

## Chapter III

### Miscellaneous topics of interest relating to Government companies and Statutory corporations

#### 3A GOVERNMENT COMPANIES

##### 3A.1 Rajasthan Paryatan Vikas Nigam Limited

###### 3A.1.1 Payment of ex-gratia in violation of prescribed guidelines

**Ex-gratia payment of Rs.0.79 crore was paid in violation of the guidelines issued by the Bureau of Public Enterprises.**

The Bureau of Public Enterprises (BPE) in October 1993 issued guidelines to be followed for payment of ex-gratia to the employees of State public enterprises. These guidelines *inter-alia* prescribed (i) linking the rates of ex-gratia to profit/productivity levels, (ii) approval of the Board and (iii) approval of BPE if ex-gratia is increased over the level of 1991-92. It also prescribed that decision in the Board would be taken only when finance department representative on the Board is present.

The Company in violation of these guidelines approved (23 October 1999) ex-gratia payment at the rate of 20 *per cent* for the year 1998-99 and paid Rs.79.32 lakh. The payment of ex-gratia was approved by the Managing Director, which was beyond his delegated power and despite the Company having incurred losses for the year 1998-99. The Board while approving the decision of the management retrospectively in its 96<sup>th</sup> Board meeting held on 15 February 2000 as fait accompli, directed that in future ex-gratia should be related to enhancement of productivity and profitability under definite incentive schemes.

The Government stated (April 2001) that despite loss ex-gratia payment was made for the year 1998-99, to maintain industrial peace and cordial relations in the corporation and also in anticipation of profit during 1999-2000. The reply of the Government is not tenable as anticipated profit cannot be a basis for ex-gratia payment for earlier year and the fact remains that ex-gratia incentive was paid in violation of prescribed guidelines.

**3A.1.2 Delay in withdrawal of funds from non-interest bearing PD account**

**Poor cash management of Company led to loss of Interest Income of Rs.0.11 crore.**

The Government of India and State Government releases funds through non-interest bearing Personal Deposit (PD) Account. The Company is free to withdraw the amount lying in PD account on which no rider is in existence.

It was noticed in audit (September 2000) that there was substantial delay in withdrawal of amounts lying in non-interest bearing PD account on which rider on its use was removed by the Government. The delay in withdrawal in 32 cases during 1997-98 to 1999-2000 ranged between 30 days and 1539 days. The Company neither withdrew the funds after removal of rider nor transferred these amounts to PD account carrying interest. By not transferring the amount lying in non-interest PD account to interest bearing PD account in these 32 cases the Company lost interest income of Rs.10.86 lakh, during the period of delay.

The matter was reported to the Company/Government (November 2000); their reply had not been received so far (September 2001) despite being reminded (August 2001).

**3A.1.3 Irregular payment of Import fees on purchase of beer**

**Irregular payment of Rs.1.09 crore due to non reduction of import fees included in quoted price.**

Rajasthan Paryatan Vikas Nigam Limited (Company) invited (March 1998) open tenders for supply of beer for the year 1998-99. As per terms and conditions of tender (clause 7 of tender document), the various firms quoted rates, which were inclusive of import fees. After holding negotiations during April and May 1998, the rate contracts for supply of beer for 1998-99 were finalised and issued to various firms in July 1998, which included the condition that the rates were inclusive of import fees and were subject to change due to any further increase in import fees.

As per Rajasthan Excise Act, a licensee has to pay import fees on beer imported into Rajasthan from outside the State, while no such import fees is payable on supplies made from within the State. The Company received supplies of beer from places outside Rajasthan attracting payment of import fees as well as from places within Rajasthan where import fees was not leviable.

It was noticed in audit (September 2000) that although no import fees was payable on supplies received from places within Rajasthan, payments thereof

were made without reducing the element of import fees included in the quoted rates. This resulted in irregular payment of Rs.59.84 lakh during 1998-99 to the suppliers towards import fees, which they were not required to pay to the State Excise Authorities. The rate contracts for supply of beer for the year 1999-2000 were also finalised on the same terms and conditions and rates as applicable to year 1998-99. Payments for supplies received during 1999-2000 from places within Rajasthan were also made without reducing the element of import fee. This resulted in irregular payment of import fees to the extent of Rs.48.98 lakh for 1999-2000. Thus, the Company made irregular payment of Rs.1.09 crore by not reducing the element of import fees included in quoted price on the supplies made from within the State of Rajasthan.

