

CHAPTER XII : MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

Department of Urban Affairs

Delhi Development Authority

12.1 Extra expenditure on housing scheme

Delay by Delhi Development Authority in approval of layout plans, handing over of full site to contractor and further delay of three years in award of contract for balance work resulted in extra expenditure of Rs 7.29 crore on a housing scheme.

The Executive Engineer, Rohini Project Division No. 6, with the approval of Work Advisory Board (WAB) of Delhi Development Authority (DDA) awarded in July 1991, the work of construction of 520(770) MIG houses in Block C&D, Sector-18, Rohini to Contractor A at its tendered cost of Rs 12.59 crore. The stipulated dates of start and completion of work were July 1991 and July 1993 respectively.

As stipulated in the contract, the firm was to submit the layout plans in July 1991 which was to be approved by DDA within a week. The firm submitted the layout plans as per schedule in July 1991 which were approved by DDA in April 1992 i.e. after eight months. Even the full site was handed over to the firm only in March 1994, i.e. after eight months from the stipulated date of completion of work. The firm requested the DDA to reckon the date of start of work as March 1994 but the DDA granted the provisional extension of time upto September 1994 without levy of compensation. In November 1994, the Executive Engineer rescinded the contract on the ground of slow progress of work. By that time the firm had executed the work of Rs 2.56 crore against which payment of Rs 2.35 crore was made.

After a lapse of 19 months from the date of rescission of contract, tenders for the balance work were opened in July 1996 and the WAB decided in August 1997 to award the work to another contractor after a lapse of 13 months from the opening of tender.

Accordingly, the Executive Engineer awarded the work to the contractor in September 1997 at Rs 17.32 crore with the stipulated date of start and completion of work being September 1997 and March 1999 respectively. This resulted in extra expenditure of Rs 7.29 crore on execution of this work. Though, the department had decided to get the balance work done at the risk

Various delays led to extra expenditure of Rs 7.29 crore

and cost of the firm, but no action to recover the extra expenditure from the firm had been taken.

Thus, due to delay in approval of layout plans, handing over of full site and further delay of three years in the award of contract for the balance work had resulted in extra expenditure of Rs 7.29 crore on the housing scheme.

The matter was referred to the Ministry in August 1999; their reply was awaited as of February 2000.

12.2 Loss of income due to lack of cash management

Delhi Development Authority had to suffer a loss of income of Rs 2.42 crore due to its failure to invest surplus funds timely

Section 23 (3) of the Delhi Development Act, 1957 provides that the DDA may keep in current account of the State Bank of India or any other bank approved by the Central Government such sum of money out of its fund as may be prescribed by rules and any money in excess of the said sum shall be invested in such manner as may be approved by the Central Government. Rule 3(1) of the DDA Budget and Account Rules, 1982 prescribed that DDA may keep a sum of money ordinarily not exceeding Rs 2 crore in the aggregate at any time in a current account in the name of the Vice Chairman with the State Bank of India or any other bank approved by the Government in this behalf under sub-section (3) of section 23 of the Delhi Development Act, 1957. For investment decisions the DDA constituted in 1993 an Investment Committee consisting of Vice-Chairman, Finance Member, Principal Commissioner and Chief Accounts Officer.

DDA kept large sums of money in savings bank account in contravention of rules

Notwithstanding the above rules the DDA kept large sums of money ranging from Rs 227.91 crore to Rs 506.77 crore in saving bank account between April 1997 to June 1997 without gainful investment. The Investment Committee of DDA responsible for investment decisions also did not pay attention to limits of cash balance to be maintained in current / saving bank account to meet the day to day expenditure in its meeting held in April, May and June 1997. Only in July 1997, the Investment Committee considered the matter and concluded that the monthly expenditure of DDA is anticipated at about Rs 40 crore. After taking into account the approximate requirements for expenditure on land acquisition and works, the Committee decided that cash balance of Rs 75 crore was sufficient to cater to day to day expenditure including exigencies. It was also not on record whether approval of Government was obtained as envisaged in Rule 3 (1) of the Budget and Account Rules 1982, for keeping large sums of money in saving bank accounts.

