

CHAPTER XI : MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

Department of Urban Affairs

Delhi Development Authority

Part I

11.1 Loss on construction of peripheral storm water drain

Delhi Development Authority had to suffer a loss of Rs 73.09 lakh on construction of peripheral storm water drain due to non-initiation of action for recovery of risk and cost amount from the contractor.

The DDA¹ awarded the work for construction of peripheral storm water drain in Sector 15, Rohini at a cost of Rs 1.19 crore in February 1994 to contractor 'A'. The stipulated date of completion was November 1994.

During the first two months, the contractor did not execute any work and even thereafter the progress of work was very slow and the contractor could complete only three *per cent* of the work. In July 1995, it was decided in a meeting with the Engineering Member to rescind the contract within a fortnight. In defiance of the order, the EE² allowed the contractor to continue the work upto May 1996. Finally the work was rescinded in June 1996 and it was decided to get the balance work done at the risk and cost of the contractor 'A'. The work done by the contractor upto the date of rescission of the contract amounted to Rs 14.48 lakh against which he had been paid Rs 11.42 lakh.

The balance work was awarded by DDA to contractor 'B' at Rs 1.69 crore in December 1996. While conveying the sanction for award of work, to the EE, the Additional Chief Engineer (Rohini) had clearly stated that all necessary steps should be taken to recover the entire expenditure from contractor 'A'.

¹ Delhi Development Authority

² Executive Engineer

The total risk and cost amount on this work comes to Rs 64.40 lakh as detailed below:-

Table 11.1

| | |
|-----------------------------------------------|--------------------|
| Amount of work done by contractor 'A' | Rs 1448147 |
| Tendered amount of contractor 'B' | Rs 16855,265 |
| Total | Rs 18303412 |
| Less: Tendered amount of contractor 'A' | Rs 11863536 |
| Amount recoverable from contractor 'A' | Rs 6439876 |

The balance work was completed by contractor 'B' in July 1998 and his final bill was paid in September 1998. Only in March 2000 i.e. after 45 months of rescission of contract, the SE³ imposed a penalty of Rs 8.69 lakh on contractor 'A' for delay in completion of the work.

As more than three years had already elapsed from the date of rescission of the contract, the recovery from contractor 'A' of the risk and cost & penalty amounting to Rs 73.09 lakh is doubtful in the light of the Delhi High Court judgement, upheld by the Supreme Court stating interalia that recovery suit filed after a lapse of three years from the date of rescission of contract becomes time barred.

Thus, due to inordinate delay of 45 months in levy of penalty and non initiation of action for recovery of risk and cost amount from Contractor 'A' within three years of rescission of contract, DDA had to suffer a loss of Rs 73.09 lakh in construction of peripheral storm water drain in Sector 15, Rohini.

Part II

Blockade of funds in storm water drain

Delay in rescission of contract by the Executive Engineer inspite of orders of Chief Engineer and non-completion of balance work of storm water drain by Delhi Development Authority resulted in blockade of funds amounting to Rs 57.77 lakh.

The work of construction of peripheral storm water drain in Sector I and II of Dwarka was awarded by DDA to a private firm at Rs 1.47 crore in September 1996. The work was required to be completed by October 1997. From the very start, the progress of work was very slow and this was pointed out to the contractor on a number of occasions from November 1996 to May 1997. However, as the progress of work was only eight *per cent* against the required 50 *per cent*, the CE¹ approved rescission of the contract in July 1997 and asked the EE to issue the rescission letter to the contractor. SE, also in April 1998 stressed on the rescission of the contract.

³ Superintending Engineer

¹ Chief Engineer

The EE in complete disregard to the orders of CE and SE allowed the contractor to continue with the work till July 1998, although the progress of work continued to be very slow and of substandard quality. The EE issued the rescission letter to the contractor finally in August 1998 i.e. after a delay of more than one year. No action was taken by the EE to impose penalty on the contractor for delay in completion of the work. The amount of risk and cost required to be recovered from the contractor was also not worked out. At the time of approval of rescission of contract in July 1997 the contractor had been paid Rs 7.77 lakh and during the unauthorised extension of one year a further amount of Rs 50 lakh was paid to the contractor. Against this, the completion of work was *44 per cent*.

The balance work had not been awarded even after a lapse of more than 24 months. Thus, willful and wanton delay in rescission of contract by the EE in spite of orders of CE and SE and not getting the balance work of storm water drain completed resulted in blockade of funds amounting to Rs 57.77 lakh and a delay of three years in getting the work completed. No action against the erring EE has been taken so far.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

11.2 Blockade of funds in idle/ damaged items

Non-utilisation/ disposal of items lying in Delhi Development Authority store for the last six to twenty three years resulted not only in blockade of funds to the tune of Rs 67.14 lakh but also loss of interest amounting to Rs 92.42 lakh.

