IDC/ATN on Performance Audit/2014-15/ Dated: - 29.10.2015

MEETING NOTICE

Sub:-Regarding Action Taken Note on Para 4.1 Delhi State Industrial Development Corporation of report No 1.of the year 2014

ATN/ replies on Para No. 4.1 relating to Performance Audit of DSIIDC were sent to the Principal Accountant General (Audit), Delhi and copies endorsed to Dy. Secretary (Finance), Delhi Secretariat, I.P. Estate, New Delhi and Dy. Secretary (FC), Delhi Legislative Assembly, Delhi-110054 by Finance officer, Office of the Commissioner of Industries, Govt. of NCT of Delhi vide their letter No. F2/2014/CI/Accts./PAG/505-508 dated 23.07.2015. Para included in ATN are to be discussed by Committee on Govt. undertakings, Delhi Legislative Assembly, Delhi on 05.11.2015. Before discussion with Committee, it has been decided that replies/ATN will be discussed by Director (Finance) with Head of the divisions on 30.10.2015 at 12 Noon in Conference Room. The details of the Para included in ATN are given below:-

Serial No.	Para No.	Subject of the Para
1.	4.1.2	Financial Management
2.	4.1.2.1	Loss of Rs. 3.07 Crore in operation of DSIIDC EPF Trust
3.	4.1.2.2	Flatted Factory Complex Jhandewalan
4.	4.1.3	Pre-feasibility study for Manorail project: Diversion of funds
5.	4.1.4	Relocation Division
6.	4.1.4.1	Infrastructure development at Bhorgarh Bawana (Phase II)
7.	4.1.4.2	Development of industrial area at Kanjhawala and Rani Khera
8.	4.1.5	Engineering Division
9.	4.1.5.1	Development works in unauthorized colonies
10.	4.1.6	Project 'Roopantar'
11.	4.1.6.1	Deficiencies in NIT for appointment of consultant
12.	4.1.6.2	Selection of an ineligible firm as consultant
13.	4.1.6.3	Irregularities in execution of 'Roopantar' project
14.	4.1.7	Housing Projects
15.	4.1.7.1	Under- utilization of land for construction of DUs
16.	4.1.7.2	Irregularities in appointment of consultant
17.	4.1.7.3	Non-assessment of technical capability of a single contractor
18.	4.1.8	Revenue generation projects
19.	4.1.8.1	Irregularities in RGP at Okhla Phase-I
20.	4.1.8.2	Delay in RGP at Okhla Phase-II and Wazirpur

21.	4.1.9	Community Work Centre (CWC)
22.	4.1.9.1	Poor contract management leading to avoidable liability
23.	4.1.10	National Institute of Jewellery
24.	4.1.11	Delhi Emporium- 'Bharti'
25.	4.1.12	Additional expenditure on annuity for PP project
26.	4.1.13	Human resource management
27.	4.1.13.1	Absence of HR policy
28.	4.1.14	Internal control

All the concerned are requested to attend the meeting with latest development and relevant records. A copy of replies to the observations included in the ATN already given by DSIIDC is uploaded on website with Meeting Notice. A copy of replies pertaining to your division may be taken from website.

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

To:-

1. Sh. M.C Yadav, Chief Engineer-III (Para No.4.1.7, 4.1.7.1, 4.1.7.2 & 4.1.7.3)
2. Sh S.N. Sharan, SE (UC,KBI & RP) (Para No. 4.1.5, 4.1.5.1, 4.1.3, 4.1.8, 4.1.8.1 & 4.1.8.2)
3.Sh.K.K Bansal , SE (Education&CWC) (4.1.6, 4.1.6.1, 4.1.6.2 & 4.1.6.3, 4.1.9 & 4.1.9.1)
4.Sh. A.K. jain, SE(IA)I (Para No. 4.1.4.1, 4.1.4.2 & 4.1.12)
5.Sh. S.P. Pant, DGM ~~GM~~ (Personnel) (Para No. 4.1.13 & 4.1.13.1, 4.1.10)
6.Sh. M.M Ahmed, DGM ~~GM~~-Chairman EPF Trust DSIIDC (Para No. 4.1.2.1)
7. Sh. S.B Sharma, CM (Relocation) (Para No.4.1.4)
8.Sh. M.M Ahmed, DGM ~~GM~~ (Emporium) (Para No. 4.1.11)
9. Sh. R.K. Dotania, DGM ~~GM~~ (IEM) (Para No.4.1.2.2)
10.Sh.Kishan Kant Gupta, DAO (HQ) (Para No.4.1.2 & 4.1.14)
11. DM (IT) for upload on website.