The Government stated (November 2000) that the component of import fees was nil in the awarded rates and therefore, no irregular payment was made to the suppliers. The reply of the Government is not tenable as it was clearly mentioned in the contract that prices were inclusive of import fees prevailing as on the date of tender and the sources of supply were from within the State as well as from other States. The Company rightly paid the import fees for supplies from other State, while it did not reduce the element of import fees from quoted price for the supplies made from within the State.

### **3A.2 Rajasthan State Ganganagar Sugar Mills Limited**

#### **Injudicious decision in purchases of rectified spirit**

#### **Avoidable extra expenditure of Rs.0.10 crore due to injudicious decision of Company.**

(a) Rajasthan State Ganganagar Sugar Mills Limited (Company) invited open tenders (June 1999) for supply of 32 lakh Bulk Litre (BL) of rectified spirit during July-August 1999 with tender opening date of 30 June 1999. The supply orders were placed on various firms in July 1999, including Daurala Sugar Works Limited (DSW), New Delhi, (3.25 lakh BL), at the lowest rate of Rs. 18.20 per BL. After completing the supply of ordered quantity, DSW offered (9 August 1999) to supply 5 lakh BL of rectified spirit at the rate of Rs.18.20 per BL with validity upto 20 August 1999 which was pending for consideration with Company. In the mean time, Company invited open tenders (August 1999) for supply of 32 lakh Bulk Litre (BL) of rectified spirit during August-September 1999 with tender opening date of 10 August 1999. DSW also quoted for supply of 7 lakh BL of rectified spirit at the rate of Rs.19.35 per BL in the tender opened on 10 August 1999. The Company placed order for 7 lakh BL of rectified spirit at the rate of Rs.19.35 per BL on DSW without considering their pending valid offer of 5 lakh BL of rectified spirit at lower rate of Rs.18.20 which resulted in avoidable extra expenditure of Rs.5.75 lakh on supply of 5 lakh BL.

The Government stated (April 2001) that the offer of DSW dated of 9 August 1999 was not considered as it was in continuation of open tender dated of 30 June 1999 and full quantity of rectified spirit was booked against that tender. The reply is not tenable as there was no bar on Company to accept the offer of DSW dated of 9 August 1999, which was lower by Rs.5.75 lakh. Thus, the Company incurred avoidable extra expenditure of Rs.5.75 lakh due to injudicious decision not to accept a valid lower offer of DSW.

(b) The Company invited open tender (October 1999) with due date of opening of 16 October 1999 for supply of 36 lakh BL of rectified spirit during October and November 1999. The offer of Punjab State Federation of Co-operative Sugar Mills (Federation) for supply of two lakh BL of rectified spirit at six reduction centres at the rate of Rs.18 per BL was the lowest. The Company did not accept the offer of Federation to supply only at six reduction centres, treating the offer as conditional and placed supply orders on various firms at second lowest rate of Rs.20.05 per BL. It was noticed in audit that demand of rectified spirit at six reduction centres, where the supply offered by Federation was more than two lakh BL and as such by not accepting the lowest offer of Federation, the Company incurred avoidable extra expenditure of Rs.4.10 lakh on supply of two lakh BL of rectified spirit.

The matter was reported to the Company/Government (November 2000), replies have not been received (August 2001).

Thus, Company failed to avail savings in purchase of rectified spirit due to its injudicious decisions resulting in extra expenditure of Rs.9.85 lakh.

