

CHAPTER XVII- MINISTRY OF WATER RESOURCES, RIVER DEVELOPMENT AND GANGA REJUVENATION

National Projects Construction Corporation Limited

17.1 Irregularities in execution of work of construction of road and fencing along the Indo-Bangladesh Border

Inordinate delay caused substantial increase in the estimates during February 2007 to August 2010 for construction of Road and fencing along the Indo-Bangladesh Border in Tripura. Besides, payment of *ad hoc* advance to three contractors without approval of the competent authority and waiver of interest on these advances resulted in undue financial benefit of ₹28.02 crore. The project is yet to be completed despite lapse of nine years.

National Projects Construction Corporation Limited (NPCC) entered (17 March 2006) into a Memorandum of Understanding (MoU) with the Ministry of Home Affairs (MHA) for construction of Road and fencing along the Indo-Bangladesh Border (IBB) in the State of Tripura. The objective of the fencing work was to curb infiltration, smuggling and other anti-national activities from across IBB. As per provisions of the MoU, NPCC would carry out survey of stretches for the project and prepare a comprehensive estimate as per Central Public Works Department (CPWD) norms. The approved cost of the work would be as per estimates scrutinized by the Technical Committee (TC), chaired by DG (CPWD) (TC) and approved by High Level Empowered Committee (HLEC), MHA.

Technical Committee (20 November 2006) found inadequacies in the preliminary project estimates submitted by NPCC and, therefore, it only accorded provisional approval to the estimates with the condition that deviation in quantities of various items with final estimates would be submitted by NPCC to the Border Financing Report¹ (BFR) cell after executing 15 *per cent* of the work for final adjustment and approval. However, in view of the urgency and importance of work HLEC decided (February 2007) that instead of provisional approval, it should be treated as approval based on rough estimates and NPCC was directed to submit the precise estimates of quantities based on detailed survey/data/actual construction after 25 *per cent* of work was over. Further, after completion of work, final cost with complete supporting details was needed to be submitted to TC for clearance.

NPCC submitted following Revised Estimates (RE) (August 2010) for these two works by reporting progress of work as 25 *per cent* as under:

¹ BFR cell consist of Technical personnel under ADG (BDR) which scrutinize all proposals before placing in TC.

Type of work	Original sanctions (₹ in crore) (February 2007)	Revised estimates (₹ in crore) (August 2010)	Increase (in per cent)	Initial target date of completion	Revised target date of completion
Work-I Border Pillar no. 2283 to 2300-66.45 Kilometre	131.24 crore	386.62 crore	195	December 2009	March 2019
Work-II Border Pillar No. 2270 to 2283- 69 Kilometre	144.65 crore	589.75 crore	308		

As is evident from the above table, the cost of work-I and work-II sharply rose by 195 *per cent* and 308 *per cent* respectively during the period from February 2007 to August 2010. The apparent reasons for increase in cost were largely attributed by NPCC to increase in quantity of earthwork and change in soil classification from “soft soil” to “soft rock” in work-I. However, there was no detailed justification as to how the soil classification had changed from “soft soil” in the preliminary survey to “soft rock” in the revised estimates. Audit observed that in the preliminary estimates only provision for earthwork for hard/dense soil in excavation was found and there was no mention of any other type of soil or rock in the Preliminary Estimates for earthwork in work no. I & II. However, at the time of submission of Revised Estimates, a new item for “soft rock” was mentioned under earth work in work-I and additional provision of extra lift in excavation of earth work was claimed at an additional cost factor of 1.62 over and above the REs cost of escalations in work-II.

These estimates were examined/discussed in various TC and HLEC meetings where none of the committees could authenticate the quantities actually executed by NPCC. HLEC also found further deficiencies in documentation which were as follows:

- NPCC did not submit the hard copies of level books containing ground levels recorded and test checked (with date) with respect to original bench marks before start of work;
- Records for bench marks or dead-man at site could not be seen at site by inspection teams/committee;
- Soft copies of raw data of Total Station Survey were not provided by NPCC;
- Records relating to establishing soil classification were not maintained; and
- There existed variance between the Original Ground Level (OGL) and final level work considered at the time of submission of RE (August 2010).

As these works related to construction of roads and fencing along IBB which could not be delayed and keeping in view that OGL could not be verified, the TC concurred (19 January 2016) and HLEC accorded (04 February 2016) the approval of only ₹282.84 crore against the requested REs of ₹338.86 crore for construction of road and fencing along IBB in Tripura for work-I. Further, against the requested revised estimate for works-II of ₹589.75 crore, only ₹238.74 crore was finally approved by HLEC (August 2016).

HLEC, further directed that no further revision in the cost estimates shall be entertained. Moreover, due to such reduction in the revised estimates, the Secretary, Border Management, MHA also enquired about the technical capability of NPCC, from CPWD, to take up such projects in future.

