

कार्यालय महालेखाकार (वाणिज्यिक एवं प्राप्ति लेखा परीक्षा), राजस्थान, जयपुर  
सी.ए.डब्ल्यू. ॥/के. 58 / आर.एस.आर.डी.सी. / एच.ओ. / 2005-06 दिनांक

प्रबन्ध निदेशक,  
राजस्थान राज्य सडक विकास एवं निर्माण निगम लिमिटेड,  
सेतु भवन, झालाणा डूंगरी, आगरा बाईपास,  
मुख्यालय, जयपुर

विषय: — निरीक्षण प्रतिवदेन प्रबन्ध निदेशक, आर. एस. आर. डी. सी. लि., मुख्यालय  
जयपुर लेखा वर्ष 2005-06

मैं निरीक्षण प्रतिवदेन भेजकर उसमें वर्णित अनियमितताओं के शीघ्र सुधार एवं आवश्यक कार्यवाही हेतु प्रेषित करता हूँ।

आपसे अनुरोध है कि इस निरीक्षण प्रतिवदेन के आक्षेपों की अनुपालना एक माह में आपके विभाग के प्रधान अधिकारी के द्वारा भिजवाये, इनहे इस निरीक्षण प्रतिवदेन की एक प्रति अलग से सीधे सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित की जा रही है।

नीचे लिखे परिच्छेदों की अनुपालना विशेष रूप से शीघ्र भेजे क्योंकि ये परिच्छेद अंकेक्षण प्रतिवदेन (वाणिज्यिक) में सम्मिलित किए जाने के लिए प्रस्तावित है।

1. टाक्षेप संख्या	Part II-A	1 से 4	विषय
2. टाक्षेप संख्या			विषय
3. टाक्षेप संख्या			विषय

भवदीय

वरिष्ठ लेखा परीक्षा, अधिकारी  
सी.ए.डब्ल्यू.— ॥

प्रतिलिपि: प्रति नि.प्र. के सूचनार्थ एवं आवश्यक कार्यवाही हेतु पेंषित है: —

1. .... कृपया निरीक्षण प्रतिवदेन की अनुपालना प्राप्त कर अपनी टिप्पणी सहित इस कार्यालय को भेजे। क्रम संख्या में वर्णित परिच्छेदों की ओर से आपका ध्यान विशेष आकृष्ट किया जाता है।
2. .... कृपया उपरोक्त निरीक्षण प्रतिवदेन की अनुपालना प्राप्त करके निर्धारित समय में भिजवाएं।

वरिष्ठ लेखा परीक्षा, अधिकारी  
सी.ए.डब्ल्यू.— ॥

**INSPECTION REPORT ON THE ACCOUNTS OF THE MANAGING DIRECTOR, RAJASTHAN STATE ROAD DEVELOPMENT AND CONSTRUCTION CORPORATION LIMITED, (HEAD OFFICE), JAIPUR FOR THE PERIOD 1<sup>ST</sup> APRIL 2005 TO MARCH 2006**

**Part – I – (A)**

**Introductory: -**

(i) **Organization Setup**

The erstwhile Rajasthan State Bridge and Construction Corporation Limited was renamed as Rajasthan State Road Development and Construction Corporation Limited (RSRDC) on 18.01.2001. The main objective/ function of Corporation is to construct Bridges, Buildings, Road and other Structures. RSRDC takes these works on const plus fixed centage charges and also participate in open tenders invited by State/ Central Government Organization and private parties.

The Management of Company is vested in the Board of Directors As on 31.03.2006 there were 10 Directors in the Board. The Managing Director is Chief Executive of the Company, who is assisted by a General Manager, Chief Project Manager and Chief Accounts Officer.

