

## Chapter II

### DEPARTMENT OF BUILDING CONSTRUCTION

#### 2 Performance Audit on Working of Jharkhand State Building Construction Corporation Limited

*Jharkhand State Building Construction Corporation Limited (JSBCCL) is a State Government-owned company established in November 2015 and registered under the Companies Act, 2013. Its primary role is to manage the construction, development, and maintenance of public infrastructure and government projects in Jharkhand. The company aims to support the state's infrastructure growth by providing efficient project management services to various government departments.*

*The Company is managed by a Board of Directors, with the Principal Secretary/Secretary, Building Construction Department, GoJ, as the ex-officio Chairman. The Board has nine ex-officio Directors including a Managing Director. The Company, with its headquarters at Ranchi, has 24 Project Implementation Units (PIUs) headed by Managers at the district level for implementation and monitoring of projects at the field level.*

*The Company had undertaken 1,328 works (since inception to March 2023) with a total cost of ₹ 14,020.46 crore. Of these, 726 works valued at ₹ 4,291.07 crore were completed; 218 were in-progress (₹ 1,630.80 crore); 272 were in the initial stages; and 112 were either dropped or stalled (194.92 crore) due to non-availability of land, public hindrances, delays by the contractors etc.*

*A Performance Audit on 'Working of JSBCCL' was conducted for the period from 2018-19 to 2022-23 to ascertain effectiveness of budgeting, planning, project implementation and monitoring of the Company. Audit observed deficiencies in financial management, planning, manpower management, project implementation and internal control & monitoring, which resulted in wasteful/excess/unfruitful expenditure, absence of transparency in contract management and cost/time overrun in execution of works.*

*The Company had not returned ₹ 60.95 crore, received from user departments for execution of 24 works which had been subsequently abandoned, and had retained the amount in its Personal Ledger Account for periods ranging from four to seven years. The Company had also not constituted a Technical Committee, as envisaged, and started execution of projects after obtaining administrative approval based on model estimates prepared by consultants, without detailed estimates based on actual site conditions. Further, land required for various works had either not been handed over or handed over with delays by the user departments. This resulted in works being dropped or stalled as well as time and cost overrun.*

*There was acute shortage of staff, especially in the posts of Assistant Engineers (88 per cent) and Junior Engineers (75 per cent) in the PIUs, resulting in delays in completion, inadequate internal control and monitoring of the projects.*

*The Company did not follow a uniform system in allotment of works and works were irregularly allotted to contractors. For determining the bid capacity, the Company considered the value of gross receipt from contract works/revenue from operation obtained from the annual accounts in place of considering maximum value of civil engineering works executed, which resulted in selection of ineligible bidders.*

*Several instances of excess payments to contractors due to lapses in execution of works were noticed. In seven projects, incorrect determination of price adjustments led to an excess payment of ₹ 1.76 crore. For construction of buildings for Degree Colleges, provisions were made for two six-stop passenger lifts instead of the required three-stop lifts, leading to an excess provision of ₹ 2.60 crore, with ₹ 2.15 crore in excess payments made across 11 test-checked works.*

*The construction of a permanent campus of Jharkhand Raksha Shakti University was taken up in June 2018, for completion by May 2020 but was suspended in December 2020. The work was subsequently closed in July 2021 after incurring an expenditure of ₹ 12.10 crore. The incomplete structure of the building constructed was lying idle since then. Similarly, works related to six projects (for four user departments), were stopped/stalled midway after partial completion and after incurring an expenditure of ₹ 13.32 crore.*

*In the absence of proper monitoring during execution, 33 works relating to nine user departments were completed with delays ranging between 96 and 1,379 days after payment of ₹ 1,698.87 crore and 14 works relating to four user departments remained incomplete with delays ranging between 681 and 2,678 days, after incurring an expenditure of ₹ 669.98 crore.*

*In five works, extension of time was allowed to the contractors as there were delays in completion of works due to delay in handing over the work sites, delay in availability of drawings and designs etc., and ₹ 38.98 crore was paid as price adjustment during this extended period of completion. This resulted into cost overrun of ₹ 38.98 crore on these five works.*

*Out of 46 completed test checked works, 37 works were handed over to the user departments with delays up to 837 days and the remaining nine works were not handed over even after a lapse of up to 1,414 days since their completion. As a result, many of the items of one work (completed in February 2019 after incurring expenditure of ₹ 31.19 crore) were damaged or had been stolen.*

*The Company had not constituted a Technical Committee, as required, to evaluate all DPRs to ensure technical feasibility and economic viability. Testing laboratories were also not empanelled to pre-test the building materials and nor was an in-house Design Wing set up, to approve changes in the drawings and designs. Work of construction of 5000 MT Cold Storage at Pakur was completed (September 2022) and payment of ₹ 10.44 crore was made to the contractor. However, the completed building of the Cold Storage could not be handed over to the user department as of July 2024 as defects identified by a committee constituted by the Company to examine the work, were not rectified by the contractor.*

*The Company held four Annual General Meetings during the period from 2015-16 to 2018-19 against the required eight AGMs in violation of the Companies Act. The Company did not take any initiatives to hold AGMs after December 2020, in contravention of the provisions of its Articles of Association.*

## 2.1 Introduction

“Jharkhand State Building Construction Corporation Limited” (JSBCCL), a Company wholly owned by the Government of Jharkhand (GoJ) and registered (December 2015) under the Companies Act, 2013, was established (November 2015) to construct, execute, equip, improve, alter, develop, maintain, administer, manage or control public works, government projects of all kinds<sup>1</sup>, offices, houses and all other works of conveniences. The vision of the Company is to facilitate infrastructure development in the State by delivering the best project management services to different departments of GoJ.

The Company (JSBCCL) is managed by a Board of Directors (BOD), with the Principal Secretary/Secretary of the Building Construction Department (BCD), GoJ, as the ex-officio Chairman, and comprising nine ex-officio Directors<sup>2</sup>, including a Managing Director (MD). The MD is the Chief Executive Officer (CEO) of the Company and is assisted by an Executive Director (ED) and five General Managers (GMs). The Company, with its headquarters at Ranchi, has 24 Project Implementation Units (PIUs), headed by Managers at the district level, for implementation and monitoring of the projects at the field level.

<sup>1</sup> Including townships, roads, bridges, canals, reservoirs, embankments, reclamations, improvements, sewage, drainage, sanitary, water, waste, gas, electric, lights, telephonic and power supply works, markets, bazaars, places of amusement, pleasure grounds, parks, garden, water sewage and effluent treatment plants.

<sup>2</sup> (1) Chairman (2) Secretary, Planning-cum-Finance Department (3) Secretary, Home Jail and Disaster Management Department (4) Secretary, Urban Development and Housing Department (5) Secretary, Energy Department (6) Secretary, Forest, Environment and Climate Changes Department (7) Secretary, Drinking Water & Sanitation Department (8) Secretary, Revenue, Registration and Land Reforms Department and (9) MD, JSBCCL.

The Company has a separate Finance and Accounts wing under GM (Finance & Accounts), supported by one DGM (Finance & Accounts), one Chief Accounts Officer, three Accounts Officers and three Accountants to check all bills and to prepare and maintain accounts. All offices of the Company (Head/Zonal/Division/Sub-division offices) are to maintain such Books of Accounts, as prescribed from time to time, and strictly follow the Public Works Department (PWD) Code and the Jharkhand Financial Rules in respect of performance of functions of the Company.

The Company undertook 1,328 projects (since inception to March 2023) related to departments/agencies<sup>3</sup> of GoJ, with a total project cost of ₹ 14,020.46 crore. As of March 2023, 726 projects had been completed (estimated value: ₹ 4,291.07 crore); 218 were in-progress (estimated value: ₹ 1,630.80 crore); 272 were in the initial stages<sup>4</sup>; and 112 had either been dropped or stalled (estimated value: ₹ 194.92 crore) due to non-availability of land, public hindrances, delays by the contractors *etc.*

All these works, undertaken by the Company, were deposit works, for which funds were deposited in advance by the user departments. The Company also charged Centage<sup>5</sup> from State departments/agencies, for execution of works by contractors selected by the Company through open bidding. Details of funds received and utilised by the Company during 2018-19 to 2022-23, are shown in **Table 2.1**.

**Table 2.1: Funds received from user departments and utilised for works**

(₹ in crore)

Year	Opening balance	Funds received from user departments	Total funds available	Funds utilised	Percentage of funds utilised	Closing balance
2018-19	1,268.97	1,354.56	2,623.53	897.69	34.22	1,725.84
2019-20	1,725.84	1,122.52	2,848.36	1,036.02	36.37	1,812.34
2020-21	1,812.34	1,055.52	2,867.86	1,132.85	39.50	1,735.01
2021-22	1,735.01	923.92	2,658.93	1,163.14	43.74	1,495.79
2022-23	1,495.79	1,486.83	2,982.62	1,024.79	34.36	1,957.83
<b>Total</b>		<b>5,943.35</b>		<b>5,254.49</b>		

(Source: JSBCCL)

It can be seen from **Table 2.1** that of the funds available, the Company had only utilised amounts ranging between 34.22 and 43.74 *per cent*, during FYs 2018-19 to 2022-23. Audit observed that the reasons for short utilisation of funds were delays in commencement of works, slow progress and

<sup>3</sup> State Geological Museum, Jharkhand State Electricity Regulatory Commission *etc.*

<sup>4</sup> DPR stage, sent for Administrative Approval, in the tendering process or work about to start

<sup>5</sup> (A) For project cost upto ₹ 10 crore = seven *per cent*; (B) For project cost more than ₹ 10 crore and up to ₹ 100 crore = (A) + five *per cent* on amount exceeding ₹ 10 crore; (C) For project cost more than ₹ 100 crore = (B) + one *per cent* on amount exceeding ₹ 100 crore

stoppage/dropping of works midway, as discussed in *paragraphs 2.5.2.1 and 2.5.5.2*.

A Performance Audit (PA) of the Company was taken up in view of inefficient management practices and irregularities in execution of projects, noticed during past audits.

## 2.2 Audit Objectives

The audit objectives were to ascertain whether:

- ❖ Corporate budget was prepared, and fund allocation & financial management was effective
- ❖ the planning process for projects was effective
- ❖ execution of projects was economical, efficient and effective
- ❖ an effective monitoring and evaluation mechanism was in place; and
- ❖ an effective internal control and complaint redressal system was in place.

## 2.3 Audit Criteria

The audit criteria for the PA were adopted from:

- ❖ Memorandum of Association, Articles of Association, Expenditure Regulation, Delegation of Powers, Rules of Business and Resolutions passed in the BOD meetings
- ❖ Provisions of the Jharkhand Public Works Department (JPWD) Code, Jharkhand Public Works Account (JPWA) Code, Jharkhand Financial Rules and relevant circulars and instructions; and
- ❖ Circulars, Notifications, Resolutions and other instructions issued by GoJ and Government of India.

## 2.4 Audit Scope and Methodology

The PA, covering the period from FY 2018-19 to FY 2022-23, was conducted between May 2023 and October 2023, through test-check of the records of the Company Headquarter and 12<sup>6</sup> out of 24 PIUs at the district level.

During Audit, 206 projects (94 projects<sup>7</sup> and all 112 stalled/dropped projects) were selected for detailed check, based on quantum of expenditure incurred by the Company.

<sup>6</sup> Bokaro, Dumka, Dhanbad, Deoghar, Giridih, Godda, Hazaribag, Jamshedpur, Koderma, Lohardaga, Pakur and Palamu.

<sup>7</sup> 10 per cent of 936 projects, selected by stratified random sampling through Computer Assisted Audit Techniques (CAAT) after stratifying the projects into four

Audit methodology included scrutiny of records at the Company Headquarter and at the PIUs, joint physical verification of projects along with the representatives of the Company, and examination of the responses to questionnaires issued to the Company.

An Entry Conference was held (13 June 2023) with the Secretary, Building Construction Department-cum-Managing Director, JSBCCL, wherein the objectives, methodology, scope and criteria of audit were explained. The Secretary, Building Construction Department (BCD) submitted (July 2024) replies to the audit observations, which have been suitably incorporated in the report. An Exit Conference was also conducted on 26 September 2024 with the Secretary, Building Construction Department, GoJ, in which the Department assured that it would take corrective measures on the audit recommendations.

## 2.5 Audit findings

The Company is governed by its Articles of Association, Memorandum of Association and Rules of Business, in addition to the provisions of the Jharkhand Financial Rules and the Jharkhand Public Works Code, for execution of construction works. Audit observed cases of inadequate planning, absence of proper financial management, irregularities in project management and lack of monitoring, which resulted in wasteful, unfruitful, irregular and avoidable expenditure, as well as cost and time overrun in delivering various projects to user departments, as discussed in the succeeding paragraphs.

### 2.5.1 Financial Management

#### 2.5.1.1 Financial position and working result

The financial position and working results of the Company for FYs 2018-19 to 2022-23, are given in **Table 2.2**.

**Table 2.2: Financial position and working results of the Company**

(₹ in crore)

Financial position					
Source of funds:					
Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Share capital	2.00	2.00	2.00	2.00	2.00
Reserves and surplus	36.33	55.28	68.07	97.56	117.02
Advance received from GoJ and other Institutions	1,729.95	1,783.75	1,706.42	1,467.19	1,929.24
Current liabilities and provisions	124.75	190.21	280.35	324.42	307.75
<b>Total</b>	<b>1,893.03</b>	<b>2,031.24</b>	<b>2,056.84</b>	<b>1,891.17</b>	<b>2,356.01</b>
Particulars	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23

strata, on the basis of quantum of expenditure incurred by the Company. These 94 projects include 68 completed and 26 in-progress projects.

