Chapter II

Performance Review relating to Government Company

2. Bihar Rajya Pul Nirman Nigam Limited

Executive Summary

Introduction

Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company with prime objective to construct all types of bridges and roads and to collect toll on bridges notified by the State Government.

The activities of the Company being in the areas of creation of societal infrastructure, a performance review of the activities was considered imperative. The present review covers the activities undertaken during the period 2005-10.

Planning

The Company estimated cost of land acquisition on lump-sum basis without conducting detailed site survey which resulted in delays in completion of eight projects and funds held up to the tune of ₹ 134.30 crore for three to 17 months. There were delays in utilisation of 45 bridges upto 27 months due to non-completion of approach road. Estimate for the work of construction of the bridge was incomplete as it did not include the cost of essential items, which resulted in short allotment of fund from Government, blockade of fund and the company could not earn centage charges to the tune of 0.49 crore.

Execution

During 2005-10 the State Government had allotted work of 742 bridges at an estimated cost of ₹ 5,574.73 crore of which the Company completed 538 bridges at a cost of ₹ 1,415.20 crore which included a sum of ₹ 11.74 crore met from BDF.

The Company completed substantial number of projects handled by it during the years 2008-10. However, there were delays in execution of projects due to reasons including delays in tendering process, delay in execution of the projects by the contractors, delay in land acquisition, rescinding of the contract etc. In violation

of CVC circular and PWD code the Company invited L1 tenderers for rate negotiations.

Implementation of schemes

Mukhya Mantri Setu Nirman Yojana (MMSNY)

During 2007-10, out of 522 bridges under the MMSNY, the Company had completed 404 bridges. 60 completed bridges were constructed with delay of one to 26 months. Further, the incomplete bridges were delayed from two to 22 months due to reasons such as delays in start of work, delayed execution by contractors and non clearance of site etc. A loss of ₹ 12.13 crore occurred due to execution of work without agreement in Darbhanga Division. Delay in finalisation of tender in respect of Kaptan Pul at Purnea resulted in cost overrun of ₹ 2 crore.

Construction of Railway Over Bridges (ROBs)

Out of eight ROBs, only three could be completed at a cost of ₹ 86.60 crore against the original estimated cost of ₹ 80.15 crore. The remaining ROBs had not been completed till July 2010. These had different scheduled completion dates.

Execution of Turnkey Contracts.

The implementation of three turnkey contracts was deficient as the original GAD, BOQs and estimate were not compared with the designs submitted by the contractor and the actual cost of the projects was not analysed before making payments to the contractors. We observed excess payment of ₹ 43.84 lakh to the contractor in respect of ROB Purnea, short recovery of ₹ 0.80 crore from the Contractor in ROB at Sultanganj, loss of ₹ 13.21 crore due to acceptance of design involving less quantum of work without consequent reduction in cost in respect of bridges at Larjha Ghat, Samastipur and Rasiyari Ghat, Darbhanga.

Construction of Bridges under Plan/Non-Plan head

During 2005-10, the Company received a sum of ₹ 3103.56 crore for the construction of 212 bridges under Plan/Non-plan heads of which the Company completed 161 bridges at a cost of ₹ 886.71 crore. The remaining 51 bridges were in progress (September 2010). We observed that out of 41 projects undertaken in three divisions – Bhagalpur, Katihar and Darbhanga, 24 were completed with delays ranging from three months to 19 years. Out of the remaining 17 ongoing projects, seven projects were already delayed by period ranging from eight to 23 months.

Excess expenditure due to awarding works above the ceiling rates

111, 43, and 80 works on nomination basis were awarded at 10, 12 and 15 per cent above ceiling rate respectively which resulted in excess expenditure of ₹ 1.95 crore.

Construction of roads

Since 2007-08 the Company also started construction of roads as and when allotted by the Road Construction Department, Government of Bihar. Against 72 roads only 44 were (61 per cent) completed as on September 2010. There were delays of upto 21 months in completion of roads for various reasons viz. delay in starting of the work, slow progress by the contractor, rescindment and re-award of the work, etc.

Monitoring

There is no independent quality control wing at the divisions and Company headquarters was not adequately equipped with requisite machines. In contravention of clauses of the SBD, no action was taken against the defaulting agencies to recover the additional cost to the extent of ₹ 15.18 crore (September 2010). The quality and specification of material was not ensured as such documents (M and N forms) were not found enclosed with the bills in any of the projects. Due to non-observance of MORTH specifications BM work of 4674.46 M^3 valued ₹ 2.79 crore became substandard since there was a gap of six to nine months between the application of two pavement courses which should have been done in forty eight hours. Unauthorised payment of carriage cost of ₹ 22.54 lakh for 4955.40 M^3 of stone chips from unapproved quarry was observed.

Financial position and working results

The company had not maintained its

accounts upto date and these were in arrears since the year 2002-03. Annual accounts of the Company for the year since 2006-07 are yet to be approved by the Board of Directors. Interest earned on unutilised funds for construction activities kept in Fixed Deposits accounted for 14.68 to 51.48 per cent of the total income of the Company during 2005-10.

Funding

The overall utilisation of the available funds during 2005-10 remained around 80 per cent with general increase in utilisation of funds since 2007-08 as a result of execution of projects under MMSNY. Non-obtaining of prior sanction of excess expenditure from Government resulted in blockade of Company's fund to the tune of ₹ 84.98 crore.

Handing over completed bridges

141 bridges pertaining to four divisions completed during 2005-10 had not been handed over to the Government till date after a delay of up to 48 months.

Internal Control

The Internal Control System of the Company was inadequate. The Company did not have an internal audit wing. Firms of Chartered Accountants were appointed for internal audit and the work of compilation of accounts, reconciliation of bank accounts, etc. The Internal Audit Reports did not cover technical audit and propriety of expenditure.

2.1 Introduction

Bihar Rajya Pul Nirman Nigam Limited (Company) was incorporated in June 1975 as a wholly owned Government Company. The prime objective of the Company was to construct, execute, carry out, improve, work, develop, administer, manage, control or maintain in Bihar all types of bridges, roads and other structures, works and conveniences pertaining to bridges including approach roads to bridges and river training works. Further the Company had been mandated to levy and collect toll on passengers and goods on the use of the bridges, bridge works, roads and approach roads which are vested in the Company. The Company had also been entrusted with collection of toll on bridges notified in terms of Bihar Tolls Rules, 1979 by the State Government and deposit the amount so collected in Bihar Bridge Development Fund (BDF) which is to be utilised by the Company for repair, maintenance and construction of new bridges approved by the Government. During the review period 2005-10, the Company confined its activities as a construction agency mainly for construction of bridges, roads and other structures assigned by the State Government from Plan, Non-plan, MP/MLA funds, bridges allotted by the National Highways Authority of India (NHAI), NABARD, Mukhya Mantri Setu Nirman Yojna (MMSNY), etc.

The management of the Company was vested in the Board of Directors consisting of nine directors. Subject to the overall control and supervision of the Board, the Chairman/Managing Director is responsible for the implementation of the objectives of the Company and conduct of business. The Managing Director was assisted by managers and officers. The organization chart of the Company is given in **Annexure 7.**

2.2 The company had not maintained its accounts upto date and these were in arrears since the year 2002-03. The Company met its running expenses out of the service charges imposed on the cost of contracts known as centage charges.

