

PART –I CHAPTER II
AUDIT OF TRANSACTIONS

**URBAN ADMINISTRATION AND DEVELOPMENT
DEPARTMENT**

2.1 Non-completion of work

The construction work of *Haat Bazaar* on which an expenditure of ₹ 30.28 lakh has been incurred remains incomplete three years beyond the scheduled date of completion.

The Government of Chhattisgarh decided (August 2007) to initiate a scheme titled “*Haat Bazaar-Samriddhi ka Aadhar*” in all the Urban Local Bodies (ULBs). The scheme aimed at providing infrastructure facilities to petty traders dealing in village produce in an unorganised way, in the urban localities of the State and their adjoining rural areas. A sufficiently large area was to be chosen for development as Haat Bazaar and the infrastructure was to have provisions for auction platform, platform, parking, lighting, water, drainage and public sanitation facilities. The scheme commenced from the year 2007-08 and the initial target was to construct one *Haat Bazaar* in each of the ULBs by March 2008. No specific amount of rent etc. was determined. The local bodies were allowed to recover some amount for increasing their own revenues and for the maintenance/upkeep of Haat Bazaar.

Directorate of Urban Administration and Development, Raipur accorded (December 2007) technical sanction for construction of *Haat Bazaar* at Janjgiri in Kumhari, Durg district under *Haat Bazaar Samriddhi* Scheme for ₹ 49.92 lakh and the same was approved (February 2009) by the State Urban Development Authority. The Notice Inviting Tender (NIT) was floated (February 2009) with Probable Amount of Contract as ₹ 45 lakh. The work order was issued (September 2009) for ₹ 36.90 lakh for completion by May 2010. The above work included construction of 12 platforms without storage and two auction platforms along with infrastructure such as two shopping complexes, internal roads, approach roads, parking facilities, drainage, drinking water and sanitation facilities. The contractor was paid ₹ 30.28 lakh till April 2011.

Scrutiny of records (January 2013) of Municipal Council (MC), Kumhari revealed that the contractor could not complete the work within the scheduled completion time and had executed the work of only one shopping complex, internal roads, approach roads, drainage and 60 *per cent* of the work of 12 platforms till April 2011. Thereafter, no work was executed by the contractor. The contract conditions clearly stipulated that a penalty at the rate of 10 *per cent* of the amount of work done would be deducted. No penalty was levied against the contractor. Further, the MC had neither closed the contract nor taken any step for completion of the balance work through another contractor

even after lapse of more than three years since the scheduled date of completion.

Thus, failure of MC to ensure completion of the *Haat Bazaar* even after three years not only led to blockade of funds amounting ₹ 30.28 lakh but also resulted in denial of intended benefits of the *Haat Bazaar* to the beneficiaries.

On this being pointed out in audit, Chief Municipal Officer (CMO), MC, Kumhari accepted (September 2013) the observation and stated that the construction work was incomplete. However, the structure completed by the contractor could be used and action for allotment of platforms was being taken. It was also intimated (March 2014) that no penalty was imposed on the contractor for delay in work, but the same would be levied and recovery would be made from the final bill.

The matter was brought to the notice of Government (December 2013), reply is awaited.

2.2 Inappropriate procedure for construction of Commercial Complex

Initiation of construction work of Commercial Complex without ensuring clear possession of site at Rajkishore Nagar, Bilaspur resulted in non-completion and blockade of funds of ₹ 1.08 crore.

The smooth progress of any construction work is critically dependent on the availability of clear possession of the work site without any encroachment or land dispute. Bilaspur Municipal Corporation (BMC) decided (December 2005) to construct a Commercial Complex at Rajkishore Nagar, Bilaspur under Integrated Development of Small and Medium Town (IDSMT), a scheme of Government of India (GoI). The complex was to consist of 91 shops in two floors, two halls, one restaurant and offices. An amount of ₹ 2.75 crore was approved (January 2006) for the project by the Ministry of Urban Development, GoI.

The risk of non-utilisation/under utilisation of the created infrastructure can be addressed by assessing firm demand by way of collection of advance from potential users. Without ensuring firm demand the Notice Inviting Tender (NIT) for the work was floated (September 2006) with Probable Amount of Contract (PAC) as ₹ 2.75 crore and only a single tender was received from M/s Rajendra Construction, Bilaspur at the rate of 9.47 *per cent* above PAC. Accordingly, an agreement was executed (January 2007) with the contractor for an amount of ₹ 3.01 crore for completion within 11 months. The upto date (September 2012) payment made to the contractor was ₹ 1.08 crore.