In Store Division-II of DDA, SCI fittings, C.I. pipes, M.S. pipes, R.C. Steel valued at Rs 67.14 lakh were lying unutilised/undisposed for the last six to twenty three years. These included:

- (i) SCI fittings and pipes valued at Rs 49.85 lakh procured in excess of requirement during 1981-89 for the projects already completed.
- (ii) C.I. pipes valued at Rs 13 lakh purchased during 1976-95 and damaged during handling and transit.
- (iii) Defective Ribbed Coil Steel valued at Rs 4.29 lakh purchased during 1993-94.

Although these items were lying in the store for a period extending from six to twenty three years, no action had been taken by DDA either for their utilisation or disposal.

Thus, the non-utilisation/ disposal of these items lying in DDA store for a period extending from six to twenty three years resulted not only in blockade

of funds to the tune of Rs 67.14 lakh but also loss of interest amounting to Rs 92.42 lakh up to March 2000.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

11.3 Avoidable expenditure due to delay in finalisation of drawings

Non-finalisation of foundation and structural drawings and non-issue of stipulated material in time by Delhi Development Authority led to avoidable expenditure of Rs 48.14 lakh on the scheme.

The DDA invited tenders for construction of 128 SFS¹ houses (60 category III and 68 category II), 128 scooter and 32 car garages at Sector -22, Dwarka, Phase-I at an estimated cost of Rs 2.09 crore in December 1993. It awarded the work to contractor 'A' in March 1994 at a negotiated cost of Rs 3.28 crore with the approval of WAB² of DDA. The stipulated dates of start and completion of the work were April 1994 and February 1996 respectively.

While recommending the case to the WAB, the EE had clearly stated in his note that site, stipulated material and approval of layout/building plan are available. Even the CE had emphasised in March 1994 while conveying approval of the work to the EE that approved layout plans and drawings be made available to the contractor to avoid delay in execution of work.

The work was actually completed in November 1998 i.e. after a delay of 33 months. It was delayed due to non-finalisation of revised foundation and structural drawings for 12 months and non-issue of stipulated materials to the contractor in time for 21 months. The delay in completion of work was regularised by SE who granted extension of time to the contractor without levy of compensation as the delays were attributable to the department. Further, due to delay in completion of work, DDA had to pay Rs 48.14 lakh to the contractor as compensation for the increased index of material and labour.

Thus, non-finalisation of foundation and structural drawings, non-issue of stipulated material in time by DDA and misrepresentation of facts by the EE led to avoidable expenditure of Rs 48.14 lakh on the scheme.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

¹ Self Financing Scheme

² Works Advisory Board

11.4 Avoidable expenditure due to adoption of wrong design and delay in finalisation of drawings

Due to adoption of wrong design of piles, delay in finalisation of drawings and handing over of site, Delhi Development Authority had to incur an avoidable expenditure of Rs 44.43 lakh on the housing scheme.

The DDA awarded the work for construction of SFS houses in Sector VIII Jasola to contractor 'A' in May 1993 at Rs 2.20 crore. The stipulated date of completion of the work was December 1994.

Though the work was awarded in May 1993, the site was handed over to the contractor in September 1993. In the agreement, a provision of under reamed bored conventional pile was made whereas the CDO¹ had issued the drawings with the stipulation of under reamed bored compaction pile. The SE proposed in October 1993 to adopt conventional pile and allowed the contractor to erect the pile for testing. The load test report of piles submitted in September 1994 was not accepted by the CDO who desired to have test of compaction pile. Test report of compaction pile was submitted to CDO in January 1995. Finally, the design of compaction pile was issued by the CDO in March 1995. The exercise resulted in delay of 22 months in start of the work. The work was also delayed due to non finalisation of plinth level and cut off levels (four months), architectural and structural drawings (11 months) and development plans (13 months). The work was finally completed on 31.12.1997 i.e. with a delay of 36 months. As the above delays were attributable to department, extension in time was granted to the contractor by the SE without levy of compensation for delay.

The contractor claimed as per agreement the difference of the cost index in respect of labour and material. Accordingly, an extra amount of Rs 44.43 lakh was paid to the contractor for the extended period of work (January 1995 to December 1998).

Thus, due to adoption of wrong design of piles, delay in finalisation of drawings and handing over of site, DDA had to incur an avoidable expenditure of Rs 44.43 lakh on the housing scheme.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

¹ Chief Design Officer

11.5 Avoidable expenditure on construction of SFS houses

Avoidable expenditure of Rs 23.53 lakh by Delhi Development Authority on construction of Self Financing Scheme houses due to delayed supply of revised layout plan and structural foundation drawings to the contractors.

The DDA invited tenders for construction of 136 SFS houses (66 Cat-III, 70 Cat-II), 136 scooter garages and 34 car garages including internal development of land in Sector-I, Pkt.I, Dwarka, Phase-I, at an estimated cost of Rs 2.12 crore in March 1994. The work was awarded to the lowest bidder, contractor 'A' at the negotiated amount of Rs 3.39 crore.