<b>Application of funds:</b>					
Capital work in progress	0	0	0	0	0
Cash and cash equivalents	1,883.99	2,023.25	2,055.70	1,883.48	2,345.02
Other current assets	8.56	7.53	0.84	6.90	7.70
<b>Total</b>	<b>1,892.55</b>	<b>2,030.78</b>	<b>2,056.54</b>	<b>1,890.38</b>	<b>2,352.72</b>
<b>Working results</b>					
Revenue from Operations	40.72	40.27	28.71	49.25	36.33
Interest from bank	0.41	0.41	0.08	0.25	1.28
<b>Total</b>	<b>41.13</b>	<b>40.68</b>	<b>28.79</b>	<b>49.50</b>	<b>37.61</b>
<b>Expenditure</b>					
Finance cost	0	0	0	0	0
Administration and other expenses	11.24	13.81	10.40	9.80	11.22
<b>Total</b>	<b>11.24</b>	<b>13.81</b>	<b>10.40</b>	<b>9.80</b>	<b>11.22</b>
Profit (Loss) before tax	29.88	26.87	18.39	39.70	26.39
Tax	8.85	7.93	5.60	10.21	6.92
<b>Net profit (Loss) after tax</b>	<b>21.03</b>	<b>18.94</b>	<b>12.79</b>	<b>29.49</b>	<b>19.47</b>

Source: Accounts of JSBCCL (Accounts of 2022-23 are provisional)

Review of the financial management of the Company revealed the following:

- As per Rule 334 of the Jharkhand Treasury Code, the deposit administrator has to review all Personal Deposit Accounts (PL Account) at the end of each financial year. Money lying unspent after two consecutive financial years, should not be spent any further, and the balance should be transferred, as reduction of expenditure, to the concerned service head from which the money was withdrawn.

Audit observed that the Company had received ₹ 60.95 crore<sup>8</sup> during FYs 2016-17 to 2019-20 from five<sup>9</sup> user departments for execution of 24 works<sup>10</sup> and had deposited the amount in its PL Account. All these works were dropped (between September 2017 and December 2022) due to non-availability of land (19 works), delayed availability of land (two works) and non-transfer of related documents by user departments after providing funds (two works). Further, one work was dropped by the User Department itself without assigning any reason. Since the deposited amount of ₹ 60.95 crore could not be utilised (as of March 2023) by the Company for execution of works, it was required to be returned to the user departments. However, the

<sup>8</sup> 2016-17: ₹ 30.85 crore, 2017-18: ₹ 19.53 crore, 2018-19: ₹ 2.76 crore and 2019-20: ₹ 7.81 crore

<sup>9</sup> Agriculture, Animal Husbandry and Co-operative; Health, Medical Education and Family Welfare; School Education and Literacy; Tourism, Art Culture, Sports & Youth Affairs and ST, SC, Minority and BC Welfare

<sup>10</sup> Construction of Zila Gavya Vikas Office, Jamshedpur (₹0.63 crore) of Agriculture, Animal Husbandry & Co-operative Department; 12 PHCs (₹21.13 crore), one CHC (₹ 10.58 crore), 50-bedded Girls' Hostel (₹ 1.00 crore), Doctor's residence (₹ 1.25 crore) and Paramedic/Nurses Residence (₹1.00 crore) for Rajkiye Ayurvedic Medical College & Hospital at Chaibasa of Health, Medical Education and Family Welfare Department; Construction of two Jharkhand *Balkiya Awasiye Vidyalayas* (₹6.99 crore) of School Education and Literacy Department; Construction of Cottages in Urva and Tourism Development works in Dasam Water Fall (₹ 3.37 crore) of Tourism, Arts, Culture Sports & Youth Affairs Department and Construction of three Ashrams Schools (₹ 15 crore) of SC, ST, Minority and BC Welfare Department

amount was lying (as of July 2024) in the PL Account of the Company for periods ranging between four to seven years.

The Department accepted (July 2024) the facts and stated that the Treasury PL Account would be scrutinised and balance held for more than two consecutive years would be refunded to the administrative departments.

***Recommendation 1: The Company may ensure timely refund of unutilised funds lying in its PL Account to the user departments.***

## **2.5.2 Planning**

Rules of Business of the Company stipulate constitution of a Technical Committee under the chairmanship of the Executive Director to critically evaluate all DPRs and projects to ensure that they are technically feasible and economically viable; to suggest modifications, if required, and to monitor all sanctioned projects/schemes including award of works, progress and quality of work executed *etc.*

Rules of Business of the Company also provide for a proper system of preparing Corporate Budget by including status of ongoing projects, new projects to be undertaken, value of works to be done during the financial year, number of schemes required, schemes sanctioned, and schemes remaining to be evaluated by the Technical Committee.

Test-check of the records of the Company revealed that it had neither prepared a Corporate Budget nor constituted the Technical Committee during FYs 2018-19 to 2022-23 to review DPRs and monitor the progress of works. Audit further observed that DPRs were prepared by consultants, based on model estimates<sup>11</sup>, for obtaining administrative approval (AA) from user departments. Execution of works started after obtaining the AA based on the model estimates, without any evaluation by the Technical Committee.

The Jharkhand Public Works Department (JPWD) Code (Rules 126 & 130) stipulates preparation of a proper detailed estimate for every work proposed to be carried out for obtaining sanction from the competent authority. However, it was seen by Audit that projects were taken up without site specific drawings and designs, and without ensuring availability of land. This led to works being dropped/stalled and cost and time overrun, as discussed in the following paragraphs.

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<sup>11</sup> A preliminary estimation of the cost of the project, not necessarily based on actual site conditions, to obtain administrative approval. To start execution, a detailed estimate, based on actual site conditions, is required

### 2.5.2.1 Works dropped

The JPWD Code (Rule132) prescribes that, except in the case of urgent works such as repair of breaches *etc.*, no work should be started on land which has not been duly made over by a responsible Civil Officer.

Audit observed that 35 works<sup>12</sup>, valued at ₹ 102.87 crore, had been administratively approved (between October 2010 and March 2017) by three<sup>13</sup> user departments. Execution of these works was entrusted to the Company, and ₹ 42.45 crore was released (between 2016-17 and 2019-20) against 14 works to the Company. For the remaining 21 works, no funds were released to the Company by the respective departments. Audit noticed that the Company had entered (between November 2016 and April 2018) into agreements valued at a total of ₹ 102.54 crore with contractors for execution of all the 35 works with stipulated dates of completion between February 2018 and July 2019. However, all the 35 works were dropped (between October 2019 and December 2022) by the Company, as the land required for execution was not made available by the user departments in case of 33 works, while it was delayed in case of two works. Thus, the Company could not ensure availability of land in coordination with user departments before commencement of works in violation of codal provisions, due to which these works could not be taken up.

The Department accepted (July 2024) the facts and stated that all the 35 schemes were dropped as land was not provided by the user departments. In anticipation of getting land, the Company had invited tenders and awarded works to the contractors. The Company further stated that tender would be invited for future projects only after ensuring availability of land.

### 2.5.2.2 Cost and time overrun

JPWD Code (Rules 126 and 130) stipulates that a properly detailed estimate, known as 'Technical Sanction' (TS), must be prepared for sanction by the competent authority for every work proposed to be carried out. The detailed estimate should be based on the quantities and rates given in the prevailing schedule of rates (SOR) and should be clearly understood by the non-technical officers of the user departments.

Seven departments<sup>14</sup> had administratively approved (between October 2013 and October 2020) 31 works (**Appendix 2.1**) valued at ₹ 335 crore relating

<sup>12</sup> Construction of Ashram Schools (02), Primary Health Centres (07), one Community Health Centre, one 50-bedded Girls Hostel in Medical College, Chaibasa, one Paramedical/Nurses residence at Ayurvedic Medical College and Hospital, Chaibasa, Jharkhand *Balika Awasiye Vidyalayas* (08), Girls' Hostels (09) and Model Schools (06)

<sup>13</sup> ST, SC, Minority and BC Welfare; Health, Medical Education and Family Welfare and School Education & Literacy

<sup>14</sup> Higher, Technical Education and Skill Development: 17, Health, Medical Education and Family Welfare: 05, Scheduled Tribe, Scheduled Caste, Minority and Backward

to construction of Degree Colleges, Multipurpose Examination Halls, Community Health Centers (CHCs), Primary Health Centers (PHCs), Girls' Hostels, Cold Storage *etc.*, based on model estimates and entrusted the works to the Company for execution. The Company, without ensuring the technical and economic viability of the projects in the absence of the Technical Committee, and without preparing detailed estimates as per actual site conditions, entered (between December 2016 and August 2021) into agreements valued at ₹ 293.85 crore with different contractors to execute these works with the stipulated dates of completion between May 2018 and February 2023. Audit observed that the works were executed by contractors on the basis of the model estimates in the absence of availability of detailed drawings and designs approved by the competent authority, as per JPWD Code.

As a result, twenty-five works were completed at a cost of ₹ 258.61 crore with delays ranging between four and 54 months. It was further seen that three works were in-progress, as of July 2024, even after a lapse of 18 to 65 months from their scheduled dates of completion, after incurring an expenditure of ₹ 21.32 crore. These works were incomplete due to delays in making the sites and drawings/designs available to contractors after finalisation of related agreements. Cost overrun of ₹ 31.06 crore, as of July 2024, was also noticed in 23 works due to payment of price variation against agreed quantity of items of works. This occurred due to absence of detailed estimates, as per actual site conditions.

The Department accepted (July 2024) the facts and stated that the Company had provided model estimates on the demand of user departments. The user departments had issued AA based on these model estimates without providing land to execute the work. Further the Company also could not prepare drawings as per actual site condition, which led to enhancement of project cost.

Thus, the user departments had accorded AA on the basis of technically approved model estimates of the projects, though, as per JPWD Code, Technical Sanction for estimates of works, based on detailed drawings/designs as per actual site condition, was a prerequisite for execution of work. Further, in the absence of a Technical Committee to examine the estimates, the Company granted technical sanction on the same model estimates by only adding Goods and Service Tax (GST), labour cess and centage charges, without preparing detailed estimates, and commenced execution of the works. The detailed drawings & designs based on actual

site conditions were prepared only after executing the agreement, which led to an increase in the project costs, as discussed in the following paragraphs.

• **Construction of Degree Colleges**

The Company had prepared (November 2016) a model estimate for construction of 27 Degree Colleges<sup>15</sup> at a cost of ₹ 15.77 crore each. Based on the model estimate, the User Department (Higher, Technical Education and Skill Development) had accorded (between February 2017 and August 2018) AA for ₹ 425.79 crore (₹ 15.77 crore for each Degree College). After tendering, agreements valued at ₹ 382.14 crore for the construction of 27 Degree Colleges were executed (between September 2017 and January 2020) with different contractors with the stipulated dates of completion being within 24 months from the date of the agreement.

Audit noticed that construction work of 20 Degree Colleges had been completed (at a cost of ₹ 292.74 crore) by the contractors on time. However, the work of six Degree Colleges was still in progress, as of October 2023, after incurring an expenditure of ₹ 62.11 crore, with delays ranging between 22 and 34 months. The work of one Degree College<sup>16</sup> could not be started as the demarcated land was under forest area and the Company was unable to upload the required details on the portal of the Forest Department for obtaining forest clearance.

Test-check of records related to the construction work of 13<sup>17</sup> out of 27 Degree Colleges, for which land was made available (between October 2016 and January 2019) to the Company, revealed that agreements valued at ₹ 179.45 crore were executed (between September 2017 and August 2019) with the contractors with stipulated dates of completion being between September 2019 and August 2021. Twelve out of the 13 works were completed at a cost of ₹ 177.98 crore and the remaining work (Degree College, Gomia, Bokaro) was still in progress, as of October 2023, after a lapse of 31 months from the scheduled date of completion, after incurring an expenditure of ₹ 11.97 crore.

<sup>15</sup> Bano (Simdega), Barhi (Hazaribag), Bishunpur (Gumla), Bhavnathpur (Garhwa), Barkatta (Hazaribag), Boriyo, Barhet (Sahibganj), Chhatarpur (Palamu), Dumri, Pirtand (Giridih), Gomeo (Bokaro), Hussainabad (Palamu), Jagannathpur (West Singhbhum), Jharia, (Dhanbad), Kharsawan (Saraikela-Kharsawan), Kolebira (Simdega), Khijri (Ranchi), Maheshpur (Pakur), Mahagama (Godda), Majhgaon (West Singhbhum), Manoharpur (Chaibasa), Manika (Latehar), Nala (Jamtara), Sikaripara, Jarmundi (Dumka), Saptgama (Koderma) and Tudni (Dhanbad).

<sup>16</sup> Degree College, Borio, Sahibganj.

<sup>17</sup> Barhi, Chhatarpur, Gomia, Jarmundi, Kharsawan, Khijri, Manika, Mahagama, Maheshpur, Manoharpur, Nala, Shikaripara and Tundi.

Audit further noticed that general arrangement drawings (GADs<sup>18</sup>) for construction of these 13 Degree Colleges were as per the model estimates and cost of the project had not been worked out by the consultant as per actual site condition. This was despite the fact that the land was made available for these colleges (between October 2016 and January 2019) and the consultant had submitted (between November 2017 and October 2020) the estimates of the Degree College to the Company.

Further, in the absence of a Technical Committee, the Company did not ascertain the working cost as per actual site or detailed drawings/designs but accorded technical sanction (between July 2017 and January 2019) on the estimates prepared by only adding GST, labour cess and centage charges to the model estimates. However, on working out the detailed project cost of two works, as per drawings based on actual site condition, Audit observed that the cost of one project (Degree College, Maheshpur) had increased from ₹ 15.77 crore to ₹ 18.35 crore while the cost of another project (Degree College, Chhatarpur, Palamu) had increased from ₹ 15.77 crore to ₹ 20.39 crore, as detailed in **Table 2.3**.

