

Inspection Report on the Account of Resident Engineer RSRDCC Ltd., Unit, Barmer (now merged with unit –II, Jodhpur) for the period since inception to March 2006

PART- I A

Introductory: -

Rajasthan State Road Development & Construction Corporation Ltd., (RSRDC.) created a new unit at Barmer vide office order No. B-10(6)/Vol-II/14184-92 Dated 27-12-03. with effect from 27.12.03. Later this unit has been merged with unit-II, Jodhpur w.e.f. 20.11.05 vide order no. B-10(6)/Vol-III/13441-60 Dated 09-11-06. Since inception to the date of closure 4 works were executed by the unit out of which two works have been completed and the remaining two works are in progress and are being executed by unit-II, Jodhpur after the merger of the Barmer unit with Unit-II, Jodhpur.

The Unit mainly was engaged in the construction of Bridges, Buildings, Road etc., which are undertaken either on cost plus basis or on tender basis.

Organizational Set- up:-

The head of the unit is Resident Engineer who is assisted by one Assistant Engineer, one Junior Engineer, One Junior Accountant and One Clerk staff During the period covered under audit the charge of the following posts were held by the officers for the period noted against each:-

1. Resident Engineer :-

- | | | |
|-------------------------|---|-----------------------|
| i). Shri A. K. Dexit | - | 02/01/04 to 08/10/04 |
| ii) Shri Sandeep Mathur | - | 09/10/04 to 20/07/05 |
| iii) Shri Sukesh Mathur | - | 21/07/05 to 18/11/05 |
| iv) Shri Girish Mathur | - | 19/11/05 to 20/11/05 |
| v) Shri Sudhir Mathur | - | 21/11/05 to till date |

2. Accountant / Junior Accountant :-

- | | | |
|----------------------------------|---|------------------------|
| i) Vacant | - | 02/01/04 to 09/03/04 |
| ii). Shri Jaspal Singh | - | 10/03/04 to 20/01/05 |
| iii) Shri Naveen Vyas Sr. Asstt. | - | 21/01/05 to 19/11/05 |
| iv) Shri M.K. Duggar | - | 20/11/05 to till date. |

3. Cashier :-

- i). Vacant - 02/01/04 to 08/10/04
ii) Shri Jaspal Singh - 09/10/04 to 20/07/05
iii) Shri Naveen Vyas - 21/07/05 to 18/11/05

Working Results.

No separate Profit & Loss Account is prepared at unit level. It is made at the Head office for the company as a whole. Hence the working results could not be prepared in Audit for this unit..

Execution of works :-

During the period from the year 2003-04 to the date of closure, the unit executed the works as indicated below :-

S. No.	Particular	2003-04	2004-05	2005-06
1.	Total no. of Works	1 No.	4 Nos.	No Separate Turn over statement was prepared in respect of Barmer Unit due to closure & merger of the Unit with Unit-II, Jodhpur. Hence figures not available separately,.
	Amount (Rs in lakh)	569.29	1969.15	
	Amount of Expenditure (Rs in lakh)	215.01	1302.78	

Audit :-

The Audit of the Resident Engineer, RSRDC, Unit - Barmer (merged with Unit-II, Jodhpur) for the period since inception to March 2006 was conducted by Shri Deepak Kumar Agarwal, Section Officer From 07/09/06 to 16/09/06 and supervised by Shri Mohd. Ilyas Shariff, Audit Officer during the same period.

PART- I –(B)

- NIL – (This being the first Report)

PART- I – (C)

--- NIL ---

PART- II – (A)

--- NIL ---

PART- II -(B)

1. Acceptance of defects Maintenance Liability due to inefficient tender awarding-loss of Rs. 74.49 Lakh.

For execution of various roads under Pradhan Mantri Gramin Sadak Yojana (PMGSY) having approximate length of 49 km (phase III) in Barmer district, work was allotted to RSRDC Barmer Unit by PWD Deptt. at a cost of Rs. 569.29 Lakh. The stipulated dates of commencement & completion of the work were 28.06.03 & 27.05.04 respectively. The work was undertaken by awarding the work to sub-contractors. The work was actually completed on 08.07.04 with a delay of 41 days for which time extension has been approved by the client without imposing any penalty. The total expenditure incurred as on 31.03.06 on this work was Rs. 5,18,33,673 and a marginal profit Rs. 979656 (1.89% of total expenditure) was earned as on 31.03.06.

