# CHAPTER V : BORDER ROADS ORGANISATION

## 5.1 Hasty procurement of segregators

**Six segregators procured by DGBR for Rs 4.55 crore could not be gainfully utilized due to non availability of natural aggregates, site for installation and economical viability of the segregators.**

The Director General Border Roads (DGBR) requested the chief engineers of the projects to send the requirements of 'segregators[15] and other modern equipment for 2006-07 as he had noticed during his visits to the projects that a number of quarries were available where segregators could be utilized to improve the speed of construction and maintenance of border roads.

The Chief Engineer (Project) Himank and Sampark in Northern Command forwarded the requirement of six and twelve segregates among other equipments in April/May 2006 which were included in the Annual Procurement Plan for 2006-07. On the basis of these demands, DGBR placed a supply order in September, 2006 on M/s Puzzolana Machinery Fabricators, Hyderabad for six segregators which were supplied at a total cost of Rs 4.55 crore between October 2006 and December 2006 and 80 *per cent* payment of Rs 4.09 crore was released on receipt of equipment and the remaining 20 *per cent* had not been yet released.

Out of the four segregators meant for Project Himank, two were installed by the firm one each in November 2007 and June 2009. The remaining two segregators were still lying unused as of January 2010 as the site was not prepared and made available to the supplier for installation of the plant. One segregator of project Sampark had been commissioned in May 2007 while the other segregator had been transferred to project Udayak, Arunachal Pradesh in November 2008 and could not yet be installed as the site had not been selected so far. The position of installation/commissioning and utilization of the segregators is as given below:

| Sl. No. | Project | Task Force (TF) Consignee | Date of Receipt | Date of commissioning | Total hours for which utilised |
|---|---|---|---|---|---|
| 1 | Himank | 753 TF (Chushul-Mahe Road | 3.10.2006 | Not yet commissioned | NIL |
| 2 | Himank | 753 TF (Upshi Sarchu Road | 3.10.2006 | Not yet commissioned | NIL |
| 3 | Himank | 762 TF (Zojilla Kargil-Leh Road(55 RCC) | 2.10.2006 | 8.11.2007 | 274 |
| 4 | Himank | 16 TF (Khalsi-Batalik Road | 2.12.2006 | 1.06.2009 | 20 |
| 5 | Sampark | 13 TF (Tanda Bhamla Road) | 8.12.2006 | 20.05.2007 | 286 |
| 6 | Sampark | 31 TF (Reasi-Amas Mohar Road) | 15.12.2006 | Transferred to project Udayak at in Arunachal Pradesh and could not be installed as the site had not been selected. | NIL |

[15] A segregator plant consist of Dump Hopper, Vibrating feeder, Vibratory segregator with motor, conveyer system with motors, Diesel Gen Set and Operators platform and is used for segregation of natural aggregates into minimum four different sizes by selecting different screen sieves. It had a capacity of 50 tonne per hour.

The two segregators received by the project Himank at Chusul and Upshi-Sarchu Road could not be installed as the site was not made available to the supplier and would not be utilized even if installed as no central location was available to install and economically utilize the segregators as the area of activity is wide spread and it was uneconomical to re install them frequently. The work was progressing by procuring the material locally. The CE of the project had declared the segregators as surplus and requested the DGBR to transfer them to some other project. The DGBR however, insisted in October 2008 that to clear the balance payment (20 *per cent*) of the firm, the plants be installed at the predetermined location and the transfer be considered later. Accordingly one segregator was installed in June 2009 at Khalsi-Batalik Road though the CE (Project) had stated that commissioning of the segregators would cost an additional expenditure of Rs 20 lakh which would be infructuous. The plant has run for only 20 hours up to October 2009. The warranty for free replacement of defective parts etc. was for 1800 hours run or 12 months from the date of commissioning which ever is earlier and had expired in case of three segregators. The trial run was to be conducted for 150 hours and as per records one segregator commissioned had not even completed trial run and was lying unused.

Thus the high capacity segregators purchased without conducting the economic feasibility, ensuring availability of natural aggregates and making available site after obtaining clearance from Forest Department and Pollution Control Board resulted in wasteful expenditure without any gainful use.

The matter was referred to the Ministry in August 2009; their reply was awaited as of April 2010.

## 5.2 Misappropriation of Government stores

**Absence of prior verification of credentials of a Private contractor engaged for handling and transportation of stores by two Chief Engineers of Border Roads Organisation led to misappropriation of Government stores worth Rs 1.67 crore by the contractor.**

Prior verification of credentials including financial status, business ethics, market standing, etc is essential before enlisting service providers for any services. Chief Engineer of Project Udayak of Border Roads Organisation (BRO), provisionally enlisted a private firm M/s Shree Ganesh Road Line Guwahati, without verifying their credentials, and concluded a handling and conveyance contract in February 2008 for transportation of steel items at an estimated cost of Rs 26.29 lakh from Guwahati to Dinjan and various locations under a Border Road Task Force (BRTF).

Earlier, the BRTF had placed a supply order on M/s Indian Oil Corporation (IOC) Guwahati in December 2007 for supply of 500 MT bitumen to a BRO Unit by 25 January 2008. However, no arrangements were made by the BRTF for transportation of the bitumen ex-IOC Depot, though as per the Standard Operating Procedure (SOP) issued by the Director General Border Roads

(DGBR), contracts for handling and conveyance of stores should be concluded well in advance of likely date of receipt of stores. In the absence of any arrangements for transportation of the bitumen, Officer Commanding (OC) of the consignee unit forwarded a proposal on 18 February 2008 to the CE, through the Commander BRTF, for amending the above handling and conveyance contract concluded with M/s Shree Ganesh Road Line to include handling and transportation of the bitumen also. On 16 February 2008, i.e. even before submitting the above proposal, the OC placed work order on the same firm for removing 263.130 MT bitumen from IOC Guwahati and transporting it to a BRO detachment located in Arunachal Pradesh. The mandatory Security Deposit (SD) amounting to Rs 2.17 lakh required under the terms of contract was also not collected form the contractor.