### **3A.3 Rajasthan State Industrial Development and Investment Corporation Limited**

#### **3A.3.1 Payment of land compensation at higher rate**

**Wrong application of rates of land resulted in avoidable payment of Rs.0.45 crore.**

For extension of Vishwakarma Industrial Area (VKIA), Jaipur, Rajasthan State Industrial Development and Investment Corporation Limited (RIICO), proposed to acquire 192.07 bigha of land belonging to private owners of two villages namely Sarna Dungar and Bawari in 1996. According to the procedure of Land Acquisition Act, the Government issued requisite notices (6 June 1996 and on 4 June 1997). In response to the enquiry of the Land Acquisition Officer (LAO) (January 1999), VKIA unit office of RIICO obtained rates of land prevailing in July 1996 from the office of Sub-Registrar and intimated the LAO.

**Payment of compensation to land owner at higher rate than prevailing.**

The LAO on 29 January 1999 passed draft award for total payments (Rs.2.25 crore) to be made to the private landowners on the basis of hearing held on 22 September 1998 as well as other factual information and forwarded the draft award for consideration and approval of the Government as well as the Company. It was observed that in 26 cases while fixing the amount of compensation, the rate of land taken by LAO was at rates applicable to irrigated land situated near the road (Rs. 70000 per bigha for Sarna Dungar and Rs. 65000 per bigha for Bawari), whereas the land to be acquired was actually situated 1.5 kms. away from the main road and rates of land applicable were lower ( Rs. 60000 per per bigha for Sarna Dungar and Rs. 50000 per bigha for Bawari). Though this fact came to the notice of Company (March 1999) they did not take any action to file an appeal for correction before the competent authority against the draft award and approved the draft award in May 1999 without modification. As a result, the Company had to make payment of avoidable compensation to the extent of Rs.44.95 lakh to the landowners at rates higher than those prevailing.

The matter was reported to the Company/Government (January 2001); their reply had not been received so far (September 2001).

### **3A.3.2 Undue benefit in allotment of land**

#### **Granting undue benefit of Rs.0.56 crore to RCAF in allotment of land.**

Infrastructure Development Committee (IDC) of the Company while reviewing the rate of development charges in respect of allotment of land had withdrawn (7 December 2000) 15 *per cent* concession available to technical institute and reduced the concession in case of school from 50 *per cent* to 25 *per cent*. Jai Shyam Ki Shiksha Nekatan Society (JSKSNS), applied (October 2000) for allotment of land measuring 7500 sq. meter (approximately) located adjoining Gem park, Jaipur for setting up a school of international standard at concessional rate. While considering the application, the Company decided (12 February 2001) that land may be auctioned either for residential complex or for any school with reserve price of Rs.1200 per sq. meter on 'as is where is basis'. The rates in adjoining industrial area were also in the range of Rs.1150 to Rs.1500 per sq. meter. However, the application was not considered.

**Extending undue favour by granting concession of Rs.0.56 crore to RCAF, who was not entitled as per existing rules of Company.**

Further, Rajasthan Chartered Accountant Federation (RCAF) also applied (7 February 2001) for allotment of aforesaid land for setting up an educational institute with hostel for promotion of higher and technical education. Chairman and Managing Director ordered (12 February 2001) the case to be put up to IDC, which accorded approval (14 February 2001) for allotment of plot (Rs. 500 per sq. meter) i.e. at one-third of the prevailing rate in the Gem park.

The project of RCAF was not entitled to any concession in terms of existing rules of the Company. Moreover, case of RCAF was decided with undue haste within one week's time by extending undue favour of over Rs.56 lakh.

Audit further observed that within one month after approving the case of RCAF, IDC decided to allot plots/land for schools at prevailing industrial rate by withdrawing all concessions. Thus, RCAF was granted undue benefit of Rs.56 lakh in allotment of land.

The matter was reported to the Company/Government (July 2001); their reply had not been received so far (September 2001).

### **3A.4 Rajasthan State Mineral Development Corporation Limited**

#### **3A.4.1 Loss due to delay in disconnection of power**

##### **Avoidable payment of electricity charges of Rs.0.07 crore due to failure to apply for disconnection in time.**

The Company was having a high-tension connection with contract demand of 250 KVA for running of Mahi Graphite Beneficiation Plant at Banswara since 1981. The closure of plant was under consideration from early 1997 due to uneconomic operations and persistent losses. However, the Company signed (December 1997) a fresh agreement with RSEB for a period of two years at reduced contract demand of 130 KVA. The plant was finally shut down from February 1998, which was approved by the Board of Directors in March 1998. It was noticed in audit (December 2000) that the application for disconnection of power was made only in December 1999 after a period of 22 months from the closure of plant. However, the Company was entitled to apply for disconnection immediately after closure of plant in February 1998 as per RSEB's notification of June 1996. Failure to apply for disconnection in time resulted in avoidable payment of minimum electricity charges of Rs.7.36 lakh.

