

Inspection report on the Accounts of Resident Engineer, Unit-III, Rajasthan State Road Development & Construction Corporation Ltd., Jaipur (RSRDCC) for the period Ist April 2005 to 31.03.2007

Part-I-(A)

I.. Introductory

The Rajasthan State Road Development & Construction Corporation Ltd., under take the road, building works through its unit offices either on centage basis (fix percentage on actual cost of work) or on tender basis. Resident Engineer, RSRDCC Unit-III is a unit office of RSRDC, Situated in Jaipur.

This unit also collects toll fee through contract from BOT project to meet out its investment to these projects as per term and conditions of the State Government from time to time.

Resident Engineer, is the head of the unit and is assisted by Assistant Resident Engineer, Assistant Accounts Officer and Cashier, during the period covered under audit the charge of the following posts was held by the officer/ official noted against each:-

Resident Engineer

1. Sh. O. P. Gupta. 01.04.05 to continue

Assistant Accounts Officer

1. Sh. P. Sharma. 01.04.05 to continue

Cashier

1. Sh. K. C. Gupta 01.04.05 to continue

2. Operational Performance

The financial results of this unit for the last three years were as under:-

Income	2004-05	2005-06	2006-07 Budgeted
Centage charge	31.85	68.56	57.77
Expenditure			
(i) Establishment	30.48	42.48	45.43
(ii) Works expenditure turn over	664.38	922.41	723.86

The turn over of the unit in the year 2006-07 was reduced substantially the reasons thereof may be furnished to audit.

3. Audit

The regular Audit of the Resident Engineer, RSRDC Unit-III, for the period 4/05 to 31.3.07 was conducted by Sh. Sanjay Kumar Mishra, Section Officer, from 13.04.07 to 21.04.07.

Part-1-(B)

(Position of outstanding para 's related to previous Inspection Report)

S. No.	Year	Outstanding paras	Paras settled	Balance outstanding
1	2000-03	1 (3Nos.) part-II -B	1 (3Nos.) part-II -B	Nil
2	2003-05	2 (1 & 3) part-II-B	1(Para No.1) part-II-B	1(Para No.1) part-II-B

Part-1-(C)

(Persistent Irregularities)

Nil

Part-II-(A)

Nil

Part-II-(B)

1. Extra cost of Rs. 5.69 lakh due to not doing negotiation with L-1 tenderer.

The work of construction of Ambedkar Bhawan at Rajmahal Residency Area in Jaipur was allotted to company (RSRDC) by Social Welfare Department vide their order dated 12.04.2005. The Company subsequently invited tender (13.06.2005) construction of Ambedkar Bhawan (phase-I) , Jaipur. Three contractors submitted tender for the above work and M/s. Ravi Brothers was the lowest with 9.11% above on BSR, 2004 (PWD) rate for Part 'A' civil work ('G' Schedule) and Rs. 985/- per sqm for non BSR items. The IInd lowest tenderer i.e. Sumukh Build Con (P) Ltd., quoted rate for Part 'A' Civil work 3.40% above on BSR 2004 rate but the rate for 'H' Schedule was higher side i.e. Rs. 1890/- per sqm , so the contractor was considered IInd lowest for above work. Further as the rates of L1 tenderer (M/s. Ravi Brothers) was considered on higher side so the company given counter offer @ 7.99% above the 'G' Schedule which was agreed to by him (20.06.2005). The work of construction of Ambedkar Bhawan Phase-I (Upto Ist floor) was completed by M/s. Ravi Brothers on 22.04.2006 and following payment was made to him upto VIth and final Account bill dated 29.05.2006 :-

		(Amount in Rs.)	
Total Cost As per BSR rate of 'G' Schedule		60,95,397.00	
Add T.P. 7.99% above		4,87,022.00	
Total Part-A Civil work		<u>65,82,419.00</u>	
	Qty.	Rate	
Part-B 'H' Schedule	437.33 sqm	985 per sqm	4,30,770.00
Total (A+B)			<u>70,13,189.00</u>

In above connection it is to be mentioned that as per process of forwarding and approving tenders by the company (circular dated 30.07.2002) "in case Resident Engineer feels necessary to call negotiation, same with first lowest should be called very next working day of receipt of tender and such tender must be sent to H.O. very next days of receipt of negotiation offer . As the Resident Engineer has been delegated power to negotiate with lowest tenderer if feels necessary, but the criteria / standard for negotiation has not been provided in the guideline, so the above guidelines of H.O. are deficient to that extent.