**Table 2.3: Comparison of cost**

*(Amount in lakh)*

Sl. No.	Particular	Cost as per Model estimate	Cost as per TS	Cost of degree college as per actual drawing	
				Maheshpur, Pakur	Chhatarpur, Palamu
1	Construction cost	1,381.85	1,433.01	1,521.93	1,693.66
2	GST (12 per cent)	0	171.96	182.63	203.24
3	Labour cess	13.82	16.05	17.05	18.97
4	JSBCCL Charge	89.09	91.65	96.10	104.70
5	Time escalation	78.88	0	0	0
6	Service charge	13.36	0	0	0
7	18 per cent GST on JSBCCL Charge	0	16.50	17.30	18.85
8	Charges for soil test and site survey	0	0.69	0	0
<b>Total</b>		<b>1,577.00</b>	<b>1,729.85</b>	<b>1,835.01</b>	<b>2,039.42</b>

*(Source- Model estimate and cost estimation of the degree colleges at Maheshpur and Chhatarpur as per GADs)*

Thus, the project cost for construction of these two Degree Colleges increased by ₹ 7.20 crore<sup>19</sup> over and above the agreed cost of ₹ 29.19 crore.

The Department accepted (July 2024) the facts and stated that, after allocation of land for the project, site specific design was prepared by the consultant for individual projects. This led to variation in quantity and project cost of the Degree Colleges.

- The Deputy Commissioner (DC), Ranchi, had allotted (June 2018) land for the construction of a Degree College in Khijri, Ranchi. The

<sup>18</sup> GAD means a design/construction drawing of a structure that provides detailed layout, dimensions, connections and specifications, normally super-imposed on a site plan.

<sup>19</sup> Degree College, Maheshpur: ₹ 2.58 crore and Degree College, Chhatarpur: ₹ 4.62 crore.

Consultant had submitted (August 2018) the drawing and design of the work of the College to the Company. The work was started (14 February 2019) by a contractor after execution of an agreement (November 2018) valued at ₹ 12.71 crore. However, the Executive Engineer (EE), Damodar Valley Corporation (DVC), Ranchi, raised an objection (21 February 2019) that the said land had already been allotted (in 2008) to DVC for erection of a high-tension line. Accordingly, the Company revised (August 2019) the working design by proposing construction of the building in two different parts, leaving a space of 37.40 metres between the two parts, for erection of the high-tension line by DVC.

In the absence of the Technical Committee, the technical feasibility of the design was not assessed, and no alternate site was sought for the construction by the Company from the User Department. Despite material deviation in the design from its original proposal, the Company also did not obtain the revised administrative approval from the User Department as required under Rule 123 of JPWD code. The contractor executed construction work of the two parts of the building as per the revised design and DVC erected the high-tension transmission line (HT line) between the two parts of the building. The work of the Degree College was completed (April 2022) and payment (December 2022) of ₹ 11.39 crore was made to the contractor by the Company. However, due to erection of HT line, the building was not taken over by the User Department (Higher Technical Education and Skill Development) despite final inspection by the Vice Chancellor, Ranchi University, in the presence of the Manager, PIU, Ranchi, and the contractor. The Manager, PIU, Ranchi requested (January 2023) the Company to resolve the issue of handing over of the building at the Department level in consultation with the officials from DVC. The contractor also reminded (March 2023) the Company that responsibility of the constructed building with furniture and fixture would not lie with him after lapse of the defect liability period (April 2023). Thus, inability of the Company to foresee the adverse impact of constructing the buildings in the vicinity of a high-tension transmission line led to the completed buildings remaining idle, rendering the expenditure of ₹ 12 crore unfruitful.

The Department stated (July 2024) that the process for shifting the HT line is underway. After shifting the HT line, the building would be handed over to the User Department under intimation to Audit.

The reply may be viewed in light of the fact, that the buildings constructed for the Degree College have not been utilised since completion in April 2022.

- ***Construction of Jharkhand Balika Awasiye Vidyalayas***

According to Rule 123 of JPWD Code, revised AA has to be obtained from the competent authority for an increase in expenditure, by more than 20 per

cent of the originally approved amount, due to increase in rates or other causes in course of execution of work.

A model estimate for the construction of 57 *Jharkhand Balika Awasiye Vidyalaya*<sup>20</sup> (JBAVs), at a cost of ₹ 4.41 crore each, was prepared (December 2015) prior to establishment of the Company by the School Education and Literacy Department, GoJ (the User Department), through a consultant. The User Department had also accorded (December 2015) administrative approval of ₹ 255.36 crore at a rate of ₹ 4.48 crore for construction of each JBAV. On the basis of model estimate of the work, the Company accorded TS of ₹ 4.41 crore for construction of each JBAV, without obtaining GAD from the consultant.

The Company executed (between November 2016 and January 2021) agreements valued at ₹ 255.53 crore with different contractors for completion of work of 57 JBAVs within 15 months from the date of agreement. Audit noted that out of 57 works, 33 were completed at a cost of ₹ 157.51 crore, 11 works were in progress (as of October 2023) after incurring an expenditure of ₹ 37.53 crore, eight works were dropped (December 2021) due to non-availability of land, and five works were stalled (after incurring expenditure of ₹ 12.31 crore) as cases have been filed<sup>21</sup> by the contractor in the Commercial Court, Ranchi, Jharkhand.

- Further, construction of 49 JBAVs (excluding eight dropped works) was started on the basis of the model estimate and after execution of agreements with the contractors finalised via tendering, the Company changed the design<sup>22</sup> without intimating the User Department. Consequently, no revised administrative approval was issued by the Department. Out of 49 JBAVs, four works<sup>23</sup> were completed as per the old design and 40 works (excluding five stalled works), were to be executed as per the revised design. Out of 40 JBAVs, 29 JBAVs were completed at a cost of ₹ 141.57 crore and 11 works remained incomplete after incurring an expenditure of ₹ 37.53 crore with delays ranging between 18 to 67 months from the stipulated date of completion (between February 2018 and April 2022). It was noticed that these works remained incomplete due to non-availability of sufficient funds with the Company, in the absence of revised administrative approval from the User Department.

<sup>20</sup> Bokaro: 01, Chatra: 02, Deoghar: 02, Dhanbad: 03, East Singhbhum: 02, Garhwa: 05, Giridih: 01, Gumla: 02, Godda: 01, Hazaribag: 06, Latehar: 03, Lohardaga: 02, Jamtara: 02, Koderma: 02, Khunti: 01, Palamu: 08, Ramgarh: 02, Ranchi: 05, Simdega: 03, Saraikela-Kharsawan: 01 and West Singhbhum: 03

<sup>21</sup> Arbitration No 10 of 2022 filed in June 2022 and 03 of 2022 filed in July 2022 for reimbursement of GST, release of security deposit etc.

<sup>22</sup> To a framed structure from a load bearing one.

<sup>23</sup> Four JBAVs (Nagri, Ratu, Itki and Rahe blocks under PIU, Ranchi) were completed as per load bearing structure design, at a total cost of ₹ 15.94 crore and handed over (between July 2019 and April 2021) to the User Department.

The Department accepted (July 2024) the facts and stated that, as per government guidelines (June 2019), all load bearing structures were to be replaced with framed structures for providing better stability. It was further stated that conversion of load bearing structure to framed structure combined with site specific design, had led to an increase in the project cost of JBAVs.

The reply may be viewed in light of the fact that construction of the 11 JBAVs could not be completed, even after a prolonged period, due to laxity on the part of the Company to inform the User Department regarding the change in design and to obtain revised AAs to cover the increase in project cost.

- Based on the model estimate, an agreement valued at ₹ 12.22 crore was executed (January 2017) by PIU, Garhwa, with a contractor for construction of three JBAVs<sup>24</sup> in Garhwa with July 2018 as the stipulated date of completion. Audit noticed that land for construction of two JBAVs (Bishnupura and Sangma) was made available by the District Authority with delays ranging between eight and ten months after execution of the agreement. Audit further noticed<sup>25</sup> that the earmarked site for JBAV, Sangma, was located in an area near an irrigation canal of Balha Dam and was prone to water logging.

PIU, Garhwa, issued (December 2018) instructions to the contractor to stop the work at Sangma, after verification by a joint inspection team,<sup>26</sup> though the work was 37 per cent completed. The PIU, Garhwa further instructed (August 2019) the contractor to restart the work after increasing the height of the plinth by one meter. However, the contractor expressed (July 2020) his inability to increase the height of the plinth as 37 per cent of the work had already been completed and requested the Company to close the agreement. The work at Bishnupura and Danda was also not completed<sup>27</sup>. After the contractor stopped the work (November 2019), the Company could not initiate any action either to get the work completed by the same contractor or through fresh tendering after closing the agreement.

It was further seen that the contractor had approached (July 2022) the Commercial Court, Ranchi, for reimbursement of the differential amount of GST, release of security deposit and liquidated damages withheld by the Company for closure of the agreement, and the matter had become sub-judice. The work could not be resumed after November 2019 and as such, expenditure of ₹ 5.60 crore on the partially completed structures of JBAV,

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<sup>24</sup> JBAV at Bishnupura, Danda and Sangma (Garhwa).

<sup>25</sup> In a complaint at *Mukhya Mantri Jan Sanwad Kendra* in February 2018, confirmed by EE, PIU, Garhwa, in October 2018 and EE, Minor Irrigation Division, Garhwa, in October 2018.

<sup>26</sup> The EE, Minor Irrigation Division, Garhwa and PIU, Garhwa

<sup>27</sup> Bishnupura (80 per cent) and Danda (99 per cent)

Danda and JBAV, Bishnupura became unfruitful whereas expenditure of ₹ 2.80 crore on the abandoned structure of JBAV, Sangma became wasteful. The abandoned structure of JBAV, Sangma (Garhwa) is shown in photographs 2.1 and 2.2.



*Incomplete and abandoned building constructed for JBAV, Sangma, Garhwa (11.01.2021)*

Thus, commencement of work without preparing detailed estimate based on actual site conditions, non-ascertaining technical feasibility in the absence of the Technical Committee and inability of the Company to take appropriate action to complete the work led to the works remaining incomplete after incurring an expenditure of ₹ 8.40 crore<sup>28</sup>.

In case of JBAV, Sangma, the Department stated (July 2024) that the contractor was instructed to raise the height of the plinth to a safe level, but he had approached the Court, and that the construction work of the remaining two JBAs is in advanced stages. It was further stated that since the matter is sub-judice, the Company can take action only after the final order of the Court.

Reply is not factual in the case of JBAV, Sangma, as the Company had not taken appropriate action to complete the work after refusal (July 2020) by the contractor.

***Recommendation 2: The Company may take prompt action to ensure formation of the Technical Committee to assess technical feasibility before commencement of works. Further, the Company may ensure commencement of work only after preparation of detailed estimates, drawings and designs based on actual site conditions.***

### **2.5.3 Human Resource Management**

As per its Rules of Business, the Company is committed to providing the best possible services for which sufficient manpower is required. The BoD of the Company was empowered to specify suitable guidelines for

<sup>28</sup> ₹ 2.80 crore on each JBAV (Danda, Bishnupura and Sangma).

manpower recruitment and management including appointments, transfer, promotion, fixation of salary *etc.*

The availability of manpower against the sanctioned strength of the Company is as shown in **Table 2.4**.

**Table 2.4: Sanctioned strength and person-in-position (March 2023)**

Post	Sanctioned strength	Actual deployment	Vacancy	Remarks
Managing Director (MD)	01	01	00	Additional charge to the Secretary, BCD
Executive Director (ED)	01	01	00	Additional charge to the Chief Engineer, BCD
General Managers (GMs)	05	02	03	Deputed from BCD as additional charge
Deputy General Managers (DGMs)	10	03	07	Two deputed from BCD as additional charge and one DGM deployed within dependent charge.
Chief Accounts Officer (CAO)	01	01	00	--
Managers (Technical)	41	22	19	46 per cent shortage
Manager (Accounts)	05	00	05	100 per cent shortage
Manager (Legal)	01	00	01	100 per cent shortage-
Manager (Administration)	01	01	00	--
Manager (Human Resource)	01	00	01	100 per cent shortage
Assistant Engineers (AEs)	72	09	63	88 per cent shortage
Junior Engineers (JEs)	106	27	79	75 per cent shortage
Other staffs	348	57	291	84 per cent shortage
<b>Total</b>	<b>593</b>	<b>124</b>	<b>469</b>	

(Source: JSBCCL)

It can be seen from the above table that there was huge shortage (79 per cent) of manpower in the Company as of March 2023 which affected its performance in terms of providing services as detailed in **Paragraphs 2.5.5.4 and 2.5.5.5**, and in monitoring & supervision of work. Audit further observed that:

- The posts of AEs and JEs are key at the PIU level as they are responsible for preparing preliminary estimates, regular monitoring of the progress of works, recording measurements, and preparing contractor's running account/final bills. However, as seen from the records, there was acute shortage in the posts of AEs (88 per cent) and JEs (75 per cent).

In reply, the Department stated (July 2024) that recruitment of AEs and JEs has been stayed (23 March 2017) by the Jharkhand High Court. It was further stated that AEs and JEs have been taken from Government departments on deputation basis.

- As per the Resolution (24.11.2015) of Building Construction Department regarding the formation of the Company, Principal Secretary/Secretary of BCD would be the chairman of the BoD, while the MD would be a professional. However, as per Articles of Association of the Company, the MD shall either be a State Government officer not below the rank of Special Secretary or a technocrat or professional. The MD shall have powers of supervision and control and will manage the affairs of the Company. Further, unless otherwise determined by the Governor from time

to time, Principal Secretary/Secretary, BCD, GoJ, shall be the MD of the Company.

