DELHI STATE INDUSTRIAL & INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

No. DSIIDC/ATN on Performance Audit of DSIIDC/2014-15 Dated:- 18.12.2015

Subject:- Action taken note on Audit Para No. 4.1 printed in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2013.

A copy of Dy. Secretary, Office Of The Delhi Legislative Assembly Secretariat, Delhi's letter No. R.13 (B-1)/COGU/2015-16/8021-42 Dated: 17th December,2015 vide which Delhi Legislative Assembly Secretariat raised questionnaire on various Audit Points is sent herewith.

It is requested that replies to the questionnaire pertaining to division under your jurisdiction shall be prepared and bring in the meeting to be held on 21.12,2015 at 12.00 Noon in Conference Room under the Chairmanship of M.D./ E.D.

All the concerned CEs, SEs, DGMs and CMs are requested to attend the meeting positively. Besides, all concerned are also requested to remain present at MLA Lounge I, Old Secretariat on 22nd December'2015 at 4.00 PM in connection with the meeting of the Committee on Government Undertakings.

18/12/15

(M.C. Jain)
Chief Accounts Officer (HQ)

To:-

1. Sh. K.K. Bansal, SE(Housing)
(Para No. (4.1.6.1.to 4.1.6.3, 4.1.7.1 to 4.1.7.3 and 4.1.9.1)
2. Sh. S.N. Sharan, SE (UC, KBI & RP) (Para No. 4.1.3, 4.1.4., 4.1.4.2, 4.1.5.1 & 4.1.8.1 to 4.1.8.2)
3. Sh. A.K.Jain, SE(IA) (Para No. 4.1.4.1 & 4.1.12)
4. Sh. R.K. Dotania, DGM (IEM) (Para No. 4.1.2.2)
5. Sh. M.M Ahmed, DGM-Chairman EPF Trust DSIIDC (Para No. 4.1.2.1 & 4.1.11)
6. Sh. S. B. Sharma, CM(Relocation)(Para No. 4.1.4)

Copy for information to-

1. PS to MD
2. Sr. PA to Director (Finance)
3. PA to ED
2. PA to GM
2. CE-I
3. CE-II
4. CE-III
5. CE-IV
6. CAO (Works) for co-ordination.
7. DM(IT) for uploading on website.

MOST IMMEDIATE
OUT TODAY

DELHI LEGISLATIVE ASSEMBLY SECRETARIAT
OLD SECRETARIAT, DELHI-110054

No. F.13 (B-1)/COGU/2015-16/ [illegible] Dated: 17th December, 2015

The meeting of the Committee on Government Undertakings which had been convened for Friday, 18th December, 2015 has been postponed for **Tuesday, 22nd December, 2015 at 04.00 p.m.** The Committee will take up **Para 4.1, Delhi State Industrial and Infrastructure Development** as appearing in the Report of the Comptroller and Auditor General of India for the year ended 2013(Report No.1 of 2014).

Hon'ble Members are requested to attend the briefing meeting to be held in the Secretary's Chamber at 3.00 p.m. positively.

(C Velmurugan)
Dy. Secretary

1. Sh. Vishesh Ravi, Chairman
2. Sh. Ajay Dutt, Member
3. Ms. Bhavna Gaur, Member
4. Sh. S.K. Bagga, Member
5. Sh. Dinesh Mohaniya, Member
6. Ch. Fateh Singh, Member
7. Sh. Narayan Dutt Sharma, Member
8. Ms. Parmila Tokas, Member
9. Sh. Raju Dhingan, Member

No. F.13 (B-1)/COGU/2015-16/ 8021-42 Dated: 17th December, 2015

Copy to the following **Special Invitees** with the request to attend briefing meeting also to be held in the Secretary's Chamber at 3.00 p.m. positively.

1. Pr. AG (Audit), AGCR Building, IP Estate, New Delhi – 110002.
2. Pr. Secy (Finance), Govt. of Delhi, Delhi Secretariat, New Delhi – 110002.

Copy forwarded to following with the request to attend aforesaid meeting at 04.00 p.m.

1. Pr. Secy-cum Commissioner, Department of Industries, 419 FIE Patparganj industrial area, Delhi-110092
2. Managing Director, DSIIDC ltd., Block N, Bombay Life Building, Connaught Circus, New Delhi-110001.

PA CAC(HP)

(C Velmurugan)
Dy. Secretary

Advance questionnaire on Performance Audit of Delhi State Industrial and Infrastructure Development Corporation

<table>
<tr><th>Audit observation</th><th>DSIIDC's Reply in brief</th><th>COGU may like to ask</th></tr>
<tr><td>
4.1.2 Financial Management
The main financial results (2008-13) of the Company are given below:
Table 4.1: Financial Management
(Rs. in crore)
<table>
<tr><th>Year</th><th>Reserves and surplus</th><th>Turnover</th><th>Total income</th><th>Profit after tax</th></tr>
<tr><td>2008-09</td><td>47.65</td><td>1,428.68</td><td>1,426.32</td><td>7.93</td></tr>
<tr><td>2009-10</td><td>78.54</td><td>1,112.58</td><td>1,159.12</td><td>31.08</td></tr>
<tr><td>2010-11</td><td>1,375.41</td><td>906.50</td><td>1,081.81</td><td>117.43</td></tr>
<tr><td>2011-12</td><td>1,286.31</td><td>1,323.17</td><td>1,569.60</td><td>184.63</td></tr>
<tr><td>2012-13</td><td>1,497.88</td><td>1,452.42</td><td>1,656.79</td><td>157.78</td></tr>
</table>
• The turnover comprised of two main components - income from sale of liquor and flats and deposits work & project work of Government. Turnover of Rs. 1,428.68 crore in 2008-09 stood at Rs. 906.50 crore in 2010-11. It went up to Rs. 1,452.42 crore in 2012-13.
• The profit after tax of R.s 7.93 crore in 2008-09 went up to Rs. 184.63 crore in 2011-12 and was Rs. 157.78 crore in 2012-13. The reasons for increase were profitability in Operation Maintenance Reserve Fund (OMRF), increased sale of liquor, flats and interest income.
</td><td>
The Corporation executed deposit works of Rs. 1019.05 crore in 2008-09 which increased turnover to Rs. 1428.68 crore in 2008-09. While in 2010-11, the deposit works for Rs. 287.14 crore only were executed and as a result the turnover decreased.. In 2012-13, deposit works of Rs. 589.64 crore were executed and the income generated from Development, Operation & Maintenance of Industrial areas of
Rs. 87.59 crore were also included in turnover in 2012-13 resulted in increased turnover to
Rs. 1452.42 crore.
</td><td>
No comments.
</td></tr>
<tr><td>
4.1.2.1 Loss of Rs. 3.07 crore in operation of DSIIDC EPF Trust
The Employees Provident Fund Organization (EPFO) granted (1972) relaxation to DSIIDC, to maintain its own EPF Trust. However, EPFO withdrew (24 February 2011) the relaxation citing non-compliance of rules and directed DSIIDC to transfer all PF accumulations of the Trust to the Regional Provident Fund Commissioner (RPFC), but it was not transferred. The Trust suspended its operations and transferred all balances to savings bank accounts. Nevertheless, it was bound to pay interest to member employees on statuary rates declared by EPFO. After a
</td><td>
The basic cause of loss to the Trust is because of low yield on investment in Govt. Securities/Bonds and payment of higher rate of interest as declared by EPFO every year, consequently the losses to Trust are made good by establishment in compliance to the guidelines of EPFO, However, losses up to 2012-13 have been recouped from establishment except an amount of Rs. 62.02 lakh approx. adjusted from Reserve and Surplus, lying with Trust with the approval of Competent Authority. As a result of constant persuasions with HMT, EPFO Trust DSIIDC has also
</td><td>
The reply is silent about the delay of more than two years in applying for exemption.
Questionnaire:
DSIIDC may explain to COPU:
• Reasons for inordinate delay of more than
</td></tr>
</table>

