2.2 Audit on development of Educational Infrastructure by Bihar State Educational Infrastructure Development Corporation Limited

Introduction

2.2.1 Bihar State Educational Infrastructure Development Corporation Limited (Company) was incorporated in July 2010 as a wholly owned Government Company under the administrative control of the Education Department, Government of Bihar (GoB). The Company is engaged in construction and maintenance of all types of educational infrastructure in Bihar on behalf of the departments of Education and Minority Welfare. The Company executes all projects through private contractors, and charges centage[1] for its services.

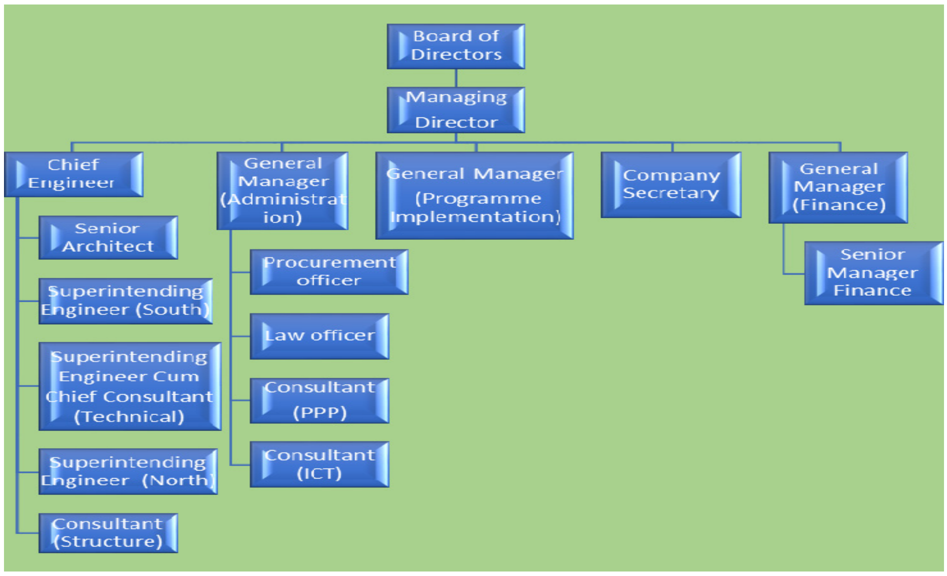
The Audit by way of test check, covered 15 out of 60 (25 *per cent*) projects implemented during the audit period. These 15 projects executed 3,534 works (70 *per cent* of the 5,082 works executed by the 60 projects). Audit test checked 1,413 works (40 *per cent* of 3,534 works) in these 15 projects valued at ₹ 1,061.72 crore (29 *per cent* of ₹ 3617.06 crore incurred on the 60 projects).

There are total 12 audit observations, and most of them are of a nature that may reflect similar errors/omissions in other works being implemented by the Company, but not covered in the test audit. The Company therefore may like to internally examine all the other works being executed by them with a view to ensuring that they are being carried out as per requirement and rules.

The Company is managed by a Board of Directors comprising the Managing Director and nine other Directors. The Development Commissioner, GoB is the ex-officio Chairman of the Board. The Managing Director is the Chief Executive Officer of the Company and is responsible for implementation of the objectives of the Company and day-to-day conduct of business.

The Company's functioning is divided into three wings, i.e., Technical, Administrative and Finance. The organisational chart of the Company is given below:

[1] Till January 2016, Centage was fixed at the rate of nine *per cent* of project cost. However, the rate of centage was revised (23 January 2016) as follows:
- (A) For project cost upto ₹ 10 crore = seven *per cent*
- (B) For project cost more than ₹ 10 crore and up to ₹ 100 crore = (A) + five *per cent* on amount exceeding ₹ 10 crore.
- (C) For project cost more than ₹ 100 crore = (B) + one *per cent* on amount exceeding ₹ 100 crore.



The audit of the Company was carried out to evaluate and assess whether the infrastructural projects were executed economically, efficiently and effectively by the Company with due regard to proper planning and canons of financial propriety. The performance of the Company was evaluated with reference to the provisions of Bihar Public Works Department (BPWD) code, Standard Bidding Documents (SBD) and the applicable laws.

Audit Scope and Methodology

2.2.2 Audit used Stratified Random Sampling Method without replacement[2], and examined records of 15[3] out of 60 projects/schemes executed by the Company during 2012-17 at an expenditure of ₹ 2,654.30 crore (i.e., 73.38 *per cent* of the total expenditure of ₹ 3,617.06 crore).

Audit methodology included examination of Company records, issue of Audit observations/queries, joint physical verification of incomplete/ delayed projects, etc. Management/ Education Department views were also elicited in Entry and Exit Conferences.

Acknowledgement

Audit acknowledges the cooperation and assistance extended by the Company and its officials during conduct of the Audit.

[2] Stratified Random Sampling refers to a method of sampling wherein the sample population is divided into various strata or groups according to some criteria and the samples are selected on a random basis without replacement to arrive at the representative sample.

[3] (1) Senior Secondary School (SSS) scheme, (2) Model School (MS) scheme, (3), Upgraded Secondary School (USS) scheme, (4) Girl's Hostel (GH) scheme, (5) Higher Secondary School (HSS) scheme, (6) Chandragupta Institute of Management Project (CIMP), (7) ICT @ School scheme, (8) SSS Minority (SSSM) scheme, (9) Residential School, Tharhut, (10) Aryabhatt Knowledge University, (11) Sainik School, Nalanda, (12) Sainik School, Gopalganj, (13) Child Development Project Officer (CDPO), (14) L.N.M. College Girls Hostel, Meeting Hall and Internal Painting, and (15) Rashtriya Shiksha Abhiyaan Office.