Out of 250.600 MT bitumen lifted by the private contractor from IOC during February/ March 2008, only 67.400 MT was delivered to the consignee and the balance bitumen of 183.200 MT valuing Rs 63.23 lakh was misappropriated and yet to be delivered as of August 2009. Though the departmental instruction necessitated lodging of First Information Report (FIR) within 15 days, the FIR was lodged with the police only after four months thereby delaying the investigation. No response either from contractor or from police authorities had been received as of August 2009.

Audit enquiry further revealed that another Chief Engineer of BRO, i.e., CE Project Setuk, had concluded a contract with the same contractor in August 2007, after provisional enlisting. 12 MT bitumen lifted by the firm in November 2007 was delivered to the consignee only in July 2008 after police intervention. Even then, in August 2008, CE Project Setuk placed another order on the contractor for transportation of 250 MT bitumen and allowed the private firm to misappropriate additional quantity of 249.98 MT Bitumen 60/70 grade, costing about Rs 1.04 crore, lifted by the contractor in August 2008. The bitumen was not delivered to the consignee as of October 2009. The FIR lodged with police was pending finalisation as of October 2009.An investigation by State Police authorities revealed that eight vehicles of the bitumen were sold by the contractor to another private party. Thus, bitumen worth over Rs 1.67 crore intended for transportation to BRO Units under two separate contracts was misappropriated by the contractor.

The case reveals that absence of proper verification of credentials of the contractor before awarding contract for services and lack of co-ordination between different project authorities of BRO led to misappropriation of bitumen worth Rs 1.67 crore.

The matter was referred to the Ministry in July 2009; their reply was awaited as of April 2010.

## 5.3 Additional cost due to delay in opening of commercial bids

**Delay in opening of commercial bids for procurement of Concrete Mixers and Tandem Vibratory Road Rollers and placing of repeat order for both items in the intervening period at higher rates resulted in extra cost of Rs 97.63 lakh.**

Concrete mixers and Tandem Vibratory Road Roller (TVRR) are indispensable equipments used by the Border Roads Organization (BRO) in road projects. There is a recurrent requirement for these equipments in BRO. Although these were procured from the budgetary allocation under the capital outlay, Director General Border Roads (DGBR) has been following the Defence Procurement Manual, applicable for revenue procurement, for the purchase of these equipments. The Defence Procurement Manual 2006 stipulates the requirement for conclusion of rate contracts for common user items for three years to ensure economy of scale, while providing safeguard provisions like fall clause and short-closure in the event of fall in prices. DPM-2006 also permits placing repeat order upto 50 per *cent* quantity only if there is no downward trend in prices. These major highlights of the DPM-2006 were prominently mentioned by the then Raksha Mantri in his foreword to the DPM-2006. Even so, DGBR did not follow these conditions in the procurement of these items during 2007-08 and 2008-09 as brought out in the seceding paragraphs.

In January 2008, DGBR placed supply orders on two different suppliers[16] for purchase of 89 Concrete Mixers and 50 TVRR at a unit rate of Rs 8.25 lakh and Rs 15.50 lakh respectively, excluding duties/taxes.

DGBR floated a fresh tender in May 2008 for purchase of 56 Concrete Mixers and 15 TVRRs to partly meet the requirement of another 100 Concrete Mixers and 40 TVRRs for the year 2008-09. For the remaining quantity of 44 Concrete Mixers and 25 TVRRs, he sought sanction of Ministry of Defence to place repeat orders under the supply orders of January 2008.

Technical bids received in response to the notice of tender of May 2008 were opened on 2 July 2008 and the Technical Evaluation Committee on 18 July 2008 found that all the offers met qualitative requirements. The commercial bids were however not opened within the stipulated period of two weeks after the technical evaluation.

The Ministry communicated its approval on 5 September 2008 for placing the repeat order for 25 TVRR, and for 56 Concrete Mixer on 17 September 2008. DGBR placed repeat orders for 25 TVRRs on 8 September 2008, and 44 Concrete Mixers on 18 September 2008. After placing the repeat orders, the commercial bids for TVRR were opened on 17 September 2008 and those of Concrete Mixers were opened on 23 September 2008 when it was found that the lowest unit rate for Concrete Mixer and TVRR stood at Rs 6.98 lakh and Rs 14.95 lakh, respectively. Thus the rates received in the fresh tenders were

[16] (1) Universal Construction Machineries
(2) Escorts Construction Equipment Ltd

lower than the earlier supply orders/ repeat orders. Cost of transportation to various stations was also substantially lower, compared to the orders of January 2008.

The failure of DGBR to adhere to the stipulated time of two weeks for opening the commercial bids after evaluation of the technical bids in July 2008 resulted in additional cost of Rs 79.37 lakh. In addition, the extra amount involved in transportation of these equipments to consignees was Rs 18.26 lakh.

On being pointed out in Audit, DGBR stated in July 2009 that repeat orders were placed after assessing trend of market. The price index of engines and steel showed upward trend, but the rates in fresh tendering had come down due to the competition between the firms. The facts remains that the failure to comply with the timeline in opening commercial bids and non-insertion of fall clause in the contract led to the concealment of the advantage of the prevailing competitive market, entailing an additional cost of Rs 97.63 lakh.

The matter was referred to the Ministry in October 2009; their reply was awaited as of April 2010.