The Management stated (July 2001) that it wanted to dispose off the plant to a private entrepreneur who would have given better offer only if plant was operational. The reply was not tenable as the plant has not been disposed off so far (July 2001) and existing DG set could have been utilised to keep the plant in operational condition for demonstration purpose.

### **3A.4.2 Wasteful expenditure on exploratory work**

#### **Expenditure of Rs.0.40 crore incurred on exploratory work became infructuous due to failure of Company to safeguard its financial interest.**

The Company signed (January 1997) a Memorandum of Understanding (MOU) with DLF Power Limited, Faridabad (DLF), for supply of lignite mineral required for proposed 100 MW capacity lignite based power plant at the pithead of Giral Mines, District Barmer in the State of Rajasthan. According to terms of MOU, DLF expressed their intention to purchase 8 lakh metric tonnes of lignite per annum from the Company for a period of 30 years. The validity of MOU was kept as 6 months subject to extensions with mutual consent. The MOU was extended for a period of six months each time on six occasions upto 31 July 2000.

It was noticed in Audit (December 2000) that the MOU did not stipulate either any financial commitment for meeting the obligation or sharing the cost of exploratory work by DLF in case of failure of MOU. However, the Company awarded (June 1997) the contract for the work of exploration co-redrilling and geological logging work in JB-1 block of Giral Lignite mines, Barmer to Mineral Exploration Corporation Limited. The work was completed in October 1997 at a cost of Rs.40.20 lakh. While agreeing for extension of MOU for a period of six months on six occasions the Company never insisted on any financial commitment from DLF despite incurring Rs.40.20 lakh on exploratory work.

DLF did not make any tangible progress in implementation of proposed 100 MW capacity lignite based power plant during three and half-year period. The MOU was ultimately terminated in August 2000 due to lack of response of DLF in the implementation of MOU as well as power project.

Thus, due to failure of the Company to safeguard its financial interests, an amount of Rs.40.20 lakh incurred on exploratory work has become infructuous.

The Company stated (July 2001) that exploratory work was awarded to Mineral Exploration Corporation Limited as number of Independent Power Producer including DLF had shown interest for setting up Lignite based Thermal Power Station at Giral Lignite Mines and some other projects which can use Lignite as a fuel are in pipeline. The reply is not tenable, as there are no concrete proposals for use of Lignite of Giral Lignite Mines as yet (August 2001).

### **3A.5 Rajasthan Small Industries Corporation Limited**

#### **Delay in invitation and award of handling and transport contract**

##### **Additional expenditure of Rs.0.16 crore due to delay in inviting and finalising tender**

The Company is managing inland container depots (ICDs) at various places in Rajasthan including Jaipur and Jodhpur. The period of the existing handling and transport contract for ICD, Jodhpur was due to expire on 11 February 2000. As per past practice, it was observed that the finalisation of tenders takes about two to three months. The Company instead of inviting fresh tenders, awarded (28 January 2000) the work on temporary basis till finalisation of new tender to another contractor Ganesh Container Movers Syndicate (GCMS) at rates 10 *per cent* higher than those paid to the existing contractor.

It was noticed in Audit (February 2000) that tenders for handling & transport contract were invited in February 2000 after the expiry of the existing contract, with schedule date of opening of tender on 8 March 2000. After evaluation of bids and negotiation, the contract was awarded (17 April 2000), with effect from 10 April 2000 to GCMS at rates lower than the existing rate. Had the tenders been invited in time and contract finalised before 11 February 2000 additional expenditure of Rs.16.15 lakh incurred during February to April 2000 could have been avoided.

