



सत्यमेव जयते

Audit Report on
XIXth Commonwealth Games
2010



Report of
Comptroller and Auditor General of India

Union Government (Civil)
Report No. 6 of 2011-12



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(Performance Audit)

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Preface

During the meeting of the Commonwealth Games Federation (CGF) General Assembly in November 2003, Delhi won the bid to host the XIX Commonwealth Games 2010. Having won the bid, the host city contract was signed in November 2003 between the CGF, Indian Olympic Association, Government of India (GOI) and the Government of National Capital Territory of Delhi (GNCTD) with the Organising Committee (OC) (which was constituted later), becoming a subsequent signatory.

In pursuance of this contract, the XIX Commonwealth Games were successfully held in Delhi from 3 to 14 October 2010. All sporting events and supporting activities were very smoothly conducted. The country and its management won acclaim for the successful conduct of the games. The country won a record haul of 101 medals which was the highest ever in international events of this nature wherein we had participated earlier. The opening and closing ceremonies were spectacular.

Despite such phenomenal success of our athletes and sportspersons, the events leading to the conduct of the games had attracted severe adverse attention. There were reports of irregularities in the award of contracts, delays in construction of stadia, games village and related infrastructure, procurement of equipments of inferior quality or purchase of routine items at exorbitantly high prices. The Media as also other agencies, were vociferously pointing fingers at Government and the OC on account of both delays in the preparedness and also excessive expenditure. There were not only veiled allegations of serious leakage of Government funds and favouritism in award of contracts, but also direct indictments of officials in positions in the different agencies entrusted with either the hosting of the games or developing stadia and associated infrastructure. Such adverse publicity undermined the tremendous achievements of our sports persons, and indeed, even the successful conduct of the games.

It may be recalled that towards late 2008 and early 2009 serious concerns had been expressed about India's preparedness for successfully hosting this prestigious event, largely because of perceptions about the construction of venues and associated infrastructure lagging behind schedule. The hosting of the Games was a mammoth exercise as the preparations involved at least a dozen different agencies besides local and parastatal bodies like the DDA, NDMC and MCD. There were claims and counterclaims in different quarters about the state of preparedness.

It was under these circumstances that the C&AG had decided to conduct an independent study to assess the progress of projects and preparedness of different agencies for organizing the Games and to identify the significant risks that needed to be addressed. This study which was not an audit in the conventional sense, was meant to provide an aid to the Administration as benchmarks for monitoring the progress of different works and undertaking mid course corrections. After a study by a core team from our office, carried out between March and May 2009, a brief Report was prepared and submitted to Government in July 2009, 15 months before the games were to be held. The study Report provided detailed evidence of status of completion of projects in different phases as of July 2009, both documentary and pictorial. The report highlighted the fact that there was no scope for further delays and slippages in milestones, given the confirmed deadline of October, 2010 for holding the games. The study Report also suggested that “in view of the complexity and multiplicity of activities and organizations and the progress till date, there is need to rethink the governance model for the games project as well as for similar mega-events in the future”. Copies of the Report were provided to all authorities engaged in the execution of the complex games project.

In view of the concerns expressed by all sections of society with regard to the perceived inadequacies and shortcomings in different projects and associated activities with the staging and hosting of the games, the C&AG decided to conduct an external audit post completion of the games in the shortest possible time, so that the Parliament and the country could have the benefit of an independent and objective assessment of the outcomes emanating from the expenditures incurred. Ordinarily such a mammoth exercise would have taken several months. A multiplicity of agencies were involved and the activities and projects were manifold. However, considering the urgent need to keep all stakeholders apprised of the outcome of the expenditure incurred as also to provide an assurance with regard to the manner of achieving the outcomes, a dedicated team of auditors was put together to comprehensively audit all the agencies, aspects and activities leading to the conduct of the games. This audit was comprehensive in nature, combining both compliance and performance related issues across multiple Ministries and Departments of GOI, GNCTD, Government of Maharashtra, the OC and various other bodies with regard to the role and activities in respect of the Games projects. This Report contains the results of the audit, covering the period from May 2003 when the initial bid was made for hosting the games to December 2010 when most of the Games related projects and activities were completed. The exercise was mammoth, as our audit approach follows a very meticulous and clinical process in which we have to consider all significant details and also provide opportunity to the audited entity to present their responses and comments on the audit findings.

Audit conducted by the organization of the C&AG follows a very structured, systematic and objective architecture, to ensure that a balance and objective audit methodology is brought to bear on the Institution/Sector being audited and covering all nuances of that particular organization/activity. The audit methodology is as follows:

Before actual commencement of the field audit, to ensure a comprehensive coverage and consistency in findings, a detailed set of guidelines/checklists are prepared by the department. An “entry conference” is usually held at an appropriately senior level with the audited entity to elicit the cooperation and assistance required for the conduct of the audit as also share the broad audit approach and objectives. Suggestions and concerns of the entity raised in this Conference are taken into account to ensure a holistic and balanced coverage. Thereafter field audit commences which involves scrutiny of records and documents, physical inspection of sites (including collection of photographic evidences) and, where considered necessary, discussion with selected officials and persons. Audit requisitions are issued, seeking records, information and clarifications. Preliminary audit observations are communicated through audit memos/queries (also termed as “half margins”) to the audited entity at appropriate levels, seeking their responses and comments, which are duly examined and considered. After examination of the preliminary audit observations and responses thereto, draft audit findings are communicated, either through “Statements of Facts (SOFs) or draft Audit Reports” to the head of the audited entity, seeking their written responses. ‘Exit Conferences’ are also held, usually at the level of the head of the audited entity, providing an opportunity to explain their position vis-à-vis the audit observations and furnish additional information/clarifications. It is only after receipt of replies to the SOFs/draft Audit Reports that Audit finalises its findings and prepares the Audit Report for submission to the President for tabling in Parliament.

Whilst it has been oft commented that external audit is a postmortem and conducted quite often well after the event, the issue needs to be viewed in its right perspective. External audit of the kind conducted by the C&AG is, indeed conducted post the event. It is thus distinct from internal audit, which, by definition is concurrent. The efficacy and timeliness of our Report is often dependent on the promptness displayed by the audited entities at different stages – in making available the files and records, giving responses to audit memos and SOFs, as also in the holding of the exit conferences. Invariably, agencies seek additional time to respond at every stage. In the fitness of things and to provide an ample opportunity for them to present their arguments, reasonable extension of time is generally provided.

In the conduct of the extant audit of CWG 2010, the audit teams did a commendable job in completing the field audit, involving scrutiny of voluminous documents within a challenging time schedule of 90 days assigned to them. However, the preparation and finalization of the Report was totally dependent on the time taken by the different entities to respond to the requests for files, documents and records, and the time taken to make available complete and detailed responses to Audit at the different stages when the audit findings were shared with the audited entities. In the preparation of these audit findings, all agencies audited have been given adequate opportunity to provide clarification or state their side of the facts. Requests for additional time were also liberally granted to ensure that no authority or individual feels wronged that he did not have an adequate opportunity to represent his facts. Such granting of time could have led the delay of a few weeks in the presentation of this Report, but we believe that a fair opportunity must be given to all those on whose some observations are likely to be made. Needless to state, the final findings and its onus is entirely that of this Department. Audit is also constrained by the fact that its Report can be brought into the public domain, only after being tabled in both Houses of Parliament.

It is in the nature and context of the aforesaid issues that this Audit Report has been prepared. It is hoped that all stakeholders will perceive its balanced reporting and comprehensive coverage of the mammoth exercise leading to the conduct and staging of the CWG-2010. Whilst the Report is fairly comprehensive, it focuses on issues relating to the overall perspective of the organization and management of the Games Project. Other issues and concerns which focus on agency specific aspects would be reported separately through other Audit and Inspection Reports, depending upon their materiality and significance.

Some of the projects, works and contracts are yet to be completed. Consequently final bills are yet to be received and payments made. These payments are likely to have a significant impact on the final cost of the Games. Audit would cover the same in subsequent audits.

This Audit Report for the year ending March 2011 has been prepared for submission to the President under Article 151 of the Constitution.

Executive Summary

Background

The XIX Commonwealth Games (CWG-2010) were successfully hosted in Delhi from 3 to 14 October 2010. These Games represented the largest ever multi-sport event held in India. 4336 athletes and 2115 officials representing 71 Commonwealth Games Associations (CGAs) participated in competitive events in 17 sports disciplines, besides events in 4 para sports disciplines. While Australia was the most successful team at CWG-2010, India gave its best ever performance in the Commonwealth Games by securing second position in the medal tally with 38 gold, 27 silver, and 36 bronze medals.

