

**CHAPTER – IV  
EXECUTION OF WORKS**

**(Urban Administration and Development Department)**

**4.1 Release of Bank Guarantee despite non-recovery of mobilisation advance.**

**Release of Bank Guarantee despite non-recovery of mobilisation advance  
Rs. 2.71 crore**

A Project of Rs. 110.73 crore on augmentation of existing water supply of Bhopal city from Kolar Dam was sanctioned by the Government of Madhya Pradesh (March 1999). The implementing agency for the project was Municipal Corporation Bhopal (Nigam). The work of the project was divided into five groups and the work of groups I, II & IV were awarded (February 2002) to M/S Larsen & Toubro Ltd. (Contractor) According to the agreement executed by Contractor (January 2002) the mobilisation advance was payable to the contractor on their submitting bank guarantee for an amount equal to the advance. The advance carried an interest @ 15 per cent per annum. Such bank guarantee was to remain effective for two years or until the advance was completely repaid by the contractor.

Test check of records (June, 2006) of Municipal Corporation Bhopal (Nigam) revealed that the contractor was given (August 2002 & May 2003) mobilisation advance of Rs. 1.94 crore against a bank guarantee of Rs. 2.00 crore. As against it, mobilisation advance of Rs. 19.42 lakh has been adjusted.

The Government of Madhya Pradesh decided (December 2003) to defer the above work and also not to make payments to contractor. The Government further issued revised administrative sanction of Rs. 66.47 crore (March 2004) and relaxed the order issued in December 2003. According to revised sanction the work awarded to the contractor was not to be executed. The Nigam made a payment of Rs. 2.88 crore to the contractor in August 2004 but mobilisation advance was not recovered despite the fact that no further work was to be got executed through the contractor as per revised sanction. The Nigam decided to close the work and asked (October 2004) contractor to submit their claims as per tender and agreement conditions. Nigam released the bank guarantee (November 2004) duly discharged without adjusting the outstanding mobilisation advance aggregate to Rs. 2.71 crore (Advance: Rs. 1.75 crore; Interest: Rs. 0.96 crore) including interest thereon upto March 2006. No action to recover the amount was taken, resulting to loss to the Nigam.

The commissioner replied that in pursuance of Government orders (March 2004) the work orders issued to the contractor were cancelled, hence the retention of bank guarantee was not justified as contractor might have demanded bank charges.

The reply of the department was not acceptable as the release of bank guarantee without adjustment of mobilisation advance with interest was in

violation of the agreement. Further, other recoveries of Rs. 1.47 crore were also not made from the contractor.

Matter was reported to Government (February 2007); reply was awaited. (March 2008).

**4.2 Infructuous expenditure due to construction of auditorium-cum-commercial shops on disputed land**

**Infructuous expenditure of Rs. 53.18 lakh due to construction of auditorium-cum-commercial shops on disputed land**

The Nagar Nigam Ratlam had approved a plan for construction of auditorium-cum-commercial shops (August 1995) in Azad Chowk area Ratlam. The work was awarded to M/S Burhani Engineers and Consultant Pvt.Ltd. Indore for Rs. 97.42 lakh (August 1995) When the work was in progress a Public Interest Litigation was filed in the Hon'ble High Court of M.P. Bench at Indore (November 1998) stating that the construction being raised by Ratlam Municipal Corporation in Azad Chowk was illegal as the corporation did not have legal title of this land and the premises were meant for park and holding of public meetings, etc. The High Court, based on the facts passed a judgement (February 1999), restraining the Corporation from any construction in Azad Chowk.

Test check of records (November 2005) of Commissioner Nagar Nigam Ratlam revealed that during the year 1965-66 Collector had instructed Nigam not to construct any commercial shops in Azad Chowk. Contrary to these instructions, the Nagar Nigam had started construction of auditorium cum commercial shops in that area (May 1998). An expenditure of Rs. 53.18 lakh was incurred till May 2002. The complainant again approached the High Court (December 2001) and the Hon'ble High Court passed an order (May 2002) that the Nagar Nigam shall not make any construction work until further orders. Non compliance of the instruction of State Government and order of the Hon'ble High Court resulted in infructuous expenditure of Rs. 53.18 lakh.

Matter was reported to the Government (February 2006); the reply was awaited (March 2008).