Timely execution of the work was critically dependent on the availability of an encumbrance free site. It was noticed that the site was not free from encroachment as a result of which out of 91 shops, only 19 shops could be constructed till May 2008. A petition was filed (July 2009) by the encroachers in the Honourable High Court, Bilaspur and demarcation of the work site was done (August 2009) in compliance of the High Court orders. Another petition was also filed in the District Court and the encroachers took stay order on the work (September 2009) at construction site, which was vacated (November

2010) by the orders of Honorable High Court. As work valuing only ₹ 88.77 lakh could be completed till November 2010, the Mayor-in-Council (MiC) decided to grant a further extension of nine months till August 2011 for completion of the remaining work. In spite of the time extension, the contractor executed work valuing only ₹ 1.08 crore upto September 2012 and there was no further progress of work. Though the land was vacated, the contractor did not complete the construction work of the complex. Also, BMC did not take any action for completion of balance work even after lapse of three years since vacation of the land.

On this being pointed out, Dy. Commissioner, Municipal Corporation, Bilaspur while accepting the audit observation, stated (May 2013) that NIT was invited after the project was sanctioned by the Mayor-in-Council (MiC) and GoI. Simultaneously, removal of encroachment and their rehabilitation was initiated. But stay order of the Court and judicial proceedings had delayed the progress of work. The contractor has refused to execute the work at the agreed rates and hence, termination notice has been issued to the contractor. BMC has initiated the process to execute the remaining works through another agency in a timely manner.

The matter was brought to the notice of Government (December 2013), reply is awaited.

2.3 Delay in execution of work

Delay in execution of construction work of mini stadium due to not ensuring encroachment free site resulted in blockage of ₹ 55.46 lakh.

The smooth progress of any construction work is critically dependent on the availability of clear possession of the work site without any encroachment or land dispute. As revealed from the records of Chief Municipal Officer (CMO) Charoda, the work of construction of a Mini-stadium in Charoda was planned for execution in two phases. For construction of 1st phase of the Mini Stadium, the President-in-Council (PiC) of Municipal Corporation (MC) accorded approval (February 2007) for ₹ 50 lakh and the work was completed in June 2010 at a cost of ₹ 40.87 lakh.

The Directorate of Urban Administration and Development, Government of Chhattisgarh sanctioned additional grant of ₹ 25 lakh (June 2009) for the construction of second phase of the stadium. The work was awarded (November 2009) to a contractor for ₹ 21.55 lakh for completion by August 2010 and upto date payment of ₹ 16.39 lakh (May 2011) was made against this work.

Scrutiny of records revealed (January 2013) that though the contractor commenced the work after issue of work order, it could not be completed within the scheduled date of completion (August 2010). It was seen that this was mainly due to non-availability of the site due to encroachment of the premises by the slum dwellers. The encroachment was the biggest risk for timely execution of work and was required to be addressed before awarding of work. Though, the MC was well aware of these encroachments, no action was

taken to get the premises freed from the slum dwellers before awarding of work. Thus, award of work without ensuring the clear possession of the work site and non-initiation of action for rehabilitation of the encroachers by the MC not only resulted in blockage of ₹ 55.46 lakh¹ but also led to denial of sporting facilities to the sports fraternity.

On this being pointed out during audit, CMO stated (January 2013) that the construction work would be completed after removal of encroachment in the stadium. The CMO further stated (January 2014) that efforts are being made by the MC to rehabilitate the encroachers with mutual consent.

The matter was brought to the notice of Government (December 2013), reply is awaited.

2.4 Non-completion of work

Failure to ensure speedy construction of houses led to cost escalation and non-completion of the houses.

