

**ACTION TAKEN ON THE OBSERVATIONS OF THE INTERNAL AUDITOR**

Audit Observations	Reply of the Management.																			
<p><b>1. Bank Accounts :-</b></p> <p>a) The following bank accounts are lying inoperative since a long time. In case these accounts are not required, these should be closed :-</p> <table border="0"> <tr> <td>Name of the Bank</td> <td>Account No.</td> <td>Amount</td> </tr> <tr> <td>PNB Escrow A/c.</td> <td>6718</td> <td>4816.00</td> </tr> <tr> <td>HP State Coop. Bank</td> <td></td> <td>8240.43</td> </tr> </table> <p>b) While scrutinizing the bank reconciliation statement we observe that the following credits have been given by the bank for which the details are not available.</p> <table border="0"> <tr> <td>15.07.2008</td> <td>12110.00</td> </tr> <tr> <td>29.12.2008</td> <td>21849.00</td> </tr> </table> <p><b>2. Advances to LAO,s</b> The following advances have been given to Land Acquisition Officers for expenses. However, the same are still pending for Adjustment</p> <table border="0"> <tr> <td>Kangra</td> <td>28400.00</td> </tr> <tr> <td>Mandi</td> <td>15000.00</td> </tr> <tr> <td>Shimla</td> <td>15000.00</td> </tr> </table>	Name of the Bank	Account No.	Amount	PNB Escrow A/c.	6718	4816.00	HP State Coop. Bank		8240.43	15.07.2008	12110.00	29.12.2008	21849.00	Kangra	28400.00	Mandi	15000.00	Shimla	15000.00	<p>The Escrow account with PNB was opened as per the requirement of the Information Memorandum of HPRIDC Bond issue IV for servicing of interest/principal through the account. The Principal alongwith interest of HPRIDC Bond Issue IV has been paid on 01.04.2009 and the account will be closed after servicing of the entire amount of Bond issue.</p> <p>The current a/c with HP State Coop. Bank is the nominal operational account and can not be closed.</p> <p>After obtaining the detail from the bank, the necessary entries has been passed in the books of account.</p> <p>The advance have been adjusted to the extent accounts have been rendered by the LAOs. For balance amount, the LAOs are being requested to render the account for its timely adjustment.</p>
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### 3. Bills Payable

The following amount are being carried forward since earlier years, as explained to us there is no demand from the party and these are no more payable. In our opinion the same should be written back.

Trusteeship fee payable to SBOP	33333.00
Annual report charges 2002-03	1768.00
Satluj Document Co.	1597.00

### 4. Bills Pending for Adjustment Rs. 5404750.00

The amount is lying payable to Power Finance Corporation since last many years. As explained to us the subject to approval from the State Govt.

### 5. Advance to C&C Consultants Ltd. (Una – Bangana – Barsar Road)

An agreement was entered into with C&C Consultants Ltd. For above Road for the amount given below :-

Agreement Amount	989400670.00
Less :- work as per clause 1.04 withdrawn later on	<u>75811700.00</u>
	913588970.00
Less :- rebate 1%	<u>9135890.00</u>
Net Contract amount	904453080.00

As there is no demand from these parties, the amount has been written back and the necessary entries has been passed in the books of accounts on 31.03.2009.

The necessary action will be taken on receipt of the approval/decision from the State Govt.

The award of Rs. 98,94,00,670/- was notified vide letter of acceptance issued to the Contractor. The Contractor had agreed to withdraw item no. 1.04 amounting to Rs. 7,53,52,000/- from the BOQ and provide rebate of one percent on the quoted rates. Mobilization advance of five percent (Ist Instalment) of the adjusted contract price was released to the Contractor.

The clause 14.2 read with Contract Data ; particular application; Part-3 of the contract document stipulates payment of mobilization advance @ five percent (Ist instalment) of the Accepted contract amount i.e.

As per terms of the agreement 5% mobilization advance was released on the net contract amount. However, the party raised interim payment Application no. 2 claiming the mobilization advance on the gross amount of Rs. 989400670.00 which was released to the party. In our opinion when the contract is effective for net contract amount of Rs. 904453080.00, excess advance of Rs. 2814510.00 has been paid to the party which may be recovered from the next payment.

