

Chapter-3
Contract Management

Dehradun Smart City Limited (DSCL) faced several issues in its contract with the Project Management Consultant (PMC). The payment structure didn't include milestone-based payments, leading to funds being released even when projects were incomplete. The PMC also did not deploy manpower as per the contract, raising concerns about improper payments and financial integrity. There were irregularities such as unverified payments, inadmissible payment, wasteful expenditure, procurement violations and reimbursements made to the PMC without proper documentation, indicating weak oversight and contract enforcement.

DSCL also failed to provide a clear, obstruction-free work environment for the implementing agencies, causing significant project delays and leaving advances unadjusted. Besides, DSCL was ineffective in enforcing penalties for delays. The penalties imposed, were either too lenient or not fully enforced, giving undue advantages to the contractors. The Chapter also covers the issues related to cost escalation and execution of work without inviting tenders.

3.1 Project Management Consultant

As per Para 10.6 of the SCM Guidelines, the SPV may appoint Project Management Consultants (PMC) for end-to-end services. Accordingly, DSCL initially engaged (June 2018) a PMC at the contracted value of ₹ 17.62 crore for planning, designing, developing, managing, implementing, and monitoring of the projects costing ₹ 1200 crore to be implemented under the SCM for a period of three years¹. In the interregnum, DSCL also allocated (September 2019) the CITIIS project work to the PMC at a cost of ₹ 2.74 crore. Further, due to completion of tenure of this PMC, DSCL had to engage (September 2021) another PMC for an additional two years² to complete the remaining work.

Audit found the following deficiencies in utilisation of services and payment made to the first PMC:

3.1.1 Faulty Payment Model

The contract outlined two distinct payment components: Time-based and Lump sum. Each component was further sub divided into two sub-components: remuneration and reimbursement, with specific payment criteria for both as detailed below:

- **Time-based components:** This component consisted of two sub-components remuneration and reimbursement. Payment of the remuneration was based on

¹ 15 June 2018 to 14 June 2021 (extended up to 15 August 2021).

² 15 September 2021 to 14 September 2023 (extended up to 15 November 2023).

the actual deployment of man-days, as per the approved time sheets by DSCL, in accordance with the professional fees as per contract whereas the reimbursable expenses³ were to be paid based on an actual basis.

- **Lump sum component:** This component also consisted of two sub-component, remuneration and reimbursement. However, the payment was to be made on a *pro-rata* basis, contingent upon the achievement of specified deliverables⁴.

Audit observed that upon completion of the tenure of the first PMC, DSCL disbursed the full contractual amount *e.g.*, ₹ 17.62 crore to it, while only four projects⁵ costing ₹ 18.79 crore were completed till August 2021. The progress of 15 projects ranged from 7 to 92 *per cent* and the remaining two⁶ projects had not commenced till June 2021.

For execution and supervision of ongoing/remaining projects, DSCL engaged a new PMC (September 2021) at cost of ₹ 14.35 crore (excluding GST) for the next two years⁷. Audit observed that DSCL failed to learn from the previous experiences, neglecting to tie payment to the progress of work, opting instead for the previous payment model. As a result, an amount of ₹ 11.20 crore was disbursed to this PMC by June 2023, with a remaining claim of ₹ 1.33 crore pending for the subsequent period. Satisfactory progress in the execution of projects could not be achieved till the end of the contract period (September 2023). Out of 18 projects (including CITIIS), 12 projects costing ₹ 463.58 crore were completed and six⁸ costing ₹ 498.18 crore (50 *per cent* of SCP) were still in progress which ranged from two *per cent* to 75 *per cent*. This indicated that the payment model was not linked to the milestone and works valuing ₹ 498.18 crore were being executed without PMC despite total contract payment of ₹ 28.82 crore⁹ made to them for a period of five years.