Copy for information to-
Sr. PA to Director(Finance)

Annexure-I

ATN/Comments to the observations pertaining to Chapter-4: Performance Audit of Delhi State Industrial and Infrastructure Development Corporation included in Report of the Comptroller and Auditor General of India on Revenue & Social & Economic Sector (PSUs) for the year ended 31 March 2013 – Government of National Capital Territory of Delhi – Report No.1 of the year 2014.

<table>
<tr><th>Observation</th><th>Reply</th></tr>
<tr><td>

4.1.2 Financial Management

The financial results of operations of the Company for the period 2008-13 are given in Annexure 4.1 and 4.2. The status of main financial parameters, namely, Reserve and Surplus, Total Income and Profit of DSIIDC for the period 2008-13 are given in Table 4.1

Table 4.1

Financial Management

(Rs. In Crore)

Year	Reserves and surplus	Turnover	Total income	Profit after tax
2008-09	47.65	1,428.68	1,426.32	7.93
2009-10	78.54	1,112.58	1,159.12	31.08
2010-11	1,375.41	906.50	1,081.81	117.43
2011-12	1,286.31	1,323.17	1,569.60	184.63
2012-13	1,497.88	1,452.42	1,656.79	157.78

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Audit observed that:

- The turnover of the Company comprised of two main components income from sale of liquor and flats and deposits work & project work of Government. The turnover of Rs. 1,428.68 crore in 2008-09 stood at Rs. 906.50 crore in 2010-11 and again went up to Rs. 1,452.42 crore for the year 2012-13.

</td><td>The Corporation executed the deposit works of Rs. 1019.05 Crore in the year 2008-09 which increased turnover to Rs. 1428.68 Crore for the year 2008-09. While in the year 2010-11, the deposit works for Rs. 287.14 Crore only were executed and as a result the turnover decreased in the year 2010-11. Further, in the year 2012-13, the 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 the year 2012-13 resulted in increase the turnover to Rs. 1452.42 Crore.</td></tr>
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- The profit after tax of R.s 7.93 crore in 2008-09 went up to a high of Rs. 184.63 crore in 2011-12 and was Rs. 157.78 crore in 2012-13. The reasons for increase in profit are increased profitability in Operation Maintenance Reserve Fund (OMRF) which contributed Rs. 10.60 crore (2010-11), Rs. 63.11 crore (2011-12) and Rs. 61.97 crore (2012-13) besides margin from increased sale of liquor, flats and interest income from fixed deposit in banks.

