

**XIX COMMONWEALTH GAMES, 2010**

**MINISTRY OF YOUTH AFFAIRS AND SPORTS**

**PUBLIC ACCOUNTS COMMITTEE  
(2016-17)**

**SEVENTY-FOURTH REPORT**

---

**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

# **SEVENTY-FOURTH REPORT**

## **PUBLIC ACCOUNTS COMMITTEE** **(2016-17)**

**(SIXTEENTH LOK SABHA)**

### **XIX COMMONWEALTH GAMES, 2010**

**MINISTRY OF YOUTH AFFAIRS AND SPORTS**



*Presented to Lok Sabha on:* \_\_\_\_\_

*Laid in Rajya Sabha on:* \_\_\_\_\_

**LOK SABHA SECRETARIAT  
NEW DELHI**

**April 2017 / Chaitra 1939 (Saka)**

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- \* Not appended to the Report



**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2011-12)**

**Dr. Murli Manohar Joshi                      -                      Chairman**

**LOK SABHA**

2.     Shri Anandrao Vithoba Adsul
3.     Dr. Baliram
4.     Shri Sandeep Dikshit
5.     Shri Anant Kumar Hegde
6.     Shri Bhartruhari Mahtab
7.     Shri Shripad Yesso Naik
8.     Shri Sanjay Nirupam
9.     Shri Jagdambika Pal
10.    Dr. Kavuru Sambasiva Rao
11.    Shri Adhi Sankar
12.    Kunwar Rewati Raman Singh
13.    Shri K. Sudhakaran
14.    Dr. M. Thambidurai
15.    Dr. Girija Vyas

**RAJYA SABHA**

16.    Shri Tariq Anwar
17.    Shri Prasanta Chatterjee
18.    Shri Naresh Gujral
19.    Shri Prakash Javadekar
20.    Shri Satish Chandra Misra
21.    \*Shri J.D. Seelam
22.    Prof. Saif-ud-Din Soz

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\*     Elected w.e.f. 29<sup>th</sup> August 2011 *vide* the vacancy occurred *vice* Smt. Jayanti Natarajan appointed Minister w.e.f. 12<sup>th</sup> July, 2011

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2012-13)**

**Dr. Murli Manohar Joshi                      -                      Chairman**

**LOK SABHA**

2.     Shri Anandrao Vithoba Adsul
3.     Dr. Baliram
4.     Shri Sandeep Dikshit
5.     Dr. M. Thambidurai
6.     Shri T.K.S. Elangovan
7.     Shri Anant Kumar Hegde
8.     Shri Bhartruhari Mahtab
9.     Shri Sanjay Nirupam
10.    Shri Shripad Yesso Naik
11.    Shri Sarvey Sathyanarayana
12.    Shri Ashok Tanwar
13.    Dr. Shashi Tharoor
14.    Dr. Girija Vyas
15.    Shri Dharmendra Yadav

**RAJYA SABHA**

16.    Shri Prasanta Chatterjee
17.    Shri Prakash Javadekar
18.    Shri Satish Chandra Misra
19.    Shri Sukhendu Sekhar Roy
20.    Shri J.D. Seelam
21.    Shri N.K. Singh
22.    Prof. Saif-ud-Din Soz

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2013-14)**

**Dr. Murli Manohar Joshi                      -                      Chairman**

**MEMBERS**  
**LOK SABHA**

2.     Shri Anandrao Adsul
3.     Dr. Baliram
4.     Shri Ramen Deka
5.     Shri Sandeep Dikshit
6.     Dr. M. Thambi Durai
7.     Shri T.K.S. Elangovan
8.     Shri Jayaprakash Hegde
9.     Dr. Sanjay Jaiswal
10.    Shri Bhartruhari Mahtab
11.    Shri Abhijit Mukherjee
12.    Shri Sanjay Brijkishorlal Nirupam
13.    Shri Ashok Tanwar
- \*14.   Shri Ajay Maken
15.    Shri Dharmendra Yadav

**RAJYA SABHA**

16.    Shri Prasanta Chatterjee
17.    Shri Prakash Javadekar
- †18.   Shri Ashwani Kumar
19.    Shri Satish Chandra Misra
- ‡20.   Dr. V. Maitreyan
21.    Shri N.K. Singh
22.    Smt. Ambika Soni

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\* Elected w.e.f. 14<sup>th</sup> August, 2013 *vice* Dr. Girija Vyas appointed as Minister of Housing, Urban Development & Poverty Alleviation w.e.f. 17<sup>th</sup> June, 2013.

† Elected w.e.f. 3<sup>rd</sup> September, 2013 *vice* Dr. V. Maitreyan ceased to be a Member upon his retirement as a Member of Rajya Sabha w.e.f. 24<sup>th</sup> July, 2013.

‡ Elected w.e.f. 3<sup>rd</sup> September, 2013 *vice* Dr. E.M. Sudarsana Natchiappan appointed as Minister of State for Commerce and Industry w.e.f. 17<sup>th</sup> June, 2013.

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2015-16)**

**Prof. K.V. Thomas                      -                      Chairperson**

**MEMBERS**

**LOK SABHA**

2.      Shri S.S. Ahluwalia
3.      Shri Sudip Bandyopadhyay
4.      Shri Ranjit Singh Brahmpura
5.      Shri Nishikant Dubey
6.      Shri Gajanan Kirtikar
7.      Shri Bhartruhari Mahtab
8.      Shri Ramesh Pokhriyal "Nishank"
9.      Shri Neiphiu Rio
10.     Shri Dushyant Singh
11.     Shri Janardan Singh Sigriwal
12.     Dr. Kirit Somaiya
13.     Shri Anurag Singh Thakur
14.     Shri Shivkumar Udasi
15.     Dr. P. Venugopal

**RAJYA SABHA**

16.     Shri Naresh Agrawal
17.     Shri Satyavrat Chaturvedi
18.     Shri Anil Madhav Dave
19.     Shri Vijay Goel
20.     Shri Bhubaneswar Kalita
21.     Shri Shantaram Naik
22.     Shri Sukhendu Sekhar Roy

**Composition of Sub-Committee - VI (XIX Commonwealth Games 2010) of the Public Accounts Committee (2015-16)**

**Sub-Committee – VI (XIX Commonwealth Games 2010)** for examination of the subject "XIX Commonwealth Games 2010" based on the C&AG Report No. 6 of 2011-12.

Convenor	:	1.	Shri Shantaram Naik
Members	:	2.	Shri S.S. Ahluwalia
		3.	Shri Nishikant Dubey
		4.	Shri Bhartruhari Mahtab
		5.	Shri Vijay Goel
		6.	Shri Sukhendu Sekhar Roy

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE**  
**(2016-17)**

**Prof. K.V. Thomas                      -                      Chairperson**

**MEMBERS**

**LOK SABHA**

2.      Shri Sudip Bandyopadhyay
3.      Shri Prem Singh Chandumajra
4.      Shri Nishikant Dubey
5.      Prof. Richard Hay
6.      Shri Gajanan Chandrakant Kirtikar
7.      Shri Bhartruhari Mahtab
8.      Smt. Riti Pathak
9.      Shri Neiphiu Rio
10.     Shri Janardan Singh Sigriwal
11.     Shri Abhishek Singh
12.     Dr. Kirit Somaiya
13.     Shri Anurag Singh Thakur
14.     Shri Shivkumar C. Udasi
15.     Dr. P. Venugopal

**RAJYA SABHA**

16.     Shri Naresh Agrawal
17.     Shri Satyavrat Chaturvedi
18.     \* Shri Bhupender Yadav
19.     Shri Bhubaneswar Kalita
20.     Shri Shantaram Naik
21.     Shri Sukhendu Sekhar Roy
22.     Shri Ajay Sancheti

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\* Elected w.e.f. 09.08.2016 vice Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

## SECRETARIAT

- |    |                            |   |                      |
|----|----------------------------|---|----------------------|
| 1. | Shri A.K. Singh            | - | Additional Secretary |
| 2. | Shri Sukhi Chand Chaudhary | - | Joint Secretary      |
| 3. | Shri T. Jayakumar          | - | Director             |
| 4. | Shri Paolienlal Haokip     | - | Deputy Secretary     |

**Composition of Sub-Committee– IV (Civil and Non-compliance of timely submission of Action Taken Notes) of the Public Accounts Committee (2016-17)**

Convenor	:	1.	Shri Bhartruhari Mahtab
Members	:	2.	Shri Gajanan Chandrakant Kirtikar
		3.	Shri Nishikant Dubey
		4.	Dr. P. Venugopal
		5.	Shri Ajay Sancheti
		6.	Shri Shivkumar C. Udasi



## Introduction

I, the Chairperson, Public Accounts Committee (2016-17) having been authorized by the Committee, do present this Seventy-fourth Report (Sixteenth Lok Sabha) on '**XIXth Commonwealth Games 2010**'.

2. Comptroller and Auditor General of India had conducted a performance Audit of the XIXth Commonwealth Games 2010 which was held in Delhi following the huge scare the country faces in the run up to the games due to reports of preparations running way behind schedule and the possibility of failure to hold the games successfully. The Report was presented to Parliament on 5<sup>th</sup> August 2011.

3. The PAC had taken a briefing on the subject on 10 October 2011 from the Ministry of Youth Affairs and Sports and selected the subject for examination during it's the term 2012-13. They have taken evidences of the various Ministries including Ministries of Home Affairs, Urban Development, Information and Broadcasting, Communications and IT, Youth Affairs and Sports, Health and Family Welfare and agencies like NDMC, DDA, etc. on eight occasions during that term. However the report could not be presented due to paucity of time. The subject was again selected by the Committee during 2013-14, but could not be taken up due to other pressing matters before the Committee. During the 16<sup>th</sup> Lok Sabha, The PAC (2015-16) again took up the subject. It took further oral evidence of the Ministries of YAS, UD, Home Affairs and the CBI on 26<sup>th</sup> August 2015. Thereafter, a Sub-Committee headed by Hon'ble Member of Parliament, Shri Shantaram Naik, was constituted to look into the subject. The Sub-committee went into the progress of the cases investigated by the CBI.

4. During the current term of the Committee, the Committee took further evidence of the representatives of Ministries of YAS, Home Affairs, UD, Communications and IT on 25<sup>th</sup> October, 2016. The Committee also took oral evidence of the representatives of Cabinet Secretariat, Home Affairs, Delhi Police, CBI and Ministry of Youth Affairs and Sports on 10<sup>th</sup> November, 2016. Further, the Sub-Committee on Civil and Non-compliance in timely submission of ATNs also took evidence of representatives of Ministry of Home Affairs and CBI on 7 March, 2017.

5. I thank the Chairperson and members of the PAC 2012-13, 2013-14, and my colleagues in the Committee during the terms 2015-16 and 2016-17 for all the hard work and long hours of dedication. I also thank the Convenor and members of the Sub-Committee-VI (PAC) 2015-16 and Sub-Committee-IV (PAC) 2016-17 for their untiring efforts in examining the subject, which involves taking evidences of representatives of various Ministries.

5. The Committee also would like to express their gratitude to the representatives of the Ministries of Youth Affairs and Sports, Home Affairs, Urban

Development, Information and Broadcasting, Communications and IT, Health and Family Welfare, DDA, NDMC, and CBI, who have deposed before the Sub-Committee and have provided all the information required by the Committee in their examination of the subject.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Office of the Comptroller and Auditor General of India and the Committee secretariat.

NEW DELHI;  
12<sup>th</sup> April, 2017  
22 Chaitra, 1939 (*Saka*)

PROF. K.V. THOMAS  
Chairperson,  
Public Accounts Committee

## CHAPTER I

### I. INTRODUCTORY

*This report of the Public Accounts Committee is based on further scrutiny and evidences taken of concerned Ministries in the organization of the XIXth Commonwealth Games based on the Comptroller and Auditor Genral's Report No. 6 of 2011 titled Performance Audit of XIXth Commonwealth Games.*

1.1 After Olympics, the Commonwealth Games (CWG) is the second largest sports festival in the world. The Games were earlier knowns by various names viz. British Empire Games, Friendly Games and British Commonwealth Games. Since 1978, they have been known as the Commonwealth Games. The Games are held once in every four years, but only between the Olympic years. The first Commonwealth Games were held in 1930 at Hamilton, Canada in which 11 countries participated. Since then 19 editions of the Games have been held. In the year 2001, the Games Movement adopted the three values of Humanity, Equality and Destiny as the core values of the Commonwealth Games which inspire and connect crores of people and signify the broad mandate for holding the Games within the Commonwealth.

1.2 India was the proud host of *the Nineteenth* edition of the Games i.e. the XIX Commonwealth Games which were held at New Delhi from 3<sup>rd</sup> to 14<sup>th</sup> October 2010. The Competitions were held in 18 disciplines (including one discipline for Elite Athletes with Disabilities) and 7572 Athletes/Coaches/Officials from 71 countries & territories of the Commonwealth participated in these Games.

1.3 The performance of the Indian Sportspersons, particularly that of women, at the CWG-2010 was exceptional and outstanding resulting in an unprecedented haul of medals, which were more than double the medals India had won at the CWG -2006 held at Melbourne. India with a total of 101 medals viz. 38 Gold, 27 Silver and 36 Bronze stood second in the medals tally ahead of major sporting nations such as England, Canada and South Africa. The Opening and closing ceremonies were

spectacular and the Country and its management won acclaim for the successful conduct of the Games.

1.4 The process for hosting the XIX CWG-2010 in New Delhi was initiated through the submission of the Bid Document by the Indian Olympic Association (IOA) to the Commonwealth Games Federation (CGF) in May, 2003. The Cabinet in its meeting held on 11th September 2003, approved entering into the Host City Contract as provided by the CGF. The then Minister of Youth Affairs & Sports wrote to the Chairman, CGF on 24th May, 2003 and conveyed support to the bid in the city of Delhi and further guaranteed that "the Games will be organized in accordance with the constitution, protocols and regulations of the CGF." The Games were allotted to Delhi in November, 2003 at the General Assembly of the CGF held at Montego Bay, Jamaica in November 2003. The Host City Contract (HCC) was entered into by the CGF with the Indian Olympic Association (IOA), Government of India (through the Ministry of Youth Affairs & Sports) and the Government of the National Capital Territory of Delhi (GNCTD) on 13th November, 2003. The Organizing Committee (OC) became a signatory later on, after it was formed.

1.5 The preparation for the mega multi-disciplinary event was categorized as under:

- (i) Development of Sports Infrastructures –Completion and Training venues.
- (ii) Development of Non-Competition Venues
  - Games Village.
  - International Broadcasting Centre.
  - Main Press Centre.
  - Central Logistics Centre
  - Central Accreditation Centre
- (iii) Host Broadcasting.
- (iv) Upgradation of City Infrastructure.
- (v) Augmentation of Tourist Accommodation.
- (vi) Conduct of the Games.

1.6 The above categorization was made on the basis of the following advantages of holding the CWG-2010 as enumerated in the Cabinet Note of 20th May, 2003:

- (i) Promotion of tourism on a large scale resulting in the inflow of Foreign Exchange and exposure of foreigners to the Indian culture;
- (ii) Educating the citizens of the Country on the important role that sports can play for building a homogenous society and to improve the general health of the citizens;
- (iii) Upgradation of the existing sports infrastructure and creation of new infrastructure of international standards in the city hosting the Games;
- (iv) Improvement of civic amenities in the host city;
- (v) Promotion of closer ties between the people of the Commonwealth Countries and enhancing the prestige of the Country before the international community; and
- (vi) Giving a Boost to the indigenous sports industry.

1.7 The Host City Contract (Protocol 2 (1.1) of the Games Management Protocols) stipulated that the Commonwealth Games Federation (CGF) shall entrust the Indian Olympic Association (IOA) with the organization of the Games. The IOA shall establish an Organising Committee (OC), which shall have legal status and shall delegate the organization of the Games to the OC.

1.8 As per the winning Bid Document, the Organising Committee was to have an Executive Board (EB) at the apex, comprising of the Chairman (Government appointee), Vice-Chairman (President of IOA) and 13 other members, including 2 nominees each of the Central Government, IOA, State governments and National Sports Federations.

1.9 In the Bid document, the cost of preparation for the Games was pegged at USD 266.65 million (₹ 1200 crore) as Capital Expenditure including cost of construction and repairs of stadia. The Games operating expenditure was estimated at USD 141 million (₹ 635 crore). The revenue from the Games was estimated at USD 186.59 million (₹ 839.655 crore)

1.10 The bid amount includes a sum of USD 100,000 (₹ 45,00,000), payable by OC to each Commonwealth country and territory, participating in the Games.

1.11 Subsequently, the implementation structure was modified and set up as:

- **Organising Committee**, headed by Mr. Suresh Kalmadi, President of IOA, as Chairman, for the Conduct of the Games.
- **Committee of the Secretaries**, chaired by Cabinet Secretary to review and coordinate all activities, related to the Organising of the Commonwealth Games.
- **Empowered Committee** of Delhi Government, chaired by Chief Secretary, to ensure speedy clearance to the projects.
- **Empowered Security Committee**, chaired by Home Secretary, to oversee and approve the security arrangement for CWG 2010.
- **Venue Monitoring Committee**, chaired by Secretary (Sports) to review all aspects related to the Games, and coordinate activities of different stakeholders.

1.12 Initially, a Group of Ministers (GOM) was constituted on 3rd September 2004 under the Chairmanship of Human Resource Development Minister, for coordinating the work related to the organization of CWG to be held in Delhi in 2010. The other members of this GOM included Minister of Parliamentary Affairs and Urban Development, Minister of Information, Broadcasting and Culture, Minister of Finance, Minister of External Affairs, Minister of Youth Affairs and Sports, MOS(I/C) Non Resident Indian Affairs, MOS (I/C) Ministry of Tourism, LG Delhi, CM Delhi were special invitees.

1.13 The composition of the Core Group of Ministers for coordinating the work related to the organization of the commonwealth Games Delhi 2010 was reconstituted on 22<sup>nd</sup> March 2007/11<sup>th</sup> July 2007. While Shri Arjun Singh, the then Minister of Human Resource Development continued to be Chairman of the Core Group of Ministers, other Ministers in Group included Minister of Home Affairs, Minister of Urban Development, Minister of Finance, Minister of Parliamentary Affairs and Information & Broadcasting, Minister of Youth Affairs & Sports, Minister of Tourism and Culture, MOS (I/C) Ministry of Women & Child Development. MOS Prime Minister's Office and MOS, Ministry of Urban Development. Deputy Chairman, Planning Commission was a Permanent Invitee and the Lieutenant Governor, Delhi Chief Minister, Delhi and Chairman, OC CWG 2010 were Special invitees. Minister of Home Affairs was co-Chairman of the GOM and could convene the meeting of the GOM as and when required. These GOM's held 19 meetings.

1.14 Subsequently, on 23<sup>rd</sup> June 2009 a new GOM was formed, under the Chairmanship of Minister of Urban Development, to review the project and take decisions as required to facilitate smooth implementation of all activities connected with the Commonwealth Games. The other members of this GOM were Minister of Youth Affairs and Sports, Minister of Tourism, MOS (Home) and MOS (Finance). Lt Governor, Delhi, Chief Minister, Delhi and Chairman, Organising Committee were special invitees to the meeting of the GOM. Cabined Secretary/Secretary (Coordn.) also attended to meetings. The GOM discussed, urged and pushed the OC and various authorities, for timely and efficient completion of their duties. With the approach of the CWG 2010 in October, 2010, the GOM increased the frequency of its meetings, to about once a week. 34 meetings of this GOM were held.

1.15 The role and responsibilities for the preparation and conduct of the Games were demarcated among the Ministries of Youth Affairs & Sports (Department of Sports), Urban Development, Home Affairs, Health and Family Welfare, Information and Broadcasting, Communications & Information Technology (Department of Telecommunications), Tourism etc., the Organizing Committee (OC) and the Delhi Government. These are discussed in detail in the succeeding Chapters of this Report.

1.16 The Cabinet Secretariat with the approval of the Prime Minister had constituted a Core Group of Ministers (GOM) on 3<sup>rd</sup> September 2004, under the Chairmanship of the then Minister, HRD, late Shri Arjun Singh, for coordinating the work relating to organization of the CWG-2010. Its first meeting was held on 25<sup>th</sup> October, 2004 under the Chairmanship of the Prime Minister. One of the major decisions taken in this meeting was **"setting up of an Organizing Committee under the Chairmanship of the Minister, Youth Affairs & Sports for creation and development of Infrastructure facilities and conduct of XIX Commonwealth Games, 2010. The Executive Board shall also be Chaired by the Minister, Youth Affairs & Sports."** The complete text of the Draft Minutes is at **Annexure I.**

1.17 The Cabinet Secretariat, while finalizing the Draft Minutes, submitted by the MYA&S, changed the above decision as **"An Apex Committee on Commonwealth Games may be set up under the Chairmanship of the Minister of Youth Affairs &**

**Sports for monitoring and reviewing of activities relating to the conduct and organizing of the Games and establishment of the required infrastructure".** It was approved by the Prime Minister on 5<sup>th</sup> November 2004. The complete text of the Minutes is at **Annexure II.**

1.18 Before the first meeting of the GOM was held on 25<sup>th</sup> October 2004, Shri Suresh Kalmadi, President, Indian Olympic Association wrote to the Prime Minister on 23<sup>rd</sup> October, 2004 *inter-alia* stating that "Chairman of the Organising Committee as shown in the initial bid as 'Government Nominee' was removed at the time of evaluation commissions meetings and was also confirmed at the General Assembly of the Commonwealth Games Federation at Montego Bay....." The Complete text of the letter is at **Annexure-III.**

1.19 On 26<sup>th</sup> October, 2004, a day after the GOM's first meeting, Shri Kalmadi, giving reference to his earlier letter, again wrote to the Prime Minister *inter-alia* suggesting that the then Sports Minister, late Shri Sunil Dutt be made the Chairman of the Steering Committee to oversee the entire ambit of the Games whereas the President, IOA (Shri Kalmadi himself) be made the Chairman of the Organising Committee. The complete text of the letter is at **Annexure IV.**

1.20 On 2<sup>nd</sup> November 2004, three days before the Prime Minister accorded his approval to the final Minutes of the first meeting of the GOM as submitted by the Cabinet Secretariat, Shri Kalmadi again wrote to the PM *inter-alia* apprising him that at the General Assembly Meeting of the Indian Olympic Association held on 1<sup>st</sup> November 2004, a Resolution was passed by the House, electing him (Shri Kalmadi) as the Chairman of the Organising Committee of the Commonwealth Games, 2010 to be held in Delhi. The full text of the letter is at **Annexure V.**

1.21 On 14<sup>th</sup> November, 2004, late Shri Sunil Dutt, the then Sports Minister wrote to the Prime Minister *inter-alia* stating that during his stay abroad, he was surprised to see newspaper reports about a Resolution passed by the IOA regarding the appointment of the President IOA as the Chairman of the Organising Committee which was at variance with the decisions taken in the GOM meeting held on 25<sup>th</sup> October, 2004. Shri Sunil Dutt also stated that "**The Minutes, as issued by the Cabinet**



Secretariat, do not reflect the decisions taken in the meeting of 25<sup>th</sup> October, 2004 regarding various aspects of composition of Organizing Committee. It seems the word 'Apex' instead of the word 'Organising' has been used inadvertently in para 8 (ii) of the minutes. Moreover, the decision regarding constitution of Executive Board under my Chairmanship has not been recorded...." Requesting the Prime Minister to consider issuing directions to amend the Minutes, Shri Sunil Dutt sought the PM's indulgence for withholding the circulation of the Minutes until a final view was taken on the matter. The full text of the letter is at **Annexure VI.**

1.22 On 6<sup>th</sup> December, 2004, a communication from the PMO stated that institutional arrangements had been evolved for the conduct of the CWG-2010 and that Shri Suresh Kalmadi, President IOA was to be the Chairman of the Organising Committee and the Executive Board. It also conveyed the PM's direction that these institutional arrangements be considered in the next GOM meeting.

1.23 On 14<sup>th</sup> January, 2005, the second GOM meeting was held, but it did not take a view regarding the governance structure.

1.24 In its third meeting held on 29<sup>th</sup> January, 2005, the GOM endorsed the views of the PMO and decided that the OC would be headed by Shri Kalmadi.

1.25 On 10<sup>th</sup> February, 2005 the Organizing Committee was registered as a Society under the Societies Registration Act, 1860. The Rules and Regulations of the OC indicated Shri Kalmadi by name (and not merely as President, IOA) as the Chairman of the OC.

1.26 From July 2007 onwards, concerns of the M/o Youth Affairs & Sports resurfaced at the GOM and PMO levels regarding the lack of Government's control over the functioning of the OC and the absence of a systematic arrangement to ensure the reasonableness of expenditure and greater public accountability.

1.27 On 20<sup>th</sup> July, 2007, the late Shri S.K. Arora, Secretary, MYAS wrote to the PMO with a copy to the Cabinet Secretary, indicating that the Executive Board had a very limited management or decision-making authority and the GOI representatives

had neither any executive authority nor any means of ensuring that the Government's view point was acknowledged and complied with as all decision making was concentrated with the Chairman, OC. Shri Arora highlighted the differences between the composition of the OC with that followed for the Special Organising Committee for 1982 Asian Games, essentially in terms of the overriding powers of the Chairman of the CWG OC. **Shri Arora flagged the need for balancing the OC's need for operational flexibility with transparency and public financial accountability and indicated that in the extant legal framework of the OC, it was unlikely that the Government representatives would be able to discharge their responsibility of ensuring transparency and accountability in the management of the OC.** In the above context, Shri Arora had suggested the following three options:

- (i) The need for operational flexibility and financial autonomy desired by the OC may be acknowledged and the role of the Government nominees be restricted to a largely advisory role in the Executive Board. However, in such a situation, the GOI should revise its decision to give "bridge finance" to the OC and discontinue direct financing by the GOI as well as take a view on the overall ceiling on the commitment to meet any revenue deficit.
- (ii) The OC should be given a clear signal to vest the decision making in the EB. The Government could consider retaining some authority for approving decisions with financial commitment above a certain limit.
- (iii) The OC may be directed to broadbase its EB on the lines of the 1982 Asian Games Special Organising Committee, with representation from the GOI and GNCTD at the Ministerial level.

The full text of Shri S.K. Arora's letter is at **Annexure VII.**

1.28 On 25<sup>th</sup> October, 2007, Shri Mani Shankar Aiyar, the then Sports Minister, wrote to the Prime Minister highlighting the profligacy of the Chairman, OC and the abuse and scorn heaped at the MYAS by him. Shri Aiyar wrote **"But abuse and scorn continue to be heaped at the Ministry in public statements made by the Chairman who stoops so low as to describe us as cartoons sitting in one room in Shastri Bhavan."** He further stated **"....the Chairman sees the Ministry as a milch cow to extract as much money as he can and a rubber stamp to endorse every spending decision he takes, however outrageous."** Urging the imperative need of recasting the Organising Committee for CWG 2010 and its Organising

Committee for CWG 2010 and its Executive Board, Shri Aiyar suggested that "a Minister of State for International Sporting Events be appointed from our younger MPs to take over as Chairman of revamped Executive Board of rejigged Organising Committee and thus ensure that the Organisation of the Games is delivered economically, efficiently and with good taste." The full text of Shri Aiyar's letter is at **Annexure VIII.**

1.29 In view of the serious concerns expressed and claims and counterclaims made in different quarters about the state of preparedness for successfully hosting the prestigious event, largely because of the perceptions about the delay in the construction of venues and associated infrastructure, the C&AG had decided to conduct an independent study to assess the progress of projects and preparedness of different agencies for organizing the Games and to identify the significant risks that needed to be addressed. Not an audit in the conventional sense, this study was meant to provide an aid to the Administration as benchmarks for monitoring the progress of different works and undertaking mid course corrections. After conducting a study between March and May 2009, a brief Report was prepared and submitted to the Government in July, 2009, 15 months before the Games were to be held. Copies of the Report were provided to all the Authorities engaged in the execution of the complex Games Project. This study Report of the C&AG provided both documentary and pictorial evidence of the status of the completion of projects in different phases as of July, 2009. Highlighting that there was no scope for further delays and slippages in the milestones, the Study Report also suggested that **"in view of the complexity and multiplicity of activities and organizations and the progress till date, there is need to rethink the governance model for the games project as well as for similar mega-events in the future."** Recognizing the challenges faced by the MYAS, OC and other agencies involved in completing all stages involved to meet the immovable deadline of October, 2010, Audit had commented that it was only through proactive leadership, comprehensive planning and rigorous monitoring that the challenges could be effectively addressed.

1.30 The summary of the key suggestions/recommendations contained in the Audit Study Report of July 2009 on "Preparedness for CWG-2010" were as under:

- In view of the complexity and multiplicity of activities and organizations and the progress till date, there is a need to rethink the governance model for the Games Project as well as for similar mega-events in the future.
- The pending basic planning documents, as per the commitments in the HCC, should be finalized on top priority for CGF's approval. Similarly, pending operational plans for functional areas should be finalized immediately, so that these areas are fully activated for delivery as per schedule.
- The web-based Project Monitoring System may be further strengthened through better validation of data, achieving of past reports, and also by capturing follow-up action on issues/deficiencies flagged through these reports.
- In view of the exceptional circumstances under which permission for the basement in Siri Fort Complex was accorded as a *fait accompli*, ASI may conduct an assessment of the continued structural soundness of the protected monument and take appropriate further action.
- In view of the fast approaching immovable deadline of October 2010, the OC should expedite approval of final venue designs and detailed specifications.
- MYAS and SAI should accord heightened priority to the completion of the SPM Aquatics Complex, which is a high risk venue in Audit's estimation.
- MYAS and venue owners should ensure completion of remaining works at all venues on priority basis by removal of hindrances like inadequate funds, delayed clearances, finalization of scope of work and designs etc.
- Venue owners should closely monitor work execution by the implementing agencies.
- DDA and JMI may immediately ensure measures for obtaining necessary clearances, including fire, water and sewage clearances.
- Although during the exit conference, MYAS indicated that they did not have any direct role in the grant of clearances as per the law, Audit believed it needed to assume leadership role in this regard, as this was critical to timely completion of venues.
- The bottlenecks for the Games Village Project should be addressed on top priority through better co-ordination within and across Governments.
- All efforts should be made to ensure that at least the revised timelines for the city infrastructure projects were adhered to. Closer monitoring was essential for this purpose.

- The problem of pending clearances/NOCs from various agencies should be addressed on top priority at the highest level.
- Hindrance-free sites have also been a major bottleneck, and the issue of land acquisition needed to be addressed quickly.
- Most of the rooms projects as "definite" are located outside Delhi in Haryana and Uttar Pradesh. Measures to facilitate smooth movement of visitors from these locations, including timely completion of road and infrastructure projects, needed to be ensured.
- Considering the expected shortfall in "definite and likely" rooms, more work needs to be done on alternative options for accommodation within defined timelines, including validation of practicability, and preparation of development plans.
- Steps for generating sponsorship and other revenue should be further expedited as the window of opportunity in leveraging the Games was fast shrinking with the passage of time.
- Payment of 5 percent of sponsorship revenue of IOA should be considered only out of the cash revenue surplus of the Games, if any.

1.31 On 13<sup>th</sup> September, 2009, Mr. Mike Fennel, President CGF wrote to the OC EB members and stated that **"unless there is significant changes in the management culture and operation of the OC, these games will fail from an operational perspective."** Mr. Fennel also met the Prime Minister and reportedly expressed his doubts about the ability of the OC and its management for staging the Games. The full text of Mr. Fennel's letter is at **Annexure IX.**

1.32 In the context of doubts expressed by Mr. Fennel on the ability and capability of the OC to deliver the Games, Shri M.S. Gill, the then Minister of Youth Affairs and sports wrote to the Prime Minister on 26th September 2009 *inter-alia* stating that **"The original signed document had a government Chairman, but later somehow that was changed."** He further stated that "The OC have 23 Sub-Committees, which have rarely met, or performed in the situation described above." Apprising the Prime Minister of the line of action devised to immediately strengthen the Management inside the OC after discussions with the Chairman-OC, Secretary General- IOA, Chief Minister-Delhi, the Cabinet Secretary and the Principal Secretary to PM, Shri Gill mentioned that while the structure could not be changed, he was in agreement with

the Cabinet Secretary who had identified individuals and it would be necessary that persons identified to undertake the fire fighting job were fully backed by himself and the Prime Minister. The full text of Shri Gill's letter is at **Annexure-X**.

1.33 As mentioned above, the Games were finally and successfully held in Delhi from 3<sup>rd</sup> to 14<sup>th</sup> October 2010 and Indian gave its best ever performance in the CWG by securing second position in the medals tally, next to Australia. Despite such phenomenal success of the Indian contingent, the events leading to the conduct of the Games had attracted severe adverse attention. There were reports of irregularities in the award of contracts; delays in the construction of stadia, Games village and related infrastructure; procurement of equipment of inferior quality or purchase of routine items at exorbitantly high prices etc. There were not only veiled allegations of serious leakage of Government funds and favoritism in the award of contracts, but also direct indictment of officials in position in the different agencies entrusted with either the hosting of the Games or developing stadia and associated infrastructure.

1.34 Thus, in view of the concerns expressed by a cross sections of the society with regard to the perceived inadequacies and shortcomings in different projects and associated activities with the staging and hosting of the Games, the C&AG decided to conduct an external audit post completion of the Games in the shortest possible time so that Parliament and the Country could have the benefit of an independent and objective assessment of the outcome emanating from the expenditure incurred. The Audit Report covered the period from May, 2003 (when the bid was submitted) to December, 2010 (after the conclusion of the Games) as well as a multiplicity of activities-not just the hosting of the Games *per se*, but also the development of sporting venues, the Games village, city infrastructure projects and other associated/supporting activities, executed by a diverse set of agencies. The Audit Team conducted their field work between August and December, 2010, held Entry and Exit Conferences with the Agencies concerned and issued detailed Statement of Facts (SoFs) to them seeking their responses and comments which have been appropriately considered while finalizing the Report.

1.35 The Audit Report was laid in Parliament on 5<sup>th</sup> August, 2011. Some of the key findings of the Audit Report are as under:

- (i) Although the bid document of May 2003 envisaged the OC as a *Government-owned registered Society*, with the Chairman of the OC a Government appointee, and the IOA President being only the EB Vice-Chairman, the OC was ultimately set up in February 2005 as a *non-Government registered Society* with the IOA President, Shri Suresh Kalmadi as the Chairman of the OCEB. This change was orchestrated through a sequence of events, commencing with a document titled as an "updated bid" of December, 2009 (which had no legal sanctity or relevance) indicating a changed structure. This updated bid of December 2003 surfaced only in September, 2004, viz 16 months after the IOA made its bid and 10 months after the original bid had already been declared successful.
- (ii) The decision to appoint Shri Kalmadi as the Chairman, OC on a recommendation of the PMO in December 2004, despite serious objections from the erstwhile Minister, MYAS, late Shri Sunil Dutt, facilitated the conversion of the Originally envisaged Government –owned OC into a Body outside the Government control, without commensurate accountability to the Government and concomitant controls to ensure propriety and transparency (despite full financial guarantee and funding from the Government).
- (iii) Attempts in 2007 by Shri Mani Shankar Aiyar, the then Minister YAS and late Shri S.K. Arora, the then Secretary, MYAS with the PMO, GOM and the Cabinet Secretariat, highlighting the ineffective position of the MYAS in exercising control over the OC met with strong resistance from the Chairman, OC and were hence rendered unfruitful.
- (iv) In the absence of a single point of authority and accountability and the lack of a clear governance structure, a multiplicity of coordination Committees were created, disbanded and reconstituted at different points of time leading to inconsistent and ineffective approach and complete diffusion of accountability. This was unlike the structure for the Melbourne CWG-2006, where the Victorian Government oversaw the planning and delivery of the Games through a specially formed Cabinet Committee.
- (v) The seven-year window from the award of CWG-2010 to Delhi in November 2003 to its hosting in October, 2010 was not appropriately utilised. Especially, the crucial period from November, 2003 to mid 2006, which could have been effectively used for planning, clearances and approvals was wasted resulting in delays in overall planning for the Games and in all subsequent activities.
- (vi) The IOA bid of May 2003 estimated an all-inclusive cost of ₹ 1200 crore (after, setting off operational expenses against estimated revenue from hosting the Games) whereas the overall budget estimate for CWG-2010 from the GOI and the GNCTD (including all other implementing Agencies) but excluding investments by other Agencies like DMRC and AAI/DIAL, was ₹ 18,532 crore as of October, 2010. Evidently, the GOI did not have a clear and realistic assessment of the estimated cost of hosting the Games. Numerous instances of delays in the grant of budgetary and financial

approvals by the GOI resulting in bunching of activities towards the end and consequential increase in cost were noticed by Audit.

- (vii) The internal control environment and decision making structures within the OC were highly inadequate. Similarly, contract management by the OC was irregular and deficient. The processing of certain sensitive contracts/cases was allocated in an ad-hoc manner to certain officials who had no linkages with the functional areas concerned. The argument of 'urgency' was used to obviate the regular process of tendering for award of contracts. There were numerous instances of single tendering; award of contracts on 'nomination basis' and to ineligible vendors; inconsistent use of restrictive Pre-Qualification (PQ) conditions to favour particular vendors; inadequate time for bidding, cancellation and re-tendering of contracts; inexplicable delays in finalization of contract; etc. which seriously compromised transparency and economy.
- (viii) Both MYAS & MOF failed to exercise due diligence and did not seriously challenge the OC's claim of revenue neutrality. In fact, the premise of revenue neutrality was used to justify the independence and financial autonomy of the OC and was seriously flawed, as it was never supported by robust and appropriately validated revenue projections. The total committed revenue was ₹ 682.06 crore and the net revenue actually realized by OC (after deducting revenue generation cost) was just ₹ 173.96 crore.
- (ix) Three of the five consultancy contracts awarded to Event Knowledge Services (EKS), during 2005-08, was done on nomination basis, facilitated by strong patronage from the CGF, with which EKS had a close link. Tendering conditions for the other two contracts were tailored to suit EKS.
- (x) The procurement process followed by OC for award of venue overlays contracts was highly irregular. OC inexplicably shifted from an item-wise basis (followed internationally) to a venue-cluster approach, based on geographical locations. This cluster-based approach, alongwith tailored eligibility criteria, was used to discourage competition by restricting the number of vendors.
- (xi) Although the ceremonial events of CWG-2010 like the Queen's Baton Relay (QBR) and the opening and closing ceremonies were widely appreciated, Audit found numerous irregularities in the appointment of Contractors/vendors for various ceremonies as well as in the procurement of accessories, special items, props etc. besides inordinate delay in the planning of the opening and closing ceremonies.
- (xii) There were numerous irregularities in the award of the Games Village Catering Contract. The process of awarding the catering contract took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the



recommendations of the OC officials but was also done after opening the single financial bid on the Chairman's verbal orders.

- (xiii) Inordinate delay in the planning for Timing Scoring and Results (TSR) System, Games Management System (GMS) and Games Time Website (GTW) and flawed award of contracts for these integrated technical solutions were also noticed by Audit. There were clear and repeated intervention at different stages to steer the TSR contract toward Swiss Timing Omega and eliminate MSL, Spain.
- (xiv) There were several deficiencies in the procurement of sports equipment by the Sports Functional Area in the OC. Such deficiencies *inter-alia* included not following global tendering procedures, purchases on single tender basis and deficient assessment of requirements.
- (xv) The exorbitant cost of ₹ 10 crore for the Games News Service (GNS) contract was due to a decision to go in for outsourcing and also on account of flawed tendering procedures resulting in the award on a single financial bid to Infostrada Sports. GNS failed to perform satisfactorily during the Games.
- (xvi) OC managed the work force in an arbitrary and ad-hoc manner, leaving ample scope for patronage, favoritism and nepotism in the appointment and promotion of officials. Security and reference checks were not carried out for most employees. Certain employees, whose past records should have rendered them unfit for appointment in the OC, were nevertheless appointed.
- (xvii) There were delays relating to venue development at all stages –planning delays on account of late preparation/approval of venue briefs, return briefs and concept designs; delays in tendering and contract award; and delays in work execution and handover. Similarly, there were several cases of delays in achieving the milestones listed in the contract, for which adequate penal action was not taken and Extension of Time (EOT) was not managed properly.
- (xviii) Different implementing agencies followed different processes for award of major construction works. Deficiencies in the process for award of major works related mainly to pre-qualification and eligibility. The pre-qualification of bidders separately for each venue not only introduced arbitrariness and inconsistencies in eligibility criteria, but also delayed the process of award and execution.
- (xix) Audit found several deficiencies in the process of 'Justification' for awarding works at substantially higher amounts than cost estimates. There were also numerous instances of deviation i.e. quantity deviations, extra items and substituted items from the original scope of work, with adverse implications in terms of increased cost and delays.

- (xx) Instances of several deficiencies in the application of the labour wage escalation clause were also noticed by Audit.

1.36 Before the laying of the abovesaid Audit Report to Parliament and exactly ten days after the conclusion of the XIX Commonwealth Games, a High Level Committee (HLC) under the Chairmanship of Shri V.K. Shunglu, former C&AG of India was constituted by the Government on 25<sup>th</sup> October, 2010 to look into issues relating to the organizing and conduct of the CWG-2010, Delhi and lessons to be learnt for the future. The Shunglu Committee gave six Reports between 29<sup>th</sup> January, 2011 and 29<sup>th</sup> March, 2011 on (i) Host Broadcasting (ii) CWG Village (iii) City Infrastructure, (iv) Games Venues, (v) Organising Committee and (vi) Organisation & Conduct of CWG 2010 pertaining to different stakeholders. The first Report was submitted to the Government on 29<sup>th</sup> January, 2011; the second Report on 7<sup>th</sup> March, 2011; the third Report on 18<sup>th</sup> March, 2011; the fourth & fifth Reports on 28<sup>th</sup> March, 2011; and the sixth & Main Report on 29<sup>th</sup> March, 2011. Each of the five Reports discussed governance and its outcome in respect of the specific areas covered while all generic aspects of governance were discussed in the Main Report.

1.37 Some of the key findings of the Shunglu Committee Reports are as under:

- (i) The Host City Contract, accepted without due consideration, committed Government to underwrite the Games on the false promise of revenue neutrality. This premise was the basis on which nearly ₹ 30,000 crore was secured from the Government between 2003 and 2010 even though, after a point, it was very clear that the Games would place considerable financial burden on the Government.
- (ii) The role of the President, CGF and its CEO was hardly what was expected from this kind of agency and the kind of authority they enjoyed was not conducive to good management besides being expensive.
- (iii) A period of seven years was available to prepare for the Games. The first three years were squandered in peripheral activity thereby compressing the time available to four years. In disregard of time lost, activity picked up belatedly and reached a feverish pitch so near the Games that most actions became 'emergency' decisions, compromising cost and quality.
- (iv) Lack of explicit Budgetary ceiling compounded increasing costs and it was not entirely clear whether the Ministry of Youth Affairs & Sports, assigned the function to coordinate, possessed the authority to restrain the entities. These entities displayed no restraint; one and all overstated costs, misled the approving authority and wrongdoing became commonplace.

- (v) The implicit decision to conduct the Games through a private non-profit society was an 'error of judgment' compounded by the personality of its Chairman for whom the difference between fact and fiction was academic. His style and interests compromised proper preparation and efficient conduct of Games. Emergency measures ameliorated the situation, but at a very high cost.
- (vi) The Governance mechanism designed for oversight of what turned out to be a mammoth undertaking proved unequal to the task and its facilitation function was often abused by the entities it was meant to assist.
- (vii) OC had been able to secure what it wanted from the GOM while the Government was unable to use the GOM for exercising control over OC. It would be perhaps not wrong to conclude that the GOM, during the period 2005-2009 was largely supportive of OC and as a result some functions which did not belong to OC became their preserve. In some cases the GOM did not decide issues which belonged to it while in other cases it took decisions on matters not within its ambit. Even if an oversight role was contemplated for GOM, in practice it was unable to assert that role.
- (viii) The dysfunctionality of the Sports Authority of India (SAI) was largely a result of OC encroaching on territory belonging to the latter. It may well be that the MYAS having lost every battle had given up the struggle.
- (ix) Projects were delayed and got completed in their own time. The empowerment of the GOM did not seem to have helped even though its Chairman was the Minister for Urban Development, in charge of CPWD & DDA.
- (x) In spite of all its efforts, even the Committee of Secretaries (COS) was unable to get the agencies to complete the works in time. Incorrect reporting and lack of coordination at lower levels prevented the COS from taking corrective action at stages earlier than they actually did. Early warnings were ignored by the implementing agencies. Ultimately in August 2010, special Officers had to be appointed to supervise and coordinate work at different venues and their contribution has been acknowledged and admired.

1.38 Against the above backdrop and after the laying of the C&AG Report in Parliament on 5th August, 2011, the Public Accounts Committee (2011-12) took up the subject for examination and report. In the process, the Committee obtained detailed written reply and volumes of documents from the Ministries of Youth Affairs & Sports; Urban Development; Health & Family Welfare; Home Affairs; Communications & Information Technology (Department of Telecommunications) and Information & Broadcasting as also from the Organising Committee, the Central Bureau of

Investigation and above all the Prime Minister's Office. Between 10<sup>th</sup> October, 2011 and 13<sup>th</sup> February, 2013, the Committee took several oral evidences of the above said Ministries/Departments and the implementing agencies under their Administrative Control like Sports Authority of India (SAI), CPWD, Delhi Development Authority (DDA), Safdarjung Hospital/Sports Injury Centre (SIC), NDMC, Delhi Police, Mahanagar Telephone Nigam Ltd. (MTNL) and Prasar Bharati. Post evidence replies, wherever required, were also obtained from the Ministries/Departments concerned.

1.39 The Committee obtained written reply also from the Government of National Capital Territory, Delhi (GNCTD), through the Ministry of Youth Affairs & Sports. However, on 25<sup>th</sup> October, 2012, the Speaker, Delhi Vidhan Sabha wrote to the Chairman, PAC, apprising that the C&AG had laid another Audit Report on CWG-2010 in Delhi Legislative Assembly on 13<sup>th</sup> January, 2012 on the issues exclusively pertaining to the Delhi Government including MCD. The Speaker, Delhi Vidhan Sabha was of the opinion that it would be most appropriate that the Audit para pertaining to the different agencies of the Delhi Government are examined in detail by the PAC, Delhi Legislative Assembly. The full text of the Speaker Delhi Vidhan Sabha's letter is at **Annexure XI**.

1.40 In the Committee's sitting held on 1<sup>st</sup> February, 2013, the Chairman apprised the Members of the letter received from the Speaker, Delhi Vidhan Sabha and solicited their opinion/suggestion. After some deliberations on the matter, the Committee decided to leave the issues pertaining to the Delhi Government and its implementing agencies as highlighted in the C&AG Report, for examination by the PAC, Delhi Legislative Assembly,

1.41 Consequentially, in the following Chapters, the role and responsibility assigned to the Ministries/Departments/Implementing Agencies of the Government of India in the organization and conduct of the CWG-2010 and their respective performances have been discussed in detail, based on their written submission/documents furnished as well as oral evidence tendered before the Committee.

## CHAPTER II

### ROLE & RESPONSIBILITY OF THE PRIME MINISTER'S OFFICE (PMO)

2.1 As mentioned in the earlier Chapter, the Group of ministers (GoM) held its first meeting on 25<sup>th</sup> October, 2004. One of the major decisions taken in this meeting was "Setting up of an Organising Committee, under the Chairmanship of the Minister, Youth Affairs & Sports for creation and development of infrastructure facilities and conduct of XIX<sup>th</sup> Commonwealth Games, 2010. The Executive Board shall also be chaired by the Minister, Youth Affairs & Sports".

2.2 But, the Cabinet Secretariat, while finalizing the Draft Minutes as submitted by the MYA&S, changed the above decisions as "An Apex Committee on Commonwealth Games may be set up under the Chairmanship of the Minister of Youth Affairs & Sports for monitoring and reviewing of activities relating to the conduct and organizing of the Games and establishment of the required infrastructure". It was approved by the Prime Minister on 5<sup>th</sup> November 2004.

2.3 In the above context, the Committee sought clarifications from the PMO. In their written submission, the PMO stated that the draft Minutes of the first meeting of the GoM, chaired by the Prime Minister were submitted for approval by the Cabinet Secretary *vide* his note dated 28<sup>th</sup> October, 2004. The Cabinet Secretary's note while enclosing a copy of the draft Minutes prepared by the MYA&S, had stated that based on the draft Minutes received from the MYA&S, the Cabinet Secretariat had finalized the Minutes of the meeting and the same be approved by the Prime Minister.

2.4 The Committee then, desired to know the reasons for not issuing the Minutes of the second Meeting of the GoM, held on 14<sup>th</sup> January, 2005, where one of the agenda items was the appointment of the Chairman, OC. In reply, the PMO stated as under:

"The second meeting of the Group of Ministers held on 14<sup>th</sup> January, 2005 was chaired by the Minister of Human Resource Development. As per Cabinet Secretariat's O.M. No. 781/2/12004-Cab dated 3<sup>rd</sup> September, 2004, the Core Group of Minister's constituted for coordinating the work related to the organization of the Commonwealth Games to be held in Delhi in 2010 was serviced by the Ministry of Youth Affairs and Sports. As such, the reasons for not issuing the minutes of the second meeting of the Group of Ministers can be best explained by the Ministry of Youth Affairs & Sports."

2.5 The agenda item on the appointment of the Chairman, Organising Committee was prepared before the scheduled Second and Third meetings of the Group of Ministers which was communicated to the GoM *vide* the PMO ID dated 6th December 2004. In the above context, the Committee desired to be apprised of the rationale behind recommending the appointment of President, Indian Olympic Association as Chairman of the Organising Committee, CWG 2010. In reply, the PMO stated as under:

"On 11.09.2003, the Cabinet had accorded ex-post facto approval to the proposal of the Ministry of Youth Affairs and Sports for allowing the Indian Olympic Associations (IOA) to bid for the XIX Commonwealth Games and also to enter into the Host City Contract with the Commonwealth Games Federation (CGF) in case IOA was successful in its bid. After IOA was successful in its bid, the Host City Contract was signed with the CGF by President, IOA, Lt. Governor Delhi on behalf of the host city and Secretary, Ministry of Youth Affairs and Sports on behalf of the Government of India on 13.11.2003.

Thereafter, on 1.11.2004, the General Assembly of the IOA elected Shri Suresh Kalmadi to be the Chairman of the Organising Committee (IOC). This was conveyed to the Prime Minister by the President, IOA *vide* his letter dated 02.11.2004.

Shri Sunit Dutt, the then Minister of Youth Affairs and Sports in his letter dated 14.11.2004 to Prime Minister had, *inter-alia*, objected to the resolution of the IOA electing Shri Kalmadi, President IOA as the Chairman of the OC.

In the context of the submissions of Shri Sunil Dutt, the then Minister of Youth Affairs and Sports, and the views of Shri Suresh Kalmadi, President IOA, conveyed to the Prime Minister through his letters 23.10.2004 and 26.10.2004, that the stand of Shri Sunil Dutt was violative of the Olympic Charter and the Commonwealth Games protocol, the issue of Chairmanship of the OC of the Commonwealth Games was examined in the PMO in detail. During such examination, it was noted that:

- (i) The CGF, in its General Assembly held in Jamaica on 13.11.2003, had, while approving IOA's bid for holding the XIX Commonwealth Games, 2010 at Delhi, resolved to entrust the organising and hosting of the Games to the IOA.
- (ii) The Host City Contract, signed by the previous Government pursuant to award of the Games to the IOA, and the Games Management Protocol 2 of the Contract clearly stipulated that the IOA shall establish the Organising Committee (OC) for the conduct of the Games.
- (iii) The CEO of the CGF *vide* his letter dated 06.09.2004 to the President, IOA had indicated that structure of the Executive Board of the Executive Committee, its Chairman and members proposed as by the IOA was acceptable to the CGF.

- (iv) During the 1<sup>st</sup> meeting of the GoM held on 25.10.2004, the Finance Minister had pointed out that the organizational structure for the conduct of the Asian Games, 1982 may be considered for adoption with suitable improvements. The Ministry of Overseas Indian Affairs had also pointed out that the full involvement of the IOA in the Organisation of the Games would be essential, since the IOA had presented the initial bid before the CGF and sponsorship rights would be with the IOA.
- (v) The institutional arrangements put in place for the 9<sup>th</sup> Asian Games held in Delhi in 1982, indicated that a Special Organising Committee was set up by the IOA and not the Government.

Thus against the background of the above mentioned facts, and in the context of views expressed at the 1<sup>st</sup> meeting of the GoM, communications received from the Minister, Youth Affairs and Sports and President IOA, the following institutional arrangements were evolved for the conduct of the Commonwealth Games:

- (i) A Group of Ministers (GoM) headed by Shri Arjun Singh, Minister of HRD to monitor and oversee the preparations of the Games.
- (ii) An Empowered Committee to look after the construction of stadia and any other infrastructure facilities required for the Games. This Committee may be chaired by the Ministry of Youth Affairs and Sports and would comprise of three Vice Chairmen viz Lt. Governor, Delhi Chief Minister, Delhi and Chairman of the Organising Committee. The composition of the Empowered Committee, other than the three Vice Chairmen, may be decided by the GoM or by the Prime Minister, on the suggestions of the Minister of Youth Affairs and Sports in his capacity as its Chairman.
- (iii) An Organising Committee and Executive Board, responsible for the conduct of the Games and formulation of Sub-Committees, to be chaired by Shri Suresh Kalmadi, President of IOA. The Organising Committee will deal with the Government of India through the Ministry of Youth Affairs and Sports and with the Delhi Administration. The Composition of the Organising Committee may be decided by the GoM or by the Prime Minister taking into account the suggestions of its Chairman.
- (iv) A Committee of Secretaries (CoS) headed by the Cabinet Secretary for implementation of the decisions of the GoM regarding the Commonwealth Games. The CoS will be responsible for implementation of the decisions of the GoM which do not fall within the purview of the Empowered Committee and the Organising Committee.

The abovementioned institutional arrangements were then conveyed by PMO on 06.12.2004, with Prime Minister's approval, to the Cabinet Secretary with the request to send the same to Shri Arjun Singh, Minister of HRD who headed the GoM on the Commonwealth Games, for consideration in the next meeting of the GoM."

2.6 Asked to state the working papers that were taken into consideration for recommending the appointment of the President IOA as Chairman of the Organising Committee, the PMO stated that the working papers taken into consideration while evolving the suggested institutional arrangements for the conduct and organisation of the CWG, 2010 for the GoM's consideration were as under:

- (i) Late Shri Sunil Dutt's Letters dated 14<sup>th</sup> November, 2004 to the Prime Minister.
- (ii) Shri Suresh Kalmadi's Letter dated 23<sup>rd</sup> October, 2004; 26<sup>th</sup> October, 2004; and 2<sup>nd</sup> November, 2004 to the Prime Minister.
- (iv) Minutes of the first meeting of the GoM.
- (v) Page 1 of the Host City Contract,
- (vi) Page B 21 of the Games Management Protocol 2 of the Host City Contract.
- (vii) CEO, CGF's Letter dated 6<sup>th</sup> September 2004 to the President IOA.
- (viii) Page 1 of the Minutes of the General Assembly meeting of the IOA held on 6<sup>th</sup> September 1980.
- (ix) Letter dated 6<sup>th</sup> April, 1981 from Raja Bhalendra Singh, President IOA to the then Prime Minister.

2.7 The Prime Minister convened a meeting to review the status of the preparation for CWG 2010 in August 2006 wherein it was desired to establish a system for providing monthly status reports on the progress on Games related activities. However, the first such report was generated through the Project Monitoring System in October 2008.

2.8 In the above context, the Committee desired to be apprised of the reasons for delay of more than two years in generating the first monthly status report and whether the PMO had deliberated the delay with the MYA&S and other Ministries/Departments concerned to ensure that the Prime Minister's decision was followed. In reply, the PMO submitted as under:

"It may be mentioned that the following institutional arrangements had been put in place for the organization and conduct of the Commonwealth Games, 2010:



- (i) A Core Group of Minister's (GoM) for coordinating the work related to the organisation of the Games. The GoM was serviced by Ministry of Youth Affairs and Sports,
- (ii) An Apex Committee headed by the Minister of Sports having overriding powers and responsibility for overseeing and coordinating the Games,
- (iii) A Organising Committee headed by the President IOA to conduct the Games,
- (iv) A three member Sub-Committee of the GoM, headed by the Finance Minister to supervise and deal with all financial matters.
- (v) LG Delhi having overall responsibility regarding the Games with specific reference to security, law and order and matters coming under DA,
- (vi) A Sub-Committee headed by Chief Minister, Delhi to look after all other issues coming under the jurisdiction of Government of NCT of Delhi,
- (vii) A Committee of Secretaries (CoS) headed by Cabinet Secretary, responsible for the implementation of the decisions of the GoM regarding the Commonwealth Games. The CoS was serviced by D/o Sports.

During the meeting held on 7<sup>th</sup> August, 2006 to review the status of the preparation for the Commonwealth Games, the Prime Minister had desired that milestones be set for ensuring timely execution of various key activities, responsibility be fixed for these activities and a system be established which gives a monthly status on the progress made on completing these activities. While the minutes of this meeting had been conveyed to the Ministry of Youth Affairs & Sports for circulation, Cabinet Secretary had also been requested separately to take necessary action in this regard.

In this connection, it may be noted that the CoS set up for implementation of the decisions of the GoM regarding the Games was monitoring the roll-out of a comprehensive e-enabled monitoring system by the Ministry of Youth Affairs and Sports. This is evident from the minutes of the six meetings of the CoS held between 01.09.2006 and 20.03.2007, copies of which were endorsed to the Prime Minister's Office. The fact that a comprehensive e-enabled monitoring system would be developed for monitoring all the projects ensuring that rigorous quality norms and time schedules are adhered to was also brought to the notice of the GoM by the M/o Youth Affairs and Sports through the agenda note for the 10<sup>th</sup> meeting of the GoM. Subsequently, Ministry of Youth Affairs & Sports had also apprised the GoM that the IT based monitoring system had been put in place through the agenda note for the 11<sup>th</sup> meeting of the GoM.

Thus, given that the M/o Youth Affairs and Sports was responsible for the setting up of the Web-based Project Monitoring System, the reasons for delay in generating the system's first report can be best explained by the Ministry of Youth Affairs and Sports.

Further, as the roll-out of the Web-based Project Monitoring System was being regularly monitored by the CoS, as part of the overall institutional arrangements

for the organisation and conduct of the Games, there did not appear to be a need for a separate follow up by the Prime Minister's Office."

2.9 The Committee then asked about the rationale behind assigning duties to ten special officers at the fag end i.e. 18<sup>th</sup> August 2010, of the Games preparation. In response, the PMO stated as under:

"On 14<sup>th</sup> August, 2010, Prime Minister had convened a high-level meeting to review the preparations for the Commonwealth Games, 2010. During the meeting, Prime Minister while observing that there had been slippages in the time schedules of some of the construction works and that deficiencies had also been noticed in some of the works, had given several directions. The directions given included, *inter-alia*, empowering the GoM to take all decisions necessary for the smooth conduct of the Games, according to the CoS headed by the Cabinet Secretary, the status of an Empowered Committee having jurisdiction over all matter relating to the Organising Committee etc.

One of the points mentioned during the meeting was that some seniors officers presently working in Delhi in various Ministries be deputed on a part-time basis to oversee the preparations at the major venues, solve coordination matters and bring to the notice of the Cabinet Secretary and the Department of Sports, problems that need to be resolved. Thereafter, Cabinet Secretary vide his note to the Prime Minister dated 16.08.2010 had discussed this issue and decided that Cabinet Secretary may select and depute officers for this task with the approval of the Prime Minister. Accordingly, cabinet Secretary had after discussing with Secretary, D/o Sports and CEO, Organising Committee, identified 10 officers for this purpose and sought Prime Minister's approval for the same. The identified officers were to be allocated specific venues for daily inspection and report to the Secretary, Sports or Cabinet Secretary and for solving all coordination problems at the venues. Prime Minister had therefore approved Cabinet Secretary's proposal."

2.10 The Committee then desired to know the specific action taken by the PMO on the concerns/reservations raised/expressed by late Shri Sunil Dutt, Shri Mani Shankar Aiyar, Shri M.S. Gill, all former Ministers of Youth Affairs & Sports, and Shri S.K. Arora, the then Secretary, MYA&S in their communications to the Prime Minister/Prime Minister's Office. In reply, the PMO stated as under:

- (i) "Action taken on the letter dated 14.11.2004 from Shri Sunil Dutt the then Minister of Youth Affairs and Sports.

The GoM constituted for coordinating the work related to the organization of the Commonwealth games, in its 1<sup>st</sup> meeting held on 24.10.2004, decided, *inter-alia* that:

- (i) An 'Apex Committee' on Commonwealth Games may be set up under the Chairmanship of Minister of Youth Affairs & Sports for monitoring and

reviewing of activities relating to the conduct and organizing of the Games and establishment of the required infrastructure.

- (ii) An Empowered Committee under the Chairmanship of Lt. Governor, Delhi may be set up with representatives of Central Ministries and other agencies as well as concerned State Governments to monitor the construction of required infrastructure within the specified time. The Empowered Committee will be notified by the Ministry of Youth Affairs.

Thereafter, on 01.11.2004, the General Assembly of the IOA elected Shri Suresh Kalmadi to be the Chairman of the Organising Committee.

In this connection, Shri Sunil Dutt, the then Minister of Youth Affairs and Sports in his letter dated 14.11.2004 to Prime Minister had objected to the resolution of the IOA electing Shri Kalmadi, President IOA as the Chairman of the OC. He also mentioned that the words 'Apex Committee' in the minutes of the 1st meeting of the GoM appeared to have been used inadvertently instead of 'Organising Committee' and that the decision regarding the constitution of the Executive Board under his chairmanship and that Empowered Committee on Infrastructure would report to the Organising Committee had not been recorded.

In the context of the submissions of Shri Sunil Dutt, the then Minister of Youth Affairs and Sports, and the views of Shri Suresh Kalmadi, President IOA, conveyed to the Prime Minister through his letters 23.10.2004 and 26.10.2004, that the stand of Shri Sunil Dutt was violative of the Olympic Charter and the Commonwealth Games protocol, the issue of Chairmanship of the OC of the Commonwealth Games was examined in the PMO in detail. during such examination, it was noted that:

- (i) The CGF, in its General Assembly held in Jamaica on 13.11.2003, had, while approving IOA's bid for holding the XIX Commonwealth Games, 2010 at Delhi, resolved to entrust the organizing and hosting of the Games to the IOA,
- (ii) The Host City Contract signed by the previous Government pursuant to award of the Games to the IOA and Games Management Protocol 2 of the Contract clearly stipulated that the IOA shall establish the OC for the conduct of the Games,
- (iii) The CEO of the CGF vide his letter dated 06.09.2004 to the President, IOA had indicated that structure of the Executive Board of the Executive committee, its Chairman and members proposed as by the IOA was acceptable to the CGF.
- (iv) During the 1st meeting of the GoM held on 25.10.2004, the Finance Minister had pointed out that the organisation structure for the conduct of the Asian Games, 1982 may be considered with suitable improvements. The Minister of Overseas Indian Affairs

had also pointed out that the involvement of the IOA in the organization of the Games would be essential, given that IOA had presented the initial bid before the CGF and sponsorship rights would be with the IOA.

- (v) As per the institutional arrangements put in place for the 9th Asian Games held in Delhi in 1982, a special Organizing Committee was set up by the IOA and not the Government.

Thus, against the background of the above mentioned facts, and in the context of views expressed at the 1st meeting of the GoM, communications received from the Minister, Youth Affairs and Sports and President IOA, the following institutional arrangement were evolved for the conduct of the Commonwealth Games:

- (i) A Group of Ministers (GoM) headed by Shri Arjun Singh, Minister of HRD to monitor and oversee the preparations of the Games,
- (ii) An Empowered Committee to look after the construction of stadia and any other infrastructure facilities required for the Games. This Committee may be chaired by the Minister of Youth Affairs and Sports and would comprise of three Vice Chairmen viz. Lt. Governor, Delhi, Chief Minister, Delhi and Chairman of the Organising Committee. The composition of the Empowered Committee, other than the three Vice Chairmen, may be decided by the GoM or by the Prime Minister, on the suggestions of the Minister of Youth Affairs and Sports in his capacity as its Chairman,
- (iii) An Organising Committee and Executive Board, responsible for the conduct of the Games and formulation of Sub-Committees, to be chaired by Shri Suresh Kalmadi, President of the IOA. The Organising Committee will deal with the Government of India through the Ministry of Youth Affairs and Sports and with the Delhi Administration. The composition of the Organising Committee may be decided by the GoM or by the Prime Minister taking into account the suggestions of its Chairman.
- (iv) A Committee of Secretaries (CoS) headed by the Cabinet Secretary for implementation of the decisions of the GoM regarding the Commonwealth Games. The CoS will be responsible for implementation of the decisions of the GoM which do not fall within the purview of the Empowered Committee and the Organising Committee.

The abovementioned institutional arrangements were then conveyed by PMO on 06.12.2004, with Prime Minister's approval, to the Cabinet Secretary with the request to send the same to Shri Arjun Singh, Minister of HRD who headed the GoM on the Commonwealth Games, for consideration in the next meeting of the GoM. Thereafter, the GoM, in its 3<sup>rd</sup> meeting held on 29.01.2005, decided

the institutional arrangements for the organizing and conduct of the Commonwealth Games.

It may be mentioned here that the decisions taken in the 3<sup>rd</sup> meeting of the GoM were subsequently confirmed in the 4<sup>th</sup> meeting of the GoM which was also attended by Shri Sunil Dutt, the then Minister of Youth Affairs and Sports.

(ii) & (iii) Action taken on the letter dated 20.07.2007 from Shri S.K. Arora, the then Secretary, Ministry of Youth Affairs and Sports and letter dated 23.10.2007 from Shri Mani Shankar Aiyar, the then Minister of Youth Affairs and Sports

Shri S.K. Arora, the then Secretary, Ministry of Youth Affairs and Sports vide his letter dated 20.07.2007 had submitted, *inter-alia* that it was unlikely that in the present legal framework of the Organising Committee (OC), the Government of India representatives would be able to discharge their responsibility of ensuring transparency and accountability in the management of the Organizing Committee. In this context, he had suggested the following options:

- (i) The need for operational flexibility and financial autonomy desired by the OC may be acknowledged and the role of the Government nominees be restricted to a largely advisory role in the Executive Board. This would necessitate a review of the decisions to give bridge finance to the OC and discontinue direct financing by the Government. A view may also be required to be taken on the overall ceiling of our (Government's) commitment to meet any revenue deficit.
- (ii) The OC is given a clear signal to amend their Memorandum of Association and the Financial and Administrative Guidelines to vest decisions-making in the Executive Board. The issue whether Government may like to retain some authority to approve decisions with financial commitments above a certain limit may also be considered.
- (iii) The OC may be directed to broadbase their Executive Board on the lines of the 1982 Asian Games Special Organising Committee. In such an event, the Central Government and the Delhi Government could be represented at Ministerial level from concerned Ministries. The officials could then be special invitees.

Shri Mani Shankar Aiyar, the then Minister of Youth Affairs and Sports, *vide* his letter dated 23.10.2007 had expressed concerns regarding the functioning of the Executive Board and the OC for the Commonwealth Games in the context of the soaring costs of the Games, and pointed out that any one of the three alternatives suggested by his Ministry could retrieve the situation. He had also suggested, *vide* his subsequent letter dated 25.10.2007, the appointment of a Minister of State for International Sporting Events as Chairman of the OC with a revamped executive Board of a rejigged OC. He was also of the view that the Minister of Youth Affairs and Sports should keep himself distanced from the day-to-day work of the Games and confine himself to decisions of a policy or operational kind.

Against this background, on 06.08.2007, Cabinet Secretary had been requested to discuss the three alternatives suggested, with Chairman, OC and the Secretary, Youth Affairs and Sports and convey his recommendations alongwith the views of Chairman, OC for the Prime Minister's consideration. The letters dated 23.10.2007 and 25.10.2007 of Shri Mani Shankar Aiyar, the then Minister of Youth Affairs & Sports were forwarded to the Cabinet Secretary on 02.11.2007 conveying Prime Minister's desire that he wants to discuss the matter at an early date.

On 19.10.2007, Cabinet Secretary reverted back stating that the concerns raised by the then secretary, Youth Affairs and Sports can be addressed by the following two amendments in the Memorandum & Articles of Association:

- (i) Providing that emergency decisions taken by the Chairman taken in the interests of the society should be approved by the Executive Board, and
- (ii) Clearly indicating that administrative and financial guidelines, legal contracts and agreements, the policy for staff selection and appointment and procurement procedures should be decided by the Executive Board.

It was also mentioned that:

- (i) As suggested by Secretary, Youth Affairs and Sports, the OC modified the delegation of financial powers and that the Executive Board is now the competent authority for approving expenditure beyond ₹ 3 crore.
- (ii) Appointments of key personnel will now have to be made in pursuance of the General Organization Plan. While the recruitment function will largely be outsourced, it would be for the Executive Board to decide how the selection of the personnel is to be done, approving methods for constituting selection committees and reserving posts with higher scales of pay for its own approval.
- (iii) On the suggestion of Secretary, Youth Affairs & Sports, Secretary, Urban Development has been put on the Audit Committee of the OC, concurrent audits are proposed to be done and audit reports brought before the Executive Board.
- (iv) Secretary, Expenditure would replace Secretary Urban Development on the Executive Board.
- (v) Once the Executive Board is given supreme power to manage the activities of the OC, existing nominees of the Government and the Delhi Government should be in a position to articulate Government's views and safeguard its interests.

Cabinet Secretary had mentioned that discussions with the Chairman, OC and his representatives indicated that the OC would be agreeable to the above-mentioned course of action.

Subsequently, Cabinet Secretary after discussing the matter with Shri Mani Shankar Aiyar, Minister for Youth Affairs & Sports and Shri S.K. Arora, the then Secretary, Youth Affairs and Sports, reported, vide his note dated 10.03.2008 that they had come to a broad understanding that, *inter-alia* an apex body, headed by the Minister for Youth Affairs and Sports should be established through an enabling legislation which would exercise single window powers. Cabinet Secretary further reported that he had advised the Ministry of Youth Affairs and Sports to further develop the idea and submit a note for consideration.

- (iv) Action taken on the letter dated 26.09.2009 from Shri M.S. Gill, the then Minister of Youth Affairs and Sports.

The letter of the then Minister of Youth Affairs and Sports, M.S. Gill, had been written in the context of doubts expressed by Mr. Mike Fennell, President Commonwealth Games Federation on the ability and the capability of the Organising Committee (OC) to deliver the Games to the quality expected. With this preface, the Minister had sought to apprise the Prime Minister of the line of action devised to immediately strengthen the management inside the OC after discussions with Shri Kalmadi, Chairman OC, Shri Randhir Singh, Secretary General, IOA, Chief Minister, Delhi, the Cabinet Secretary and Principal Secretary to PM. The Minister had also mentioned while the structure cannot be changed, he was in agreement with the Cabinet Secretary who has identified individuals in this regard and that this first step needs to be taken without delay. While mentioning that the Chairman, OC has put in a formal request for injection of senior staff into the OC, the Minister had mentioned that it would be necessary that persons asked to undertake this fire fighting job, are fully backed by himself and the Prime Minister.

On receipt of this letter, Prime Minister reviewed the matter with Chief Minister, Delhi, Minister, Youth Affairs and Sports. Cabinet Secretary also took follow up action which included the appointment of Shri Jarnial Singh, IAS (Retd.) as Chief Executive Officer of the OC and of Shri Sudhir Mittal IAS, Shri Jiji Thompson, IAS and Shri Sanjeev Mittal, IDAS to the OC to strengthen its internal management.

### CHAPTER-III

#### ROLE AND RESPONSIBILITY OF THE MINISTRY OF YOUTH AFFAIRS & SPORTS

3.1 The role and responsibility of the Ministry of Youth Affairs & Sports for organizing and conduct of the CWG-2010 were reportedly as under:

(i) **Preparation of Stadia-** MYAS was involved exclusively in the preparation of 13 main stadia through the Sports Authority of India (SAI), including the flagship Jawahar Lal Nehru Athletics Stadium, which also hosted the Opening and Closing Ceremonies. The cost of development of infrastructure by SAI was ₹ 2,460 crore. The executing agency was Central Public Works Department (CPWD) under the Ministry of Urban Development.

The Ministry had also given grants of ₹ 444.86 crores, to develop stadium infrastructure, to RK Khanna Tennis Complex, University of Delhi, CRPF Academy at Kaderpur, Jamia Millia Islamia and Delhi Public School (CPWD), which were constructed independently by these organizations. These were used as competition and training facilities during the Games. In addition, an amount of ₹ 15 crore was provided, to develop Legacy Sports facilities at various educational institutions in the host city of Delhi.

The Ministry constantly pursued with CPWD for timely completion of Venues with regular visits to the sites by Minister, YAS and other officers. These venues were completed in the last 2 years before the Games and handed over to the Organising Committee on 1<sup>st</sup> August 2010 to enable it to put in place 'Overlays' (temporary fittings) and Timing, Scoring and Result (TSR) equipment, necessary for the period of the Games. No charges were levied on OC for use of these facilities.

(ii) **Training of Indian contingent -** The Ministry had undertaken a massive and unprecedented training Programme for the elite sports persons of India, to prepare the Indian contingent for CWG 2010. The Union Cabinet, on 12<sup>th</sup> June 2008, approved a scheme designed to maximize the medals tally for India in CWG 2010. Through comprehensive and intensive training and exposure to Indian sportspersons, both domestically and abroad, at a total outlay of ₹ 678 crore, 1140 players, 170 Indian and



30 Foreign Coaches, 78 supporting technical personnel were involved in the effort. The core probables were pruned gradually, to ensure that the best probables were given further training upto CWG 2010. 3,760 players (repeat visits included) were sent aboard for training/competition. This had resulted in the best ever performance by India in any major, multi-disciplinary sports event with a haul of 101 medals (38 Gold, 27 Silver and 36 Bronze) which was more than double the medals India won at the Commonwealth Games, Melbourne 2006. This achievement placed India 2nd in the Medals Tally after Australia and ahead of major sporting countries such as England, Canada, South Africa etc.

(iii) **Web Based Monitoring System-** The Ministry of Youth Affairs and Sports had set up a web-based monitoring system, for on-line monitoring of the infrastructure and other projects, of the Commonwealth Games. Nodes of this website were established at various levels of Government for monitoring by various stakeholders. The stakeholders had been provided extensive training for on-line feeding of updated information. The updated progress was reviewed by the monitoring agencies on-line and issues/bottlenecks were addressed progressively.

(iv) **Funding of Various Projects-** The MoYAS had provided funding for creation of Sports Infrastructure to Sports Authority of India (SAI)/CPWD, Delhi University, Jamia Millia Islamia, All Indian Tennis Association (AITA) etc. Funds were also provided to MTNL for the Telecom Infrastructure required for the Games. The Organising Committee (OC) was provided Loan for the Conduct of the Games and for temporary fitting and fixtures (Overlays). Funds were also provided to the OC through the Sports Authority of India for Timing Scoring and Result Systems and Games Time Sports Equipment which were installed in the Venues. The various projects related to this funding were thoroughly appraised by Expenditure Finance Committee (EFC) and the Committee on Non-Plan Expenditure (CNE) with representatives of Ministry of Finance, Planning Commission etc. before they were approved by the Cabinet/Competent Authority. Adequate budgetary provisions were made and funds released will in time to the executing agencies.

(v) The status of Competitions Venues undertaken by the Ministry of Youth Affairs & Sports, Ministry of Urban Development and Government of Delhi, is given at **Annexure XII.**

2. Status of Training Venues is given at **Annexure XIII.**

3. Cost of construction of competition and Training Venues is given at **Annexure XIV.**

(vi) The total approved expenditure of Government of India on the Commonwealth Games 2010 was ₹ 11,687 crore which included ₹ 2,800 crore allocated to Government of Delhi and ₹ 351 crores to Government of Maharashtra/civil agencies of Pune for Commonwealth Youth Games, which were held in Pune in October, 2008. Out of the amount, ₹ 688 crore was provided as loan.

**1. Approval of IOA for bidding, without obtaining or examining the IOA bid**

3.2 Audit pointed out that approval was given to IOA for bidding, without obtaining or examining the IOA bid. In this context, the Committee desired to know the reasons for not obtaining the actual bid of the IOA before submitting the Cabinet Note in May, 2003. In reply, the MYAS *inter-alia* stated that no records were available as to why the Bid Document was not obtained before submitting the Cabinet Note of May, 2003. The Ministry presumed that it might have been due to paucity of time.

3.3 The Committee asked whether the reply of the Ministry was indicative of the fact that the Cabinet Note was prepared without consulting the Bid Documents submitted to the CGF. In reply, the Ministry stated that the Cabinet Note dated 20.5.2003 was prepared by the Ministry based on the information furnished by the Indian Olympic Association from time to time through its letters addressed to the Ministry of Youth Affairs & Sports (MYAS) seeking approval to bid for the Games. The Bid Document required incorporation of certain mandatory guarantees by the Government of India as per the Constitution, Protocols and Regulations of the Commonwealth Games Federation to the effect that the Government of India i) undertakes to support the bid of Delhi to host the Games, ii) guarantees free entry of all accredited athletes and delegation of all participating countries, and iii) guarantees that the Games will be organized in accordance with the Constitution and Protocols &

Regulations of the Commonwealth Games Federation. The Cabinet Note dated 20 May, 2003 sought to obtain approval of the Cabinet, amongst other things, to the incorporation of these mandatory conditions.

3.4 The Ministry further stated that the Cabinet Note dated 20.5.2003 besides seeking approval for incorporation of certain mandatory guarantees by the Government of India sought approval for estimated expenditure of ₹1.62 crore likely to be incurred on the bidding process for the Games and projected expenditure of ₹295.50 crore on staging the Games against a projected revenue generation of ₹490.00 crore.

3.5 Approval of the PM under Rule 12 of the Government of India (Transaction of Business) Rules was received on 24.5.2003. The Bid Document incorporating the mandatory guarantees with letters of support was presented by the IOA in London on 30<sup>th</sup> May, 2003 to the Chairman of the CGF. The Cabinet Note of September, 2003 incorporated the latest position as received from IOA, in respect of financial implications.

3.6 The Ministry further submitted that if the Bid Document was ready, the Indian Olympic Association (IOA) would have furnished a copy of the same to the Ministry. The fact of the matter was that the IOA sought approval of the Ministry for incorporation of certain mandatory conditions of the CGF for staging of the Games and estimated expenditure and revenue figures. It was further submitted that other than these incorporations, Bid Document for any Games was more in the nature of a presentation about the city, its tourist destinations, transport and entertainment facilities, hotel accommodation and technical details of Sports Programme and anticipated expenditure. The Ministry reasoned that the significance of Bid Document, in this context, should not be over emphasized.

3.7 The Committee then enquired whether there was a possibility of IOA changing/altering the Bid Documents at a later stage according to its convenience. In reply, the Ministry stated that the IOA did change the Bid Document and presented a revised (updated) Bid Document to the CGF, albeit the country won the right to host the CWG-2010 on the basis of the first Bid Document.

3.8 Asked to furnish the reasons for preparing/submitting the Cabinet Note just ten days before the deadline i.e. 30th May, 2003 for submitting the Bid to the CGF, the Ministry stated that a letter dated 15.6.2002 regarding a proposal to bid for hosting the XIX Commonwealth Games in Delhi was received from Indian Olympic Association addressed to this Ministry. On 2.7.2002 the Ministry conveyed no objection of the Government of India for making a bid presentation at Manchester during the General Assembly of the Commonwealth Games Federation by the IOA. Thereafter, the MYAS reiterated on 5.2.2003, after IOA having made a short presentation at Manchester in the presence of the then Union Minister, Youth Affairs & Sports, following discussions by the then Minister, Youth Affairs & Sports with the then Prime Minister, the Government's support to the IOA proposal for making bid for the Games. Subsequently, in the Meeting of the Executive Board of the Commonwealth Games Federation held at Cape Town, South Africa, from 7<sup>th</sup> to 10<sup>th</sup> February, 2003, a delegation from IOA again made a presentation on India's proposal to bid for hosting the XIX Commonwealth Games. It was during this presentation that the IOA delegation was informed that Bid Documents for staging the Games from all candidate cities would be received in London on 30<sup>th</sup> May, 2003. Thereafter, the IOA through its letter dated 17.3.2003 addressed to the Ministry sought approval of the Government to bid for staging the Games. The IOA addressed another letter dated 16.4.2003 to MYAS in which they sought for issue of a Letter of Guarantee by the Government to enable them to complete all formalities and deposit the Bid Documents to the CGA by the stipulated date. Thereafter, the process of preparing a Draft Cabinet Note for obtaining approval of the Cabinet for the proposal started. The Ministry clarified that there was no inordinate delay on their part in preparing the Draft Cabinet Note for seeking approval of the Cabinet. However, since the Bid Documents were to be deposited by IOA on 30.5.2003 at London, approval of the PM under Transaction of Business (Rules) was initiated and obtained.

3.9 The Committee then asked whether the Ministry should not have prepared the Cabinet Note in time, thereby giving the Cabinet a reasonable opportunity to deliberate the proposal as well as the Bid Document, more so when it was known in February, 2003 during the CGF Executive Board meeting that the Bid Document was to be received in London on 30<sup>th</sup> May, 2003. In reply, the MYAS submitted that the Cabinet Note of 20.5.2003 was prepared based on information received from the IOA.

However, since the time available was short, approval of the Prime Minister under Rule 12 of the Government of India (Transaction of Business) Rules was sought for and received on 24.5.2003. The Bid Document incorporating the mandatory guarantees with letters of support was presented by the IOA in London on 30<sup>th</sup> May, 2003 to the Chairman of the CGF. The Cabinet Note of September, 2003 incorporated the latest position as received from IOA, in respect of financial implications.

3.10 The Ministry further submitted that it would not be correct to conclude that because of any shortage of time, the matter could not be properly deliberated either in the PMO or by the Cabinet.

3.11 The Committee were informed that the Ministry of Finance had commented on the expenditure of R.1,61,53,600 for the bidding process as at that time this was the expenditure at stake. The Cabinet Note dated 20.5.2003 clearly laid down (vide Para 2.3) that the financial implication relating to staging of the Games will be further examined and discussed with the Ministry of Finance and the Indian Olympic Association in case India was successful in the bid and the Games were allotted to India.

3.12 In the above context, the Committee asked whether the financial implication relating to the staging of the Games was further examined and discussed with the MoF and the IOA, in accord with the Cabinet Note of 20<sup>th</sup> May, 2003. In reply, the Ministry submitted that consequent upon submission of India's bid by the IOA for staging the XIX Commonwealth Games 2010 at New Delhi on 30.5.2003 to the Chairman of the CGF at London and furnishing various clarifications and undertakings, in response to the visit of the Evaluation Commission of the CGF to New Delhi between 3 – 8 August, 2003 to inspect available infrastructure and hold formal discussions with various Agencies concerned likely to be involved in the staging of the Games and to evaluate the country's prospects for award of the Games, the MYAS prepared a detailed Cabinet Note dated 10<sup>th</sup> September, 2003, seeking approval of the Cabinet to enter into Host City Contract, underwrite any shortfall between revenue and expenditure of the OC, approve setting up of Games Village at a preliminary estimated cost of ₹186.00 crore and approve cost of construction of indoor and outdoor stadium at Yamuna Sports Complex and upgradation of existing infrastructure of the DDA at an

estimated cost of ₹32.00 crore. On these proposals, the comments of the Ministries of Finance, HRD, Law and Ministry of External Affairs were also obtained and incorporated in the Cabinet Note. Consultation with the Ministry of Finance took place in the form of obtaining their comments on the Cabinet Note which were incorporated along with the comments of other Ministries concerned.

3.13 Asked to state categorically whether the financial implications as a whole relating to the staging of the Games was ever actually deliberated with the MoF, the MYAS responded that although the Cabinet Note dated 20.5.2003 was prepared based on information received from the IOA, the same could not be considered in the Cabinet and due to shortage of time, approval of the Prime Minister under Rule 12 of the Government of India (Transaction of Business) Rules was sought for and received on 24.5.2003. Thereafter, a detailed Cabinet Note of September, 2003 incorporating the latest position as received from IOA, in respect of financial implications, was prepared which was considered and approved by the Cabinet on 11.09.2003. The comments/opinion of the Ministry of Finance were obtained and incorporated in the Cabinet Note. The Ministry explained that consultation with the Ministry of Finance took place in the form of obtaining their comments on the Cabinet Note which were incorporated along with the comments of other concerned Ministries.

## **II. Visit of the CGF Evaluation Commission in August, 2003**

3.14 The Committee were informed that the 'Letter of Support' was issued by the GOI in May, 2003, before the IOA preferred the bid on 24<sup>th</sup> May, 2003. Shri Vikram Verma, the then Minister for Youth Affairs and Sports, wrote to the Chairman, Commonwealth Games Federation (CGF) on 24<sup>th</sup> May, 2003 and conveyed support to the bid in the city of Delhi and further guaranteed that "the Games will be organized in accordance with the constitution, protocols and regulations of the CGF".

3.15 In the above context, the Committee enquired whether the MoF had commented anything on the amount of donation to be committed by the Country/IOA for winning the bid. In reply, the MYAS stated that the Commonwealth Games were awarded to India on the basis of the Bid Document presented in London in May, 2003. After the award of the Games to the country, the IOA presented an "Updated (Revised) Bid" in December, 2003 to the Commonwealth Games Federation. It was in

this Updated Bid that the Indian Olympic Association offered to all CGAs (representing all the 71 Commonwealth Countries) a Training Grant of US \$ 100,000 to be handed over to the CGAs immediately after the Melbourne Commonwealth Games 2006.

3.16 The Ministry further submitted that the commitment of US \$ 100,000 as Training Grant to each of the 71 CGAs and other changes brought about by the Indian Olympic Association were brought to the notice of the Ministry of Youth Affairs & Sports for the first time in the letter dated 6<sup>th</sup> September, 2004, from Director, Coordination, Indian Olympic Association. The then Minister, YAS (late Shri Sunil Dutt) in a letter dated 11<sup>th</sup> November, 2004, addressed to the Chairman, GOM, the then Minister, HRD, brought this commitment and other changes made by the IOA in the Updated Bid Document after award of the Commonwealth Games to India to his notice. The additional financial commitment of US \$ 100,000 made in the Updated Bid Document by the Indian Olympic Association was brought up before the 4<sup>th</sup> Meeting of the Group of Ministers held on 17.3.2005 and the GOM decided that for the components of expenditure that had not formed part of the original Bid Document but were additional commitments made by the Indian Olympic Association, detailed proposals in this regard along with the financial implications be placed before the Cabinet for approval.

3.17 These were placed before the Expenditure Finance Committee along with other financial proposals in its Meeting held on 13.09.2006 and the recommendations of EFC, were placed before Cabinet and approval obtained on 15.03.2007. Minutes of the Meeting of the Expenditure Finance Committee (EFC) formed part of the Cabinet Note. In the aforesaid Meeting of the EFC chaired by the Finance Secretary, the point regarding Training Grant of US \$ 100,000 to 71 CGAs was minuted. The Finance Secretary enquired about the need for offering US \$ 100,000 to each CGA including countries like UK, Canada and Australia. The Chairman, OC, who was present in the EFC Meeting responded by stating that the need to offer training grant arose during the final bid process to clinch the issue against Canada's competing offer. Thereafter, summing up the deliberations, the Finance Secretary stated that international commitments made by the OC would need to be honoured and could not be opened at that stage and budget of the OC which included this provision was thus recommended by the EFC for approval by the Cabinet.

3.18 When the Committee specifically desired to know whether the guarantee given by the Government to underwrite the shortfall between revenue and expenditure was ever deliberated before the visit of the CGF Evaluation Commission in August, 2003, the MYAS replied in the negative.

3.19 The Committee were informed that there could be the following three models to fund mega multi-disciplinary Games:

- (1) Government/Government Agencies commit upfront the amount they would be ready to provide to the Organizing Committee as grant. The OC can then mobilize the balance requirement from other non-governmental sources or loan from financial institutions to be repaid from revenues generated by the Games.
- (2) Government undertakes to organize/conduct the Games itself through a Government owned Society or Body and funds the Body from its budget and the revenues generated are credited back to Government. At the end of the day, the shortfall is borne by the Government.
- (3) The Government provides the OC funds as a loan to meet its expenditure. The revenues generated by the OC are kept in a separate account, to be repaid to the Government. This keeps open the possibility that if there is revenue surplus, government can be repaid the principal along with interest. If there is a deficit, then Government bears the deficit. This was the model followed in the case of the CWG.

3.20 Asked to state the specific grounds on which the third model was preferred and adopted for funding the CWG -2010, the MYAS stated as under:

"As already submitted, mega multi-disciplinary sports events like the Commonwealth and Olympic Games are rarely revenue neutral. It is reiterated that determinants of revenue generation can be many and varied and does not necessarily depend upon the model adopted for funding of the Games. At the time of bidding, the Indian Olympic Association projected that the Games would be revenue neutral. It was only after the Games were awarded to the Country and the detailed planning process started, the actual impact of the Games in monetary terms became clearer. At that stage, the reputation of the country in the eyes of the international community was at stake and there was no going back on the international commitments already made."

3.21 The Committee then specifically desired to know the possible problematic areas had one of the other two left out models been adopted. In reply, the MYAS stated that irrespective of the models adopted, world over, Governments of the host countries substantially contributed for hosting mega sports events. The Ministry further stated



that at a time when the Games had already been held successfully, it was difficult to analyse what would have been the possible problematic areas had one of the other two models been adopted. This could be a topic of research and study for adopting the future course of action for hosting in future any such mega Games events.