With an objective to provide housing facilities to economically weaker and homeless urban populace, *Atal Awas Yojana* (AAY) was launched by Department of Urban Administration and Development, Government of Chhattisgarh. Scheme guidelines envisaged construction of each housing unit of built up area of 180 square feet at the cost of ₹ 60,000 by providing the funds in installments to the beneficiaries as decided by the District Collector. Funding pattern of the scheme would be 50 *per cent* grant and 50 *per cent* as loan which would be recovered from the beneficiary at the rate of ₹ 10 per day. Administrative Approval was accorded (May 2005) for the construction of 100 houses by Municipal Council, Jamul (MCJ), district Durg. Given the initial expenditure ceiling on each house, it was essential to ensure speedy construction. Only at a belated stage Notice Inviting Tender was issued (August 2008) with Probable Amount of Contract (PAC) of ₹ 60 lakh. The work was awarded (August 2008) to M/s Sugam Samajik Sewa Sansthan, Bhilai at ₹ 77.79 lakh (29.65 *per cent* above SOR effective from November 1999) with completion period of eight months (upto August 2009). The contractor was made payment of ₹ 60 lakh upto June 2013.

We noticed (June 2013) during the scrutiny of records of Chief Municipal Officer (CMO), MCJ that though the administrative approval for the work was received in May 2005, the tender for the same was invited in August 2008, i.e. after delay of more than three years. Further, as against the construction cost of ₹ 60,000 fixed under the scheme for each unit, the work order was issued by the CMO at the rate of ₹ 77,790. As the cost of construction increased due to delay in invitation of tender it was evident that construction of 100 houses could not be completed with the available funds of ₹ 60 lakh. It was further observed during the joint physical verification (June 2013) by audit along with the officials of MCJ that the construction work of 22 houses was not even started by the contractor. Further, the construction work of 78 houses was also incomplete as the fitting of doors and windows and other finishing works were

¹ ₹ 39.07 lakh+₹16.39 lakh

not completed. Thus, even the work of taken up 78 units could not be completed within the available funds of ₹ 60 lakh.

The number of houses to be constructed should have been linked with the funds available, as it is better to have some completed units than to have many incomplete units. This was not done, as a result of which not only there has been a blockage of funds of ₹ 60 lakh, but also the targeted beneficiaries were deprived of housing facilities.

On this being pointed out in audit, CMO stated (June 2013) that the construction work of houses could not be completed and construction work of 22 houses could not be started due to non availability of funds and work had been sanctioned in accordance with the rates received in the tender. Further, it was stated (January 2014) that President-in-Council had decided (September 2011) that the remaining works may be completed through the funds of infrastructure head of Municipal Council and a proposal for the same was sent to Government (January 2012), which had been approved. Subsequently, the CMO further stated (March 2014) that balance work of 78 houses had been completed with the help of funds approved by Government, and the additional amount received from the allotment of 78 houses will be utilised for construction of remaining 22 houses.

The matter was brought to the notice of Government (January 2014), reply is awaited.

2.5 Improper procedure followed in construction of houses under Integrated Housing and Slum Development Programme

The work of construction of houses for urban poor was taken up without ensuring prior possession of the site free from encroachment leading to cost escalation of ₹ 13.45 crore.

The smooth progress of any construction work is critically dependent on the availability of clear possession of the work site without any encroachment or land dispute. Bilaspur Municipal Corporation (BMC) awarded (August 2009) the construction of 2000 houses to Chhattisgarh Housing Board (CGHB) under Integrated Housing and Slum Development Programme (IHSDP) component of the Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) without ensuring prior possession of clear site free from encroachment or land dispute.

CGHB invited tender and awarded (February 2010) the construction work of 200 Housing Units (HUs) to a contractor for lumpsum offer of ₹ 3.04 crore (₹ 1.52 lakh per unit). Subsequently, BMC decided (October 2010) to revise the specifications of the houses to limit the cost to ₹ 1,44,500 per unit. Accordingly, CGHB cancelled the approved and ongoing tenders and on the basis of revised tenders issued (December 2010) work order to another contractor for construction of 960 houses for ₹ 13.87 crore (i.e. at a cost of ₹ 1,44,500 per unit). Due to not handing over the site, CGHB could not proceed with the construction work and refunded (February 2012) an amount

of ₹ 2.98 crore out of the advance amount of ₹ 3 crore to BMC, after deducting ₹ 2.13 lakh incurred as expenses on advertisement etc.

