

## **Chapter - 2**



## CHAPTER - 2

### 2 Audit relating to Government companies

#### 2.1 Audit of production and transportation of woollen blankets by Jharcraft - fraudulent payment of ₹ 18.41 crore

**Jharcraft officials made fraudulent payment of ₹ 18.41 crore against fictitious records relating to cost of woollen yarn, wages, finishing and transportation of 8.89 lakh blankets.**

Department of Labour, Employment and Training (Labour Department), GoJ ordered (November 2016 and May 2017) Jharkhand Silk, Textile & Handicraft Development Corporation Limited (Jharcraft), a State PSU, to supply 9,82,717 woollen blankets<sup>1</sup> for ₹ 29.48 crore.

Accordingly, Jharcraft placed orders<sup>2</sup> (May 2016 to September 2017) for supply of yarn to NAN Woollen Mills, Panipat (18.64 lakh kg) and Unnati International, Panipat (2.94 lakh kg) for a total value of ₹ 15.54 crore. The yarn was to be distributed to 62 Self Help Groups (SHGs)/ Primary Weavers Cooperative Societies (PWCSs) located in eight districts, who had the facility to weave woollen blankets. The SHGs/ PWCSs are supervised by 27 cluster managers who report to the Deputy General Manager (DGM), Handlooms, Jharcraft. The semi-finished blankets were thereafter to be washed and finished by Nutan Industries, Panipat. The finished blankets were then to be transported by Super Haryana Road Lines, Panipat and Speed Fast Courier & Cargo Services, Ranchi to different districts in Jharkhand for distribution to people living below the poverty line (BPL). All the above firms were either empanelled vendors of the National Handloom Development Corporation (for supply of yarn) or selected by Jharcraft through tender. Jharcraft incurred expenditure of ₹ 19.39 crore<sup>3</sup> up to January 2018<sup>4</sup>.

Audit examination indicated that the purported transactions were a fabric of fiction, and Jharcraft officials purchased inferior blankets from elsewhere, which were distributed to the BPL category in 24 districts through the Deputy Commissioners of districts. Audit evidence supporting this conclusion is furnished below:

---

<sup>1</sup> At a rate of ₹ 300 per blanket, each measuring 60" x 90" and weighing 2 kg.

<sup>2</sup> Orders for 15.34 lakh kg were placed with National Handloom Development Corporation Ltd. (NHDC), who, under the yarn supply scheme of Government of India provided price subsidy for yarn procured from its empaneled vendors at their quoted rates. Supply orders of Jharcraft to NHDC either mentioned the name of the preferred supplier (NAN/ Unnati) or indicated the supplier quoted price. The vendor was required to deliver the yarn directly to Jharcraft, and payment would be routed through NHDC (after deducting subsidy, which would be paid directly by NHDC to the vendor). In addition, Jharcraft purchased 6.24 lakh kg of yarn directly from NAN, without availing subsidy.

<sup>3</sup> ₹ 6.85 crore provided (July 2017) by the Department, ₹ 4.54 crore met from own funds and ₹ 8.00 crore diverted (July 2017 and November 2017) from funds available under Sericulture scheme under orders of MD, which is yet to be recouped.

<sup>4</sup> ₹14.53 crore for yarn, ₹2.39 crore towards wages to weavers including supervision charges, ₹ 1.36 crore for finishing charges and ₹1.10 crore for transportation.

### 2.1.1 Failure to ensure quality and quantity in yarn procurement

As discussed below, there was no evidence to show that the yarn stated to have been supplied to SHGs/ PWCSs met the stipulated quantity and quality:

✓ The MD Jharcraft had assured (June 2017) the Labour Department that Jharcraft's central store at Irba, Ranchi had five technical personnel to ensure quality control. Further, the clusters were manned only by cluster managers who were non-technical persons. Accordingly, the supply orders stipulated that 15.24 lakh kg of yarn was to be delivered at the central store. Despite this, for reasons not on record<sup>5</sup>, the yarn was shown<sup>6</sup> as supplied directly (June 2016 to October 2017) from Panipat to 27 clusters of Jharcraft. Again, for reasons not on record, additional supply orders<sup>7</sup> specifically required the vendors to deliver the yarn to the clusters. Since the clusters did not have technical personnel to perform quality control, the yarn stated to have been supplied directly to the clusters could not have been tested for quality.

✓ Further, the stock account of receipt of yarn at Jharcraft head office was based only on sale invoices<sup>8</sup>, and there was no record to prove that the items and quantities mentioned in the invoices had actually been delivered.

### 2.1.2 Irregular engagement of transporters

As mentioned in paragraph 2.1 above, Jharcraft selected (March 2017) Super Haryana Road Lines, Panipat and Speed Fast Courier & Cargo Services, Ranchi as transporters. Without approval of the competent authority, DGM Handloom engaged four other firms viz., Haryana Goods Transport Co., Panipat, Haryana Transport Co., Panipat, Haryana Golden Road lines, Karnal and Shri Ganesh Transport Co., Karnal for transportation of woollen yarn/ semi-finished blankets/ finished blankets, instead of the two firms selected by the competent authority. None of these four firms had participated in the tender process, and there was no record on how and why the DGM Handloom selected these ineligible firms. Subsequently, at the time of payment, the MD called for the explanation of the DGM Handloom, who, at that time, justified the unauthorised and irregular engagement on grounds of emergency and pressure from different Deputy Commissioners to supply blankets within the stipulated time. Consequently, the MD approved (during April 2017 to November 2017) payment of ₹ 1.10 crore (**table 2.1**). The justification given by DGM Handloom, however, was an afterthought since there was no evidence of such emergency or undue pressure from Deputy Commissioners. The *post facto* approval of the MD was therefore, irregular.