[illegible] DSIIDC [illegible] the loss of Rs. [illegible] crore of the Trust. Further, EPF Trust invested Rs. [illegible] crore in six companies of UP Government (1999 to 2005) with maturity value of Rs. 2.21 crore. It received Rs. 0.56 crore only of the maturity value. However, it did not invoke the guarantee. The Trust also incurred losses of Rs. 54.52 lakh and Rs. 51.84 lakh (2007-08 & 2009-10) in its working and after adjusting these losses from 'Reserves and Surplus of the Trust', balance of Rs. 0.44 crore was recouped by DSIIDC.Thus, DSIIDC suffered a loss of Rs. 3.07 crore The DSIIDC accepted (January 2014) the observations.	[illegible] DSIIDC was because of the pending relaxation request for stopping investments with EPFO for two years. Now the relaxation has been granted on 08.11.2013 resulting investment of accumulated funds, may decrease the impact of losses on the Trust in future.	[illegible] of the EPF [illegible] Miscellaneous Provisions Act [illegible] • Details of legal proceedings for pending recoveries • State of affairs of DSIIDC EPF Trust for 2013-14 and 2014-15. Whether it is running in profit or at least at break-even.
4.1.2.2 Flatted Factory Complex, Jhandewalan In compliance to O&M Act, the Industries Department, transferred Flatted Factory Complex (FFC), Jhandewalan to DSIIDC (December 2011). All 570 units units were allotted on rental lease and utility charges were fixed (2005) at Rs 1,250 per unit per month (Rs. 85.50 lakh per annum for entire FFC). DSIIDC paid water charges of Rs. 2 crore (March 2012) for the period up to 08 November 2011, i.e. for the period prior to transfer of FFC which should have been borne by the Department of Industries. It paid Rs. 1.65 crore as water charges only (for period from 9 November 2011 to 8 March 2013) in March 2013 and Rs. 1.85 crore towards electricity and water charges during 2012-13, while it received only Rs. 56.01 lakh as against Rs. 85.50 lakh as [illegible] 1.85 crore against Rs. 85.50 lakh) during 2012-13 only. The DSIIDC accepted (January 2014) audit observations and informed that utility charges had been revised. The DSIIDC assured for action to recover from Department	In this regard, it is stated that flatted factory complex at Jhandewalan was transferred to DSIIDC only after notification of DIDOM Act, 2010. The payment towards water charges are apparently on higher sides and are under examination as to why the excess billing is being made. The payment to DJB and discount was earlier being paid by Industries Department through budgetary support. However, after transfer of assets to DSIIDC, the payments to the supplying agencies have been made to avoid inconvenience to the allottees. The policy is now being framed to ensure that allotees pay the amount equal to the utility bill & there is no burden on DSIIDC.	**Questionnaire:** • DSIIDC may intimate COPU the action taken to recover the arrears paid to DJB, on behalf of Department of Industries. • DSIIDC may share the contents of the policy for ensuring that allottees pay utility charges. • Whether utility charges have been revised to avoid extra burden on DSIIDC.

of Industries, arrears for the period prior to transfer of FFC.		
4.1.3 Pre-feasibility study for Monorail project: Diversion of funds DSIIDC appointed (27 May 2011) M/s RITES for carrying out techno-economic feasibility study and preparation of DPR for Monorail project between Shastri Park and Kalyanpuri for a fee of Rs. 1 crore and paid consultancy fee of Rs. 1.18 crore (including taxes). DSIIDC sent claim (August 2012) to the Transport Department for reimbursement of consultancy fee paid by it and a letter claiming reimbursement was also sent in March 2013. Failure of DSIIDC to properly follow-up the matter resulted in blockade of Rs. 1.18 crore and also loss of interest of Rs. 10.14 lakh (@ 8 per cent). DSIIDC in its reply stated (January 2014) that the study was undertaken under the directions of GNCTD and Government agreed to reimburse the expenditure incurred on feasibility study by DSIIDC through the Transport Department. It further stated that on receipt of payment of Rs. 1.18 crore, the amount would be credited to the concerned head of account.	DSIIDC is a Company and in order to increase its business, it has to undertake certain studies and incur expenses for business development. It is not necessary that all business development expenses materialize in business returns. However, it is submitted that DSIIDC is still pursing hard the issue with Transport Department for release of Rs. 1.18 crore. In the Month of June, 2014, S.E. (KBI & H) of this office also met personally with Commissioner (TPT) for early action on the issue. It was assured by the official of Transport Department that proposal for reimbursement of Rs. 1.18 crore is under process with Planning & Finance Department of GNCTD and as and when same gets approval, the amount will be reimbursed to DSIIDC. Moreover such projects take lot of time in conception and as and when materialize then it is large gain for the Corporation.	**Questionnaire:** • The COPU may be intimated about the latest status of the recovery from the Department of Transport.
4.1.4 Relocation Division In pursuance to the Hon'ble Supreme Court's orders of 1996, GNCTD started a scheme for relocating industrial units operating in non-confirming areas. Out of 51,851 units to be relocated, 27,984 were declared eligible for allotment of plots or flats. DSIIDC had allotted 22,307 plots in Bawana, Bhorgarh, Narela, Badli, Patparganj and Jhilmil up to 2012-13. Possession of 18,553 plots was given and lease deeds were executed with 16,082 allottees and 136 eligible units were on waiting list (January 2013). The DSIIDC was maintaining data of payment of ground rent by allottees and implemented online payment gateway of ICICI Bank Ltd. However, payments made by the allotees did not get updated automatically but had to	In this connection, the progress of allotment, possession and execution of lease deeds till 30.09.2014 is given below:- **I. Allotment & possession of plots/flats** a) Total No. of Applications received under Relocation Scheme – 51851 b) Total No. of Units declared eligible for allotment – 27984 c)No. of Eligible units opted out of scheme – 5694 d) No. of units allotted Plots/Flats under this Scheme – 22213. e) No. of units still in the waiting list for allotment – 77 f) No. of possessions approved till date – 18791 **II) <u>Execution of Lease Deed of Plots under Relocation Scheme</u>**	The reply, though provides latest status, it does not speak of remedial measures taken to remove system deficiencies in online payment of ground rent. The contention of the Company that non-payment of ground rent is not a loss, is not acceptable, as the rules must be followed and

[illegible] system deficiencies and assured to remedy them. As at March 2013, ground rent of Rs. 99.67 crore was outstanding from 14906 allottees of industrial plots in Industrial areas.	[illegible] All the income on account of ground rent/lease rent is booked only on actual receipt of the amount and no entry is made on the basis of accrual of ground rent. The said amount of Rs. 99.67 crore just appears to be an estimation of the lease rent recoverable in future on tentative basis. It is, therefore, not the actual figure because list of allottees has neither been identified nor sent by the auditor to DSIIDC. 2. As per lease deed, ground rent/ lease rent is the liability of each allottee. It is an ongoing process and the delay, if any, in deposit of the said payment shall attract interest @ 18 % **per annum till date of payment. As such, there is no loss to the Corporation under any circumstances.**	Questionnaire • DSIIDC [illegible] the COPU about the remedial measures taken to remove system deficiencies in online payment of ground rent. • Whether outstanding ground rent from allottees of industrial **plots had been recovered.**
4.1.4.1 Infrastructure development at Bhorgarh Bawana (Phase II)		
DSIIDC finalized tenders for parts A and B of work of infrastructure development in new industrial areas at Bhorgarh Bawana on the third occasion of invitation (May 2007). Contract for Part A was awarded to M/s Indu Projects at Rs. 94.21 crore and for Part B to M/s L&T Ltd at Rs. 77.44 crore. **Audit observed that initially set work completion period (1st occasion of invitation to tender) of 18 months was enhanced on 2nd occasion of tendering, to 20 months on expression of bidders of inadequacy of time for such work. As a consequence, Clause 10 CC of the CPWD manual came into operation which provides for variation in contract amount due to variation in prices of materials** and service. A clause was also added in the contract for giving incentive for finishing the work before time. The contract completion period of 20 months was allowed on 3rd occasion of invitation of tender also, though this time,	The first call of tender of part A & part B were received in DSIIDC in June 2006 wherein the response was very poor. In the second call, bids were rejected due to complaints in the matter. In 3rd **call** - Tenders were called in four parts. In part A, no bidders was found eligible. In part B, C & D, only one bidder in each was eligible. In 4th **call - originally time for execution was kept 18 months for both the parts i.e. part A & part B separately and the same was increased to 20 months. The clauses of escalation were connected to the stipulated time of construction and became applicable.** **In the competitive bidding, the bidders quote their minimum possible rates considering the tender conditions i.e. the stipulated time for execution of work, the ease of availability** of material, the traffic regulations and availability of other resources to them even considering the clauses of contract such as escalation clauses etc. In the absence of 10 CC clause, probably the L1 rate would have been much more	In reply, it is stated that for this much quantum of work, time should have been minimum 24 months. It is contended **that by giving 24 months and paying escalation amount, no loss was caused to the exchequer.** **The reply cannot be supported by actual facts. The fact that both** works were completed within 17 months, fairly and conclusively indicates that a period of 18 months was quite