BMC invited tender for construction of 1992 HUs (including 1056 HUs at the same site) in April-May 2012 and awarded (May 2013-December 2013) the work to various agencies for construction at the rate of ₹ 2.12 lakh per HU, which is ₹ 67,500² per HU more than the rate earlier awarded by the CGHB. This resulted in avoidable extra cost of ₹ 13.45 crore³.

Even after construction of houses there was a risk of inadequate demand. One way to address this risk was by way of collection of advance money from the potential users. This was not done before start of construction.

On this being pointed out, BMC accepted (March 2014) that delay in construction work of 1992 HUs has led to an increase in cost of ₹ 13.45 crore. Presently the construction work is under progress.

Matter has brought to the notice of Government (January 2014), reply is awaited.

2.6 Lapses in construction of shops under *Mukhyamantri Swavlamban Yojana*

Start of construction without ensuring firm demand resulted in shops constructed at a cost of ₹ 20.25 lakh remaining vacant and the shops on which an expenditure of ₹ 16.50 lakh has been incurred in another location remained incomplete.

Under the *Mukhyamantri Swavlamban Yojana* (MSY), shops/chabutaras were to be constructed and allotted to selected unemployed youths in urban areas so that they could start their own business. The objective of the Yojana was to make the urban youths self-reliant.

a) Tenders were invited (January 2004) by Municipal Corporation Bhilai (MCB) for construction of 68 shops at the rate of ₹ 25000 per shop under *Mukhyamantri Swavlamban Yojana* (MSY). The estimated cost of the work was ₹ 17 lakh. The work was awarded to a contractor at 0.56 *per cent* below Schedule of rates (SOR) effective from November 1999. Work order for ₹ 16.90 lakh was issued (September 2004) to the contractor for completion of work within 120 days.

We noticed (June 2013) during the scrutiny of the records of Commissioner, MCB that the Corporation made payment of ₹ 16.50 lakh (98 *per cent* of total cost of work) to the contractor up to October 2005 against the value of the work done. However, during the physical verification (July 2006) of the site by the MCB officials, it was found that sub-standard work was done by the contractor. Consequently, the contractor was directed (July 2006) to rectify the substandard work/defects. However, neither the contractor rectified the substandard work nor the Corporation had taken any action against the

² ₹ 2,12,000 - ₹ 1,44,500

³ ₹ 67,500*1992 HUs = ₹ 13,44,60,000

contractor even after lapse of more than seven years. It was further observed during the joint physical verification (June 2013) of the site by audit along with the officials of MCB, that the walls of many shops were damaged and shutters were not fitted in most of the shops. As a result, all the shops have remained vacant. It was noticed that the agreement did not have specific clause for penalizing poor performance of the contractor. The agreement only mentioned that the contractor would be liable to pay the financial loss due to delay in completion of works.

Thus, due to absence of effective deterrent clause in the agreement coupled with inaction by MCB led to non-completion of work even after lapse of more than nine years and payment of ₹ 16.50 lakh.

On this being pointed out in audit, Commissioner, MCB stated (June 2013) that notice would be issued to the contractor for completion of work and afterwards shops would be allotted to the beneficiaries.

b) An assessment of firm demand of the commercial infrastructure such as shops, complexes etc. before taking up such works by way of collection of advance money from the potential users addresses the risk of non-utilisation or under-utilisation of the created infrastructure.

We observed (July 2013) that without undertaking such an exercise Rajnandgaon Municipal Corporation (RMC) invited (September 2003) tenders for construction of 300 shops at the rate of ₹ 25,000/- per shop, under *Mukhyamantri Swawlamban Yojana* at 14 different places. A total of 229 shops were constructed under the scheme between 2004-05 to 2009-10.

Scrutiny of records revealed that out of the 229 constructed shops, 148 shops had been allotted to various beneficiaries and 81 shops costing in total ₹ 20.25 lakhs remained vacant (November 2013), as detailed below:-

S.No.	Location	No. of shops constructed	No. of vacant shops	Cost of vacant shops (@ ₹ 25,000/- per shop)
1	Indira Nagar	12	0	0
2	Janta Chowk, Lakholi	20	0	0
3	Bharka Paara Talaab	15	0	0
4	Pyare Lal School	21	0	0
5	Nandai Depot	18	0	0
6	Mohara M.M.	15	15	3,75,000
7	Triveni Parisar	15	15	3,75,000
8	Gokul Nagar	26	15	3,75,000
9	Motipur	12	12	3,00,000
10	Chikhali	22	11	2,75,000
11	Durga Chowk, Lakholi	8	7	1,75,000
12	New Hospital	9	3	75,000
13	Lakholi U.B.S.P.	2	2	50,000
14	New Bus Stand	34	1	25,000
	TOTAL	229	81	20,25,000

On this being pointed out, the Commissioner, RMC did not furnish any specific reply.