It was observed in audit that as per special condition no. 20 of the contract with the client the company shall be liable for satisfactory maintenance of defects, if any, for a period of five years from the date of completion. However, the company included this defects liability period as one year only when the work was allotted to sub-contractor under clause 25 of the agreement with the sub contractor. After elapse of one year from the date of completion, some defects were noticed and for rectification of these defects the company had incurred on expenditure of Rs. 99383 and further fresh proposals for Rs. 4 lakh for rectification of the defects of the work already noticed was also pending for want of approval. Failure to include defects liability clause precisely resulted in an avoidable expenditure of Rs. 99383 so far (Aug 2006) besides the proposed Rs. 4 lakh and further unknown liability of expenditure in the coming years upto the period of defect liability i.e. July 2009. Further, no analysis in respect of the expected expenditure for the accepted liability period was also found on record. However,

in respect of other similar type package of PMGSY road work namely RJ-05/83 allotted to company, it was analysed by the company. Applying the same methodology, it is expected that the defects maintenance liability would be Rs. 73.50 Lakh during the remaining period of defects liability as detailed below:-

3 rd year	Rs. 1225000	(Rs. 25000 Per KM x 49 kms)
4 th year	Rs. 2450000	(Rs. 50000 Per KM x 49 kms)
5 th year	Rs. 3675000	(Rs. 75000 Per KM x 49 kms)
Total	Rs. 7350000	

The total expected liability of expenditure worked out to 14.18% on the total expenditure incurred on the construction which is very nominal for accepted period upto July 2009. This would eat away the profit earned on the work and ultimately the work would suffer loss as the profit earned was only marginal at 1.89% of the actual expenditure incurred on the work.

Thus, failure to include the defects liability period in the agreement with the sub contractor similar to that was agreed to in the agreement with the client as a result of inept tender management resulted in avoidable extra expenditure of Rs. 99383 so far (August 2006) and probable expenditure of Rs. 73.50 Lakh during the remaining 3 years of Liability period.

It was stated (saptember-06) during discussions that a reply will follow.

Short Recovery of Centage Charges on the construction of CMHO office building at Barmer - Rs. 0.90 lakh

Under European Commission Project (UCP), it was decided by the Chief Medical and Health Officer (CM & HO) & Member Secretary, District Health Society, Barmer in the meeting held on 25.12.04 to construct CMHO office building at Barmer and the work of construction was allotted (January-2005) to RSRDCC. A Memorandum of understanding (MOU) was entered into with CM & HO cum Member-Secretary, District Health Society, Barmer on 4 March 2005 wherein it was laid down that the estimated cost was Rs 60 Lakh and the work was allotted on actual cost plus 7.5% agency charges. The construction was to be completed within 6 months. Accordingly, a Notice Inviting Tender (NIT) was invited (February-2005) by the company. In response, 5 bids were received (March 2005) and after analysis of the bids, the tender was approved by Tender approval Committee (TAC) and the same intimated to RE, Barmer by the Manager (Building), RSRDC Ltd, Jaipur that the tender has been approved in favour of Sanjay Builders, Barmer at 1.99 % below "G" schedule excluding the item of providing and fixing steel shutters to existing almirah/Wardrobe i.e. item nos. 41 of Part-"A" and 24 of Part -"B" amounting to Rs. 1,52,170. The Tender was accordingly awarded (April-05) to M/s Sanjay Builders, Barmer for Rs. 43, 81,131.29. The stipulated dates of commencement and completion were 12.04.05 and 11.10.05 respectively. The work was commenced on 12.04.05 and was still (August 2006) in progress. The work that was scheduled to be completed by 11.10.05 was yet (August 06) to be completed. The time over run was approximately 11 months.

A Review of the records in audit revealed the following:-

- (A) As per circular of Public Works Department, Government of Rajasthan order dated 02.04.04 regarding awarding work to RSRDCC, it is clearly mentioned that: -
- (i) Where Design/Drawings are prepared by RSRDC at their own level Centage Charges Should be charged at the rate of 9 Percent and
 - (ii) Where Design/Drawings are supplied by the client, Centage Charges should be charged at 7.50 Percent.