### **III. Weak Governance Structure**

3.22 In the context of the involvement of multiple Agencies/Authorities in the preparation, conduct and monitoring of the CWG-2010, the Committee desired to know the level at which such decision was taken and queried whether it would have not been more prudent and effective had the overall monitoring task been entrusted with a single Authority. In reply, the MYAS stated that orders constituting the Group of Ministers (GoM) for coordinating the work related to organization and conduct of the CWG 2010 were issued on 3rd September, 2004 by the Government. The GoM in its 3<sup>rd</sup> Meeting held on 29.1.2005 decided to constitute an Apex Committee headed by the Minister of Sports with overriding power and responsibility for overseeing and coordinating the work related to CWG 2010. In the same Meeting, the GoM also decided to constitute a Committee of Secretaries (COS) headed by the Cabinet Secretary with responsibility for implementation of the decisions of the GoM regarding the Commonwealth Games. In the same GoM Meeting, it was also decided that OC shall be headed by the President of the IOA, Shri Suresh Kalmadi, and this Committee would conduct the Games. The Coordination Committee was set up by Minister, YAS. In fact the Minister, YAS had been taking meetings with the Chief Minister, Delhi, Chairman, OC CWG 2010 and Officials of OC/DDA/SAI/MYAS to review the progress of works related to CWG 2010. Later (from 3<sup>rd</sup> Meeting held on 15.7.2008 onwards) these meetings came to be known as Meetings of the Coordination Committee. Other Committees like Infrastructure Monitoring Committee, Venue Coordination Committee, Stadium Committees were constituted by MYAS as per the requirement and demand from time to time. Other Agencies like SAI, Delhi Government, CPWD, MTNL, etc. came into existence as per their sphere of jurisdiction/responsibility. All these Agencies were mostly Government Agencies.

3.23 Clarifying the involvement of multiple bodies and their defined role and responsibilities, the Secretary, MYAS apprised:

"There were as many as five Committees which were setup. One was the Organising Committee which is the OC. The second was the Committee of Secretaries, Chaired by the Cabinet Secretary to review and coordinate all activities relating to the Organization of the Games. The third was the Empowered Committee of the Delhi Government, Chaired by the Chief Secretary to look at their works. Then there was the empowered Security Committee Chaired by the Home secretary to look at the security arrangements and there was the venue Monitoring Committee, Chaired by the Secretary, Sports to review all aspects related to the Games facilities. Then, again each individual Ministry, OC, their roles, their responsibilities were clearly laid out.....I cannot evade responsibility for the Games. It has to be on me. But at the same time, each individual unit is also responsible and you, as a Committee, would have to look at to what extent the Ministry could have intervened and to what extent the responsibility should have been carried out at various levels. We cannot micro-manage this kind of an affair. We can only take broad decision....."

3.24 The Ministry candidly admitted that with the involvement of a large number of agencies and a large number of contractors and sub-contractors under them, lack of communication and coordination between different agencies and sub agencies could not be avoided and this resulted in unsynchronized timelines and deadlines leading at times to stretching of completion schedules. The Ministry submitted that this was an area where substantial improvements in coordination would have to be brought in for future such mega events, if any. In addition, substantial improvements in capacity for project structuring, execution and management was required in the system to ensure that time and cost delays were minimized.

3.25 Agreeing that coordination and control of the work related to the Games could have been managed better, the MYAS however, submitted that whether a single effective control monitoring agency could function effectively was a matter which needed careful analysis. At the stage when the Games were already over, the Ministry explained that they could only undertake a broader exercise based on their past experience to see if a better system could be devised and adopted to improve the delivery of such mega sports events like the CWG and Olympics in the country in future.

3.26 In response to a specific query regarding the concrete action taken/contemplated by the Ministry to devise and adopt a better system, the MYAS stated that they were trying to get a detailed study conducted by one of the IIMs and

funded by the Ministry to look at the management of mega sports events worldwide and their successes with a view to drawing up a blueprint for India.

3.27 Elaborating the issue, the MYAS stated as under:

"It is submitted that this Ministry is working on the lines of engaging a premier Management Institute like the Indian Institute of Management, Ahmadabad/Kolkata/Banagalore, to under undertake a professional management study for the Government to articulate and point out on what went wrong and the deficiencies, if any, found in the organisation and conduct of the Commonwealth Games 2010 at New Delhi. The proposed study would help create a blueprint regarding the structural, organisational and management set up and recommend measures for more efficient future conduct of similar mega multi-disciplinary sports events in the country. The study will take into account of experiences of various agencies that were involved in execution of works related to the CWG 2010. The outcome of the proposed study would be to recommend a holistic management structure for the conduct of mega international sporting events. During the course of the study, the deficiencies pointed out by the Audit, their suggestions, etc. would be considered.

As already submitted before the PAC, the whole exercise is likely to take at least six months time. On receipt of the study report of the Management agency as discussed above, the same will be examined in this Ministry and a report submitted in this regard to the PAC. "

3.28 On being asked to clarify the stance taken by the Ministry regarding their role and responsibility when discussions were going on initially in the run up to the Games, the MYAS clarified that the Group of Ministers, Committee of Secretaries and the Apex Committee were the main bodies for coordination and monitoring of work related to the Commonwealth Games and took decisions for staging the Games. The constitution of these bodies has already been discussed in detail. The MYAS was the administrative Ministry for the SAI and also the nodal Ministry for ensuring timely flow of funds as loan from Government for conduct of the Games to the OC.

3.29 The Ministry further stated that they also reviewed and monitored various arrangements for conducting the Games without interfering into the field of other stakeholders who were individually responsible for execution of works for the Games within their respective jurisdictions.

3.30 The Committee specifically desired to know whether the Ministry monitored the contract management more so when it was represented in various Committees that approved the contracts. In reply the MYAS stated that the Ministry were represented

in the OC Finance Committee and the Finance Sub Committee after 25.11.2008 and 18.11.2009 respectively, which were constituted to examine and recommend the contracts. The contracts were approved by the competent authorities at appropriate levels, i.e. Executive Management Committee (EMC) or Executive Board (EB), as the case may be, based on the recommendations of the Committees depending on the amounts involved. The Ministry submitted that though they were represented on the Executive Board, they had no mandate to monitor and micromanage the contracts at the execution stage.

#### **IV. Action Taken on the Audit's Study Report of 2009**

3.31 When the Committee desired to know the specific action taken by the Ministry on the suggestions of the C&AG's Study Report of 2009, the then Secretary, MYAS submitted in evidence:

"In 2009, the C&AG submitted a report to the Government on Performance Audit. It was received by us in July, 2009 and we did take note of all the observations. But at the same time, the time available for remedial action was too short to actually make a significant change except to accelerate the various processes of projects and procurements that were underway. We did debate on that. The C&AG's team met us and advised us. I would appreciate the efforts that they put in to give that report. But in my view, at that point of time things were already far too delayed, the projects were far too delayed, the procurements were also behind schedule, so in order for the Games to happen, we could not take as much advantage as we should have."

#### **V. Web-Based Project Monitoring System**

3.32 Audit pointed out that the Project Monitoring System (PMS), developed by TCS in May, 2007 and worked even after the closure of the Games, generated reports for the period only from October, 2008 to July, 2010.

3.33 In the above context, the Committee desired to be apprised of the delay in generating reports by the PMS. In reply, the MYAS stated that the on-line monitoring system was in place for the stakeholders and monitoring agencies by May, 2007. The Ministry further clarified that a Monitoring System was interactive in nature and evolve as per the need. With the identification and formulation of teams and individuals within the executing agencies, the MYAS proactively felt the need to progressively impart exhaustive training to the concerned Stakeholders and Monitoring agencies. These

trainings were conducted with the final sessions being concluded on 15<sup>th</sup> & 16<sup>th</sup> Nov. 2007. Thereafter, the stakeholders in consultation with their vendors developed their respective broad level project plans. These plans were uploaded in the system. Various views and reports generated by the system were available. Based on realistic frequency, it was decided that such reports would be sent every month end and referred to as Month End Reports. These Month End reports were first circulated in June, 2008. It would thus be seen that the on line system was in place from May 2007 itself.

3.34 The MYAS further stated that the CAG in the study Report of July, 2009, on preparedness for XIX Commonwealth Games 2010 had appreciated the WEB Based Monitoring System stating that "In our opinion, the system is well-designed and provides reports with sufficient levels of detail for various areas e.g. venue and infrastructure development, accommodation for tourists, host broadcasting, etc."

3.35 Asked to state the reasons for keeping the OC outside the purview of the PMS, the MYAS submitted that it was never intended to include the 34 Functional Areas of the OC in the monitoring system set up by the Ministry. As per para 6.2 (Reports) of the HCC, the OC was responsible for detailed reporting on the progress of the Games to the CGF.

3.36 Throwing more light on the aspect, the Secretary, MYAS deposed in evidence:

".....Reality is that two separate project monitoring systems were setup, one was called the EKS and the other was the Project Monitoring System within the Ministry itself. At any point of time we had at least some information which we were providing to the Group of Ministers on a monthly basis. What happened was that the two sets of data were at variation. ....Until finally, literally in exasperation the then Secretary (MYAS) said that this is not the best way of going about the job. If the data cannot match then there is something seriously wrong."

3.37 Asked to state categorically whose data was more reliable and up-to-date, the Secretary, MYAS submitted:

"What was happening was that the information in the PMS was much less detailed than was available with the OC through the EKS. The OC data was more up-to-date and to the extent that towards the end we had to literally abandon the PMS and work on the EKS mostly. But I do not think it would be a

fair statement to say that Mr. Kalmadi was managing everything. There was nothing on record which indicates as much."

## **VI. Games Planning Consultancy & Overlays**

3.38 On the basis of Audit revelations, the Committee enquired about the reasons for awarding the contract to Event Knowledge Service (EKS) on negotiation basis and without inviting tender despite visible patronage of the CGF and conflict of interest involved in it. In reply, the MYAS stated that out of four contracts awarded by OC to M/s. EKS, two contracts i.e. (i).Venue brief and preparation of site plan (Part A), (ii) Project scheduling review and monitoring and delivery review (Part C), were awarded without inviting tender. The other two contracts (iii) Games planning consultancy (EKS and E&Y consortium), (iv) Workforce consultancy contract (EKS and E&Y Consortium), were awarded after inviting tenders. Another contract for Venue appraisal study, was awarded by DDA. The award of contract for (i) Venue brief and preparation of site plan (Part A) and (ii) Project scheduling review and monitoring and delivery review (Part C) was discussed in detail in the Infrastructure Coordination Committee held on 09.01.2006. Since M/s. EKS was already providing the base line services on behalf of CGF and had worked with DDA for Venue reappraisal and was familiar with the local conditions, it was decided that M/s. EKS should be appointed.

3.39 The Committee then specifically desired to know the reasons for the Ministry/their representatives in the OC succumbing to the intervention of the CEO, CGF to award the Games Planning Consultancy contract at a higher cost to the EKS. In reply, the Ministry stated that the matter was considered by the Executive Board in its meeting held on 8.1.2008. The CEO of the Commonwealth Games Federation, Mr. Mike Hooper observed that there was no way by which the scope of work could be modified or altered without jeopardizing the expected deliverables and outcome. He further emphasized that the decision to appoint the planning, project and risk management consultants had become very critical taking into account the time available for operational planning and delivery. He recommended that the Board should approve the T1 bidder and authorize the Executive Management Committee to finalize the contract by negotiating the financial proposals with the T1 bidder. Mr. Michael Fennell endorsed the views of Mr. Hooper. In the light of the above, the Executive Board decided that the Executive Management Committee would negotiate

and conclude the contract as the work of Central Planning had been badly delayed. The Executive Management Committee negotiated the prices with M/s E&Y and EKS and brought down the total price from ₹ 31,22,42,480/- to ₹ 29,66,30,356/-.

3.40 When the Committee desired to hear the views of the Secretary, MYAS on the matter, he submitted in evidence:

"....We are not convinced that the appointment or the creation of the EKS was completely above board. That is why, the matter has been referred to the CBI investigation and for detailed examination. *Prima facie* though there are some things that I need to point out, please keep the first part in mind. At the point the contract was awarded, Mr. Craig McLatchey was not part of the Committee. He became the member later. So, the conflict of interest did not exist at the point of award of the contract. It came about later. He became a member of the Committee on 09.08.2006, the contract was awarded in January 2006. Although ethics demands that when Mr. McLatchey became a member of the Committee, he should have immediately informed and sought permission which he did not. I am not exonerating but I am just putting a technical point on record. The second thing is that EKS was a very interesting system. At any point of time, the EKS constantly estimated what would be the time required for completion of the job. It was not looking at how much of the job was completed but it looked at how much of the job needed to be completed from this point onwards....."

3.41 Asked to state the difference, the Secretary, MYAS submitted:

"The difference is that you may complete 75 percent of the job but you might still have critical things which have not been completed. It would mean that the job would not be completed on time and there may be a long delay. The EKS was for monitoring the critical part of the job than individual items."

3.42 The Committee then pointed out that when the contract was being awarded, at that time Mr. Craig McLatchey was already a member and it happened not in 2006 but in 2008. In response the Secretary, MYAS stated:

"You are right. At that point of time there was conflict of interest..... he should have kept the OC informed, which he did not".

3.43 Asked to state the reasons for the failure on the part of the Ministry to ensure timely planning and scoping of overlay by OC, the MYAS stated as under:

"Overlays supplement the venues to make them operationally ready for holding the games events and are required a few months prior to the Games after the stadia have been completed.

Planning and scoping for Overlays was basically the responsibility of the OC CWG 2010. International Consultants were appointed by the OC for the

purpose and based on the recommendations of the Consultants, a separate Overlays Department was also set up in the OC.

The issue regarding planning and scoping of Overlays by the OC was discussed and deliberated in various Meetings of the Coordination Committee under the chairmanship of the Minister, YAS, Committee of Secretaries chaired by the Cabinet Secretary and the Group of Ministers for CWG 2010, from time to time, and it was emphasized in these Meetings that OC should take timely action for planning, scoping and laying of Overlays. It was also emphasized in these Meetings that the required specifications should be provided by the OC in time so as to keep the stadia constructions on track. It is submitted that every effort was made by the Ministry to monitor and ensure timely planning and installation of Overlays. Ultimately, in the Meeting of the COS held on 17.8.2010, OC CWG 2010 informed that installation work on Overlays has commenced at all the Venues and that most of the work would be completed by 31.8.2010 and the balance by 10.9.2010. It is submitted that as a result of constant monitoring at various levels and in various Meetings as aforesaid, ultimately the work of installing Overlays was completed in time and no problem whatsoever was encountered on this count.

It is also submitted that Overlays of the kind, magnitude and complexities involving over 60 venues, 5000 spaces, 1000 items etc. was being done in the country for the first time and there was no past experience available to guide the process or to become a benchmark to evaluate the process, either for scoping and design, procurement or actual operational issues of Games Overlays. There were multiple inter-dependencies of very large number of Functional Areas and Stake Holders. Scoping documents consisted of over seventy volumes having 7000 pages and over 250 drawings. EOI / RFP documents consisted of over 17 volumes and over 300 drawings. Four Overlays contracts consisted of twenty two volumes with over 15000 pages and over 300 drawings.

This Ministry evolved Module II of the Monitoring Systems in close consultation with stakeholders to ensure that field level dependencies were accounted for and the work process flows were smooth. In August, 2011, there were as many as over 50 agencies working at each venue that were tracked through this Module."

3.44 The Committee then desired to be apprised of the rationale for assigning the work of procuring overlays to OC instead of to SAI who was the venue owner of the five major stadia. In reply, the Ministry stated that there was a need for uniformity of look, consistency and quality across over sixty (60) Competition, Training and Non-Competition venues which were spread across NCR. Further, Overlays were items required during Games Time and, therefore, appropriately, integral to Conduct of the Games that was the responsibility of the OC. Venue Owners including SAI handed over the stadia to OC through a Venue Use Agreement on August 1, 2010, so that the



process of installation and commissioning of Overlays could take place in an unhindered manner.

3.45 On being asked to state the justification of the change in the pattern of tendering i.e. from item-wise to cluster-wise approach and the way it encouraged competitive bidding and protected the interest of the Government, the MYAS submitted that the decision was driven by the circumstances at that stage as the venues were not ready & were bare stadiums without soft furnishing and the Overlays were critical to operational readiness of the venues. There were time constraints as well. To avoid disconnect in supply and considering limited resources available in OC for Overlays Contract management, the decision to procure on Turnkey basis in seven clusters was taken by OC. The Ministry further reasoned that participation by ten (10) firms in Pre-Qualification and qualification of four (4) firms could not be termed as poor level of competition in tenders of this size and complexity and considering the circumstances under which the whole process was gone through. Incomplete venues, negative publicity, doubts regarding successful holding of the Commonwealth Games and tight timeline for execution when the RFP was issued, were, in fact, also the restraining factors in the participation of the Overlays vendors. Overlays delivery in multi-sports events is complex and there are few International Vendors who provide these Overlays. Ten (10) firms had submitted the bids against EOI including three from non-CGF countries. Two other reputed non-CGF Overlays suppliers namely M/s. Losberger, Germany and M/s. Roder, Germany, though, showed interest and sought clarifications, but finally they did not submit the bids. These two firms would have been eligible, had they participated.

3.46 The Committee then asked about the specific action taken by the Ministry to ensure compliance of GFR and other applicable procedure and rules, given the huge amount of fund sanctioned for the overlays. In response, the MYAS stated that the General Financial Rules (GFR) provided rules for purchase / acquiring of goods and services and execution of work projects by Govt. agencies. The Overlays procurement by OC was one of a kind, nature and complexity and was for rentals and GFR did not have rules for rentals of this type. The compliance of the procedures and rules for similar type of procurement was ensured, taking into consideration critical support Overlays provided in the conduct and operation of the games; the time constraints; the

huge matrix & complexity and multiple interdependencies. The eligibility requirements being, specifically for experience in Overlays for major sports events, the publicity in the newspapers, website and through the aforementioned foreign organizations / bodies were widespread across the countries. It was corroborated by the fact that even the vendors belonging to non CGF categories namely GL Litmus (France), Nussli (Switzerland) and EPS GmbH (Germany) participated in the bidding process and Los Berger (Germany) and Roder (Germany) showed interest in the same.

3.47 Asked to comment on the several irregularities in the contract management, as pointed out by Audit, the MYAS submitted as under:

"OC has informed that it did not flout the norms of Contract Management since most the contracts were duly vetted by the Legal FA of the OC. The contracts were drafted based on the Standard Templates developed by the Legal FA of the OC. Only in exceptional cases, certain amendments/adjustments were made based on the specific inputs of the Consultants who had the past experience in the relevant fields and in view of the criticality of the contract and in order to meet the Games deadlines/timelines. For a variety of reasons, contracts were also bunched and could be signed in the last six months preceding the Games.

It is further submitted that the irregularities in the contract management pointed out in Para 7.3 of the Audit Report are under examination//investigation by the investigating Agencies. In some cases such as Overlays, Technology (TSR), etc., where prima facie irregularities were noticed, the Investigating Agencies are carrying out further investigation and have also registered FIRs in some cases."

3.48 On the issue fixing responsibility on the Functional Areas of OC for incorrect certification of taxes to be paid by the contractor, the MYAS apprised as under:

"OC CWG 2010 has informed that Clause 9 of the Contract entered into with EKS provides that "the Consultant, Sub-consultant and Personnel shall be liable to pay such direct and indirect taxes, duties, fees and other impositions levelled under the applicable Laws of India" As such the responsibility to deposit correct taxes was that of the Contractor i.e. EKS."

3.49 Asked to state categorically the cases where there was short recovery and measures taken to effect full recovery, the MYAS submitted as under:

"OC CWG 2010 has informed that initially the TDS from the payment of Event Knowledge Services (EKS) at the rate of 10% was deducted, but when EKS became 'Permanent Establishment' status under Section 92F(iia) of the Income Tax Act and Article 5 of the Double Tax Avoidance Agreement (DTAA), TDS @ 42.23% was required to be deducted. Hence there was a short deduction of ₹ 3.06 Crore as pointed out by CAG Audit. To rectify this, M/s. EKS was served a

Legal notice to pay the Income Tax @ 42.23% with necessary penalty / charges. Thereafter, since M/s. EKS failed to respond to OC's legal notice, OC CWG deposited ₹ 2,74,95,748 (equivalent to USD 5,18,592) with Income Tax department in May 2012, deducting the amount from EKS balance in two installments due for payment to EKS. Another Legal notice was served to M/s. EKS to remit immediately the balance amount of ₹ 25,04,259/- to the concerned Income Tax Authority in India along with Interest & Penalty."

## **VII. Quantum Jump in Budget Estimates**

3.50 Audit scrutiny revealed that the IOA bid of May 2003 estimated an all-inclusive cost of ₹ 1200 crore (after setting off operational expenses against estimate revenue from hosting the Games) whereas the overall Budget Estimate for CWG-2010 for the Government of India and the GNCTD (including all other implementing agencies but excluding investment by other agencies like DMRC and AAI/DIAL) was ₹ 18,532 crore as of October, 2010. The details are at **Annexure XV**. Evidently, the GOI did not have a clear and realistic assessment of the estimated cost of hosting the Games.

3.51 In the above context, the Committee desired to know whether the projections made by the IOA in 2003 were grossly inadequate and the basis on which the Ministry accepted such projections. In reply, the MYAS stated that the projection of expenditure for an event and that too a mega event like the CWG 2010 more than seven years hence was a difficult exercise in terms of accuracy of the projections. The MYAS admitted that the projections made by the IOA turned out to be grossly inadequate and it appeared that the exercise was not done by professionals who had experience of earlier Games. The Ministry further clarified that the following reasons mainly necessitated the revalidation of the OC Budget:

- (i) Some heads of expenditure not conceived at the initial stage had to be included in the revalidated budget as per General Organization Plan (GOP), Host City Contract, Commonwealth Games Federation Manuals, Bid Documents and other norms and benchmarks based on Melbourne Games 2006.
- (ii) Interpolation of Melbourne 2006 model to that of Delhi 2010 context had necessitated more detailed scope of services, concept of operations and delivery and execution plans.
- (iii) Many heads of expenditure which were not provided at the initial stage, such as Technology, Logistics, Procurement, Security, Accreditation, Sustainability, Environment and Legal Services were added as they were key functional areas.

- (iv) OC failed to generate adequate revenues for the CWG 2010 for a variety of reasons including bad media publicity.

3.52 Further, the approval of the Government to the budget of the OC was never conditional to the fact that the OC would generate the equivalent in terms of revenue. This was because the Government was fully committed to holding international standard Games and has also committed to meet any shortfall between revenue and expenditure of OC.

3.53 As regards the Estimates, Allocation, and Expenditure for the CWG-2010, the then Secretary, MYAS submitted in evidence:

"..... We have with us a total allocation across the Ministries of the Government of India, the Government of Maharashtra; Municipality of Pune for the infrastructure connected with the Youth Games and other peripheral infrastructure-of ₹ 24,368.22 crore. Against this, the expenditure incurred by the various agencies was ₹ 19,843.06 crore."

3.54 When the Committee desired to know whether the expenditure information was final, the then Secretary, MYAS stated:

"Sir, I would say that the allocation information is complete, but the expenditure information might keep changing. The second aspect, which has been highlighted a great deal in the escalation of cost estimates, and that has been commented on in the Report that is under discussion also. From our estimations, the initial estimate was shown as ₹ 3,227 crore in 2007, which escalated to ₹ 9,472.71 crore in 2009-2010. This is for Sports Authority of India (SAI); Ministry of Urban Development; OC; Government of Maharashtra; and the amount allocated to the Government of Delhi in those particular years".

3.55 Asked to comment on the timelines of cost escalation, the then Secretary, MYAS responded:

"There are different timelines in this escalation. One time line starts from 2003 when the bid was preferred. Of course, all of them end in 2010, but at various times the escalations were seen appraised and approved at various levels in the city Government and in the national Government at the appropriate levels of approvals."

3.56 In response to a specific query that all the expenditure was made with the knowledge of the four Secretaries that were on the Executive Board, the then Secretary, MYAS responded in the affirmative. Clarifying the matter, she further stated:

".....Financial expenditures of a certain higher value, if my memory is right, I will correct myself, ₹ 6 crore or more would come before the EB. There was no question as far as I am informed of the Board being bypassed....."

3.57 As regards the loan amount given to the OC and the approval process within the OC, the then Secretary, MYAS submitted:

".....In so far as the Organising Committee was concerned, they were given a loan for a total amount of ₹ 1813.42 crore plus an amount of ₹ 687 crore for overlays. It was given to them in installments because it was a loan amount. So, as and when they required it, the Government extended the installments to them. The approval process within the Organising Committee was independent. The approval process, within the Organising Committee had its own mechanism and its own processes."

3.58 The then Secretary, MYAS further submitted:

".....there was a bunching of expenditure within the OC. Contracts had not been finalized. Contracts were finalized in the last two years; awarded in the last one year; executed in last six months.....I would certainly submit that there were delays in finalising the contracts and award of contracts within the OC."

3.59 On being asked to state whether the expenditure went up due to the inaction/inefficiency of the Organising Committee, the Secretary, MYAS submitted:

".....it is my considered view that the expenditure went up mainly because of the inefficiency of the Organising Committee till March, 2009 during which period, the entire infrastructure and all the works should have been completed but was not completed. As a result of this, we had to go in for a whole lot of tenders at a late stage as has been pointed out by the CAG. This delay by the Organising committee for a period of nearly 4-5 years was critical in the final cost of the Games. Unfortunately, I have no way in which I can justify that delay..... They (OC) were not able to take corrective action. It was only when the Government following the C&AG Report, took corrective action, pumped in about 18 officers who started controlling things, that we were able to deliver the goods."

3.60 The Committee asked whether the MYAS agreed that it was only with Government intervention that finally things fell in line and the Games were successful. In response, the Secretary, MYAS stated:

"I cannot agree more"

3.61 Elaborating his view point, the Secretary further submitted:

"Ultimately, the Government did step in to correct the situation and the situation was corrected. It is not as if the Government did not do it. We can always debate as to whether it was done at the right time or it should have been done a little while ago. Maybe or maybe not, if it had been done in 2008, we would have had a better situation. Reality is that at least till 2009, to be more precise- March 2009, we were going about the entire scene in perhaps not as efficient manner as should have been done. And, perhaps some interventions at that stage would have made a difference. But that is in hindsight. Let me be very frank that much of what we are saying is in hindsight. It is not as if everything was apparent at that point of time. But certainly it was the intervention of the Government that saved the day and certainly it is a plausible argument that the Government could have intervened earlier."

3.62 Asked to state specifically whether the management of the mega Games should be in Government hand, the Secretary, MYAS responded:

"I would certainly say that management of the Games should not be in Government scope, even though Government intervention came about.....I would very strongly urge that it is better to look at institutional arrangement like the Organising Committee with proper checks and balances rather than try and do it through Government itself. But, in any case we cannot take over. It is part of the IOA doctrine and it is mandated that an Organising Committee has to be set up."

3.63 Drawing the attention of the Secretary, MYAS to the Shunglu Committee Reports where in it had been recommended that the Government should be running the Games in future, the Committee sought his comments. In response, the Secretary, MYAS stated:

".....I think what happened was that the roles became a little blurred. Individuals tended to become more important than roles, and that is always a dangerous situation. It is something that can be avoided..... In the past, the Asian Games was an example where things ran much more smoothly but once again in the Asian Games, if you remember, there was one individual who took on the overriding responsibility and everybody reported to him."

3.64 On being asked whether it was prudent to give large expenditures to private bodies for such mega events where national pride was at stake, the Secretary, MYAS submitted:

".....to the query whether such expenditures be given to private bodies, the answer is that we have done it in the past also; we did it for the Asian Games, we did it this time. It is not without precedents that private bodies have been entrusted with such responsibilities. Let us look at the management aspect more. It is important that we do it because I certainly hope that this is not the last international event that India will host."

3.65 Pointing out that the administrative and financial Guidelines of the OC were approved by the Ministry, the Committee queried whether it was not the duty of the MYAS to monitor their proper adherence. In reply, the Secretary, MYAS stated:

"Somehow, this is one area where I do not really agree with the C&AG Report. We simply cannot micro manage individual tenders or on an individual basis as to what is going on in such a large exercise....."

3.66 Commenting further on the matter, the Secretary deposed:

"As far as overall day-to-day and even week-to-week expenditure is concerned the Organising Committee had full powers to do so and the Organising Committee had to follow certain guidelines of expenditure. They had followed the guidelines and because we felt that it could have been better implemented, we had ordered a concurrent audit. In addition, wherever we have found even a breath of suspicion, we have referred the cases to the CBI. But to manage it on a day-to-day basis, try to intervene and start asking questions is not the best way of delivering the Games."

3.67 Asked to state categorically the sort of broad sphere monitoring resorted to by the Ministry, the Secretary, MYAS submitted:

".....periodically, the Ministry has expressed its reservation in the manner in which the entire work was taking place as is evident from the letters of the then Minister. When that did not work, the Ministry in conjunction with the Ministry of Finance asked the CAG to do an interim report and the CAG gave us an interim report. On the basis of that report the entire structure of the OC was revamped, but then it was done at a stage when only corrective or very limited action could have been taken."

3.68 The Secretary, MYAS further stated:

".....there was never really a difficulty in deciding the things. Most of the times, difficulty came in implementation of decisions. So if you look at the macro picture and the monitoring of the macro picture, the Ministry could and did repeatedly pointed out the slippages that were happening. The Ministry could and did urge before both the Cabinet Secretary as well as the GOM that things are going out of hand. When the things started going worse in every financial sanction the Ministry had issued, it directed that these expenditures will be monitored by the CAG; it will be audited and will have to follow the normal rules."

3.69 The Committee asked whether the final cost of the Games would have been lower had appropriate planning and its effective implementation been done right from the beginning. Agreeing, the Secretary, MYAS responded:

"Yes, it is presumed that if everything had been done properly earlier on, the final costs would have been lower."

3.70 During further oral evidence on 25<sup>th</sup> October 2016, the Committee wished to know the lessons drawn from the Audit observations on the role of the Ministry in the organization of the XIXth Commonwealth Games. The representative of the Ministry submitted as follows.

"I would like to inform the hon. Committee that the Department has taken these recommendations very seriously and has since then organised two such events successfully - within time, without any controversy and in an economical way. First such event, which was organised, was South Asian Games. It was held in February, 2016 for which the Organising Committee and Executive Committee both were chaired by the Minister of Youth Affairs and Sports. The Organising Committee format as well as Executive Committee format ensured that there were a majority of people in the decision-making who were answerable to the Parliament and to the Committee. These South Asian Games were organised at a cost which was much less than for normal National Games which are held among the States and also much less than the earlier held Lusofonia Games. These Games were organised at a cost of about Rs. 150 crore and involved eight countries of the SAARC region and 3,500 athletes took part in these games. Even these games were organised at a short notice, but without any controversy of any kind. This has happened because of the guidance provided by the Committee and findings of the Audit which we followed thoroughly in following the procedures and in organising the event.

The second event was BRICS Under-17 Tournament in which five countries – Brazil, Russia, India, China and South Africa – took part. This was an invitational tournament which has been organised successfully, following the same template that was followed for South Asian Games.

After the South Asian Games were concluded, as suggested by the Committee, a study was got done from IIM, Ahmedabad about the conduct of games. They have come out with a report appreciating certain steps taken by the Department post-Commonwealth Games in improving the procedures and the decision-making system and that this has helped them to organise games



*in a befitting manner. Now, that report of IIM has now been made a case study for the sports management capsule at IIM, Ahmedabad.”*

## CHAPTER IV

### ROLE AND RESPONSIBILITY OF THE ORGANIZING COMMITTEE (OC)

4.1 The Organising Committee had the sole responsibility to conduct and successfully deliver the actual Games. The OC is a body created and, promoted by the IOA, under the terms of the Host City Contract, solely for conducting the CWG 2010. It was registered as a society under the Societies Registration Act 1860 with Registrars of Societies, Government of Delhi on 10<sup>th</sup> February 2005. It has however, no assets, and has for all practical purposes, a purely temporary existence, relevant only for Conduct of the Games and allied purposes. It has a Memorandum of Association (MOA) and rules under which it functions.

4.2 All the activities of the OC were organized into 34 Functional Areas. There were 25 Sub-Committees, looking after the various Functional Areas. There was a staff strength of about 1600 personnel in OC. The functions and responsibilities of the OC include:

- Queens Baton Relay
- Ticketing and travel arrangements of sports delegations of all participating counties and technical officials
- Protocol, boarding and lodging and intra-city movement logistics of participants.
- Management and Operation of Games Village.
- Planning and execution of Opening and Closing Ceremonies.
- Installation of overlays.
- Management of venues.
- Catering at Games, Village and Venues.
- Setting up of Central Logistics Centre and Central Accreditation Centre for accreditation of participants/support personnel/Security personnel and VIP visitors.
- Technical Conduct of the Games.
- Volunteer Programme.
- Sponsorships and other Revenue Generation.
- Sale of tickets for the events, etc.

- It was also responsible for providing technical requirements for design and construction of competition areas.
- Publicity and Media campaigns.

4.3 The MoYAS/SAI were able to complete all 9 major venues of the Games and management of these were handed over to OC on 1<sup>st</sup> August, 2010 to enable OC to put in place "Overlays" (temporary fittings) and issuing Scoring and Result (TSR) equipment, necessary during the period of the Games.

4.4 When the Committee desired to hear the views of the then Secretary, MYAS on the specific role of the Indian Olympic Association, she submitted in evidence:

"As regards the role of the Indian Olympic Association, the Indian Olympic Association as the National Olympic Committee is also the Commonwealth Games Association (CGA) of India. In their capacity as the Commonwealth Games Association of India, they were allowed to present a bid for hosting the Commonwealth Games by the Government in 2002. Then it was formalized in 2003. Once the Games were awarded to Delhi in November, 2003, the Host City Contract came into existence. It was signed at Jamaica in November, 2003. The signatories to the Host City Contract were the Government of India, the Government of Delhi and the Indian Olympic Association as the CGA. One of the clauses of the Host City Contract clearly stipulated that the CGA will set up an Organizing Committee. The Organizing Committee, once it was set up, became the signatory to the Host City Contract, a binding international commitment.....the moment the Organising Committee was formed under the Societies Registration Act in February, 2005, the IOA did not have a direct role in the conduct of the Games.....".

4.5 The then Secretary, MYAS further stated:

"In so far as IOA is concerned, the issue is a more complicated. They are an autonomous society. They work under the International Olympic Committee. They have certain rights and obligations under the Olympic Charter regarding autonomy. I would tread very tricky, ground if I venture into that today."

4.6 The Committee then asked whether there was any official endorsement by the Government of India to the conversion of the originally envisaged Government owned OC into a body effectively outside the Government control. In reply, the MYAS submitted that the Original Bid Document submitted by the Indian Olympic Association to the Commonwealth Games Federation in London in May, 2003, laid down the structure of the Organising Committee for the Games. According to this stipulation, the OC was to be a non-profit Government owned Registered Society. It was to be a

body of 15 Members including a Chairman (Government Appointee) and a Vice Chairman (IOA President). Games were awarded to the country in the General Assembly of the CGA in Jamaica on 13.11.2003 based on the said Bid Document submitted by the IOA. Later, however, the IOA presented an Updated (Revised) Bid Document in December, 2003 to the CGA. In the Revised Bid Document, the structure of the OC was changed/modified. The Revised Bid Document stipulated that the OC would be a Non-profit, Non-Government Registered Society. It would have 15 Members including a Chairman and a Vice Chairman but the provision that the Chairman would be a Government Appointee and the Vice Chairman would be President of the IOA stood removed.

4.7 The Ministry further stated that the aforesaid changes were brought to the notice of the Ministry for the first time by the IOA through their letter dated 6<sup>th</sup> September, 2004. In its 3<sup>rd</sup> Meeting held on 29<sup>th</sup> January, 2005, the Group of Ministers, constituted for coordinating the work related to the organization and conduct of the Commonwealth Games 2010, considered and ratified that the Organizing Committee shall be headed by President of the Indian Olympic Association, Shri Suresh Kalmadi. The GOM was the highest body constituted by the Government for overseeing and monitoring the work related to the Games and, therefore, the Ministry reasoned that the decision had official endorsement of the Government.

4.8 Pointing out that the GOM was a body constituted to oversee and monitor the work relating to the Games, the Committee asked whether the GOM was empowered to ratify such changes made by the IOA in the updated Bid Document. In reply, the MYAS stated that the members of IOA an autonomous Body, in its Annual General Meeting held on 1<sup>st</sup> November, 2004, decided that Shri Suresh Kalmadi would head the OC, CWG 2010. The GOM on CWG 2010 in its 3<sup>rd</sup> Meeting held on 29<sup>th</sup> January, 2005, considered and ratified that the Organizing Committee shall be headed by President of the Indian Olympic Association, Shri Suresh Kalmadi. Thus the decision of the GOM was only ratification of a decision taken by the IOA in compliance with the rules and protocols of the CGF. The Ministry clarified that there was thus nothing abnormal about the said ratification by the GOM. The CGF also confirmed in writing that the responsibility for final structure of the OC rested with the IOA.

4.9 Asked to state categorically whether the Government cited any reasons for overruling the original proposal of appointing a Government representative as the Chairman, OC and making OC a Government entity. In reply, the Ministry *inter-alia* submitted that a communication from the PMO (6<sup>th</sup> December 2004) stated that institutional arrangement had been evolved for the conduct of the Games. In this, Shri Suresh Kalmadi, President IOA was indicated as the Chairman of the Organising Committee and the Executive Board. It also communicated the Prime Minister's direction that these institutional arrangements be considered in the next GOM meeting. The GOM in its meeting held on 29<sup>th</sup> January, 2005 endorsed the views of the PMO and decided that the OC would be headed by Shri Kalmadi.

4.10 When the Committee queried about the rational for the change in the structure of the OC, as envisaged originally, the Secretary, MYAS submitted in evidence:

"Let me try and answer this because a lot of this will be to be on the basis of educated guess work rather than on documents."

4.11 Expressing surprise, the Committee asked whether the documents were missing/untraceable. In reply, the Secretary, MYAS clarified:

"They were never created in many cases. I will come to that and I will be very frank with this Committee. There will be no ambiguity in what I am trying to say. The Original Host City Contract provided for a Government Chairman and the IOA having the vice-Chairman. Subsequently, a decision was taken at the highest levels of the Government that the Chairman would be Shri Suresh Kalmadi and the IOA nominated the Vice-Chairman. This was not done with the concurrence of the Ministry to Youth Affairs and Sports. but it was a decision taken at the highest level in the interest of getting the work done expeditiously. The charitable view would be that it was done because it was decided that a decision making authority would be necessary for hosting such a huge event and the normal government procedures which are necessarily time consuming, would be counter-productive. At that point of time it must be recalled that the Government was not spending money on the Games. It was giving a loan, but that loan was to be repaid from the recoveries and throughout the OC had giving the Ministry a clear understanding."

4.12 Elaborating the matter, the Secretary, MYAS further stated:

".....It was only at a later stage when costs started spiraling that the question of under-writing the cost cameup. It was decided with the concurrence of the Ministry of Finance that the cost would ultimately be under-written by the Government. So, at that point when this decision was taken, the Committee

may like to appreciate that the Government was not strictly speaking, spending money and it was giving money as loan. Whether Shri Kalmadi should have been appointed or whether the Minister for Sports should have been appointed as Chairman is something upon which I cannot comment on."

4.13 In response to a specific related query, the Secretary, MYAS deposed:

"There is nothing on the Ministry's record which indicates the reasoning behind the change. That is why in the initial stage I had to be a little bit speculative, but it was educated speculation."

4.14 Asked to state categorically whether somebody outside the Government should have been put at the helm of the affairs for such a prestigious mega event, the Secretary, MYAS submitted:

"For reasons best known to the Government, it was considered more efficient to take the day to day supervision of the Games outside the purview of the Government machinery and entrust it to a society called the Organising Committee. The decision was taken by the Government and it was a decision ratified by the International Olympic Association."

4.15 The Committee asked whether the Ministry to Youth Affairs and Sports itself was not a part of the Government. In reply, the Secretary, MYAS submitted:

".....The initial decision to set up an Organising Committee was taken with the concurrence of the Ministry of Youth Affairs and Sports. That the Games would be entrusted to the Organising Committee was taken in conjunction with the International Olympic Association, the host City Government and the Government of India. Subsequently, the issue is being debated as to how did the Government Chairman get replaced by Shri Kalmadi, it is not how the Organising Committee came into being. So, my comments were in that respect. Even if we put some other Government nominee there, who is directly responsible to the Government, at this moment, I am not able to formally commit that the expenditure would have been substantially lower."

4.16 The Secretary, MYAS further submitted:

"My statement that some decisions were taken at the level of the Government is only to be interpreted to say that the Ministry of Youth Affairs and Sports which I am representing at the moment did not have a direct knowledge of the reasons of such decisions.... The decisions finally were taken at the level of the Group of Ministers."

#### **I. Funding of OC**

4.17 As regards the funding of OC, the Committee were informed that on 15<sup>th</sup> March, 2007 Cabinet had approved an amount of ₹ 767 crore, as loan at Government rate of

interest to the OC, for Conducting the Games. Subsequently, a 'Revised Budget Estimate' of OC, amounting to ₹ 1,857 crore, was considered/appraised by the Committee on Non-Plan Expenditure (CNE) on 28<sup>th</sup> July 2009 which recommended an overall budget of ₹ 1,620 crore. The Union Cabinet, on 5<sup>th</sup> November 2009, approved the proposal of 'Revised Budget Estimate of the OC of ₹ 1,620 crores. The final allocation to OC for Conduct of the Games had risen from ₹ 1620 crore to ₹ 1,814 crore, on account of increase in allocation for 'Ceremonies-Opening and Closing' by ₹ 194 crore, approved by GOM /Finance Minister. Against the approved amount of ₹ 1814 crore Government has released to OC till date ₹ 1669.42 crores.

4.18 Besides this, a loan of ₹ 687 crore had been sanctioned to OC, for 'Overlays', by the Union Cabinet on 19<sup>th</sup> March 2010. Overlays are temporary fitting (marquees, tents, ticket booths/spectator services/security checks, ports-cabins, Diesel Generating Sets etc.), fixtures, equipments etc. at the various venues, which will be required only for the period of the Games for fully operationalising the venues for technical conduct of the Games and for spectators' services and facilities etc. Against the approved amount of ₹ 687 crore, Government had released to OC ₹ 557.40 crore. OC had since refunded to the Government ₹ 234 crore. An additional grant of ₹ 87.25 crore had been sanctioned to OC for Timing, Scoring and Result (TSR) equipment, for use during the Games. Out of this amount, ₹ 81.00 crore was released to OC. The grand total amount sanctioned so far to OC, therefore stood at ₹ 2,588 crore out of which ₹ 2,501 crore was Loan. The total amount released to OC was ₹ 2307.82 crore out of which, OC has refunded ₹ 234 crore and returned ₹ 432 crore as revenue generation.

## **II. Revenue Generation by OC**

4.19 As regards the revenue generation projections by OC, the Committee were informed that as per the requirement of the CGF, that the Government of the Host Country must give an undertaking to underwrite the shortfall, if any, in the Capital and Revenue Expenditure of the Games. Vide Cabinet decision dated 11<sup>th</sup> September, 2003, the Government of India had underwritten the shortfall, if any, between the revenue and expenditure of the OC. However, in the event of any surplus accruing to the OC, the same shall be used by the IOA and the CGF for legacy programmes to operate Games Venues. OC had indicated that it would raise ₹ 1,708 crore as

revenue from the Games. Till date, OC had deposited ₹ 432 crore in Government Account as revenue generation.

4.20 In the above context, the Committee asked whether the revenue generation projections as given by the OC were accepted after ascertaining the basis and authenticity. In reply, the MYAS stated that it was expected that revenues through sponsorships and advertisements would be forthcoming in the last year of the run-up to the Games. However, the global financial crisis in 2008 depressed the economic outlook in the developed countries. In the last six months in the run up to the Games, adverse media publicity regarding preparedness of the Games and allegations of wrong doing carried by the media had an deleterious effect on the revenue prospects of the OC. For example NTPC had committed ₹ 50 crore but had not paid anything beyond its first installment of ₹ 20 crore. Similarly many other Public Sector Undertakings also decided to keep away.

4.21 Audit scrutiny revealed that the EFC in its meeting held in September 2006, recommended that a risk analysis study of the projected revenue streams be undertaken expeditiously by OC and incorporated in the Cabinet Note on the OC budget, so as to validate the principle of revenue neutrality. However, the Cabinet Note of March, 2007 for approval of the OC Budget did not insist on the risk analysis study on the grounds that the OC had engaged Earnest & Young (E&Y) for a risk assessment study and a draft report was currently under examination of the OC. The OC Budget was approved without even obtaining, let alone examining this study.

4.22 In the above context, when the Committee desired to hear the views of the Secretary, MYAS, he submitted in evidence:

"I think the C&AG did not take into account the studies made by Earnest & Young, which had given some revenue projection, which had been submitted to the Finance Department as well."

4.23 The Committee asked whether it was prudent on the part of the Government to blindly believe the findings of a merchant banker, appointed by the OC. In reply, the Secretary, MYAS submitted:

"Let me put it this way that it was not as if the Government was working blindly. It had some projection figures. Many of the projected figures turned out to be completely wrong."



4.24 The Secretary, MYAS further stated:

"In any case, the draft report was already available at that time. Some amount of information was available to the Government. It is not as if the Government was completely unaware or completely blind to what was the requirement. There was still a semblance of logic in assuming that the Games would generate a certain amount of revenue. As it happened, those projections were grossly wrong. The revenue generation was only a fraction of what was originally estimated. We must remember that expenditure on infrastructure was not part of the projections. This is the OC's expenditure."

4.25 Asked to state categorically whether MYAS alongwith MoF ever tried to challenge the veracity of the revenue projections by OC, the Secretary, MYAS submitted:

"Let us at least accept that while the final figures of revenue generation are far lower than what was estimated, the effort went haywire primarily because of the bad publicity that was generated in the year 2009-10."

4.26 Expressing surprise, the Committee asked whether it was appropriate to blame the media. In response, the Secretary, MYAS stated:

"I am not blaming the press. The reality is that the international financial situation at that time was in doldrums. Country after Country was coming under pressure. There was a recessionary trend going along internationally. The Games themselves were generating a whole lot of bad publicity and the kind of advertisement revenue that was expected was severely impacted because of this situation. It is easy to look at the figures now and say that it was very bad, or that nothing was done. The reality has to be seen in the context of what was happening at that point of time."

4.27 Asked to state categorically whether the global recession was the only factor that caused cost escalation in the CWG 2010, the Secretary, MYAS submitted:

".....The reality is that cost escalation happened because, one, we underestimated what was required and two, we decided to go for much higher levels than what was ever done before."

4.28 In response to a specific query of the Committee regarding the revenue neutral character of the Games the CEO, OC submitted in evidence:

"Sir, the Games were not revenue neutral. The total revenue which the OC contracted had two components. One was the cash which the OC was to get and the second was value in kind. Some sponsors agreed to give their services which we could evaluate at their prices. The total contract was ₹ 680.23 crore out of which we received ₹ 549.87 crore; out of which the cash was ₹ 449 crore

and the value in kind was ₹ 99.92 crore.....As against our Budget of ₹ 1,813 crore, we were released ₹ 1,669 crore and our expenditure till now has been ₹ 1,581 crore. So, these are not revenue neutral."

4.29 Asked to elaborate and give a breakup of the Budget for conducting the Games and Overlays, the CEO, OC stated:

"Our Budget was ₹ 1,813 crore on the conduct of the Games, leaving aside overlays, for which we were released ₹ 1,669 crore and we have spent ₹ 1,581 crore. On the overlays, our budget was ₹ 687 crore; we have spent ₹ 323 crore and the balance fund we have returned back to the Government."

4.30 Intervening, the then Secretary, MYAS stated:

"I may mention here that the revenues of the Organising Committee have been deposited in the Consolidated Fund. The revenues were not allowed to be used. They were deposited in the Government account."

4.31 The Committee desired to know whether the powers of the CEO, OC were defined by the Government of India when he was appointed to the post. In reply, the CEO, OC submitted:

"No. There was no clarity on that. Can I explain a little bit more on that? The Chairman, Vice-Chairman, the Secretary-General and the Treasurer were the office-bearers of the OC. then, within that, there was a Secretariat headed by the Director General of the Society and there were some other officers. When I joined there, till that time, I did not know what my powers were. But when I went there, I familiarized myself with the functioning and got to know what my powers were. Then I told that I do not figure anywhere in the rules of the Society. Then I suggested to them that I should be given the financial powers and the powers for the appointments. I had given in writing to the Chairman that it should be given to me. But he did not do it. Also, I told them that I should figure in the Memorandum of Association of the Society, that the CEO should be the head of the Secretariat. There was an Annual General Body meeting of the Society held in December, 2009, where the CEO was included, but he was not made the head of the Secretariat. In that sense, when we say the CEO, which we see generally in the case of the Corporations, the CEO's functions, in which he has the full authority like financial sanctions, appointments etc. were with the Chairman."

4.32 On being asked to state the reasons for the Government not clearly defining the powers of the CEO, OC the then Secretary, MYAS submitted:

"The appointment of the CEO was by the OC. There was a request from the Chairman to the Government that he would require the services of some officials and officers. Some names were given to him; the appointment and the

terms and conditions of the appointment were by the Chairman and the OC. So, the Government did not decide on what powers and functions this should be done. This was in a manner of strengthening the supervisions arrangements within the OC."

4.33 Referring to the notes submitted to the Committee wherein it had been mentioned that "the Government Immediately deputed Shri Jarnail Singh, Secretary to the Government of India as the CEO of OC", the Committee sought the comments of the then Secretary, MYAS. In reply, she submitted:

"The Government suggested some names."

4.34 The Committee then asked the CEO, OC whether he had recorded anywhere in writing that he was not given any power by the Chairman, OC and whether he had ever brought the matter to the notice of the GOM or any other appropriate Authority. In reply, the CEO, OC submitted:

"No Sir, I used to discuss it with the Chairman and tell him that if you want me to do something, give me these powers."

4.35 Commenting that there was no logic in orally telling this, the Committee desired to know categorically whether the CEO had recorded it anywhere in writing. In response, the CEO, OC stated in the negative.

4.36 The Committee then asked whether the CEO, irrespective of the powers given to him, had at any point of time objected to certain decisions taken, not conforming to the rules, but overruled by the Chairman, OC. In reply, the CEO, OC submitted:

"There are some cases and files where I objected. One was about catering, where the file is available. There are some other cases like this. There were some proposals which were given by the Chairman for awarding contracts by taking certain routes, to which I did not agree. I stood by that, because the CEO was made the Chairman of the OC Finance Committee.... So, I used to take a view, keeping in view the financial propriety, and I did not agree with some of these cases- I do not know whether I should say it or not here-there was one case in which they wanted to release one song for Mr. A.R. Rahman, for which they wanted ₹ 50 lakh. I said that we cannot give without estimates; we could give only ₹ 1-2 lakh. So, it was not done in Delhi. There were similar such cases where we did not agree to them, in the proposals."

4.37 Asked to state the special efforts made by the CEO, OC after he took charge, to ensure speedy implementation of Projects in accord with the established rules and regulations, the CEO submitted:

"....When I took over on the 16<sup>th</sup> October, 2009, I was given the work in November, 2009 after about a month. I noticed that the number of contracts which were signed by the OC were only about 20, whereas we were supposed to push through about more than 500 contracts. It is because of my efforts that we were able to clinch at least 525 contracts including 159 contracts for the ceremonies. Had I not taken the initiative, as the Chairman of the Fast Track Committee, it would have been very difficult because most of the functional areas were not properly manned. We did not have properly trained manpower who could prepare the estimates item-wise and come up with the RFPs and take a decision. Even the C&AG Report also brings out very clearly, how the bunching of contracts took place in the year 2010."

4.38 Audit pointed out that while increasing its estimate for revenue through sponsorship, OC failed to correspondingly revise the contracted commitment of sponsorship consultant SMAM. When the Committee enquired about the reasons thereof, OC had responded by stating that the revenue target of USD 120 / 100 Million mentioned in the SMAM contract was revised by M/s SMAM to USD 240 million (approx. INR 1080 crore at 1 USD = 45 INR), by a letter dated 04.01.2008.

4.39 Asked to state whether any action had been taken against the persons involved in the contract with SMAM, the MYAS responded that the High Level Committee had also commented adversely upon the role of CGF in the appointment of SMAM. A statement of facts relating to the possible collusion in the appointment of SMAM had been sent to the Ministry of Law through MYAS in the context of issues relating to claim of damages from SMAM for non-performance.

4.40 The Committee were informed that the objective of forming the Business Club of India (BCI) was to facilitate business networking and promote business and commerce, thereby leveraging India's business prospects. In other words, it was to help OC in getting national and international sponsorship for the CWG. In that context, the Committee desired to know whether OC was able to get any sponsorship through the BCI. In reply, the Ministry submitted that the concept of Business Club was not new as similar entities were created for the earlier Games at Manchester and Melbourne. The objective, apart from promoting overall business and commerce

prospects in the country by associating CII and FICCI, was to showcase and market the Games at national and international levels for raising funds through sponsorships. Though, the BCI made many efforts in this direction and held Road Shows and Seminars to provide a platform for business networking, it could not get any sponsorship. This could also be due to adverse Media publicity of the preparations for the Games and the prevailing recessionary conditions in the world economy at that period of time.

4.41 Asked to state the amount involved in providing discounted tickets to the members of the BCI, the MYAS stated that OC had incurred an expenditure of ₹ 2.36 crore on discounted tickets provided for the BCI members.

### **III. Strengthening of Financial Supervision of OC**

4.42 The Committee were informed that in order to strengthen the financial control and supervision of OC, the OC was advised, with the approval of the Cabinet, to strengthen its institutional mechanism by adhering to the following measures:

- (i) Constituting, on 8<sup>th</sup> December 2008, a Standing Finance Committee (SFC) with Joint Secretary & Financial Adviser (Ministry of Youth Affairs and Sports), and a representative of the Department of Sports, as members. All proposals having financial implications, would be first examined by the SFC, before they were put up for consideration of the Executive Management Committee (EMC), or the Executive Board (EB) of the OC.
- (ii) Making Additional Secretary (Expenditure), a permanent invitee on the Executive Board (EB) of the OC, by Cabinet decision of 3<sup>rd</sup> October 2008. The EB already had 2 representatives of Government of India – Secretary, Urban Development and Secretary, Sports as members as also Chief Secretary, Delhi and Principal Secretary to CM, Delhi as members.
- (iii) A Finance Sub-Committee had been formed, as per decision of Union Cabinet dated 5<sup>th</sup> November 2009, to examine all matters before they were put up before the Executive Board. It comprises of Secretary (Urban Development), Secretary (Sports), Additional Secretary (Expenditure) and Chief Executive Officer, OC.
- (iv) The Audit Committee of the OC is chaired by the Principal Secretary, Commonwealth Games, Government of Delhi.
- (v) Keeping in view the sensitive/critical nature of the functioning of OC, the MYAS with each sanction order, releasing funds to OC for conduct of the Commonwealth Games, 2010 right from June 2004, had been repeatedly requesting CAG through each fund release order for conducting audit of the accounting of the OC. Thereafter MYAS Stook up strongly through the

Expenditure Finance Committee (EFC) Committee, chaired by the Finance Secretary, in its meeting held on 13.09.2006, while discussing the budget of the OC, to get the OC EFC to recommend the Concurrent Audit of OC should be done by the Comptroller and Auditor General of India (CA&G). This was also placed before the Cabinet in its meeting held on 15.03.2007. The CAG was requested by this Ministry to conduct Concurrent Audit of the OC. It was only thereafter that the CAG commenced Audit of the OC for the first time only on November 2008.

4.43 Audit scrutiny revealed that the Administrative and Financial Guidelines of the OC were approved by the MYAS and Government funds were given to OC through the MYAS. But the MYAS did not monitor the actual implementation of the Guidelines and proper utilization of the funds granted. At no stage, the Ministry provided any correction/changes to align it with the GFR and other Government rules.

4.44 In the above context, the Committee desired to be apprised of the reasons for the MYAS not monitoring the actual implementation of the Administrative and Financial Guidelines so as to ensure proper utilization of the funds sanctioned. In reply, the Ministry stated that OC being an autonomous society with an Executive Board framed its own rules and regulations. However, since the Government had released substantial funds to the OC through the Ministry for staging the Games, it took all necessary measures to strengthen the financial system of the OC including systems for public financial accountability, transparency and audit.

4.45 Asked to state the specific steps taken by the Ministry to ensure financial accountability and transparency, the MYAS stated that the following measures were taken for the purpose:

- i) From the very beginning, there had been two representatives of the Government of India viz. Secretary (Sports) and Secretary (Urban Development) and two representatives of Govt. of National Capital Territory of Delhi (GNCTD), viz. Chief Secretary and Principal Secretary to the Chief Minister, as the members of the Executive Board of the OC.
- ii) There has been an Audit Committee of the EB of the OC, headed by Secretary, Urban Development, Government of India who was a member of the Executive Board of the OC. Later, Principal Secretary to the Chief Minister, GNCTD was made the chairperson of this Audit Committee of the EB of the OC.
- iii) Keeping in view the sensitive/critical nature of the functioning of the OC, this Ministry, with each sanction order, releasing funds to OC for Conduct of the

Commonwealth Games, 2010, right from June, 2004, has been repeatedly requesting CAG (through the release orders) for conducting audit of the accounts of the OC. Thereafter, the MYAS took up strongly through the Expenditure Finance (EFC) Committee, chaired by Finance Secretary, in its meeting held on 13.09.2006, while discussing the budget of the OC, to get the EFC to recommend that Concurrent Audit of OC should be done by the Comptroller and Auditor General of India (CA&G). This was also placed before the Cabinet in its meeting held on 15.03.2007. The CAG was requested by letter dated 31.05.2007 of this Ministry to conduct Concurrent Audit of the OC. It was only thereafter that the CAG commenced Audit of the OC for the first time, that too only from November, 2008.

iv) The Ministry of Youth Affairs and Sports, on 29<sup>th</sup> May, 2007, had issued directions, bringing the OC under the preview of the Right to Information Act. This was challenged by OC before the Delhi High Court. The Ministry filed a Strong affidavit in 2008 and pressed continuously since 2008 in favour of brining OC under the ambit of RTI Act. The Hon'ble Delhi High Court, on 7<sup>th</sup> January, 2010 ruled in favour of the Ministry. Accordingly, on 1<sup>st</sup> February, 2010, a fresh order was issued by the Ministry, reaffirming the position. Similar orders were issued in respect of National Sports Federations and the Indian Olympic Association.

v) In order to further strengthen the financial control and supervision of OC, the OC has been advised, with the approval of the Cabinet, to strengthen its institutional mechanism by adhering to some specific measures as mentioned earlier.

vi) This MYAS has also been making efforts to strengthen the administration of the OC, which, inter-alia, included the following:

(a) The Government deputed Sri Jarnail Singh, Secretary to the Government of India (Retd.) as CEO of OC. Two Additional Secretary rank officers – Shri G.C. Chaturvedi and Shri Sudhir Mittal and two Joint Secretary rank officers – Shri Jiji Thomson and Shri Sanjeev Mittal, two of whom are Finance experts, were placed at suitably senior positions in the OC.

(b) The Cabinet Secretary also deployed 11 Senior Officers of the rank of Joint Secretary and above, in the final run up to the Games to assist and support OC in getting the Venues ready for the Games in time."

4.46 The Committee then asked whether the Ministry had ever reported any failure and laxity on the working of the various Functional Areas (FAs) of the OC. In reply, the MYAS submitted that the working of the Functional Areas was monitored by the OC which had its own hierarchy and reported to the Executive Board. Progress and monitoring of various items/issues relating to the Commonwealth Games was being done at the highest level in the meetings of the GoM on CWG 2010. The meetings of the GOM used to be attended by the Chairman and the Chief Executive Officer of the OC. Reports were submitted before the GOM and issues, if any, requiring

attention/decision were brought up before the GoM and resolved. Besides, matters also used to be discussed and solutions found in the Meetings of Committee of Secretaries (COS) on CWG 2010. The Secretaries or other senior Officials of the Ministries concerned attended these Meetings as need arose. The MYAS also stated that, due to their strenuous efforts to strengthen the financial systems of the OC, public accountability and transparency, as well as the decision to carry out an interim audit, the expenditure control and management vastly improved by the time the Games took place.

4.47 Not satisfied, the Committee asked the specific monitoring done by the Ministry to address the issues of failure and laxity on the part of the Functional Areas of the OC. In reply, the MYAS submitted that the Ministry were not interfering in the internal working of the OC and the progress and monitoring of various items/issues relating to the CWG was being done at the highest level in the meetings of the GOM.

4.48 In response to the Committee's query regarding the entire public perception against the Games, the then Secretary, MYAS stated:

".....Everything was not wrong with the Games. We were great hosts; the legendary hospitality, we lived up to it; We were good competitors; we stood second, and our young sportspersons have gone on to win the same or similar medals in the Asian Games. We hope they will do quite well at the Olympics next year. Sir, I speak for myself and a large number of us the greatest thrill was to see our National Flag go up again and again during the Games, and to hear our National Anthem being played again and again....."

4.49 The Committee, clarifying that they never opined that everything was wrong in the CWG-2010, asked the Secretary to say in an unambiguous manner whether she believed that everything was done in a right manner in organizing and conducting the Games. In response, the then Secretary submitted:

"Sir as Secretary of the nodal Ministry, I would like to believe that there was nothing wrong but I also know that it would be foolish of me to say that."

4.50 She further stated:

"In my system of checks and balances the C&AG's report and the examination by PAC, that is my accountability to the system and I would like certainly to be advised as to what was right and what was wrong by this august Committee".



4.51 On the issue of large public opinion/perception against the Games, the then Secretary, MYAS deposed:

".....As far as my personal opinion is concerned, I am as mystified or baffled as you are as to why the entire public opinion and public perception was so much against the Games, against the Project, I would say. There was a huge amount of media interest, most of which was against the Games, against the various aspect of which they say as shortcomings. The only thing I can venture to suggest at this stage is that perhaps we left too many projects to be completed too late. There were lot of dug-up roads, lots of dug-up, incomplete stadia which gave very little time for the final finishing touches which would have in itself taken about six months. We gave ourselves very little time. We are in the Government. It is my personal opinion that we were very bad at managing the media, very poor at marketing our accomplishments."

4.52 Asked to state specifically whether the various shortcomings pointed out in the Audit Report were unjustified as made out in a few quarters, the then Secretary, MYAS submitted:

".....A lot of build up to the Games was on account of delays in the project, delays we could not recover from in the last couple of years, but despite all odd, as the report (Audit) has itself recorded, the final outcome was to everybody's satisfaction. That is not to say that the Games Projects, the various procurement issues, the various shortcomings which have been noted in the Audit report of the C&AG were unjustified, not at all i just want to make that absolutely clear. The C&AG's reports are always based on our own responses which we furnish to the Audit teams, on which they draw the inferences.....".

4.53 The Committee desired to know whether there was management failure in organizing and conducting the Games. In reply, the Secretary, MYAS stated:

"The authority for management of the Commonwealth Games lay entirely with the Organising Committee. The authority of appointment of individuals into the Organising Committee lay entirely with the Organising Committee. It is when the Organising Committee faced critical situation, where it was evident that they could fail, that the Government imposed external officers into the Organising Committee in order to sort out the matter."

4.54 Asked to state in no uncertain terms as to whether there was overall management failure or not, the Secretary, MYAS submitted:

".....It is fairly obvious that there was management failure. It is fairly obvious that delays occurred at the initial stages because of which decisions had to be taken in haste at times, towards the end through single tenders at some times and through negotiations at others. It is fairly obvious that some facilities came up with only days to spare. It should have been there with months to spare."

So, if I try to claim that there was no management failure, I would be completely wrong."

4.55 He further deposed:

"Now, where was the management failure? I think, and I am speculating, let me be very clear, I am speculating here; I think the failure lay at that point of time between 2003 and 2006 in recognizing that the alternative to the Government is not always superior. It was felt that if we move out of the Government machinery and take a very straight forward, clear line of decisions making, everything will fall in place. That it does not always fall in place; that there have to be checks and balances, was not very well appreciated at that point of time. Those checks and balances need to be put in and if it had been put in at that point of time perhaps, the last minute rush could have been avoided to a large extent. That was, to my mind, as a professional, the biggest failure, of the management of the Games."

4.56 The Secretary, MYAS summed up:

"It was not that somebody was making money. It was not that somebody tried to do that.....what was much more important was that there was a complete management failure and because of the management failure, we came to the brink of defaulting on the Games, which would have created a national shame across the world and for years. Instead, that we could retrieve the situation says a great deal about our ability to manage things properly. We did not manage properly. The systems of checks and balances that needed to have been put in place between 2006 and 2009 were not there in proper measures....."

4.57 Asked to state the corrective measures taken to put in the system of checks and balances in view of the shortcomings/deficiencies observed, the Secretary, MYAS deposed:

"I do not think we have done a proper debriefing of the Commonwealth Games as yet. If the Committee permits, I will hire a set of consultants to actually look into what went wrong and try to articulate it. It will take a little bit of time, probably four to five months. I would be very happy to create a debriefing session on the CWG to pinpoint each of the deficiencies and to suggest corrective action on that."

#### **IV. Inadequate Documentation**

4.58 Audit scrutiny revealed that the documents, particularly relating to the contracts for goods and services were not properly maintained by the OC. In this context, the Committee desired to know the reasons for improper maintenance of the documents and the persons responsible for proper upkeep of the documents/files. In reply, the Ministry stated that according to the OC, generally the documents had been

maintained properly. Each Functional Area Head was responsible for maintenance of the documents of their Functional Area. All contracts had been signed by the Secretary General and one of the original copies used to be retained in his office and the related files were kept by the respective FAs.

4.59 The MYAS further stated that the Secretary General was responsible for maintaining the Minutes of the Executive Management Committee. It was further stated that Minutes had been maintained well except in some cases. The explanation of the SG was, however, not available.

4.60 The Committee desired to know the specific cases where the Minutes of the EMC had not been maintained properly and the reasons therefor. In reply, the Ministry stated that the OC had commented that in the initial days, the practice of issuing consolidated Minutes for each meeting of the EMC was not followed. For different agenda items discussed in one meeting on the same day, the Minutes used to be issued separately for each agenda item. With effect from the meetings of the EMC held on 21<sup>st</sup> June, 2010, the practices of issuing consolidated Minutes were started.

4.61 Asked to state the reasons for the non-availability of the explanation of the Secretary General, the MYAS stated that according to the OC, the EMC meetings were held as per the requirements of the Functional Areas and Minutes were recorded properly on item to item basis on separate sheets. The Minutes in original were kept in a file and copies of the same were also given to the FAs concerned for further action.

4.62 In the above context, when the Committee desired to hear the views of the Secretary, MYAS, he submitted in evidence:

"....To be fair to the OC, they had evolved internal systems. In many cases the internal systems were IT based and not paper based as is in the Government. As a result, the record compilation which was available to the CAG sometimes did not come up and repeatedly the CAG had written that they did not get these papers. But subsequently those papers were printed out. It was just that it was in an electronic format most of the times. When it came to the criminal cases, those papers were all given to the CBI, whenever they had asked for. So, it was not as if it was completely undocumented. There was a fair amount of documentation. It was just that within the organisation itself the knowledge as to where the documents lay in electronic form was in disarray because half the people were in jail, some were thrown out and all kinds of things happened.

People were in disarray and therefore they could not find it. But slowly they have been able to piece that through....."

4.63 On the issue of autonomy to the OC and bringing it under the purview of RTI, the then Secretary, MYAS submitted in evidence:

".....The Organising Committee is a Society under the Societies Registration Act and claimed that it was only a recipient of Government loans and advances to conduct the Games. In 2007, the Ministry of Youth Affairs and Sports issued directions to bring the Organising Committee under the purview of the Right to Information Act as a public authority. This was challenged by the Organising Committee before the Delhi High Court. The Ministry filed a strong affidavit and pressed continuously in favour of bringing the Organising Committee under the ambit of the Right to Information Act as a public authority and as a recipient of substantial amount of Government funding. Finally, on 7th January, 2010 the Court ruled in favour of the Ministry and the Organising Committee and the IOA, by a separate Order, were directed to furnish all information as required under the Right to Information Act under the relevant clauses as public authority."

## V. CATERING

4.64 Audit scrutiny revealed that a Catering Manager was supposed to be appointed by June 2007 whereas the first appointment in catering FA was made in January 2009, that too of an Assistant level. Audit further pointed out that the EOI for catering services was issued in June 2009.

4.65 In the above context, the Committee sought the comments of the MYAS. In reply the Ministry submitted as under:

"OC has responded by stating that June, 2007 was the month and year prescribed for appointment of Manager Catering (subsequently designated as Director (Catering)) in the General Organization Plan (GOP) of the OC which was approved by the Executive Board in its meeting held on 14<sup>th</sup> August, 2007. As per GOP, Manager Catering was under the charge of ADG (Games Services) who was supposed to be under Chief Operation Officer (COO). The COO, namely, Shri. Vijay Kumar Gautam, was appointed w.e.f. 7<sup>th</sup> September, 2007. The post of ADG (Games Services) was advertised in the Times of India in August, 2007 but no suitable candidate was found for the post.

In January, 2009, not only one Assistant Project Officer (Mr. Manu Verma) was appointed but also a Project Officer (Ms. Sharayu Almelkar) was selected and she joined with effect from 2<sup>nd</sup> February, 2009. She was promoted as Director (Catering) in June, 2009.

The work was initiated immediately for preparing EOI for Catering Services, which was issued in June 2009."

4.66 Asked to state the specific action taken by the Ministry to ensure timely award of catering contracts, the MYAS submitted that there were numerous irregularities in the award of the Games Village catering contract. The process of award took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the recommendations of OC officials, but was also done after opening the single financial bid on the Chairman's verbal orders. This decision to re-tender weakened the OC's negotiation position vis-à-vis the vendors and resulted in frantic activity upto June 2010 for conclusion of four separate contracts/ agreements.

4.67 Audit scrutiny revealed that bids were called for without incorporating the clause on EMD and even the technical and commercial bids were opened without verifying the EMD as it was recommended for condoning the same by a committee constituted for the purpose of evaluation.

4.68 Asked to comment on the above Audit observation, the Ministry stated as under:

" OC has responded by stating that in the NIT for Games Village Catering published in the newspaper it was mentioned that EMD should be submitted in the envelope containing the Technical Bid. The EMD was not found by Technical Evaluation Committee in the envelope containing Technical Bid. In order to meet the timeline, the Committee recommended that the commercial bid may be opened condoning the non-submission of EMD."

4.69 Audit further pointed out that the Chairman, OC, instead of signing the file had given verbal orders in December 2009 for opening of the commercial bid. At a later stage the Chairman had decided to cancel the bid in January, 2010 and asked for retender on the ground of non-submission of EMD. Retendering was ordered in January 2010, which ultimately delayed the whole process.

4.70 Asked to comment on the above Audit observations, the Ministry submitted that the OC had admitted that Audit observations appeared to be correct and based on records. The Ministry further stated that there was definite escalation of cost due to retendering.

## **VI. Selection of Flats and Fixation of Prices**

4.71 In response to a specific query of the Committee, OC admitted that it did not follow transparent procedures in selection of flats and fixation of prices which resulted in hiring of flats at exorbitant rates in excess of requirement.

4.72 Asked to specify the other cases where transparency and accountability were not followed by OC, the Committee were informed that there appeared to be no other such case.

4.73 When the Committee desired to know the action taken against the OC officials who were responsible for hiring of flats at exorbitant rates, OC responded that it was managed by the Secretary General, OC's office.

## **VII. Complimentary Tickets**

4.74 On the issue of complimentary tickets, the Committee desired to know whether the MYAS were informed or themselves kept track of the discounted and complimentary tickets that were to be distributed in order to gauge its effect on revenue generation. In reply, the Ministry submitted as under:

" It is submitted that Complimentary Tickets as per the approved Seating Plan for Opening and Closing Ceremonies were distributed to the delegates by the OC. In addition, OC also distributed complimentary tickets to the Stakeholders, Sponsors, Right Holder Broadcaster, etc.

Tickets for other sports events were distributed under the "Unsold Tickets Policy" as "Complimentary" by the OC as approved by the Executive Board to various stakeholders/venue owners/Govt. Agencies/Police/GOI & Govt. of NCT, etc. who were involved in the conduct and the staging of the Games.

MYAS did not come into the picture in the matter."

4.75 Not satisfied, the Committee asked in evidence whether the Ministry were not involved in the approval process of issuing Complimentary Tickets. In response, the Secretary, MYAS deposed:

".....Some amount of complimentary tickets is always part of any such ceremony. If you look at the London Olympics, which are going on, look at the TV pictures and look at the controversy that are going on. Nearly, 40 percent of the seats are vacant at any point of time."

4.76 The Secretary, MYAS further submitted:

".....but what is true is that between 20-30 percent of the tickets will always be complimentary tickets, which are given out. Some of the tickets in addition will have been sold to corporates in bulk who would have distributed it and people would not have come. So far, no Olympics or Asian Games for for that matter anybody else seems to have found out a solution by which such things

could be completely eliminated. It is part of the corporate sponsorship, and sometimes it is part of the deals that are struck in other ways. So this does happen so far as ticketing is concerned."

4.77 Asked to state the amount involved in terms of money in the distribution of complimentary tickets, the CEO, OC submitted:

"Sir, the tickets for the opening ceremony were of high value, namely, ₹ 50,000 each. As per our record, we had given ₹ 56 crore worth of tickets as complimentary tickets. We were under instructions from the Government that we have to accommodate all the VVIPs on the high value tickets..... The tickets which were given for the opening and closing ceremonies as complimentary were worth ₹ 56 crore."

## CHAPTER V

### ROLE AND RESPONSIBILITY OF THE MINISTRY OF URBAN DEVELOPMENT

5.1 According to the Ministry of Youth Affairs and Sports, the role and responsibility of the MoUD was as under:

- (i) The 9 stadia of Sports Authority of India, and the Big Bore Shooting Range at Kaderpur, funded by MoYAS were constructed by the CPWD. The Ministry of Urban Development as the controlling Ministry supervised and monitored the work of CPWD in relation to these projects.
- (ii) The Ministry of Urban Development through the Delhi development Authority (DDA), was responsible for the construction of several stadia, notably the Competition Venues for Badminton, Squash, Table Tennis and archery at Siri Fort Sports Complex, Yamuna Sports Complex and also a number of Training Venues.
- (iii) The MoUD through the DDA, was also responsible for the development of the Games Village, situated off NH 24, near the Akshardham Temple. The Residential Zone, Transport Mall etc were developed by DDA directly. The Residential Zone comprises 34 Towers and 1168 flats to accommodate 8,000 sportspersons and officials. The flats were furnished by ITDC. Delay in the timely delivery of the residential flats, resulted in apprehensions for the Games Time headlines of the Games Village. However, the deployment of additional manpower and supervisory officers from the Government of India, Government of Delhi, NDMC and MCD, the Games Village was brought up to readiness status for hosting the teams from the various countries.
- (iv) The DDA has also constructed some flyovers at key places.
- (v) DDA has also constructed flats at Vasant Kunj and Jasola. These were to be used as accommodation for Tourists and Technical Officials. At the initial stages 5009 rooms were targeted to be made available at Vasant Kunj however finally around 1200 rooms were delivered. ITDC was responsible for furnishing these flats. These were used to accommodate Technical Officials during the Games.

5.2 As mentioned above, the MYAS apprised the Committee that the Ministry of Urban Development, as the controlling Ministry, supervised and monitored the work of CPWD relating to the construction of the nine stadia of Sports Authority of India and the Big Bore Shooting Range at Kaderpur which were funded by the MYAS.

5.3 In connection with the examination of the subject, the Ministries/Departments concerned were issued Questionnaires, according to their respective involvement, for



written reply to the Committee. A similar Questionnaire was issued to the MoUD, with copies endorsed to the DDA and CPWD, on 21<sup>st</sup> October, 2011. While replies pertaining to the DDA were received from the MOUD on 9<sup>th</sup> December, 2011, no such reply pertaining to CPWD was received till 2<sup>nd</sup> July, 2012.

5.4 In the above context, the Committee while taking evidence of the Secretary, MoUD on 2<sup>nd</sup> July, 2012 asked him to explain the position. In response, the Secretary, MoUD submitted.

"..... In so far as the CPWD is concerned right from the inception of this Commonwealth Game issue, CPWD was reporting directly to the Ministry of Youth Affairs and Sports and taking advice and guidance from them, the administrative approvals were accorded by that Ministry. And the MoUD was not in picture at all. Even the High Level Committee, commonly called Shunglu Committee, and the Group of Ministers which examined the report of the action taken on the recommendations and report of the Shunglu Committee, all that were steered by the Sports Ministry. So, I would submit for your kind consideration that the entire matter relating to CPWD be referred to the Ministry of Youth Affairs and Sports. Also because CPWD is servicing not only the Sports Ministry, it is servicing all the Ministries of the Government of India. And mostly, the heads of accounts are operated by these Ministries. Very rarely any head of account of other Ministries is operated by us....."

5.5 Not convinced, the Committee desired to know the stipulations under the Rules of Transaction of Business in this regard. In reply, the Secretary, MoUD submitted:

"Our understanding is that whichever Head of Account falls in the Demands for Grants for that Ministry, they answer it."

5.6 Asked to elucidate, the Secretary, MoUD further stated:

"Certain Head of Accounts of CPWD not concerning the Games, in general we are operating. We are answering Parliament Questions, we are giving administrative approvals, and we are monitoring projects. Whatever work is assigned to CPWD by different Ministries, each of those Ministries is monitoring that independent of us. If there is some issue, they write to us seeking our help in advising CPWD to speed up the work etc. which is a different matter."

5.7 Still not satisfied, the Committee asked the Secretary to have relook at the Rules of Transaction of Business and get back to them later on. Agreeing, the Secretary, MoUD submitted:

"As you have advised us, we will go through the Allocation of Business Rules and give a cogent response with the citation of rule etc."

5.8 In the meantime, the MYAS in a correspondence dated 23<sup>rd</sup> August, 2012, reiterating their stance, *inter-alia* clarified that in all fairness, it is the CPWD and the MoUD, being the administrative Ministry of CPWD, to attend to the Audit objections and the PAC Questionnaire like other stakeholders on issues pertaining to the CWG-2010.

5.9 In his written communication dated 5<sup>th</sup> October, 2012 the Secretary, MoUD, *inter-alia* submitted as under:

"While the Allocation of Business Rules, 1961 place CPWD under the MoUD, the same need to be read in conjunction with the provisions of Rule 134 of GFR, 2005 which require the respective Administrative Ministry to set up a Review Committee to review and monitor the progress of their works. Accordingly, MoYA&S would need to respond to the PAC Questionnaire. Further, all the administrative approvals, including recommendations/approvals of the Expenditure Finance Committee (EFC) and the Union Cabinet were accorded/obtained by the Ministry of Youth Affairs & Sports. Accordingly, the MoYA&S should be required to vet and handle the response on the PAC Questionnaire related to CPWD for the CWG matters that were entrusted to the CPWD by that Ministry."

5.10 The Secretary, MoUD further apprised the Committee that they had written to the Cabinet Secretariat for a decision on the matter. The Committee on their own also sought clarifications from the Cabinet Secretariat regarding the jurisdiction over CPWD so far as CWG 2010 was concerned.

5.11 On 6<sup>th</sup> November 2012, the Cabinet Secretariat clarified the matter as follows:

"The matter has been considered. It is requested that the coordinated response should go from the Ministry/Department which had sanctioned the proposals/projects for which necessary inputs would be given by the other Department(s)/Ministry(ies) concerned. The Ministry/Department which had provided the information would be responsible for correctness of the information provided by it."

## **(I) CENTRAL PUBLIC WORKS DEPARTMENT (CPWD)**

### **I. Venues developed by Central Public Works Department**

5.12 CPWD was engaged by the Sports Authority of India (SAI) for upgradation/renovation of five competition venues- (i) Jawaharlal Nehru Stadium; (ii) Dr. Shyama Prasad Mukherjee Swimming Pool Complex (SPM) ; (iii) Major Dhyan

Chand National Stadium; (iv) Indira Gandhi Stadium; and (v) Dr. Karni Singh Shooting Range, as well as one training venue- DPS, RK Puram. In addition, CPWD renovated the Kadarpur Shooting Range on behalf of CRPF.

**II. Selection of Consulting Engineering Services (India) Ltd. by CPWD as main consultant in all the five stadia**

5.13 Audit security revealed that subsequent to the identification of the venues, CPWD initiated the work of award/identification of Design Consultants for its venues during the period June-July 2006. For the engagement of specialized agencies to consultancy services for works in all the stadia, an Evaluation Committee', on the approval of the Additional Director General (TD) - CPWD, was constituted. The tenders for the main consultancy contracts for the development of the five stadia, for CWG-2010 were floated by the individual stadiums. M/s Consulting Engineering Services (India) Ltd. (CES) technically qualified in all the five contracts. In three stadia, its financial bid was the only one to be opened, effectively denying the benefit of competitive bidding. The contracts for design consultancy were awarded to M/s CES in all the five venues. Audit found that M/s CES emerged as the only technically qualified bidder for three stadia, primarily on account of marks assigned to them on the parameters of 'concept designs' and other details (which were largely outputs of the previous set of consultancy contracts for "condition survey" awarded to M/s CES). All other bidders, despite possessing specific experience in sports stadia, were held to be technically not qualified, by assigning lower scores to them on the parameters of 'concept design'.

5.14 Audit further observed that the technical qualification of M/s CES on the basis of "concept design" is all the more amazing, since the Organising Committee's (OC's) consultant, EKS was engaged only in November 2006 and thereafter prepared the venue briefs, on the basis of which "concept designs" were to be prepared. The performance of M/s CES in almost all the venue consultancy contracts was abysmal as can be seen from the following table:

Stadium	Deficiencies (in brief)
JLN Stadium	Defective assessment of the requirement of lump sum contract resulted in deviations primarily on account of changes in BOQs, resulting in gross 7 deviation of ₹ 41.24 crore.

JLN Weightlifting Stadium and Dr. SPM Swimming Pool Complex	The scope of roofing work was changed from Zincalume steel to aluminium (Kalzip), resulting in extra payment to contractor of ₹ 6.79 crore.
Dr. Karni Singh Shooting Range	There were huge deviations and extra items worth ₹ 20.37 crore due to improper assessment of BOQs for the work. The basic item of excavation in hard rock could not be envisaged earlier (despite the hilly location of the venue). Further, rebate of ₹ 0.50 crore could not be availed.
IG Stadium Complex	In the work of "improvement of roof truss", there were huge deviations in steelwork alone, ranging from 83.8 per cent to 139.70 per cent, amounting to ₹ 15.62 crore.
MDC National Stadium	Astronomical increase in the quantities of cables, ducts, pipes etc. in the work of SITC of PA system and electrical component of the main work resulted in additional financial burden of ₹ 4.11 crore.

5.15 In the above context, the Committee desired to know the rationale for inclusion of 'concept design' in technical bid. In reply, CPWD stated that in concept design of a proposal the consultant provided the plan, elevation, section and sometimes perspective of the proposal. The idea of getting concept design was to understand whether the consultant had assessed and understood the project correctly and its feasibility during execution. The details provided in the concept design should be adequate to understand the entire scheme, and it should indicate broadly the considerations with respect to illuminations, fire protection system, utility services & other relevant items of work. The functional, structural & aesthetic integrity of the proposal with the existing structure/features shall be given special emphasis. The evaluation of concept proposal was done by a committee of experts and this indicated the technical capability of the consultant.

5.16 Asked to spell out the steps taken by CPWD to ensure level playing field amongst participating bidders particularly with reference to the advantage M/s CES had, in the form of prior consultancy assignment with CPWD i.e. condition survey, CPWD stated that the concept design for the main consultancy contract had nothing to do with the concept design prepared by M/s CES for repair and renovation of the existing stadium. The copy of condition survey was provided to all the intending bidders who bid the main consultancy work to ensure level playing field amongst participating bidders.

5.17 When the Committee desired to be apprised of the difference between condition survey and concept design, a representative of CPWD deposed during evidence as under:

"Earlier assignment was only for condition survey and the structural upgradation of the structures. The concept was to see how he will imagine it in future and not for the past."

5.18 Justifying the selection of M/s CES, the representative of CPWD further stated as under:

"The selection was a techno-economic process through combined technical bid and financial bid, and 80 percent weightage was for technical bid and 20 percent for financial bid. Even in one technical bid, the other bidders got higher marks but because it was the lowest financially, M/s. CES got the work".

5.19 On the issue of inclusion of concept design in technical bid, he apprised:

"The rationale for inclusion of concept design in technical bid was to compare the capability of various participating bidders to understand and translate it in physical forms to meet the prospective functional requirement for holding the Commonwealth Games. That was the only criterion by which we could have judged how they are likely to perform. The condition survey contract was limited to retrofitting of existing structures for structural stability, which was a prerequisite to main renovation work. There was no exercise for concept. The condition survey was only a structural requirement for strengthening the existing structures. The concept was to make it an integral part of the selection process."

5.20 He also stated:

"Sir, from our inquiry of the national consultants, none of them was having any sports architecture as a specialisation or experience. Hence, we have asked that they will associate with international consultant who is having experience of sports architecture. CES also associated with a German consultant, who had already done Melbourne and other stadiums."

5.21 The Committee pointed out that the condition survey agreements were alive when the main consultancy contracts were entered into and in the absence of completion of the condition survey contracts, it was not possible for other bidders to compete with M/s CES which had been awarded contract for condition survey in different stadia. In reply, CPWD stated that the condition survey contract involved the preparation of drawings & design for retrofitting of structures. In case of JNS & IG

stadium the work of retrofitting of work kept on arising due to various requirement raised by OC from time to time. For example, the work of additional lift for photo finish lift was entrusted to CPWD in November 2009. For providing this lift, the retrofitting work like dismantling of roof slab & addition of slab/beam was to be done for which methodology & design were obtained from the consultant under this contract. Accordingly these contract were kept alive till September 2010 to safeguard the interest of Government.

5.22 M/s CES *vide* their letter dated 03.10.2012 appealed to the Chairman, PAC *inter-alia* stating that CPWD had called for tenders without approval from various authorities based on the drawings submitted by them which led to frequent changes, modifications and revisions in drawings/designs which in turn led to delays, significant variations in the quantities, change in cost, etc. in executing the task.

5.23 When asked to give their comments on the above assertion of M/s CES, CPWD stated in a note as under:

"The Venue brief from Organising Committee was issued to CPWD from December 2006 onwards. Thus, the time left for planning and execution of work by Venue owner was limited from 2007 to 2010. The submission of design/drawings to local bodies etc. is dependent on the input from clients, OC/EKS, Sports federations etc. The consultant of the Executing department has to incorporate all the inputs received from different authorities/bodies. However, due to non availability of inputs from these agencies and due to time constraint as and when the design was finalized to a particular stage, CPWD floated tender as a parallel action to save time, meanwhile necessary action for approval of drawings from local bodies etc. were taken otherwise work could have not been completed. There have been some need-based revisions in design, drawings and BOQ etc. which are a part and parcel of any engineering contract and are necessitated by the unforeseen factors or purely due to technical requirement. During execution also number of inputs being received from Delhi Police, NDMA, UTIPEC, Traffic Police, OC, Technical delegates etc necessitated modification and review of designs/drawings. All such factors have impact on the project. Although there have been some deviation in quantities; however overall the total cost of the project remained within the sanctioned amount. As such there is no increase in the cost. "

5.24 Commenting on the performance of M/s CES, a representative of CPWD, however, informed the Committee in evidence as under:

"Wherever the performance of CES was found lacking, it has been penalised also for time-overruns in few venues. At that moment, it (the company) could be judged as the best among the available ones."

### III. Overpayment by Irregularly Treating the Substituted Items of Works as Extra Items

5.25 According to Audit, undue financial favours were extended to the contractor through irregularly treating items of work in the agreement as 'extra items' instead of 'substituted items'. In Dr. Karni Singh Shooting Range agreement, items of integral flood were partially modified but instead of deriving rates as per procedure, CPWD paid market rates treating the item as extra item resulting in overpayment of ₹ 0.31 crore. In SPM treating the item viz. 'toughened glass' as extra item instead of substituted item, CPWD justified the rate of ₹ 15,955 per sqm in lieu of the rate of ₹ 13,744.45 per sqm already sanctioned as substituted item, with an additional financial implication of ₹ 2.16 crore. The extra payment was justified on grounds of a decision that for lump sum contract usual substitution of items cannot be operated upon on the basis of variation rates and therefore such items would be treated as new item for payment at market rate. However, fact remained that in another case but in the same agreement, CPWD (Electrical Division) had substituted some items. Hence, CPWD adopted two different methodologies for adoption of rates in case of substitution of items in a lump sum contract.

5.26 In the above context, the Committee asked the Ministry to explain the reasons for adopting two different methods for calculation resulting in extra payment to the contractor. In reply, CPWD *inter-alia* stated that it had happened due to some different provisions in the agreements for civil and electrical components particularly regarding variation rates treated as item rates for electrical components, whereas variation rates for civil components could not be treated item rate since their amount differed from the quoted contract lump sum amount but in electrical, the amount based on variation rates tallied with the contract lump sum amount. It also ensured that the lowest rates as worked out by these methods were only paid to the agency so as to protect the interest of the Government.