quantity of fly ash work to be executed was reduced by 15 per cent from 11.07 lakh cum to 9.40 lakh cum. Indu Projects Ltd. completed the work on 29 June 2009 against scheduled date of completion (6 September 2009) and M/s L&T Ltd. completed the work on 16 April 2009, ahead of scheduled date of completion (6 August 2009). Thus, DSIIDC incurred avoidable extra expenditure of Rs. 14.32 crore due to variation in price of material and services though fly ash work was reduced. The fact both the works were completed within 17 months conclusively indicates that initially set completion period of 18 months was quite reasonable and enhancement in completion period was unnecessary and unjustified. DSIIDC replied (January 2014) that the period was increased in view the poor response to last call. The period was worked out as per CPWD Manual and revising it to 20 months was within the provisions of Manual, which was considered necessary to attract more bidders. The reply is not acceptable as completion period should have been calculated taking into account all factors, drawing PERT and CPM chart etc. Enhancement in completion time should have no impact on bidding as bidders also would have factored in the 18 months' time in submitting their price bids.	than the same on which the work was awarded. As per the Project Management Rules, the cost of project depends on the stipulated times in contract which increases if the contract time is increased or decreased beyond the optimum time. The decision was taken by DSIIDC in the interest of the work to make the bidding process successful which was very important as the project was being monitored by Hon'ble Supreme Court. The conclusion that the time given in earlier calls was sufficient is just the assumption and for this much quantum of work even the time should have been to the tune of minimum 24 months, therefore, by giving 20 months for the execution of work and by paying the connected escalation amount, no loss has been caused to exchequer.	reasonable. The enhancement in completion period was uncalled for and not justifiable, especially when its impact was to the tune of Rs. 14.32 crore. **Questionnaire**: • How does DSIIDC explain the increase in the contract period, though quantity of fly ash work was reduced in third tendering? • If reasonable minimum required time for the work was 24 months, how could both the works be completed inside 17 months?
4.1.4.2 Development of industrial area at Kanjhawala and Rani Khera For development of new industrial area at Kanjhwala and Rani Khera, DSIDC followed open tendering and assigned the project consultancy to M/s Consultancy Engineering Services (India) Pvt. Ltd. (M/s CES) at Rs. 18,570 per acre (total amount Rs. 1.86 crore) in January 2008. Audit observed inconsistencies in tendering and execution of contract. DSIIDC: • Followed the same technical qualification criterion – 'having required potential and experience of handling similar projects of estimated cost of not less than Rs.	Criteria of work for Rs. 100 Crore were kept for both the works so that competent consultants are invited & selected. However, this point has been noted for future NIT's. There were various shortcomings in the working of the consultant due to which work was rescinded. In fact obtaining the environmental clearance from DPCC and other local body approval, was the job of the consultant for which he has failed. Copies of relevant pages of NIT are enclosed as Annexure-II	**Questionnaire**: • DSIIDC may intimate the reasons for non-fulfilling of its contractual obligations

[illegible] consultant for two schemes (Kanjhawala [illegible] acres and Ram Khera [illegible] acres). This was [illegible] as the area under Kanjhawala scheme was more than [illegible] times the area under Ram Khera scheme • Failed to provide to consultant necessary approvals and environment clearance from GoI for treatment, storage, and disposal facility (TSDF) site. Even other requisite information were provided with a delay. DSIIDC ultimately foreclosed consultancy contract on account of non-performance. **Audit observed that DSIIDC lacked clarity on the project development as it revised the layout plans thrice and failed to comply with the contractual obligations to provide requisite data to the consultant. The foreclosure of contract citing non-performance by the consultant resultant in unfruitful expenditure of Rs. 8.54 lakh.** DSIIDC stated (January 2014) that to encourage healthy competition, terms and condition of NIT were approved by competent authority and the consultant was appointed accordingly. The reply is not acceptable as by keeping the same technical criteria for both the works, competition was restricted. **DSIIDC also failed to provide the requisite information/ data to the contractor as per the agreement, resulting in foreclosure of the contract.**		
4.1.5 Engineering Division **The Engineering Division of DSIIDC is executing all deposit works (civil and electricity) on behalf of various [illegible] total outlay of Rs. 2,[illegible] crore during 2008-13.**		–
4.1.5.1 Development works in unauthorized colonies The Urban Development Department (UDD), GNCTD entrusted to DSIIDC the work of providing basic infrastructure facilities like roads, storm water drains, etc in unauthorized colonies (UC) in Delhi. During 2008-13,	It is clarified that an order was issued by the Project Director (UC), UD Department GNCTD on 06.09.2007 vide which a decision of the cabinet was communicated to the executing agencies i.e. DSIIDC, I&FC & MCD vide which they were	**Questionnaire**: • DSIIDC may explain to COPU whether before

DSIIDC awarded 1,024 contracts valuing Rs. 1,085.26 crore for construction of roads and storm water drains. Audit noticed that Council of Ministers decided (November 2007) for cement concreting of roads in 1, 071 eligible unauthorized colonies, out of 1,539 unauthorized colonies, where water lines and sewerage lines or any other services had already been laid, thereby, obviating the need to frequently cut the roads. While conveying the above decision in April 2008, it was altered that the cement concrete roads would be laid wherever the sewerage and waterlines had not been laid instead of laying the concrete roads wherever sewerage and water lines had been laid. Thus, the intent of the decision was altered. As a result of the above Government decision, works of laying of cement concrete roads valuing Rs. 206.96 crore were carried out in colonies where sewer lines and water lines had not been laid by the Delhi Jal Board. DSIIDC stated (January 2014) that the work of construction of cement concrete was taken up under the orders of UDD conveying Cabinet Decision dated 6 September 2007. The condition of laying of water and sewer lines was mentioned in Cabinet decision dated 20 November 2007 which was reiterated vide letter dated 16 September 2008. In the exit conference, DSIIDC stated that till date, (February 2014) Delhi Jal Board had not laid sewer and water lines on most of those roads pointed out by Audit. The reply is not acceptable as there is no record available with the Company indicating that the concrete roads were laid only on those places, where there would be no need for laying the sewerage and water lines thereby the necessity of cutting the concrete roads cannot be ruled out.	authorized to construct the CC road in unauthorized colonies on private land only. Construction of bituminous road and brick pavement in unauthorized colonies were stopped with immediate effect. Accordingly, DSIIDC has gone ahead with construction of CC roads. But the cabinet decision dated 26.11.2007 put the executing agencies in a fix because of the decision that as far as possible the cement concreting of roads in unauthorized colonies be done where water lines or sewer lines or any other services have already been laid (Enclosed as Annexure-III). The clarification on the cabinet decision was sought from UD Department, in view of the fact that most of the unauthorized colonies are without water line or sewer line. The clarification could be received only on 16.10.2008. and by this time, works in most of the colonies was completed. U.D. Department, GNCTD has circulated the policy on similar lines vide F. No. 627/UC/UD/2012/CD-021186912/168-178 dated. 19.12.2012 for taking up the development works in the unauthorized colonies as per which "Cement concrete roads in unauthorized colonies shall be normally laid only after the laying of water lines and sewer lines. However, the executing agencies may take up the CC road work in unauthorized colonies if it is considered appropriate and justified in technical assessment of the executing agency, after confirming it from the DJB that the work of water lines and sewer lines is not to be undertaken in the said unauthorized colony/ area for at least next three years in order to avoid the wasteful expenditure due to damages caused to CC road while laying water lines and sewer lines".	laying CC roads, it confirmed that DJB would not carry out water and sewer lines works in unauthorized colonies for next three years,.
4.1.6 Project 'Roopantar' The Department of Education (DoE), conceived a project	Statement of Facts.	

[illegible] engaged M/s IL&FS Education and Technology Services Limited (IETS) to prepare school-wise improvement plan and awarded contracts for up gradation of [illegible] schools in five clusters.