**6. Agreement with Lious Berger Group Inc. in a/w Lious Berger Consulting Pvt. Ltd. Gurgaon.**

The agreement was entered into with the above party for supervision of Phase I Upgrading of State Roads (443 kms). The contract amount was to be paid as under :-

Lious Berger Group Inc.	USD 863032.52
Lious Berger Consulting Pvt. Ltd. Gurgaon	Rs. 229415956.89

As stated above the payment in Indian Rupee is to be made. Lious Berger Consulting Pvt. Which is an Indian Company. However while scrutinizing the agreement we observe that the payment in Indian currency includes Rs. 28152751.00 being 15.683% of withholding tax as per DTAA. Since the payee is an Indian Company hence tax under DTAA is not applicable. In our opinion such tax should not form part of the agreement when the same is not applicable.

**7. Withheld amount/liquidated damages.**

Certain amounts have been withheld from the bills of various contractors on account of delay in execution of works on milestone basis. However, the overall period of completion of work has not

Rs.98,94,00,670/-.

Persuant to above, the Contractor was then paid mobilization advance @ five percent of the gross amount i.e. Accepted Contract Amount of Rs. 98,94,00,670/-

Thus mobilization advance paid is as per appropriate clause of this contract agreement.

Noted. However, the payment to the Supervision Consultant is being made as per the version of the auditors and strictly as per terms of the agreement vis-à-vis prevailing laws in the Country. No corporate income tax is being reimbursed to the Consultants.

The comments of the Executive Engineer of the concerned Divisions of the PWD has been asked for. In the cases where the delay is not attributable to the contractor as the same is beyond the control of the

been over in any of the cases hence the accounting entries of such deductions have not been passed in the books of accounts. As explained to us the matter has been taken up with the concerned Executive Engineer and the entries will be passed after their concurrence in the matter after ascertaining the reasons for delay in the execution of the work.

#### **8. Advances to Consultants.**

##### **i) Advantage India Rs. 919829.00**

The agreement was entered into on 15.09.2006 for implementation of RAP for Phase – I (413 kms) of State Roads for an amount of 3239500.00. The duration of the agreement was 24 month i.e. upto Oct., 2008. The part payment of Rs. 919829/- was released in earlier year. The further progress is not available as no payment has been released thereafter and the time period of the agreement is over.

contractor, the withheld amount, on the specific recommendation of the Executive Engineer has been released to the Contractor on case to case basis which is further subject to the audit. . In the cases where the delay is attributable to the Contractor, the liquidated damages are being recovered.

The contract was signed with the Advantage India on 15.10.2006 and which was for duration of 24 months. The same was expired on 31.10.2008.

The BOD on the request of M/s. Advantage India (NGO) approved the extension for another eight months i.e. upto June, 2009 and taken following decisions for completion of services :

- i) The cost price for additional 22 kms on pro rata basis which works out of Rs. 1.73 lacs.
- ii) The payment of items 2,3,4,5,6,7&8 (milestones) on pro rata basis(subject to maximum of 5% of the contract amount) rather than on stage wise.
- iii) The extension for eight months without any financial implication within the same contract amount under clause 3 of the contract agreement.

The above decisions of the BOD were conveyed to M/s. Advangage India (NGO) vide this office letter no. PW-WBP-SRP/2006-NGO(Vol. IV) 6010 dated 13.02.2009.

<p>ii) In the following cases the full payment has been released to the consultants either this year or in earlier years. However these are being shown as advances. In our opinion, suitable adjustment should be made for these amount.</p> <p>a) <u>Marketing Development Research Associates Rs.2462658/-</u> The services were hired for Road user Survey in the State of Himachal Pradesh. The agreement was over on 15.5.2007 and the full payment was to the party in earlier year.</p> <p>b) <u>JP Associates Pvt. Ltd. Rs. 2458878/-</u> Consultancy services were hired to undertake the study of the Productivity of Force Accounts Staff in PWD under SRP. The time of Agreement was over on 30.04.2007 and the full payment has been released to the party.</p> <p>c) <u>Price Water House Cooper Rs. 2469280.00</u></p>	<p>However the NGO did not accept the decision of the Board of Directors of HPRIDC and intimated that this R&amp;R project is not financially viable and is unable to meet its expenses. They are not in a position to continue their services on the said project. Therefore, they have requested to clear their pending payment for which invoice has already been submitted.</p> <p>The Advantage India has de-mobilized their team deputed as site w.e.f. 19<sup>th</sup> January, 2009.</p> <p>Since the NGO has already de-mobilized and the Bank has conveyed “No” for terminating the contract of Advantage India vide email dated 17.04.2009</p> <p>Since the land is in the name of HPPWD, as per past practice, all the expenditure is being shown under the Head “Capital Work in Progress” instead of Advances to Consultants at the time of finalisation of accounts at the end of the year.</p>
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The consultancy were taken to assist HPRIDC Ltd. for Road Section Finance Study. The period of the agreement was from Sept., 2006 to Jan., 2007.