5.27 CPWD further stated that since this being a lump sum contract there were no agreement rates available to work out the substituted rates, and accordingly it was decided by the competent authority that for lump sum contract usual substitution of the item could not be operated upon rather cost of the item not operated shall be

recovered based on the variation rates and cost of new item required shall be paid on market rates and accordingly structural glazing was treated as extra item and not as an earlier sanctioned substitute item. The C&AG allegation of overpayment and additional financial implication of ₹ 2.16 crore was based on difference of ₹ 15955 per sqm, the rate proposed as extra item & ₹ 13744.45 per sqm, the rate as substituted item. The total proposed quantity to be executed for this item was 9750 sqm. The proposed rate of ₹ 15955 per sqm was never approved by CPWD and payment to contractor was restricted to ₹ 13000 per sqm against a value of ₹ 13744.45 sqm sanctioned earlier as substitute item, thereby ensuring the interest of Government till the matter was decided finally. However, while finalizing the bill of above work, this item has actually been paid @ ₹12976.80/- sqm after scrutiny of item as an extra item. This would further result into saving of ₹ 0.75 crores  $(13744.45 - 12976.80) \times 9750/- = ₹ 74,84,588/-$  in addition to the saving of ₹ 2.16 crores, a presumptive loss indicated by audit as above. Thus, the in house scrutiny & proper derivation of rate by CPWD had resulted into financial saving to the project safeguarding the interest of Government. As such, it was not correct to say that there was an additional financial implication of ₹ 2.16 crore.

5.28 Clarifying the matter further, a representative of CPWD deposed in evidence as under:

" The factual position remains that no overpayment was made by CPWD. The C&AG allegation of overpayment is based on difference of ₹ 15,955 per square meter the rate worked out as extra item and ₹ 13,744 per square meter the rate as substituted item. Payment was restricted in running account bill to only ₹ 13,000 per square meter as against a value of ₹ 13,744 per square meter sanctioned earlier as substitute item thereby ensuring the interest of the Government at all stages. While finalizing the bill of above work, this item has actually been paid @ ₹ 12,976.80."

5.29 CPWD further stated that in Dr. Karni Singh Shooting Range, the amount of ₹ 30.73 lakh in respect of integral flood light has already been recovered fully and adjusted in final bill of the contractor concerned.

5.30 The Committee came to know that the finalisation of bills was made after C&AG had raised questions and CBI enquiry had started. Asked whether the finalization of bills at lower rate (₹ 12,976.80 per square meter) later on was done in order to avoid Audit objections and create confusion, the representative of CPWD submitted:



"At that time when Audit has examined the records, the payment was made only ₹ 13,000 per square meter."

5.31 Conceding that at that time it was not finalized, he further stated as under:

"Sir, I would like to brief you regarding the contract position. It was a lump sum contract. The provision was made that lump sum quote of the contractor for a certain specification and scope of the work. That lump sum quote of the contractor was for a certain specifications as well as for specified scope of work. There was also a provision in the contract that if quantity of certain item varies then he has to quote deviation rates, so as such this was not equivalent to a item rate contract. That means for structural glazing, directly no item rate was applicable."

5.32 Asked to specify the rational for designing the contract in that manner, the representative of CPWD submitted:

"Sir, infrastructure projects like flyover etc., when we decided that this much be the span; this much will be the length; there has been a practice to have called a lump sum contract. The contractor can decide overall how he will provide all that."

5.33 The witness added:

"Sir, this structure was unique in nature. First time it was being done. The CPWD was not having the past experience rather no agency or consultant in India was having such experiences. A foreign consultant was also associated to brief us the design etc."

5.34 However, on being enquired at what point of time CPWD realised that they did not have the competence or the technology or even the experience to execute such a project he deposed in evidence as under:

"Sir, we were competent. That is why we selected a consultant who was having an international liaisoning and he could provide us such details. Sir, earlier to that we were not having the precedence but now we get the opportunity to do that. "

#### **IV. Laying of synthetic athletic tracks surface**

5.35 Audit scrutiny revealed that the Centralised Co-ordination Committee shortlisted three brands/manufacturers (Conica, Polytan and Rekortan) for laying synthetic athletic tracks surfaces at five venues- i.e., Jawaharlal Nehru Stadium, Thyagaraj Stadium, Chhattarsal Stadium, Commonwealth Games Village and Polo Ground of

Delhi University, thereby creating grounds for restrictive tendering. A joint tendering Committee comprising Chief Engineer (CWGP), CPWD (Chairman), Chief Engineer (PWD, GNCTD), Chief Engineer, DDA, Addl. Chief Engineer, NDMC, University Engineer, DU; Representative of SAI, SE (C), CPWD was constituted and CPWD was identified as the nodal agency. In July 2009, Press Notice inviting bids for laying synthetic athletic track surface at five stadia was issued. The eligibility criteria included – (i) completion of two works (laying athletic synthetic track surface approved by IAAF) costing not less than ₹ 4 crore each (in case bidders are the manufacturers of the shortlisted brands having registered office in India); and (ii) completion of one work (laying athletic synthetic track surface approved by IAAF) costing not less than ₹ 4 crore each (in case bidders are the authorized Indian representatives of manufacturers of the approved brands). Audit found that the relaxation of conditions from completion of two similar works to one and reduction of value of works to ₹ 4 crore each (which was only 10 percent of the estimated cost of the work as against the generally prescribe 80 percent of estimated cost for one work, which would amount to ₹ 30.73 crore in case of an authorised Indian representative bidding) was tailor made to suit only the three bidders (authorised Indian Representative of each brand) who responded. Clearly, all the bidders just met the much diluted eligibility criteria and the dilution was probably done only to ensure that these agencies could bid.

5.36 Asked to state the logic for diluting the eligibility criteria, CPWD *inter-alia* stated that the eligibility criteria were kept in such a manner that for the required scope of work, wide range of bidders for execution of work was available. The general criteria of 80 percent of estimated cost could not be fixed blindly particularly for a specialized work since, these were applicable for normal civil and electrical works in CPWD. The eligibility criteria was framed considering that equal opportunity was given to all prospective bidders and also considering approved limited 3 brands received from the Organising Committee and also considering in mind that tendering process was successful in first go so that work might be executed in the remaining available time.

5.37 CPWD further stated that in fact all the three bidders (one each for three approved brands by MoYAS) met these criteria. The eligibility criteria were framed keeping in view the execution of such type of work in past giving equal opportunity to all the intending bidders. This was the best suited eligibility criteria considering nature

and type of work to be executed under given scenario. Otherwise, no agency would have qualified if any higher eligibility criteria would have been framed and work could not have been executed at all. Hence, it was not correct to say that eligibility criteria was diluted to suit the agencies.

5.38 From the three bids received, the contract was awarded to Shiv Naresh Sports Pvt. Ltd. (SSPL), which was the L1 bidder at ₹ 60.38 crore for the five venues of which ₹ 27.61 crore was for Jawaharlal Nehru Stadium alone. Audit found that the restrictive tendering conditions created around the tendering process by limiting the competition to three brands only, resulted in a situation where the rate at which the contract was finally awarded was not at all comparable with the rates of similar works quoted or intimated at different works/stages as indicated in the following table:

Agency	Net Rate per sqm (in `)	Total cost for normal stress area at all venues as per NIT (48469 sqm) ( in ` crore)	Event
SSPL (authorized Indian representative of Conica)	7,604.05	36.86	Net rate after rebate of 17.06% and addition of service tax @10.30%.
NCCL at DU	7,337.00	35.56	Rates tendered in April 2008 inclusive of all taxes.
BASF (Manufacturer)	4,928.70	23.88	Rates indicated by the manufacturer and partner of SSPL in September 2009.
SSPL to NCCL at Ranchi	2,784.00	13.49	Work completed in January 2009.
Jubilee Sports Technology (I) Pvt. Ltd. (authorized Indian representative of Rekortan)	4,650.00	22.53	Rates obtained by CPWD in June 2009 for preparing cost estimates; and However, the agency bid at the rate of ₹ 9000 per sqm in its bid for CWG-2010.
Inderjit Mehta Construction Pvt. Ltd. for CRPF Campus, Jharoda Kalan (authorized Indian	4,516.05	21.89	Rates offered to CPWD in February 2010 for CRPF campus at Jharoda Kalan;  However, the agency bid at the rate of ₹ 8850 per sqm in its bid for CWG-2010

representative of Polytan)			
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5.39 The Committee asked CPWD to substantiate that the rates were reasonable in view of the fact that the rates quoted by the bidders were much higher than the rate quoted by the same agencies for other similar projects or points of time. In reply, CPWD *inter-alia* stated in a note as under:

"It should be noted that in the item rate tender, the overall tendered amount of the work is compared with the justified cost. The comparison of individual rates of one work with the individual rates of another work is not correct. Although in a tender, some rates may be quoted on higher side or lower side but overall quoted amount need to be compared with justified cost. For example, the item of synthetic surface at Ranchi National Games was an item in overall contract value of development of venue for National Games. Similarly, in the work of development of venue at Delhi University, also there was an item of synthetic surface. It is interesting to note that same agency M/s. Nagarjuna Construction Co. Ltd. who have quoted ₹3,350/- per Sqm. for stadium at Ranchi (Dec 2005), had quoted ₹7,337/- per Sqm. for stadium at Delhi University (August 2008), perhaps on realization of unworkable rate for Ranchi Stadium and also with time lag. It is also established fact that rate is function of time. If time is squeezed beyond a limit it will result in higher rate. In case of CPWD, execution time was got reduced further from the time period mentioned in the NIT during negotiation while attempting to get reduced the rates..... The terms & conditions of work at CRPF (CPWD) and Ranchi are not similar to the work for CWG at Jawaharlal Nehru Stadium. In CRPF, the letter of credit was opened by the department whereas in CWG works, the entire turnkey work was done by the contractor. The work also involved the engagement of FOP consultant maintenance & upkeep of tracks for six months, which is normally not there in other contracts. Moreover, the item of synthetic surface taken for other stadiums for comparison cannot be compared as the terms and conditions and other factors may not be similar in all the works. Here, it is also submitted that BASF manufacturer (M/s Conica) vide his letter No. Nil dated 22.09.2009 intimated that price differs upon so many varying factors i.e. scope of work, location, quantities, cost & availability of resources and even profile of the event itself..... Thus, the work was awarded with due negotiations considering negotiated amount reasonable and compared to prevailing market rates. The entire tendering process was done with transparency. The justification for the work as finalized by the Joint Tendering Committee was further reviewed by two independent officers of Superintending Engineer level specially deputed by Directorate. The further negotiation was conducted with lowest bidder by two independent officers of Chief Engineer level specially deputed from the Directorate. The CW Board deliberated the matter in detail on each observation of the members of the Board and of the invitees as well as in regard to qualifying criteria in particular. After considering all the details i.e. qualifying criteria, financial capabilities of lowest bidder etc. CW Board approved the

proposal for acceptance at the final negotiated amount of ₹ 27,61,47,154/- pertaining to CPWD in favour of M/s. Shiv Naresh Sports Pvt. Ltd."

**V. Unjustified Inflation of Rates of VVIP/VIP and Media Chairs Procured for Five Stadia Resulting in Extra expenditure of ₹ 3.66 crore.**

5.40 As pointed out by Audit, Expression of Interests (EOIs) were invited in Decembers 2009 from the manufacturers/suppliers of seats/chairs for supply and installation of 15,900 VVIP/VIP chairs with arms, cushion and armrest and media chairs with cushion, folding table and armrest for five venues for CWG-2010. The manufacturers/ suppliers were to visit the venues to understand the requirement and submit salient data with brief technical parameters/ specifications, details of turnover, manufacturing capacity, delivery period and prices (inclusive of installation cost). They were also required to install their samples at JNS and submit model wise technical specifications and catalogues, and photos of samples installed along with the response to EOI. Of the 15 agencies that installed their samples at JNS, a committee of seven senior officers headed by the DG, SAI approved, in December 2009, a total of 14 samples (11 for VVIP/VIP and 3 for Media) of six manufacturers. In January 2010, NIT was issued inviting agents or manufacturers of the shortlisted makes/models to bid . Four bids were received. None was from the manufacturers, except Superior Furniture, who was awarded the contract based on its L1 bid in March 2010.

5.41 Audit scrutiny revealed that though Superior Furniture was the L1 bidder, its rates were inflated and CPWD justified these inflated rates by ₹ 3.66 crore to award the contract. This was established by the estimates prepared at different points of time i.e. ₹ 3130 per VVIP/VIP chair, ₹ 3310 per Media chair in December 2009 (EOI); ₹ 4300 per VVIP/VIP chair, ₹ 4545 per Media chair in January 2010 (preparation of estimates); ₹ 5452 per VVIP/VIP chair, ₹ 5650 per Media chair in February/March 2010 (justification of costs).

5.42 Asked to state the reasons for disparity in estimates prepared at different points of time and also for inflating the justified cost prepared by the Department, CPWD replied that the detailed specifications and terms/conditions contained in the tender document were not known to the agencies at the time of EOI. So when superior

specifications were asked by the department at the time of actual tendering, the intending bidder at that time had to quote his rates accordingly. Even though M/s Superior Furniture while submitting EOI had clearly intimated that their rates did not include any profit margin but still at the time of preparation of justification, it was assumed that M/s Superior Furniture must have included their profit margin of 15 percent while quoting their budgetary rates at the stage of EOI. Therefore, the quoted budgetary rates during EOI were first reduced by 15 percent so that the interest of the Government was safeguarded. Thereafter, other components as reflected in the detailed estimate such as applicable taxes on material, service tax on labour component, cartage, fixing charges, contractor's profit, water charges, labour cess, additional VAT and cost against quality assurance etc. were added to arrive at a rational justified cost of the chairs according to terms and conditions of the contract. CPWD further stated that the reason for this increase in cost on account of superior specifications had been duly recorded by the Department before award of work.

5.43 On being enquired about the reasons for not disclosing the actual specification laid down in the tender while inviting Expression of Interest, CPWD stated that type and model of required chairs were not known. Hence, Expression of Interest (EOI) was floated to explore the availability of different type of chairs. So the EOI called by the department for supply of VVIP/VIP chairs and media seats was invited for the purpose of understanding the wide variety of the chairs and manufacturers available in the market along with the rough prices available for a particular specification. Since, the specifications were not known to the department at the time of calling of EOI, so the question of disclosing or un-disclosing the information at that time did not arise.

5.44 Enquired about the reasons for upgradation of the specification/requirements later on, CPWD stated that the detailed specifications for the chairs were framed only at the stage of preparation of detailed estimate of the work before call of tenders based on the inputs received from various suppliers and their technical teams during EOI.

5.45 As informed by CPWD, the exact specifications and requirements that were upgraded are given below:

- All anchor bolts should be non-corrosive galvanized or polyester powder coated.

- All fasteners fixed should be are of HILTI / FISCHER make.
- All metal finishes should be hot dip galvanized or polyester powder coated (50 micron thick).
- All plastic components should be UV resistant and complying with flammability.
- Upholstery of the chairs should be fire retardant.
- Cushion should be of minimum density 40 kg per cum and fire retardant.
- Numbering of all chairs should be done.
- Fixing of cycling velodrome chairs to be done on risers instead of on treads.
- Chairs to be fixed by the contractor on his own.
- Cartage to be borne by the contractor.
- 3<sup>rd</sup> party QA agency to be paid by the contractor.
- Maintenance and regular cleaning of chairs is to be carried out by the contractor on his own up to 31/03/2011.

#### **VI. Jawaharlal Nehru Stadium Complex - Construction of Fixed Tensile Membrane Roofing Over the Seating Area**

5.46 According to Audit, CPWD in December 2007 awarded a lump sum contract for construction of fixed tensile membrane roofing over the seating area in Jawaharlal Nehru stadium at a cost of ₹ 308.08 crore to Shapoorji Pallonji & Co. Ltd. (SPCL) for completion by September 2009. Completion of work was delayed by over eleven months due to various reasons, attributable at least partly on the contractor/sub-contractors such as three months delay due to rectification of the defective geometry of the alignment of head plates of the erected columns; non resolving of the issues regarding fabrication and erection of ramps and cat walk, erection of cable, casting of staircase, fixing of railing, drainage pipeline etc. as of December 2009; non-installation of about 61 curved beams, 40 RT1 beams, RB beams, flood light mast and some catwalk structure units and the entire parapet even as of 4 January 2010; flaws in laying of cable; inadequate deployment of manpower, tools and machinery; inadequate expertise for fabric installation etc. The site became hindrance free by January 2010 and CPWD issued several notices including on 28th April 2010, 5 May 2010 and 16 August 2010 holding the contractor responsible for slippages, slow progress of work and non-achievement of revised milestones. However, CPWD apart

from issuing notices for imposition of penalty/compensation, never enforced contractual remedies against the contractor to levy compensation estimated at a maximum of ₹ 30.80 crore. CPWD also made payment of ₹ 7.02 crore, as of September 2010 towards escalation of costs for periods beyond the stipulated date of completion i.e. 3<sup>rd</sup> September 2009.

5.47 The Committee desired to know the reasons for non-levy of compensation. In reply, CPWD stated that there were genuine hindrances at site. When the work was started, the stadium was occupied by the Organising Committee, SAI and a number of Sports Federations. The last area of stadium was handed over to CPWD in June, 2009, 17 months after the stipulated start of work (January 2008). Other essential services were to be kept in operation till those offices were occupied by SAI/OC etc. for their functioning. With 4.5 m wide, 3.5 m height & 160 m long tunnel (equal to 4 subways in Delhi) required minimum 6 months time for planning, designing and execution and E&M services. Accordingly, it was evident that there had been at least a delay of around six months (October to April) due to in between introduction of tunnel work. Both the construction activities accounted for 23 months delay. CPWD further submitted that considering the above genuine hindrances, which were not attributable to contractor, it was not made the contractor responsible for delay of 11 months. Therefore, the contractor was not liable for recovery of compensation upto maximum of ₹ 30.80 crore. All the hindrance for the work were recorded properly. CPWD had taken action according to the terms and conditions of the agreement. The extension of time had since been sanctioned, considering various types of hindrances encountered during execution of work and the escalation for that period had been paid as per terms and conditions of the agreement.

5.48 According to CPWD, the hindrances were due to the following reasons:

- (i) Late handing over of Ramps which caused 179 days delay from 04.01.2008 to 01.07.2008;
- (ii) Late handing over of stadium building. [The last area of stadium was handed over to the CPWD in June 2009 i.e. 17 months after the stipulated data of work 04.01.2008)];
- (iii) Space constraint;
- (iv) Delay due to introduction of tunnel.
- (v) Delay due to new requirement of steel; structure for Video Screen and Score Board; and



(vi) Sequencing with other works.

5.49 Throwing further light on the matter, a representative of CPWD deposed in evidence as under:

"In the case of JNS, if you might recollect as it was very widely known, at the last minute an underground tunnel had to be constructed for the holding of the Commonwealth Games. A photo-finish lift was asked for. It was just a couple of months before the event."

5.50 On being asked whose responsibility was it to provide the complete site for executing the work, CPWD submitted that when the work was started, the stadium was occupied by the Organising Committee, Sports Authority of India (SAI), a number of Sports Federations and offices of Supreme Courts etc. CPWD were doing the deposit work for SAI / MoYAS. The Organising Committee was the agency who was to organize the Games in these venues and the stadia buildings were occupied by them, which were vacated later on. The handing over was done by SAI in a phased manner to accommodate all under given situation. SAI/OC could shift to new building only after getting the alternate accommodation. Hence the delay occurred.

5.51 The Committee asked the specific efforts made by CPWD to timely evict those offices, which continued to occupy the site even after the commencement of the work. In reply, CPWD explained that perhaps due to non-availability of alternate site space, the area could not be vacated. However, the same was done in due course of time. CPWD time and again has requested SAI to get these areas vacated for the work but due to the number of agencies and Sports Federations occupying the spaces, it had taken some time. However, all these spaces were vacated subsequently as already submitted and the venue was completed without any cost overrun to the satisfaction of all, for successful conduct of games.

5.52 Asked to spell out the steps taken to impress upon the contractor to expedite the work and achieve the milestones, CPWD stated that notices were served on the contractor as an administrative measure to accelerate the work and to achieve the milestone, even though the delay was not on the part of the contractor. The main objective of issuing such notices was for early completion of the work as required. Irrespective of good speed and progress of work, notices were served on the agency for accelerating the work and putting constant pressure to achieve the target and have

better performance. Since, this project was time bound, and lot of other activities were to be carried out after the roof work, CPWD had no option but to adopt the above method for better results by serving several letters and notices to the contractor time and again.

## **VII. Construction of Weightlifting Auditorium with Two Tier Underground Parking**

5.53 The above work was awarded to Nagarjuna Construction Co. Ltd. (NCCL) at the tendered cost of ₹ 65.45 crore for completion by June 2009. Audit found that powers delegated to senior offices in CPWD for modifications in contractual conditions were used to regularize inadmissible payment of ₹ 1.95 crore to the contractor on account of escalation in price of steel despite the fact that the same was objected by them in November 2008.

5.54 In this regard, the Committee were informed that the agreement between the CPWD and the contractor had provision for payment in escalation of prices of materials under clause 10(CA). In this particular case, the list of material on which 10 (CA) was applicable was inadvertently not included in the NIT/Tender documents. But this did not mean that the provision of clause 10 (CA) as already applicable in all CPWD contracts for cement and steel ceased due to the inadvertent clerical error.

5.55 The Ministry further reasoned that the provision of clause 10(CA) was not incorporated in the original NIT but its applicability was confirmed vide corrigendum no. 2 when so enquired by the prospective bidders in the pre-bid conference and agreed by CPWD as per CPWD Manual & GCC Provisions. Corrigendum no. 2 to this effect was issued and was a part of the agreement. However while issuing the corrigendum, the list of material covered under clause 10 (CA), was not specified probably due to oversight. Corrigendum no. 2 thus remained partially incomplete causing unintentional inconsistency in the agreement provisions.

5.56 The Ministry also submitted that the said inconsistency had been taken care of by way of approval of the amendment of the agreement by the competent authority i.e. ADG, CWG as per delegation of powers as mentioned in CPWD Manual Vol.-II. This amendment supplemented corrigendum no. 2 issued earlier. The Ministry clarified further that the power delegated to CPWD officers to modify agreements within certain

specified financial limits was meant and exercised to issue clarifications regarding genuine omissions/inclusions/errors as might creep in while preparing NIT/agreements and to remove inconsistencies in the agreement. These powers were exercised accordingly.

5.57 The Committee enquired about the need for issuing a corrigendum, which had the effect of offering payment of escalated prices to the contractor by CPWD. In reply, CPWD stated in a note as under:

"The NIT of the work was initially silent on provision of clause 10 CA. But in the pre-bid meeting a specific query was raised by prospective bidders as to whether clause 10 CA would be applicable. This query was replied as 'yes' by CPWD and was confirmed vide corrigendum no. 2 before tendering and signing of the contract thus making this affirmation a part of NIT (tender document) as well as the agreement/contract. Thereafter, there remained absolutely no contradiction to the fact that as per the contract clause 10 CA was applicable. As already submitted, appendage to clause 10 CA in the form of list of material was inadvertently missed out but it did in no way disqualify the contractor from being contractually entitled to applicability of clause 10 CA which remained very much a part of contract. However, it was necessary to issue the corrigendum in this regard to remove the unintentional inconsistency in the agreement as per provision contained in para 32.9 of CPWD Manual 2007 (clause 33.9 of CPWD Manual 2010) which was applicable in the instant case. The para reads as under in part:

"This clause (10 CA) shall be applicable for allowing adjustment in cost of work due to variation in prices of costly materials constituting substantial part of work. The NIT approving authority may consider bringing materials like cement, steel, structural steel, bitumen etc. under the ambit of this clause...."

The corrigendum was issued after its approval by the competent authority as per powers delegated to CPWD officers as mentioned in Appendix 1 (Sl. No. 29) of CPWD Manual 2007 and 2010 to reply specific query from the contractor. Moreover, the corrigendum has not otherwise altered contractual provisions and in no way had the effect of unilaterally offering payment of escalated prices since this provision already existed in the contract. Rather, unintentional inconsistency was removed by way of this corrigendum which as such does not offer anything new to the contractor as clause 10 CA was already otherwise also applicable contractually."

5.58 CPWD further clarified the matter as under:

"The clause 10 CA was introduced in all CPWD contracts for cement and reinforcement bars vide O.M. No DGW/CON/199 dt.02.09.2004. Clause 10 CA (in GCC 2005) and CPWD manual para 32.7.1 were subsequently amended to allow for inclusion of materials other than cement and steel also in the ambit of

clause 10 CA to further rationalise the provisions in CPWD contracts. It is thus clear that clause 10 CA was applicable on cement and steel since 02.09.2004 in all CPWD contracts. Its scope was further widened and was made applicable to materials other than cement and steel also vide O.M.DGW/CON/230 dt 13.03.2007 (annex 17.6.3 a) meaning thereby that there can be no doubt on applicability of Clause 10 CA in the instant case and it was a part of the contract. It is noteworthy that in the instant case, CPWD still limited applicability of clause 10 CA to only cement and steel and did not allow any other material though otherwise the same were allowable in all CPWD contracts as clarified above. As clarified above the action taken by CPWD in this case is contractually sound and is in line with provisions of CPWD manual and there is absolutely no violation."

5.59 On being asked whether the repeated negligence on the part of CPWD leading to non-specification of the list of materials covered under clause 10 (CA) even after issuing a corrigendum had weakened CPWD's claim of the 'mistakes' being inadvertent, CPWD submitted that an amendment was issued vide O.M. NO DGW/CON/230 dated 13.03.2007 regarding provision of clause 10 (CA) and it was a fresh introduction to list out all the materials including cement, steel and others, if any covered under clause 10 (CA); while earlier i.e. prior to issue of O.M. dated 13.03.2007, there was no need to append such list as only cement and steel were covered under clause 10 (CA). Probably due to this transition, listing of materials got an inadvertent miss by human error and not due to negligence. But this in no way put CPWD at disadvantage as both the NIT as well as the contract otherwise also had a provision of clause 10 (CA).

#### **VIII. Dr. Shyama Prasad Mukherjee Swimming Pool Complex - Undue Concessions to Ahluwalia Contracts (India) Limited**

5.60 The major work of construction of new insulated metal sheet roof of Dr. Shyama Prasad Mukherjee Swimming Pool Complex (SPM), alongwith roof supporting structure, and its integration with the structure, was tendered as a lump sum contract . This work was awarded to M/s Ahluwalia Contracts (India) Limited (ACIL) at the tendered cost of ₹ 229.73 crore in December 2007, against an estimated cost of ₹ 176 crore calculated in October 2007. Audit pointed out that the last date for submission of tenders which was notified as 16<sup>th</sup> November 2007, was extended four times upto 14<sup>th</sup> December 2007. The estimates put to tender were ₹ 176 crore, and the L1 bid of ACIL was ₹ 229.73 crore. The difference in the bid from the estimates was partly justified by revising the Contractor's Profit and OverHeads (CPOH) from 10 percent to 15

percent, permitted on the same date by DG (Works), CPWD as the much-extended last date to bid i.e. 14<sup>th</sup> December, 2007. The approval of the Ministry of Urban Development for revision of CPOH was received only in July 2008. In reply, CPWD stated that the dates were coincidental. However, Audit noted that CPWD irregularly allowed enhanced CPOH without the prior approval of the Ministry.

5.61 In the above context, CPWD clarified that it was not only M/s AC(I)L but also all the five prequalified agencies at whose request the last date for submission of tender was extended 4 times by the competent authority from 16<sup>th</sup> November 2007 till 14<sup>th</sup> December 2007. Given the fact that this kind of roof was being executed for the first time in the world at such a large scale, the agencies along with associates required some extra time so as to get more time in understanding such a technical and complex bid document.

5.62 Elaborating on the issue, CPWD stated that the increase in contractor's profit was not done on 14<sup>th</sup> December 2007 as pointed out by Audit but was under consideration since 2005 and was done due to the demand of the situation in the changing construction scenario. The proposal of increase in CPOH from 10 per cent to 15 per cent was in place earlier to submission of tender. There was no allowance of increase in rate of CPOH to the agency M/s AC(I)L. It was a conscious and need based decision and also in line with prevailing practice in other Government Departments, resulting in no undue benefit to contractor or causing any loss to Government.

5.63 CPWD further submitted that MoUD took a view that a decision for enhancing the ceiling of overhead charges allowable to contractors was to be taken by Ministry of Finance (DoE). Accordingly, Secretary (UD) had suggested that the matter be discussed appropriately in the Ministry of Finance. The Secretary, Expenditure had stated that the issue to increase the contractor's over head could be finalized by the Authority preparing the Schedule of Rates and Justification of Tenders etc and also directed that it was for the DG, CPWD to invite organizations like MES, MORTH & DDA etc. who had already gone for increase CPOH and to decide the issue. No such directions were given by the Secretary, Expenditure that it required prior approval of MoUD. However, MoUD also approved the proposal subsequently.

5.64 The Committee enquired about the inability of CPWD to project a realistic date for submission of tenders which led to extension of the last date for submission of tenders four times. In reply, CPWD stated that as and when the details could be finalised by CPWD, tender for selecting the agency for execution of work were called by CPWD to expedite the work. The notice to prequalified agencies was issued by Executive Engineer, Commonwealth Games with last date of receipt of tender as 16<sup>th</sup> November 2007. The pre-bid meeting for above work was held on 5<sup>th</sup> November 2007 and 8<sup>th</sup> November 2007 to discuss the issues and to understand the project by the prospective bidders. During the pre-bid meeting, the concerns raised by the agencies were issued in the form of Corrigendum No. 2. Considering the request of the agencies during the pre-bid meeting the date of receipt of opening of the tender for the work was extended from 16<sup>th</sup> November 2007 to 26<sup>th</sup> November 2007. But M/s Shapoorji Pallonji & Co. Ltd. *vide* their letter dated 17<sup>th</sup> November 2007 requested to extend tender submission date by at least two more weeks to enable them to submit their competitive offer. Considering this, the date of submission of tender was extended upto 3<sup>rd</sup> December 2007. M/s Larsen & Toubro Limited *vide* their letter dated 28<sup>th</sup> November 2007 requested that they were in the process of finalization of their proposal with specialized agency of strand cable work, VSL India Pvt. Ltd. and they had sought for some more time to produce the technical documents. It was also requested by M/s Larsen & Toubro Limited that due date of 3<sup>rd</sup> December 2007 for tender submission did not provide them with enough time to take the competitive offer from the specialized agency of cable work and for technically & commercially evaluating their proposal. Accordingly, they requested the Department to extend submission date to 14<sup>th</sup> December 2007 to enable them to give a competitive offer. M/s Ahluwalia Contracts (I) Ltd., *vide* their letter dated 1<sup>st</sup> December 2007, intimated that in spite of their best efforts, they could not receive the quotations from the Strands Agencies, instead they had received a regret from M/s VSL asking further time for submission of their offer and requested the Department to extend the date of submission of bid at least upto 10<sup>th</sup> December 2007. Considering above, the date of receipt of tender document was extended from 3<sup>rd</sup> December 2007 to 10<sup>th</sup> December 2007. Subsequently, M/s Ahluwalia Contracts (I) Ltd. *vide* their letter dated 8<sup>th</sup> December 2007 intimated that they received the offer from cable / strands associates (i.e. M/s VSL) very late and they wanted some time to understand the system

proposed by them and requested to extend the date of submission at least by a week. M/s B.G. Shirke Const. Tech. Pvt. Ltd. vide their letter dated 08.12.2007, also requested to extend the date of submission of tender by at least up to 18.12.2007. M/s Shapoorji Pallonji & Co. also vide their dated 08.12.2007, requested to extend the tender submission at least by one week as they were still discussing the issues with strand work associates to get the offer as per tender requirements. Since, such kind of complicated roof work in association with specialized associated agencies were being attempted for first time in India, it was felt essential that appropriate time was to be given to all the agencies for preparing their offer for the work. Accordingly the bid submission date was extended upto 14.12.2007, which was not agreed initially to save time.

5.65 The Committee asked the basis for revising the Contractor's Profit and OverHeads from 10 percent to 15 percent. In reply, CPWD stated that much before this tender many other Government Departments and PSU like NHAI, MES, NBCC, some state PWDs had already adopted the practice of using 15 per cent – 25 per cent CPOH on account of mechanized construction etc. and that the proposal to increase contractors profit and overhead in CPWD Works was first initiated in May 2005 by the department which was approved by D.G. (W) on 14<sup>th</sup> December 2007 in consultation with the Ministry of Finance for all works in CPWD located at different parts of the country. Hence, it might be inferred that the increase in contractor's profit was not done on 14<sup>th</sup> December 2007 but was under consideration since 2005 and was done due to the demand of the situation in the changing construction scenario. As such, the proposal of increase in CPOH from 10 per cent to 15 per cent was in place earlier to submission of tender. The same was considered for preparation of market rate justification.

**IX. Extra Payment of ₹ 4.17 crore for Items of Work Already Covered in the Scope of Work of Lumpsum Contract**

5.66 Audit scrutiny revealed that despite clear provisions for use of stainless steel plates, bolts, nuts etc. in the item of galvanized strands for stainless steel connections in the drawings, technical specifications and notes below the item in bill of quantity, CPWD proposed an extra item of stainless steel plates and bolts on the ground that word "stainless steel" had not been mentioned in the nomenclature of the item of work.

Extra payment of ₹5 crore to ACIL for stainless steel plates and bolts was approved by the competent authority in February 2010. Payment of ₹4.17 crore had been made to ACIL as of November 2010. After continued deliberations/ discussions and reporting by Audit, CPWD agreed in December 2010 that the item of stainless steel plates and bolts, etc. was part of the agreement item and nothing extra was payable and assured to make recovery from ACIL.

5.67 The Committee desired to be apprised of the reasons for making extra payment of ₹ 4.17 crore for items of work already covered in the scope of work of contract. In reply, CPWD *inter-alia* submitted that the Audit observation was not based on facts and no discussion/ deliberation ever took place with the audit regarding the matter of stainless steel plates, nuts and bolts with the department officials. Not even an Audit Requisition Memo (ARM) was ever issued by the audit team on the said matter and the department had on its own informed the agency M/s AC(I)L regarding non admissibility of item on 23/10/2010 even though the audit memo was received by the department only on 27/12/2010. However, the 40<sup>th</sup> R.A. Bill had been passed vide C.V. No. 149 dated 11/4/2011 and an amount of ₹ 4,17,11,069/- had been recovered from the agency on account of non admissible item of stainless steel plates, bolts, nuts, washers etc.... thereby safeguarding the interest of the Government.

5.68 CPWD further stated that the chronological sequence of why the department changed its view in the treatment of this item was as follows:

5.69 The agency vide letter No.AC(I)L/CPWD/SPM/863/2010 dated 26/04/2010 submitted the financial claim for the execution of the above said item as an extra item. Since all the division office staff was very busy in the execution of the work, the extra item could not be processed at the time of execution of the work.

5.70 After completion of the work and successful completion of the Commonwealth Games 2010, the case for processing of the said item as an extra item was taken up by CPWD for which all the terms and conditions, specification, BOQ Drawings and other relevant extract mentioned in the agreement at various places was again reviewed.



5.71 Consequent to review of the contract it was observed that although there was no specific separate item for the stainless steel plates, bolts, nuts etc. in the BOQ, there was mention of the same in the item no. 2.7.10 page 441-442 of the agreement. The relevant extract of the same is reproduced below:

"The above item is deemed to be inclusive of supplying, fabricating and installing fixed and movable connections between two panels in the secondary beam structure consisting of elastomeric pads, bolts, shear piece, stainless steel connections, link plates with slotted holes etc.. as per specifications and drawings and direction of Engineer-in-charge all complete"

5.72 Thus, it was evident that the said item of stainless steel plates, nuts bolts, washers etc.. which had been got executed as an extra item was in fact part of the agreement item No 2.7.10 page 441-442 which is also shown in the GFC drawings no 062, 069, 070, 071, 072, 073, 074 and 075 as well as other items like elastomeric pads etc.. so mentioned would form the part of item & nothing extra could be paid on account of this, to the agency.

5.73 On being asked whether responsibility had been fixed against the defaulting officers who sanctioned such items as extra items, CPWD stated that there was no need of fixing any responsibility as the amount had already been recovered and there was no loss to the government and its interests were well protected. Moreover at any stage, work done by the contractor had always been much more than the actual payment made to the contractor.

## **X. Change of Roof**

5.74 According to Audit, two contracts awarded by CPWD, i.e. (i) Construction of new insulated metal sheet roof along with supporting structure etc. at Dr. S.P.M. Swimming Pool Complex and (ii) construction of Weightlifting Auditorium with two tier underground parking at JNS, included similar item of work "providing and fixing of double skin insulated roofing system comprising of seam profiled permanently colour coated gavalume/zincalune steel" at the rate of ₹ 7850 per sqm. and ₹ 2349 per square meter respectively. In both cases, it was the responsibility of the main contractor to engage technically competent and capable vendors for the roofing system.

5.75 However, the vendors engaged by the contractors were found to be incompetent and incapable to provide the committed roofing system. Both the contractors did not execute the item of work and CPWD decided to provide kalzip roofing system in both the venues. However, the same authorities in CPWD sanctioned variable rates of ₹ 7316.44 per sqm for Weightlifting Auditorium by treating the item as 'substituted item' and ₹ 9168.35 per sqm for Dr. S.P.M. Swimming Pool Complex by treating the item as 'extra item'. Instead of executing the agreement items in both the cases at the risk and cost of contractor under provisions of the agreement, CPWD made extra payment of ₹ 6.79 crore to the contractors by substituting the original item.

5.76 In this regard, the Committee were informed that the consultant during deliberations with the Department had originally envisaged the roof as an aluminium top sheet but during discussions with the Department it was thought and decided upon to proceed with a galvalume sheet top roof for techno-economical reasons, since the galvalume sheets were readily available in India and the Indian firms possessed experience in working on the galvalume sheet. But, it was not getting technically feasible with the galvalume sheet material in both the cases due to high curvature and 3 dimensional floating nature of the roof.

5.77 The Ministry further stated that the difference in the rates sanctioned for the said item in Weightlifting Auditorium and Dr S.P.M Swimming Pool complex was on account of the following reasons:

- Difference in specifications of the roofing item both at Weightlifting Auditorium and Dr S.P.M Swimming Pool complex.
- In Weightlifting Auditorium the item had been derived and sanctioned as substitute item (since it was an item rate contract) and in Dr S.P.M Swimming Pool complex the item has been derived and sanctioned as extra item (since it was a lump sum contract with variation clause).

5.78 Asked to state the reasons for not carrying out the work at the risk and cost of the contractor and imposing penalty, CPWD *inter-alia* responded that the contractor did actually execute the agreement item to the extent possible by providing agreement item except top layer which was decided to be substituted due to technical considerations. Hence getting the work of only the top layer done at risk and cost of

contractor was not feasible nor contractually correct. Moreover, such an action would have reduced overall responsibility of the contractor for the full roofing system as well as entire building to which the roof was anchored. CPWD further stated that when the Department decided such things on behalf of the Government as per technical and contractual necessity in overall interest of the project, getting it done at the risk and cost of the contractor or penalizing the contractor shall not be in line with the actual spirit of the contractual provisions. Since the contractor had completed his job satisfactorily, there was no need to impose any penalty.

5.79 In view of the fact that the technical feasibility of steel profiling was not considered before justifying their high rates, the Committee asked whether the contractor was not supposed to verify the feasibility before submitting the rates. In reply, a representative of CPWD submitted in evidence as under:

"Sir, in the item rate tender, we mention a particular item in the BOQ. There we prescribed the galvalume roof and it was done to economise the cost. There was a discussion whether there should be aluminium or steel or Galvalume. But when actual work started we did a mock model and then we found that it is susceptible to crack and may lead to leakage. It was harder and brittle and then the top most level of the roof was made of aluminium and the rest all arrangements remained the same."

5.80 The Committee then enquired into the reasons for entering into two different contracts for roofing Dr. Shyama Prasad Mukherjee Swimming Pool Complex (lump sum contract) and Weightlifting Auditorium (item rate contract). In reply, CPWD stated that it had not entered into different contracts for roofing work only. Roofing system was only a part of the building/stadium and was not a complete work by itself for which different contracts were entered. The type of work involved for Dr. SPM Swimming Pool Complex was different from the type of work involved in Weightlifting Auditorium. Even the roofing system was different except that roof sheeting happened to be the same. The type of contract for each building / work was decided based on the intricacies involved in the execution of the particular work and thus two different types of contracts was entered into for the two different works.

5.81 Once a contractor had agreed and signed a contract and failed to execute the work, the Committee desired to know the reasons for CPWD not forcing the contractor

to execute the agreed work at the risk and cost of the contractor under the provisions of the agreement. In reply, CPWD have stated in a note as under:

"The contract at Dr. SPM Swimming Pool Complex was not a fixed cost contract. The lump sum quote of contractor was only for a specified scope of work & specified specifications. Both the contracts of SPM and Weightlifting Auditorium had provision for galvalume sheet roofing. During the progress of work, it was found that it was not feasible to create complex 3-D geometry using galvalume sheets. The contractor arranged mock ups using galvalume sheets, which were not found acceptable as observed by the consultants and the Department. Accordingly, it was decided to substitute only the top layer of roof i.e. Only the top layer was provided in aluminium (to achieve 3-D roof geometry, which was not found feasible using galvalume sheet) as against agreement/contract provision of galvalume sheet for both top as well as bottom layer. The contractor acted as per decision taken by the department purely on technical grounds in the interest of work. The contractor actually provided bottom layer, fastening system, clips, insulation etc. as per agreement item only except for top layer which CPWD asked him to make in aluminium sheet instead of galvalume sheet (as provided in the agreement) due to technical considerations. It would not have been feasible to get only a part of the roof i.e. the top layer executed through some other agency as contractor had overall responsibility for structural soundness, which could not be effected by allotting part of roof to some other agency at the risk and cost of the contractor. It was purely a technical decision of CPWD to substitute only the top layer of roof and contractor acted accordingly. The decision of CPWD is as per contract and manual provisions without any violation."

## **XI. Indoor Cycling Velodrome**

5.82 Audit scrutiny revealed that M/s JMC Projects (India) Ltd. was awarded the contract of composite work for Indoor Cycling Velodrome. However, there were several irregularities in the bidding procedure viz. compliance with the condition that the agency should not have incurred any loss for more than two years in the last five years being circumvented by a change in the accounting period in the year 2004-05; inconsistent figures of liabilities provided by M/s JMC Projects (India) Ltd.; astronomical increase ranging from 100 to 1800 percent in the quantities of cables, conduits and hardware items. Audit also found that although Lloyd Insulations were the designate sub-agency, the work was finally executed by Bemo Roof System. Further, the competition for the specialised work of laying permanent timber track for the velodrome was limited to Indian furniture contractors in association with an international track design and construction expert by diluting the bid criteria regarding similar works and turnover.

5.83 In reply, CPWD informed that the Profit and Loss figures were not inconsistent with the general definition of a financial year. They were duly in conformity with the statutory rules of the Registrar of Companies and hence fulfilling the eligibility conditions of press notice. It was also stated that there was some inconsistency noticed by CPWD themselves in figures of liabilities, during the scrutiny stage and this inconsistency was removed before a decision was taken on the correct figures. The veracity of the figures was ascertained by CPWD by insisting upon the contractor to submit a written undertaking that their figures were correct. This was done during scrutiny of the bid documents.

5.84 As regards the alleged dilution of the bid criteria in respect of the work of laying permanent timber track for the velodrome, CPWD stated that it was not "dilution" but rather a modification made with a view to ensure that the tendering process was materialized in the first go, with adequate competition. The eligibility criteria were modified to enhance the number of competitors bidding for the tender. The approval for deviation in pre-qualification criteria vis-à-vis manual provision was taken from the competent authority (Director General, CPWD).

5.85 With regard to the mid-course change in execution of roof work, CPWD stated that in the instant case, although the technical problem could not be foreseen at conceptual / tendering stage, it was rightly foreseen, immediately after preparation of a real time mock up of the system considered in agreement item. It was rather the foresight and insistence of the project team for preparation of 3D model and mock up, much ahead of anticipated commencement of roofing work in the end of 2009 that had helped in averting a last moment problem in the roofing work and in getting completed the work in time.

5.86 The Committee desired to know the reasons for an increase ranging from 100 to 1800 percent in the quantities of cable, conduits and hardwire items in the construction of Indoor Cycle Velodrome. In reply, CPWD stated in a note as under:

"Tender of E&M services at IGI stadium complex were comprised of approx 2660 items. Out of these above mentioned deviations occurred in only few items (5-10 items). The deviations were based on site specific technical reasons such as to provide additional outlets & connections to chorded Microphone and additional console panel in the field of play owing to revised site requirements. Deviations also occurred due to the diversion of cable routes

because of the obstructions of various other E&M/ Air Conditioning Services coming in route wherein cables/conduits had to be diverted because of fixing of HVAC ducts, electrical power cables, fire fighting pipes, drainage and drinking water supply pipes etc. Such changes/deviations could not be envisaged at the tendering stage due to non availability of sufficient required inputs. It should also be appreciated that the finalization of different requirement of the games & services continued to be changed and up-graded till the last moment of commissioning of works/ services and this was in general the reason behind occurred deviation of quantities (both positive and negative) in the tender. It is submitted that due official procedure were followed and accordingly all such deviations were got approved by the competent authority as per CPWD Works Manual."

5.87 On being asked to justify this astronomical increase, CPWD submitted that in such a large quantum of work consisting of approximately 2500 - 3000 items, there was always likelihood of deviation of few items in the work specially when items were of cabling/wiring which were dependent on routing of other services inside the building specially HVAC ducts, fire fighting pipes, power cabling etc. The increased quantities in cables and conduit were essentially required to complete the work as well as to make PA system fully functional. Without diverting the routes of cables and conduits the connectivity of PA system outlets to the main control console was not feasible meaning thereby functioning of PA system was not possible. Therefore, aforesaid deviation was inevitable. While working out the financial aspects of such deviations the Govt. interests had consciously been kept in mind. The rates allowed for the deviated quantities were below the tender rates. For the total deviations in the items of cables, conduit and hardware the amount paid to the contractor was restricted to ₹ 89 lakh as against the cost of deviated quantities of ₹ 165 lakh had it been paid at the tender rates. Thus, the deviations were justified to make sure the perfect functioning of PA System needed for events of International importance as well as without any financial loss to the Government.

5.88 The Committee also desired to know the factors that necessitated the mid-course change in execution of roof work of the Indoor Cycling Velodrome. In reply, CPWD stated in a note as under:

"The factor that necessitated change in roof specification was, the technical infeasibility of execution of the agreement item, which could not be foreseen at tender stage in the absence of experience of planning and execution of such three dimensional roofs. Exact shop drawings and 3 D mock up were to be

prepared, as per the specifications of the tendered item, by the contractor to whom the work would be awarded. It was only when the shop drawings were submitted by the contractor M/s JMC projects Limited through M/s Lloyd Insulations, for the agreement item, it could be seen that the agreement item with conventional rectangular profiled sheets was resulting in so much of patch work, flashings, etc, in the finished roof surface, which might be prone for water seepages and other maintenance problems. Also it may not be aesthetically appealing. This peculiar technical problem occurred because the roof surface has curvatures in different directions, unlike the case of other roofs where curvatures are not there or they are there in only one direction. This technical limitation of executing the agreement item, was also re-ascertained through a 3 D mock up made by the contractor. It was at this stage, before start of actual work, that improved system of roofing with "Tapered profiled sheets" instead of conventional "Rectangular profiled sheets", were enquired and found to be offering solution for the above mentioned technical problems. And it was decided to go for the alternative roofing system."

5.89 When asked whether this midcourse change had any financial implication, CPWD stated in a note as under:

"From the agreement items and preliminary drawings enclosed with the tender documents, there is no specific indication for use of tapered profile sheets. But during the preparation of 3D mock up etc, it was realized that the required geometry can only be achieved with tapered profile sheets. The system of M/s Llyod, as visualized in the contract, was not able to provide the tapered geometry. Therefore, the changed roofing system with tapered profiled sheets, which was of superior geometry, was adopted in the work. Cost of this superior system was derived as per the procedure laid down in clause 12 of the contract document and CPWD Work Manuals, based on reasonable market rates. Thus, there is no undue advantage or financial implication extended to the agency."

5.90 Asked to state the reasons for the change of the executing agency from Lloyd Insulations to Bemo Roof System, CPWD submitted that to the best of information that could be gathered, at that point of time, only the agencies M/s BEMO and M/s Kalzip Ltd. were found to be having the expertise of both manufacturing "tapered profiled sheets" as well as installing the specialized roofing system. M/s Llyod insulations did not have this expertise. Cost of the system of M/s BEMO with Galvalume sheeting was lower than that of M/s Kalzip, who provided systems only with Aluminium sheeting. Execution was therefore got done through M/s BEMO with galvalume sheeting.

5.91 Regarding the work of laying permanent timber track for the velodrome, marked by lack of domestic experience and complexity of the task, the Committee sought the

reasons for restricting the competitions to the Indian furniture contractors. In reply, CPWD stated in a note as under:

"It is not a correct interpretation that bidding was restricted to Indian Furniture Contractors only. The main eligibility criteria laid down in Notice Inviting Tender was that lead contractor may be any company incorporated in India and the lead contractor shall compulsorily associate an International Track Design and Construction Expert for the design and construction of track. Thus the criteria ensured that there was competition at global level. Indian contractor was made a lead contractor, keeping in view smooth coordination at International level in terms of monitoring of project, international transactions like opening of letter of credit arranging visas, payment of taxes, etc. and subsequently legal complications, if any, in case of dispute considering the small time available for the project. The eligibility criteria for an International track expert as required by the Games Federation was so stringent that very few International experts only met the criteria like completion of designed and executed the construction of at least one permanent or demountable timber cycling track for International event of category-I (Elite World championship and Olympic Games). It may also be noted that CPWD ensured competition among International Track Expert, in spite of the fact that name of only one agency was recommended by the Organising Committee, CWG-2010, in view of highly specialized nature of the track and the consequent approval from International Cycling Federation before conduct of Games.

5.92 Asked to name the contractor that was awarded the work of laying permanent timber track for the Indoor Cycling Velodrome, CPWD have stated in a note as under:

" M/s Comfort Net Traders (India) Pvt. Ltd. was the contractor that was awarded the work as Indian lead contractor, in association with the International Track Expert M/s World Record tracks, USA. As per the bid conditions, the Indian lead contractor shall compulsorily associate with an approved International Track Expert."

5.93 CPWD further informed that 11 Indian lead contractors were issued bid documents. Out of these, three submitted their bids. These three bidders, who could secure mandatory association with any of the six international track experts, responded to the Expression of Interest.

## **XII. IGI Gymnastics Stadium - Selection of Swadeshi Construction Company**

5.94 Audit found that there were several relaxations in the tendering process, which resulted in the selection of Swadeshi Construction Co. as the successful bidder in the work 'Improvement of roof of the Gymnastics Stadium'. The eligibility criteria were diluted on grounds of the work being of specialized nature, although the procedure to



be followed in the case of specialized works was by passed completely. Neither was an evaluation done nor was the bidding capacity assessed as was required by the CPWD rules.

5.95 When the Committee desired to hear the views of CPWD on the aforesaid Audit observations, they stated that the modification of bid criteria was in terms of experience of similar works. Accordingly, instead of 2 works each of ₹ 16.73 crore, 2 works each of ₹ 10 crore was stipulated and instead of 1 work of ₹ 26.76 crore one work of ₹ 15 crore was stipulated. These modified criteria were applicable to all the intending bidders who could have participated in bidding in response to press notice. Even after this modification, although 10 agencies purchased the tender paper, only two had submitted their bid, which indicated that there would not have been any eligible agency available if any other higher bid criteria would have been chosen. Thus, this modification was inevitable to ensure that there was competitive response among good number of bidders, so that the work could be started in the exigent situation. CPWD contended that hence it should not be termed as diluted bid criteria.

5.96 The Committee enquired into the reasons for relaxation in the tendering process relating to the work 'Improvement of roof of the Gymnastics Stadium' thereby benefitting M/s Swadeshi Construction Company. In reply, CPWD reasoned that the tendering process was not relaxed. The eligibility criteria were however modified before inviting tenders. The tendering process was duly followed with the spirit of transparency and competitive bidding, after wide publicity through press. The process that was specified in the tender documents or Press Notice, was applicable to and was followed in case of all the intending bidders. No benefit was, therefore, extended to Swadeshi Construction Company. Moreover, CPWD could not have known the lowest bidder, at the time of modification of eligibility criteria.

5.97 On being asked to justify the dilution of the eligibility criteria for the above work, CPWD *inter-alia* stated that the modification in eligibility criteria was made to ensure that there was reasonable competition among good number of bidders. In fact, the standard eligibility criteria specified in the CPWD Manual was not for specialised works. The eligibility criteria for specialised works, was to be decided by the NIT approving authority (Chief Engineer in this case), considering the nature of the work, quantum of work, potential availability of agencies to carry out such work and

accordingly it was done. Therefore, in the instant case, although it appeared to be a case of modification of eligibility criteria, when seen with reference to standard criteria for normal works, it was in fact the only applicable eligibility criteria approved by the competent authority. CPWD further apprised that it was apprehended that not many contractors, with experience of having executed similar steel works of magnitude as prescribed in the CPWD Manual 2003, in the preceding 7 years, would be available and forthcoming for taking up this complex work, as not many steel structures are frequently erected in India, in comparison to RCC structures.

5.98 The Committee then desired to have the information on the number bidders applied before and after diluting the eligibility criteria. In reply, CPWD submitted that there was only one call of tenders, with extension of time for receiving bids, after prebid meetings and site visits by the intending bidders. Apprehending poor response, the modified eligibility criteria was only followed in the first call of tenders. With the modified eligibility criteria, 10 bidders applied for and 6 bidders attended pre-bid meetings and site visits and finally 2 bidders submitted their bids. The fact that only 2 bidders finally submitted their bids, even after this modification, indicated the complexities and risks involved in the work and the inevitability of such modification. CPWD contented that had the criteria been exactly as it was specified for normal works in the CPWD Manual, the final response to bidding might have been further poorer, resulting into uncompetitive rates or nil response.

5.99 On being asked to state the reasons for bypassing the procedure to be followed in the case of specialized works, CPWD replied in a note as under:

" Procedure to be followed in case of specialised works, was not bypassed. The modification of eligibility criteria was done with the approval of the competent authority of CPWD, for specialised works, as explained in previous replies. Further , inviting simultaneous bids, instead of Pre qualification system was adopted for better competition. In fact, it has now been laid down in the CPWD Work Manuals 2010 onwards, that "the system specifies for simultaneous call of technical and financial bids" In prequalification system, the number of financial bids to be received, is likely to be less than the prequalification bids, depending on how many are going to be prequalified. In simultaneous bids, it is not so. The number of financial bids would be exactly, as many as and not less than, the number of eligibility bids. Thus competition would be corresponding to more number of bids, in case they are simultaneously received. In the instant case, both the technical and financial bids were received simultaneously, rather than first prequalifying the bidders

and then seeking financial bids only from those prequalified bidders. As already problem was anticipated with adequate response, this method of calling technical and financial bids simultaneously was done and this ensured adequate competition. Also eligibility criteria were duly evaluated in technical bids and financial bids of those bidders who qualified in technical bids, were opened."

### **XIII. Hostel/Media Centre and Roads, Storm Water Drain and Boundary Wall**

5.100 Audit while bringing out the facts relating to the award of "Construction of hostel" and "Construction of roads, storm water drains and boundary wall" to Swadeshi Construction Co., pointed out that the tender for construction of hostel was tendered/retendered five times, between January 2008 to July 2008 when the contract was finally awarded. Audit found several deficiencies in the selection of Swadeshi Construction Co. for this work viz. non-fulfillment of the condition for experience in similar works, non-attachment of the details of profit and loss account and balance sheet as requested etc. Audit further pointed out that M/s Swadeshi Construction Co. was also ineligible for award of work for construction of roads, storm water drains and boundary wall but for a series of relaxations given to it during the evaluation at the pre-qualification stage as indicated below:

- (i) The figures of turnover submitted by it did not separately indicate the amounts attributable to construction works though required; audited financial statements were also not submitted for independent verification;
- (ii) The turnover of 2007-08 was based on unaudited accounts, if the unaudited turnover of 2007-08 were to be excluded, Swadeshi construction co. was not eligible on this parameter. In addition, the percentage of completion of the two works in progress was not indicated in the performance report; and
- (iii) Except two, none of the seven works completed in the last seven years were certified by the competent authority.

5.101 When the Committee desired to be apprised of the reasons for the inordinate delay in completing the bidding process, CPWD stated that the bid process in case of construction of hostel building took time because of re-invitation of bids which was to be done because of lack of adequate response from the bidders, some ambiguities in the documents and also due to high rates received during the earlier call. Ultimately tenders were awarded after there was a proper response from the bidders.

5.102 On being asked to state the reasons for not strictly enforcing the condition regarding experience of similar works which in the instant case was 'Building works with RCC framed structures; CPWD stated in a note as under:

"The eligibility condition of the work defines that work experience may contain three works of ₹ 4.92 Crore, or two works of ₹ 7.38 Crore or one work of ₹ 9.84 Crore. Thus the contractor can submit his work experience certificate based on these eligibility criteria. The contractor submitted three works of DILI HAAT, 64 Bedded Hospital at Nasirpur and President House Auditorium with value more than ₹ 9.84 Crore. Thus the contractor was eligible in any one of the three works.

The contractor was eligible since all the works listed above were building works with RCC framed structure. The calculation of quantum of RCC work from schedule of quantities was never part of eligibility criteria.

In view of above the condition of similar work imposed was strictly enforced."

5.103 When asked the logic for accepting the turnover of 2007-08, based on unaudited accounts, as reliable, CPWD stated in a note as under:

"The turnover was given by the Chartered Accountant with a note that the records of 2007-08 are under audit. As per the CPWD Works Manual for pre-qualification average annual turnover of last three years is to be considered.

As per income tax act section 139 sub - section 1, the return for proprietorship firm can be submitted upto 31<sup>st</sup> October (the date has now been amended upto 30<sup>th</sup> September). Thus the contractor was to submit the audited balance sheet to income tax department by this date. The department cannot ask to submit the audited report before this date and accordingly the un-audited balance sheet turnover figure given by the Chartered Accountant was accepted. It can be seen that the Chartered Accountant has provided provisional annual turnover as ₹ 33,28,61,733/- and provisional net profit as ₹ 1,49,78,778/- whereas the final figures of turnover and profit are ₹ 27,63,70,918/- and ₹ 1,56,39,593.58/- respectively. It can however be seen that, even after considering that audited figure of turnover, of ₹ 27.63 Crore, the average turnover is much higher than that required as per NIT conditions.

Required average turnover for last 3 years	=	₹ 6.15 Crore
Actual average turnover as per CA certified	=	₹ 25.98 Crore
Actual average turnover considering audited report	=	₹ 24.10 Crore

Year ending	Actual turnover ( In Cr.)	Remarks
March, 2006	18.54	-
March, 2007	26.13	-

March, 2008	27.63	Un-audited figure was ₹ 33.29 Cr.
Average	₹ 24.10 Crore (considering audited report)	₹ 25.99 Crore (considering un-audited report)

The mere presentation of un-audited turnover that can be legally given by 31<sup>st</sup> October of that particular year cannot be treated as un-justified. Every tenderer was asked to submit the certificate of Chartered Accountant stating turnover of last three years and the same was provided by them."

**XIV. Extra Items of ₹ 2.48 crore Awarded to Swadeshi Construction Co.**

5.104 Audit pointed out that M/s Swadeshi Construction Co. was awarded extra items of works at market rates, without bidding. These included cabling/feeder pillars work for CCTV at the Hostel, Wrestling Stadium and Gymnastics Stadium (₹ 0.77 crore) and temporary structure in the Wrestling Stadium (₹ 1.71 crore) where the main contractor was Era Infra Engineering Ltd. In addition, an amount of ₹ 0.38 crore was paid to M/s Swadeshi Construction Co. for removal of lime, moorum and building rubbish which was contractually to be done free of cost by the agency.

5.105 Clarifying the matter, CPWD informed that the agency M/s Era Infra Engineering Ltd. would not have been able to complete this extra work as they were busy in their own work and the available resources were not at all sufficient to execute the additional work. Finally the work was executed by M/s Swadeshi Construction Co. after considering their performance in the structural steel works, as an extra item at a lower rate compared with the other agencies present in the campus i.e. M/s Era Infra Engineering Ltd. and M/s JMC Projects (I) Ltd. There was requirement of temporary structure in between the main hall and warm up hall to provide for temporary demountable seats. The type of structure to be provided required the specification of chairs to be finalised before the arrangement of steps to be provided in the structure could be finalized. The process of finalisation of chairs was completed during the period July 2009 to December 2009 on receipt of detail from the SAI/Ministry of Youth Affairs and Sports. There was no time left for inviting fresh tenders and selecting new agency with a new set of staff, supervisors, and co-ordination problems. The only option left was to elect a suitable agency, who could execute the work within available time frame.

## **XV. Major Dhyan Chand Stadium - Dilution of bid Criteria**

5.106 According to Audit, in response to RFQ issued in March 2007 for prequalification of the work of the "Upgradation and Remodelling" of Major Dhyan Chand Stadium, seven firms responded out of which two were disqualified. Audit found that the Project Manager diluted, without any recorded reasons, the pre-qualification criteria for eligible works in the NIT from that specified in the General Conditions Contract (GCC)-2005. As it stood, the GCC-2005 prescribed that for all works costing more than ₹ 10 crore, experience of completion of at least two similar works equal to 60 percent of the estimated cost would make the contractor eligible. This was diluted to 'two similar works of only 50 percent of the estimated cost'. This dilution directly benefited M/s Unity Infraprojects Ltd. and M/s ACIL, which would not have been eligible had the standard criteria been retained.

5.107 The Committee sought explanation for the dilution of the bid criteria as specified in the General Conditions Contract (GCC) 2005 at the prequalification stage. In reply, CPWD submitted as under:

"As per Para 16.12 of CPWD Manual 2007, A.D.G will approve the eligibility criteria and technical bids for works costing more than ₹10 cores. As it was one of the first tender so invited by CPWD with estimated cost, nearly ₹ 95 Crore, accordingly competent authority decided to have the eligibility condition so as to have more participation as well as competent agency as the work was of international importance, and CPWD in past has never called any work of this magnitude and hence the eligibility criteria was decided in full wisdom by the competent authority for composite work as per CPWD Manual.

The press notice based on above criteria was framed and wide publicity was given in all the leading newspapers in all metros. In response to above publicity seven bidders submitted their bid documents out of which following five agencies were pre-qualified.

1. Ahluwalia Contracts (India) Ltd.
2. Shapoorji Pallonji & Co. Ltd.
3. L & T Ltd.
4. Unity Infra projects Ltd.
5. B.G. Shirke Construction Technology Pvt. Ltd.

It would be wrong to say that because of so called dilution of eligibility criteria, M/s Unity Infra Projects Ltd. was benefited as Ahluwalia Contracts (India) Ltd. above was also qualified due to modified criteria. All these agency are of

repute and accordingly no favourism was made in isolation, but to have real competition and transparent tendering. If CPWD had gone with the so called magnitude only three agencies would have qualified, whereas because of this realistic approach of adopting lower work experience criteria five agencies qualified and accordingly more competition has held. It is worth mentioning that out of these five prequalified agencies, two agencies did not submit their financial bid resultantly which would have otherwise only one agency. It might have also resulted into much higher rates.

It is to mention that most of this work was completed well within time and Hockey World Cup was held successfully in Feb.-March 2010. Therefore question on capability and eligibility of agency at this stage is not proper. It is also submitted that prequalification process with P.Q. documents so submitted by agencies are already scrutinized by CTE, the technical wing of CVC, before this audit and no such point for any dilution of eligibility criteria are raised. Therefore it is again requested that Para may be dropped."

5.108 Asked to state categorically, whether M/s Unity Infra Projects Ltd. and M/s ACIL were benefitted after dilution of bid criteria, CPWD stated as under:

" No. The bids were called for selection / prequalification of agencies. In response to given press notice only seven bidders submitted their bids for prequalification. Out of which only five agencies prequalified for submitting their financial bids. If CPWD had gone with the so called higher eligibility criteria only three agencies would have qualified out of which two agencies had not submitted their financial bids. Resultantly there would have otherwise been only one agency and it might have also resulted into uncompetitive bid. Because of this modified and realistic approach of adopting lower work experience criteria five agencies qualified and accordingly more competition has held. M/s Unity Infra projects and M/s ACIL were in these five pre - qualified agencies and they submitted their financial bids. Therefore due to this modified criteria, more number of agencies including M/s Unity Infra Projects Ltd. and M/s ACIL could got qualified resulting into more competition without any benefit to any agency."

5.109 On being asked whether the award of contract to these firms, instead of awarding to bigger firms resulted in economy, CPWD stated in a note as under:

" Out of the five pre – qualified agencies, the following three agencies submitted their bid as below:

Sl. No.	Name of the Contractor	Tendered Amount
1	M/s Ahluwalia Contracts (I) Ltd.	₹158,40,58,366.00
2	M/s B.G. Shirke Construction Tech. Pvt. Ltd.	₹ 157,67,36,558.00

3	M/s Unity Infra Projects Ltd.	₹ 151,90,86,758.00
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If the two firms might have not been qualified in prequalification, financial bid of only one agency would have been received and obviously in that situation rates could have been non-competitive. In the present situation financial bid of that assumed single bidder (M/s B. G. Shirke Construction Tech. Pvt. Ltd.) was ₹ 157.67 Crore, which is higher than the quoted amount of ₹ 151.91 Crore by the lowest bidder M/s Unity Infra project Ltd. Thus apparently, it has led to saving money. However it is purely imaginary & hypothetical to say that such award would have resulted in saving money or so."

5.110 Audit highlighted several indicators, which suggested that the bidding process for the work of upgradation and remodeling of Major Dhyan Chand Stadium was not fully reliable, and consequently the rates obtained through the bid may not be the reasonable cost of the work. Though five bidders had been pre-qualified, only three finally bid. The two which did not evince interest (L&T with an average annual turnover of ₹ 6941 crore and Shapoorji Pallonji with an average turnover of ₹ 585 crore) were having much higher average annual turnover than the three firms that bid which had average annual turnover ranging only between ₹ 236-321 crore. Besides, there was fluctuation in the estimated costs of the project at different stages - ₹ 95 crore at the RFQ stage (when seven firms responded) reduced to ₹ 88.97 crore at the RFP stage (when three firms responded) and the final award at ₹ 147.82 crore. The justification of costs in response to the lowest quoted bid of ₹ 151.91 crore vis-à-vis an estimate of ₹ 88.97 crore prepared by the Department on market rates did not truly reflect the market as was evident from the much lower rates obtained for components of the main works by Unity Infra Projects Ltd. from outsourced market agencies.

5.111 Audit further pointed out that the rates obtained for electrical works awarded separately ranged from 4.88 to 43.74 per cent below the estimated cost whereas the electrical works which formed a part of the composite tender were awarded at 32.43 to 106.70 per cent above the estimated cost.

5.112 The Committee desired to know the reasons for projecting the estimated cost at lower side at the final tendering stage against the higher projections at the Rough Estimate stage and the final award of the contract. In reply, CPWD stated in a note as under:



"The rough cost estimate were prepared well before pre-qualification process was undertaken and when drawings were prepared by consultant initially which were further modified based on the venue brief so provided by Organizing Committee as well as local bodies and accordingly detailed estimate amounting to Rs 88.97 crores was prepared on the basis of CPWD DSR 2002 for scheduled items and market rates for unscheduled items on the basis of preliminary drawings so submitted to local bodies and hence, there was difference between rough cost estimate and that made on the basis of preliminary drawings. Further, the difference between estimated cost and tendered cost so received was also due to difference in DSR 2002 and market rates in 2007. The process was followed as per the CPWD Manual. The rates in DSR 2002 are the rates considered upto December 2001. There is a difference of six years, hence difference in rates."

5.113 The Committee then asked how could the Ministry substantiate that the justification of rates was done on market rates when it was found that the main contractor outsourced the work to the market agencies at much lower rates. In reply, CPWD stated in a note as under:

"Rates for the material and labour were taken on the basis of market so prevalent at that time and accordingly the justifications were prepared based on which the tender were accepted. Rates so quoted by tenderer included various cost components so elaborated due to various NIT conditions and specifications and the whole responsibility and deliverance of the project lies with the main contractor. It is very much incorrect to compare the rates so quoted by main contractor and the outsourced smaller agencies so used by main agency for the construction as the smaller contractor so associated does not have to take various cost components like safety of labourer, transportation of labourer, guarantee, availability of water and electricity at site, VAT, Technical infrastructure, defect liability, material shifting to site of execution by heavy machinery like crane etc, Malba removal etc. All these factors has to be borne by main agency in totality and onus of the project lies with the main contractor."

5.114 On being asked about the failure of CPWD in judging that the rate obtained for electrical works awarded separately were far lesser than the estimated cost, whereas the electrical works which formed a part of the composite tender were awarded at rates far above the estimated cost, CPWD stated in a note as under:

"The concept of composite works was followed in accordance with the provision of applicable CPWD Works Manual 2003, Para 15.6.1

The tenders for composite work (Civil works and Electrical & Mechanical works) were accepted after comparing the composite tendered cost with the composite justified cost. In such a situation, deciding tenders on the basis of justification of individual components or subheads is not possible. It may happen that some components may have been quoted at rates much higher or lower than the

justified rates. However, the reasonableness of the tender is judged on the basis of overall tendered cost vis – a – vis overall justified cost.

Hence, in a composite work, it is not correct to say that a particular component (i.e. any sub-head of Electrical & Mechanical works) has been awarded at a higher rate as the fact is that the component has not been awarded in isolation but the composite tender as a whole has been awarded. For the same reason, it is equally not correct to compare the rates of a component of a composite tender with the rates of another tender, which has been invited for that component only. Otherwise there is no sanctity of tendering process.

The figures of the labour so engaged by main agency is taken in Fortnightly Labour Report (FLR) so provided by main contractor which does not include labour so engaged by number of petty contractor so employed by main agency to complete the work and hence, there is no statement which provide number of labourers employed by petty contractors, but while preparing justifications the tentative labour part is considered based on the manual."

5.115 Asked to state categorically the procedure followed to ensure that the rates as quoted by the bidders and agreed upon by CPWD were as realistic as the market rates, CPWD stated in a note as under:

"Once the bids are received in a transparent and competitive bidding process, the L1 rates or the lowest rates are identified. It is felt that, this rate has been quoted by the L1 bidder taking into consideration what he anticipates as the cost of the work based on the work specifications indicated in the tender documents, costs to be incurred based on specific conditions attached to the work e.g. time period of execution, typical site rated conditions, and his profit margins & likely risks. It is also to be appreciated that since the rate obtained is through a competitive process, it is arguably the best rate available.

As per CPWD procedure, after receipt of the tenders, the competent authority can either accept the bid at the L1 rate or negotiate with L1 or reject the tender. Justification statement of tender is prepared for checking the reasonability of rates. There is no need for preparing justification in case the lowest tender is less than the estimated cost put to tender + 10%. However, in case the bid exceeds this limit, in order to assist competent authority for arriving at a decision whether to accept the L1 tender or to reject it, the cost of work on the basis of prevailing market rate at the time of receipt of tender are once again worked out and also after factoring in cost of other components of work / conditions that may not have been taken in to consideration at the time of preparation of detailed estimate.

The total cost of work, worked out by CPWD (based on market rate) is compared with total cost, worked out based on the quoted rates of bidders. In this process many times situation arises when the quoted rates of some items of bidder is higher than the market rate (M. R) assessed by CPWD and in some items quoted rates of bidder is lower than the market rate (M. R) assessed by CPWD. Therefore overall cost of work is worked out and compared to ensure the realisticness of quoted rates of bidder. The quoted rates/ agreement rates of bidder cannot be declared as high or low by assessing only few items of an agreement of high

value. In fact overall tender cost is to be compared considering the reasonableness of market rate."

#### **XVII. Major Dhayan Chand Stadium - Non levy of Compensation**

5.116 Audit pointed out that despite delayed completion/ slow progress of the project, no compensation had been levied for slow progress of work amounting to ₹ 16.49 crore. Further, since proper record of the hindrances attributable to the contractor had not been maintained, it was difficult to determine the regularity of the provisional extension of time issued from time to time.

5.117 Asked to comment on the above findings of Audit, CPWD stated that the work so carried out was a composite work. Accordingly, the work was monitored by Civil & Electrical team simultaneously. Based on the justified hindrances in Civil & Electrical side, maintained in hindrance register, as well the various correspondences and mails so available, the delays which were found justified were considered while granting the extension of time, as recommended from Civil and Electrical side and Extension of Time (EOT) was granted without levy of compensation.

#### **XVIII. Non-completion of training facilities at Jharoda Kalan for Police Sportsperson**

5.118 Audit scrutiny revealed that in August 2009, the Ministry of Home Affairs sanctioned construction of 5 permanent barracks and providing and laying of synthetic athletic track surface at CRPF campus, Jharoda Kalan by CPWD at a cost of ₹ 7.77 crore. The infrastructural facilities were required for imparting intensive training facilities to 120 selected police sportspersons for participation in CWG-2010 in the shooting, swimming, athletics, archery, gymnastics, weightlifting and wrestling disciplines. The CPWD awarded two contracts in March 2010 for completion of work by July 2010, but the work had not been completed as of January 2011. Thus, the primary objective of imparting training facilities to police sportspersons for participation in the Commonwealth Games (CWG) 2010 had been defeated.

5.119 Asked to state the reasons for non-completion of the training facilities, CPWD stated that the preliminary estimate for the above said work was sent to CRPF on August 2007 but nothing was heard from the CRPF side. On a subsequent request of

CRPF, revised preliminary estimate was again submitted in December 2008. In regard to above said work, IG, Northern Sector, CRPF held a meeting on 22.07.2009 in his chamber and he desired that these works at Jharoda Kalan be dropped, in view of likely non-completion of these works before CWG – 2010. The opinion of non-completion of works before CWG was formed after due deliberation with CPWD. However, the sanction of the above said work was surprisingly received in August 2009 and sanction was given to both works combined. The process of tendering as per manual provision was started in October 2009 and both works awarded together in the month of March 2010 with likely date of completion as July 2010. CPWD further submitted that because of various hindrances and excessive rainfall in the month of July, the work could not be started in full flow as the synthetic track work site was fully submerged in water due to the heavy rain. So the works could not be completed before CWG 2010. CPWD also clarified that it was nowhere mentioned that these facilities were likely to be utilized by the potential sports person of Police Force.

5.120 Asked to state the present status, CPWD submitted that at present, both works stood completed. Both the facilities were permanent facilities and these infrastructures would be used judiciously by the client department.

5.121 For a work, which was sanctioned in August 2009, the Committee enquired about the reasons for awarding the contract as late as March 2010, that too without factoring in the uncertainties of the monsoon season. In reply, CPWD stated in a note as under:

"The preliminary estimate of Synthetic Athletic Track surface & 5 permanent barracks were submitted earlier to CRPF on 19-12-2007 & 20-12-2007, respectively. On request of CRPF authorities to revise the estimate as per latest Cost-index, the preliminary estimates of the two works were modified and re-submitted after a period of one year on 23-12-2008. The work of construction of 5 permanent barracks and providing & laying of synthetic athletic track surface at CRPF Campus, Jharoda Kalan, amounting to ₹7.77 crore was sanctioned by the M/o Home Affairs in August, 2009. The issue of these two works became irrelevant to CWG, 2010, is apparent from the fact that in the quarterly meeting of CRPF & CPWD officers held on 22-7-2009 at Northern Sector Headquarter, CRPF, West Block, New Delhi, it was discussed & decided that the work would not be completed upto CWG, 2010. Therefore, IGP, NS, CRPF desired that it would be appropriate to drop the proposal. Therefore, no advance action for tendering was warranted on the part of CPWD. However, in routine, the tenders comprising of Technical & Financial bids for Synthetic Track were invited on 24.10.2009 and the work was awarded on 6-3-2010. The

tenders of 5 permanent barracks were invited on 1-1-2010 and awarded on 17-3-2010. CPWD is required to follow the laid-down procedure for framing the detailed estimate, technical sanction, preparation of NIT, publicity in the press and acceptance of the tender by the competent authority for awarding the tender. Therefore, it was not at all possible for CPWD to award the tender at once on receipt of sanction in August, 2009. The exceptional prolonged heavy rains in the month of July & August, 2010 delayed the construction work. The CPWD took immediate necessary action for call of tenders to facilitate earliest commencement of the construction and therefore no delay on the part of CPWD. "

#### **XIX. Award of Work to Ineligible Contractor**

5.122 Audit pointed out that due to failure of M/s Era Infra Engineering Limited (EIEL) to complete the work in time, CPWD decided in August 2009 to execute the work of trap and skeet numbers 4,5 and 6 and underground tank at Dr. Karni Singh Shooting Range through other agencies. Of the six offers received in response to the press notice, none, including M/s JMC, qualified the eligibility criteria of having completed at least 3 works valuing ₹ 3 crore and above during the last five years and completion of each such work within the stipulated date of completion. Despite the failure of M/s JMC to qualify the criteria, CPWD awarded the works to M/s JMC, after relaxing the criteria to one similar work of one crore per month at an extra cost of ₹ 0.20 crore over the rates of original contractor. Moreover, M/s JMC failed to complete the work in time.

5.123 Asked to comment on the dilution of the eligibility criteria after calling and evaluation of tender despite the fact that none of the agencies qualified, CPWD stated in a note as under:

" A note was given in the press to invite expression of interest from CPWD, Class-I registered contractors so as to prepare a short list of willing & competent contractors with the eligibility criteria of having executed three similar works of 3 crore or more in last 5 years. In response, 6 applications were received but none of the applicants fulfilled the eligibility criteria set out in the EOI notice. This response revealed that the eligibility criterion was too stringent and there was no agency, which could meet this criterion. If no agency qualified in this first call that does not mean that work is not to be done. There was such an acute emergency that work had to be done in any circumstances for the success of test event.

Then the alternative available was to change condition / reduce eligibility criteria to having executed one similar work of 1.0 crore which is minimum needed for construction of Trap & Skeet so that CPWD can get some agency working at site. Further as per CPWD Works Manual, there was no such

restriction of the condition of ₹3 crore (as stated in Audit Report) and the part work was awarded by the competent Authority as per the due procedure prescribed in CPWD work manual. Further the work awarded to JMC was the one which was beyond the Deviation Limit of M/s EIEL contract and thus the Audit observation of extra cost of Rs 0.20 Crore is not rational.

Had the eligibility criterion been not changed by the CPWD, CPWD would not have got the Agency, and then who else would have executed the project. Thus the decision of CPWD to change the eligibility criterion was rational and necessary to get the work completed by available next best agency."

## **XX. Delay in Execution of CWG Projects**

5.124 The Commonwealth Games, 2010 were awarded to the city of New Delhi in November 2003 but CPWD could start the work in January 2007, when they were assigned the job. Asked to state action taken between 2003 and 2007, the representative of CPWD stated in evidence that in June 2004, the first meeting was called by the Ministry of Youth Affairs and Sports (MYAS), where CPWD was nominated as a principal consultant. They intended to develop all these venues.

5.125 When the Committee desired to hear the views of the Secretary, MYAS on the above matter, he deposed in evidence as under:

"Between 2003 and 2007 the delay that occurred had resulted in disruption at every later stage. That is the delay that was avoidable, which should not have happened."

5.126 Asked to state the precise reasons for such delay, the Secretary, Sports further stated:

"It is little difficult to pinpoint at this point of time. There were a large number of reasons why those delays had occurred. Partly there was the question of who would be in-charge of the entire exercise. First, it was the Ministry and then it was the Organizing Committee. Even earlier, there was delay in decision-making. The question of what we would need to do had undergone a complete change but let me be very frank. It is very difficult to assign the responsibility at this stage. There was a delay of four years which could have been cut down considerably, and if it had been streamlined from the very beginning the kind of last minute decisions that had to be taken would not have been necessary."

He added:

"Sir, with effect from June, 2007, CPWD was broadly aware that these works needed to be taken up by them. By September or October, we started sending out the venue briefs and other requirements on which they could start the work."

He also stated:

"Sir, it is a fact that – we should have completed most of the works at least a year before the date they were finally completed. Take, for example, the entire issue of getting the timing system and in place, it was done only in the last three or four months, and it should have been in place there a year ago. That happened because the stadium had not been completed at that time. So, they were concerned and quite rightly so because internationally they manage to do it a little ahead of schedule. In the London Olympics, the preparations were complete in about a year and a half in advance of the actual event. If you look at the time span taken for construction and other works and if you take into account the first four years delay, the delay that resulted after 2007 had been relatively less than what was caused by the initial four years delay. CPWD needed three years to do this kind of works."

5.127 On being specifically asked whether the delay had resulted in cost escalation, the Secretary, Sports submitted as under:

"....from the management perspective, any delay leads to certain extra costs inevitably. To that extent, I cannot deny that the delay that took place in placing the work with CPWD must have resulted in a certain amount of cost escalation, which was avoidable."

## **(II) Delhi Development Authority (DDA)**

### **I. Non Compliance with the Conditional Clearance by the Ministry of Environment and Forests**

5.128 According to Audit, although the location of the Games Village was known since August 2003, DDA approached the Ministry of Environment and Forest (MoEF) for environmental clearance only in September 2006. In December 2006, MoEF cleared the project on the condition that as far as possible, the works should not be of a permanent nature and unless the detailed studies suggested otherwise, the riverbed would have to be restored to the river. In January 2007, DDA reported that it intended to commission a study on "Hydraulic Model Studies for assessing the effect of Akshardham Bund on the flow conditions in the River Yamuna at Delhi" through the Central Water and Power Research Station, Pune (CWPRS); the study report was submitted to MoEF on 6<sup>th</sup> March 2007. The MoEF finally cleared the project on 2<sup>nd</sup> April 2007 permitting construction of permanent nature after progressively relaxing the conditions subject to completion of the mitigating/abatement measures identified by CWPRS, Pune before completion of the buildings. The main mitigation and abatement measures identified by CWPRS in its report were; (i) raising and strengthening the embankments along the river in Delhi to ensure safe discharge and check over

topping; (ii) strengthening the existing embankments and guide bund to check flood discharge; (iii) one layer of stone crates on sloping portion as well as an apron over geofabric filter to be laid to protect various bunds and bridges; (iv) protection of the existing bridge piers and strengthening of guide bunds of other structures existing between the Indraprastha barrage and the Nizamuddin road bridge; and (v) arrangements to protect flooding area due to back flow of water on the upstream side of the Akshadham temple on both sides of the river. However, DDA completely abdicated its responsibility. Audit could not verify compliance with the conditions stipulated by the MoEF.

5.129 The Committee desired to know the reasons for a delay of more than three years on the part of DDA to approach the Ministry of Environment and Forests for environmental clearance. In reply, the Ministry of Urban Development *inter-alia* stated that to apply for the Environment Clearance from the MoEF, the basic data of projected population, requirement of water, generation of sewerage, amount of consumption of electricity etc. were required. The basic requirements of facilities needed in the Games Village along with residential accommodation were to be given by the Organizing Committee, which was constituted on 10<sup>th</sup> February, 2005. The tentative plan along with basic requirements of facilities was provided by the consultants of OC in August, 2006 and thereafter it was only possible to approach MoEF for the environment clearance. Thus, the delay in approaching MoEF for EC was beyond the control of DDA.

5.130 On being asked to state the conditions cited by the Ministry of Environment and Forests while allowing DDA to carry out permanent construction, the Ministry of Urban Development have stated in a note as under:

"After receiving the letter dated 14.12.2006 from MoEF, DDA represented that 8000 persons could not be accommodated in the temporary structures. It was also clarified to the MoEF that the Akshardham Bund had already been created to segregate the site from the Yamuna Flood Plain and Akshardham Temple had already been constructed in the part portion of the site. In reference to these presentation of DDA, MoEF vide letter dated 22.01.2007 directed to get detailed studies conducted to ascertain increased risk of flooding to the upstream areas because of the new bund constructed in the year 2000 in addition to the old bund, which was constructed on the bank of River Yamuna from Mayur Vihar to Vikas Marg. It was further stated by the MoEF that the project proposal was examined considering the old bund only. The



recommendation arising out of the studies would relate to river drainage, dredging etc. and would need to be undertaken under the aegis of DDA. As, the nature of magnitude of risk mitigation/abatement would be known only after the studies, the Environment Clearance conditions would need to be enhanced suitably.

Subsequent to above direction of MoEF, DDA entrusted the study to Central Water & Research Station, Pune (CWPRS) to identify the risk of upstream flooding and mitigation measures thereof. CWPRS after conducting modal studies, concluded in its report that there was hardly 5 to 10 centimeter rise of water in the upstream and the same diminishes upto ITO barrage. Thus, there was no risk of upstream of flooding due to Akshardham bund. CWPRS also suggested some strengthening measures to Akshardham Bund, right marginal bund of River Yamuna etc.

After studying the report of CWPRS, which had concluded that there was no risk of upstream flooding due to creation of Akshardham Bund & reclamation of land for CWG Village, the MOEF modified the condition of construction of only temporary structures and permitted DDA to plan the construction either temporary or permanent."

5.131 The Committee then wanted to know the reasons for not undertaking the flood mitigation and abatement measures. In reply, the Ministry of Urban Development stated that all mitigation/abatement measures identified by the CWPRS, Pune were not related to the jurisdiction of DDA. The responsibility to host the Commonwealth Games was the joint responsibility of various Government Departments. Therefore, after receipt of report of CWPRS, DDA had requested the Chief Secretary, GNCTD vide letter dated 6<sup>th</sup> March 2007 to take up the work relating to the Government of Delhi. The Government of Delhi vide letter PS/PWD/40 dated 16<sup>th</sup> March 2007 had intimated that the strengthening of Akshardham Bund Road should be done by DDA and other works shall be taken up by the Government of Delhi. In the said letter, it had also been stated that DDA might write to Railways to take up the work related to piers of Nizamuddin Rail Bridge. DDA had also written to the Northern Railways on 15<sup>th</sup> March 2007 to take up the works related to Nizamuddin Rail Bridge. It was observed from the site that GNCTD had completed the works of Guide bunds of Nizamuddin Road Bridge and right marginal bund from Nizamuddin Rail Bridge to Nizamuddin Road Bridge. It had been enquired from the Railway about providing the stone crates around the piers of Nizamuddin Rail Bridge. It was informed by railways that the same was not required as per their assessment. DDA completed the work of strengthening

of Akshardham Bund before the Games. DDA had not left any stone unturned to implement the mitigation measures identified by the CWPRS.

## **II. Erection of Noise Barriers along the flyover on NH-24**

5.132 The contract to erect noise barriers along the flyover on NH-24 was awarded to Construction Catalyser Pvt. Ltd. in May 2010 for ₹ 3 crore. The contract specified the physical characteristics of the plexiglass noise barrier that was to be installed. Audit observed that the samples sent for testing to the third party laboratory (Shriram Institute for Industrial Research) failed to meet the desired criteria subsequently. Although the samples were sent in June 2010, the report was received from the laboratory only on 29<sup>th</sup> October 2010, well after the conclusion of the Commonwealth Games, 2010; this effectively eliminated all chances of taking corrective measures in a timely manner.

5.133 The Committee enquired whether any penalty had been imposed on the agency for failure to meet the physical characteristics. In reply, the Ministry of Urban Development stated that the noise barrier had passed in Acoustic Properties which as per protocol was the priority area but failed in some physical properties. A penalty of ₹15 lakh was approved and would be recovered from the final bill of the agency which was still pending and an amount of ₹ 1 crore approximately is available with the DDA.

5.134 On being asked whether DDA approached and pursued with the Laboratory, after submitting the samples, for furnishing its report expeditiously, the Ministry of Urban Development stated that the plexiglas used for the noise barrier was imported from the Germany. The contract was awarded in May, 2010 and the material arrived in the last week of June, 2010. The same was immediately sent to Sri Ram Institute for testing. A letter dated 10<sup>th</sup> August 2010 was also written to the laboratory for submission of report at the earliest.

5.135 Asked to state the reasons for not ensuring the receipt of the report of the third party laboratory before installing the noise barriers, the Ministry of Urban Development submitted that this noise barrier was to be installed on the top of anti-crash barrier of the flyover constructed on NH-24 near CWG Village. The stipulated date of completion of this flyover was 3<sup>rd</sup> September 2010 but it was actually

completed on 27<sup>th</sup> August 2010. The work of crash barrier started in July, 2010 and installation of noise barrier was also done simultaneously. The material, which came from Germany, also started reaching at site in June/July, 2010. Thus, there was no time to hold the work till test reports were received from the laboratory. However, the acoustic properties, which were the priority area, had been achieved as per test report. All efforts were done by the field staff but due to circumstances, the results could not be received before the installation of noise barrier.

5.136 A perusal of DDA's letter dated 10<sup>th</sup> August 2010 however, revealed that DDA vide this very letter had sought duplicate copies of the test report already sent to them citing the reasons that the report was not traceable with them. This signified that before 10<sup>th</sup> August 2010 i.e. commencement of the Commonwealth Games 2010, the test report was received by DDA but no follow up action was taken up by them.