The following deficiencies were noticed in the projects:

4.1.6.1 Deficiencies in NIT for appointment of consultant The DSIIDC issued NIT (6 June 2006) for appointment of consultant for the project. The NIT was kept open ended and did not contain information on scope of work viz. total number of schools to be covered in the project,. DSIIDC stated (January 2014) that NIT was issued based on CPWD manual. The consultant was required to depute technical staff and to provide VAT/services tax / PAN etc. DSIIDC in exit conference explained that the NIT was not open ended and the contract was different from construction contracts. The consultancy fee was on percentage basis. The reply is not acceptable as DSIIDC itself had been engaged in the business of consultancy and construction through its own Engineering Division and the deficiencies pointed out are normally there in any tender document and should have been incorporated.	It is pertinent to mention here that DSIIDC was in shortage of engineering staff at all levels. Further, preparation of estimates needed extensive survey and data collection from school to school from different geographical location spread all over Delhi. Therefore, the work of initial survey of schools in respect of requirement and deficiencies for survey along with detailed design and drawing was included in the scope of consultancy work for Roopantar Project.	The NIT was not having information on scope of work viz. total number of schools to be covered in the project ,estimated cost, qualifications of firms, past experience, turnover of bidding firms, penalty clause etc. These information should have been there in the NIT.
4.1.6.2 Selection of an ineligible firm as consultant **Of the two parties who submitted bids, only M/s IETS was declared as technically qualified and awarded the consultancy and agreement signed (November 2006). Audit [illegible] of Companies [illegible] for required experience in civil and architectural projects,** IETS submitted a Memorandum of Understanding with M/s Pradeep Sachdeva Design Associates (PSDA), with whom it did not have any JV. Thus. IETS did not fulfill the criterion of JV or group of companies and hence its	**IETS had a Memorandum of Understanding with M/s. Pradeep Sachdeva Design Associates (PSDA) who has an experience in Civil and Architectural projects and thus form a Group for this project. This Group, therefore, has experience in Civil and Architectural projects and thus form** a group for this project. This group, therefore, has the experience as per the prequalification criteria as per NIT conditions. The work was completed by the Group satisfactorily. So, it is observed from the above that there is	**The reply is not specific to the audit observation i.e. as per NIT, only Group of Companies or** Joint Ventures (JV) were eligible to bid for the job. M/s IETS and M/s Pradeep Sachdeva Design Associates

technical bid was not factually qualified. Moreover, IETS submitting bid in the capacity of an independent firm, was not an architectural and civil contractor firm. Hence, its bid on the basis of MOU should have also been rejected. The DSIDC replied that IETS had signed an MOU for fulfilling the technical criteria. The reply is not acceptable as the NIT conditions permitted bids from JV or a group of companies and not from a group formed through a MOU.	no violation of rules/evaluation of the work.	(PSDA) were not such JV or Group of Companies. Moreover, M/s IETS submitted its bid in the capacity of an independent firm, which should have been rejected.
4.1.6.3 Irregularities in execution of 'Roopantar' project: Audit observed irregularities in execution of the project: • DSIIDC prepared justification of rates on the basis of rates obtained through a market survey (MRJ). However, the procedure adopted for market survey was not on record. The veracity of period of market survey, constitution of committee appointed for the purpose, quotations obtained from suppliers and vendors etc. could not be ascertained as rates of same items differed across five clusters where works were awarded during June 2009 to August 2009. DSIIDC stated (January 2014) that MRJs were prepared in accordance with the CPWD works manual and the minor variation in the rates of few items was due to market fluctuation on Account of Common wealth Games. The reply is not acceptable as the validity of rates quoted by bidders was 60 days as also the variation in rates is not justified within a short period across the five clusters within Delhi.	The rates for different items required in MRJ were collected from the open market after thorough market survey at the time of submission of the five tenders called from February-2009 to August-2009. Because large number of infrastructure works were going on for CWG, market was fluctuating on daily basis. This process was not documented as it is not mentioned in the CPWD Manual. The Department is reviewing the preparation of justification as mentioned in the observation by the Audit for future work. The validity of the quoted rates were mentioned as 60 days for this particular tender. There is no limit for validity for justification. The justification is as per the prevailing market rates.	The reply conforms the audit observation that proper records were not maintained. In the absence of any document, Audit was not in a position to ascertain the reliability of procedure for market survey.
• n case of cluster 5, the bid of JV of BLS Infrastructure and Sumer Construction was accepted. It was noticed that on 23 August 2009, BLS Infrastructure resolved to find suitable JV partner for submission of bid in respect of 28 cluster schools and on the next day i.e. 24 August 2009 entered in to JV agreement with Sumer Corporation. Hence, it formed a JV with Sumer	A joint venture between BLS infrastructure and Sumer Construction was formed on 24.08.2009 prior to the submission of the bid for the Cluster-V of Roopantar Project i.e. 26.08.2009. This joint venture was technically qualified as per the criteria of NIT which was approved by competent authority. However, with a view to safeguarding the interest of the DSIIDC, indemnity bonds were obtained independently and severally. The procedure followed by the Corporation was correct.	**Questionnaire**: • Whether DSIIDC is still following the same procedure for

[illegible]
Infrastructure [illegible]
technical criteria of NIT and approved by competent authority. To safeguard interests of the Corporation, indemnity bonds were obtained independently and severally. The reply is not acceptable as DSIIDC obtained indemnity bonds subsequent to the finalization of technical bids which also substantiates the audit point that JV formed was not technically qualified for its financial bid being considered.

- In case of school at Bhola Nath Nagar, an additional work of Rs. 50.80 lakh was undertaken besides the original work of Rs. 1.74 crore on the recommendation of IETS. IETS altered the work requirements on several occasions which DSIIDC sanctioned. This indicated lack of initial planning and site survey by the consultant.

DSIDC in its reply (January 2014) stated that the existing provision in the estimates were not sufficient and the building needed additional strengthening on account of which additional expenditure was incurred. The reply is not tenable as repeated revision of scope of works indicates lack of planning and site survey.

The initial estimate was prepared by consultant on visual site survey and information collected from the principal of the said School. However, after award of the work and during execution, the extensive retro fitting to the RCC framed structure was required. Therefore, the deviation was as per the site requirement and to make the school building functional.

Additional work of Rs. 50.80 lakh (29.2 *per cent*) in excess of original estimate of Rs. 1.74 crore conclusively indicates lack of initial planning and site survey by the consultant.

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11

4.1.7 Housing projects The DSIIDC undertook 13 projects for construction of 64,040 dwelling units (DUs) during 2008-13 under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for rehabilitation of urban poor and slum relocation project. Five projects (23,040 DUs) were shelved for non-availability of clear sites, after incurring Rs. 46.45 lakh on these projects. As of 31 March 2013, 13,820 DUs had been completed while construction of 25,500 DUs was in progress. Work of remaining 1,680 DUs could not be awarded for want of sites.	Statement of Facts.	No comments.
4.1.7.1 Under- utilization of land for construction of DUs For affordable housing for the urban poor, Master Plan for Delhi 2021 (MPD 2021) (introduced in 2007) provides that built up accommodation should be around 25 sqm so as to achieve maximum density of 600 dwelling units (DUs) per hectare. However, DSIIDC prepared and got approved DPR for four projects (June 2007 and October 2008), for construction of 13,820 DUs (G+2 and G+3 types) with density of around 300 units per hectare. This resulted in under-utilization of land and the loss of opportunity to construct additional 3,720 DUs. DSIIDC stated (January 2014) that DPRs of 13,820 houses were based on MPD-2001 where there was a provision of 300 units per hectare which was increased to 600 units per hectare after introduction of MPD-2021 in the year 2007. During this period GNCTD entrusted the work of JNNURM to DSIIDC and projects at Narela, Bhorgarh and Bawana were switched over to JNNURM. DSIIDC also informed that FAR of 600 units per hectare could be achieved by building seven to eight storey building which required lifts leading to enhancement of cost per unit. Thus, keeping the unit cost low was the main constraint for achieving FAR of 600 units per hectare but in view of scarcity of land now DSIIDC is constructing	The first ever Low Cost Housing Complex in Delhi undertaken by DSIIDC (other than DDA) was approved by MCD, vide Sanction No. 315 dated 30.07.2003. The above scheme was approved by MCD based on IS: 8888 norms. In view of approval given for above housing, the other low cost housing schemes were also planned keeping in mind IS: 8888 norms. In the absence of Development Control Norms for EWS housing in MPD-2021, it is understandable that density norms of 300 were adopted as applicable in building byelaws & IS-8888, and the MPD-2021 (Relevant extracts are enclosed as Annexure-IV). Till 2013, there were no development control norms for EWS housing in MPD 2021 which is under review. Now during the Master Plan review, the norms have been notified on 23.09.2013. It is utmost important to understand that DSIIDC had taken up these housings much earlier as the tenure of JNNURM was limited to March 2012.	Audit highlighted only those cases whose DPRs were approved after the MPD 2021 was introduced in 2007. In view of this, the reply is not tenable.