</td><td>Factual position.</td></tr>
</table>

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4.1.2.1 Loss of Rs. 3.07 crore in operation of DSIIDC EPF Trust The Employees Provident Fund Organization (EPFO) had granted (1972) relaxation under paragraph 79 of the Employee's Provident Fund Scheme, 1952 to DSIIDC allowing it to maintain its own EPF Trust. However, EPFO withdrew (24 February 2011) the relaxation citing non compliance of rules. In declaring the DSIIDC EPF Trust an un-exempted organization, EPFO directed DSIIDC to transfer all PF accumulations of the Trust to the Regional Provident Fund Commissioner (RPFC) but it was not transferred. The Trust though 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. Besides, its own funds were also blocked in loans and advances paid to employees against their PF accumulations. After a gap of two years, DSIIDC applied (April 2013) and was granted exemption (November 2013) under Section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The gap in applying for exemption by two years resulted in delay in obtaining relaxation and DSIIDC had to recoup the loss of Rs. 0.98 crore (Rs. 0.24 crore for 2011-12 and Rs. 0.74 crore for 2012-13) of the Provident Find Trust. Audit also observed that DSIIDC EPF Trust had invested Rs. 1.27 crore in six companies of UP Government during the period 1999 to 2005 with maturity value of Rs. 2.21 crore under guarantee given by the UP State Government. The Trust received Rs. 0.56 crore only of the maturity value. However, DSIDC EPF Trust neither received the balance amount of Rs. 1.65 crore of the maturity value nor invoked the guarantee and the DSSIDC had to recoup the amount to the Trust to comply with the provisions of the EPF Act. The Trust also incurred losses of Rs. 54.52 lakh and Rs. 51.84 lakh during 2007-08 and 2009-10 respectively 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[4] crore due to imprudent decision making in affairs of the Trust. The DSIIDC accepted (January 2014) the observations.	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 recovered an amount of Rs. 54.80 lakh on 29.11.2013. For rest of pending recoveries, efforts are on to initiate the legal proceeding. The major cause of losses to EPFO Trust DSIIDC was because of the pending relaxation request for stopping investments with EPFO for two years. Now the relaxation has been granted on 05.11.2013, resulting investment of accumulated funds, may decrease the impact of losses on the Trust in future.
4.1.2.2 Flatted Factory Complex Jhandewalan In compliance to 0&M Act, the Industries Department, GNCTD transferred Flatted Factory Complex (FFC), Jhandewalan to DSIIDC (December 2011) WHICH CONSISTED OF 570 UNITS. All units were allotted on rental lease. Utility charges (including water and electricity charges) were fixed (2005) at Rs 1,250 per unit per month (Rs. 85.50 lakh per annum for entire FFC) Audit observed that DSIIDC paid water charges of Rs. 2 crore (March 2012) to the Delhi Jal Board (DJB) 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. Thus, DSIIDC blocked its Rs. 2 crore and lost interest of Rs. 24 lakh (calculated at 8 per cent for 18 months up to September 2013). It was also noticed that majority of allotees were not paying utility charges and DSIIDC paid Rs. 1.65 Crore as water charges only (for	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 DISCOM was earlier being paid by Industries Department through budgetary support. However, after transfer of assets to DSIIDC, the

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period from 9 November 2011 to 8 March 2013) to DJB in March 2013 and Rs. 1.85 crore towards electricity and water charges during 2012-13 while it received only Rs. 56.01 lakh (including arrears) as against Rs. 85.50 lakh as utility charges. Even though the difference of utility charges and actual payment of electricity and water charges is borne by it, DSIIDC did not take steps to revise utility charges. This resulted in loss of Rs. 99 lakh (Rs. 1.85 crore minus 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 further assured for action to recover from Department of Industries arrears for the period prior to transfer of FFC.	payments to the supplying agencies have been made to avoid inconvenience to the allottees. The policy is now being framed to ensure that the allotees pay the amount equal to the utility bill & there is no burden on DSIIDC.
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. 1.189 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 blocked of Rs. 1.18 crore and also on 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 incurred 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 will get 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.
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 and a Relocation Division was created in DSIIDC to moniter compliance of terms and conditions of allotment of industrial plots, execution of lease deed, collection of ground rent, checks on defaulters etc. 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	In this connection, the progress of allotment, possession and execution of lease deeds till 30.09.2014 is given below:- **I. <u>Allotment & Possession of Plots/Flats under Relocation Scheme</u>** a) Total No. of Applications received under Relocation Scheme – 51851 b) Total No. of Units declared eligible