Audit noticed that there was no regular MD (except during June 2016 to February 2018) since the formation of the Company, and the post was held by the Principal Secretary/Secretary, BCD, as an additional charge. Thus, due to inclusion of the clause in the Articles of Association regarding Special Secretary being the MD of the Company, there was lack of independent monitoring of the performance of the Company at the departmental level, and absence of full-time management of its operations.

Similarly, the posts of DGM (Administration) and GM (Planning and Design) were held by the Engineer-in-Chief (EIC), BCD, and the post of ED by the Chief Engineer (CE), BCD, as additional charge. Thus, there was lack of full-time and independent monitoring of the schemes implemented by the Company at the field level.

The Department did not give any specific reply (July 2024).

- Further, the Company has five sanctioned posts of Zonal Managers (in the rank of Superintending Engineer). However, zonal offices have not been established and no Zonal Managers were appointed, as of October 2023, which affected the monitoring of Schemes at the field level.

The Department accepted the facts and stated (July 2024) that zonal offices could not be established due to shortage of manpower.

- Against 24 PIUs, 17 PIUs of the Company are being managed by the engineers<sup>29</sup> of the Company, whereas in case of seven PIUs<sup>30</sup>, additional charge has been given to the engineers of BCD of the concerned districts. Further, in 17 PIUs, there was shortage of five Managers, against the sanctioned strength of 17. However, in comparison there was a large concentration of Managers at the headquarter level, where six of them were posted against a sanctioned strength of two, leading to a lopsided distribution.

In reply, the Department stated (July 2024) that Managers have been posted against vacant posts in the PIUs.

The reply is not convincing as deputation/posting orders of these Managers were not furnished to Audit.

- It was seen that the Company had published (between 2016-17 and 2022-23) 12 advertisements for recruitment of 144 persons against the

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<sup>29</sup> One Manager (Technical), two Assistant Managers and four Junior Managers in each PIU.

<sup>30</sup> Garhwa, Gumla, Jamtara, Latehar, Sahibganj, Simdega and Saraikela-Kharsawan.

sanctioned strength of 593 posts<sup>31</sup> in different cadres in a piecemeal manner (ranging from 03 to 42 posts in each advertisement). Moreover, only 72 out of 144 persons could be appointed due to reasons such as, cancellation of the recruitment process, court cases, suitable candidates not being available and delay in the recruitment process. Further, to meet the shortage of 63 AEs and 79 JEs, recruitment process for 14 engineers (six AEs and eight JEs) was initiated in 2016-17. However, no appointment has been made in view of the stay given by the Jharkhand High Court.

In reply, the Department stated (July 2024) that recruitment notifications were issued from time to time based on requirement of Engineers with reference to the number of running projects.

The above analysis highlights that the Company is facing acute shortage of manpower despite the load of a large number of works. The shortage of staff was one of the reasons for inadequate internal control and monitoring of the projects, leading to their delayed completion/non-completion.

#### 2.5.4 Execution of projects

The Company had taken up 1,328 works since its inception, of which 79 works had been dropped; 33 works were stalled; 726 works had been completed; 218 works were in progress and 272 works were in the initial stages (*i.e.* tender, DPR and AA), as of March 2023. Audit scrutinised 206 works<sup>32</sup> and noticed cases of irregularities in contract management, expenditure management, quality management and internal control and monitoring, as discussed in the succeeding paragraphs.

##### 2.5.4.1 Contract Management

According to Rule 158 (c) of JPWD Code, the Department may adopt such practices and procedures, as per guidelines issued from time to time, like *e*-procurement, *e*-tender *etc.*, to bring in more transparency and objectivity in the tendering process. In this context, Audit noticed following irregularities in contract management.

#### Provision of inadequate time for submission of bids

As per Rule 159 (a) of JPWD code, sealed tenders were to be invited, invariably, in the most open and public manner possible, through advertisements on the internet, in newspapers and via public notices. For any work valuing more than ₹ 2.50 lakh, publication of Notice Inviting Tender (NIT)/Quotation in the newspapers and the internet was mandatory. Further, the time to be allowed for submission of bids, after publication of the tender on the website, was also prescribed in the JPWD code.

<sup>31</sup> Information regarding actual vacancies in the Company, on the dates the recruitment notices were published, was not furnished.

<sup>32</sup> Dropped works: 79, Stalled works: 33, Completed works: 68 and Works in progress: 26

Audit noticed that in 56 out of the 94 test-checked works, with tender/quotation amount ranging between ₹ 79 lakh and ₹ 426.11 crore, time allowed for submission of bids was less than the time prescribed in the JPWD Code, as shown in **Table 2.5**.

**Table 2.5: Time allowed for submission of bids**

Tender/ quotation amount	No. of works	Time (in days) prescribed as per JPWD in each case	Time (in days) allowed
Above ₹ 2.50 lakh and upto ₹ 2.50 crore	02	14	9-10
More than ₹ 2.50 crore & upto ₹ 20 crore	40	21	9-17
More than ₹ 20 crore & upto ₹ 50 crore	05	21	10-15
More than ₹ 50 crore	09	28	11-17
<b>Total</b>	<b>56</b>		

It can be seen from the table that time allowed for submission of bids was less than prescribed in 56 (**Appendix 2.2**) test-checked works. Due to a shorter-than-prescribed bidding period, participation of all prospective bidders could have been limited, potentially affecting the competitiveness of the rates received.

The Department accepted (July 2024) the facts and stated that due to urgency of the work, short time was given for submission of bids. It was further stated that this would be followed in the ensuing tenders.

The reply is not convincing as no justification regarding urgency of the work was recorded in the tender files. Audit also noticed that the practice of issuing short tender notice for almost all works without giving any justification was prevalent in the Company.

#### **Lack of transparency**

As per Rule 163 (note 3) of JPWD Code, in a two-envelope bidding system, if the lowest rate is quoted by more than one bidder, then the work would be awarded on the basis of marks obtained by the bidders in the technical evaluation, as per guidelines to be issued by the Department. In the technical evaluation, the bidders are evaluated on the basis of various parameters *viz.*, credit facility, turnover, work experience, bid capacity, date of registration *etc.* The Department is required to mark the bidders against these parameters to evaluate their eligibility. However, Audit observed that the Company did not adopt marking/evaluation of bidders during technical evaluation in the absence of any guidelines. As a result, cases of lack of uniformity in awarding of works were noticed as discussed below:

- In four works<sup>33</sup>, it was noted that there was more than one lowest bidder. While in one case<sup>34</sup> the work was allotted (January 2018) to the bidder with maximum experience, in the other three cases, works were allotted (between January 2018 and March 2019) by the Company to three contractors having less work experience.
- Standard Bidding Document (SBD) is a contract document, issued by the Road Construction Department in November 2007 and applicable to all PW departments for all work contracts valuing more than ₹ 2.50 crore. As per clause 4.5 A (c) of the SBD, the bidders had to submit a work experience certificate along with the technical bid, indicating the quantities of Cement Concrete and Earth Work executed during the last five years, and the technical evaluation committee was to consider the highest value of work executed in any one of the last five years.

Audit observed that the Company disqualified (August 2017) a bidder during the technical evaluation for a work<sup>35</sup> as the work experience certificate<sup>36</sup>, submitted along with technical bid, was not bifurcated yearly. However, for another work<sup>37</sup>, the Company declared (January 2018) a bidder technically qualified and also awarded (January 2018) him the work, despite the fact that year-wise bifurcation of work experience<sup>38</sup> had not been submitted.

As such, in the absence of any guidelines, the Company did not apply uniform standards for marking/evaluation of bidders during technical evaluation and awarded works without following any consistent norms. This also raised the risk of non-transparency in award of works and possibility of according undue favour to contractors.

The Department accepted (July 2024) the facts and stated that marking/evaluation of bidders at the time of technical evaluation would be followed in future tenders.

### **Inadequate Bid Evaluation**

- ***Inadequate Bid capacity***

As per clause 4.7 of the SBD, bidders who meet the minimum qualification criteria would be qualified only if their available bid capacity was more than the total bid value. Further, the Assessed Bid Capacity was to be calculated

<sup>33</sup> Construction of Food Craft Institute, Deoghar; Construction of Degree College, Maheshpur, Pakur; Construction of Nursing Training Institute, Dumka and Construction of ITI, Mahagama, Godda

<sup>34</sup> Construction of Food Craft Institute, Deoghar

<sup>35</sup> Construction of Eklavya Model Residential School in Pirtand, Giridih

<sup>36</sup> Work experience was given for the period from 17 February 2015 to 12 June 2016

<sup>37</sup> Construction of Eklavya Model Residential School, Latehar

<sup>38</sup> Work experience was given for the period from 12 March 2012 to 16 January 2014

as per the formula<sup>39</sup> prescribed in the SBD. The statement of existing commitments and on-going works in which the bidder was participating, with the stipulated period of completion remaining for each of the works listed, had to be duly countersigned by the concerned Engineer-in-Charge/Executive Engineer/Employer.

In this context, in case of twenty (**Appendix 2.3**) out of the 94 test-checked works, Audit observed that the bidders had submitted profit and loss (PL) account for the last five years along with their bids during tendering. During technical evaluation, the Company qualified the bidder by considering the value of gross receipts from contract works/revenue from operations obtained from the annual accounts of the bidders as the maximum value of civil engineering works for determining the assessed bid capacity. However, the PL accounts did not make it clear/or establish conclusively that the receipts were specifically from civil construction works alone. Audit further noticed that the statements of existing commitments and on-going works, as well as the stipulated period of completion, furnished by the bidders were not duly countersigned by the Engineer-in-Charge/ Executive Engineer/ Employer. Thus, the Company's calculation of the assessed bid capacity of the bidders was incorrect in these cases. Selection of these twenty bidders who did not satisfy the eligibility conditions and did not have adequate experience of execution of civil work was one of the reasons for slow progress and time overrun of projects as discussed in **paragraph 2.5.5.10**.

The Department accepted (July 2024) the facts and stated that provisions of SBD would be followed in future tenders.

- ***Submission of incomplete information on equipment and key personnel***

As per clause 4.5 B of the SBD, each bidder was required to demonstrate (a) availability of key and critical equipment for the work with numbers, types and capacities of each plant/equipment along with the time cycle of five years for each operation for the given production capacity to match the requirements; and (b) availability of personnel with adequate experience.

In four works (**Appendix 2.4**), Audit observed that qualification and experience certificates of key personnel and details of equipment with age were not submitted by the bidders in the technical bids of three works. In the case of one work<sup>40</sup>, it was seen that the age of the equipment was more than the prescribed limit of five years. However, instead of disqualifying the bidders in the technical evaluation stage, on grounds of submission of

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<sup>39</sup>  $(A * N^2 - B)$  where "A" is maximum value of civil engineering works executed in any one year during the last five years; "N" is the number of years prescribed for completion of the work for which tender was invited; and "B" is the value of the existing commitments and on-going works to be completed during the next ...../12 years (period of completion of the works for which bids are invited)

<sup>40</sup> Construction of Nursing Training Institute at Dumka.

deficient/ incomplete information, the Company declared all the four bidders technically qualified and allotted them works without actual verification of the age of the equipment and experience certificates of the personnel deployed. Lack of qualified manpower and required equipment was one of the reasons for delay in completion, as all the four works remained incomplete (as of October 2023) despite a lapse of 21 to 31 months from their stipulated date of completion with physical progress ranging between 15 and 71 per cent.

The Department accepted (July 2024) the facts and stated that this would be followed in future tenders.

### **Delay in execution of agreement**

As per clause 33 of the SBD, the agreement is to be signed by the Employer and sent to the successful bidder within 28 days following the notification of award along with the Letter of Acceptance, and the successful bidder is to sign the Agreement and deliver it to the Employer, within 21 days of receipt. Further, as per clause 5 of the Contract Data of the SBD, the start date was to be the same as the date of issue of the notice to proceed with the work.

Audit observed that the Company had not issued the notice to proceed with the work for any of the works and had treated the date of agreement as the date of commencement of work, in contravention of the SBD provision. Audit further noticed that there were delays (ranging between one and 466 days) in signing the agreements of 35 works (**Appendix 2.5**) against the prescribed maximum time of 49 days after award of works to the successful bidders. Delays in execution of the agreements led to delays in commencement of works, and completion of projects.

The Department accepted (July 2024) the facts and stated that instructions have been issued to PIUs to follow provisions of SBD in future.

### **Other points of interest in Contract Management**

#### **➤ Irregular payment**

Sealed tenders were invited (March 2014) from firms/companies for construction, supply, installation, commissioning and testing of equipment (on turnkey basis) for the New Vaccine Production Center, Institute of Animal Health & Production, Kanke, Ranchi. In July 2014, a Contractor entered into an F2<sup>41</sup> agreement valued at ₹ 27.95 crore with the Executive Engineer, Animal Husbandry and Fisheries Department and signed the terms and conditions of the agreement to be followed during execution of work. The terms and conditions of the F2 agreement did not have provision for payment of price adjustment for any increase in price of construction

<sup>41</sup> A form of agreement (F-2) for turnkey contract of works notified by Government of Jharkhand.

material and labour. The implementation of this work was transferred (November 2015) to the Company after its formation.

Audit observed that the Company had paid (February 2021) price adjustment of ₹ 1.32 crore to the contractor for the period from July 2014 to December 2019 for increase in cost of material and labour. It was further noticed that the contractor had submitted a copy of a SBD agreement, not signed by the employer (the Company or the EE, Animal Husbandry and Fisheries Department) as required, for obtaining price adjustment from the Company. Thus, the payment of price adjustment was made to the contractor by the Company, on the basis of invalid documents and was therefore irregular.

The Department stated (July 2024) that price adjustment was paid as per SBD clause.