The order book position of the company during the review period is placed below. At the beginning of the year 2005-06 the Company had 77 projects in hand valuing ₹ 442.29 crore and it secured 665 further contracts worth ₹ 5132.44 crore during this period.

Year	Opening balance		Addition during the year		Total		Completed		Incomplete	
	No. of projects	Estimated cost (₹ in crore)	No. of projects	Estimated cost (₹ in crore)	No. of projects	Estimated cost (₹ in crore)	No. of projects	Booked expenditure on completed works (₹ in crore)	No. of projects	Estimated cost (₹ in crore)
2005-06	77	442.29	15	47.94	92	490.23	08	26.82	84	463.41
2006-07	84	463.41	134	619.16	218	1082.57	26	83.42	192	999.15
2007-08	192	999.15	392	1732.80	584	2731.95	77	160.06	507	2571.89
2008-09	507	2571.89	54	496.63	561	3068.52	192	460.77	369	2607.75
2009-10	369	2607.75	70	2235.91	439	4843.66	235	684.13	204	4159.53

The Government of Bihar had decided in July 2003 to wind up the Company. However, the decision was withdrawn in June 2006. During these years, the Company continued with its construction activities.

The construction activities of the Company for the period 2000-05 which were last reviewed and incorporated in the Report of Comptroller and Auditor General of India (Commercial), Government of Bihar for the year ended 31 March 2005 had been discussed (September 2007) by the COPU. The COPU in its meeting accepted that due to delayed release of funds, the time and cost overrun in respect of various projects occurred and advised Company/Department to be vigilant in such cases to avoid such time and cost overrun. It was also instructed that the Company should submit within two months its revised estimates in respect of the various projects where total expenditure exceeded the estimated cost and the Government on approval of the submitted estimates should deposit the amount in the Company accounts in one month's time.

Despite these recommendations of the COPU, we observed that the Company had not submitted revised estimates in respect of 18 deposit works valuing ₹ 100.15 crore completed during the period 2005-10 where actual expenditure had exceeded the estimated costs. The management stated (September 2010) that in respect of 10 projects the revised estimates had been submitted to Government.

2.3 Scope of Audit

This Performance Audit was carried out through examination of records relating to implementation of works at the Company Head office and four[1] out of 12 field units (more than 33 *per cent* of the total divisions) as on 31 March 2010 selected on the basis of quantum of work executed and geographical locations. The total funds transferred to these divisions[2] represented 37 *per cent* of the total funds transferred.

2.4 Audit Objectives

Audit of performance of the Company with regard to construction activities was carried out to evaluate and assess whether:

- works were executed as per terms and conditions of agreement and the company was sensitive to the risk of time and cost overruns;
- proper monitoring system was in place;
- proper planning was carried out for implementation of the scheme;
- the Company had a well-devised corporate plan in place and the internal control with regard to their construction activities/internal audit system of the Company was effective;
- adequate funds were made available timely and efficiently utilized;
- the Company could ensure collection of tolls as per the Bihar Tolls Rules, 1979;
- the completed projects were handed over to the Government in time.

2.5 Audit criteria

The performance of the Company with regard to their construction activities was benchmarked with reference to their mandate, rules and procedures, Bihar Public Works Code adopted, other applicable Acts and also the best practices in Planning, Execution, Monitoring and Contract Management.

2.6 Audit methodology

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining the audit objectives to top Management, scrutiny of records at head office and selected units, interaction with auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of the draft review to the Management for comments.

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[1] Works Division Bhagalpur, Darbhanga, Katihar and Road Division, Patna.
[2] ₹ 792.74 crore

2.7 Audit Findings

An entry conference was held (March 2010) to appraise the Government and the management about the performance review of the activities of the Company being undertaken. Audit findings as a result of performance review of construction activities of the Company were reported to the Government / Management (July 2010) and an exit conference with the Management/Government was also held (October 2010). The reply (September 2010) of the Management and views expressed in the exit conference have been taken into consideration while finalising the Review.

2.8 Business outlook

The growth of a company depends upon number of projects secured from various clients. The Company did not participate in any open tendering process and was solely dependent on the state government projects to continue its business. It would be worthwhile to mention that in such a scenario it completely depends on the state government support for its continued survival.

It is essential that the projects should be planned, executed and monitored closely in order to obtain value for money. The deficiencies noticed in these processes, as we observed, during the review of the Company's operations are discussed in the succeeding paragraphs.

2.9 Planning

Proper and effective planning is essential before execution of the work. An action plan specifying time schedule for completion of different stages of planning and execution of the projects should be laid down for proper and timely execution of the projects under different schemes. Project time lines are important to avoid time and cost overruns, blockade of funds and delay in utilization.

Planning also includes preparation of accurate and realistic Detailed Project Reports (DPRs), designs and estimates based on site survey reports and soil test reports. The design should be site specific to ensure preparation of realistic BOQ and estimates. It also includes timely acquisition of required land to avoid delay in completion of projects and adequate estimation of cost of land. We observed loss of accrual of benefits due to deficient action plans.

2.9.1 Deficient land acquisition plan

Provision of lump-sump amount for land acquisition without conducting site survey resulted in blockage of ₹ 134.30 crore for three to 17 months

Timely acquisition of required land is necessary to avoid delay in completion of the Projects. Further, adequate estimation of cost of land acquisition is also required to avoid short allotment of funds from Government. However, we observed that planning of the Company in this respect was inadequate. The Company estimated cost of land acquisition on lump-sum basis without conducting detailed site survey which resulted in delays in completion of eight projects[3] and held up funds to the tune of ₹ 134.30 crore for three to 17 months.

The Management stated (September 2010) that the Land acquisition plans with requisite details is submitted to the District administration and there is no control of the Company on the process of land acquisition. The entire land acquisition process is time taking after deposition of the proposal by the Company. Management further stated that it is the Revenue Department that decides the rate of compensation and consequently the cost of land acquisition. Thus the real cost of acquisition is known to Company at quite a later stage.

The Government concurred (October 2010) and stated that instructions in this respect will be issued to the concerned authorities.

2.9.2 Delays in utilisation of bridges due to non-completion of approach road

Deficient planning in respect of completion of approach roads alongwith the bridges resulted in blockage of ₹ 106.72 crore upto 27 months

To make a bridge usable on time, its construction should be planned in such a way that both bridge and the approach road are completed simultaneously. It was observed that the Company did not plan for completion of approach roads alongwith the bridges. We observed that due to delays in completion of approach roads, there were delays of upto 27 months in utilisation of 45 bridges ***(*Annexure-8*)*** completed during 2006 to 2010 at a total cost of ₹ 106.72 crore which resulted in blocking of ₹ 106.72 crore (two approach roads are still incomplete due to land acquisition problem) and denial/deferment of benefit to the public, apart from deferment of revenue from toll.

The Government/Management stated (September 2010) that out of 45 bridges there were delays in case of 31 bridges for various reasons such as shifting of electrical lines, private land/structure in approach road, monsoon weather, water logging etc. Management also stated that in some cases earthwork of approach road has to be left for a considerable period for natural settlement/compaction.