Audit Findings

2.2.3 The Audit findings are discussed in succeeding paragraphs:

Human Resource Management

2.2.4 The position of manpower of the Company over the past four years is summarized below:

Shortage of manpower in the Company ranged from 18.52 per cent to 25.93 per cent during the period 2013-17

Table No. 2.2.1 : Manpower position

Particulars	Sanctioned[4] strength	March 2014	March 2015	March 2016	March 2017
Managing Director (MD)	1	1	1	1	1
General Manager (GM)-(Administration)	1	0	0	0	0
GM- Programme Implementation (PI)	1	1	1	1	1
GM (Finance)	1	0	1	0	0
Chief Engineer	1	0	1	1	1
Chief Consultant (Technical)	1	0	0	1	1
Superintending Engineer	2	0	2	1	1
Executive Engineer (EE) Civil	14	11	13	13	13
Assistant Engineer (AE) Civil	35	32	30	32	34
Junior Engineer (JE) Civil	160	134	140	151	146
Other Staff	80	41	44	41	35
Total	**297**	**220**	**233**	**242**	**233**
Shortage (in *per cent*)		**25.93**	**21.55**	**18.52**	**21.55**

The vacancies in the key posts of GM (Administration) and GM (Finance) resulted in poor monitoring of projects, and also led to the financial irregularities detailed throughout the report, due to absence of checks and balances.

Audit also observed an instance where the Managing Director and GM (Administration)[5] appointed (November 2013) an Assistant Engineer who did not fulfil the prescribed eligibility criteria. Replying to the audit observation, the Education Department stated (November 2017) that necessary action would be taken in this regard.

As observed in the audit of the Bihar State Building Construction Corporation Limited, the Company should evaluate the necessity of operating so many posts in the EE, AE, JE cadres, especially since no works are executed in house, and its main task is that of contract management.

Recommendation

1. **The State Government and the Company should review the need to continue with the present HR structure, in light of the fact that the Company does not execute works in house.**
2. **The State Government should review all irregular appointments for corrective action.**

[4] Apart from the sanctioned strength of 297, the GoB appoints one Chief Vigilance Officer of the rank of Joint Secretary or equivalent.

[5] Duties and responsibilities of GM (Admn) were discharged by GM (P.I).

Financial Management

2.2.5 The financial position and working results of the Company for the last five years ending March 2017 are given below:

Table No. 2.2.2: Financial position and working results

(₹ in crore)

Particulars	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Financial Position					
Paid up Capital	20.00	20.00	20.00	20.00	20.00
Reserves & Surplus	39.81	68.66	111.26	181.60	204.55
Non-Current Liabilities[6]	0.00	2,013.78	2,766.97	3,109.60	3,840.52
Current Liabilities & Provisions	1,235.64	58.82	154.56	299.93	360.57
Total	**1,295.45**	**2,161.26**	**3,052.79**	**3,611.13**	**4,425.64**
Net Fixed Assets	0.12	0.29	0.36	0.48	0.33
Long Term Loans and Advances	0.00	0.00	2.51	1.84	1.48
Other Non-Current Assets	11.67	22.30	48.91	76.12	88.01
Current Assets[7]	1,283.66	2,138.67	3,001.01	3,532.69	4,335.82
Total	**1,295.45**	**2,161.26**	**3,052.79**	**3,611.13**	**4,425.64**
Working results					
Total Income	12.14	40.32	90.20	102.56	59.03
Total Expenditure	6.90	11.47	17.57	32.05	36.08
Exceptional items	0.00	0.00	26.50	0.00	0.00
Profit/ (loss) before tax	5.24	28.85	46.13	70.51	22.96
Less: Prior period adjustments and Taxes	-	-	-	-	-
Net Profit/(Loss) after Taxes	5.24	28.85	46.13	70.51	22.96
Centage earned	9.72	35.35	83.34	98.95	52.50
Centage as *per cent* of total Income	80.06	87.67	92.39	96.48	88.94
Return on Investment (in *per cent*)[8]	8.76	32.54	35.14	34.98	10.22

The reduction in income and net profit in 2016-17 is mainly attributable to slow execution of the works and reduction in centage rates with effect from January 2016.

Utilisation of funds

2.2.6 Details of receipt of funds from user departments and their utilisation during 2012-13 to 2016-17 are given in the table below**:**

[6] Non-current liabilities include funds from the user departments along with accrued interest, Earnest Money deposit and the Performance Bank Guarantee forfeited, if any.

[7] Current Assets include work in progress of construction work against fund received.

[8] ROE and ROCE were the same as ROI as there was no long term borrowing, accumulated loss and deferred revenue expenditures. Further, the profit before and after tax were the same.