9. The following advances have been paid for resettlement which requires adjustment.

CMU, Hamirpur	Rs. 179800.00
CMU, Una	Rs. 1376000.00
CMU Shimla.	Rs. 883625.00

**10. Executive Engineer, Dehra.  
Periodic maint. of Kaloha – Paragpur-Dhaliara Road.**

Name of the Contractor	R. K. Mahajan
Gross contract amount	Rs. 26286801.00
Date of agreement	26.03.2007
Date on which work to be completed	25.03.2008
Status	Incomplete

i) The Executive Engineer has written various letters time and again to complete the work however as explained to us the work is still incomplete.

ii) As per agreement, the following amount of liquidated are to be recovered.

Delay in completion of 1 <sup>st</sup> Milestone	Rs. 2000.00 per day
Delay in completion of 2nd Milestone	Rs. 2675.00 per day
Delay in completion of 1 <sup>st</sup> Milestone	<u>Rs. 1100.00</u> per day
	Rs. 5775.00

However the above liquidated damages are subject to 10% of the contract amount.

iii) An amount of Rs. 123000.00 has been withheld on account of

From the perusal, it has been observed that amounts are still being unutilized and lying in the bank account. The same has been shown as the balance with the Banks. However, the CMU's are being asked to offer comments that why the payment have not been released to PAP's.

Liquidated Damages will be recovered from the contractor in view of the clauses of the agreement on receipt of the next bills.

Despite the repeated requests, Executive Engineer, Dehra has neither

<p>insurance but not document is available in the record regarding insurance</p> <p>iv) As per latest bill available with the division the contractor has completed the work of Rs. 23156504/- (including Rs. 5931847/-) pending with the division for approval.</p> <p>v) The performance guarantee for Rs. 1314400.00 is available upto 16.02.2009 from SBOP Jassour however the confirmation is required from the bank authorities.</p> <p><b>b. Maintenance of Bharwain Chintpurni-Kandrori-Damtal Road (HP MDR 42-309)</b></p> <table border="0"> <tr> <td>Name of the Contractor</td> <td>V.B. Construction Company</td> </tr> <tr> <td>Gross Contract Amount</td> <td>Rs. 18187346.00</td> </tr> <tr> <td>Date of Agreement</td> <td>26.03.2007</td> </tr> <tr> <td>Required date of completion</td> <td>25.03.2008</td> </tr> <tr> <td>Status</td> <td>Incomplete.</td> </tr> </table> <p>i) The provisional extension has been granted from time to time however the work has not been completed.</p> <p>ii) The party has submitted the bills of Rs. 15058396/- (including Rs. 3666207.00 pending for approval)</p> <p>iii) The performance guarantee for Rs. 909400/- from Kangra Central Cooperative Bank, Mubarakpur upto 15.3.2012 is available. As per guidelines the guarantee is required from Scheduled Bank.</p> <p><b>Maint. of Jawalamukhi-Dehra-Jawali-Raja Ka Talab Road (HP MDR-310)</b></p> <table border="0"> <tr> <td>Name of the Contractor</td> <td>Om Parkash Sharma &amp; Sons</td> </tr> <tr> <td>Gross Contract Amount</td> <td>Rs. 17266853.00</td> </tr> <tr> <td>Date of Agreement</td> <td>26.03.2007</td> </tr> <tr> <td>Required date of completion</td> <td>25.03.2008</td> </tr> </table>	Name of the Contractor	V.B. Construction Company	Gross Contract Amount	Rs. 18187346.00	Date of Agreement	26.03.2007	Required date of completion	25.03.2008	Status	Incomplete.	Name of the Contractor	Om Parkash Sharma & Sons	Gross Contract Amount	Rs. 17266853.00	Date of Agreement	26.03.2007	Required date of completion	25.03.2008	<p>submitted the insurance cover nor the authorisation letter from the Contractor in support of deposit of premium. Executive Engineer, Dehra has been again requested to submit the required insurance policy.</p> <p>The Division has informed that the guarantee has been renewed and is being sent. If the guarantee is not received, the amount equivalent to the performance security will be retained from the Running bills to be received in this office.</p> <p>The provisional extension has been granted in accordance with clause no. 28.2 of the Agreement to keep alive the agreement.</p> <p>The Guarantee of Kangra Central Coop. Bank has been replaced and the Contractor has submitted the performance guarantee of SBI, Gagret on 14.06.2007 which has been confirmed by the Regional Office, Shimla.</p>
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Date of Agreement	26.03.2007																		
Required date of completion	25.03.2008																		