2.9.3 Deficient estimate

Before starting execution of bridge work an estimate is prepared by the Company and sent to Government for approval. An estimate of a project is proper if it includes cost of all essential items including centage charges so as to ensure adequate allotment of funds against the Project. We observed that deficient and unrealistic BOQ prepared without prior site survey resulted in revision of estimates in case of 37 test-checked projects as the actual expenditure on these projects exceeded the administrative approval (AA) by ₹ 53.59 crore as detailed in **Annexure-9.**

[3] (1) RoB Bariyarpur in Munger District, (2) RoB Siwan, (3) RoB Kishanganj-315, (4) Bridge in Rampur village (Miriya panchyat) on durgawati river, (5) Bridge in Jinhara-Pidraun road in Jamui District (6) Bridge on Budhi Gandak river in Dholi Kalyanpur road and (7) bridge on Kiul river in Samho high school to Ghagharaha road in 1st KM at Samho diyara, (8) Construction of Boundary wall of Bardwan Ayurvedic Institute in Pawapuri, Nalanda.

The preparation of estimates was also found to be deficient in the case of construction of the High Level Bridge over river Lohari between Mamlakh and Lailakh in Bhagalpur District. The work was awarded to the Company by the Rural Works Department (March 2008). The Company prepared an estimate of ₹ 3.98 crore for the project which was approved by the Government (March 2008).

Estimate for the work of construction of the bridge was incomplete as it did not include the cost of essential items, which resulted in short allotment of fund from Government, blockade of fund and the company could not earn centage charges to the tune of ₹ 0.49 crore

We observed that the estimate for the work of construction of the bridge was incomplete as it did not include the cost of such essentials as approach road, diversions and cost of land acquisition. Even the centage charge was not included in the estimate. This resulted in short allotment of fund. As the work could not be completed within the fund allotted, a revised estimate of ₹ 7.65 crore (192 *per cent* above the original estimate) was prepared and sent to Department (January 2009) for approval. However, the Administrative approval is still awaited (September 2010).

Further, a total amount of ₹ 4.85 crore was incurred on the construction of bridge against total allotment of ₹ 3.98 crore which resulted in blockade of Company's fund to the tune of ₹ 87 lakh. Besides, the Company could not earn an amount of ₹ 0.49 crore as centage charge (one *per cent* contingency and nine *per cent* centage).

The Management stated that the reasons for increase are cost of diversion made on public demand and cost of land acquisition as later on people claimed more land to be private. However, the facts remained that the management did not include the essential items such as cost of approach road, cost of land acquisition and centage charge which led to increase in the estimate. The approval of revised estimate of ₹ 7.65 crore was still awaited (September 2010).

2.10 Project Execution

Execution of the projects starts on allotment of work by State Government. The company prepares a Detailed Project Report (DPR) and submits the same to Government for administrative approval (AA). The works executed by the Company are divided into two categories (i) deposit works and (ii) contract works. The deposit works are entrusted by the State Government to the Company on cost plus basis i.e. scheduled cost plus centage charges[4] to meet overhead expenses of the Company. The Company executed only deposit works and did not obtain any contract work as the Company did not participate in any open tender.

The deposit works are executed either through nomination where work is allotted to any contractor without calling tenders or by inviting tenders. Under nomination process, the work is divided into different parts and is awarded to

[4] 13.5 per cent for the turnover up to ₹ 100 crore, 12.5 per cent for the turnover between ₹ 100 to ₹ 250 crore and 10 per cent including one per cent contingency charges for the turnover exceeding ₹ 250 crore.

different contractors on the basis of ceiling rate calculated on the basis of Schedule of rates (SoR).

Funds for construction of bridges under Plan, Non-plan, MMSNY and other heads are made available to the Company by the State Government through various Government Departments. Some bridges allotted to the Company by the State Government are financed from the Bridge Development Fund (BDF) maintained by the Company on behalf of the State Government.

2.10.1 Target and achievement

During the period 2005-2010, the Company had 742 bridges (including opening balance of 2005-06) allotted at an estimated cost of ₹ 5,574.73 crore by the State Government. Of these, the Company had completed 538 bridges at a cost of ₹ 1,415.20 crore which included a sum of ₹ 11.74 crore met from BDF. Works for 204 bridges were in progress (April 2010) on which the Company had incurred actual expenditure of ₹ 2963.84 crore.

The Company completed substantial number of projects handled during 2008-10. However, there were delays in execution of projects due to reasons that included delays in tendering process, delay in execution of the projects by the contractors, delay in land acquisition, non-clearance of site, rescinding of the contract and re-award of the work etc.

We recommend the Company should set year-wise milestones and completion targets for projects. Such milestones would ensure not only the realisation of physical targets but also adherence to financial parameters.

2.10.2 Tendering

In violation of CVC circular and PWD code the Company invited L1 tenderers for rate negotiation which resulted in time overrun in execution.

Based on approved estimates, the Company issues 'notice inviting tenders (NIT)'. According to the Central Vigilance Commission (CVC) circular[5], the rate negotiations with lowest (L1) tenderers, except in some special circumstances, is prohibited. The Company in disregard of the circular, invited L1 tenderers for rate negotiations. We observed failure of rate negotiations and the Company preferred re-tendering in case of 23 projects in three test checked divisions. In the process there were delays in finalisation of tenders which resulted in time overrun in execution of these projects.

The Management stated (September 2010) that the Company is guided by the Government of Bihar Vigilance Department circulars and orders and therefore violation of CVC circular does not arise. The management further stated that the Company follows the procedure laid down in section 164 of PWD code regarding rate negotiation.

The reply does not hold good as section 164 of PWD code provides that negotiation of rates should be done with the lowest tenderer only if his tender is considered to be too high. We observed that in 25 cases scrutinised, L1 tenderers were invited for rate negotiations as a normal practice. Further the

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[5] circular *No. 4/3/07 dated 25.10.2005*

CVC guidelines in this regard are also benchmark to the Company.

2.11 Implementation of schemes:

2.11.1 Mukhya Mantri Setu Nirman Yojana (MMSNY)

During 2006-07 the Government of Bihar launched MMSNY for providing rural connectivity through construction of new bridges on all unbridged gaps in roads and rivers of different villages in the State. In the scheme, the work of construction of new bridges which had individual estimated cost more than ₹ 25 lakh were awarded to the Company by the Government from the year 2006-07 onwards.

During 2007-10, out of total 742 bridges allotted, 522 bridges at an estimated cost of ₹ 1033.56 crore were awarded to the Company for construction under the MMSNY. Out of this the Company completed 404 bridges at a cost of ₹ 645.28 crore. The remaining 118 bridges on which a sum of ₹ 388.28 crore had been incurred were under various stages of completion.

Test check in two divisions (Katihar and Darbhanga) revealed that 113 bridges were taken up during 2007-08 to 2009-10 of which only 66 were completed. Construction of four bridges was not taken up as required funds were not allotted by the Government (March 2010).

We observed that in 60 completed bridges there were delays ranging between one to 26 months. In the 43 incomplete bridges, there were delays ranging from two to 22 months in respect of 41 bridges due to delays in start of work, delayed execution by contractors and non clearance of site after start of execution, etc. The management stated (September 2010) that 32 projects have been completed and balance 15 would be completed by December 2010.