Table No. 2.2.3: Receipt and utilisation of funds

(₹ in crore)

Year	Opening Balance	Funds received during the year	Total funds available	Funds utilized	Surrendered during the year	Closing Balance	Percentage of utilisation (%)
(1)	(2)	(3)	(4) =(2+3)	(5)	(6)	(7) =(4-5-6)	(8) =(5*100)/4
2012-13	503.87	818.62	1,322.49	117.99	6.13	1,198.37	8.92
2013-14	1,198.37	611.08	1,809.45	426.35	2.79	1,380.31	23.56
2014-15	1,380.31	682.74	2,063.05	1,009.32	9.93	1,043.80	48.92
2015-16	1,043.80	602.34	1,646.14	1,259.51	55.36	331.27	76.51
2016-17	331.27	716.06	1,047.33	802.46	5.65	239.22	76.62
Total		**3,430.84**		**3,615.63**	**79.86**		

The Company surrendered ₹ 79.86 crore to the administrative department (Education Department), out of which, ₹ 55.36 crore was surrendered by the Company at the instance of the department for their own utilisation in construction of toilets and renovation of schools under the Rashtriya Madhyamik Shiksha Abhiyaan (RMSA) scheme.

Other observations :

(1) The Company utilised its own funds amounting to ₹ 232.56 crore for various schemes out of which only ₹ 150.47 crore was adjusted from the user departments and the balance of ₹ 82.09 crore remained unadjusted for periods ranging from 13 to 650 days[9] (March 2017). As a result, the Company suffered loss of interest income of ₹ 6.97 crore[10].

Failure to keep surplus funds in savings accounts with auto sweep facility resulted in loss of interest income of ₹ 62.30 crore

(2) During 2012-17, the Company kept surplus project funds ranging from ₹ 293.84 crore to ₹ 866.32 crore in 60 Savings Bank Accounts without opting for auto sweep facility, resulting in loss of interest income of ₹ 62.30 crore[11] to project funds.

(3) The GM (Finance) cum Senior Accounts Officer of the Finance Wing of the Company, granted Mobilisation Advance of ₹ 7.02 crore in 11 cases to five agencies[12] whose requests were received after a lapse of 34 to 209 days from the date of commencement of work which was against the provisions of the SBD stipulating grant of Mobilisation Advance within 30 days of commencement of work on request made by contractor.

Delay in payment of service tax resulted in creation of undue liability of ₹ one crore

(4) The GM (Finance) cum Senior Accounts Officer failed to ensure deposit of Service Tax within the prescribed time period i.e., in the month following the month in which it became due. The Company during the period April 2015 to September 2016 collected service tax of ₹ 7.36 crore from contractors, which were deposited (November 2016) belatedly after a lapse of one to 18 months from the due date of payment. Delay in payment of service

[9] ₹ 78.50 crore remained unadjusted for 13 to 285 days in 2015-16, and continued (with some additional expenditure) totalling to ₹ 82.09 crore for 60 to 365 days in 2016-17.

[10] Worked out on the basis of interest rate of savings account linked with auto sweep facility.

[11] Worked out at the differential rate of (6.5–4) 2.5 *per cent* per annum for the period when surplus funds were available.

[12] M/s Delco Infrastructure Projects Limited, M/s Jindal Mectec Private Limited, M/s Llyod Insulations (India) Limited, M/s Anoj Enterprises and M/s Dilip Kumar Sharma.

tax has resulted in creation of an undue liability of ₹ one crore on account of interest payable for the period in case the Service Tax Department imposes penalty.

The Education Department, while accepting the audit observations, stated (November 2017) that the Company is regular in depositing service tax since December 2016.

Recommendation
The Company should exercise due diligence in management of its funds by faster execution of works, use of auto sweep facilities (instead of depositing in saving bank accounts), and paying taxes in time.

Internal Oversight Mechanism

Quality Controls

2.2.7 The internal quality control laboratory of the Company has no facility to test steel, mortar and chemical analysis of cement, even though such tests are essential to determine the quality of construction in the different projects undertaken by the Company.

Replying to the audit observation, the Education Department stated (November 2017) that steel from reputed manufacturers and cement bearing ISI mark was used in construction. The reply is not acceptable, since there is no record to show that Company officials had ensured that only materials of the prescribed specifications were used, either by physical verification, or by scrutinizing purchase invoices of materials used in construction.

Recommendation
The Company should put in place a mechanism to ensure that materials of the specified quality are used in its construction projects.

Internal Audit

2.2.8 The Company does not have an Internal Audit Wing. As evident from the findings discussed in paragraph 2.2.17 and paragraph 2.2.20, the internal oversight mechanism of the Company requires significant improvement. The administrative department also did not perform its duties in enforcing oversight of the Company, as is evident from the fact that no action was taken on the 34 monthly progress reports submitted by the Company during the period March 2014 to March 2017.

The Education Department accepted (November 2017) the audit observation.

Recommendation
An independent Internal Audit Wing should be established at the earliest for timely detection of deficiencies and ensuring remedial action.

Project Management

2.2.9 Planning

Instances of deficient planning in preparation of estimates as observed in Audit are discussed below:

Finalisation of tender without obtaining clear title to work site

2.2.10 The BPWD Code stipulates that the site of every building is required to be settled by obtaining No Objection Certificate (NOC) from the local administration in time before finalising detailed designs and estimates of work.

240 works involving sanctioned cost of ₹ 249.68 crore could not be started due to non-availability of encumbrance free land

Examination of records revealed that the Company officials[13] failed to ensure the availability of dispute free land by way of undertaking site inspections, site surveys and NOC prior to tendering. As a result, 240 works pertaining to seven schemes[14] involving sanctioned cost of ₹ 249.68 crore, could not be started for periods ranging from 16 to 73 months (November 2017) due to non-availability of encumbrance free land, and the funds earmarked for these works were diverted to other works.

The Education Department accepted (November 2017) the audit observations.