It was observed in audit that design and drawings were prepared by RSRDC and agreed to by the Client (CM & HO). However, Centage Charges were charged @ 7.50 % instead of 9% due to which the company has made short recovery of 1.5% towards Centage Charges amounting to Rs. 90000 (Calculated at 1.5% on Rs. 60 Lakh). Further, as per clause 4 of the MOU, the additional work of preparation of project and design preparation of its architectural drawings structural analysis and structural drawings etc. shall also be inclusive in the said over and accepted within the said agency charges. This indicates that though the design and drawings were made by the company on its own the agency charges accepted were 7.5% only whereas the Govt. circular stipulated the cantage charges at 9%. The acceptance of Centage charges at 7.5% instead of at 9% is violative of the Government order and unjustified. This had resulted in a loss of Rs. 0.90 lakh to the company.

- (B) The Manager (Building) while conveying (March-05) the technical sanction for Rs. 57.68 Lakh for the work stated that Soil Bearing Capacity (SBC) test should be got done prior to execution of work. However, no evidence to show that SBC test was conducted was available on record in the absence of which the compliance could not be ensured in audit.
- (C) As per special condition 4 of the agreement with the contractor, only potable water shall be used for construction purpose. It was intimated to the contractor (May 2005) that water available at site was not found potable and no water testing report was also available on record in the absence of which, it could not be verified as to how the Assistant Resident Engineer (ARE) concerned ensured that potable water was used on the construction of building by contractor.
- (D) It was also instructed (March 2005) by the Head Office that only drawings should be adopted which bear approval of the client Department. However, no written approvals were obtained from the client department for the drawings and kept on record to avoid future disputes.
- (E) The actual expenditure incurred on the work as on 31.08.06 was Rs. 56.54 Lakh against an amount of Rs. 60 Lakh received from the client during April 2005 to March 2006. Though the scheduled date of completion was 11.10.05, the

work could not be completed so far (August 2006) and no reasons were on record for the delay of 11 months. As per clause 25 of special conditions of the agreement a compensation of 0.10% of the contract price per day for each day that the completion date is later than the intended completion date subject to maximum of 10% of contract price shall be levied and recovered. The work was delayed for 324 days as on 31/08/06. Hence as per contract condition a compensation of Rs. 14191486 limited to Rs. 438113 being 10% of contact price of Rs. 43, 81,137 was leviable/ recoverable form the contractor. The same was not recovered for reasons not on record. Further, as per clause 5 of the general condition of the contract if the Contractor desires extension of time of completion of work on grounds of having been unavoidably hindered in its execution shall apply in writing within 30 days of the date of such hindrance. However, so far (Aug-06) no such application in writing was received and as such non -recovery of the damages amount of Rs. 4.38 Lakh lacks Justification.

- (F) As per the work order, the item of providing and fixing steel shutters to the existing almirah/wardrobe in the Ground and First Floor valuing Rs. 152170 was not in the scope of the work. However, the work was got executed to an extent of a quantity of 38.04m² in ground floor and 71.37m² in first floor both quantities valuing Rs. 164115 through the same contractor without getting prior approval from competent authority which is highly irregular. The circumstances under which the work was got executed without proper sanction were not on record. Further as against work order of Rs. 43.81 Lakh, work valued Rs. 44.71 Lakh was executed so far (August 2006) indicating incurrence of an excess expenditure of Rs. 0.90 Lakh so far (Aug-2006) which may be got approved by competent authority. Since the work was already delayed, necessary action may be taken to complete the work expeditiously and handover to the client.

It was stated (Septmeber-06) during discussions that a detailed reply would be furnished later on. In the absence of reply the audit observations stand to be complied with (Septmeber-06).

Non-recovery of compensation on the work of civil and architectural works in main power house, Giral Lignite Thermal Power Project, Giral – Rs 10.50 lakh

In response to a Notice inviting Tender (NIT) (September-2004) by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RVUNL) for the works of civil & architectural works in Main Power House Building at Giral Lignite Thermal Power Project, (GLTPP), Resident Engineer, Barmer submitted (November-04) proposals recommending quotation of 46.37 % above the “G” schedule amount of Rs. 31662758 to the Head office which was revised (January 2005) to 32% above the “G” schedule amount. The Chief Project Manager, RSRDC, Jaipur submitted (January-05) to the Dy. Chief Engineer (Civil), DGTPP, RVUNL, Jaipur the company’s willingness to take up the work as per the following terms:

- (1) RSRDC shall be eligible for payment as per actual cost plus 7.5% overheads
- (2) **The** Premium on “G” schedule amount shall be 42% above the cost of the work mentioned.