The right to host CWG-2010 was awarded in November 2003 to Delhi on the basis of the May 2003 bid of the Indian Olympic Association (IOA), and the guarantee of Government of India (GoI), in conjunction with the Government of the National Capital Territory of Delhi (GNCTD) to bear the financial liability for hosting the Games, including underwriting any shortfall between revenues and expenditure.

In July 2009, we presented a Study Report to the Government of India on preparedness for CWG-2010. This Study Report was intended to provide an aid to the Executive in monitoring and benchmarking progress towards preparing the infrastructure and staging the Games, and making mid-course corrections.

The current audit of CWG-2010 was comprehensive in nature, and builds on the findings and recommendations of our Study Report on preparedness for the Games. It covers the period from May 2003 (when the bid was submitted) to December 2010 after the conclusion of the Games, as well as a multiplicity of activities – not just the hosting of the Games per se, but also the development of sporting venues, the Games Village, city infrastructure projects and other associated/ supporting activities – executed by a diverse set of agencies.

We conducted our field work between August and December 2010, held entry and exit conferences with the concerned agencies, and also issued detailed Statements of Facts (SOFs) to the agencies, seeking their responses and comments, which have been appropriately considered in this report. Our main findings are summarised in the following paragraphs. Details are available in the activity-specific chapters.

Governance

The commitment of GoI, in conjunction with GNCTD, in September 2003 to become parties to the Host City Contract (HCC) and undertaking to bear the financial liability for hosting of the Games, including underwriting any shortfall between revenue and expenditure, was critical to the success of the IOA bid for Delhi to host CWG-2010. The competing bid from Hamilton, Canada did not involve deficit guarantees from the Canadian Federal and Provincial Governments, nor did they agree to be parties to the HCC. In the case of India thus, the Games became the property of the nation, rather than merely that of the IOA. This was, however, inadequately reflected in the subsequent constitution of the Organising Committee (OC).

In our opinion, the unique challenge of managing and monitoring the activities of multiple agencies for delivering the Games Project should have been met by entrusting its stewardship to a single point of authority and accountability, with adequate mandate to ensure all deliverables in time, to cost, and to specified quality standards. Further, in view of the Government guarantee for meeting the cost of the Games, it was essential for such stewardship to be fully under Government control. However, this model of management or financial control was not followed for the Games Project.

Although the bid document of May 2003 envisaged the OC as a **Government-owned registered society**, with the Chairman of the OC Executive Board (EB) being a government appointee, and the IOA President being only the EB Vice-Chairman, the OC was ultimately set up in February 2005 as a **non-Government registered society**, with the IOA President, Shri Suresh Kalmadi as the Chairman of the OC EB. This change was orchestrated through a sequence of events, commencing with a document titled as an “updated bid” of December 2003 (which had no legal sanctity or relevance), indicating a changed structure. This “updated bid” dated December 2003 surfaced only in September 2004, viz. 16 months after the IOA made its bid and 10 months after that bid had already been declared successful! Despite serious objections from the erstwhile Minister, YAS, late Shri Sunil Dutt, Shri Kalmadi was appointed as the OC Chairman, based on a PMO recommendation of December 2004. This decision facilitated the conversion of the originally envisaged Government-owned OC into a body outside Governmental control, without commensurate accountability to Government and concomitant controls to ensure propriety and transparency (despite full financial guarantee and funding from Government). Attempts in 2007 by Shri Mani Shankar Aiyar, Minister, YAS and late Shri SK Arora, Secretary, Ministry of Youth Affairs and Sports (MYAS) with the PMO, the Group of Ministers (GoM) and the Cabinet Secretariat, highlighting the ineffective position of MYAS in

exercising control over the OC, met with strong resistance from the Chairman, OC, and were hence rendered unfruitful.

In the absence of a single point of authority and accountability and the lack of a clear governance structure, a multiplicity of co-ordination committees were created, disbanded, and reconstituted at different points of time. This approach was not methodical, consistent and effective, and also led to complete diffusion of accountability. This was unlike the structure for the Melbourne CWG-2006, where the Victorian Government oversaw the planning and delivery of the Games through a specially formed Cabinet Committee. The Minister for Commonwealth Games was specifically empowered and made responsible under the Commonwealth Games Arrangements Act 2001.

Although there were some changes in the governance structure of the OC from October 2009 onwards, these actions were largely in the nature of emergency fire-fighting measures. Possibly, the only effective steps taken were around August 2010 which eventually ensured the actual conduct of the Games. Early and decisive action on the governance structure for the Games of the kind witnessed in August 2010, with a single point of authority and accountability, could have made the Games delivery process less painful, more streamlined and accountable.

(Chapter 4)

Planning

There was a seven-year window from the award of CWG-2010 to Delhi in November 2003 to its hosting in October 2010, which was not appropriately utilised. The time window from November 2003 to mid-2006, which could have been effectively used for planning, clearances and approvals, was wasted. The OC itself was registered only in February 2005, while EKS was appointed by the OC as the consultant for preparation of venue briefs and site plans only in July 2006. This led to cascading delays in all subsequent activities, since the return briefs, concept designs and detailed designs and drawings for venues could be prepared only thereafter. Even after that, specifications and designs for venues continued to be revised by the OC and International Sporting Federations till late stages.

Overall planning for the Games, including the General Organisation Plan, the Games Master Schedule, and the operational plans for different Functional Areas, was also substantially delayed. So was the detailed planning for state-of-the-art city infrastructure in time for CWG-2010.

(Chapter 5)

Financial Management

Even while approving submission of the IOA bid in May 2003, and providing financial liability and deficit guarantees in September 2003, Gol did not have a clear and realistic assessment of the estimated cost of hosting the Games. The IOA bid of May 2003 estimated an all-inclusive cost of just Rs. 1200 crore (after setting off operational expenses against estimated revenues from hosting the Games). By contrast, the overall budget estimate for CWG-2010 for Gol and GNCTD (including MCD, NDMC and other agencies) as of October 2010 was Rs. 18,532 crore. This excludes investments by other agencies (such as DMRC and AAI/DIAL) on allied infrastructure.

The highly conservative and unrealistic size of the original budget envisaged in the May 2003 bid led to revisions of estimates at very short intervals even upto September 2010. This evidenced a piecemeal approach for consideration/approval of individual cost elements. The other major reason for increased costs/estimates was delays at multiple stages (including delays in grant of approvals by Gol), resulting in bunching of activities towards the end and consequential increase in cost.

The absence of a single point of authority and accountability for the Games was compounded by the early disbandment of the Finance Sub-Committee of the GoM, which would have acted as a special EFC for CWG-related proposals. This contributed to the piecemeal approach towards cost estimation and budget approvals.

We also found numerous instances of delays in grant of budgetary and financial approvals by the Gol. While we acknowledge that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of Gol funds, processing and approvals should have demonstrated a greater sense of urgency (in view of the considerable delays that had already taken place). These delays also contributed to the cascading of time at the execution stage.

(Chapter 6)

Internal Controls and Decision Making within the OC

The internal control environment and decision making structures within the OC were highly inadequate. The state of documentation in the OC was so inadequate that we are unable to derive assurance as to either the authenticity or the completeness of records.

Contract management by the OC was irregular and deficient. The state of contract documentation is such that we are neither sure of the entire sequence of events leading to award of contracts, nor about the total number of contracts and work orders awarded. We were also unable to ascertain complete contract-wise payments and outstanding liabilities.

The processing of certain sensitive contracts/ cases was allocated in an arbitrary and ad hoc manner to certain officials who had no linkages with the concerned Functional Area. Such action diluted the process of due diligence and scrutiny. There was enormous bunching of high value contracts in 2010, particularly in the second and third quarters. The argument of urgency was used to obviate the regular process of tendering for award of contracts. We found numerous instances of single tendering, award on “nomination basis”, award of contracts to ineligible vendors, inconsistent use of restrictive Pre-Qualification (PQ) conditions to limit competition to favour particular vendors, inadequate time for bidding, cancellation and re-tendering of contracts, and inexplicable delays in contract finalization, all of which seriously compromised transparency and economy. Further, there were numerous deficiencies in the appointment of external consultants and advisors and management of the multiplicity of contracts thereof.

We also found that the OC-IOA relationship was blurred, facilitating grant of irregular benefits to IOA at the expense of the OC/ Gol through various means.