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with 16,082 allottees and 136 **eligible units were** on wating list (January 2013) for want of specific size of plots. The DSIIDC was maintaining data pertaining to payment of ground rent by allotees of industrial plots under relocation scheme. To provide a facility to allotees to pay **ground rent online**, DSIIDC implemented online payment gateway of ICICI **Bank Ltd**. However, payments made by the allotees did not get updated automatically but had to be updated for nightly by the Relocation Division manually on DSIIDD's website. There were no validation checks in the application as it accepted future dates for receipt of ground rent. This resulted in generation of erroneous ledger of allotees. DSIIDC accepted (October 2013) system deficiencies and assured to remedy them. As of March 2013, ground rent of Rs. 99.67 crore was outstanding from 14906 allottees of industrial plots in Industrial areas.	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>** No. of Lease Deeds executed till date – 16311 As can be seen from the above, it is needless to inform that the progress of release of possession of plots and execution of lease deeds has increased considerably. Consequent to the above progress, the waiting list has now reduced to only 77 eligible units, seeking allotment of industrial plot of 150 sq. mtr. each under the Relocation Scheme. Efforts are being made to identify the plots of 150 sq. mtr. in different industrial complexes developed under the Relocation Scheme so that the waiting list of 77 eligible units may also be exhausted to conclude the process of allotment. As far as the recovery of ground rent of Rs. 99.67 Crore is concerned, it is once again informed that: 1. All the income on account of ground rent/lease rent is booked only on actual receipt of the amount by DSIIDC and no entry is made on the basis of accrual of ground rent in all cases without receipt of actual payment. 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 no list of the

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	allottees has neither been identified nor sent by the auditor to DSIIDC. 2. Under the provisions of lease deed, the payment f ground rent/ lease rent is the liability of each allottee because it is an on going 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 because all allotments made under the Relocation Scheme are on leasehold basis, according to which the title of land/plot/property vests with the lessor i.e. Hon'ble L.G. or DSIIDC on his behalf.
4.1.4.1 Infrastructure development at Bhorgarh Bawana (Phase II) DSIIDC finalized tenders for the work of infrastructure development in new industrial areas at Bhorgarh Bawana (Phase II) on the third occasion of their invitation (May 2007) which were invited in two parts (A and B). Contract for Part A was awarded to M/s Indu Projects Ltd. at Rs. 94.21 crore and for Part B to M/s L&T Ltd at Rs. 77.44 crore and letters to commence work were issued (January 2008). Audit observed that initially set work completion period (1st occasion of invitation to tender) of 18 months was enhanced on 2nd occasion of invitation of tender to 20 months on expression of bidders of inadequacy of time due to difficulty faced in execution of fly ash work. As a consequence of this enhancement in contract completion period which put the completion period at 20 months, 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, 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). Audit observed that DSIIDC incurred avoidable extra expenditure of Rs. 14.32 crore for variation in contract amount due to variation in price of material and services to both the contractors though the quantity of fly ash work was reduced which was cited as the reason for enhancing the scheduled period of completion. However, no payment under incentive clause was made. 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.	The work of Infrastructure Development work (Roads, Water supply, Sewerage & Storm water Drainage)in New Industrial Area at village Bhorgarh (Part-A) Bawana Phase-II and Infrastructure Development work (Roads, Water supply, Sewerage & Storm water Drainage)in New Industrial Area at village Bhorgarh (Part-B) Bawana Phase -II. The first call of tender of part A & part B were received in DSIIDC in June 2006 wherein the response was very poor. In part A, only one tenderer has submitted the technical and financial bid and other three bidders have submitted their observation in letter form. In part B, only two tenderer have submitted the bids & three bidders submitted only their observations through letters. As the response was very poor, hence the tenders were recalled. 2nd call In the second call the bids were rejected due to complaints in the matter.