Recommendation

The Education Department and the Company should ensure that designs and work estimates are finalised only after obtaining NOC from the local administration.

Model School Scheme

Denial of quality education to talented rural students in 368 schools due to non-provisioning of furniture in the estimates and other reasons

2.2.11 The Education Department, GoB had proposed (March 2012) construction of 368 Model schools in educationally backward blocks of Bihar, with an aim to provide quality education to talented rural children, under RMSA.

Audit observed that Company officials[15] at the time of framing estimates failed to include cost estimates for furniture and other essential amenities (viz. open theatres, basketball/ volley ball courts) and finalized tenders (October 2012 to September 2014) for construction of 353 out of 368 Model schools. The Company could not float tenders for the remaining 15 Model schools due to non-availability of dispute free land.

Out of 353 schools, the Company completed construction of 297[16] Model schools at a cost of ₹ 555.69 crore (December 2015). The work of the remaining 56 schools could not be commenced due to non-availability of land. However, none of the 297 completed schools could be used due to non-availability of furniture and other essential amenities.

Audit further observed that the Education Department as well as the Bihar Madhyamik Shiksha Parishad (BMSP)[17] failed to notice the deficiency of non-

[13] MD, GM (Administration) and Chief Engineer (Technical).
[14] USS, SSS, SSSM, CDPO, MS, HSS and GH scheme.
[15] MD and Chief Engineer (Technical).
[16] 216 completed Model Schools and 81 Model schools that were decided (December 2015) to be wound up on completion up to G + 1 stage.
[17] BMSP, a society registered under Society Registration Act (XXI) 1860 and functioning under the Education Department, is the nodal agency for execution of Model school project of RMSA.

inclusion of furniture and other amenities in the estimate prepared by the Company. The Company initiated the proposal to secure funds from the State Government for furniture and other amenities for 297 completed model schools only in September 2016, and the funds were not released by the State Government till date (December 2017).

As a result, the intended benefit of imparting quality education under the Model School Scheme could not be provided due to non-construction of 15 schools, non-completion of 56 schools due to non-availability of dispute free land and non-provision of furniture and other essential amenities in 297 completed schools.

The Education Department, while accepting the audit observation, stated (November 2017) that a fresh tender was invited (May 2017) for procurement of furniture. However, the reply was silent over the issue of deficient preparation of estimates.

Recommendation

The Company may consider establishing a dedicated cell within the Technical Wing for scrutiny of estimates.

Non-availing of Central Excise Duty exemption of ₹ 10.04 crore

2.2.12 In terms of Central Excise Department notification (August 1995), steel and cement used in projects financed by international organizations, including the World Bank, are exempt from levy of Central Excise duty.

Non-availing of Central Excise Duty exemption resulted in avoidable expenditure of ₹ 10.04 crore

Audit observed that while approving the Bill of Quantities (BoQs) and estimates for four[18] World Bank assisted projects, the Chief Engineer (Technical) failed to account for the Central Excise duty exemption, resulting in avoidable expenditure of ₹ 10.04 crore as on November 2017.

The Education Department accepted (November 2017) the audit observation.

Recommendation

The State Government may issue orders reiterating the exemption orders of the Central Excise Department.

Project Execution

Execution of Projects

2.2.13 The Company, during 2012-17, undertook 60 projects/schemes including 5,082 works at a sanctioned cost of ₹ 6,196.61 crore and as of March 2017, an expenditure of ₹ 3,617.06 crore (58.37 *per cent*) was incurred. The financial status of the projects/ schemes is detailed in ***Annexure-2.2.1***.

Audit noticed various deficiencies in execution of these projects as detailed below:

[18] District Institute of Education and Training, Primary Teachers Education College, Block Institute of Teachers Education and College of Teacher Education.

Submission of certificates after completion of selection of the contractor

2.2.14 The SBD, *inter alia,* requires bidders to submit experience certificates regarding electrification/sanitary works, either carried on by themselves or by their sub-contractors, at the time of submission of bids.

Lack of transparency in tendering process of the Company resulted in irregular award of work to the contractor

Audit observed that in respect of Sainik School, Nalanda, one bidder[19] did not submit the required electrification/sanitary works experience certificates at the time of submission of bid. However, the Technical Committee[20] of the Company did not disqualify the bid during technical evaluation and the bid was declared technically qualified. On financial evaluation, the bidder emerged L1 and was awarded (September 2011) the work at the agreement cost of ₹ 30.64 crore. The required certificates were obtained subsequent to opening of the financial bids, which was against the canons of transparency in tender procedure.

The Education Department, while accepting the audit observation, stated (November 2017) that though the requirement of submitting of electrification/ sanitary works experience certificate was mentioned in SBD, the same was not provisioned in the Technical evaluation template for e-tendering. And the Technical Committee too limited itself to the examination of documents submitted based on its template. However, efforts would be made to enlarge the template as per SBD.

The reply of the department vindicates the audit observation.

Inconsistent approach to evaluation of bids

2.2.15 The SBD stipulates that bidders who meet the minimum qualification criteria will be qualified only if their Assessed Available Bid Capacity (bid capacity)[21] is more than the total bid value. Further, the Bihar Finance (Amendment) Rules (BFR), 2005, stipulates that the Technical Committee shall record the reasons for acceptance or rejection of the technical bids.