During the Exit Conference (21 June 2024), the Government acknowledged the concerns and explained that, based on the prevailing practice, the contract was structured on a Remuneration & Reimbursement basis. The Chief Executive Officer (CEO) further added that the progress of the projects was impacted by various challenges including complexities of coordinating with multiple line departments, execution of work in brownfield area, site issues and contract issues. Further, the CEO assured that, in future contracts, the supervision component of the contract will be linked to progress of the project.

The reply is not acceptable as the mentioned challenges should have been anticipated and addressed during the planning phase. Effective contract management should include provisions for mitigating such challenges rather than attributing them as

³ All assignment-related costs such as travel, translation, report printing, secretarial expenses, subject to the specified maximum limits in the Contract.

⁴ Submission of situation analysis report for sub-modules, feasibility study report, detailed project report and bid documents and its acceptance & approval by the DSCL.

⁵ Smart Toilet: ₹ 1.81 crore; Smart Waste Vehicle: ₹ 16.32 crore; Monumental Flag: ₹ 0.10 crore and Digitization of Collectorate and CDO office: ₹ 0.56 crore.

⁶ Green Building & Façade Projects.

⁷ 15 September 2021 to 14 September 2023 (*extended up to 15 November 2023*).

⁸ Green Building, Smart Road, Sewerage work, Drainage work, CITIIS and Smart Pole in PPP Mode.

⁹ ₹ 28.82 crore = ₹ 17.62 crore + ₹ 11.20 crore.

unforeseeable or citing these as reasons for delays. Further, the fact remains that the payment model was faulty as it was not linked with the milestones of the projects.

3.1.2 Irregularities in payments to the first PMC

Audit noticed the following instances of mismanagement related to deployment of manpower by the first PMC:

3.1.2.1 Irregular Payment

According to the contract with the PMC, the deployment of manpower for Project Implementation & Supervision support was scheduled to commence after the selection of the implementing agency for the first project (February 2019). However, audit noticed that the PMC claimed remuneration of ₹ 1.27 crore for this activity from the onset of the contract in June 2018 up to February 2019. Consequently, payment made to the PMC for deployment of manpower prior to selection of Implementing Agency (IA) was in violation of the contract provisions and it also contravened financial propriety standards.

During the Exit Conference (21 June 2024), it was replied that the contract included a staffing schedule designed for the entire 36-month tenure, indicating the engagement of PMC from the commencement of the contract. Accordingly, manpower was deployed and payments were made.

The reply is not acceptable because the staffing schedule mentioned in the contract clearly stated that the deployment of manpower for Project Implementation & Supervision support was to commence only after the selection of the IA of the first project.

3.1.2.2 Deployment of ineligible IT Expert

Clause-3.6 and 4.3 of the contract provided that the PMC shall obtain the employer's prior approval before making any change or addition to the personnel listed in the contract. It also specified that the IT expert must hold B.Tech. qualification in Information Technology/Computer Science and a minimum experience of 12 years in GoI/ State Government/ PSU with respect to e-Governance, IT based Smart Solutions, Business Process Re-engineering projects with at least two works of more than ₹ 20 crore each.

Audit observed that for replacement of existing IT Expert, the Curriculum Vitae (CV) of an IT Expert was submitted (25 October 2018) for approval of the CEO, but the same was rejected (14 November 2018) on the grounds that the qualification and the experience of the said IT expert were not as per the provisions of the contract. However, upon submission (12 December 2018) of a representation by the PMC, DSCL later accorded (May 2019) *post-facto* approval for deployment of the same IT Expert, using the same documents and records that had previously led to the rejection, and made payment of ₹ 35.84 lakh (excluding GST) to the PMC against the remuneration for nine months¹⁰.

¹⁰ 15 October 2018 to 15 July 2019.

The Government replied (30 May 2024) that the engagement of the IT expert was approved by CEO, DSCL, the competent authority of the Smart City, after due consideration of the submitted CV.