The work was awarded (January/March - 2005) to RSRDC Ltd by the RVUNL on actual cost plus Centage charges of 7.5% in terms of State Govt. order dated 02.04.2004 with an over all ceiling of 42% above the G schedule amount. The estimate for the work was technically sanctioned (February-2005) for RS. 449.61 lakh. The Company in order to expedite the progress of the work split the work in the following 3 parts which was approved (January 2005) by the MD.

1. RCC and Skeleton work	Rs. 137.62 Lakh
2. Finishing work	Rs. 120.75 Lakh
3. Development work	Rs. 58.25 Lakh
TOTAL	Rs. 316.62 Lakh

Accordingly, NIT was invited (January 2005) in response to which only one bid was received (February 2005) for all the three parts. The Contractor M/s A.K. Parida Const. Co. Kota bid for all the 3 parts. On analysis of the single bid (February 2005) the 3 works were awarded (March-2005) to the bidder RCC & Structural work, Development work and Finishing work for Rs 180.25 Lakh, Rs 76.84 Lakh and Rs. 162.86 Lakh

respectively. The dates of commencement and completion for all the works were 28.03.05 and 27.02.06. The works were commended as scheduled on 28-03-2005 and all the 3 works were still (August 2006) under progress.

On a review of the files/records and measurement books pertaining to the works the following observations are made :-

1. The time schedule for completion of the work as per clause 3.9 of General terms and conditions of agreement entered into with RUVNL was 15 months from the date after 30 days of letter of Intent i.e. 19.01.05. Hence the stipulated date of completion was 18.05.06. Even though a period of 105 days elapsed after the intended date of completion, the work remained incomplete. It was observed in audit that as on 31.07.06 work valued Rs. 225.79 lakh only was executed out of a total work valuing Rs. 449.60 Lakh, which represented 50.22% completion of the total work. It indicates very poor progress of the work for which no reasons were on record. Further, RVUNL deducted an amount of Rs. 325000 from the IIIrd Running Bill (Rs. 1 Lakh) and IV Running bill (Rs. 2.25 Lakh) during July 2006. The Amount was kept under miscellaneous deposit and the reasons for the deduction were also not on record. Efforts need be made to get the amount released as the same was deducted without assigning any reasons.
2. Similarly, the work allotted to the sub contractor was scheduled to be completed by 27.02.06 and even after elapse of 6 months from the intended date of completion, the work remained incomplete. Out of a total work valued Rs. 420 Lakh allotted to the sub contractor, work to a tune of Rs. 236.91 Lakh only was completed as on 31.07.06 representing 56.41% completion of the total work. This is indicative of poor progress of the work and no valid reasons were available on record. As per clause 8.13 of terms and conditions of the contract, time being deemed to be the essence of the contract on the part of contractor and

the contractor shall pay as compensation to the owner for the period of unjustified delay on the basis of formula given here under:-

Unjustified delay

Compensation to be paid

More than 40%_but upto 50%

2.5% of tender amount

Since the delay made was 184 days, which represented 55.76% of the time allowed, a compensation of at least 2.5% of tendered value should have been levied as compensation as there was nothing on record to justify the delay. Accordingly, Rs. 10.50 Lakh towards compensation on the 3 parts of the work was not levied and recovered calculated at 2.5% of Rs. 420 lakh (total value of 3 contacts). It was also observed that the contractor did not adhere to the progress stipulated in clause 8.13 of the agreement and also did not seek time extension under clause-5 which further justifies recovery of compensation.

It was stated (September-06) during discussions that a detailed reply would be furnished later on. In the absence of a detailed reply the audit observations of non-refund of Rs. 3.25 lakh need to be complied with which is brought to notice.