Non-competitive and unauthorised engagement of transporters resulted in irregular payment of ₹ 1.10 crore.

<sup>5</sup> Nevertheless, the DGM, Handloom, as operational head of blanket production was accountable, for failing to ensure adherence to supply order or to ensure quality control through technical personnel.

<sup>6</sup> In the stock account maintained in the Jharcraft head office, invoices of the supplier and transporter's challans.

<sup>7</sup> For 6.34 lakh kg issued by the Assistant General Manager, Handloom or by the Chief Executive Officer or the Managing Director.

<sup>8</sup> Issued by NHDC or the vendor (in cases where purchases were not routed through NHDC).

Table 2.1: Statement showing amount of Transportation charges (₹ in lakh)				
Sl. No.	Transporter's name	Transportation charges due	Transportation charges paid	Outstanding transport charges <sup>9</sup>
1	Haryana Goods Transport Co., Panipat	207.83	55.56	152.27
2	Sri Ganesh Transport Co., Karnal	60.90	33.21	27.69
3	Haryana Transport Corporation, Panipat	33.59	Nil	33.59
4	Haryana Golden Road lines, Karnal	21.47	21.47	Nil
	<b>Total</b>	<b>323.79</b>	<b>110.24</b>	<b>213.55</b>

### 2.1.3 Discrepancies in transport challans and road permits

Audit verification of records for the period January 2017 to December 2017<sup>10</sup> indicated the following:

- 143 vehicles made 319 trips to transport 18.84 lakh kg yarn from Panipat to 27 clusters;
- 105 vehicles made 264 trips to transport 8.50 lakh semi-finished blankets from the 27 clusters to Panipat;
- 65 vehicles made 127 trips to transport 6.75 lakh finished blankets from Panipat to all 24 districts of Jharkhand for distribution to BPL category.

Audit test check of transport challans<sup>11</sup> and their cross-verification with road permits issued by the Commercial Taxes department (CTD)<sup>12</sup> revealed the following irregularities:

- ✓ During the period 27 July 2017 to 10 September 2017, twelve vehicles<sup>13</sup> were recorded as having made two return trips between Panipat and Jharkhand within a short span of one to five days by covering 2,366 km to 3,134 km for the first journey, before commencing the second journey (*Annexure 2.1.1*). This worked out to speeds ranging between 48 km per hour and 261 km per hour<sup>14</sup> which were significantly higher than the average travelling speed<sup>15</sup> (20-40 km per hour) of trucks in India. It is therefore evident that these journeys did not actually take place.

Record of vehicles plying in short span of time indicated that transportation of raw material and semi-finished blankets was improbable.

<sup>9</sup> Following the audit observations, the Development Commissioner, Jharkhand ordered (February 2018) Jharcraft to stop all further payments under this scheme.

<sup>10</sup> The audit scope was limited to this period and not earlier or later periods.

<sup>11</sup> Delivered to the clusters, but available with Jharcraft Head Office

<sup>12</sup> Between 28 August 2014 and 1 July 2017 (when, with the introduction of GST, the system of road permits was abolished) road permits were issued through the online portal of CTD. Jharcraft used its user ID and password to generate unique road permit number for each consignment giving details of commodities, consigner, place of dispatch, place of delivery, etc. Jharcraft would then send the link to the consigner to enable the consigner to access the portal and enter vehicle number, consignment date etc. The print out was sent with the driver of the vehicle to enable access through the CTD check posts.

<sup>13</sup> Carrying 1.46 lakh kg yarn valued at ₹ 1.05 crore

<sup>14</sup> Presuming 12 hours travel per day

<sup>15</sup> As per report of Retailers Association of India on "Movement of goods in India" published in December 2013.

✓ In respect of eight vehicles which claimed to have transported yarn<sup>16</sup> during the period 27 June 2017 to 30 June 2017, the vehicle number mentioned in the concerned transport challans available with Jharcraft did not match the vehicle number mentioned in the road permits issued by the Commercial Tax Department, GoJ (*Annexure 2.1.2*). It is therefore evident that the road permits were not used for transportation of the yarn claimed to have been supplied to Jharcraft.

✓ The records indicated that three vehicles claimed to have carried 21,071 semi-finished blankets between 26 September 2017 and 26 October 2017. Audit scrutiny of the transport challans<sup>17</sup>, however, revealed the following: (i) even to the layman's eye it was evident that the handwriting on the transport challans issued for different clusters and different vehicles was identical, indicating that the transport challans were fabricated; (ii) the names of the drivers for the same vehicle travelling on the same day differed in the respective transport challans; (iii) the different transport challans claimed that each of the three vehicles had visited two clusters located in different districts (as far apart as 60 km, 227 km and 461 km) on the same day, which was unlikely, if not impossible; (iv) further, each of the transport challans claimed freight charges from point to point (*i.e.*, from the concerned cluster to Panipat), which makes it clear that the vehicles had not visited more than one cluster per trip (*Annexure 2.1.3*).