4.1.7.2 Irregularities in appointment of consultant

DSIIDC invited 21 empanelled architects (10 August 2006) requesting them to submit their offer for the work of construction of 40000 houses. The consultancy fee was fixed at one per cent of the cost of project excluding the cost of land and @ 0.5 per cent for project management consultancy (PMC) which included quality audit, quality control and site supervision and management. Audit observed that M/s Adlakha & Associates had already **initiated the work in June 2006 at Bawana Extension, Narela Industrial Complex and Bhorgarh (Bawana-II) before letters were issued to empanelled Architects. This was evident from a letter dated 9 June 2006 of M/s Adlakha & Associates, which mentioned that preliminary** drawings had already been prepared and the scheme for Bawana Extension had been submitted to the Planning Department of MCD. The preliminary estimate of the scheme and the Detailed Project Report (DPR) was also stated to have been submitted to DSIIDC.

In the meantime, four Architects submitted (30 August 2006) their bids. Thus, while the empanelled Architects were requested to submit their bids, consultancy work had already been awarded. By March 2013, DSIIDC paid fees of Rs. 7.41 crore.

M/s Behl Joshi & Associates were appointed as consultancy out of the shortlisted consultants for projects of Kanjhawala and Bawana. However, these projects could not begin due to court's stay orders. During 2011-12, DSIIDC again decided to take up construction of 4000 DUs at Kanjhawala and this time, entered into an

[illegible] "Low Cost Housing" for Industrial Workers at Bawana Open tenders were invited for engagement of a Consultant. in the month of April, 2002. The Notice inviting offers issued on 10.08.2006 wherein fee for consultancy was pre-specified at 1% for consultancy and 0.5% for project management. In response of this, only 4 parties have applied. It is therefore, evident that total transparency had been maintained as all the architects were made aware of the **fact of fixing fee in advance and to the extent that selection shall be merit based and therefore, acts of lowering the fee, would not affect the process of finalization of the offers. The contents of the eligibility criteria attached thereto were** conveying very clear terms and no room had been left for any ambiguity or confusion.

There had been virtually no "repetitive works" as are defined and prevailed in Constructional Parlance in Construction Industry. It would be proper and fair to highlight the definition of repetitive works, as accepted and in practice in Government Departments, which is as under:

"For repetitive works requiring no new major planning and design and development work on the part of the consultant except to release additional drawings with revised titles to suit the work, a fee, calculated at the approved rate (not exceeding half percent) of the actual cost of work (or the preliminary estimate, whichever is less) as above shall be payable." (cited from tender floated by Delhi State Cancer Institute-an autonomous institution under the Govt. of NCT of Delhi)

For example for Bawana housing project of 1184 houses it

[illegible] DSIIDC has not commented on reasons as to why M/s Adlakha was allowed to start the work prior to the start of tendering process. Neither, it talks as to why M/s Behl Joshi & Associates were **appointed without competitive bidding. Even though the firm was lowest bidder** previously, no agreement was executed. Therefore, it cannot be construed as a revival of old agreement.

Payment of uniform fee for repetitive nature of work was in violation of CVC guidelines. Even if the contention of DSIIDC on dimensions, ground topography, type of soil and bearing capacity is considered, the consultancy fee should have been

agreement (6 March 2012) with M/s Behl Joshi & Associates selected on the plea of revival of old agreement, instead of open bidding, at a fee of one per cent. Audit noticed: I. The appointment of M/s Behl Joshi & Associates without competitive bidding was irregular. Even when the firm was lowest bidder for the project which was stayed, no agreement had been executed with the firm, therefore, it cannot be construed as revival of old agreement. DSIIDC accepted (Sep. 2013) the audit observation and stated that only letter of commencement was issued to the firm. II. Construction works of flatted dwelling units are of repetitive nature where drawing for one block only is approved by the competent authority, and the same is used for construction of other blocks of the project. Hence, uniform consultancy fee for every block of the project was not justified. DSIIDC replied (January 2014) that there was urgency to construct houses under JNNURM. M/s Adlakha & Associates, who were on its panel and had done the work of 3164 industrial workers' housings, were asked to prepare DPR for submission to the Ministry of Housing and Urban Poverty Alleviation. In case M/s Adlakha did not qualify, the fee paid to them would have been adjusted against the fee of successful consultant, for the work done. With respect to award of work to M/s Behl Joshi & Associates, DSIIDC stated that it was a competitive bidding and only the work was revived. It further stated that every project had its own dimensions, ground topography and type of soil and bearing capacity. Therefore, layout of each project is to be prepared on the basis of plot size. Topography etc. and, therefore, it cannot be constructed that the work was of repetitive nature. DSIDC, in exit conference, stated that it was a fair bidding and M/s Adlakha was the leading firm for construction of	may be true that one block comprise of 16 dwelling units, but there are combination of blocks in multiple of 32 units, 48 units and 64 units and drawings for foundations, expansion joints, elevations, sectional elevations, plumbing lines, electricity planning etc. of such units are required independently of each other because of ground realities at site of work. Further, block have been grouped in 7 clusters. Each cluster is of different size and configuration. The layout of each cluster is different and requires separate different drawings. Moreover works like water supply, sewerage, drainage, pathways, roads, park, boundary wall etc. are not repetitive. A block of 16 flats itself is of a small value than a multi-storied block of high value, wherein the fee for one block and the fee for other blocks is different. Above that, kind attention is drawn towards the fact that at the time of calling open tenders, on the basis of "Merit/Quality based selection" by fixing some fee as @ 3% of the cost of first 100 dwelling units and total cost of services and development works and 1% of cost of balance units and 0.5% for site management, technical staff at site and quality control. However, work was awarded @ 1% of all dwelling units including development works and in addition 0.5% as above. It is to further add that this tender provided enough ground and field to educate DSIIDC in selection of Consultant for low cost housing projects by using cost effective technology and not using inferior specifications causing hardship to the end users. In this regard, it is submitted that DSIIDC has followed the procedure in absolute and transparent manner. The lesson learnt during the course of finalization of offers in the aforesaid case of construction of Low Cost Industrial Housing Complex, led the DSIIDC to call offers from the architects from the select list for the reason that no benefit was earned from calling of open tenders except to waste of time and money and further causing delay in the projects whereas, GNCTD had been taking keen interests in shaping	reduced for superstructure of buildings, which are repetitive in nature. **Questionnaire:** • Is not allowing a consultant to start the work before the bidding process is finalised, a violation of prescribed norms? • DSIIDC may justify to the COPU the assignment of work to M/s Behl on its old quotation.

[illegible] and bearing capacity is also considered, the consultancy fee should have been reduced for repetitive nature of constructions of superstructure of buildings.

[illegible] inherent spirit of the provisions as contained in Rule [illegible] of GFRs.

The council of Architecture prescribes 2.5% fee of the cost of works assigned for housing project consultancy.

Further, as per CPWD manual 2007, clause 12.11 under sub-head levy of fee by the CPWD consultancy services stipulated that "the Executive Director (Consultancy), CPWD Consultancy Unit, handles consultancy works of **planning and designing (with or without construction) of various projects including high-rise buildings, housing complexes etc. The Unit has been authorized to accept consultancy works of Public Sector Undertakings and other organizations to undertake construction on turnkey basis, or** for Mission's buildings abroad etc. at negotiated rates.

The offers were sent vide letter Dated 10.08.2006 with the direction to submit their bids latest by 30.08.2006. The offers were accompanying with eligibility criteria as well as the scope of the work to make the offer competitive enough by travelling beyond the mandate of Rule 176.

It is specifically brought on record that issuance of the aforesaid letter was the result of the marathon exercise conducted during the course of calling the tender for earlier works but was also result of the deliberation and discussion held at various levels of hierarchy and duly approved by C.E., DMRC.

Kind attention is also drawn towards the bare fact that Manual of Policies and Procedure of Employment of Consultants, issued by Ministry of Finance published at their website also recognizes the "Quality based selection."