(Chapter 7)

Revenue Generation by OC

At all points of time, the OC consistently presented staging of the Games as revenue neutral, if not revenue surplus. This argument was used to justify the independence and financial autonomy of the OC. However, this premise of revenue neutrality was seriously flawed, as it was never supported by robust and appropriately validated revenue projections. In fact, between March 2007 and July 2008, the revenue projections skyrocketed from Rs. 900 crore to Rs. 1780 crore. In our view, this increase in revenue projections (mainly on account of inflated projections of sponsorship revenue and donations) was made with the sole objective of keeping pace with the vastly increased operating expenditure estimates, so as to maintain the claim of revenue neutrality. Both MYAS and MoF failed to exercise necessary due diligence, and did not seriously challenge the OC's claim of revenue neutrality. In reality, the total committed revenues amounted to just Rs. 682.06 crore, and the net revenue actually realised by OC (after deducting revenue generation costs) was just Rs. 173.96 crore.

The OC's performance in revenue generation was consistently poor across all major revenue streams, e.g.

- It could generate committed sponsorship revenue of just Rs. 375.16 crore (against the target of Rs. 960 crore), out of which nearly 67 per cent was from Government agencies/ PSUs. No revenue has been received on account of merchandising and licensing rights. The engagement of SMAM as the consultant for sponsorship and merchandising/ licensing rights was flawed, as it was based on a single financial bid. It was also unduly influenced by the recommendation of the CGF CEO, and placed undue emphasis on international experience (ignoring the vast potential of the Indian market). OC chose not to derive lessons from the poor performance of SMAM leading upto the Games, and terminated its contract only in August 2010.
- The commercial exploitation of national and international broadcasting rights was badly managed. The agreement for national broadcasting rights between OC and Prasar Bharati was signed only on 23 September 2010, resulting in generation of just Rs. 24.70 crore of revenues for the OC. With regard to international broadcasting rights, OC could sign agreements for only Rs. 213.46 crore, of which only Rs. 191.40 crore has been received.
- OC's performance on ticketing was also deficient. Gross ticketing revenue of just Rs. 39.17 crore was realized (against the target of Rs. 100 crore). The appointment of the ticketing consultant and the ticketing agency was delayed enormously, and sale of tickets commenced only in September 2010. The generous distribution of high value complimentary tickets was excessive (nearly thrice that of earlier CW Games at Manchester and Melbourne). Also, OC adopted a wide range of ticket pricing, contrary to the recommendations of consultants, which contributed to low ticket sales (particularly of high denominations).
- OC included a revenue target of Rs. 300 crore in July 2008 from donations/ raffle, against which it collected a paltry sum of Rs. 0.99 crore.

(Chapter 8)

Games Planning Consultancy and Overlays

Event Knowledge Services (EKS) was awarded five consultancy contracts relating to venue appraisal/ briefs, project monitoring, games planning and workforce (awarded to an EKS consortium) during 2005-08. Three of these contracts were awarded on nomination basis, facilitated by strong patronage from the CGF (with which EKS had a close link). Tendering conditions for the other two

contracts were tailored to suit EKS. We are also unable to verify the need for this multiplicity of contracts, and the possible overlap between the deliverables from different contracts.

Planning and scoping for venue overlays was critically delayed by the OC and completed only in June 2009, after which the responsibility for procurement of overlays items was transferred from the venue owners to the OC. The procurement process followed for award of venue overlays contracts was highly irregular. OC inexplicably shifted from an item-wise basis (followed internationally) to a venue-cluster approach, based on geographical locations. This cluster-based approach, along with tailored eligibility criteria, was used to discourage competition by restricting the number of vendors. These criteria were then selectively and inconsistently applied to remove competitors, leaving a field of just four “technically qualified” consortiums – ESAJV-D-Art-Indo, Pico-Deepali, Nussli and GL-Meroform. The commercial bids of all four vendors were the lowest exactly for those clusters, which were their first and second preferences. Such coincidence points to collusion and the possibility of cartels among the vendors.

The overlays contracts were signed at exorbitant rates, causing huge financial loss to the OC (and the GoI). Although we cannot fully quantify the true total loss (based on available records), we have, however, come up with indicators of the financial loss in different ways (by inter se comparison of item-wise rates across clusters and vendors as well as rates declared to Customs).

(Chapter 9)

Ceremonies

The main ceremonial events of CWG-2010 were the Queen's Baton Relay (QBR), and the opening and closing ceremonies (which were to be signature events showcasing Indian culture and heritage). We note that the ceremonies were widely appreciated; in particular the opening ceremony was a spectacular success. However, we found numerous irregularities in the appointment of contractors/vendors for various ceremonies.

Regarding the QBR Launch Ceremony on 29 October 2009, we found an inexplicable reduction in the scope of work for JMW (the event management agency for the QBR Launch) in October 2009 (with an increase in cost). On the other hand, the OC made highly suspect payments of £ 386,237 to two little known entities – AM Films UK Ltd and AM Car and Van Hire Ltd – for diverse and unconnected services for the QBR Launch ceremony. The assignment of work and payments therefor were highly questionable; associated approvals and clearances were obtained and payments made with uncommon haste. Large

amounts were also paid in cash, perhaps to avoid leaving a transaction trail. The role of Shri TS Darbari and Shri Sanjay Mahindroo, who were unrelated to OC's Ceremony Functional Area, in the QBR Launch Ceremony is also questionable.

We found that planning for the opening and closing ceremonies was inordinately delayed. Further, a multiplicity of agencies was engaged – Shri Bharat Bala as Creative Director/ Creative Consultant, Spectak Productions (Shri Ric Birch) as International Consultant, Wizcraft as the Event Management Firm and 17 other consultants. There was considerable overlap between the roles and responsibilities of these multiple agencies. We also found that Spectak Productions and Wizcraft had tied up with other experts well in advance of the award of the contracts. The engagement of the additional consultants (for at least Rs. 6.12 crore) at OC's cost amounted to a clear financial benefit to Wizcraft.

There were also major irregularities in procurement of accessories/ special items. The consultant for the band stand, Mr. Mark Fisher, got his full fee of US\$ 514,000, even though the idea of the band stand was abandoned. Mr. Fisher then presented a design for an aerostat, which was accepted. The fact that Spectak Productions and the aerostat vendor were part of the same group was concealed. There were also serious irregularities in the technical evaluation and award of the lighting/ searchlight contract, as well as in the award of the contract for video content.

Contracts for Rs. 16.49 crore for art direction and props for the opening and closing ceremonies were irregularly awarded to Blue Lotus Productions, without even having an approved list of props which were actually required. Huge quantities of props remained unutilized. Some props were not even received. Many of these props were exorbitantly priced.

(Chapter 10)

Catering

OC was responsible for providing catering services at the Games Village and venues for athletes and team officials, CGF/ CGA officials, VIPs, technical officials and media persons, volunteers, workforce, contractors and spectators. We found inexplicable delays in planning for catering services, as well as in the execution of various catering-related activities.

There were numerous irregularities in the award of the Games Village catering contract. The process of award took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the recommendations of OC officials, but was

also done after opening the single financial bid on the Chairman's verbal orders. This decision to re-tender weakened the OC's negotiating position vis-a-vis the vendors and resulted in frantic activity upto June 2010 for conclusion of four separate contracts/agreements.

The process for award of venue catering contracts was also flawed, with unusual delays. This witnessed one round of cancellation of tenders and floating of three new RFPs as late as July 2010, with compromises on transparency, quality and economy (due to insufficient competition). Consequently, there were numerous complaints about the venue catering services, resulting in emergency arrangements during the Games Time.

(Chapter 11)

Technology

Successful organisation of the Games required several integrated technical solutions, including a Timing, Scoring and Results (TSR) system, a Games Management System (GMS), and a Games Time Website.

We found that planning for TSR was badly delayed and initiated only in January 2009. There were clear and repeated interventions at different stages to steer the TSR contract towards Swiss Timing Omega and eliminate MSL, Spain. Restrictive experience criteria for “end-to-end service” were specified and altered, and used to irregularly disqualify MSL, Spain. Swiss Timing Omega and MSL Spain had jointly provided TSR solutions for Melbourne CWG-2006, Doha Asian Games-2006 and Beijing Olympics 2008, and were, thus, equally qualified / unqualified as to the “end-to-end service requirement”. OC was left with a single financial bidder, effectively eliminating any opportunity for competitive pricing of TSR. This facilitated award of the TSR contract to Swiss Timing Omega at an exorbitant cost of Rs. 135.27 crore (compared to just Rs.39.84 crore equivalent at Melbourne CWG-2006 from the same vendor). There were also several deficiencies in the performance of TSR - in particular, the Commentary Information System (CIS) and the Games Information System (provided as Value-in-Kind sponsorship by Swiss Timing Omega).