In above case of awarding (6/05) work of construction of Ambedkar Bhawan the Company made counter offer of 7.99% above on BSR rate for Schedule 'G' (Civil work) though the rate offered for the similar work by the lowest IInd tender Summukh Build con (P) Ltd., was 3.40% above on BSR rate Schedule 'G', so the company should have made counter offer of 3.40% above on BSR rate for 'G' Schedule which was quoted rate by IInd lowest tender. Further the Company awarded (9/05) the work of construction of Jaipur Central Cooperative Bank (JCCB) at Vashali Nagar Jaipur to M/s. Sammukh Build con (P) Ltd., @ 3.30% above BSR rate of 'G' Schedule for Part-A (Civil work) which was similar to work of construction of Ambedkar Bhawan. So rate of M/s. Summukh Build con i.e. 3.30% above on Schedule 'G' (BSR rate), was considered appropriate by company but counter offer of 7.99% above on Schedule 'G' for Part-A Civil work was made (in 6/05) to L1 tenderer for work of construction of Ambedkar Bhawan which was awarded 3 month back from awarding (9/05) the work of construction of JCCB. Thus rate of similar firm i.e. M/S. Summukh Build con (P) Ltd. (3.40%) above on 'G' Schedule) as quoted in tender of construction of Ambedkar Bhawan Phase-I work was not taken into consideration while negotiating with L-1 firm i.e. M/S. Ravi Brothers.

Thus the company has incurred extra cost of Rs. 2.80 lakh $(7.99\% - 3.40\%) \times$ Rs. 6095397 (A) by not negotiating with L-1 tenderer for rate 3.40% above on BSR rate 'G' Schedule for construction of Ambedkar Bhawan Phast-I work.

In addition to above the company awarded (2/06) work of construction of "Rajasthan Health Science University (RHSU) Pratap Nagar Jaipur." to M/s. H.K. Ramnani @ 5.49% above on 'G' Schedule based on BSR rate (Civil work). The example of similar nature of work i.e. construction of Ambedkar Bhawan Phast-I (awarded @ 7.99 % above on 'G' Schedule) was given while awarding the above work of construction of RHSU and the work was awarded to M/s. H.K. Ramnani at quoted rate in tender of 5.49% above on Schedule 'G' without doing any negotiation with him. As the last two quoted rate by similar nature of work i.e. tender for construction of Ambedkar Bhawan Phase-I was 3.40% above on 'G' Schedule (6/05) and for construction of JCCB was 3.30% above on 'G' Schedule (9/05), so the company should make negotiation for lower rate of BSR item ('G' Schedule) with M/s. H.K. Ramnani before awarding work of construction of Science Health University. Had the company negotiated with company before awarding the work of construction of RHSU then the above work would have been awarded at lower rate of 3.40% above on 'G' Schedule (BSR items).

Thus the company may incur extra cost of Rs. 2.89 lakh $(5.49\% - 3.40\%) \times$ 1,38,14,941 (B) on execution of work of BSR items ('G' Schedule) due to not negotiating for lower rate with L1 tenderer (work of Rs. 1.04 crore has already been executed upto 3/07) for construction of RHSU work.

Thus in all the company has incurred extra cost of Rs. 5.69 lakh (A+B) due to not negotiating with L1 tenderer for higher quoted rate of tendered work. The reasons for adopting discriminating policy for negotiation with L1 tenderer may be expedited to audit.