The reply is not factual as the agreement was executed by the Department of Animal Husbandry and Fisheries in the F2 agreement format, which did not have any provision for payment of price adjustment irrespective of contract price and completion period. Further, any agreement executed on an SBD format was not on record and not produced to Audit. Despite this, a copy of SBD agreement signed only by the contractor was admitted by the Company for payment of price adjustment of ₹ 1.32 crore.

➤ **Irregularities in Supplementary Agreement**

JPWD code (182) stipulates that items of work not included in the Bill of Quantities (BOQ) are to be termed as extra items<sup>42</sup>, and there should always be a supplementary agreement (SA) for such items. Further, any change in the scope of work not covered under the original agreement of a project, thought necessary while a work is in progress, must be covered by a supplementary estimate with the total amount being limited to the permissible limit of the AA.

Audit noticed that in five works<sup>43</sup> awarded between September 2016 and August 2019 the Company had approved (between June 2021 and January 2023) two to 16 extra items of work at a cost of ₹ 33.33 crore for which SAs were required to be executed, as these were not part of the BOQ. However, the Company did not execute the said SAs and made unauthorised payment of ₹ 33.33 crore to the contractors.

Further, in another work<sup>44</sup>, quantities of some items of works in the BOQ had increased due to changes in drawings. Instead of framing a

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<sup>42</sup> Rates of extra item shall be based on the rate of current SOR during execution of work

<sup>43</sup> Construction of Eklavya Model Residential School Garhwa; Degree College, Chattarpur (Palamu) and three Medical Colleges at Hazaribag, Dumka and Palamu

<sup>44</sup> Construction of Degree College at Maheshpur, Pakur

supplementary estimate, an SA of ₹ 59.10 lakh for the deviation was executed (June 2020) by the Company and the contractor was allowed an additional period of four months to complete the work.

In reply, the Department accepted (July 2024) the audit findings and stated that it would be rectified in running projects.

➤ **Works not covered by insurance**

As per Clause 13 of conditions of contract of the SBD, the Contractor had to provide insurance cover from the start date to the end of the defect liability period, to guard against any loss of or damage to the works, plants and material, equipment, *etc.*, and personal injury or death in connection with the Contract. Further, in case the contractor failed to provide the required insurance, the employer (Company) was to recover the premium from any payment due to the contractor.

Scrutiny of records of works executed (November 2015 to October 2023) by the Company revealed that in case of 93 of the 94 test-checked works<sup>45</sup>, the contractors had not submitted any proof of insurance cover having been provided for. Further, the Company had also not recovered the premium from payments due to the contractors in these 93 works.

In reply, the Department accepted (July 2024) the facts and stated that provision for insurance coverage would be ensured in ensuing works.

➤ **Retention Money**

As per Clause 48 of SBD and contract data, the Employer was to retain nine *per cent* from each payment due to the Contractor, subject to a maximum of eight *per cent* of the final contract price, until completion of the whole of the works, as retention money<sup>46</sup>.

Audit observed that in the test-checked works, the Company had retained only eight *per cent* from every payment being released, in place of the prescribed nine *per cent*. Thus, any risk which may arise due to the contractor deserting the work, defects in work execution *etc.*, was not fully covered.

In reply, the Department accepted (July 2024) the facts and stated that provisions of SBD would be followed.

***Recommendation 3: The Company may establish and implement a transparent and uniform bidding system to attract the most competitive prices. It may also ensure adherence to the terms and conditions of agreements signed with contractors.***

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<sup>45</sup> Insurance was not required for one work

<sup>46</sup> Retention money is the payment withheld by a client to ensure that a contractor completes a project to required standards and addresses defects during the liability period.

## **2.5.5 Expenditure Management**

Rule 9 of Jharkhand Financial Rules prescribe that each Government servant, incurring or authorising expenditure from public funds should be guided by high standards of financial propriety. Further, Rule 10 prescribes that each head of a department is responsible for enforcing financial order and strict economy at every step in the Department. Audit observed instances of wasteful and unfruitful expenditure due to abandonment and stoppage of work midway. Further, non-adherence to the prescribed norms of SBD, cases of excess payment, non-recovery of Government dues *etc.*, were also noticed, as discussed in the succeeding paragraphs.

### **2.5.5.1 Excess payment to the contractor**

- The SBD includes a provision for price adjustment (PA) in work contracts with completion period of more than 12 months. In such contracts, the contractor would submit monthly statements of the estimated value of work done to the engineer concerned and PA would be determined for each month. Further, price indices of construction materials and labour are published on a monthly basis by the Ministry of Labour & Employment, GoI, for labour component and Ministry of Commerce & Industry, GoI, for the construction material component. Base index of the month preceding 28 days before the date of opening of tender was to be considered for calculating price adjustment, based on the formula provided in the contract data of the SBD.

As per Rule 243 read with Rule 247 of the JPW Account Code, the JE had to enter the description and quantities of work done in the Measurement Book (MB) before the bill of a contractor was prepared. Payment for work done was ordinarily to be made monthly, on a Running Account (RA) bill.

In seven works<sup>47</sup>, the contractors had not submitted monthly statements of estimated value of works done and the engineers of PIUs had not ensured monthly recording of quantities of executed works in the MBs. Audit further noticed that the Managers of PIUs had not determined PA on a monthly basis as the works were measured with gaps of more than one month between two consecutive RA bills. Further, in one case<sup>48</sup>, the Company had applied an inadmissible index of refractory products in place of bricks and an incorrect base index.

In the absence of recording of value of work done on a monthly basis, Audit calculated the applicable PA by taking the average value of work done,

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<sup>47</sup> (1) Construction of 500-bedded hospital in the Medical Colleges at Hazaribag and Palamu and execution of the remaining work of the 500-bedded Sadar Hospital at Ranchi 2) Construction of Para Medical Institute at PMC, Dhanbad (3) Construction of Pelleted Poultry Feed Farm at Gumla (4) Construction of Software Technology Park, Deoghar and (5) Construction of Degree College, Khijri, Ranchi.

<sup>48</sup> Construction of the remaining work of the 500-bedded Sadar Hospital in Ranchi.

considering the number of days between two consecutive RA bills, and found that PA of ₹ 1.76 crore was recoverable in seven works (Appendix 2.6).

In reply, the Department (July 2024) stated that calculation of price adjustment would be rechecked, and action would be taken accordingly.

- An agreement valued at ₹ 16.23 crore was executed (July 2019) by the Company for the construction of an *Eklavya* Model Residential School, Tundi, Dhanbad. During the process of negotiation (June 2019) prior to the finalization of the agreement, the contractor had allowed a rebate of 0.25 per cent (₹ 4.07 lakh) over the quoted rate of ₹ 16.27 crore and the same was reflected in the agreement. However, Audit observed that the Company had not deducted the said rebate of ₹ 4.60 lakh from the payments (₹ 16.64 crore) made to the contractor (between December 2019 and June 2023). As a result, excess payment of ₹ 4.60 lakh was made to the contractor and was recoverable.

In reply, the Department accepted (July 2024) the facts and stated that recovery would be made from the contractor.

Thus, inability of the Company to ensure application of correct indices, lack of monthly preparation of bills for calculation of price adjustment and payment of bills without reference to the terms and condition of the agreements, led to excess payment ₹ 1.80 crore.

#### 2.5.5.2 *Excess estimation and payment thereof*

A model estimate for the construction of 27 Degree Colleges at a cost of ₹ 15.77 crore each was prepared (November 2016) by the Company. Based on the model estimate, the User Department (Higher, Technical Education and Skill Development) accorded (between February 2017 and August 2018) AA for ₹ 425.79 crore (₹ 15.77 crore for each degree college). Agreements valued at ₹ 382.14 crore were executed (between September 2017 and January 2020) with the contractors to complete the works within 24 months from the date of the agreement. Scrutiny of records related to construction of 13 test-checked Degree Colleges revealed the following:

- While rates for the scheduled items were taken from the Jharkhand Schedule of Rates (JSR)/Delhi Schedule of Rates (DSR), the approved BOQ included 18 non-scheduled items for which rates were taken from the market through quotations. Out of 18 non-scheduled items, rates of 12 items were inclusive of Value Added Tax (VAT)/Goods and Service Tax (GST). However, the Company, during preparation of BOQ, added 12 per cent GST for both scheduled/non-scheduled items. This resulted in overestimation amounting to ₹ 9.09 lakh each in the BOQ of two (Chhatarpur and Maheshpur) out of the 13 test-checked works. Thus, inability of the

Company to exercise due diligence during preparation of the BOQ led to inflated cost estimates, resulting in avoidable expenditure.

- The estimate prepared for the buildings by the Company provisioned for ground plus two floors. Thus, two passenger lifts with only three-stops (total height: 7.62 meter) were required for the college buildings but against this, a provision for two passenger lifts with six-stops (total height: 19.50 meter), at the rate of ₹ 25 lakh each, had been made. The Company deducted (September 2023) 40 *per cent* of the quoted rate of this item in case of one work (Degree College, Shikaripara, Dumka). However, there was overall excess provision of ₹ 2.60 crore in the estimates of 13 test-checked works (₹ 20 lakh in each Degree College). Thus, excess payment of ₹ 2.15 crore was made to the contractors on this account in 11 test-checked works. In one work (Degree College at Mahagama, Godda), payment for lifts had been withheld (January 2023).

- Audit noticed that in the BOQ, for two non-scheduled items<sup>49</sup> at serial numbers 121 and 181(i) (Item 1), different rates of ₹ 60,640 (₹ 1,05,000 for serial number 121 and ₹ 44,360) per unit for three units, i.e. ₹ 1.82 lakh was given in the BOQ, though both the items were identical. Similarly, for other two identical non-scheduled items<sup>50</sup> at serial numbers 122 and 181(ii) (Item 2), against different rates of ₹ 4.60 lakh (₹ 6.30 lakh/unit and ₹ 1.70 lakh/per unit) were given for one unit. As these items were identical, there was excess estimation of ₹ 6.42 lakh<sup>51</sup> in the BOQ of each Degree College and resultantly excess estimation of ₹ 83.46 lakh in 13 test-checked Degree Colleges. The Company had thus made excess payment of ₹ 53.61 lakh to the contractors for both the items at these different BOQ rates in nine test-checked works<sup>52</sup>.

- Notification issued (October 2020) by the State Government stipulated that the rate of labour, notified from time to time by the Department of Labour and Employment, GoJ, was to be used for preparation of the Jharkhand Schedule of Rates (JSR). Further, as per Rule 103 of JPWD Codes, the rates of non-scheduled items required in a work were to be adopted from DGS&D rates. In case DGS&D rates were not available, the relevant Government of India SOR, applicable to the concerned Zone, was to be adopted. In cases where the rates of non-scheduled items required for the work, are neither available in the DGS&D or in the relevant Government of India SOR applicable to the Zone concerned, the same were to be arrived

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<sup>49</sup> Fabrication and assembling of 200 A switch, 300 A Aluminium bus bar, indication lamp *etc.*

<sup>50</sup> Fabrication, Assembling of 600 A MCCB, TPN Aluminium bus bar, Bake light Insulator *etc.*

<sup>51</sup> For Item 1: ₹1.82 lakh and Item 2: ₹4.60 lakh

<sup>52</sup> In the remaining four test-checked works (Degree colleges at Chhatarpur, Gomia, Mahagama, and Shikaripara), no payment was made against these items.

at by inviting quotations from the market. Audit observed that the Company, during preparation of estimates for construction of the degree colleges, had adopted the rates of 25 items from the Delhi Schedule of Rates (DSR) as rates for these items were not available in JSR. However, rates of DSR are derived on the basis of rate of labour in Delhi, which was higher than that of Jharkhand. In comparison, it was seen that the Energy Department, GoJ, and CPWD, GoI (located in Jharkhand State), while adopting DSR rates, had made necessary changes in the rates on the basis of the prevailing local labour rates.

Audit analysed rates of these 25 items by adopting the labour rates of Jharkhand which revealed that there was an over estimation of ₹ 11.99 lakh<sup>53</sup> (**Appendix 2.7**) in the estimates prepared. Thus, the total civil construction cost of each Degree College was actually ₹ 14.23 crore instead of ₹ 14.35 crore provided in the model estimate. Thus, the base price of the work had been inflated for the 13 test-checked works.

In reply, the Department accepted (July 2024) the facts and stated that recoveries would be made from the contractors. In the case of adopting DSR rates, the Department stated that the issue would be discussed with the Schedule of Rates Committee and action taken accordingly.

**Recommendation 4: The Company may ensure due diligence in preparation of estimates of the projects.**

#### 2.5.5.3 Wasteful expenditure

Audit observed that two works<sup>54</sup> had been abandoned midway after incurring an expenditure of ₹ 12.42 crore as detailed below:

- The GoJ established<sup>55</sup> (November 2016) the *Jharkhand Raksha Shakti University (JRSU)* with the objectives of providing efficient, trained and professional manpower to the State police, Central police, etc., to tackle upcoming challenges viz. terrorism, economic offences, cybercrime etc. Accordingly, AA for an amount of ₹ 206.54 crore was accorded (November 2017) by the Department of Higher, Technical Education and Skill Development for the construction of a permanent campus for JRSU in Khunti district. The construction work was to be executed in two phases i.e. construction of administrative, academic, library and hostel buildings in the first phase, and the remaining works in the second phase. BoQ amounting to ₹ 118.98 crore, for the construction of buildings in the first phase, was approved (February 2018) by the GM, JSBCCL. After tendering for works

<sup>53</sup> Project estimate of 25 items: ₹ 1.47 crore (as per DSR) and ₹ 1.35 crore (as per JSR) for labour component only.

<sup>54</sup> (1) Construction of building for Jharkhand Raksha Shakti University, Khunti and (2) Construction of complete Tourism Development (first phase) of Rajarappa (Ramgarh) tourist zone.