The Government stated (September 2001) that delay in invitation and finalisation of tenders was not intentional.

### **3A.6 Rajasthan State Seeds Corporation Limited**

#### **Loss due to excessive procurement and production**

##### **Excessive procurement of raw cotton and consequent higher production of seeds resulted in loss of Rs.1.41 crore.**

The Company undertook production programme for cotton “Bikaneri Narma” certified seeds at its Suratgarh, Sriganganagar, Mandore and Tabiji units in kharif season of 1998 for marketing it in kharif season of 1999. Against the highest sales of 2304 quintals recorded during the last 3 years and projected demand of 3855 quintals for 1999, the Company planned a production target of 5000 quintals of seeds.



**Due to excessive procurement of raw cotton, Company incurred an avoidable loss of Rs.1.18 crore.**

For meeting the targeted production, against a requirement of 14288 quintals of raw cotton, worked out on the basis of 35 *per cent* yield, the Company procured 22063.58 quintals of raw cotton and produced 9330 quintals of certified seeds at an average cost of Rs.2918.20 per quintal. The Company could sell only 2991 quintals at the rate of Rs.2324.00 per quintal, thus incurring a loss of Rs.17.76 lakh. The balance 6339 quintals of certified seeds was carried over to kharif season of year 2000 and disposed off as failed seeds through auction at substantially lower price ranging from Rs.965 to Rs.1012 per quintal, resulting in further loss of Rs.1.23 crore.

Thus, the Company incurred loss of Rs.1.41 crore due to faulty planning, excessive procurement of raw cotton and consequent higher production, despite not having adequate and effective storage arrangement for carrying over seeds. Out of loss of Rs.1.41 crore, loss of Rs.1.18 crore was avoidable as procurement of raw cotton and consequent production of certified seed was in excess of requirement of even the projected demand of 3855 quintals.

The management stated (April 2001) that increased production was due to improved seed recovery of 42.38 *per cent* against norm of 35 *per cent* and the expected increase in demand did not materialise due to lower sowing of cotton during kharif 1999.

The reply of management is not tenable as the actual procurement of raw cotton was much in excess of that required to meet the planned production. As a result, actual production was substantially higher as compared to their own demand projections.

### **3A.7 Rajasthan Rajya Vidyut Prasaran Nigam Limited**

#### **Avoidable excess expenditure**

**Failure to identify surplus funds resulted in avoidable excess expenditure of Rs.0.48 crore.**

The Government of India levied interest at the rate of 20 *per cent* with effect from 27 August 1995 on the arrears of Central Excise Duty (CED) under Section 11 AA of the Central Excise Act, 1944. An amount of Rs. 5.49 crore was outstanding (27 August 1995) for payment by Rajasthan State Electricity Board (Board) towards CED. The Board did not take immediate steps to explore ways and means i.e. identifying surplus funds or raising loans to discharge the liability, which was attracting penal interest. The outstanding liability was, however, discharged by Board between September to December 1996. The Board also paid (May 1997) an amount of Rs.1.61 crore towards penal interest due to delay in payment of CED.

It was observed in audit (June 2001) that the Board had borrowed a sum of Rs.317.10 crore during 1995-96 at various interest rates including a loan of Rs.59.38 crore from LIC at the rate of 14 *per cent* per annum. The loan from LIC could have been used to discharge the liability, which was attracting penal interest, and a sum of Rs. 48.29 lakh could have been saved. Thus, failure of Board in identifying surplus funds or raising loans for discharge of liability carrying high rate of penal interest resulted in avoidable excess expenditure of Rs.48.29 lakh.

The matter was reported to the Company/Government (July 2001); their reply has not been received so far (September 2001).

### **3A.8 Rajasthan Rajya Vidyut Utpadan Nigam Limited**

#### **3A.8.1 Avoidable purchase of high value insurance spare**

##### **Avoidable purchase of another guide wheel at a cost of Rs.0.60 crore without requirement.**

Kota Thermal Power Station, (KTPS) placed an order for supply of one spare fully bladed L.P. Rotor with modified guide wheel as insurance spare on Bharat Heavy Electrical Ltd. in January 1998 at a cost of Rs.4.21 crore exclusive of excise and central sales tax etc. The order included guide wheel costing Rs.59.64 lakh. The delivery period was 12 months from the date of receipt of advance (10 *per cent*).