2. Loss of revenue of Rs. 3.39 lakh due to delay in awarding toll collection contract.

The contract of toll collection at Masi River Bridge on Sanganer-Malpura road, Jaipur was awarded to Sh. Om Prakash Choudhary S/O. Sh. Ram Chandra Choudhary for a period one year from 18.09.04 (00.00 hours midnight) to 19.09.05 (00.00 hours midnight) at the contract value of Rs. 85,65,000/- while the contract for next year awarded in favour of Sh. Ram Phool S/O. Sh. Suraj Mal for the period 05.11.05 (12.00 hours Noon) to 05.11.06 (12.00 hours Noon) at the contract value of Rs. 70,20,000/- for the interval period of 48 days i.e. 18.09.05 (12.00 hours Noon) to 05.11.05 (12.00 hours Noon) the toll collection was made departmentally. During this period the toll was collected Rs. 6,73,596/- and the total revenue collected was Rs.5,84,250/- (Rs. 6,73,596 - 89346 being toll collection expenses)

In the scrutiny of above case it was revealed that management delayed in finalizing the contract in favour of Ex-Serviceman Welfare Society after expiry of previous year contract which compelled the company to collect the toll departmentally for the interval period. This resulted in loss of revenue of Rs. 3,38,928/- as detailed as under:-

Contract period	contractor	contract value	Contract value per month
18.09.04 (Midnight) to 18.09.05 (Midnight)	Om Prakash Choudhary	85,65,000/-	7,13,750/-
05.11.05 (Noon) to 05.11.06 (Noon)	Ram Phool	70,20,000	5,85,000

Considering the minimum rate of toll Rs.5,85,000/- per month, the collection for the interval period (if given on contract) comes to Rs. 9,23,178/- ($70,20,000 \times 48$). So loss

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of revenue for interval period is Rs.3,38,928/- (9,23,178 - 5,84,250).

Had the management started the tendering process in time and decided the contract before completion of previous year contract the loss of revenue to the tune of Rs.3.39 lakh could have been avoided.

1. It is also pertinent to be mentioned here that tender for toll collection on Alwar-Bhiwadi Road for the year 05-06 & 06-07 was also executed at the Unit-III level but the record of the year 05-06 was not made available to the party so the loss of revenue thereof, if any could not be ascertained.

3. Non-disposal of material laying at site since long back : Rs. 1.36 lakh.

On scrutiny of record of material at site it was revealed that material as per Annexure 'C' was laying at site since long back amounting to Rs.1,35,693/-. The company has not made fruitful efforts for disposal of the above material either through auction or utilisation the same at other site. The above material includes the material which pertains to year 2000-01 and 2001-02 so there are chances of absolute decay in quality of material for not timely disposal of the same.

Effective efforts should be made for proper disposal of material laying at site under intimation to audit.

4. Non- adjustment / recovery of advance given to private parties amounting to Rs. 2.87 crore and also Security Deposit with client and other than clients amounting to Rs. 1.64 crore.

i) On scrutiny of records of advances given by company to contractors / private parties for execution of work/ supply of material / recovery against them it was revealed that an amount of Rs. 2.87 crore was pending unadjusted (as on 30.09.06) as per Annexure-'A'. Out of above advances given to private parties/ recovery pending against them, a substantial amount has been lying unadjusted since long than 12 years (since 1995-96). Due to non adjustment of above advances/ recovery of advances , the company is loosing opportunity income/ interest on the same.

Effective efforts should be made for adjustment/ recovery of advances to private parties under intimation to audit.

ii) On scrutiny of records pertaining to Security Deposit with client , and other than clients it was revealed that an amount of Rs. 1.64 crore of Security Deposit with client/ other than clients was pending un-adjusted (as on 30.09.06) as per Annexure-'B' . The amount pending unadjusted with client even after completion of contracted work or not getting the work executed by client. The amount of Security Deposit with other than client was given to them for agreement under providing services/ supply of material but even after completion of agreement/ work order the security deposit has not been recovered/ adjusted by company. As the above amount is pending for adjustment since ranging for 2 to 9 years, so the same should be recovered/ adjusted by the company as early as possible.

Effective efforts should be made for recovery/ adjustment of the outstanding security deposits with clients/ other than clients under intimation to audit.

PART-III

Nil

Sr. Audit Officer/CAW-II.