The award of the Games Management System was also flawed. Restrictive RFP conditions resulted in disqualification of three out of four bidders, with MSL, Spain being eliminated through a biased evaluation. Gold Medal Systems was finally awarded the GMS contract on a single financial bid at a total cost of Rs. 25.29 crore (compared to just Rs. 4.15 crore equivalent at Melbourne-CWG from the same vendor).

Inexplicably, OC failed to consider the need for a Games Time website till June 2010. The award of the contract to HT-Hungama was flawed and irregular, with award procedures appearing to lack transparency. In addition to adverse media reports about the website's performance, the CGF President also confirmed serious problems with the website.

(Chapter 12)

Sports

The Sport Functional Area in the OC was responsible for organisation of sporting events, maintenance of results records, presentation ceremonies, and purchase of sporting equipment.

There were several deficiencies in the procurement of sports equipment, such as not following global tendering procedures, purchases on single tender basis, and deficient assessment of requirements.

The procedures followed for hiring Mr. Greg Bowman and his company, Great Big Events (GBE), for a multiplicity of contracts relating to sports presentation ceremonies were questionable. One contract was, in effect, deactivated in September 2010, and re-awarded at exorbitant rates to GBE. We also noticed fraudulent payments to GBE for false claims of personnel assignments (when they did not even visit India).

(Chapter 13)

Games Branding

Games branding essentially involved running the Games News Service (GNS) and other press operations, communication and marketing, and “image and look” (i.e. promoting a unique Games look and identity through banners and graphics).

We found that the exorbitant cost of Rs. 10 crore for the GNS contract was due to a decision to go in for outsourcing (as against the internally developed option used at Melbourne-CWG 2006) and also on account of flawed tendering procedures (with re-tendering) resulting in award on a single financial bid to Infostrada Sports. GNS failed to perform satisfactorily during the Games, as the Games news content was inaccessible from 5 to 8 October 2010 and was rectified subsequently using makeshift arrangements.

The selection of the “Games Look Provider” for preparing banners was marked by a cluster-based approach (as in the case of overlays). Further, on the pretext of urgency, a snap bidding process was used. As in the case of the venue overlays contracts, OC allowed several ineligible vendors to bid, while disqualifications were made on a selective basis. We also found the same vendor quoting different prices for the same items across clusters.

(Chapter 14)

Workforce and Other Supporting Activities of the OC

We found serious deficiencies in the award of the workforce consultancy contract to a consortium of E&Y and EKS. The tendering process was clearly tailored to favour EKS. There were several deficiencies in the contractual clauses, which tended to favour the interests of the consultant, as well as in the execution of the contract.

We found that the OC managed the work force in an arbitrary and ad hoc manner, leaving ample scope for patronage, favouritism and nepotism in the appointment and promotion of officials. Security and reference checks were not carried out for most employees. Certain employees, whose past records should have rendered them unfit for appointment in the OC, were nevertheless appointed.

Other major deficiencies in certain functional areas included the following:

- 492 persons who had not received security clearance were incorrectly listed in the data for the Integrated Security System, which indicated that the accreditation system was not followed strictly.
- 1.5 lakh lanyards at a cost of Rs. 0.68 crore were procured with an inexplicable fire retardant requirement of 800 degrees Celsius.
- Contracts for venue cleaning services were awarded irregularly, using a cluster-based approach, to just two contractors. Restrictive eligibility criteria were applied in a biased manner. 8 out of 9 packages went to A2Z Maintenance and Engineering Services, which was also engaged by OC for office automation services.

(Chapter 15)

Common Issues in Venue Development

There were delays relating to venue development at all stages – planning delays on account of late preparation/ approval of venue briefs, return briefs, and concept designs; delays in tendering and contract award; and delays in works execution and handover.

In the absence of in-house design skills, the venue owners/ implementing agencies were dependent on external design consultants. There were considerable variations in the performance of these consultants. We noticed that where the role of the foreign partner in the design consultants consortia (with relevant experience in design of sports stadia) was less, there were significant deficiencies in design inputs for execution.

Different implementation agencies followed different processes for award of major construction works. CPWD awarded most of the venue development contracts on item-rate basis, which is the preferred method as per the CPWD manual, since it is best suited to deviations from the original scope of work. Two major works, were, however, awarded on lump sum basis. Large number of extra/ substituted items and deviations in these works tended to change the very essence of the contract. PWD, GNCTD awarded most of its works on percentage rate tenders. This method of tendering is acceptable, only when the major portion of work is on account of items included in the Delhi Schedule of Rates (DSR), which was not the case in most of the venue development works.

Deficiencies in the process for award of major works related mainly to pre-qualification and eligibility. The pre-qualification of bidders separately for each venue not only introduced arbitrariness and inconsistencies in eligibility criteria, but also delayed the process of award and execution. Considering the similar nature of works for sports venue, we believe that a common pre-qualification process should have been conducted.

We found several deficiencies in the process of “justification” for awarding works at substantially higher amounts than the cost estimates. There were also numerous instances of deviations (quantity deviations, extra items, and substituted items) from the original scope of work, with adverse implications in terms of increased cost and delays.

We found numerous instances of delays in achieving the milestones listed in the contract, for which adequate penal action was not taken, and Extensions of Time (EOTs) not managed properly.

A key element of cost escalation is labour wage escalation. We found several deficiencies in the application of this escalation clause. In our opinion, although

such payments are in the nature of compensation, the payments are routinely made as per a specified formula and there is no mechanism to verify that payment is made for labour actually engaged by the contractor/ sub-contractor. In order to ensure that the benefit of increased minimum wages reaches the actual beneficiary, we recommend that such payments should be made only on production of proof of unskilled labour actually engaged, duly authenticated by the Labour Welfare Department.

(Chapter 16)

Venues developed by Central Public Works Department

General Issues

CPWD was engaged by the Sports Authority of India (SAI) for upgradation/ renovation of five competition venues – Jawaharlal Nehru Stadium, Dr. SP Mukherjee Stadium, Major Dhyani Chand National Stadium, Indira Gandhi Indoor Stadium, and Dr. Karni Singh Shooting Range, as well as one training venue – DPS, RK Puram. In addition, CPWD renovated the Kadarapur Shooting Range on behalf of CRPF.

We found that the appointment of Consulting Engineering Services (CES) as the main design consultant for the five main stadia was seriously flawed. CES was favoured at the evaluation stage by award of marks on “concept design” (which were largely outputs of a previous set of consultancy contracts for “condition survey” awarded to CES). Further, the technical qualification of CES on the basis of “concept design” is all the more surprising, since the OC's consultant, EKS was engaged only in November 2006 and thereafter prepared the venue briefs, on the basis of which “concept designs” were to be prepared. The performance of CES in almost all the venue consultancy contracts was abysmal.

A Centralised Co-ordination Committee, chaired by Chairman, OC and including representatives from venue owners/ implementing agencies, was responsible for selection of brands of sports surfaces. We found clear instances of favouritism and bias shown by this Committee (which was largely guided by the OC) in selecting sport surfaces for athletic tracks, hockey turf and badminton court mats.

A joint tendering mechanism was put in place for selection of agencies for laying the sports surfaces at the venues. We found serious deficiencies in the award of the contract for laying of synthetic athletic track surfaces by CPWD to Shiv Naresh Sports Pvt. Ltd. The restrictive tendering conditions resulted in a situation where the awarded rates were much higher than comparative rates

quoted for similar works. We also found that the area over which the synthetic track was laid included 9,130 sqm outside the main track and area of final warm-up and call rooms at JLN Stadium at a cost of Rs. 6.63 crore. We are unable to derive assurance that this additional quantity was required for the Games, and confirmed as such by OC. We also found deficiencies in the quality of the main competition track during our field visits in November 2010.

A joint tendering mechanism was evolved for supply and installation of VVIP/VIP chairs and media chairs for five venues. We found a systematic pattern of calculations and re-calculations for inflation of rates, which ultimately benefited the vendor, Superior Furnitures.

We found excessive “redundancy” in power supply arrangements for the venues, including installation of DG Sets as permanent fixtures, installation of UPS, and hiring of additional DG sets of huge capacity by OC.

Jawaharlal Nehru Stadium

In Jawaharlal Nehru Stadium, we found instances of non-adjustment for work not executed, extra payments for work already covered by the scope of the lumpsum contract, and non-levy of compensation for delayed completion of the work of the membrane roof. We found deficiencies in execution of work in the construction of the weightlifting auditorium at JNS, and common areas.

Dr. SPM Swimming Pool Complex

The main work of Dr. Shyama Prasad Mukherjee Swimming Pool Complex was awarded on a lumpsum contract. We found a number of concessions to the contractor, in deviation from the spirit of the lumpsum contract – large number of extra items, additional payment for work covered in the original contract, as well as substitution of the original galvalume roof with an aluminium roofing system, due to the failure of the contractor. The essence of the lumpsum character of the contract was, thus, defeated. There were also instances of poor quality of work execution.