It was observed in audit (July 2000) that KTPS, had already received (March 1996) one guide wheel well before finalisation of order in January 1998 as insurance spare. Thus, purchase of another guide wheel as insurance spare at a cost of Rs.59.64 lakh was avoidable.

The Government replied (January 2001) that the unit would use the modified guide wheel during planned shut down. The reply is not tenable as insurance spares are meant for use during emergency breakdown and both the wheels remained unutilised so far (August 2001).

### 3A.8.2 Avoidable payment of Sales Tax

#### Avoidable payment of Sales Tax of Rs.0.93 crore due to failure to review the terms and conditions of contract.

The Government of Rajasthan notified (June 1990) that the goods sold by a registered dealer to Rajasthan State Electricity Board (Board) for exclusive use in generation, transmission or distribution of power shall be subject to levy of Sales Tax at the rate of 4 *per cent* on production of certificate to that effect by the duly authorised officer. Rate of tax was subsequently modified (March 1995) from 4 *per cent* to 5 *per cent* in respect of sale of cement by a registered dealer to an Undertaking or Corporation of the Government of Rajasthan for its own use and not for the purpose of resale. Further, Honourable High Court and Supreme Court in decision of STO v/s Executive Engineer (Irrigation) 1986 and Goyal & Company v/s STO 1989 had held that supply of cement bags by an Executive Engineer for a price for being utilised in execution of works constituted sale.

**Failure to review the decision of Honourable Court resulted in forfeiture of benefit of lower Sales Tax.**

It was noticed in audit (January 2001) that the terms and conditions of civil contract of the Board continued to provide for issue of cement to contractors on recoverable basis. This is considered as resale as per the Court decisions referred above. Accordingly, the Sales Tax authorities treated the issue of cement to the contractors as resale and charged sales tax at the rate of 16 *per cent*, disallowing the benefit of lower Sales Tax (5 *per cent*). This resulted in excess payment of Sales Tax of Rs.92.77 lakh during the period 1995-2000. Thus, failure of Board to review the terms and conditions regarding issue of cement in the light of above-mentioned decisions resulted in forfeiture of benefit of lower Sales Tax and avoidable payment of Sales Tax of Rs.92.77 lakh.

The matter was reported to the Company/Government (March 2001); their reply had not been received so far (September 2001).

### 3A.9 Jodhpur Vidyut Vitran Nigam Limited

#### Irregular payment for purchase of power

#### Failure to ensure the installation of frequency meter resulted in irregular payment of Rs.2.32 crore for purchase of power.

Binani Cement Limited (BCL) offered (July 1999) to sell power (1000 to 2000 MWH per month) generated in their captive power plant to the Rajasthan State Electricity Board (Board). The Board accepted (July 1999) the offer on a trial basis initially for a period of 7 days prescribing a condition that the supply should be at system frequency not exceeding 50 Hz. Other terms and conditions including rate were not decided. The State Government also notified the captive power plant policy (15 July 1999) which inter-alia prescribed that power supply to Board would be at a frequency less than 50.5 Hz and captive power plant would

maintain a daily record of hourly generation and frequency. The supply of power was to be paid at a rate of 60 *per cent* of the Board HT Industrial Tariff. It was noticed in audit (1 February 2001) that supply of power was continued after initial 7 days period without ensuring the installation of frequency meter by BCL to record the supply at frequency lower than or upto 50.5 Hz and more than 50.5 Hz in accordance with the Government policy. BCL supplied 10.34 MWH valued at Rs.2.32 crore at rates ranging from Rs.2.05 to Rs.2.43 per KWH during the period from 10 July 1999 to 18 July 2000, when the Board was unbundled into five separate companies. The Board released payment of Rs.2.16 crore by way of adjustment in the energy bills of BCL without ensuring that power was supplied at system frequency less than 50.5 Hz. However, Board had purchased power at the rate of Rs.0.70 per KWH for supplies at frequency higher than 50.5 Hz during August 1999 to May 2000. Thus, payment of Rs.2.32 crore for purchase of power without checking the frequency was irregular.