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DSIIDC replied (January 2014) that work completion period was increased keeping in view the response to list call for invitation to under. The completion period was worked out as per CPWD Manual and revising stipulated time to 20 months for a work of Rs. 44.63 crore was within the provisions of Manual which was considered necessary to attract more bidders to have a fair bidding. The reply is not acceptable as completion period should have been calculated taking in to 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. The contention of enhancement of time on account of fly ash work also was not acceptable in audit as the scheduled quantity of item 'carriage/execution of fly ash work' was reduced to 9.40 lakh cum from 11.07 lakh cum in third call for invitation to tenders and the quantity actually executed was even less (8.63 lakh cum).	**3rd call** The 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. Due to poor response in bidding process the bids were rejected and the decision was taken to call the tender again in two parts. **4th call** Originally the time of execution was kept 18 months for both the parts i.e. part A & part B separately and the same was increased to 20 months due to the poor response received in earlier calls. The clauses of escalation were connected to the stipulated time of construction and became applicable as per CPWD rules beyond 18 months time. This was a national bidding and all the eligible bidders were given opportunity to participate in the tendering process by giving the wide publicity through newspapers e.g. Times of India dated 30.05.2007, Hindustan Times dated 30.05.2007 and Nav Bharat Times dated 30.05.2007. Further the advertisement was also given through Delhi Govt. website as well as through the website of DSIIDC. 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 i.e. the escalation clause in tender documents probably the L1 rate would have been much more than the same on which the work was awarded.

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	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 as per the curve shown in Annexure-I. At the given instant of 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. As the curve in Annexure-I shows that the project cost will increase if the time is reduced for the project. Therefore, it is a proven fact that to complete a project before the stipulated time, the contractor must have put more resources at a higher rate in time of overtime paying the higher rates of material etc. 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.
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. 100 crore in Idia or abroad during last seven years for project planning and design services', for selection of consultant for two schemes (Kanjhwala 920 acres and Rani Khera 127 acres). This was not justified as the area under Kanjhawala scheme was more than six times the area under Rani Khera scheme. • Failed to provide to consultant necessary approvals and environment clearance from GoI for treatment, storage, and	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

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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 electric) on behalf of various government agencies. The division generated total revenue of Rs. 2,796.91 crore for the Corporation 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, 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.	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 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 afix 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 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	The clarification on the cabinet decision dated 26.11.2007 as discussed above was sought from UD

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lines thereby the necessity of **cutting the concrete roads cannot be ruled** out.	Department. In view of the fact that most of the unauthorized colonies are not having water line or sewer line. The clarification could be received only on 16.10.2008. i.e. after lapse of 11 months and by this time, the construction works in most of the Unauthorized 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". C.C. roads relaying is permitted after completion of five years as an general rule but as an exceptional case in compulsive circumstances and in extreme necessity and desirability in the opinion of executing agency on case to case basis relaxation in five years time limit for next work may be considered by the Minister, Urban Development in unauthorized regularized colonies where specific recommendations are made by executing agency.
4.1.6 Project 'Roopantar' The Department of Education (DoE), GNCTED conceived a project	Statement of Facts.

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named 'Roopantar' for upgrading the existing infrastructure of schools and assigned it as a deposit work to DSIIDC. The DoE identified and assigned 198 school premises to DSIIDC for refurbishment. DSIIDC engaged M/s IL&FS Education and Technology Services Limited (IETS) to prepare a school-wise improvement plan and awarded contracts for up gradation of 144 schools in five clusters. Contracts for 48 schools were awarded separately during May 2008 to June 2009 whereas work for six schools could not be awarded as clear sites were not available. The DoE accorded administrative approval and expenditure sanction (AA&ES) Rs 245.22 crore. 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, estimated cost, qualifications of firms, past experience of similar works, turnover of bidding firms, penalty clause etc. 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, for preparation of estimates needs 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.
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 scrutiny showed that NIT allowed bids from Group of Companies or Joint Ventures (JV) also. However, 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 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.	M/s. IETS was declared as technically qualified and was awarded the consultancy work. The agreement for the work was signed in Nov., 2006. IETS has a Memorandum of Understanding with M/s. Pradeep Sachdeva Design Associates (PSDA), who 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 evident from the above that there is no violation of rules/evaluation of the work.
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	The rates for different items required in the market rate justification were collected from the open market after thorough market survey at the time of submission of the five tenders called

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.	from February-2009 to August-2009. Because large number of Infrastructure Works were going on for Common Wealth Games, the 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.
• In 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 Construction with a purpose to become technically qualified in the bid. Further, as per clause 4.2 of JV agreement, BLS Infrastructure was the one responsible for the execution of the contract DSIIDC in its reply (January 2014) stated that JV of BLS Infrastructure and Sumer Construction was qualified as per 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.	A Joint Venture between M/s. BLS Infra and M/s. Sumer Construction was formed on 24.08.2009 prior to submission of bid for cluster-V of Roopantar Project on 26.08.2009. This Joint Venture was technically qualified as per the criteria of NIT which was also approved by the 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.
• In case of school at BholaNath 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. The 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.