IG Stadium Complex

Work at the Indira Gandhi Stadium Complex involved upgradation/construction of venues for cycling, gymnastics and wrestling. We found that a firm, otherwise ineligible for the composite work of the indoor cycling velodrome, was irregularly qualified. Strangely, competition for laying the permanent timber track for the velodrome was limited to Indian furniture contractors (in association with an international track design and construction expert), with no attempt to float

international tenders. This was compounded by dilution of eligibility criteria. There were deficiencies in the bidding process for the wrestling stadium, ultimately resulting in a single financial bid, which raises concerns on the competitiveness of the bidding process. Numerous irregularities/ relaxations in the tendering process for different works relating to the gymnastics stadium, hostel/ media centre and roads, boundary wall etc. to favour a particular bidder, Swadeshi Construction Co. was also observed.

Major Dhyan Chand Stadium

In the case of the Major Dhyan Chand Stadium, audit revealed dilution of pre-qualification criteria benefiting a particular contractor. Estimates were lowered substantially from the RFQ to the RFP stage, which may have discouraged larger companies from participating. We also found that the “justified” rates calculated by the CPWD did not truly reflect the market, as there was evidence of much lower rates for components of the main work from outsourced agencies. Also, despite additional costs for reduced time period for completion factored into the “justification” process, the project took 37 months, against the stipulated 18 months. There were inexplicable delays, with re-tendering twice along with dilution of bid criteria, in award of the work of the PA system to a firm, which was found ineligible in the first and second rounds of tendering.

Other Venues developed by CPWD

The originally envisaged renovation/ upgradation of Dr. Karni Singh Shooting Range was changed to reconstruction of ranges, creating a squeeze of time at the execution stage. There were deficiencies in the quality of works executed, which persisted even after the Games. We also found certain deficiencies in the execution of works at the Kadarapur Shooting Range. The training facilities to be constructed at the CRPF campus, Jharoda Kalan for police sportspersons for participation in CWG-2010, had not been completed.

(Chapter 17)

Venues developed by Delhi Development Authority

Delhi Development Authority (DDA) developed competition/training venues at Siri Fort Sports Complex (SFSC), Yamuna Sports Complex (YSC) and Saket Sports Complex (SSC).

There was an inexplicable delay of nearly a year in engagement of the design consultants for construction work of the new venues, which resulted in cascading

delays in award and execution of the main works. We found deficiencies in the selection and performance of Architect Bureau-GSA Group Consortium as design consultant for the archery competition venue, training venues and refurbishment work.

There were significant deficiencies in the procurement of chairs (with justification rates being unreliable). Deficiencies were also noticed in the contracts for synthetic surface for table tennis court as well as maple wood flooring at one venue.

(Chapter 18)

Venues developed by other agencies

NDMC and PWD, GNCTD developed competition/training venues at Thyagaraj, Talkatora, Shivaji, and Chhatrasal Stadium and Government Model Ludlow Castle School. The main contractor hired for Shivaji Stadium was a foreign company, China Railway Shisiju Group Corporation (CRSGC), when it is apparent from the conditions of the NIT, that such was not the intention. Shivaji Stadium could not be completed in time for the Games and the completed hockey pitch in the stadium has an East-West orientation, as against the required North-South orientation.

Simplex Project Ltd. was engaged as the main contractor for the works at Talkatora Indoor Stadium on a single bid basis; we are unable to derive assurance that the best price was determined for the work in a competitive market. The quality of construction was also found deficient by CTE, CVC.

In the case of Thyagaraj Stadium, we found several instances of adoption of higher cost items for estimation/execution from among multiple options, and also numerous instances of specifying a single brand or “equivalent”, thus favouring these brands, with consequential reduced competition and increased costs. We also found multiple forms of power back up – a solar power generator unit, and a dual fuel gas turbine with add-on Vapour Absorption Machine (VAM). The expenditure of Rs. 22.41 crore on the turbine and the VAM is largely infructuous, as it would be highly expensive to generate power from this unit post the Games.

Irregularities were also observed in the appointment of the design consultant for the Chhatrasal Stadium and Ludlow Castle.

JMI was selected as a training venue for Rugby 7s and table tennis. We found that the Rugby 7s field, developed at a cost of Rs. 2.11 crore, was being converted back into a cricket field, which defeats, at least partly, the objective of

creation of state of the art sporting infrastructure. Further, Rs. 2.58 crore was diverted for creation of sporting facilities for other disciplines (basket ball, lawn tennis, volley ball, hockey/football etc). While we recognise that development of university premises for providing sports facilities is desirable, the diversion of funds sanctioned for a specific purpose is irregular.

Delhi University and its affiliated colleges were designated as the competition venues for Rugby 7s and training venues for netball, boxing, rugby 7s, athletics and women's wrestling. We found that the legacy plan for training venues at individual colleges, covering the optimum utilisation of developed infrastructure as also arrangements for their regular maintenance and upkeep, is still pending.

The R.K. Khanna Tennis Complex, under the All India Tennis Association, was designated as the competition venue for tennis. We found that the consultant for this upgradation project was irregularly selected on nomination basis. However, AITA's concept of deleting the steel portion from the original contract (on account of volatility in steel prices in 2008) and procuring it directly had its advantages, especially since it did not include any 'escalation/ de-escalation' clause in the contract.

(Chapter 19)

Commonwealth Games Village

The Commonwealth Games Village, near the Akshardam Temple, had three major components – a residential complex for housing the athletes and officials, practice areas for athletes, and temporary structures (overlays) for the international zone, village operations and other areas.

We found that key issues related to selection of site were not properly addressed. Except for strengthening of the Akshardam bund, there was no evidence of compliance with the upstream flood mitigation/ abatement measures on the river Yamuna stipulated by the Ministry of Environment and Forests while according conditional environmental clearance. DDA essentially attempted to abdicate responsibility for this issue. We could also not verify compliance with the orders of the Hon'ble Supreme Court, which had permitted construction on the basis of an assurance regarding monitoring of construction activities by a PM-appointed committee in association with Dr. RK Pachauri. Surprisingly, when contacted, Dr. Pachauri confirmed that he had not been involved with any such monitoring activity.

We found serious irregularities in the award of the contract for construction of the residential complex in PPP mode to Emaar MGF Constructions Pvt. Ltd. There

was a series of misrepresentations and accommodations at the RFQ and RFP stage that resulted in Emaar MGF Constructions Pvt. Ltd, which was not qualified in terms of the PQ criteria, emerging as an eligible (and successful) bidder through the consortium route. Further, a short time period of just seven days was allowed after a significant addendum, introducing significant changes to the bid conditions.

In response to the RFP, two bids were received from Emaar MGF Constructions Pvt. Ltd and DLF Ltd. While DLF's conditional bid was summarily rejected without any interaction or negotiation, DDA chose to engage in a prolonged correspondence with its financial consultants, legal advisors and Emaar MGF Constructions Pvt. Ltd to find solutions to address the deficiencies in its proposal. Finally, only Emaar MGF Constructions Pvt. Ltd was declared technically qualified, and was awarded the contract on the basis of a single financial bid, thus denying DDA the benefit of financial competition.

The execution of the residential complex project was also plagued by several irregularities and deficiencies. The FAR constructed by the project developer substantially exceeded not only the sanctioned plan, but also the maximum permissible FAR under the Master Plan for Delhi – 2021. Emaar MGF also illegally constructed 17 additional dwelling units in the basement meant for parking. DDA allowed several financial concessions to Emaar MGF, including revision of milestones and delayed / non-levy of liquidated damages. Against the stipulated deadline of 1 April 2010, the residential flats were handed over to DDA between June and August 2010 and that too in incomplete condition.

The Central Building Research Institute, Roorkee (CBRI) was appointed by DDA as the third party independent quality inspection agency for the residential complex only after most of the foundation work was executed. CBRI pointed out serious lapses in construction work through thirteen reports between June 2008 and October 2010. These included deficient secondary reinforcement of beams and columns, lack of adequate concrete cover to Reinforcing Steel, improper beam-column joints, improper alignment of columns and tapered columns (which were plastered to cover up the deficiencies, contrary to CBRI's advice), and differences in the levels of grade slabs leading to seepage and leakages in the basements. CBRI concluded that on seeing the permeability of the concrete and the corrosion of reinforcing steel, it gave an impression that the service life of these towers could not be more than 20 years, unless substantial expenditure was incurred on repair and retrofitting. DDA did not take adequate action on these reports, as the deficiencies continued to recur in CBRI's successive reports.

