

## Audit Approach

### 3.1 Audit Arrangements

#### 3.1.1 Financial and Transaction/ Compliance Audit

Agencies, other than the Organising Committee, fall within the normal audit jurisdiction of the Comptroller and Auditor General of India (CAG). The scope, extent and frequency of audits of these agencies is decided through risk assessments, based on expenditure incurred, criticality/complexity of activities, assessment of internal controls, and previous audit findings. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of unit, for their responses within one month. The audit findings are either then settled, or further action for compliance is advised. Only important audit findings, where large government expenditure has been incurred, are separately processed for inclusion in the CAG's Audit Reports, which are submitted to the President of India under Article 151 of the Constitution of India.

Notable findings presented in the CAG's Audit Reports included shortcomings in the bail-out package provided by DDA to the developer of the residential complex at the Games Village (reported through paragraph 9.1 of Audit Report No. 23 – Union Government (Civil) Autonomous Bodies – of 2009-10).

#### 3.1.2 Audit of the Organising Committee (OC)

The constitution of the OC in February 2005 stipulated audit of its financial statements by Chartered Accountants appointed by the OC, and audit of its financial statements upto 2007-08 was carried out as such.

Over the period of three financial years from 2004-05 to 2006-07, the GoI released loans totalling Rs. 127.51 crore<sup>1</sup>, against which expenditure of Rs. 123.53 crore was incurred by the OC (largely on Games Hosting License Fee, expenditure on the closing ceremony component of Melbourne CWG-2006 and other items). From 2007-08 onwards, the volume of loans given to the OC increased substantially.

In May 2007, the Ministry of Youth Affairs and Sports (MYAS) requested the CAG for a “concurrent audit” of the Organising Committee from April 2008. Such concurrent audit is an internal audit function and, thus, the responsibility of the Executive. Concurrent audit is not the mandate of the CAG. Consequently, in July 2007, we requested MYAS for entrustment<sup>2</sup> of the external audit of the OC through the Ministry of Finance<sup>3</sup>. This was entrusted to the CAG in April 2008. Audit of the

<sup>1</sup> In addition, GNCTD provided grants of Rs. 29.54 crore.

<sup>2</sup> Under Section 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971

<sup>3</sup> As per the approved procedure for entrustment of audit of autonomous bodies and authorities circulated by Ministry of Finance on 12 January 2008 to all Ministries/Departments of GoI.

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transactions<sup>4</sup> of the OC for the years 2005-07 was carried out in November/ December 2008. Following this audit, an Inspection Report was issued in March 2009 to the OC and the Ministry of Youth Affairs and Sports. The audit of transactions for 2007-08 and 2008-09 was carried out in December 2008 and March/ April 2010, and the Inspection Reports issued in May 2009 and May 2010 respectively.

Audits of the financial statements of the OC for 2008-09 and 2009-10 were conducted independently and Separate Audit Reports (SARs) issued in July 2010 and April 2011 respectively.

### 3.1.3 Study Reports on Preparedness for CWG-2010.

In addition to the transaction and financial audits mentioned above, we also presented, in July 2009, a Study Report on Games preparedness, which also covered the activities of the OC, as well as a Study Report in April 2010 on preparedness of the Indian Railways for activities related to CWG-2010; the main findings of these Study Reports are summarised in Chapter 2 of this Report. These Study Reports were intended as aids to management for monitoring progress on a concurrent basis, to be followed by *post facto* audits of expenditure.

## 3.2 Audit Objectives

This audit of the XIX Commonwealth Games was comprehensive in nature, covering compliance and performance issues related to the preparation of the infrastructure and organising of the Games, and builds on the findings and recommendations of our

earlier Study Report of July 2009 on preparedness for CWG-2010.

The main objectives of our audit were to assess the following:

- Adequacy and effectiveness of the high-level governance structures for overall stewardship, planning, co-ordination, and monitoring of the Games Project and its different components, particularly in view of the multiplicity of agencies involved;
- Effectiveness and efficiency of agencies in planning, executing and delivering the Games and associated infrastructure projects and in organising the Games;
- Propriety, economy, transparency and probity (including compliance with relevant rules and regulations and accepted best practices) in procurement of goods and services by different agencies;
- Robustness and prudence of budgetary and financial management for the Games Project; and
- Adequacy and effectiveness of internal controls and oversight mechanisms for ensuring successful delivery of the Games within pre-determined time and cost budgets and to stipulated quality standards.