Date of completion as shown in the bill 12.07.2008

- i) Bills amounting to Rs. 887000.00 are pending for recovery.
- ii) The Executive Engineer has given extension upto 20.08.2008 stating that the delay is not attributable to the contractor. The reason given in the extension is that the tarring could not have been done due to cold weather which is called as no tarring season. The matter was discussed in detail with the Executive Engineer.
- iii) The performance guarantee has been expired on 14.03.2008 which has not yet been renewed.

**11. Executive Engineer, Tauni Devi**

a) Maint. of Hamirpur Jahu Road (HP-MDR-35)

Name of the Contractor	Mohan Singh Chauhan
Date of Start	29.05.2007
Required date of completion	28.05.2008
Contract amount.	Rs. 17238494.00

The contractor has not completed the work and liquidated damages amount to Rs. 657000.00 have been imposed by the Executive Engineer vide letter no. PW-TDD/Periodic Maint.-MDR35/2008-16651-56 dt. 07.03.2008.

Further liquidated damages have not yet been calculated however as per agreement Rs. 10050/- per day is to be imposed as liquidated damages subject to maximum of 10% of the contract price as per details given below :-

Non completion of 1<sup>st</sup> Milestone Rs. 450.00 per day.

The extension is being given by the Executive Engineers to keep the contract alive. The liquidated damages shall be regulated as per recommendation of the Executive Engineers which shall further be subject to audit.

The Executive Engineer, Dehra has been requested to submit the renewed guarantee with the bills.

The Executive Engineer has imposed the liquidity damages on 7.03.2008. Thereafter, no bill has been received in this office till date. The liquidated damages in accordance with the clauses of the agreement will be recovered from the contractor on receipt of the bills.

<p>Non completion of 2<sup>nd</sup> Milestone      Rs. 7000.00 per day  Non completion of 3<sup>rd</sup> Milestone      Rs. 2600.00 per day  As information available the contractor has completed 80% of the work. The performance guarantee for Rs. 8.62 lacs is available from Himachal Gramin Bank valid upto 17.06.2008.</p> <p>b) Maint. of Sujapur - Sandhole Marhi Road (HP-MDR-38)  Name of the Contractor                      UNIPRO, Ambala Cantt.  Contract Amount.                                Rs. 25372682.00  Date of Start                                        29.05.2007  Required date of completion                28.05.2008</p> <p>The Executive Engineer has given the extension for completion of work till 31.12.2008. The reason stated for extension are extreme weather condition and shortage of bitumen. The performance guarantee for Rs. 12.69 lac issued by Indian Bank is valid upto 30.06.2009. The contractor's all risk insurance policy and workmen's compensation policy has been expired on 23.05.2008 and 19.09.2008 respectively. The work is stated to be still incomplete.</p>	<p>As confirmed from the bank on telephone, the guarantee has been extended for the period of another one year on the request of the Contractor. The same shall be requisitioned from the Executive Engineer while processing the bills for payment.</p> <p>The contractor has ensured to submit the insurance policy upto the DLP with the final bill. Since, the work has been completed so there is no any requirement to obtain the Workmen compensation policy.</p>
<p><b>12. HPPWD Arki Division :</b>  The copy of the report already submitted is enclosed for your ready reference.</p>	<p>The matter was placed before the Board in its meeting held on 29.09.2008 in which it was decided that as per recommendations of the Auditors, strict action be taken against the said contractor and erring officials at the department level. The Board further observed that action to blacklist the contractor be initiated by the department. In addition, the desirability of lodging FIR for furnishing fake bank guarantees be examined.</p>

