

SONI & RUSTOGI
CHARTERED ACCOUNTANTS
PHONE OFF: 91-177-2622588
FAX: 91-177-2624188
CELL: 9418188588, 9418001500

NITYA NIKETAN BUILDING
CHOTTA SHIMLA
SHIMLA-171002

The Managing Director,
H.P. Road Infrastructure Development Corp. Ltd.
New Himrus Building ,
Cart Road,
Shimla

1890
28/3/09

Subject- **Internal audit for the period 1.4.2008 to 31.12.2008**

Sir,

We have completed the internal audit of your corporation for the period ending 31.12.2008. Our observations and suggestions are given below for your information and necessary action.

1. **Bank Accounts:**

a) The following bank accounts are lying inoperative since a long time. In case these accounts are not required, these should be closed.

Action Fin. Wing

Name of the bank	Account No.	Amount
PNB Escrow Account	6718	4816.00
HP State Coop. bank		8240.43

b) Punjab National Bank

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 .

15.07.2008	12110.00
29.12.2008	21849.00

Action Fin. Wing



2. **Advances to LAO,s:**

The following advances have been given to land Acquisition Officers for expenses. However the same are still pending for adjustment.

<i>Action Fin. wing</i>	Kangra	28400.00
	Mandi	15000.00
	Shimla	15000.00

3. **Bills Payable**

The following amounts 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.

<i>Action Fin. wing</i>	Trusteeship Fee payable to SBOP	33333.00
	Annual report Charges 2002.03	1768.00
	Sutluj Document Co.	1597.00

Anie. has been w-b.

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

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

5. **Advance to C&C Consultants Ltd. (Una- Bangana – Bursar Road)**

An agreement was entered into with C &C Consultants Ltd. for above Road for the amounts given below.

Agreement amount	989400670.00
Less : Work as per clause	
1.04 withdrawn lateron	75811700.00

	913588970.00
Less Rebate 1%	9135890.00

Net Amount of Contract

904453080.00



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 in our opinion excess advance of Rs. 2814510.00 has been paid to the party which may be recovered from the next payment.

6 Agreement with Luis Bergar Group inc. in a/w Luise Bergar Consulting Pvt. Ltd. Gurgaon

The agreement was entered into with the above party for supervision of Phase 1 Upgrading of State Roads (443 Kms.). The contract amount was to paid as under.

Luis Bergar Group Inc. USD 863032.52

Luise Bergar Consulting Pvt. Ltd., Gurgaon Rs. 229415956.89

Action Tech. Wing

As stated above the payment in Indian Rupee is to be made Luise Beger Consulting Pvt Ltd. which is an Indian Company. However while scrutinizing the agreement we observe that the payment in Indian currency includes Rs.28125751.00 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

Action Fin. Wing

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



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

Action Fin. wing / CMU.

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	26.3.2007
Date on which work was to be completed	25.3.2008
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 st mile stone	Rs. 2000.00 per day
Delay in completion of 2 nd milestone	Rs. 2675.00 per day
Delay in completion of 3 rd mile stone	Rs. 1100.00 per day

Total	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 insurance but no document is available in the record regarding insurance.

i) As per latest bill available with the division the contractor has completed the work of Rs. 23156504.00 (including Rs. 5931847.00) pending with the division for approval.

ii) The performance guarantee for Rs. 1314400.00 is available up to 16.2.2009 from SBOP Jassure however the confirmation is required from the bank authorities.



8. **Advances to Consultants:**

i) Advantage India Rs. 919829.00

Action
Tech. Wing

The agreement was entered into on 15.9.2006 for implementation of RAP for Phase -1 (413 Kms) of State Roads for an amount of Rs. 3239500.00 . The duration of the agreement was 24 months i.e. upto October, 2008. The part payment of Rs. 919829.00 was released in earlier year. The further progress is not available as no payment has been released there after and the time period of the agreement is over.

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 amounts.

Action
Fin.
Wing

a) Marketing Development Research Associates Rs. 2462658.00

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 released to the party in earlier year.

b) JP Associates Pvt. Ltd. Rs. 2458878.00

Consultancy services were hired to undertake the study of of the Productivity of FORCE accounts Staff in PWD under SRP . The time of agreement was over on 30.4.2007 and the full payment has been released to the party.

c) Price water House Cooper Rs. 2469280.00

The consultancy were taken to assist HPRIDC Ltd. for Road Sector Finance Study. The period of the agreement was from Sept., 2006 to Jan, 2007.



b) **Maintenance of Bharwain Chintpurani , kandrori, Damtal Road
(HP-MDR-42-309)**

Name of the Contractor	V.B. Constuction Company
Gross Contract Amount	Rs. 18187346.00
Date of Agreement	26.3.2007
Required Date of completion	25.3.2008
Status	Incomplete

- 22/01/08*
Wing
- The provisional extension has been granted from time to time however the work has not yet not been completed.
 - The party has submitted the bills of Rs. 15058396.00 (including Rs.,3666207.00 pending for approval)
 - The performance guarantee for Rs. 909400.00 from Kangra Central Cooperative Bank , Mubarakpur up to 15.3.2012 is available . As per guidelines the guarantee is required from scheduled bank.