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4.1.7 Hosing 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.
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) (formulated **February 2007) provides** that the 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 in **Delhi 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 year2007.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 G+4 units to achieve required FAR. Thus DSIIDC could not achieve the FAR as envisaged in the MPD-2021 and that by constructing DUs in G+ 2and G+3 format, instead of G+3 and G+4 format, opportunity to construct additional3,720 low cost houses and providing them to needy citizens could not be availed of.	The master Plan-2021 under Section 4.2 (Housing Strategy) states:- 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.
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 intimated the work in June 2006 at Bawana Extension, Narela Industrial Complex and Bhorgarh (Bawana-	It is to state that initiative for housing works was taken for "Low Cost Housing" for Industrial Worker at Bawana. Open tenders were invited for engagement of a Consultant, in the month of April, 2002. The Notice inviting offers issued vide letter No. DSIIDC/EE(CD)- IX/LCH/Bawana/

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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 consultany 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 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:	2006/1854 dated 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.
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 constructed as revival of old agreement. DSIIDC accepted (September 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 EWS units in the country.	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)
The reply is not acceptable as M/s Adlakha had started the work prior to the start of tendering process. Fee should have been fixed after finalization of technical bids. 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	For example for Bawana housing project of 1184 houses it may be true that one block comprise of 16 dwelling units, but there are combination of blocks in multiple of 32 units, 48 units

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and bearing capacity is also considered, the consultancy fee should have been reduced for repetitive nature of constructions of superstructure of buildings.	and 64 units and drawings for Foundations, expansion joints, elevations, sectional elevations, plumbing lines, electricity planning etc. are 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 is 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 calling and finalization of offers in the aforesaid case of construction of Low Cost Industrial Housing Complex at Bawana, as detailed herein above, let

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	the DSIIDC to call offers from the architects from the select list prepared by DSIIDC for the reason that no benefit had been 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 the project and had been having progress at regular intervals, therefore, it was felt proper and fair to adopt the process of calling offers from the select list of the Architects prepared by DSIIDC. It is also to mention that DSIIDC had been having the option of following the way as prescribed in Rule 176 of GFR, 2005 which provides room for even selection by direct negotiation/nomination, through exceptional circumstances and the project in hand had been falling in the sphere of the inherent spirit of the provisions as contained in Rule 176 of General Financial Rules, 2005. 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. Fee for the Consultancy Services to be charged by the Units is given as under:- a)Planning : 4%

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	b)Construction Management : 5% c)Visit of CPWD officers from India: 1% For planning and designing work, the following charges shall be levied:- (i) Development of Master Plan- Rs. 3210/- per hectare (ii) Architectural plans and drawings-3% for original work and ½ % for repetition (iii) Structural designs and drawings-1% for original work and ½% for repetition. Thus, the CPWD manual itself mentions the architectural and structural fee as (1/2%+1/2%) 1% for repetitive work.(copy enclosed as Annexure-V) The lesson learnt during the course of calling and finalization of offers in the aforesaid case of construction of Low Cost Industrial Housing Complex at Bawana, as detailed herein above, let the DSIIDC to call offers from the architects from the select list prepared by DSIIDC for the reason that no benefit had been 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 the project and had been having progress at regular intervals, therefore, it was felt proper and fair to adopt the process of calling offers from the select list of the Architects prepared by DSIIDC. The offers were sent vide letter Dated 10.08.2006 with the direction to submit their bids latest by 30.08.2006. The offer 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 of GFR, 2005. The following opening lines