Audit observed that the Technical Committee[22] disqualified the bid of one bidder M/s Satyanarayan Singh, Jharkhand in four works relating to nine schools (estimated cost: ₹ 24.94 crore[23]) on the ground of insufficient bid capacity despite the bid capacity (₹ 37 crore) being 400 *per cent* more than the individual estimated cost of each of the four works. Besides, no explanation for disqualification on the basis of insufficient bid capacity of the said bidder was recorded by the Technical Committee as per the requirement of BFR.

It was further observed that the Technical Committee of the Company had considered the same bid capacity of ₹ 37 crore as individually sufficient for Technical Qualification of the bidder in three other works comprising eight

[19] M/s Dayanand Prasad Sinha & Co.

[20] Chief Consultant (Technical), Chief Consultant (Architect), Chief Consultant (Finance & Accounts), Executive Engineer (Headquarters) and Consultant (Technical).

[21] Bid capacity = Maximum annual turnover in any one of last five years x Number of years in which the proposed work is to be completed x 3 – Existing commitments (ongoing work).

[22] Chief Consultant (Technical), Superintending Engineer (Headquarters), Executive Engineer (Headquarters), Senior Architect and Senior Accounts Officer.

[23] MS 133- ₹ 5.40 crore, MS 135- ₹ 5.36 crore, MS 166- ₹ 8.42 crore and MS 169- ₹ 5.76 crore.

schools at an aggregate estimated cost of ₹ 22.32 crore[24]. This reflected inconsistency in evaluation of bids and lack of transparency in award of works by the Company.

The Education Department accepted (November 2017) the audit observation.

Recommendation

The State Government is required to ensure that the Company complies with the SBD provisions to infuse transparency in technical evaluation of bids.

Award of contract on the basis of forged documents

Lack of due diligence resulted in selection of a contractor with fictitious bid capacity, leading to extension of undue benefit to the contractor and unfruitful expenditure of ₹ 36.82 crore

2.2.16 The Company invited tenders (18 February 2014) for construction of 887 schools in 387 groups. One bidder (M/s Birendra Kumar Singh, Katihar) submitted certified accounts (20 April 2014) and a certificate of turnover (20 April 2014) issued by a Chartered Accountant (CA) firm (Sanjay Kumar Jha and Associates), where turnover of ₹ 49.89 crore was claimed for 2013-14[25]. Based on this, the Technical Committee[26] assessed the bid capacity of the bidder at ₹ 188.30 crore and the Company awarded (July 2014) him contracts for 67 schools (to cater to 18,760 students in various districts of Bihar) valued at ₹ 77.42 crore, which were scheduled for completion between December 2015 and March 2016.

Audit cross-verified the Income Tax Return filed by the bidder for 2013-14 and certified by the same CA firm, which gave a different figure of ₹ 1.44 crore. It was further observed that the bidder had reported the same turnover (₹ 1.44 crore) in his return for the same period (2013-14) filed with the Commercial Taxes Department, Bihar. Thus, the ineligible bidder was awarded the contracts on the basis of fraudulent certification.

It was further observed that after securing the contract, the ineligible bidder failed to complete (as on December 2017) construction of any of the 67 schools, despite incurring expenditure of ₹ 36.82 crore.

The Education Department stated (November 2017) that the increase in bid capacity was due to increase in turnover in one year which was achievable.

The reply of the department is not acceptable. The Company failed to detect the fictitious credentials of the bidder supported by fraudulent certificate of CA. The audit observation is supported by the fact that the contractor failed to complete construction of even one of the 67 schools awarded to him.

[24] MS 16- ₹ 5.68 crore, MS 35- ₹ 8.45 crore and MS 108- ₹ 8.19 crore.
[25] Being the maximum annual turnover in any one of last five years considered for assessing bid capacity.
[26] Chief Engineer, Superintending Engineer (Headquarter), Executive Engineer (Headquarter) and Senior Accounts Officer.

Recommendation

The State Government may frame measures to cross verify all submissions by bidders and to blacklist and criminally prosecute bidders and their associates who furnish fraudulent documents.

Failure of the Company to renew Performance Bank Guarantees

2.2.17 The SBD stipulates that the contractor shall submit an irrevocable Performance Bank Guarantee (PBG) of two *per cent* of the tendered amount, which shall initially be valid for up to 28 days beyond the defect liability period[27]. The PBG is to be forfeited in case the contract is rescinded.

Audit observed that the Company rescinded six works valued at ₹ 9.08 crore due to slow progress of work. However, due to lapses of the Company officials[28] to ensure their timely renewal, the PBGs valued at ₹ 59.68 lakh could not be encashed. It was further observed that in 36 works, PBGs valued at ₹ 2.91 crore, the same Company officials failed to renew PBGs prior to the expiry of the validity period, despite non-completion of these works (March 2017). Non-extension of expired PBGs seriously diluted the financial safeguards available to the Company in case of default on the part of the contractor.

The Education Department, while accepting the audit observation, stated (November 2017) that efforts are being made for continuous monitoring of the PBGs in future.

Recommendation

The Company should introduce a mechanism to ensure timely renewal of PBGs.

Failure to rescind contracts and constructions on non-encumbrance free sites resulted in unfruitful expenditure of ₹ 3.10 crore

2.2.18 The SBD provides for rescinding the contract if a contractor persistently neglects/defaults to comply with the terms and conditions of the contract.

Audit observed that though progress of work in six[29] works relating to 21 schools (agreement cost ₹ 9.08 crore) was slow, the Company (Chief Engineer) took four years to rescind the contracts, after incurring an expenditure of ₹ 2.77 crore. Besides, two works[30] consisting of two schools were abandoned midway after incurring ₹ 33.08 lakh, due to constructions on non-encumbrance free sites.