**Maint. Of Jawalmukhi, Dehra , Jawali , Raja Ka Talab Road
(HP-MDR-310)**

Name of the Contractor	Om Parkash Sharma & Sons
Contract Amount	Rs. 17266853.00
Date of Start	26.3.2007
Required date of completion	25.3.2008
Date of completion as shown in the bill	12.7.2008

- Action Plan*
Wing
- Bills amounting to Rs. 887000.00 are pending for recovery.
 - The executive engineer has given extension upto 20.8.2008 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.
 - The performance guarantee has been expired on 14.3.2008 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	29.5.2007
Required date of Completion	28.5.2008
Contract amount	Rs. 17238494.00

The contractor has not completed the work and liquidated damages amounting to Rs. 657000.00 have been imposed by the Executive Engineer. Vide letter no. PW-TDD/Periodic maint. - MDR 35/2008-16651-56 dt 7.3.2008.

Further liquidated damages have not yet been calculated however as per agreement Rs. 10050.00 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 st Mile stone	Rs. 450.00 per day
Non completion of 2 nd mile stone	Rs. 7000.00 per day
Non completion of 3 rd mile stone	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 17.6.2008.

b) **Maint. Of Sujampur, Sandhole Marhi Road (HP-MOR-38)**

Name of the Contractor	UNIPRO, Ambala Cantt
Contract amount	Rs. 25372682.00
Date of Start	29.5.2007
Required date of completion	28.5.2008



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The executive engineer has given the extension for completion of work till 31.12.2008. The reason stated for extension are extreme bad weather condition and shortage of bitumen. The performance guarantee for Rs. 12.69 lacs issued by Indian bank is valid upto 30.6.2009. The Contractor's all risk insurance policy and workman's compensation policy has been expired on 23.5.2008 and 19.9.2008 respectively. The work is stated to be still incomplete.

12. HPPWD Arki Division:

Action Req.
Wing
The copy of the report already submitted is enclosed for your ready reference.

13. HPPWD Karsog:

Package No. HP-SH-21-102 Rs. 15431859.00

No action required
The work was awarded on 1.10.2007 and due for completion on 30.9.2008. 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.

14. HPPWD Rampur :

Package No. 207-HP-MDR-19

Name of the Contractor Pawan Sood

Action Req.
Wing
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.



16. HPPWD : KAUSAULI

Package No. : 1/2007-08
Construction Name : Rajindra & Co.
66, Sector 27-A. Chandigarh
Date of Completion : 11.4.2008
Date of Agreement : 11.4.2007
Road : Parwano Kasauli Dharampur Sabatoo Road

- Deliver file way*
- a) The Bank guarantee of Rs. 349624.00 is valid up to 31.3.2008. The confirmation certificate from Higher Authorities is not available in the record.
- b) The agreement was extended up to 30.6.2008 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.

17. HPPWD Solan
Package No. MDR-2 & SH-6
Name of Construction M/S Rajindra & Co.
66, Sector 27-A.
Chandigarh
Date of Agreement 30/03/2007
Date of Expiry 08/04/2007

- Deliver file way*
- a) The performance Bank Guarantee of Rs. 886500.00 and Rs. 400505.00 is valid upto 31.3.2009 and 31.03.2008 respectively. These have been got confirmed from higher authorities. These guarantees are extended upto 30.9.2009 and 30.9.2008 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.



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NITYA NIKETAN BUILDING
CHOTTA SHIMLA
SHIMLA - 171002

The Managing Director,
Himachal Pradesh Road and Other Infrastructure Development Corporation Ltd.,
Shimla

Subject: Audit of Arki Division in respect of HPRIDC Work.

Dear Sir,

We have visited the Divisional Office Arki-Distt. Solan of Himachal Pradesh Public Works Department to examine the relevant papers relating to the Package No. 16-204 and Package No 11-205 respectively. The work of both of the projects were awarded to Sh. Chatter Pal Sharma, Totu Distt. Shimla. We have noticed the following discrepancies for which necessary action may be taken at your end:

Registration Defects:

a) While checking the relevant papers, it has been noticed that the financial statements i.e. Balance Sheet and Trading and Profit and Loss for the year ending 31st March, 2002 to 31st March 2006 with the rubber stamp of M/S Verma & Co. Chartered Accountants, Totu, are available. The audit reports on these accounts are not in the record. In term of Section 44 AB of the Income Tax Act, 1961, the audit report is to be enclosed with the audited accounts. As per the best of knowledge, no such firm like Verma & Co. Chartered Accountants Totu exists. We strongly recommend to ask for the audited financial statements alongwith audit report from the Contractor.

b) It has been noticed that the following salaries and wages e been paid in these accounting years as per the copy of accounts available:

Sno	Year Ending	Amount
1	31 st March, 2002	11322723.00
	31 st March, 2003	3922123.00
	31 st March, 2004	3913566.50
	31 st March, 2005	9876701.50
	31 st March, 2006	20930016.50

The registration certificate from Provident Fund authorities are not available on record. Further, there is no such practice with the department to obtain such type of certificate. We strongly suggest that such certificate should be obtained to avoid any liability on the employer.