During the period covered under audit key posts were held by officer as indicated below: -

(1) **Managing Director: -**

Shri N. K Sharma                      01.04.2005 to 31.03.2006 & Continue

(2) **Chief Accounts Officer: -**

Shri D. C. Choudhary                03.07.2003 to 16.07.2005

Shri Rakesh Sharma    16.07.2005 to 25.02.2006

Shri M. K. Jain                        25.02.2006 to 31.03.2006 & Continue

(3) **Store Keeper: -**

Shri C. S. Sharma (Sr. Store) 01.04.2005 to Continue

Shri P. P. Panwar (Pr. Cell) 01.04.2005 to Continue

(4) **Cashier: -**

Shri D. K. Jain                        01.04.2005 to date

(ii) **Working Result: -**

<b>Income</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Operating Receipt	924.51	1667.03	2367.40
Non Operating Receipt	938.95	779.72	158.78
<b>Total</b>	<b>1863.46</b>	<b>2446.75</b>	<b>2526.18</b>

<b>Expenditure</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Pay & Provisions for Employees	600.44	657.10	733.33
Other Administration Expenditure	270.89	323.00	326.01
Interest Payment	720.76	729.35	218.93
Depreciation	232.70	577.00	1136.87
Loss of J. F. Works	--	--	--
Less: Provisions in Previous year Longer Require	(-) 00.22	--	--
<b>Total</b>	<b>1825.81</b>	<b>2286.45</b>	<b>2415.14</b>

<b>Profit</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Profit Before Tax	71.40	160.30	111.04
Tax Provision	(-) 19.76	(+) 2.21	(-) 2.65
Profit After Tax	51.64	162.51	108.39
Add/ Deduct Prior Period Adjustment	(-) 17.50	(-) 18.95	(-) 5.97
Profit/ Loss after Prior Period Adjustment	<b>34.14</b>	<b>143.56</b>	<b>102.42</b>

From the above it could be seen that the profit of Company had decreased in 2005-06.

(iii) **I. T. Application: -**

I. T. Application is under Progress.

(iv) **Audit: -**

The audit was conducted by Shri D. K. Agarwal, Section Officer during 26.12.2006 to 09.02.2007 and supervised by Shri Mahendra Tambi, Audit Officer (Commercial) from 26.12.2006 to 09.02.2007.

## **PART –II-A**

### **1. Avoidable delay in starting collection of toll – Loss of Rs. 46.73 lakh.**

(i) The work of widening & strengthening of Chala – Neemkathana-Kotputli Road (64.200 Kms) was awarded (May 2004) on Build Operate & Transfer (BOT) basis issued (Dec. 2003) by the Public Works Department (PWD) Government of Rajasthan, Rajasthan State Road Development & Construction Corporation Ltd., (Company) filed (Feb. 2004) , inter alia, bid for widening and strengthening of Chala-Neemkathana-Kotputli Road (64.200 Kms) with total concession period as 5 years 6 months (inclusive of construction period). The work was awarded to the Company vide PWD letter of acceptance No. D-50 dated: 12.05.2004 and accordingly concession agreement was executed between the Company and the State Government for the work on BOT basis. In clause 2.2, the concession period was envisaged as 66 months to implement and operate the project. As provided in clause 4.1(e) the Company was entitled to collect user fee (toll ) at prescribed rates during operation period after completion of at least 50 Km. road length. Hence, the early the work was completed the more would have been the available period for collection of toll. The company completed the work of road length 51 kms.and requested (Feb. 2005) PWD for issue of completion certificate and necessary permission to start toll collection, who in turn issued provisional completion certificate on 30.03.05 alongwith a notice that the toll collection can be started any time during the first week of April 2005. The company invited tenders for collection of toll for six months with date of opening as 31.03.05. Only one bid for Rs. 207.71 lakh against the reserve price of Rs. 207.60 lakh was received which was considered and approved by the tender approval committee on 2.4.05. However, it was decided by the Chairman that it would be appropriate to start toll after the Assembly Session. Hence, the same was deferred and the collection of toll was started w.e.f. 29.04.05 which, could have been started w.e.f. 15.4.05 after allowing 10 days to the bidder for furnishing security and agreement after sanction of tender on 05.04.05.