5.137 When asked whether it was not strange and a dangerous phenomenon that equipment was installed before obtaining quality test reports, the Ministry of Urban Development clarified that plexiglas used for the noise barrier was an imported material, manufactured in Germany. This noise barrier was fixed on the crash barrier of the flyover. The tender for the same was invited in February 2010. However, only a single tender was received. The product carried sufficient brand equity and given the constraint of time, the rates were negotiated with the tenderer. The work was awarded in May, 2010 and the material arrived in the last week of June, 2010. The same was immediately sent to Sri Ram Institute for testing. Simultaneously erection of noise barrier was started to complete the same in time. However, this noise barrier had passed in acoustic properties, which was the priority protocol, but it failed in some physical properties such as tensile strength, bending, elongation, etc. for which an amount of ₹15.95 lakh from the total cost of ₹ 2.45 crore of the plexiglas has been recovered from the contractor. The Ministry further reasoned that it could not be considered a dangerous phenomenon as the noise barriers were not dynamic equipment but static installations.

### **III. Appointment of Financial Consultant for the Games Village Project**

5.138 Audit pointed out that in June 2006, DDA awarded a contract for ₹ 4.73 crore for financial consultancy for the Games Village Project to a consortium led by

Pricewaterhouse Coopers Pvt. Ltd. (PWC) with James La Salle Property Consultants Pvt. (I) Ltd. (international expert). The scope of work of the financial consultant included advice on development options for the Games village on a Public Private Partnership (PPP) mode or any other appropriate mode involving development through auction of plots for developing hotel/service apartment, and the possibility of private participation in development of Games Village /competition venues. Since the last two options were not pursued, a note was put up to the High Powered Committee (HPC) of DDA in September 2008 for foreclosure of the consultancy as per the agreement, for works no longer required to be undertaken by the financial consultant and restricting the consultancy fee on pro rata basis. In addition, it was also indicated that the key personnel promised by the consultant were either not deployed or replaced without prior permission of DDA, as required. Audit found that the HPC, instead of restricting the payments to be made to the financial consultant, avoided taking a decision. Ultimately, the financial consultant was paid ₹ 4.02 crore, which included payment for services actually not rendered.

5.139 Asked to state the reasons for not restricting the consultancy fee on prorata basis by the HPC when the proposal for the same was submitted in September, 2008, the Ministry of Urban Development *inter-alia* stated that the Financial Consultants were selected by DDA based on a competitive tendering process. The contract for consultancy was signed with M/s PricewaterhouseCoopers (PWC) in consortium with JLL on June 2006. Since then, the consultants were associated with DDA at all times including pre-games period (planning, construction), during games (miscellaneous support) and post games (various support). The main scope of work for financial consultants included advising DDA on financial matters relating to PPP projects including market analysis, financial modeling, PPP structuring, bid process management, financial and legal advice, disposal strategy etc. The Financial Consultants had completed the work for the development of residential facility, hotels as well as for the competition venues as envisaged in their scope of work. Also, any additional work as requested by DDA from time to time, monitoring, assistance in supervision, support in meetings, coordination between internal and external agencies was provided by the Financial Consultants. The MoUD accordingly reasoned that no deductions were found to be valid on this accord.

5.140 On being enquired whether DDA took any action against the financial consultant for not deploying the key personnel and replacing them without prior permission of DDA, the Ministry of Urban Development have stated in a Note as under:

"The deployment plan was given by the Financial Consultants as part of their bid and preliminary report. As per the deployment plan, certain members were proposed on full time whereas other experts were working from the back office and provided inputs as and when required. These included legal experts, foreign experts etc. Also the team members were to be deployed as on need basis depending on the requirement of the project.

DDA vide their letter had sought details of deployment of key personnel promised by the consultant from time to time. In response to the letter above, consultants vide their letter submitted the proof of deployment and also the mode of deployment of key personnel by them. It was explained by consultant that all the team members proposed were not required to operate from DDA's office on a full time basis for such a long duration assignment. Whereas the core team of the consultants was always made available and worked full time on the assignment from DDA's office. The experts were called in as and when required. Other experts (including foreign experts) had provided their input through conferencing, emails and in person meetings wherever required. It was noted by DDA that a core team was deployed full time by the Financial Consultants and all the other experts required to be provided, including those from JLL & Amarchand Mangaldas, were available as and when required, for the project or requested so by DDA. Later on during the monitoring phase, a larger team was deployed by the Financial Consultant at each venue for daily, weekly and monthly monitoring of the project.

The Financial Consultants had deployed all the personnel as indicated and required to be provided by them in their proposal. The proof of deployment was evident in crucial meetings also wherein the experts were present. DDA had satisfied itself to the evidence of deployment of personnel by them."

5.141 When asked to state specific assistance rendered by the Financial Consultants in the disposal of assets after the Games and to the extent it facilitated disposal of assets by DDA, the Ministry of Urban Development stated that the disposal strategy for the Games assets was spelt out by Consultants in the project structure, which envisaged the following measures:

- Games village residential apartments: 1/3<sup>rd</sup> flats belonging to DDA (later increased to 2/3<sup>rd</sup> after financial assistance to developer) were to be sold by DDA at market price
- Sports facilities and stadium: to be operated by DDA as sports complex and used as sports venues for various sporting events, training grounds, national and international events etc.

5.142 Asked to state whether the suggestions of the Consultants were accepted, the Ministry replied that the assets were being used/ disposed post games as per the suggestions of the consultants.

**IV. Undue Favour Shown to EMAAR MGF in Pre-qualification and Technical Evaluation.**

5.143 Audit scrutiny revealed that as per the RFQ, existing incorporated entities could apply either individually or as a consortium. While an un-incorporated consortium could apply on the basis of an MoU, which would also identify a lead partner holding not less than 26 per cent equity shareholding and voting rights, a separate incorporated entity was to be formed before bidding, on the same pattern of shareholding as indicated in the MoU. The critical PQ requirements were: (i) Experience of three years of residential facility/property development; (ii) Minimum average annual turnover of ₹ 200 crore over the last three years; and (iii) Net worth of ₹ 100 crore on the last day of the latest financial year. In case of a consortium, the lead member was to fulfil conditions (i) and (ii); and all members holding more than or equal to 26 percent of shareholding had to fulfil condition (iii). Incidentally, the Guidelines for PPP on Request for Qualifications of the Government of India do not stipulate the formation of an incorporated entity before award of the contract, but merely require the submission of a binding Joint Bidding Agreement by the consortium partners, undertaking to constitute a Special Purpose Vehicle for entering into the PPP concession agreement. The RFQ floated by DDA, however, required a separate incorporated entity to be formed (with the same shareholding pattern as indicated in the MoU submitted in response to the RFQ) before submission of bids. An un-incorporated consortium with Emaar Properties PJSC, Dubai, Emaar MGF Land Pvt. Ltd., MGF Developments Ltd., and Discovery Estates Pvt. Ltd. applied at the RFQ stage on the basis of an MoU that projected Emaar Properties PJSC, Dubai as the lead member that would hold 26 percent shareholding in the Special Purpose Company (SPC) to be set up before making a bid at the RFP stage (the other members of the consortium holding 25 percent, 25 percent and 24 percent shareholding, respectively) of the four consortium members, only the lead member fulfilled the pre-qualification criteria, and on its strength the consortium was shortlisted, along with 10 other agencies.

5.144 In response to the RFP, two bids were received i.e. from Emaar MGF Construction Pvt. Ltd., the SPC for the consortium led by Emaar Properties PJSC, Dubai and DLF Ltd; both the bids were conditional and to that extent deficient.

5.145 Emaar MGF Construction Pvt. Ltd. was a company existing at the RFQ stage; but ineligible on the three PO criteria in its individual capacity. Further, Emaar Properties PJSC, Dubai did not directly hold 26 percent interest in this company; instead, 73 per cent was held by Emaar MGF Land Pvt. Ltd. again a company which could not qualify as the lead partner on the PO criteria. It was indicated that Emaar Properties Dubai indirectly held 26 per cent share in the SPC through its shareholding in Emaar MGF Land Pvt. Ltd. This was not as per the PO criteria, which required a direct investment of at least 26 per cent by the lead partner.

5.146 The technical proposals were opened on 15 June 2007 and between 15 and 27 June 2007, there were a series of communications between the Evaluation Committee, financial consultant, chief legal advisor of DDA, two other legal agencies- Amarchand Mangaldas and Shri Gaurav Sarin - and Emaar MGF Constructions Pvt. Ltd. (but not directly with Emaar Properties PJSC, Dubai, the lead member) regarding the deficiencies with regard to:

- SPC being an existing company on the RFQ date;
- change in the shareholding pattern of the SPC as compared with that indicated in MoU; and
- absence of 26 percent direct shareholding of the lead member (Emaar Properties PJSC, Dubai) in the SPC.

5.147 On 27 June 2007, Shri Gaurav Sarin, the Standing Counsel wrote to DDA, indicating that permitting indirect shareholding of the lead member would amount to deviation from the requirements of the RFP documents. Further, Shri Sarin indicated that Emaar MGF Construction Pvt. Ltd had indicated the inability of the lead member (Emaar Properties PJSC, Dubai) to give the undertaking, but had expressed its willingness to give an undertaking (that Emaar Properties PJSC, Dubai would make the necessary investment). Shri Sarin indicated that the undertaking given by the bidding company should be forwarded by DDA to the lead member (Emaar Properties PJSC, Dubai) and their confirmation/ acceptance.

5.148 Audit pointed out that the undertaking by Emaar MGF Construction Pvt. Ltd was not complied with and no penal action was initiated. Eventually, in April 2008, nine months after the issue of Lol and six months after the award of the work, it was clarified that Emaar Properties PJSC, Dubai held 100 percent shares, though indirectly, through various other subsidiaries in Emaar Holding II Mauritius, which in turn held 26 percent in the SPC.

5.149 Audit found a series of misrepresentations and accommodations at the RFQ and RFP stages that resulted in Emaar MGF Constructions Pvt. Ltd, an existing company at the RFQ stage but not qualified on any of the three conditions, to emerge as a successful bidder through the consortium route for the Commonwealth Games Village Residential Complex. Emaar Properties PJSC, presented at the RFQ stage as the lead partner with the requisite experience, turnover and net worth, faded behind layers of subsidiaries, effectively making a mockery of the premise that it would bring the necessary experience and financial strength, directly to the consortium led Special Purpose Company (SPC).

5.150 As mentioned above, in response to the RFP, two bids were received i.e. from Emaar MGF Construction Pvt. Ltd., the SPC for the consortium led by Emaar Properties PJSC, Dubai and DLF Ltd. Both the bids were conditional and to that extent deficient. However, DDA's Evaluation Committee for technical proposal, which first considered the two technical proposals on 15 June 2007, summarily rejected the proposal of DLF Ltd., but chose to engage in a series of correspondence with its financial consultants/chief legal advisor/ legal agencies and Emaar MGF Construction Pvt. Ltd to find solutions to address the deficiencies in the technical proposal of Emaar MGF. Finally, on 28 June 2007, Emaar MGF Construction Pvt. Ltd. was declared technically qualified for opening the financial bid on the strength of an undertaking, rather than actual compliance with the terms of the RFP and RFQ, by accepting the conditional proposal of Emaar MGF Construction Pvt. Ltd. while rejecting the bid of DLF Ltd, the technical evaluation committee effectively eliminated financial competition, with the approval of VC, DDA.

5.151 In view of the Audit findings that both the bids of M/s Emaar MGF consortium and DLF Ltd. were conditional/deficient, the Committee desired to know the reasons



for out rightly rejecting the bid of DLF while the bid of M/S Emaar MGF consortium was accepted for consideration. In reply, the Ministry of Urban Development *inter-alia* stated that M/s DLF Limited submitted conditional bid and hence was rejected. The bid of M/s Emaar MGF consortium was not conditional/deficient and they were declared successful only after ensuring that they fulfilled the bid parameters and no relaxation/concession was granted to them.

5.152 Explaining the reasons for rejecting the bid of DLF Ltd., a representative of DDA deposited in evidence as under:

".....they wanted that the performance security should be reduced to ₹100 crore. They wanted the share of flats, not two-third and one-third; they wanted to increase their share up to 80 percent. And the third is, the most crucial is, they wanted 28 months to complete the project. By that, we would have exceeded the final Games dates, Sir. These are the three conditions with which the DDA had to reject the DLF."

5.153 Asked to indicate the reasons for not rejecting the bid of Emaar Consortium when DDA came to know that Emaar MGF Consortium Private Ltd. (SPC of Emaar MGF Consortium) was an existing company at RFQ stage and ineligible on three pre qualification criteria in its individual capacity, the Ministry of Urban Development *inter-alia* stated that Emaar MGF Construction Pvt. Ltd Company, a Shell Company, which was existing before the RFQ stage was owned by Emaar MGF Land Pvt. Ltd. (99.99 per cent share) whereas it was the consortium of 4 companies including Emaar MGF Land Pvt. Ltd that had submitted their application for pre-qualification at RFQ stage. The consortium fulfilled the parameters of RFQ and hence was pre-qualified along with 10 other companies. The same consortium came as a company (viz. Emaar MGF Construction Pvt. Ltd.) at RFP stage in the shape and the manner indicated by them in the MOU at RFQ stage. The Ministry further reasoned that any company on its own had no character but legal constitution of shareholder. Therefore, although M/s Emaar MGF Construction Pvt. Ltd was existing at RFQ stage, it was only a name given to the company primarily held by M/s Emaar MGF Land Pvt. Ltd. The real character of M/s Emaar MGF Construction Pvt. Ltd. came into existence as and when the 4 entities buy/subscribe share in this company. Hence, M/s Emaar MGF Construction Pvt. Ltd prior to this date of buying/subscribing of shares by 4 consortium members was a

company different from the bidder company. It was the consortium of 4 companies which had submitted application at RFQ stage and found eligible.

5.154 Not convinced, the Committee categorically desired to know the reasons for not disqualifying/rejecting the bid of Emaar consortium when DDA came to know that the lead member did not directly hold 26 percent interest in the SPC. In reply, the Ministry of Urban Development have stated in a note as under:

"Both the RFQ and RFP had merely indicated that the lead bidder should hold 26% equity in the Special Purpose Company (SPC). Nowhere the RFQ and RFP mentioned that the lead member should hold 26% direct equity in the SPC. In any case at RFP stage, the lead partner held indirect 26% equity in the SPC. Requirement of lead bidder to have 26% equity in the company was prescribed with a view to ensure that the lead partner exercises voting rights pertaining to 26% of the total voting right in the company. Further, the eligibility parameters for the consortium were so fixed with a view to ensure that the (i) same consortium, if selected, execute the project and (ii) lead partner exercised the voting rights pertaining to his 26% equity. In the present case, as required, Emaar Properties PJSC, the lead partner, exercised the voting rights pertaining to his 26% equity of the total voting right in the Emaar MGF Construction Private Limited, which was the main requirement for becoming lead partner. Further, the company selected for the project, implement the project with the same consortium members including lead member, who had 26% equity in the company.

As regards the issue of indirect equity at the RFP stage is concerned, it may be mentioned that as per press note no 2(2005) of Department of Industrial Policy and Promotion, SIA (FC Division), Ministry of Commerce and Industries, Govt allows foreign investors to invest in India in real estate project only when a project, which meets certain minimum criteria has been awarded to the company. As such, it was not possible for a lead member of foreign origin to bring in direct equity during RFP stage. Further, nowhere the RFQ and RFP had mentioned that the lead member should hold 26% direct equity in the Special Purpose Company (SPC). At RFP stage lead member had the requisite 26% shareholding indirectly in the company. Thereafter based on the legal advice the lead member was asked to bring the direct equity within 6 months of award of project. Further, the said company had not undertaken any project before the RFP stage. It acted as a SPC only for the Games Village Project.

DDA qualified Emaar MGF Construction Pvt. Ltd after the legal advice was received from M/s Amarchand Mangaldas and Shri Gaurav Sarin wherein it was opined that the bid submitted by M/s Emaar MGF Construction Pvt. Ltd. can be accepted and project awarded to them after an undertaking is given that the lead member namely Emaar Properties PJSC, Dubai shall own 26% of the

direct equity share capital of M/s Emaar MGF Construction Pvt Ltd within a period of 6 months from the date it received the letter of intent from DDA. It was further opined the above decision of DDA is valid, legal and fair in the light of RFP, RFQ and applicable laws."

5.155 The Committee then desired to know whether the undertaking of 26 per cent direct shareholding by lead member was obtained from the lead member. In reply, the Ministry of Urban Development submitted that the undertaking of 26 per cent of direct shareholding by the lead member was obtained from the bidder company, namely, Emaar MGF Construction Pvt. Ltd. of which M/s Emaar Properties PJSC was a lead member. Based on the legal opinion of M/s Amarchand Mangal Das and views of Chief Legal Advisor, DDA (from Delhi Higher Judicial Services of the rank of Addl. Distt. Judge) as member of the Evaluation Committee, an undertaking obtained from the bidder company was considered just and adequate.

5.156 On being asked whether the Ministry/DDA had assessed the reasons for having only one consortium in the fray for such a prestigious project, the Ministry of Urban Development clarified that 11 parties were pre-qualified. However no party had submitted its bid by the due date and time. Discussions with pre-qualified bidders had revealed the need for amending some terms and conditions of RFP. However, despite the amendments, only two bidders had submitted their bid. One bid was conditional and hence rejected.

5.157 On being enquired about the main reasons cited by the pre-qualified bidders for not submitting bids at RFP stage, the Ministry of Urban Development responded as under:-

- At the time of RFP market conditions were quite adverse and the developers did not find it very attractive anymore.
- The environmental issues for the development of village on that site was undecided by that time.
- Strict terms and conditions laid by OC/Event Knowledge Services (EKS) was conceived as a potential financial and operational risk by the developers."

5.158 During evidence, the Committee enquired about the reasons for not re-tendering when the number of bidders of the project of this nature had gone down from 15 to 2. In reply, the Secretary, Urban Development deposed as under:

"Sir, it is quite obvious to me looking into the records that two things were weighing throughout the procedure. One was the extreme time constraint. It had to happen on a certain date. It was unusual as compared to the normal Government project where there is no very definite date. I am talking about a project of this nature. Secondly, the whole thing was a novelty for the Government as a whole like hosting a game of this nature and that too in the capital city, which was generally developed very well already. To create *de novo* a lot of facilities in a big scale are the two things which were weighing heavily."

5.159 The Committee asked whether time constraint and delay in the overall planning and projections resulted in restricting the number of prospective bidders. In reply, the Secretary, Urban Development Submitted:

"On this issue, the time constraint was not an issue. It is the market response, which was there. I made an overall submission for over-arching issues. We examined case-by-case and we are not taking shelter behind time constraint for every single activity. In some activity, it may be there. Here, there is no time constraint and it was the market response, which was like that. Terms and conditions were designed and only two bidders felt confident to respond to the call and that is how, we got only two bidders."

#### **V. Short time for bidding after addendum**

5.160 According to Audit, the addendum to RFP issued on 8 June 2007, introduced significant changes to the bid conditions. The addendum was approved by VC, DDA who also recorded on file that LG, Delhi had been informed about the changes. The changes in the conditions brought in by the addendum were as follows:

- DDA's share in the FAR reduced to one third from half;
- Bank Guarantee reduced from Rs 500 crore to ₹ 400 crore;
- Penalty for delays in achieving milestones reduced from ₹ 15-50 lakh per day to ₹ 15-20 lakh per day, along with relaxation in quantum of work and time for the 1<sup>st</sup> and 2<sup>nd</sup> Milestone;
- The time allowed to bid was only 7 days. DDA stated it considered the number of days allowed enough for adjusting bids to these amendments. However, Audit found that two agencies indicated that the time allowed for bidding was insufficient;

- The consortium of Namkwang-SPSL-PDI-CMCL lodged a complaint with DDA indicating that due to insufficient time, the consortium, despite being keenly interested, was unable to bid; and
- DLF Ltd, while submitting the financial proposal on the due date, requested for an extension of time for 21 days to submit its technical proposal.

5.161 Audit pointed out that the short period permitted for submitting bids acted as a deterrent to competition. Strangely, of the 11 shortlisted parties, many of whom were established construction companies, only two responded on the last date of submission of bid. Moreover, the responsibility for obtaining statutory approvals was cast on the bidder, while DLF had sought assurance from DDA in this regard. Finally, only one financial bid was opened and accepted, effectively denying DDA the benefit of competition that would have ensured that it secured the maximum upfront amount.

5.162 The Committee desired to know the rationale for granting only seven days to the pre-qualified agencies, after inclusion of addendum through which significant changes were made. In reply, the Ministry of Urban Development *inter-alia* stated as under:

"The RFP was issued to pre-qualified bidders on April 24, 2007. A pre-bid conference was held on May 15 2007 and final date for submission of bid was June 15, 2007. Thus, the bidders had the RFP document for about 45 days before the final amendment of June 8, 2007 and 8 days thereafter prior to submission of bid. Further, the bidders were on board at all key stages during discussion, pre-bid matters and other meetings.

Considering that the original RFP was issued 45 days earlier and that the amendments issued were in consultation with bidders and that too only in respect of certain provision of RFP, 8 days thereafter were considered sufficient for the pre-qualified bidders to submit the bid."

5.163 The Committee then enquired whether any prequalified bidder made request for extension of time. In reply, the Ministry of Urban Development stated that no prequalified bidder except M/s CMCL requested for extension of time limit for submission of date after the issue of addendum.

5.164 Asked to state whether the request of M/s Namkwang SPSL-PDI-CMCL for extension of time was considered, the Ministry of Urban Development stated that M/s CMCL made a complaint only on 15<sup>th</sup> June 2007 i.e. on the last date of bid submission, requesting for more time to bid and at the same time also expressed requirement of additional relaxations of bid parameters like higher share in

apartments, lower upfront amount, etc. The question of extending time for submission of bid that too with relaxation of bid parameters could not be agreed to when DDA had already received two bids on June 15, 2007.

#### VI. Floor Area Ratio Violation

5.165 Audit found that Emaar-MGF constructed Floor Area Ratio (FAR) in excess of the sanctioned plan as well as the maximum permissible limits under the Master Plan of Delhi as indicated in the following table:

Parameter	FAR achievable/achieved
As per agreement	201280 sqm
As per sanctioned plan	205140 sqm
Maximum permissible under the Master Plan for Delhi-2021	220005 sqm
Completion plan	231000 sqm

5.166 Audit also pointed out that Emaar MGF failed to notify DDA, as per the building by-laws, of the completion of work up to plinth level to enable DDA to confirm that it was in accordance with the sanctioned plan. All construction in excess of the FAR permissible under the Master Plan of Delhi was unauthorised. In case the FAR as constructed in excess of the sanctioned plan, but within the Master Plan limits, was regularised by following due process, DDA should secure its one third share in it and the proportionate increase in upfront money as contracted, as it should do for FAR achieved in excess of the agreement as well (action on which was still pending as of January 2011). However, the FAR constructed by the Developer was in excess of that permitted under the MPD -2021, valued at ₹ 130.17 crore @ Rs 11000 /sqft and it amounted to an undue benefit to the Developer, unless DDA decided to impound or demolish it.

5.167 The Committee desired to be apprised of the reasons for allowing the developer to construct excess FAR, even beyond the permissible/compoundable limit. In reply, the Ministry of Urban Development *inter-alia* stated in a note as under:

"As per the practice in building Department of DDA, the measurement of FAR is taken at the time when the completion plan is submitted by the proponent. Similarly in the case of the Games Village joint measurement were undertaken

after the project developer submitted the completion plan to DDA. It was at this movement of time that the excess FAR came to notice. DDA had taken action as under:

- (i) The excess 17 dwelling units, which were being constructed in the basement, were demolished by the Project Developer as per the inspection carried out on 17.06.2011.
- (ii) Regarding the excess FAR which is coming within the compoundable limit the compounding charges and the upfront amount has already been demanded from the Project Developer.
- (iii) For excess FAR, beyond compounding, the matter has been referred to the Ministry of Urban Development vide letter dated 10.08.2011 for taking a decision in this matter."

5.168 Not satisfied, the Committee asked whether any action was taken against the developer for not notifying DDA about the work up to plinth level to enable DDA to confirm that it was in accordance with the sanctioned plans. In reply, the Ministry of Urban Development stated in a note as under:

"Keeping in view the fact that the work of Development / Construction of the CWG Village was of prime importance, the work was started in anticipation of the approval of the building plans. The ex-post-facto approval of the Hon'ble Lt. Governor of Delhi was taken on 12.03.2008 for start of the work prior to the sanction of building plans. Since the construction work had already started, no notice for commencement of work as required under provision of BBL 1983 under clause 7.2.1 was given. No notice was given for B-1 plinth level permit under BBL Clause 7.2.2. Under the provisions of BBL-83, under clause No.6.2.7 a supervision Certificate from the Architect is taken under clear assurance that the construction shall be carried out under his supervision and the work shall be carried out according to the Sanction Plan. Therefore, under the said provision, it was the responsibility of the Project Developer and the Architect to make constructions as per the provision of BBL and sanctioned Building Plan. Action against Developer has been taken for such violations. Action against the architect for not abiding by clause 6.2.7 of the BBL 83 is contemplated to be taken. "

5.169 In the Audit Report No. 23 of 2009-10, Union Government (Civil) Autonomous Bodies, the C&AG of India had already commented that the developer had constructed excess FAR and DDA should recover the proportionate upfront amount. Asked to state whether the Audit observation was taken into consideration by DDA, the Ministry of Urban Development stated in a note as under:

"It is true that the Audit Report No.23 of 2009-10 had commented that the Developer had constructed excess FAR and DDA should recover the

proportionate upfront amount but the fact is that it is only at the time when the completion certificate is applied for that the total measurement of the building constructed at site undertaken and excess FAR if any calculated. In this particular case, also excess FAR was revealed when a joint inspection was carried out by DDA and the Project Developer. A decision has therefore been taken that FAR as per the sanctioned plan plus 5% compounding is to be regularized after payment of upfront amount as well as compounding charges. Demand has already been raised in this regard upon the Project Developer."

5.170 The Committee further desired to know the specific action taken by DDA to – (i) recover proportionally increased upfront amount; (ii) secure/get one third portion in the residential project; and (iii) recover the amount (over ₹ 100.00 crore) from the developer on account of construction of FAR beyond permissible/compoundable limit. In reply, the Ministry of Urban Development responded as under:

"DDA has taken the following action:

- (i) Demand for recovery of upfront amount has already been raised against the Project Developer. However, the payment is yet to be received.
- (ii) As per the draw of lots, 1/3<sup>rd</sup> share of the apartments was apportioned to DDA. These apartments are in possession of DDA and would be disposed off once the completion certificate is obtained.
- (iii) For recovery from the Developer on account of construction of FAR beyond permissible/ compoundable limit the matter has been referred to the Ministry of Urban Development for taking a view."

5.171 On being enquired whether any sealing/demolition had been initiated by DDA on account of FAR constructed by the developer beyond permissible limit, the Ministry of Urban Development clarified that sealing orders were issued on 10.08.2011 for an area measuring 11964.71 sq. mtrs. which was beyond the compoundable limit, for which the Developer moved to the Court of Hon'ble ATMCD. The ATMCD further directed the DDA to consider these sealing orders as Show Cause Notice. Accordingly, hearing was given to the project Developer. Thereafter, 'the Speaking Orders were issued on 27.10.2011' as per direction of Hon'ble ATMCD and the sealing was done on 31.10.2011.

5.172 In view of the Ministry of Urban Development's statement that the Monitoring Committee was responsible for overseeing the quality of construction only, the Committee asked whether the Monitoring Committee did justice to its assigned role considering the adverse media reports on the poor quality of construction when the



athletes started moving in. In reply, the Ministry of Urban Development stated as under:

"The media reports highlighted the following two things:

- (i) The flats were not made fit for habitation even till a time very close to the mega international event;
- (ii) There were instances of seepage in the basement of the building.

The monitoring committee has discussed the reports of the 3<sup>rd</sup> party and taken the compliance from the Project Developer of the rectification work. These compliance reports were given to the 3<sup>rd</sup> party for verification, which have been taken note by them in the subsequent reports. Thus, the Monitoring Committee did everything possible to attend to these problems to the entire satisfaction of all concerned."

5.173 The Committee were informed that for excess FAR beyond compounding, the matter had been referred to the Ministry of Urban Development by DDA in August, 2011 for taking a decision. Asked to state the decision taken by the Ministry in this regard, the Ministry of Urban Development clarified under:

"For the excess area beyond compoundable limit, DDA referred the matter to the Ministry of Urban Development on 10.8.2011. The matter was also considered by the designated Group of Ministers who, in their meeting held on 16.1.2012 decided that Ministry of Urban Development should direct DDA to resolve the outstanding contractual issues in accordance with the law. Accordingly, MoUD has directed DDA vide letter No.K-12011/3/2011-DD-IB dt. 09.02.2012 that outstanding contractual issues including that of permissible area be resolved in accordance with relevant provisions of Master Plan, Building bye-laws/regulations, and the Project Development agreement, by obtaining the legal opinion and keeping in view the financial implications for the Authority in respect of various available options. It may also be stated that the project developer had filed an appeal before Appellate Tribunal of MCD (ATMCD) challenging the decision of DDA not to grant completion certificate to the whole constructed area. ATMCD vide order dated 14.5.2012 has remanded the matter back to DDA. In compliance to above orders of ATMCD, a show cause notice vide No. F.7(54)/2012/Bldg/55 dt. 13.7.2012 has been issued to the project developer. In the mean time, project developer has also filed an appeal before the District Judge on 19.7.2012 against the orders of ATMCD, which has been dismissed. Now the matter is before the Joint Director (Bldg.) and High Court of Delhi. Action shall be taken by DDA after outcome of above court cases."

## **VII. Revision of Milestones**

5.174 As pointed out by Audit, the developer could achieve only the 6<sup>th</sup> and 7<sup>th</sup> milestones (of the total 9 milestones) as per the original schedule. Liquidated

damages were leviable for delays in achieving of 1<sup>st</sup> to 5<sup>th</sup> milestones and thereafter for the 8<sup>th</sup> and 9<sup>th</sup> milestones. However, the HPC extended the dates for the 1<sup>st</sup> to 4<sup>th</sup> milestones, but the developer could still not achieve the revised 4<sup>th</sup> and the unrevised 5<sup>th</sup> milestones. Audit found that ₹ 81.85 crore liquidated damages refundable on the achievement of the 6<sup>th</sup> milestones, were not recovered from the developer resulting in an undue benefit of ₹ 7.36 crore toward interest costs.

5.175 Further, non-achievement of the 8<sup>th</sup> and 9<sup>th</sup> milestones attracted a non-refundable liquidated damage of ₹106.9 crore, of which DDA recovered Rs 90 crore in October 2010, by invoking the Bank Guarantee of ₹ 183 crore at the direction of Ministry of Urban Development, Government of India. DDA had assured that it would recover interest on the liquidated damages for delays in achieving the 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> milestones and the claim for remaining liquidated damages of ₹ 16.90 crore for non achievement of the 8<sup>th</sup> and 9<sup>th</sup> milestones had been raised.

5.176 The Committee enquired about the rationale for revision of milestones by DDA instead of imposing liquidated damages when the developer was fully responsible for developing the project, and DDA was there only for monitoring the project. In reply, the Ministry Urban Development *inter-alia* stated as under:

" i. A request was received from Project Developer (PD) in February 2008 for revision of milestones on the following grounds:

- a. The milestones mentioned in the RFP document were based on the assumption that no basement will be constructed and thus minimal excavation is required. However due to various indeterminable issues, which include height restrictions, minimum 4000 rooms and configuration of flats from saleability point of view and parking as per MPD 2021, the PD had to construct double basement. This required an additional excavation of about 4 lakhs cubic meter.
- b. The first milestone did not account for site mobilization, soil investigation, test piles etc. which itself takes 2 months.
- c. The progress of works has been hampered due to various reasons, including onsite protests by NGOs, pending court cases etc.
- d. Since DDA delayed the issue of NOC to the PD for mortgage and assignment, the pace of work could not be expedited due to paucity of resources.

- e. Approval of building dept. was received as late as in February 2008, the prerequisite for sanction of building plan are clearance from Delhi Fire Services and DUAC as such it takes 4 to 5 months to clear the building plans.
- ii. The request of PD was discussed at length in DDA and placed before High Powered Committee (HPC) for consideration.
- iii. HPC, in its meeting held on 08.04.08, took into account the plea of PD and the facts of the matter such as height restrictions due to an objection from Akshardham authorities and protests by NGO, pending cases etc and desired CE (SEZ) to submit detailed calculations indicating on-site physical and financial progress of works.
- iv. In response, CE (SEZ) submitted the calculations showing the on-site physical as well as financial volume of work done on the date of 1<sup>st</sup> milestone, which was found to be more than what was required to be achieved on date of 1<sup>st</sup> milestone i.e. 11.02.08 as per RFP document. It was also submitted that going by the proposed program given by PD and the current progress of work, the PD will be able to achieve physical as well as financial volume of work which will be more than what is required to be done as per the 2<sup>nd</sup> milestone also i.e. 11.05.08, but they will not be able to achieve specific physical features mentioned in the 2<sup>nd</sup> milestone as per the RFP.
- v. Based on the above calculations and the facts of the matter, HPC, in its meeting on 21.04.2008 recommended for revision of first two milestones to 11.05.08 and 30.07.08 respectively with a proviso that in case the PD defaults on achievement of any revised milestone, penalty would be levied as per PDA.
- vi. Based on the above recommendation of HPC, milestone 1 & 2 were extended by DDA after receiving approval from competent authority.
- vii. The first and second milestone were achieved by PD on 10 May 2008 and 10 August 2008 (delay of 11 days) respectively.
- viii. In August 2008, a request was received from PD vide his letter dated August 21, 2008 for extension of milestones 3 & 4 to 30 Jan 2009 and 15 June 2009 respectively mentioning several reasons.
- ix. The request was discussed at length in DDA and in the HPC meeting dated November 5, 2008.

It was clarified that PD required 180 days for completion of milestone 3. Due to extension of milestone 1 & 2, the time gap has reduced to 100 days. Since shuttering takes 20 days time cycle for completing one floor structure, the time gap of 100 days is not adequate. As per the calculation, the time required for achieving the 3<sup>rd</sup> milestone is 6 months i.e. 20.02.09. However, PD had asked

for time till 30 Jan 2009, which is lesser. It was also noted that this period cannot be contracted even after deploying more resources.

Similarly, as per RFP, time required for achieving 4<sup>th</sup> milestone was 180 days. After rescheduling of 3<sup>rd</sup> milestone, the time remaining between 3<sup>rd</sup> and 4<sup>th</sup> milestone was 96 days against the original period of 180 days. PD had asked for 136 days instead of 180 days. It was also stated that for proper execution of work, the request was justified since the speed depended on cycle of supply of flooring and other materials, which was already maximized.

HPC, in its meeting on 23.10.2008, considered the above explanation and recommended agreed to revise the 3<sup>rd</sup> and 4<sup>th</sup> milestone to 30<sup>th</sup> Jan 2009 and 15<sup>th</sup> June 2009 respectively. PD had also stated that the milestones would be converging on 30.06.09 and there was no change in completion date. HPC agreed to recommend the extension of milestone with a proviso that this would not be further extended and penal action in case of non-achievement of milestones.

- x. Based on the above recommendation of HPC, milestone 3 & 4 were extended by DDA after receiving approval from competent authority.
- xi. During the course of execution of assignment, PD had delayed the achievement of milestone 2, 4, 5, 8 and 9. Accordingly, DDA had levied the following penalties from the Project Developer towards the above-mentioned delays.
  - Milestone 2: Rs 1.65 Cr. Since the PD had not paid the said damages within 7 days, DDA had taken a Bank Guarantee towards the same, which was returned subsequently on achievement of milestone 3 by Project Developer within the stipulated time.
  - Milestone 4: Rs 17.85 Cr. Since the PD had not paid the said damages within 7 days, DDA had taken a Bank Guarantee towards the same, which was returned subsequently on achievement of milestone 6 by Project Developer within the stipulated time.
  - Milestone 5:- Milestone 5 & 6 were certified by Monitoring Completion on the same day i.e. 29.01.10. Since the next milestone i.e. 6 was already achieved within the stipulated time, DDA had decided not to levy the LD.
  - Milestone 8 & 9- Rs 83.70 Cr on 16.10.10. Since PD had not paid the required amount, DDA had invoked the performance security of Rs 183 Cr out of which Rs 90 Cr had been encashed on 23.10.10 due to status quo ordered by Hon'ble High Court. Further claim of Rs 16.9 Cr (Rs 106.9Cr of LD as on 13.12.10 less 90 Cr encashment permitted by Honb'ble HC) was also

made by DDA on 28.01.11 after certification of achievement of milestone 8 & 9."

5.177 On being asked whether the recovery of ₹ 16.90 crore and interest amount on account of liquidated damages had been received from the developer, the Ministry of Urban Development have stated as under:

" As per the Project Development Agreement M/s Emaar MGF Construction Pvt. Ltd. could not meet the 8<sup>th</sup> and 9<sup>th</sup> milestone. Therefore, liquidated damages as per the agreement were to be enforced. Total liquidated damages (LD) of ₹106.90 crores have been worked out against the PD for delayed completion of the project. DDA encashed the performance bank guarantee of ₹183 crores to adjust this claim. The Hon'ble High Court of Delhi permitted DDA credit of ₹90 crores and has stayed the encashment of balance of ₹93 crores. Thus, ₹16.90 crores of balance LD could not be encashed due to intervention by Hon'ble High Court. The court case is still pending in the High Court of Delhi. Thus, DDA acted in the matter but due to the court case could not realise this amount of ₹16.90 crores.

From the above explanation, it is clear that DDA acted swiftly and in accordance with PDA but due to the court case, same amount could not be realised. However, claims are filed in the Hon'ble High Court in the pending litigation with PD on encashment of the Bank Guarantee of ₹183 crores."

#### **VIII. Non recovery of Infrastructure Charges**

5.178 According to Audit, DDA failed to recover infrastructure charges from the developer in respect of its share of the cost of the Water Treatment Plant and Sewage Treatment Plant created by DJB and demanded from DDA.

5.179 Asked to state the current status of the recovery of infrastructure charges i.e. on account of STP, WTP/water charges etc, the Ministry of Urban Development *inter-alia* clarified that DDA had encashed the bank guarantee of ₹183 crores to realize the liquidated damages and infrastructure charges payable by the Project Developer in October, 2010. Against above encashment, the project developer had approached High Court of Delhi. Credit of ₹90 crore was permitted by the High Court and credit of ₹93 crore was kept in abeyance. These claims of infrastructure charges were the part of arguments of the DDA before the Hon'ble High Court.

#### **IX. Expenditure on Installation of Signages**

5.180 Audit scrutiny revealed that the contract with the developer included installation

of signages to be decided by the Monitoring Committee in consultation with the Organising Committee. However, a separate contract for installing signages in the residential complex was also given by DDA to M/s Meroform India Pvt. Ltd. for ₹ 0.11 crore without any corresponding recovery from the developer.

5.181 The Committee enquired about the reasons for installation of the signages in the residential complex by DDA when these were to be installed by the Developer as per the agreement. In reply, the Ministry of Urban Development submitted that the signages required by the Organizing Committee were provided in the open areas of the residential complex for look of the game. These signages were not covered under PDA. The developer was to provide signages in the towers, staircases and apartments and the same had been provided by the developer. However, as pointed by the Audit, DDA had raised this claim against the PD. This claim has been included in the court case where PD had challenged the decision of DDA to encash the performance bank guarantee. Further action shall be taken after disposal of the case by the Hon'ble High Court.

#### **X. Quality of Construction**

5.182 According to Audit, Emaar MGF awarded most of the construction work for the residential complex to Ahluwalia Contracts (India) Ltd. Central Building Research Institute, Roorkee (CBRI) was appointed as the Third Party Independent Quality Inspection Agency only in May 2008, eight months after the start of work, by which time most of the foundation work had been executed. As such, CBRI was unable to assure the quality of the foundation laid. CBRI submitted thirteen reports between June 2008 and October 2010 based on its inspection of the construction in which it reported serious lapses in construction work. Some of the major deficiencies reported by CBRI included:

- (i) Deficiencies in ductile detailing of secondary reinforcement (providing appropriate hooks for the stirrups and lateral ties);
- (ii) Lack of cover to reinforcing steel;
- (iii) Improper beam-column joints;
- (iv) Improper alignment of columns;
- (v) Improper water-proofing treatment in retaining walls and Grade slab; and

(vi) Difference in the levels of grade slabs.

5.183 CBRI, in its report of July 2009, concluded that "on seeing the permeability of the concrete and the corrosion of reinforcing steel, it gives an impression that the service life of these towers cannot be more than 20 years. These towers demand a lot more expenditure for the repair and retrofitting beyond this period." DDA, however, failed to take timely action against the developer/contractor and negligence on the part of the contractor continued.

5.184 The Committee enquired about the reasons for delay in the appointment of third party independent quality inspection agency. In reply, the Ministry of Urban Development stated that the Project Development Agreement was signed on 14<sup>th</sup> September 2007 and at least a period of 3 months was needed to mobilize the resources. As such, the provision in PDA was made vide clause No.2.39 on page 206 to appoint the 3rd Party Quality Assurance Agency within 3 months of signing of the PDA. The process was started by DDA in mid November, 2007 and 2 quotations i.e. one from M/s RITES and the other from CBRI were received in December, 2007. M/s RITES quoted a fee of ₹ 3 crore and M/s CBRI quoted ₹4 crore. The case was initiated for the approval of the Competent Authority in 1st week of January, 2008. The Ministry further stated that when the case was under process of approval, M/s CBRI voluntarily at its own sent an e-mail dated 23.01.2008 reducing its fee from ₹4 crore to ₹1.40 crore. Owing to above situation, the file was withdrawn and it was decided to invite open quotations through wide press publicity from Government Institutions for the sake of transparent and fair process of selection. This time also only above 2 agencies quoted for the project. The rate quoted by M/s RITES was ₹2.96 crore and M/s CBRI ₹1.45 crore. The case was again initiated for the approval of the Competent Authority. This resulted in the delay in appointment of 3<sup>rd</sup> party quality assurance agency. This also resulted in saving of ₹1.5 crore.

5.185 On being asked whether the delay was a serious lacuna considering the location of the site and height of the structure, the Ministry of Urban Development responded that it was true that CBRI, Roorkee, was appointed in May, 2008 as a third party quality assurance agency. The CBRI conducted non-destructive tests on the quality of pile/foundations and certified that the quality of piles/foundations was within

the acceptable norms. These certifications were included in their report No.2. Further, before CBRI, in house quality test checks were also carried out regularly by the quality control laboratory set up onsite by the developer along with DDA engineers who also certified that the quality of work was as per norms prescribe under the BIS codes. The fact about existence of the QA/QC laboratory was confirmed by the CBRI in its 2nd report in para 6. The developers also carried out non-destructive tests on the piles casted before CBRI through an Independent Agency. The tests were also conducted on the materials and all these records were given to CBRI, which they mentioned in their report No.6. Thus, the quality of the work executed before CBRI was ascertained.

5.186 When asked whether DDA/Monitoring Committee ensured that the developer took timely and effective action on the lapses reported by CBRI, Roorkee, the Ministry of Urban Development clarified that the Monitoring Committee of the Project had discussed the reports of 3<sup>rd</sup> party quality assurance agency and directed the PD to the rectify deficiencies and submit action taken reports. The PD after doing the needful had submitted the ATR, which had been handed over to CBRI for verification. The CBRI in subsequent reports noted the contents of ATR. It showed that Monitoring Committee appointed by DDA had taken action on the reports of 3<sup>rd</sup> party quality assurance agency. The major defects had been rectified by the PD but in such huge construction recurrence of some routine defects could not be ruled out.

#### **XI. Unfinished Games Village**

5.187 Audit pointed out that Emaar MGF was to hand over the completed project (including landscaping work) on 1 April 2010, in a ready to use/liveable condition, with no pending construction, unfinished work, construction equipment debris, construction material etc. on the site. The project could not be completed even at the time of the Commonwealth Games, 2010 and the towers were handed over to DDA between June and August 2010 for furnishing of the flats by Indian Tourism Development Corporation (ITDC) and the Organising Committee. These flats were not completed/finished and numerous defects were noticed by DDA. These deficiencies were in addition to the various structural issues pointed out by CBRI in its report. The main defects noticed by DDA were as under:



- Undulating basement floor and absence of flooring (which was hidden under debris);
- Heavy leakage of ground water in all the lift pits (73 in number) indicating that no water treatment had been done in the lift pits;
- Defective water proofing of terrace, resulting in seepage in apartments;
- Improper slope of floor in bathrooms;
- Shafts not covered, leading to collection of water in basements;
- Supply of single phase power in some apartments;
- Improper coverage of expansion joints;
- Gunny bags embedded in concrete surfaces in the basement;
- Chokages in the drain pipes; and
- Landscaping not completed and no arrangement of water for the landscaped area.

5.188 Some of these deficiencies were attended to, in an emergent situation, by DDA and agencies of the Government of NCT of Delhi (Audit were unable to determine the amount spent by these agencies on this activity separately). Major construction defects remained unattended during the Commonwealth Games, 2010. Till date, Audit did not have any record to indicate that these defects were subsequently rectified by the developer, nor did Audit have any evidence that monetary adjustments had been made.

5.189 Due to the unfinished condition of the residential complex, the Organising Committee made alternate arrangements for the accommodation of the delegations of 41 countries that were entitled to stay at the Games Village during the period 16<sup>th</sup> to 29<sup>th</sup> September 2010, at a cost of ₹0.84 crore.

5.190 An additional expenditure of ₹ 4.16 crore was also incurred for shifting the polyclinic, dope control centre and resident centre from its originally identified location in the lower ground floor to a temporary structure (overlay) due to likelihood of flooding; sewerage and drainage problem; circuitous approach and low height of ramp which hindered entrance of ambulances.

5.191 On being asked about the reasons for these defects and the action taken against the developer and officers (supervising/monitoring the project) responsible for

this situation, the Ministry of Urban Development have stated that the defect/deficiencies mentioned by the C&AG team such as supply of single phase in some of the rooms, in proper coverage of extension joints, chokage in drain pipes and inadequate arrange of water for landscaping were mostly operational deficiencies which were generally noticed when the building was put to use. Majority of these deficiencies were rectified by the Project Developer (PD) after these were notified by DDA before the buildings were occupied by the players/officials. With regard to seepage in basement, DDA constituted a Committee after the Games for the Technical and Quality Audit of the project headed by Dr. P.S. Rana, Former Chairman, HUDCO. The defects of basement water proofing and other defects pointed by this Committee were being rectified by the PD. The staff of DDA was only responsible for monitoring the progress and not for execution, as such no action was warranted against anyone. DDA staff at the time of taking over its share of the apartment shall check the work thoroughly. However, the PD had been penalized but he had approached the court.

5.192 The Committee then desired to know the penal action taken against the developer for not providing clear space for polyclinic. In reply, the Ministry of Urban Development submitted that the construction of polyclinic in the basement was opposed by the Health Department of Government of NCT of Delhi. The Minister of Health, Government of NCT of Delhi had requested the Vice Chairman, DDA to shift the polyclinic to the surface from the basement. The team of Doctors of the OC had also objected to the location of polyclinic in the basement. The Organizing Committee had also objected to its location in the basement with the plea that it did not have disposal of the sewer and water. DDA's proposal to provide automatic pumping arrangement of sewer was also doubted by the OC as it might be a nuisance in case of failure of the pumping system. Since, it was an international event, no chance was taken by the OC. Owing to above reason, the polyclinic was relocated to the ground.

5.193 The Ministry further stated that the objection of the OC and the Health Department was received in January, 2010 while seepage of water in the basement had taken place in August, 2010. Thus, the decision to relocate polyclinic was not due to condition of the basement but due to the reasons that the agencies responsible for the operation of health services during the games did not accept it in the basement. In

PD Agreement the project developer of the residential apartments, no sewerage system/disposal was to be provided in the basement. Thus, no action against the PD could be taken on this account.

5.194 Asked to state the current status of the project, the Ministry of Urban Development clarified that there was no problem in the apartments and they were structurally safe. The work of repainting inside the apartments, repair of basement, waterproofing and upgradation of outer services such as road, parks and landscaping were being done by the Project Developer.

**XII. Non-residential Permanent Structure (Practice Area)- Selection of Suresh Goyal and Associates as Design Consultant**

5.195 In February 2006, an RFP for engaging a consultant for designing the Games Village was issued. Of the 12 bids received, 5 were shortlisted based on the presentations and the contract was awarded to the agency that scored highest on the basis of a techno-commercial evaluation in February 2007. Audit found that despite M/s Suresh Goyal and Associates (SGA) being declared the L1 bidder in June 2006, the issue of Letter of Intent (LoI) was delayed by six months. During this time, the High Powered Committee (HPC) entered into a rate negotiation with the L1 bidder; (the L1 bidder had quoted Rs 17.25 crore which was reduced to ₹ 15.65 crore) and thereafter took another three months to issue the LoI. Such inexplicable delays post tendering were not only detrimental to timelines, but also indicated lack of transparency.

5.196 Further, SGA's high score on technical evaluation was primarily due to the inclusion of Decathlon SA (with experience of Athens Olympics) as the master planner and sports architecture specialist, in its consortium and ₹ 6.10 crore of the consultants' fee was justified on the grounds of its engaging international expertise. Subsequently, Decathlon SA was not associated with the execution of the contract, thus vitiating the very premise on which SGA was selected. In November 2007, Decathlon SA informed DDA that despite being a member of the consortium, it had not been associated with the project due to an unresolved dispute with Suresh Goyal and Associates on the scope of work and associated fees. Subsequently, as late as May 2008, Suresh Goyal and Associates informed DDA that the contract deliverables till date had been submitted without the association of Decathlon SA and sought an ex-post facto approval of replacement of Decathlon's staff with certain staff which it had already

engaged. This was contrary to the agreed terms, which required any replacement of the staff would be done only with prior consent of DDA.

5.197 Further, in February 2008, HPC directed retaining 25 percent of the fee of SGA, but subsequently released the retained amount between May 2008 and October 2008, on the plea that work was suffering and also considering the overall work done by the design consultant.

5.198 The Committee enquired about the delay on the part of DDA in issuing LOI to M/s Suresh Goyal and Associates after the consultant had been declared L1. In reply, the Ministry of Urban Development submitted that the design consultancy bids were opened on 1<sup>st</sup> June, 2006. In the consortium of the consultancy, foreign firms were also involved due to which the period of negotiation took little extra time and prolonged till September, 2006. This type of consultancy was being hired by the DDA for the first time.

5.199 Asked whether any action had been taken against M/s Suresh Goyal and Associates for not informing in time non-association of the Decathlon SA, the Ministry of Urban Development submitted that as per the Memorandum of Understanding (MOU) submitted by the consortium at the time of prequalification, the role of M/s Decathlon SA was mainly in the master planning. The consortium had utilized more man-days of other foreign consultants from Australia to deliver the satisfactory services. For the fault of not informing DDA about non-association of Decathlon in time, the consultants had been warned.

5.200 The Ministry further clarified that due to non-association of Decathlon SA with the consortium, no financial loss was caused to DDA as the consortium had delivered satisfactory services by utilizing more man-days of other international consultants associated with the consortium.

5.201 As regards the replacement of the staff of Decathlon, the Ministry further clarified that there was a provision in the agreement for replacement of any partner of the consortium with equal level of skill personnel which had been deployed by the consultants and delivered the required services. In view of above, no other action was required.

5.202 On being asked to state the circumstances under which the withheld amount was released, the Ministry of Urban Development apprised that since satisfactory services had been provided by the consortium after deployment of other personnel of equal experience and competence, the withheld payment was released after the decision of the High Powered Committee meeting held on 23<sup>rd</sup> October, 2008.

### **XIII. Deficiencies in Preparation of Designs, Drawings, Bill of Quantities and Estimates**

5.203 The design consultant, M/s Suresh Goyal and Associates was responsible for preparation of designs, drawings, bill of quantities and estimates. Based on a test check of records, Audit found that several deviations of work/ extra items had to be undertaken due to the following deficiencies attributable to the design consultant:

- Defective estimates ( 7 cases of ₹ 8.97 crore);
- Mismatch in original and working drawings and BOQs (one case of ₹ 0.43 crore);
- Estimates not prepared as per site requirement (5 cases of ₹ 5.41 crore);
- Slab of the underground reservoir not designed as per vehicular load (one case of ₹ 0.52 crore); and
- Deviation due to change of specification and scope of work (one case – ₹ 1.05 crore)

5.204 On being asked about the action taken by the DDA against SGA (design consultant) for the deficiencies, the Ministry of Urban Development submitted that a penalty of ₹25 lakh had been deducted from the running bills of the consultants. Balance penalty was being examined and shall be deducted from the final bill, which was yet to be paid.

### **XIV. Selection of Sportina Payce Infrastructure Pvt. Ltd. as Developer**

5.205 The contract for construction of athletic track, swimming pool, fitness centre and training hall at the Games Village and three other projects related to venue development was awarded to M/s Sportina Payce Infrastructure Pvt. Ltd. (L1 bidder) on 17<sup>th</sup> April, 2008 at a negotiated amount of ₹ 63.10 crore with the approval of the Works Advisory Board and concurrence of LG, Delhi.

5.206 The entire tendering process took 10 months, of which 3 months were spent in examining the eligibility of the applicants. However, Audit found that M/s Sportina Payce Construction (India) Pvt. Ltd. (the SPV representing the consortium led by Payce Consolidated Ltd., Australia; Pynter Dixon Construction Pty. Ltd., Australia; Sportina Exim Pvt. Ltd., India and Robertson + Marks Architect Pty. Ltd, Australia), submitted an un-notarised MoU evidencing the consortium, contrary to the RFQ requirement. Though all four member of the consortium were purportedly incorporated bodies, only two signed with the companies' common seal. Despite a scrutiny process of three months, this agency was declared pre-qualified by the Evaluation Committee. Further, though the company pre-qualified was M/s Sportina Payce Construction (India) Pvt. Ltd, the tender documents were bought by M/s Sportina Payce Infrastructure Pvt. Ltd., a different legal entity, registered only on 16 January 2008, but applied for the tender document on 15 January 2008;

5.207 Audit also observed that as per RFQ condition, any consortium member holding more than or equal to 26 per cent of the equity shareholding or voting rights, was required to have net worth equal to 40 percent of the estimated project cost. Sportina Exim Pvt. Ltd. did not meet these criteria, and circumvented it by showing a shareholding of 25 percent at the MoU stage. However, it increased its holding to 26 percent shareholding in Sportina Payce Infrastructure (P) Ltd., the company which was finally awarded the contract. Subsequently, in October 2009, after a payment of ₹ 17.79 crore had been made, the contract was terminated on the grounds of mismanagement, lack of resources, lack of will and vision, engineering skill and management expertise – thus confirming the agencies' ineligibility in the first instance. Liquidated damages of Rs 5.75 crore were levied on the contractor, but had not yet been recovered. The balance work of Rs 45.31 crore was re-awarded to Sam (India) Built Pvt. Ltd. for ₹ 29.59 crore (including an additional work of ₹ 1.18 crore) and to Shiv Naresh Sports Pvt. Ltd. for ₹ 8.93 crore.

5.208 Audit pointed out that evidently the MoU was manipulated to ensure that M/s Sportina Payce Construction (India) Pvt. Ltd. was prequalified. Ultimately, the successful bidder was an entity, different from the pre-qualified agency without any confirmed association with Payce Consolidated Ltd., Australia - the projected lead member with experience of design and construction of mixed-use development in

Australia, on the basis of which the consortium was pre-qualified. DDA also could not produce any evidence of the association of Payce Consolidated Ltd. in execution stage as per MoU.

5.209 The Committee enquired about the action taken against the members of the Committee who made an ineligible agency qualified as well as against the officials who were responsible for issuing tender documents and awarding the contract. In reply, the Ministry of Urban Development clarified that the matter was already under investigation by the Vigilance Department of DDA. Moreover relevant records had already been taken by the Central Bureau of Investigation (CBI) and the officers involved in the tendering process were being questioned by CBI.

5.210 As regards action taken against M/s Sportina Payce Infrastructure Pvt. Ltd, the Ministry stated that the security deposit amounting to ₹1.78 crore and performance guarantee amounting to ₹3.16 crore of the agency had been forfeited. Apart from above, the case for debarring future business by the consortium members had been initiated.

5.211 Asked whether the recovery of Liquidated Damages of ₹ 5.75 crore had been made from M/s Sportina Payce Infrastructure Pvt. Ltd., the Ministry responded that out of ₹ 5.75 crore imposed as compensation upon the agency, ₹ 4.62 crore had been adjusted from the amount of the final bill which was available with DDA. For the recovery of balance amount of ₹1.13 crore, recovery suit No. CS (OS) No.1240 of 2011 had been filed in the High Court of Delhi as the agency declined to deposit the same.

**XV. Alternate Accommodation at Vasant Kunj-Incomplete Upgradation of Flats**

5.212 According to Audit, in November 2008, DDA in consultation with GM, ITDC, decided to upgrade 1904 flats already under construction (10-15 percent complete) and 805 LIG flats (97 percent complete) to the level of three star hotels by March 2010. In April 2009, specifications for the upgrade were finalised and Indian Tourism Development Corporation Ltd. (ITDC) was engaged on nomination basis for furnishing the flats. Audit found that of the 2709 flats, only 805 LIG and 182 HIG flats could be

upgraded and handed over to ITDC for furnishing. The remaining flats were only 28 to 50 percent complete till November 2010. This was despite an attempt in July 2010 to fast track the completion of 576 flats by issuing work orders at a premium of 10 percent over justified cost, as approved by LG, Delhi.

5.213 In the above context, when the Committee desired to know the views of the Ministry of Urban Development, they responded as under:

"In order to meet the shortage of accommodation for visitors during Commonwealth Games-2010, it was decided by the Group of Ministers (GOM) on 16.12.2008 and Committee of Secretaries on 22.12.2008 that DDA being the largest housing construction agency, should be able to deliver 4500 rooms in Vasant Kunj area. This was besides the fact that lot of approvals were still pending, but keeping in mind the nation's prestige/image and in the absence of no other alternative available at that point of time that DDA came forward for undertaking this daunting task.

2709 DDA flats were being constructed at Vasant Kunj as a normal housing scheme and were to be complete by December end, 2010. Revised specifications were accordingly drawn up and approved by DDA which also, *inter-alia*, included installation of lifts etc. A further development, which took place in June, 2010 was that the Organising Committee put forward a proposal to house 1600 technical delegates (Referees, Umpires, Anti-doping experts etc.) in these flats, citing the reason that under the Games Federation Regulations they could not stay in the Games Village meant for Athletes and, therefore, would have to be housed separately. To cope with this situation, it was suggested that out of the 40 towers in the D-6 complex covering 1904 flats and 4195 rooms, 16 towers comprising 576 flats and 1102 rooms should be immediately taken up by DDA on as-is-where-is basis and assigned to other contractors to undertake the remaining work in a time-bound manner. Instead of going in for calling of tenders for specific packages of work, it was considered appropriate that reliable construction agencies in whom there is confidence vis-à-vis their ability to complete the project in time may be authorized by the Project Chief Engineer to undertake the remaining work as per the CPWD rates schedule approved in 2007 and further updated upto 2010 by CPWD, with a further special margin of 10% to cover extra cost involved in time-compression for project completion."

5.214 The Ministry of Urban Development further apprised:

"For each of these 16 towers withdrawn from the original contractors, an Executive Engineer will be specifically designated. The 16 XENs will be supervised by 4 Superintending Engineer, who in turn will work under the overall control and direction of the Project Chief Engineer. That even after the great efforts, work order could be complete due to heavy rains during this period. The work order for remaining one given only for seven towers in Gr.I and two towers in Gr.III. However, work could not be complete due to heavy rains during this period. The work order for remaining one tower in Gr.I and six



towers in Gr.III could not be taken up. DDA had put in all its resources at all levels, even by taking hard decisions, so that required accommodation could be made ready before the start of Commonwealth Games-2010. Project was monitored at the level of the Hon'ble Lt. Governor of Delhi, Cabinet Secretary, Secretary Tourism, Secretary /UD, VC/ DDA. It is also a well known fact that during that point of time when the works were going on a war footing not only in Delhi but also in NCR related to Commonwealth Games-2010, there had been acute shortage of executing agencies, labour, men and material, storage space, space for labourer huts, difficulty in achieving required progress was further compounded by heavy and unprecedented/prolonged monsoon. In spite of all these impediments every concerned officer contributed its best in timely completion of this Project.

It was also clarified that for any work which remains incomplete beyond September, 2010 or a maximum grace period of 4 days viz. beyond September 14, the 10% premium over the CPWD justified rates would not be payable since the requirement of completion in time for the Commonwealth Games starting 3 October, 2010 would not be served.

It is relevant to point out that at this juncture that total number of 1362 rooms were made available by DDA out of which ITDC furnished only 778 rooms and only 445 rooms were occupied which clearly shows that it was the ITDC which was not able to furnish the apartments given to them fully. It was recorded that as per the information available from Organising Committee, the number of rooms required shall only be 938, against which DDA had already made ready 1362 rooms with all fittings and fixtures duly inspected by O.C. and ITDC. It needs to be further mentioned here that O.C. occupied 445 rooms only whereas the remaining 917 rooms completed by DDA in all respects remained unutilized. It is also a matter of record that there was no booking for these accommodations for the tourists with ITDC in spite of publicizing the same by ITDC on its website and advertisement in the Press.

In view of above, it is apparently seen that against the revised requirement of 445 rooms, DDA provided 1362 rooms. ITDC furnished 778 rooms only. As such, there was no shortage of accommodation at D-6, Vasant Kunj vis-à-vis requirement during the Games. All out efforts were made by the DDA towards meeting the dead line date and thus there is no slackness in completion of upgradation of works on the part of DDA.

From the above it is quite evident that there was no slackness in putting concerted efforts of DDA in completing this Project."

5.215 As regards action taken against the DDA officials the Ministry of Urban Development submitted that the requirement of the number of flats for housing the National Technical Officers and International Technical Officers was received from the Organizing Committee, Commonwealth Games only on 18<sup>th</sup> August, 2010. In the said letter of CEO, CWG the total requirement of rooms was 1500. The number of rooms, which were made available by DDA, was more than the requirement of the OC, CWG.

Therefore, no action was being contemplated to be taken against any officers of the DDA.

#### **XVI. Furnishing of Flats by ITDC**

5.216 Audit pointed out that DDA entrusted ITDC, a PSU, the work of supply and installation of furniture and fixtures. This covered furnishing of 1101 flats at the Games Village, bifurcated into two schemes (Towers 1-17 and 18-34); 1285 LIG, 416 MIG and 1008 HIG flats at Vasant Kunj (of which only 805 LIG and 182 HIG flats could be handed over by DDA). ITDC was to be reimbursed the full cost of supply/ work orders plus 10 per cent departmental charges. In turn, as of November 2010, ITDC awarded work orders for supply of furniture and fixtures for ₹ 49.41 crore. However, it made payments of ₹ 27.89 crore against the advance payment of ₹ 46 crore (inclusive of departmental charges) to ITDC. Audit found the following deficiencies in the award and execution of work orders by ITDC:

- The rates quoted by the same supplier for the same items under the two schemes for the Games Village flats differed in respect of 9 items. ITDC failed to negotiate appropriate reduction with potential savings of upto ₹ 1.08 crore.
- ITDC had not initiated compensation claims for ₹ 1.52 crore from suppliers for delayed/short supplies.
- Furniture worth ₹ 3.19 crore and ₹ 10.31 crore had not yet been installed at the Games Village and Vasant Kunj flats respectively. ITDC stated that since DDA failed to construct the flats in time at Vasant Kunj and handed over far fewer flats than envisaged, it was compelled to store the furniture supplied in semi-constructed flats as well as a hangar created for this purpose.
- The stock of linen items at Vasant Kunj was found to be short by ₹ 0.77 crore at the time of audit.

5.217 The Committee wanted to know whether any action had been taken against the officials who could not negotiate potential saving in the supply of furniture items. In reply, ITDC stated in a note as under:

"For the work of supply and installation of the furnishing and fixtures in the flats at the Games Village at Akshardham, procurement process was carried out through a designated procurement committee comprising members from DDA, MOT and ITDC. Separate tenders were invited for articles under Scheme-I and Scheme-II. The items to be procured under these two schemes were of different specifications as stated below:-

Sl. No.	Items	Specifications	
		Scheme-I	Scheme-II
1.	Sofa Set	<ul style="list-style-type: none"> <li>Consists of 3+1+1 seats</li> <li>3 seater sofa are of size 1960x830x595mm and 2 no. single seat sofa of size 960x830x595mm</li> <li>Outer upholstery of leatherite</li> </ul>	<ul style="list-style-type: none"> <li>Consists of two seats only</li> <li>2 seater size is 1550x800x780mm</li> <li>Out upholstery of fabric (cloth)</li> </ul>
2.	Centre Table	<ul style="list-style-type: none"> <li>Size 100x500x500mm</li> </ul>	<ul style="list-style-type: none"> <li>Size 1200x600x460mm</li> <li>Has grooves in legs and frames</li> </ul>
3.	Dining table & chairs set	<ul style="list-style-type: none"> <li>Size of dining table 1500x900x740mm</li> <li>Size of dining chairs 440x400x450mm</li> <li>Chairs are of complex thin elements design</li> </ul>	<ul style="list-style-type: none"> <li>Size of dining table 1525x912x750mm</li> <li>Size of dining chairs 510x500x430mm</li> <li>Chairs are of simple design</li> </ul>
4.	Study chair	<ul style="list-style-type: none"> <li>Size of study chair 440x400x450mm with complex thin design</li> </ul>	<ul style="list-style-type: none"> <li>Size of study chair 520x570x400mm with simple design</li> </ul>
5.	Additional chair/easy chair	<ul style="list-style-type: none"> <li>Size of chair 620x560x860mm</li> <li>Chair is of complex, artistic circular design</li> </ul>	<ul style="list-style-type: none"> <li>Size of chair 625x620x200mm</li> <li>Chair is of simple design</li> </ul>
6.	Twin bed	<ul style="list-style-type: none"> <li>Size of bed 2000x960x360mm</li> <li>Made up of rubber wood and hard wood</li> </ul>	<ul style="list-style-type: none"> <li>Size of bed 2000x950x525mm</li> <li>Made up completely of MDF board</li> </ul>
7.	Wardrobe	<ul style="list-style-type: none"> <li>Size of wardrobe 814x615x2100mm</li> <li>Consists of shoe rack at bottom</li> </ul>	<ul style="list-style-type: none"> <li>Size of wardrobe 920x610x2100mm</li> </ul>
8.	Study table	<ul style="list-style-type: none"> <li>Size of study table 1100x500x760mm</li> </ul>	<ul style="list-style-type: none"> <li>Size of study table 1220x600x770mm with different design</li> </ul>
9.	Bed Extension	<ul style="list-style-type: none"> <li>Size of bed extension 960x360x250mm and made up of rubber wood and hard wood</li> </ul>	<ul style="list-style-type: none"> <li>Size of bed extension 955x525x250mm and made up of 25 mm MDF of different design</li> </ul>

Due to difference in specifications of the items as stated above, under Scheme-I and II for Games Village at Akshardham, the rates received against these articles were also different.

It is therefore submitted that since the specification of these furnishing items were different for both the schemes, the rates quoted by agencies were bound to be different and were not comparable.

It is pertinent to mention that the rates quoted by the L1 bidders under both the schemes, were lower than the estimated costs. Still negotiation was carried out with L1 bidders and rates in respect of one item for Scheme-II was lowered by the lowest bidder.

In view of the above, it may not be appropriate to infer that the rates with the lower bidder were not negotiated and by not doing so ₹1.08 crore would have been saved. Thus with the above facts on record, it was not desired to initiate any action against the concerned officials."

5.218 The Committee asked whether measures had been initiated for claiming ₹ 1.52 crore compensation from the suppliers. In reply, ITDC and DDA stated that penalties for delay had been worked out provisionally and the same shall be imposed on the different vendors as per terms and conditions of the contract agreement. ITDC had so far released only part payments to the extent of 50 to 60 percent of the total value of supply of articles to different vendors and substantial amounts were yet to be paid to them. Compensation for delay shall be recovered from the balance amount payable to these vendors.

5.219 Regarding the reasons for not initiating action towards exact claim of compensation, ITDC/DDA submitted that the actual amount of compensation could only be ascertained after placement of the furniture in flats as per contract.

5.220 On being enquired about the reasons for the purchase of excess furniture over and above the actual requirement, ITDC and DDA submitted that DDA assigned the task of procurement of furniture for 2709 flats to ITDC as deposit work and a procurement committee was constituted which comprised members from DDA, MOT and ITDC. The work orders issued for the same were based on 2709 number of flats as per the instructions and planning of DDA. DDA completed 1362 rooms, which were made available out of which ITDC furnished 778 rooms. Only 445 rooms were utilized by the Organizing Committee whereas the remaining 917 rooms completed by DDA in all respects were not occupied by the Organizing Committee for Technical delegates. ITDC was instructed by DDA to accept the supply of furniture received only till 15.09.2010. For the remaining quantity the vendors were not allowed to supply. Thus no excess furniture over and above the actual requirement was purchased by ITDC.

5.221 The Committee desired to know the current position of the idle furniture. In reply, the Ministry of Urban Development submitted that 789 flats {639 LIG (1 B/R), 40 MIG(2 B/R) and 110 HIG (3 B/R) } were furnished with designated furniture by ITDC upto 15.9.2010 which was fixed as cut-off date. 299 number of more flats (97 MIG (2 B/R) and 202 HIG (3 B/R) could be furnished by the ITDC with designated furniture available at site in packed boxes or in knocked down condition after procuring few additional furniture items to complete the set. The installation of furniture was stated to be in progress.

5.222 The Committee then asked about the action taken by ITDC for the missing linen items. In reply, ITDC stated that the actual amount of missing linen items at Vasant Kunj was ₹79,736/- only not ₹0.77 crore as observed by the audit. Considering the magnitude of operations, turnover and the fact that the flats were converted into guest rooms wherein multiple agencies were involved, ITDC reasoned that the stated amount of missing linen items was not significant. Therefore, this amount was written off by ITDC in the Books of Accounts as per the Purchase and Stores Procedure of the company.

5.223 When asked whether any responsibility had been fixed, ITDC submitted that in view of the fact that the quantum of missing linen items was not material, it was not considered desirable to fix the responsibility.

5.224 Further asked, whether any recovery of missing items had been made, ITDC clarified that in view of the non-materiality of quantum of the missing linen items, no recovery was made.

5.225 Asked to state categorically the rationale for writing off the amount, instead of fixing responsibility or taking measures to recover the value of the missing linen items, ITDC responded as under:

" Following facts are enumerated relating to the shortage and its writing off:

- i) Running the alternative accommodation in the newly constructed residential flats spread over a huge area was a mammoth task. Such type of activity was never undertaken earlier by the ITDC.
- ii) Casual staff was employed on temporary basis for running the operational services such as House Keeping and servicing of rooms. The casual staff so

employed was disengaged after the operational period of CWG Games, Delhi 2010. Besides, other multiple agencies were involved in the operational area. Therefore, it was not possible to pinpoint the individuals and make any recoveries.

- iii) In such type of operations, the amount of shortage is treated as one of the cost in running the operations. It is pertinent to mention that the total cost of linen articles procured by the ITDC for Vasant Kunj was ₹ 79, 81,506/- against which the amount of shortage was ₹ 79,736/- which is 1% approximately.

In view of Mega Operations at Vasant Kunj during CWG 2010 and all other factors mentioned above, the amount of ₹ 79,736/- in respect of linen shortages was written off after taking necessary approval in accordance with ITDC Purchase and Stores Procedure. The matter was further reported to the Board of Directors of the Company for information."

## **XVII. Selection of Peddle Thorp Melbourne**

5.226 According to Audit, in February 2006, a joint RFP was issued for engaging design consultants for the Games Venues (competition and training venues for squash and badminton at Siri Fort Sports Complex/table tennis at Yamuna Sports Complex) and Games Village (practice area). Audit found that there was an inexplicable delay of nearly a year from the date of declaration of L1 bidder (Peddle Thorp Melbourne) in June 2006 and the final award of contract to it in May 2007. This resulted in cascading delays in execution of work due to the time required for finalisation of designs and preparation of estimates for issuing RFP.

5.227 Asked to state the reasons behind the inexplicable delay, the Ministry of Urban Development submitted that the design consultancy bids were opened on 1<sup>st</sup> June, 2006. This being a consortium consisting mainly foreign firms, the period of negotiation took little extra time and prolonged till September, 2006. This also resulted in bringing the quoted rates from ₹21.11 crores to ₹16.60 crores. Finally, the acceptance letter was issued on 26.12.2006 after getting it approved from DDA's Authority.

5.228 The Committee then desired to know whether any action had been taken/policy had been framed by DDA to avoid recurrence of such delay. In reply, the Ministry of Urban Development responded that this type consultancy was being undertaken by the DDA for the first time. Therefore, references were made to CVC in order to take their advice that the procedure that was being followed by DDA was justifiable. The

experience gained has helped DDA to develop an in house capacity to deal with such cases in future.

#### **XVIII. Selection of Architect Bureau - Group GSA Consortium**

5.229 The work of design consultancy for the archery stadium competition venue at Yamuna Sports Complex and refurbishment of existing training facilities at Siri Fort Sports Complex, Yamuna Sports Complex and Saket Sports Complex was awarded to Architect Bureau – Group GSA consortium (AB consortium) on 12 November 2007 at ₹ 6.25 crore and the agreement was signed on 15 November 2007.

5.230 Audit found that the MoU submitted by AB consortium was dated September 2001 and evidenced a strategic alliance between the two parties to identify projects and opportunities and work together, but was not specific to the project under consideration. This was not challenged by DDA. Further, as per the agreement with DDA, 70 percent of the work was to be done by Group GSA, its representatives were to visit India 10 times and technical representative of GSA deputed to India for two months. Although DDA stated that the project was conceived, conceptual plan prepared and presented before the OC and the department predominantly by Group GSA, Audit found no evidence of deputation of Group GSA's representatives on record.

5.231 Audit also found deficiencies in the performance of AB, as detailed below:

- AB delayed submission of drawings. 61 drawings for the archery competition venue at YSC. These were issued between April and May 2010 against the target date of March 2009, with delays ranging from 1 to 15 months.
- Though the requirement for providing toughened glass was indicated in the drawings for YSC, the same was not included in BOQ due to non finalisation of design and specifications by AB. The work had to be awarded as an extra item at ₹ 2.29 crore.
- The BOQ required providing and installation of Yonex court mat/Taraflex synthetic flooring of 9mm thickness, which is not as per Yonex brand specifications. This item had to be subsequently executed as a separate item at a cost of ₹ 1.54 crore.
- AB was also required to get detailed soil investigation done for the archery venue at its cost, but this was done by DDA at a cost of ₹ 0.02 crore resulting in undue benefit to AB.

5.232 The Committee queried about the number of officials deputed in India (Delhi) by GSA Group for the project and the frequency of visits made by them. In reply, the Ministry of Urban Development stated that as per record available with the DDA, four employees of GSA Group visited India on seven occasions and stayed for one to nine days each and their requirement was completed. No further visit was made.

5.233 Asked to spell out the action taken by DDA against the agency for the delay in submission of drawing and defective estimates, the Ministry of Urban Development submitted that of the case was being examined in detail for final action against the agency for delays/deficiencies in the services. For this purpose deduction items amounting to ₹ 24 lakh had already been sanctioned and shall be recovered from the final bill of the consultants.

#### **XIX. Unreliable justification of rates**

5.234 Audit found that the justification of rates was unreliable in the following cases of procurement of chairs/synthetic surfaces,

- In the contract with Nussli-Comfort Net for providing and fixing 2,336 retractable chairs at a total cost of ₹ 4.63 crore, the justified rates of ₹ 17,566 per chair was prepared based on a market quotation of Nussli-Comfort Net itself. Audit found that the actual cost of these chairs as stated in the tax invoice was only ₹ 1,850 per chair with a cost implication of extra expenditure of ₹ 2.74 crore (for 1,746 chairs actually installed).
- Brahmaputra Infrastructure Ltd. installed 211 upholstered chairs at the archery venue in YSC at a cost of Rs 17,470 per chair for which justification was prepared at ₹13,764 without obtaining market quotations; similarly justification of ₹ 7,184 per chair for 1,818 ordinary chairs procured at a cost of ₹ 9,890 per chair was also prepared without obtaining any market quotation; and
- As per OC's specifications of April 2009, only Taraflex and Nagase Kenko make of synthetic surfaces were to be laid in the table tennis court. Consequently, combined tendering for these was done for YSC and JMIU and the contract was awarded to Freewill Infrastructure Pvt. Ltd. at a tendered cost of ₹ 1.29 crore. Audit found that while the awarded rate per sqm was ₹ 2,943.25, the justified cost on the basis of actual cost of import by the agency worked out to ₹1,188.52 per sqm, indicating exorbitant margins of 148 per cent.

5.235 In the above context, the Committee enquired whether any action was taken against the officers who prepared and accepted the escalated justification. In reply, the Ministry of Urban Development stated in a note as under:



**"Case of temporary seating at Siri Fort:**

The CAG report No.6 dt.2011-12 at Para 18.4.1 states that "justification of ₹ 17566 / chair was prepared while as per Tax Invoice the actual cost was ₹1850/- ".In this regard it is submitted that the invoice which CAG has referred and relied for this observation was only for HDPE seat, a component of the work to be executed under the item i.e. the scope of work was not only limited to provide HDPE seat but was comprising of the entire 9 tiers Temp. seating system as shown in photograph/drawings. Entire seating system was considered in one item on TURN-KEY basis with unit of measurement ONE SEAT The total cost of complete system was converted into ₹17566.00 per seat. As already explained the rate ₹ 1850.00 is for one of the component (the cost of HDPE seat and back shells) out of the entire seating system. Therefore, the rates of each seat include the cost of entire sub-structures consisting of steel frame work, wooden platform finished with special paint, protection railing, Access stair cases, Pathways, Fire Proof cladding around the structure, fixture accessories to fix the seats etc. including cost of design, installation at site, transportation and all Govt. levies and Taxes. This item is PROPRIETARY ITEM with each manufacturer/supplier having its own patented design and specifications. The final design and shop drawings were to be submitted by successful tenderer based on general arrangement drawing provided by DDA after award of work based upon the site conditions. It was not possible to freeze a particular design before call of tenders as it would have resulted in restricted tendering causing unhealthy competition. Therefore, it was not possible to prepare component wise justification.

In this tendering process which was invited in two bids (technical and financial bids), 7 Nos. tenders were sold and 5 bids were received, out of which only 2 bids qualified in technical bids. The L-1, M/s Consortium Nussli Comfort net quoted ₹4,69,99,260.00 and L-2 M/s Godrej & Boyce Mfg. Co. Ltd. (a reputed agency) quoted as ₹5,64,97,924.00 . The participation of 5 agencies in bidding itself shows a competitive bidding. Here it is pertinent to mention that the entire system was imported as was clarified by L-1 during negotiation except hand rails, plywood, hardware and fitting and fixtures. L-1 was to bear freight, custom duty, exchange rate fluctuation, VAT, labour cess besides design of system, manufacturing/fabrication, erection.

Details of work executed at site is as under:-

1	Estimated cost	₹3,65,34,000.00	
2	Negotiation cost of L-1 i.e. M/s Consortium comfort net	₹4,62,94,271.00	Item No. 1 (A) ₹3,55,51,664.00
			Item No. 1 (B) ₹ 8,13,807.00
			Item No.2(A) ₹ 99,28,800.00

			i.e. Total: =₹4,62,94.271.00
3	Total Cost of actual work done at site (Item No.2(A)Not executed at site).	₹3,94,58,591.00	
4	Deduction on a/c of discrepancies noticed in work	(-) ₹ 62,34,432.00	
5	Net value of work done	₹3,32,24,159.00	

5.236 The Ministry further submitted:

"From above it is very clear that CAG has not been able to appreciate the scope of work covered in item before coming to the observation and therefore no action lies against the officers who prepared and accepted the justification for work "providing and fixing of Temporary seating at Siri Fort Indoor Sports Centre for Commonwealth Games 2011" as work was awarded at competitive price."

5.237 As regards the case of providing Taraflex flooring at Yamuna Sports Complex, the Ministry clarified as under:

"The rates awarded were the same as already awarded by Sports Department of Government of Maharashtra for Pune Youth CW Games-2008.

It has to be appreciated that decision on any issue is taken by an authority on the basis of the fact and information available at that time or which can be possibly collected and there is nothing more one can do about it. The Tender was accordingly accepted after negotiation on the basis of similar work awarded by another Government Body and it can hardly be faulted. CAG's surmise based on a post Tender invoice therefore appears to be misplaced. Further, this invoice cannot be held as a material evidence to cast a doubt on the reasonableness of the rate accepted as possibility of extraneous reasons for the invoice being low rated cannot be ruled out and there are umpteen numbers of such cases in the record of the concerned department.

In view of above, no action is warranted against the officers who prepared the justification as they have followed due procedure and no irregularity was noticed by the Department."

5.238 On being asked whether any policy regarding preparation of justification after obtaining rates form open market had been made and instruction issued, the Ministry of Urban Development submitted that DDA already had a Committee of Superintending Engineers to determine the market rates for the building works which met time to time and after market survey circulated the prevailing market rates. For the items which were not available in the routing building work, the open quotations were obtained from the manufacturers or their authorized dealers to arrive at justified rates.

**XX. Installation of Maple Wood Flooring in Three Venues**

5.239 Audit found that during the installation of wooden flooring in the table tennis venue at Yamuna Sports Complex, an extra item of Rs 0.38 crore was permitted for fastening padded sleepers anchored to the floor below the wooden flooring because of bending of floating floor system. According to Audit, this was a rectification, the cost of which should either be borne by Parquet Furniture Pvt. Ltd. or the original contractor that executed the civil work underlying the wooden flooring.

5.240 The Committee asked whether the Ministry factored that the cost of the rectification work should be borne by the original contractor. In reply, the Ministry of Urban Development clarified that it was not a rectification but additional work to convert floating flooring to fixed flooring by providing ply board over the entire surface of the wooding slippers. In fact in the agreement of the agency the provision was to provide maple wood flooring directly over the slippers which is called floating flooring. DDA for the legacy use decided to have restrained flooring so that this stadium could be used for other sports such as Badminton, Basket Ball etc. which caused vibrations. The sketches of the systems clearly identified the additional work of providing of 12mm ply board. According to the item of work of M/s Parquet, the maple wood flooring was to be directly laid over the wooden slippers. By providing restrained system, the spacing of the wooden slippers had been increased which had reduced the cost of original item.

5.241 To a pointed query as to whether recovery of ₹ 0.38 crore had been made from the parquet/original contractor on account of fastening padded slippers, the Ministry stated that no recovery was to be made from any of the agency.

## CHAPTER VI

### ROLE AND RESPONSIBILITY OF THE MINISTRY OF HEALTH AND FAMILY WELFARE

6.1 The responsibility for arrangements for healthcare facilities for the Commonwealth Games, 2010 was entrusted to the Delhi Government initially. The Delhi Government chalked out a plan for upgrading health care services both at the Central and at the State levels. This was considered by the Committee of Secretaries (CoS) and the CoS felt that it was desirable to bring in the Ministry of Health and Family Welfare to ensure overall coordination. So, in addition to the Empowered Committee set up under the OC, a cell was set up with DGHS as the Chairperson in the Ministry of Health and Family Welfare. This group identified the major health facilities in the public sector in Delhi; Safdarjung and RML Hospitals of the Central Government were identified for upgradation, for providing assistance and treatment to sportsmen coming to the CWG. AIIMS which was an autonomous institution was the third identified entity.

#### I. Partial Commissioning of the Sports Injury Centre

6.2 Audit scrutiny revealed that in June 2008, the Ministry of Health and Family Welfare (MOHFW) decided to establish a Sports Injury Centre (SIC) which would be comparable to any other facility internationally at Safdarjung (SJ) Hospital, New Delhi in time for CWG-2010, by upgrading the existing arthroscopy and sports injury unit. The project was to be completed by May 2010. A budget of ₹ 70.72 crore was allocated for the SIC from out of a XI Plan provision for development of sports medicine in the country on a pilot basis. As of November 2010, the expenditure incurred on the SIC was ₹ 61.11 crore. Out of this, ₹ 46.84 crore was given as advance to Hospital Services Consultancy Corporation (HSCC), a PSU which was appointed on nomination basis as the implementing agency in June 2008, and expenditure of ₹ 14.27 crore was incurred by the SJ Hospital for procurement of equipment. Against the stipulated deadline of May 2010, the SIC was officially inaugurated by the Prime Minister of India on 26<sup>th</sup> September 2010. However, it was

not fully commissioned, as revealed by the status of different activities as on 30<sup>th</sup> November 2010 as summarised below:

Activity	Status as on 30 <sup>th</sup> November 2010
Construction of building	Substantially complete - minor works left, completion certificate not yet received.
Installation of equipment	Partially complete - 15 equipment yet to be purchased, final installation of and training on some equipment still due.
Appointment of staff	47 posts vacant as against sanctioned strength of 138.
Wet leasing of high end equipment	Installation of machine for MRI and CT scan yet to be done.
Central Sterile Supply Department (CSSD)	Tender for outsourcing CSSD yet to be finalised.

6.3 In the above context, the Committee desired to know the reasons for partial commissioning of Sports Injury Centre before the commencement of the Commonwealth games 2010. In reply, the Ministry of Health and Family Welfare submitted that the Centre was made operational to provide tertiary health care services during the Commonwealth games, 2010. Infact, the first surgery was conducted on the 17<sup>th</sup> of September 2010 as a trial run to check the preparedness of the centre. The reasons which have been stated by the Audit for partially non-commissioning of certain activities like construction of building, installation of equipment, appointment of staff etc. did not affect the functioning of the objective of the Centre to provide Health Care Services/Facilities to the participants of the Commonwealth Games.

6.4 In their vetting comments, Audit questioned the basis on which the Ministry considered that tertiary healthcare of international standard could be provided while some of the important facilities/items such as radio-diagnosis, qualified man power Central Sterile Supply Department (CSSD), Kitchen, lift etc. were not available at the Sports Injury Centre (SIC) during the Games. It was also questionable as to how did SIC provide super specialised medical care to international and domestic guests without testing the various facilities available at SIC before commencement of the

Commonwealth Games, 2010. Further, whether one surgery reported to be conducted on 17 September 2010 constituted testing of all facilities at SIC was debatable.

6.5 Responding to the above points, the Ministry of Health and Family Welfare submitted that the radio-diagnosis and imaging services at the Centre were fully functional. The vendor had placed the required MRI and CT Scan from his stock/shifting of these equipment from his other sites. Further, the Sports Injury Centre was in the vicinity of the Safdarjung Hospital and all radiology and imaging services as well as laboratory services were also available at the Safdarjung Hospital. Similarly, the trained and experienced manpower from the Sports Injury Centre as well as Safdarjung Hospital was available at beck and call. The CSSD and Kitchen services were made available by the Hospital. The lifts at the Sports Injury Centre were fully functional before the inauguration of the building i.e. 26<sup>th</sup> September 2010 well before the onset of Commonwealth Games.

6.6 The Ministry further clarified that the surgery conducted on 17<sup>th</sup> September, 2010 resulted in testing of various services of operation theatre, its equipments, medical gas manifold systems, anaesthesia, AC, electrical, plumbing, water supply and preparedness of manpower in general. The independent testing of various systems/services required as per contract was undertaken by the HSCC(I) through the respective contractor/agencies. However, more surgeries were not carried out because on the day of inauguration VVIP's were to be shown the facility and the OT to remain in sterile conditions.

6.7 The Committee queried about the reasons for not foreseeing the requirement of time for full commissioning of the Sports Injury Centre. In reply, the Ministry submitted that what was normally foreseeable was duly taken into account. It was, however, not possible to foresee the litigation pertaining to the possession of the land and to factor the same into the time frame estimates. It could also not be foreseen that the tender for selecting the construction contractor would need to be floated twice. The Ministry further stated that another factor that could not be factored in was that the pressure of the CWG projects would syphon off both manpower and material from the market. Alternate materials had to be sourced for approval. With the constant monitoring at the

level of Secretary & HFM, the Centre was made operational to provide tertiary health care services during the Commonwealth Games, 2010.

6.8 As regards delay in the receipt and installation of equipment and posting of specialized staff, the Ministry apprised that most of the equipments were imported and the same were procured in time but only in few cases, the equipments could not be received on time. The selection of staff for the various posts required a proper selection procedure to be followed. In order to fill up the posts on urgent basis, two walk in interviews were held after giving advertisement in the leading newspapers. However, unfortunately no eligible candidates turned up for the various posts."

## **II. Delay in Construction of the SIC building**

6.9 Audit pointed out that the award and execution of the work for SIC (in particular the SIC building) was beset by delays. Although the Ministry of Health and Family Welfare approved the setting up of SIC in July 2008, tendering for construction of the SIC building started only in December 2008 and the work awarded by the implementing agency, HSCC to the successful contractor (Bhayana Builders) only in May 2009, leaving only twelve months for the construction of the project which was evidently inadequate. As of 30<sup>th</sup> November 2010, the construction of the building had not been completed and the contractor had claimed for further extension of time for completion till 29<sup>th</sup> December 2010. Further, as part of this work, HSCC had irregularly charged ₹ 46.03 lakh on consultancy services for certain items for which it did not provide any such services.