A test check of records of DDA revealed that the minimum daily cash balance in saving bank account with banks during 30th March 1997 to 28th June 1997 ranged between Rs 227.91 crore and Rs 434.72 crore. Even after allowing a

maximum benchmark of Rs 75 crore for daily requirement, funds ranging from Rs 152.91 crore to Rs 359.72 crore were still available for investment. These surplus funds in fixed deposit even for a period of 46/45 days, would have earned interest income of Rs 2.42 crore to DDA.

Table 12.2 : Loss of interest on bank balance

(Rs. in lakh)

Period	Minimum daily cash balance	Surplus funds after deducting Rs 75 crore	Interest rate on F.D.	Difference in interest rate of FD & SB A/c	Loss of Interest
			(in per cent)		
30th March 97 to 14th May 97 (46 days)	Rs 22791.23	Rs 15291.23	9	4.5	Rs 86.72
15th May 97 to 28th June 97 (45 days)	Rs 43472.08	Rs 35972.08	8	3.5	Rs 155.22
					Rs 241.94

The DDA attributed in July 1999 the non-investment of surplus funds to the vacant post of Finance Member, strike called by Engineers Association and no benchmark for investments. The reply is not tenable as the Delhi Development Act, 1957 and the Budget and Account Rules, 1982 unambiguously provide for investment of surplus funds and the Investment Committee was functional during the absence of Finance Member as another member had been co-opted. Lastly the strike called by Engineers Association had no direct bearing on investment decisions and non fixation of benchmark for investment was the responsibility of the Investment Committee.

Thus due to lack of cash management and failure to invest surplus funds timely, the DDA suffered loss of income of Rs 2.42 crore.

The matter was referred to the Ministry in August 1999; their reply was awaited as of February 2000.

12.3 Non recovery of risk and cost amount from a contractor

Delhi Development Authority failed to take action to recover the risk and cost of Rs 1.40 crore from first contractor.

The work of construction of 288 SFS Category II houses in Dwarka Phase-I was awarded by DDA to Contractor 'A' in September 1994 at the tendered cost of Rs 5.30 crore, which was 58.64 *per cent* above the estimated cost of Rs 3.34 crore. The stipulated date of completion of the work was July 1996.

Contract rescinded due to slow progress

The progress of work was slow and the contractor could complete only 53 *per cent* of the work upto September 1996. Against the work done the contractor stopped the work and removed from work site all tools and plants, materials, labour etc. Finally after issue of show cause notice to the contractor, the

contract was rescinded in January 1997. DDA also levied compensation of Rs 20.03 lakh on the contractor for delay in completion of the work.

Work awarded to second contractor at risk and cost of the first contractor

The balance work at the risk and cost of first contractor was awarded to contractor 'B' in December 1997, after 11 months, at the tendered cost of Rs 3.97 crore which was 94.40 *per cent* above the estimated cost and higher by 35.76 *per cent* compared to the rates of the first contractor. As the balance work was awarded at the risk and cost of the first contractor, difference of Rs 1.40 crore as detailed below was recoverable from the first contractor.

Table 12.3 : Risk and cost of work

(Rs in crore)

Tendered amount of Contractor 'B'	3.97
Amount paid to Contractor 'A'	2.73
Total cost on the scheme	6.70
Less tendered amount of Contractor 'A'	5.30
Total risk and Cost amount	1.40

No legal action to recover risk and cost amount of Rs 1.40 crore

Though DDA has filed a suit against the first contractor in the Delhi High Court to recover a compensation amount of Rs 20.03 lakh, no action was taken to recover the risk and cost amount of Rs 1.40 crore.

The reasons for not initiating legal action against the first contractor to recover the risk and cost amount of Rs 1.40 crore were not on record.

The matter was referred to the Ministry in October 1999; their reply was awaited as of February 2000.

12.4 Avoidable expenditure due to adoption of wrong design of pile

Delhi Development Authority incurred an avoidable expenditure of Rs 80.52 lakh due to adoption of wrong design of pile and delay in finalisation of drawings on a housing scheme at Jasola.

DDA awarded the works for construction of SFS houses in Sector-7 (Gr.I) to Contractor 'A' in August 1993 and in Sector-8 (Gr.I) to Contractor 'B' in May 1993 at Jasola. The stipulated date of completion for both the works were March 1995 and December 1994 respectively. The works were actually completed in December 1997 and January 1998.