✓ The Jharkhand Value Added Taxes Rules, 2006 stipulate that CTD check posts would countersign the declaration on the road permits and affix their official seal. Audit observed, however, that none of the 92 road permits for the period January 2017 to June 2017 contained the mandatory countersignature and CTD official seal. It is therefore evident that the road permits were not used to transport yarn/ semi-finished blankets/ finished blankets, and the records indicating this were fictitious.

#### **2.1.4 Discrepancies with reference to toll plaza data**

On the basis of transport challans, Audit prepared a database containing details of purported transportation of (i) woollen yarn procured from firms in Panipat; (ii) semi-finished blankets sent from different clusters in Jharkhand to Panipat for washing and finishing; and (iii) finished blankets dispatched from Panipat to different Deputy Commissioners for distribution to the BPL category in the 24 districts.

Audit then matched the registration numbers of vehicles collected through the above process with the toll data<sup>18</sup> relating to Sasaram toll plaza on NH-2 in Bihar, Dahar toll plaza on NH-709 and the alternative Bhagan toll plaza<sup>19</sup> on NH-1 (both in Haryana). The route through Sasaram on NH-2 is the preferred

---

<sup>16</sup> 0.48 lakh kg of yarn (worth ₹ 0.35 crore)

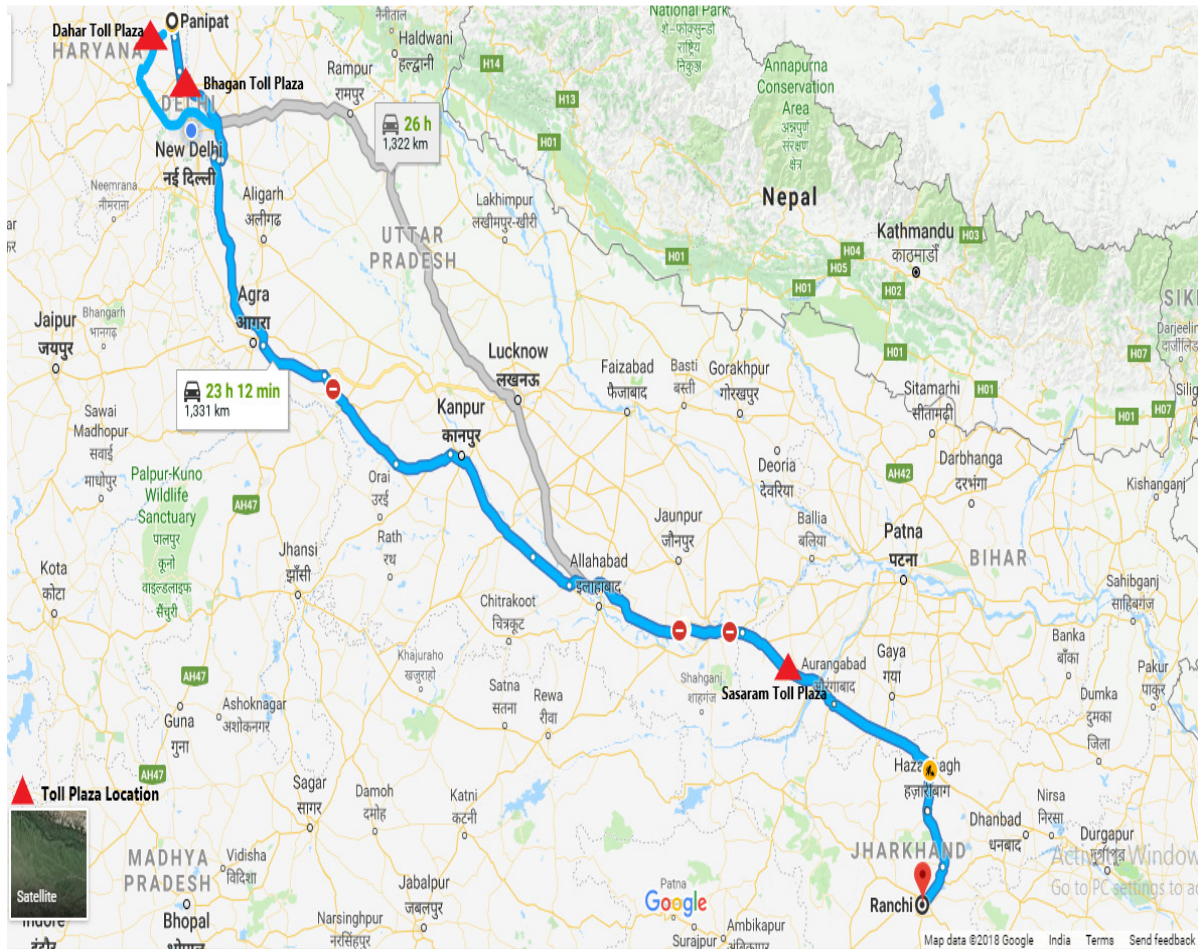
<sup>17</sup> Road permits for this period could not be examined for this period since the system of generating road permits was dispensed with after 1 July 2017.