6.10 In the above context, when the Committee desired to know the reasons for delay of five months between the approval of the setting up of SIC and tendering for the construction of the building, the Ministry of Health and Family Welfare responded that the EFC approval for the setting up of SIC was received in June, 2008. The HSCC (I) Ltd, a Government of India undertaking were nominated as Project Consultants for the Sports Injury Centre. In the meanwhile, the land identified for the SIC building was put under litigation. This issue was not known at the time of EFC approval. The permission, for use of this land under litigation, by the High Court of Delhi for construction of the SIC building was available only in November, 2008. Subsequently, an agreement for project implementation was signed with the HSCC (I)

Ltd. The work order could be issued to the building contractor M/s Bhayana Builders Pvt. Ltd. in May 2009 after following the due procedure of tendering twice and getting the necessary statutory clearances from various agencies viz Delhi Fire Service, Delhi Urban Art Commission, NDMC etc. by the HSCC(I). Subsequently, the letter of commencement of work was issued to the contractor on 1<sup>st</sup> June 2009.

6.11 On being asked whether the Ministry had examined the feasibility of completion of the SIC building in twelve months before issuing notification of award to the contractor, the Ministry of Health and Family Welfare clarified that the feasibility of completion of the SIC building in twelve months was considered by the Project Monitoring Committee headed by the Joint Secretary in charge of the Hospital in the Ministry. The pre-qualification conditions laid down by HSCC(I) in the tender while inviting bids for selection of a contractor for construction of the SIC building included that the applicant should meet the minimum criteria of completing at least one similar work having completion period not more than twelve months. The various milestones for completion of the civil/electrical work were drawn by the HSCC(I), the project consultants to accomplish the work within the stipulated period of twelve months. The HSCC(I), a Government of India undertaking was well experienced in undertaking the work of the Hospital/Medical Colleges building.

6.12 The Ministry of Health and Family Welfare thus reasoned that the feasibility of the completion of the SIC building was examined, accordingly, as per the tender conditions and a period of 12 months was fixed for completing the building. The same was accepted by the contractor by signing the contract.

6.13 The Committee desired to know whether the Ministry had ensured before award of the work that relaxed pre-qualification norms would not result in selection of a contractor not competent to complete the work within the stipulated time. In reply, the Ministry clarified that the pre-qualification norms had to be relaxed since in the first tender only one agency was substantially meeting the prequalification criteria and the Tender Specification Committee recommended a fresh invitation for prequalification criteria. It was considered, keeping in view that by floating a fresh tender, the entire process of determining the eligibility would have to be taken afresh and this would



further reduce the time available for construction of the Centre which had to be completed by April 2010 for the Commonwealth Games.

6.14 The Committee then asked about the level at which the decision was taken not to invite fresh tender. In reply, the Ministry submitted that the decision to relax the PQ criteria was taken in the meeting of the Project Monitoring Committee (PMC) of the Sports Injury Centre appointed by the Ministry of Health & Family Welfare in its meeting held on 19<sup>th</sup> February 2009.

6.15 On being enquired whether it was justified to ignore the recommendations of the Tender Specification Committee on the ground that the construction of SIC would be delayed, the Ministry of Health and Family Welfare clarified as under:

"The recommendations of the Tender Specification Committee(TSC) and views of the Hospital Service Consultancy Corporation Limited (Project Consultant) for the Project were discussed in detail in the meeting of the PMC held on 19/02/2009. It was brought to the notice of the PMC that while no relaxation to the terms & conditions of the pre-qualification documents was made by the TSC, it has been stated that different interpretation on the minimum PQ criteria could be drawn and hence to avoid any possible complaints and to save further delays in the process, TSC has recommended that fresh bids may be invited after suitably modifying the PQ criteria. The issue was deliberated in detail and it was noticed that the bidding process was already one month behind schedule. By floating afresh tender, the entire process of determining the eligibility would have to be taken afresh. This would further reduce the time available for construction of the Centre, which has to be completed for the Commonwealth Games. It was also considered that a provision under the clause-10 of the PQ document already exists as under:-

"The competent authority to prequalify shall have the power to relax any condition/criterion for prequalification, if, it considers expedient to do so."

In view of the position explained above, it was decided in public interest to relax the minimum criteria for PQ to avoid further delays in the process without compromising the quality of the work."

6.16 Asked whether there was any delay on the part of the Ministry in issuing the first tender, the Ministry of Health and Family Welfare clarified as under:

"The land for construction of the building was allotted in July, 2008. Immediately thereafter, a court case was filed in the High Court about the ownership of land and a stay was granted. The decision of the Court for disposal of the petition was given on 6.11.2008. Thereafter, signing of the agreement with the HSCC(I) was completed on 21.11.2008. The Notice Inviting Tender was issued on 11.12.2008. Thus, it may be seen that there was no delay. The delay whatever is attributed only due to the Court case filed in the High Court of Delhi."

6.17 The Committee then asked whether the contractor selected with relaxed prequalification norms was able to complete the work satisfactorily within the stipulated time. In reply, the Ministry submitted that the original scheduled date of completion was 31<sup>st</sup> May 2010. However, the works were substantially completed by 20<sup>th</sup> September 2010 and NDMC had given the Provisional Occupancy Certificate on 21<sup>st</sup> September 2010.

6.18 Justifying the relaxation accorded in pre-qualification norms, the Ministry further stated that the works were substantially completed in 15 months 20 days against the original completion period of 12 months. Moreover, reasons for delay are not attributable to the contractor, except for the delays in achieving the 5<sup>th</sup> & 7<sup>th</sup> milestones (original target dates being 10<sup>th</sup> March 2010 and 31<sup>st</sup> March 2010 respectively but actually achieved on 31<sup>st</sup> August 2010).

6.19 When asked to state the actual date of handing over of the SIC building by the contractor to the Government, the Ministry responded that the SIC building construction work was actually completed on 14<sup>th</sup> September, 2010 and the building was put to use since then.

6.20 Elaborating further, the Ministry stated that the SIC building was made operational on 20<sup>th</sup> September 2010. The provisional occupancy certificate was issued by the NDMC on 21<sup>st</sup> September 2010. Though the building was in use since the date of substantial completion but it was yet to be formally taken over for want of completion certificate and water connection from NDMC. The completion certificate from NDMC was received on 17<sup>th</sup> October 2011 but the permanent water connection was still awaited, which was given by NDMC only after submission of completion certificate/plan.

6.21 Asked whether the Ministry had adjusted the consultancy fee overcharged by HSCC, the Ministry clarified that the final accounts of SIC had not yet been settled with the HSCC(I). Therefore, the final settlement of the consultancy charges payable to HSCC (I) shall be made strictly as per the agreement.

6.22 In the same context, apprising the Committee that consultancy fee to be paid to HSCC had not yet been finalised, the Additional Secretary, Ministry of Health and Family Welfare deposed in evidence as under:

"Sir, it is true that they have not been finalised yet. There are two components. One is the civil construction and the other is the modular OT.....because there was a delay of three months and therefore it is being examined and it is at different stages to find as to why was that delay there.....but it will be settled once it is found to whom the delay is attributable to. I think that is something which is being finalised."

6.23 Asked to state the quantum of the consultation fee and the likely time by which it would be settled, the Additional Secretary, Ministry of Health and Family Welfare submitted:

"Sir, the consultancy fee was fixed at 7 percent but now the internal finance division has fixed the guideline that we should give them at cost price basis and whichever is the least will be given to them. We have still not settled it as yet....Sir, once the issues regarding the manifold gas pipeline is settled, I think we will be able to reach at a point as to how much we have spent and depending upon the calculations we would be able to settle it."

6.24 Explaining the reasons for the delay in payment, another representative of the Ministry attributed it to the three months delay in completing the SIC Building, which according to him was caused by scarcity of labour at that time because of simultaneous execution of so many Commonwealth Games Projects. In this regard, he deposed in evidence as under:

"Sir, everything is on record including the decision that liquidated damages for these three months delay should not be imposed on the contractor and his case would be considered favourably. As on date this decision is yet to be taken"

6.25 As informed by the Ministry of Health and Family Welfare, the services of Facility Management Services which included housekeeping, sanitation, horticulture and security and cafeteria are outsourced. However, no consultancy fee had been paid so far.

6.26 In the above context, the Committee desired to be apprised of the reasons for the non-finalisations of the issue of consultancy fee for outsourced services of SIC. In reply, the Ministry submitted that the fee structure for providing consultancy fee for

outsourced services was not a part of the initial agreement signed with the Project Implementing agency.

6.27 The Ministry further submitted that the final bill of the building contractor had already been made ready and the matter regarding sanctioning of the difference amount of the final cost of construction of ₹ 34.00 cr against the awarded value of ₹ 32.86 cr. was under process. Similarly, the final payment to Modular Operation Theatre & Medical Gases Pipeline System could not be settled in view of observations made by the C&AG and also complaints against the supplier firm, which were under examination in the CVC/ Competition Appellate Tribunal. The final bill would be settled once those issues were settled.

#### **VI. Delay in Installation of Equipment**

6.28 As against the stipulated date of May 2010 for procurement and installation of medical equipment, Audit found that out of 72 equipment procured for SIC, 35 equipment valuing ₹ 6.83 crore were yet to be formally installed by November 2010. Nine equipment ordered at a cost of ₹ 2.62 crore were yet to be supplied to the SIC. Purchase of three equipment with approximate cost of ₹ 1.30 crore and three high value equipment (costing more than ₹ one crore) was still in progress. Further, training of doctors and staff by the equipment suppliers had not commenced as of 30 November 2010.

6.29 In the above context, the Committee desired to know the reasons for delay in procurement and installation of equipment for Sports Injury Centre. In reply, the Ministry of Health and Family Welfare submitted that all major and minor equipments which were essential for undertaking the major and minor surgeries including rehabilitation and physiotherapy at Sports Injury Centre were available for use. In fact, few trial surgeries were also undertaken before inauguration of the Sports Injury Centre. However, in some cases which had been shown by Audit as delay in installation of the equipments were basically on the basis of non-signing of the installation reports. In this regard, the Ministry clarified that the installation reports of the equipment were basically procedural formalities and as per practice, the final installation reports were signed after satisfactory performance of the equipments even

sometime after one/two months of their use by the end users. The Ministry further stated that wherever required, the equipment from Safdarjung Hospital were also utilised for treating the patients. No compromise was made to provide super speciality, tertiary medical care to the patients during the Commonwealth Games 2010.

6.30 In view of the fact that 12 equipment were supplied in the month of September 2010 and 13 equipment were received/started functioning after commencement of Games, the Committee sought the basis of the Ministry's statement that all essential equipment of SIC were in position before commencement of Games.

6.31 In reply, the Ministry of Health and Family Welfare clarified that in the case of majority of the equipment (more than 50 percent of the major equipment) required for proper functioning of OT, Wards and Emergency of SIC, formal installation reports were signed before the commissioning of the Sports Injury Centre. Regarding 12 equipment which were received in September 2010, the Ministry clarified that these equipment mainly comprised of the OT tables, beds and physiotherapy equipment including couches etc. All these equipment were functional for the treatment of patients. With regard to the equipment received after commencement of the games, the Ministry apprised that alternative equipment/method were put into use either from Safdarjung Hospital/Vendor from their alternate sites.

6.32 As regards the details of utilisation of equipment from Safdarjung Hospital, the Ministry submitted that the Sports Injury Centre was in the vicinity of the Safdarjung Hospital and all major equipment required for the surgery/treatment of the patients were utilised to provide the necessary care to the participants. Four Anaesthesia machines with all its accessories were obtained from the Department of Anaesthesia, Safdarjung hospital on temporary basis.

6.33 The status of procurement and installation of equipment at the Sports Injury Centre as on 27<sup>th</sup> January 2012 as furnished by the Ministry of Health and Family Welfare indicated that nine equipment were installed in 2011 and two equipment were installed as late as in 2012. Further, installation report in respect of Mobile C-ARM, Mobile C-ARM (upgradable to DSA and 3D CT), Microwave therapy, Extracorporeal shock wave therapy and Hydrotherapy pool had not yet been signed and training for

these equipments was pending. When asked to state the reason for not signing the installation report in respect of these equipment, the Ministry clarified that a decision was taken that the principal supplier of the equipment should impart formal training to the doctors/nurses. Therefore, as training had not been provided in regard to these equipment, the installation report in respect of these equipment could not be signed, though these equipment were functional and in use for providing patient care services.

6.34 Asked to state the reasons for the failure on the part of the suppliers to impart training to the doctors and staff to handle the equipment and whether any penalty had been imposed upon them, the Ministry explained that the training by the foreign principal was not a part of the agreement to supply these equipment. However, the then Secretary (H&FW) observed that it should be mandatory for all the suppliers of the equipments to impart training to the medical/para-medical personnel at SIC from the foreign principal/manufacturers. In compliance with the directions of the Secretary (H&FW), necessary imparting of training was undertaken by all the suppliers barring few for which the final payments had not been made to them.

6.35 On the issue of completing the pending training, the Ministry apprised that the issue regarding pending training was being monitored by the Director, SIC /MS, SJ Hospital. Already in the case of Hydrotherapy pool, the training had been imparted. In the remaining four cases, it was expected that the training would be completed within one month/six weeks.

6.36 On being asked to state the reasons for not incorporating compulsory training by the foreign/principal manufacturer in the agreement itself, the Ministry clarified that as per terms and conditions of the contract, the training was generally imparted to the users viz. doctors/nurses/technicians by the supplier firms concerned or their authorized dealer. However, in this specific case, the then Secretary (Health & Family Welfare), keeping in view of the fact that principal supplier was better equipped to provide comprehensive training in handling of imported equipments by virtue of their expertise in manufacturing of that particular equipment wanted the training to be imparted by the foreign principal supplier only. Generally, the provision that training be provided by the principal manufacture was not included in the terms and conditions for supply of the imported equipments as their authorized agents/ distributors were also

competent to provide training as they handled warranty support as well as the comprehensive maintenance contract after expiry of the warranty period. This was the practice in all the institutions/hospitals.

6.37 When asked about the action taken against the defaulting principal suppliers, the Ministry stated that there was no contractual obligation on the part of the principal suppliers to provide training to the end users, therefore, it was not possible to take any action against them.

6.38 The Committee then desired to know about the utilisation of the five equipment in respect of which the requisite training had not been imparted to the doctors/nurses handling them. In reply, the Ministry submitted that the doctors and nurses were well conversant with every aspect of their equipment by virtue of their familiarity used on earlier occasion during their training and as such no risk was envisaged despite the fact that the formal training could not be imparted to them.

6.39 On being asked to explain the distinct advantages foreseen while entrusting the training responsibility to the foreign/principal supplier, the Ministry submitted that it was an established fact that the principal suppliers were better equipped to provide comprehensive training in handling of imported equipment by virtue of their expertise in manufacturing of a particular equipment.

6.40 Considering that installation reports were pending in respect of five equipment pursuant to this decision, the Committee asked about the actual benefits obtained from this new policy. In reply, the Ministry explained that the installation reports were usually signed after using these equipment for their efficacy after 1 to 2 months of their installation. The end user was able to locate any minor/major shortcomings of manufacturing defects by handling these equipment personally for some time.

6.41 Replying to a query as to whether the foreign/principal suppliers agreed in principle to impart the requisite training as decided, the Ministry clarified that some of the suppliers did not agree in principle to impart the requisite training since it was not a part of the agreement. However, in majority of the cases, the principal suppliers agreed to impart the training.

6.42 In a subsequent information, the Ministry apprised that proper training by the principal supplier in all the cases had since been imparted.

**VII. Delay in Appointment of Staff for Sports Injury Centre**

6.43 According to Audit, out of 138 sanctioned posts, 47 posts remained vacant as of 14<sup>th</sup> December 2010. The vacancy was noteworthy in respect of specialist doctors of sports medicine and rehabilitation, the sports psychologist and the dietician, wherein all the sanctioned post remained vacant.

6.44 In the above context, the Committee enquired about the reasons for vacancy in all the sanctioned posts of specialist doctors. In reply, the Ministry submitted that out of the 138 posts as many as 91 posts were filled up. The 47 posts shown vacant included 18 posts of Nurses, 19 posts of Senior/Junior Residents, 8 posts in the field of Sports Medicine, Sports Injury and Rehabilitation besides one post of an OT Technician and one post of Dietician. The suitable candidates in respect of Specialist Doctors in Sports Medicine, Sports Injury and rehabilitation could not be selected due to non-availability of the eligible candidates inspite of holding two walk-in-interviews by giving advertisement in the leading newspapers. The Sports Psychologist could only join in November, 2010 after following the due codal formalities. The post of Junior Residents/Senior Residents were fixed tenure post and the vacancies continued to occur due to the incumbent's resignation on getting a regular job or for pursuing higher studies. The Ministry further submitted that the work of the Sports Injury Centre did not suffer due to non-filling up of these posts and the staff of Safdarjung Hospital as well as Ministry of Defence were utilised for the purpose to meet the objective."

6.45 Asked to intimate the steps contemplated by the Ministry to fill up vacancies in respect of important posts such as specialists in the fields of Sports Medicine, Sports Injury and Rehabilitation and that of Dietician, the Ministry stated that two posts of Assistant Professor (Orthopaedics), Sports Injury Centre had already been filled up. The selection committee proceedings in respect of other two posts had been sent to the Ministry for seeking their approval. It was proposed to re-advertise the posts in the speciality of Sports Medicine, Rehabilitation and Dietician in the leading newspapers shortly.



6.66 Replying to a query, the Ministry of Health and Family Welfare also stated in a note that out of the total sanctioned strength of 137 regular posts, at present 119 posts were filled up on regular basis and 14 posts were filled up on contract basis. The breakup was as under:

1. Assistant Professor, Sport Injury Centre	3
2. Assistant Professor, Sports Psychologist	1
3. Assistant Professor, Anaesthesia	2
4. Physiotherapists	8

6.67 Asked to state categorically the reasons for delay in selection and appointment of staff for the Centre, the Ministry explained that the reasons for delay in appointment of the staff were mainly attributed to the non-availability of the eligible candidates for the various posts of specialist doctors inspite of holding two walk-in-interviews by giving advertisement in the leading newspapers. Similarly, regarding the recruitment of Nurses, the necessary selection was made by the AIIMS and it took quite some time to complete the administrative formalities for selection of the eligible and suitable candidates for the posts. In the meanwhile, since SIC was an integral part of the Safdarjung Hospital, the work was fully managed by the internal adjustment through the deployment of staff from Safdarjung Hospital.

6.68 In this regard, a representative of the Ministry of Health and Family Welfare deposed in evidence as under:

"Sir, 138 posts were sanctioned and I think there were a lot of things which were initiated simultaneously. Therefore, these positions were sanctioned well in time and the recruitment process was indeed initiated. 134 are in position today. So, today it is a fully staffed unit. Now, so far as that time is concerned, indeed there were certain posts which were vacant. Generally in health department there is lot of attrition too and staff position is dynamic."

6.69 The Committee desired to be apprised of the attrition position in SIC. In response, the Ministry stated that so far as the Sports Injury Centre was concerned, none of the faculty had resigned or left the job.

6.70 The Committee desired to know whether the cramped schedule of recruitment was responsible for the non-availability of the eligible candidates for the various posts

in the Sports Injury Centre. In reply, the Ministry of Health and Family Welfare submitted:

"All out efforts were made to fill-up all the administrative/technical posts created to run the newly set-up of Sports Injury Centre in time. The recruitment process was concurrently initiated with the construction of the building and infrastructure. However, in spite of holding walk-in-interview twice, the post of Asstt. Professor (Rehabilitation) & Specialist in Sports Medicine could not be filled up due to non-availability of suitable candidate."

6.71 On being asked about the extra and concerted efforts required to fill up the vacant posts of specialised doctors, the Ministry of Health and Family Welfare stated in a note as under:

"At present almost all the posts of specialized doctors are filled up on regular/contractual basis. The recruitment rules for these newly created posts are already under process for finalization in consultation with the DoP&T & UPSC. After notification of the recruitment rules, all post of the specialized doctors will be filled up through UPSC on regular basis."

6.72 Justifying the action of entrusting the responsibility for selection of the eligible and suitable nurses to AIIMS, the Ministry explained that the recruitment process of the nurses at AIIMS was already going on and an advantage was taken of from their recruitment process in order to compress the timeline and also avoid repetition of the same process at SIC/SJH. However, SIC was running short of time to place the infrastructure support with requisite manpower to commence its activities prior to onset of Commonwealth Games 2010. Therefore, a conscious decision was taken to take an advantage from the on-going process of selection of nurses at AIIMS in order to ensure availability of Nurses at SIC. This decision was taken in the meeting of Empowered Committee for SIC held on 30<sup>th</sup> July 2010. This had helped SIC not only to avoid the repetition of dilatory process but also help in getting the Nurses in time.

6.73 Further asked to indicate the reasons for entrusting the responsibility of recruitment of nurses to AIIMS and not to Safdarjung Hospital, the Ministry stated as under:

"Earlier it was agreed to appoint nurses through outsourcing. However, later on it was felt that it may be better to have regular nurses for the Centre and quality service in this field may not be available by having personnel from a private agency. Therefore, it was decided to select the nurses for the Sports Injury Centre by holding campus interview etc. Since, there was shortage of time for

such an exercise, the responsibility of recruitment of nurses was entrusted to AIIMS where recruitment process had been initiated."

**VIII. Irregularities in Award of Work for Modular Operation Theatre and Medical Gas Manifold System**

**(a) Unreliability of the bid amount**

6.74 Out of ten bidders who purchased the bid document, only three bids were received, of which only two bids were technically responsive. In view of the low response to the bid and lowest bid price remaining 38 per cent higher than the budget, the MoHFW examined reasonability of rates of the L-1 bidder by comparing the different items of supply with similar supplies to other Government and private hospitals. However, the prices of different supply orders quoted in like-to-like comparison were provided by the supplier itself and were not verified from any independent source. The Ministry had not examined the bids in respect of possible cartelisation. It is pertinent that for two items costing ₹ 1.33 crore the supplier had made the supplies to SIC by purchasing the same from the second responsive bidder.

6.75 Explaining on the like-to-like comparison of the cost, the Ministry of Health and Family Welfare stated in a note as under:

"In Sports Injury Centre, the equipments for Modular Operation Theatre (MOT) and Medical Gas Pipeline System (MGPS) were highly technical and specialised in nature. The different Government Hospitals/Institutes have varying configurations and lay outs and also the specifications of the equipments differ in many aspects. Accordingly, the like-to-like comparison could be initially works out for ₹ 5.28 crores on the basis of the orders placed by the Government Hospitals/Institutes. After detailed deliberations in the Integrated Purchase Committee meetings, it was decided to make further efforts to prepare like-to-like comparison on the basis of the orders placed by the reputed Private Hospitals as well. Thereafter, the like-to-like comparison was worked out for a total cost of ₹ 10.32 crores on the basis of the orders placed by reputed Hospitals like Dr. RMLH, ILBS- New Delhi, SGPGIMS- Lucknow the Asian Institute of Medical Sciences-Faridabad. On the basis of like-to-like comparison, the prices quoted in case of Sports Injury Centre were found to be lower by 18.72 percent. In respect of some of the items where the quoted prices were higher compared to contracts considered in the like-to-like comparison, a counter offer was made to the firm for agreeing the supply these items at lower prices. It has already been explained that all out efforts were made to work out the like-to-like comparison for maximum value, however, due to limitations of non-availability of orders for similar configuration equipments, the like-to-like comparison could be worked out only to the extent of ₹ 10.32 crores out of total capital cost of ₹ 14.69 crores. The contract was placed after

due deliberations and with the approval of the competent authority. It is mentioned that the like-to-like comparison was made on the basis of orders placed by different Institutes having done combined or separate work. There is not even a single Institute who has done work of similar nature of this magnitude and specifications either separately or combined for MOT and MGPS."

6.76 The configuration of the equipment imported by the Ministry in the instant case was different from similar other imported equipment. In this context, the Committee enquired whether it was prudent on the part of the Ministry to place the orders on the basis of the price determined by other Government/Private Hospitals/Institutes. In their reply, the Ministry of Health and Family Welfare submitted that as part of the standard procedure adopted by all the Government Hospitals /Institutes, an attempt was made to work out the like-to-like comparison for the equipments proposed to be procured with the orders placed by other Hospitals/ Institutes so as to assess the reasonableness of price. Since the configuration of equipments in terms of accessories, add-ons, warranty terms etc. ordered by the hospitals varied depending upon the usage and expertise available with them; sometimes it was not possible to make full comparison particularly for specialised equipments. In the case of SIC, the equipments for MOT and MGPS were state-of-the-art and on the basis of orders placed by other reputed hospitals/Institutes, the like-to-like comparison was worked out for ₹ 10.32 crore out of total capital cost of ₹ 14.69 crore and prices quoted by L-1 bidder were lower by 18.72 per cent and for some items where, the prices were higher, counter offer was made to accept the lower prices. The Ministry further submitted that they had made all out efforts to examine and establish the reasonableness of prices.

**(b) Direct Payment of Customs Duty to the Foreign Supplier**

6.77 Audit found serious deficiencies in scrutiny by MoHFW of the suppliers' invoices. MoHFW allowed customs duty to be paid directly to the foreign supplier (without ensuring the actual payment of the same to the custom authorities) and also failed to deduct Indian Agent commission from the Cost Insurance and Freight (CIF) price quoted by the supplier while calculating the customs duty. Further, the supplier had shown ₹ 40.17 lakh paid as VAT in their invoices claiming payment for imported goods, which rendered the invoices doubtful, as VAT was not required to be paid for imported goods.

6.78 The Committee enquired about the procedure followed by the Ministry to ensure the correctness of the custom duty reimbursed to the supplier without verifying the original bill of entry. In reply, the Ministry clarified that it was a standard practice followed in all the Government Departments that in case the contract price excluded the Custom Duty and payable extra on actual, the purchaser verified the payable amount of Custom Duty. However, when contracts were in Rupees on all inclusive and FOR destination basis (for Goods of foreign origin), no such exercise was undertaken as in such cases the entire responsibility for opening of L/C, import, payment of custom Duty, custom clearance, handling, inland transportation/insurance and incidental services including warranty obligations rested with the supplier only.

6.79 On being asked whether non-verification of the custom bills by the Ministry rendered actual cost of import of those items doubtful, the Ministry mentioned that in the case of the contract where the goods were to be supplied in rupees on all inclusive and FOR destination basis, the exercise for verifying the amount of custom duty paid is not undertaken as in such cases the entire responsibility for import of the goods, custom clearance, handling, payment of inland freight including warranty obligation rested with the supplier only.

6.80 The Committee then asked about the authenticity of the cost of imported items without the verification of the invoice of foreign principal as required under the original terms of the contract. In reply, the Ministry clarified that against any contract irrespective of the currency of the contract value, it was imperative for the claimant to raise an invoice seeking payment on the fulfilment of contractual obligations i.e. supply of Goods /Service. When the payment was to be made through L/C, the foreign principal was required to raise an Invoice and therefore the same was one the documents for claiming payment. Similarly, in Indian Rupee order, the Indian Supplier raised invoice to claim such payment. In this case, the detailed justification of prices was worked out on the basis of the orders placed by the other Government / Private Hospitals / Institutions, before award of the contract.

6.81 The Ministry further clarified that the invoice was raised in order to claim the payments either by the foreign principal in foreign exchange for direct supplies or by the Indian contractor in INR for supplies on rupee payment. Since the contract for

parts supplies was amended from foreign exchange payment to INR payment, the invoices from the foreign principal were not asked as per payment terms applicable for the rupees payment supplies.

6.82 The Ministry further submitted that with the competition and like-to-like comparison, the price reasonableness could be assured to a great extent. This held good even for the indigenous equipments.

6.83 When asked whether it was not surprising that without verifying the original bill of entry the Ministry had reimbursed the custom duty claimed by the supplier, the Ministry of Health and Family Welfare stated as under:

"It is submitted that in rupee payment contract it comprises of many components viz import value, air freight & insurance, customs duty, L/C charges, inland handling charges, financing cost to import the equipments, Warranty obligations for 5 years , profit margin of the supplier. It is difficult to have the exact break up of cost and operate the contract on that basis. Accordingly, all the organisations including DGS&D as a standard practice are not verifying such details and payments are made as per the final INR price payable as per the contract. MOHFW also followed the same practice."

6.84 When asked whether the Ministry ensured payment of VAT on imported items by the suppliers, as claimed in invoices, to the VAT Department, the Ministry have stated as under:

" In this regard, M/s MDD Medical Systems (India) Pvt. Ltd. have furnished a certificate stating that they had deposited 5% DVAT/Sale Tax with the concerned authorities for the various invoices pertaining to the supply of MOT & MGPS at Sports Injury Centre, enclosing therewith copies of the Sale Tax Return receipts, Sale Tax Challans deposited in the bank and various invoices related to SIC "

6.85 The Ministry further clarified as under:

"It is submitted that as requested earlier by Audit, the Department had furnished copies of the sales tax return, receipts, sales tax challans deposited in the bank by contractor towards 5% DVAT/sales tax. It is mentioned that the contract prices were firm and fixed and the Department had paid the prices as per the contract including the VAT element."

6.86 Since the contractor had paid the VAT from his/her own pocket after the amendment of the contract, the Committee asked whether there could be a possibility that the contractor had imported the goods at a price lower than those quoted in the

original contract. In reply, the Ministry of Health and Family Welfare submitted as under:

"It is submitted that the contractor had submitted copies of sales tax return, receipts and sales tax challans deposited in the Bank towards 5% DVAT/Sales Tax. From the Govt perspective, the prices were firm and fixed and the Deptt. did not pay sales tax extra although the sales tax was payable for the transaction since billing was done in India. In present scenario when there is unprecedented appreciation in all the foreign currencies, the suppliers in case of rupee payment contracts are adhering to the supplies on firm and fixed price basis, must be squeezing their margins. In the private open market, the suppliers have liberty to increase the prices as is happening in case of most of the imported products but in Govt. such liberty is not available."

6.87 When asked whether the Ministry were aware of the actual price of the imported equipment in the instant case, the Ministry explained that the bidder quoted some of the equipments on rupee payment and some in foreign currency. In respect of two foreign principals, the supplies on rupee payment were allowed subsequently due to urgency.

6.88 The Ministry summed up as under:

"It is submitted that before placement of the order, a like to like comparison of the price of the quoted imported equipments was worked out with the contracts placed by Government/Reputed Private Hospitals and the prices quoted were found to be lower by 18.72%. Accordingly, the reasonableness of the price was established before award of the contract to the supplier firm."

#### **IX. Utilisation of SIC**

6.89 In an evidence held on 30<sup>th</sup> July, 2012 the Committee asked whether the Sports Injury Centre (SIC) was meant for utilisation by the sports persons only. In response, the representative of the Ministry of Health & Family Welfare submitted:

"It is not exclusively for sports people. Suppose, you are playing golf or some other game and you get an injury that would be attended to."

6.90 On 11<sup>th</sup> September 2012, the PAC Branch received from Anonymous source a Note **Annexure-XVI** purportedly mooted by the Office of the Director, SIC, Safdarjung Hospital wherein the Director had *inter-alia* written that the Members (PAC) also opined that the Sports Injury Centre should be dedicated exclusively for Sports and Related Injuries only and not general Orthopaedic treatment Joint Replacement Surgeries etc. that could be performed by the regular Orthopaedic Department. The Director, SIC in

the said Note had accordingly recommended that "the Centre should be dedicated to treating Sports related injuries only and Joint Replacement etc. should not be a part of this Centre."

6.91 Taking serious exception to complete distortion of facts in the said Note and presenting facts just opposite to what was recorded in the verbatim, the Committee asked the Ministry to verify the authenticity of the Note and their stance on it. In reply, the Ministry in their communication dated 26<sup>th</sup> September 2012 **Annexure-XVII** submitted as under:

".....while the department has taken cognizance of the Note, the Department would be solely guided, on the ultimate action to be taken in the matter, on the basis of the report of the Hon'ble Committee."

6.92 The Committee then desired to know whether it would not be prudent to combine the two super specialities i.e. Arthroscopy and Joint Replacement keeping in view the worldwide prevalent trend. In reply, the Ministry stated that the suggested combination of the Arthroscopy and Joint Replacement needs to be seen in the context of the approved objective of the Centre, which is the management of sports injuries. It is for this reason that the Centre has been structured as a facility for treating sports injuries through Arthroscopy and other Rehabilitative measures. However, the Joint Replacement surgery was started at SIC in a limited manner. Given the fact, the sports injury Centre is a state-of-the-art-facility and many specialities in Safdarjung Hospital would like to use the facilities available here, however, the solution lies in upgrading facilities in Safdarjung Hospital. In this context, proposal for Re-development Plan of Safdarjung Hospital is under consideration.

6.93 Asked to state the number of surgeries performed in both Arthroscopy and Joint Replacement since the inception of the Centre, the Ministry furnished the following year-wise information:

YEAR	ARTHROSCOPY	JOINT REPLACEMENT
2011	1096	97
2012	1046	109
2013	294	27
<b>Total</b>	<b>2436</b>	<b>233</b>



6.94 The Ministry further stated that the bed occupancy of the Arthroscopy Unit was more than 90 percent whereas that of the Joint Replacement Unit was about 40 percent.

6.95 In response to a specific query, the Ministry submitted that no separate staff had been earmarked for Arthroscopy and Joint Replacement Units. The Ministry further stated that the staff had been internally diverted from the overall strength of SIC.

6.96 Asked to state categorically the constraints being faced in the operation of the Center due to inadequacy of staff and equipment, the Ministry submitted that as staff and space had been provided for Joint Replacement from within the sanctioned strength of SIC, further development and future growth of SIC would require additional space and staff.

6.97 The Committee sought the views of the Ministry in rechristening the Centre as 'Sports Injury, Arthroscopy and Joint Replacement Centre' so as to reflect the full spectrum of the available services. In response, the Ministry submitted that as per the Expenditure Finance Committee (EFC) recommendations and subsequent approval, the Centre had been established to provide specialised treatment to all Sports injuries and other joint injuries under one roof. The Ministry, therefore, reasoned that the existing nomenclature appeared to be appropriate.

6.98 The Committee then asked whether it would be prudent to appoint one of the four Additional Medical Superintendents as the Administrative Head of the Centre so as to enable the two specialists i.e. Arthroscopy and Joint Replacement to devote full time to their core job. In reply, the Ministry submitted that a consensus decision at the level of the Ministry of Health and Family Welfare was taken that the Sports Injury Centre shall not function as a routine sub-ordinate office of DGHS. For this reason an Empowered Committee under the chairmanship of the Secretary (Health and Family Welfare) was setup. After dissolution of the Empowered Committee, the channel of decision making is through the Director, who has been given the powers of Head of Office to the Medical Superintendent who has the delegated powers of Head of the Department. Decisions above the level of the Medical Superintendent are taken at the level of the Ministry of Health and Family Welfare. The suggestion to appoint one of

the four Additional Medical Superintendents as the Administration Head of SIC has recently been examined in the Ministry but the same was not found feasible in the overall interest of the development of SIC and the Ministry of Health and Family Welfare *vide* Letter No. 28015/46/2008-H dated 26<sup>th</sup> July 2012, reiterated their decision to continue Dr. Deepak Chaudhary as the Director of SIC to function as the Administrative Head. There are five Additional Medical Superintendents presently posted at Safdarjung Hospital and assisting the Medical Superintendent in the administrative work of Hospital. The Ministry of Health and Family Welfare have appointed one Deputy Director of Administration (Under Secretary level officer) exclusively for the Sports Injury Centre for assisting the Director and looking after the administrative work. The administrative structure formation in the Vardhaman Mahavir Medical College and Safdarjung Hospital including SIC is the prerogative of the Medical Superintendent.

## CHAPTER VII

### ROLE AND RESPONSIBILITY OF THE MINISTRY OF HOME AFFAIRS

7.1 The security arrangements for the Commonwealth Games, 2010 were coordinated by the Ministry of Home Affairs (MHA) through the Empowered Security Committee (ESC). The Ministry was also responsible for overseeing the work allocated to New Delhi Municipal Corporation.

#### A. Integrated Security System (ISS) for Commonwealth Games 2010

7.2 An Integrated Security System (ISS) was envisaged to ensure effective surveillance to cover events, open areas, lanes/important traffic junctions, and highly sensitive and crowded areas in Delhi. The major components of the ISS were: perimeter security; vehicle access control; pedestrian access control for accredited cardholders and spectators; and venue security command centre.

7.3 The decision to provide ISS for all competition and non-competition/training venues for CWG-2010 through M/s Electronics Corporation of India Ltd. (ECIL), a PSU, on "nomination basis" was taken by the Cabinet in its meeting held on 8 May 2009. Thereafter, on the direction of ESC, the existing Joint Committee considered the technical solution proposed by M/s ECIL for each venue in terms of its 'spread'; the Joint Committee's recommendations were then examined by the Steering Committee (headed by Shri R. Narayanswami) for the essentiality and reasonableness of the Bill of Quantities (BOQs); the reasonableness of M/s ECIL's commercial offer prepared on the basis of the approved BOQ was then examined by an Inter-Ministerial Financial Advisers Committee constituted by the Ministry of Home Affairs, and approved by the EFC in September 2009 for 23 venues and March 2010 for 10 venues; Thereafter, each venue owner entered into a separate agreement with M/s ECIL for supply and installation of equipment. The approved cost of providing ISS at 33 competition and training venue was ₹ 345.70 crore

I. **Inflated Estimates of M/s ECIL Resulting in Exorbitant Profit of ₹ 126.38 crore**

7.4 Audit scrutiny revealed that although the Inter-Ministerial FA's Committee was not convinced of the reasonableness of the estimates proposed by M/s ECIL, it recommended its approval with an across-the-board cut of 10 per cent on the estimates, subject to the following:

- the production costs of items produced in-house by M/s ECIL were to be assessed by the Cost Accounts Branch of the Ministry of Finance and savings in excess of 2 per cent were to be passed on to the Government of India.
- Volume discounts, if any, would be to the benefit of the Government of India.
- The estimates approved were the absolute cap.

7.5 M/s ECIL provided equipment against 50 approved BOQs - 43 equipment to be procured by M/s ECIL and 7 in-house items. Audit compared the purchase price of items procured under the 43 BOQs with their EFC-approved rates and found that in 41 of these BOQs, the actual purchase price of the items was lower than the EFC approved rates. Overall, M/s ECIL procured items in the 43 BOQs for just ₹ 100.65 crore against the EFC approved estimate of ₹ 227.04 crore thus securing a profit of ₹ 126.38 crore (126 percent) on these items.

7.6 In respect of the seven BOQs for items manufactured in-house, M/s ECIL did not provide Audit with their cost analysis. Further, Audit found that this analysis had not been sent to the Cost Accounts Branch of the Ministry of Finance, as of March 2011. Consequently, Audit could not ascertain whether there were savings in excess of 2 per cent, which should have been passed on to the Government of India. Further, M/s ECIL was required to test individual ISS equipment and issue a job completion certificate, for which it charged ₹ 10 crore. However, it did not produce the relevant records to Audit.

7.7 In the above context, the Committee desired to know the steps taken by the Ministry to restrict the profit of M/s ECIL on the project to a reasonable limit. In reply, the Ministry of Home Affairs stated as under:

" The proposal for the Integrated Security System (ISS) was approved by the Cabinet in its meeting held on 19.10.2009. The proposal had been examined and recommended by the Expenditure Finance Committee (EFC) in its meeting held on 30.09.2009, in which mark up at the rate of 14.44% of project cost

including profit @ 7.1% of project cost had been built in. Further, the commercial proposal of M/s Electronics Corporation of India Limited (ECIL) had been capped by the EFC after imposing an across the board cut of 10% as recommended by the Financial Advisors' Committee.

After audit scrutinised the Accounts of ECIL in this connection and determined that ECIL had made excessive profits, in the first instance MHA issued a stop-payment order on 17.02.2011 to all concerned in order to prevent excess payments, if any, till the resolution of the issue.

Thereafter, on 20.04.2011 a Committee under the chairmanship of Special Secretary & Financial Advisor (Home) comprising of Financial Advisors of the Ministries of Youth Affairs & Sports, Urban Development and Delhi Development Authority, as well as Joint Secretary (Police Modernisation) and Joint Secretary (Policy Planning) of MHA as members, was set up to examine the issues raised by CAG and to give its report, inter-alia, on the purchase price of equipment, cost of services like installation etc vis-à-vis the bills raised by M/s ECIL.

The said Committee determined, inter-alia, that as against the estimated project cost of ₹345.70 crore, the project cost actually amounted to ₹200.06 crore including ₹28.89 crore as markup, which in turn included a profit of 7.1%. This was accordingly communicated on 21.07.2011 to all venue owners, who had incurred the expenditure and made the payments for the ISS, to release pending payments/ recover/ adjust excess payments to M/s ECIL according to the recommendations of the Committee."

7.8 Enquired whether the Ministry had obtained cost-analysis of the seven items manufactured in house by M/s ECIL, the Ministry submitted that the EFC recommendations placed before the Cabinet, endorsed the recommendations of the Inter-Ministerial Committee of Financial Advisors made in its meeting held on 3<sup>rd</sup> September 2009, that the actual cost of the following equipment manufactured in-house by M/s ECIL for the ISS, would be subject to detailed assessment by the Cost Accounts Branch of the Ministry of Finance:

- (i) Under-Vehicle Scanning System (UVSS) & License Plate Reader(LPR);
- (iii) Active Bollards (set of 2);
- (iv) Active Bollards (set of 3);
- (iv) Active Bollards (set of 4);
- (v) Passive Bollards.

7.9 Accordingly, a reference had been made to the Ministry of Finance, Cost Accounts Branch by MHA on 16<sup>th</sup> December 2009. The Ministry of Finance, Cost Accounts Branch (renamed as Office of the Chief Advisor Cost), *vide* letter dated 21<sup>st</sup> October 2011, has submitted its Report on Costing of Bollards and UVSS supplied by M/s ECIL.

7.10 On being enquired about the steps taken to ascertain whether there were savings in excess of 2 percent in the rates of the in-house manufactured items and that they have been passed on to the Government of India, the Ministry clarified that in case of Active Bollards (Set of 2), Active Bollards (Set of 3) and Active Bollards (Set of 4), actual cost was less by 16.79 per cent, 9.49 per cent and 13.07 per cent respectively than cost per unit approved by EFC. Since it was less by more than 2 per cent, as per EFC the benefit would be passed on to the Government. The matter had been examined in the Ministry and accordingly, on 8<sup>th</sup> November 2011 and 17<sup>th</sup> November 2011, all the venue owners had been intimated and asked to recover / adjust payments on account of these items as per the recommendations of the Office of Chief Advisor (Cost), Ministry of Finance and in terms of the contract agreement between Venue Owners and M/s ECIL.

7.11 M/s ECIL was required to test individual ISS equipment and issue a job completion certificate for which it charged ₹ 10 crore. However, it did not produce the relevant records to Audit. Asked for the reasons for non-production of the records to Audit, the Ministry of Home Affairs submitted that there were a total of 33 venues under the control of different Ministries/Departments/Organizations viz. the Ministry of Youth Affairs & Sports, the Ministry of Urban Development, the Ministry of Information and Broadcasting, Government of National Capital Territory of Delhi and New Delhi Municipal Council. Separate Agreements had to be signed in respect of each venue. Each venue owner consulted its own law and finance departments and signed the Agreement only after satisfying itself on the legal and financial issues involved. Thus, the dates of signing of Agreements between M/s ECIL and the venue owners ranged from 7<sup>th</sup> December 2009 to 5<sup>th</sup> August 2010.

7.12 The Ministry further explained that there was also delay on the part of venue owners in completing the required works relating to construction/overlays etc. prior to the installation, testing and commissioning of ISS equipment by M/s ECIL. Although originally the venues were to be handed over to M/s ECIL by 1<sup>st</sup> April 2010, the venues were actually made available to M/s ECIL for completing their work as late as mid-September, 2010 in some cases. Even then, most venues were handed over in a partial state of readiness for installation of ISS equipment. M/s ECIL had to commence

their work concurrently with the construction work being carried out by other agencies. Although these delays in turn meant that there was insufficient time for M/s ECIL to carry out a thorough and complete testing process of each and every piece of equipment installed by them at each venue. M/s ECIL had stated that due to time constraints, venue owners could not constitute any 'Site Acceptance Test' (SAT) team as provided in the contract. However, M/s ECIL had done testing of individual equipment and integrated system before putting them into operation for the Games event. M/s ECIL had constituted Quality Assurance team which conducted tests for each venue. M/s ECIL has further stated that Job Completion/ commissioning/ handing over certificates were received from 23 venues. However, the requirement of conducting of the 'Site Acceptance Test' before the 'SAT Committee' and obtaining of Job Completion Certificate from the 'SAT Committee' was not fulfilled by M/s ECIL.

7.13 On being asked about the decision taken on paying the amount for testing in the absence of testing certificate, the Ministry of Home Affairs submitted that as regards payment/adjustment/recovery of amount charged by M/s ECIL as testing charges, a view was separately being taken in consultation with the venue owners concerned as well as M/s ECIL.

7.14 Explaining the remedial measures taken by the Ministry on the issue of inflated estimates of M/s ECIL, the Home Secretary deposed in evidence as under:

" One major issue pointed out by C&AG was the inflated estimates given by the ECIL which were approved and excess advance given to ECIL. When the C&AG report came to us, after that we set up a Committee under our Special Secretary and Financial Advisor with members from the relevant Ministries. That Committee went through all the costs involved and against ₹ 350 odd crore which was approved for this and which the ECIL had bid for, the Committee came to a figure of ₹ 200 and odd crore and they said that this is the right amount which should be paid to ECIL inclusive of profit. Thereafter we wrote to the relevant Ministries and to the venue owners because the contract was between the ECIL and the venue owners and the relevant Ministries and MHA was, as I was said, not the principal in this. We wrote to the concerned venue owners and the Ministries that this is what we have found that the costs are to be limited to this amount, ₹ 200 odd crore, and so please make payments only to that amount. So, the excess payment issue and excess advance issue also has been taken care of. Our Committee found that the excess advance given was to the tune of ₹ 85 crore and that also we wrote to the venue owners and the relevant Ministries that this is the excess advance given as per the findings of the Committee which we had set up and therefore they need to recover the interest on the advance. Thereafter the venue owners started taking action and

the relevant Ministries also started taking action. But the ECIL have contested this finding of the Committee and they have gone in for arbitration. The matter is currently in arbitration. The ECIL does not agree to this finding of the Committee that the costs plus profits should be limited to ₹ 200 odd crore and they have gone to arbitration and the arbitrator will decide."

7.15 Asked to state the level at which the dispute was being arbitrated, the Home Secretary submitted:

"Sir, the contract between the venue owners and the ECIL itself provided for a mechanism of arbitration. The mechanism provided that an officer of the DPE will be arbitrator. An officer of the Department of Public Enterprises is conducting the arbitration."

7.16 In this context, a representative of the Department of Atomic Energy, the parent Department of M/s ECIL, in evidence contested the findings on the inflated estimates as under:

" Basically, the difference is because of the difference in presumption. The CAG observation is with the presumption that probably ECIL was acting as a trading agency only whereas it was not a trading agency. It was a service provider for the entire integrated security system. I would like to quote a few examples. In the case of flap barriers, ECIL not only procured the items but rather the ECIL developed RIM card and associated from the manufactured wired and interphased with the firm barriers. These were done by the ECIL per se. Then, in the case of boom barriers, tyre barriers, road blockers and wedge barriers, ECIL had developed custom built imbedded PLC programme and the software was also developed. The man power was engaged and for the entire man power and the software, there is always a cost attached to them. ECIL had invested in that and because of that particular thing, there is a difference."

7.17 He added:

"In fact, as per the CAG observation, the profit margin comes to 126 per cent whereas as per the ECIL calculation it is 30 per cent."

7.18 Elaborating on the matter, a representative of M/s ECIL deposed in evidence as under:

"What ECIL has done is that they procured the items. Then they developed the software and integrated that into the things. For this entire thing, certain amount of fixed price has been given. Today we are not asking for any additional price or any item which is beyond the contract. What the hon. C&AG has done is that they have taken one particular item out of that and said that the procurement price is this, whereas the final price is this. This is where we are trying to differ and express our opinion saying that this whole thing is a fixed contract. The entire thing should be taken into consideration. So, do not take



only one portion and then say that in this there is 126 per cent profit. If you look into the whole thing, the entire material cost is this much, the manpower cost is this and then the final cost is this. That is the entire cost of the solution provider. So, in that case it is not more than thirty per cent. That is the calculation and perception which we are trying to put forward."

7.19 Commenting on the issue of overcharging by M/s ECIL, the Home Secretary apprised the Committee in evidence as under:

"When this complaint came about over-charging, to assess the cost we requested the Cost Accounts Branch of the Ministry of Finance to carry out an exercise. After we got the cost, as assessed by the Cost Accounts Branch of the Ministry of Finance, we again wrote to the venue owners and the Ministries concerned that these are the costs which have been calculated by the cost accounts branch for the equipment which was supposed to be manufactured by the ECIL. Therefore, for that equipment you limit your payment only to this amount."

7.20 The Home Secretary summed up the difference in the interpretation between M/s ECIL and C&AG as under:

"What the ECIL has been telling and what they are telling the hon. Committee is this. When they gave the quote, their figures included the cost of the building of the software as well as installation as well as integration to give a complete solution. That is why their quote was ₹ 340 and odd crore whereas what the C&AG has done is that they have taken only the bare cost price of the equipment and not added the cost of integration, the cost of developing a software and providing the services maintenance, etc. whatever. So, therefore, the C&AG's calculations of an excess profit are not correct. That has been their (ECIL's) submission which they are placing before the arbitrator. The arbitrator will take a decision."

7.21. Subsequently, the Ministry of Youth Affairs & Sports *vide* their communication dated 30<sup>th</sup> January, 2014 have informed that the Arbitrator has held that there was a specific agreement entered into between the parties and, therefore, payments due as per the rates and terms included in the agreement becomes due and have to be made to the contractor. The Ministry further informed that they are exploring and examining the possibility of filing an Appeal against the Award before the Law Secretary.

## **II. Excess Cash Advance of ₹ 37 crore to M/s ECIL**

7.22 Audit found that M/s ECIL received excess cash advance of ₹ 37.08 crore (out of the total cash advance claim of ₹ 137.32 crore) for imported items. This was on account of mis-classification of items imported / procured indigenously. M/s ECIL was

eligible for advance of 70 per cent of the CIF value of imported equipment and 40 per cent on indigenously procured equipment. However, out of the equipment to be imported, equipment worth ₹ 123.60 crore (at EFC rates) was actually procured indigenously, resulting in inflated cash advances to M/s ECIL.

7.23 The Committee enquired whether the Ministry had developed a mechanism to ensure that the payment of advance was made only after examination of classification of equipment as imported and indigenous. In reply, the Ministry of Home Affairs stated in a note as under:

"The role of the Ministry of Home Affairs was restricted to coordinating the finalisation of requirements of various equipments for the ISS, finalisation and obtaining approvals for the financial proposals for the same, freezing documentation (Contract Agreement) and finally monitoring the progress in implementation of the ISS as part of the overall security arrangements for the CWG-2010. Venue owners as Buyers and M/s ECIL as the seller, were required to adhere to the Contract signed between them on the basis of the Proforma finalised and circulated by the MHA. As per the approved contract document, the venue owners were to pay 70% of value of imported items and 40% of value of indigenous items to M/s ECIL. Ensuring that the implementation of the contract agreement between the venue owner and M/s ECIL was made as per the agreed terms, is the responsibility of the Buyer (venue owner) and the Seller (M/s ECIL). It was the responsibility of M/s ECIL to submit proper documents and claim advance strictly as per the contract agreement between ECIL and the venue owners."

7.24 Asked to state the measures taken to recover/adjust the excess advance drawn by M/s ECIL, the Ministry of Home Affairs submitted as under:

"the terms of the contract agreement between the Buyer and the Seller were to be adhered to by both the venue owner concerned as well as by M/s ECIL. MHA has no role to play in the matter. However, the FA's Committee constituted under the chairmanship of Spl. Secretary & F.A. (Home) after the findings of Audit were communicated, examined this issue as well and determined that the excess advance obtained by M/s ECIL from the venue owners amounted to ₹85.22 crore. Accordingly, venue owners have been advised on 21.07.2011 and on 17.11.2011 to recover/adjust the excess advance drawn by M/s ECIL."

### **III. Procurement of Equipment in Excess of Requirement**

7.25 According to Audit, despite being informed by the Delhi Police in July 2009 and reiterated in August and September 2010 that Portable Explosive Detectors (PEDs) should be removed from the BOQs as these were being procured separately, M/s ECIL did not delete this item from the BOQs nor did it seek any clarifications from the

Ministry of Home Affairs. This issue was also not discussed in any subsequent meeting of the Steering Committee. In March 2010, M/s ECIL procured 176 PEDs at a total cost of ₹ 38.55 crore for supply to the venues. During joint physical verification of Jawaharlal Nehru Stadium, Audit found 42 PEDs still in packed condition. M/s ECIL informed Audit that Delhi Police did not use these PEDs at any of the venues. The shelf life of PED equipment was 7 years and that of its consumables six months.

7.26 The Committee enquired the basis on which the PEDs were procured when Delhi Police had refused to use them. In reply, the Ministry of Home Affairs *inter-alia* stated that in a meeting held by Union Home Secretary on 15<sup>th</sup> May 2009, a decision was taken to constitute a Joint Committee comprising representatives from Delhi Police, Intelligence Bureau and the Organizing Committee (OC), supported by M/s ECIL, to give necessary expert oversight on the proposals made by M/s ECIL, following their field surveys at various competitions, training and other CWG- related venues. The recommendations of the Joint Committee, which included statements of security gadgets, including PEDs and RF-ID Tags, duly signed by all members of the Committee including Delhi Police, were forwarded by Delhi Police to the Steering Committee headed by Shri R. Narayanaswami, Special Advisor, CWG, Government of NCT of Delhi.

7.27 The Ministry of Home Affairs further clarified that the commercial proposal of M/s ECIL for the Integrated Security System (ISS) which included PEDs and RF-ID Tags was sent on 14<sup>th</sup> October 2009 to the Cabinet for their consideration. The Cabinet in its meeting held on 19<sup>th</sup> October 2009 approved the said proposal. It was informed by Shri R. Narayanaswami, Special Advisor, CWG, GNCTD that at none of the Steering Committee meetings [Chaired by Special Advisor (CWG) Shri Narayanaswami], which were invariably attended by knowledgeable Delhi Police officers fully conversant with the preceding Joint Committee deliberations, there was any issue raised regarding the exclusion of the item of Portable Explosives Detectors from the proposed list of items to be procured by M/s ECIL. Such communications were initiated later by Delhi Police through isolated letters to M/s ECIL outside the Steering Committee mechanism. In case, Delhi Police did not want PEDs to be procured through M/s ECIL, the same could have been excluded from the purview of the Joint Committee meetings which were in any case being convened by Delhi Police

themselves, before feeding these lists to the Steering Committee. ECIL intimated that a letter dated 31<sup>st</sup> July 2009 from Delhi Police requesting deletion of PEDs from the BOQ was received after the commercial offer of M/s ECIL, which included PEDs, had already been submitted to the Steering Committee. Delhi Police also did not raise the matter in any of the meetings of Committee. M/s ECIL, in accordance with approval of EFC, procured PEDs in the month of January, 2010 as per the contractual obligations and thereafter delivered them to the venues.

7.28 When the Committee desired to hear the views of the Home Secretary on the above issue, he deposed in evidence as under:

"On the Portable Explosive Detectors (PED), we have investigated the matter. I believe this requires a bit more of looking into because a Steering Committee had been set up under the Ex-Chief Secretary of Delhi to monitor all the procurement and setting up of the integrated security system. Now, the Steering Committee's response to the Ministry of Home Affairs was that this issue was not raised in the meeting of the Steering Committee and, therefore, the PEDs were procured. But the Delhi Police has shown to us a letter which they wrote on the 31<sup>st</sup> of July 2009 that PEDs are not required and that they will manage with the PEDs that they already have and by borrowing from CPMFs and that letter has been shown to ECIL. But we will have to look into this matter again."

7.29 When asked to explain the fate of the 176 PEDs procured by M/s ECIL, the Ministry of Home Affairs responded that as per the contract agreement between M/s ECIL and venue owners, the buyer (venue owner) would decide legacy and non-legacy items within 30 days of completion of the event and venue owners would decide as to their subsequent usage and retention. The responsibility for the utilisation of non-legacy items laid with the venue owners and Ministry of Youth Affairs & Sports (MoYAS). The Ministry of Home Affairs was only assisting MoYAS based on their request. On the basis of the list of surplus legacy/non-legacy items furnished by the MoYAS in February 2010, the Ministry of Home Affairs had tried to ensure utilisation of all the surplus items including the PEDs procured by M/s ECIL. The Ministry further apprised that during the ICC Cricket World Cup 2011 held in the sub-continent, 67 PEDs were handed over to various State Police Organisations as follows for their use during the Cricket World Cup which were still with the State Police authorities.

Delhi Police-	8 nos.
Mohali Police-	18 nos.
Chennai Police-	16 nos.
Bengaluru Police-	20 nos.
Kolkata Police-	5 nos.

7.30 In addition to the above, 18 nos. PEDs were handed over to the Ahmedabad Police, which had since been returned after the said event. The Ministry also stated that they were making all efforts to ensure utilisation of all surplus equipment, including PEDs, through absorption by State and Central Police and Security Organisations.

7.31 Asked to state categorically the short and long term plannings for utilisation of the surplus PEDs, the Ministry of Home Affairs stated as under:

"The matter of utilisation of all PEDs to meet the requirements of the States, Union Territories and Central Police and Security organisations, is under process in MHA. Requests have already been received as follows:

Name of State/UT/ Organisation	Requirement projected
Dept. of Atomic Energy	5
CISF	53
CRPF	150
BSF	100
NSG	20
West Bengal	20
Andaman & Nicobar	4
Punjab	2
TOTAL	354

The surplus determined is only 155 nos. of PEDs and sanction for their transfer to the above agencies on a pro-rata basis is under process."

7.32 On being enquired about the alternative arrangements made by Delhi Police for explosive detection, the Ministry of Home Affairs stated that it had been informed by Delhi Police that they had 17 nos. of MO-8 explosive detectors procured during the year 2008. The shortage was made good by temporarily borrowing PED from SPG and the CPMF namely ITBP, CISF and NSG."

#### **IV. Non-Utilisation of RFID Tags**

7.33 Audit scrutiny revealed that Radio Frequency Identification (RFID) tags, containing details of the accredited vehicles, were to be fixed on the front windshield of the vehicle for easy reading by RFID reader fixed at the venue entry gates to control access. The Organising Committee was to give the list of accredited vehicles with the required details and ECIL was to prepare RFID tags. ECIL procured 18,700 RFID tags,

but only 3,610 tags were used during the Games and the remaining 15,090 tags (worth ₹ 4.41 crore) were lying unutilised with ECIL. This indicated that the BOQ was not realistically prepared by the ECIL and approved by the Steering Committee.

7.34 The Committee desired to be apprised of the reasons for an unrealistic assessment of the requirement of RFID tags. In reply, the Ministry of Home Affairs submitted that it was the CWG-2010 Organising Committee (OC), which was responsible for estimating the numbers of RFID tags etc. required as the OC was the body which was issuing accreditation for access to the Games venues. 18,700 numbers of RFID tags were procured and supplied by M/s ECIL as per the requirements intimated by the OC to the Steering Committee for various venues. Subsequently, BOQ was approved by EFC and Cabinet. Even as late as 23<sup>rd</sup> January 2010, the OC had indicated a requirement of 17000 RF Tags to ECIL.

7.35 Asked about the linkage of the supply of tags to their utilisation, the Ministry of Home Affairs clarified that M/s ECIL procured the approved quantity as per the requirement of the OC. M/s ECIL had stated that much after they had procured the RFID tags between 18<sup>th</sup> February 2010 and 31<sup>st</sup> May 2010 as per requirements intimated by the OC and approval received, the OC informed during August, 2010 that vehicle-RFID tags were required for 5000 vehicles and ultimately only 3,610 nos. of RFID tags were used. As regards the unused RFID tags lying in stock with M/s ECIL/venue owners, their utilization for meeting the requirements of CAPFs/Security Agencies/ State Police/UT Police Forces was in process.

7.36 Asked to furnish the complete details in this regard, the Ministry of Home Affairs submitted complete details of the requirement received from various organisations/offices.

#### **V. Poor Legacy Planning and Non-utilisation of Non-legacy Equipment**

7.37 M/s ECIL's agreements with the venue owners merely stipulated that legacy and non-legacy items were to be decided within 30 days of completion of the events. M/s ECIL would reconfigure all legacy equipment and make them workable in the venue, while non-legacy equipment was to be handed over to the venue owners for subsequent usage and retention. In its report to the Ministry of Home Affairs (MHA) of

November 2010, M/s ECIL identified legacy equipment of ₹ 86.47 crore and non-legacy equipment of ₹ 186.18 crore at the 31 venues.

7.38 Audit however, pointed out that MHA did not have an approved legacy plan for the utilisation/redeployment of the security equipment. Further, there was no "a priori" identification of ISS items as legacy items, non-legacy items and consumables. Audit also found that the legacy and non-legacy equipment amounting to ₹ 272.65 crore was lying unutilized. M/s ECIL had dismantled all the equipment (legacy and non-legacy) in all stadiums, except Thyagaraj Stadium. These were retained in packed condition in the venues under M/s ECIL's custody. The legacy items had not been reconfigured, as various network switches and cables required to operate them had been provided by the OC as a part of overlays, and had since been removed. Although the OC had undertaken to provide these again after CWG-2010, this was yet to be done. Also, no utilisation plans for the non-legacy items had been prepared by MHA.

7.39 In the above context, the Committee enquired about the non-finalisation of the legacy and non-legacy items well in advance and even within 30 days after the Commonwealth Games were over. In reply, the Ministry of Home Affairs clarified that the role of MHA was restricted to coordinating the implementation of the Integrated Security System for CWG-2010. In the approved standard contract format, which was signed between all venue owners and M/s ECIL, the decision as to determination of legacy / non-legacy items was to be taken by the buyer (venue owner) within 30 days of the completion of the Games and thereafter M/s ECIL would decommission all non-legacy equipment. The legacy items would be reconfigured and made workable in the venue, while usage/retention/disposal of non-legacy items was to be done by the venue owners. Therefore, it was not MHA but the venue owners who were required to identify and decide about the legacy/non-legacy items. However, on the request made by the Ministry of Youth Affairs & Sports, MHA was coordinating and helping the venue owners in the utilisation of surplus legacy/non-legacy items.

7.40 The Ministry further apprised that list of legacy and non-legacy items was received from the Ministry of Youth Affairs & Sports on 10<sup>th</sup> February, 2011. Immediately upon receipt, the list was circulated on 22<sup>nd</sup> February 2011 and 14<sup>th</sup> March 2011 to all State Governments/UT Administrations, State Police forces, Central

Armed Police Forces, Delhi Police and other security organisations to ascertain their respective requirements.

7.41 As regards the utilization of surplus non-legacy item, the Ministry of Home Affairs informed that the process of disposal of surplus/non-legacy security items procured in connection with Commonwealth Games 2010, was initiated in February 2011. The CAPFs, Delhi Police and the State Police Organisations (SPOs) were requested to indicate their requirements of available surplus items as per list received from Ministry of Youth Affairs & Sports (MYAS). In this connection a video conference was also held on 25<sup>th</sup> March 2011 with the State Governments. Meetings on the issue had also been held at the level of Additional Secretary and Home Secretary. Requisitions had already been received from various agencies. These items were to be physically transferred as per the requirements of CPAFs/ State Governments/ UT Administration/Delhi Police. Since it was a government to government transfer, necessary adjustment were to be made subsequently. The Ministry further stated that the bulk of the items such as cameras and surveillance equipments had been transferred and the process of sanction for the transfer to the agencies was underway.

7.42 When the Committee asked the Home Secretary to comment on the above issue, he deposed in evidence as under:

" It was decided that after the Games were over, many of the equipment which were not required may be utilised elsewhere. PED was one such equipment which was required at many places. Out of 155, 67 were given out to different organisations for use and they are there with different organisations and they are using them. We will have to either recover the cost from them or show it as issues. Right now they are shown as loan. The remaining PEDs are with us. We have asked the different organisations as to whether they need PEDs. If they need them, then these will be made available to them. One organisation said that they need about 18 PEDs. That will make it 85. So, in the disposal of the legacy items, we are helping the Ministry of Youth Affairs and Sports and the Ministry of Urban Development in the disposal of non-legacy items."

## **VI. Security Arrangement at Kadarpur Shooting Range**

7.43 Kadarpur Shooting Range in Gurgaon, Haryana was one of the competition venues for CWG 2010. MHA released (February 2010) a special grant of ₹ 23.23 crore, under the Modernisation of Police Forces Scheme, to Haryana Government for making security arrangements for CWG-2010. Audit found that although ₹ 21.96 crore



had been drawn from the treasury during July–October 2010 and deposited with the executing/ procurement agencies, no equipment had been received as of November 2010, even after CWG-2010 was over. In addition, 39 fabricated police assistance booths worth ₹ 0.74 crore were procured by Haryana Police Department, but these were not handed over to the Gurgaon and Faridabad traffic police in time for CWG-2010.

7.44 The Committee enquired whether the Ministry have taken up the matter with the Haryana Government for not timely providing the security equipment for the Games. In reply, the Ministry of Home Affairs clarified that they, in compliance with the observations of CAG, had intimated to the Government of Haryana, *vide* letter no. 21011/45/2011-PM-I dated 19<sup>th</sup> October 2011, that the amount of ₹ 23.23 crore would be adjusted from the Central allocations to be made to Haryana under the Scheme for Modernisation of State Police Forces in the financial year 2011-12 (₹ 19.10 crore was the allocation to the State in 2011-12 and the balance in the next financial year i.e. 2012-13).

7.45 Clarifying the matter further, the Home Secretary apprised the Committee in evidence as under:

"As far as the Haryana Government is concerned, we gave an amount of ₹ 23.23 crore, as the Chairman pointed out, and when they did not utilise that money for procurement of equipment within time for the use during the Commonwealth Games, we recovered ₹ 19 odd crore during the next instalment of the police modernisation funds that we give. So, we have recovered ₹ 19 odd crore, ₹ 4 odd crore needs to be recovered. The Haryana Government has got back to us and they said that it is not correct to say that they have not spent any money. They spent ₹ 7 odd crore on equipment which they utilised for the Commonwealth Games. We have asked them to refer the case to us and the dates of procurement of equipment, how they utilised it and then we shall take a view on that. These are the two major points."

7.46 When the Committee desired to hear the views of Haryana police in this regard, a representative of that organisation submitted in evidence:

"Basically, equipment for Commonwealth Games fall under three categories. Firstly, traffic equipment which was normally equipment like cranes, traffic booths, recovery vans, etc. secondly, bomb disposal equipment and thirdly, surveillance equipment. Both second and third were technical equipment and were to be imported while traffic equipment was purchased within the country. Actually we got the funds in August only. One month prior to Games. So, we in

fact tried our best to put in place whatever things before Games. Traffic booths and equipments provided to Gurgaon and Faridabad and they actually utilised it. But surveillance and bomb disposal equipment which were to be imported from outside, that in fact got delayed because it takes five to six months to complete all the formalities, tendering, various other equipments, testing equipments, placement of orders. These equipments got delayed because we had only one month and it takes minimum five to six months to complete the formalities."

7.47 He further apprised:

"Actually, out of 22.23 crore, we actually spent ₹7 crore, out of this ₹1.37 crore was spent before the Games started, for the remaining ₹ 5.7 crore we placed the orders but supplies got delayed."

7.48 Asked about the alternate arrangements made by Haryana Government for Commonwealth Games, 2010 in the absence of the equipment, the Ministry of Home Affairs submitted that the equipment to be purchased under the Modernization of Police Force Grant was also to upgrade general policing in the two cities. Traffic equipments, vehicles and other equipments were purchased before the CWG-2010 and were utilized during the Games. The surveillance system and other equipment whose procurement process was very lengthy could not be procured because of shortage of time. Haryana Police, however diverted additional resources and additional manpower to Gurgaon and Faridabad to ensure that security arrangement for the CWG 2010 were made properly. The Ministry also apprised that no untoward incident occurred in any of the venues/places associated with CWG-2010, including Gurgaon and Faridabad, during the Games.

7.49 On being asked whether Haryana Government had taken any action against the suppliers for delay, the Ministry of Home Affairs clarified that Haryana Government had cancelled the order of surveillance project allotted to M/s Zicom, and had also forfeited ₹ 3 lakh deposited by the Company with the Government, for not completing the project as per the agreement.

7.50 When asked about the delay in sanctioning the amount, the representative of Haryana Police submitted in evidence as under:

"First of all, let me clarify that the Government of Haryana was not, in any way, involved in the Commonwealth Games and we did not get separate funds for the Commonwealth Games. We, in fact, submitted our proposals for collateral

areas in policing to develop in Gurgaon and Faridabad that would help players and other officials and guests in going to Agra or in going to Gurgaon and that it would help in the security of these persons. It was realised in late 2009 that Gurgaon and Faridabad also need some upgradation of policing to facilitate the security arrangement for the Commonwealth Games. So, in the late 2009 our demand was accepted and funds were made available only in February 2010, but that was again the end of the Budget year. So, we again approached the Ministry of Home Affairs to revalidate. It was again revalidated but again certain clarifications were needed as to what equipment was required, what was the cost, etc. Every authority was exercising the care and caution that the funds needed by police were genuine. It took certain periods in coming to our requirement and coming to the decision that yes these are the equipment, this is the demand and the demand is genuine. That period, of course, was taken but because we got funds late in the month of August, approximately ₹23 lakh were available on the 27<sup>th</sup> July and the majority of the funds we got only in August 2010."

7.51 He added:

"we floated tenders early thinking that funds would come to us. So, we took precautions to complete all the formalities, but again we got frequency supports only in February 2010."

#### **VII. III-conceived Decision for Legacy use of TETRA**

7.52 Terrestrial Trunk Radio (TETRA) is a professional mobile communication service which permits communication either through a network of base stations or point to point communication like a walkie-talkie. HCL-Motorola was awarded the contract in December 2009 on wet lease basis for ₹99.81 crore for an 87 month period from January 2010 to March 2017 (i.e., not only covering the CWG period but also for legacy use.) Audit pointed out that right at the outset (in September 2008), TETRA was envisaged to cover not only CWG-2010, but also legacy use, on a wet-lease basis for an additional period of 7 years. Delhi Police (DP) was the largest user of TETRA both during the Commonwealth Games, 2010 and the legacy period. In September 2009, they indicated to limit their participation in TETRA system only to CWG-2010 and withdraw the previously projected requirement for the legacy period. Despite its reluctance to join TETRA for legacy use, DP did not take a decision on the matter in time, and was effectively forced to go along with the proposal. Audit further pointed out that although DP was represented in the Inter Agency Group (IAG), they chose to withdraw only at a very late stage. The existing radio communication system of DP comprised of 10894 sets (with a life of at least 15 years) covering police stations, police posts, pickets, border check posts, Police Control Room (PCR)

vans/motorcycles and tourist PCRs. Delhi Police had also 42 hotlines connecting with Central Control Rooms (CCRs), hospitals, civic bodies, Government agencies and satellite audio phones for CCRs at selected Delhi Fire stations, mobile control rooms and rescue and relief teams. Audit found it incomprehensible as to how just 3656 rented sets would meet the legacy requirements of Delhi Police, especially when TETRA would not be connected or integrated with the existing communication system (as per the DoT's stipulation). This effectively meant that TETRA users in the DP would also have to carry the existing analogue sets for communication across the DP network.

7.53 The Committee enquired about the inaction/indecisiveness on the part of DP in voicing their concern early enough on the usefulness of TETRA. In reply, the Ministry of Home Affairs clarified that Delhi Police had highlighted its operational requirements in different IAG meetings including that the TETRA system should be capable of transmitting signals all over Delhi and especially at bordering areas of Delhi as well as inside buildings and the system should be able to handle peak load traffic without being jammed. The TETRA sets were proposed to supplement and not replace the existing communication network of Delhi Police.

7.54 On being asked about the planning/proposal of the DP to use TETRA sets, which were not integrated with its existing communication system, the Ministry of Home Affairs submitted that Delhi Police communication network operates through multiple technology systems in different frequency plans. Upgradation of the Communications network was a continuous process keeping pace with the emergence of new technologies in telecommunication field to meet the enhanced communication requirements from time to time. The Ministry further clarified that TETRA system introduced during CWG 2010 was to supplement the various existing technologies deployed for different purposes. Integration of the systems was a long drawn process, which might be carried out in phased manner as per the actual requirement.

## **B. Venues developed by New Delhi Municipal Corporation**

### **I. Selection of Raja Aederi Consultants Private Limited as Architect Consultant**

7.55 Audit scrutiny revealed that none of the respondents to Notice Inviting Tender (NIT) issued by New Delhi Municipal Corporation (NDMC) for appointment of architect

consultant for Shivaji and Talkatora Stadia was technically eligible. Despite ample time being available for retendering, NDMC appointed Raja Aederi Consultants Private Limited, one of the ineligible respondents whose technical bid was ineligible on the following points:

- It had submitted the bid on the basis of an unregistered MoU (written on an ordinary paper) with Sterling Engineering Consultancy Services Pvt. Ltd. dated 18<sup>th</sup> May 2006, signed five days before the opening of the bid i.e. 23<sup>rd</sup> May 2006. Interestingly, the original last date of submission of bids was 16<sup>th</sup> and 17<sup>th</sup> May 2006, which was extended on the request of the potential bidders;
- Raja Aederi Consultants (Pvt.) Ltd., as such, had no independent experience in providing architectural services for sports venues of the prescribed contracted value; and
- Sterling Engineering Consultancy Services Pvt. Ltd. provided an undated experience certificate issued by another architect Shashi Prabhu & Associates, instead of the client, stating that the former had rendered structural and design engineering services for an indoor stadium project of National Sports Club of India.

7.56 In the above context, the Committee enquired about the rationale for appointing an ineligible consultant despite sufficient time to go for retendering. In reply, NDMC submitted that based on the documents submitted and the presentation made, the Board of Assessor (Technical Evaluation Committee) comprising of Engineer-in-Chief NDMC, ADG (Architect Retd.) CPWD, ADG CPWD, Chief Architect NDMC, Supdtg. Eng. NDMC & Executive Engineer NDMC evaluated the technical bid and observed that both M/s Kothari & Associates & M/s Raja Aederi Consultants Pvt. Ltd. qualified the minimum requirement of Technical bid, after which the financial bid was opened and the work was awarded lowest bidder i.e. M/s Raja Aederi Consultants Pvt. Ltd.

7.57 On being enquired whether responsibility had been fixed for selecting a firm from a pool of ineligible bidders as consultant, NDMC clarified that intensive examination of this project was undertaken by the Central Vigilance Commission who had concluded that the process of award of the said consultancy to M/s Raja Aederi Consultants Pvt. Ltd. was not in order. Accordingly, case for seeking first stage advice of the Central Vigilance Commission in the matter had been processed. On receipt of their advice, further action would be initiated by NDMC.

7.58 Asked about the outcome of CBI investigation in the matter, NDMC stated that chargesheet had been filed by the CBI regarding appointment of consultant for Shivaji Stadium in the court of Special Judge, CBI, Patiala House Court, New Delhi.

**II. Selection of China Railway Shisiju Group Corporation (CRSGC) as Contractor for Shivaji Stadium**

7.59 Audit pointed out that the main contractor hired for improvement/upgradation works at Shivaji Stadium in May 2008 was a foreign company i.e. China Railway Shisiju Group Corporation (CRSGC) with no existing established base in India when it was apparent from the conditions of NIT that such was not the intention. Shivaji Stadium could not be completed in time for the Games and the completed hockey pitch in the stadium had an East-West orientation as against the required North-South orientation.

7.60 Audit observed that CRSGC's bid should have been rejected at the technical evaluation stage itself for the reasons listed below:

- No global tender was issued; the NIT was only published in national newspapers, loaded on NDMC website and circulated to a panel of 18 Indian contractors;
- The primary eligibility condition was experience of execution of construction of new multi-storied block of Central Government or State Government departments/ Municipal Boards/Autonomous Bodies / PSUs, indicating an Indian context. CRSGC produced similar experience of working in China instead of India;
- CRSGC did not produce requisite registration certificates from competent authorities for local taxation and registered place of business in India. These were produced only post opening of the financial bid; and
- Generally, when foreign participation is envisaged, formation of JV with a local company or creation of a separate legal entity in India is insisted upon to ensure compliance with local law, familiarity with local conditions and facilitate settlement of legal disputes, if any. No such provisions were made in this NIT.

7.61 The Committee, then, enquired about the rationale for selecting a foreign contractor though this was not the intention of NIT. In reply, NDMC submitted that the technical bids of all six firms had been evaluated as per eligibility criteria in the NIT. All the documents submitted by M/s. CRSGC were attested by the Indian Embassy at China. M/s CRSGC had given undertaking regarding ongoing registration. Further,

M/s CRSGC subsequently submitted a certificate of the Registrar of company, NCT of Delhi and Haryana for establishing business in India. The eligibility of the firm was evaluated and approval of Competent Authority on evaluation of the technical sub-Committee was accorded.

7.62 The Committee desired to know whether CRSGC's inability to deliver in Indian conditions was one of the main reasons for Shivaji Stadium remaining incomplete. In reply, NDMC stated that the work was delayed due to the following main reasons:

- (i) There were shops, restaurants, kiosks etc. falling in the alignment of the project while making arrangements of their allotment, cancellation or its shifting, the allottee of Clock Tower Restaurant went to the court against NDMC. The delay in clearance of Court case and possession of encumbrance free site caused major constrain in completion of the work as per planned schedule.
- (ii) The existing Elect-Sub-Station and Municipal Under Ground Reservoir/Water Boosting Station on this plot of land, feeding adjoining area were also to be constructed in the basement of Shivaji Stadium and were to be made functional before demolishing and clearing this site for construction of stadium. The project site is very restrictive and that needed extra efforts due to double handling of materials.
- (iii) Extra ordinary rains during the year 2010.

7.63 NDMC further apprised that extension of time shall be regulated with or without levy of compensation on merit of the case and in terms of the relevant clause of the agreement.

7.64 On being asked about the inability of NDMC to provide hindrance free site to CRSGC by removing shops, restaurants, kiosks etc. in time, NDMC stated as under:

"The venue brief requiring development of Shivaji Stadium along with administrative block was received only on 12.05.07, as a result NDMC had to rework the plans according to the requirements of venue brief, which was taken up on priority and return brief was forwarded to OC, CWG on 10.12.2007. Simultaneously, these plans were also forwarded to DUAC on 24.08.2007, Delhi Fire Services on 24.08.07 so as to avoid delays and ensuring timely clearances from the statutory authorities. The issue of eviction/removal of shops/kiosks/restaurant space etc. in and around Shivaji Stadium came up only after the revised plans, as per venue brief were drawn. Further, since the properties are Public Premises, any eviction action is required to be initiated under Public Premises (Eviction of Unauthorized Occupants) Act, 1971, as per the laid down procedure. With a view to expedite action for removal of these units a decision was taken to relocate licensees with valid licences and

accordingly, draw of lots for 14 units out of the 17 was held in October, 2008 itself after which these units were got vacated. Even in remaining 3 cases, the matter was followed up in the Court of Estate Officer, who passed eviction order in all 3 cases in Sept., 2008 and these units were also got vacated on 24.9.08, 25.9.08 and 10.11.08 respectively.

The eviction proceedings against the Clock Tower Restaurant, the unauthorized occupant were pending before the ADJ and the Hon'ble Court remanded it back to the Estate Officer on 15.07.2008 with the directions to decide the matter afresh and after giving proper and effective hearing to the applicant and after recording the evidence of the party. The Estate Deptt. made special efforts and requested for regular hearings at the level of Estate Officer. Eviction Order in this case was passed by the Estate Officer on 11.12.08 against the unauthorized occupant of Clock Tower Restaurant.

This order of the Estate Officer was challenged by the unauthorized occupant of Clock Tower Restaurant through an appeal before the Ld. ADJ-IV, Patiala House Court on 22.12.08 and the Ld. ADJ stayed the operation of order of Estate Officer. On 7.1.09, NDMC filed a writ in High Court for quashing of interim stay order of ADJ-IV. However, since the appeal for regular hearing before the ADJ was listed on 9.2.09, Hon'ble High Court vide order dated 30.1.09 disposed off the writ advising NDMC to request ADJ for early disposal of the case keeping in view the urgency involved.

The appeal was finally dismissed by ADJ on 3.3.09. The premise was taken over the same day and the structure was got demolished by 4.3.09.

The work for redevelopment of Shivaji Stadium was awarded on 28.04.2008 and the work was to be completed within 18 months from the stipulated date of start i.e. 29.05.2008 and therefore, both the issues were taken up simultaneously i.e. eviction/vacation of the units and construction work. It may be observed here that all the units in and around Shivaji Stadium except Clock Tower Restaurant which went into prolonged litigation were got evicted and handed over to the construction agency by November, 2012."

7.65 As regards NDMC's failure to anticipate court cases and other hindrances and plan the time schedule of Shivaji Stadium work accordingly, NDMC submitted that it had originally resolved for upgradation of Talkatora Indoor Stadium and Shivaji Stadium to international standards in July, 2005 itself. Accordingly, Consultant was appointed in June, 2006. However, since the venue brief for Shivaji Stadium was provided by OC, CWG only in May, 2007 the whole upgradation process was required to be reviewed and it was only due to the revised plan which was in conformity with the requirements of the venue brief, it was essential to remove/demolish the stalls/kiosks etc. NDMC further apprised that since these properties of NDMC were Public Premises, any eviction action was required to be initiated under Public Premises



(Eviction of Unauthorized Occupants) Act, 1971 which was a quasi judicial process and a laid down procedure for eviction in all such cases was required to be followed.

4.66 The Committee then enquired about the period of extension of time given to CRSGC for completion of Shivaji Stadium and the quantum of total money paid or levied due to delay in completion of the stadium. In reply, NDMC clarified that as per the letter of award the stipulated date of start and completion were 29<sup>th</sup> May 2008 and 28<sup>th</sup> November 2009 respectively. To keep the contract alive, provisional extension was being granted from time to time by the competent authority as per the codal procedure laid down in CPWD Manual. The provision for extension of contract was also provided in Clause 5 of the Agreement. As per record, the provisional extension had been accorded upto December, 2012 and the exact extension of time would be decided only after completion of the work.

7.67 NDMC further apprised that all civil and electrical works had been physically completed at site and NOC for lifts has already been received from the electrical inspector of the Government of NCT of Delhi.

7.68 As regards recoveries for delay in completion of the stadium, NDMC submitted that Clause 2 of the Agreement provided for levy of compensation in case of delay by the agency, which was not attributable to the department. Quantifiable levy would be deducted at the time of settling the final bill. However, to safeguard the interest of NDMC, an amount of ₹ 3.44 crore had been withheld on account of extension of time from the running bill of the agency.

### **III. Engagement of Simplex Projects Ltd. as the Main Contractor for Talkatora Indoor Stadium**

7.69 According to Audit, there were two major civil works to be undertaken at Talkatora Indoor Stadium - Sports Facility Block and Additions and Alterations. Though the tender was advertised in the newspapers, NDMC website and circulated among the panel of contractors, in both contracts only one bidder, Simplex Projects Ltd. responded. While NDMC chose to retender the contract for additions/alterations, it decided to accept the single bid for the construction of the sports facility block. It is pertinent to note here that the period of execution of the contract was 18 months (sports facility block) and 12 months (addition/alteration work), and, therefore, there

was scope for rebidding. Further, on analysis of justified rates of items constituting 44 percent of the justified cost, Audit found that these were 16 per cent higher than CPWD DSR rates applicable. Under the circumstances, it was desirable to re-bid and test the market once again. In the absence of competitive bidding and difference in the justified costs and those worked out in audit on a test check basis, it was difficult for Audit to conclude that the best price was determined for the work in a competitive market. The quality of construction was also found deficient by CTE, CVC at the evaluation stage itself.

7.70 In the above context, the Committee asked about the procedure followed by NDMC to justify that the best price was determined for the work in a competitive market. In reply, NDMC apprised as under:

"The work of Addition/Alternation at Talkatora Indoor Stadium was awarded after second call of the tender. In the first call single tender was received which was rejected. The Tender was re-invited and only a single bid was received again inspite of due publicity. Further, single tender was considered at negotiated rates (81 percent above EC) than justified rates (65.42 percent above EC) for timely completion of the project before the trial games. The two trial games were successfully organised in the month of March 2010 and July 2010.

The work of new block was awarded on first call inspite of being single tender as the target date for completion of competition venue was fixed as December 2009.

The work was awarded @ 88.05 percent above EC as against justified rates @74.39 percent above EC in the month of December 2007 with stipulated completion period of 18 months as it was considered that retendering may consume time, which is going to effect the target date of completion of competition venue. It is also submitted that there were number of projects on way/likely to start including in NCR for preparation for CWG and there is a probability of getting even higher rates in future besides loss of precious time and as such department has considered the case of acceptance."

7.71 On being asked about the delay on the part of NDMC in starting the tendering process well in advance, NDMC submitted that the venue brief for both the works of Talkatora Stadium was received on 3<sup>rd</sup> November 2006 from the OC, CWG. Return brief was forwarded to the OC on 22<sup>nd</sup> November 2006. Subsequently, the conditional approval of the OC to the plans forwarded by NDMC was received on 5<sup>th</sup> July 2007. Approval of the Council for award of work for Construction of Utility Block with two level basement parking was obtained *vide* Resolution No. 1 (A-47) dated 5<sup>th</sup> November

2007. Further, for upgradation of Talkatora Indoor Stadium, a single tender was received on first call and as there was substantial difference between the justified and quoted rates, it was decided to go in for retendering.

7.72 When asked about the reasons for not attracting a reasonable number of bidders for its tenders, NDMC clarified that the only probable reason for non-participation of large number of bidders seemed to be that during that period due to boom in construction industry and due to CWG-2010, almost all the agencies in the field of construction were having sufficient work in hand.

7.73 The Committee then desired to be apprised of the reasons for awarding the two works pertaining to Talkatora Indoor Stadium much above the estimated cost. In reply, NDMC clarified that it followed the CPWD Works Manual for all works, as per which the detailed estimated cost for both these works was prepared on the basis of Schedule of Rate circulated by CPWD plus Cost Index prevailing then. In both these cases, estimates were prepared on the basis of DSR 2002 plus Cost Index. Tenders were invited on the basis of estimated cost. Further, while processing the tender for award of work, justification of rates based on prevailing market rate at the time of call of tenders was taken into account as per Clause 19.4.3.2 of CPWD Works Manual. The work was then awarded after taking into account the justification of rates. The same procedure was adopted in both these cases.

7.74 NDMC further submitted that the CPWD Manual provided that works between 5 to 10 per cent above that justified rates could be considered after recording reasons. In both these cases, the works awarded were strictly within the aforesaid laid down norm of the CPWD Works Manual.

#### **IV. Work of Upgradation of Street Lighting - Calling of Design Based Tender by NDMC and Consequent Loss**

7.75 NDMC opted for a "design based approach", wherein each bidder was asked to submit road wise design and compute the quantity for each item required to meet the target illumination level and to quote the rates for items required. The lighting standard did not provide for calling tenders on design basis. Audit were of the view that design based tender did not ensure procurement of items at the lowest cost. "Design based tender" had also actually placed M/s Philips at an advantageous position with respect

to other bidders, as despite quoting higher (item wise) for each of the key items, M/s Philips managed to be the lowest (L-1) bidder due to proposed use of lower quantities of various items. For instance, the design proposed by M/s Philips involved use of 3815 poles and 4166 luminaries (at a cost of ₹ 34.40 crore) against the estimated quantity of 6364 and 9329 respectively, while the quantities quoted by the second lowest bidder (Space Age) were 6492 poles and 7126 luminaries (at a cost of ₹ 37.32 crore). Audit observed that the second lowest bidder i.e. Space Age at the quoted quantity of M/s Philips could have executed the work at ₹ 28.69 crore, which would have less than been the amount quoted by M/s Philips by ₹ 6.77 crore.

7.76 In the above context, the Committee enquired about the reasons for opting design based tenders though these were not provided for in the lighting standards. In reply, NDMC clarified that performance standards for the work of upgradation of street lighting in NCT Delhi circulated in December, 2006, categorized roads in three categories namely category-A1, category-A2 and category-A3. For each category of road, the standards prescribed separate specifications of luminaries. These were binding on all the road owning agencies taking up upgradation work of street lighting in their respective areas. NDMC further apprised that their area was unique due to dense trees, thick foliage on its roads. This feature was not common to roads in MCD/PWD areas. "Standards for integrated street lighting project for Delhi" also mandated that NDMC would approve the design on case to case basis. However, lighting levels would need to be met as per specification. The earlier lighting system on these roads had already served its useful life of 15 years. The lighting standard provided by NCT, Govt. of Delhi was a guiding factor to achieve best possible lighting in NDMC areas in most cost effective manner. So, item rate integrated design based performance linked tenders were invited and processed.

7.77 Asked whether such tendering left NDMC with no control over how and where the lights would be placed, NDMC *inter-alia* stated as under:

"Specific provisions, were made in the NIT to ensure that the design offered by the tenderer, gives light output as per the "Standards for Integrated Street Lighting Project for Delhi".

Compared to the existing 6400 poles and 6748 luminaries now 4738 poles and 5094 luminaries have been installed in the new system. Further NDMC and Third party quality assurance agency alongwith contractor conducted the lux

level measurements and it was found that lux level at two roads and 333 zebra crossing/bus queue shelters is unsatisfactory. The contractor was directed to provide the additional infrastructure for achieving the required lux level but the contractor has not responded. LD amounting to ₹61,40,086/- has been levied and recovery has been effected on this account."

