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No. IA/I/20/Circular/Vol-VI

Dated : 08/08/2019

IMPORTMENT CIRCULAR NO. 69

To

All the LAOs  
(As per standard list)

Subject:- Circular of Local Test Audit Report.

The following DADS (EC) Patna Local Text Audit Report are circulate herewith for examination and further necessary action of all the LAOs:-

DADS, EC, Patna Local Test Audit Report bearing LTAR No. <sup>574/LTCOR/4-08/2016-1</sup> 1230/LTCOR/45/16-17 dated <sup>28.10.2016</sup> 28.10.2016 Part-II (B) Item No. I regarding excess payment of Rs.16.93 lakhs to the contractor against CA No.CCE(Army) No 3/MIS/02/2015-16, Item No. II regarding Non-initiation of reduction statement amounting to Rs. 89.41 lakhs and slow progress of work of CA No. CCE(Army) No 3/MIS/02/2015-16 and Item No. III regarding slow progress of contract for DPR and construction work for AMN Storage Accommodation and Part-II (C) Item No. I regarding loss of public money due to irregular placement of supply order at higher rate against Chief Construction Engineer (Army) No.3 Narangi.

In the light of the above reference LTARs, the LAOs are requested to give special emphasis on the above areas of audit while conducting the audit and reviews of units/formations under their jurisdiction and report the outcome through the LACR of the Units audited.

(N.K. BISWAS)  
DCDA (IA)

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EDP Section  
(Local)

(N.K. BISWAS)  
DCDA (IA)



Part -II (B)

ITEM-I: Excess payment of Rs. 16.93 lakhs to the contractor against CA No.CCE(Army) No 3/MIS/02/2015-16

For construction of Tech Accn.and allied infrastructure at Missamari, CCE(Army) No.3, Narangi concluded a contract bearing CA No. CCE(Army) No 3/MIS/02/2015-16 dated 14 Oct 2015 with M/s City Promoter & Buildwell Pvt Ltd for Rs. 25,05,36,000/-. The date of commencement of work was 31 Oct 2015 and date of completion as 30 Oct 2017.

During scrutiny of payment detail made to contractor through RAR, against above CA it was observed that in 3<sup>rd</sup> RAR, 5% work was done by the contractor against Schedule 'A' Part-I Sr. No 5 (MT-II) building work was only 5% whereas payment made to the contractor for 14% which resulting in excess payment to the tune of Rs. 13, 68,861.84/- (Detail as under):

Unit rate of Schedule 'A' Part-I Sr. No 5 (MT-II) building work = Rs. 1, 00, 06,300/-

Payment made to contractor @14% of unit rate + 52% CP = Rs.14, 00,882/- + Rs.7, 28,458.64)

= Rs 21, 29,340.64

Payment which required to be made to the contractor @ 5% of unit rate + 52% CP)

= (Rs.5, 00,315/- + Rs.2, 60,163.8)

= Rs 7, 60,478.8/-

Thus excess payment made to contractor= Rs. 21, 29,340.64 – Rs. 7, 60,478.8 = Rs. 13, 68,861.84/-

Further, as per statement of stores laying at site in the 2<sup>nd</sup> RAR, 1120 bags of cement OPC Topcem valuing Rs. 3,24,800/- (1120 x 290) was held laying at site for which payment was made to the contractor but these quantity was not taken as balance in the 3<sup>rd</sup> RAR for further use or otherwise. This will also be treated as undue benefit and excess payment made to contractor.

Thus, excess payment of Rs.16,93,661.84/- (Rs. 13, 68,861.84/- + Rs.3, 24,800/-) required to be recovered from contractor under intimation to audit.



In reply it was stated that in the 3<sup>rd</sup> RAR, work done for three Accn under Sch 'A' Part-I, Item No. 3, 4 & 5 were considered as per approved yard stick. In the summary sheet of work done against Sch 'A' Part- I, work done percentage of MT-1 Storage Accn was brought forward for MT-2 Storage Accn and vice versa. However, actual work done amount against Sch 'A' Part- I during 3<sup>rd</sup> RAR was Rs. 86,41,803.44 whereas payment considered in the RAR was only Rs. 85,10,000/-. Hence no over payment was involved.

Further, stated that Qty 1120 No of cement bags balance in the 2<sup>nd</sup> RAR, were included in the gross Qty. of 3<sup>rd</sup> RAR but no supporting documents regarding carry forward of 1120 Nos of Cement bags valuing Rs. 3, 24,800/- from 2<sup>nd</sup> RAR to 3<sup>rd</sup> RAR was produced to audit. Thus, supporting papers regarding carry forward of 1120 Cement or recovery of Rs. 324,800/- from contractor will be watched in audit..

ITEM- II: **Non-initiation of reduction statement amounting to Rs. 89.41 lakhs and slow progress of work of CA No.CCE(Army) No 3/MIS/02/2015-16.**

Govt. of India, Min of Defence, New Delhi vide their letter No. A/49751/LW(East & SW)/554/D(W-I) dated 20 Nov 2013 accorded Admin Approval for Provision of Ordnance Storage (1800 MT) at Missamari (Job No E/1898) at an estimated cost of Rs. 3052.68 lakhs. The time required for physical completion of work was fixed 136 weeks from the date of release of work (i.e. upto 04.07.2016).