Adoption of wrong design of piles and inordinate delay in finalisation of revised drawings resulted in avoidable expenditure of Rs 80.52 lakh

It was noticed in audit that tenders for these works were floated with the stipulation of conventional bored cast in situ under reamed pile foundation. During initial testing of piles with the pile design as stipulated in the tenders, these were not found fit. Finally, it was decided in March 1995 to change the design of piles and compaction bore under reamed piles was approved. Due to change in the pile design, the drawings for superstructure were also changed. There was therefore considerable delay in supply of drawings and these were handed over to the contractors in stages between March 1995 and March 1997. Further, the site of Sector-7 (Gr.I) was also not free from encroachment and full site was handed over to the contractor in January 1997. Thus, due to a change in the design of pile foundation, delay in supply of drawings for superstructure and non availability of site, there was an abnormal delay of 34 and 36 months in completion of both the works. These delays in completion of works attracted the provisions of clause 10 CC of the Agreements under which the contractors claimed difference of the cost index in respect of labour and material. Accordingly, an extra amount of Rs 80.52 lakh was paid to the contractors for the extended period of work.

Thus, due to adoption of wrong design of piles, delay in finalisation of drawings and non availability of hindrance free site before award of the contracts, DDA had to incur an avoidable expenditure of Rs 80.52 lakh.

The matter was referred to the Ministry in August 1999, their reply was awaited as of February 2000.

12.5 Avoidable expenditure due to delay in finalisation of drawings and issue of material to contractor

Delhi Development Authority had to incur an avoidable expenditure of Rs 21.78 lakh due to delay in finalisation of drawings/plans and issue of material to the contractor.

Tenders for construction of 198 MIG houses in Pocket-III, Sector-II Dwarka, Phase-I, at an estimated cost of Rs 2.77 crore were invited in November 1993 by DDA. The work was awarded in March 1994 with the approval of Works Advisory Board of DDA to Contractor 'A' at Rs 4.28 crore based on a false statement made by the Executive Engineer that approval to building plans, clearance from Delhi Urban Art Commission/local body was available.

Work undertaken without finalisation of foundation and structural drawing

The contractor started the work in March 1994 with a stipulation to complete it by March 1996. The work was actually completed in June 1997 i.e. after a delay of 15 months. The completion was delayed due to non-finalisation of foundation and structural drawings, development plans and non-issue of material to the contractor in time. The delay in completion of work was regularised by the Superintendent Engineer by granting extension of time to the contractor without levy of compensation. The decision for non-levy of compensation was taken by the Superintendent Engineer because the delays

were attributable to the department. Besides, due to delay in completion of work, DDA had to pay Rs 21.78 lakh to the contractor as compensation for the increased index 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 drawings were available. Even in the sanction for award of work conveyed by the Chief Engineer to the Executive Engineer, it was again emphasised that before issue of formal award letter, drawings must be available.

**Avoidable
expenditure of Rs
21.78 lakh**

Thus, misrepresentation by Executive Engineer about finalisation of drawings, development plans and delay in issue of material by DDA led to avoidable expenditure of Rs 21.78 lakh on the scheme.

The matter was referred to the Ministry in August 1999; their reply was awaited as of February 2000.

12.6 Loss of interest due to delay in encashment of fixed deposits

Due to delay in encashment of fixed deposits on due dates, Delhi Development Authority had to suffer loss of interest of Rs 20.22 lakh.

Section 23 (3) of the Delhi Development Act, 1957 provides that the DDA may keep in current account, with banks approved by the Central Government-such sum of money out of its fund as may be prescribed by rules and any money in excess of the said sum shall be invested in such manner as may be approved by the Central Government. The investment/re-investment of surplus funds with DDA is managed by an Investment Committee of the officers of DDA.

A test check of records of investments maintained by DDA for the year 1997-98 revealed lack of effective monitoring on the part of Investment Committee/DDA officers with regard to encashment of fixed deposits on due dates. In 64 cases, the fixed deposits placed with various banks amounting to Rs 134 crore matured for payment during 1997-98, but were encashed after expiry of maturity dates. The delay in encashment of these fixed deposits ranged from 5 to 22 days. For the periods of delay interest was neither demanded by DDA nor paid by the concerned banks. This resulted in loss of interest of Rs 20.22 lakh to DDA.