7.78 On being asked whether the Technical Evaluation Committee (TEC) assessed the different designs, NDMC submitted that Technical evaluations of the bids was carried out by a team comprising of Engineers from NDMC, MCD and PWD before the price bids were opened. Three meetings of TEC were held on 13<sup>th</sup> May 2009, 5<sup>th</sup> June 2009 and 12<sup>th</sup> June 2009 respectively. Technical Comparative statement prepared by the Department of the Data's / Parameters, supplied by each tenderer, in their technical bid were discussed among the members of the TEC. While the design submitted by the tenderers were broadly discussed and being a design based tender the thrust was on achieving minimum lux level as mentioned in the standards. After due discussions and deliberations the TEC gave final recommendations for opening of price bids.

7.79 The Committee then desired to know the reasons for not doing the design 'in-house' or executed through consultancy thereby giving equal opportunity to all the bidders. In reply, NDMC stated as under:

"The designing of lighting with required lux level on NDMC roads is a specialized work due to tree lined avenues, thick foliage on its roads, necessitating specific design of poles, bracket and luminaries & was being done for the first time for which the Electricity Department was not having prior experience.

Another possibility was of getting the lighting system designed through consultancy, separately & thereafter calling BOQ (Bill of Quantity) based tenders. Even in this eventuality, the contractor could not have been held liable in case the required lighting level was not achieved, if something was faulty in the design."

7.80 When asked whether the defective street lighting on the 2 roads and 333 zebra crossings/bus queue shelters had been rectified, NDMC apprised that the contractor had not yet achieved the required lux level/ performance parameters fixed as per NIT specifications/conditions, on two roads and 333 zebra crossings/bus queue shelters. The contractor was required to provide additional infrastructure for improving the performance parameters on two roads and 333 zebra crossings/bus queue shelters,

however the contractor has not yet provided the same in spite of having witnessed lighting measurements done by M/s PDIL a third party, independent quality assurance agency and department advising to achieve the required lux level as per the contract.

7.81 Asked to state the action taken against the contractor, NDMC submitted that in case the contractor did not provide the additional infrastructure at his own cost, to achieve the required performance parameters on two roads and 333 zebra crossings/bus queue shelters, as per NIT, the work shall be got done on actual cost basis through another agency at the risk and cost of the contractor and recovery would be affected alongwith damages, as per the terms of the contract.

#### **V. Irregular Award of Work in NDMC Under Deviation Clause Leading to Loss**

7.82 According to Audit, the Chairman, NDMC gave approval for additional work of 18.45 km for 14 roads and service/ slip roads, which were not part of the original agreement. The works were awarded on the same rates as the existing contract for street lighting with M/s Philips (awarded in August 2009) under the deviation clause stating that the increase in quantity was under the deviation limit of 25 percent. In this case, the additional work valuing ₹ 7.38 crore was for new roads not covered by the original agreement, and hence could not be construed as deviation in quantity alone. Award of additional work to M/s Philips at its quoted (higher) item rates led to an additional loss of ₹ 1.45 crore, when compared with the rates of second lowest bidder. As per the tentative execution data provided by NDMC, the additional work on 14 roads led to an excess expenditure of ₹ 1.30 crore beyond what would have entailed if the roads had originally been included in the contract, and optimally designed. Against the pro-rata cost of ₹ 7.37 crore, M/s Philips had submitted a bill of ₹ 11.05 crore. The full execution/consideration of proposal of M/s Philips as per the claim submitted would finally entail a total cost of ₹12.06 crore for additional work, leading to an increase in the currently computed loss figure of ₹1.30 crore to ₹ 4.68 crore, in addition to the loss of ₹ 1.45 crore incurred on account of higher rates of M/s Philips during award of additional work. The total loss on account of award of work was, therefore, estimated at ₹ 6.13 crore.

7.83 In the above context, the Committee queried about the rationale for giving approval for additional work of 18.45 km for 14 roads and service/slip roads, which

were not part of the original agreement. In reply, NDMC clarified that all the 14 roads in the additional work of 18.45 km, which were included for upgradation of street lighting, were prominent roads in NDMC area and they were originally planned to be upgraded under Phase-III of the project work for upgradation of street lighting on 81 roads, for which the Council had already sanctioned an estimate of ₹ 29,45,49,000/- vide Res. No. 08(B-25) dated 31<sup>st</sup> December 2008.

7.84 NDMC further clarified that the additional work on these 14 roads was approved by the Chairman being within 25 per cent deviation limit of the contract agreement with M/s Philips Electronics India Ltd., awarded on pro-rata basis, on the same term conditions and specification of the original contract and NDMC council vide Res.No. 08(B-39) dated 23<sup>rd</sup> February 2011 ratified the award of additional work on 14 roads.

7.85 Apprising that the payment for additional work was restricted on pro-rata basis or on the actual quantity executed, whichever was less, NDMC stated that for additional work the approved pro-rata cost of the work was ₹7,37,89,874/-. As against this, an amount of ₹7,26,17,889/- was payable to the firm being the amount calculated on pro-rata basis or on actual quantity executed whichever was less.

7.86 Asked to state the amount of actual payment made against the bill of ₹ 11.05 crore submitted by M/s Phillips Electronic India Ltd., NDMC responded that the final bill had not been paid to the supplier. M/s Phillips Electronics India Ltd. had submitted a bill of ₹ 11.05 crore for the additional work. However, payment for additional work was to be made on pro rata basis or for actual quantity executed whichever was less. NDMC on its part had worked out an amount of ₹ 7,26,17,889/- for the additional work done. Further, M/s Phillips Electronics India Ltd. has gone in arbitration which was being contested by NDMC.

## **VI. Delay in Project Initiation and Completion - Delays in NDMC**

7.87 Audit scrutiny revealed that after approval of estimate (December 2007), NDMC delayed the tendering process. Tenders were invited in March 2009 i.e. after a delay of 14 months, and it took another five months to award the work. The contractor was given additional work for 18.45 km between December 2009 and October 2010, which would imply a proportionate increase in the time period up to November 2010. The

execution of work was delayed by more than two months and NDMC had neither issued completion certificate nor recorded the final measurement. Further, compensation for delay valuing ₹ 1.25 crore was also not levied.

7.88 In the above context, the Committee enquired about the failure on the part of NDMC in issuing the completion certificate and recording the final measurement. In reply, NDMC *inter-alia* stated in a note as under:

"The "Standards for Integrated Street Lighting Project for Delhi" stipulates that lighting measurements shall be done between April-Sept. The installation work on all 81 roads (including work on additional 14 roads) was physically completed by Phillips on 30.08.2010 as per the contractual provisions. However the lighting measurements were to be completed between April-Sept 2011 in compliance with the provisions of standards. The final measurements of the work done and recording of completion certificate was thus only possible after the completion of lighting measurement work and ensuring that the provisions of undertaking furnished by the firm, , are duly complied with. M/s PDIL a govt. of India undertaking, the 3rd party quality assurance agency, engaged by NDMC, had done the lighting measurements on all the 81 roads and submitted report of test results for the lux measurement on 12/09/2011. The final measurements of the work done and completion certificate have accordingly been recorded in September 2011."

7.89 On being enquired whether liquidated damages have been levied for delay of more than two months in completion of the work, NDMC clarified that liquidated damages were not leviable for delay in completion of the work as the work was physically completed by the stipulated date of completion i.e. 30<sup>th</sup> August 2010.

## **VII. Renovation and Restoration of Connaught Place**

7.90 Redevelopment of Connaught Place Project was awarded to M/s Engineers India Limited, a Public Sector Undertaking/Govt. of India (EIL) as Turnkey Consultant, for Planning, Designing, Tendering, Procurement, Erection, Scheduling, Execution, Monitoring and Successful Completion and Commissioning of the Project in fully operational state after obtaining all clearances needed for the purpose.

### **(i) Traffic Management**

7.91 According to Audit, eight additional subways were planned under the plan for renovation and restoration of Connaught Place (CP) and the work of construction was



simultaneously started causing traffic constraints and protests from the shopkeepers represented by New Delhi Traders Associations. Consequently, in a meeting in January 2010 called by the Lieutenant Governor, Delhi to discuss traffic problems and access issues during renovation works in CP, the Commissioner of Police opined that the requirement of subways needed to be revisited. Some sub-ways had been planned on either side of the intersection, and some, for example the one at Panchkuian Road, at areas where not much of pedestrian movement existed. Some of the relatively less important subways could be taken up after the Commonwealth Games, and concreting of the outer circle road should be done lane-wise. The project for renovation and restoration of Connaught Place was still nowhere near completion, given the difficulties of traffic management and ill-conceived planning. Audit found it difficult to assess the timeline by which this project was likely to be completed to provide necessary benefits to the citizens of Delhi.

7.92 Contesting the Audit observations, NDMC stated in a note that the project was not ill conceived on account of the following reasons:

"(a)The project required several statutory clearances like clearances from Council, Heritage Conservation Committee, Delhi Urban Art Commission (DUAC) , Ministry of Environment & Forests, Delhi Pollution Control Board, DDA Technical Committee & clearance from MoUD for execution under JNNURM. To get these statutory clearances lot of effort is involved & is time consuming. All these clearances were obtained & final clearances by DUAC were received only on 27-Nov-2008. The comprehensive restoration plan was submitted to DUAC in Feb.'06 which was approved in Nov.'08. So DUAC took nearly three years to give clearance for restoration project. Thereafter final traffic clearance for construction of subway/ service corridor/ development of parking lots etc. was given by Traffic Police in Dec.'09, withdrawn in first week Jan.'10 and then again given towards end of Jan.'10. So primary reasons for delay were clearances from various departments. The revised schedule has been drawn for completion of balance work and project is likely to be completed by Dec.'12. The total scope of work was divided in 13 packages most suitable and manageable package to execute the work taking into account completeness and inter-dependence of work. Further Division of two major packages i.e. service corridor and subways would have resulted in time and cost overruns besides inconvenience to stakeholders for longer duration.

(b)The delay was primarily on account of late and very limited stage wise clearance by Delhi Traffic Police, unprecedented & prolonged rains last year & limited time available for execution of work (27-Jan-10 to 31-July-10) and stoppage of works from 31-July-10 due to Commonwealth Games. Further in view of cycling event though Connaught Place made it necessary to execute and complete surface development works along the route of cycling event. This

could only be achieved as works were awarded in manageable packages with least traffic disruption across whole C.P. as well as least inconvenience to stakeholders. The target set for completion of works before CWG was achieved. The cycling event was held successfully and appreciated by all concerned."

7.93 The Committee enquired whether NDMC ever tried to find out why Delhi Urban Art Commission (DUAC) was taking too much time in giving clearance for Connaught Place renovation and restoration project and the efforts made by NDMC to get timely response from DUAC. In reply, NDMC submitted that timely replies to the DUAC's observations were given and presentations were also made by Engineers India Limited before DUAC for early clearance for the Redevelopment of Connaught Place Project. For this purpose, EIL had engaged subject experts in various fields to guide it through this process of getting clearance from DUAC. NDMC also made efforts alongwith the EIL for pursuing the DUAC for early clearance of the project.

7.94 On being asked about NDMC's approach to Delhi Traffic Police for obtaining traffic clearance for construction of subways/service corridor/development of parking lots etc. in connection with Connaught Place Renovation and Restoration Project, NDMC clarified that EIL along with NDMC approached Delhi Traffic Police during planning stage in December 2008 and also immediately after award of work in March 2009. Further, presentation for Traffic Circulation Plan was also made to various officers of Traffic Police by EIL being a "Trunkey Consultant" and follow-ups were made by EIL and NDMC. The modifications suggested by Delhi Traffic Police were also incorporated. Requests were also made for early permission for proposed Traffic Circulation Plan during construction period.

7.95 The Committee then desired to know the reasons for delay on the part of the Delhi Traffic Police in giving clearance only in January 2010 and the efforts made by NDMC to receive the final clearance from Delhi Traffic Police in time. In reply, NDMC submitted that after continuous interaction, Delhi Traffic Police had given initial clearance w.e.f. 1<sup>st</sup> January 2010 *vide* their letter No.1720/SO/DCP/T-NDR dated 29<sup>th</sup> December 2009. However, Traffic Police withdrew the permission after reports of traffic congestion in Outer Circle and permission was finally accorded on 27<sup>th</sup> January 2010 after study of traffic movement.

7.96 The Committee enquired whether the requirement for subway was being revisited as suggested by the Commissioner of Police based on pedestrian movements in the areas where the subways had been planned. In reply, NDMC apprised that the work in balance subways would be started only after the study of pedestrian movements. The pedestrian movements under construction subways on either side of Panchkuian Road and Barakhamba Road would be evaluated.

7.97 When asked whether the study on pedestrian movements had been completed and report evaluated and decision taken on the construction of balance subways, NDMC stated in a note as under:

"NDMC had engaged M/s RITES Ltd. to prepare Traffic Engineering and Management Plan for Connaught Place and Central Secretariat Areas. Accordingly, RITES submitted its report to NDMC in November, 2005, which had duly addressed the issue of pedestrian facilities in Connaught Place area. This report was considered by the EIL before taking further action. Keeping the study in view, 8 additional subways were planned under the Redevelopment Plan for Connaught Place. However, considering the site constraints and recommendation/objections raised by the stakeholders, and experience gained from the operations of the existing subways now, it has been decided to construct only 4 new subways viz near Statesman building, Gopaldas Bhawan, Panchkuian Road intersection (two) and accordingly the revised timelines for completion of the project has been set as December, 2012."

(ii) **Contract Management**

7.98 Audit pointed out that granite was used as flooring material in the pilot project for 'C' Block, contrary to the initial DUAC approval of November 2006. Consequently, after inspection, the DUAC ordered sandblasting of granite flooring in November 2008 to reduce the colour contrast, resulting in avoidable expenditure of Rs 0.19 crore. In area development works for inner and outer circles of Connaught Place, granite stone kerb was used instead of concrete kerb stipulated by the DSR, with a difference in expenditure of Rs 5.97 crore. This included avoidable expenditure of Rs 0.61 crore, due to an unjustified change in colour of granite stone kerb from 'Sindoori Red' colour to 'Rajashri Red' colour. Audit also noticed award of work of Polymer Concrete Drain Costing ₹ 2.44 crore along the circumference of Central Park. According to Audit, the expenditure is unnecessary, due to the existing road side drains. Further, Audit inspection revealed choking of polymer drain in some places with mud due to its narrow width.

7.99 Commenting on the Audit observations, NDMC stated in a note as under:

"(a) Restoration of facade and improvement of Corridor and surrounding open space of 'C' Block was taken up as the Pilot Project in Nov.'05. The proposal was approved by Heritage Conservation Committee of MoUD vide its letter No. 6(4)/2005-HCC dated 22 Mar. '06 and Delhi Urban Art Commission vide its letter No. 13(1)/2006-DUAC dated 01 Nov.'06. HCC and DUAC, both approved the NDMC's proposal as proposed, without any suggestion and amendment. NDMC's proposal dated 28th Sept. 2006/25th Oct. 2006 included laying of granite stone flooring in the corridor. Accordingly, the granite was used as flooring material for pilot project. No sand blasting has been carried out in the flooring and no expenditure has been incurred on this account hence it is incorrect to say that ₹ 0.19 Crore has been incurred on this account.

(b) There is no extravagance in use of granite kerb stones as granite is often used for street-curbing keeping in view the fact that granite is more durable than that made of concrete & provides decorative appearance in such a Heritage Complex of national importance which cannot be compared to normal kerb stones of other roads. Besides such upgradation of Heritage Complex is carried out once in sixty to seventy years. So the longevity of materials has to be kept in mind besides aesthetic & durability. So no extra cost has been incurred. Only 1.63 crores would be the cost on granite kerb stone & not ₹ 5.97 crores as stated by audit.

(c) The "Rajshree Granite" kerbstone was used taking into account uniformity with paving material duly approved in addition to its texture, density and durability. Therefore change in colour/texture from Sinduri Red to Rajshree Red is justified being the similar category and expenditure thereon is reasonable and as per contract."

7.100 NDMC further stated that 'Rajashri Red' was provided in kerb stone to match the colour of footpath granite stone.

7.101 On being asked to state the reason for laying the polymer concrete drain along the circumference of Central Park when roadside drains had already been provided, NDMC stated as under:

" The polymer concrete drain has been provided as per requirement of the site. The footfalls are high and in providing any other type of drain with grating was not found suitable for this area having limited width/ space. This drain has been designed on the edge of footpath between railing of Central Park and planter. It is not out of place to mention that the polymer concrete drain provided all around the Central Park in footpath was found necessary due to the reason that this area has high footfalls and need to be frequently cleaned and washed as importance of the area and aesthetic also. The polymer drain shall help in trapping silted water flowing to planters. "

7.102 Even if the footfalls are high, the area had already been provided with road side drains. The Committee asked whether the roadside drains could have taken care of the area. In reply, NDMC submitted that drain at the side of footpath had been provided to take care of surface drainage in a scientific manner so that the water flowing from footpath might not damage the greenery. The designers in their wisdom thought to provide best provision.

### **VIII. Creation of Park and Ride Facility at Safdarjung Airport**

#### **(i) Removal of Paver Blocks**

7.103 Audit pointed out that pavers blocks costing ₹10.91 crore, that were to be dismantled and reused by DTC, had still not been removed despite repeated request of NDMC; DTC had not responded after the initial assurance of July 2010 for lifting of paver blocks.

7.104 In the above context, the Committee enquired whether the paver blocks had been removed by the DTC for its use. In reply, NDMC clarified that DTC lifted 4.10 lakh pavers till date. For the rest of pavers, NDMC was pursuing regularly with DTC to lift out the pavers urgently and in this regard, D.O. Letters had been written to DTC by the Chairperson and the Secretary, NDMC on various occasions. NDMC further apprised that a letter had been received from CMD, DTC wherein it had mentioned that NDMC might make arrangement for shifting of pavers at different locations in DTC depots for which cost would be borne by DTC.

7.105 Enquired about the latest status of utilisation of paver blocks by DTC, NDMC explained that in all 35 lakh pavers were proposed to be lifted from Park & Ride facility at Safdarjung Airport. DTC till date had lifted 5.56 lakh pavers. As DTC could not lift the pavers further, efforts were made to use them in NDMC area where ever required. 18.66 lakh pavers had been removed and used till date by NDMC and balance of around 11 lakh pavers would be removed in near future, for which planning had already been done.

7.106 In this regard, Audit commented that despite one year having passed, the paver blocks had not been utilised. Further, Airports Authority of India had also warned

NDMC that it would levy demurrage charges against NDMC as construction material lying in airfield was a safety hazard for aircraft operations.

7.107 The Committee asked whether all the construction material lying in the airfield had been removed and the area had been restored to its original position. In reply, NDMC clarified that more than 55 per cent area utilized for Commonwealth Games has been restored as per the requirement of Airports Authority of India. Now, the balance pavers, utility structures and jersey barriers from the area were being lifted out. DTC had deposited ₹ 19 lakh on 18<sup>th</sup> October 2012 only for shifting the balance jersey barriers and utility structures to their depots at Ghummanhera, Rajghat and Naraina. Now the action for removing these structures/ remaining jersey barriers and utility structures was proposed to be taken at the earliest.

(ii) **Reutilisation of Signages**

7.108 Signages were provided at an estimated cost of ₹ 2.17 crore for the Games period. Audit observed that providing steel/aluminium signages for the short duration of Games period appeared to be unjustified.

7.109 The Committee enquired how have the signages been re-used. In reply, NDMC stated as under:

"Being an international event the Signages were provided inside the airport and outside the airport along the roads upto Jawahar Lal Nehru Stadium as per the approved transport plan. The Signages provided on the roads outside are permanent and there is no need to remove these Signages. Therefore, most of the signages are still being used/utilising their purpose. The Signages fixed inside the Airport are being re-used after making some modifications except stainless steel frame as per site location requirements. The 46 Signages have been re-used out of 97 Signages used inside the Airport. Rest shall be used shortly."

7.110 Asked whether all the 97 signages originally used inside the airport have since been reused elsewhere, NDMC apprised as under:

"46 signages out of 97 have already been reinstalled in NDMC area. Further, 26 signages are being used after some modification as per site requirement. The remaining 25 customized signages for Games like Mascots, Inauguration Board etc. are taken in stock. The size of these remaining 25 signages is odd and these cannot be used directly and needs substantial modification. However, these will also be utilized as and when required."

7.111 In this regard, NDMC stated that the 46 parking signages had been re-installed at in and around Multilevel Car Parking at Sarojini Nagar, at various locations of Vinay Marg and Satya Marg, and Nehru Park and parking area at Tilak Marg Radial Road. NDMC also informed that the total amount spent on the 97 signages was ₹ 50.46 lakh.

(iii) **Appointment of Consultants for Routine Jobs Like Laying of Roads and Interlocking Paver Blocks in Park and Ride Facility at Safdarjung Airport Area**

7.112 As pointed out by Audit, NDMC paid ₹ 0.13 crore to Central Road Research Institute (CRRI) and Design Action Group for consultancy services for routine jobs like laying of roads and interlocking paver blocks in Park and Ride facility at Safdarjung Airport area. According to Audit, this was unjustified as the nature of work was laying roads and interlocking paver blocks, which are commonly executed works in Delhi and Government of NCT of Delhi had objected to this expenditure.

7.113 The Committee enquired why were consultants appointed for routine jobs like laying of roads and interlocking paver blocks. In reply, NDMC stated as under:

"Being important work related to Commonwealth Games 2010, CRRI a premier Government of India Institute was engaged for Design and Specifications for Parking Area and the roads within the parking to be developed in Consultation with Airport Authority of India as recorded during the meeting held on 18th April, 2009 with Chairman Airport Authority of India. Since this was the largest parking lot for public i.e. 1,70,000 Sqm catering to 3000 cars, 6000 two wheelers and 450 buses so there was a need to have a specialist consultant who could design and give specifications of the such huge parking lot. The design of roads and pavers, the base and sub base courses their type, material and thickness were designed by CRRI depending upon the nature of soil and other related technical parameters. ₹4.0 lacs only was paid to CRRI for this work. The Design Action Group was engaged for Preparation of conceptual plan, layout plan, DE, NIT, and preparation of design and the drawing for utility structures for optimizing the space and to cater the utility at the time of events. GNCTD has sanctioned the expenditure and released the payment ₹ 13 lacs for the same."

7.114 The Committee specifically asked whether NDMC with all the engineering expertise at its disposal could not do such routine jobs as laying of roads and interlocking paver blocks instead of appointing the consultants with exorbitant fees. In reply, NDMC stated as under:

"For development of pavement for parking, for an international event, an Agency with expertise in designing was needed. An efficient design was

required for optimizing the space, for safety and convenience to delegates/ commuters etc.. Keeping in view the above facts and the importance of the Airport site, the consultant was appointed. The Consultant's fee of ₹ 13 lac is about 0.3% of the project cost of about ₹ 40 crores. Even as per the routine practice, all the pavements in NDMC area i.e. rigid pavement or flexible pavement of bituminous macadam are improved in consultation with CRRl which is an expert central govt. agency on road issues."

(iv) **Non levy of Liquidated Damages**

7.115 Audit scrutiny revealed that though the contractor, KR Anand delayed the execution of work by 70 days, liquidated damages of ₹0.92 crore were not levied on the plea of delay due to VVIP movements at Safdarjung airport; however the hindrance register showed only 5 ½ days of delay due to VVIP movements and the major reason recorded was rains. According to Audit, that did not hold good since the works were initially to be completed in mid July, before the onset of monsoons.

7.116 With regard to non-recovery of liquidated damages from the contractor for delay in completing the work, NDMC stated as under:

"The work was to be executed on operational airport where regular flights of AAI and VVIP's flights were operating from adjacent runway. The regular maintenance flights of AAI were operating approx. on daily basis. Apart from this the helicopter of military/BSF/PAWAN HANS was also operating from the airport. Instruction was given to the contractor to prevent any casualties suitable cautionary action may be taken at site. Majority of the work was completed before 16<sup>th</sup> July, 2010 but due to technical reason of air traffic control the remaining work was completed only after closure of runway by Airports Authority of India three weeks before commencement of Commonwealth Games. As per instruction issued by Ministry of Home Affairs *vide* their letter dated 1<sup>st</sup> July, 2009 based on request from Chief Secretary, Government of Delhi letter dated 5<sup>th</sup> May, 2009 certain activities like installation of fencing, jersey barriers and Signages were to commence after 7<sup>th</sup> September, 2010 i.e. three weeks before the commencement of Commonwealth Games. This has also been recorded in the minutes of meeting dated 30th April 2010 with Chairman, Airport Authority of India. There is no way work could have been completed before 25<sup>th</sup> September, 2010 i.e. three weeks before the commencement of the Commonwealth Games. Accordingly, after closure of runway balance work was completed on 25<sup>th</sup> September, 2010 since there was no delay on the part of contractor so no compensation for delay has been levied against the agency. It reveals from above that the main reason for delay of work was not only the rains and bad weather but the aforementioned facts were also there to complete the work. The site for installation of fencing, jersey barriers and signages etc. was cleared by Airports Authority of India only on 7<sup>th</sup> September, 2010 when airport was closed for fixed wing aircraft movement from 7<sup>th</sup> September, 2010 to 31<sup>st</sup> October, 2010. The second phase of the work



is still in progress due to non-lifting of interlocking pavers by DTC. Extension of time will be finalized after completion of the complete work as per the contract. However, sufficient amount has been withheld as part rate and other heads and payment will be made to contractor only after completing all the formalities as per contract."

7.117 In this regard, Audit commented that NDMC issued a show cause notice to the contractor on 16<sup>th</sup> July 2010 for wrongful delay/slow progress of work. The hindrances register maintained by NDMC reflected hindrance for VVIP movements for 5½ days and main reasons for delay was reflected as rains/bad weather, which was not acceptable as the work, was supposed to be completed by mid July 2010. Further, while calculating the liquidated damages, Audit had already considered the hindrances due to VVIP movements/security instructions. NDMC's contention that sufficient amount had been withheld, was not acceptable as more than 95 percent payment had already been made to the contractor despite non completion of whole work.

7.118 The Committee enquired whether liquidated damages had been recovered from the contractor for wrongful delay and slow progress of work for which show cause notice was issued to the contractor by NDMC on 16<sup>th</sup> July 2010. In reply, NDMC stated in a note as under:

" No liquidated damages have been recovered from the contractor so far as the work is not yet completed and time extension case of the contractor is not yet finalized."

7.119 Reminding that the work was supposed to be completed on 19<sup>th</sup> January 2011, the Committee desired to know the reasons for DTC's failure to lift interlocking pavers because of which the second phase of the work was still in progress. In reply, NDMC stated in a note as under:

" The DTC have tried to lift pavers through own vehicles and have been able to lift 5.56 lakh pavers."

7.120 When asked about the action being contemplated against DTC for its failure to lift the interlocking pavers because of which payment of extra money to the contractor was imminent, NDMC had stated as under:

" A letter was issued to DTC vide ref. No.EE(R-II)/D/1808-13 dated 11.05.2012 regarding the expenditure towards shifting of jersey barriers to DTC Depots at Ghummanhera and utility structures at Naraina Depot and Rajghat Depot

respectively. The payment of ₹ 19 lakh has been received by NDMC on 19.10.2012."

**(v) Engagement of Ineligible Contractor**

7.121 Audit pointed out that the contractor, M/s Fiber Fill engaged for constructing public utility services was technically ineligible at the time of opening of financial bids. The required experience certificate was received post opening of financial bids; and other bidder, KR Anand who was otherwise eligible, was declared ineligible.

7.122 The Committee desired to know the reasons for selecting an ineligible contractor while rejecting an eligible contractor. In reply, NDMC stated as under:

"(a) M/s Fiberfill was technically eligible for opening of Financial bid at the time of evaluation of bids in December 2009 as the agency had completed the requisite work as per the certificate submitted with the bid. The amount of completed work was calculated as per CPWD OM NO. DGQ/MAN/160 dated 31 July 2008 where it has been mentioned that the value of executed works are required to be brought to current level by enhancing the actual value of works at the simple rate of 7 percent per annum calculated from the date of completion to last date of receipt of tenders for works executed in last Seven Years. In fact the work executed by the agency till 30 December 2009 is more than the eligibility criteria as per letter dated 08 February, 2010 issued by Airport Authority of India. Therefore, the agency fully meets the Eligibility Criteria.

(b) The bid of M/s Anand was technically disqualified based on the fact that they did not submit the Mutual Agreement between M/s K.R. Anand and M/s Puja Enterprises, which was an essential condition of NIT. As can be seen from the document this is one-sided affidavit signed by M/s Puja Enterprises and not a Mutual Agreement between M/s K.R. Anand and M/s Puja Enterprises and therefore was accordingly disqualified. So there is no question of favouring M/s Fiberfill on the subject matter."

**(vi) Excess Payment to Delhi College of Engineering**

7.123 As pointed out by Audit, Delhi College of Engineering (DCE) was engaged as Third Party Quality Inspection Agency (TPQIA) on offer basis for a fee of ₹0.38 crore, but no agreement determining its scope of work and terms of payments linked to milestones achieved by the contractors was signed. DCE was paid ₹ 3.58 lakh in excess of 1 percent of tendered cost as sanctioned by EFC.

7.124 The Committee enquired why was DCE paid over and above the sanction given by the EFC. In reply, NDMC stated as under:

"(a) Delhi Government had sanctioned ₹ 31.25 crore in 1st Phase and *vide* letter dated 27 August, 2010 had sanctioned additional amount for ₹ 8.75 crore in second phase which includes ₹ 40.00 lacs for Third Party Quality Assurance (1 percent of ₹ 40.00 crore) against which ₹ 31.63 lakh has been paid till date.

(b) So it is evident from above that Delhi College of Engineering carried out inspections and submitted the reports as per terms and conditions of the engagements and no payments above the sanctioned amount of Government of Delhi has been made stated in Para (b) above. Since the statutory taxes are obligatory payment so these were made to the agency and there is no irregularity in payment of statutory taxes to the Delhi College of Engineering in the form of Service Tax and is within the revised amount sanctioned by Government of Delhi."

7.125 On being asked whether the excess payment made to DCE had since been recovered, NDMC stated that no excess payment had been made to Delhi College of Engineering and therefore, no recovery was required to be made.

## CHAPTER VIII

### ROLE AND RESPONSIBILITY OF THE MINISTRY OF INFORMATION AND BROADCASTING AND PRASAR BHARATI

8.1 Prasara Bharati was designated as the Host Broadcaster for the Commonwealth Games, 2010. Ministry of Information and Broadcasting (I&B) through Prasara Bharati, set up the centralised Host Broadcasting and International Centre Hub and the Main Press Centre (Press Information Bureau) at Pragati Maidan at a cost of ₹ 482.57 crore out of this ₹ 187 crore was provided as loan to Prasara Bharati by the Government to be repaid to the Government by Prasara Bharati through revenue sharing with the Organising Committee. The balance amount was provided as grant to Prasara Bharati, PIB and ITPO. The recording and broadcast was done in High Definition TV format. Broadcast compounds were also established at all Games Venues. Prasara Bharati had engaged International Consultant for this purpose. As the Host Broadcaster, Prasara Bharati (PB) /Doordarshan was given the role and functions of television and radio production; broadcast venue operations and services; and setting up the International Broadcasting Centre (IBC).

#### I. Broadcasting Services by Prasara Bharati - Cost Estimation

8.2 According to Audit, Prasara Bharati's initial budget estimate of July 2007 of ₹ 557 crore for broadcasting services was not found to be realistic by the Ministry of Information and Broadcasting (MIB). Further, OC's Advisor – Broadcasting, Shri Patrick Furlong advised PB to prepare a realistic budget estimate after issuing a Request for Information (RFI). In October 2007, PB issued an RFI, to which only one complete response from International Games Broadcasting Services (IGBS) was received. After receipt of this response, PB prepared a revised budget of ₹ 445 crore for broadcasting services in November 2007. This was finally reduced to ₹ 366 crore in the approved Cabinet estimate of October 2008. Audit could not derive assurance as to the reasonableness and reliability of the approved budget estimate of ₹ 366 crore for broadcasting services. The award of the contract for 'production and coverage' to M/s SIS Live for ₹ 246 crore on a single financial bid basis and its back to back sub-contracting to Zoom Communications Ltd. for ₹ 177.30 crore confirmed the unreliability of the estimates.

8.3 The Committee enquired about the reasons for Prasar Bharati not preparing its initial estimates realistically on basis of a timely issued RFI instead of doing so quite late on direction of Ministry, which resulted in estimates being hurriedly prepared on the basis of only one complete response to RFI. In reply, the Ministry of Information and Broadcasting stated that the initial estimate from PB was sent without any delay, to the I & B Ministry on 3<sup>rd</sup> July 2007 even though the OC had formally communicated appointment of Prasar Bharati as Host Broadcaster only on 26<sup>th</sup> March 2007. It was also stated that the HB Service Agreement between the OC and Prasar Bharati was signed only on 15<sup>th</sup> May 2009 by which time Prasar Bharati had already taken advance action for not only EFC approval but also had gone ahead with the processing of EOI for short-listing of Entities for various HB activities. Thus due diligence and scrutiny at various levels was exercised while framing cost estimates, and advance action initiated accordingly considering the acute shortage of time for such activities.

8.4 The Ministry also stated that the firming up of cost estimates and budgetary approvals of a project of this scale for which the requisite prior experience and in-house expertise was not available either in PB or in the Government, required due diligence and scrutiny at multiple levels in PB and Government, as per the prescribed norms and procedures, which was bound to take time, given the processes involved. A number of queries got raised during the process of examination, which needed to be replied to after seeking inputs from PB.

8.5 Responding further to the vetting remarks of Audit, the Ministry of Information and Broadcasting *inter-alia* stated that this was the first time ever in the Commonwealth Games history that the entire Games coverage would be in HDTV format and it was quite a time taking exercise for Prasar Bharati to formulate estimate of coverage of the Games, yet Prasar Bharati managed to do a detailed exercise and within three months, forwarded an estimate for ₹557 Crore for CWG 2010. This was examined by the Ministry of I & B and thereafter, pursuant to the decisions taken in the meeting held on 28<sup>th</sup> September 2007 under the chairmanship of Secretary, I & B, Prasar Bharati went through an exercise of revising the estimates and submitted an EFC proposal for ₹ 445 Crore for CWG 2010 to the Ministry of I & B on 30<sup>th</sup> November 2007. The IFD of the Ministry of I & B after analysis of the estimate, recommended a further deduction of ₹ 79 Crore in the total cost component of ₹445 Crore proposed by

PB. The reduced proposal for ₹ 366 Crore for CWG 2010 was thereafter considered by the EFC in its meeting on 19<sup>th</sup> March 2008. Based on the recommendations of EFC, a Cost Estimates Committee (CEC) was constituted under the then AS & FA Ministry of I & B with JS (B), Economic Advisor, Director (Fin) and Dir (BD) from Ministry of I & B, JS from Min of Youth Affairs & Sports, Chief Advisor (Costs) in Department of Expenditure and DDG (PD-CWG), PB as Members. The committee in its recommendations dated 16<sup>th</sup> May 2008 confirmed the cost estimates of ₹366 crore for CWG 2010, and this was finally approved by the CCEA on 3<sup>rd</sup> October 2008. The same was communicated to Prasar Bharati by the Ministry of I & B on 31<sup>st</sup> December 2008.

## **II. Undue Delays in the Award of Contract for Production and Coverage**

8.6 Audit pointed out that the process for tendering and award of the contract for production and coverage to M/s SIS Live took inexplicably long. PB proposed Expression of Interest (EOI) in October 2008 but took three months to finalise it in December 2008. PB submitted the EOI to the Ministry of Information Broadcasting (MIB) twice in October 2008 and December 2008. MIB insisted that PB send the proposal and revisions through CEO, PB. However, PB did not comply and sent the revisions through DG, DD. After the receipt of EOI responses from five technically eligible firms in January 2009, PB issued the Request for Proposal (RFP) only in July 2009 and the Letter of Award in October 2009. There was further delay in signing the contract which took place in March 2010. PB submitted the draft RFP to MIB thrice in May, June and July 2009. According to Audit, MIB's observations, which necessitated multiple revisions of the RFP, were on relatively trivial aspects, which did not cover the rigid conditions and other core issues in the RFP. Further, the delay in approval of Expenditure Finance Committee (EFC) and finalisation of EOI and RFP resulted in paucity of time due to which re-tendering in the context of a single financial bid was not feasible.

8.7 The Committee asked the reasons for which the Ministry took more than one year in approving their budget for broadcasting of the Commonwealth Games, 2010 through EFC memo. In reply, the Ministry of Information and Broadcasting submitted that an elaborate examination of the overall cost estimates for Host Broadcasting activities for CWG 2010 was done at multiple levels in Prasar Bharati and the

Government as per the prescribed norms and procedure. Prasar Bharati had on 3<sup>rd</sup> July 2007 initially forwarded an estimate of ₹ 557 crore for CWG 2010. This was examined in the Ministry and in the meeting held on 28<sup>th</sup> September 2007 chaired by the Secretary, I&B, PB and attended by Mr Patrick Furlong, PB was directed to float RFI's to seek information from service providers on the basis of which the cost estimates could be firmed up. Pursuant to the decision, the RFI's were sought from four international entities as suggested by the OC media consultant. Two of them (i.e. IMG-TWI and HBS) gave a joint response in the name of IGBS. The third i.e. BBC Resources responded for only a partial set of activities and the fourth i.e. ISB in its reply declined to offer any quote. On the basis of RFI's received, the estimates were further brought down to ₹ 445 crore in the EFC proposal. The IFD in the Ministry recommended a further cut of ₹ 79 crore and recommended it for consideration of EFC chaired by Secretary (Expenditure). To further scrutinise and firm up the costs estimates for the projects, a Cost Estimates Committee was constituted by EFC as mentioned above.

8.8 The Ministry further submitted that the linkages between the RFI's received from BBC (OB), UK and IGBS, Switzerland and the cost estimates prepared by PB were examined by CEC. It was clarified by PB that since RFI's did not include cost estimates with regard to a number of items as envisaged for completion of the Host Broadcasting activities as also the dollar rate variations and other load factors, these needed to be extrapolated along with other relevant items extracted from RFIs. Accordingly, an item wise cost table was prepared by PB and placed before the CEC. The item wise cost table in its 'Remarks' column explained the extrapolations from the RFI's estimates and also justifies inclusion, wherever made of the new items. The Cost Estimates Committee in its recommendations dated 16.05.2008 confirmed the cost estimates of ₹ 49 crore for CWYG, Pune, 2008 and ₹ 366 crore for CWG, Delhi 2010 and this was finally approved by the CCEA. The Financial Evaluation Committee of Prasar Bharati, at the time of evaluation of financial bids for production and coverage tender, found the price quoted by M/s SIS Live to be 17 percent lower than the similar components/activities in the CCEA approved budget of about ₹ 254 crore (after taking the impact of foreign exchange variations into account.)

8.9 In short, according to the Ministry, elaborate examination of overall cost estimates for Host Broadcast activities, further scrutiny of the cost estimates of PB in the Ministry to firm up the cost estimates for the projects, constitution of Cost Estimate Committee by EFC, preparation of contracts, terms and conditions, preparation of item wise cost table by PB and its extrapolations with the item wise cost table and its examination by the Ministry and various meetings conducted at higher level for finalisation of the estimates etc. took much time for finalising the estimates which resulted in delay in finalising the estimates.

8.10 The Committee asked the reasons for the non-intervention by the Ministry when Prasar Bharati took more than six months, after award of contract, to sign the contract with the selected entity. In reply, the Ministry of Information and Broadcasting *inter-alia* stated that the Ministry's authorization to Prasar Bharati (given on 22<sup>nd</sup> October 2009) to finalize and execute the contract was clear that it should be in accordance with the draft contract annexed to the RFP, as approved by the Competent Authority, subject to such legal vetting as deemed necessary. However, the entity desired a number of changes on which differences did crop up amongst Members of Host Broadcast Management Committee (HBMC) and accordingly the issues were referred by Prasar Bharati to the Ld. Solicitor General who ultimately settled the draft vide his letter of 13<sup>th</sup> January 2010. The draft so settled was also subsequently approved in the HBMC meeting. Subsequently, on the draft settled by the Solicitor General, only two amendments, one relating to the change in the payment schedule from 30:70 (pre-games: post games) to 40:60 and the other relating to the waiver of bank guarantees for the first two payments of 5 per cent each, were referred to Prasar Bharati by HBMC and considered in the fourth meeting of the Oversight Committee held on 10<sup>th</sup> February 2010. The Oversight Committee took note of the progress as reported by DG, Doordarshan during the meeting that most of the deliverables which were required to be completed for the release of the first two installments had already been completed by the entity even though no payment could be released to the entity by then. The Oversight Committee recommended the waiver of the bank guarantee subject to the entity dropping the demand to change the payment schedule from 30:70 to 40:60 and further subject to Prasar Bharati satisfying itself that requirement for BGs no longer existed and that the performance guarantee of 10 per cent be obtained in terms of the contract so as to ensure the necessary safeguard. The approval of the



Competent Authority was accordingly conveyed to Prasar Bharati on 16<sup>th</sup> February 2010.

### III. Pre-Bid Meeting and Delay in Finalisation of Contract with SIS Live

8.11 Audit scrutiny revealed that PB held a pre-bid meeting with the five technically eligible bidders on 24<sup>th</sup> July 2009. The shortlisted respondents expressed serious concerns about the terms and conditions of the contract, financial conditions/ payment schedule, vague clarifications and difficult deadlines. During the pre-bid meeting, PB took a very rigid stand against making any changes in the payment schedule. Contrarily, PB also committed that the "draft contract would be finalized with the zeroed-in entity mutually". Subsequently, all the shortlisted respondents, other than M/s SIS Live, expressed their inability to submit a bid under the given terms and conditions. In particular, International Games Broadcasting Services (IGBS) (whose response to the RFI was the basis for cost estimation) indicated their unwillingness to submit a bid on account of tough financial conditions, unfair and one-sided draft contract, unreasonable and unrealistic RFP conditions (regarding scope of services and provision of technical and personnel specifications) and inadequate clarifications. As a result, IGBS withdrew from bidding for the Commonwealth Games, 2010. However, many significant conditions/provisions of the contract were later changed by the Host Broadcaster (HB) at the draft contract stage or subsequently in favour of M/s SIS Live as given below:

Area	Pre-bid query by bidders	Response of PB	Actual Implementation by PB
Payment schedule	Considering 10 percent performance guarantee, 80 per cent of payment is not due until completion of the games. This is at variance with the payment schedule for similar events anywhere in the world. Considering that the most significant part of budget is spent prior to the event, we would request DD for negotiation on this.	No	After the first two instalments, the payment schedule was changed in September 2010 from 30 percent before the Games to 60 percent before the Games.
	Could you confirm that the payment schedule can be discussed and negotiated as part of the contract negotiation with the	No	

	successful bidder?		
	Please advise on date and time frame for releasing payments once the deliverables are submitted	As per draft contract	
	Would HB consider lowering the timeframe of payment from 30 days to 7 days after submission of deliverables?	Accordance to clause 6.3 (b) of draft contract.	This was changed while finalising the contract to 10 working days of submission of invoice along with inspection certificate.
<b>Equipment</b>	Would HB consider a later date for equipment to arrive, if delivery guarantees were offered?	No	Timeline for installation of equipment and core teams at site of 31 August 2010 was converted to proof of despatch of equipment while changing the schedule of payment in Sept 2010. Eventually, SIS Live was allowed to delay the timeline for successful installation of equipment to 27 <sup>th</sup> September 2010.
	As per Form Tech 7, details of equipments as accurately as would be actually deployed for the games with makes and models of every piece of equipment for every OB.	The entity has to provide the list of equipment and in rare cases can substitute equipment with similar or better specification with proper justification and approval of HB.	In August 2010, SIS Live approached HB for change in make/model of certain equipment from those approved in the production plan, which was, however, not accepted by HB. During inspection carried out by the team of technical experts in September 2010, substantial deviations in the manufacturer/specifications of equipment were noticed but no action was taken. Incidentally, the DG DD stated that, as per opinion of the Additional SG, the details of make and model of equipment given by entity (in the production plan) was only illustrative to meet technical specifications.
	Please clarify if the timeline in Appendix VI must be used to construct the financial bid or can alternative dates be proposed for equipment personnel arrival normally associated with international games.	It has to be in accordance with Appendix VI	Timeline for installation of equipment and core teams at site by 31 August 2010 was converted to proof of despatch of equipment while changing the schedule of payment in Sept 2010.
<b>Consortium</b>		If the entity happens to be a consortium	A substantial part of contract was outsourced to Zoom Communications and

		no addition can be made and composition of consortium shall remain the same as on submission of EOI responses.	responsibilities and profits were shared equally by both, which essentially makes it a partnership.
<b>Coverage of QBR</b>	Will the contract be awarded well in advance to enable the bidder to plan and prepare to cover the QBR?	Contract would be awarded well in advance of the QBR	Letter of award was issued to SIS Live on 22 Oct 2009, just six days before QBR.

8.12 As would be seen from the above, the favour extended to M/s SIS Live included change in payment schedule in September 2010 from 30 percent before the Games to 60 percent before the Games, lowering the time frame of payment from 30 days to 10 days, allowing delay in timeline for successful installation of equipment from 31<sup>st</sup> August 2010 to 27<sup>th</sup> September 2010; allowing substantial deviations in the manufacturer/specifications of equipment; conversion of timeline for installation of equipment and core teams at site by 31<sup>st</sup> August, 2010 to proof of despatch of equipment; allowing outsourcing of a substantial part of contract to M/s Zoom Communications Ltd.; issuing of Letter of Award to M/s SIS Live on 22 October 2009 just six days before the Queen's Baton Relay (QBR) etc.

8.13 Audit further pointed out that the accepted financial bid included ₹10 crore for consultancy (wherever required), which M/s SIS Live had stated to be its project profit. In addition, ₹10 crore was provided for incidental/ contingency expenses, which M/s SIS Live stated to be pre-operative expenses and unspecified contingencies. Although the Host Broadcast Management Committee (HBMC) negotiated with M/s SIS Live, it could not effect any deduction under these heads. Thus, the contract was *ab initio* overpriced by Rs 20 crore.

8.14 Audit scrutiny also revealed that finalisation of the contract between PB and M/s SIS Live inexplicably took five months – from 22<sup>nd</sup> October 2009 (when the LoA was issued) to 5<sup>th</sup> March 2010. The final contract at a cost of ₹ 246 crore differed substantially from the draft contract circulated at the RFP stage, with all the changes favouring M/s SIS Live and to the detriment of PB/Government of India. These

changes were finalized as a result of "negotiations" between PB and M/s SIS Live and direct consultations with the Solicitor General without routing through MIB. The Solicitor General vetted the contract and settled the changes, amidst the conflicting views of HBMC members.

8.15 In particular, the new provision allowing M/s SIS Live to utilise sub-contractors/ production associates changed the fundamental nature of the contract and paved the way for M/s SIS Live to outsource almost the entire work to M/s Zoom Communications Ltd. on the same day as the main contract i.e. 5<sup>th</sup> March 2010.

8.16 In the above context, the Committee enquired about Prasar Bharati's rigid stand on change in payment schedule and conditions relating to equipment, etc. which was later changed in favour of the selected entity, M/s SIS Live. In reply, Prasar Bharati *inter-alia* submitted that all bidders were clearly informed that there would be no change in the schedule of payment. After getting Ministry of I&B's approval on 22<sup>nd</sup> October 2009, the LOA was issued to M/s SIS Live on 22<sup>nd</sup> October, 2009. The entity, despite having given an unconditional bid, insisted that several changes not limited to changes in payment schedule be made to the contract. A series of meetings took place between PB and M/s SIS Live but the contract could not be signed. Subsequently the Ministry of I&B on February 16, 2010 authorised Prasar Bharati to waive off the requirement of Bank Guarantee for first two payments of 5 percent each, provided that (i) the Performance Bank Guarantee of 10 percent in terms of the contract was taken and (ii) Prasar Bharati was fully satisfied that the requirement of Bank Guarantee no longer existed after recording the detailed reasons for the same. The Ministry of Information & Broadcasting categorically stated that they did not agree to change in the Schedule of payments. Hence, in the final contract signed with M/s SIS Live on 05.03.2010, the original schedule of payment of 30:70 (pre-games : post-games) was retained.

8.17 The Ministry further stated that there was a delay in handing over the venues by OC & Venue owners. The first venue was handed over on September 4, 2010 and all other venues were handed over subsequently. In view of this, SIS Live repeatedly insisted for change in payment schedule due to delay in handing over the venues and demanded 100 percent payment before the Games. The entity was also threatening

just before the Games, that they were considering termination of the contract, if payment was not released.

8.18 The Ministry apprised that as the coverage of the Games became a concern, the payment schedule and conditions relating to equipment were changed in favour of M/s SIS Live in a series of developments as described under:

"M/s SIS Live was advised that 100 percent payment pre-games was not acceptable. However, a meeting of HBMC took place on 30.08.2010 to decide on the issue. It was proposed therein that the 3rd tranche payment due to be released to M/s SIS Live by 31.08.2010 may be allowed against "proof of dispatch/airway bill of imported equipment and self certification of equipment/system hired or procured in India for completing the production and coverage as per the approved plan for the purpose" instead of "successful installation of required equipment, facilities, technical infrastructure at all venues including the Athlete Village and MPC". Further it was also proposed that 30 percent of total contract payment which was due to be paid as per the contract on 15th October, 2010 after successful completion of the Games may be advanced to 20th September 2010 after "installation of all equipments and verified as per the production plan". Accordingly, balance payment of 20 percent was proposed to be paid on 15th October 2010 (as per the contract 50 percent of the total payment was to be released on October 15, 2010). The method of payment was also proposed to be changed and it was proposed to issue LC in favour of M/s SIS Live on the 20th October, 2010, 10th November, 2010, and 10th January 2011 to cover payments under S.No. 4,5 and 6 of the contract. It was also proposed that the release of payment under LC will be automatic except in case of failure to meet the deliverables (to be intimated to the bank by the DG) or to permit auto debit in favour of M/s SIS Live on the defined dates unless an adverse comment is communicated by DG, (with the approval of CEO).

This proposal was sent to Ministry of I&B on September 1, 2010 having recommendations of HBMC for the proposed changes in the payment schedule of the contract with M/s SIS Live and for allowing issue of LC as the mode of payment. Ministry of I&B then made amendments to the Schedule of payment on September 3, 2010 for third deliverable as "proof of dispatch/airway bill of imported equipment and self certification of equipment/system hired or procured in India for completing the production and coverage as per the approved plan for the purpose" instead of "successful installation of required equipment, facilities, technical infrastructure at all venues including the Athlete Village and MPC" and thereafter change in schedule of Payment for remaining deliverable *vide* Ministry O.M. no.10/24/2008-B(Fin.) Vol. XI dated September 8, 2010 subject to the following conditions:

- (i) M/s SIS Live would bear the bank charges for the payments though the LC mechanism.
- (ii) The terms and condition of the LC should be got duly approved by the Finance wing of Prasar Bharati.

- (iii) DG, DD would ensure that the necessary inspections/certifications from various inspecting officers are obtained not after than two days from the date of raising the invoice and a decision taken with the approval of the CEO, prior to the date of invocation of LC, as to whether all the deliverables have been delivered and work completed as per terms of the contract within the stipulated time to the satisfaction of HB and whether there is a need to stop the payment or make any deductions as per the contract.
- (iv) DG, DD and CEO, PB would be personally responsible to ensure that a decision to stop the payment of or make any deductions from an instalment is received by the Bank well before the due date of payment through LC and that the payment is stopped or deductions made.

These amendments in 'schedule of payments' envisaged amendment in the contract, which required an Addendum to be signed between SIS Live and Prasar Bharati. SIS Live provided a draft addendum to HB, but that was not finalised. Doordarshan sent draft addendum to Min. of I&B for approval on October 15, 2010. On October 22, 2010 Min. of I&B sent a reply with direction to Prasar Bharati to finalise the proposed addendum in consultation with its Finance Wing with the approval of HBMC. However, no such HBMC meeting took place to finalise the addendum. There could be no agreement on the clauses of the draft addendum, which provided for material changes on the condition of the original contract. Accordingly, the approval for change in payment terms as given on September 8, 2010 was not given effect to.

Meanwhile 4th tranche payment was due as per the O.M. dated September 8, 2010. Since LC was not opened by the due date of 4th tranche payment, a reference was made to the Ministry and it conveyed its approval on September 27, 2010 for making the payment for the 4th tranche as per procedure adopted for making the earlier three payments to SIS Live. The entity had been pressing very hard for a payment and also sent e-mails on 24th & 28th September, 2010 threatening withdrawal, if payment was not made by September 28, 2010.

In view of this extra-ordinary situation, the matter was discussed in an emergent meeting of HBMC on 28th September, 2010 at 18.30 hrs. After detailed deliberations the HBMC decided to release the payment for 4th Tranche immediately in view of the extraordinary situation and lack of alternatives. The sanction order was issued and payment made to M/s SIS Live as 4th Tranche payment amounting to 30 percent of contract price. It was however stipulated that steps were required to be taken to made an assessment and claim compensation and recover damages from the Entity in terms of the contractual provisions and these were to be adjusted against subsequent payments."

8.19 The Committee enquired about the rationale for releasing the fourth tranche payment of ₹ 73.80 crore to M/s SIS Live despite the irregularities like change in made/model of equipment stipulated in the contract and short supply of equipment, mentioned in the inspection report by technical experts of Prasar Bharati. In reply, the Ministry of Information and Broadcasting stated in a note as under:

"Regarding the release of 4th Tranche payment amounting to ₹ 73.80 crore, it may be stated that as per the Ministry of Information and Broadcasting's OM dated September 08, 2010 the time frame for raising the invoice for 4th Tranche of payment was September 20, 2010 and the mode of payment was through LC by September 27, 2010. Since LC was not opened by the due date of 4th tranche payment, a reference was made to the Ministry and it had conveyed its approval on September 27, 2010 for making the payment for the 4<sup>th</sup> tranche as per procedure adopted for making the earlier three payments to SIS Live. The entity had been pressing very hard for payment and also sent e-mails on 24th & 28th September, 2010 threatening withdrawal, if payment was not made by September 28, 2010. In view of this extra-ordinary situation, the matter was discussed in an emergent meeting of HBMC on 28th September, 2010 at 18:30 hrs. After detailed deliberations the HBMC decided to release the payment for 4th tranche immediately in view of the extraordinary situation and lack of alternatives, with the stipulation that steps were required to be taken to make an assessment and claim compensation and recover damages from the Entity in terms of the contractual provisions and these were to be adjusted against subsequent payments. The sanction order was issued and payment made to M/s SIS Live as 4th tranche payment amounting to 30 percent of contract price. The inspecting officers had noted down the details of equipment and shortfall therein, hence no payment has been made to SIS Live after the fourth tranche payment. Moreover, due to performance related issues and deficiencies by SIS Live including changes in make/model of equipment while executing the Host Broadcaster assignment as per the contract, the Performance Bank Guarantee (10 percent) of SIS Live amounting to ₹ 24.60 crores was encashed on March 31, 2011 by HB."

8.20 Drawing attention of the Ministry of I&B/PB to the adverse comments made in the matter by the Shunglu Committee and consequential CBI inquiry, the Committee pointed out that there must be something seriously wrong on the award of contract. Responding, the Ministry of Information and Broadcasting apprised as under:

"The issues pertaining to Production & Coverage of the Commonwealth games 2010, wherein Doordarshan was Host Broadcaster and had entered into a contract with SIS Live, UK for this purpose, have been examined in detail by the High level Committee (Shunglu Committee). The recommendations of the Committee were considered by Government and a CBI inquiry has been ordered in the matter, which is going on. Further, the Enforcement Directorate is conducting a probe into some financial aspects of the contract under PMLA and FEMA. Separately, the income tax authorities have ordered provisional attachment of the unreleased amount of contract amount of ₹ 246 crore to SIS Live, UK for a period of 6 months from 11.02.2012. To date, an amount of ₹ 147.60 crore has been paid to the entity, amounting to 60 percent of the contract value and balance 40 percent payment amounting to ₹ 98.40 crores is withheld. On account of deficiencies and shortfalls in performing their contractual obligations, the Performance Bank guarantee submitted by the entity has also been invoked by Prasad Bharati and the entire amount of ₹ 24.60 crore, credited into the account of Prasad Bharati. The entity has invoked

Arbitration, seeking release of payment with liquidated damages. The matter is pending before the Arbitral Tribunal."

8.21 Asked to state the rationale for agreeing to the demand of M/s SIS Live for 60 per cent advance payment while as per the contract only 30 percent advance payment was to be made, the Ministry of Information and Broadcasting explained that the changes made was not a routine envisaged change but a response to an emergent situation that had arisen during the execution of the project.

8.22 During evidence, the Chief Executive Officer, Prasar Bharati elucidated the matter as under:

"The CBI had been referred all these matters. But once after referral, we left it to them. I would submit in confidentiality that I had personally spoken to the CBI saying that this case has to be taken to its logical conclusions. I have letters to prove it."

8.23 When the Committee desired to hear the views of the Secretary, Information and Broadcasting, he submitted in evidence:

"About re-definition on the role of Government and the Prasar Bharati and the recovery of excess amount, the CEO, Prasar Bharati has explained. Out of the ₹ 246 crore for which the contract was, the actual payment made was ₹147.60 crore which is 60 per cent of the total contract. What was withheld was ₹98.40 crore which amounts to 40 per cent of the contract amount. In addition, 10 per cent of the Performance Guarantee which was offered by M/s. SIS Live by way of a bank guarantee which amounted to ₹26.40 crore was already forfeited. So, this is what the exact financial dimensions of the whole transaction is."

#### **IV. Sub-Contracting by SIS Live to Zoom Communications Ltd.**

8.24 As mentioned above, PB entered into a contract on 5<sup>th</sup> March 2010 with M/s SIS Live for production and coverage of the Commonwealth Games, 2010 at a cost of ₹ 246 crore. On the same day M/s SIS Live entered into a sub-contract with M/s Zoom Communications Ltd. at a cost of ₹ 177.30 crore, covering almost the entire scope of work, viz.: Generation of basic feed; Broadcast venue operations services; and Training. Audit found that M/s SIS Live and M/s Zoom Communications Ltd. were in alliance much before the signing of the main contract and sub-contract on 5<sup>th</sup> March 2010: M/s SIS Live utilized the services of M/s Zoom Communication Ltd. for coverage of the QBR, which was launched on 28<sup>th</sup> October 2009; On 5<sup>th</sup> March 2010, Shri Dehlvi signed as a witness to the main contract between PB and M/s SIS Live and



also as the authorized representative of M/s Zoom Communications in the sub-contract between M/s SIS Live and M/s Zoom Communications on the same day. Subsequently, Shri Dehlvi corresponded with PB as the Resident Project Director of M/s SIS Live. Clearly, the entire set of contractual services was being practically executed by M/s Zoom Communications Ltd. through a back-to-back contract with M/s SIS Live acting essentially as a conduit. The amended clauses of the main PB contract, thus, enabled the back door entry of M/s Zoom Communications Ltd, which was ineligible for bidding for this contract.

8.25 In this regard, Audit specifically pointed out that news about outsourcing of contract by M/s SIS Live to M/s Zoom Communications Ltd. was already out in March 2009 and as representative of Government, the Host Broadcaster did not take any cognizance and necessary action against M/s SIS Live.

8.26 In the above context, the Committee enquired what prevented Prasar Bharati from taking any action against M/s SIS Live for subcontracting when the information in this regard was already available in media and also on website of M/s SIS Live. In reply, the Ministry of Information and Broadcasting clarified that the HB was not aware of any subcontract by M/s SIS Live to any entity, till a copy of the contract between M/s SIS Live and M/s Zoom Communications Ltd, forwarded by Income Tax department, was received by HB on 27<sup>th</sup> October 2010.

8.27 Asked to state the action taken thereafter, the Ministry submitted that in view of the non-performance related issues by M/s SIS Live in executing the Host Broadcaster assignment as per the contract, 40 per cent of the contract amount, amounting to Rs 98.40 crore, had not been released by HB. In addition, due to deficiencies by M/s SIS Live in executing the Host Broadcaster assignment as per the contract, the Performance Bank Guarantee (10 per cent) amounting to Rs 24.60 crore was encashed on 31<sup>st</sup> March 2011 by HB. M/s SIS Live had invoked Arbitration. As per the legal opinion obtained, Prasar Bharati had filed a counter claim before the arbitral tribunal on grounds of *inter alia*, misrepresentation, deviations, transfer of assignment in violation of the contract conditions.

8.28 Admitting the wrong doings, the Chief Executive Officer, Prasar Bharati deposed in evidence:

"Assignment of contract is another issue on which there appears to be no finality. This assignment and sub-contracting were issues on which we were equally interested in proving that whatever has happened was perhaps not the best way of doing things. We have withheld that amount. We have lodged claim against M/s SIS Live for ₹ 137 crore. "

#### **V. Non-deployment of Approved Key Technical Personnel by SIS Live**

8.29 Against the 61 key technical personnel for production and coverage of the Commonwealth Games, 2010 as stipulated in the contract, Audit found that the list of the Organising Committee accredited personnel of M/s SIS Live included only 22 persons. Clearly, PB did not make any efforts to verify and ensure that the key personnel approved by it actually executed the assigned task.

8.30 The Committee enquired about the efforts made by PB to verify the actual deployment of key technical personnel by M/s SIS Live as already approved by them during finalisation of the contract. In reply, the Ministry of Information and Broadcasting clarified that the Organising Committee had provided direct login access to M/s SIS Live for accreditation of M/s SIS Live personnel, so the verification of the personnel at the time of accreditation by HB was not possible. The Ministry further submitted that the entity was adopting a confrontational approach all along, and refused to give an offer for inspection as per standard practice. There were constant threats by the entity to terminate the contract and complete non-cooperation, despite which HB personnel managed to record details of personnel and equipment deployed by M/s SIS Live. As per the records of HB, 29 key Persons were deployed by M/s SIS Live instead of 61 personnel indicated in the contract, which was communicated, to M/s SIS Live on 17<sup>th</sup> February 2011 and 1<sup>st</sup> March 2011 with a request to provide details of deployment of key personnel. M/s SIS Live *vide* their letter no. nil dated March 10, 2011 refused to provide the details quoting that there was no reference to the clause in the contract under which PB was entitled to receive information pertaining to key personnel and further stated that if PB considered that it had suffered loss arising from a breach on the part of M/s SIS Live (which was denied), the appropriate remedy was a claim in liquidated damages in Arbitration. HB again requested M/s SIS Live on 18th March 2011 to provide details of key personnel quoting clause 4.3 of the contract to which M/s SIS Live did not respond. The entity had invoked Arbitration, seeking release of payment with liquidated damages. The matter was pending before the Arbitral

Tribunal. As per the legal opinion obtained, Prasar Bharati had filed a counter claim before the Arbitral Tribunal on grounds of *inter-alia*, misrepresentation, deviations, assignment in violation of the contract conditions, including non-deployment of key personnel.

#### **VI. Undue Favour to SIS Live Resulting in Extra-expenditure by Host Broadcaster**

8.31 Audit scrutiny revealed that undue favours irregularly granted by PB to M/s SIS Live involved extra expenditure of ₹ 3.22 crore on the following tasks:

- (a) Hiring of lighting consultant - Despite the fact that M/s SIS Live had charged Rs 10 crore for consultancy over and above the consultants already hired under the contract, PB hired a lighting consultant at a cost of ₹ 21.95 lakhs. Legal opinion in this regard received on 16<sup>th</sup> August 2010 stated that in the absence of a relevant contractual clause, it was PB's responsibility to hire a lighting expert.
- (b) Supply of Power Cables - Contractually, M/s SIS Live was to provide for laying of power cables to interconnect various functional areas at all venues; this was also clarified at the pre-bid meeting. However, in July 2010, M/s SIS Live stated that this was not in its scope of work and refused to undertake this task. Consequently, in August 2010, PB hired M/s BECIL to execute this work at the cost of ₹ 0.96 crore, envisaged at M/s SIS Live's risk and cost (as per legal advice). The ultimate cost incurred by M/s BECIL amounted to ₹1.30 crore. This approach was reversed by HBMC in August 2010, which decided to impose the responsibility on the OC. Inexplicably, OC agreed to bear these costs. Clearly, PB showed undue favour to M/s SIS Live on this account.
- (c) Special camera mounting - PB incurred an additional liability of Rs 1.70 crore on special camera mountings, on account of ambiguities in the contract clauses and divided legal opinion.

8.32 In the above context, the Committee enquired about the rationale for allowing M/s SIS Live to charge ₹ 10 crore for consultancy over and above the consultants already hired under the contract. In reply, the Ministry of Information and Broadcasting clarified that the contract with M/s SIS Live was a turnkey project and all aspects of production and coverage including engagement of consultants was the responsibility of M/s SIS Live. Subsequently, a conflict arose as to the responsibility for engagement of Lighting consultant. HBMC, in its meeting on 30<sup>th</sup> July 2010 decided that the entity namely M/s SIS Live was to engage the Lighting Consultant. This was deliberated again by HBMC in its meeting on 16<sup>th</sup> August 2010. The Committee was informed that M/s SIS Live was not agreeing to engage the Lighting Consultant. After detailed

deliberations, and considering the shortage of time and the essentiality of engaging the Lighting Consultant, HBMC in its above meeting on 16<sup>th</sup> August 2010 decided to engage the Lighting Consultant and deduct the amount from M/s SIS Live's payment. Further, no payment had been made to M/s SIS Live after the fourth tranche and 40 per cent amount of the contract value is withheld. Moreover, due to performance related issues and deficiencies by M/s SIS Live in executing the Host Broadcaster assignment as per the contract, including cost of hiring lighting consultant, the Performance Bank Guarantee (10 per cent) of M/s SIS Live amounting to Rs 24.60 crore was encashed on 31st March 2011 by Prasar Bharati. As mentioned above, the entity had filed a claim for arbitration and Prasar Bharati had filed counter claim in the Arbitral Tribunal wherein it has been reiterated that engagement of Lighting Consultant was the responsibility of M/s SIS Live as per the contract.

8.33 The Ministry further apprised that legal opinion was sought on various issues from time to time including evaluation of EOI, formulation of RFP, vetting of contract, catering, lighting consultant, power supply, special camera mountings and transfer of assignment. Keeping in view these legal opinions, administrative decisions were taken by PB.

8.34 Expressing surprise, the Committee desired to know the reasons for seeking legal opinion instead of imposing penalty under the clauses of agreement upon M/s SIS Live for not fulfilling its contractual commitments. In reply, the Ministry of Information and Broadcasting stated in a note as under:

"To get the benefit of legal advice on these issues, legal opinion was sought as and when required as to interpretation of various provisions in the Contract. After completion of the Games, Prasar Bharati took note of non-performance of the entity in various activities, deficiencies and shortfalls in deployment of equipment and personnel and encashed the Performance Bank Guarantee of SIS Live. Prasar Bharati has sought legal opinion on apparent assignment of the contract by SIS Live to Zoom Communication Ltd. and in the light of advice received from the ASG a counter claim has been filed in the Arbitral Tribunal"

## **VII. Deficiencies in Queen's Baton Relay Deliverables**

8.35 According to Audit, the entire payment for coverage of the Queen's Baton Relay (QBR) was released to M/s SIS Live, despite non-receipt of tapes relating to 5 out of 21 countries and delayed receipt of the other tapes relating to 16 countries *vis-a-vis*

the stipulated time schedule, which ranged from two days to two months. No tape was received in time and the event was therefore telecast late.

8.36 In the above context, the Committee desired to know the reason for releasing entire payment for coverage of the Queen's Baton Relay to M/s SIS Live despite non-receipt and delayed receipt of tapes. In reply, the Ministry of Information and Broadcasting explained that as per the clause A 32.7.3 of the contract, M/s SIS Live had to cover the Queen's Baton Relay in 21 countries. However, M/s SIS Live only covered the relay in 16 countries. On 12<sup>th</sup> July 2010, the second invoice was received from the entity. The deliverables for which the second invoice had been raised also included the international coverage of the Queen's Baton Relay. *Vide* mail dated 16<sup>th</sup> July 2010, HB had pointed out to the entity that it had only covered the Queen's Baton Relay in 16 countries. Subsequently, HB *vide* its mail dated 2<sup>nd</sup> August 2010 called upon the entity to submit the tapes concerning the coverage of Queen's Baton Relay in five more countries so that its invoice could be processed. The entity did not submit tapes having coverage of QBR in 5 more countries. The matter was also considered by the Host Broadcast Management Committee (HBMC) in its meeting held on 24<sup>th</sup> August 2010. The HBMC decided that an amount of ₹ 24 lakh (Rupees twenty-four lakh only) should be withheld on account of the shortfall in the coverage of the Queen's Baton Relay and only the balance amount of the invoice should be released to the entity. Accordingly, this amount was withheld. Subsequently this amount was released to the entity.

#### **VIII. Legacy of the Games- Non upgradation to HDTV**

8.37 Audit have pointed out that despite incurring huge expenditure from the Government of India funds, the legacy value of HDTV coverage of CWG-2010 to PB, both in terms of improvement of infrastructure and development of in-house skills was insignificant. PB failed to upgrade itself to HDTV, even partially if not fully, by CWG-2010. Against funds of ₹165 crore (out of which ₹ 114.61 crore was to be spent up to 2010-11) sanctioned by the Government of India to Doordarshan (DD) for production facilities for HDTV content and terrestrial and satellite transmission, DD could spend only ₹ 6.84 crore for the up linking facility.

8.38 The Committee queried about the meagre expenditure of only ₹ 6.84 crore by Doordarshan for HDTV despite the fact that in the Cabinet Note, Doordarshan proposed to incur an expenditure of ₹ 114.61 crore till 2010-11 out of the total ₹ 165 crore sanctioned by the Government of India. In reply, the Ministry of Information and Broadcasting stated in a note as under:

"Expenditure of ₹ 165 crore on HDTV scheme as part of XI<sup>th</sup> plan approved schemes was planned to be incurred in 4 years. Approval of scheme was however received in August 2009 only. Implementation of various projects approved as part of HDTV scheme is at different stages and the projects are expected to be complete, in phases by 2012-13. Expenditure incurred, so far, on HDTV scheme is ₹ 22.64 crore (up to February 2012). DD HDTV uplink was commissioned on 30.09.2010 before the start of Commonwealth Games Delhi 2010."

8.39 In a subsequent information, the Ministry of Information and Broadcasting apprised that the total expenditure incurred under the Plan Scheme for HDTV till January 2013 was ₹ 37.25 crore.

8.40 Asked to state categorically the current HDTV transmission capability of DD, the Director General, Doordarshan submitted in evidence:

"We still broadcast in a standard definition format. We have learnt something in terms of HDTV telecast nation-wide, our infrastructure is not yet in place."

He added:

"During the Games, we had a full-fledged HD-enabled OB Van through which we were doing telecast. We still have the HDTV channel, which, of course runs very minimal programmes."

8.41 On being enquired whether Doordarshan had complete infrastructure and equipment for going ahead with HDTV Channel, the Director General, Doordarshan explained in evidence as under:

"Under the Twelfth Plan and as a continuing scheme of the Eleventh Plan, we have some proposals for setting up studios which are under upgradation to our High Definition level. Even about the other production facilities, we already have moved into HD cameras. We have ordered new HD cameras for our ENG coverage as well as the studio coverage. We are moving in."

8.42 About the availability of funds in this regard, the Chief Executive Officer, Prasari Bharati deposed during evidence as under:

"About the status of High Definition, under the 11<sup>th</sup> Plan, our positioning was ₹128 crore. HD studios and vans, in the 12<sup>th</sup> Plan, ₹770 core, which makes the total of HD transition – ₹898 crore. Even if we get half of it, we are on. That is dependant on overall resource position. Projections have been made...."

#### **IX. Outsourcing of Sporting Events**

8.43 Audit scrutiny revealed that in July 2007, PB proposed that seven sporting events, besides the opening and closing ceremonies would be outsourced, and the remaining ten events would be covered in-house. This was reduced in November 2007 to cover only three events in-house out of the 17 events. Finally, PB participated in production of only three events in CWG 2010, and coverage of all 17 events was outsourced.

8.44 In the above context, the Committee desired to be apprised of the pressing reasons for a drastic change in the PB's original plan from covering ten events in house to outsourcing coverage of all the 17 events. In reply, the Ministry of Information and Broadcasting explained as under:

"Initially the plan was to cover 10 events in-house by hiring the specialised coverage equipment. However on the basis of the decisions taken in the meeting taken by the then Secretary, I&B on 28.09.2007 and the opinion of Broadcast Consultant of OC, it was felt desirable and advantageous for HB to outsource the entire scope of work to minimise the cost. The Commonwealth Games Delhi 2010 had 17 sports events besides the Opening and the Closing ceremonies. Individual sport events demanded, according to the grammar of the sport event, 'specialised coverage equipment', apart from the associated highly skilled and renowned production team. As per the international practice for the multilateral Sport events coverages like Olympic Games, Asian Games, Commonwealth Games, etc., Host Broadcaster outsourced the activities for equipment and the production teams from internationally renowned Production Companies/Service Providers/Broadcasters. Similar line of action was adopted for Delhi 2010 Games. As per the 'Host Broadcaster Guidelines', the Host Broadcaster was required to provide the entire coverage on HDTV format for the first time in the history of Commonwealth Games. Since Doordarshan had limited sports equipment even on SDTV (Standard Definition TV) format, the HDTV Sports coverage equipment were required to be arranged either through procurement or on hire-out basis to carry out the Host Broadcaster's task. Since sports coverage of this magnitude that too on HDTV format is only a once in a while activity and as very high capital cost is involved in procurement of such 'Specialised Sports coverage Equipment that too on HDTV', it became prudent to arrange the equipment on hire-out basis. Prasar Bharati as Host Broadcaster itself envisaged production of three sports events by in house teams, in which Doordarshan was professionally comfortable and wished to further develop its own production teams through rigorous training to reach the

level of International repute to stake claim to future opportunities as well across the globe. The above sequence of events clearly reflects that the decisions were taken after due discussion and deliberations at all levels in Government and OC for 'quality, unbiased coverage' in accordance with international practice, keeping in mind the mandate given by OC to Doordarshan as HB, Doordarshan's internal staff strength and their exposure, prestige of the country, etc. "

**X. Training of Prasar Bharati Staff on HDTV equipment**

8.45 Audit pointed out that Prasar Bharati spent ₹ 7.85 crore for training their staff by M/s SIS Live (outsourced agency) on HDTV equipment. Training was imparted to staff on non-Games venues as the venues were not ready. No records were available to establish that the training was imparted on the same highly specialised OB Vans that were used by M/s SIS Live for production and coverage of the Games. Consequently, the training received by Prasar Bharati personnel from M/s SIS Live would also become largely redundant, in the absence of HDTV equipment in Prasar Bharati.

8.46 In the above context, the Committee asked about the number of trained and skilled manpower with the Prasar Bharati/Doordarshan to engage in the operation of HDTV. In reply, the Ministry of Information and Broadcasting stated in a note as under:

"PB has informed that, under the terms of the contract, M/s SIS Live had provided the production facilities and personnel to cover 17 different sports events across 12 venues in New Delhi as well as the Games opening and closing ceremonies using HDTV technology. Also, SIS Live imparted comprehensive training to about 500 Doordarshan and All India Radio officials (production and engineering) during the period December 2009 to August 2010 at New Delhi and surrounding areas, which included class room as well as on-field training, thereby making the trainees familiar with the advanced HDTV equipment and its operations. Out of this group of 500, 15 officers have since retired and Prasar Bharati thus have 485 such trained personnel available as on date. The training was on similar HDTV OB Kit and the specialised equipment that was used by the entity during the Games. Selective officials of Doordarshan were also associated with Production of three sports events namely Boxing, Wrestling and Weightlifting during the Games. As per its financial bid, the entity M/s SIS Live had indicated an amount of ₹ 7.85 crore under the terms of Contract as the cost for the said training. As a result of this training, Doordarshan (DD) personnel got some firsthand practical exposure to HDTV technology and other specialised equipment as well as some experience in the coverage of mega sports events. This helped to enhance the capabilities of Doordarshan personnel and this experience was of significant help to DD personnel during the coverage of London Olympic by them in 2012."



# **XI. Inordinate Delay in Upgradation of Hostel Facilities**

8.47 According to Audit, sanction of ₹ 3.49 crore, in June 2010 for improvement/upgradation of hostel facilities at the Staff Training Institute (STI), Kingsway Camp, Delhi in view of the Commonwealth Games, 2010 turned out to be redundant despite expenditure of ₹1.72 crore till December 2010. The upgraded hostel facilities were not ready even as of March 2011 and staff brought from outside Delhi were ultimately accommodated in private hotels during Games time at an extra cost of ₹0.19 crore.

8.48 The Committee desired to know the reasons for delay in upgradation of hostel facilities despite availability of funds. In reply, the Ministry of Information and Broadcasting submitted that due to unforeseen incessant rains and bad weather conditions the upgradation could not be completed in time. The upgradation of facilities at STI (T) had since been completed. The Ministry further apprised that STI (T) was one of the training Institutes of Prasar Bharati which served as a training centre for officials recruited at various levels and working in AIR as well Doordarshan. The renovated residential blocks at the STI (T) were being used for the trainees for various courses of STI (T) and STI (P) as well.

# **XII. Broadcast facility at venues-Non-utilisation of furniture**

8.49 Audit scrutiny revealed that PB awarded a lump sum contract to M/s BECIL for 'provision and customization of broadcast facilities at venues' at ₹ 19.81 crore. This included hire of items worth ₹ 1.77 crore. However, in July 2010, PB asked M/s BECIL to go ahead with outright purchase of furniture without concurrence of HBMC, and a work order for ₹ 1.94 crore was issued in August 2010. The ultimate cost, however, was ₹ 2.20 crore. Out of this procurement, furniture amounting to ₹ 0.92 crore were still lying in PB's godowns as of December 2010.

8.50 In the above context, when the Committee desired to hear the views of the Ministry, they stated as under:

"The furniture was procured from the point of view of creation of assets for the organisation. Some of the furniture items, whose delivery got somewhat delayed, could not be delivered at the venues due to security lock down at the venues. Part payment to the vendor is still withheld. The utilisation plan for the

furniture is based on the demands and requirements of all the Kendras. It is a detailed plan and takes into account future development plans of Doordarshan. The part utilisation plan was approved by competent authority on 16/11/2010 and the diversion order was issued on the same day. The final utilisation plan was approved by competent authority on 22.12.2010 and the relevant diversion order issued on 06.01.2011."

8.51 When asked about the present status of the utilisation of the furniture, the Ministry of Information and Broadcasting apprised that the furniture had since been dispatched to the concerned Kendras and the furniture was not lying unused in the Prasar Bharati godown.

### **XIII. Irregularities in Award of IBC Contract**

8.52 Prasar Bharati issued an EOI in May 2009 for the construction and operation of International Broadcast Centre (IBC) facilities and services; nine responses were received in June 2009. Audit found that two entities (Shaf Broadcast and Anytime Pictures Ltd.), which had been found ineligible on account of lack of experience at the EOI stage by the Evaluation Committee, were irregularly included in the shortlist. The contract was finally awarded to Shaf Broadcast at a cost of ₹ 65.91 crore which was much higher than the CCEA estimates of Rs 45.67 crore. Further, the PB failed to adequately negotiate reductions on account of reduced requirements from RHBs (estimated at ₹ 7-8 crore) as well as duplication in air conditioning and fire fighting systems (sanctioned by ITPO at ₹ 9.87 crore) and obtained a negotiated reduction of only ₹ 4.61 crore.

8.53 In the above context, the Committee enquired about the reasons for inclusion of the two entities namely Shaf Broadcast and Anytime Pictures Ltd., which were found ineligible on technical grounds in the short listed entities by HBMC. In reply, the Ministry of Information and Broadcasting *inter-alia* stated that on an evaluation/consideration of the recommendations, it was noted that in respect of the two entities viz. M/s Shaf Broadcasting Pvt. Ltd and M/s Anytime Pictures Ltd. certain clarifications of technical nature which would have helped to arrive at proper and complete assessment of the various officers had not been obtained. It was observed that the offers of these two parties who were otherwise qualified should be considered subject to certain clarification (which were subsequently received). While considering

the proposal it was also observed that as per the financial rules, the EOI exercise was exploratory in nature and the attempt should be to expand the field of competition to facilitate competitive bidding rather than restrict it. Such expanded competition would tend to significantly lower the overall cost at which the services could be procured. A reference was also drawn to Prasar Bharati Circular No. PB/B&F/56-A/2004-05 dated 4<sup>th</sup> May, 2005 spelling out the norms in this regard allowing for ignoring deviations of a minor nature. HBMC in its meetings held on 6<sup>th</sup> August 2009 and 12<sup>th</sup> August 2009 deliberated extensively and recommended five bidders out of which two (i) M/s Shaf Broadcast Pvt. Ltd. and (ii) M/s Any Time Pictures Ltd were recommended on the basis of minor deviations without compromising the basic criteria spelt out in the EOI document to expand the field of completion. The Ministry *vide* letter no. 10/12/2009-B (Fin) Pt I dated 25<sup>th</sup> August 2009 approved the recommendation of HBMC for issuance of RFP to the shortlisted entities. Accordingly, RFP was issued to all five shortlisted entities.

8.54 On being asked about the failure on the part of PB to adequately negotiate reductions on account of reduced requirements from Right Holding Broadcasters estimated at ₹ 7-8 crore and air conditioning and fire fighting systems worth ₹ 9.87 crore, the Ministry of Information and Broadcasting *inter-alia* stated that the HBMC in its meetings dated 9<sup>th</sup>, 10<sup>th</sup>, 11<sup>th</sup> and 21<sup>st</sup> December 2009 had negotiated with entity and deliberated in length the reduction in technical equipment and crew with reduction in customisation work in Hall 10. The total reduction as given by the entity came to ₹ 4, 37, 38, 446. The total revised bid amount came to ₹ 66,14,95,954. After correction, the cost reduction in Fin 2 A worked out to be ₹ 3,94,77,405 instead of ₹ 3,70,78,438. Accordingly, after corrections the total reduction came to ₹4,61,37,414 and the revised bid amount placed at ₹ 65,90,96,986 inclusive of service tax. HBMC decided to further negotiate with the entity in order to again explore the possibility of bringing down the cost of the work relating to customisation. While the customisation cost of Halls 8,9,10 & 11 as per Financial Bid was ₹ 18.5 crore, the estimate for reduction on account of reduced space requirement, if taken on pro-rata basis, came to ₹ 3.08 crore. *Vide* their letter dated 11<sup>th</sup> December 2009, the entity had reiterated that linear deduction was not possible because the same was not related to area but related to scope of work. The Ministry further stated that the reduction in area did not necessarily reduce the scope of work and thus the cost. According to the entity, the reduction of bookable

space could only reduce the work and cost relating to construction of cubicles/cabins for bookable facilities and did not reduce the scope of work relating to technical design, management etc.

8.55 Asked to furnish the reasons for the approval of the contract, which was much higher than the CCEA approved estimates, the Ministry explained that they found from the minutes of HBMC, the FEC reports and other papers made available and the comparisons provided *vis a vis* the RFI submitted by IGBS, the Doha Asian Games 2006, and the CCEA approved estimates that it was difficult to categorically establish the reasonability of the rates quoted. The Ministry also took into account the fact that the process of selection of the consultant had been widely publicised and transparent, starting with 9 EOI responses and short listing of 5 entities at the RFP stage. Thus, the two entities who filed their bids did so in an extremely competitive environment. The Ministry further apprised that they took note of the fact that one of the entities had quoted a lump sum price of ₹ 206.37 crore as against the negotiated price of ₹ 65.91 crore by M/s Shaf Broadcast Pvt. Ltd. It was also noted that as against the original estimates, the L1 bid was not way off as was brought out by Member (Finance) in his notings and in the HBMC minutes. The Ministry also took note of the fact that other options were fraught with risks, which could not be afforded since the coverage of Commonwealth Games was an activity where national prestige was at stake. Under the given circumstances the only course of option left was to agree to the HBMC recommendation of accepting the L1 bid.

#### **XIV. Unspent Balances Lying with India Trade Promotion Organisation/CPWD**

8.56 ITPO was awarded a budget of ₹ 28 crore for upgradation of ITPO through Cabinet Note in October 2008. The Ministry of Information and Broadcasting approved the revised estimates at ₹ 75.77 crore (including ₹ 16.77 crore available for rent, electricity and water charges and fuel expenses) for augmentation and replacement of AC plant, development of food plaza for the use of press, renovation of toilets, hiring of DG sets, fire fighting works, and other miscellaneous works. Audit found that ITPO and CPWD (the implementing agency) had unspent balances of ₹ 21.30 crore. ITPO had retained ₹ 3.95 crore, while issuing sanctions of ₹ 55.05 crore for civil and electrical works to CPWD. As of December 2010, CPWD had awarded works/incurred actual expenditure of ₹ 37.70 crore, with an unspent balance of ₹ 17.35 crore.

8.57 The Committee enquired whether the Ministry verified the actual expenditure and unspent balance lying with ITPO out of the total grant and asked for the refund of unspent balance. In reply, the Ministry of Information and Broadcasting stated as under:

" It needs to be appreciated that the booking of expenditure and settlements of accounts takes time even after the works are completed. An amount of ₹75.77 crore was released for ITPO to PB as per the approved cost. Out of this amount PB had released ₹75 crore to ITPO. ITPO has returned an amount of ₹6,60,20,187/- crore to Prasar Bharati. PB has returned an amount of ₹7,37,20,187/- (₹ 6,60,20,187/- returned by ITPO and ₹77,00,000/- as lying with PB, which were not released to ITPO), to PAO (Main Secretariat), M/o I&B on 30.11.2011 in favor of PAO (Main Secretariat), M/o I&B and PAO has also confirmed that an amount of ₹7,3,20,187/- has been sent to the Bank on 07.12.2011 vide Challan No. 1097."

**XV. Lack of consensus within Host Broadcast Management Committee (HBMC)**

8.58 Prasar Bharati Board formally appointed a Host Broadcast Management Committee (HBMC) in May 2009. HBMC was granted the authority to accord the requisite approvals and take all steps for successful completion of PB's role as HB in the CWG, 2010. Of the 55 meetings between February 2009 and October 2010, records of only 40 were made available to Audit, who found that there was no consensus among HBMC Members for finalising the draft contract. Vigorous objections by the Member (Finance) and Member (Personnel) were ignored; Minutes of only two out of 40 meetings were signed by all the members of HBMC; in the meeting held on 26 August 2010, several major decisions were taken, but the minutes were signed by only four of seven members; in three meetings, two sets of minutes with different streams of opinions were issued - one by the PB Secretariat and another by the Member (Finance), along with the Member (Personnel). Due to conflicts of opinion, legal opinion had to be sought on several key issues relating to drafting of the contract, hiring of lighting consultant, supply of power cables, special camera mounting etc.

8.59 In the above context, the Committee enquired about the action taken by the Ministry to resolve the issue of continuous and persisting non-consensus among HBMC members which was adversely affecting the implementation of the

Commonwealth Games, 2010 projects relating to Prasar Bharati. In reply, the Ministry of Information and Broadcasting submitted that it was a fact that there was a lack of consensus and teamwork within Prasar Bharati due to serious interpersonal differences between the CEO, Member (F) and Member (P) which led to delays, dysfunctionality and systemic distrust. This was also one of the reasons for referral of various matters for legal opinion. The Ministry admitted that unfortunately, in the case of HBMC, the minutes of the meetings itself, on many occasions, became a matter of dispute. Therefore, the officers implementing the project also remained clueless whether a proposal was approved or not and what further course of action was to be taken. Given the chaotic working in PB and the style of functioning of the CEO, the Ministry of I&B had to step in and devise suitable mechanisms to ensure that the due processes were followed on the one hand and telecast of the Games was not put into serious jeopardy on the other. At crucial stages of processing of the proposals and wherever considered necessary, the Law Ministry was consulted. Similarly the CVC was consulted by the Ministry on the matter of a single valid bid and later while granting approval on the changes in the schedule of payments. Finally, the Ministry also set up an Oversight Committee co-chaired by the Minister of I&B and the Minister of Law and Justice, recognising the need to expeditiously address various issues that might come in the way of conforming to the CWG deadlines while following prescribed norms and procedures.

8.60 The tendering/ award and management of the production and coverage contract was submitted for the Ministry of Information and Broadcasting's (MIB's) approval at various stages – EOI, RFP, approval of the single financial bid, as well as relaxation of the payment schedule in September 2010 in favour of M/s SIS Live. Audit pointed out that the MIB did not show adequate urgency in finalisation of budget estimates, nor in quick finalisation of EOI and RFP. These delays left no time for re-tendering in the context of the single financial bid. Regarding major decisions relating to M/s SIS Live, the MIB chose to go along with the recommendations of PB, particularly, while approving the award of contract to M/s SIS Live on a single financial bid. The Secretary, MIB noted that "given the circumstances and the fact that there is no time to initiate a fresh process and no certainty as to a better and more acceptable outcome, the Ministry does not have the option of revisiting the issue at this stage. Moreover, we cannot rule that making any substantive changes in RFP documents

following the pre-bid meeting could have led to objections and complaints." Further, approval to the revised payment schedule was accorded by MIB, primarily on the ground that they were left with no alternative but to accede to the demands (of M/s SIS Live), since non-telecast of the Games would have been a matter of international embarrassment.