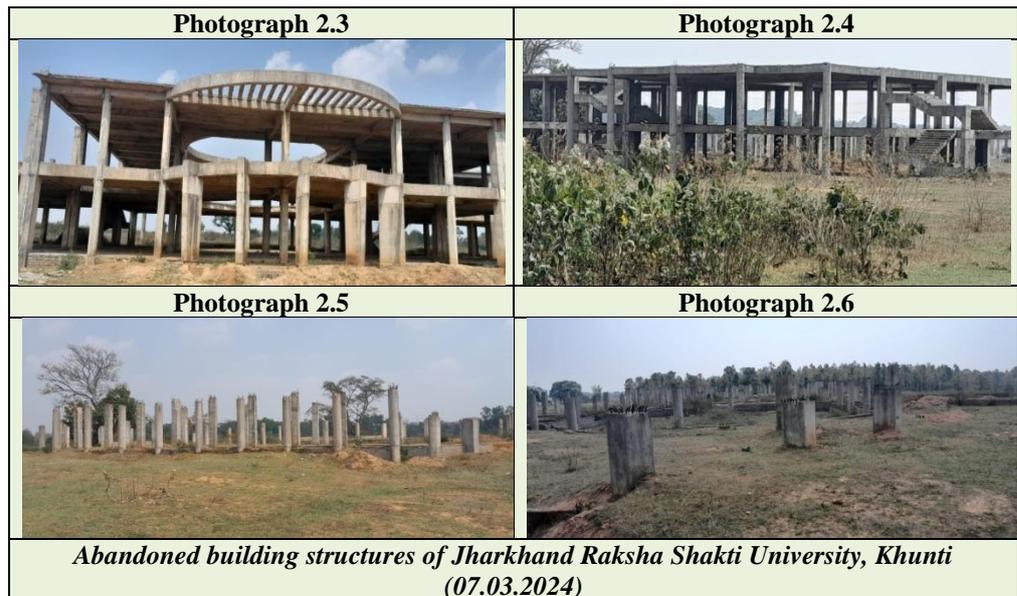
<sup>55</sup> Vide the JRSU Act, 2016 (Jharkhand Act No. 22 of 2016).

under the first phase, the Manager, PIU, Khunti, executed (June 2018) an agreement valued at ₹ 107.08 crore with a contractor for completion of works within 24 months.

However, it was seen that the Department had directed (May 2021) the Company to suspend the construction of the permanent campus for JRSU on the instructions (December 2020) of a committee chaired by the Chief Minister, Jharkhand, to re-assess the applicable syllabus of JRSU so that the necessity of the establishment of a permanent campus for the University could be ascertained. Accordingly, the Company directed (June 2021) PIU, Khunti, to suspend the work with immediate effect. In the absence of any further directions from the Department, the work was finally closed (July 2021) by PIU, Khunti, after partial completion (19 per cent). Payments of ₹ 12.10 crore (upto July 2022) had been made to the contractor against work done and the incomplete structure has been lying idle since then.

Thus, the decision of the Government to suspend the ongoing work resulted in wasteful expenditure of ₹ 12.10 crore.

The abandoned structures can be seen in **photographs 2.3 to 2.6.**



- The Scheme ‘Complete Tourism Development (first phase) of Rajarappa (Ramgarh) tourist zone’, was administratively approved (June 2018) for ₹ 20.92 crore by the Department of Tourism, Art, Culture, Sports and Youth Affairs. After tendering, PIU, Ramgarh, executed (January 2019) an agreement valued at ₹ 19.10 crore with the contractor to complete the work by April 2020. Audit noticed that the work of only three<sup>56</sup> out of 12<sup>57</sup>

<sup>56</sup> (i) Entrance gate on Ranchi Highway, (ii) Entrance gate on Chitarpur entrance and (iii) Bridge

<sup>57</sup> (i) Entrance gate on Ranchi Highway, (ii) Entrance gate on Chitarpur entrance, (iii) Entrance gate on Gola entrance, (iv) Gents toilets, (v) Ladies toilets, (vi) Bus

components had started as of April 2022. The remaining components of the work could not be started due to the earmarked site being on forest land, for which a forest clearance certificate from the Forest, Environment and Climate Change Department was required. Though the User Department had requested (November 2019) the Forest Department to grant forest clearance certificate, the same was yet to be received (as of October 2023). The Company had requested (April 2022) the User Department to exclude the remaining nine components from the AA due to non-availability of land.

In the three components where the work had commenced, only two *per cent* of the work was completed and payment of ₹ 32.24 lakh made, before it was stopped (January 2020) due to disturbance from local people. The MD of the Company subsequently also intimated (April 2022) the User Department regarding inability of the contractor to continue execution of work at the old rate as the work had been suspended for more than two years by then.

Thus, inability of the Company to ensure availability of encumbrance free land before commencement of the project led to stoppage of work resulting in idle expenditure of ₹ 32.24 lakh.

In reply, the Department stated (July 2024) that rethinking of the usability of the infrastructure created in case of Jharkhand Raksha Shakti University was going on at the Government level and the constructed infrastructure has not been abandoned. Further, in case of tourism development at Rajarappa, it was stated that the work is in progress.

The reply of the Department is not factual as the incomplete structures have been lying idle for more than three years (as of July 2024) in case of both the projects.

#### 2.5.5.4 *Unfruitful expenditure*

Administrative approval of ₹ 24.01 crore was accorded (between December 2007 and March 2018) by four user departments for the execution of six works related to construction of Community Health Centre (CHC), Primary Health Centre (PHC), tourism development work, construction of compound wall and 5000-MT Cold storage. Out of these, agreements valued at ₹ 9.12 crore were executed (between December 2007 and April 2016) for three works<sup>58</sup> with the contractors by the departments concerned. Agreements valued at ₹ 11.99 crore were executed (between December 2016 and

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terminal A, (vii) Bus terminal B, (viii) Rain shelter, (ix) Site development, (x) Information Center, (xi) Prasad Stall and (xii) Bridge.

<sup>58</sup> Health, Medical Education and Family Welfare Department: Construction of CHC Barharwa (Sahibganj) and PHC Keshwari Saria (Giridih) and Tourism, Art, Culture, Sports and Youth Affairs Department: Construction of tourism development works at Sutiyaambe, Pithouria, Ranchi.

February 2019) by the Company for the remaining three works<sup>59</sup>. Later, works for which agreements had been executed by the departments concerned were also transferred to the Company.

Audit noticed that these six works were to be completed between December 2011 and May 2020. However, physical progress (as of October 2023) of the works (**Appendix 2.8**) ranged between 20 and 76 *per cent*, after an expenditure of ₹ 13.33 crore was incurred. It was further observed that:

- For the construction of the 5000-MT Cold Storage at Ranchi, the original administrative approval (AA) of ₹ 6.66 crore accorded by the User Department was revised (March 2018) to ₹ 7.73 crore due to change in the Schedule of Rates (July 2016). Further, the consultant had proposed a change in the refrigeration system (Freon gas to be used instead of Ammonia Gas) during execution for safety purposes. An independent vetting agency, Birla Institute of Technology (BIT), Mesra, Ranchi, had also suggested changes in the drawing and design after the agreement in February 2019. Accordingly, the estimate for ₹ 7.73 crore was revised again (April 2021) to ₹ 9.13 crore due to addition of new items in the light of the change in drawings. Although a revised administrative approval of ₹ 9.13 crore was sought (August 2021 and November 2022) by the Company from the User Department, the same had not been accorded (as of July 2024). In between, the Company continued execution of the work and incurred an expenditure of ₹ 5.05 crore, as of July 2022. It was also noticed that the contractor had refused (November 2022) to continue execution of work as it was based on the previous estimates, with old rates and the User Department had not accorded concurrence to the revised AA based on new rates. Thus, the work was stalled and the expenditure of ₹ 5.05 crore<sup>60</sup>, remained idle.

In reply, the Department stated (July 2024) that the revised AA has been accorded by the User Department and the contractor has been instructed to start the work immediately.

The reply is not factual as the agreement with the contractor was terminated in February 2025. Further, the revised AA was accorded only in March 2025. Thus, work has been stopped since November 2022 and the expenditure on partially completed structure remained idle, as of March 2025.

Construction of CHC Barharwa (Sahibganj), PHC Kharsawan (Saraikela-Kharsawan) and PHC Keshwari-Saria (Giridih) was taken up at an estimated cost of ₹ 7.65 crore and agreements were executed between December 2007 and November 2017 with the stipulation to complete the works between

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<sup>59</sup> Construction of Compound Wall at proposed new campus of Ranchi University, Chedi; Construction of 5000 MT Cold Storage at Ranchi and Construction of PHC, Kharsawan (Saraikela-Kharsawan).

<sup>60</sup> Contractor payment: ₹ 4.71 crore and agency charge of the Company: ₹ 0.34 crore.

December 2011 and February 2019. After physical progress ranging from 20 *per cent* to 76 *per cent*, these works were stopped (between September 2017 and December 2020) by the contractors for reasons not available on records. Though the Company issued (between February 2019 and July 2022) several reminders to the agencies for restarting the work, it did not initiate any action to either terminate the contractor or complete the balance work through re-tendering. As a result, the partially completed buildings were lying idle as of July 2024. The Company proposed cancellation of the agreement of CHC, Barharwa only in August 2023 and terminated the agreement of PHC, Keshwari Saria (Giridih) only in January 2023. Further, these three works could not be restarted by the Company as of July 2024 through fresh tender. Thus, delay by the Company in taking a decision regarding termination/cancellation of agreement and executing the work through fresh tender resulted in the expenditure of ₹ 4.17 crore remaining unfruitful as the intended outcomes were yet to be achieved.

In reply, the Department stated (July 2024) that the revised estimate of CHC, Barharwa, was sent to the User Department for according revised AA and the work was in progress with 82 *per cent* completion. Further, it was stated that tender would be issued after getting approval of revised AA in case of PHC, Keshwari, whereas in the case of PHC Kharsawan, preparation of revised estimate for the remaining work is in progress.

Thus, these structures were still lying incomplete (as of July 2024) despite a lapse of upto 12 years from the original due date of completion, thus denying access to health care services to the intended beneficiaries.

- The work of construction of compound wall at the proposed new campus of Ranchi University, Chedi, was stopped (December 2017) by the contractor (after physical progress of 57 *per cent*) due to hindrance, damage and theft of bricks of the constructed boundary wall and theft of bricks by the local people. Till then, a payment of ₹ 1.95 crore had been made to the contractor by the Company. The contractor had intimated (April 2018) the Company regarding the hindrances and damage by local people and had also lodged (July 2020) an FIR. The Company had also requested (September 2021) the Deputy Commissioner, Ranchi, to take necessary action so that the work could be completed.

In reply, the Department stated (July 2024) that the work would be started after resolving the issue of local hindrance.

Thus, the inability of the Company in providing encumbrance free land before commencement of work and in ensuring proper security at the work site resulted in the work remaining stalled for more than six years (as of July 2024) from the stipulated date of completion.

- The work of “Development of Sutyambe Hill<sup>61</sup> at Pithouria, Ranchi” was to be completed by October 2017 but, the contractor completed only eight *per cent* of the work till then. Despite slow progress of work, the Company did not take any action to speed up the work. Further, in August 2020, the contractor claimed the 8<sup>th</sup> RA bill (measurement taken in July 2020) after completing only 58 *per cent* of the work and the Company paid the bill (November 2020) after taking an undertaking from the contractor that he would complete the work within one month. Thereafter, the contractor did not complete the work (as of October 2023) and the Company also did not take any action against the contractor. As the partially completed structure had been lying idle for more than three years, the expenditure of ₹ 2.16 crore incurred on the work has remained unfruitful, as the intended outcomes were yet to be achieved.

In reply, the Department stated (July 2024) that fresh NIT for the remaining work has been invited after final measurement of the work executed by the previous contractor.

The reply did not address the issue of not taking any action against the contractor and the delay in restarting the work.

#### ***2.5.5.5 Execution of work without revised Technical Sanction and Administrative Approval***

According to Rule 123 of JPWD Code, revised administrative approval is required to be obtained in cases where the detailed estimate, when prepared, exceeds the amount administratively approved by more than 20 *per cent*. Further, as per Rule 127 read with 293 (V) (i) of JPWD Code, in cases where the saving is due to material deviation of a structural nature from the design originally approved, and the amount of the revised estimate exceeds not more than 20 *per cent* of the amount on original estimates sanctioned, a revised technical sanction must be obtained from the competent authority.

Audit observed that the Consultant had prepared (July 2017) a DPR amounting to ₹ 348.50 crore for a work<sup>62</sup>, which was technically approved (November 2017) by the Company. Administrative approval (AA) of ₹ 348.50 crore was accorded (November 2017) by the Higher, Technical Education and Skill Development Department and the work was to be executed in two Phases. In Phase-I, work related to construction of administrative building, academic building and VC bungalow with adjacent works was to be executed while Phase-II included construction of hostel building, site development work, quarters *etc.*

The Company had accorded (February 2018) a technical sanction (TS) of ₹ 155.51 crore for Phase-I of the work and the same was awarded (July

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<sup>61</sup> Commercial centre, toilet block, rest room *etc.*

<sup>62</sup> Construction of Binod Bihari Mahto Koylanchal University at Dhanbad.

2018) to a contractor at an agreed cost of ₹ 146.62 crore with stipulated completion date of July 2020. It was noted that Phase-I work was completed at a cost of ₹ 189.89 crore (including agency charges of ₹ 5.67 crore) during the extended time period (June 2022). As the cost of work exceeded the original sanctioned estimate (₹ 155.51 crore) by more than 20 per cent, a revised TS was required, but the same was not granted by the Company, as of October 2023. Further, ₹ 5.56 crore was paid (March 2023) to the contractor for supply, installation and commissioning of passenger lifts and landscaping work through a fresh agreement. Thus, a total expenditure of ₹ 195.45 crore was incurred (as of January 2024) on Phase-I of the work by the Company against the total allotment of ₹ 197.04 crore for both Phases by the User Department.