<sup>18</sup> Provided by National Highways Authority of India (NHAI) for the period 01 January 2017 to 31 December 2017 in respect of Sasaram toll plaza and Dahar toll plaza, and for the period 23 October 2017 to 31 December 2017 in respect of Bhagan toll plaza.

<sup>19</sup> Since the Bhagan toll plaza became operational only from 23 October 2017, toll data was collected from that date till December 2017. However, as per records of Jharcraft, no yarn was transported during this period.

and the shortest route<sup>20</sup> for vehicles travelling between Panipat and Jharkhand as shown in Figure 2.1.1 below. Audit has therefore presumed that, even if some of the vehicles used other routes, it is unlikely that none of the vehicles used the shortest and preferred route through Sasaram. Audit has also estimated that trucks leaving Panipat for Jharkhand would cross either Dahar or Bhagan toll plazas in one day<sup>21</sup>, and take a total of three days<sup>22</sup> between Panipat and Sasaram.

**Figure 2.1.1: Map showing Panipat - Jharkhand route and toll plaza locations**



(Source: Google map)

#### 2.1.4.1 Cross verification of transport challans with toll data on vehicles claiming to have carried woollen yarn from Panipat to Jharkhand

As per the transport challan, one vehicle (HR 67 A 1061) was stated to have transported woollen yarn to Jharkhand leaving Panipat on 15 September 2017. However, the Dahar toll data showed that the truck had exited via Dahar on 15 September and returned on 16 September itself. Further, the same truck left

<sup>20</sup> Vehicles plying on other routes between Panipat and Jharkhand have to travel extra distances ranging between 26 km and 402 km.

<sup>21</sup> Panipat is 10 km from Dahar toll plaza and 93 km from Bhagan toll plaza. Both these distances can be covered in one day (at an average of 30 km per hour for 12 hours per day, compared to the estimated speed of 48 to 261 km per hour as per Jharcraft records-refer paragraph 2.1.3 above).

<sup>22</sup> Panipat is 1,000 km from Sasaram toll plaza, which can be covered in three days.



Dahar on 19 September and returned via Dahar on the same day. Again, the truck left Dahar on 20 September 2017 and returned on 21 September. It is therefore evident that the truck had not travelled to Jharkhand during this period and the transport challan was fictitious.

#### 2.1.4.2 Cross verification of transport challans with toll data on vehicles stated as carrying semi-finished blankets from Jharkhand to Panipat

Results of cross verification of transport challans with toll data for the period 23 October 2017 to 31 December 2017 are depicted in table 2.2.

Table 2.2: Details of vehicles transporting semi-finished blankets from Jharkhand to Panipat as per transport challans and as cross-verified with toll data				
No. of trips operated as per transport challans	No. of semi-finished blankets dispatched to Panipat as per transport challans	Results of examination of toll data		
		No. of trips crossing Sasaram toll plaza out of 127 trips	No. of trips crossing Dahar toll plaza after crossing Sasaram	No. of trips crossing Bhagan toll plaza after crossing Sasaram
(1)	(2)	(3)	(4)	(5)
127 trips by 83 trucks	4,10,844	9	Nil	Nil

It is therefore evident that none of the 83 trucks travelled from Jharkhand to Panipat. Further, Audit also noticed that as per transport challans, one truck (HR 67A 3918) was shown to have left Daltonganj, Jharkhand on 16 September 2017. However, the toll data showed that the truck crossed Dahar on the same day (a distance of 1,300 km.). The transport challans also indicated that the same truck (HR 67A 3918) was shown to have once again left Daltonganj on 26 September 2017; here also, the toll data showed that the truck had crossed Dahar on the same day itself. Again, as per transport challans, another truck (HR 67B 6567) was shown to have left Godda, Jharkhand on 29 September 2017. However, the toll data showed that the truck crossed Dahar on the same day from the opposite direction (i.e., leaving Panipat). It is therefore evident that all these transport challans claiming to have transported 4,10,844 semi-finished blankets from various clusters in Jharkhand to Panipat were fictitious.

#### 2.1.4.3 Cross verification of transport challans with toll data on vehicles stated as carrying finished blankets from Panipat to Jharkhand

Results of cross verification of transport challans with toll data for the period 23 October 2017 to 31 December 2017 are depicted in table 2.3.

Table 2.3: Details of vehicles transporting finished blankets from Panipat to Jharkhand as per transport challans and as cross-verified with toll data				
No. of trips operated as per transport challans	No. of finished blankets dispatched to from Panipat as per transport challans	Results of examination of toll data		
		No. of trips crossing Dahar toll plaza out of 57 trips	No. of trips crossing Bhagan toll plaza	No. of trips crossing Sasaram toll plaza after crossing Bhagan or Dahar
(1)	(2)	(3)	(4)	(5)
57 trips by 46 trucks	4,49,762	Nil	Nil	Nil

Transport challans claiming transportation of 18.84 lakh kg of yarn were fake.