There were serious deficiencies with regard to the award and execution of the design consultancy contracts for construction of the practice areas. The

selection of Sportina Payce Infrastructure Ltd. as the main contractor for the practice areas was manipulated to ensure that Sportina Payce Construction (India) Pvt Ltd. (a different entity) pre-qualified and the successful bidder for the project was different from the pre-qualified consortium. Subsequently, due to poor performance, the contract was terminated, and re-awarded.

The selection of GL Litmus Events Pvt. Ltd. as the contractor for delivering temporary structures (overlays) for the international zone and other areas was equally flawed. The successful bidder was entirely different from the pre-qualified entity, and the foreign entity with relevant expertise was not part of the successful bidding entity. Further, for a contract of Rs. 41.38 crore, the bulk of the material for which was to be imported, the value assessed at the Indian customs was only Rs. 5.32 crore.

Delhi Jal Board (DJB) constructed a 1 MGD Water Treatment Plant (WTP) for the Games Village, Akshardham Temple and surrounding areas at a cost of Rs. 35.20 crore. We found that the need for a separate 1 MGD was not clearly established and the plant was over-designed with expensive membrane filtration technology. Further, the tendering process was flawed and irregular, with undue and inexplicable delays. The bid evaluation was tailored to favour award of the work to a single bidder. The WTP is currently shut down and its requirement on a legacy basis is questionable.

DDA also purchased four 1250 KVA each generating sets with excessive and undue redundancy, which are now lying idle. Plans to shift two of these sets to DDA Headquarters (Vikas Sadan) appear unreasonable, as Vikas Sadan's current load is just 1230 KVA.

(Chapter 20)

Streetscaping and Beautification of Roads around CWG Venues

In 2004, GNCTD decided to implement streetscaping and beautification of roads for “aesthetics” before CWG-2010. However, in our view, the street-scaping and beautification project was ill-conceived and ill-planned, without a broad overarching vision and perspective of how this would impact urban design and development. The project was not part of Delhi's City Development Plan under the Gol's flagship JNNURM programme for urban development and renewal. GNCTD did not deem it necessary to obtain clearance from DUAC for this project, nor was there evidence of consultation with the Traffic Police at an appropriately early stage to assess and co-ordinate its impact on the management of the huge volume of Delhi traffic.

Streetscaping and beautification works at exorbitant average awarded costs of Rs. 4.8 crore/ km (compared to NHA's estimated cost of Rs. 9.5 crore / km for constructing a four-lane national highway or Indian Railways' estimated cost of about Rs. 4.1 crore/km for constructing railway track) were awarded and executed in an ad hoc and arbitrary manner, with wasteful expenditure of Rs. 101.02 crore.

The project was largely a consultant-driven project, with the selection of consultants being arbitrary and non-transparent, and without any common design guidelines and targeted budgetary estimates. The consultants were given a free hand to draw up designs and estimates for the packages allotted to them. This resulted in adoption of richer specifications in an arbitrary and inconsistent manner in different packages. We also found adoption of higher rates/ short recovery, and other deficiencies in contract management. Third Party Quality Control failed to provide adequate assurance on the specifications and materials used in the works.

(Chapter 21)

Upgradation of Street Lighting of Roads in Delhi

The project for modernisation of Delhi Street Lighting System was conceived by GNCTD in June 2006, with plans to implement it across Delhi within 2 years. Detailed lighting standards were prepared in November 2006. Although these standards provided only the technical parameters of performance of lamps and luminaries and did not distinguish between indigenous and imported luminaries, PWD stipulated the use of a mix of imported and indigenous luminaries for different categories of roads. Records show the decision on use of imported luminaries being taken with the active involvement of the CM at various stages. No technical note regarding reasons for use of imported luminaries along with cost benefit analysis was found on record. The decision taken by PWD regarding use of imported luminaries was also adopted by MCD and NDMC.

The imported luminaries were procured at a far higher cost than the domestic luminaries, leading to avoidable extra expenditure of Rs. 31.07 crore across the three agencies. Models of various companies of vastly different repute and of different price range were selected at the same level, without any record of techno-economic evaluation of options offered by different bidders. We also found that the procurement price of imported luminaries was far higher than the fair price computed on the basis of actual invoice price.

The awarding of work in NDMC after calling of design based tenders resulted in an extra expenditure of Rs. 6.77 crore, as work was awarded to the bidder with higher unit rates for various items. NDMC also awarded additional

work of 18.445 km, incorrectly terming it as deviations to the original contract. We believe that this may lead to an estimated additional loss of Rs. 6.13 crore.

Restrictive tendering conditions were stipulated and the work was split into three parts in PWD, with requirement of not more than one work to one bidder, reducing the competition between the bidding firms. After once being declared disqualified, one of the firms, Spaceage was irregularly declared qualified on subsequent re-assessment, following his appeal to the CM.

We found avoidable expenditure of Rs. 2.54 crore in contracts awarded by MCD (due to non-compliance with design specifications), as well as suspected post tender alteration of bids in two cases, which had resulted in enhancement of the quoted amounts by Rs. 6.97 crore.

(Chapter 22)

Road Signages

In February 2006, it was decided that the entire city of Delhi should have state of the art road signages with appropriate structural system for the forthcoming CWG-2010. A pilot project was taken up by PWD in May 2008 through authorised converters of the two leading manufacturers of the retro reflective sheets.

We found that the department did not facilitate healthy competition, but merely ensured sharing of signage work between the two major sheet manufacturers, 3M and Avery-Dennison. Instead of calling a single tender for the complete work, the project work was divided among three PWD Zones for separate tendering and execution, with restrictive conditions, leading to only two valid bidding parties, with work automatically getting distributed between them. The anti-competitive bidding conditions led to work of one zone being awarded at least Rs. 1.40 crore above the corresponding cost in the other two zones as well as higher overall costs of procurement in PWD, as compared with NDMC.

Subsequent to the award of work, the designs for the signages were substantially revised, leading to large number of extra and substituted items of dubious utility with additional avoidable expenditure of Rs 14.88 crore.

(Chapter 23)

City Infrastructure Development: Roads and Flyovers

GNCTD undertook construction of 25 roads and bridges for upgradation of city infrastructure and in preparation for CWG-2010. We selected seven of these projects for detailed review.

All the seven projects adopted Contractor's Profit and Overhead Charges (CPOH) of 37.5 per cent for the bridge/ flyover components in contrast to CPOH of 15 per cent stipulated by CPWD. This resulted in increasing the justified cost, worked out by the department after opening of the financial bids, by Rs. 352.47 crore. A higher CPOH leads to a higher cost baseline for potential bidders. The CPOH rate also forms an indirect input into the process of preparation of justified costs, where required, and the assessment of reasonableness of rates for final award of the contract.

There was irregular award of work in two projects where L-1 was determined by considering separate letters quoting a lump-sum amount, while use of correction fluid in tender documents, and large number of cuttings/corrections were seen in another bid (which was accepted).

Two works costing Rs. 62.63 crore were got executed by PWD through deviations of ongoing works, instead of calling for fresh tenders, on grounds of urgency. These works however, were, not completed in time for the games. PWD also awarded work for construction of two arch foot over bridges (FOB) for Rs. 10.35 crore at JLN Stadium using for the first time, a suspension bridge design using imported Macalloy suspension system. One of the FOBs collapsed and the work was subsequently stopped on both the FOBs. Both are still lying incomplete.

(Chapter 24)

Renovation and Restoration of Connaught Place

Although the project for renovation and restoration of Connaught Place (CP) was envisaged in April 2004, it was plagued by undue delays. The original estimated cost of Rs. 76 crore (as of May 2005) went up nearly nine-fold to Rs. 671 crore by July 2007, with a huge increase in scope of work.

The approved DPR for the project was submitted only in February 2008, and it was, therefore, unreasonable to expect that the project could have been completed in time for the Games, especially in view of the constraints of traffic management considering the importance of Connaught Place to Delhi's traffic. NDMC chose not to follow the approach of dividing the project into manageable packages, so organised as to minimise traffic disruption across the whole of CP, and taking up those project components which could have been completed in time. Instead, the project was divided into packages spanning the whole of CP, with all activities getting underway around the same time.

Apart from the pilot project for facade restoration of 'C' block (which was completed in August 2008), the project remained incomplete at the time of the Games. We also found significant deficiencies in contract management, with consequent avoidable expenditure.