In this connection, it was observed in audit that it was intimated by the concerned Resident Engineer on 15.02.2005 that the work was almost complete and the toll collection could start by 15.03.2005. Ultimately, the requisite completion certificate was issued by the PWD and thereby the Company was entitled to start toll w.e.f. 01.04.2005. However, the Company failed to take timely action to invite tenders for collection of toll and finalize the same in due course, so as to start it w.e.f. 01.04.05. Secondly, even after final decision in the tender on 05.04.05, the same was deferred on the ground of Assembly Session which had nothing to do with collections of toll which was being done as per terms. The company was required to be very particular in this regard specially because the toll collection period was limited during which it could recover its cost/profit. Consequent upon this delay, the Company was deprived of collection of toll for 28 days (01.04.2005 to 29.04.2005) for which it was entitled. This has resulted into loss of revenue of Rs. 31,78,077.00 worked out on the basis of bid received and order awarded for six months. (Toll for 28 days at the rate of Rs. 207.71 lakh for 183 days).

(ii) Similarly, in case of work of improvement of Alwar-Bhiwadi Road (79 Kms) awarded (July 2003) to the Company by the PWD on BOT baais, it was decided (April 2004) to start collection of toll w.e.f. 01.06.2004 keeping in view the pace of work which was likely to complete in May, 2004. However, the Company failed to take timely action to invite tenders for collection of toll and finalise the same in due course, so as to start it w.e.f. 01.06.2004 and therefore the collection of toll could start w.e.f. 09.06.2004. It was found that after opening of tenders on 12.05.2004 a period of 12 days was taken to decide and negotiate with the highest bidder who in turn refused to increase the bid. Consequent upto the delay in starting the collection of toll, the Company was deprived of the collection of toll for 8 days ( 01.06.2004 to 09.06.2004) for which it was entitled. This has resulted into loss of revenue of Rs. 149035.00, worked out on the basis of bid received and finalized.

Thus due to delays in starting collection of toll the Company suffered with loss of revenue of Rs. 46,73,112/-.

2. **Architectural Consultancy Services at Extra Ordinary High Rates- Loss of Rs, 28.24lakh.**

Various civil engineering works are awarded to the Rajasthan State Road Development & Construction Corporation Ltd. (Company by the State Government on the basis of actual cost plus overheads at the rates given below as per Government order issued from time to time resting with order dated 16.07.2005.

- |      |   |       |
|------|---|-------|
| (i)  | Where design and drawing is prepared by the Company at their own level.     | 9%    |
| (ii) | Where design and drawing is supplied by The client department/organization. | 7.50% |

Thus, the Company gets 1.50% of cost towards drawing and design. Therefore the Company had a practice to pay fee upto 1.25% of cost in respect of drawing and design of the works, keeping 0.25% towards its overheads.

A work of construction of 300-bedded hospital in Jhalawar was awarded (July 2004) to the Company by the State Government. It was decided in the meeting taken (June 2004) by the Principal Secretary, Health that Dr. Utpal Roy (Consultant) of Medicare Services India Ltd., Kolkata should prepare plan for the building. Accordingly, the Company contacted this consultant and informed him the rate of 1.25% of total cost being paid by the Company on all projects. The Consultant did not agree to this rate and requested (Sept. 2004) for the rate of 2.50% of the cost. The matter was taken up (July and Sept. 2004) with the State Government, bringing out the fact of traditional rate of 1.25% paid on all projects till then and stating that even leading architect like Hafeez contractor of Mumbai had also been engaged at this rate. It was replied (Oct. 2004) by the Principal Secretary P.W.D. that in view of the fact that hospital construction requires specialized services, unlike with sophisticated equipments, architectural fee of 2.50% of cost could be considered as a one time exception. The Company had to absorb this increase from the overheads admissible to it. Accordingly, the fee was increased (Oct. 2004) to 2.50% and the matter was put up before the Board of Directors for post-facto approval, which in turn approved (March 2005) the

same. Against technical and administrative sanction of Rs. 2463.00 lakh including centage (overheads) @ 9% , the Company has incurred Rs. 1847.59 lakh including centage upto the end of Dec. 2006 on the project.