Further, a fresh DPR of ₹ 262.79 crore (based on SOR of June 2023), for works under Phase-II, was submitted (January 2024) by the Consultant and the Company accorded (January 2024) technical approval. As the cost of the entire project had increased to ₹ 458.24 crore (*i.e.* 31 per cent more than the original AA of ₹ 348.50 crore), the Company was required to obtain a revised AA from the User Department as per codal provision stated *ibid.* However, it was noted that the revised AA was not accorded by the Department as of July 2024 and additional funds of ₹ 261.20 crore (₹ 458.24 crore *minus* ₹ 197.04 crore) for Phase-II of the work could not be provided, leading to non-completion of the work.

Audit observed that the Company had not apprised the User Department before spending funds beyond the estimated cost approved for Phase-I of the work and also could not obtain revised AA from them. This resulted in non-receipt of revised approvals and non-completion of the project, with the completed structures constructed under Phase-I remaining idle (as of July 2024).

In reply, the Department stated (July 2024) that revised AA would be obtained from the User Department before execution of the second phase of the work.

The reply is not acceptable as despite the lapse of more than two years since the completion of Phase I work, works under Phase-II have not been started (as of July 2024) and the completed works under Phase I remained idle.

***Recommendation 5: The Company may ensure timely submission of revised estimates for obtaining revised administrative approval of the User Departments as required under applicable rules, so that works are completed as per timelines.***

**2.5.5.6 Short deduction of royalty**

The contractors were required to submit a royalty clearance certificate, issued by the District Mining Officers, to the Company for usage of construction materials (stone chips, stone metal, soil, sand and kiln bricks) in the works, failing which the Company was required to deduct royalty at a penal rate (double the prescribed rate of royalty) from the contractors' payments. Further, from September 2019, the rates of royalty for construction materials were revised. As per provision of SBD (clause 43.1), payment was to be adjusted for deductions for advance payment, retention, other recoveries in terms of contract and taxes at source, as applicable under the law.

During the period from September 2019 to February 2023, in four cases, the Company deducted royalty amounting to ₹ 95.97 lakh from the contractor by applying old rates of royalty on the quantity of construction material utilised in the works for which royalty clearance certificates were not submitted. Audit calculated the royalty at the new rates and found that ₹ 1.20 crore was recoverable from the contractors' payments. Thus, there was a short deduction of royalty amounting to ₹ 23.75 lakh as shown in **Table 2.6**.

**Table 2.6: Short deduction of royalty**

*(₹ in lakh)*

<b>Sl. No.</b>	<b>Name of work</b>	<b>Royalty recoverable</b>	<b>Royalty deducted</b>	<b>Short deduction of royalty</b>
1.	Construction of Degree College at Khijri, Ranchi	21.78	18.01	3.77
2.	Construction of Degree College at Chhatarpur, Palamu	36.44	24.61	11.83
3.	Construction of Degree College at Mahagama, Godda	25.79	19.32	6.47
4.	Construction of Degree Colleges at Barhi, Hazaribag & Gomia, Bokaro	35.71	34.03	1.68
<b>Total</b>		<b>119.72</b>	<b>95.97</b>	<b>23.75</b>

*(Source: Material Statements furnished by the Company)*

After being pointed out by Audit, the Company had recovered (January 2024) royalty amounting to ₹ 5.45 lakh in two works (Sl. No. 1 & 4). However, the remaining amount of ₹ 18.30 lakh, in respect of the other two works (Sl. No. 2 & 3) have not been recovered, as of July 2024, leading to loss of revenue for the Government.

The Department accepted (July 2024) the audit findings and stated that the remaining amount would be recovered from the contractors.

### 2.5.5.7 Monitoring of Bank Guarantees

The SBD contract (clause 52.1) stipulates that Performance Security is to be provided to the Employer no later than the date specified in the Letter of Acceptance and is to be issued in an amount and form and by a bank or surety acceptable to the Employer. The Performance Security (two *per cent* of the contract price) would be valid until 28 days beyond the date of expiry of the Defect Liability Period (one year from the date of issue of the Certificate of Completion). If the Employer is caused to pay or reimburse, such amounts as may be necessary to cause or observe, or for non-observance of the provisions stipulated in the notifications/byelaws/Acts/Rules/regulations including amendments, if any, on the part of the Contractor, the Engineer/Employer will have the right to deduct any money due to the Contractor including his amount of Performance Security. The Employer/Engineer will also have the right to recover from the Contractor any sum required or estimated to be required for making good the loss or damage suffered by the Employer.

Audit observed that the Company had accepted Performance Security amounting to ₹ one crore (two *per cent* of the agreed value of ₹ 50.11 crore) in the form of Bank Guarantees (BGs) against four construction works (**Table 2.7**), which were to be completed between April 2019 and December 2022. As per the contractual provisions, the BGs were required to be valid from May 2020 to January 2024. However, Audit observed that the validity of the BGs had expired between November 2018 and January 2023, though the works had remained incomplete (as of July 2024). The Company had accepted BGs with lesser validity period and has also not made any effort to obtain fresh Performance Security from the contractors, covering the entire period (till 28 days beyond defect liability date).

**Table 2.7: Bank Guarantees submitted as performance security**

Name of work	Agreed Value (₹ in crore)	Scheduled date of completion	Required performance security (₹ in lakh)	Required validity	Issuing Bank/ date of issue	Valid up to
Construction of Eklavya Model Residential School, Manatu, Palamu	11.34	April 2019	22.68	May 2020	State Bank of India, Palamu/ 28.11.2017	November 2018
Construction of 5000 MT Cold Storage, Senha, Lohardaga	7.40	February 2020	14.80	March 2021	Union Bank of India,/07.10.2018	December 2022
	1.21 (Supplementary)	December 2022	2.42	January 2024		January 2023
Construction of 5000 MT Cold Storage at Palamu	7.51	November 2020	15.02	December 2021	State Bank of India, Ranchi	July 2020
Construction of Pelleted Poultry Feed Plant, Broiler, Breeder Farm and Layer Poultry Farm at Gumla	22.65	March 2021	45.30	April 2022	--	October 2020
<b>Total</b>	<b>50.11</b>		<b>100.22</b>			

Thus, due to acceptance of performance security of lesser validity period and inability to revalidate the BGs regularly, the Company was not in a position to recover from the Contractor any sum required or estimated to be required for making good the loss or damage suffered by the Company with relation to the work, especially during the defect liability period.

In reply, the Department accepted the facts and stated (July 2024) that instructions have been issued to the PIUs to take BGs for the defect liability period, plus 28 days, at the time of agreement.

#### **2.5.5.8 Irregularities in management of Mobilisation Advance**

As per provisions of SBD, the Employer was to make advance payment of 10 per cent of the Contract price to the contractor on submission of unconditional Bank Guarantee (to be drawn before the end of 20 per cent of the Contract period). Further, as per the provisions, the advance loan was to be repaid with percentage deductions from the interim payments certified by the engineer under the contract. Deduction was to commence from the next Interim Payment Certificate, if such payments had reached not less than 20 per cent of the Contract Price, or six months from the date of payment of the first installment of the advance, whichever concludes earlier, and always provided that the loan shall be completely repaid before the expiry of the original time for completion. In addition, interest was to be charged at the rate of 10 per cent per annum on the advance payment after six months on the remaining advance.

The user departments<sup>63</sup> had accorded (between September 2016 and December 2017) AA amounting to ₹ 3,326.02 crore for seven works (**Appendix 2.9**) and the Company had executed agreements (between January 2017 and June 2019) valued at ₹ 2,431.53 crore with the contractors for the works to be completed between February 2019 to December 2021. After executing the agreements, the Company granted (between March 2017 and March 2021) mobilization advance of ₹ 141.40 crore for the seven works against submission of BGs and had recovered (between May 2019 and March 2023) the full amount from the interim payments made to the contractors. Out of these seven works, three works<sup>64</sup> were completed between June 2022 and December 2022 against which, payment amounting to ₹ 1,138.59 crore were made to the contractors. The remaining four works<sup>65</sup> were in progress after incurring an expenditure of ₹ 533.44 crore. These

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<sup>63</sup> Health, Medical Education and Family Welfare Department (five works) and Higher, Technical Education and Skill Development Department (two works)

<sup>64</sup> Medical Colleges at Palamu, Hazaribag and Dumka; Remaining work of 500-bedded Sadar Hospital at Ranchi and Binod Bihari Mahto Koylanchal University at Dhanbad

<sup>65</sup> Three 500 bedded hospitals under Medical Colleges at Dumka, Hazaribag and Palamu and New Campus building at Nilamber Pitamber University Medininagar at Palamu

works had crossed the stipulated date of completion with delays ranging between 22 and 40 months.

Audit noticed the following irregularities in the management of mobilization advance by the Company in context of the above-mentioned works:

- **Irregular payment of Advance**

In two works<sup>66</sup>, the Company had granted (between November 2018 and August 2019) mobilization advance of ₹ 26.24 crore to the contractors. Audit observed that these advances were required to be drawn before the end of 20 per cent of the Contract period *i.e.* between 3 December 2018 and 7 May 2019 as per the contractual provisions. While the Company granted ₹ 17.32 crore within the stipulated period (*i.e.* between 3 December 2018 to 7 May 2019), the remaining advance of ₹ 8.92 crore was paid after more than 20 per cent of the work was completed in each case. Release of mobilization advance to the contractors after a lapse of 20 per cent of the Contract period defeated the purpose for which it was granted *i.e.* to mobilise plant and machinery at the work site in the initial phase of the work.

In reply, the Department accepted the facts and stated (July 2024) that it has been noted for future reference.

- **Delay in repayment of Mobilization Advance**

In four works<sup>67</sup>, mobilization advance of ₹ 57.12 crore was disbursed (between December 2017 and October 2019) against submission of BGs. Repayment of these advances was to commence between June 2018 and April 2020 *i.e.* six months from the date of granting the first installment of the advance, as per the contractual provisions. However, the Company started (September 2018 and September 2021) recovery of the mobilization advance from the contractors with delays ranging between four and seven months in these four works. Further, as per contractual provisions, the full advance was to be repaid within the initial intended date of completion. However, the Company recovered only ₹ 16.30 crore out of ₹ 57.12 crore advanced to the contractors in these works within the initial intended date of completion (between February 2019 and December 2021).

Thus, the balance advance of ₹ 40.82 crore was recovered with delays ranging between 13 and 27 months. (**Appendices 2.10 & 2.11**).

In reply, the Department accepted (July 2024) the facts and stated that advance could not be recovered on the due dates as the work was delayed

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<sup>66</sup> Binod Bihari Mahto Koylanchal University at Dhanbad and New Campus building at Nilamber Pitamber University Medininagar at Palamu

<sup>67</sup> Construction of (1) 500-bedded Hospital under Medical College, Palumu (2) Remaining work of 500-bedded Sadar Hospital at Ranchi and (3) 500-bedded hospital building under Medical College Hazaribag and (4) New Campus Building for Nilamber Pitamber University, Medininagar, Palamu

and the contractor had not submitted bills within the stipulated date of completion.

The reply is not acceptable as the Company could have recovered the advance payment by invoking the bank guarantees submitted by the contractors.

***Recommendation 6: The Company may ensure disbursement and recovery of mobilization advances to contractors as per conditions of agreement and extant applicable rules.***

#### ***2.5.5.9 Time and cost overrun***

Out of the 94 test-checked works related to construction of Medical Colleges, Degree Colleges, CHCs, PHCs, JBAVs, Eklavya Model Residential Schools *etc.*, executed during the period from 2016-17 to 2022-23 by 21 PIUs/divisions, Audit noticed time overrun in 47 works as discussed below:

- Administrative approval for ₹ 3,938.91 crore was accorded (between February 2014 and July 2019) for execution of 47 works by nine user departments. Accordingly, agreements valued at ₹ 3,114.24 crore were executed (between June 2014 and December 2019) by the Company with the contractors to complete the works between December 2015 and February 2024.
  - Audit noticed that 33 works were completed (between February 2017 and February 2024) after incurring an expenditure of ₹ 1,693.31 crore with delays ranging between three and 46 months.
  - Fourteen works had remained incomplete after incurring an expenditure of ₹ 669.98 crore and delays ranging between 23 and 89 months (as of October 2023) from its scheduled date of completion. These works remained incomplete due to commencement of work on model estimates instead of detailed estimates based on site conditions, delays in providing site specific drawing and designs and lack of action by the Company against contractors for not completing the works within the stipulated time as required under the agreement. This resulted in time overrun ranging from three to 89 months **(Appendices 2.12 A & 2.12 B)**.

In reply, the Department accepted the facts and stated (July 2024) that the works would be completed within the stipulated time in future.

- Six works were administratively approved (between February 2014 and December 2017) for ₹ 1,718.37 crore by two departments<sup>68</sup> for which agreements (for ₹ 1584.47 crore) were executed (July 2014 and June

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<sup>68</sup> Health, Medical Education and Family Welfare Department: 05 and Agriculture, Animal Husbandry and Co-operative Department: 01

2019) by the Company with the contractors. The stipulated dates of completion for the works were between July 2016 and December 2021. Audit observed that only two works were completed with delays of up to 44 months, while four works remained incomplete with delays ranging from 32 to 96 months (as of July 2024). Audit further observed that there were delays in completion of works due to various reasons like delay in handing over the work sites, delay in making the drawings and designs available *etc.* An extension of time was allowed to the contractors in all the six cases and ₹ 42.32 crore was paid as price adjustment during this extended period, resulting in cost overrun by this amount, in these six works (**Appendix 2.12 C**).