No responsibility in the matter was fixed by DDA so far (June 1999).

The matter was referred to the Ministry in July 1999; their reply was awaited as of February 2000.

12.7 Avoidable extra expenditure on reconstruction of road

Due to non-supply of bitumen by the Delhi Development Authority, carpeting on the road could not be laid by the contractor which resulted in damage to road surface. The work had to be re-executed by another contractor at an extra cost of Rs 14.19 lakh.

Failure of DDA to supply bitumen

DDA awarded in February 1994 the work of construction of road in blocks F. G and H Sector-XI, Rohini for Rs 23.27 lakh to contractor A with a stipulation to complete the work by July 1994. The road work upto the level of providing water bound macadam (WBM) surface was completed by the contractor in January 1995. However, due to non-supply of bitumen by the DDA, the contractor could not provide premix carpeting on the road and at the request of the contractor the incomplete work was closed under the orders of the Additional Chief Engineer, Rohini in September 1996 i.e. after a lapse of 20 months of completion of WBM surface work. In his orders, the Additional Chief Engineer, who had been Director (Material Management), when the road was under construction, pointed out that personal efforts were not made by the Executive Engineer to arrange the bitumen as the matter was never discussed with him. However, no proposal was initiated by the Additional Chief Engineer to fix any responsibility for the negligence on the part of Executive Engineer.

The balance work of premix carpeting within four months of closure of incomplete work of the first contractor was awarded to another contractor in January 1997. However, due to the time gap of two years between laying of WBM surface by the first contractor and award of balance work to second contractor, the earth in WBM surface had gone deep into the pores due to rains. The metal portion of the road was not in a fit condition for premix carpeting. In certain portions of the road, vegetation and grass had grown.

In order to make the road suitable for premix carpeting, earth work, removal of rubbish/malba and laying of WBM surface were got executed through the second contractor. The expenditure incurred on these items of work amounted to Rs 20.04 lakh of which Rs 14.19 lakh pertained to the items of work executed by the first contractor but were got re-executed through the second contractor.

Thus, due to failure of DDA to provide bitumen for premix carpeting of road constructed by the first contractor, the road got damaged in rains and DDA had to incur an avoidable extra expenditure of Rs 14.19 lakh for reconstruction of the road through a second contractor.

The matter was referred to the Ministry in September 1999; their reply was awaited as of February 2000.

12.8 Irregular payment to contractor

Delhi Development Authority made irregular payment of Rs 12.51 lakh against procurement of substandard material which was found not conforming to IS Code.

DDA awarded the work of supply of 1250 ton steel of 12 and 20 mm dia to an agency in February 1994. As per the terms and conditions of the agreement, steel was required to be supplied conforming to IS code: 1786-1985.

The agency could supply only 207.580 ton of steel. The DDA on 2nd, 9th, and 15th March 1994 informed the agency that the steel supplied on three dates in February 1994 did not conform to ISI specifications, as per test carried out by the Shri Ram Institute for Industrial Research and asked for its replacement. Disregarding the condition No.2 of the supply order which states that 100 *per cent* payment within 48 hours from the receipt of stores alongwith test certificate and bill, payment of Rs 25.20 lakh was made to the agency against the above supply upto June 1994.

The total quantity found sub-standard was 103 ton as intimated by DDA to the agency in March 1994 out of the total supply of 207.580 ton. The agency asked the DDA to send the samples of steel for testing to some Government approved Lab. The samples were sent to Proto Type Development and Training Centre. Again the samples were found not conforming to IS : code. The sub-standard material was neither removed by the agency nor replacement made. The DDA too did not make any effort to recover the amount of Rs 12.51 lakh from the agency for the value of sub-standard material either directly from the agency or through suit filed in the High Court for recovery of risk and cost amount from the agency. Failure to get steel replaced or obtain refund there of by DDA resulted in a consequential loss of Rs 12.51 lakh.

The matter was referred to the Ministry in July 1999; their reply was awaited as of February 2000.