The reply is not acceptable as the then CEO also expressed (March 2019) dissatisfaction with the IT expert's performance citing an unsatisfactory Reference for Proposal proposed for the IT project, which contributed to project delays. The payment made to PMC as remuneration for the IT expert was, therefore, unjustified.

3.1.2.3 Unverified Payment

Following instances of unverified payment were observed during audit:

1. Scrutiny of records revealed that DSCL disbursed payment of ₹ 32.50 lakh to the PMC against a supplementary bill for the month of March 2021. The supplementary bill was associated with the remuneration claim of eleven 'Key Experts and Support Staff' for the period from November 2020 to March 2021. It was observed that the payment of supplementary claim was not justified as the concerned personnel were not present as per the attendance records during the specified claim made earlier in the respective months. However, these personnel were shown to be present later in the respective months as per the above supplementary claim. Further, CEO, DSCL had also observed (December 2020) that many of the key personnel were not being mobilised by PMC since long. Notably, there was no record or note on file explaining the rationale behind the payment of the supplementary bill.
2. Further, scrutiny of voucher for the month of August 2018 revealed that remuneration of ₹ 1.50 lakh was paid to an Environment Expert, whereas the said Expert was not present during that month as per the attendance records.

Thus, the claims made by the PMC was not scrutinised with due diligence by the concerned authorities of DSCL. Consequently, payment of ₹ 34.00 lakh to the PMC was made on the basis of unverified claim.

The Government stated (30 May 2024) that in the supplementary bill for March 2021 disbursement were made to 11 key experts and support staff on the approval of the Board (26 June 2021). The attendance records of these personnel were not documented in the register for the months following the expiration of the man-month. In respect of payment to the Environment Expert, DSCL accepted that the presence was not documented in the manual register, however, payment was allowed based on computerised records.

The reply is not acceptable, as payments were released without verification of actual presence and no documentary evidence was furnished to Audit to establish the genuineness of the claim. Audit observed that the man-days of eight out of the 11 key experts/support staff were still available and had not been exhausted. Hence, the contention that attendance was not recorded due to expiry of man-month is factually incorrect. Additionally, if the man-days had actually been exhausted, the attendance of the above staff should not have been recorded in April and May 2021; however, entries were found in the manual attendance register. Further, continuance of remaining three staff should have been based on prior approval, as required in the contract.

3.1.2.4 Inadmissible Payment

The DSCL handed over (July 2019 to October 2019) three projects¹¹ costing ₹ 407.33 crore to other IAs¹² for execution. Audit observed that the DSCL had made an inadmissible payment of ₹ 28.82 lakh¹³ to the PMC for bid process management¹⁴ though the same was carried out by the concerned IAs themselves. It was also observed that the above claim made in the bill of December 2019 was earlier withheld on the same ground, but later, it was re-submitted in the bill of January 2020, which was released (February 2020) by DSCL.

During Exit Conference (21 June 2024), it was replied that IAs followed their own departmental processes for contract management. However, the PMC provided extended support to the IAs by supplying the Bill of Quantities (BoQ) and offered assistance as needed. Throughout the project execution phase, the PMC also provided overarching supervision and monitoring.

The reply is not acceptable as the payment to PMC was admissible for complete bid process management from bid invitation to bid evaluation and selection of the contractor. Since the IAs followed their own departmental processes for contract management, no payment was admissible for bid process management. Besides, separate payments were made to the PMC for DPR including BoQ, supervision, and monitoring tasks.

3.1.2.5 Reimbursement without invoice and documents

According to Rule 3 (13) (3) of Uttarakhand Procurement Rules 2017, the standards of financial propriety stipulate that every government servant shall exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of the expenditure of his own money. Further, as per the provision of the contract, the reimbursement should be on actual basis.