In this connection it was found that as per Schedule of Power (SOP) of the Company, consultant can be appointed without calling tenders upto a fee of Rs. 10.0 lakh per project by the executive Committee and for fee it out limits by the Managing Director after calling tenders. The company had a practice to appoint architect at the rate of 1.25% of the cost . In the case of construction of Rajasthan House in Nave Mumbai the amount of fee at the above rate was more than Rs.10.00 lakh & hence tenders were invited (March 2004) . Architect Hafeez contractor offered the lowest rate (1.25%) in whose favour the work of architectural consultancy was awarded (April 2004). In one case of construction of 150 bedded hospital at Pratapnagar, Jaipur architectural consultancy work has been awarded (July 2006) @ 1.25%. It was also revealed that the consultant did not execute the work himself but got the same done from some other architectural consultant. In view of the above circumstances where a leading consultant was giving the same service @1.25% and the same rate was also paid for hospital building, it was not prudent to award the work at double the ordinary rate without calling tenders to ascertain the rates prevailing in market and to observe the prescribed procedure. This was detrimental to the interest of the Company, because only 1.50% was receivable against drawing and design whereas it had to pay 2.50% towards the same. It was therefore observed in audit that awarding of consultancy service at double the rate being paid on all the projects without calling tenders was not proper and prudent. This has resulted into loss of Rs. 28,24,540/- (1.25% of Rs. 2259.63 being sectioned cost of the project excluding centage (overheads)).

The management stated (January, 2007) that the consultancy work @ 2.50% was awarded in view of specialized nature of the work and as per approval of the Board of Directors. The reply is not tenable because architectural consultancy of a hospital building has also been awarded @ 1.25% of cost and the company should have invited tenders as per procedure to ascertain the opportunities available in the market.

**3. Avoidable extra expenditure of Rs. 16.54 lakh due to procurement of cement at higher rate:**

Rajasthan State Road Development & Construction Corporation Limited (Company) invited (February 2006) tenders for supply of 310000 bags of cement (155000 bags each of Ordinary Portland Cement (OPC) and pozzolana Portland Cement (PPC), which were opened on the due date (17.03.2009) Only one firm M/s J.K. Laxmi Cement Ltd. Participated in the tender with rate as Rs.164.90 and Rs. 159.90 per bag for OPC & PPC respectively. These rates were offered subject to two conditions i.e. statutory increase in sales Tax/ VAT, Excise Duty to be borne by the company and 100% advance payment to be made against supply .The firm was asked on 18.03.2009 to withdraw the conditions and to convey their negotiated rates because the rates quoted were considered on higher side. The firm in turn replied on cement had registered a sharp increase in past few months and the up trend was still intact. However, it was decided to call for fresh tenders because the condition of advance payment was not acceptable, looking towards the bitter experience in past. Accordingly fresh tenders were invited on 06.04.06 with date of sale of tender form as 10.04.2006 to 15.04.2006 and date of opening as 17.04.2006. Meanwhile, on constant persuasion the above firm agreed to withdraw the two conditions through fax on 07.04.2006. On examination of the issue it was found that in the open market the rates have increased sharply to Rs. 175/- per bag and the rates were likely to move further up because the rising trend was still intact and because of the prevailing rate of Rs. 200/-per bag in neighboring states. The previous supply order had also been exhausted and the delay in supply of cement was to effect the progress of works badly. In the circumstances, it was recommended on 10.04.2006 to consider the offer of the firm. It was however decided to reject this offer because of invitation of fresh tenders after the decision of rejecting the tenders. Subsequently, in the new tender opened on 17.04.06 only the above firm participated with rates as Rs. 169.75 and Rs. 164.75 per bag for OPC & PCC respectively, i.e. higher by Rs. 4.85 per bag as compared to the initial offer. Looking towards the urgent requirement and the rising trend in rates it was decided to place order on these rates, for supply 310000 bags and to put up the case for ratification by the Executive Committee (EC) of the Company, which was competent to

decide the case. The quantity was further increased by 10% as per clause 4 of the special terms on 26.08.2006 making the total quantity as 341000.