It is therefore evident that the transport challans claiming to have transported 18.84 lakh kg of yarn (valued at ₹ 13.56 crore), 8.50 lakh semi-finished blankets (valued at ₹ 18.42 crore) and 6.75 lakh finished blankets (valued at ₹ 15.83 crore) between Jharkhand/ Panipat were fictitious.



Consequently, the payment of ₹ 13.56 crore for purchase of 18.84 lakh kg of woollen yarn<sup>23</sup>, wage payment of ₹ 2.39 crore<sup>24</sup>, cost of finishing charges ₹ 1.36 crore<sup>25</sup> and transportation charges of ₹ 1.10 crore<sup>26</sup> till January 2018 was fraudulent. Also, Jharcraft failed to generate employment of 88,868 person-days<sup>27</sup> to weavers as envisaged by the Government of Jharkhand.

### 2.1.5 Weaving of blankets by Self Help Groups (SHGs)/ Primary Weavers Cooperative Societies (PWCSs)

As per work allotment plan<sup>28</sup> (WAP) of Jharcraft, 2.12 kg yarn was required for weaving one blanket and as per Jharcraft's assessment, 10 blankets could be woven per day per hand loom<sup>29</sup>.

On the basis of the above, Audit analysed the weaving capacity of each SHGs/ PWCSs considering the yarn supplied to them and looms available with them and observed the following discrepancies in the stock account maintained in the *Genesis* software of Jharcraft, indicating that the records were fictitious:

✓ Yarn weighing 21.48 lakh kg was shown as distributed (between October 2016 to November 2017) by Jharcraft to 62 SHGs/ PWCSs which was sufficient to produce 10,13,208 blankets. As per the *Genesis* software, 1.32 lakh kg of yarn was lying unutilised with 16 SHGs/ WCSs till December 2017. Thus, as per records, the SHGs/ PWCSs utilised only 20.16 lakh kg<sup>30</sup> of yarn for production of blankets and supplied 9,83,447 woven blankets to Jharcraft till December 2017 whereas only 9,50,944 blankets<sup>31</sup> could have been woven from the utilised yarn. Thus, SHGs/ PWCSs could not have produced 32,503 (9,83,447 – 9,50,944) blankets in the absence of woollen yarn, and the claim of Jharcraft on blanket production is doubtful.

Thirteen SHGs/ PWCSs had no yarn to support their claim that they had supplied 44,909 blankets.

✓ The *Genesis* software indicated that 13 SHGs/ PWCSs supplied 44,909 blankets on 24 different dates during June 2016 to December 2017. However, audit scrutiny revealed that these SHGs/ PWCSs did not have any yarn available with them on relevant dates, and hence, the blankets could not have been supplied on the stated dates (**Annexure 2.1.4**).

✓ Audit verified the production capacity of SHGs/ PWCSs on the basis of number of available handlooms, the number of days for which yarn was available and the weaving capacity of 10 blankets per handloom per day and observed that 51 SHGs/ PWCSs were shown to have supplied 3.72 lakh

<sup>23</sup> At the rate ₹ 72 per kg

<sup>24</sup> Wages actually paid against the claim of ₹ 5.67 crore for 8,88,679 blankets at the rate ₹ 64.02 per blanket.

<sup>25</sup> Finishing charges against the claim of ₹ 1.59 crore for 8,88,679 blankets at the rate ₹17.90 per blanket.

<sup>26</sup> Transportation charges against the claim of ₹ 3.24 crore.

<sup>27</sup> Taking into account that 10 blankets could be weaved in one per day, the 8,88,679 blankets could have generated employment of 88,868 person-days to the weavers.

<sup>28</sup> Work Allotment Plans (WAP) are prepared for each consignment of yarn issued to SHG/ PWCS showing quantity of yarn supplied, number of looms available with the SHG, number of blankets to be woven by the SHG, wages, etc.

<sup>29</sup> As per the records, Jharcraft had 683 hand looms in 62 clusters; however, DGM Handloom provided cluster wise details totaling to 753 hand looms, to Audit.

<sup>30</sup> 21.48 lakh kg (-) 1.32 lakh kg

<sup>31</sup> From 20.16 lakh kg yarn by utilising 2.12 kg yarn per blanket

blankets in excess of their production capacity<sup>32</sup> between June 2016 to December 2017 (*Annexure 2.1.5*).

✓ During July 2016 to December 2017 wages of ₹ 2.39 crore for weaving of 3,73,970 blankets to 27 SHGs/ PWCSs were credited to the bank accounts of SHGs/ PWCSs, instead of to the bank accounts of weavers. Though the Managing Director claimed<sup>33</sup> that the wages were withdrawn in cash by the chairpersons of SHGs/PWCSs and distributed to the weavers, there was no evidence of such payment of wages to the weavers.

Thus, the claim of Jharcraft that 9.83 lakh blankets were woven by the SHGs/ PWCSs is doubtful.

### 2.1.6 Irregularities in purchase of hand looms

The records indicated that between May 2016 and December 2017, Jharcraft purchased 633 hand looms and accessories<sup>34</sup> at a cost of ₹ 2.02 crore from four firms<sup>35</sup>. Though the records stated that these hand looms had been distributed to the 62 SHGs/ PWCSs, there is no proof by way of identification number, location and working condition of the hand looms.