Scrutiny of records revealed that there was a provision of ₹ 48 lakh¹⁵ in the contract with PMC for reimbursable expenses towards local transport. Further, it was also provided in the contract that the copy of the Registration Certificate (RC) of the hired vehicle and the logbook containing journey details for reimbursable expenses for local transport shall be submitted by the PMC. Audit scrutiny revealed that DSCL had reimbursed the claim of ₹ 45.60 lakh¹⁶ to the PMC for 76 vehicle months during the period June 2018 to August 2021 without any invoice of actual expenditure incurred by PMC. Scrutiny of the vouchers related to payment of ₹ 45.60 lakh also revealed the following irregularities:

- a. ₹ 7.80 lakh was paid by DSCL for 13 vehicle months without copy of RC of the hired vehicle, and of the logbook containing journey details.

¹¹ Smart Road (₹ 190.54 crore in July 2019), Green Building (₹ 204.46 crore in October 2019) and Modern Doon Library (₹ 12.33 crore in September 2019).

¹² Implementing Agencies for project Smart Road, Green Building and Modern Doon Library were M/s B& R (India) Limited, CPWD and UJN respectively.

¹³ ₹ 28.82 lakh = ₹ 407.33 crore/₹ 1200 crore x ₹ 2.056 crore x 35 per cent + GST @ 18 per cent.

¹⁴ Preparation of Bid documents and award of contract.

¹⁵ ₹ 60,000 per month (excluding GST) for 80 months.

¹⁶ At maximum rate of ₹ 60,000/month/vehicle for 76 months.

- b. Payment for the claim of an amount of ₹ 4.20 lakh for the period from July 2018 to January 2019 was made for private vehicles.

It is evident from the above that the claims were not scrutinized with due diligence by the concerned/competent authorities of the DSCL. Consequently, an irregular payment of ₹ 45.60 lakh was made to PMC.

During Exit Conference (21 June 2024), while accepting the audit contention, it was stated that DSCL would seek clarification from the consultant, if the consultant failed to provide a satisfactory justification, the amount would be recovered from the consultant.

3.1.2.6 Irregularities in CITIIS project

The City Investments to Innovate, Integrate and Sustain (CITIIS) project was introduced at a later stage (February 2019) under SCM. DSCL allocated (September 2019) the work of DPR preparation and supervision for CITIIS project to the PMC at a cost of ₹ 2.74 crore through an amendment to the initial contract, despite the fact that the work of DPR for the Gandhi Road containing the same component was already prepared by this PMC. Following financial irregularities were noticed under the project:

a) Undue benefit to the PMC

Audit scrutiny showed that even though DSCL issued several letters and termination notice (June 2019) to the PMC due to its unsatisfactory performance, the work of DPR preparation and supervision for CITIIS project was entrusted (September 2019) to the same PMC without adhering to the tendering process¹⁷ outlined in the Uttarakhand Procurement Rules, 2017. DSCL exclusively solicited a proposal from the same PMC and awarded the work through a contract amendment. On comparing the costs of DPR preparation and supervision for the CITIIS project with those of earlier projects of SCM, it was observed that the work was awarded to the PMC at significantly higher rates (*3 to 12 times higher*) than the rates quoted under the original contract, as detailed in the **Table-3.1** below:

Table-3.1:- Comparison of rates of CITIIS project with Smart City projects

Particulars	Rates under CITIIS project	Rates under original PMC contract
Considering DPR Preparation Cost		
Cost of Project (A)	₹ 58.00 crore	₹ 1,200.00 crore
DPR Preparation Cost (B)	₹ 1.18 crore	₹ 2.056 crore
<i>Average Cost of preparation of DPR costing ₹ one crore. (B/A)</i>	<i>₹ 2.03 lakh</i>	<i>₹ 0.17 lakh</i>
<i>Comparison of average cost of CITIIS project with SCM projects</i>	11.94 times = ₹ 2.03 (average cost of CITIIS)/ ₹ 0.17 (Average cost of SCM)	
Considering Overall Cost		
Cost of Project-(C)	₹ 58.00 crore	₹ 1,200.00 crore
Design, Development, Management and implementation cost- (D)	₹ 2.74 crore	₹ 17.62 crore

¹⁷ Works/services valuing ₹ 50.00 lakh were to be executed through two bid system.