	of the offer letter dated 10.08.2006 **were** conveying and proving the fact **as stated** herein above: "DSIIDC has constructed over 3000 Houses at Bawana Industrial Complex by introducing "Cost Effective technologies" by virtue of which the cost of each dwelling unit has reduced substantially." It is specifically brought on record that issuance of the aforesaid letter had been the result of the marathon exercise as conducted during the course of calling the tender for earlier work as detailed herein above but was also result of the deliberation and discussion held at various levels of hierarchy and duly approved by C.E., DSIIDC. It is further to add that contents of offer letter dated 10.08.2006 were so clear leaving no space for any confusion or ambiguity in the minds of perspective bidders which is quoted herein below for kind perusal and consideration: DSIIDC further intends to take up similar scheme on a number of places in Delhi leading to construction of 40,000 houses for which offers are being invited for Architectural Consultants. Three to four storied dwelling unit will be of different sizes having plinth area of 25,30,35,40 Sqm. approx.. The consultancy fee shall be 1% of the cost of the project excluding the cost of land and 0.5% for project management consultancy, which includes quality audit, quality control and providing site supervision and management. 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

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	selection" and relevant Para of the **same** is quoted here below: 3. Quality Based Selection (QBS): This method of selection may be used under the following circumstances: (i) The outcome of the assignment will have high impact and hence it is essential to engage most qualified consultant. Examples are national policy formulation; capacity building program etc.. ii) the assignment is very complex or highly specialized where it is difficult to define scope of work with accuracy. Examples are country specific study; reforms related studies, high precision scientific work etc.". "Cited from para 3 at page-3 of the 'Manual of Policies and Procedure of Employment of Consultant-Ministry of Finance " 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 here that it is not DSIIDC only which had invited offers on " Merits based" by fixing the Consultation Fee but there are 21 Departments (enclosed as Annexure-VI) having sufficient experience who had opted 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	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.

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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. This showed failure of DSIIDC in assessing the technical capability of the single contractor to execute both contracts which led to delay in completion of the project. 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 work was split because of time constraint . The reply is not acceptable as the criteria of maximum 10,000 DUs to a single firm was inserted in NITs and the work was split with a view to reduce the dependence on single contractor but the aim could not be achieved as evident from the completion rate in the contract.	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.
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. **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. DSIDC awarded (February 2012) the work of redevelopment for Rs. 37.74 crore. A contract of dismantling of existing structures was also 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. DSIDC replied (January 2014) that appointment of consultant was a prior requirement for taking up of any construction project and the expenditure was justified. 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 proposed building plan due to non availability of completion plans and layout plan with DSIDC of earlier structure and in the absence of same, the construction contract had to be foreclosed **4.1.8.2. Delay in RGP at Okhla Phase-II and Wazirpur** DDA allowed (April 1993) 2,665.41 sqm of land at Okhla, Phase-II to DSIIDC for construction of electronics market and allowed five years,	Statement of facts. 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. Revised layout plan has already been sanctioned from Town

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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, there was delay in getting the NOC and EoT from respective department which ultimately delayed necessary approval from MCD. Similarly, to construct a new building in place of exiting Administration Block located at Wazirpur Industrial Area, to gain advantage of full Floor Area Ratio (FAR) 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	Planning Department of South Delhi Municipal Corporation. 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.

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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.
4.1.9.1 Poor contract management leading to avoidable liability The work of modernization of CWC at Seemapuri was awarded to M/s Rama Construction Company at its quoted rate of Rs. 12.22 crore. The letter of acceptable 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 acceptable of refund clam of contractor for amount deducted on account of VAT and TDS was not in order. As per the order of VAT Commissioner and Income Tax 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 arbitration award in High Court as work was not rescinded but abandoned by the contractor.	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 infrastructure payments and harm to the department 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 the process when the contractor abandoned the work.
4.1.10 National Institute of Jewellery DSIIDC decided (2002) set up a Gem and Jewellery Park. The National Institute of Jewellery Design and Technology was registered in October 2005 under the Societies Registration Act, 1860 as ' not for profit organization' with the objective to provide continuous supply of killed human resources with the technical expertise encompassing all aspects	In this connection, It is submitted that as per the decision taken in the 19th Governing Body meeting of NIJ held on 25.07.2010 that, " All the courses