As per list provided by DGM Handloom to audit, 30 new hand looms were delivered to two SHGs<sup>36</sup> in Mahuatand cluster, and 20 hand looms to one SHG<sup>37</sup> in Sithio cluster. Joint physical verification (January 2018) of these clusters by audit and Jharcraft officials (including the Managing Director) revealed, however, that the two Mahuatand SHGs (both located under the same roof) had only eight hand looms, of which, only four hand looms were installed and operational. Sithio cluster had only five hand looms (all installed).



**Figure 2.1.2: Dismantled looms at Mahuatand SHGs**



**Figure 2.1.3: Installed looms at Mahuatand SHGs**

It is therefore evident that these three test checked SHGs had only 18 *per cent* of their claimed production capacity; further, payment had been made to suppliers without ensuring delivery of full complement of hand looms.

<sup>32</sup> The production capacity was calculated taking into account the number of days for which the yarn was available with the SHGs/ PWCs, the number of handlooms with the SHGs/ PWCSs and the weaving capacity of 10 blankets per handloom per day.

<sup>33</sup> In the joint physical verification report of Mahuatand cluster

<sup>34</sup> To supplement the existing 50 hand looms in Jharcraft

<sup>35</sup> A. K. Enterprises, Latehar; Bunker Seva, Ranchi; KGN Traders, Ramgarh and S.H Traders, Latehar

<sup>36</sup> Harsh Garib Nawaz and Harsh Gandhi in Mahuatand, Latehar

<sup>37</sup> Sithio Bunkar Sahyog Samiti, Ranchi

**From the above observations, audit concluded that Jharcraft officials made fraudulent payment of ₹ 18.41 crore against fictitious records relating to cost of woollen yarn (₹ 13.56 crore), wages (₹ 2.39 crore), finishing (₹ 1.36 crore) and transportation (₹ 1.10 crore) of 8.89 lakh blankets.**

Based on the audit observations, the Development Commissioner-cum-Chairperson, Board of Directors, Jharcraft directed (March 2018) the Secretary, Department of Industry, Mining and Geology, GoJ to initiate vigilance enquiry as *prima facie* the matter involved cases of misappropriation/ embezzlement of government money, creation of paper records with a criminal intent to defraud the government and the people. The Development Commissioner also directed to initiate departmental action against the responsible officials, the SHGs/ PWCSs and the private parties involved in the criminal act and to ensure the recovery of paid amount.

Accordingly, the Department of Industry, Mining and Geology, GoJ constituted (March 2018) an enquiry committee headed by the Divisional Commissioner, South Chhotanagpur, Ranchi. The enquiry was going on as of July 2018.

## Jharkhand Police Housing Corporation Limited

### 2.2 Audit of Jharkhand Police Housing Corporation Limited (JPHCL)

Audit of JPHCL revealed the following irregularities.

#### 2.2.1 Award of construction contracts valued at ₹ 4.87 crore to ineligible bidders

##### 2.2.1.1 Construction works for CRPF HQ at Latehar

JPHCL awarded (August 2013) two construction works<sup>38</sup> at Central Reserve Police Force (CRPF) Battalion Headquarters in Latehar district to M/s Sun India for ₹ 1.15 crore and ₹ 1.40 crore respectively. Audit noted that as per the tender conditions, the firm should have had prior work experience<sup>39</sup> in its name of ₹ 0.83 crore (for the first work) and ₹ 1.01 crore (for the second work), and also to submit separate banker's certificates<sup>40</sup> for ₹ 0.64 crore and ₹ 0.78 crore for the two works. Audit observed that Sun India did not fulfil the requirements, for the following reasons:

✓ The work experience certificate for both the works related to Shri Uday Pratap Singh, partner of Sun India in his own name and was not that of Sun India itself as was required under tender conditions; further, this work experience of ₹ 0.99 crore was insufficient for the second work (₹ 1.01 crore).

✓ The tender evaluation committee (TEC) without authority or recording any reasons, reduced the requirement of the banker's certificate to ₹ 0.32 crore and ₹ 0.39 crore respectively for the two works instead of the required ₹ 0.64 crore and ₹ 0.78 crore as per tender conditions.

✓ Sun India had submitted a single banker's certificate of ₹ 0.40 crore issued by SBI, Daltonganj branch in favour of a different firm, Sun India Pharma, for both the works whereas separate banker's certificate for each work in the name of the bidder was required.

Despite Sun India not fulfilling the eligibility criteria, the TEC<sup>41</sup> recommended (18/20 July 2013) the firm for both the works.

In reply (October 2017), the Chief Engineer, JPHCL stated that Sun India had submitted work experience of ₹ 1.66 crore which was sufficient to meet the requirements for both the works but was not incorporated in the comparative

Work orders were issued to M/s Sun India at a contractual price of ₹ 1.15 crore and ₹ 1.40 crore despite not fulfilling the eligibility criteria of work experience and banker's certificate.

<sup>38</sup> (i) Construction of boundary wall, upper subordinate / lower subordinate quarters, kitchen, and dining hall at Headquarters; and (ii) Construction of 50 bedded barracks, magazine (store for arms and ammunitions), officers' mess at CRPF Battalion.

<sup>39</sup> As per clause 3.2(b) of tender, the bidder in its name should have work experience of value not less than 65 per cent of estimated cost separately of each work.