In this connection it was observed in audit that the initial offer of the firm in the tender opened on 17.03.2006 was valid for one month and the firm agreed to withdraw the conditions on 07.04.2006, i.e. well before starting of the process of new tender. The rates under the offer (Rs. 164.90 and Rs. 159.90 per bag) were quite reasonable looking towards the open market rate of Rs. 175.00 per bag and the rate of Rs. 200.00 per bag in neighboring states and in view of the continuous rising trend in the prices it was prudent for the Company to accept the offer under this tender. Although on non-withdrawal of conditions by the firm it was decided to reject the tender and invite fresh tenders but this decision was never communicated to the firm and the offer of the firm was valid upto 17.04.2006. it was therefore open to the Company to accept the offer. Despite this, the Company continued the process of fresh tender and purchased a total quantity of 341000 bags at the rates higher by Rs. 4.85 per bag, resulting into extra expenditure of Rs. 16,53,850.00. Had the Company accepted the initial offer of the firm after its withdrawal of conditions, the Company could have avoided this extra expenditure of Rs. 16.54 lakh.

The management stated (Feb. 2007) that the firm withdraw the conditions only after rejection of tender with the presumption that the Company was not in position to accept the offer and that the firm did not lower down the rate in later tender which shows malafide intention of the firm. The reply is not tenable because the offer of the firm was valid upon 17.04.2006 and the Company could accept the same and withdrawal of conditions cannot be construed as malafide on the ground of higher rates offered at a later date which was in accordance with the apprehensions that the prices would rise further. Moreover, the order was ultimately awarded in favour of the same firm, which cannot be possible with malafied intentions.

2. **Under realization of Toll revenue Rs. 11.55 lakh :**

The work of construction of Banswar-Dahod Road Km 396/0 to KM 411/0 was completed by Rajasthan State Road Development & Construction Corporation Ltd. (Company) in 2001-02 on Built Operate & Transfer (BOT) basis. The Company had right to recover cost/profit frame the project by way of collection of toll fee. For this purpose annual toll collection contracts were awarded by the Company. On expiry of the then existing toll contract on 24.12.2004, a new toll contract for the period 24.12.2004 to 24.12.2005 was awarded to M/s. Banwari Lal at Rs. 121.12 lakh and an agreement was executed accordingly. The contract value was to be recovered in advance monthly installments. The contractor failed to deposit the installments and hence, the contract was withdrawn and the collection of toll was started departmentally w.e.f. 01.06.2005. The next collection of toll through contractor could be started w.e.f. 26.03.2006 at Rs. 65.80 lakh for one year and toll had to be collected departmentally for the period 01.06.2005 to 26.03.2006 (299 days). The departmental collection for this period was only Rs. 42.35 lakh, which was considerably less than the collection through contractor and the amount of loss on this account works out to Rs. 56.94 lakh when compared with the previous contract of one year for Rs. 121.21 lakh and Rs. 11.55 lakh when compared with the subsequent contract of one year for Rs. 65.80 lakh. Further, scrutiny of the case revealed the following factors, which caused the delay and consequential loss:

- (1) After starting the departmental collection w.e.f. 01.06.2005, the tenders for new contract were invited on 02.06.2005 and 22.06.2005 on the reserve price of previous contract (Rs. 50.89 lakh proportionately for 6 month 10 days and Rs. 96.42 lakh for one year respectively). The same were rejected because the offers received were very less than the reserve price (Rs. 30.51 lakh and Rs. 65.00 lakh respectively). For the purpose of next tender, Resident Engineer conducted a traffic census in July 2005 and anticipated the toll Rs. 64.45 lakh, which was also fairly near the actual toll collection. Despite this, tender was invited and opened on 20.08.2005 with the reserve price of Rs. 85.91 lakh. Due to very high reserve price, no bidder participated.

