centage charges considering it as Govt. building. However, it was already decided in Board of Directors (BOD) meeting No. 96 held on 31.3.99 vide item No. 96.9 (b) that in future no exemption in centage charges may be given. It is found that no action was taken by the unit to intimate the client the status in the light of the above decision. Further no action was taken to pursue realization since March 2006 though specific decision of Head Office was available not to exempt payment of centage charges and also to effect recoveries promptly. The building was handed over to the client in June 2004 itself for

their use and no complaints about workmanship were received. In view of this, non-recovery of the dues lacked justification. Suitable approach may be made and get the payments of pending dues amounting to Rs. 15.91 Lakh from client department immediately.

Action may be taken immediately to realise the long pending dues as non-recovery of dues would result in crunch on financial resources of the company and affect the activities.

It was stated (August 2006) in reply by the unit that consistent efforts are being made to recover the outstanding amount.

The progress made in recovery of outstanding dues may be intimated to audit.

3. Non- recovery of advances to contractors - Rs. 11.14 Lakh.

A review of outstanding advances given to contractors revealed that a huge amount of Rs.11,13,932.77 was pending recovery as on 31.3.06 the year- wise pending advances is indicated in the table below:

Year	No. of cases	Amount outstanding (Rs.)
1986-87	3	14896.00
1988-89	3	5198.00
1989-90	2	4844.00
1990-91	1	125.00
1991-92	1	844.00
1992-93	2	9976.00
1993-94	1	121610.00
1994-95	3	171444.00
1995-96	3	9730.00
1996-98	2	26145.00
1999-2000	2	380368.00
2002-03	2	64130.00
2003-04	1	300.00
2004-05	4	60711.00
Period not known	51	243611.77
Total :	81	1113932.77

The party wise details of pending advances are enclosed in the annexure. From the above it can be observed that the advances are pending recovery since 86-87 onwards. Since the advances are pending for a long time, vigorous efforts need to be made to recovery before they become unsusceptible for verification. Further, an amount of Rs. 2.44 Lakh in respect of 51 contractors was pending realisation the details like, payment vouchers, period addresses etc. were not available in the absence of which the realisation is doubtful. Necessary action may be taken to trace the details to enable expedition recovery.

The progress made in recovery of pending advances may be intimated to audit.

Part-III
(Test Audit Note)
----- NIL -----

Sr. Audit Officer/CAW-II.

Annexure-

Pending Advance against contractors as on 31.3.06.

S. No.	Year	Name of contractor	Outstanding Amount
1	4	2	3
1	86-87	E.P.C.C.	500.00
2	86-87	Murli Rolling Mills	6396.00
3	86-87	S. Lal & Associates	8000.00
4	88-89	Aluminators	4313.68
5	88-89	B.L. Industries	554.50
6	88-89	Suface Craft	330.00
7	89-90	New Plywood & Glass Agencies	4400.00
8	89-90	R.D. Const. Co.	444.00
9	90-91	Salmore Agencies	125.00
10	91-92	Choudhary Glass House	844.00
11	92-93	Ghanshyam Dass	365.48
12	92-93	Steel & Steel	9611.00
13	93-94	Ground Water Board	121610.00
14	94-95	Heera Lal Jain	166519.77
15	94-95	R.E. Electricals	2905.00
16	94-95	S.S. Enterprises	2020.00
17	95-96	Abhilasha Stones	4271.00
18	95-96	G.D. Marble	635.00
19	95-96	Raj Fitting House	4824.00

20	96-97	Eureka Forbes	750.00
21	96-98	Ambey Contractor	25395.00
22	99-2000	K.K. Corporation	22397.00
23	99-2000	Shri Shiv Shakti Fabricators	357971.00
24	02-03	Dal Chand Sharma	63800.00
25	02-03	Swastik Const. Co. Ajmer	330.00
26	03-04	Mahaveer Marble	300.00
27	04-05	Maa Jeen Bhawani Entp.	12954.00
28	04-05	Ess Kay Entp.	20062.00
29	04-05	S.K. Automobile	6201.00
30	04-05	Shiv Trading Co.	21494.00
31		Abdul Rahman	400.00
32		AEN. SD. - II P.W.D. BTR	7480.00
33		Armugam	2512.75
34		Bharat Oxygen	1800.00
35		Bhura Lal Regar	1999.80
36		Chandra Industries	319.00
37		Dinesh Arun	358.81
38		Ganesh Corporation	720.00
39		Ganeshi ram Chouhan	896.00
40		Gauri & Co.	743.00
41		Jagdish Narain Sharma	635.44
42		K.P. Abraham	712.10
43		M.M. Brothers	596.00
44		Municipal Board	1118.00
45		Neha Gupta	384.00
46		Om Prakash	1291.00
47		Oxygen Gas Co.	1800.00
48		Oxygen General	1800.00
49		P.W.D.	2528.67

50		Pinkcity Diesel	1389.96
51		Prabhat & Co.	11351.79
52		Prabhu Dayal	2053.81
53		Raghuv eer & Co.	3444.00
54		Railway Deptt.	2879.90
55		Raj Small Industries	1115.80
56		Rajendra Goods	12715.95
57		Ram Prasad Gupta	1377.00
58		Ramji Lal Yadav	800.00
59		Sale Agra	20.52
60		Sales Agencies.	492.97
61		Sanghi Oxygen	1800.00
62		Sapan Khan	7639.60
63		Satya Trading Co.	4925.00
64		Shabbir	14778.40
65		Shalimar Transport	1302.04
66		Shekhawat Travels	1000.00
67		Subhash Electric Stores	21064.75
68		Sunder Electric	500.00
69		Sunil Construction Co.	2000.00
70		Tata Iron Steels	2514.75
71		Telephone Deptt.	6000.00
72		Veel Khan	1352.78
73		Vijay Khan	704.00
74		XEN. (Mech.) P.W.D. (BOR)	15337.24
75		XEN. Irrigation Deptt.	17086.77
76		XEN. Mech. P.H.E.D.	2524.40
77		XEN. P.W.D.	9720.66
78		Xen. P.W.D. (BOR)	8305.00
79		XEN. P.W.D. City Div. - III,	15369.40

		Jaipur	
80		XEN. P.W.D. Div. - I	11120.00
81		XEN. SWN	32829.28
		TOTAL Rs.	1113932.77