[27] Period (36 months after handing over of the project) during which the contractor is liable to rectify any defects in work which arises after completion of work.

[28] GM (Finance) cum Senior Accounts Officer (Finance Wing).

[29] USS-6, USS-7, USS-8, USS-40, USS-43 and USS-45.

[30] Case SSS-261: The school was being constructed on raiyati land (right to hold land for the purpose of cultivation), and consequently construction was stayed by Court orders (August 2015); Case SSS-199: Construction was stopped midway (December 2014) as the DM ordered shifting of the location.

Slow execution and construction on non-encumbrance free land resulted in unfruitful expenditure of ₹ 3.10 crore

As a result of abandoning of eight works relating to 23 schools, the intended benefits of improved educational infrastructures could not be achieved for over five years even after incurring an expenditure of ₹ 3.10 crore. As such, the entire expenditure of ₹ 3.10 crore so incurred on these eight works became unfruitful.

Photographs of abandoned works

Upgraded Secondary School, Devchanda, Piro (USS-6, photo dated 11-07-17)	**Middle School, Andharvan, Madhubani (SSS-199, photo dated 20-07-17)**

The Education Department accepted (November 2017) the audit observation.

Recommendation

The Company should ensure that the sites are encumbrance free before commencing works and should take timely action against errant contractors.

Inaccurate adoption of Schedule of Rates without due consideration to individual components of pile work resulted in extension of undue benefit to the contractor of ₹3.72 crore

2.2.19 The BPWD Code stipulates that estimates/BoQ for works should be prepared on the basis of the Bihar Schedule of Rates (SoRs). Where rates for specific items are not available in the Bihar SoR, the rates may be adopted from the Central Public Works Department (CPWD) SoR applicable to the concerned zone.

Failure of the Company to consider individual components of pile work of 500 mm dia already available in BCD SoR, 2011 resulted in avoidable excess payment of ₹ 3.72 crore to the contractor

During scrutiny of records relating to the work relating to Chandragupta Institute of Management, Patna, it was noted that the Technical wing[31] of the Company adopted the CPWD Delhi SoR rate for the pile work[32] of 500 mm diameter (dia), on the ground that the composite rate[33] for this work was not available in the Bihar SoR 2011. Audit however observed that the contention of the Technical wing was incorrect, as the Bihar SoR contained rates for every individual component of the pile work of 500 mm dia, and these were on the lower side. As a result, the BoQ cost of 500 mm dia work was taken as ₹ 3,075.81/Running meter (Rmt) instead of ₹ 2,165.65/Rmt as per Bihar SoR. This resulted in avoidable excess payment of ₹ 3.72 crore[34] to the contractor on the executed work of 39,240 Rmt.

The Education Department reply (November 2017) did not address the audit observation.

[31] Consultant (M/s DDF Consultant Pvt Ltd) and Chief Consultant (Technical).

[32] Pile work is a foundation work done beneath the ground to strengthen base and load bearing capacity of the building.

[33] Composite rate which is inclusive of every individual component rate of items.

[34] ₹ 3.72 crore = 39,240 * (3,075.81-2,165.65) * 1.043 (being the agreement cost 4.30 *per cent* above BoQ).

Recommendation

The Company should ensure adoption of appropriate rate for labour and material as per Bihar SoR.

Non-compliance with Codal Provisions/ Agreement

2.2.20 The following violations of codal provisions were observed:

(1) The BPWD Code stipulates that items of work not included in the BoQ shall be termed as extra items, for which supplementary agreements are to be entered into. Audit, however, observed that in respect of 28 groups of works, without executing a supplementary agreement, the variation committee[35] of the Company irregularly allowed variations and paid ₹ 4.25 crore for non-BoQ items.

In their reply (November 2017) the Education Department stated that the provisions of BPWD code were not adhered to in small projects and small modifications in line with existing ground situation was brought about, and approval was given on the recommendation of the variation committee.

The reply was not tenable since the provision of BPWD code is applicable for small projects, also.

(2) The SBD provisions stipulate that contractors should apply for time extension along with request for rescheduling the milestones, within 14 days of occurrence of delay. Audit noted that, in 31 works, the contractors applied for time extension after periods ranging from one to 40 months of the scheduled date of completion of works. Audit observed that, in all these cases, and in violation of the above provisions, the Chief Engineer (Technical) irregularly granted time extension. Consequently, the Company released ₹ 1.68 crore to the contractors that had earlier been withheld towards liquidated damages.

The Education Department reply (November 2017) did not address the issue why the contractors could not apply on time and why and on what authority Chief Engineer (Technical) violated the SBD requirements and belatedly approved extension of time and consequently released withheld liquidated damages.

Recommendation

The Company should ensure compliance to codal provisions and applicable laws.

Deficiency in implementation of ICT @ Schools scheme in 832 schools

2.2.21 Information and Communication Technology in Schools (ICT @ School) is a Centrally Sponsored scheme of the Rashtriya Madhyamik Shiksha Abhiyaan, which, *inter alia*, stipulated ensuring dependable power supply in schools, internet connectivity, teachers' training and development of E-Content[36] on various subjects. BMSP of the department accorded (June

[35] Chief Engineer, Executive Engineer (Headquarters), Executive Engineer (of the concerned work/ division) and Assistant Engineer.