## 3.3 Audit Scope and Coverage

The scope of our audit covered the period from May 2003 (submission of the bid for hosting the XIX Commonwealth Games) to December 2010. The main activities and agencies covered by us in this audit are summarised in Table 3.1.

<sup>4</sup>Under Section 14 of the CAG's DPC Act

Table 3.1 – Agencies Covered in Audit

Area	Main Agencies Covered
Overall Planning and Management	Ministries/ Departments of the GoI and GNCTD, and inter-Ministerial/ Departmental Committees; OC
Venue Development	Venue owners (Sports Authority of India, GNCTD, MCD, NDMC, DDA, DU, JMI, AITA, DPS RK Puram, and CRPF) and other implementing agencies (CPWD)
Games Village	DDA
City Infrastructure Projects	PWD (GNCTD), NDMC, MCD, DJB, DTC, DTTDC, PPCL, DTL
Organisation of the Games	OC
Organisation of CW Youth Games, 2008 Pune	Agencies of the Government of Maharashtra and Pune Municipal Corporation/ Pimpri Chinchwad Municipal Corporation
Preparation of Indian Teams	MYAS and SAI
Media and Broadcasting	Ministry of Information and Broadcasting and Prasar Bharati
Others	Ministry of Home Affairs, Delhi Police, ECIL, Ministry of Health and Family Welfare, Directorate of Health Services, GNCTD, MTNL and TCIL

**This report focuses on issues, which would be of interest from the overall perspective of the organisation and management of the Games Project. Other issues and concerns, which focus on agency-specific aspects, would be reported separately, through other CAG's Audit Reports and Inspection Reports, depending on their materiality and significance.**

### 3.4 Audit Methodology

We conducted our field audit between August and December 2010 (with a suspension of the audit from mid-September to mid-October 2010 to avoid inconvenience to the agencies during and around the Games period). We held an

entry conference with the Ministry of Youth Affairs and Sports (MYAS) and representatives of other agencies (except the OC) on 1 November 2010.

Our audit methodology covered scrutiny of records and documents of different agencies, interviews with concerned officials and persons, and physical inspection of sites, including collection of photographic evidence. Audit requisitions were issued, seeking records, information and clarifications (where necessary). Preliminary audit observations were communicated to the agencies at appropriate levels, seeking their responses.

**Draft agency-specific audit findings were communicated through “Statements of Facts” (SOFs) in January- February 2011 to the concerned agencies for their responses. Exit Conferences were also held with the concerned agencies to discuss the main audit findings. The responses of these agencies at various levels have been examined and considered, as appropriate, in this report.**

Details of the audit processes/ methodologies followed are indicated in **Annexe – 3.1.**

### 3.5 Scope Limitation

Our findings on the functioning/activities of the Organizing committee should be read in the context of the following:

- Given the state of documentation (refer para 7.2.3), we could not find evidence that documents produced for audit were complete and authentic in all cases.
- We could not derive any assurance regarding completeness of the number of contracts/agreements/work orders etc. entered into by OC.
- Till March 2011, OC could not provide information on contract wise payments made to vendors, limiting our scrutiny to

the contracted amount rather than the actual payments.

- We followed the formal reporting channels in the OC to obtain records and communicate findings. However, we noticed that informal reporting lines existed to the offices of Shri Suresh Kalmadi, ex-Chairman, Shri Lalit Bhanot, Secretary General and Shri V.K. Verma, DG-OC. We do not have access to the documents/ files/ records generated /maintained through these informal reporting channels and their consequential impact on the contracting and decision making.
- On certain issues, in addition to the official reply, we received several other replies from individuals associated with the OC. We have not treated their replies as the official view of the OC.

Final payments in respect of most of the venues have still not been made, despite lapse of considerable time since the conclusion of the Games. These are likely to have significant impact on the overall cost of the Games project. These would be covered in subsequent audits.

**We acknowledge the co-operation and assistance extended by the Ministries/ Departments, Organizing Committee and other agencies of GoI and GNCTD during the conduct of this audit.**