(Chapter 25)

Other Infrastructure Development Activities

Secured Communication Services

In September 2008, GNCTD decided to introduce a TETRA network (a professional mobile communication service essentially meant for emergency services and government agencies) in time for CWG-2010. GNCTD awarded the contract for TETRA at Rs.99.81 crore for an 87 month period, covering not only the Games period but also a seven year legacy period. In our view, the decision to extend TETRA for legacy use for seven years was ill-conceived. A proper assessment of the requirements of Delhi Police (the main user) and other public agencies as well as the replacement of existing networks with TETRA (since no communication was permitted by DoT between TETRA and other networks) was not carried out. Post CWG-2010, most of these expensive TETRA sets are, in effect, no more than mobile phones.

Transportation Services

During CWG-2010, low floor buses of DTC were used for ferrying the athletes, technical officials and media persons. For keeping the buses 'new' for CWG-2010, DTC kept about 16 per cent of its low floor fleet idle between March and August 2010; further, 78 per cent of the Blueline fleet was also taken off the roads in the NDMC area for the duration of the Games. This, compounded by large scale diversion of DTC drivers for Games-related duties, led to significant disruption of public transport services.

Modernisation projects like LED destination boards on standard buses, and construction of Time Keeping Booths could not be completed before CWG-2010 as envisaged. The construction of 48 ticketing booths all over the city appears to be an anachronism at a time when the buses are being fitted with GPS/ AVTS.

For getting 1500 Bus Queue Shelters (BQSs) constructed before the Games, DTC and the Transport Department of GNCTD resorted to various methods of execution (including award of 1050 BQSs on Government funding/ BOT mode to DIMTS, a non-Government entity with 50 per cent private

shareholding), which indicated arbitrariness, ad hocism and lack of clarity in implementation of such a large project. So far, only 472 BQs could be completed.

The bus parking constructed at the Ash Pond opposite the Millennium Park is not really a temporary structure. It has certain permanent constructions. Its use has continued well beyond the short requirements of the Games. This was clearly in violation of the Master Plan for Delhi 2021 and the proposed Zonal plan of Delhi, which earmarks the area as a green zone with recreational uses but without permanent construction.

Power

GNCTD planned to commission a new power plant at Bawana on the grounds of increased dependence on own power generation sources. The construction of the 1500 MW Bawana gas-based power plant was, however, delayed, and could not be completed in time for the Games. Delhi Transco Ltd. (DTL) also took up five 220 KVA substations and seven corresponding cabling projects to strengthen the power supply situation in Delhi in time for the Games. Most of these projects were awarded very late (in the second half of 2009) and could not be completed before the Games. There were numerous deficiencies in the contract award process.

(Chapter 26)

Organisation of Commonwealth Youth Games – 2008, Pune

The Commonwealth Youth Games 2008 (CYG-2008), a sub-event of CWG-2010, was held between 12 and 18 October 2008 at the Shiv Chhatrapati Sports Complex Balewadi- Mhalunge, Pune, which was refurbished and upgraded for the event.

We found serious deficiencies with regard to the construction of the 3-star hotel on PPP basis for accommodating the participants. The plot for the hotel was located in a public/ semi-public land use zone, and commercial use was not permitted. The proposal for change of land use was mooted to the Government of Maharashtra (GoM) on the grounds of urgency/ late stage, work already having commenced on the ground, and lack of other alternatives. This was approved by the then Chief Minister in October 2007. The Review Committee, headed by the Chief Secretary, abdicated its responsibility in this regard.

Further, the tendering process for the hotel was severely flawed. Tender conditions were relaxed substantially in various stages, purportedly on grounds of lack of response. Strangely, the issue of change of land use was not raised at all during the tendering process. It is possible that only bidders who were confident of getting post facto clearance from the GoM would have gone ahead with the bidding process. The contract was finally awarded on a single financial bid to Unity Infra Projects with an NPV far below that recommended by the Finance Department.

CYG-2008, Pune was expected to be a learning experience for the staging of CWG- 2010 at Delhi. The deficiencies noticed at Pune, and the resulting recommendations were intended to ensure that these were not repeated in CWG-2010. We, however, noticed that OC lost this opportunity to learn and test its preparedness for Delhi 2010, and consequently repeated its mistakes in key functional areas during CWG-2010, notably technology, ticketing, sponsorship and merchandising, press operations, catering and accommodation.

We also found several deficiencies in the procurement of electronic, sports and other equipment for CYG-2008. Most of the security equipment indented for CYG-2008, Pune was either ordered after the Games, or received after the Games. Many of the city infrastructure projects (taken up largely under JNNURM) could not be completed in time for the Games.

(Chapter 27)

Media and Broadcasting Services

Although Doordarshan was indicated as the Host Broadcaster in the May 2003 bid, it was formally notified by the OC only in March 2007. The Host Broadcaster agreement between the OC and Prasar Bharati (PB) was signed in May 2009.

The award of the broadcasting services contract by PB to SIS Live was flawed on several counts:

- Only one bidder, SIS Live, was qualified on technical grounds, and the contract was awarded on a single financial bid, without any competition. Lack of competition was facilitated by a rigid stand taken by PB at the stage of bidding (especially on the payment schedule), which restricted potential competitors from bidding. However, PB agreed at the pre-bid meeting to finalise the contract terms “mutually” with the selected entity, and subsequently amended numerous clauses of the draft contract to make it one-sided in favour of SIS Live.

- Contrary to the intent of the contract with PB, SIS Live outsourced almost the entire contract on the same day to Zoom Communications, which would have been ineligible for bidding. We found that SIS Live and Zoom were in alliance much before the signing of the contract with PB, and even at the contract drafting stage, the intention of SIS Live to outsource the contract was clearly evident.
- While PB's contract with SIS Live was for Rs. 246 crore, the sub-contract between SIS Live and Zoom was for only Rs. 177.30 crore (which would also factor in Zoom's profit margin). Clearly, there was a substantial loss to PB and Government, although we are unable to quantify this loss (based on available and verifiable records).
- As per the contracted schedule of payment, SIS Live was to receive only 30 per cent payment before 14 October 2010, with the balance only on verification of performance. This was irregularly amended to allow 60 per cent payment in advance of the Games (subject to successful installation and testing of equipment).

PB failed to enforce compliance by SIS Live with even the conditions associated with the relaxed payment schedule viz. short supply of equipment, irregular changes in make/ model of equipment, and non-co-operation by SIS Live with PB's technical inspection team. There were also several deficiencies in the execution of the contract, notably with regard to delayed/ non-receipt of tapes for QBR coverage and non-deployment of stipulated technical personnel by SIS.

We found that the Host Broadcast Management Committee (HBMC) set up by the PB did not achieve the desired results. There was a lack of consensus among members of the HBMC; this ultimately resulted in debatable decisions, which favoured the interests of SIS Live. The Ministry of Information and Broadcasting, as well as an Oversight Committee (chaired by the Minister, I&B and co-chaired by the Minister of Law and Justice) which was constituted to monitor the progress of activities and expedite decisions, chose to largely accept the proposals put forward by PB.

The legacy value of HDTV coverage of CWG-2010 to PB, both in terms of improvement of infrastructure and development of in-house skills, was insignificant. PB participated in production of only three events, as against the initial plan of coverage of 10 out of 17 events in-house. Training was imparted to PB staff only in non-Games venues, and there was no evidence of such training being imparted on the highly specialised OB vans used for Games production. Further, PB failed to take advantage of the Cabinet approved scheme for upgradation of Doordarshan to HDTV. Consequently, the training received by PB personnel from

SIS Live would also become largely redundant, in the absence of HDTV equipment in PB.

(Chapter 28)

Telecommunications Services for CWG-2010

MTNL was appointed on “nomination basis” in October 2009 for providing telecommunications services for CWG-2010, on the premise that it would follow all norms and procedures for public financial accountability. However, we found that the process of awarding the telecommunications services contract was flawed.

MTNL, with OC's agreement, pushed through a vastly more expensive technical solution (IP/ MPLS) for the Broadcast Video Network and Broadcast Audio Network, which had not been tested in the previous Games and was not acceptable to the Rights Holder Broadcasters (RHBs) from different Commonwealth countries. Eventually, in addition to IP/ MPLS, the tested and existing technical solution (“point-to-point dark fibre”) was provided to meet the requirements of RHBs. Even Doordarshan made use of only the dark fibre solution for its video broadcast requirements. This solution would have been vastly cheaper, with less cost to the public exchequer.

The premise of the PSU following public financial accountability norms was jettisoned, as the technical requirements were altered without adequate justification by MTNL to leave only one technically qualified bidder, the HCL/Cisco team; there was, thus, no financial competition. Essentially, MTNL acted as a conduit for placement of a contract, on a back-to-back basis, in a non-transparent manner.

