

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 Rs. 126 crore on just the procured items. Details of the savings on items manufactured in-house were not made available to us. Such exorbitant profits by a PSU appointed on nomination basis by the GoI amounts to a breach of trust.

Considering the unreliability of the estimates and variation between the estimated and actual costs, 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.

31.1 Introduction

An Integrated Security System (ISS) was required to ensure effective surveillance for CWG-2010 to cover events, open areas, lanes/important traffic junctions, and highly sensitive and crowded areas in Delhi. The major components of the ISS were:

- perimeter security;
- vehicle access control;
- pedestrian access control for accredited card holders and spectators; and

- venue security command centre.

The security arrangements for CWG-2010 were coordinated by the Ministry of Home Affairs (MHA) through the Empowered Security Committee (ESC). The decision to provide ISS for all competition and non-competition/training venues for CWG-2010 through Electronics Corporation of India Ltd. (ECIL), a PSU, on “nomination basis” was taken by the Cabinet in its meeting held on 8 May 2009. Thereafter,

- on the direction of ESC, the existing Joint Committee¹ considered the technical solution proposed by ECIL for each venue in terms of its 'spread';
- the Joint Committee's recommendations were then examined by the Steering Committee (headed by Shri R. Narayanswami) for the essentiality and reasonableness of the Bill of Quantities (BOQs);
- the reasonableness of ECIL's commercial offer prepared on the basis of the

approved BOQ was then examined by an Inter-Ministerial Financial Advisers Committee² constituted by MHA, and approved by the EFC in September 2009 for 23 venues and March 2010 for 10 venues;

- Thereafter, each venue owner entered into a separate agreement with ECIL for supply and installation of equipment.

The approved cost of providing ISS at 33 competition and training venues was Rs. 345.70 crore, as detailed below:

Table 31.1 – Break-up of Cost of Providing ISS

Equipment		Equipment	
Imported Items	196.18	Installation charges	12.62
Indigenous/in-house items	105.80	Testing	10.16
		Commissioning	7.72
		Integration	7.57
		De commissioning	5.65
Total	301.98	Total	43.72

These costs were apportioned among four agencies³. The scheme was finally implemented only in 31 venues, since Shivaji Stadium and Shri Ram College of Commerce were subsequently removed from the list. However, since the venue owners had already signed a contract with ECIL, equipment for these venues, though procured, was not installed. The value of this equipment at the rates indicated in the EFC memo was Rs. 2.62 crore.

31.2 Inflated estimates of ECIL resulted in exorbitant profit of Rs. 126.38 crore

Although the Inter-Ministerial FA's Committee was not convinced of the reasonableness of the estimates proposed by ECIL, it recommended its approval with an across-the-board cut of 10 per cent on the estimates, subject to the following:

- the production costs of items produced in-house by ECIL were to be assessed by the Cost Accounts Branch of MoF and savings in excess of 2 per cent were to be passed on to the Gol.
- Volume discounts, if any, would be to the benefit of the Gol.

¹ consisting of representatives of the Intelligence Bureau, the Delhi Police, venue-owners and ECIL

² Financial Advisors of MHA, MYAS and MoUD; FA/Director (Finance) of DDA, SAI and other associated bodies; representative of OC (meetings attended by ADG-Tech); representatives of venue owners; and Director (Prov), MHA.

³ MYAS (Rs. 225.89 crore for 20 venues), MoUD (Rs. 73.41 crore for 4 venues), NDMC (Rs. 18.68 crore for 3 venues) and GNCTD (Rs. 27.72 crore for 6 venues)

- The estimates approved were the absolute cap.

ECIL provided equipment against 50 approved BOQs - 43 for equipment to be procured by ECIL and 7 for in-house items. We compared the purchase price of items procured under the 43 BOQs with their EFC-approved rates and found that in 41 of these BOQs, the actual purchase price of the items was lower than the EFC approved rates⁴.

Overall, ECIL procured items in the 43 BOQs for just Rs 100.65 crore (against the EFC approved estimate of Rs. 227.04 crore), thus securing a profit of Rs. 126.38 crore (126 per cent) on these items. Details are given in Annexe-31.1.

In respect of the seven BOQs for items manufactured in-house, ECIL did not provide us with their cost analysis. Further, we found that this analysis had not been sent to the Cost Accounts Branch of the MoF, as of March 2011. Consequently, we could not ascertain whether there were savings in excess of 2 per cent, which should have been passed on to the GoI.

Further, ECIL was required to test individual ISS equipment and issue a job completion certificate, for which it charged Rs. 10 crore. However, it did not produce the relevant records to us.

Clearly, the inflated estimates prepared by ECIL (approved at Rs. 346 crore) did not reflect true market rates, and allowed ECIL to make exorbitant profits of at least Rs. 126 crore. Such conduct by a PSU appointed on nomination basis by the GoI amounts to a breach of trust.