***Recommendation 7: The Company may ensure effective monitoring to resolve issues which are hampering the timely completion of works as per the provisions of the agreement to avoid time and cost overrun.***

**2.5.5.10 Delayed/non-handing over of the buildings after completion**

For timely utilisation of assets created, it is necessary that the completed projects/works are handed over to the concerned user departments immediately after completion.

Audit observed that during the period from 2016-17 to 2022-23, 46 (**Appendix 2.13**) of the 94 test-checked works had been completed, 37 buildings related to nine user departments<sup>69</sup> had been handed over with delays of up to 837 days after completion. The major reason for delays in handing over was lack of co-ordination between the user departments and the Company.

The remaining nine buildings had not been handed over to the user departments, as of October 2023, even after expiry of 1,414 days since their completion. Despite pursuance by the Company with the user departments, the latter did not take over the buildings for reasons not recorded. Not handing over of assets for prolonged periods not only raises the risk of deterioration in the condition of the buildings, but also denies intended beneficiaries the use of these buildings.

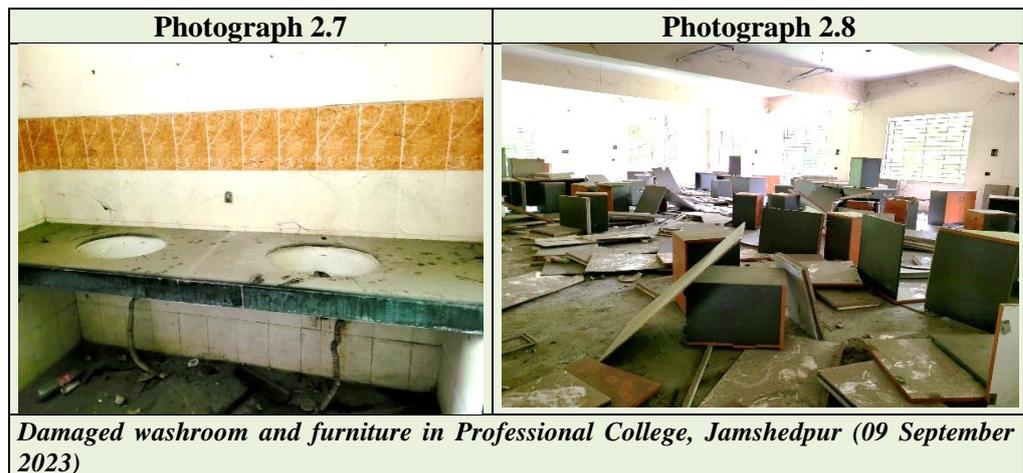
Audit further observed that one work<sup>70</sup> was executed by the Company (May 2017), at an agreement value of ₹ 22.11 crore with May 2019 being the date of completion. Payment amounting to ₹ 31.19 crore was made to the contractor and the work was completed (February 2019) with a defect liability period of up to February 2020. After completion of work, the PIU,

<sup>69</sup> Higher, Technical Education and Skill Development; Health, Medical Education and Family Welfare; Tourism, Art & Culture, Sports and Youth Development; Social Welfare, Women and Child Development; Information Technology and e-governance; Scheduled Tribes, Scheduled Castes, Minorities and Backward Classes; School Education and Literacy; Labour, Employment, Training and Skill Development and others

<sup>70</sup> Construction of Professional College at Jamshedpur

Jamshedpur, had requested (February 2019) the Company to initiate the handing over process. However, as per records of the Company, the User Department<sup>71</sup> did not initiate any action to take over the project despite being requested multiple times by the Company (April 2020 and between October 2021 and September 2022). The PIU, Jamshedpur, had meanwhile lodged (January 2022) an FIR and reported that several equipment, viz. electric fans, electric wires, electric cables etc., had been stolen from the building. A fresh estimate of ₹ 2.43 crore was prepared (September 2022) by the Company for repair works and to repurchase the lost material. Based on this, the User Department accorded (January 2023) administrative approval of ₹ 2.43 crore for the repair works and the same was in progress, as of September 2024.

During joint physical verification (09 September 2023) by Audit and the representative of the Company, water taps were found to have been stolen/missing from wash basins and the furniture was found damaged as can be seen from **photographs 2.7 and 2.8**.



Thus, due to lack of co-ordination between the user departments and the Company, there were delays in handing over of the completed buildings and the assets created remained idle since completion. Moreover, expenditure of ₹ 2.43 crore on repairs/repurchase could have been avoided.

In reply, the Department stated (July 2024) that the User Department had been requested to take over the completed projects.

**Recommendation 8:** *The State Government may ensure better coordination between the Company and user departments so that completed assets can be handed over without delays and be utilised for the intended purposes.*

<sup>71</sup> Higher, Technical Education and Skill Development Department

### 2.5.6 Quality Management

As per Rules of Business of the Company, a Technical Committee<sup>72</sup>, under the chairmanship of the Executive Director, was to be constituted, to critically evaluate all DPRs/Projects, as to their technical feasibility and economical viability, to monitor progress of all sanctioned projects/schemes, ensure quality of work and to suggest remedial action to be taken *etc.*

Further, the BOD had resolved, in its 7<sup>th</sup> Meeting (July 2018), that the quality of building material being used in projects would be pre-tested through laboratories and had authorised the MD to empanel testing laboratories for this purpose. The BOD, in its 10<sup>th</sup> Meeting (July 2020) also decided to create an in-house Design Wing, consisting of four structural Engineers, one Computer Aided Design (CAD) Operator, one Electrical Engineer and four draftsmen for reviewing the drawings and designs of the works executed by the Company. However, Audit noticed that the Company had not constituted the required Technical Committee, nor had it empaneled testing laboratories or created the Design Wing, as of July 2024.

In the absence of the Technical Committee, Audit noticed that the Company had engaged consultants for preparation of DPRs, and had commenced works based on model estimates prepared by them, without the DPRs being evaluated by the Technical Committee. Further, in the absence of empanelment of testing laboratories, pre-tested construction material could not be used and quality of the works could not be ensured.

Audit noted the following cases where optimum quality of work had not been ensured:

- The work of construction of 5000 MT Cold Storage at Pakur was completed in September 2022 and a payment of ₹ 10.44 crore was made to the contractor for the said work. Though the process of handing over of the completed building was started in March 2023, it was not taken over by the User Department for reasons not available on record. The Company had constituted (31 May 2023) a Committee to inspect the work. The Committee found (14 June 2023) defects *viz.*, honeycomb in columns, cracks in column beam junctions, unfilled expansion joints, improper high-tension panel works *etc.*, in the completed work. It was noted that, by then, the payment of final bill had been released (June 2023) to the contractor without ensuring that the defects were rectified. The Company directed (October 2023) the contractor to rectify the defects so that the completed structure could be handed over to the User Department.

<sup>72</sup> ED: Chairman, GM (Project): Member, GM (Planning): Member, GM (Consultancy): Member and all Zonal Managers: members.

In reply, the Department stated (July 2024) that rectification work has been done and reminder has been issued to the User Department to take over the building. Audit noticed that the completed building could not be handed over to the User Department and was lying idle for more than two years, which is fraught with the risk of deterioration in its condition.

- The work of construction of Jamshedpur Women's College was completed (January 2021) and payment of ₹ 81.43 crore was made to the contractor by the Company. The completion certificate for the work was also issued (March 2021) by the Company with the remarks 'very good condition'. However, the Program Management Unit, *Rashtriya Uchchatar Siksha Abhiyan*, of the User Department, during a visit (January 2021), found that the ramp for physically challenged persons, although provided in the DPR, had not been constructed, the quality of plaster and door works *etc.*, was poor and the internal courtyard was found broken at several places. Further, the officials of the Company visited (December 2021) the site and noticed defects *viz.* cracks on the walls of the building, non-availability of water connection, improperly installed fans, broken tiles in the washroom of the hostel building *etc.* These defects were rectified by the contractor and the building could only be handed over (December 2021) to the User Department after a lapse of almost one year since its completion.

In reply, the Department stated (July 2024) that the project was handed over to the User Department after rectification of defects. However, reasons for issuing completion certificate before ensuring execution of quality work were not provided.

- The work of Library Building at Rajendra Institute of Medical Sciences (RIMS) was taken up by the Company and completed in May 2022 at a cost of ₹ 27.66 crore and the completion certificate was issued (May 2022) by the Company. However, defects *viz.*, usage of 4mm thickness glass panes in place of 5.50 mm glass panes, UPVC pipes in place of CPVC pipes, different brand of solar panel *etc.*, were noticed during third-party inspection (November 2022). However, before rectification of the defects could be undertaken and official handing over of the completed building could be done, the Company allowed (September 2022) RIMS to start using the building.

Thus, the completion certificate was issued and final payment made without ensuring quality of the completed work.

No specific replies were given by the Company/Department.

***Recommendation 9: The Company may ensure creation of the Design Wing, as well as, empanelment of laboratories, to ensure quality of work.***

### 2.5.7 Internal Control and Monitoring

A review of the internal control system in the Company revealed inadequate system in place for internal audit and delays in holding of annual general meeting (AGM) and Board of Directors (BOD) meetings, as detailed below.

- **Internal Audit**

As per Rules of Business (clause 6A), the Company was to have an Internal Audit system, and the BOD was to take a policy decision regarding setting up of the internal audit wing. The Internal Auditor was to prepare draft audit reports, discuss irregularities with the office in-charge and report unresolved issues to the MD of the Company.

Audit observed that the Company, had appointed (June 2017) a CA firm for the period from 2016-17 to 2017-18 as its Internal Auditor. The said firm was further instructed to continue for the period 2018-19 and 2019-20 based on a decision taken in the BOD meetings (July 2018 and September 2019). However, for the period 2020-21 and 2021-22, the Company had not appointed any internal auditor. Thus, internal audit of the Company was carried out only for the financial years 2016-17 to 2019-20.

The Department accepted the facts and stated (July 2024) that the appointment of an internal auditor could not be done due to shortage of accounts personnel in the Company.

The reply is not convincing as the Company could have taken action to address the shortage in accounts personnel.

- **Annual General Meeting**

Articles of Association (Clause 41) of the Company prescribes that no greater interval than 15 months should elapse between the date of an AGM and that of the next. Further, the Companies Act, 2013 (Section 96 and 102), prescribes holding an AGM to discuss the annual results, auditor's appointment and so on. A Company must hold its AGM within a period of six months from the end of the financial year.

As per Companies Act, the first AGM of the Company should have been held in September 2016 *i.e.* within six months of the end of the previous financial year. However, JSBCCL had conducted its first AGM only in September 2019, in contravention of the Companies Act, 2013. It was also noted that the Company had conducted four AGMs, for 2015-16 and 2016-17 (in September 2019) and for 2017-18 and 2018-19 (in December 2020), against the required eight AGMs for the period from 2015-16 to 2022-23, in violation of the Companies Act. Besides, more than 15 months had elapsed since the last AGM (December 2020) had been held. The Company had not taken any initiative to hold AGMs after December 2020, in contravention of the provisions of the Articles of Association of the Company.

The Department accepted the facts and stated (July 2024) that the same has been noted for the future.

- **Board of Directors Meeting**

Articles of Association (Clause 74) of the Company prescribe that the BOD shall meet at least once in every quarter, so that at least four such meetings are held in a year. Further, Section 173 of the Companies Act, 2013, stipulates that the maximum interval between two consecutive Board Meetings should not be more than 120 days.

Audit observed that the Company had conducted 14 meetings against the required 32 Board Meetings, during the FYs between 2015-16 and 2022-23 due to reasons not recorded. Further, out of 14 Board meetings, the interval between six meetings had exceeded the mandated period of 120 days and ranged between 257 to 364 days.

Thus, the Company had conducted less than the stipulated number of Board Meetings. Besides, there were delays ranging from 11 to 36 months in the approval of audited annual accounts (for the year 2015-16 to 2021-22) of the Company.

In reply, the Department accepted the facts and stated (July 2024) that the same has been noted for the future.

***Recommendation 10: The Company may ensure that regular internal audit is conducted and BOD meetings/AGMs are held at regular intervals.***

## **2.6 Conclusion**

The Company could complete only 726 projects out of the 1,328 projects it had undertaken (since inception to March 2023) whereas 218 works were in progress and 272 were in the initial stages. A total of 112 works had either been dropped or had stalled due to non-availability of land, public hindrances, delays by the contractors *etc.* Out of 94 works test-checked, 33 works were completed with delays ranging between 96 and 1,379 days and 14 works had remained incomplete after delays ranging between 681 and 2,678 days (as of October 2023) from their scheduled dates of completion due to commencement of work on model estimates instead of detailed estimates based on actual site conditions, delays in providing site specific drawing and designs and lack of action by the Company against contractors for not completing the works within the stipulated time as required under the agreement. The Company instead of returning ₹ 60.95 crore, received from user departments for execution of 24 works which had been subsequently abandoned, had retained the amount in its Personal Ledger Account for periods ranging from four to seven years. The Technical Committee to evaluate DPRs/projects, as envisaged, had not been formed and works were awarded on the basis of model estimates leading to abandonment of works

and time/cost overrun. Acute shortage of manpower, especially in the key posts of Assistant/Junior Engineers, had adversely affected the operation of the Company and prevented it from meeting its objectives. Audit noticed shortcomings in contract management - provision of inadequate time for submission of bids; lack of transparency; inadequate bid evaluation; delay in execution of agreement; irregular payment; irregularities in supplementary agreements; and works not covered by insurance. Out of 46 completed test checked works, 37 works were handed over to the user Departments with delays up to 837 days and the remaining nine works were not handed over even after a lapse of 1,414 days since their completion. The major reason for delays in handing over was lack of co-ordination between the user departments and the Company.