The estimates for telecommunications services provided by MTNL at different points of time were unreliable and lacked adequate support, with the final infrastructure cost of Rs. 270.70 crore (excluding taxes) approved by the Gol being more than eight times the estimates of approximately Rs. 33 crore for Melbourne CWG-2006. The contract awarded by MTNL to the HCL/ Cisco team was for an even higher amount of Rs. 387.19 crore. Clearly, there was a substantial loss to the Gol on account of this decision.

MTNL did not provide realistic and detailed business plans or strategies regarding the post-CWG market potential for the high speed IP/ MPLS solution obtained at considerable cost to the Gol (except for a reference in the tender documents to the requirement of network capacity to handle 1,00,000 customers each in Delhi and Mumbai). This, further, confirms the redundant nature of this expensive technical solution.

(Chapter 29)

Health Services for CWG-2010

In October 2009, the Directorate of Health Services (DHS) in the Department of Health and Family Welfare (DoHFW), GNCTD formulated a Health Action Plan (HAP) for CWG-2010 for providing free medical services to athletes, officials, spectators and others at the Games Village, venues and other locations.

While healthcare for the athletes and the Games Family was ensured, we found that the delayed finalization of the HAP, compounded by further delays during tendering/ award, was used to facilitate deviations from stipulated procurement procedures for ensuring transparency and competition on purported grounds of urgency.

The procurement of medical equipment was marked by serious irregularities. Despite CWG-2010 requirements having been identified well in advance in the HAP, DHS followed multiple procurement processes in an arbitrary manner – including procurement through one-year Rate Contracts (RCs) finalized in June 2010, operating of RCs of other hospitals, and use of “spot quotations” from the open market. We found that the rates for many of these items were exorbitant, by inter se comparison of rates for the same items between multiple modes of tendering. Further, 5 items of medical equipment (estimated at Rs. 5.89 crore) included in the HAP were not ordered at all, while an additional 5 items (which were not included in the HAP) were purchased for Rs. 1.10 crore.

Although the Sports Injury Centre (SIC) at Safdarjung Hospital was inaugurated in September 2010, it was not fully commissioned even in November 2010. Many items of equipment were yet to be procured and/or installed, and training on use of equipment was yet to be fully imparted. There was also a severe shortage of qualified manpower for providing necessary services.

The attempt to strengthen ambulance services in time for CWG-2010 through deployment of 150 ambulances in PPP mode was a failure, since the contract with the selected concessionaire (Fortis Healthcare) was terminated for failure to deliver the ambulances in time. In our opinion, this eventuality arose because of the DoHFW's failure to specify the exact nature of the ambulance vehicle well in advance. Government then acquired just 31 ambulances in June/ August 2010 on direct procurement for the Games at a much higher price. This difference in prices was largely due to higher specifications for the medical equipment than that originally envisaged. It is inexplicable why this was not considered earlier. Further, 21 of these ambulances were Advanced Life Support (ALS) ambulances, which require the services of trained doctors and are generally attached to hospitals. Only 10 ambulances were Basic Life Support (BLS) ambulances, which primarily address the need of Delhi and its citizens for a

general ambulance service for immediate pre-hospital emergency response services.

(Chapter 30)

Integrated Security System (ISS) for CWG-2010

Electronics Corporation of India Ltd. (ECIL), a PSU, was appointed by the GoI in May 2009 on “nomination basis” to provide an Integrated Security System (ISS) for CWG-2010. We found that ECIL prepared a highly inflated cost estimate (approved at Rs. 346 crore) which allowed it to make an exorbitant profit of at least Rs. 126 crore. We recommend that final payments may be released to ECIL only after detailed examination of actual costs and an appropriate certification by ECIL's statutory auditors after allowing a profit margin of upto 20 per cent.

We found that 176 Portable Explosive Detectors (PEDs) worth Rs. 39 crore were wrongly procured by ECIL, and remained unutilised; similarly, 15,090 out of 18,700 RFID tags for accredited vehicles also remained unutilised.

MHA did not have an approved legacy plan for the utilisation/redeployment of the security equipment, without an “a priori” identification of items as legacy, non-legacy and consumables. Subsequent to CWG-2010, ECIL identified legacy and non-legacy equipment worth Rs. 272.65 crore, which had still not been redeployed or utilised.

(Chapter 31)

Preparation of Indian Teams for CWG-2010

In June 2008, MYAS initiated a scheme for “Preparation of Indian Teams for CWG-2010” for imparting state of the art training, with well-equipped infrastructure and other supporting facilities, through the Sports Authority of India (SAI) and its regional centres to a core group of 1286 elite athletes, who would be the medal probables for CWG-2010.

We found that SAI utilised only 30 per cent of the budget of Rs.678 crore allocated for the period 2008-11. Further, there were substantial delays in selection of core probables, as well as in appointment of coaches and other supporting staff. The performance parameters for judging improvement in the performance of the core probables were decided as late as 15 to 20 months after commencement of implementation of the scheme.

A total number of 284 training camps were held for 18 (17 normal disciplines and one para sports). However, many disciplines and sub disciplines had not had training camps during the year.

For supporting training of core probables, SAI awarded 28 contracts/ orders for procurement of imported sports items and equipment at a cost of Rs. 40.12 crore during 2008-11. We found serious deficiencies in the procurement process. All 28 orders were awarded on single tender basis as “preferred items” without adequate justification. In the absence of competitive tendering, we are unable to derive assurance regarding considerations of economy and transparency. Further, this expenditure was largely unfruitful, as many of the items were received after the training camps or during/ after the Games, while some items could not be installed or were received at the wrong SAI regional centres or remained otherwise unutilized.

On the infrastructure front, SAI failed to construct hostels in five regional centres, while hostels constructed in three regional centres could not be utilised due to non-availability of furniture, kitchen and other supporting facilities. Seven out of eight sports science centres, all eight standard modern fitness centres, and renovated/ upgraded halls at various centres could not be utilised before the Games. Thus, out of funds of Rs. 78.63 crore released for infrastructure upgradation, expenditure of Rs. 74.35 crore was not fruitful in time for the Games. Further, out of the envisaged Rs. 9.20 crore of sports science equipment, only a negligible amount of equipment was in position before the Games.

There were deficiencies in financial management, including non refund of the unutilised amount of Rs. 45.50 crore by SAI and diversion of Rs. 19.00 crore for construction of the administrative block of SAI Hqrs building.

(Chapter 32)

Conclusion

It is acknowledged that India hosted the largest and among one of the most successful Commonwealth Games in Delhi in October, 2010. It is indeed a remarkable commentary on the nation's managerial and sporting capabilities that despite a multitude of adversities leading to the actual conduct of the games, India emerged successful both as hosts and as competitors.

It may be recalled that while submitting a study done by this Department in July, 2009, we had strongly recommended that Government should revisit the model of governance for a smooth and successful delivery of the games. Audit continues to feel that serious cognizance was not taken of the issues pointed out

in that report, as timely remedial action may have mitigated some of the adverse attention that the conduct of the Games attracted.

This report has commented upon the model of governance adopted for CWG-2010, in which authority was dissipated, accountability was defused and unity of command was not provided for or followed. It was also inadvisable to have placed such huge public funds at the disposal of non-government officials, who were not willing to heed to any advice from informed government officials.

The modus operandi observed over the entire gamut of activities leading to the conduct of the Games was: inexplicable delays in decision making, which put pressure on timelines and thereby led to the creation of an artificial or consciously created sense of urgency. Since the target date was immovable, such delays could only be overcome by seeking, and liberally granting, waivers in laid down governmental procedures. In doing so, contracting procedures became a very obvious casualty. Many contracts were then entertained based on single bids, and in fact, some of them were even awarded on nomination basis. Taking liberties with governmental procedures of the aforementioned kind led to elimination of competition. A conclusion from such action which seems obvious is that this could indeed have even been an intended objective! Eliminating competition led to huge avoidable extra burden on the exchequer.

As per established procedure in Government, whenever an outside entity makes a proposal to the Government involving budgetary commitments, the concerned departments are required to conduct an in depth and de novo examination of such proposals. However, such independent examination of proposals, especially regarding revenue generation by the OC and the expenditures likely to be incurred, as also the total financial liabilities to be borne by the Government, were conspicuous in their absence. Appropriate due diligence was conspicuously absent at all levels, while scrutinising and according approvals to expenditure proposals.

A basic canon of financial propriety is that the expenditure should not prima facie be more than what the occasion demands, and officials charged with stewardship of Government funds must exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further, not only should transparency and fair play be exercised, the public at large should perceive that Government monies have been expended in a fair and transparent manner and officials will be held accountable for lapses. Government needs to take appropriate measures to live up to the high expectations in this regard.

(Chapter 33)