The contractor started the work in May 1994 with a stipulation to complete it by March 1996. It was delayed due to non-availability of hindrance free site by five months, delays in supply of revised layout plan and structural foundation drawings by six months and supply of departmental materials to the contractor by five months. The work was finally completed in January 1998, i.e. after a delay of 22 months. The delay in completion of work was attributable to the department and was regularised by the SE by granting extension of time to the contractor without levy of compensation. Due to delay in completion of work, DDA had to pay Rs 23.53 lakh to the contractor for increased cost of material and labour.

This was despite the fact that while conveying administrative approval for the work, the Engineer Member of DDA had directed that before inviting tenders, it should be ensured that land is available free from encumbrance and drawings both architectural and structural are available for operations. Even in the sanction for award of work conveyed by the CE to the EE, it was again emphasised that approved layout plan and drawings should be made available to the contractor in order to avoid delay in execution of the work.

Thus untrue declaration regarding availability of site, stipulated materials and approval of layout and building plans at the time of award of work led to an avoidable expenditure of Rs 23.53 lakh on the scheme.

The matter was referred to the Ministry in July 2000; their reply was awaited as of February 2001.

11.6 Extra expenditure in procurement of cement

By rejecting the lowest offer of firm 'A' ignoring the recommendation of Director (MM), Delhi Development Authority incurred an extra expenditure of Rs 13.35 lakh in procurement of cement.

DDA invited tenders for supply of 20000 ton cement in February 1998. The tenders were opened in March 1998 and the rate offered by firm 'A' at Rs 2202 per ton was the lowest. In March 1998, the WAB directed Director (MM) to negotiate with firm 'A' and award the work if they agreed to bring down their rate to Rs 2040 per ton and if the firm did not agree, Director (MM) was to report back to WAB with his recommendations. Accordingly, following negotiations, the firm reduced its rate to Rs 2180 per ton and Director (MM) recommended procurement of cement at this rate from the firm on the grounds that MCD had received the lowest rate of Rs 2390 per ton in tenders opened in March 1998. The WAB, however, rejected the recommendation of Director (MM) in April 1998 without assigning any reason and ordered for retendering.

Tenders were reinvited in April 1998 and the lowest rate offered by firm 'B' was for Rs 2299 per ton. A supply order for 12000 ton cement at negotiated rate of Rs 2259 per ton was placed on firm 'B' with the approval of WAB in May 1998. Against this order, the firm supplied 11772.50 ton cement. Another 6399.50 ton cement was procured by DDA from other firms in July 1998 at Rs 2244 per ton. Thus, by rejecting the lowest offer of firm 'A' ignoring the recommendations of Director (MM), DDA had to incur an extra expenditure of Rs 13.35 lakh in the procurement of cement at higher rates during May and July 1998.

The matter was referred to the Ministry in August 2000; their reply was awaited as of February 2001.

11.7 Award of contract at higher rate

Misrepresentation of facts to Works Advisory Board by the Chief Engineer led to award of work at higher rates resulting in loss of Rs 10.46 lakh to Delhi Development Authority.

Tenders for construction of 280 LIG houses each in Group II and Group III in village Palam at an estimated cost of Rs 3.31 crore and Rs 3.30 crore, were invited in November 1996 by DDA. The justified rates worked out for considering the reasonableness of rates as per standard formula for these works were Rs 3.84 crore and Rs 3.82 crore which were 15.97 *per cent* and 15.99 *per cent* above the estimated cost. The WAB directed the CE in January 1997 to negotiate with the lowest tenderer (contractor 'A') to bring down his

rates to 2.64 *per cent* above the estimated cost failing which the works may be awarded at 10 *per cent* (approx.) below the justified rates.

The CE awarded the works and informed the WAB in March 1997 that the negotiated rates of contractor A though 5.93 *per cent* and six *per cent* above the estimated cost for Group II and III houses respectively but were 10.04 *per cent* (approx.) and 10 *per cent* (approx.) below the justified rates. Accordingly, the award of works were approved by WAB.

During test check of records, it was noticed in audit that the rates reported by the CE to WAB on the basis of which the works were awarded were not correct. The rates worked out to 8.66 *per cent* and 8.61 *per cent* below the justified rates and DDA thus, suffered a loss of Rs 10.46 lakh as per details given below:-

Table 11.7

(Rs in lakh)

| | | Works | |
|-----|--------------------------------------------------|--------------|-----------|
| | | Group II | Group III |
| 1 | Estimated cost | 331.02 | 329.55 |
| 2 | Tendered cost (negotiated) | 350.63 | 349.33 |
| 3 | Justified rate | 383.87 | 382.25 |
| 4 | WAB recommendation | | |
| (a) | 2.64 <i>per cent</i> above the estimated cost or | 339.75 | 338.25 |
| (b) | 10 <i>per cent</i> below justified rates | 345.48 | 344.02 |
| 5 | Difference (2-4b) | 5.15 | 5.31 |
| | Total difference | 10.46 | |

Thus, award of works by the CE which were beyond the stipulated justification of rates of the WAB and misrepresentation of facts of the same to WAB resulted in loss of Rs 10.46 lakh to DDA.

The matter was referred to the Ministry in July 2000; their reply was awaited as of February 2001.