The matter was reported to Company/Government (June 2001); their reply has not been received so far (September 2001).

## **3B STATUTORY CORPORATIONS**

### **3B.1 Rajasthan State Road Transport Corporation**

#### **Delay in appointment of Sole Licensee for advertisement on buses**

#### **Failure to initiate timely action for inviting tender for subsequent period resulted in loss of Rs.0.35 crore.**

Licence fee for display of advertisement on buses is an important source of non-operational revenue for Rajasthan State Road Transport Corporation (Corporation). The Corporation had given licence to advertise in the buses and the licence was due to expire on 31 May 1997. As an average of 3 months is required for completing the tendering process, tender for fresh licence should have been invited by February-March 1997. However, the tenders for display of advertisement on 4200 buses for a period of three years were invited between 25 June 1997 and 3 July 1997 after expiry of earlier licence. The earlier licensee obtained stay on finalisation of tender on 26 June 1997 demanding extension of contract, which was vacated on 23 July 1997. Tenders were opened on 5 August 1997 and despite only one acceptable tender with highest rate of Rs.166.66 per bus per month (to be increased by 10 *per cent* per year) received from N.S. Publicity Agency, Jaipur (Firm), decision to allot the work was delayed by more than one month and letter of intent issued only on 18 September 1997. The firm deposited security deposit on 25 October 1997 and was allowed to display advertisement on buses from 29 October 1997. Moreover the Corporation had also allowed earlier licensee to continue display of advertisement beyond contract period during the intervening period without any revenue.

Thus, failure of the Corporation to take timely action to invite and finalise the tender resulted in loss of revenue of Rs.35 lakh.

The Government stated (October 2000) that it was not considered desirable to call for tenders for the subsequent period before the expiry date (i.e. 31 May 1997) of the earlier licensee. The reply was not tenable, as action for calling tenders for subsequent period should have been initiated well before expiry of period of earlier licence.

### **3B.2 Rajasthan State Warehousing Corporation**

#### **3B.2.1 Undue benefit to the existing contractor**

##### **Avoidable payment of Rs.0.10 crore.**

The Corporation invited (February 1998) tenders for appointment of service agents for handling and transport work at its Udaipur Centre for the year 1998-99 and 1999-2000. Meanwhile, the term of the existing contractor Sanjay Traders was extended (March 1998) at the same rate which was higher by 36.86 *per cent* of the base rate fixed by the Corporation for one year. Of the seven offers received, offer of Mukund Singh was lowest. The rates obtained in the tender were reasonable as it were lower than the base rate by 7.3 *per cent* and lower by 44.1 *per cent* in comparison of existing rates. Tender committee recommended (March 1998) award of work to the lowest tenderer. However, Senior Tender Committee ignoring the reasonable rates obtained in tender, recommended (April 1998) negotiations with all parties.

Mukund Singh, the lowest tenderer withdrew (10 May 1998) the offer stating that negotiations were held even after obtaining rates which were lower by 44.1 *per cent* in comparison with the rates of Sanjay Traders (existing contractor). Negotiations with all parties failed as no party came forward to undertake the work. Subsequently Sanjay Traders was allowed to continue work at the rates of 36.80 *per cent* above the base rate fixed by the Corporation as against 4.5 *per cent* higher rates quoted by him in the tender of 1998-2000. The Corporation also failed to ensure that the existing contractor worked at lower of the existing rate or rate quoted by him in recent tender under consideration. Thus, the imprudent decision of the Corporation to negotiate with all parties when rates received were competitive and not requiring the existing contractor to work at the rates quoted by him in the tender received in March 1998, led to avoidable payment of Rs.9.77 lakh.

The Government stated (April 2001) that the tender committee agreed for negotiation as the tender was to be finalised for the next two years and there

was marginal difference between the rates of first and second lowest tenderer. The reply was not tenable as the rates received were lower by 44.1 *per cent* as compared to the existing rate and could be considered reasonable and competitive.

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