Due to non-maintenance of authentic and proper records, NPCC was unable to sustain its claims with TC/HLEC. Further, inconsistent assessment of soil conditions and earthwork excavation involved indicated deficiencies in the technical processes adopted by NPCC. However, NPCC initiated no action for submission of faulty estimates by NPCC Silchar. These deficiencies not only led to cost escalation and inordinate delays but also caused non-achievement of the security objective of curbing infiltration, smuggling and other anti-national activities as the project is still not complete (October 2016) even after nine years of start of the work.

Besides submission of faulty estimates and cost and time escalations cases of granting of inadmissible *ad hoc* advance to the contractor and waiver of interest were noticed. The findings are as below:

(a) *Inadmissible payment of ad hoc advance of ₹15.40 crore to the contractors due to over reporting of executed work*

NPCC, Silchar (14 October 2012) sent a proposal to its Corporate Office, New Delhi for approval for payment of advance of ₹87.42 crore to three contractors¹ based on 50 per cent of work done by them to facilitate these contractors to accelerate the work. The proposal was sanctioned (22 October 2012) but without any approval of the Board of Directors (BODs), citing that it was a special case. Accordingly, the then Ex-Zonal Manager of NPCC, Silchar signed and issued sanction letters on 23 October 2012 to the three contractors. However, records indicated that the then Ex-Zonal manager was on tour to New Delhi from 19 October 2012 to 26 October 2012; the reasons for issuing the sanction letter while on outstation tour could not be found on record. Audit noticed that the advance of ₹82.87 crore was paid to the contractors based on the value of work executed upto October 2012 i.e., ₹174.84 crore which was incorrect as the value of actual work completed was only ₹142.34 crore². NPCC Silchar had in fact over reported the fencing and road work by 36 Kilometre (Km) and 103 km respectively in the State of Tripura, while giving advance to the contractors. This resulted in payment of inadmissible advance of ₹ 15.40 crore and loss of interest of ₹ 5.13 crore thereon for the period from December 2012 to 2015-16. Further, NPCC, Silchar again paid (June 2015 to August 2015) interest free *ad hoc* advance of ₹60.00 crore to M/s. Costal Projects Ltd. based on 50 per cent of work done *in spite* of the fact that the contracts entered with the contractors had no provision for payment of interest free *ad hoc* advance. The contract only provided for payment of mobilisation advance that too limited to 10 per cent of the contract value against bank guarantee and with interest of 10 per cent. Therefore, payments of *ad hoc* advances to the contractors on the basis of 50 per cent of work executed without charging interest was not justified. Moreover, no approval was obtained from the MHA/BOD before granting such advances.

¹ M/s. Krishna Reddy, M/s. Costal Projects Ltd and M/s. Prasad & Co

² ₹174.84 crore- ₹32.50 crore

(b) Un-justified waiver of interest amounting to ₹16.57 crore on the ad hoc advance given to the contractors

NPCC, Silchar released ₹82.87 crore as *ad hoc* advance in October/December 2012 to three contractors with a condition that if the executed work was not sanctioned by the MHA within six months from the date of payment, NPCC will charge prevailing bank interest (at the rate of 10 *per cent*) from the date of payment of advance over the amount paid to the contractors.

Since October/ December 2012, total amount of interest recoverable from three contractors on the advance of ₹82.87 crore as on 31 March 2016 was ₹28.02 crore. However, an amount of ₹16.57 crore (April 2014 to March 2016) was waived off by the Chairman *cum* Managing Director (CMD), NPCC without the approval of BOD and the MHA in March 2016 even when the letter sanctioning advance to the contractor did contain an explicit clause for charging 10 *per cent* interest. For the remaining amount of ₹11.44 crore (upto March 2014), it was mentioned in the note sheet approved by CMD that specific action was to be taken, however, details of the kind of action to be taken was not spelt out.

The decision of waiving off interest of ₹16.57 crore and payment of further interest free advance of ₹60 crore by NPCC without the approval of its BOD and the MHA was imprudent and irregular as the terms of the contract had no provision for giving *ad hoc* advances to the contractors.

The Zonal Management (Silchar) stated (19 July 2016 / 23 January 2017) that advance was paid against the extra work executed and for timely completion of work with the approval of competent authority i.e. Corporate Office against submission of 110 *per cent* bank guarantee by the contractors and that the *ad hoc* advance amounting to ₹82.87 crore had already been adjusted from the Running Account bills during May 2016. It further stated that as per condition of the contract there was no provision for charging interest, therefore, interest w.e.f. 01 April 2014 was waived off with the approval of competent authority.

The Ministry endorsed (January 2017); the views of the Management.

The Management reply is not acceptable as the letter sanctioning advance to the contractors did contain provision for charging interest at the rate of 10 *per cent*. Moreover, none of these proposals to either give advance or waive off the interest had the approval of the BOD of NPCC.

Thus, submission of faulty estimates, granting of *ad hoc* advance to the contractors without approval of BOD / the MHA and waiver of interest, has not only delayed the project and escalated the cost, but NPCC had also passed on undue favours to the contractors to the tune of ₹28.02 crore.