22.2.11

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 201-13. 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.	running at NIJDT must be completed before 31.12.2010". Accordingly, all the courses 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.
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, for designing and renovating the exterior and interior façade of the Emporium. Audit noticed that to award the work, the weight age of 80:20 per cent assigned to technical and financial eligibility was against the norm of 70:30 per cent prescribed in the guidelines of the Ministry of Finance, GoL (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.	Delhi Emporium was earlier renovated in the year 2004-05 and had worn out over a period of time. The design of the Emporium was obsolete and lot of space was wasted and not put to efficient use. The look of the Emporium was dull because of improper lighting and all this affected not only the sales from the Emporium but also the stature of Delhi being a modern city was not reflected. 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, and an efficient display of items which is conductive to encourage visitors to have a look at the items which can ultimately result in purchase. In the present era of efficient retail merchandising the design of any place from which the product is displayed and is to be purchased is as important as the product itself. The design, techniques and method of branding and retail merchandising

	have grown exponentially in the last decade. This is clearly visible from the shops that we can see in various shopping malls and high end markets which attract visitors to go into the shop to have a look at various items. Thus, there was a need for an efficient design of Emporium which can complete various other brands of retail merchandising. 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 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 indentified 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	**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. Various Business Modals were discussed. The matter was placed before the Council of Ministers and approved vide Cabinet Decision No. 1630 dated 02.03.2010. The model that was approved by the Council of Ministers was on the following broad parameters.

27.7.15

undertook a feasibility study under a Upgrade Operate Maintain Transfer (UOMT) framework, independently for three projects at – (i) Okhla, (ii) Patparganj, (iii) Bawana and Narela and submitted (April 2011) a Financial Appraisal Assessment against the total indicated time schedule of eight months. Audit observed that the consultant projected the project cost of Bawana and Narela over 15 years as Rs. 90 crore and Rs. 130 crore respectively. The revenue gap for the period was projected at Rs. 10 crore per annum (IRRof 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 2011), 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 DSIDC 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, DSIDC awarded the projects for 15 years and 100 per cent share holding was retained by M/s Bawana Infra Development Pvt. Ltd. for Bwana 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 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 itself. • 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, the construction work carried out by the concessionaires on the project 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	(i) DSIIDC to develop and operate the project under a BOT Concession to a private partner for 30 years. DSIIDC would be the Concession Authority and would bid out the project in a transparent manner. 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/ under-developed 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 back to the DSIIDC. Accordingly, DSIIDC would contribute to the equality 'in cash' and 'not in kind' as assets remain with DSIIDC's ownership and would not be transferred to the SPV i.e. ownership shall remain with DSIIDC/GNCTD. Only the development, operations and revenue collection rights would be given to the SPV under a concession agreement. Limited period mortgage rights would be given to the SPV. The SPV would to 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 which would be notified and/or the contract documents would determine the same. (ii) The SPV would pay an annual

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.	concession fee to DSIIDC in consideration for the concession awarded to it. This would be the bid parameter and the amount shall be competitively determined through a transparent 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 created (e) Provision of value added services to the industrial estates (f) Hand back the assets and infrastructure in a good condition at the end of the period of concession. Pursuant to the approval of Council of Ministers, the matter was placed before the Hon'ble LG, Delhi and the necessary in-principal approval of Hon'ble LG was obtained on 12.11.2010 for the project as approved by the Council of the Ministers and also to sub-lease the specific underutilized/undeveloped plots. Meanwhile, the Delhi Industrial Development Operation and Maintenance Act, 2010 (Delhi Act 08 of 2010) (hereinafter called the DIDOM Act) passed by the Legislative Assembly of NCT of Delhi on 30th March, 2010 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