Particulars	Rates under CITIIS project	Rates under original PMC contract
Average Cost of Design, Development, Management and Implementation of work costing ₹ one crore. (D/C)	₹ 4.72 lakh	₹ 1.46 lakh
Comparison of average cost of CITIIS project with SCM projects	3.23 times = ₹ 4.72 lakh (average cost of CITIIS)/ ₹ 1.46 lakh (Average cost of SCM)	

Audit scrutiny also revealed that the DPR prepared by the PMC for the CITIIS project, was approved (November 2021) by the HPSC for ₹ 58.50 crore. Thus, entrustment of CITIIS project to the PMC without adhering to the tendering process was in violation of the Procurement Rules, which also led to undue benefit of ₹ 1.09 crore¹⁸ on account of higher rates.

During the Exit Conference (21 June 2024), the Government replied that, to ensure continuity and efficiency in the project execution, the project was awarded to the same PMC through contract negotiation. Regarding higher rates, it was replied that CITIIS project involved higher level of intricacy and innovation, justifying higher rates for services for DPR preparation and project management.

The reply is not justified as the scope of work under CITIIS project included routine work like MUD, drains and water supply work, traffic calming measures *etc.* which were similar to those executed under Smart Road and other Projects of SCM and did not involve any high level of intricacy and innovation.

b) Wasteful expenditure

The PMC had prepared (March 2021) the DPR in two parts, one of which pertained to the construction of Gandhi Road, costing at ₹ 39.31 crore and the other part related to child friendly intervention costing ₹ 13.24 crore along with ₹ 5.95 crore for O&M and overhead charges. Audit noticed that Gandhi Road project was dropped (December 2022) due to its alignment overlapping with the proposed metro route. Notably, the alignment issue had already been brought to the notice of the DSCL by Uttarakhand Metro Rail Corporation in December 2018. Despite this, a wasteful expenditure of ₹ 79.80 lakh¹⁹ was incurred in preparation of the DPR.

No specific reply was furnished by the Government.

c) Reimbursement without invoice and documents

DSCL allocated ₹ 1.18 crore²⁰ for remuneration and reimbursement expenses in the contract for DPR preparation of the CITIIS project. The contract amendment signed (September 2019) for the CITIIS project lacked a breakdown specifying the activities covered, rate and allocation of months, for the reimbursement component, though there were defined criteria/items for payment against the reimbursement component in the original contract.

¹⁸ ₹ 1.09 crore = [₹ 2.03 - ₹ 0.1712 (as calculated in Table-3.1)] x ₹ 58.50 crore.

¹⁹ ₹ 79.80 lakh = Average Cost of preparation of DPR costing ₹ 1.0 crore *i.e.* ₹ 2.03 lakh x Total cost of DPR *i.e.* ₹ 39.31 crore.

²⁰ Remuneration: ₹ 82.73 lakh for 24 Man-month (Key Expert: 19 + Non-Key Expert: 5) & Reimbursement ₹ 35.00 lakh.

No documentation was found on records indicating the methodology used to calculate the expenses associated with reimbursement components. Instead, a lump-sum provision of ₹ 35.00 lakh was incorporated in the contract without any payment conditions. Scrutiny of the voucher revealed that the entire payment of ₹ 35.00 lakh (excluding GST) was made (January 2022) to PMC under the reimbursement head without any supporting documents. Thus, lump sum payment of ₹ 35.00 lakh to PMC by the DSCL was without due diligence and hence unjustified.

The Government replied (30 May 2024) that the lump-sum provision was structured to provide flexibility in managing expense associated with the project's unique requirements, ensuring timely progress and quality deliverables. The payment to the PMC was made in accordance with the provision outlined in the contract and with due diligence.