[36] It encompasses e-texts and digital learning resources like digital textbooks, workbooks, articles, videos or multimedia which facilitates greater interactivity, customizability and opportunities of social collaboration for students and faculty.

2011) the implementation work of ICT @ School scheme in 1,000 schools to the Company, for supply and maintenance of Information Technology (IT) infrastructure[37]. The Company entered (June 2012 and July 2012) into agreements with three vendors[38], selected through tendering process for implementation of ICT@ Schools scheme in 832 schools spread over five zones at a cost of ₹ 116.07 crore for a period of five years before taking over from them. The work in 168 schools was not started due to paucity of funds. Deviations in almost all the services rendered by the vendors under the scheme were noted as discussed below:

(1) The Company (MD and GM-PI) did not appoint a third party agency for conducting acceptance test of supply and installation of hardware, software and accessories by the contractors, as required under the terms and conditions of agreements entered into with the vendors in respect of 832 schools. Conducting the said acceptance test was essential to ensure the verification of the availability of all the defined services. Further, no time-limit for conducting such acceptance test was defined in the agreement rendering the agreements more deficient.

(2) Theft of ICT materials (July 2012 to June 2016) costing ₹ 1.50 crore was observed in 68 schools, which were replaced after considerable delay of 5 to 49 months by the contractor during February 2015 to July 2017. The thefts impacted the very process of impartation of ICT education in these schools and the students of these schools were deprived of ICT education during this period.

(3) The Company appointed (March 2017) a third party agency for evaluation of the scheme after a delay of more than four years. Further, no time limit was defined in the agreement, rendering the agreement deficient.

(4) The Company provided for induction training of 40 hours with a refresher training program of four days in each succeeding year, as against the required 80 hours followed by refresher course of 40 hours in each succeeding year. Further, training to only 5,769 teachers was provided (December 2015 to January 2016), against the required training to 8,320[39] teachers.

(5) No provision of E-Content to enhance the comprehension level of students on various subjects was made in the agreements with the vendors. This was mainly attributable to the negligence of the Company.

Further, the Company (MD and GM-PI) failed to incorporate specific timelines as well as penal clauses in the agreement for deliverables[40], due to which the contractors inordinately delayed execution of agreement,

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[37] Establishment of computer lab, hardware including desktops, PC-sharing kit, networking equipment, operating system and application software, furniture, teachers' training, development of e-content, etc.

[38] M/s CompuCom Software Limited (Zone 2 & Zone 4), M/s IL & FS Education & Technology Services Limited (Zone 1 and Zone 5) and M/s Pearson Education Services Private Limited (Zone 6).

[39] Worked out on the basis of training to be imparted to at least 10 teachers in each school.

[40] Completion of teachers' training, supply of hardware and software, development and installation of E-content, etc.

replacement of theft materials, teachers' training, etc. As a result, the benefits of the scheme were not effectively achieved.

The Education Department, accepted the audit observations and stated (November 2017) that the same has been noted for future compliance.

Conclusion

- **Financial Management of the Company suffers from deficiencies, *viz.,* non-adoption of auto-sweep facility for idle funds, delay in payment of statutory duty leading to penalty, failure in timely renewal of performance bank guarantees, irregular grant of mobilization advance, etc.**
- **Internal Oversight Mechanism is weak as there is no Internal Audit Wing in the Company. Top and Middle management also failed to exercise due diligence as evident from the deficiencies noticed in various functions of the Company.**
- **Project Management at every stage *viz.,* planning, execution and monitoring is deficient in view of non-inclusion of furniture component in estimate for construction of model schools, selection of ineligible bidders, delay in completion in various projects, non-availing of Central Excise Duty exemption, non-adoption of proper SoR, etc.**
- **The Education Department, besides being the administrative department, under whose general supervision the Company operates, was responsible for implementation of various Central and State Government schemes through the Company. The failure of the Model School Scheme in the State is a clear indication that the department failed in its external oversight role leading to denial of improved educational benefits to large numbers of students.**

Annexure-2.2.1

(Referred to in Paragraph 2.2.13)
Financial status of projects undertaken by Bihar State Educational Infrastructure Development Corporation Limited as on March 2017

(₹ in crore)

Sl. No.	Project	No. of works	Unit cost	Total sanctioned cost	Amount received	Expen-diture	Percentage of expenditure to the sanctioned cost (in *per cent*)
1	(a) Upgraded Secondary School (2009-10) Central	323	0.58	187.73	131.7	127.74	68.04
	(b) Upgraded Secondary School (2010-11) Central	403	0.58	234.22	149.47	163.03	69.60
	(c) Upgraded Secondary School (2009-10) State	45	0.58	26.15	21.34	15.8	60.43
2	(a) Girl's Hostel (2009-10)	80	1.41	113.07	113.07	72.80	64.38
	(b) Girl's Hostel (2010-11)	113	1.37	154.48	58.73	116.30	75.28
3	(a) Model School (2009-10)	98	3.36	329.28	158.55	195.66	59.42
	(b) Model School (2010-11)	255	3.02	770.10	397.14	476.78	61.91
4	Upgraded Senior Secondary School	357	1.16	412.34	14.04	190.32	46.16
5	Senior Secondary School	993	1.16	1146.92	800.00	832.43	72.58
6	Higher Secondary School	226	1.16	261.03	187.97	175.57	67.26
7	Senior Secondary School Minority	121	1.46	176.92	176.92	87.50	49.45
8	Exam Hall	26	3.66	95.16	73.33	76.84	80.75
9	College Toilet	253	0.04	10.12	10.12	7.44	73.54
10	Shiksha Bhawan	9	2.30	20.70	16.28	12.28	59.33
11	Degree College	12	5.47	65.59	35.00	22.67	34.56
12	Renovation Work (College Building)	30	-	125.43	110.29	81.87	65.27
13	Renovation Work (Secondary/HSS Building)	25	-	70.29	48.43	43.70	62.18
14	Child Development Project Office	33	1.14	38.59	31.81	22.77	58.99
15	Information and Communication Technology in Schools	832	0.14	115.48	69.47	84.18	72.90
16	Information and Communication Technology under World Bank project	1	-	52.00	43.24	4.60	8.85
17	District Institute of Education and Training	26	-	487.52	462.39	393.79	45.04
18	Primary Teacher Education College	22	-	265.89	31.75		
19	College of Teacher Education	6	-	72.51	1.50		
20	Block Institute of Teachers Education	4	-	48.34	0.00		
21	Block Resource Centre	185	-	115.86	81.39	4.08	3.52
22	Operating Cost for World Bank	1	-	43.24	12.52	0.93	2.14