15

	Therefore, it is a hard fact that procedure adopted by the DSIIDC is being recognized by GOI and other departments/organizations of GOI. It is to mention that it is not DSIIDC which had invited offers on " Merits based" by fixing the Consultation Fee but there is 21 Departments (enclosed as Annexure-VI) who had sufficient experience in opting for this way of inviting offers.	
4.1.7.3 Non-assessment of technical capability of a single contractor At Tikri Kalan, for construction of 6,740 DUs, DSIIDC split the project into two parts and issued two separate NITs (29 June 2012) for construction of 3,360 DUs and 3,380 DUs reasoning that it would reduce dependence on a single contractor , with a condition that no agency be awarded the work for more than 10,000 DUs under JNNURM. However, it was noticed that M/s Pandhe Infracons Pvt. Ltd. being L-I in response to both the NITs, was awarded the work at its quoted price Rs.145.81 crore and Rs.149.73 crore respectively. Thus, though criteria of maximum10,000 DUs to one firm was inserted in NITs no condition was inserted to ensure that a bidder gets only one contract in spite of its being L-I in both the NITs as was the intention when splitting the project into two. It was also noticed that completion period of projects was 12 months but as of November 2013 the firm could complete only 6.50 *per cent* of 3,360 DUS and 6.13 *per cent* of 3,380 DUs though contracts were awarded in December 2012. DSIIDC stated (January 2014) that it was a matter of chance that for both the works, same agency was L-I. After clubbing both the packages, number of DUs comes to 6,740 DUs which was less than 10,000 DUs. However, due to their financial crunches, the contractor could not achieve the physical progress as per prescribed milestones and action against the firm was being taken in terms of agreement. DSIIDC, in exit conference, stated that the	To avoid dependency on already over loaded agency, dwelling units at Tikri were splitted into two NIT for timely completion of work which was kept as one year. Also a cap of 10,000 units was kept which was approved by the competent authority so as to complete the work timely. By fulfilling the eligibility criteria for both the works comprising of 3360 DUs and 3380 DUs, one agency was found L1. After totaling both the packages, No. of DUs comes to 6740 which is much less than the eligibility criteria of 10,000 DUs. The firm qualified for this work was technically capable as per the credentials submitted by them since the bidding capacity was within the eligibility criteria given. However, due to certain financial crunches the contractor could not achieve the physical progress as per milestone. Appropriate action against the firm is being taken in accordance with the agreement.	**Questionnaire:** • DSIIDC may justify its decision to split the work in two parts. • DSIIDC may explain to COPU the reasons of not considering the requirement of inserting a condition in NIT that a bidder gets only one contract, so as to reduce dependence on a single contractor. • DSIIDC may share with COPU the action initiated against the firm for delayed progress of the work?

4.1.8 Revenue generation projects DSIIDC decided to develop three industrial areas as revenue generation projects (RGPs), namely-(i) Commercial Complex-cum-Flatted Factory-cum-Facility Centre at Okhla Phase-I, (II) Functional Industries Estate for Electronics at Okhla Phase-II, and (iii) New office building in place of its Administrative Block Building at Wazirpur Industrial Area.	Statement of facts.	No comments.
4.1.8.1 Irregularities in RGP at Okhla Phase-I **For RGP at Okhla Phase-I, DSIIDC appointed (May 2010) a consultant for designing and obtaining necessary approvals at a fee of Rs. 89.69 lakh and awarded** (February 2012) the work for Rs. 37.74 crore. A contract for dismantling existing structures was awarded (February2012) for Rs. 35.36 lakh. MCD rejected the proposed building plan on 12 July 2012. Due to absence of necessary approved plans, drawings and hindrance free site to contractor, the contract was foreclosed (December 2012). The dismantling contractor **could work on 2,722.64 sqm area out of 4,590.46 sqm due to non-vacation of site by tenants which indicated that DSIIDC did not frame an action plan for the project before launching it. DSIIDC incurred an expenditure of Rs. 30.29 lakh including RS. 13.45 lakh as consultancy which proved unfruitful.** **DSIIDC replied (January 2014) that appointment of consultant was a prior requirement for taking up of any** project. They further explained that MCD approval could not be obtained due to the nature of plot and entrance problem. The reply is not acceptable as MCD had rejected	**The case is being pursued with the Consultant/ Architect for approval of layout plan and building drawings from the local bodies. In this regard a meeting was also held on 02.04.2014** with DDA and case is being pursued in DDA for reply by DDA to SDMC. As Town Planning Department of SDMC is waiting for necessary clarifications in respect of letters from DDA (lessor) regarding permissibility of lease condition and modification in utilization of land with respect to lease terms & conditions". This is being pursued hard with DDA.	**Questionnaire:** • DSIIDC may explain the reasons for allotment of consultancy and main work before ensuring completion plans and layout plan of earlier structure. • The COPU may be **apprised of the latest status of the project.**

the proposed building plan due to non-availability of completion plans and layout plan with DSIDC of earlier structure.		
4.1.8.2. Delay in RGP at Okhla Phase-II and Wazirpur DDA allotted (April 1993) 2,665.41 sqm of land at Okhla, Phase-II to DSIIDC for construction of electronics market and allowed five years for construction (extended up to June 2002). On this site, DSIIDC decided /9February 2000) to set up a marketing estate for computer hardware/software and electronics industries and appointed a consultant at a fee of Rs. 2.12 lakh. Audit observed that construction activity on the project had not started as of October 2013: • The NIT floated in February 2001 was cancelled due to failure in taking policy decision. The payment of Rs. 2.12 lakh for consultancy was, thus, unfruitful. • Building plan was not approved (October 2013) by MCD as DSIIDC could not provide 'No Objection Certificate' (NOC) regarding property tax from MCD and extension of time (EoT) from DDA in time. DSIIDC paid (July 2010) Rs. 53.17 lakh as composition fee including penalty for getting EoT for nine years up to December 2011 and property tax of Rs. 1.32 lakh including interest of Rs. 0.31 lakh. DSIIDC again paid (September 2013) composition fee of Rs. 47.61 lakh for EoT UP TO July 2015. Thus, DSIIDC in failing to start construction work of the project for more than 13 years paid avoidable composition fees of Rs. 1.01 crore. This indicated lack of planning as it could not get necessary approvals from MCD as of October 2013 in spite of appointing a professional consultant. The DSIIDC replied (January 2014) that delay in statuary approvals was beyond its control. The reply is not acceptable as DSIIDC failed to deposit property tax in time and had to pay composition fee for EoT. Besides,	Revised layout plan has already been sanctioned from Town Planning Department of SDMC. The consultant was directed to expedite the case and get the approval of building drawings at the earliest. Town planning Department SDMC in a letter on 01.04.2014 remarked that the office in the entire building are not allowed under MPD-2021, moreover the activities permitted in public and semi-public under MPD-2021 are allowed on site under reference. The detailed presentation of "land use" MPD-2021 under has been made by the Architect/Consultant before management on 23.09.2014 and drawings will be re-submitted as per decision of management at the earliest by the division to SDMC. The case is being pursued for approval of Layout Plan and building drawings from the local bodies. In this regard revised Layout Plan and Parking Plan and other requisite details has already been submitted to CTP, NDMC. Further site report has been conducted on 22.01.2014 by the Survey Officer and Sr. Town Planner-II vide his letter dated 20.02.2014 has asked to submit existing plan for which consultant of the project has been requested to furnish the required documents for obtaining approval of the Layout Plan. The site report given by the Survey Officer and as per requirement of Sr. Town Planner-II existing site and Demolition Plan, Layout Plan & Parking Plan etc. have been submitted on 04.03.2014 in North Delhi Municipal Corporation for further processing the case. The Matter has been taken up with North MCD for necessary approval of ground coverage etc. This is being pursued.	**Questionnaire:** • DSIIDC may state the reasons for appointment of consultant without obtaining NOC of property tax from MCD and extension of time from DDA. • DSIIDC may state reasons for allotment of consultancy and construction work of new building in place of exiting Administration Block at Wazirpur, before ensuring availability of previous approved layout plan of the building. • The latest status of the project may also be intimated to the COPU.

[illegible]

[illegible] permitted under (MPD 2021) with ground covered up to maximum 50 *per cent*, a new building (1,995 sqm) was proposed to be constructed. On this land parcel of 18,268.39 sqm. 75 sheds were already existing on an area of 8,784.54 sqm (48.09 per cent) which left only 348.92 sqm (1.91 per cent) for the proposed new Administrative Block.

A consultant was appointed (August 2010) at a fee of Rs. 15.76 lakh for preparation and getting necessary approvals to all plans from concerned authorities and statutory bodies but MCD did not sanction building plan as DSIIDC failed to produce previous approved layout or amalgamation plan. The consultant was nevertheless paid their fees. DSIIDC, without waiting for MCD approval, invited NIT for construction which could be finalized only on fourth occasion (September 2011) where only one party was found technically eligible and was awarded the contract at Rs. 10.38 crore. However, construction work could not be started for want of approved Layout Plan. Consequently, DSIIDC foreclosed the contract (May 2013).