The reply is not acceptable because, similar to the original contract, defined criteria/items should have been part of the contract amendment. Further, reimbursement should have been on actual basis supported by the documentary evidence.

d) Irregular Payment

- i) As per Rule 3 (13) (3) of Uttarakhand Procurement Rules, 2017, the standards of financial propriety stipulate that every government servant shall exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

Audit scrutiny revealed that an amount ₹ 21.80 lakh was reimbursed (June 2021) to the PMC for work (Tactical Urbanism Exercise) carried out under CITIIS programme. Further, scrutiny of the voucher revealed that the invoices, submitted by the PMC in support of the claim did not bear the names of either the PMC or DSCL²¹. Consequently, the above payment made to the PMC was irregular.

The Government replied (30 May 2024) that the work was further assigned by the PMC to other company (Athena Informatics India Ltd) which had sub-contracted the task to yet another company (Big Daddy Co). Accordingly, the payment to the PMC was made after considering the bill raised by these companies to PMC.

The reply is not justified as the bills from the company engaged by the PMC, were submitted (July 2021) to it after DSCL had already made the payment to the PMC (June 2021).

- ii) According to the contract with the second PMC, the deployment of manpower for Project Implementation & Supervision was scheduled to commence after the selection of the implementing agency. PIU-PWD was selected (October 2022) as the implementing agency for the CITIIS project. Hence, payment to the PMC on account of remuneration for deployment of Implementation & Supervision staff under this project should have commenced only after selection of IA.

²¹ Instead, the invoice was issued by the Big Daddy Co. in favour of Athena Informatics India Limited, Vasant Vihar, Dehradun (GSTIN-05AAICA6830B1Z4).

Audit scrutiny revealed that DSCL had disbursed ₹ 65.40 lakh to the second PMC²² for CITIIS project²³ from September 2021 to September 2022 even before selection of PIU-PWD as IA in October 2022. Thus, the payment of ₹ 65.40 lakh made to the PMC was in violation of the provisions of the contract causing avoidable financial burden to the DSCL to the same extent.

The Government stated (30 May 2024) that deploying staff for preparation of the DPR for CITIIS fell well within the scope of work stipulated in the contract. Although the renovation of Gandhi Road was removed, and 72 new schools were incorporated into the DPR, both tasks were effectively managed by the second PMC.

The reply is not acceptable as the DPR was already prepared by the first PMC. Further, the cost of additional resources deployed in CITIIS DPR preparation for 72 schools, as intimated by the second PMC, amounted to only ₹ 21.80 lakh.

3.1.3 Lack of action against the PMC

Audit scrutiny revealed that the first PMC did not adopt a professional approach towards the work of Smart City from the very beginning. Several projects under DSCL were facing issues of delayed submission of the design and drawings, unavailability of IT expert & support staff for supervision *etc.*, which ultimately resulted in delay in the execution of the projects. It was also noticed that the performance of the PMC in supervision and monitoring of quality of works executed by the contractor was unsatisfactory.

DSCL issued (June 2019) notice of termination, wherein it was stated that ***“the PMC is incompetent for the implementation and the supervision of the project and the quality of the DPR is also not up to the expectation of the DSCL, PMC is submitting the DPR just for the formality”***. Despite this, DSCL did not terminate the contract with the PMC, however, it assigned another work of CITIIS project valuing ₹ 58.50 crore to the same PMC in September 2019.

Audit found that apart from issuing routine warning/show cause notices and termination notice (June 2019 & January 2021) to the PMC, DSCL had neither initiated any action nor had it imposed any penalty on the PMC for delay and bad quality works. Further, it was observed that the issues relating to the unsatisfactory performance and bad quality of work done by the PMC were in notice of the DSCL (September 2018), however, at the verge of completion of the contract period (June 2021), the matter of poor performance of the PMC was brought to the notice of Board (17th Board meeting held on 24 March 2021). The Board ordered to take appropriate action and impose penalty as per the conditions of the contract owing to the unsatisfactory performance of the PMC and the CEO was authorized to take appropriate action, which may include termination of the contract. However, no action was initiated against the PMC despite order of the Board.

