

Chapter-VI

COMPLIANCE AUDIT OF ULBs

6.1 Excess expenditure of ₹79.43 lakh due to delay in completion of work in Diphu Town Committee

Diphu TC incurred an excess expenditure of ₹79.43 lakh due to cost overrun for delay in completion of work besides extending undue financial benefit to the contractor.

Government of India (GoI), Ministry of Urban Employment & Poverty Alleviation accorded (December 2005) Administrative Approval to the project “Construction of Rehabilitation Centre for Hawkers and Vendors” at Diphu, Assam at an estimated cost of ₹679.54 lakh (Central share: ₹6.12 crore and State Share: ₹67.96 lakh). Technical Sanction for the project amounting to ₹6.94 crore was accorded by the Director, Town & Country Planning, Assam with an instruction that the additional amount of ₹14.30 lakh would be borne by the Diphu Town Committee (TC).

Out of ₹6.94 crore sanctioned for the project the estimate for the civil work was prepared as per Schedule of Rate (SOR) 2004-05 for an amount of ₹4.60 crore and was sanctioned by the Executive Engineer, Diphu TC, Karbi Anglong. Accordingly, tenders were invited from different contractors and the lowest bidder for ₹4.60 crore was allotted the work (November 2006) with an instruction to complete the work within 18 months from the date of handing over of the site.

Test check of records revealed that the contractor could not complete the work even after lapse of 43 months from the date of handing over of site (August 2007) and eventually stopped the work in March 2011 after completion of 87 per cent of civil work. The Diphu TC neither initiated any action during the excess period of 25 months to insist on the contractor to speed up the work nor was any penalty imposed on the contractor for slow progress of the work. It was further observed that the Diphu TC paid ₹4.77⁶⁶ crore to the contractor till March 2011 against admissible ₹4 crore (being 87 per cent of tendered value of the civil work) thereby making an excess payment of ₹76.78 lakh. Though, Diphu TC subsequently issued (November 2011) notice to the contractor instructing him to resume the work within seven days to avoid action against him, no action was taken by the TC even after nine months of issue of the notice before revoking the contract in August 2012. The remaining 13 per cent of civil work was done departmentally by the Diphu TC incurring an additional expenditure of ₹62.46 lakh. If action had been taken timely by the TC against the contractor once he had

⁶⁶ 1. Running account bill (R1 to R9) : ₹366.84 lakh
2. Secured Advance : ₹90.00 lakh
3. VAT : ₹20.20 lakh
Total : ₹477.04 lakh

stopped the work altogether and excess payment recovered in March 2011, both time and cost could have been saved.

Further, as per clause 2 of the agreement, the contractor was liable to pay compensation amount equal to one *per cent* or such smaller amount as the Chairman may decide on the estimated cost of the whole work for every day that the due quantity of works remain incomplete, provided always that the entire amounts of compensation to be paid under the provisions of the clause shall not exceed 10 *per cent* of the estimated cost of the work, as shown in the tender. As such, the contractor was liable to pay compensation of ₹ 46 lakh⁶⁷ for the delay but the same was not deducted by the Diphu TC while making payment to the contractor.

Thus, due to excess payment beyond the value of the work completed and failure to impose penalty for delays as per terms of the agreement, Diphu TC had extended undue financial benefit of ₹ 1.23 crore (₹ 76.78 lakh excess payment to contractor + ₹ 46 lakh penalty) to the contractor. Further, due to its inability to get the work done in time by the contractor the Diphu TC had to bear extra expenditure of ₹ 62.46 lakh to complete the remaining civil work departmentally resulting in excess payment of ₹ 79.43 lakh⁶⁸.

The matter was reported to Government in July 2015; their reply had not been received (December 2015).

6.2 Undue financial benefit to contractor and loss due to interest not levied by Jorhat Municipal Board

Jorhat Municipal Board (JMB) suffered a loss of ₹24.92 lakh for not levying interest on mobilisation advance given to contractor besides extending undue financial benefit to the contractor to the extent of ₹51 lakh.

Assam Public Works Department (APWD) Code does not provide for payment of Mobilisation Advance (MA) to contractors. However, Section 31.5 of the Central Public Works Department (CPWD) Manual 2007 provides for release of Mobilisation Advance (MA) to contractors at 10 *per cent* of the estimated cost on which simple interest at 10 *per cent* is to be paid by the contractor.

⁶⁷ Estimated cost of civil work: ₹460.07 lakh

Scheduled date of completion : February 2009; work remained incomplete till March 2011; delay: 730 days

Compensation: (₹460.07 lakh × 1 *per cent* × 730 days = ₹33.58 crore, limited to maximum 10 *per cent* of ₹460.07 lakh) = ₹46 lakh.