Audit here also observed that the appointed of consultant was unwarranted and expenditure on consultancy was avoidable. The DSIIDC replied (January 2014) that the appointment of consultant was pre-requisite for taking up of any project and that the project was made on the basis of consultant's concept approved by a jury comprising of the Chief Architect, NDMC and a faculty from the School of Planning and Architecture. The reply is not acceptable as DSIIDC appointed the consultant despite knowing the

fact that as per MPD 2021, sufficient area was not available for the project and as regards jury, its members were appointed only to assess the technical eligibility of the bidders and not for assessing the requirement of land as per MPD-2021.		
4.1.9 Community Work Centre (CWC) Board of Directors in its meeting held on 29 March 2007 approved renovation of CWC's at two sites on pilot basis, out of 29 CWC's from its own funds to be replenished later on from receipts. Audit observed:	Statement of facts, no comments required.	No comments.
4.1.9.1 Poor contract management leading to avoidable liability Work of modernization of CWC, Seemapuri was awarded to M/s Rama Construction Company at its quoted rate of Rs. 12.22 crore. The letter of acceptance and for commencement of work was issued (January 2008). Audit observed: • There was no justification on records for awarding the work before appointing the consultant for preparing detailed structural drawings and without getting building plans approved from MCD, • The acceptance of refund claim of contractor for amount deducted on account of VAT and TDS was not in order. As per order of VAT Commissioner and IT Rules, these are deductible from mobilization advance, and • Besides, contractor went into arbitration where his claim of Rs 1.34 crore including interest @ 9 per cent was accepted due to failure of DSIIDC in getting the building plans approved in time. The Management stated (January 2014) that the consultant was appointed after the award of work to avoid any eventuality of loss in case the projects got dropped. Structural drawings were prepared by the consultant and were in process of approval from IIT, Delhi and IIT, Roorkee. DSIDC added that it had challenged the	It is desirable that the process of appointment of consultant may be completed before award of work. However, in certain cases it has been noticed that early appointment of consultant may lead to infructuous payments when the project get dropped due to unavoidable circumstances as pointed out by the Audit Party on other cases. Therefore, in order to avoid loss to the department on this account, the process of appointment of consultant was postponed till final approval is obtained from the competent authority for award of the work, as this was the PILOT PROJECT and thereafter drawings were submitted to the local bodies for approval. Structural drawings for the work were prepared by the consultant and were in the process of approval from the IIT which would have been supplied to the agency for execution, had he continued with the work. Similarly the building plans were duly submitted with the local body for accord of approval and were in process when the contractor abandoned the work.	**Questionnaire:** • The reply does not address the issue of acceptance of refund claim of the contractor on account of VAT and TDS. DSIIDC may explain it to the COPU. • Latest status of the case in High Court may also be shared with the COPU.

[illegible] Societies Registration Act [illegible] organization' with the objective to provide continuous supply of skilled human resources with the technical expertise encompassing all aspects of modern jewellery manufacturing. The institute is providing courses in Jewellery Designing and Gemology and provides testing facilities also. Audit observed that numbers of student enrolled were only 13 to 57 during 2005-13 and only one piece of gold was tested in the laboratory during 2011-13. The total grant received was Rs. 10.84 crore against which Rs. 11.65 crore was utilized (partly met out of interest earned on the grant received during 2002-13). The Institute had accumulated loss of Rs. 3.20 crore up to 2011-12. DSIIDC accepted (January 2014) the audit point.	[illegible] completed before [illegible] were completed at Okhla on 31.12.2010 and further no fresh admission were made up to January 2013 as the Institute (NIJ) shifted to A40-A44, B28-29, C233-C25, D29-D30, Flatted Factories Complex, Jhandewalan, New Delhi-5 with machinery/equipment, furniture on 01.11.2011. The aforesaid flats/units occupied by NIJ have been renovated with necessary infrastructure, furniture/fixture/fittings and the Institute re-launched its first batches at FF Complex, Jhandewalan in February 2013. From February 2013 to November 2014, 73 Enrollment of students at NIJ have been made.	[illegible] **Questionnaire:** No comments
4.1.11 Delhi Emporium-'Bharti' DSIIDC runs the Delhi Emporium 'Bharti' for encouragement of Handloom and Handicraft Artisans and other small entrepreneurs' products. DSIIDC decided (October 2011) to renovate Delhi Emporium. Audit observed that no estimates for renovation were prepared. The justification for cost estimates was taken from the cost of previous renovation work of Rs. 145.37 lakh of 2004-05. It was also recorded that the cost of renovation would be recovered from expected increase in customers and income in future. After following open tendering process, M/s Creative INC was awarded the contract at Rs. 1.63 crore. Audit noticed that to award the work, the weightage of 80:20 per cent assigned to technical and financial eligibility was against	Delhi Emporium was earlier renovated in the year 2004-05. The design of the Emporium was obsolete and lot of space was being wasted. Lot of foreign tourist visit Baba Kharak Singh Marg to see various traditional Indian products from different States of the country and thus, there was a need for the Emporium to have a look and feel which welcomes visitors In the present era of efficient retail merchandising the design of any place from which the product is displayed is as important as the product itself. Thus, the emphasis in this project was of branding and retail merchandising. Hence, it was decided to give the project on a turnkey basis to a vendor who can design and implement the work so that the design is good and there is no mismatch in conceptualizing	The reply is not specific to audit observation of non preparation of cost estimates for the work. **Questionnaire:** • DSIIDC may explain reasons for adopting weightage of 80:20 per cent assigned to technical and financial eligibility against the prescribed norm of 70:30 per cent.

the norm of 70:30 per cent prescribed in the guidelines of the Ministry of Finance, GoI. (Manual of procedure for appointment of consultants.) DSIIDC replied (January 2014) that the project was given on a turnkey basis to a vendor who could design and implement the work so that there was no mismatch in conceptualizing and implementing the project. The score to be given in technical bid was not on percentile basis and incidentally the financial bid of the selected bidder was lowest. The reply is not acceptable as detailed cost estimates are also to be prepared in turnkey projects.	and implementing the project. This was the reason that the present system of turnkey project was decided upon. Further, as the concept & design would vary from vendor to vendor, however, the justification for cost estimates was taken from the cost of previous renovation work of 2004-05. In view of the above, the concerned Para may kindly be drooped.	
4.1.12 Additional expenditure on annuity for PP project GNCTD appointed (January 2009) M/s Infrastructure Development Finance Corporation (IDFC) as consultant in pursuance of letter of acceptance (December 2008) for conducting a study to achieve the following objective: • Conduct detailed analysis of various infrastructure facilities and gap analysis, understanding the requirements and assessing the economic viability of projects at Narela, Patparganj, Okhla and Bawana Industrial areas, • Prepare a detailed infrastructure blue print for each of the identified industrial area, • Prepare a preliminary feasibility study for development the infrastructure facilities in PPP model, • Prepare the bid and contract documents for the selection of private sector partner for implementation of each facility, and • Assist the GNCTD in the selection of concessionaire and financial closure. For the achievement of above objectives, DSIIDC was to assist the consultant in obtaining the relevant information from concerned authorities and make available data related to each industrial area, day to day interaction and monitoring of activities. The consultant undertook a	**Business Models: As approved by the Council of Ministers.** DSIIDC engaged Infrastructure Development Finance Company Ltd. (IDFC) as 'Consultant for infrastructure mapping, gap, assessment, identification of various projects on Public Private Partnership (PPP) Mode and for undertaking the bids process management, so as to select private sector players for the projects identified.. The Council of Ministers approved the model vide Cabinet Decision No. 1630 dated 02.03.2010, which included following broad parameters: (i) DSIIDC to develop and operate the project under a BOT concession to a private partner for 30 years. Once the project had been bid out, DSIIDC would enter into a Joint Venture Arrangement and take 26% equity in the Special Purpose Vehicle (SPV) formed for the purpose. Equity would be brought in over the period of two years. It was expected that depending on the project cost and terms of financial closure, DSIDC might have to provide an amount in crore, as equity over a period of two years. For development of facilities, DSIIDC would sub-lease the specific underutilized facilities/underdeveloped plots to the private partner for the period of project i.e. 30 years. After the sub-lease period of 30 years, these plots provided for facilities would revert	**Questionnaire:** • DSIIDC may intimate the COPU whether revised business model has been approved by the Cabinet. • Whether under the Revised Business Model, the work was allotted with the approval of competent authority i.e. Board of Directors of the Company?

of Bawana and Narela over 15 years as Rs. 96 crore and Rs. 130 crore. The revenue gap for the period was projected at Rs. 10 crore per annum (IRR of 8.13 *per cent*) for Bawana and Rs. 21 crore per annum (IRR of 9.13 *per cent*) for Narela which were to be met by DSIIDC through annuity.