Matter was brought to the notice of the Government (March 2014), reply is awaited.

2.7 Irregular award of work and non-completion of work

Award of work in violation of scheme guidelines and failure to take action against executing agencies resulted in non-completion of residential quarters under *Valmiki Ambedkar Aawas Yojana* and escalation in cost to the tune of ₹ 1.01 crore.

With an objective to provide healthy and urban environment by providing residential houses for the homeless poor people living in slum of towns; Urban Administration and Development Department, Government of Chhattisgarh (GoCG) introduced the *Valmiki Ambedkar Aawas Yojana* (VAMBAY). Under this scheme, residential dwellings including toilet along with necessary infrastructure and general facilities were to be provided to the eligible beneficiaries. Each dwelling unit was to have minimum area of 15 square meter and the maximum cost of each unit was fixed at ₹ 40,000. The construction of the residential houses was in no case to be done by contractors or other Government agencies, except by the urban local bodies themselves. Further, Non-Government Organizations (NGOs) with a good track record could be involved for supervision, direction and monitoring activities.

(a) Under the scheme, District Urban Development Authority (DUDA) Durg accorded (August 2004) Administrative Approval (AA) of ₹ 40 lakh to Municipal Council, Charoda for construction of 100 residential dwellings under VAMBAY. Approval was also given for taking up the work through NGOs in contravention of the scheme guidelines. Proposals were invited (September 2004) from the NGOs.

President in-Council (PiC) approved (October 2004) the lowest rate of ₹ 40 lakh, offered by an NGO. Scrutiny (January 2013) of records of Chief Municipal Officer (CMO), Municipal Council, Charoda revealed that there was delay in initiating the work due to water logging and other logistic problems at the selected site. The application of NGO for time extension (February 2006) indicated that the site was ready for work only in February 2006. Thus, the availability of a clear workable site was also not ensured before award of work.

Agreements with the NGO for construction of 50 residential units each in Phase-I and Phase-II were entered into in December 2004 and January 2007 respectively. The work orders were issued in January 2005 and May 2007 respectively. The stipulated period of completion of work for each phase was three months. The payment made on construction of quarters of Phase-I was ₹ 16.42 lakh upto the ninth Running Account (RA) bill (February 2009) while that on Phase-II was ₹ 14.83 lakh upto tenth RA bill (March 2010). However, the work was stopped since March 2010 and thereafter the balance work was not executed by the NGO despite several notices issued by the CMO. PiC decided (January 2012) to issue fresh tenders for balance work valuing ₹ 3.48 lakh (Phase-I) and ₹ 5.75 lakh (Phase-II) respectively and forfeit the entire deposit of the agency and to blacklist it for five years. However, neither

the contract with the NGO was rescinded nor tender was invited for the balance work till the date of audit (January 2013).

Thus, the NGO was entrusted the construction work in violation of the scheme guidelines. Also, the award of work without availability of site in ready condition led to delay in commencement of works and non-initiation of action for completion of balance work led to denial of the intended benefits of the scheme to the targeted beneficiaries besides blockade of funds amounting to ₹ 31.25 lakh. Further, the Municipal Corporation may have to bear the extra cost of ₹ 8.35 lakh⁴, as the value of the balance work has been assessed to be ₹ 17.10 lakh (₹ 6.25 lakh and ₹ 10.85 lakh for phase I and II respectively).

(b) As per VAMBAY guidelines, the contractors or other Government agencies were not to be involved for the construction work. However, in total disregard of the guidelines, the Municipal Corporation, Durg invited (September 2006) tenders for construction of 200 Housing Units (HUs) with Probable Amount of Contract (PAC) of ₹ 80 lakh.

