

## CHAPTER XVI : MINISTRY OF URBAN DEVELOPMENT

### Delhi Development Authority

#### 16.1 Avoidable Expenditure

**Failure of DDA to adhere to instructions of the Ministry and route its advertisement requirements through Directorate of Advertisement and Visual Publicity resulted in avoidable expenditure of Rs. 6.07 crore.**

The Delhi Development Authority (DDA) releases advertisements to various newspapers through advertising agencies at commercial card rates. The advertisement rates and the agencies are approved/empanelled every year with the approval of the Member (Finance) DDA.

In October 2001, the Ministry of Urban Development and Poverty Alleviation<sup>1</sup> circulated to DDA for guidance and necessary action a letter received from the Directorate of Advertisement and Visual Publicity (DAVP), Ministry of Information and Broadcasting. In it, DAVP requested all Ministries to advise all PSUs/Autonomous Bodies under their administrative control to route their publicity requirements through DAVP as their rates were only 40 *per cent* of the commercial card rates. DAVP added in December 2001 that according to the Allocation of Business Rules of the Union Government, production and release of all displays as well as classified advertisements on behalf of the Government of India were to be done through DAVP. Subsequently, in response to queries of DDA, DAVP clarified in February 2002 that DAVP rates were uniformly applicable to all client departments and furnished a copy of the procedure to be followed by PSUs/Autonomous Bodies for routing their advertisements through DAVP. However, DDA continued to place advertisements through their own empanelled agencies rather than through DAVP. During 2001-02 and 2002-03, DDA spent Rs.11.99 crore on advertisement in various newspapers. Had the advertisement been routed through DAVP, DDA could have saved Rs.6.07 crore. The matter was referred to the Ministry as well as to the DDA in April 2004.

DDA stated in May 2004 that it was an autonomous body and unlike Government departments, such autonomous bodies are charged commercial rates by various newspapers. It added that it had been making concerted efforts to get DAVP rates but the newspapers had been insisting that commercial rates should be charged from them.

<sup>1</sup> now Ministry of Urban Development

The reply is not tenable as DDA did not explain why it did not route its advertisement and publicity requirements through DAVP in accordance with the Ministry's circular instead of attempting to directly negotiate with the newspapers/advertisement agencies.

Thus, failure of DDA to route its advertisements through DAVP in accordance with the Ministry's circular deprived the Authority of the benefit of concessional rates and resulted in avoidable expenditure of Rs. 6.07 crore during the period November 2001 to March 2003.

The matter was referred to the Ministry in April 2004; its reply was awaited as of December 2004.

## **16.2 Loss due to fixation of Higher Reserve Price**

**Defective fixation of reserve price and formulation of an unrealistic parking fee structure resulted in parking sites remaining unauctioned leading to revenue loss of Rs. 2.57 crore.**

DDA constructs and allots parking sites to private contractors on licence fee basis through public auction after fixing the reserve price. The reserve price is calculated on the basis of the capacity of the vehicles in the parking site multiplied by the rates ranging from Rupees two to Rupees 20 for five to twelve hours in respect of different vehicles or last auction price of similar site whichever is higher. According to the terms and conditions of grant of licence, the successful contractor is required to deposit the licence fee with DDA on monthly basis and thereafter to charge parking fee from the users according to the schedule of rates fixed by DDA.

DDA invited in May 2000 tenders for 17 parking sites for charging parking fee at the following rates:

	<b>Upto 4 hours</b>	<b>Upto 12 hours</b>	<b>Upto 24 hours</b>	<b>Per Month</b>
Car	5	10	15	400
Scooter. (Re. 1/- extra per helmet)	3	6	10	200
Bicycle	1	2	3	75
Bus	15	25	40	900

However, tenders were received for only seven of the seventeen sites. As a result, the Vice Chairman asked for a review of the reserve price. The Committee on Reserve Prices chaired by Commissioner (LD) reviewed in July 2001 the reserve price fixed by the Finance Wing in the light of responses received in the past and particularly for the parking sites which remained

unauctioned and recommended a downward revision of the reserve price by 10 to 40 *per cent*. This was approved by the Vice Chairman in August 2001.