DSIIDC invited (March 2011) 'Request for Proposal (RFP)' for upgradation and redevelopment of Bawana and Narela industrial estates on Public Private Partnership mode (PPP) on an UOMT basis with concession period of 15 years. After the consultant evaluated the proposal (May 201), the project was allotted to two firms (L-1)- to M/s PNC Delhi Industrial Infra Pvt. Ltd. for Narela at annuity of

Rs. 21.50 crore and to M/s Bawana Infrs Development Pvt. Ltd. for Bawana at annuity of Rs. 7.48 crore and DSIIDC entered (July 2011) into concession agreements.

Audit observed:

- That GNCTD approved (3 March 2010) 26 *per cent* shareholding of DSIIDC in Special Purpose Vehicle (SPV) for development, operations and revenue collection in the Bawana and Narela industrial estates and a concession period of 30 years. However, DSIIDC [illegible] the projects for 15 years and 100 *per cent* shareholding was [illegible] to M/s Bawana [illegible] Development Pvt. Ltd. for Bawana and M/s PNC Delhi Industrial Infra Pvt. Ltd. for Narela for which approval of GNCTD was not found on record.
- The consultant adopted capex of Rs. 161.98 crore instead of Rs. 145.39 crore, occupancy was taken as

agreement. Limited period mortgage rights would be given to the SPV. The SPV would be empowered to levy a maintenance fee of Rs. 10/- per sqr. mtr. of plot area for augmentation of infrastructure and provision of services in accordance with the lease agreement that had been signed with the DSIIDC. The SPV would also collect user charges for various services.

(ii) SPV would pay annual concession fee to DSIIDC. This would be the bid parameter and the amount shall be competitively determined through a bid process.

(iii) The scope of work of concessionaire be as follows:-

(a)Develop the project facilities, augment infrastructure and services identified and design/build, finance, operate and maintain the same

(b) Major maintenance and replacement of the infrastructure during the project life

(c) Collection of user charges for services provided

(d) Collection of lease rentals on project facilities.

(e) Providing value added services to industrial estates

(f) Hand back the assets and infrastructure in a good condition at the end of the period of concession.

Meanwhile, the Delhi Industrial Development Operation and Maintenance Act, 2010 (Delhi Act 08 of 2010) (hereinafter called the DIDOM Act) was passed by the Legislative Assembly of NCT of Delhi on [illegible] and came into force with effect from 28.03.2011 which is to make special provisions for securing the orderly establishment of industrial areas, industrial estates and flatted factories complexes in the National Capital Territory of Delhi and to assist generally in the organization, including operation and

58.60 *per cent* in first year of concession period i.e. 2011-12 against the actual of 90 *per cent*, collection efficiency of monthly statutory dues was taken as 60 *per cent* in third year (for the first two years from the annuity commencement date, statutory dues were not payable) which was not in tandem with the occupancy rate of 90 *per cent* in second year.

- For Narela, project IRR works out to 14.89 *per cent* instead of 9.13 *per cent* as worked by the consultant. Detailed calculations of annuity by consultant for Bawana Project were not provided.
- Even after 27 months of award of contract (up to October 2013), DSIIDC did not conduct an audit of books of accounts of concessionaires itself or through representatives in terms of Section 11.7 of the concession agreement. Thus, construction work done by concessionaires could not be assessed in audit

Thus, had the Company provided data to the consultant closer to the date of consideration of final report, consultant would have made realistic assumptions and project IRR of 9.13 *per cent* would have been achieved with annuity payment of Rs. 14.90 crore instead of Rs. 21.50 crore per annum. The resultant incorrect projections imposed avoidable contractual liability on DSIDC to pay Rs. 91.50 crore in excess of actual requirement over 15 years.

DSIDC stated (January 2014) that occupancy rate of 58.90 *per cent* was based on data provided to consultant in the year 2009. The collection efficiency was kept low in initial years based on opinion of stakeholders and concerns of intending bidders in pre-bid conference.

The reply is not acceptable as consultant submitted their report in April 2011 based on data provided by the DSIIDC in 2009 whereas actual occupancy in May 2011 itself had reached 90 *per cent*.

maintenance thereof.

Pursuant to the enactment of DIDOM Act, 2010 Industrial Areas were transferred to DSIIDC and it was empowered to establish, operate, maintain and manage Industrial estate at places.

<u>Revised Business Model</u>:

Keeping in view the various developments enumerated above, the business model was revised. The revised business model was adopted and the work was awarded through transparent open bidding process. The salient features of the revised business model are as follows:

In the revised proposals, the Concessionaire was responsible for development and maintenance of infrastructure for 15 years. The shortfall from the revenue collected from maintenance charges @ Rs. 10/- per square meter per month and expenditure on development on infrastructure (capital cost) would be paid by way of annuity to the Concessionaire selected through transparent and competitive process. The Concessionaire would also levy water charges for supply of water, CETP charges, parking charges from the users. This necessitated change of business model from "SPV' to fixed annuity basis' and the new business model (on which the REP was floated) did not have the provision of subleasing the under-developed plot to private partner.

Request for Proposal documents (RFP), with the revised Business Model, was floated for selection of Concessionaire (i.e. PP Partner). Total 4 bidders for Narela Industrial Area and 7 bidders for Bawana Industrial Area submitted the bids. The L-I bidders for Narela and Bawana Industrial Area were as under:-

- For Narela Industrial Area, M/s PNC Delhi Industrial Infra PVT. Ltd. at an annuity cost of Rs. 21.50 Crore per annum for a period of 13 years.
- For Bawana Industrial Area, M/s Bawana Infra Development PVT. Ltd. at an annuity cost of Rs. 7.48 Crore per annum for a period of 13 years.

considering that the cost of the land is likely to increase substantially in coming years, DSIIDC decided to go for tendering i.e. with the revised business model on 'fixed annuity basis' rather than creating SPV with 26% of holding of DSIIDC and sub-leasing the authorized facilities-/under-developed plots to the private partner for the period of the project.

It is also pertinent to mention here that the revised business model is in flow with the third option mentioned in the Cabinet note that was preferred by the Finance Department while commenting upon the draft note for Cabinet. The revised business model has following advantages:-

(i) It was finalized after deliberations with various stake holders including associations of industrial areas

(ii) The Concessionaire was decided in a transparent tendering/bidding process on fixed annuity basis

(iii) Being based on 'fixed annuity basis' it is much easier to implement and lesser prone to possible litigations/legal complications.

(iv) The Finance Department also preferred it in compare to the model of SPV. The then Pr. Secretary (Finance) has also mentioned that "………From past experience, we find that Government has not been able to effectively participate in functioning of JVs as evident from experience of JV with M/s. Apollo Enterprise which is managing the Apollo Hospital…."

(v) The under-utilized facilities/ under-developed plots need not to be subleased to the private partner and can be utilized by DSIIDC for development and revenue generation in due course.

	(vi) There is no business risk of cash annuity and DSIIDC is free from any risk of equity erosion. (vii) As per feasibility report of IDFC, Ministry of Finance guidelines advised the government officials not to become chairperson of the Board, unless the government holds 50% or more equity. DSIIDC would find it easier to regulate the project and enforce contractual standards, in case of pure concession to a private operator. (viii) Detailed Service Level Agreement (SLA) parameters are there in the Agreement with the Concessionaire along with regular 3rd Party Engineer Tests etc. Cabinet of the Govt. of NCT of Delhi will be informed about the revised business model. Audit has pointed out that the actual occupancy reached 90% in May 2011. However, it was the figure of completed/ongoing construction on plots. It may therefore not be treated as occupancy. It may be added that the total occupancy does not convert into collection of various charges. This is evident from the actual data of Bawana and Narela Industrial estates. The collection received for maintenance charges from Bawana Industrial Estate for the period April 2014 to December 2014 (9 months) and for the period January 2015 to June 2015 (6 months) is Rs.3.09 crores and Rs.5.87 crores respectively. Accordingly, the collection efficiency of statutory dues for Bawana Industrial Estate for the periods mentioned above works out to be 13.6% and 39.2% respectively. The collection received for maintenance charges from Narela Industrial Estate for the period April 2014 to December 2014 (9 months) and for the period January 2015 to June 2015 (6 months) is Rs.4.83 crores and Rs.4.13 crores respectively. Accordingly, the collection efficiency of statutory dues for Narela Industrial Estate for the periods mentioned above works out to be 46.44% and 59.34% respectively.	