<sup>40</sup> A certificate issued by a bank undertaking to provide credit to meet working capital requirements for executing the works under the contract. As per tender clause 3.4 (f), the bidders were required to submit the banker's certificate equivalent to estimated funds requirement for three months i.e., estimated cost x 3 months/scheduled completion period.

<sup>41</sup> Comprising S/Shri A.E. Bhengra (EE), R.N. Tiwari (AE), Rajesh Kumar, (AE), A.K. Jha, (AE) and M.J. Kandulna, (Accountant).

statement for technical evaluation due to human error. Also, Sun India had submitted separate banker's certificates of ₹ 0.40 crore and ₹ 0.50 crore for the two works against qualifying criteria of ₹ 0.32 crore and ₹ 0.39 crore, respectively.

The reply is not acceptable. There is no evidence that Sun India had submitted work experience of ₹ 1.66 crore. Also, the TEC reached its decision on the basis of the lesser work experience of ₹ 0.99 crore (which was not adequate) and not the higher figure now claimed. Further, the single banker's certificate of ₹ 0.40 crore was considered by TEC as per bid evaluation documents which did not meet the eligibility conditions for both the works. Moreover, the work experience of ₹ 1.66 crore and banker's certificate of ₹ 0.50 crore claimed by the management was also in the name of Uday Pratap Singh and M/s Sun India Pharma respectively and not in the name of bidder, Sun India, as required under the tender conditions.

### 2.2.1.2 Construction of residences at Khunti Police Station

JPHCL awarded (June 2012) the work of construction of 16 lower subordinate residences at Khunti Police Station to M/s Raj Kumar Sahu for ₹ 0.95 crore. Audit observed that the firm had submitted a forged bank balance certificate<sup>42</sup> of ₹ 0.10 crore which showed an overwritten<sup>43</sup> amount of ₹ 0.40 crore and issue date (7 September 2011), that was prior to the issue of tender (20 April 2012). Despite this, the TEC<sup>44</sup> recommended (18 May 2012) the ineligible firm.

In reply (April 2017) the Accounts Officer, JPHCL stated that the bank, who was contacted, confirmed the authenticity of the certificate, but refused to issue a fresh certificate. The reply is not acceptable since there is no record of such communication with the bank.

### 2.2.1.3 Construction at CRPF camps at Guda Picket and Karaduba

JPHCL awarded (October 2013) two construction works<sup>45</sup> to M/s CS Engineering at ₹ 0.56 crore for each work. As per the eligibility criteria contained in the tender, the firm should have furnished banker's certificate of ₹ 0.55 crore for each work. Audit observed, however, that the TEC without authority or recording any reasons, reduced the requirement of the banker's certificate to ₹ 0.14 crore for each work. Further, the firm had only submitted

<sup>42</sup> The bank balance certificate stated that M/s Raj Kumar Sahu is a customer of the bank and hold balance good upto a sum of ₹ 0.10 crore whereas the prescribed format of the banker's certificate stated that if the contract (name of the work) is awarded to the bidder, the bank shall provide credit facilities to the extent of ₹ 0.29 crore to meet the working capital requirements for executing the contract.

<sup>43</sup> The amount of ₹ 10,24,844 was overwritten as ₹ 40,24,844

<sup>44</sup> Comprising Shri S. R. Sinha (CE), Shri A.K. Jha, (AE) and Shri A. K. Sinha (Accounts Officer).

<sup>45</sup> (i) Construction of barrack, kitchen and dining, officer rooms *etc.*, at CRPF camp, Guda Picket; and (ii) Construction of barrack, elevated water tank at CRPF camp, at Karaduba, East Singhbhum district.

a solvency certificate<sup>46</sup> issued by Canara bank for ₹ 0.15 crore, and not banker's certificate. Despite this, the TEC<sup>47</sup> recommended (23 July 2013) the ineligible firm.

In reply (October 2017), the Chief Engineer, JPHCL stated that the firm had submitted banker's certificate for ₹ 0.15 crore for each work. The reply is not acceptable, for the reasons already stated above.

#### **2.2.1.4 Construction at Chaibasa police lines and other works**

JPHCL awarded (December 2012) the construction of upper subordinate residence at Chaibasa police line and other works in West Singhbhum district to M/s Krishna Group for ₹ 25.14 lakh. Audit noted that as per eligibility criteria contained in the tender, the firm should have submitted banker's certificate of ₹ 6.29 lakh. Against this, the firm had submitted bank balance certificate of only ₹ 10,000, however, the TEC<sup>48</sup> wrongly mentioned in the bid evaluation statement that the firm had submitted banker's certificate of ₹ 10 lakh and declared (14 November 2012) the ineligible firm as qualified.

In reply (April 2017) the Accounts Officer, JPHCL stated that fresh legible copy of banker's certificate of M/s Krishna Group for ₹ 10 lakh was now obtained from the SBI Hinoo branch.

The reply is not acceptable as the bank balance certificate of ₹ 10,000 issued by SBI Lalpur branch submitted by the bidder along with the bid was fully legible, however, the bids evaluation committee wrongly mentioned the same of ₹ 10 lakh in bids evaluation. Moreover, the banker's certificate for ₹ 10 lakh claimed to be issued by SBI Hinoo branch is a solvency certificate and not a banker's certificate in the prescribed format as per tender condition.