The lowest tender at 14.80 per cent above Schedule of Rates (SOR) effective from November 1999, i.e. ₹ 91.84 lakh was accepted by DUDA, Durg (December 2006). The work order was issued (January 2007) with stipulated period of completion of nine months i.e. upto October 2007. The contractor was paid (April 2011) ₹ 47.01 lakh upto 3rd Running Account (RA) bill.

During scrutiny (January 2013) of records of Commissioner, Municipal Corporation, Durg, it was observed that due to slow progress of work by the contractor, seven show cause notices were issued during the period June 2007 to April 2010 and time extension upto February 2010 was granted to the contractor by the Corporation. Despite this, the contractor could not complete the work and was finally blacklisted (July 2011) after forfeiting the registration amount of ₹ 1 lakh. Since the delay in completion was attributable to the contractor, penalty amounting to ₹ 9.18 lakh at the rate of 10 *per cent* of the contract amount was recoverable as per clause 2 of the agreement with the contractor. This penal clause should have been used effectively by the Corporation to serve as a deterrent for delinquency on the part of contractor. Against this, an amount of ₹ 1.25 lakh only was withheld from the second RA bill of the contractor. Further scrutiny of records revealed that due to bad workmanship and incomplete work, the constructed structures were damaged due to storm and rains for which no recovery was made.

Thus, award of work in violation of scheme guidelines and failure of the Corporation to complete the work by way of effective utilization of the deterrent penal clause, not only led to blockade of funds amounting to ₹ 47.01 lakh but also resulted in denial of intended benefits of the scheme to the targeted beneficiaries. Further, the Municipal Corporation may have to bear the extra cost of ₹ 58 lakh⁵, as value of the balance work has been assessed to be ₹ 103 lakh.

⁴ ₹ 17.10 lakh – (₹ 40 lakh - ₹ 31.25 lakh) = ₹ 8.35 lakh

⁵ ₹ 103 lakh - (₹ 92 lakh - ₹ 47 lakh) = ₹ 58 lakh

(c) Similarly, in total neglect of the scheme guidelines NIT for construction of 155 HUs with PAC ₹ 62 lakh was invited (June 2005) by Municipal Corporation, Durg. The lowest tender at 14.85 per cent above SOR effective from November 1999, i.e. ₹ 71.21 lakh accepted by DUDA, Durg (September 2005). The work order was issued (October 2005) with stipulated period of completion of eight months i.e. upto July 2006. During scrutiny (January 2013) of records, it was observed that though the work order was issued in October 2005, the layout of the site was however provided to the contractor in May 2006. As a result, the completion date was extended to January 2007 and time extension was granted to contractor up to May 2008. The contractor was paid ₹ 70.09 lakh upto 6th RA bill (February 2009).

Due to slow progress of work by the contractor, eight show cause notices were issued during the period from December 2006 to July 2010. The contractor could not achieve the progress and the work remained incomplete (May 2013). Despite delay in completion of the work, neither the contract was rescinded nor any penalty levied against the contractor. It was also observed that due to bad workmanship and incomplete work, the constructed structures were damaged due to storm and rains for which no recovery was made.

Award of work in violation of scheme guidelines and failure of the Corporation to complete the work resulted in the 155 HUs remaining incomplete even after lapse of more than five years from the stipulated date of completion. This not only led to blockade of funds amounting to ₹ 70.09 lakh, but also resulted in denial of intended benefits of the scheme to the urban poor. Further, the Municipal Corporation may have to bear the extra cost of ₹ 35.40 lakh⁶, as the value of the balance work has been assessed to be ₹ 36.52 lakh.

On this being pointed out during audit, the CMO, Municipal Corporation, Charoda stated (January 2013) that the work was awarded to NGO registered under society act which will supervise, monitor and coordinate the local labour. CMO agreed that the residential quarters are not being utilized due to non-completion of the construction work and further stated that tenders have been invited for the balance work and action was being initiated for recovery of security deposit of ₹ 1.56 lakh from the agency besides blacklisting it. In the second and third case, the Commissioner, Municipal Corporation, Durg accepted (May 2013) that the structures were damaged due to stoppage of work for long time and that tenders had been invited for the remaining work.

Matter was brought to the notice of the Government (March 2014), reply is awaited.

⁶ ₹ 36.52 lakh – (₹ 71.21 lakh - ₹ 70.09 lakh) = ₹ 35.40 lakh