Based on the reduced reserve price, tenders were invited on four occasions between October 2001 and March 2003 but six sites continued to remain unauctioned. Audit observed that the main reason for the lack of response was the fixing of parking fees on a slab rate system. This was in contrast to the flat rate system adopted by other local bodies managing similar parking sites. A survey conducted by the department in May 2001 which stated that the contractors were reluctant to tender for parking sites located in commercial centres, which housed offices, in which parking space users were frequent visitors who preferred a uniform parking fee for the day irrespective of the number of visits. The findings of the survey were however not taken into account while reviewing the terms and conditions of the tender and reserve price in July 2001. Further, Audit noticed that while the seventh parking site at Rohtak Road had been allotted to a contractor, no revenue had been received as of October 2004.

Thus, prescribing an unrealistic pattern of charging parking fees and fixing high reserve prices, resulted in six parking sites remaining unauctioned leading to revenue loss of Rs. 2.57 crore during the period May 2000 to October 2004 worked out on the basis of the minimum reserve price fixed for the parking site by the DDA.

The matter was referred to the Ministry in August 2003, and reminder was issued in July 2004, its reply was awaited as of December 2004.

### **16.3 Loss due to incorrect fixation of reserve price**

**Loss of Rs. 1.79 crore due to incorrect fixation of reserve price of commercial plots.**

The Delhi Development Authority disposes of Nazul Land for commercial purposes either by auction or by tender on payment of such premium as may be fixed in accordance with the provisions of the DDA (Disposal of Development Nazul Land) Rules 1981. Under the extant rules, commercial plots are put to auction after fixing the reserve price. The reserve price is fixed by reducing the average auction price in the immediate preceding year by 10 *per cent* subject to its not being less than the cost of acquisition and development of the plot. This may be further reviewed after one year or when the market price picks up again which ever is earlier.

Audit ascertained that the above provisions relating to fixation of reserve prices were not correctly adhered to in the following cases which resulted in loss of Rs. 1.79 crore to DDA:-

An auction of 25 commercial plots was held on 16 January 2002. The reserve price in respect of Plot No.9 (260 sq meters) in M.L.U<sup>2</sup>. Pocket in Sector-XII, Dwarka, was fixed at Rs. 1.56 crore. However, while arriving at the reserve price, DDA did not consider the average auction price of the immediate preceding year (auction held on 30 October 2001), in which three plots in the same area fetched an average price of Rs. 76,489.00 per sq. m. Thus, the reserve price should have been fixed at Rs. 1.79 crore instead of Rs. 1.56 crore. Moreover, only one bid for Rs. 1.56 crore was received from M/s Sunder Construction Co. as the Builders Association had boycotted the auction. Acceptance of this single bid coupled with failure to correctly fix the reserve price resulted in loss of at least Rs. 22.98 lakh.

- (a) A property bearing No.5, (396.31 sqm) situated at Community Center No.5, Zone E-II, Karkardooma was auctioned on 3 October 2001 by applying a reserve price of Rs.1.93 crore. A single bid for Rs. 1.93 crore was accepted by the Vice Chairman on 15 October 2001. Audit scrutiny revealed that in another auction held on 22 August 2001, four plots in the same complex had fetched an average price of Rs. 92,354 per sqm. Accordingly, the reserve price should have been fixed at Rs. 3.30 crore instead of Rs. 1.93 crore. Thus, incorrect fixation of reserve price resulted in a loss of Rs. 1.37 crore.
- (b) Similarly, plot no.11 (210 Sq.m.) in MLU, Dwarka was auctioned for Rs. 1.26 crore during an auction held on 6 February 2002. The correct reserve price as per the above formula worked out to Rs. 1.45 crore resulting in loss of Rs. 18.55 lakh to DDA.

The matter was reported to the Ministry in June 2004; its reply is awaited as of December 2004.

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<sup>2</sup> Alphabetical name of Pocket

#### 16.4 Blocking of funds

**Breach of the Master Plan 2001 for Delhi by Delhi Development Authority and non-availability of clear site for the intended purpose before award of work resulted in blockage of Rs. 1.49 crore.**

Para 15.2.1.3 of the CPWD Manual stipulates that availability of clear site should be ensured before award of work. Ensuring availability of clear site includes ensuring that the site proposed for the work is available for the intended purpose as per the land use norms stipulated in the Master Plan.