Sl. No.	Project	No. of works	Unit cost	Total sanctioned cost	Amount received	Expen-diture	Percentage of expenditure to the sanctioned cost (in *per cent*)
23	Aryabhatt Knowledge University	1	-	94.98	18.00	57.97	61.04
24	M.P. LADS Fund for AKU (Journalism & Mass Comm.)	1	-	11.11	5.03	0.00	0.00
25	Bal Bhawan Kilkari	1	-	3.02	2.85	2.77	91.78
26	Chandragupt Institute of Management, Patna	1	97.11	97.11	89.08	93.88	96.67
27	Auditorium, Sabor, Bhagalpur	1	0.69	0.69	0.69	0.46	66.13
28	Residential School, Tharhut	6	13.75	82.50	50.00	60.48	73.31
29	R.P.Singh Main Gate	1	0.06	0.06	0.06	0.06	94.75
30	Hockey Ground, Shastrinagar	1	0.50	0.50	0.50	0.35	69.71
31	Simultala Avasiya Vidyalaya	1	5.53	5.53	4.70	4.86	87.90
32	Connect to National Network Knowledge	1	41.67	41.67	34.86	7.53	18.06
33	Sainik School, Gopalganj	1	-	24.40	12.90	25.36	103.94
34	Sainik School, Nalanda	1	-	40.99	40.99	37.81	92.25
35	Kalidas Vidyapati Science College	1	0.40	0.40	0.40	0.35	86.57
36	Bihar Hindi Granth Academy	1	4.45	4.45	3.94	3.58	80.43
37	Furniture purchase for DIET & Others	1	6.10	6.10	6.10	6.20	101.62
38	L.N. Mishra College Girls Hostel & Meeting Hall & Internal Painting	1	6.86	6.86	6.40	6.20	90.38
39	Gulzarbag Women College	1	4.45	4.45	0.50	0.58	13.10
40	Renovation of SIT Building	1	-	0.82	0.79	0.62	74.98
41	Institutional Development of BSEB	1	-	4.93	1.55	1.48	29.94
42	Director, DIET-22 DIET & 4 CTE	1	-	3.90	1.30	1.28	32.86
43	Construction of Bapu Smarak Mahila High School	1	2.64	2.64	1.40	0.06	2.44
44	Renovation of DIET & CTE @ Bikram, Patna & Turki	2	-	0.82	0.82	0.68	83.34
45	Exam Building (S.N.Sinha, B.N. Mondal, Sardar Ballavbhai Patel)	3	4.57	13.72	5.00	6.67	48.64
46	Upgraded Senior Secondary School	201	0.01	72.38	1.00	0.00	0.00
47	Double Accounting System	1	-	1.50	1.50	0.00	0.00
48	Rastriya Shiksha Abhiyan Office	1	2.92	2.92	2.92	2.06	70.65
49	Const. of MDM Office	1	-	1.24	1.24	0.95	76.35
50	State Council of Educational Research and Training	1	-	1.27	0.56	0.54	42.27
51	Computer, AC & Other Furniture (SCERT)	1	-	0.23	0.23	0.17	72.11
52	GH Bakhtiyarpur & HS Haspura	2	-	2.31	1.16	0.82	35.59
53	Rajendra Pd. High School, Rupauli HS & SHS	3	-	5.33	4.87	3.14	58.89

Sl. No.	Project	No. of works	Unit cost	Total sanctioned cost	Amount received	Expen-diture	Percentage of expenditure to the sanctioned cost (in *per cent*)
54	Furnishing of Niyojan Bhawan	1	-	1.12	0.92	0.77	69.07
55	Const. of B.Ed. Building in M.U.	1	-	3.60	3.60	0.00	0.00
56	Const. of Building under Kaushal Vikash Kendra	313	-	112.85	57.38	70.30	62.29
57	BSEB (Exam Building & Other Works)	10	-	86.57	74.57	3.90	4.50
58	Repair of diff. School on occasion of GGS Jayanti	34	-	6.53	5.57	6.10	93.46
59	Const. of Girls High School, Paliganj	1	-	1.23	1.23	0.00	0.00
60	Conference cum guest room and renovation of Nehru hostel and academic building in campus of SCERT	1	-	6.92	6.92	0 .00	0.00
Total		**5,082**		**6,196.61**	**3,687.98**	**3,617.06**	**58.37**