- ***Loss due to execution of work without agreement***

The works of construction of bridge under MMSNY are awarded after finalisation of tender and the execution has to be started only after signing the agreement in Standard Contract Document (SCD). As per clause 14 of SCD, if the agreement is rescinded due to the fault of the contactor, the Company has the powers to carry out the incomplete work at risk and cost of the contractor. Further, any excess expenditure incurred/or to be incurred by the Company in completing the remaining work, the contractor shall be called upon in writing and shall be liable to pay the same within 31 days.

Start of work without signing of the agreement resulted in additional cost/loss to the Government of ₹ 12.13 crore

We observed (June 2010) that in Darbhanga Division, in construction of four bridges[6], the contractor was allowed[7] to execute the work without signing the SCD agreement. After executing 8.5 to 38.65 *per cent* of the work, the contractors stopped the work and the Company rescinded the contracts. The contractors were paid to the extent of work done by them subsequent to entering into agreement in F_2[8] form in order to facilitate the payment to the respective contractors. The subsequent work was awarded on nomination basis. As the standard contract document (SCD) had not been signed, the Company could not impose the penalty on defaulting contractors under risk and cost clause of SCD for completion of incomplete work. This resulted in estimated additional cost of ₹ 12.13 crore for completion of incomplete work, worked out on revised estimates of work.

The management stated (September 2010) that for saving the time, after submitting the estimate for administrative approval a parallel tendering process is initiated and the agreement is executed only after accord of Administrative approval. Management also replied that in case of above mentioned four projects the contractors refused to complete the work due to increase in the cost. The views of the management are not correct as execution of works in violation of the codal provisions of BPWD[9] and parallel tendering resulted in additional cost which otherwise could have been recovered from defaulting contractor to protect and save the financial interest of exchequer.

The Government however, admitted (October 2010) the audit observation.

- ***Loss due to delay in finalization of tender***

For construction of a bridge at 407th KM of NH-31 in Purnea (Kaptan Pul) under MMSNY, the work of conducting prior site survey, preparation of design and detailed estimate was given to the consultant who prepared (April 2007) an estimate of ₹ 3.10 crore for Bill of quantities (BOQ) and the Government provided the required fund (July 2007).

We observed that an NIT for execution was invited (April 2007) but the Company failed to finalize the same (Nov 2007) and preferred re-tendering as the L1 tenderer did not agree for reduction in rates quoted during negotiation. In re-tendering (October 2007), the Company did not receive any response against the tender. Finally the work was awarded to a contractor on nomination basis (November 2007).

We observed

Delay in finalising the tender and change in the scope of work resulted in cost over run of ₹ 2 crore.

- There was delay of more than five months (May 2007 to October 2007) in finalizing the tender, as a result there was increase in the cost of work at prevailing SoR.

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6 Ispha Ghat, Parohor Ghat and Rampur-Kark Road in Begusarai and on Chakka Path in Darbhanga

7 Ispha Ghat-July 2007, Parihara Ghat- December 2007 and Rampur-Kark Road-June 2007 and on Chakka Path-November 2007.

8 Format of awarding work order in case of work to be done departmentally.

9 Rule 130 (a)

- The scope of the work was revised (March 2010) as the scour depth of the river increased due to heavy flood and as a result the cost of work was estimated to ₹ 5.72 crore.

- The technical sanction for the work under MMSNY was limited to 20 percent of the administrative approval. Thus, the MD of the Company awarded the technical sanction for ₹ 3.72 crore[10] only. The administrative approval on revised estimates had not been obtained from the Government (September 2010).

The management stated (September 2010) that the tender for this project was invited twice but could not be finalised as no tenders were received. Thus, the work was awarded to the contractor on nomination basis. The facts remained that the Company invited the L1 tenderer for negotiation who refused to lower the quoted rate and consequently the Company preferred re-tendering which caused delay in finalizing the work and the change of scope resulted in cost over run of ₹ 2 crore.

2.11.2 Delay in Construction of Railway Over Bridges (ROBs)

Out of the eight ROBs, only three had been completed at an excess cost of ₹ 6.45 crore

The Road Construction Department, Government of Bihar, accorded administrative approval (January 2007) for ₹ 241.82 crore[11] for construction of eight[12] ROBs on cost sharing basis with the Ministry of Railways. The Company as an implementing agency invited lump sum turnkey tenders (March 2007) including tenderer's own survey, investigation and detailed design on approved general arrangement drawings (GAD) for the work was to be executed by the Company. The approaches beyond the railway portion included the earth work, foundations, sub-structure, super structure, reinforced earth wall/ approach road, service road, slip roads and miscellaneous work. As per the terms and conditions agreed with the contractor, the work was to be completed within 18 months from the date of issue of order to commence[13] work. This completion period was the essence of the contract. Further, in case of delay in completion of work, a penalty equal to 0.05 *per cent* of the contract price per day subject to a maximum five *per cent* of the contract value would be imposed.

We observed that out of the eight ROBs, only three[14] had been completed at a cost of ₹ 86.60 crore which exceeded the original estimated cost of ₹ 80.15 crore. The remaining five ROBs[15] were not completed (July 2010) in time which also caused cost over run. The original estimates of ₹ 144.50 crore were

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10 ₹ 3.10 crore plus 20 per cent of ₹ 3.10 crore(AA).

11 (share of Government of Bihar ₹ 128.91 crore and share of Ministry of Railways ₹ 112.91 crore)

12 ROB Mohania, Siwan, Sultanganj, Bariyarpur, Jamui, Purnea, Kishangaj-315, Kishangaj 316.

13 Date of commencement of ROBs : Bhauna- Jan 2008, Bariyarpur-April 2007, Jamui-Jan 2008, Kishanganj 315-May 2007, Kishanganj 316- May 2007, Purnia- May 2007, Siwan- Jan 2008, Sultanganj-April 2007.

14 RoB Purnea, RoB Sultanganj and RoB Kishanganj – 316.

15 RoB Siwan, Jamui, Bhabhua, Bariyarpur and Kishanganj – 315.

exceeded by ₹ 10.70 crore as on April 2010. Revised estimates in respect of these ROBs had been submitted for approval of Road Construction Department which was awaited (September 2010).

We came across that construction of two [16] ROBs was stopped for want of land acquisition for which the Company did not have any time-bound action plan. Construction of one ROB (Kishanganj Hatwar Link Road-315) was stopped due to non-dismantling of shops at the construction site. In respect of one project (ROB at Bhabhua), the progress was very slow due to fault of contractor against whom no penalty was imposed. In case of another project (ROB at Jamui) there was lack of co-ordination between the Company and the Ministry of Railways. The Company cited delayed commencement of construction work by the Railways authority.

The Government/Management stated (October 2010) that out of five incomplete bridges, three have been completed together with approach road. The remaining two ROBs were held up due to delay in land acquisition. However, the fact remained that as against the scheduled completion of 18 months, the projects remained delayed for minimum 18 months and the exchequer suffered cost over run of ₹ 10.70 crore.

2.11.3 Execution of Turnkey Contracts

For construction of High Level Bridges and ROBs, Company awarded the work on turnkey basis also. Before inviting tenders for turnkey contracts, the Company prepared general arrangement drawings (GAD), BOQs, and detailed estimates. On the estimated price, tenders for construction of the bridges were invited. As per the terms and conditions of the turnkey contracts, the contractors were required to conduct site surveys, geotechnical investigation and to prepare a detailed design and drawings on the basis of these reports. Further, payments were to be made to the contractors on *per cent* basis after completion of various stages i.e. on submission of designs and working drawings, on completion of foundation works, sub-structure, superstructure, approach roads, etc.