8.61 The Committee desired to be apprised of the reasons for which the Ministry mostly choose to go alongwith the proposal of Prasar Bharati despite recording its dissatisfaction in this regard, thereby abdicating its responsibility of ensuring a transparent, efficient and timely implementation of project approved by the Cabinet. In reply, the Ministry of Information and Broadcasting submitted that it would be unfair and factually incorrect to say that the MIB largely went alongwith the recommendations of PB especially relating to major decisions concerning M/s SIS Live. The decision to invite RFI's to ascertain costs was based on the Ministry's direction. Reduction of cost estimates for CWG 2010 to the tune of ₹ 79 crore i.e. from ₹ 445 crore to ₹ 366 crore was based on a deduction proposed by the Ministry. It was only on the instance of the Ministry that five entities instead of four recommended by PB (of which two were conditionally recommend) were shortlisted. Noticing a number of shortcomings in the RFP document forwarded by PB, the Ministry got the RFP document prepared by a drafting committee with outside experts. The Ministry further submitted that during the technical and financial evaluation of the bids also, it was on a number of occasions that the issues were referred back to PB/HBMC for further clarifications and deliberations. Post award of contract it was only on two occasions that the matter relating to SIS Live got referred to the Ministry. The first occasion was prior to the signing of the contract when after the settling of the draft contract by SG, decision on two matters got referred to the Ministry. The Ministry did not agree to changing the payment schedule from 30:70 (pre games : post games) to 40:60. It however allowed the waiver of bank guarantee for the release of first two instalments of 5 percent each for the reasons detailed. On the second occasion, when there was a request for changing the payment schedule prior to the Games, the Ministry did not grant its approval on changing the deliverables and the mechanism to release the payment in the manner desired by PB. The proposals were independently examined and it was only after providing sufficient safeguards to protect the interest of PB and Government that approvals were granted.

## **XVI. Oversight Committee**

8.62 As pointed out by Audit, the oversight committee chaired by the Minister of Information and Broadcasting and co-chaired by the Minister of Law and Justice was constituted on 2<sup>nd</sup> September 2009 by the MIB to monitor the progress of activities relating to production and coverage of the Games, expedite decision making at various levels, and resolve inter-ministerial issues. Its constitution was essentially at the same time as the receipt of the single financial bid from M/s SIS Live. The oversight committee met six times between September 2009 and July 2010. Audit found that it chose to largely accept the proposals put forward by PB, in particular, on the decisions to award contracts to M/s SIS Live and Shaf Broadcast, as well as the changes in the draft contract (which were largely in favour of M/s SIS Live). In a meeting of the oversight committee in February 2010, the Minister of Law and Justice opined that *prima facie*, the changes in the payment schedule could not be considered at that stage and if insisted, re-tendering might have to be considered. The Minister of Information and Broadcasting also objected to the change in payment schedule citing that some parties chose to opt out of the bidding process because of the terms and conditions of the payment schedule and changing it then might leave the field open for legal intervention by other parties. However, in September 2010, the payment schedule was changed to 60 percent before the Games from the stipulated 30 per cent.

8.63 The Committee enquired whether the oversight committee was initially in favour of changing the payment schedule. In reply, the Ministry of Information and Broadcasting clarified that the oversight committee did not agree to the demand for changing the payment schedule from 30:70 to 40:60 despite Solicitor General (SG)'s recommendation for the same. The oversight committee strongly felt that making changes in schedule of Payment at that stage would not be an equitable treatment to the other entities which participated in the production and coverage bid and which also had raised the issue of schedule of payment. Changing it post completion of tender would not only be violative of CVC guidelines but would also leave the field open for legal intervention by other parties. It was also observed that M/s SIS Live had furnished an undertaking on the requisite form stating that the bid was unconditional.



If these conditionalities had been indicated at that stage, the bid of M/s SIS Live might not even have been considered. The oversight committee therefore rejected the proposal for changing the schedule of payment.

8.64 The Committee then asked the compulsion on the part of the Ministry do agree to change the provision relating to payment schedule when the same was not agreed to by the oversight committee earlier. In reply, the Ministry of explained that as Prasar Bharati could not finalise the contract because of the differences of opinion between the Finance Wing and the Doordarshan Directorate with regard to the proposed changes in the Draft contract as requested by M/s SIS Live, the issue was discussed in the third meeting of the oversight committee dated 16<sup>th</sup> December 2009. It was argued by Member (Finance) that while forwarding the matter for opinion of Solicitor General, only selected documents were furnished and the RFP document was not provided and that changes were being made in a number of clauses which should not be agreed to. It was decided by the oversight committee that DG, DD and Member (Finance) alongwith the Additional Solicitor General should meet the Solicitor General in a day or two, apprise him of the relevant documents and their respective views and seek his considered opinion.

8.65 Apprising further status, the Ministry submitted that subsequently, in respect of the draft settled by the Solicitor General, only two amendment, one relating to the change in the payment schedule from 30:70 (pre-games: post games) to 40:60 and the other relating to the waiver of bank guarantees for the first two payments of 5 percent each, were referred to Prasar Bharati by HBMC and considered in the fourth meeting of the oversight committee held on 10<sup>th</sup> February 2012.

## CHAPTER IX

### ROLE AND RESPONSIBILITY OF THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DEPARTMENT OF TELECOMMUNICATIONS)

9.1 For the successful conduct and delivery of the Games, it was necessary to put in place robust, effective and fool proof telecommunications services catering to the requirements for bulk transmission of Games data, security data, High Definition TV (HDTV) broadcast video signals, and broadcast audio signals between different locations - competition and other venues, the International Broadcasting Centre (IBC), the Main Press Centre (MPC) (located at ITPO), and master control facilities. MTNL was formally appointed on nomination basis in October 2009 by the Ministry of Youth Affairs and Sports as the Telecommunications Service Provider for CWG-2010 at an estimate of ₹ 270.70 crore as prepared by Group of the Officers

#### I. Selection of MTNL to Provide Telecommunications Services for Commonwealth Games, 2010

9.2 The formal appointment of Mahanagar Telephone Nigam Limited (MTNL) as the telecom partner by the Ministry of Youth Affairs and Sports in October 2009 was the culmination of an extended engagement process between the Organising Committee and MTNL at the highest levels, beginning March 2009. Audit found that the selection of MTNL on nomination basis was justified to the Government of India on the grounds of it being a Public Sector Undertaking (PSU), which would follow all norms and procedures for public accountability. Given the limited time available, the selection of a PSU for service delivery would have been understandable, if it was delivering services directly. However, the telecommunications services were actually delivered by the M/s HCL/ Cisco team. Audit observed that essentially, MTNL acted as a conduit for placement of a contract on a back-to-back basis, in a non-transparent manner on the M/s HCL/ Cisco team and the underlying premise of a PSU following public financial accountability norms was jettisoned.

9.3 In the above context, the Committee asked the Department of Telecommunications to furnish a brief chronology of events and justifications that led to the nomination of MTNL as the telecommunication service provider for the Commonwealth Games 2010. In reply, the Department submitted as under:

"MTNL started interacting with Organizing Committee (OC) CWG by giving a corporate presentation to Chief Operating Officer (COO)/(OC) Mr. Vijay Gautam in September 2008 in Olympic Bhawan Institutional Area. Vide letter no. COO/TEC/J-1/3/2009 dated 6<sup>th</sup> June 2009 MTNL was informed by COO/OC that it had been decided to engage MTNL as Telecom Service Provider for CWG 2010 subject to such terms and conditions including the scope of work, service level norms and other commercials as would be finalized on the basis of detailed negotiation between OC and MTNL. Scope of Work (SOW) document was signed between MTNL and OC in August 2009. The tender specifications were made by MTNL as per scope of work discussed in various meetings with the technical team of OC based on game specific applications, security considerations and the stringent HDTV broadcast requirements given by OC. The proposed solution by MTNL was discussed in August 2009 by a Group of Officers (GOO) set up by the Cabinet Secretariat. GOO consisted of officers from Ministry of Finance, Ministry of I&B, Department of Sports, Department of Telecom. The Group of Ministers (GOM), constituted for the Commonwealth Games in the meeting held on 11-09-2009, approved the nomination of Mahanagar Telephone Nigam Limited (MTNL) as the Telecom Service Provider for the Commonwealth Games. The GOM also directed that further action at official level be initiated by Secretary, Sports."

9.4 In this regard, Audit found that on 28<sup>th</sup> August 2009 [when the Cabinet Secretariat had already appointed a Group of Officers (GOO) in connection with MTNL's proposals], Airtel approached the Organizing Committee with a proposal to provide telecommunications services for the Commonwealth Games, 2010 worth ₹ 100 crore as the Lead Sponsor. This proposal was validated by the technology team of the Organizing Committee. Shri Suresh Kalmadi, Shri A.K. Mattoo and Shri T.S. Darbari of the Organizing Committee continued to engage with Airtel on the proposal till early January 2010, during which period Airtel's offer changed from provision of telecommunications services during Commonwealth Games, 2010 worth ₹ 100 crore as the lead Sponsor to an offer of telecommunication services at a cost of ₹ 160 crore (excluding taxes) offset by ₹ 100 crore as sponsorship.

## **II. Choice of Technology**

9.5 According to Audit, MTNL suggested a technical solution based on Internet Protocol (IP)/ Multi Protocol Label Switching (MPLS) technology for all networked services viz. Security Data Network (SDN), Games Data Network (GDN), Broadcast Video Network (BVN) and Broadcast Audio Network (BAN). While for data transmission IP/MPLS was a robust solution, it was a more expensive technical solution for broadcast video and audio services and had not been tried and tested in

past Games. In contrast, in the earlier Games, broadcast video/ audio telecom services had been delivered through “point to point dark fibre”, which was a tried and tested solution and was also far less expensive. Audit further pointed out that the scope of work prepared by the OC for the GOO's consideration indicated the IP/MPLS solution only for data networking and not for broadcasting, whereas MTNL, in its presentations, offered an IP/MPLS based solution for all networks. In its report, the GOO noted that it had relied on the technical knowledge, expertise and judgement of experts from Prasar Bharati (the host broadcaster), MTNL and the OC, and accepted the projected infrastructure requirements (including IP/MPLS for broadcast video and audio services).

9.6 In October 2009, during the first World Broadcasters Meet (WBM) , some of the Rights Holder Broadcasters (RHBs) raised concerns on the adoption of the IP/MPLS technology for video broadcasting in place of the “point-to-point dark fibre” broadcast technology. In a review meeting held on 6 January 2010, to discuss this issue, Mr. Patrick Furlong (Advisor, Broadcasting to the OC) observed that IP/MPLS technology had not been proven or tested yet on such a large scale in multi sports environment. Eventually, on the insistence of RHBs, in February 2010, MTNL agreed, in February 2010, to provide “point to point dark fibre” as the primary solution, along with the IP/MPLS based solution.

9.7 Audit pointed out that reverting to the existing “point to point dark fibre” technology solution for broadcasting video and audio completely changed the cost dynamics as under:

- In July 2009 itself, Mr. Brian Nourse, the Technology Consultant for the OC, had indicated that the estimated cost for providing similar services in Melbourne CWG-2006 had been only ₹ 33 crore (as against ₹ 270.70 crore estimated by the GOO) and flagged the need to engage the Host Broadcaster (Prasar Bharati) and RHBs.
- The cost of data transmission was a fraction of the cost of audio/video transmission, as noted by ADG (Technology), OC in January 2010.
- MTNL was asked by the OC (January 2010) to provide details to rework the costs based on provision of broadcast video/ audio services on “point-to-point dark fibre solution”; however, MTNL did not do so, and merely agreed to provide “point-to-point dark fibre” solution to RHBs at no additional cost.

9.8 Clearly, MTNL, a PSU, chose not to adopt a more judicious and cost effective approach in selecting the technology solution, and the OC did not persuade MTNL to do so in the larger interest of optimal utilisation of Government of India funds. Eventually, in addition to IP/ MPLS, the tested and existing technical solution ("point-to-point dark fibre") was provided to meet the requirements of RHBs. Even Doordarshan made use of dark fibre as its primary solution for its audio/video broadcast requirements, with the IP/ MPLS solution used only for the broadcast disaster recovery site. This solution would have been vastly cheaper, with ultimately less cost to the public exchequer.

9.9 Asked to comment on the above findings of Audit, the Department of Telecommunications stated that the decision to set up an IP/MPLS based network for CWG 2010 was the outcome of a series of technical discussions that were held between technical teams of MTNL and OC. Mr. Brian Norse, Technical Consultant from OC, CWG also participated in most of the discussions. It was also indicated by OC that HDTV technology (High Definition) was going to be used for the Games for the first time and this technology required huge bandwidth of the order of 1.6 GB per channel compared to 270 MB per channel in SD (Standard Definition) and approximately 15 MBs per channels in MPEG2 (Moving Picture Experts Group) technology which was used in previous Commonwealth Games. OC/CWG had signed the scope of work Document with MTNL.

9.10 The Committee enquired about the circumstances for MTNL in opting for a costlier and unfamiliar solution instead of going for 'point to point dark fibre' which was a tried and tested solution and was less expensive too. In reply, the Department of Telecommunications stated in a note as under:

"MTNL has intimated that in the Scope of work, OC/CWG desired a fully redundant system with very high network availability and a multi path failure proof system. DWDM(Dense Wave Division Multiplexing)/dark fibre solution with inherent weaknesses does not have the scalability and multi path redundancy that is why IP (Internet Protocol) MPLS (Multi Protocol Label Switching) solution was proposed which has scalabilities, high redundancy features and in-built intelligent routing capabilities. A Group of Officers (GOO) consisting of officers from DoT, Ministry of I&B and Ministry of Finance, under the chairmanship of Secretary, Sports had seen the architecture of the network, critically examined the comparison of DWDM (Dense Wavelength Division Multiplexing) Vs IP MPLS technology and Bills of Material (BoM) and

recommended IP MPLS over DWDM because of efficiency and service quality of the network."

9.11 On being enquired whether the concerns of the Rights Holder Broadcasters (RHBs) regarding the adoption of the IP/MPLS technology for video broadcasting addressed, the Department of Telecommunications explained that many RHBs who had not used IP/MPLS technology in the past had apprehensions about timely implementation and proper testing of this solution based on new technology and insisted in DWDM based dark fiber solution for their broadcast application. As per para 6.2 of the Cabinet Note No. F 70-89/2009 CWG-I dated 12<sup>th</sup> February, 2010 of Ministry of Youth Affairs & Sports, a technical presentation was made by MTNL before the RHBs on 28<sup>th</sup> January 2010. The Chairman, OC, *vide* his letter dated 4<sup>th</sup> February 2010 while informing that the RHBs expressed their concern over the IP/MPLS based solution and their preference for the Broadcast Network (BN) on point to point Dark Fibre, stated that the solution proposed by MTNL of providing Dark Fibre alongwith IP/MPLS at no additional cost should address the concerns of the RHBs. Back to back commitment from vendor was also taken for this purpose. However, other two networks namely, SDN, GDN and Audio commentary and CATV part of broadcast application was still run for the whole of the game duration on IP/MPLS solution only.

### **III. Irregularities in the Award of Back to Back Contract by MTNL to HCL/CISCO**

#### **(i) Non-extension of Dead Line and Award of Contract on a Single Bid**

9.12 Audit pointed out that despite requests from the prospective bidders (and the last pre bid clarification being issued as late as 3<sup>rd</sup> November 2010), the last date of submission of bid was not extended beyond 10<sup>th</sup> November 2010. This rigidity in adhering to the stipulated date was belied by the subsequent delay of three months in actual award of the contract. Consequently, among the 18 agencies that had evinced interest at the RFP stage, of which four had the requisite experience in Olympics/Commonwealth/FIFA Games, only one, M/s Cisco, teaming with M/s HCL, submitted a financial bid.

9.13 On receipt of a single financial bid, Director (Finance), MTNL had advised (December 2009) short-tendering (against the option of negotiation) to ensure that

best rates were secured, as the estimates were unreliable. She, further, recommended that if negotiations were to be conducted with a single bidder, the Price Negotiation Committee should have Government representatives from the Department of Telecommunications and the Ministry of Finance. However, MTNL conducted price negotiations through an internally constituted committee, thus making the process even more non-transparent.

9.14 The Committee enquired about the circumstances for which only one company i.e. M/s Cisco teaming with M/s HCL submitted the financial bid. In reply, the Department of Telecommunications stated as under:

"(a) MTNL has intimated that a vendor conference was held on 13.10.2009. Eighteen bidders participated in the conference and nearly 650 queries were received before and after the conference were addressed. Only One vendor requested to reduce the bidders' experience requirement of implementation from 60 nodes to 15 nodes in a single network, while two other vendors requested to make this requirement from single network to multiple networks. The TEC also met the four known Original Equipment Manufacturers (OEMs) of routers namely M/s Huawei, M/s Cisco, M/s Alcatel and M/s Juniper to know their comfort level on the tender. All the Four OEMs said in a meeting with MTNL that they were meeting all the eligibility and commercial conditions of the tender. However, two OEMs namely M/s Alcatel and M/s Juniper had some issues on the technical conditions. These technical issues were addressed in a meeting of MTNL Management held on 28.10.2009 with these two vendors. The last date of submission of tender was accordingly extended upto 10.11.2009.

MTNL tried to ensure participation from maximum number of vendors by addressing their concerns suitably.

(b) MTNL has stated that no comments can be made regarding the reasons for non-participation of other vendors who were otherwise meeting the tender conditions. The only possible reason could be presumed the time factor which was very short for installation, commissioning and operation of such a huge and complex network."

9.15 When asked whether it was appropriate to award the work on a single financial bid, the Department of Telecommunications clarified that the nature of work being time bound, the Tender Evaluation Committee at MTNL recommended negotiations with M/s HCL and to have a Price Negotiation Committee with members from the Department of Telecommunications, MTNL (Director level) and Ministry of Youth Affairs & Sports (MYAS). Subsequently, MTNL requested the Department of Telecommunications to nominate representatives in the negotiation committee. The Department of Telecommunications conveyed to MTNL on 22<sup>nd</sup> December 2009 that

"it is not understood as to why the matter has been referred to Department of Telecommunications. MTNL, being a Navratna Company, should take its own decision in such matters, keeping in view relevant regulations, procedures, & instructions, issued from time to time by relevant agencies of Government and the national importance of the project". The Department of Telecommunications further directed that MTNL should ensure that technical specification did not favour any particular company.

9.16 The Department of Telecommunications further stated that award of work on basis of single financial bid was made taking into account the CVC guidelines on the subject and the case had been earlier examined by Independent External Monitors attached with MTNL, as well as MTNL Board.

9.17 Asked to state the level at which MTNL was advised to take decision on its own, the Department of Telecommunications clarified that the letter dated 22<sup>nd</sup> December 2009 advising MTNL to take its own decision in the matter was issued with the approval of the then Secretary, Department of Telecommunications.

9.18 The Committee enquired whether it was proper to comment that MTNL being a Navratna company had to take its own decision. In reply, the Department of Telecommunications submitted that implementation of any project squarely fell within the ambit of normal functioning of PSU (in this case MTNL). MTNL, being Navratna company, enjoyed the enhanced operational and financial autonomy and all operational decisions were taken by MTNL on its own through its Board of Directors which included two Government nominee Directors.

9.19 The Committee then queried whether the reply of the Department of Telecommunications implied that all the agencies under the administrative control of the Department be allowed to take their own decisions on important matters, without consulting the Department, the nodal Ministry. In reply, the Department of Telecommunications clarified that all the operational decisions were taken by PSUs on their own through Board of Directors in accordance with the provisions contained in the Memorandum of Association (MOA) and Articles of Association (AOA) of MTNL and the guidelines issued by the Department of Public Enterprises (DPE) from time to



time. However, as per Articles 69, 70 and 71 of the AOA of MTNL, there were certain issues in respect of which prior approval of President was required to be obtained.

9.20 Not satisfied, the Committee desired to hear the views of the Secretary, the Department of Telecommunications in this regard. In response the Secretary, the Department of Telecommunications deposed as under:

" Sir, normally, the Department does not get into the commercial decision-making of these organisations. In my opinion, that is an entirely desirable practice because there are a number of commercial decisions taken by the organisation and it is not advisable for the Ministries to get involved in commercial decisions. Of course, navratna companies have a special status because they also have certain additional powers in decision-making, which are under the guidelines of the Department of Public Enterprises. In this case, in the process of finalising a commercial transaction, the MTNL sought, with the background, which the CMD and Director just mentioned, that the DoT should send a nominee. As DoT, I may mention that board of MTNL includes two representatives from the DoT in the Board itself. Normally, the Joint-Secretary of Department of Telecommunications is one Board Director and a senior representative from the DoT's Finance Wing is another Director. There are already two Directors from the DoT on the Board. So, the DoT rightly in my opinion, though I was not Secretary at that time, said that the DoT as a Department should not get into the decision-making. Whatever representation DoT has on the Board remains and it is for the Board to take a suitable decision. That was conveyed to them saying that in accordance with the rules and regulations as applicable to a navratna company, they should decide. It is not an exemption of CVC or Ministry of Finance's guidelines. In accordance with those guidelines, they were advised to take a decision. That is what was conveyed. So, the request of MTNL that DoT should involve itself and engage in the decision-making of the MTNL was not accepted. This was a considered decision."

9.21 The Committee further asked about the methodology followed by MTNL in conducting the price negotiations with M/s HCL/CISCO, the company that was awarded the contract. In reply, the the Department of Telecommunications stated that MTNL constituted a Price Negotiation Committee consisting of CGM (SW & Plg) CO, PGM (Dev) Delhi, GM (MM) CO, GM (BB & IA) CO, GM (TF-CWG) Delhi, DGM (TF-CWG) Delhi with the approval of the competent authority to negotiate the price with M/s HCL.

9.22 However, in this Price Negotiation Committee, there was not any Government representative from the Department of Telecommunications and the Ministry of Finance as was recommended by the Director (Finance), MTNL.

9.23 On being asked the efforts made by the Department of Telecommunications in ensuring that favour was not made by MTNL to any particular company in the award of the contracts, the Department of Telecommunications submitted as under:

" DoT conveyed to MTNL on 22<sup>nd</sup> December 2009 that MTNL, being a Navratna Company, should take its own decision in such matters, keeping in view relevant regulations, procedures & instructions issued from time to time by relevant agencies of Government and the national importance of the project. MTNL was further directed to ensure that the technical specifications do not favour any particular company.

While issuing any directions to PSUs/ Government Agencies, it is expected that the organizations will abide by all the relevant regulations, procedures & instructions issued on the subject from time to time by the relevant agencies of Government.

Moreover, MTNL stated that Award of work on basis of single financial bid was made taking into account the CVC guidelines on the subject & the case had been earlier examined by Independent External Monitors attached with MTNL, as well as MTNL Board."

**(ii) Reasonability of Costs for Providing Telecommunication Infrastructure**

9.24 Financial competition was imperative to ensure reasonability of the rates secured. It was particularly important in the instant case as the estimates were unreliable i.e. ₹ 450 crore at the stage of the first presentation to the Organising Committee, reduced to ₹ 343.11 crore in MTNL's proposal to the Group of Officers (GOO). GOO anticipating a further reduction of 21 per cent through competitive bidding, reduced the estimates to ₹ 270.70 crore. After post-bid negotiations and including additional equipment worth ₹ 40.50 crore, MTNL finally placed an order of ₹ 387.19 crore on HCL/Cisco with the supplier contractually entitled to take back equipment worth ₹ 33 crore. In the opinion of Audit, the cost of providing telecommunication services at ₹ 387.17 crore in CWG-2010 was unreasonably high for the following reasons:

- The Chief Operating Officer (COO), OC at the time of receiving the first estimate at the MTNL presentation in March 2009 had observed that the estimate of ₹ 450 crore was 17-18 times that of the expenditure at Melbourne CWG-2006;
- As noted by the Consultant (Technology), OC, in July 2009, the estimated comparative cost of providing telecommunication services in Melbourne CWG-2006 was ₹ 33 crore;

- Airtel had offered a technologically acceptable solution for ₹ 160 crore (excluding taxes) offset by ₹ 100 crore sponsorship; and
- The inappropriate choice of IP/MPLS technology for broadcast video/ audio services at a vastly higher cost.
- The contract awarded by MTNL to HCL/Cisco team for ₹ 387.19 crore (excluding taxes) far exceeded the GOO estimates and, in the absence of financial competition, there was no comparative check.

9.25 In this context, the Committee enquired whether the award of back to back contract to HCL/CISCO for ₹ 387.19 crore excluding CenVATable taxes) against the Group of Officers (GOO) estimate of ₹ 270.70 crore was not a testimony of one of the many demerits of a single financial bid. In reply, the Department of Telecommunications stated in a note as under:

" MTNL has stated that award of work to M/s.HCL/Cisco for ₹ 387.19 crore (excluding CenVATable taxes) is very much in line with estimate of the Group of Officers, amounting to ₹ 270.70 cr. The difference of approximately ₹117 crore, is on account of various additional items which were not covered under the estimate prepared by the Group of Officers, as per approximate details as below:-

1. Cost of additional warranty	₹16 Cr
2. Cost of additional items (Hardware)	₹40 Cr
3. Security Data Network	₹21 Cr
4. VOIP	₹ 7 Cr
5. Redeployment	₹ 9 Cr
6. Non CENVATable duties	₹24 Cr
<b>Total</b>	<b>₹117 Cr"</b>

9.26 In this regard, a representative of MTNL deposed in evidence as under:

"the cost of basic network worked out by independent GOO committee was ₹270 crore, which does not include the cost of SDN. There was SDN where 2500 cameras were put in all the stadia. They were connected to the police headquarters in Delhi because they wanted to keep a watch on the stadia. Then there was a network of VOIP, which they wanted to use for their internal communication. Then, some CENVAT-able taxes were there. They were not included in the estimate of ₹270 crore. There is also warranty because this network was to be redeployed for MTNL. After that warranty was to be given; that cost was not included in that. The redeployment cost was not included in that."

9.27 On being asked to state categorically the reasons for not including the various additional items as mentioned above in the GOO's estimate, the witness responded as under:

" Sir, with your permission, if I may explain, the Group of Officers had met much before the tendering stage."

He added:

" Sir, we will give the details but just one example. This network was deployed in Delhi in 54 venues and Pragati Maidan but after the Games were over, almost half of this network was shifted to Mumbai and redeployed there and half of it was shifted to the MTNL offices in Delhi. So, the re-deployment cost was almost ₹11 crore."

9.28 The Committee further asked whether any comparative cost analysis study was made before awarding the contract to HCL/CISCO and whether it was ensured that the award of contract at a cost of ₹ 387.19 crore was not unreasonably high. In reply, the Department of Telecommunications stated in a note as under:

"It has been stated by MTNL that neither it had executed any similar project in the past, nor any other references were available to MTNL from any other agencies who had ever built up such a network in the past. In such circumstances, the estimate prepared by the 'Group of Officers' at ₹ 270 Cr. in competitive bidding environment was the major reference available to the Price Negotiation Committee. Accordingly, negotiations were conducted."

9.29 In this context, the Committee desired to know the Heads under which the Group of Officers made an estimate of ₹ 270.70 crore and also the Heads under which payments to the tune of ₹ 387 crore were made. In reply, the Department of Telecommunications submitted as under:

"As intimated by MTNL, the Heads under which the Group of Officers made an estimate of ₹ 270.70 crore is as under:

Sl.No	Details of the items	Price estimated by GOO in Rs Cr.
1	Routers	155.00
2	Software customization cost	29.56
3	Professional services	43.26
4	Installation materials	15.65
5	VOIP solutions	0
6	Video gateways and CATV	11.38
7	NOC equipment	15.85
	Total cost	270.70

(b) The heads under which costs to the tune of ₹ 387 crore were committed in the purchase order are as below:

Sl.No.	Details of the items	Cost payable by MTNL in ₹
1	Indigenous Equipment (outright purchased)	31,38,36,266
2	Imported Equipment (outright purchased)	2,86,31,77,292
3	Indigenous Equipment (wet leased)	8,39,01,773
4	Imported Equipment (wet leased)	24,09,69,930
5	Installation, testing and commissioning	83,16,000
6	CWG professional services	27,40,81,500
7	Redeployment & Integration with existing IP/MPLS network of MTNL	8,76,46,000
	<b>Total</b>	<b>3,87,19,28,762</b>

It is further stated that payments of ₹ 332 Cr. only have been released so far to M/s HCL."

#### IV. Legacy Plan

9.30 Audit had enquired from MTNL regarding their long term business plans/ strategies for high speed (10 Gbps) IP/MPLS solutions for identification of the market size and potential clients, for re-deployment of the equipment purchased for CWG-2010 to ensure that it is optimally utilised post- Games. In response, MTNL provided a one-page listing of tangible and intangible benefits/ advantages, and indicated that this network would facilitate provision of wholesale bandwidth to other operators, banks, corporate houses and various other Government agencies on lease or rental basis (without details). MTNL also stated that the equipment purchased for CWG-2010 was "being redeployed" to augment the capacity and expand the IP/ MPLS network, without, however, indicating any specific details or establishing how the equipment procured for a high speed 10 Gbps IP/ MPLS solution would be optimally used on the existing lower speed IP/ MPLS network. MTNL also drew reference to a paragraph in the tender documents, which indicated network capacity to handle 1,00,000 customers each in Delhi and Mumbai.

9.31 In the above context, the Committee enquired about MTNL's specific long term plans and projections and the time line to redeploy and utilise the high cost technology/equipment procured for the Commonwealth Games 2010. In reply, the Department of Telecommunications stated as under:

"As stated by MTNL, CWG equipment redeployed in Delhi and Mumbai has been commissioned on 24.10.2011 & 16.01.2012 respectively. Utilization and loading of the equipment shall be gradually increased due to the following:

- Broadband traffic is being carried on this network.
- MTNL plans to gradually migrate from TDM fixed line switches currently deployed in the network to new NGN/ IMS based network. IP/MPLS transport network derived from CWG equipment will be used for carrying the traffic of fixed line subscribers after their migration to NGN/ IMS.
- MTNL is in the process of expanding its GSM network. Aggregated traffic from BTS / node -Bs from core elements will be transported on the said IP/ MPLS network.
- Future Telecom/ IT services / Value Added Services are expected to be largely IP based and their traffic will also be conveniently transported on the said IP / MPLS network.
- Due to obsolescence of technology, current SDH based TDM transmission network is being no more procured / expanded. The current traffic on SDH network shall slowly be migrated to the said IP / MPLS network in phases.
- Through redeployed CWG IP / MPLS network the Point of Presence (POP) on IP / MPLS network has been increased to around 45 in Delhi and 56 in Mumbai as against earlier POPs of 11 in Delhi and 12 in Mumbai. This has given much better coverage of the two cities by MTNL's high speed network and it is much more economical and convenient to provide high speed / high capacity leased circuit services at any location in these cities.
- MTNL is planning to float an EOI for long term leasing out (initially for 5 years) of redeployed IP/MPLS network. In the proposed EOI, a minimum base price of ₹ 100 Crores per city has been kept and this base price will increase by 15% every year. Besides this, all MTNL's internal as well as commercial requirements will be met free of cost."

9.32 On being asked about the revenue earning of MTNL from the provisioning of Telecommunication Services for the Commonwealth Games 2010, the Department of Telecommunications submitted as under:

"As submitted by MTNL, total Rs 285 Crs has been booked out of which ₹242 Cr has been realized and balance is being pursued. Out of 242 Cr, ₹ 182 Cr has been received from Ministry of Youth Affairs and Sports (MYAS), ₹ 30 Cr from Organizing Committee (OC) and ₹ 30 Cr from Ministry of Home Affairs which is recognized as income on account of Security Data Network (SDN)."

9.33 In this regard, a representative of MTNL apprised the Committee in evidence as under:

" Already on this network, we have booked a revenue of ₹285 crore, out of which, ₹242 crore has been realised and the rest will be paid. If we see the total cost of the network, including cenvatable duties, it is ₹411 crore, out of this if we remove the cenvatable duty, it comes to ₹387 crore. Out of ₹387 crore, we have already earned ₹285 crore. So, the network, which we have got now in Delhi and Mumbai, is a world class and a very high capacity network. It has cost us only ₹102 crore."

9.34 He added:

"the utilisation and loading of this network will gradually increase. We have about ten lakh customers of broad-band service and they are being carried on this network."

9.35 The representative of MTNL further apprised:

"Sir, basically this is a transmission network and all our GSM service, broadband service and mobile service are running on this network or they will be running on this network."

9.36 On a specific query regarding leasing out of spare capacity, the representative of MTNL deposed in evidence as under:

" Another thing is that we have recently planned to lease out the spare capacity and for which we have made a plan with a minimum base price of ₹100 crore in Delhi and ₹100 crore in Mumbai per annum. For this, we will try to lease out the spare capacity to other operators. But it is definitely being used for our own requirement and it will be used for our future requirement also which is growing day-by-day."

9.37 He summed up:

"Sir, it (state-of-the-art network) is working now and it is being used for our own traffic. We are using it to provide leased lines; to carry our broadband traffic; to carry our mobile traffic and we are also using it to carry partly our landline traffic and partly it will be used for the new telecom policy. The new Telecom Policy 2012 provides for a converged network, which will be capable of carrying voice data and video on the same network. Our earlier TDM networks are not capable of carrying all kinds of services on the same network. This is a converged network which is in tune with the New Telecom Policy. It is the state-of-the-art network on which all the services will be carried on the same network. They are being used today."

## CHAPTER-X

## CASES REFERRED TO THE CENTRAL BUREAU OF INVESTIGATION (CBI)

10.1 The Committee were informed that the Central Bureau of Investigation (CBI) registered 29 cases i.e. 19 Regular Cases (RC) and 10 Preliminary Enquiry (PE) in connection with the CWG matters. These cases were registered on the basis of the source information as well as complaints received from various sources. The issues covered in these complaints and the source information were also dealt by the Shunglu Committee and the C&AG.

10.2 Out of the total number of 29 cases, 11 cases were registered against the Organising Committee, five cases against NDMC, four cases each against DDA & PWD, two cases against CPWD and one each against MTNL, MCD and Prasar Bharti. The details and breakup summary of the CWG cases in a tabular form are as under:

Sl. No.	Agency	Total Cases	Regular Cases (RC)	Preliminary Enquiry (PE)	Closed		Under investigation/under Enquiry		Under legal Scrutiny		Under trial	
					RC	PE	RC	PE	RC	PE	RC	PE
1.	DDA	04	02	02	--	01	01	01	01	--	--	--
2.	PWD	04	01	03	01	03	--	--	--	--	--	--
3.	MTNL	01	01	--	01	--	--	--	--	--	--	--
4.	CPWD	02	02	--	--	--	01	--	01	--	--	--
5.	NDMC	05	03	02	01	--	--	02	01	--	01	--
6.	MCD	01	01	--	--	--	--	--	--	--	01	--
7.	Organising Committee	11	08	03	--	03	04	--	--	--	04	--
8.	Prasar Bharti	01	01	--	01	--	--	--	--	--	--	--
	Total	29	19	10	04	07	06	03	03	--	06	--

10.3 Giving an overview of the CBI cases in the CWG matters, the DIG (Anti-Corruption), CBI submitted in evidence as under:

"Out of the ten preliminary inquiries, one was converted into a regular case. In five matters, CBI recommended departmental action against the public servants and also recommended for systemic improvements to avert any procedural irregularity in the future.



One of the preliminary inquiries was closed for lack of evidence: and three enquiries are still continuing which are likely to be finalised very shortly. Out of the 19 regular cases which CBI registered in CWG matters, six cases have been charge-sheeted. In four cases, no criminality was found and closure reports were filed in trial court. In nine cases, the investigation is still continuing and is at different stage of investigation. Some are under the legal scrutiny and some are still under field inquiry.

As regards the departments which we covered in CWG, the inquiries and the cases are registered against the officials of the Organising Committee, MCD, NDMC, DDA, CPWD, PWD, Prasar Bharathi and MTNL: Maximum number of cases were registered in the matters related to the Organising Committee. Eight regular cases and three preliminary inquiries pertain to the matter relating to the Organising Committee, followed by NDMC where we registered three cases and two preliminary inquiries, in DDA matters two regular cases and two preliminary inquiries, and against CPWD we registered two regular cases. One case each was registered in respect of PWD, Prasar Bharati, MTNL and MCD matters."

#### 10.4 The DIG further stated:

"In terms of the percentage of cases, 42 per cent of the regular cases and 30 per cent of the preliminary inquiries belong to the Organising Committee whereas 11 percent of regular cases and 20 per cent of PE belong to DDA. The rest are evenly distributed among various other Departments.

As regards the number of accused who are named in these inquiries, maximum are from DDA-24, CPWD-18, NDMC-9, and PWD-14. Rest are from the other Departments.

As regards the matters covered, nine matters were related to procurement contracts. Twelve were related to construction related issues. One was regarding the recruitment issue; five were consultancy related issues; and one was regarding the misuse of facilities by the officials.

The important matter of CPWD which we have covered in CWG include lawn ball contracts, updation of Shyamaprasad Mukherjee Swimming pool etc.

As regards the MCD, we took up matters relating to street-lighting, a case which has been charge-sheeted and seven accused are facing trial. In the DDA, we took up matters related to contracts for the sports items for games village and the bail out package for CWG village, Siri Fort Indoor stadium, laying of synthetic tracks etc.; some of these matters are still under investigation or at different levels of legal scrutiny. As regards NDMC, we took up issues relating to street lighting, redevelopment of Connaught Place, consultancy work of Talkatora Stadium and Sivaji Stadium, and upgradation of Talkotra Stadium and renovation of Sivaji Stadium. Regarding the OC, we took up issues related to games workforce contract, appointments in OC, issue of complementary tickets, games news service contract, merchandizing contract and the overlays contract.

One matter was related to the host-broadcasting contract in Prasar Bharti which has been closed and the closure report has been filed in the trial court, for lack of evidence or criminality on the part of the concerned officials. However, we have recommended to the Department for certain systemic improvements in the case. As regards PWD, we took up issues relating to Salimgarh Fort by-pass construction; Gazipur three-level grade separator construction and street lighting. Also, one matter is related to MTNL regarding the telecom services contract. All the allegations can be broadly classified in three categories – one is regarding irregularities in award of contracts where either there is a problem in the selection of firms or the flouting of guidelines or procedures in selection or favouring a particular firm over others. The second set of allegations pertain to the infrastructure related matters where there is a faulty preparation of estimate by the construction agencies; there has been cost inflation and justification for that inflation, use of sub-standard material in construction, faulty construction and sub-contracting of work by the main contractor. The third set of allegations relate to undue gains to the private parties and consultants without performance of any substantial work. These are broadly the allegations which we have covered."

10.5 Asked to furnish the details of the Regular Cases/Preliminary Enquiry closed indicating *inter-alia* the allegation in brief, the source of complaint, the name of the accused, the reasons for closure, acceptance of the closure report by the Trial Court and estimated loss, if any, caused to the Government, a detailed information was furnished to the Committee which is shown at **Annexure-XVIII**.

10.6 When the Committee desired to know the reasons for the inordinate delay on the part of the CBI in the completion of the investigation of cases, the Director, CBI submitted in evidence as follows:

"Sir, you have rightly said that delay in investigation of cases portrays some sort of sluggishness on our part. But I can assure you, as you have said, probably you have a feeling that a large number of cases are pending in the CBI. The actual position is that we are keeping track of all the cases which are under investigation and which have become more than one year old. They all come to the Head Office and we take very serious note of it. The exact number, I will be giving to you because I do not have readily available the number of cases which are older than two years. But whatever cases become older than two years, we regularly monitor the progress of the cases. The pendency of cases is because the investigation has to be done in foreign countries. You will agree that what is in our hands is to send letter rogatories. The execution of letter rogatories is in the hands of foreign agencies and we keep them reminding about those cases. Sometimes, our officers visit those places after consulting their counterparts. There are not large number of cases which are pending with us. Unfortunately, all these high profile cases which come to the public notice, they involve investigation in foreign countries because we do not get adequate response

from those countries because of political or financial reasons. This is one of the reasons why cases remain pending.

The other aspect is, as you know, we are terribly short of manpower strength. CBI is a deputationist organisation. We get officers from different organisations who come on deputation to us and not many police officers are willing to come to the CBI. That has been a perennial problem with us. The hon. Supreme Court has taken up this matter and they are giving instructions to the Government of India in response to which several Special Courts have been set up and our manpower strength has also been strengthened. But the fact is that not large numbers of cases are pending with us. Unfortunately, only high profile cases about which public glare is there, only in those cases we have not been able to proceed further."

10.7 The Committee then drew the attention of the Director, CBI to a particular case registered wherein three close aides of Shri Suresh Kalmadi, namely S/Shri T.S.Darbari, Sanjay Mahendru and Jayachandran were arrested in November 2010, but the CBI could not file the chargesheet within the stipulated time of 60 days for which the accused persons were released on bail. Asked to respond for the failure of the CBI in filing the chargesheet within the stipulated time, the Director, CBI responded as under:

" Regarding the specific case, I think my DIG will respond. About the general observations that you have made, I fully agree with you that in certain cases delay does take place. But there are reasons which you are all aware about those things. For example, if we have to take any action against an officer of the rank of Joint Secretary or above, we have to seek the approval of the competent authority. Again, if you have to file a charge-sheet against an officer of the rank of Joint Secretary and above, again a prosecution sanction has to be given by the competent authority. In many of the issues, what has happened is that we have sent the report to the concerned Ministry and they keep on examining it for long periods."

10.8 Supplementing the Director, CBI, the DIG, Anti Corruption deposed:

"Sir, if I understand correctly, you are referring to the case relating to the Queens Baton Relay. This event was conducted in U.K. In this case, I would like to inform you that we had to conduct some foreign investigation in U.K. and the LR is still pending and only a part execution has come from U.K. and the other part is still pending. So, the delay was only on account of the foreign investigation. But we have already filed charge sheet in that case. Now during the course of trial, the court would expect from us to get the result of LR from UK which we are pursuing with the UK authorities."

10.9 Referring to the lack of cooperation from the foreign countries in a large number of Letters Rogatory, the Committee asked whether in the last few years there had

been any distinct improvement in view of India's subscription to the International Transparency standards. In reply, the Director, CBI submitted as under:

"..... The reason why we do not get ready response from foreign countries in execution of LRs to some extent is because of the fact that the legal system is different in different countries. We do not have the experts who prepare Letters Rogatory in the manner in which those countries would like to have it. Therefore, sometimes it so happens that our legal officers prepare LRs and say it is sent to a country in Latin America or the USA, they would come back to us saying that they need further information on such and such issues. So, in a number of cases, a lot of communication keeps on taking place. Now what we have suggested to the Government is that in those countries to which we have sent Letters Rogatory, our emissary through MEA can take on contract some legal person who will advise us how to prepare LRs which is in compliance with their legal requirements. We have also invited some of their officers from those countries to train our boys and legal officers how to prepare Letters Rogatory which are in conformity with the legal requirements of those countries. So, it is not that we are not acting upon to improve the system but somehow there are some lacuna and I think we will be able to fill them up."

10.10 The Committee then enquired whether any cadre restructuring proposal had been formulated by the CBI to overcome the shortage of manpower that was reportedly hampering timely investigation of cases. In response, the Director, CBI explained:

"Regarding the cadre management that you have stated, it is in the purview of DoPT and we have already sent a modernisation plan. According to that, some strength has already been increased. The problem is that even when this strength is increased, we do not get suitable officers to fill them up. As you know, we do a lot of internal inquiries before officers are inducted at different levels. The procedure is also long because if an officer of the level of DSP is to be inducted, we have to go through UPSC. It is not that Director on his own can induct. I can induct officers only up to the rank of Inspector. If the officer is of the gazetted cadre, it has to come through UPSC. We have sent a proposal that the Director should be given power to at least induct officers of the rank of DSPs. The Officers of the rank of SPs and above, of course, we have to go through CVC and then DoPT. So, those procedural delays are there and the Ministry says that unless you fill up the strength that they have already sanctioned to us, why you are asking for more strength. So, that is the problem but I think we will deal with it."

10.11 Another representative of the CBI submitted:

"....Our main problem is the enormity of the case which comes to sometimes to the extent of examining 400 witnesses and we sometimes collect upto 3000 files.....In spite of all these odds, we used to have a yardstick of two years pendency in our CBI, but over a period of time we have brought it down to one

year. We have prescribed that beyond one year we will not tolerate. As a result, the number of two years old cases pending for investigation has come down drastically and we are even trying to work out cases within one year."

10.12 In response to a specific query of the Committee, a representative of the CBI submitted:

"Sir, I would like to assure you here that during the investigation of all these cases, all relevant recommendations and conclusions of the Shunglu Committee and also of C&AG, including that of special audits conducted by C&AG wherever concerned had been fully taken into account while reaching our own conclusions".

10.13 *During a series fresh evidences taken, it came to the notice of the Committee that the number of cases under CBI investigation had increased from 29 to 33 and there had been progress in several cases. The statement of department/agency-wise details of CBI cases and their status is annexed.*

## PART - II

## OBSERVATIONS/RECOMMENDATIONS

INTRODUCTORY

1. The XIX Commonwealth Games were held in Delhi from 3<sup>rd</sup> to 14<sup>th</sup> October, 2010. The competitions were held in 18 disciplines (including one discipline for Elite Athletes with Disabilities). 7572 Athletes/Coaches/Officials from 71 Countries and territories of the Commonwealth participated in these Games. India with a total of 101 medals viz. 38 Gold, 27 Silver and 36 Bronze stood second in the medals tally ahead of major sporting nations such as England, Canada and South Africa. The exceptional and outstanding performance of the Indian Sportspersons made the country proud and the successful conduct of the Games, including the spectacular Opening and Closing ceremonies, won national/international acclaim. However, there was a serious scare on the eve of the games that preparations might not be completed in time, with various delays prompting a fire-fight towards the fag end of the preparation period. This prompted the C&AG to go in for a performance Audit. In their Report No. 6 of 2011-'Performance Audit of XIXTH Commonwealth Games' they have outlined the rationale for taking up the performance audit thus the events leading to the conduct of the games had attracted severe adverse attention. There were reports of irregularities in the award of contracts, delays in construction of stadia, games village and related infrastructure, procurement of equipments of inferior quality or purchase of routine items at exorbitantly high prices. The Media as also other agencies, were vociferously pointing fingers at Government and the OC on account of both delays in the preparedness and also excessive expenditure. There were not only veiled allegations of serious leakage of Government funds and favouritism in award of contracts, but also direct indictments of officials in positions in the different agencies entrusted with either the hosting of the games or developing stadia and associated infrastructure. Such adverse publicity undermined the tremendous achievements of our sports persons, and indeed, even the successful conduct of the games." The Games were allotted to Delhi in November, 2003 at the General Assembly of the Commonwealth Games Federation (CGF) held at Montego Bay, Jamaica. The Host City Contract (HCC) was entered into by the CGF with the Indian Olympic Association (IOA), Government of India (through the

Ministry of Youth Affairs & Sports) and the Government of National Capital Territory of Delhi (GNCTD) on 13<sup>th</sup> November, 2003. The Organising Committee (OC) became a Signatory later on, after it was formed. A Group of Ministers, under the Chairmanship of the Human Resource Development Minister, was constituted on 3<sup>rd</sup> September, 2004 for coordinating the work relating to the organization of CWG-2010. This GOM was reconstituted on 22<sup>nd</sup> March 2007 and 11<sup>th</sup> July, 2007, with the HRD Minister continuing as Chairman. These GOMs held 14 meetings. On 23<sup>rd</sup> June, 2009 a new GOM was formed under the Chairmanship of the Urban Development Minister to review the projects and take decisions as required to facilitate smooth implementation of all activities connected with the CWG. This new GOM held 34 meetings, increasing the frequency of its meetings to about once a week, in view of the fast approach of the CWG-2010. The role and responsibilities of the preparation and conduct of the Games were demarcated among the Ministries of Youth Affairs & Sports (Department of Sports), Urban Development, Home Affairs, Health and Family Welfare, Information & Broadcasting, Communications & Information Technology (Department of Telecommunications), Tourism etc., the Organising Committee and the Government of National Capital Territory of Delhi. The Committee's examination of the subject based on the Audit findings and with special reference to the demarcated responsibilities amongst the various Ministries/Departments of the Government of India, including the PMO, and the Agencies/Departments under their administrative control besides the Organising Committee, has revealed certain systemic flaws viz. undue delays in decision making process, overlapping of powers and functions; ambiguities in designation of the responsibilities, delineation of boundaries by individuals and entities etc. While unanimously acclaiming the success of the CWG 2010 and the highly commendable performance of the Indian Sportspersons and acknowledging the effective intervention by the Government in deputing 10 Joint Secretary/Additional Secretary level Officers to accelerate the Games readiness, the Committee record their considered opinion and recommendations in the succeeding paragraphs.

However, the Committee would like to make a special mention that these projects were approved in principle in 2005, and, the valuable time of 2 years was lost, and no steps taken to conceptualize the projects. It was during 2007 that the projects

were conceptualised and keeping in view the paucity of time, hurried steps were taken to complete these projects. If these projects were completed in time and the games not held, it would have become a matter of National shame. The Committee therefore noted that while the departments who completed the projects could be advised to be more careful in future, at the same time the officers who completed these projects running against the time, are to be appreciated as well. The Committee have also noted that the sanitation and general cleanliness of the towers was the responsibility of DDA, who had constructed those towers on PPP model. However, when these towers were visited by the team from Commonwealth Games Secretariat, it was observed that the towers were not even in habitable condition. DDA, MCD and ITDC raised their hands and expressed their inability to clean up the towers and make them habitable.

## ROLE AND RESPONSIBILITY OF THE PRIME MINISTER'S OFFICE (PMO)

### Distortion of the Minutes of the First Meeting of the GOM

2. The Committee note that as per the draft Minutes prepared by MYAS, one of the major decisions taken in the first meeting of the GOM held on 25<sup>th</sup> October, 2004 and chaired by the Prime Minister was "Setting up of an Organising Committee under the Chairmanship of the Minister, Youth Affairs & Sports for creation and development of infrastructure facilities and conduct of XIX Commonwealth Games, 2010. The Executive Board shall also be chaired by the Minister, Youth Affairs & Sports." Strangely, the Cabinet Secretariat while finalizing the Draft Minutes, as submitted by the MYAS, changed the above decisions as "An Apex Committee on Commonwealth Games may be set up under the Chairmanship of the Minister of Youth Affairs & Sports for monitoring and reviewing of activities relating to the conduct and organizing of the Games and establishment of the required infrastructure." The Prime Minister approved the Minutes on 5<sup>th</sup> November, 2004. The Committee also find that the President of IOA had also written letters to the PM



to the effect that Chairman of the Organising Committee as shown in the initial bid as 'Government Nominee' was removed at the time of evaluation commissions meetings and was also confirmed at the General Assembly of the Commonwealth Games Federation at Montego Bay. The Committee also find that President of IOA was to serve as the Vice-Chairman of the OC. On 26<sup>th</sup> October, 2004, a day after the GOM's first meeting, Shri Kalmadi, giving reference to his earlier letter, again wrote to the Prime Minister *inter-alia* suggesting that the then Sports Minister, late Shri Sunil Dutt be made the Chairman of the Steering Committee to oversee the entire ambit of the Games whereas the President, IOA (Shri Kalmadi himself) be made the Chairman of the Organising Committee. The Committee also note that On 2<sup>nd</sup> November 2004, three days before the Prime Minister accorded his approval to the final Minutes of the first meeting of the GOM as submitted by the Cabinet Secretariat, Shri Kalmadi again wrote to the PM *inter-alia* apprising him that at the General Assembly Meeting of the Indian Olympic Association held on 1st November 2004, a Resolution was passed by the House, electing him (Shri Kalmadi) as the Chairman of the Organising Committee of the Commonwealth Games, 2010 to be held in Delhi. In this context, the Committee find that late Shri Sunil Dutt, the then Minister of Youth Affairs & Sports had written to the Prime Minister *inter-alia* stating that "The Minutes, as issued by the Cabinet Secretariat, do not reflect the decisions taken in the meeting of 25<sup>th</sup> October, 2004 regarding various aspects of composition of the Organising Committee. It seems the word 'Apex' instead of the word 'Organising' has been used inadvertently in Para 8(ii) of the Minutes. Moreover, the decision regarding constitution of Executive Board under my Chairmanship has not been recorded.....You may kindly consider issuing directions to amend the Minutes accordingly." According to the PMO, the Cabinet Secretary's note while enclosing a copy of the draft Minutes prepared by the MYAS, had stated that based on the draft Minutes received from the MYAS, the Cabinet Secretariat had finalized the Minutes of the meeting and the same be approved by the Prime Minister. But the Committee are not convinced with the stand taken by the Cabinet Secretariat that the Minutes were finalized based on the draft Minutes submitted by the MYAS as the draft Minutes record one thing and the final Minutes say something different. It is surprising that despite the then Sports Minister's request to amend the Minutes and withhold its circulation, pointing out the factual inaccuracies there in, no corrective

action was taken. The Committee found no strong justification for appointing the President of IOA as Chairman of organizing Committee when the bid document originally assigned him the role of vice chairman. They feel that the verbatim record or video/audio transcripts of the first meeting of the GoM, if any, should be used to corroborate the changes incorporated in the minutes. They also observe that while the Prime Minister as the approving authority of the minutes have every right to amend the minutes, the record of the proceedings would clearly bring to light whether the draft put up to him for approval was a true reflection of the decisions taken during the first GoM meeting or whether the facts have been twisted before placing the minutes for his approval. They recommend that proper and established procedures and institutional arrangements should be in place, including verbatim record of proceeding, if not in place, and meticulously adhered to, rather than sharpening skills to explain away deviations from norms and inadequacies.

#### Non-circulation of the Minutes of the second meeting of the GOM

3. The Committee note that one of the agenda items of the second meeting of the GOM held on 14<sup>th</sup> January, 2005 was the appointment of the Chairman, OC. But surprisingly the Minutes of this Meeting were not circulated. The PMO have explained that the reasons for not issuing the Minutes of the second meeting of the GOM can be best explained by the Ministry of Youth Affairs & Sports, the Servicing Ministry for the CWG-2010 as per the Cabinet Secretariat O.M. dated 3<sup>rd</sup> September, 2004. Intriguingly, while the Minutes prepared by the MYAS are arbitrarily changed, as happened in the case of the first meeting of the GOM, on the other hand when the Minutes of the second meeting containing one of the most important agenda items stand not circulated, the responsibility is entirely shifted to the MYAS. The Committee are unable to accept such a specious argument. The Committee are of the considered opinion that Cabinet Secretariat could have prevailed upon the MYAS and ensured the circulation of the Minutes of the second meeting of the GOM which contained most important agenda items so as to foster transparency and accountability. However, the MYAS received the minutes back from the cabinet secretariat after the decision to appoint the President of IOA had been implemented, and that too, undated. The Committee therefore place on record that the cabinet secretariat cannot wash their hands in the matter as there exists a very strong

connection between the non-circulation of Minutes of the second GoM meeting and the drastic change in content of the draft Minutes put up by MYAS and the final minutes which the Cabinet Secretariat had amended and gotten approval of the Prime Minister. The Committee abhors this culture of “passing the buck” and desire that the Cabinet Secretariat should rather lead by example and encourage a culture of pro-active disposition to work and take up responsibilities with accountability. The Committee, while not condoning the Cabinet Secretariat’s apparent bending to political pressure rather condemns the manner in which the highest institutions of government were allowed to be manipulated by extraneous influences and desire that remedies to ensure non-recurrence of such ignominious incidents be put in place.

#### Appointment of the Chairman, OC

4. The Committee note that the President of the Indian Olympic Association (IOA) was appointed as the Chairman, Organising Committee (OC) on a recommendation of the PMO in December, 2004. The PMO have explained that they have examined in detail the issue of appointment of the Chairman, OC after taking into consideration the CGF's resolution to entrust the organising and hosting of the Games to the IOA; the stipulations of the Games Management Protocol 2 of the HCC for establishing the OC by the IOA; the Finance Minister's suggestion to consider and adopt the organizational structure of the 1982 Asia Games, with suitable improvements, etc. In this context, the Committee find that the then Sports Minister in his letter dated 14<sup>th</sup> November 2004 to the Prime Minister had *inter-alia* objected to the resolution of the IOA appointing Shri Kalmadi, President IOA as the Chairman of the OC. The Committee also find that during the months from October to December, 2004 Shri Kalmadi kept insisting on past precedents, including the Asian Games, 1982 that he ought to be the Chairman, while the then Sports Minister's stand that on the precedent of 1982, he ought to Chair the Organising Committee. The PMO's statement, that the institutional arrangements put in place for the 1982 Asian Games indicated that a special Organising Committee was set up by the IOA and not the Government, does not convince the Committee as the 1982 Asian Games were *de facto* organized by the PMO, irrespective of the *de jure* arrangements put in place. It is thus evident that the lobbying and insistence of Shri

Kalmadi far outweighed the concerns expressed by the then Minister for Sports. As subsequent developments surfaced, the Committee have not an iota of doubt that the imprudent decision to appoint Shri Kalmadi as the Chairman, OC despite serious objections from the erstwhile Sports Minister, cost dear as it facilitated the conversion of the originally envisaged Government – owned OC into a Body outside the Government control, without commensurate accountability to the Government and concomitant controls to ensure propriety and transparency, despite full financial guarantee and funding from the Government. During further evidence on the subject on 25/10/2016, the committee noted that taking cue from the Audit observations and the Committee's guidance, the Sports Ministry have successfully organized the South Asian Games and the BRICS under-17 tournament where the Minister of Sports himself was Chairman of the Organizing Committees as well as the Executive Committees, and where a majority of the people in decision making positions were people answerable to Parliament. The Committee appreciate that the Government has learnt some lessons and have implemented changes in subsequent organization of games where the Ministry of sports and its subsidiary autonomous bodies were tasked to conduct international events with much more tact, economy and transparency. They desire that such frameworks and institutional arrangement be further fine-tuned and strengthened to enable the country to host greater events like the Olympics, etc. in future. They also desire that concerned Ministries and bodies should continue efforts to build capacities comparable with the best globally.

#### Manipulation of the system by the Chairman, OC

5. The Committee find that Protocol 2(1.1) of the Games Management Protocols of the CGF states, "The Federation shall entrust the CGA of the host country with organization of the Games. The CGA shall establish an OC which shall have legal status and shall delegate the organization of the Games to OC, which shall work in conjunction with the CGA and shall be jointly and severally responsible to the CGA for all commitments including financial commitments in regard to the organization and staging of the Games." The CGA, in case of India, was the Indian Olympic Association. So entrusting the organization of the CWG to the OC established by the CGA/IOA might be justified. But nowhere the Protocol of the CGF says that the

President of the IOA should be the Chairman of the OC. Rather, the original bid document clearly stipulated the role of Vice-Chairman of the OC to President of the IOA, and the submission of revised bid document strongly hinted that the exercise was done to enable the appointment of the President, IOA, as Chairman of the OC. Further, during the registration of the Society i.e. OC, its Memorandum, Rules, Executive Board, Membership were finalized in 2005 without the approval of the GOM or consultation with the MYAS. The Committee feel the Government should have swung into action and asserted its rightful authority then. The then Secretary, MYAS' admitted before the Committee that the issue of IOA was a more complicated one, speaks volumes of the state of affairs in the IOA. In short, the Committee feel that had the Government so desired, they could have easily ensured the resignation of Shri Kalmadi from the Presidentship of the Indian Olympic Association/Commonwealth Games Association. Since the Government did not do so, Shri Kalmadi was able to manipulate the system in unauthorizedly setting up the OC and becoming its Chairman and subsequently engaging in profligacy and unlawful activities untrammelled. The Committee desire that the government give an assurance to have systems and procedures in place to ensure such manipulations by influential individuals without accountability in government never recur.

#### Prime Minister's instructions to generate monthly status of progress reports

6. The Committee note that the Prime Minister, during a meeting convened on 7<sup>th</sup> August, 2006 to review the status of the preparation for the CWG 2010, had desired that milestones be set for ensuring timely execution of various key activities, responsibility be fixed for these activities and a system be established which gives a monthly status on the progress made on completing these activities. But much to the dismay of the Committee, the first monthly status report on the progress on the Games related activities was generated in October, 2008, i.e. more than two years after the Prime Minister's direction. The PMO's submission that the reasons for delay in generating the monthly progress report can be best explained by the MYAS, appears evasive at best. The Committee are aghast to note that Government stirred into action on 7 August, 2006, more than two years after the appointment of Chairman, O.C and desired monthly progress report which was first generated after a lull of two years in October, 2008. Though Cabinet Secretariat cannot absolve

themselves of their responsibilities the then Minister in charge (2006-2008) who was reportedly against hosting the games and the officials of MYAS undoubtedly failed and were guilty to dereliction of duties. As a sequel, precious four years were lost and projects were undertaken hurriedly at the fag end at inflated cost. The Committee desire that responsibility be fixed and exemplary punitive action taken in the matter. Equally unacceptable is the contention that there did not appear to be a need for separate follow up by Cabinet Secretariat as the roll-out of the Web-based Project Monitoring System was being regularly monitored by the Committee of Secretaries (COS). Had this been properly monitored by the COS, there would not have been a delay of more than two years. The Committee are of the considered opinion that the PMO is duty bound to ensure that the instructions of the Prime Minister are given effect to by all the line Ministries/Departments. The Committee, therefore, reiterate that when it comes to directions of the Prime Minister pertaining to projects of utmost national importance, the PMO should have ensured their effective followup and timely implementation.

#### Deputation of Senior Government Officers as a fire fighting measure

7. The Committee are glad that to observe during a meeting convened on 14<sup>th</sup> August 2010, just two months before the CWG-2010, the Prime Minister, while observing slippages in the time schedules of some of the construction works and deficiencies in some other works, had given several directions. As a result of one such direction, the Cabinet Secretary identified some senior officers of the Government of India to oversee the preparations at the major venues, solve coordination matters and bring to the notice of the Cabinet Secretary and the Sports Ministry problems that needed to be resolved. After the approval of the Prime Minister, 10 such officers of Additional Secretary/Joint Secretary level were assigned the responsibilities and their effective functioning ensured the ultimate success of the Games. Needless to say, this emergency mechanism of positioning senior Government Officers albeit late, at the behest of the Prime Minister ultimately saved the day and proved that Government intervention can bring crisis management. While applauding the concerns of the Prime Minister and reminding that CWG Melbourne was conducted by a Corporation incorporated by the Government with clear and efficient Management, the Committee leave it for the

Government to decide whether it would be prudent to entrust organization and conduct of future mega Games to a Body without commensurate accountability to the Government, more so when full financial guarantee and funding from the Government are made.

**Concerns expressed by the the Sports Ministers and the Secretary, MYAS**

8. As mentioned earlier, Shri S.K. Arora, the then Secretary, MYAS in his letter to the PMO, had *inter-alia* flagged the need for balancing the OC's need for operational flexibility with transparency and public financial accountability and also indicated that in the extant legal framework of the OC, it was unlikely that the Government representatives would be able to discharge their responsibility of ensuring transparency and accountability in the management of the OC. Shri Mani Shankar Aiyar, the then Sports Minister in his letter to the Prime Minister had *inter-alia* suggested that a Minister of State from the younger MPs be appointed as Chairman of the revamped Executive Board of the rejigged OC and thus ensure that the organization of the Games is delivered economically, efficiently and with good taste. Though the PMO have explained in detail the action taken on the concerns expressed by the then Sports Ministers and the Sports Secretary, the Committee find that they proved to be far from adequate as the subsequent events unfolded. Though the Games were finally held successfully after the Government intervention at the last moment on the suggestions/concurrence of Shri M.S. Gill, the then Sports Minister, they were not delivered economically as apprehended by Shri Mani Shankar Aiyar. Further, the Government Representatives were not able to effectively discharge their responsibility of ensuring transparency and accountability in the management of OC, as prophesied by Shri S.K. Arora. It is thus apparent from the above that the Government were not able to restrain the Chairman, OC from indulging in profligacy with scant respect to the rules and regulations. In short, the Committee are of the firm opinion that the Government should assert its authority when the occasion so demands so that problems are nipped in the bud. The committee desire the government should learn lessons to strengthen its institutions and procedures to check such scandalous undermining of the institutions and incumbents of positions of responsibility.

**ROLE AND RESPONSIBILITY OF THE MINISTRY OF YOUTH AFFAIRS AND SPORTS  
& THE ORGANIZING COMMITTEE (OC)**

**Approval to the IOA Bid without obtaining or examining it**

9. The Committee are perturbed to note that approval was given to the IOA for bidding, without obtaining or examining the IOA bid. The Ministry's submission that no records are available as to why the Bid Document was not obtained before submitting the Cabinet Note on 20<sup>th</sup> May, 2003 is self-explanatory of the opaque system prevalent in the Ministry. The Committee decry the Ministry's presumption that it might have been done due to paucity of time, in view of the indisputable fact that Rules/Regulations cannot and should not be ignored or bent to favour any individual/entity on the plea of paucity of time. The Committee also outright reject the Ministry's contention that the significance of the Bid Document should not be overemphasized on the plea that such Document for any Games is more in the nature of a presentation about the city, its tourist destinations, transport and entertainment facilities, hotel accommodation, etc. In view of the fact that the Bid Document incorporated the estimated expenditure and revenue figures besides certain mandatory conditions of the CGF for staging the Games, the Ministry should have realized its true significance instead of trying to defend the indefensible. The fact remains that the Cabinet Note of May, 2003 was prepared by the MYAS without obtaining/consulting the Bid document submitted to the CGF which facilitated the distortion of the Original Bid Document by IOA at a later stage. In other words, the IOA changed the Bid Document and presented a Revised (Updated) Bid Document to the CGF, though the Country won the right to host the CWG-2010 on the basis of the first Bid Document which was never scrutinized by the MYAS. It is pertinent to cite here the recorded but uncirculated Minutes of the Second Meeting of the GOM held on 14<sup>th</sup> January, 2005 which inter-alia states "It was observed that material changes in financial as well as structural aspects of the Organising Committee, as proposed in the original Bid Document, were made by IOA unilaterally. This revised Bid Document was sent to the Ministry only in September, 2004." The Committee are of the firm view that the inability of the MYAS in obtaining the first Bid Document, on the basis of which the CWG 2010 was awarded to India, facilitated unilateral financial and structural changes of the OC by the IOA. Cautioning the Ministry to



guard against such complacency in future, the Committee desire that henceforth the Ministry should unfailingly display marked alacrity and exercise due diligence in matters of immense national import.

Consultation with the MoF in the form of obtaining their written comments on the Cabinet Note

10. The Committee note that the Cabinet Note of May, 2003 clearly laid down that the financial implication relating to the staging of the Games would be further examined and discussed with the Ministry of Finance and the IOA, in case the Games were allotted to India. But reportedly due to paucity of time, consultation with the MOF took place in the form of obtaining their comments on the Cabinet Note which were incorporated alongwith the comments of other Ministries concerned. The Committee feel that when the approval of the Cabinet was sought to enter into the Host City contract, underwrite any shortfall between revenue and expenditure of the OC, set up the Games village, construct indoor and outdoor stadia, etc. which involved huge financial implications, the matter should have been discussed threadbare with the MoF and that too on a number of occasions. The MoF also should have examined the financial implications more seriously instead of just granting its approval. The Committee, therefore, desire that henceforth whenever any mega sports events are organized in the country, the MYAS, instead of just obtaining written opinion on the Cabinet Note, should deliberate upon the financial implications with the MoF so as to make realistic budget estimation and avoid wasteful expenditure.

Illegal changes in the Updated/Revised Bid

11. The Committee observe that after the award of the Games to the country on the basis of the first Bid Document presented in London in May, 2003, the IOA presented an updated (Revised) Bid to the CGF in December 2003 wherein the IOA offered to each of the CGAs (representing all the 71 Commonwealth Countries) a Training Grant of US \$ 100,000 to be handed over immediately after the Melbourne CWG-2006. According to the Ministry, such commitment by the IOA was brought to their notice for the first time through a letter dated 6<sup>th</sup> September 2004 from the Director, Coordination, IOA. Accordingly, the then Minister, YAS (late Shri Sunil Dutt) took up the matter with the Chairman (HRD Minister), GOM. In their 4<sup>th</sup> meeting

held on 17<sup>th</sup> March, 2005 the GOM decided that for the components of expenditure that had not formed part of the Original Bid Document but where additional commitments were made by the IOA, detailed proposals in this regard alongwith the financial implications be placed before the Cabinet for approval. The Committee find that the matter was placed before the Expenditure Finance Committee (EFC), chaired by the Finance Secretary, in its meeting held on 13<sup>th</sup> September 2006 and the recommendations of the EFC, that the international commitments made by the OC would need to be honoured, were placed before the Cabinet and approval obtained on 15<sup>th</sup> March, 2007. What concerns the Committee immensely is the fact that though the Finance Secretary enquired about the need for offering US \$ 100,000 to each CGA including countries like UK, Canada and Australia, the Chairman, OC who was present in the meeting convinced the Finance Secretary that the need to offer training grant arose during the final bid process to clinch the issue against Canada's competing offer. In view of the fact that the Games were awarded to India on the basis of the original Bid, where there was no mention of the training grant amount, it is intriguing as to how the Finance Secretary was convinced with the argument put forth by the Chairman, OC to approve the training grant which was illicitly incorporated in the Revised Bid Document. Thus it is quite evident that the IOA made illegal changes in the Original Bid Document without taking the MYAS and the MoF into confidence and for some inexplicable reasons both the Ministries remained mute spectators to the theatrics of the Chairman, IOA/OC and convinced with his unreasonable and outrageous proposals. The Committee feel that when the matter was brought to the notice of the MYAS in September 2004 and upon the intervention of the then Sports Minister, when the GOM directed in March, 2005 to prepare detailed proposals including the financial implications for Cabinet approval, the MYAS should have acted swiftly and placed the matter before the EFC timely. As the matter was placed before the EFC one and half years after the GOM's instructions, there might have been no other options left with the Government, but to validate the Chairman, OC's profligate proposal. The Committee recommends a fresh CBI probe into the approval for inclusion of training grant in the revised bid document when the games were already won the basis of the original bid.

**Multiplicity of Committees/Bodies resulting in lack of communication and coordination**

12. Notably, many Committees and organizations namely, the Organizing Committee, Committee of Secretaries, Empowered Committee, Security Committee, Infrastructure Monitoring Committee, Venue Coordination Committee, Stadium Committee, etc. were set up for the conduct of CWG-2010. The MYAS were candid enough to admit that with the involvement of many agencies and a large number of contractors and sub-contractors under them, lack of communication and coordination among various agencies and sub-agencies could not be avoided and this resulted in unsynchronized timelines and deadlines leading at times to stretching of completion schedules. Apparently, it follows that the setting up of multiple Committees/Bodies which were supposed to oversee proper coordination and efficient management of Games did not serve the purpose. As also agreed to by the MYAS, the Committee feel that substantial improvements in the system are warranted to ensure seamless coordination and effective management of multidisciplinary mega sports events in future with a view to minimizing time and cost overruns. The Committee note that the MYAS has successfully conducted the South Asian Games successfully in 2016 with lessons drawn from the shortcomings noticed in the conduct of CWG 2010. They desire that the new template or system be further strengthened and capacities built up to make the country capable of hosting the biggest games/events in the world.

**Award of contracts by OC without inviting tender**

13. The Committee note that out of the four contracts awarded by OC to Event Knowledge Service (EKS), two contracts i.e. (i) Venue brief and preparation of site plan (Part A); and (ii) Project Scheduling review and monitoring and deliver review (Part C) were awarded without inviting tender. The Ministry have reasoned that since EKS was already providing the base line services on behalf of CGF and had worked with DDA for venue reappraisal and was familiar with the local conditions, it was decided that EKS should be appointed. The Committee outrightly reject such a specious reasoning in view of the Secretary, MYAS' own admission that the Ministry were not convinced that the appointment or the creation of EKS was completely above board and therefore the matter was referred to the CBI. The Secretary, MYAS

also admitted that there was conflict of interest on the part of the President, CGF when the contract was awarded to EKS and when he became a member of the Infrastructure Coordination Committee, he should have informed and sought permission which he did not. Thus, it is apparent that the two contracts were awarded to EKS on negotiation basis and without inviting tender despite visible patronage of the CGF and conflict of interest involved in it. However, now that the matter has been referred to the CBI for detailed investigation, the Committee are sure that the Investigating Agency will take the case to its logical conclusion. The MYAS, on their part, despite having an inkling that there were serious wrongdoings, should desist from making futile attempts to defend the wrongdoings and sincerely endeavor to put in place robust checks and balances to stop recurrence of such irregularities.

#### Quantum Jump in the Budget Estimates

14. The Committee are deeply concerned to note that the initial budget estimate of an all-inclusive amount of ₹ 1200 crore, after setting off operational expenses against estimated revenue, for hosting the CWG-2010 has spiralled to a whopping ₹ 20,000 crore (approx.) and still continues to mount. The MYAS have admitted that the projections made by the IOA turned out to be grossly inadequate and it appears that the exercise was not done by professionals who had experience of earlier Games. The Secretary, MYAS was more candid in his submission that the expenditure went up mainly because of the inefficiency of the OC till March, 2009 during which period the entire infrastructure and all the works should have been completed but was not done. The Committee find that the contracts were finalized by OC in the last two years from the commencement of the Games, awarded in the last one year and executed in last six months. It speaks volumes of not only the inefficiency of OC but also of its questionable motives. Under no circumstances such delays for such a mega sports event can be condoned, as also corroborated by the Secretary, MYAS who testified, "Unfortunately, I have no way in which I can justify that delay". The Committee lays responsibility for failure to monitor the progress of preparations on the Apex Committee, the Ministries of Sports and Finance. The Committee also feels that it was imprudent for the Government to assign large expenditures to inefficient private bodies for conducting mega Games

where national pride is at stake, staggering public money is involved and more so in view of the established fact that it was only with the Government intervention that finally things fell in line.

#### No effective initial planning and projections

15. The Committee reject outright the MYAS' reasoning that the projection of expenditure for an mega event like the CWG 2010 more than seven years hence was a difficult exercise in terms of accuracy, in view of the Sports Secretary's candid confessions before the Committee that if everything had been done properly earlier on, the final costs would have been lower. Moreover, it would be an understatement to say that the final costs which were twenty times more than the estimates were far from accurate projections. As a matter of fact, no appropriate planning/projections and their effective implementation were there right from the beginning which resulted in manifold expenditure. The Committee felt there is an awning gap in capacity development in the Ministry and its subsidiary bodies and felt that efforts to develop capacity should be set afoot. The Committee, therefore, urge the Government to initiate systemic reforms so that the final expenditure of any future mega sports event remain close to the projections and every individual/entity concerned is made accountable for indulging in profligacy.

#### Complete Management Failure

16. The Committee appreciate the Secretary, MYAS' free and frank testimony that there was a complete management failure and because of such failure, the Government came to the brink of defaulting on the Games which would have created a national shame across the world and for years. The Committee find that the error of judgement on the part of the Government occurred when they believed that if the Games are moved out of the Government machinery with very straight forward and clear decisions, everything would fall in place. That it does not always fall in place and that there have to be checks and balances was not very well appreciated by the Government for which the error was compounded and almost resulted in the biggest management failure. As mentioned elsewhere, delays occurred at the initial stages because of which decisions had to be taken in haste at times and contracts were awarded on the basis of single tenders and negotiations at

some other times. Though the Government could retrieve the situation at the last moment and made the Games spectacular and successful, the Committee are of the firm opinion that had checks and balances been put in place and timely interventions made, the last minute rush could have been avoided to a large extent. As a matter of fact, this last minute rush put undue and tremendous pressure on the honest and dedicated officials/individuals/entities to meet the fast approaching deadlines whereas the dishonest ones had their own agenda. The Committee, therefore, exhort the Government to have a paradigm shift and bring in systemic improvements wherein decision making process at crucial junctures is made faster, the performers are rewarded to boost their morale and the corrupt ones are meted out with deterrent punishment to avoid such recurrences.

#### Upkeep and Maintenance of the state-of-the-art Sports Infrastructure

17. In view of the vast investments made in creating the state-of-the-art sports infrastructures, the Committee recommend that the Venue Owners should be made responsible for their proper upkeep and maintenance so that they are put to optimum use. The Committee, therefore, desire that all the stadia and sports facilities created/renovated for CWG-2010 should be made accessible for use by aspiring/established athletes/sportspersons. Further, the Ministry of Youth Affairs/Sports Authority of India, besides resorting to periodical inspection and monitoring of the Games and Training venues constructed for the CWG 2010 to ensure its proper upkeep, should also encourage schools and colleges to utilize the sports facilities created so that the budding talents are well nurtured to bring more laurels for the country in future mega Games. The Committee also recommends that an audit of utilization and maintenance of the sports infrastructure be conducted, showing revenues earned and maintenance expenditures incurred, and the report submitted to this committee, with plans for future utilization and corrective steps needed, based on the findings of such an utilization and maintenance audit.

#### Undue Leniency and delay in fixing responsibility

18. The Committee are perturbed to note that when asked to furnish status of legal/arbitration cases relating to the games, the Ministry's reply reveal that most cases have been wound up with blacklisting of officials found culpable in cases of

undue favors granted, breach of rules, and conspiracy resulting in unduly higher outgo from the public exchequer, while others are still pending either with the CVO of MYAS or with the courts. The Committee felt that mere blacklisting of officials with proven misdeeds from future games/events tantamount to condoning their mischiefs. The Committee also feel that matters under consideration of CVO, MYAS have been allowed to stagnate far too long. Further, CVO, MYAS should expeditiously dispose the cases by awarding appropriate penalty to officials found guilty within a set time frame of not more than six months. As regards cases pending in courts, the Committee feel that the Ministry in concert with the other ministries must work towards the setting up of fast track courts for all CWG related cases and wind up the cases at the earliest.

#### ROLE AND RESPONSIBILITY OF THE MINISTRY OF URBAN DEVELOPMENT

##### Abdication of jurisdiction over the CPWD

19. The Committee are anguished to note that the tussle between the Ministry of Youth Affairs and Sports and the Ministry of Urban Development on the matter of jurisdiction over the CPWD in respect to the execution of various CWG – 2010 related works. While the MYAS have, right from the beginning till August 2012, informed the Committee that the MoUD supervised and monitored the work assigned to CPWD though the Projects were funded by the MYAS, the MoUD took the stance that right from the inception of the CWG, CPWD was reporting directly to the MYAS and taking advice and guidance from them. Due to abdication of jurisdiction over the CPWD, both the Ministries failed to respond to the questionnaire of the PAC within the stipulated timeline. It was only after the intervention of the Committee that the MoUD referred the matter to the Cabinet Secretariat for clarification. The Committee were informed that while the Allocation of Business Rules, 1961 place CPWD under MoUD, the same need to be read in conjunction with the provisions of Rule 134 of the GFR, 2005 which require the respective Administrative Ministry to set up a Review Committee to review and monitor the progress of the works. It is apparent from the above developments that neither the MYAS nor the MoUD supervised or monitored the projects assigned to CPWD for the CWG-2010 as none of them was sure even after two years of the conclusion of the CWG-2010 as to which Ministry should respond to the PAC

Questionnaire. Expressing serious displeasure over the unprecedented ignorance on the part of the officials of the two Ministries over supervision and monitoring of the projects being undertaken by CPWD, the Committee strongly deprecate the shirking of responsibilities by the MYAS in monitoring and review of the projects as CPWD was engaged in completion of work connected with CWG. At the same time, MoUD being the main ministry cannot take the plea that CPWD was reporting directly to MYAS which resulted in delays in execution of work. The Committee therefore desire that responsibility should be fixed on the supervisory, reviewing and administering lapses of concerned officials in both ministries.

#### Need for granting full functional autonomy to the CPWD

20. The Committee are of the considered opinion that the confusion among the Ministries/Departments on jurisdiction over CPWD persists because while the Allocation of Business Rules put CPWD under MoUD, the GFR stipulates that the Ministry(ies)/Department(s) which sanctioned project funds to the CPWD are required to monitor the progress. Taking note that the CPWD is a credible engineering organization of the Union Government with spread over across the country engaged in a wide array of works in remote and strategic areas, the Committee recommend that the Government consider earnestly to accord full functional autonomy to the CPWD by making it an independent Department headed by a professional with the rank and status of Secretary to the Government of India like ICAR.

#### Overpayment by irregularly treating the substituted items of work as extra items

21. The Committee are concerned to note that CPWD extended undue financial favours to the contractor by irregularly treating items of work in the agreement as 'extra items' instead of 'substituted items'. In Dr. Karni Singh Shooting Range agreement, items of integral flood light were partially modified but instead of deriving rates as 'substituted items', CPWD paid market rates treating the item as 'extra item' resulting in overpayment of ₹ 0.31 crore' which of course was subsequently recovered. In Dr. Shyama Prasad Mukherjee Swimming Pool Complex, treating the item toughened glass as 'extra item' instead of 'substituted item' as treated initially, CPWD justified the rate of ₹ 15,955 per sqm in lieu of the rate of ₹



13,744.45 per sqm already sanctioned as substituted item. This resulted in an additional financial implication of ₹ 2.16 crore. CPWD justified the decision for the extra payment on grounds that for lumpsum contract, usual substitution of items cannot be operated upon on the basis of variation rates and therefore such items would be treated as new item for payment at market rate. The Committee reject this justification for the reason that in another case but in the same agreement, CPWD (Electrical Division) took a contradictory stand and had substituted some items. Apparently, CPWD adopted two different methodologies for arriving at rates in case of substitution of items in a lumpsum contract. CPWD contended that the contract was designed like this since this structure was unique in nature and it was being done for the first time. The Committee do not accept this contention as a foreign consultant was associated at exorbitant cost to do the needful in this regard. The actual overpayment was however averted due to Audit objection and CBI enquiry into the matter and subsequently the item was actually paid @ ₹ 12,976.80 sqm while finalizing the bill. While deploring the conduct of the CPWD officials concerned, the Committee recommend that the existing monitoring mechanism within the CPWD and in the administrative Ministry be revamped with a view to preempt such recurrences.

**Restrictive tendering conditions for laying synthetic athletic tracks surface resulting in high rates**

22. The Committee note that the centralized Co-ordination Committee shortlisted only three brands/manufacturers viz - Conica, Polytan and Rekortan for laying synthetic athletic tracks surfaces at five venues - i.e. Jawaharlal Nehru Stadium, Thyagaraj Stadium, Chhattarsal Stadium, Commonwealth Games Village and Polo ground of Delhi University thereby creating grounds for restrictive tendering. To ensure that these agencies could bid, CPWD diluted the eligibility criteria which included (i) completion of two works of laying athletic synthetic track surface approved by IAAF costing not less than ₹ 4 crore each in case the bidders are the manufacturers of the shortlisted brands having registered office in India; and (ii) completion of one work of laying athletic synthetic track surface approved by IAAF costing not less than ₹ 4 crore each in case the bidders are the authorized Indian representatives of the manufactures of the approved brands. The relaxation of condition from completion of two similar works to one and reduction of value of

works to ₹ 4 crore each (which was only 10 percent of the estimated cost of the work as against the generally prescribed 80 percent of estimated cost for one work, which would amount to ₹ 30.73 crore in case of an authorized Indian representative bidding) was tailor made to suit only the three bidders i.e. authorized Indian representative of each who just met the much diluted eligibility criteria and responded. The CPWD claimed that the eligibility criteria were diluted/kept in such manner that for the required scope of work wide range of bidders for execution of work were available. This is clearly a vague argument since only three brands/manufacturers were shortlisted thereby providing opportunity to bid to their authorized Indian representatives and thus ruling out the chances of having wide range of bidders. To their dismay, the Committee also find that the restrictive tendering conditions created around the tendering process by limiting the competition to three brands only resulted in a situation where the rate at which the contract was finally awarded was not at all comparable with the rates of similar works quoted or intimated at different works/stages which was as low as ₹ 2,784.00 per sqm (for the work of Ranchi stadium which was completed in January 2009). Taking advantage of the shortlisting of only three brands, Jubilee Sports Technology Pvt. Ltd., (the authorized Indian representative of Rekortan), which had quoted ₹ 4,650.00 per sqm when the rates were obtained by CPWD in June 2009 for preparing cost estimates, bid at the rate of ₹ 9,000.00 per sqm in its bid for the Commonwealth Games, 2010. Similarly, Inderjit Mehta Construction Pvt. Ltd. (the authorized Indian representative of Polytan), which had offered ₹ 4,516.05 per sqm to CPWD in February 2010 for CRPF Campus at Jharoda Kalan, bid at the rate of ₹ 8,850.00 per sqm in its bid for the Commonwealth Games 2010. Even if the rate of such an item depends on various factors like location, availability of resources, time factor, etc. there cannot be such a huge variation in the prices of similar items executed around the same time which range from ₹ 2,784.00 per sqm to ₹ 7,604.05 per sqm. Clearly, the time constraint and the artificial restriction on the agencies that could participate in the bid inhibited the possibility of re-tendering, which was exploited by the authorized Indian representatives of the three shortlisted brands. Subsequently, it turned out that the rates quoted by the bidders were much higher than the rates quoted by the same agencies for other similar projects or points of time. The Committee deplore imprudent acts of the Centralised Coordination

Committee and the CPWD which caused huge pecuniary losses to the exchequer and desire that suitable and effective measures be taken not to leave any scope for manipulation of the bidding process and award of contracts in future.

**Non-enforcement of contractual remedies and non-levy of compensation**

23. The Committee note that the CPWD did not enforce contractual remedies against the contractor to levy compensation estimated at a maximum of ₹ 30.80 crore despite the delay of eleven months in the completion of the work of constructing fixed tensile membrane roofing over the seating area of the Jawaharlal Nehru Stadium Complex due to various reasons, attributable at least partly to the contractors/sub-contractors. On the contrary, CPWD made payment of ₹ 7.02 crore as of September 2010 towards escalation of costs for periods beyond the stipulated date of completion i.e. 3<sup>rd</sup> September 2009. As the reasons for non-levy of compensation, CPWD have reasoned that there were genuine hindrances at site so much so that the last area of stadium was handed over to CPWD in June 2009, i.e. 17 months after stipulated start of work (January 2008). Further, there was a delay of at least six months due to in between introduction of a tunnel. Considering the above genuine hindrances, which are not attributable to the contractor, CPWD did not hold the contractor responsible for delay of 11 months. CPWD have further stated that notices were served on the contractor as an administrative measure to accelerate the work and to achieve the milestone, even though the delay was not on the part of contractor. These submissions are, however, only one side of the coin and CPWD have completely ignored the delays attributable to the lapses and shortcomings in the execution of the work by the contractor which *inter-alia* include three months delay due to rectification of the defective geometry of the alignment of head plates of the erected columns; non resolving of the issues regarding fabrication and erection of ramps and cat walk, erection of cable, casting of staircase, fixing of railing, drainage pipeline, etc. as of December 2009; non-installation of about 61 curbed beams, 40RT1 beams, RB beams, flood light mast and some catwalk structure units and the entire parapet even as of 4<sup>th</sup> January 2010; flaws in laying of cable; inadequate deployment of manpower, tools and machinery; inadequate expertise for fabric installation, etc. Besides, the site became hindrance free by January 2010 and CPWD issued several notices including the ones on 28<sup>th</sup>

April 2010, 5<sup>th</sup> May 2010 and 16<sup>th</sup> August 2010 holding the contractor responsible for slippages, slow progress of work and non-achievement of revised milestones. Even when the work was certified to have been completed in August 2010, it was subject to measurement, quality check and also removal of various defects in sheer walls, stair case columns, parapet, ceiling, wall tie beam, ramps, etc. The issue of notices by CPWD identifying shortcomings on the part of the contractor are testimonies to the fact that the delay was attributable to the contractor also. The Committee also find that while conveying the Administrative Approval and the Expenditure Sanction of the tunnel work, the Sports Authority of India specifically directed that erecting of roof shall not in any case go beyond 15<sup>th</sup> June 2010. Further, the work of tunnel was also awarded to the same contractor and the month of commencement of tunnel work (November 2009) falls well after the schedule date of completion of the membrane roof (September 2009). Moreover, the hindrances cited by CPWD did not crop up all of a sudden but were pre-existing and best known to the Department and the contractor before commencing the work itself. Accordingly, it was the responsibility of CPWD to design the contract in such a way that the time impact of these hindrances would have been factored into while finalizing the time frames so that these became achievable realistically and the payment towards cost escalation avoided. Considering all the above factors, it is inappropriate on the part of CPWD to say that the contractor was not liable for recovery of compensation upto maximum of ₹ 30.80 crore. While deploring inaction in the matter, the Committee recommend that the CPWD recover the compensation from the contractor at the earliest. As for the failure of the Sports Authority of India/Organizing Committee in ensuring timely availability of hindrance free site which had also contributed to time and cost overruns, the Committee desire that the total amount paid towards cost escalation for periods beyond the stipulated date of completion (3<sup>rd</sup> September 2009), if admissible, be recovered from them.

#### Regularisation of inadmissible payment

24. The Committee are concerned to observe that despite objections by Audit in November 2008, CPWD regularized inadmissible payment of ₹ 1.95 crore to the contractor on account of escalation in price of steel by involving the powers delegated to senior officers in CPWD for modifications in contractual conditions.

The Committee's examination of the matter has revealed that initially there was no mention about escalation payment in the Notice Inviting Tender (NIT) but it was included as a corrigendum. Even at that stage, the materials on which such escalation was to be allowed was not specified. CPWD claimed that the list of material on which payment of escalation of prices was applicable was inadvertently not included in the NIT and while issuing the corrigendum, the list of such material was not specified probably due to oversight. The repeated non-mentioning of the materials on which such escalation was payable weakens CPWD's claim of it being a mere omission or oversight. Even assuming that it was an act of omission, CPWD cannot keep it open ended for a long time particularly in view of the fact that Audit has been pointing out this from 2008 onwards. Needless to say the regularization of inadmissible payment of ₹ 1.95 crore on account of escalation in price of steel as per delegation of powers was an unwarranted act. The Committee, therefore, desire that the inadmissible payment of ₹ 1.95 crore made to the contractor be recovered and responsibility fixed on the officials who authorized such improper payment. The Committee further recommend that appropriate and effective measures be taken to ensure that such misuse of delegation of the authority does not recur.

