

CHAPTER XI : MINISTRY OF URBAN DEVELOPMENT

Delhi Development Authority

11.1 Blocking of funds

Delay in providing structural drawings and material to a contractor coupled with total inaction resulted in blocking of funds of Rs. 1.91 crore and delay of three years in construction of a convention centre.

Rules¹ provide that no tender shall be invited unless stipulated material are available or are likely to be received before the work commences and essential architectural and structural drawings together with the specifications are ready for being made available to the contractor at the time of invitation of tenders.

Test check of records of Eastern Division-IX of the Delhi Development Authority (DDA) revealed that a convention centre was to be built at Shastri Park at a cost of Rs. 11 crore. This work included construction of building, services, horticulture work, water proofing and electrical works. The work for construction of the building was awarded in October 2002 to a contractor at a negotiated amount of Rs. 3.54 crore with date of start and completion of November 2002 and November 2003 respectively.

The progress of the work was however retarded due to failure of DDA to provide the structural drawings for 156 days, non issue of TMT steel for 437 days, non-availability of cement for 62 days and delay in casting of basement slab on account of non-laying of electrical conduit for 32 days to the contractor as per the terms of the agreement. The contractor suspended the work in December 2005 after executing 65 *per cent* of the work. In January 2006, the contractor informed that they would be willing to continue the work provided the hindrances were removed and escalation costs paid after grant of extension of the agreement. However, there was no response from DDA and the work remained incomplete as of October 2006. The contractor had been paid Rs. 1.91 crore upto the November 2005.

Thus, failure of DDA to provide structural drawings and materials in accordance with the terms of the agreement coupled with inaction after January 2006 resulted in blocking of funds of Rs. 1.91 crore and delay of three years as of October 2006 in construction of the convention centre.

¹ Section 15.2.1.3 of CPWD Works Manual

The matter was referred to the Ministry in July 2006; their reply was awaited as of December, 2006.

11.2 Non-recovery of cess

The Delhi Development Authority failed to recover cess from the bills of contractors as required under the Building and Other Construction Workers' Welfare Cess Act 1996 and remit Rs. 67.48 lakh due to the Workers' Welfare Board. Due to non remittance of the cess, the DDA was also liable for penalty of a sum not exceeding Rs. 68.16 lakh.

The Building and Other Construction Workers' Welfare Cess Act 1996 provides for the levy of a cess at a rate not exceeding two *per cent* but not less than of one *per cent* of the cost of construction incurred by an employer engaged in any construction work. The cess is to be collected by the local authority or the State Government and paid to the Building and Other Construction Workers Welfare Board constituted under the Act. The Act also provides for payment of interest at the rate of two *per cent* for every month in case of delay (Section-8) and levy of penalty not exceeding the amount of cess due on the employer in case of non-payment of cess within the specified time (Section-9). In pursuance of this central legislation, the Government of NCT of Delhi notified the Delhi Building and Other Construction Workers (RE&CS) Rules in January 2002 and subsequently constituted the Delhi Building and other Construction Workers Welfare Board in September 2002. In August 2005, Government of Delhi directed that all government departments and agencies carrying out any activity covered under the provisions of the Act shall get themselves registered with its Labour department and that they should deduct one *per cent* of the approved cost of the work from the bills of the contractor at the time of making payment as cess. The amount so collected was to be remitted within 30 days to the Secretary Delhi Building and other Construction Workers Welfare Board after deducting one *per cent* of the total amount collected for meeting administrative expenses. The cess is leviable on all contracts with effect from 10 January 2002. DDA also issued a circular in February 2006 indicating *inter alia* that the Executive Engineer and Divisional Accountant shall be responsible for ensuring necessary deductions at the prescribed rate and for maintaining the monthly accounts in respect of each work in their respective divisions.

Audit ascertained (September/December 2005 and June 2006) that the following divisional authorities of DDA failed to deduct the cess from the bills of the contractors engaged in works and deposit cess of Rs. 67.48 lakh with the Board due after deduction of administrative expenses as below:

Sl. No.	Division	Cess Due (Rupees in lakh)
1.	Flyover Division-I	17.17
2.	W.D-6	28.00
3.	W.D-6	22.99
4.	Total Cess due from the contractor	68.16
5.	Cess to be remitted to the Board after remitting one percent as administrative expenses.	67.48

Further, DDA was liable to pay penalty equal to the levy of cess i.e., Rs. 68.16 lakh to the Workers' Welfare Board for non payment of cess within the specified time in terms of the Act.