The implementation of turnkey contract was deficient as the original GAD, BOQs and estimate were not compared with the designs and scope of work submitted by the contractor

We observed that in three[17] major turnkey contracts test checked, the implementation was deficient as the original GAD, BOQs and estimate prepared by the Company prior to awarding the tender to contractor were not compared with the designs and scope of work submitted by the contractor and the actual cost of the Projects was not analysed by the Company before making payments to the contractors. We observed in the following specific instances

16 RoB at Bariyarpur and Siwan

17 RoB, Sultanganj, RCC Bridge at Rampur Rasiyari Ghat and RCC Bridge at Larjha Ghat.

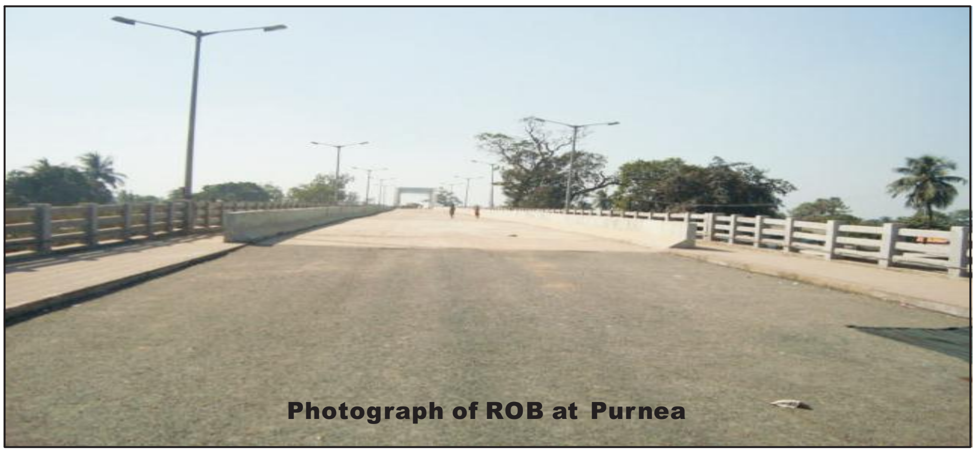
- ***Excess payment to the contractor***

Despite various shortcomings in execution, the Company made full and final payment to the contractor which resulted in excess payment to the tune of ₹ 43.84 lakh to the contractor

For construction of a ROB at Purnea district, GAD and a detailed BOQ was prepared by M/s. IRCON (June 2006). The total estimated cost of the bridge was ₹ 27.28 crore including the cost of construction of crash barriers (length 1394 meter) along with metallic railings at a cost of ₹ 4056.39 per running meter (cost of crash barriers-₹ 3338.99/RM and cost of railing-₹ 717.40/RM) and construction of 80 electric poles at a cost of ₹ 22637.76 per pole.

The work was awarded (April 07) on turnkey basis to a contractor at a cost of ₹ 27 crore. The contractor submitted a new drawing which was approved by the Company (September 07).

We observed that the total length of the crash barrier (i.e. 1394 meter) and the total number of the poles to be constructed were not specified in the new design submitted by the contractor. We further observed that the contractor



Photograph of ROB at Purnea

constructed only 760 meter of crash barrier as against 1394 meter included in the Bill of Quantities (BOQ). Further, no metallic railing was constructed. The contractor also installed only 24 electric poles as against 80 included in BOQ.

Despite shortcomings, the Company made full and final payment (December 2008) of ₹ 27 crore to the contractor. This resulted in excess payment to the tune of ₹ 43.84[18] lakh to the contractor for the work not done which should have been recovered from the payment made to contractor.

[18] (₹ 717.40 x 1394 RM) + (₹ 3338.94 x 634 RM) + (₹ 22637.76 x 56 No.) = 43.84 lakh.

Photograph of ROB at Purnea

The Management stated (September 2010) that the estimated cost included some more meter of crash barrier, railing or more electric poles which did not find place in the bidders proposal. In fact the provision in the BOQ prepared by the IRCON was more than the necessity, which was cut short by the bidder and the amount of turnkey bid was reduced to ₹ 27 crore instead of sanctioned ₹ 27.25 crore.

The reply of management is not supported by facts as the total length of bridge as per BOQ was 697 meters and total length of crash barrier was 1394 meter (i.e. 697 x 2). Hence no extra provision was made by the IRCON. Further, the bid for ₹ 27 crore was finalized prior to submission of detailed designs and working drawings submitted by the contractor.

- ***Short recovery from the Contractor.***

For construction of a ROB at Sultanganj, GAD and a detailed BOQ was prepared by IRCON (March 2007) at an estimated cost of ₹ 25.50 crore (cost of approach road ₹ 5.05 crore). An NIT was called and work awarded to the contractor on turnkey basis. As per agreement the contractor was required to prepare a detailed design and get it approved by the Company. The payment to the contractor was to be made on percentage basis on completion of different stages of project (i.e. foundation, substructure, superstructure, approach road etc.). As per the approved design the contractor was required to construct 254.50 meter long retaining (RE) wall and approach road.

Failure to recover for work not done on equitable basis resulted in short recovery of ₹ 0.80 crore from contractor

We observed that the contractor constructed only 198.50 meter long RE wall and approach road which was 56 meter short from approved design valuing ₹ 1.11 crore which should have been deducted from the contractor's bill. However, only ₹ 0.31 crore was deducted from the final bill of the contractor calculated on *per cent* basis which resulted in short recovery of ₹ 0.80 crore.

The Management stated (September 2010) that seven *per cent* of total cost (₹ 25.25 crore) i.e. ₹ 1.77 crore was kept in schedule of payment for construction of 254.5 meter long approach road including RE wall. Due to land constraint approach road was constructed in 176.75 meter. So for difference of 77.75 meter, ₹ 34.16 lakh has been recovered on proportionate basis.

The point stays that the recovery should have been made on the basis of cost of the construction of approach road and RE wall provided in BOQ instead of *per cent* as per schedule of payment.

However, the Government concurred (October 2010) with the audit observation and issued direction to the Management for recovery of the amount.

- ***Loss due to acceptance of designs involving less quantum of work without consequent reduction in cost***

Acceptance of design involving less quantum of work without consequent reduction in cost resulted in loss to the Government to the tune of ₹ 13.21 crore

(a) For construction of High Level Bridge (20 span x 21.75 meters) at Larjha Ghat on Kareh River in Samastipur District, a GAD was prepared (January 2008) by the Company along with BOQ and estimates at an estimated price of ₹ 24.57 crore which included the cost of foundation work of 21 piers (20 span) of ₹ 14.90 crore which was 60 *per cent* of total estimate. An NIT was called (April 2008) on the basis of the estimated cost for construction of the bridge on design and build on Turnkey basis. As per the bid document the payment to the contractor was to be made on percentage basis on completion of different stages of the projects. The work was awarded (May 2008) at a total cost of ₹ 25.74 crore. The contractor prepared a new design consisting of only 11 piers (10 span of 43.65 meter). This design was approved (September 2008) by the Company without making any impact analysis/cost analysis with respect to original GAD.