<p><b>13. HPPWD Karsog.</b>  <b>Package no. HP-SH-21-102 Rs. 15431859.00</b></p> <p>The work was awarded on 1.10.2007 and due for completion on 30.09.2008. The contractor has completed the work on 30.11.2008. The delay was analysed and noticed the delay was approved by the competent authority stating that the delay is not attributable to the contractor. Further the deviation was also approved by the Chief Engineer.</p> <p><b>14. HPPWD, Rampur</b>  <b>Package no. 207 – HP-MDR-19</b>  <b>Name of the Contractor Pawan Sood.</b></p> <p>While examining the papers for award of the contract it was noticed that the audited balance sheets for the last three years of the contractors are not on record. The department has obtained only a certificate of the gross contract receipt of Rs. 48067112.00 from Chartered Accountant is available on the record.</p>	<p>In view of the above, the matter was referred by The Chief Engineer-cum-Project Director, HPRIDC to Engineer in Chief alongwith all the document pertaining to this for taking necessary action in the matter. However, no decision in this regard has been communicated by the Engineer-in-Chief till date. Further, based on the auditors report for the period 1.4.2008 to 31.12.2008, an enquiry was also entrusted by the Secretary(PW) to the Govt. of H.P. On the basis of the enquiry report, the matter has been referred by the State Govt. to State Vigilance Deptt. to register the case and enquire into the matter thoroughly.</p> <p>No action is required.</p> <p>To Streamline this issue, Secretary (PW) to the Govt. of H.P. has nominated the General Manager-cum-Financial Advisor or his nominee as one of the member for the financial evaluation of bids opening committee.</p>
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c) In term of the agreement, the work is to be completed as under

		Period
Milestone work	I	3 months
-do-	II	9 months
-do-	III	12 months

M/s. CGI Consultant has visited to inspect the roads and as per their report dated 18.09.207 the work was not started. The Ist running bill was entered in measurement book upto 16.03.2008, where not even the work of Ist mile stone was completed. In our opinion it attracts the penalty clause.

**16. HPPWD, KASAULI,**

Package No. 1/2007-08

Contractor Name

Rajindra & Co.

66, Sector 27-A, Chandigarh

Date of completion

11.04.2008

Date of Agreement

11.04.2007

Road

Parwano-Kasauli-Dharampur-Subathu Road.

- a) The Bank guarantee of Rs. 349624.00 is valid upto 31.3.2008. The confirmation certificate from Higher Authorities is not available in the record.
- b) The agreement was extended upto 30.06.2008 but the work is not yet completed.
- c) The correspondence with regard to liquidated damages was not made available. Hence we are unable to comment.

The Executive Engineer, Nirmand vide his letter dated 20.03.2009 has intimated that the excise exemption could not be granted well in time . The same was conveyed to his office by S.E., 11<sup>th</sup> Circle, HPPWD, Rampur on 31.12.2007. In view of this, the contractor could not complete the work in time and the liquidated damages was not imposed on the Contractor under clause 49.1 as the delay is not attributable to the contractor. Accordingly, the liquidated damages have been regulated in view of the above.

The confirmation of the guarantee has been obtained from Regional Office of the Bank vide letter No. COCHD:ADV-1:CR717:1777:2007 Dated 11.09.2007.

As explained by the Ex.Engr., Kasauli that work has almost been completed and there is some variation in some items as per schedule of quantities, in which enhanced/deviation statement is under preparation. Hence, based on the facts explained by the Executive Engineer that delay is not attributable to the contractor, Liquidated Damages has not been imposed.

**17. HPPWD., SOLAN**

Package No.	MDR -2 & SH - 61/2007-08
Contractor Name	Rajindra & Co. 66, Sector 27-A, Chandigarh
Date of Agreement	30.03.2007
Date of completion	08.04.2008

The performance Bank guarantee of Rs. 886500/- and Rs. 400505/- is valid upto 31.03.2009 & 31.03.2008 respectively. These have been got confirmed from higher authorities. These guarantees are extended upto 30.09.2009 & 30.09.2008 respectively. The confirmation from higher authorities have not been obtained of renewed guarantees. The performance guarantee of Rs. 400565.00 is already expired and necessary action in this regard need to be taken.

The Guarantees has been confirmed by the Regional Office vide letter no. COCHD:SME:CR-717:2255:07 dated 22.11.2007. Since, the work has not been completed and these guarantees are to be renewed further upto the DLP. Moreover, HPRIDC has withheld a sum of Rs. 12.16 lac of the contractor. If the guarantees are not renewed upto the specific period, the withheld amount will be adjusted against the performance securities.