

CHAPTER XVI: MINISTRY OF URBAN DEVELOPMENT

Central Public Works Department

Indo-Bangladesh Border Zone

16.1 Unfruitful Expenditure

Inefficient project management led to abnormal delay of more than 10 years in construction of a bridge resulting unfruitful expenditure of Rs. 116.55 lakh, besides non-imposition of penalty of Rs. 10.04 lakh on the defaulting contractor.

With a view to providing round the year patrolling by the Border Security Force (BSF) along the Indo-Bangladesh Border (IBB) and also to facilitate uninterrupted movement of traffic, the Ministry of Urban Affairs and Employment (Ministry) accorded administrative approval and expenditure sanction for Rs. 91.95 lakh in August 1994, for construction of a steel trussed bridge over the river 'Punarhaba' on the alignment of IBB Road. Contrary to the provisions of the CPWD Manual i.e. before finalisation of structural drawings and designs, the Executive Engineer, Central Public Works Department (CPWD) awarded the work of construction of the bridge to a contractor in April 1995 at a cost of Rs. 104.00 lakh, with the stipulation to commence the work in May 1995 and complete it in November 1996.

Scrutiny of records in audit revealed that the contractor did not start the work at site till August 1995 and could complete only three *per cent* of work by the scheduled date of completion. The Executive Engineer, instead of imposing penalty amounting to Rs. 10.04 lakh being 10 *per cent* of the tendered amount as provided in the contract, granted provisional extension of time up to November 2002 to keep the contract alive. Audit scrutiny further revealed that till October 2002 i.e. after more than six years from the scheduled date of completion, 98 *per cent* of the work was executed and Rs. 116.55 lakh were paid to the contractor as running payment for value of work done till August 2001. No further work was executed since then and the bridge remained incomplete.

Though the Executive Engineer proposed (April 2003) to the Chief Engineer for rescission of contract in order to get the remaining work executed at the risk and cost of the defaulting contractor, yet no decision was taken as of September 2006. Reasons for non-rescission of work and non-imposition of penalty were not found on record.

Thus, abnormal delay in the execution of the work by the contractor, lack of close monitoring and poor contract management led to non-completion of the bridge resulting in an unfruitful expenditure of Rs. 116.55 lakh, besides non-imposition of penalty of Rs. 10.04 lakh. The partly constructed bridge, vulnerable on both the embankments, remained subject to wear and tear and the purpose of its construction could not also be achieved even after twelve years as of November 2006.

The case was reported to the Ministry in August 2006; their reply had not been received as of December 2006.

16.2 Extra liability due to non-recovery of sales tax on materials issued to contractors

Non-recovery of Sales Tax on departmental materials issued to contractors for execution of works resulted in extra liability of Rs. 3.29 crore to the department on account of Sales Tax and interest.

Central Public Works Department (CPWD) procures cement and steel and issues them to contractors for execution of public works. As per the judgment of the Hon' ble Supreme Court, supply of materials to the contractor amounts to sale of goods and attracts Sales Tax. Test check of the accounts of Central Public Works Divisions in Kerala revealed that the Divisions recovered only the cost of materials issued to contractors from their running account bills at the issue rate fixed from time to time and did not recover the Sales Tax due on the materials. The terms of contract provided that Sales Tax or any other tax on materials in respect of the contract was payable by the contractor and Government was liable to meet any claim in this respect. Omission to levy Sales Tax was pointed out in audit as early as March 2001 but the Division neither revised the issue rate including Sales Tax nor recovered the Sales Tax separately from the running account bills. Subsequently, Commercial Taxes Department of Government of Kerala finalised (between November 2005 and March 2006) the assessments of Sales Tax for the years 1997-98 to 2003-04 in the case of Kozhikode Division, 1997-98 to 2000-01 in the case of Thrissur Division and for 1997-98 to 2001-02 in the case of Kochi Division and fixed the liability of Sales Tax at Rs. 1.92 crore and interest on delayed payment as Rs. 1.37 crore. Thus, non-recovery of Sales Tax on the departmental materials issued to the contractors despite specific provision in the contract resulted in extra liability of Rs. 3.29 crore to the department for works taken up by the three Divisions.

The matter was referred to the Ministry in August 2006, who have not replied as of October 2006.