Audit observed (June 2010) that the GAD (on which the estimated cost was calculated) included foundation work of 21 piers but the new design prepared by the contractor consisted of only 11 piers. As a result, the cost of foundation work of 10 piers was avoided by the contractor by preparing an altered design. Despite change in design and lesser number of piers constructed in comparison to original GAD, payment was made to the contractor as per original estimate i.e. ₹ 25.74 crore. This resulted in loss to the Government to the tune of ₹ 5.40 crore (calculated on proportionate basis for 11 piers) for less number of piers constructed.

(b) For construction of High Level bridge (14 span x 21.75 meters) at Rasiyari Ghat in Darbhanga district, a DPR was prepared (February 2007) by the Company. The estimated cost of project was ₹ 16.37 crore which included a sum of ₹ 9.99 crore (61.03 *per cent* of total cost) of 15 piers of 35 meters depth (foundation work). An NIT was called (April 2008) on the basis of the estimated cost for construction of the bridge on turnkey basis. As per the bid document, the payment to the contractor was to be made on percentage basis on completion of different stages of the project. The work was awarded (October 2008) at a total cost of ₹ 18.26 crore to the contractor. Accordingly the contractor prepared (September 2008) a new design consisting of only nine piers of upto 20 meter depth. The new design was approved (October 2008) by the Company without conducting any cost analysis with respect to DPR prepared for this project.

We observed that the contractor had been made payment of ₹ 17.95 crore on the basis of percentage (98 *per cent*) of stage completed till March 2010 irrespective of the actual cost of the work which would result in loss of ₹ 7.81 crore (calculated on proportionate basis for 9 piers upto 15 meter depth) to the Government.

The Management stated (September 2010) that the actual cost involved in the pier might be less but at the same time cost involved in other parts like superstructure would be more and such type of analysis after the approval of bid was neither done nor it was related with payment as the work was awarded only after open competitive bid.

We are of the opinion that the Company did not analyse the cost for the less quantum of work which resulted in a loss of ₹ 13.21 crore to the Government in two above mentioned projects.

2.11.4 Construction of Bridges under Plan/Non-Plan head

During 2005-10, the Company received a sum of ₹ 3103.56 crore for the construction of 212 bridges under Plan/Non-plan heads of which the Company completed 161 bridges at a cost of ₹ 886.71 crore. The construction of remaining 51 bridges was in progress (September 2010). We observed that out of 41 projects undertaken in three divisions[19], 24 were completed with delays ranging from three months to 19 years (spilled over projects). Out of the remaining 17 ongoing projects, seven projects were already delayed by period ranging from eight to 23 months.

Excess expenditure due to awarding works above the ceiling rates

The Board of Directors of the Company decided (December 1986) that the departmental procedure would be adopted for execution of bridges. Estimates of the works prepared by the Company were based on the prevailing schedule of rates (SoRs) which includes 10 *per cent* contractor's margin. The Board decided to fix ceiling rates of all items of supply and labour relating to concerned bridges. The ceiling rates in all cases were to be seven *per cent* less than the estimated cost approved by the Government. The ceiling rates were to be revised as per revision in SoR.

Awarding of works on nomination upto 15 *per cent* above ceiling rate resulted in excess expenditure of ₹ 1.95 crore.

We observed that any work awarded at eight to 15 *per cent* above the ceiling rate results in loss of funds as it increases the cost compared to estimate by one to eight *per cent*. During scrutiny, in three Divisions (Bhagalpur, Darbhanga and Katihar) of the works executed during the review period on nomination basis, we observed that 111, 43, and 80 nominations were awarded at 10, 12 and 15 *per cent* above ceiling rate respectively. This resulted in excess expenditure of ₹ 1.95 crore **(Annexure-10)** as compared to estimated amount.

[19] Bhagalpur, Katihar and Darbhanga

In reply, management stated (October 2010) that there is no loss to the Company by awarding the work above ceiling rate as excess expenditure is claimed from the Government.

We are of the opinion that awarding the work above ceiling rate results in loss to the exchequer. The Company should ensure qualitative execution of projects at the lowest cost.

2.11.5 Construction of roads

Since 2007-08 the Company also started construction of roads as and when allotted by the Road Construction Department, Government of Bihar. Year-wise amount of administrative approval, agreement value of roads taken up, number of roads with length, expenditure and physical status as on September 2010 were as under:

Year	Roads Taken up			Actual Expenditure upto September 2010	Physical progress as on September 2010	Number of roads completed as on September 2010 (percentage)
	A/A Amount (₹ in crore)	Length of roads in (Km)	Number of roads	(₹ in crore)	Surface (Km)	
2007-08	309.1037	549.90	33	272.43	398.657	18 (55)
2008-09	133.2641	130.55	12	102.03	103.840	9 (75)
2009-10	170.9258	185.06	27	72.57	103.695	17 (63)
Total	**613.2936**	**865.51**	**72**	**447.03**	**606.192**	**44 (61)**

It was observed that:

- Against 72 number of roads of total administratively approved cost (AA) - ₹ 613.29 crore for length 865.51 KMs during 2007-10, the Company could complete only 44 roads (61 *per cent*) as on September 2010 at a cost of ₹ 257.11 crore.

- There were delays of upto 21 months in completion of roads for various reasons viz. delay in starting of the work, slow progress by the contractor, rescindement and re-award of the work, etc.

- Of the total 33 and 12 roads for the years 2007-08 and 2008-09 taken up by the Company, 15 and three roads remained incomplete as of September 2010 which worked out to 45 and 25 *per cent* respectively.

- Clause 8 of the standard bidding document (SBD) provides that within 10 days of the completion of work, the Agency shall give notice of such completion and Engineer-in-charge shall inspect the work and if there is no defect in the work shall furnish the agency with a final certificate of completion otherwise a provisional certificate of physical completion indicating defects (a) to be rectified by the agency and/or (b) for which payment will be made at reduced rates, shall be issued. However, there was no compliance of these provisions in respect of 40 out of 44 completed roads.

Management stated (September 2010) that out of balance 28 projects the two projects are scheduled to be completed in 2011-13 and rest 26 projects will be completed in the balance period of this financial year 2010-11.

2.12 Monitoring

Monitoring at every stage of implementation is vital for Company engaged in construction activities to ensure that the quality of work is maintained as per agreement and according to the required standards and prescribed codes etc. This process commences from the approval stage and continues during implementation and the post-completion stage. Monitoring of actual execution in the Company is done by concerned engineers on site. However, we observed that the monitoring of the projects was not effective as discussed in the succeeding paragraphs:

2.12.1 Quality control mechanism

The Company has an internal quality control laboratory to carry out various tests during construction activities. Cube samples, aggregates and mortar samples are sent to headquarter laboratory by the various works divisions for testing the concrete strength and grading respectively. The Company has also a third party quality assurance consultancy agency for quality tests of bridge works which is required to submit monthly report detailing sites attended and test carried out alongwith result and remark. The Company headquarter monitors the quality through third party consultant. There is no independent quality control wing at the divisions.

We observed that the central laboratory at Company headquarters was not adequately equipped with requisite machines like Pile Testing Machine to ensure casting of piles upto the designed depth, Nuclear Density Gauge and Automatic compactor, etc for correct measurement of soil compaction. Besides, there were delayed inductions of certain machines in the laboratory. Test check revealed that there were moderate delays in testing of samples received from the various works divisions of the Company.