Test check of the records of DDA revealed that it invited tenders in October 2001 for construction of 852 HIG/MIG/LIG flats at Mehrauli Mahipal Pur Road in Vasant Kunj, New Delhi, at an estimated cost of Rs. 32.50 crore. The Executive Engineer awarded the contract to M/s Larsen and Toubro Limited in February 2002 at a negotiated rate of Rs. 36.07 crore for completion within 30 months. Similarly, DDA awarded another work for construction of 850 HIG/MIG/LIG flats at Sultangarhi in Vasant Kunj to M/s Ahluwalia Contractors (India) Limited at a negotiated rate of Rs. 35.27 crore in May 2002.

At the time of award of the contracts, the proposed sites were categorized as for “rural use” in the Master Plan 2001 and hence they were not available for the construction of residential colonies unless the land use was first changed from rural to residential. Consequent upon a writ petition filed in the Delhi High Court, the Hon’ble Court observed (September 2002) that DDA being a statutory authority was bound to follow the law and the Chairman DDA should look into the issue as to how construction could commence without following the procedure prescribed under the law. The Court directed that the construction work should be stopped forthwith and resumed only after compliance with the provisions of the Delhi Development Act.

In pursuance of the above directions of the Hon’ble Court, DDA instructed M/s Larsen & Toubro Limited (September 2002) and M/s Ahluwalia Contractors Limited (November 2002) to stop the work till further orders. DDA had paid a sum of Rs. 1.49 crore to both the contractors (M/s L&T Rs. 119.87 lakh and M/s Ahluwalia Contractors Rs. 29.35 lakh.) till then. One of the contractors viz. M/s Ahluwalia Contractors Limited filed (November 2002) a claim of Rs. 50 lakh against DDA on account of losses suffered by him due to suspension of the work for no fault of his.

While confirming the facts, DDA stated (July 2004) that the Ministry had directed DDA in January 2004 not to take up any such work without obtaining prior statutory approval and to act only in accordance with the provisions of the Master Plan in future. DDA added that change in land use from rural to residential had since been approved in January 2004 and M/s Larsen & Toubro Limited had been asked to resume the work.

Thus, the failure of the DDA to ensure conformity with the land use norms as per the Master Plan before award of work resulted in delay in-completion of two housing projects costing Rs. 71.34 crore as well as blockage of Rs. 1.49 crore paid to the contractors. It also exposed the Authority to claims of losses due to suspension of work and payment of compensation to the contractors as well as additional liability on account of cost escalation of the project.

The matter was reported to the Ministry in July 2004; its reply was awaited as of December 2004.

#### **16.5 Idle investment**

**Failure of the Department to adhere to codal provisions regarding availability of clear site and required materials before award of work resulted in idle investment of Rs. 53.54 lakh.**

The provisions<sup>3</sup> of CPWD Manual stipulate that no tender shall be invited unless the stipulated materials are available or are likely to be received before the work commences. Further, availability of clear site is also to be ensured before approval of the Notice Inviting Tender (NIT).

The Delhi Development Authority awarded the work of providing and laying peripheral C-I water supply line at Dallupura/Chilla to M/s Satish Kumar Gupta in September 2002 at a tendered amount of Rs. 80.57 lakh against the estimated cost of Rs. 61.06 lakh. The stipulated dates of start and completion of the work were 12 September 2002 and 11 January 2003 respectively.

Audit ascertained in March 2004 that the work was initially held up for 53 days from 12 September 2002 to 3 November 2002 due to non-availability of site. Thereafter the contractor completed all works except laying of the 400 mm diameter C-I pipe which was to be supplied by the Department. The pipes were not available in the stores of DDA after 5 December 2002 and the Authority failed to arrange the pipes even thereafter. As a result, the work

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<sup>3</sup> Para 17.3.1 & Para 15.2.1 of CPWD manual Vol II

could not be completed and it was ultimately closed with the approval of the competent authority in March 2004. The work remained incomplete despite the expenditure of Rs. 53.54 lakh.

Thus, failure of the Authority to ensure the availability of the required material as well as clear site before awarding the work as stipulated in the codal provisions resulted in idle investment of Rs. 53.54 lakh.

The matter was referred to the Ministry in June 2004; its reply was awaited as of December 2004.