⁶⁸

Amount paid to contractor for 87 <i>per cent</i> of execution of the work	: ₹ 477.04 lakh
Add: Expenditure incurred for 13 <i>per cent</i> of the work done departmentally	: ₹ 62.46 lakh
Total expenditure incurred by the department	: ₹ 539.50 lakh
Less: Tender value of civil work	: ₹ 460.07 lakh
Excess expenditure incurred	: ₹ 79.43 lakh

Government of India, Ministry of Development of North Eastern Region (DoNER) accorded (13 December 2010) administrative and financial approval for Central financial assistance under Non-lapsable Central Pool of Resources (NLCPR) towards the project “Construction of Multi-storied Car Parking cum City Hall at Jorhat” for a total cost of ₹ 10.51 crore. Technical sanction (TS) to the work was received on 28 May 2013 and the work was awarded (25 September 2013) to one Guwahati based firm at a tendered cost of ₹ 10.20 crore. The work was to be completed within 36 months.

Scrutiny (March 2015) of records of Executive Officer (EO), JMB revealed that interest free MA amounting to ₹ 1.53 crore (15 per cent of the value of work) was paid (9 November 2013) to the contractor for execution of the work though there was no provision in the Assam Public Works Department (APWD) code for granting of MA. Further, this amount also exceeded the limit provided in the CPWD manual by ₹ 51 lakh. It was also noticed that simple interest at 10 per cent was also not charged from the contractor as against the provision of CPWD Manual.

Out of ₹ 1.53 crore, only ₹ 53.55 lakh had been recovered from the Running Account Bills of the contractor till March 2015.

Thus, by releasing MA of ₹ 1.53 crore against permissible limit of ₹ 1.02 crore⁶⁹, Jorhat MB not only extended undue financial benefit to the contractor to the extent of ₹ 51 lakh but also suffered a loss of ₹ 24.92⁷⁰ lakh by not charging any interest on the MA.

The matter was reported to Government (July 2015); their reply had not been received (December 2015).

6.3 Unfruitful expenditure due to project not completed by the Jorhat Municipal Board.

Due to change of project site for construction of “Multi-Utility Building for the rehabilitation of vendors at Jorhat in Assam”, the GoI rejected the project proposal which led to stagnation of work after incurring an expenditure of ₹3.10 crore.

Ministry of Housing and Urban Poverty Alleviation (MoHUPA), Government of India (GoI) sanctioned (March 2007) a project “Construction of Multi-Utility Building for the rehabilitation of vendors at Jorhat in Assam” at an estimated cost of ₹ 17.05 crore and

⁶⁹(Tendered value: ₹10.20 crore × 10 per cent=1.02 crore)

⁷⁰

Date of payment of MA	Amount paid (in ₹)	Date of recovery	Amount recovered (in ₹)	Unadjusted balance (in ₹)	Rate of interest chargeable	Period of interest (in days)	Loss of interest { Col. 5 x10%xCol. 7/365} (in ₹)
1	2	3	4	5	6	7	8
9.11.2013	15300000	-	-	15300000	10%	246	1031178
		14.7.2014	5355000	9945000 (as on 31 March 2015)		536	1460416
Total loss of interest as on 31 December 2015							24,91,594

released a sum of ₹ 1.53 crore to Jorhat Municipal Board (MB), Assam. One of the clauses of the Sanction Order stipulate that the project was to be completed within 12 months from the date of the start of the work and no revision in the cost of the project would be allowed and any increase in the cost of the project would have to be borne by the executing agency.

Though the construction site for the project “Construction of Multi-Utility Building for the rehabilitation of vendors at Jorhat in Assam” was selected at Chowk bazar in Jorhat Town, the work could not be started by Jorhat MB till November 2013 i.e. even after six years from the date (March 2007) of according Administrative Approval (AA) by the GoI as the traders of that locality refused to vacate the site. Subsequently, the Jorhat MB decided (June 2013) to shift the project from the approved site at Chowk Bazar to a new site at Pujadubi, which was also within the Jorhat Town, without obtaining prior approval from the GoI. The work was awarded (November 2013) to a contractor at a contract price of ₹ 14.90 crore. In this regard, the related records viz., NIT, bid documents, comparative statements, contract agreements, formal works order etc., were not made available to audit despite issuing several reminders. Till the date of audit (March 2015), an expenditure of ₹ 3.10 crore had incurred on the project out of which ₹ 1.53 crore was received from the GoI and ₹ 1.56 crore was incurred from General Fund of the Jorhat Municipal Board.

However, GoI, rejected (December 2013) the change of site from Chowk Bazar to Pujadubi and instructed (December 2013) to refund ₹ 1.53 crore along with the accrued interest. Related records in support of actual execution of work could not be furnished to audit despite repeated persuasions. Further, it was noticed from the Utilisation Certificate (UC) dated 27 October 2014 that only 16 per cent of the overall project could be completed. Subsequent collection of information and recent (July 2015) photograph of the site clearly depicted that the work was in the preliminary stage. The work was stopped since September 2014.