(2) After failure of third round tender, specific comments were asked (25.08.2005) about future strategy to be adopted by the Company. In this reference, Resident Engineer concerned replied (26.08.2005) for consideration of reserve price recommended at the time of third round tender and for inviting the fresh tender. The same was reiterated by the RE on 15.09.2005 alongwith the fact that percentage of administrative expenses of running toll tax departmentally was going high due to reduction in toll collection. In response to these recommendations no any concrete decision was taken and it was directed on 28.09.2005 to conduct a fresh traffic census. A traffic census was conducted during 05.10.05 to 12.10.05 and accordingly toll amount of Rs. 48.36 lakh was anticipated and it was recommended (18.10.2005) to fix the reserve price at Rs. 56.41 lakh, based on average of two traffic censuses. The designated committee finalized reserve price Rs. 65.00 lakh on 06.01.2006 with the delay of 81 days, which was approved by the competent authority (Chairman) on 17.02.2006 after delay of 1-1/2 month. Accordingly fresh bid were invited on 07.03.2006, which was finalized at Rs. 65.80 lakh. In this way, the new toll contract could be started w.e.f. 26.03.2006.

In this connection audit observed that although the finding of traffic census conducted during July 2005 shown estimated toll collection of Rs. 64.45 lakh and the departmental toll collection was also lower than this, a very high reserve price (Rs. 85.91 lakh) was fixed in the tender and consequently no bidder participated. Secondly, even after clear cut recommendation of the concerned RE in August 2005 to fix the reserve price at Rs. 64.65 lakh, which was ultimately found more than the toll anticipated in subsequent census of October 2005 the issue was kept pending unnecessarily and the tenders were invited in March,2006 consequent upon this improper handling of the case, the Company had to collect toll departmentally for 299 days which, was lower than the collection through contractor and hence had to suffer with a minimum loss of Rs, 11.55 lakh (worked out on the basis of rates of contract awarded of subsequently). The reasons for the delay may be clarified to audit.

### **3. Heavy outstanding against client Rs. 2951.45 lakh.**

During scrutiny of recovery records it was noticed that a sum of Rs. 2951.45 lakh was outstanding as on 30.04.2006 against the client department of works done by various units of Corporation on their behalf. The details of unit wise outstanding are given in Annexure "A".

It is pertinent to mention that the works have been completed long back and handed over to the client departments. The Company carried out the work through borrowed loans on which huge interest payable. In this connection it was noticed that Recovery Cell has been constituted and assigned responsibility of pursuance of recovery but concrete steps are not being taken for recovery except issue of reminders for release of payment.

In order to safeguard commercial and financial interest of the Company, sincere efforts for speedy recovery is required, which may be made and further progress made in recovery may be intimated to audit.

#### **4. Irregular amendment roll policy.**

A comprehensive policy in respect of collection of toll on Build Operate and Transfer (BOT) projects was adopted by the Board of Directors in its 18<sup>th</sup> meeting held on 18.03.2005. Even after adoption of this policy, problems were experienced in various toll tenders and a need was felt to review the policy. A meeting was taken by the chairman of the Company on 15.12.2005 in which vice Chairman, MD and some other officers of the Company & PWD participated. In the meeting the policy was reviewed and modified and the modifications so decided were made effective vide office order dated 30.12.2005.

In this connection it was observed that the policy decided by the Board of Directors can be modified only by the Board of Directors, whereas the meeting taken on 15.12.2005 was not a Board Meeting where all members of Board either participate or leave of absence is granted. It is also pertinent to mention that no officer from the Finance & Accounts side was present in the said meeting. The meeting was therefore not competent to modify the policy adopted by the Board. Hence, the modifications made and decisions taken in accordance with that became technically irregular for decision for want of approval of the competent authority. The reasons for this irregular decision may be clarified to audit and the same may be got rectified from the Board of Directors under intimation to audit.