2.12.2 Non-realisation of additional cost

Due to non-imposing of clause 14 of the agreement, the Company could not recover additional cost of ₹ 15.18 crore on remaining work from defaulting contractors

Clause 14 of the SBD provides that in case of rescindment of contract due to fault on the part of the contractor, the remaining work would be carried out by any means at the risk and cost of the contractor. We observed that in five projects[20] with an estimated cost of ₹ 49.61 crore for construction of roads (length 80.50 KMs), the agreements were rescinded due to faults on the part of contractors and the remaining work awarded to new contractors at ₹ 49.23

20 Hajipur -Bhairopur-Mahnar Path (2007-08), Balthi-Musharia Path (2007-08), Karanpur-Rajanpur Road (2007-08), Pratapganj-chatapur Road (2007-08) and Hasanpur-Sahpur Road (2007-08).

crore which was ₹ 17.45 crore higher than the original agreement cost. Further, in contravention of Clause 14 of the SBD, no action was taken against the defaulting agencies to recover the additional cost to the extent of ₹ 15.18 crore (September 2010) worked out after adjusting performance guarantees and security deposits etc.

Management replied (September 2010) that penalties were imposed as per SBD, performance guarantee deposited by the agencies at the time of agreement was forfeited, and security deposits deducted from the bills were forfeited. The facts remained that the Company failed to impose penalties as per Clause 14 of the SBD to recover the additional cost of ₹ 15.18 crore for the remaining work at the risk and cost of defaulting contractors as also that the company had no means to impose further costs.

2.12.3 Non-verification of documents

As per Rule 40 (10) of Bihar Minor Mineral Concession Rules, 1972, bills relating to procurement of material such as stone metal, stone chips, sand etc. for use in work must be supported by M and N Form[21] along with challans duly verified by respective District Mining Officer. These documents aim to ensure the quantity and specification of material as per agreement executed and also ensure that the material has been brought from specified quarries as per approved lead plan. These verified documents must be attached to the bills placed before the senior project engineer for payment. However, we observed that the quality and specification of material was not ensured as such documents (M and N forms) were not found enclosed with the bills in any of the projects.

The Management stated (September 2010) that Form M & N was not the basis of checking quality and specification of the material brought for use in the construction, but it provided the idea from where the material had been brought and status of royalty payment. In each quarry there was also a lot of unsuitable material. Therefore, by only bringing the material of that quarry did not confirm that material was of required quality and specification.

The reply does not hold good as material of each quarry has its own quality and specification and for lifting of material a quarry is approved in the estimate. Amount for payment of lead kilometers is also calculated on the basis of the approved quarry. Verification of form M & N ensures that material of specified quality is lifted from approved quarry and only then the payment of lead should be made.

2.12.4 Non-observance of MORTH specification

As per Clause 504.5 of Indian Road Congress issued by MORTH[22], the Bituminous Macadam (BM) shall be covered with either, the next pavement

[21] Form M is affidavit of the contractor for lifting of minor -minerals from authorised quarry/seller and N is details of minor –minerals issued by the authorised quarry/seller.
[22] Ministry of Road Transport and Highways

course or wearing course, as the case may be, within a maximum of forty eight hours. If there is to be any delay, the course shall be covered by a seal coat to the requirement of clause 513 before opening to any traffic.

In test check of records of Road Division, BRPNN Patna, we observed (April 2010) that in case of construction of Hajipur Bhairopur-Mahnar Path, the BM work of 4674.46 M^3 was carried out between November 2008 and February 2009. Next pavement course (SDBC) was done only in September 2009 after a delay of around six to nine months and also no seal coat cover was applied.

Due to non-observance of MORTH specifications BM work valued ₹ 2.79 crore became substandard

Due to non-observance of MORTH specifications BM work of 4674.46 M^3 valued ₹ 2.79 crore became substandard since there was a gap of six to nine months between the application of two pavement courses which should have been done in forty eight hours.

The Management stated (September 2010) that in Hajipur-Bhairopur-Mahnar path agreement of the agency was rescinded. Then the remaining work was allotted to the new contractor. This process took a long time so long gap was observed between BM and SDBC work otherwise all care was taken to complete SDBC work after BM work within specified time. However all rectification was made and road was completed.

The Government accepted (October 2010) the audit findings and stated that non-compliance of the said specifications might adversely affect the life of the road constructed and assured to issue necessary instructions in this regard.

2.12.5 Unauthorised payment

The contractor lifted stone chips from unapproved quarry but the payment was made on the basis of approved quarry which resulted in excess payment of ₹ 22.54 lakh on carriage

Estimate of the works includes cost of carriage which was estimated on the basis of the distance between the approved quarry and the actual work site (lead plan) and the mode of transportation. Effective monitoring should ensure their compliance. In cases of any deviation (short distance), the payments of carriage should be made on the basis of actual distance. However, We observed (April 2010) that in case of construction of road in Khaira-Sattarghat Path, lifting of stone chips was approved from Pakur quarry at an approved carriage rate of ₹ 1419.79 per M^3. However, the contractor lifted stone chips from unapproved quarry at Shekhpura at the rate of ₹ 964.96 per M^3. This resulted in excess payment of carriage cost of ₹ 22.54 lakh[23] for 4955.40 M^3 of stone chips on the basis of approved lead plan from Pakur quarry.

2.13. Financial position and working results

Annual Accounts of the Company for the year since 2006-07 are yet to be approved by the Board of Directors. The financial position based on provisional figures of the Company for the five years upto 2009-10 is given in **Annexure –11.**

[23] ₹ 454.83 x 4955.40 M^3 = 22.54 lakh.

During 2005-10, there was a substantial increase in total income of the Company. Interest earned on unutilised funds for construction activities kept in Fixed Deposits accounted for 14.68 to 51.48 *per cent* of the total income of the Company. The centage earned by the Company during these five years also increased from 59.03 (2005-06) to 76.51 (2009-10) *per cent* of total income. The Company wiped out accumulated losses in 2006-07 and started allocating funds out of profits for the year under Reserves and Surplus since 2007-08.

2.14 Funding

2.14.1 Funds received and their Utilisation

The Company received funds for construction of various projects (bridges, roads and others) from the State Government under plan, non-plan, additional central assistance, MP/MLA fund, Road Sector, MMSNY, etc. The funds allotted against a financial year should be utilised during that financial year only.

Details of funds available in a year during last five years ending 31 March 2010 and utilisation thereof are detailed below:

(Amount: ₹ in crore)

Year	Opening Balance	Received during the year	Total funds available	Funds utilized	Closing Balance
2005-06	30.94	223.15	254.09	57.39	196.70
2006-07	196.70	459.65	656.35	95.89	560.46
2007-08	560.46	404.93	965.39	417.48	547.91
2008-09	547.91	743.64	1291.55	756.01	535.54
2009-10	535.54	881.42	1416.96	853.85	563.11
Total		**2712.79**		**2180.62**	

It would be seen from the table above that the overall utilisation of the available funds during 2005-10 remained around 80 *per cent* with general increase in utilisation of funds since 2007-08 as a result of execution of projects under MMSNY. The reasons for non-utilisation of available funds during 2005-10 included less number of projects executed during 2005-06 and 2006-07. As against 92 and 218 projects allotted, the Company executed only eight and 26 during 2005-06 and 2006-07 respectively and also non-execution of projects which were allotted during these two years. Notably a sum of ₹ 59 crore received (March 2005) for construction of two bridges at Patna, ₹ 58.55 crore was lying unused for last five years after expenditure of ₹ 0.45 crore on preliminary works.