Construction site at Pujadubi where no work done since September 2014

Audit observed that inability on the part of the Jorhat MB to garner consent of the traders of Chowk Bazar to vacate the site prior to forwarding the proposal of the project to the GoI led

to delay in start of the work by six years. The decision taken by the Jorhat MB to change the project site without GoI's approval further increased the uncertainty of completion of the project as GoI had specifically rejected the new site and instructed Jorhat MB to close the Project and refund the GoI's share of ₹ 1.53 crore along with accrued interest.

Thus, failure of the Jorhat MB to ensure availability of site prior to obtaining approval for the project and changing of the project site without prior approval of the GoI led to unfruitful expenditure of ₹ 3.10 crore beside inviting a liability of ₹ 2.03⁷¹ crore (Principal amount = ₹ 1.53 crore + Interest = ₹ 0.50 crore) on account of Principal and accrued interest payable to the GoI.

The matter was reported to Government in August 2015; their reply had not been received (December 2015).

6.4 Injudicious expenditure on purchase of Land at Kakodunga by Jorhat Municipal Board

Jorhat Municipal Board (MB) injudiciously incurred an expenditure of ₹94.56 lakh on purchase of land for Solid Waste Management at Kakodunga.

Sanction for ₹ 95.72 lakh was accorded (July 2011 and July 2012) by the Chairman, Jorhat MB for purchasing plots of land at the outskirts of Jorhat city, measuring 87 *bigha* (B) 4 *katha* (K) and 4 *lecha*⁷²(L) in two phases⁷³ for Solid Waste Management (SWM) Project out of General Fund of the Jorhat MB. Accordingly, the lands at Kakodunga under Parbatia *Mauza* of Jorhat district were purchased and total payment of ₹ 94.56 lakh was made to the occupants of land on different dates between July 2011 and September 2012.

Test check (March 2015) of records of the EO, Jorhat MB revealed the following:

- (i) Out of the land measuring 87B-04K-04L so purchased, four plots of land measuring 12B-00K-12L belonged to the Government of Assam but had been occupied by the seller claiming that he was in possession of the land and applicable revenue was duly paid by him.

⁷¹

Sl. No.	Period	Principal amount (₹)	Interest @ 4% per annum (₹)	Interest payable for one month (₹)	Number of months	Total Interest payable (approx.) (₹)
1	May 2007-December 2007	1,53,00,000	6,12,000	51,000	8	4,08,000
2	January 2008-December 2014				84	42,84,000
3	January 2015 - July 2015				7	3,57,000
TOTAL						50,49,000

⁷²Lecha = 144 sqft, Katha = 20 Lecha, Bigha = 5 Katha

⁷³13 bigha, 4 katha and 8 lecha in July 2011 and 74 Bigha and 19 Lecha in July 2012.

In reply to an audit query, the Executive Officer (EO), Jorhat MB stated (March 2015) that ₹ 8.45 lakh (₹70,000 per *bigha*) was paid for clearing the Government land (12B-00K-12L) from encroachment. The reply was not tenable as information received from the Circle Officer; Jorhat (West) revealed that the plots were still in the name of the Government. Moreover, the payment details showed that the plots were purchased from the occupant of the Government land who was not a legal owner. As per agreement between Jorhat MB and the seller, there was only transfer of possession of these plots and the actual sale deed had not taken place.

(ii) Audit also observed that though the land 87B-4K-4L was purchased in September 2012, it could not be put to use till August 2015. On this being pointed out, the EO, Jorhat MB stated that the land was a wetland and had to be developed before using it for SWM project.

(iii) Further, as per the Municipal Solid Wastes (Management and Handling) Rules, 2000, the landfill site shall be away from habitation clusters, forest areas, water bodies, monuments, National Parks, **Wetlands** and places of important cultural, historical or religious interest. Relating to pollution prevention, the Rules state that there should be provision to prevent run-off from landfill area entering any stream, river, lake or pond.

However, it was seen that river Kakodunga flows near the proposed site of the dumping ground and during rainy season the whole area gets flooded making it extremely difficult to reach the proposed site which is evident from the following photographs (July 2015).

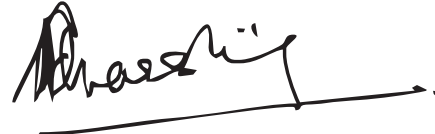


The Circle Officer (CO), Jorhat (West) also stated (September 2015) that use of this land for dumping waste material was not permissible as it would pollute the environment and the ecological balance of that area as this place was frequently visited by migratory birds.

Thus, injudicious purchase of land for dumping of waste material without taking into consideration its ecological impact and without conducting proper feasibility study led to an

unfruitful expenditure of ₹94.56 lakh. Further, purchase of Government land for ₹8.48 lakh from the occupant who was not the legal owner was also irregular.

The matter was reported to Government in September 2015; their reply had not been received till December 2015.



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GUWAHATI

THE 07 March 2016

Countersigned



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Comptroller and Auditor General of India

NEW DELHI

THE 11 March 2016