5. **Non Recovery of Penalty of Non Supply of Material- RS, 3.34 lakh.**

A supply order was placed upon M/s steel Syndicate of India, Jaipur vide No. A-5 (BPC) 176/46/19591-93 dated 25.02.2006 for supply of 327 MT 8 to 12 meter length TNT steel bars in Delhi at a total price of Rs. 85,60,960/- with various rates per T for different dia of bars ranging between Rs. 25625/MT to Rs. 28230/MT. The period for completion of supply was envisaged as 3 Months from the date of order i.e. up to 25.05.2006. The Company had a right to increase the quantity up to 10% within this period of completion under clause No. 4 of special Terms & Conditions. The quantity was increased by 10% within this period of completion under clause No.4 of special Terms & months upto 25.07.2006 vide order-dated 27.05.2006.

In this connection it was found that against the total quantity of steel of 359.70 MT (327+32.7) valuing Rs, 94,17,056 (Rs. 85,60,960+85,60,960) ordered, the firm had supplied only 232.32 MT of steel valuing of Rs. 60,75,742/- upto 10.05.2006 & nothing has been supplied after that, It has been provided in condition 5 of the agreement that if the supplier fails to deliver within the stipulated supply period, liquidity damage at different rates as per period of delay, upto maximum of 10 percent of the value would be recovered. The amount of penalty as per this provision works out to Rs, 3,34,131 (10% of value of unsupplied material (Rs 94,17,056/- Rs. 60,75,742/-) but no action was found taken in this regard although the price of steel had gone up & the Company had to procure steel at higher rates in May 2006. The recoverable amount of liquidated damage may be recovered after verification under intimation to audit.

Management stated (February, 2007) that suitable action for non supply of material as per terms & condition of contract should be taken at the time of finalization of contract after getting report from the concerned Resident Engineer. Further progress made in this regard may be intimated.

**7. Avoidable loss of Rs. 5.96 lakh due to Improper handling of court case.**

Renovation work at Rajasthali, New Delhi was awarded (1997-98 to Rajasthan State Road Development Corporation (Company by Rajasthan Small-Scale Industries (RSIC). The work was completed and final bill of Rs,1,20,51,599.00 was submitted (1.1.2001 ). The Company executed this work through various contractors. M/s Intercom Faridabad was one of them . The total orders for Rs, 20.77 lakh were placed upon this firm. The contractor completed the work finally at a cost Rs. 19.19 lakh, which was measured and admitted by the company Against this amount, payment of Rs, 14.61 lakh was made and for balanced amount of Rs, 45,8,120.00 a letter was issued to RSIC for release for this payment directly to M/s intercom. However the RSIC did not make payment. It was found on the record that the RSIC withheld Rs. 17.41 for delays and defects in the whole work, The firm proceeded (29.09.03) into Hon'ble Court of District Judge New Delhi by lodging suit No. 104/2003. A decree was awarded (29.08.06) by the court in favour of plaintiff for the above amount in addition to interest @ 9% per annum from the date of filing the suit till realization of award. In this connection it was found that the Company replied in court that RSIC was liable for this payment by it could not submit any evidence in support of this. Therefore it was decided by the court (29.08.06) that RSRDC was liable to make payment to plaintiff as it entered into a contract with plaintiff by issuing the work order. Consequently, liability of Rs, 5,95,556.00 (Rs 458120.00+137436.00 intt w.e.f. 22.09.2003 to 22.01.2007 as payment is still to be made ) has fallen upon the Company .

Audit therefore observed that due to non availability and submission of proper evidence before the court of law in support of the fact that it was RSIC for whom the work was executed and who was ultimately liable for the payment , the Company had to bear this liability. The reasons for this lapse may be investigated and corrective measures be taken to avoid recurrence of such events. It may also be investigated that which contractors were responsible for the amount with held by the RSIC for delay & defects and the same may be recovered from those contractors responsible for the same. In case the retention of claim by RSIC was not justified it may be taken up with RSIC for release of payment.