#### Undue concession to a contractor

25. The Committee note that the major work of construction of new insulated metal sheet roof of Dr. Shyama Prasad Mukherjee Swimming Pool Complex alongwith roof supporting structure and its integration with the structure was awarded to M/s Ahluwalia Contracts (India) Limited at a tendered cost of ₹ 229.73 crore in December 2007 against an estimated cost of ₹ 176 crore calculated in October 2007. The difference in the bid from the estimates was partly justified by revision of the Contractors Profit and Over Heads from 10 percent to 15 percent permitted on the same date by the DG (Works), CPWD as the much extended last date to bid i.e. 14<sup>th</sup> December 2007. The Committee's examination has revealed that the Ministry of Finance had advised in this regard that the issue of enhancing the Contractor's Profit and Over Heads be decided by the Ministry of Urban Development. However, pending approval of the proposal of enhancing the Contractor's Profit and Overhead by the Ministry of Urban Development, the then

DG (Works), CPWD allowed the enhancement. Though the approval of the Ministry for enhancement was subsequently given in July 2008, the fact remains that CPWD allowed enhancement in the Contractor's Profit and Overheads without the prior approval of the Ministry. The Committee, therefore, recommend that the Ministry of Urban Development examine the matter whether the then DG, CPWD abused his position by overriding the advice of the Ministry of Finance.

Extra payment of Rs. 4.17 crore to a contractor

26. The Committee are shocked that despite clear provisions for use of stainless steel plates, bolts, nuts etc. in the item of galvanized strands for stainless steel connections in the drawings, technical specifications and notes below the item in bill of quantity, CPWD approved in February 2010 extra payment of ₹ 5 crore to M/s Ahluwalia Contracts (India) Limited (ACIL) and payment of ₹ 4.17 crore had been made to ACIL as of November 2010. The Committee find that the in principle approval for the extra item was accorded after detailed examination by the higher authorities from 18<sup>th</sup> December 2009 (the day on which the agency proposed to execute this as extra item) to 10<sup>th</sup> February 2010 (the day on which the Chief Engineer, CPWD accorded the approval for extra item). Even, payments on the basis of the approval was released. Later, after Audit objected to the payment and issued an Audit Memo, CPWD conceded in December 2010 that the item of stainless steel plates, bolts, etc. was part of the agreement item and nothing extra was payable and subsequently cancelled and recovered the payments made in this regard. Irrespective of the fact that the recoveries of the inadmissible payment have been effected, the possibility of unnecessary litigation in the matter cannot be ruled out at this stage. The Committee, therefore, desire that responsibility be fixed against CPWD officials concerned for indulging in such imprudent acts leading to pecuniary loss to the Government and stringent punitive action be taken against them.

Circumvention of bidding procedure and eligibility condition by the bidder

27. The Committee are dismayed to note that in the bidding procedure for award of the contract for composite work of Indoor Cycling Velodrome to M/s JMC Projects (India) Ltd., compliance with the condition that the agency should not have incurred

any loss for more than two years in the last five years was circumvented by a change in the accounting period in the year 2004-05. The Committee find that the eligibility condition prescribed i.e. "the agency should not have incurred any loss in more than two years during the last five years ending 31<sup>st</sup> March 2008", implies that the year mentioned in the condition should be a financial year not less or more than 12 months (i.e. April to March). By selecting and awarding the contract to JMC Projects (India) Ltd, which had incurred losses in two financial years 2003-04 and 2004-05 during the preceding five years ending 31<sup>st</sup> March, 2008, CPWD allowed the contractor to circumvent the condition. Besides, CPWD did not bother to seek clarification from JMC Projects (India) Ltd. to know the exact reasons for the manipulation of the accounting period during 2004-05 and 2005-06 to ascertain that the changes were not done to circumvent the eligibility condition to obtain the contracts. Thus, it is reasonably established that CPWD extended undue favour to JMC Projects (India) Ltd. The Committee, while deprecating the circumvention of the bidding procedure, desire that the CPWD should prescribe the eligibility conditions in the future contracts in a clear and unambiguous manner so as to make the system of awarding the contracts to the prospective bidders fool proof. The Committee are deeply concerned to find that CPWD failed to ascertain the veracity of the figures of liabilities provided by JMC Projects (India) Ltd. while bidding for Indoor Cycling Velodrome with the result that inconsistent figures of liabilities were provided by the entity. CPWD accepted liability of ₹ 1,734.36 crore as on 31<sup>st</sup> March 2008 for 66 works for the calculation of bid capacity on the basis of the contractor's undertaking that the list of ongoing works is true. The Committee are of the view that it is not a foolproof way to ascertain the facts in contractual matters as is evident from the fact that the same contractor submitted liability of ₹ 1,378.12 crore as on 31<sup>st</sup> March 2008 for 35 works in tender documents for Gymnastics Stadium work. CPWD claimed that the contractor is liable for action in case any of the data given by it is proven wrong subsequently and CPWD reserves its right for action against it in case of default. However, in the instant case, the Committee find that no action has been taken against JMC Projects (India) Ltd. The Committee believe that such inaction/dereliction of duty on the part of CPWD would only promote circumvention of eligibility conditions by the bidders thereby putting the contract at stake subsequently and desire that punitive action be taken not only against JMC

Projects but also against concerned officers of CPWD.. To avoid such a situation, CPWD ought to have a definite policy of ascertaining the veracity of figures of liabilities provided by the bidders. The Committee would like to be apprised of the corrective/remedial action taken in this direction by the CPWD.

Mid course change in work execution depriving other bidders

28. The Committee find that there was mid-course change in the execution of roof work of the Indoor Cycling Velodrome and although Lloyd Insulations were the designated sub-agency, the work was finally executed by Bemo Roof System. According to CPWD, the factor that necessitated change in roof specification was the technical infeasibility of execution of the agreement item, which could not be foreseen at the tendering stage. It was only when the shop drawings for the agreement item were submitted by the contractor i.e. JMC Projects (India) Ltd. through Lloyd Insulations, it could be seen that the agreement item with conventional rectangular profiled sheets was resulting in so much of patch work, flashing etc. in the finished roof surface, which might have been prone to water seepages and other maintenance problems. This argument is far from tenable for the simple reason that both CPWD and the contractor were supposed to be aware of this fact at the tendering stage itself before entering into the contract. Such unforesightedness reflects lack of knowledge and expertise or laxity on the part of the Engineers concerned as the roofing system ultimately had to be changed at the behest of the contractor. Moreover, even if the need to change the roofing was technical rather than on any fancy consideration, the fact remains that such a change in the midway resulted in distortion of the contracted cost figure and depriving other bidders the opportunity to participate in the competition in a fair and transparent manner as is evident from the fact that selection of another sub-agency, Bemo Roof System was done on nomination basis. The Committee, therefore, recommend that appropriate departmental action be taken against the Engineers/Officials concerned responsible for the lapse and a robust mechanism be put in place to avoid such irregularities in future.



Relaxations in tendering process without approval of competent authority

29. The Committee are perturbed to find that there were several relaxations in the tendering process which resulted directly in the selection of Swadeshi Construction Company as the successful bidder in the work of 'Improvement of roof of the Gymnastics Stadium. The eligibility criteria were diluted on grounds of the work being of specialized nature although the procedure to be followed in the case of specialized works was by passed completely. Neither was an evaluation done nor was the bidding capacity assessed as was required under CPWD rules. CPWD claimed that the modification of bid criteria was in terms of experience of similar works i.e. instead of two works each of ₹ 16.73 crore, two works each of ₹ 10 crore was stipulated and instead of one work of ₹ 26.76 crore, one work of ₹ 15 crore was stipulated. According to CPWD, this modification was inevitable to ensure that there was competitive response from a good number of bidders so that the work could be started in the exigent situation. However, the Committee find that only two bids were ultimately received, thereby nullifying the purpose of ensuring competition. Further, as per CPWD Manual (sn. 16.12.1.4), all deviations from the specified criteria should be got approved by the DG, Works but in the instant case such approval was not obtained. The Committee also find that the prequalification procedure involving evaluation and assessment of bidding capacity was not completely followed. All these circumstances substantiate that the relaxations in the tendering process were effected to ensure selection of Swadeshi Construction Company for the work of improvement of roof of the Gymnastics Stadium and the plea of diluting the eligibility criteria for having more competition which never happened was an afterthought to cover up the intentional lapses. The Committee, therefore, desire that responsibility be fixed for diluting the eligibility criteria and not obtaining the mandatory approval of the DG, Works. The Committee also exhort the Ministry of Urban Development to initiate appropriate measures so as to ensure that such questionable decisions and unwarranted deviations from the prescribed procedures on the part of CPWD do not recur.

Unwarranted relaxation to a private company

30. The Committee are dismayed to note several deficiencies/irregularities/relaxations in the selection of the same Company i.e. Swadeshi Construction for award of the contract in other works like construction of Hostel/Media Centre, roads, storm water drain and boundary wall. The deficiencies with regard to the Hostel work *inter-alia* include - non-fulfilment of the condition for experience in similar works and non-attachment of the details of profit and loss account and balance sheet as required. Swadeshi Construction Company was also ineligible for award of work for construction of roads, storm water drains and boundary wall but for a series of relaxations given to it during the evaluation at the pre-qualification stage. While the figures of turnover submitted by Swadeshi Construction Company did not separately indicate the amount attributable to construction works and though required, audited financial statements were not submitted for independent verification. The turnover of 2007-08 was also based on unaudited accounts. If this was excluded, Swadeshi Construction Company was not eligible on this parameter. In addition, the percentage of completion of the two works in progress was not indicated in the performance report. Besides, except two, none of the seven works completed in the last seven years were certified by the competent authority. CPWD submitted that the turnover of the contractor was pertaining only to construction works and the turnover of 2007-08 was given by the Chartered Accountant. The Committee's scrutiny of the reply given by CPWD in this regard, however, reveals that the turnover certificates made available did not mention anything about turnover in respect of construction works though the bid document specified that the bidders should have had an average financial turnover of ₹ 6.60 crore on construction works during the last three years ending 31<sup>st</sup> March 2008. Even the figures of audited turnover for 2007-08 mentioned in CPWD's reply appears to be erroneous. As all these deficiencies/relaxations are against the spirit of financial propriety and accountability, it can be reasonably concluded that Swadeshi Construction Company was shown undue favour. The Committee also note that Swadeshi Construction Company was awarded extra items of work of Rs. 2.48 crore without bidding. These works include cabling/feeder pillars work for CCTV at the hostel, wrestling stadium and gymnastics stadium and temporary

structure in the wrestling stadium where the main contractor was Era Infra Engineering Ltd. In addition, an amount of Rs, 0.38 crore was paid to Swadeshi Construction Company for removal of lime, moorum and building rubbish which was contractually to be done free of cost by the agency. The Committee, therefore, desire that besides censuring the CPWD officials concerned, robust mechanism of checks and balances be put in place so as to avoid such recurrences. They further desire that responsibility be fixed against CPWD officials concerned for extending undue favours to Swadeshi Construction Company.

#### Dilution of criteria to thwart competition

31. The Committee are perturbed to note that in the bidding process of the work of the upgradation and remodelling of Major Dhyanchand Stadium, the Project Manager diluted, without any recorded reasons the pre-qualification criteria for eligible works in the Notice Inviting Tender from those specified in the General Conditions Contract (GCC) – 2005. As it stood, the GCC-2005 prescribed that for all works costing more than ₹ 10 crore, experience of completion of at least two similar works equal to 60 percent of the estimated cost would make the contractor eligible. However, this was diluted to 'two similar works of only 50 percent of the estimated cost'. This dilution directly benefited Unity Infra Projects Ltd. and ACIL, which would not have otherwise been eligible had the standard criteria been retained. The Committee find this dilution of bid criteria rather strange as CPWD by their own admission claim that the work was of international importance and CPWD in the past have never called any work of this magnitude. For such a work, the competition should have been left to duly qualified agencies and if the rates quoted by them were found to be too high, there was always scope for negotiation and retendering. That this was not done is a serious lapse on the part of the then Project Manager. As admitted by CPWD themselves, it is hypothetical to say that the award of the contract to the L1, i.e. Unity Infra Project Ltd. (one of the beneficiaries of the dilution in the bid criteria) would have resulted in saving money. Thus, the apprehension of CPWD that if the criteria was not diluted better competition would not have been generated was unfounded and the dilution was done only to attract two smaller firms one of which ultimately bagged the contract. The Committee observe that the undue favours extended to smaller entities like Unity Infra Projects

Ltd. and ACIL had discouraged the potential bidders from participating in the bid as they felt that they were not going to win the bid and this had led to non-submission of bids by originally pre-qualified bidders leading to high cost of the contracts. The Committee, therefore, desire that stringent punitive action be taken against the Project Manager concerned for diluting the bid criteria without any valid reasons to favour smaller bidders like Unity Infra Projects Ltd. and Ahluwalia Contracts (India) Ltd.

Lack of Transparency, fairness and competition in bidding

32. The Committee note with profound concern that the bidding process for the work of upgradation and remodeling of Major Dhyanchand Stadium was not fully reliable, as evident from several indicators, and consequently the rates obtained through the bid may not be the reasonable cost of the work. Though five bidders had been pre-qualified, only three finally bid. The two which did not evince interest (L&T with an average annual turnover of ₹ 6,941 crore and Shapoorji Pallonji with average annual turnover of ₹ 585 crore) were having much higher average annual turnover than the three firms that bid with average annual turnover ranging only between ₹ 236-321 crore. The apparent reason for this was the projection of cost estimates on the lower side at different stages i.e. ₹ 95 crore at RFQ stage (when seven firms responded) reduced to ₹ 88.97 crore at RFP stage (when three firms responded) against the final award at ₹ 147.82 crore which discouraged the larger companies from participating in the bid. According to CPWD, the difference between the estimated cost and the tendered cost was mainly due to difference in DSR 2002 rates and market rates in 2007. The Committee, however, find that the justification of costs in response to the lowest quoted bid of ₹ 151.91 crore *vis-à-vis* an estimate of ₹ 88.97 crore prepared by CPWD on market rates did not truly reflect the market position as was evident from the much lower rates obtained for components of the main work by Unity Infra Projects Ltd. from outsourced market agencies. Most importantly, when the tenders were being invited in 2007, there was no justification for preparing the estimates based on the 2002 schedule of rates. This deliberate understatement of the estimated cost tended to leave ample scope for back door dealings which in the process, would have dissuaded the bigger firms, which were pre-qualified, from participating in the bidding process. The Committee find another

instance of the unreliability of the bid amounts, where the rates obtained for electrical works awarded separately ranged from 4.88 to 43.74 percent below the estimated cost whereas the electrical works which formed a part of the composite tender were awarded 32.43 to 106.70 percent above the estimated cost. CPWD have contended that in the tenders for composite work, deciding tenders on the basis of justification of individual components or subheads is not possible. Such contention is unacceptable since the works were entrusted to smaller firms at rates higher than the estimate rates thereby providing an opportunity to them to garner undue profit. The Committee are of the considered view that there was no reliability of the bid amounts in the instant case and CPWD messed up the situation by not observing transparency, fairness and competition in the bidding process. Deploing such willful misconduct on the part of CPWD, the Committee desire the ministry to fix responsibility and urge that the extant monitoring system of awarding major contracts be revamped so as to eliminate glaring deficiencies and stop such recurrences.

**Award to ineligible contractor by relaxation of eligibility and non-completion of work within time**

33. The Committee are concerned to note that due to the failure of Era Infra Engineering Limited to execute the work of trap and skeet numbers 4,5 and 6 and underground tank at Dr. Karni Singh Shooting Range, CPWD awarded the works to an ineligible contractor, i.e. JMC after relaxing the eligibility criteria at an extra cost of ₹ 0.20 crore over the rates of the original contractor. Subsequently, JMC failed to complete the work in time. CPWD submitted that the relaxation in the eligibility condition was due to situational exigencies to complete the works for the Commonwealth Games, 2010. Since the purpose of according such relaxations was not fulfilled as corroborated by the non-completion of the work in the instant case, the Committee would like CPWD to be more careful and meticulous in selecting contractors for award of work so that decision taken on the plea of exigencies do not remain questionable. As for the failure of Era Infra Engineering Limited in completing the job, the Committee desire that penalties as per the contractual provisions be imposed on it.

**Recovery from the Financial Consultant for services not rendered**

34. The Committee are constrained to note that DDA did not terminate the services of the Financial Consultant (FC) for the Games Village Project even though the Chief Engineer associated with the Project had clarified in September 2008 that the financial consultancy was no more required. Further, the High Powered Committee of DDA, instead of restricting the payments to be made to the Financial Consultant on pro-rata basis as recommended by the Chief Engineer, avoided taking a decision. Ultimately, the Financial consultant was paid ₹ 4.02 crore which included payment for services actually not rendered. This was despite the fact that the key personnel promised by the Consultant were either not deployed or replaced without prior permission of DDA, as required. DDA submitted that any additional work as requested by them from time to time, monitoring, assistance in supervision, support in meetings, coordination between internal and external agencies was provided by the Financial Consultant and accordingly no deduction was found to be valid on this accord. The Committee wonder as to why an organization like the DDA with all expertise and manpower at their disposal could not perform such basic tasks and had to depend on the Financial Consultant. Further, the services rendered by the Financial Consultant in the disposal of assets included advice for selling DDA's share of flats at the Games Village at market price and utilization of sports facilities and stadium for various sporting events, trainings, national and international events, etc. which could have been performed by the experts within DDA itself. Moreover, if the requirement of a consultant for these purposes was felt, the same should have been notified in the Notice Inviting Tender, so as to ensure transparency, but it was not done indicating that the Financial Consultant was not required after the planning stage. As these facts reinforce the concern that DDA engaged the Financial Consultant beyond the period of their actual requirement at the cost of the exchequer, the Committee desire that extra payment made to the Financial Consultant for services actually not rendered be calculated and recovered from them at the earliest. As regards the issue of deployment of key personnel by the Financial Consultant, DDA furnished a copy of consortium agreement with other partners but no documentary evidence of deployment and replacement of staff has been furnished thus reaffirming that the personnel promised by the Consultant were

either not deployed or replaced without prior permission of DDA as required. The Committee, therefore, desire that suitable penal provisions be invoked on this count against the Financial Consultant failing which punitive action be taken against DDA officials concerned for acting in a manner detrimental to the interest of the State.

Rank favouritism to a private construction company

35. The Committee are perturbed to note that Emaar MGF Construction Pvt. Ltd., a company existing at the RFQ stage but not qualified on any of the three conditions, emerged as a successful bidder through the consortium route for the Commonwealth Games Village Residential Complex after a series of misrepresentations and compromises at the RFQ and RFP stages. The Committee find that Emaar Properties PJSC, the lead partner at the RFQ stage with the requisite experience, turnover and net worth, faded behind layers of subsidiaries, effectively making a mockery of the premise of bringing the necessary experience and financial strength directly to the Consortium led Special Purpose Company. The Committee find that in response to the RFP, two bids were received i.e. from Emaar MGF Construction Pvt. Ltd., the SPC for the consortium led by Emaar Properties PJSC, Dubai and DLF Ltd. Both the bids were conditional and to that extent deficient. To illustrate, Emaar MGF Construction Pvt. Ltd. did not submit at RFP stage certain documents with their bid which were essential as per the condition no. 2.11.2 of RFP. These include – (i) certificate of incorporation; (ii) shareholders agreement; (iii) memorandum and articles of association; and (iv) certificate of commencement of business. After opening of the bid, even DDA asked Emaar MGF Construction Pvt. Ltd. to submit these documents. On submission of the documents by the company, further deficiencies were revealed e.g. lead member did not hold minimum 26 percent share/interest in the company. It was also a concealment of fact that Emaar MGF Construction Pvt. Ltd. was existing before the RFP stage. However, DDA's Evaluation Committee for technical proposal, which first considered the two technical proposals on 15<sup>th</sup> June 2007, summarily rejected the proposal of DLF Ltd., but chose to engage in a series of correspondence with its financial consultants/Chief Legal Advisor/legal agencies and Emaar MGF Construction Pvt. Ltd. to find solutions to address the deficiencies in the technical proposal of Emaar MGF. Finally on 28<sup>th</sup> June 2007, Emaar MGF Construction Pvt. Ltd

was declared technically qualified for opening the financial bid on the strength of an undertaking, rather than actual compliance with the terms of the RFP and RFQ. Thus, by accepting the conditional/deficient proposal of Emaar Construction Pvt. Ltd., while rejecting the bid of DLF Ltd, DDA effectively eliminated financial competition. The Committee's examination of the issue has also revealed that the Emaar consortium applied as unincorporated consortium by submitting an MOU and showing its intention to form an SPC before RFQ. However, Emaar MGF Construction Pvt. Ltd, already existed as SPC before RFQ stage. It therefore, cannot come as an SPC of an unincorporated consortium but only as individual or as incorporated consortium. The Consortium/SPC (Emaar MGF construction Pvt. Ltd.) did not meet any of the PQ criteria in its individual capacity. It was clearly mentioned in the PQ criteria that the lead member should have a minimum 26 percent of both equity share holding and voting rights in the consortium. However, shareholding of the Emaar consortium members was different from what was mentioned in the MOU. Incidentally, DDA's Standing Counsel advised that permitting indirect shareholding of lead member would amount to deviation from RFP document. DDA submitted by referring to Press Note 2 (2005) that it was not possible for a lead member of foreign origin to bring in direct equity during RFP stage. This submission is unacceptable as RFQ (Clause no. 2.2.5) states that applicant(s) may take note of Press Note 2 (2005) as amended from time of time regarding foreign direct investment and advised to check the latest guidelines before submitting the application. Had it been considered, the Emaar consortium would not have been eligible for submitting the application, as the lead member did not meet the Press Note criteria especially the 26 percent direct share holding. DDA did not even obtain an undertaking of 26 percent direct share holding from the lead member but got it from the SPC even though M/s Amarchand Mangaldas in their first letter (23<sup>rd</sup> June 2007) opined to get valid and binding undertaking from the lead member. DDA also did get the undertaking given by it ratified by the lead member against the opinion of the Standing Counsel of DDA. Worse, DDA did not take action against the SPC when the undertaking given by the SPC was not complied with. All these facts and circumstances establish beyond doubt that DDA extended undue favours to Emaar MGF by ignoring the contractual provisions which imply unquestionable corrupt practices. Since the time constraint was not an



issue in the instant case, as submitted by the Secretary, Urban Development in evidence, DDA should have gone for retendering when both DLF Ltd. and Emaar MGF Construction Pvt. Ltd. submitted conditional/deficient bids. The Committee, therefore, desire that responsibility be fixed against DDA officials concerned for ignoring contractual provisions and extending undue favours to Emaar MGF and appropriate preventive and punitive measures taken.

#### Changes in bid conditions and restricting competition

36. The Committee find that the addendum to RFP issued on 8<sup>th</sup> June 2007, introduced significant changes to the bid conditions e.g. (i) DDA's share in the Floor Area Ratio (FAR) reduced to one third from half; (ii) Bank Guarantee reduced from ₹ 500 crore to ₹ 400 crore; and (iii) penalty for delays in achieving milestones reduced from ₹ 15-50 lakh per day to ₹ 15-20 lakh per day along with relaxation in quantum of work and time for the 1<sup>st</sup> and 2<sup>nd</sup> milestones. However, the time allowed to bid was only 7 days, which DDA considered enough for adjusting above amendments to the bid. Against this, the consortium of Namkwang-SPSL-PDI-CMCL lodged a complaint with DDA indicating that due to insufficient time, they, despite being keenly interested, were unable to bid. Similarly, DLF Ltd. while submitting the financial proposal on the due date, request for an extension of time for 21 days to submit their technical proposal. Surprisingly, DDA did not consider the requests. The Committee observe that seven days were not sufficient as changes made by DDA in the RFP through the addendum involved implications of hundreds of crores of rupees. This was also against the CPWD Works Manual which provides for 14 days of publicity of tenders valuing more than ₹ 2.00 crore. The Committee are pained to find that the short period permitted for submitting bids acted as a deterrent to competition as manifested by the fact that of the 11 shortlisted parties, many of whom are established construction companies, only two responded thus denying effective financial competition. Apparently, DDA did so to favour their chosen contractor. While deploring the inconsiderate and one sided decision of DDA, which ultimately caused huge losses to the exchequer, the Committee seek reasons as to why such a patent deviation was made leading to financial loss to the exchequer. The Committee would also like responsibility be fixed for the abuse of power, loss to exchequer and forestalling competition.

### Violation of FAR

37. The Committee are concerned to note that Emaar MGF constructed Floor Area Ratio unauthorisedly in excess of the sanctioned plan as well as the maximum permissible limits under the Master Plan of Delhi. While the agreement was for construction of floor area ratio of 2,01,280 sqm, the sanctioned plan allowed construction of floor area ratio of 2,05,140 sqm. However, the Floor Area Ratio (FAR) achievable as per the completion plan of Emaar MGF is 2,31,000 sqm. This is in excess of the maximum floor area ratio of 2,20,005 sqm. permissible in this case under the Delhi Master Plan 2021. Emaar MGF also failed to notify DDA, as per the building by-laws, of the completion of work upto plinth level to enable DDA to confirm that it was in accordance with the sanctioned plan. The Committee find that in the Audit Report No. 23 of 2009-10, the C&AG had already commented that Emaar MGF had constructed excess FAR and DDA should recover the proportionate upfront amount. But DDA failed to take prompt action against the developer instead allowed them to go ahead with the unauthorized construction. The Committee are of the firm view that such unauthorized constructions, if unchecked at the initial stage, have dangerous implications as the developer can always approach courts leading to protracted legal battles as has happened in the instant case where Emaar MGF had moved the Court against the sealing orders. Obviously, the failure of DDA to check the unauthorized construction was nothing short of extending undue favours to Emar MGF. The Committee, therefore, urge the Ministry of Urban Development/DDA to earnestly take prompt remedial measures as per the extant provisions to regularize the permissible floor area ratio against payment in terms of the Delhi Master Plan 2021; secure DDA's one-third share in it and proportionate increase in upfront money as contracted; and demolish the excess floor area ratio which cannot be regularized and the cost thereof be recovered from the project developer. To avoid recurrence of such a situation, the Committee further exhort that DDA should put in place a robust system of verifying the construction of floor area ratio by project developers at the initial stages and taking suitable penal action against the defaulters. The Committee would like to be apprised of the precise action taken in this regard.

### Delay in recovery of Liquidated Damages

38. The Committee note that out of the total 9 milestones, the project developer could achieve only the 6<sup>th</sup> and 7<sup>th</sup> milestones as per the original schedule and accordingly, liquidated damages were leviable for delays in achieving the 1<sup>st</sup> to 5<sup>th</sup> milestones and thereafter for the 8<sup>th</sup> and 9<sup>th</sup> milestones. However, the High Powered Committee of DDA extended the dates of completion for the 1<sup>st</sup> to 4<sup>th</sup> milestones, but the project developer could still not achieve the revised 4<sup>th</sup> and the unrevised 5<sup>th</sup> milestones. Consequently, ₹ 81.85 crore liquidated damages (refundable on the achievement of the 6<sup>th</sup> milestone) were recoverable from the developer but the same were not recovered resulting in an undue benefit of ₹ 7.36 crore towards interest costs. Further, non-achievement of the 8<sup>th</sup> and 9<sup>th</sup> milestones attracted a non-refundable liquidated damages of ₹ 106.90 crore, of which DDA recovered ₹ 90 crore in October 2010 by invoking the Bank Guarantee of ₹ 185 crore. DDA in their submission have assured the Committee that they would recover interest on the liquidated damages for delays in the achievement of the 2<sup>nd</sup>, 4<sup>th</sup> and 5<sup>th</sup> milestones. DDA have further submitted that the claim for remaining liquidated damages of ₹ 16.90 crore for non-achievement of the 8<sup>th</sup> and 9<sup>th</sup> milestones had been raised. While observing that these are belated measures after the Audit findings, the Committee are of the considered view that the Ministry of Urban Development/DDA should exercise due vigil and control and take prompt action to invariably impose liquidated damages upon the defaulting project developers for their failure to honour the contractual obligations. The Committee further desire that in the instant case, DDA should now make earnest efforts to realize the pending recoveries at the earliest. The Committee would like to be apprised of the outcome of the efforts made by the Ministry of Urban Development/DDA in this regard.

### Serious lapses in construction of residential complex

39. The Committee are concerned to note that while the project developer, Emaar MGF awarded most of the construction work for the residential complex to Ahluwalia Contracts (India) Ltd., the Third Party Independent Quality Inspection Agency i.e. Central Building Research Institute, Roorkee (CBRI) was appointed only in May 2008, eight months after the start of work, by which time most of the

foundation work had been executed. Worse, the Committee find that DDA intimated the process of the appointment of the Inspection Agency after two months from signing of the agreement and stipulated that the whole process was to be completed within three months. Consequently, CBRI was unable to assure the quality of the foundation laid. The Committee observe that because of this failure, there had been serious lapses in construction work as reported by CBRI in their thirteen inspection Reports submitted between June 2008 and October 2010. Some of the major deficiencies pointed out by the CBRI include (i) deficiencies in ductile detailing of secondary (reinforcement i.e. deficiencies in providing appropriate hooks for the stirrups and lateral ties); (ii) lack of cover to reinforcing steel; (iii) improper beam-column joints; (iv) improper alignment of columns; (v) improper water-proofing treatment in retaining walls and grade slab; and (vi) difference in the levels of grade slabs. CBRI, in their Report of July 2009, concluded that on seeing the permeability of the concrete and the corrosion of reinforcing steel, it gives an impression that the service life of these towers cannot be more than 20 years and these towers would demand a lot more expenditure for the repair and retrofitting beyond this period. The Committee are shocked to observe that DDA, failed to take timely action against the developer/contractor for which negligence on the part of the contractor continued. Although, DDA submitted that the major defects had been rectified by the developer, the Committee, however, find that the defects pointed out by CBRI were not of routine nature but of serious nature which cannot be easily rectified and hence the rectification carried out by the developer must have been more of cosmetic repair and retrofitting. This is bound to affect the buildings in the long run as pointed out by CBRI in their July 2009 report. It is also worth mentioning that CBRI in their letter of 12 April 2010 pointed out that with the chipping and cutting of the vertical bars of the columns, there is no doubt that tower 27 and tower 28 are structurally unsafe and hence this type of construction is not acceptable. Considering the delicate site and location of the project requiring proper quality control, the Committee feel that DDA should have taken advance action to ensure timely availability of the Inspection Agency in sync with the constructions so that proper inspection of the quality of construction could have been ensured. As substantiated by the facts on record, the Committee conclude that because of the delay in the appointment of the Third Party Inspection Agency coupled with the

inaction on the part of DDA in prevailing upon the project developer to take timely corrective action in rectifying the major defects, the structural safety of the buildings/towers remains doubtful. The Committee, therefore, recommend that responsibility be fixed on the delinquent officials for such major lapses and all adequate deterrent measures be taken to avert danger to structural safety. The Committee further desire that safety audit of towers 27 and 28 be conducted afresh and lapses rectified immediately.

#### Award of contract on misleading representation

40. The Committee are concerned to observe that despite Suresh Goyal and Associates (SGA) being declared L1 bidder in June 2006 for the work of design consultant for practice area in the Games Village, the issue of Letter Of Intent (LOI) was delayed by six months flouting the timelines. SGA was awarded the contract primarily due to the inclusion of a renowned foreign company, i.e. Decathlon SA with experience of Athens Olympics as the master planner and sports architecture specialist in its consortium. However, Decathlon SA was not associated with the execution of the contract thus vitiating the very premise on which SGA was selected. Subsequently, as late as May 2008, Suresh Goyal and Associates informed DDA that the contract deliverables had been submitted without the association of Decathlon SA and sought an *ex-post facto* approval of replacement of Decathlon's staff with certain other staff which it had already engaged, in a clear violation of the agreed terms, which require any replacement of the staff only with prior consent of DDA. Further, the Committee find that in February 2008, the High Powered Committee of DDA directed retaining 25 percent of the fee of SGA but subsequently released the retained amount as well between May 2008 and October 2008 on the plea that work was suffering and also considering the overall work done by the design consultant. The Committee deprecate such a move as the facts remain that due to deficiencies on the part of the design consultant, huge deviation in the works/project took place which not only delayed the execution of the work but also caused cost overrun. Thus, it can be reasonably concluded that the High Powered Committee of DDA extended undue favours to Suresh Goyal and Associates by undermining the contractual provisions. As it is against the spirit of accountability, the Committee desire that appropriate punitive action be taken against the officials

concerned for their failure in exercising due checks and balances that cost the exchequer. The Committee further recommend that appropriate penalties be levied on the errant contractor for misleading DDA in terms of associating international expertise to grab the contract as well as for engaging unauthorized staff in the execution of the consultancy job.

Delay in upgradation of flats and want of proper planning

41. The Committee are concerned to find that out of 2,709 flats (1,904 HIG and 805 LIG flats) planned for upgradation, only 182 HIG and 805 LIG flats could be upgraded and handed over by DDA to Indian Tourism Development Corporation Ltd. (ITDC) for furnishing. The remaining flats were only 28 to 50 percent complete till November 2010 despite special efforts taken in July 2010 to fast track the completion of 576 flats by issuing work orders to various contractors on nomination basis at a premium of 10 percent over justified cost, as approved by LG, Delhi. DDA attributed their failure to achieve the target to shortage of executing agencies, labour, men and material, storage space, space for labourer huts and heavy and unprecedented/prolonged monsoon. This reply is not acceptable to the Committee as all of these shortages/problems could have been foreseen before award of the upgradation works and DDA could have chalked out alternate arrangements/remedial measures to ensure that the upgradation work was completed within the stipulated time as per the contractual conditions. As it implies lack of planning and foresightedness on the part of DDA, the Committee exhort the Ministry of Urban Development/DDA to put in place an effective mechanism to ensure that non-performance is not defended on flimsy pleas and mega projects undertaken in future are accomplished seamlessly. They recommend that responsibility should be fixed for the lapse in planning.

Breach of contract by consultant and recovery of undue payments

42. The Committee note that the work of design consultancy for the Archery stadium competition venue at Yamuna Sports Complex and refurbishment of existing training facilities at Siri Fort Sports Complex, Yamuna Sports Complex and Saket Sports Complex was awarded to Architect Bureau-Group GSA Consortium (AB Consortium) at ₹ 6.25 crore in November 2007. As per the agreement, 70

percent of the work was to be done by Group GSA, its representatives were to visit India 10 times and its technical representatives were to be deputed to India for two months. But the Committee find that only 7 visits were made by the representatives of Group GSA and only 4 of its technical representatives were deputed for 35 days. Worse, the association of Group GSA with the work was not as per agreement. The Committee also notice several deficiencies in the performance of AB Consortium. For example, 61 drawings for the archery completion venue at Yamuna Sports Complex were issued between April and May 2010 against the target date of March 2009 and though the requirement for providing toughened glass was indicated in the drawings for Yamuna Sports Complex, the same was not included in BOQ due to non-finalization of design and specifications by AB consortium. Consequently, the work had to be awarded as an extra item at ₹ 2.09 crore. Further, the BOQ required providing and installation of Yonex court mat/Taraflex synthetic flooring of 9 mm thickness which is not as per Yonex brand specifications. This item had to be subsequently executed as a separate item at a cost of ₹ 1.54 crore. AB Consortium was also required to get detailed soil investigation done for the archery venue at its cost, but this was done by DDA at a cost of ₹ 2 lakh resulting in undue benefit to AB consortium. The Committee were informed that DDA proposes to deduct an amount of ₹ 24 lakh from the final bill of AB Consortium. The Committee feel that this proposed recovery amount is too meager considering the enormity of the lapses/shortcomings of AB consortium and crores of Rupees involved therein. The Committee, therefore, recommend DDA to recalculate the actual recoverable amount from the consortium and recover the same.

#### Supply of retractable chairs at inflated cost

43. The Committee deprecate to note that in the contract with Nussli Comfort Net for providing and fixing 2,336 retractable chairs at a total cost of ₹ 4.63 crore, the justified rates of ₹ 17,566 per chair was prepared based on a market quotation of Nussli-Comfort Net itself. Further, Brahmaputra Infrastructure Ltd. installed 211 upholstered chairs at the Archery venue in Yamuna Sports Complex at a cost of ₹ 17,470 per chair for which justification was prepared at ₹ 13,764 without obtaining market quotations. Similarly, justification of ₹ 7,184 per chair for 1,818 ordinary chairs procured at a cost of ₹ 9,890 per chair was also prepared without obtaining

any market quotation. The Committee also find that the combined tendering for laying of Taraflex synthetic surfaces (as per the Organising Committee's specifications of April 2009, only Taraflex and Nagase-Kenko make of synthetic surfaces were to be laid) was done for Yamuna Sports Complex and Jamia Millia Islamia and the contract was awarded to M/s Freewill Infrastructure Pvt. Ltd. at a tendered cost of ₹ 1.29 crore. In this contract, while the awarded rate per sqm. was ₹ 2,943.25, the justified cost on the basis of actual cost of import by the agency worked out to ₹ 1,188.52 per sqm indicating exorbitant margins of 148 percent. Moreover, the quotations for preparing estimates were obtained only from M/s Freewill Infrastructure Pvt. Ltd., the distributor of Taraflex in India to whom the work was awarded subsequently. No efforts were made by DDA to obtain the quotation from the manufacturer. The Committee's examination of the matter has revealed that the rate at which the contractor imported synthetic surface was at CIF value of Euro 15.90 per sqm whereas the supplier quoted an exorbitant rate of Euro 39.44 per sqm. All these facts establish that DDA failed to seek justification for the high rates causing huge pecuniary loss to the exchequer. The Committee deplore the failure of DDA to safeguard its pecuniary interest and recommend that responsibility be pinpointed and the Committee apprised.

#### MINISTRY OF HEALTH AND FAMILY WELFARE

##### Recovery of liquidated damages for delayed construction and recovery of payment for services not rendered

44. The Committee express their serious concern over the fact that the award and execution of the work of Sports Injury Centre (SIC) building was beset by delays. The Committee's examination has revealed that soon after the EFC approval for the setting up of SIC was received in June 2008, followed by the Ministry of Health and Family Welfare's approval in July 2008, the land identified for the SIC building was put under litigation on 6<sup>th</sup> August 2008 restraining Safdarjang Hospital from any construction on this land. The High Court of Delhi permitted the use of land for the construction of SIC *vide* its order dated 6<sup>th</sup> November 2008. As such, the tendering for the construction of the SIC building started only in December 2008. Subsequently, the work order could be issued to the building contractor i.e. Bhayana Builders Pvt. Ltd in May 2009. The Committee express their serious



displeasure over the failure of the Safdarjang Hospital to keep their land free from encroachment/encumbrances which caused the land dispute ultimately leading to delayed award of the work. What is even more disquieting was that for such a strictly time bound project, the project consultant, HSCC took about six months i.e. from November 2008 (when the High Court of Delhi permitted the use of the land for SIC) to May 2009 to get necessary statutory clearances from various agencies concerned viz. Delhi Fire Service, Delhi Urban Art Commission, NDMC, etc. Worse still, the tendering was done twice because the pre-qualification norms had to be relaxed since in the first tender only one agency was substantially meeting the prequalification criteria. Notably, the Committee find that the Ministry did not heed to the recommendation of the Tender Specification Committee for fresh tendering on the plea of paucity of time. The Committee also find that the feasibility of completion of the SIC building in twelve months, was fixed after due examination by the Project Monitoring Committee and accepted by the contractor by signing the contract. However, as of 30<sup>th</sup> November 2010, the construction of the building had not been completed and the contractor had requested for further extension of time for completion till 29<sup>th</sup> December 2010. This implies that either the stipulated period of 12 months for the construction of the building was evidently inadequate or the contractor selected with relaxed pre-qualification norms was incapable to complete the work in time. In either scenario, the Ministry are responsible for the fiasco as it was incumbent upon them to force the contractor to plan and execute the project satisfactorily before the Games. The Committee, therefore, recommend that liquidated damages be recovered from the contractor for the delay in construction of the SIC building and internal reforms be effected within the Ministry to avert recurrence of such lapses. The Committee are also shocked to find that as part of this work, HSCC had irregularly charged ₹ 46.03 lakh on consultancy services for certain items for which it did not provide any such services. Taking into consideration the Ministry's explanation that the final accounts of SIC are yet to be settled with HSCCs, the Committee desire that the consultancy fee overcharged by HSCC be adjusted/recovered while settling the final accounts of SIC and responsibility fixed on the officers responsible for the payment for the service never delivered by the HSCC. The Committee also desire that responsibility be fixed on

officials of Safdarjung Hospital responsible for their failure for making the land free from encroachments/encumbrances.

**Wrongful and misleading representation of PAC's deliberations**

45. The Committee are repelled to note the temerity of one of the Directors of the Sports Injury Centre who willfully misled the MoH&FW by writing that the PAC desires that the SIC should be dedicated to treating sports related injuries only and Joint Replacement etc. should not be a part of this Centre whereas the PAC in their meeting had suggested to the contrary. The Committee are shocked that the said Director deliberately attempted to falsify the deliberations of the Committee to mislead the Government. Taking cognizance of the said grossly misleading Note mooted by the Director, SIC, the Ministry assured the Committee that they would be solely guided, on the ultimate action to be taken in the matter, on the basis of the PAC Report. The Committee, therefore, recommend that stringent penal action be taken against the Director concerned for such an unconscionable act bordering on contempt and breach of privilege of the Committee. The Committee further recommend that the two super specialties i.e. Arthroscopy and Joint Replacement be developed together to their full potential in the SIC keeping in view the worldwide prevalent trend, the super speciality character of the Centre and the original intent of the Government behind setting up the Centre. The Committee also desire that separate and additional staff and space be earmarked/provided for both Arthroscopy and Joint Replacement wings. The Committee would like to be expeditiously apprised of the concrete action initiated by the Ministry in this regard.

**Appointment of Additional Medical Superintendent as Administrative head of SIC**

46. The Committee note that the suggestion to appoint one of the Additional Medical Superintendents as the Administrative Head of the SIC has been examined in the Ministry but the same is yet to be matured. The Committee are of the considered view that the appointment of one of the Additional Medical Superintendents as Head of the Centre would ease the burden of both the Directors in the SIC and facilitate their full time devotion, to their respective core specialities i.e. Arthroscopy and Joint Replacement. The Committee, therefore, exhort the Ministry to expedite their decision to appoint one of the Additional Medical

Superintendents of the Safdarjung Hospital as the Administrative head of the SIC so that both the specialists incharge of Arthroscopy and Joint Replacement pay undivided attention to their respective areas of core.

## MINISTRY OF HOME AFFAIRS

### Valuable equipment worth crores lying idle

47. The Committee note that ECIL's agreements with the venue owners merely stipulated that legacy and non-legacy items were to be decided within 30 days of completion of the Commonwealth Games events. Further, ECIL would reconfigure all legacy equipment and made them workable in the venues while non-legacy equipment were to be handed over to the venue owners for subsequent usage and retention. The Committee note that in its report to the Ministry of Home Affairs in November 2010, ECIL identified legacy equipment of ₹ 86.47 crore and non-legacy equipment of ₹ 186.18 crore at the 31 venues. However, Ministry of Home Affairs did not have an approved legacy plan for the utilization/redeployment of the security equipment. Further, there was no "a priori" identification of Integrated Security System (ISS) items as legacy items, non-legacy items and consumables and everything was left to the respective venue owner. While ECIL had dismantled all the equipments (legacy and non-legacy) in all the stadia except Thyagaraja Stadium, these were retained in packed condition in the venues under ECIL's custody. Contrary to the agreement, the legacy items had not been reconfigured as various network switches and cables required to operate them had been provided by the Organizing Committee as a part of overlays which had since been removed. Although the Organizing Committee had undertaken to provide these again after the Commonwealth Games 2010, this was yet to be done. Resultantly, the legacy and non-legacy equipment amounting to ₹ 272.65 crore was lying unutilized. Worse, no utilization plans for the non-legacy items had been prepared by the Ministry of Home Affairs. It was only on the request made by the Ministry of Youth Affairs and Sports that the Ministry of Home Affairs had started coordinating and helping the venue owners in the utilization of surplus legacy and non-legacy items. Subsequent to the receipt of a list of legacy and non-legacy items from the Ministry of Youth Affairs and Sports, it has been circulated to all the State Governments/UT

Administrations, State Police Forces, Central Armed Police Forces, the Delhi Police and other Security Organisations to ascertain respective requirements. The Committee feel that the Ministry of Home Affairs, being the overall in-charge of the security arrangement in the country, should have taken proactive action at the time of approving ISS to guide the venue owners and the security establishments in this regard so as to ensure immediate redeployment/reutilization of all the legacy and non-legacy ISS equipment after the Games. Taking note of the efforts initiated, the Committee exhort the Ministry of Home Affairs not to lose the momentum and make relentless endeavours to ensure effective and optimal utilization of the legacy and non-legacy equipment by various agencies and apprise the Committee in due course. The Committee also desire that responsibility be fixed on officials of the Ministry of home affairs and Delhi Police for the lapses in classification and utilization of ISS items.

#### Readjustment of payment to Haryana Government in future allocation

48. The Committee are concerned to observe that despite accepting the demand of Haryana Government to upgrade policing in Gurgaon (now Gurugram) and Faridabad in connection with the security arrangements for the Commonwealth Games, 2010 in late 2009 and deciding to release a special grant of ₹ 23.23 crore in February 2010 under the Modernization of Police Forces Scheme, the Ministry of Home Affairs could sanction funds amounting to ₹ 21.96 crore only in July - October 2010. Consequently, crucial items like surveillance and bomb disposal equipment, which were to be imported from outside and normally take five to six months to complete all the formalities, could not be procured as of November 2010, thereby defeating the very purpose of the initiative. This exposes lack of co-ordination between the Ministry of Home Affairs and Haryana Government as well as the laid-back attitude of the Ministry. While the situation was saved by Haryana Police by diverting additional resources and manpower to Gurgaon and Faridabad, most of the money sanctioned remained unutilized. In this regard, Haryana Government submitted that out of ₹ 23.23 crore, they actually spent ₹ 7 crore out of which ₹ 1.37 crore was before the Games and for the remaining ₹ 5.7 crore, orders were placed but supplies got delayed. Subsequently, the orders were cancelled. The Committee would like to caution the Ministry to be more careful and proactive in future in such

matter. The Committee desire the Ministry of Home Affairs to determine the exact amount recoverable/adjustable so as to recover/adjust the same from future allocations to the Haryana Government.

Avoidable expenditure on security gadgets

49. In yet another instance of indecisiveness on the part of Delhi Police, the Committee find that Delhi Police voiced its reluctance to join the Terrestrial Trunk Radio (TETRA) for legacy use but did not take a decision in this regard in time and was effectively forced to go along with the proposal of utilizing TETRA not only for the Commonwealth Games, 2010 but also for additional period of 7 years on wet lease basis at a cost of ₹ 99.81 crore. Further, although Delhi Police was represented in the Inter Agency Group (IAG), it chose to withdraw only at a very late stage. The existing radio communication system of Delhi Police comprised of 10,894 sets (with a life of at least 15 years) covering police stations, police posts, pickets, border check posts, Police Control Room (PCR) vans/motorcycles and Tourist PCRs. Delhi Police has also 42 hotlines connecting with Central Control Rooms (CCRs), hospitals, civic bodies, Government agencies and satellite audio phone for CCRs at selected Delhi Fire Stations, mobile control rooms and rescue and relief teams. The Committee find it incomprehensible how just 3,656 rented TETRA sets would meet the legacy requirements of Delhi Police especially when TETRA would not be connected or integrated with Delhi Police's existing communication system as per the Department of Telecommunications' stipulation. This effectively means that TETRA users in the Delhi Police would also have to carry the existing analogue sets for communication across Delhi Police network. The Committee were informed that TETRA sets were proposed to supplement and not replace the existing communication network of Delhi Police. If this really was the case, the Committee wonder why Delhi Police voiced their reluctance to join TETRA for legacy use at the first instance. Since the existing radio communication system of the Delhi Police is quite widespread, well connected and strong, the Committee question whether there was such a necessity for the legacy use of TETRA at such a high cost. Besides being superfluous and avoidable, it signifies lack of sound strategy and coordination within the Delhi Police establishment. The Committee express their displeasure at the failure of Delhi Police to take a definite decision in this regard at

the right time which led to huge avoidable expenditure. The Committee, therefore, impress upon Delhi Police to display alacrity and do due diligence in the selection of security gadgets. The Committee also desire that responsibility should be fixed on officials concerned for failure to exercise due diligence for acquisition of appropriate technology that can be integrated with existing platforms.

**Award of contract to an ineligible private company**

50. The Committee note that none of the respondents to Notice Inviting Tender issued by New Delhi Municipal Corporation (NDMC) for appointment of architect consultant for Shivaji and Talkatora Stadia were technically eligible. In particular, the technical bid of Raja Aederi consultants Private Limited, one of the ineligible respondents, was ineligible on three counts – (i) it had submitted the bid on the basis of an unregistered MOU (written on an ordinary paper) with Sterling Engineering Consultancy Services Pvt. Ltd. dated 18<sup>th</sup> May, 2006 signed just five days before. The opening of the bid was on 23<sup>rd</sup> May 2006. (The original last date of submission of bids was 16<sup>th</sup> and 17<sup>th</sup> May 2006, which was extended on the request of the potential bidders); (ii) Raja Aederi Consultants Private limited as such had no experience in providing architectural services for sports venues of the prescribed contracted value; and (iii) Sterling Engineering Consultancy Service Private Ltd. provided an undated experience certificate issued by another architect Shashi Prabhu and Associates, instead of the client, stating that the former had rendered structural and design engineering services for an indoor stadium project of National Sports Club of India. Surprisingly, these ineligibility conditions were overlooked by the Technical Evaluation Committee comprising Engineer-in-Chief, NDMC; ADG (Architect Retd.) CPWD, ADG, CPWD; Chief Architect, NDMC; Superintending Engineer, NDMC and Executive Engineer, NDMC and the work was awarded to Raja Aederi Consultants Private Ltd. The Committee find that when tenders were called in May 2006, the venue brief was still to be received and hence there was sufficient time available for retendering. This is corroborated by the fact that Central Vigilance Commission, after an intensive examination of the project, concluded that the process of award of the work was not in order. Subsequently, the chargesheet has been filed by CBI. While trusting, that CBI would take the case to its logical conclusion, the Committee would urge the NDMC to initiate requisite corrective

measures so that transparency and accountability are maintained while awarding similar contracts in future.

Award of upgradation work of Shivaji Stadium and delay in completion

51. The Committee noted that the contract for improvement/upgradation works at Shivaji Stadium was awarded in May 2008 to a foreign Company i.e. China Railway Shisiju Group Corporation (CRSGC) with no existing established base in India. On examination of the matter, the Committee find that- (i) no global tender was issued for the contract; NIT was only published in national newspapers, loaded on NDMC website and circulated to a panel of 18 Indian contractors, thus no global tenders were expected and the bidders were expected to be Indian only; (ii) the primary eligibility condition was experience of execution of construction of new multistoried block of Central Government or State Government Departments/Municipal Boards/Autonomous Bodies/ PSUs indicating an Indian context; CRSGC produced similar experience of working in China instead of in India; (iii) CRSGC produced requisite registration certificates from competent authorities for local taxation and registered place of business in India only post opening of the financial bid; (iv) generally, when foreign participation is envisaged, formation of Joint Venture with a local company or creation of a separate legal entity in India i.e. establishment of business in India is insisted upon to ensure compliance with local law, familiarity with local conditions and facilitate settlement of legal disputes, if any; but no such provisions were made in this NIT. CRSGC's inability to deliver in Indian conditions became apparent when Shivaji stadium could not be completed in time for the Games and the completed hockey pitch in the stadium has an East-West orientation as against the required North-South orientation. NDMC have reasoned that the time taken in removing restaurant, shops, kiosks, etc. falling in the alignment of the project, particularly the prolonged court case in respect of an unauthorized occupant, Clock Tower Restaurant as the main reasons for Sivaji Stadium remaining incomplete. The Committee find that the disputed structure was demolished by 4<sup>th</sup> March 2009 and even if the period of 18 months is counted from March 2009, the contractor failed to deliver within the schedule time by September 2010. CBI had conducted detailed investigations covering all the aspects as mentioned in the CAG report and filed a Charge sheet in the Court and the court has taken cognizance. As

the matter is sub-judice, we trust that CBI would be taking all necessary actions to ensure that the case is brought to its logical conclusion.

Award of work by NDMC on single tender basis

52. The Committee noted that there were two major civil works to be undertaken at Talkatora Indoor Stadium - Sports Facility Block and Additions/Alterations. Though the tender was advertised in the newspapers and NDMC website and circulated among the panel of contractors, only one bidder i.e. Simplex Projects Ltd. responded in respect of both the works. NDMC decided to retender the contract for Additions/Alterations, and decided to accept the single bid for the construction of the Sports Facility Block. Explaining their position, the NDMC submitted that the work for the Sports Facility Block was awarded on the first call in spite of being single tender as the target date for completion of the competition venue was fixed as December 2009. The Committee find that the work for Additions/Alterations was considered at negotiable rates which was 81 percent above the estimated cost than the justified rates of 65.42 percent above the estimated cost. Similarly, the work of Sports Facility Block was awarded at 88.05 percent above the estimated cost as against the justified rates of 74.39 percent above the estimated cost. It signifies that the estimated costs which were prepared in 2007 based on DSR 2002 were unrealistic and much lower than the prevailing market rate at the time of call of tenders. Award of work in the case of addition/alteration, the award of work was done after the 2<sup>nd</sup> call of tender. In the sports facility block case, the committee also noted that CBI had investigated these issues and had filed a closure report in the court which had been accepted by the court.

Pecuniary loss due to defective design based approach of illumination

53. The Committee observe that NDMC opted for a "design based approach" wherein each bidder was asked to submit roadwise design and compute the quantity for each item required to meet the target illumination level and to quote the rates for items required. Philips quoted higher item wise rates for each of the key items, Philips was L1 bidder due to the proposed use of lower quantities of various items. For instance, the design proposed by Philips involved use of 3,815 poles and 4,166 luminaries at a cost of ₹ 34.40 crore against the estimated quantity of 6,364



poles and 9,329 luminaries respectively while the quantities quoted by the second lowest bidder, Space Age were 6,492 poles and 7,126 luminaries at a cost of ₹ 37.32 crore. At the quoted quantity and cost estimate by Philips, Space Age could have executed the work at ₹ 28.69 crore which is less than the amount quoted by Philips by ₹ 6.77 crore. Thus, the design based tender did not ensure procurement of items at the lowest cost. Calling design based tenders without specifying the minimum number of poles and luminaries was also flawed because such tendering left NDMC with no control over how and where the lights would be placed. As a result, the desired lux (illumination) level could not be maintained as illustrated by the fact that the lux level measurement of the work executed by Philips at 2 roads and 333 zebra crossings/bus queue shelters was unsatisfactory. Despite directions to provide additional infrastructure for achieving the required lux level, the contractor did not respond. The Committee feel that if the design based lighting was considered absolutely necessary, the same could have been done in-house by properly studying/analyzing the existing lighting arrangement/installation or executed through consultancy thereby giving equal opportunity to all the bidders to quote cost for a specified number of poles and luminaries at designated places. Had this process been followed there could have been a saving of ₹ 6.77 crore. A little extra effort on the part of NDMC could have saved a substantial amount for the exchequer. In this case, the enquiry conducted by CBI was closed. We trust that CBI would have done due diligence for this closure. However, the Committee urge upon NDMC to ensure rectification of the defective street lighting on the 2 roads and 333 zebra crossings/bus queue shelters so that the required lux level is maintained at these areas at the earliest. The Committee further recommend that the errant contractor be penalised in appropriate terms and all the requisite liquidated damages, fines etc. be recovered without further delay.

#### Award of additional work without the approval of the Council

54. In yet another instance of imprudent decision making process in NDMC, the Committee find that NDMC gave approval for additional work of 18.445 km for street lighting 14 roads and service/slip roads which were not part of the original agreement but planned to be upgraded under Phase-III of the project. The works were awarded on the same rates as the existing contract for street lighting with

Philips awarded in August 2009 under the deviation clause on the premise that the increase in quantity was under the deviation limit of 25 percent. The Committee, however, find that the additional work valuing ₹ 7.38 crore was for new roads, not covered by the original agreement, and hence could not be construed as deviation in quantity alone. In fact, it should have been treated as a new work as the work was executed at different sites. Committee have noted that for the additional work, approval of the Council, the competent authority was obtained post facto. Besides, against the approved *pro-rata* cost of ₹ 7.38 crore, an amount of ₹ 7.26 crore was payable to the firm but Philips had submitted a bill of ₹ 11.05 crore and the matter has gone into arbitration. The full execution/consideration of proposal of Philips as per the claim submitted would finally entail a total cost of ₹ 12.06 crore for additional work. Committee felt that ideally NDMC should have properly planned the work of inclusion in the original contract or fresh contract should have been called. However, Committee also note that NDMC was handicapped because of serious time constraints.

#### Delay in renovation of Connaught Place

55. The Committee noted that NDMC should have determined in a more realistic way the requirement of subways as a part of traffic management for renovation and restoration of Connaught Place. While some subways had been planned on either side of intersection, some, for example, the one at Panchkuian Road, had been proposed at areas where not much of pedestrian movement was expected. Further, though some of the relatively less important subways could be taken after the Commonwealth Games, NDMC planned for simultaneous construction of the subways. It caused constraints on traffic management and as a consequence, the requirement of subways had to be revisited and from the initially planned 8 subways, it was decided to construct only 4 new subways. This in turn contributed to the delay in renovation and restoration of Connaught Place. The problem was compounded by concreting of the outer circle road, which could have been done lane wise. Consequently, the project for renovation and restoration of Connaught Place which was planned to be taken up as a part of the preparations for the Commonwealth Games, 2010 missed successive deadlines. NDMC attributed the main cause of the delay to time taken in getting statutory clearances from bodies

such as Heritage Conservation Committee, Delhi Urban Art Commission (DUAC), Ministry of Environment and Forests, Delhi Pollution Control Board, DDA Technical Committee, Ministry of Urban Development, Delhi Traffic Police, etc. The Committee find that DUAC took nearly 3 years to give clearance for restoration project which is unacceptable. The Committee feel that NDMC ideally should have divided this project into manageable packages, so organized as to minimize traffic disruption across the whole of Connaught Place and then taken up only those project components which could have been completed by June 2010 i.e. before the onset of the monsoon. In this case alongwith, CBI conducted an enquiry and closed the case. The Committee hope that the Government would draw suitable lessons from the experience and revamp their planning process so as to ensure completion of future mega projects with finesse without having to run against time.

#### Exorbitant expenditure on dismantling a facility

56. The Committee note that the EFC approved in October 2009 NDMC's proposal for creation of Park and Ride and holding facility at a cost of ₹ 31.25 crore at Safdarjung Airport as per the approved traffic plan for the Commonwealth Games, 2010. Against NDMC's proposal for dismantling the facility after the Games, the EFC advised that the dismantling of assets should be kept to the minimum. However, the Committee noted that out of the expenditure of ₹ 39.11 crore incurred on creating the facility, ₹ 24.93 crore was incurred on assets some of which have already been dismantled and others to be eventually dismantled. The Committee was informed that this decision of creating/dismantling of assets was taken at the Government of India and Government of Delhi level. The Committee are unable to comprehend the rationale behind creating assets worth crores of Rupees and then deciding to dismantle them.

#### Non-levy of liquidated damages on a contractor

57. The Committee noted that though the contractor, KR Anand delayed the execution of work by 70 days, liquidated Damages of ₹ 0.92 crore were not levied on the plea that delay was due to VVIP movements at Safdarjung Airport. The hindrance register showed only 5 and half days of delay due to VVIP movements and the major reason recorded was rains. However, the Committee noted that the

works were initially to be completed in mid July, 2010 before the onset of monsoon. Subsequently, the Committee were apprised that majority of the work was completed before 16<sup>th</sup> July 2010 but due to technical reasons of Air traffic control, the remaining work was completed only after the closure of runway by the Airports Authority of India three weeks before commencement of the Commonwealth Games. The Committee, however, find that NDMC issued a show cause notice to the contractor on 16<sup>th</sup> July 2010 for wrongful delay/slow progress of work. Despite this, more than 95 percent payment had already been made to the contractor. The Committee desire that appropriate liquidated damages be recovered from the contractor for wrongful delay/slow progress of work.

#### Engagement of ineligible contractor

58. The Committee deprecate to find that NDMC engaged a contractor, Fiber Fill which was technically ineligible at the time of opening of financial bids in December 2009 as it did not fulfill the first condition of Notice Inviting Tender which stipulated that the contractor should have satisfactorily completed one similar work costing not less than 80 percent of the estimated cost. The required experience certificate was received on 16<sup>th</sup> February 2010 i.e. after opening of financial bids. In contrast, the other bidder, K.R. Anand which was otherwise eligible was declared ineligible on the ground that it did not submit a mutual agreement with its associate, Puja Enterprises. The Committee, however, find that the MOU submitted by K.R. Anand was on stamp paper duly signed by M/s Puja Enterprises confirming its association for execution of electrical work in the event of work awarded to M/s K.R. Anand. The Committee desire that NDMC be more careful in following due procedures of tendering.

#### MINISTRY OF INFORMATION AND BROADCASTING - PRASAR BHARATI

##### Failure to prepare realistic estimate as host broadcaster

59. The Committee are concerned to note that despite being cited by the Organising Committee as the Host Broadcaster in May 2003, Prasar Bharati could not prepare realistic cost estimate for broadcasting services of the Commonwealth Games, 2010 to be rendered by them. Prasar Bharati's initial budget estimate of ₹

557 crore in July 2007 was found to be unrealistic by the Ministry of Information and Broadcasting. Consequently, on the advice of the Organising Committee's Advisor (Broadcasting), Prasar Bharati issued a Request for Information as late as in October 2007 and only one complete response was received. Based on this response, Prasar Bharati prepared a revised budget of ₹ 445 crore in November 2007. This was finally reduced to ₹ 366 crore in the approved Cabinet estimate of October 2008. Even then, the reasonableness and reliability of this approved budget estimate could not be established. The award of the contract for 'production and coverage' to SIS Live for ₹ 246 crore on a single financial bid basis and its back to back sub-contracting to Zoom Communications Ltd. for ₹ 177.30 crore confirmed the unreliability of the estimates. The Committee feel that the Ministry of Information and Broadcasting should have started preparation of cost estimates immediately after the May 2003 announcement instead of waiting for a formal intimation. The Ministry's admission that neither Prasar Bharati nor they themselves had the expertise to prepare estimates for such projects further strengthens the requirement for an early start for preparation so as to enable them to solicit information from the organizations/agencies concerned. However, the Ministry/Prasar Bharati never did so. Worse, the Ministry did not show any promptness in preparation and finalization of estimates which resulted in lapse of more than one year, from March 2007 to October 2008 which left only two years before the Commonwealth Games, 2010 was to start. Deprecating the indifferent attitude of the Ministry/Prasar Bharati in exercising the requisite vigil and the failure to follow the standard accounting procedure in the preparation of realistic cost estimate for a prestigious mega event like the Commonwealth Games, 2010, the Committee demand a firm assurance from the Ministry that enough care would be taken to prevent recurrence of such serious irregularities.

#### Arbitrary post-bid contractual changes and forestalling competition

60. The Committee are shocked to find that Prasar Bharati acted in an extremely arbitrary manner in the finalization of the contract with SIS Live. During the pre-bid meeting with five technically eligible bidders on 24<sup>th</sup> July 2009, Prasar Bharati took a very rigid stand against making any changes in the payment schedule. Subsequently, all the shortlisted respondents other than SIS Live, expressed their

inability to submit a bid under the given terms and conditions. In particular, IGBS (whose response to the RFI was the basis for cost estimation) withdrew from bidding on account of tough financial conditions, unfair and one-sided draft contract, unreasonable and unrealistic RFP conditions (regarding scope of services and provision of technical and personnel specifications) and inadequate clarifications. However, many significant conditions/provisions of the contract were later tweaked by Prasar Bharati at the draft contract stage or subsequently in favour of M/s SIS Live without seeking re-approval of the Ministry. These *inter-alia* include- (i) change in payment schedule in September 2010 from 30 percent before the Games to 60 percent before the Games; (ii) lowering the time frame of payment from 30 days to 10 days, (iii) allowing delay in timeline for successful installation of equipment from 31<sup>st</sup> August, 2010 to 27<sup>th</sup> September 2010; (iv) allowing substantial deviation in the manufacturer/specifications of equipment, (v) conversion of timeline for installation of equipment and core teams at site by 31<sup>st</sup> August 2010 to proof of dispatch of equipment; (vi) allowing outsourcing of a substantial part of contract to Zoom Communications etc. The connivance between Prasar Bharati and SIS Live was discernable from the fact that although the Letter of Award to SIS Live was issued on 22<sup>nd</sup> October 2009 just six days before Queen's Baton Relay (QBR), SIS Live alongwith its to be sub-contractor i.e. Zoom Communications Ltd. was already in position (after mobilization of necessary equipment and resources) to cover the QBR. Evidently, the rigid stand taken by Prasar Bharati at the pre-bid stage was a pre-determined strategy to deter other potential bidders and favour SIS Live for whom special concessions were accorded subsequently. Clearly, only those bidders, who were confident of setting post-bid contractual changes in their favour were encouraged to bid, thus creating a situation with high scope for arbitrariness and patronage. The Committee also find that the Host Broadcast Management Committee could not effect any deduction in the amount of ₹ 10 crore earmarked by SIS Live for consultancy (wherever required) and another ₹ 10 crore provided for incidental/contingency expenses. Thus, the contract was *ab initio* overpriced by ₹ 20 crore. Worse, the finalization of the contract between Prasar Bharati and SIS Live inexplicably took five months-from 22<sup>nd</sup> October 2009 (when the letter of Award was issued) to 5<sup>th</sup> March 2010. As mentioned earlier, the final contract at a cost of ₹ 246 crore differed substantially from the draft contract circulated at the RFP stage, with

all the changes favouring SIS Live and to the detriment of Prasar Bharati/Government of India. In particular, the new provision allowing SIS Live to engage sub-contractors/ production associates changed the fundamental nature of the contract and paved the way for SIS Live to outsource almost the entire work to Zoom Communications Ltd. on the same day as the main contract was signed i.e. 5<sup>th</sup> March 2010 making a mockery of the entire bidding process. All these facts and circumstances are pointers to the fact that Prasar Bharati had entered into a conspiracy to award the contract to SIS Live without any transparency and accountability. What is more disturbing is the fact that the Ministry of Information and Broadcasting did not stop Prasar Bharati in making irregular substantial changes in the contract when they should have approved the draft only after legally vetting the same. In this regard, the Committee are informed that upon the Prime Minister Office's intervention, the CBI had investigated the matter but had subsequently filed their closure report due to want of concrete evidence. Considering the enormity and the palpability of the offence committed, the Committee desire that the case be reopened and a thorough probe conducted to fix responsibility and for taking appropriate punitive action against the persons concerned so as to convey the message loud and clear that the Government have zero tolerance for corrupt practices. Similarly, punitive action must be taken against the errant contractor, i.e. SIS Live.

#### Transfer of contract

61. The Committee are shocked to find that on the same day (5<sup>th</sup> March 2010) when Prasar Bharati entered into a contract with SIS Live for production and coverage of the Commonwealth Games, 2010 at a cost of ₹ 246 crore, SIS Live entered into a sub-contract with an Indian company Zoom Communications Ltd. (which was ineligible for bidding for this contract) at a cost of ₹ 177.30 crore covering almost the entire scope of work viz. generation of basic feed; Broadcast venue operations services; and training. The Committee find that SIS Live and Zoom Communications Ltd. were in alliance much before the signing of the main contract and sub-contract on 5<sup>th</sup> March 2010. To illustrate, SIS Live utilized the services of Zoom Communications Ltd. for coverage of the Queen's Baton Relay, which was launched on 28<sup>th</sup> October 2009; On 5<sup>th</sup> March 2010, one, Shri Dehlvi signed as a

witness to the main contract between Prasar Bharati and SIS Live and also as the authorized representative of Zoom Communications Ltd. in the sub-contract between SIS Live and Zoom Communications Ltd. on the same day. Subsequently, Shri Dehlvi corresponded with Prasar Bharati as the Resident Project Director of SIS Live. Evidently, the entire set of contractual services was practically being executed by Zoom Communications Ltd. through a back to back contract with SIS Live acting essentially as a conduit. What is even more shocking is the fact that the news about outsourcing of the contract by SIS Live to Zoom Communications Ltd. was already out in March 2009 in the media and also on the website of SIS Live but Prasar Bharati did not take any cognizance and necessary action against SIS Live. On the contrary, Prasar Bharati went on to change the contract conditions in favour of SIS Live even allowing subcontracting. SIS Live was preferred for the contract in view of its expertise and track record but allowing it to subcontract the work demolished this very premise and put the issue of successful execution of the work at stake. This establishes that Prasar Bharati was more concerned with ensuring award of the contract to SIS Live rather than ensuring successful production and coverage of the Commonwealth Games, 2010. The Committee outrightly reject the dubious decision of Prasar Bharati to authorize SIS Live to subcontract the work and desire that besides fixing responsibility thereof, the Ministry of Information and Broadcasting/Prasar Bharati should urgently put in place a robust and foolproof mechanism so as to eliminate any nefarious nexus. The Committee further desire that the CBI should look into the issue of sub-contract and relaxation in the payment schedule.

#### Drastic amendments in the financial terms after signing of the contract

62. The Committee note that as per the contract schedule of payment, the contractor, i.e. SIS Live was to receive only 30 percent payment before 14<sup>th</sup> October 2010, with the balance only on verification of performance. However, Prasar Bharati irregularly amended this provision in September 2010 on the basis of SIS Live's request in August 2010 for 100 percent advance before the Games as well as a statement by the Director General, Doordarshan that the entity was considering termination of the contract as the delayed fund flow was making the project untenable. The amended provision which was approved by the Host Broadcast



Management Committee in August 2010 and the Ministry of Information and Broadcasting in September 2010 provided for 60 percent in advance of the Games by 27<sup>th</sup> September 2010 (subject to successful installation and testing of equipment) and the remaining 40 percent through Letters of Credit. This decision was contrary to the clarification given to the bidders during pre-bid meeting that there would be no negotiation on 30 percent payment schedule before the Games. The Committee feel that had this relaxed payment schedule been incorporated at the bidding stage, there would have been much greater financial competition thereby reducing the ultimate cost to public exchequer. Moreover, once the contractor, SIS Live had signed the contractual agreement with the stipulated provisions, the Committee find it shocking that at a subsequent stage the contractor resorted to blackmailing tactics and dictate the terms to Prasar Bharati. It speaks volumes for the inherent weaknesses in the extant system of awarding contracts and the way contractual provisions are drastically amended subsequently to the grave detriment of competition and the other bidders. Undoubtedly, there was something murky between Prasar Bharati and SIS Live which forced the former to concede to the unwarranted demands of the latter at the cost of the public exchequer. The Committee are also surprised to note that against the 61 key technical personnel for production and coverage of the Commonwealth Games 2010 stipulated in the contract, the list of Organizing Committee accredited personnel of SIS Live included only 29 persons. In this regard, the Committee were informed that the Organizing Committee had provided direct login access to SIS Live for accreditation of its personnel, for which the verification of the personnel at the time of accreditation by Prasar Bharati was not possible. According to the Ministry of Information and Broadcasting, SIS Live was adopting confrontational approach all along and refused to give an offer for inspection as per standard practice. The Ministry have further submitted that there were constant threats by the entity to terminate the contract despite which the Host Broadcaster (Prasar Bharati) personnel managed to record details of personnel and equipment deployed by SIS Live. The Committee are shocked at the manner in which Prasar Bharati signed such a one sided and subjugating contract with SIS Live that subsequently allowed the contractor to arm twist and blackmail them. In other words, with no safeguards and precautions put in place, Prasar Bharti had to merely yield to the unreasonable demands of SIS

Live without caring to see the compliance of contractual obligations. Needless to mention, Prasar Bharati ought to have taken prompt action against SIS Live when it was found that the requisite number of key personnel had not been deployed. The Committee are, therefore, of the considered view that it is high time the extant system is revamped with appropriate contractual safeguards so that Prasar Bharati does not succumb to the diktats of the contractor and is able to protect the State's interest in the process. The Committee desired that proper enquiry should be set up to look into the mismanagement of the entire contract with SIS live and responsibilities fixed.

#### Upgradation to HDTV

63. The Committee are concerned to note that despite incurring huge expenditure from the Government of India funds, the legacy value of HDTV coverage of the Commonwealth Games, 2010 to Prasar Bharati both in terms of improvement of infrastructure and development of in-house skills was insignificant. Prasar Bharati failed to upgrade itself to HDTV, even partially if not fully, by the Commonwealth Games, 2010. Against the allocated fund of ₹ 165 crore (out of which ₹ 114.61 crore was to be spent upto 2010-11) for production facilities for HDTV content and terrestrial and satellite transmission, Doordarshan could spend only ₹ 6.84 crore for the uplinking facility. There is no appreciable improvement in this regard as the expenditure incurred upto January 2013 on HDTV scheme still stands at ₹ 37.25 crore only. The Committee find that the Ministry of Information and Broadcasting alongwith Prasar Bharati failed to secure timely approval for the proposal for HDTV upgradation of Doordarshan and could not incur the proposed expenditure on the scheme. Resultantly, infrastructure is not yet in place for the HDTV telecast. This is symptomatic of inaction and callousness on the part of Doordarshan and absence of monitoring by Prasar Bharati/Ministry of Information and Broadcasting which has threatened the very existence of the legacy of the Games. Considering that HDTV then was the future of telecasting and order of the day now, the Committee recommend that concerted efforts must be made to upgrade Doordarshan to HDTV under a specific time-frame failing which responsibility be fixed. The Committee would like to have a time line by which Doordarshan would accomplish the task of upgradation.

**Irregularity in award of contract and work duplication**

64. The Committee are concerned to note that Prasar Bharati irregularly included two entities - Shaf Broadcast and Anytime Pictures Ltd, which had been found ineligible on account of lack of experience at the EOI stage by the Evaluation Committee, in the list of bidders shortlisted for award of the work of construction and operation of International Broadcast Centre facilities and services. The contract was finally awarded to Shaf Broadcast at a cost of ₹ 65.91 crore which was much higher than the CCEA estimates of ₹ 45.67 crore. Since only the Technical Committee/Evaluation Committee was competent to evaluate the entities on technical grounds, it was improper on the part of the Host Broadcast Management Committee to change the technical criteria midway only to facilitate addition of two chosen entities. Hence, the whole exercise of selection and award of contract for International Broadcast Centre to Shaf Broadcast was done in an irregular and arbitrary manner. Further, the Committee find that before negotiating with Shaf Broadcast on 10<sup>th</sup> December 2009, the Engineer-in-Chief had worked out in detail the possible deductions on account of reduced requirements of Right Holder Broadcasters and finalized a figure of ₹ 7.95 crore. However, Prasar Bharati failed to negotiate this deduction with the entity and could reduce only Rs, 4.61 crore. Meanwhile in October 2009, the Ministry of Information and Broadcasting had also asked India Trade Promotion Organization to provide for additional expenditure for air-conditioning and fire fighting works in International Broadcast Centre area. Accordingly, India Trade Promotion Organization spent an amount of ₹ 9.87 crore on this. Duplication of these works in Prasar Bharati's International Broadcast Centre budget and India Trade Promotion Organisation's revised estimates were pointed out by the Ministry of Information and Broadcasting in November 2009. However, Prasar Bharati could not negotiate any deduction from the entity in this regard. Worse, the Ministry could not impress upon Prasar Bharati to negotiate effectively with the entity and reduce these amounts from the contract price. The Committee deplore these serious irregularities owing to abuse of power by the officials concerned of the Ministry of Information and Broadcasting in general and Prasar Bharati/Host Broadcast Management Committee in particular. The Committee

desire that the matter be thoroughly probed into by CBI and appropriate punitive action be taken against the delinquent officials.

## DEPARTMENT OF TELECOMMUNICATIONS

### Transfer of contract by MTNL in a non-transparent manner

65. The Committee note that Mahanagar Telephone Nigam Limited (MTNL) was appointed in October 2009 by the Ministry of Youth Affairs and Sports as the Telecommunications Service provider for the Commonwealth Games, 2010 at a cost of ₹ 270.70 crore as estimated by the Group of Officers. This was the culmination of an extended engagement process between the Organising Committee and MTNL at the highest levels beginning September 2008. The selection of MTNL on nomination basis was justified to the Government of India on the grounds of it being a Public Sector Undertaking (PSU) which would follow all norms and procedures for public accountability. However, the telecommunications services were actually delivered by the HCL/Cisco team thereby nullifying the justifications for appointing MTNL on nomination basis. Essentially, MTNL acted as a conduit for placement of a contract on back-to-back basis in a non-transparent manner on the HCL/Cisco team and the underlying premise of a PSU following public financial accountability norms was jettisoned. On the other hand, the Committee find that the Organizing Committee chose not to bring a considerably better offer of Airtel to provide telecommunications services for the Games at ₹ 100 crore to the notice of the Government of India or the Group of Officers anytime between August and October 2009. Ironically, even after MTNL was appointed as the Telecommunications Services Provider for the Games in October 2009, the Organizing Committee continued to engage with Airtel on the proposal till early January 2010 during which period Airtel changed the offer to provide telecommunications services at a cost of ₹ 160 crore (excluding taxes) offset by ₹ 100 crore as sponsorship. Thus, the Committee observe that the process of awarding the Telecommunications Services contract to MTNL was flawed. Considering these circumstances, the Committee feel that instead of wasting time from September 2008 to October 2009 in negotiation with MTNL, competitive bids should have been called and in particular, Airtel's considerably better offer should have been brought to the notice of the Government

and duly considered. The Committee do not wish to undermine the engagement of a Telecom PSU as the service provider for such a mega event, but the purpose of nominating the PSU was evidently defeated as it did not actually provide the services itself. Deprecating such undesirable act on the part of MTNL, the Committee impress upon the Department of Telecommunications to ensure that henceforth if any of their PSUs is selected/nominated to provide Telecommunications/Allied Services for prestigious events, it should not act as a mere conduit and sub-contract the work in a non-transparent manner rather it itself should provide the requisite services so as to uphold the principle of public financial accountability.

#### Single financial bid and non-transparent price negotiation by MTNL

66. The Committee note with profound concern that despite request from the prospective bidders and the last pre bid clarification being issued as late as 3<sup>rd</sup> November 2010, the last date of submission of bid was not extended beyond 10<sup>th</sup> November 2010. This rigidity in adhering to the stipulated date was belied by the subsequent delay of 4 months in actual award of the contract in March 2010. Consequently, among the 18 agencies that had evinced interest at the RFP stage, of which four had the requisite experience in Olympics/Commonwealth/FIFA Games, only one, Cisco, teaming with HCL submitted a financial bid. Taking into consideration the time factor which was very short for installation, commissioning and operation of such a huge and complex network, the Committee conclude that the bidding process was tailored to ensure that only the HCL/Cisco team's financial bid was available, thus eliminating financial competition. On receipt of a single financial bid, the Director (Finance), MTNL had advised in December 2009 for short-tendering against the option of negotiation to ensure that the best rates were secured as the estimates were unreliable. The Director (Finance) further recommended that if negotiations were to be conducted with the single bidder, the Price Negotiation Committee should have Government representatives from the Department of Telecommunications and the Ministry of Finance. The Committee find that MTNL requested the Department of Telecommunications to nominate representatives in the negotiation committee but the Department authorized MTNL to take own decision on the plea that MTNL is a Navratna Company which enjoys

the enhanced operational and financial autonomy and takes all operational decisions on its own through its Board of Directors which includes two representatives from the Department. Consequently, MTNL conducted price negotiations through an internally constituted committee thus making the prices even more non-transparent. The Committee consider the Department of Telecommunications' stance improper as the issue was a special case different from routine matters and being the administrative Department, the Department of Telecommunications should have intervened and helped MTNL in price negotiations to help save crores of Rupees for the exchequer. The Committee's views are reinforced by the fact that the price negotiations were conducted by MTNL's internal price negotiation committee which unlike the Board of Directors did not have any representative from the Department of Telecommunications. In view of the above facts and circumstances, the Committee deprecate MTNL for not starting the bidding process well in advance to give adequate time to execute the work; not extending the last date of submission of bid beyond 10<sup>th</sup> November 2010 despite requests from prospective bidders on the plea of urgency which was belied by the subsequent delay of four months in actual award of the contract; and not retendering/short-tendering when only a single financial bid was received. The Committee also reject the Department of Telecommunications' decision of not appointing any member from the Department in the price negotiation Committee, thus abdicating their responsibility on a crucial matter involving crore of rupees. Cautioning the Department of Telecommunications and MTNL against such glaring mistakes, the Committee desire that responsibility should be fixed on concerned officials and that the Department should devise suitable procedure so that such lapses do not recur.

### CENTRAL BUREAU OF INVESTIGATION (CBI)

#### Status of CBI cases

67. The Committee note that the Central Bureau of Investigation registered 33 cases in connection with CWG matters based on the complaints received from various sources. Out of the total cases registered, 15 cases were registered against the Organising Committee, five against NDMC, four cases each against DDA and PWD, two cases against CPWD and one each against MTNL, Prasar Bharati and

MCD. As regards the matters covered under CBI inquiry, the Committee find that they pertain to procurement contracts, construction, consultancy, recruitment and misuse of facilities related issues. Particularly, with related to cases against the OC, the Committee note that the CBI have taken up the issues pertaining to the Games Overlays, workforce, merchandising and news service contracts as well as the complimentary tickets. These 33 cases were registered between 3<sup>rd</sup> March, 2011 and 9<sup>th</sup> January, 2014. As regards the progress made by the Investigating Agency, the Committee find that closure reports have been filed in 18 cases due to want of evidence whereas 1 case is still at the stage of investigation. There are five cases where closure reports are not accepted, and six cases which are pending in courts. One cases resulted in conviction. While reposing trust that the CBI would soon take the remaining 1 case under investigation to their logical conclusion, the Committee would like to be apprised of whether the Court has accepted all the closure reports filed by the CBI and in the event of non-acceptance of the closure reports, further action contemplated by the Bureau. The Committee appreciate to note that while filing the closure reports, the CBI have, however, suggested some systemic improvements and departmental action. The Committee urge the Ministries/Departments/Agencies concerned to accord due importance to the CBI's suggestions and take requisite corrective measures to effectively implement them so as to maintain transparency and ward off corruption charges. The Committee would draw to attention of all ministries, para 18 of their recommendation to take stringent action against officials found responsible by the CBI's SCN.

#### Delay in filing chargesheet

68. The Committee are concerned to observe a particular case wherein three close aides of Shri Suresh Kalmadi were arrested in November 2010, but the CBI could not file the chargesheet within the stipulated time of 60 days for which the accused persons were released on bail. The DIG, CBI (Anti Corruption) explained that the delay in filing the chargesheet occurred on account of the investigation in the United Kingdom (U.K.). Explaining the issue further, the Director, CBI deposed that they do not get ready response from the foreign countries in the execution of Letter Rogatories (LRs) as the legal system is different in different countries and the CBI do not have the experts who can prepare LR's in the manner in which the foreign

countries would like to have it. Therefore, a lot of communications take place between both the sides causing delay in the investigation/filing of chargesheets. The Committee find that in order to have a permanent solution to the perennial problem, the CBI have suggested to the Government that to those countries which CBI has sent LRs, the CBI emissary through the Ministry of External Affairs (MEA) can take on contract some legal persons who will advise the CBI to prepare LRs which are in compliance with their legal requirements. Further, CBI have also invited some of the legal officers from the foreign countries to train their Indian counterparts how to prepare LRs which are in conformity with the legal requirement of the foreign countries. The Committee are of the considered view that these are steps in right direction and they would like the CBI to vigorously pursue the matter so that the proposals are fructified, the extant lacunae removed and the investigation process expedited to its logical end.

#### Shortage of Manpower

69. The Committee are concerned to observe that CBI are terribly short of manpower strength, adversely impacting the investigation of various cases taken up by them. In this context, the Committee find that the CBI have already sent their cadre restructuring/management and modernization plan to the Department of Personnel and Training (DoPT). Though on the said proposal some manpower strength has been increased, CBI are unable to get the requisite/suitable officers in time because for the appointment of Gazetted Officers, the CBI has to go through UPSC causing procedural delays. In order to overcome the situation, the CBI have proposed that the Director, CBI should be given power to induct officers at least of the rank of DSPs. Concurring with the proposal mooted, the Committee would like the Investigating Agency to pursue the matter at the appropriate levels with a sense of urgency so that the gap between the sanctioned posts and actual strength is bridged and investigation process accelerated efficiently and effectively. The Committee would also like the DoPT to submit an action taken note on this recommendation to mitigate the difficulties of the CBI due to utter shortage of requisite human resource.



### Responsibility of GNCTD

70. As mentioned earlier, the Committee decided to leave the Audit findings pertaining to the Government of National Capital Territory of Delhi (GNCTD) and its implementing agencies to be examined and reported by the Delhi Assembly PAC, pursuant to a request made by the Speaker, Delhi Vidhan Sabha to the Chairman, PAC. The Committee trust and earnestly hope that the Delhi Assembly PAC would examine the issues highlighted in the C&AG Report and present their well-considered Report to the Delhi Vidhan Sabha for necessary corrective/remedial action.

### SUMMATION

72. To conclude, the Committee observe that crucial delays at critical junctures in the planning process for the organization and conduct of the CWG-2010 coupled with the opaque system followed in the appointment of the Chairman, OC who subsequently engaged in highhandedness and corrupt practices in the award of contracts, undermining the institutional mechanism, almost took the country to the brink of national shame but for the effective intervention by the Government at the last moment. The Committee trust that the Ministries/Departments/Agencies concerned would take suitable corrective measures, as per their Observations/Recommendations contained in the preceeding paragraphs so as to strengthen the governance model, with appropriate and robust checks and balances so that the country is able to hold future mega multi-disciplinary sports events not only economically but also more efficiently with greater foresight, planning and coordinated synergy.

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NEW DELHI

12th April, 2017

22 Chaitra, 1939

Prof. K.V. THOMAS

Chairperson

Public Accounts Committee

**MINUTES OF THE TWENTY-NINTH SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE (2016-17) HELD ON 6 APRIL, 2017.**

The Committee sat from 1030 hrs. to 1100 hrs. on 6 April, 2017 in Room No. "51", Parliament House, New Delhi.

**PRESENT**

Prof. K. V. Thomas - Chairperson

**MEMBERS**

**LOK SABHA**

2. Shri Prem Singh Chandumajra
3. Shri Nishikant Dubey
4. Prof. Richard Hay
5. Smt. Riti Pathak
6. Shri Neiphiu Rio
7. Shri Abhishek Singh
8. Dr. Kirit Somaiya
9. Shri Anurag Singh Thakur
10. Shri Shiv Kumar C. Udasi

**RAJYA SABHA**

11. Shri Bhubaneswar Kalita
12. Shri Ajay Sancheti

**LOK SABHA SECRETARIAT**

- |                           |                        |
|---------------------------|------------------------|
| 1. Shri A. K. Singh       | - Additional Secretary |
| 2. Shri S. C. Chaudhary   | - Joint Secretary      |
| 3. Shri T. Jayakumar      | - Director             |
| 4. Shri Paolienlal Haokip | - Deputy Secretary     |
| 5. Smt. Bharti S. Tuteja  | - Deputy Secretary     |
| 6. Shri A. K. Yadav       | - Deputy Secretary     |

## **REPRESENTATIVES FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

1. Shri. Nand Kishore - Dy.CAG (DCR)
2. Shri Mukesh P. Singh - D. G (ACE)

2. At the outset, the Chairperson welcomed the Members and the representatives of the Office of the C&AG of India to the sitting of the Committee. The Chairperson then apprised the Members that the meeting has been convened to consider and adopt six Draft Reports as already circulated to Members. Thereafter, the Committee took up the following draft reports one by one for consideration:

- (i) Draft Report on "Suburban Train Services in Indian Railways";
- (ii) Draft Report on "Commercial Publicity in Indian Railways";
- (iii) Draft Report on "XIX Commonwealth Games 2010" ;
- (iv) Draft Report on Action taken by Government on observations/ recommendations contained in 34<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) on "Employees Provident Fund Organisation";
- (v) Draft Report on Action taken by Government on observations/ recommendations contained in 48<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) on "Avoidable Expenditure on Service Tax by Insurance Regulatory Development Authority (IRDA)";
- (vi) Draft Report on Action taken by Government on observations/ recommendations contained in 40<sup>th</sup> Report (16<sup>th</sup> Lok Sabha) on "Management of Satellite capacity on DTH Service by Department of Space".

3. After deliberations, the Draft Reports were adopted unanimously by the Committee except Draft Report at Serial No. (iii) above wherein minor changes/modifications were suggested by a Member.

4. Hon'ble Chairperson, thereafter, also informed the Members that a group photograph of Members of PAC with Hon'ble Speaker, Lok Sabha has been organised on 7 April, 2017 at 1000 hrs at the courtyard behind P.N.O, near Gate No. 1, Parliament House. He requested all the Members to be present on the occasion.

5. The Chairperson thanked the Members for their participation in the consideration and adoption of the Draft Reports and the representatives of the C&AG of India for assisting the Committee in the examination of the subjects.

**The Committee then adjourned.**