Forexecution of the work a contract bearing CA No. CCE(ARMY)No.3/MIS/02 of 2015-16 was concluded by CCE(Army)No.3, Narangi on 14 Oct 2015 with M/s City Promoter & Build well Pvt. Ltd, New Delhi for Rs. 25,05,36,000/- As per CA, PDC of the work from the date of commencement was 24 months As per work Order No. 1. date of commencement and date of completion were 30.10.2015 and 30.10.2017. As per monthly progress report for the month of April 2016, the progress of the work was only 8%.

After scrutiny of the above case files, the following audit comments were offered:

- 1) Para 193 of RMES stipulates that "in the case of a project costing Rs. 1 lakh or more, when the amount of the accepted contracts reduces the cost of the project as a whole below the administratively approved amount by more than 15 percent, the approved amount for that project will be reduced by the amount exceeding 15% by the CE/CWE within whose technical powers the work falls. Details of the reduction will be sent by the GE to the CDA and all concerned. The amount of 15 percent retained by the CE/CWE will be used to cover variations in cost due to technical reasons.



In the above instant case as the contract sum was reduced by 17.929% (Rs. 1052.68 lakhs - Rs. 2505.36 lakhs - Rs 547.32 lakhs) of administratively approved amount, hence the administrative approval amount was required to be reduced by 2.929% i.e. amounting to Rs. 89.41 lakhs.

However, on scrutiny of file it was observed that no such initiation for reduction in A/A amount was carried out.

- 2) As per Sl. No. 4.1.1 of Special Condition and Sl. No. 15 of Schedule 'A' of aforesaid CA, all works lie in **Unrestricted Area** whereas from the AE Pt-I of A/A of the Job No. E/1898, it was noticed that a sum of Rs. 1, 38, 50,643.82 @ 5% of the AE amount had been provisioned on account of restricted area. As the work is being executed in unrestricted area, the amount cater for restricted area is not justified and this also does not fulfill the conditions as laid down in Contracts Manual 2007 for working in restricted area. As such an amount of Rs. 1, 38, 50,643.82 catered in AE on accounts of restricted area requires reduction from AA amount.
- 3) As per Administrative Approval, the PDC of the work was 136 weeks from the date of release of the work which is going to be expired on 04.07.2016. Till April 2016, the progress of work is only 8%. This indicates that the progress of work is very slow and could not be completed within prescribed PDC.
- 4) TS No. 06 dated 16 Jan 2016 was issued by the C.C.E.(Army) No. 3, Narangi for provision of work station & partition for office of CCE(Army) No. 3 at Narangi for Rs. 9,93,900/- against project contingency of the Job E/1898. As the Job No. E/1898 is sanctioned for provision of Ord Storage (1800 MT) at Missamari, its contingency should also be expended to this job related work at Missamari but the work which is being executed under TS No. 6 relates to Main office at Narangi and not concerned any angle with Job No. E/1898 at Missamari. Thus, the work is not justified and irregular which requires either cancellation or re-appropriation.

In this regard following information were called for in audit:

- 1) Reasons for non-initiation of reduction statement for Rs. 89.41 lakhs as per para 193 of RMES alongwith action taken in this regard.
- 2) Action taken/proposed to be taken to reduce the restricted area amount Rs.1, 38,50,643.82 catered for in the A/A.
- 3) Whether any extension of PDC was initiated or granted by the Job sanctioning authority?
- 4) Reasons & justification for provision/execution of work station & partition for office of CCE (Army) No. 3, Narangi against contingency amount of Job No. E/1898.



In reply it was stated that the contract was concluded for Rs. 2505.36 lakhs out of 277012876.40 + 5% (RA) = 29,08,63,520.20 say Rs. 2908.64 (as per AE Part- I item 1 to 7) excluding amount of consultancy amount and contingencies charges and thus accepted amount is reduced only 13.86%. Hence, initiation of reduction statement at this stage is not required.

Further it was stated that during preparation of AE, restricted area amount @ 5% has been catered for as per the certificate given by Station Commander. However, the amount was not considered during acceptance of tender as per CA condition and necessary reduction statement for Rs. 1,38,50,643.82 (restricted Area @5%) will be initiated after completion of the work. During discussion it is agreed by the CE that the reduction statement will be initiated at the earliest which will be awaited in audit

**ITEM- III: Slow progress of contract for DPR and construction work for Amn Storage Accommodation**

During the scrutiny of Quarterly Progress Report in respect of Chief Engineer's contracts for the Quarter Ending Feb 2016 it was observed that contracts concluded during the financial year 2011-12, 2013-14 and 2014-15 for Detailed Engineering and Project Management Consultancy Services for Storage Accommodation, Technical Accommodation and allied infrastructure is being progressed very slow(0-22%) even after lapse of two to four years from the P.D.C.or extended P.D.C.. Contracts concluded for construction of Tech Accn and allied infrastructure at Missamari and Lekhabali was also very slow or say even NIL. Contract wise progress details are as under:

Sl No.	CA No. & name of work	CA amount (Rs. in lakhs)	Date of commencement	Date of completion /extended date of completion	%age progress
1	CCE(ARMY)/NAR /01/2011-2012: Detailed engineering and project management consultancy services work	125.55	12 Sep 2011	11 May 2012 /17 Apr 2013	22%
2	CCE(ARMY)/NAR /02/2013-2014: Detailed engineering and project management consultancy services work	93.69	18 Mar 2014	17 Nov 2014	5.66%
3	CCE(ARMY)/DIN /01/2014-2015: Detailed engineering and project management consultancy services work	29.68	18 Apr 2014	17 Dec 2014	NIL



4	CCE(ARMY)/NAR/DIN /01/2015-2016: Construction of Tech Accn and allied infrastructure at Lekhabali in Assam	613.75	20 Nov 2015	19 Oct 2017	NIL
5	CCE(ARMY)No 3/MIS/02/2015-2016: Construction of Tech Accn and allied infrastructure at Missamari in Assam	2505.36	31 Oct 2015	30 Oct 2017	1.30

Reasons and action taken/proposed to be taken to improve the progress of work alongwith present progress were called for in audit

In reply it was stated that proper action had been taken by the department for improve the progress of the contract. The progress of contracts will be watched in audit.

#### Part-II(C)

ITEM-I: Loss of public money due to irregular placement of supply order at higher rate.

CCE (Army) No. 3 Narangi placed two supply orders No 31004/CCE3/SO/42/E3, 31004/CCE3/SO/43/E3 on 25 Jan 2016 and supply order No 31004/CCE3/SO/44/E3 dated 25 Jan 2016 for purchasing of stationery items against PM (OL) Bengdubi quotations No. 1006/20/E3 dated 29 July 2015 and Quotation No. 1006/23/E3 dated 09 Nov 2015 respectively.

During comparative study of above supply orders it came to notice that various stationery items with same nomenclature and make were purchased at much more higher rate through SO No. 31004/CCE3/SO/42/E3, 31004/CCE3/SO/43/E3 dated 25 Jan 2016 than SO No 31004/CCE3 /SO/44/E3 dated 25 Jan 2016 as under:

Sl No	Nomenclature of Item	Rate as per SO No 31004/CCE3/SO/42 /E3, 31004/CCE3 /SO/43/E3 Dated 25 Jan 2016		Rate as per SO No. 31004/CCE3/S O/44 /E3 Dated 25 Jan 2016		Excess rate per unit (in Rs.)	Excess amount paid (in Rs.)
		Qty	Rate (In Rs.)	Qty	Rate (In Rs.)		
1	Photo state paper FS size Make- JK Copier	11	280	11	265	15	165
2	CD writable	40	30	40	10	20	800



	premium qty 52 x multy speed 80 ml/700 ml					(200%)	
1	Transparent Tape 1 cm wide make Cell	2	45	2	20	25 (125%)	50
4	Transparent Tape 2 cm wide make Cello	2	90	2	25	65 (260%)	130
5	Brez-ex correction pen Make Kores	7	45	7	30	15 (50%)	105
6	Highlighter pen	1	100	1	95	5	5
7	Liquid pump soap for hand wash	2	85	2	74	11 (15%)	22
8	Tape adhesive coloured 1cm wide	4	44	4	32	12 (37%)	48
Total							1325

It is evident from above that all two supply orders were placed at same date i.e. 25 Jan 2016, rates accepted up to 260% higher than other is not justified and acceptable.

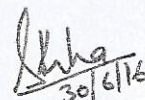
Audit is of view that as the lower rate comes in notice through quotation No. 1006/23/E3 dated 09 Nov 2015, supply order placed at higher rate on the basis of quotation no. 1006/20/E3 dated 29 July 2015 is not only irregular but also resulting in loss of public money Rs. 1325/- just in purchasing of Rs. 11000/- (approx.).

As per the condition of the quotation, quotation will be valid for the two months from the date of offer, supply order placed after six months (in 1/2016) on the basis of quotation dated 29 July 2015 is not in order. Rate reasonability approved by the Board of Officers for both the quotations is also irrelevant and put a question mark on all the purchasing of stationery items. All the above matters requires proper elucidation along with action for recovery/regularisation.

In reply it was stated that the supply order has been placed on the same date however, the stationery demand was placed for QE Sep 2015 and QE Dec 2015. The matter has been noted for future compliance and AO will be advice to monitor this aspect in future.

Thus, the matter will be left to be watched in internal audit.

The inspection report has been prepared on the basis of information furnished and made available by the auditee. The office of the Director of Audit, Defence Services, E.C., Patna disclaims any responsibility for any misinformation and/or non-information on the part of the auditee.

  
 30/6/16  
 Sr. Audit Officer  
 Defence Services, EC  
 Patna