Thus, JPHCL awarded construction contracts valued at ₹ 4.87 crore to ineligible contractors.

The matter was reported to the Home Department in August 2017. No reply has been received.

#### **Recommendation**

**The Home Department should initiate appropriate action against the members of the tender evaluation committees who wrongly qualified ineligible bidders for award of works.**

---

<sup>46</sup> The solvency certificate stated that M/s CS Engineering is a customer of the bank and is good upto a sum of ₹ 0.15 crore whereas the prescribed format of the banker's certificate stated that if the contract (name of the work) is awarded to the bidder, the bank shall provide credit facilities to the extent of ₹ 0.55 crore to meet the working capital requirements for executing the contract.

<sup>47</sup> Comprising Shri A.E. Bhengra (EE), Shri R.N. Tiwari (AE), Shri Rajesh Kumar, (AE), Shri A.K. Jha, (AE) and Shri M.J. Kandulna, (Accountant).

<sup>48</sup> Comprising Shri S.R.Sinha (CE), Shri R.N. Tiwari (AE), Shri Rajesh Kumar, (AE), and Shri M.J. Kandulna, (Accountant).

### 2.2.2 Unreliable test reports of construction materials due to non-framing of standard procedures

The standard terms and conditions of contracts of JPHCL requires contractors to obtain quality certificate<sup>49</sup> of construction materials (concrete, sand, bricks *etc.*) used in the works from Birsa Institute of Technology (BIT), Sindri, a Government of Jharkhand entity.

The quality test of casting samples<sup>50</sup> is done through a process of curing which requires test specimens to be first stored in moist air for 24 hours and thereafter, submerged in fresh water, prior to quality testing (CPWD concrete work specifications).

The quality test reports accepted by the Company in the construction contracts were unreliable as test samples were shown as sent for testing on the same day or prior to date of casting.

Audit scrutiny of 20 quality test sample records (September 2016 to June 2017), pertaining to two works<sup>51</sup> revealed that 18 samples were shown as sent to BIT Sindri by the concerned Assistant Engineer (AE) for testing on the day of casting itself and two samples were shown as sent four to 21 days prior to the date of casting. Further, the concerned AEs did not maintain any record for despatch of the samples and receipt of the test reports from test labs (*e.g.*, despatch register, receipt register *etc.*)

In reply, the Chief Engineer, JPHCL stated (October 2017) that in some cases, letters for cube testing were issued by the concerned AE on a date prior to the scheduled date of casting but the letters themselves were despatched only after the casting was done.

The reply is not acceptable as the Company has not maintained despatch register showing actual despatch of test samples and the office copy of the letter for sending the cube test issued by AE also showed the test samples were sent on the same date or prior to date of casting which could have been sent only after curing for at least 24 hours.

### Recommendations

**1. The Company should investigate the possible manipulation of quality test reports and take strict action against the officials and contractors found responsible.**

**2. The Company should prescribe the standard procedures for testing of materials at each stage *i.e.*, for preserving test samples at site, their despatch to lab, receipt of the test reports and documentation for the same.**

<sup>49</sup> The quality test samples were sent by AE, JPHCL to BIT Sindri through its messenger and test reports were sent by BIT Sindri to Executive Engineer, JPHCL, though cost of carrying out the test was borne by the contractors.

<sup>50</sup> Concrete cubes collected at the time of casting

<sup>51</sup> (i) Administrative cum Training Building at Constable Training School valued at ₹ 22.19 crore; and (ii) 250 bedded Hostels (Block-I and II) at Constable Training School Musabani valued at ₹ 16.41 crore.



### 2.2.3 Avoidable payment of income tax of ₹ 5.03 crore

Wrong accountal of interest income of ₹ 15.33 crore on GoI scheme funds as own income by the company resulted in avoidable payment of income tax of ₹ 5.03 crore.

As per Rule 230 (8) of General Financial Rules (GFR), 2017 the interest earned on unutilised grants-in-aid or other advances released to any grantee institution should be refunded to the concerned grantor.

Audit observed that the Company earned interest of ₹ 15.33 crore<sup>52</sup> by investing ₹ 20 crore received from GoI under the Modernisation of State Police Forces scheme and wrongly accounted the same as its own income resulting in avoidable payment of income tax of ₹ 5.03 crore<sup>53</sup>.

#### Recommendation

**The Company should credit the interest earned on project funds to the project accounts or should remit the same to Government so as to avoid payment of income tax on income which does not belong to it.**

As above audit findings are based on a test check of sampled projects/works and are of the nature that may reflect in other projects/works, the Company, therefore, may like to internally examine all other projects and works being executed by them with a view to ensure that they are being carried out as per requirement and rules.

---

<sup>52</sup> Interest of ₹ 11.90 crore earned on fund amounting to ₹ 15 crore kept in FDs for the period from February 2009 to February 2017 and interest of ₹ 3.43 crore earned on fund amounting to ₹ five crore kept in FDs for the period from December 2008 to December 2016.

<sup>53</sup> Worked out at the income tax rate for the respective years.