3. Amount held with client Rs. 19.77 Lakh

RSRDC executed road works in Barmer District under package Nos. RJ 05-23, 24, 42, 43 and RJ 5/83 under Pradhan Mantri Gramin Sadak Yojana (PMGSY). The scheduled dates of completion of these packages were 27/05/04 and 1/05/05 respectively. The package No. RJ05-23, 24, 42, 43 was actually completed on 8/7/04 with a delay of 41 days for which time extension had been approved by the client PWD without imposing any penalty. The package No. RJ05/83 was completed well in time without any delay. On a scrutiny of records pertaining to the 2 packages it was noticed that the client department had deducted Rs. 58.10 Lakh (Rs. 40.98 Lakh on package RJ05/23,24, & Rs. 17.12 Lakh on package Rj05/83) as Miscellaneous Deposit/liquidated damages. Out of this only an amount of Rs.38.33 Lakh had been released so far (August 2006) leaving a balance of Rs. 19.77 Lakh to be refunded as yet (Aug-2006)

The amount of Rs. 19.77 Lakh is still (August 2006) lying with the client for which no justified reasons were found on record and company was also not making any efforts to get refund of this amount. Effective efforts for getting back the above amount may be made and progress made in realisation intimated to audit.

It was stated (September-2006) during discussions that a detailed reply would be given later on.

PART-III

(Test Audit Note)

- Nil -

Sr. Audit Officer/CAW-II.

2. Non-Adjustment of Amount of Royalty –Rs. 25.61 Lakh.

Under Pradhan Mantri Gramin Sadak Yojana (PMGSY) the works for construction of various roads in Barmer district, two packages namely RJ-05/23,24,43,42 and RJ-05/83 were allotted to Rajasthan State Road Development & Construction Ltd., Barmer unit by PWD Deptt. at a total cost of Rs. 1459.55 lakh (Rs. 569.29 lakh for package RJ-05/23,24,43,42 and Rs. 890.26 lakh package RJ-05/83). The stipulated dates for completion of these packages were 27.05.04 & 10.05.05 respectively. Package RJ-05/23,24,43,42 was completed on 08.07.04 with a delay of 41 days for which time extension has been approved by client without imposing any penalty and the other package RJ-05/83 was completed with in the time. These works were undertaken by awarding the work to sub contractors.

On a scrutiny of final bill passed by the client and other relevant records in audit the following observations were noticed:-

1. The Client has deducted Rs. 27.32 lakh (Rs. 10.72 Lakh for package RJ-05/23,24,43,42 and Rs. 16.60 lakh for package RJ-05/83) towards royalty from the bills of RSRDC at 2% of the total amount. Similarly, RSRDC has also deducted royalty of Rs. 25.61 lakh (Rs. 9.87 Lakh on first package and Rs. 15.74 lakh on the second package) from the passed bills of sub contractors and the amount so deducted by RSRDC is kept as miscellaneous deposit against royalty without any adjustment/remittance so far (August 2006). As per clause 36 A of General Rules of contract, the liability on account of royalty in respect of material consumed on the work shall be on the contractor. Since the sub contractor is the actual consumer of materials for which royalty amount has been deducted by the company from the bills of sub contractor on behalf of Mines and Geology deptt., Govt. of Rajasthan. Since royalty has been deducted and paid on the same consumed materials by the client (PWD) to the Mines deptt. already, it would be a loss to RSRDC if the amount of royalty deducted is paid again to Mines and Geology deptt. Reasons for non-adjustment of this amount were not on record.

2. It was observed in audit that there was a short deduction of royalty amount from the subcontractor by the company as compared to the deduction made by the client (PWD) from the company in respect of both the packages which has resulted in a loss of Rs. 1.71 lakh (Rs. 27.32 lakh - 25.61 lakh) to the company.

3. Royalty was being paid by the client deptt by deducting it from the passed bills regularly. In spite of this, an amount of Rs. 83474 was deposited by RSRDC vide no. 1611 dt 27.03.04 of unit-Ist Jodhpur in respect of package no RJ-05/ 23,24,42,43 which has resulted in loss to the same extent. The payment/remittance of Royalty by the company when the same was being deducted and remitted by the client department regularly lacks justification.

4. It was noticed in audit that royalty deduction was being made as a percentage of value of contract without reference to quantity of materials consumed where as royalty was to be paid at the prescribed rates per tonnage as stipulated by the Mines & Geology department. In view of this, there is a need to assess the royalty payable with reference to quantity of materials consumed on the work and reconcile the deductions made and paid and the amount payable to Mines & Geology department. Any refund to be claimed as a result should be claimed and got refunded expeditiously. There is no system of such reconciliation which need to be done without any further delay to avoid excess payment of royalty to the department.