Advance to Contractors:

The work of both these contracts was awarded on 22/03/2007 and the following advances were released to him in March, 2007 at the Division Office at their own:

Package No	Secured Advance	Machinery Advance	Mobilisation Advance
16-204	831911.00	331899.00	331899.00
11-205	831912.00	411189.00	411190.00

Machinery Advance :

The contractor has provided the Performa- invoices for the purchase of machineries in case of both the packages, but the purchase bill has not been obtained till date. It is to our great surprise that the letter of acceptance is issued on 17/03/2007 whereas the Performa invoice of the machinery in case of package NO 16-204 is available of 10/11/2006 i.e. even before the date of tender which is 17/11/2006. The inspection report of the machineries is not available in the record. We understand that the undue benefit has been given to contractor by the concerned Executive Engineer while releasing the advance against the machinery. We also strongly suggest that the advance for the purchase of machinery should be given direct to the supplier to avoid such type of mal-practices.

BANK GUARANTEES :

In term of the agreement, the contractor is obliged to provide the bank guarantees against the mobilization advance and machinery advance but in none of the cases the bank guarantees are available in the record. However, the Executive Engineer has issued the letter to State Bank of Patiala, Sanjauli to confirm the issuance of the guarantees. The concerned bank has denied the issuance of such bank guarantees in favour of the Executive Engineer, HPPWD., Arki. Further, the contractor has replaced the bank guarantees dated 13.10.2007 which are available in the record. We are surprised to note how the advances were given without obtaining proper bank guarantees.

SECURED ADVANCE

The contractor has provided purchase bill no. 5150921 dated 17.03.2007 for Rs. 14,91,833/- and 5151989 dated 26.03.2007 for Rs. 16,67,554/- for the purchase of bitumen 80/100 packed in both the cases from Indian Oil Corporation, SDA Complex, Shimla and stated to be entered at MAS - AD/50 and MAS - AD - 88 dated 3/2007 against which the above advance has been given. As far as our knowledge goes, the purchase bills are issued from the refineries and not from the administrative offices. Moreover, the bitumen is a excisable item for which specific bills are issued by the refineries. As per BOQ item no. 15, the bitumen of 80/100 grade is required only for Rs. 3,97,400/- less 10%. We are unable to understand, how an advance of Rs. 8,31,911/- has been given when the requirement of material was much lesser. The photocopy of both these bills are enclosed. The proper inquiry for the purchase of the bitumen may be conducted.

LIQUIDATED DAMAGES

Both the contracts stated above were to be completed by 3/2008. However, as per report of the consultant dated 20.09.2007, no work was done upto 9/2007 by the contractor. A specific period has been given to the contractor for completion of different milestones which are given as under

Particulars	Date on which work was to be completed.	Date of completion
Milestone I	21.09.2007	30.05.2008
Milestone II	21.12.2007	Not yet completed
Milestone III	21.03.2008	Not yet completed

The contractor has applied for the extension on 26.12.2007 for the completion of milestone II by 3 months even before completion of milestone I and after the due date of completion the milestone 2. The reason for non completion of work are stated to be weather conditions, non availability of CRMB -55 etc. However, as per letter no. PW-CTR-29-637/2007 -7613 Dated 25.06.2007 issued by the Chief Engineer (South), HPPWD, Shimla which clearly states that CRUMN-55 is amply available with the I.O.C., Depot (copy enclosed). Further, The Asstt. Engineer, Arki Sub-Division, HPPWD, Arki vide his letter no. PW-Tender/2007-1028-30 dated 14.08.2007 issued to the contractor clearly states that the contractor has stopped the work from two and half month without assigning any reason.(copy enclosed)

In addition to above, the contractor applied for extension on 17.04.2008 after expiry date of the original agreement. The extension was granted to complete the work upto 23.07.2008 by the Chief Engineer. However, no fresh agreement was entered into and the work has also not yet been completed.

We observe that an amount of Rs. 12,46,910/- was withheld by the Corporation for non completion of different milestone in time as per agreement. However, the entire amount was released to the contractor on the recommendation of the Executive Engineer, HPPWD, Arki vide his letter dated 27.09.2008.

Considering the above facts, we are of the opinion that there does not seem to be any valid reason for not imposing the Liquidated Damages as per agreement on the contractor and released the already withheld amount on this account.

FOR SONI & RUSTOGI
CHARTERED ACCOUNTANTS


(S.K. SONI)
PARTNER

Dated :- 06.12.2008