Considering the unreliability of the estimates and variation between the estimated and actual costs, 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 cent⁵.

31.3 Excess Cash Advance to ECIL of Rs. 37 crore

We found that ECIL received excess cash advance of Rs. 37.08 crore (out of the total cash advance claim of Rs. 137.32 crore) for imported items. This was on account of misclassification of items imported / procured indigenously. ECIL was eligible for advance of 70 per cent of the CIF⁶ value of imported equipment and 40 per cent on indigenously procured equipment. However, out of the equipment to be imported, equipment worth Rs. 123.60 crore (at EFC rates) was actually procured indigenously, resulting in inflated cash advances to ECIL.

⁴ In the remaining 2 BOQs, the EFC rate was lower than the actual procurement rate by 6 per cent and 16 per cent.

⁵ This profit margin of 20 per cent has been indicated in ECIL's estimates.

⁶ CIF: Cost Insurance and Freight

31.4 Procurement of equipment in excess of requirement

31.4.1 Portable Explosive Detectors worth Rs. 38.55 crore wrongly procured and not utilise

Despite being informed by the Delhi Police in July 2009⁷ that Portable Explosive Detectors (PEDs) should be removed from the BOQs as these were being procured separately, ECIL did not delete this item from the BOQs nor did it seek any

clarifications from the MHA. This issue was also not discussed in any subsequent meeting of the Steering Committee.

In March 2010, ECIL procured 176 PEDs at a total cost of Rs. 38.55 crore for supply to the venues. During our joint physical verification of JLN Stadium, we found 42 PEDs still in packed condition. ECIL informed us that the Delhi Police did not use these PEDs at any of the venues. The shelf life of the PED equipment is 7 years and that of its consumables six months.



PEDs lying unutilised in the stores at JLN Stadium

31.5 RFID tags not utilised

RFID⁸ tags, containing details of the accredited vehicles, were to be fixed on the front wind shield of the vehicle for easy reading by the RFID reader fixed at the venue entry gates to control access. OC was

to give the list of accredited vehicles with the required details and ECIL was to prepare RFID tags.

ECIL procured 18,700 RFID tags, but only 3,610 tags were used during the Games and the remaining 15,090 tags (worth Rs. 4.41 crore) were lying unutilised with ECIL. This indicates that the BOQ was not realistically prepared by the ECIL and approved by the Steering Committee.

⁷ and reiterated in August and September 2010

⁸ Radio Frequency ID – a technology that uses radio frequency communication between an electronic tag (attached to an object) and a reader for identification and tracking.

31.6 Poor Legacy Planning and Non-utilisation

MHA did not have an approved legacy plan for the utilisation/redeployment of the security equipment. Further, there was no “a priori” identification of ISS items as legacy items, non-legacy items and consumables.

ECIL's agreements with the venue owners merely stipulated that legacy and non-legacy items were to be decided within 30 days of completion of the events. ECIL would reconfigure all legacy equipment and make them workable in the venue, while non-legacy equipment was to be handed over to the venue owners for subsequent usage and retention. In its report to MHA of November 2010, ECIL identified legacy equipment of Rs. 86.47 crore and non-legacy equipment of Rs. 186.18 crore at the 31 venues.

However, we found that the legacy and non-legacy equipment amounting to Rs. 272.65 crore was lying unutilized. ECIL had dismantled all the equipment (legacy and non-legacy) in all stadiums, except Thyagaraja Stadium. These were retained in packed condition in the venues under ECIL's custody.

The legacy items had not been reconfigured, as various network switches and cables required to operate them had been provided by the OC as a part of overlays, and had since been removed. Although the OC had undertaken to provide these again after CWG-2010, this was yet to be done. Also, no utilisation plans for the non-legacy items had been prepared by MHA.

31.7 Security arrangements during CWG-2010 at Kadarapur Shooting Range

Kadarapur Shooting Range in Gurgaon, Haryana was one of the competition venues for CWG 2010. MHA released (February 2010) a special grant of Rs. 23.23 crore, under the Modernisation of Police Forces Scheme, to the Haryana Government for making security arrangements for CWG-2010.

We found that although Rs. 21.96 crore had been drawn from the treasury during July–October 2010 and deposited with the executing/ procurement agencies, no equipment had been received as of November 2010, even after CWG-2010 was over. In addition, 39 fabricated police assistance booths worth Rs. 0.74 crore were procured by the Haryana Police Department, but these were not handed over to the Gurgaon and Faridabad traffic police in time for CWG-2010.

GoI should adjust the amount of Rs. 22 crore, drawn but not utilised for CWG-2010, against the release of the next tranche of assistance under the Modernisation of Police Forces Scheme to the Government of Haryana.