**Levy of additional demand of Rs. 100.51 Lakh due to non-submission of documents and non-adjustment of Rs. 53.58 lakh of cash deposit and TDS by sales tax authorities.**

Under Rajasthan sales Tax Act. 1954 and rules made there under, an assessee is required to (i) furnish return for each quarter of the assessment year not later than 30 days of the end of each quarter failing which penalty @Rs. 10/- per day for the period of default was liable to be paid (ii) purchase all goods from registered firms/dealers, failing which tax was to be paid by the assessee on such purchase (iii) furnish to Sales Tax Authorities, certificate of deductions of tax by its clients from the bills of the works executed and get adjusted the amount so deducted from the total tax liability of the assessee (iv) submit all the supporting documents of which rebate claimed in Sales Tax, Scrutiny of the assessment orders for the year 1995-96 to 1997-98 issued by the additional tax of Rs. 100.51 lakh has been levied by Sales Tax Department due to following reasons:-

1. Material of Rs. 337476.00 was purchased from unregistered firm in 1996-97 . Thus tax of Rs. 37,860.00 was levied by STA.
2. Corporation has claimed actual expenditure of material and other expenses incurred on tenders work in 1995-96 and 1996-97, however, no supporting document in respect of these expenses were submitted by corporation to STA. Thus, as per rule 25 of Sales Tax Rules, 1995, only 25% expenses of labour of total contract value has been accepted by STA and additional demand of Rs. 53,94,492.00 was levied as under:-

Expenses Heads	Year	Amount of expenses Claimed	Amount of Expenses accepted by STA	Amount of Expenses not accepted by STA	Tax levied On Expenses not accepted by STA
Labour	1995-96	39383955/-	26195784/-	13189171/-	1318917/-
	1996-97	31574730/-	11070853/-	20503877/-	2050388/-
Other Exp.	1995-96	15229695/-		15229695/-	1522970/-
	1996-97	5002172/-		5002172/-	502217/-
				<b>Total</b>	5394492/-

3. As per notification of the State Government dated 27.03.1995, Corporation purchased cement of Rs. 2,23,41,855.00 in 1997-98 for own use on the concessional rate of sales tax @ 5%. However, instead of own use, cement was supplied to contractors and payment of cement was deducted from the bills of contractor. Thus additional sales tax liability @ 11% amounting of Rs. 24.60 lakh has been levied by Sales Tax Authorities in the assessment year 1997-98
4. Besides this, interest of Rs. 140.78 lakh on short assessment amount of tax in the assessment order of 1995-96, 1996-97 and 1997-98 have been also levied out of which amount of Rs. 119.19 lakh has been settled during verification of records leaving unsettled demand of Rs.21.59 lakh.

It has been further revealed that corporation has claimed adjustment of Rs.210.28 lakh on account of cash and TDS deposited by corporation during 1995-96 to 1997-98, however, cash receipt and ST-45 and 46 of Rs. 53.58 lakh has not been produced by corporation so far. Thus, amount of Rs. 53.58 lakh has not been adjusted by Sales Tax Authorities.

Further, it was noticed that against the additional demand company, filed appeal with the Dy. Commissioner ( Appeals). The authority set aside The demands on 14.08.2003 (1995-96 &1996-97) & on 01.10.05 (1997-98) and ordered to Commercial Tax Officer of deciding the case after hearing the appellant and considering the facts, if any, submitted by him. Against the decision given in respect of assessment order 1995-96and 1996-97, appeal was filed on 01.11.2003 before the Rajasthan Tax Board, Ajmer. The Board directed on 10.06.2004 to additional Commissioner (Appeals) to decided the matter. In respect of assessment for the year 1997-98, hearing is pending before Commercial Tax Officer Zone-II, Jaipur.

The non submission of relating documents caused additional demand of Sales Tax of Rs. 154.09 lakh and unnecessary litigations. The non production of documents at the time of assessment needs clarification. The further progress made in this regard may be intimated to audit-

**PART-III**  
Nil

Sd/-  
Sr. Audit Officer/ CAW--II