The management in its reply stated that every year the fund is received in three installments. After sanction of the projects, it takes some time in tendering process and start of work. Further, the management stated that different projects have different completion duration and in many cases the total funds are received at the time of sanction, even for those projects where the duration of completion is more than a year.

The reply is not supported by the ground reality as the execution of projects was not done in time which led the Company in not being able to utilise even the balance fund of previous year during the years 2006-07 and 2007-08.

2.14.2 Non-submission/non-approval of revised estimates

Non-obtaining of prior sanction of excess expenditure from Government resulted in blockade of Company's fund to the tune of ₹ 84.98 crore

As per the provisions of the Government Financial Rules, expenditure in excess of the estimates requires prior sanction of the Government. However, it was observed in audit that the Company did not obtain prior sanction of the government where the actual expenditure on a project exceeds the estimated cost. The table below indicates estimated cost and expenditure in respect of 39 projects completed during 2005-10 in seven* divisions:

(Amount ₹ in crore)

Year	No. of projects completed	Estimated cost	Expenditure incurred	Excess expenditure	Percentage of excess expenditure to the estimated cost
2005-06	1	0.75	1.27	0.52	69
2006-07	1	2.25	3.27	1.02	45
2007-08	3	8.59	15.37	6.78	79
2008-09	7	22.94	36.31	13.37	58
2009-10	27	196.30	259.59	63.29	32
Total	**39**	**230.83**	**315.81**	**84.98**	

It was observed in test check that 39 projects completed by the Company during the last five years ended 31 March 2010 at a cost of ₹ 315.81 crore against estimated cost of ₹ 230.83 crore exceeded the estimated costs in all the years, by percentages ranging between 32 and 79. The Company had submitted revised estimates of ₹ 240.94 crore only in respect of 21 projects against the original estimate of ₹ 153.15 crore. However, the excess expenditure in the 18 projects amounting to ₹ 22.51 crore had not been sanctioned as of September 2010. This included the revised estimates of ₹ 4.84 crore in respect of two projects submitted to Government in September 2006 and February 2007.

The Management in its reply stated that as on date out of 39 projects there is no need of revised AA in six projects of Muzaffarpur division, 2 projects from Non-plan for which amount is received, against balance 31 projects as on date revised estimate has been submitted for 12 projects.

2.14.3 Toll on bridges

BRPNN has also been entrusted with collection of toll on bridges notified by the State Government and the amount so collected is deposited in Bihar BDF which is utilised for repair, maintenance and construction of new bridges approved by the Government.

* Works Division: Bhagalpur, Gaya, Katihar, Muzaffarpur, Patna -1, Saharsa, Sitamarhi.

Details showing bridges advertised during 2005-09 for auction for collection of toll, number of bridges for which auctions were settled and agreements entered into, agreement amount, etc are given below:

(Amount: ₹ in crore)

Year	No. of bridges advertised for auction	No. of bridges for which agreements were entered into	Agreement value
2005-06	23	14	1.40
2006-07	26	23	4.76
2007-08	23	14	4.67
2008-09	23	14	4.11
Total	**95**	**65**	**14.94**

Thus, 30 bridges could not be auctioned for toll collection which deprived the Company of the opportunity to earn revenue for use in construction activities. It was observed that due to lack of uniform policy in respect of acceptance of bids, the Company could not settle auction of these bridges.

2.15 Handing over completed bridges

141 bridges pertaining to four divisions completed during 2005-10 had not been handed over to the Government till date after a delay of up to 48 months

After completion of the bridges it should be handed over to the Department/Government as the liability of repair and maintenance of the bridges lies with the Company until the bridges are handed over. Audit observed that the bridges completed by the Company were not being handed over to the Government timely. Test check in Audit revealed that 141 bridges pertaining to four divisions[24] completed during 2005-10 had not been handed over to the Government till September 2010 after a delay of up to 48 months.

Management accepted the audit observation and stated that as and when account of any project is closed, it will be handed over to the respective department. The Government admitted (October 2010) the delays in handing over of bridges.

2.16 Internal Control

The accounts of the Company were in arrears since 2002-03. Considering the arrears of accounts, there is need for the Company management to be more responsive. In this regard it is pertinent to mention that Section 210 of the Companies Act, 1956, read with Sections 166 and 216 casts the duty on the Board of Directors of the Company to place the accounts of the Company along with Auditors Report (including Supplementary comments of CAG) in the Annual General Meeting of the Shareholders within six months of the close of its financial years. Further, Section 210 (5) holds each Director of a Company (whether Government owned or otherwise) personally responsible for ensuring that the annual accounts for each financial year are prepared and approved within six months in as much as, in the event the Director fails to discharge this responsibility, this Section provides for punishment by

[24] Works Division Patna-I (41Bridges), Patna II (23 bridges), Sitamarhi (42 bridges) and Bhagalpur (35 bridges).

imprisonment for a tenure which may extend to six months or with fine which may extend to 10000 rupees or both. Section 210 (6) goes a step further in providing for the above mentioned punishment to a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

The Internal Control System of the Company was inadequate. The Company did not have an Internal Audit Wing. Firms of Chartered Accountants were appointed for internal audit and the work of compilation of accounts, reconciliation of bank accounts, etc. The Internal Audit Reports did not include technical audit and propriety of expenditure as a result of which the purpose of internal audit to ensure adequacy of Internal Control and to enforce internal check on financial and stores transactions was frustrated.

Conclusion

Though the Company completed substantial number of projects handled by it during the period 2008-10, there were instances of non completion/ delays in execution of the projects due to reasons such as delays in tendering process, delay in execution of the projects by the contractors, delay in land acquisition, non-clearance of site, rescinding of the contract and re-award of the work etc.

Implementation of the MMSNY was deficient as there were losses due to (i) execution of work without agreement (ii) delay in starting of work and deficient estimation. The execution of the Turnkey contracts was marred by excess payment to/short recovery from contractors, loss due to acceptance of designs involving less quantum of work without consequent reduction in cost, avoidable expenditure due to delay in completion of bridge. In case of construction of bridges under Plan/Non-plan head, there was excess expenditure due to awarding works above the ceiling rates, payment without agreement/irregular payment. (iii) The monitoring was deficient which resulted in excess payment and undue benefit to the contractor, substandard execution and non recovery of additional cost from the contractors. Planning including preparation of estimates and BOQ in the Company was deficient which resulted in loss/ blockade of funds and delays in completion of projects.

The Company failed to generate fund in BDF from collection of toll on bridges. The handing over of the bridges completed by the Company to the Government was being delayed.

Recommendations

- **Planning should be based on realistic estimates and BOQs on the basis of specific site survey and soil test**

- **The Company should take appropriate action to restrict expenditure on work to cost/ estimate approved by the Government**

- **The Company should frame a more realistic land acquisition plan**
- **Execution should be based on approved designs**
- **Monitoring and supervision should be efficient enough to ensure compliance of MORTH/CODES and to avoid excess payment**
- **Funds available should be optimally utilized to complete works within the approved estimate**
- **The Company should hand over the completed projects to the Government on time**