The Ministry stated (December 2006) that cess was recovered from the contractors in respect of cases mentioned at Sl.No. 1 and 3 in the month of August 2006 and June 2006 respectively. In the case of work at Sl. no.2, the matter had been taken up with the agency in August 2006 asking the agency to deposit the amount.

Thus, the failure on the part of the divisional authorities to deduct the cess and deposit it with the designated authority resulted in non-compliance with the mandatory provisions of an Act. No responsibility has been fixed on the divisional authorities for this lapse.

11.3 Avoidable extra expenditure in the execution of a work

Failure on the part of Delhi Development Authority to ensure unencumbered site before award of work of construction of a housing colony and subsequent reduction in scope of the work followed by award of balance work to another contractor resulted in avoidable extra expenditure of Rs. 24.03 lakh.

Rules* envisage that the department should not issue tender notices unless all tender documents including complete set of architectural and structural drawings as well as site free from encroachment and hindrances are available. The primary objective of these stipulations is to enable unhindered and timely execution of the work.

A test check of the records of the Executive Engineer (SED-I) conducted in May 2006 revealed delay of 16 months in execution of a work for construction of a housing complex as well as extra expenditure of Rs. 24.03 lakh due to non-adherence to the above codal stipulations as detailed below:

* Paras 17.3.1, 17.3.2 and 4.21 of CPWD Manual Volume II.

- A work of construction of 168 HIG houses and 126 scooter garages at Sarita Vihar Gr.III was awarded to a contractor in January 2002 at a cost of Rs. 4.97 crore with stipulated dates of start and completion of 9 February 2002 and 8 February 2004 respectively. The pile foundation work for these houses was to be done by another agency.
- The work could not be progressed as the site was encumbered by the presence of a temple and some trees in two blocks. The existence of the hindrances was known to the divisional authorities since at least April 2001 and there was in fact a stay order of the Delhi High Court on the removal of the temple. The hindrances obstructed the construction of 16 houses and 12 scooter garages in these two blocks.
- The hindrances were finally removed in February 2004. Thereafter, the pile foundation work for the 16 houses was awarded to a contractor in June 2004 with stipulated period of completion as two months. The work of pile foundation was also delayed due to non-availability of concrete design mix.
- In July 2004, the contractor who had been awarded the work of construction of all the houses expressed his inability to take up the work in the two blocks anticipating delay in handing over of clear site and rise in costs. The Chief Engineer acceded (July 2004) to the request of the contractor for withdrawal of construction work in the two blocks from the scope of the work in the agreement. The work of the remaining 152 houses and 114 scooter garages was completed in July 2004 and Rs. 4.45 crore was paid to the contractor in October 2004. The total amount of work done was Rs. 4.88 crore and the final bill of the contractor was pending as of July 2006.
- The balance work of construction of 16 houses and 12 scooter garages was awarded in October 2004 to another contractor at a cost of Rs. 72.32 lakh with stipulated dates of start and completion as 31 October 2004 and 30 April 2005 respectively. The work was completed on 5 July 2005 at a cost of Rs. 75.37 lakh.

The matter was referred to DDA/Ministry in August 2006. DDA stated (August 2006) that NIT was issued with the objective of execution of all the 168 houses and 126 garrages by removing the hindrances like stay from court, existence of the temple etc. DDA added that there was no financial loss as the entire cost of construction would be recovered from the allottees. The reply is

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not tenable as it was injudicious on the part of the divisional authorities to award the work without removal of all the hindrances. This ultimately resulted in extra expenditure of Rs. 24.03 lakh[†] which is now to be borne by the allottees as well as delay of over 16 months in completion of the entire work.

The reply of the Ministry was awaited as of November 2006.

[†] Calculated on pro rata basis considering the difference of cost of completion of the original and balance work.