²² M/s TATA Consulting Engineers Limited.

²³ GoU established (October 2022) PIU-PWD as the implementing agency for CITIIS project. A contract for execution of CITIIS works was executed in February 2023 by the PIU-PWD.

The Government stated (30 May 2024) that the PMC’s performance was evaluated based on various factors including adherence to the contractual obligations, and appropriate actions were taken as necessary. Besides, no further extension was granted to the PMC due to performance issues. During the Exit Conference (21 June 2024), the Government also added that blacklisting would be initiated against the PMC.

The reply is not acceptable as no action was taken against the PMC as per the contractual provisions and the order of the Board. Moreover, despite poor performance, another work of CITIIS project was awarded to it during the term of the contract.

3.2 Arbitrary selection of B&R (CPSU) as an implementing agency

During a meeting (March 2019) chaired by the Chief Secretary, GoU, it was decided that engaging a Central Public Sector Undertaking (CPSU) would be better to execute the work related to roads, sewer line, drinking water line, drainage, and MUD, as these works had not been comprehensively undertaken by any department of Government of Uttarakhand. Accordingly, DSCL had sought (April 2019) proposals from all the eight CPSUs empanelled as executing agencies in Uttarakhand. In response, five CPSUs showed (May 2019) their interest while one CPSU (NBCC) expressed its regret as detailed in **Table-3.2** below:

Table-3.2: List of empanelled CPSUs in Uttarakhand

Sl. No.	Name of the CPSU	Experience
1	National Projects Construction Corporation Limited Under M/o Jal Shakti	Township and Buildings, Public Health Engineering and Environmental Projects, Surface Transport Projects, Dams / Weirs, Barrages, Canals, Industrial Structure, Hydroelectric Projects, Thermal Power Projects, Chimney / Transmission Projects, Project Management Consultancy,
2	Bridge & Roof Company Ltd. Under M/o Heavy Industries	Rich experience of 100 years in the field of construction like Piling and Foundation, Housing projects, Hospital building, Institutional building, Office complex, High rise buildings and Structure, Auditoriums, Airport terminal buildings, Roads and Highways and all other types of civil works in Infrastructure and Industry sector.
3	Engineering Projects (India) Ltd. Under M/o Heavy Industries	EPI has the rare distinction of having worked for almost all Power utilities and Steel Plants both in the Public Sector as well as in the Private Sectors.
4	WAPCOS Ltd. Under M/o Jal Shakti	Engaged in engineering consultancy services and construction in the fields of water, power and infrastructure sectors for businesses and communities in India and overseas.
5	Central Public Works Department Under M/o Housing and Urban Affairs	CPWD had submitted its profile only which does not include the details of similar work experience. Hence, not considered.
6	NBCC Under M/o Housing and Urban Affairs	It had carried out multiple projects in Uttarakhand including Himalayan Cultural Centre, Kaulagarh, Dehradun.

Source: Official website of the concerned company.

Audit scrutiny revealed that:

- i. No objective scoring criteria/parameters for the selection among the five CPSUs was proposed by DSCL. Instead, CPSUs were subjectively assessed stating that

“from the technical evaluation, it seems that three empanelled agencies namely WAPCOS, NPCC and B&R having the relevant experience of the smart road in major counts”. Accordingly, out of the above three CPSUs, Bridge & Roof (India) Limited (B&R) was nominated (June 2019) by the Government as the executing agency for the implementation of project – Smart Road. However, no criteria/parameter was found on records for nomination of B&R among the three CPSUs. Further, for “Drainage work” and “Sewerage work” separate nomination was made (November 2019) in favour of B&R in the similar manner.

- ii. Further scrutiny revealed that B&R had no registration under GST in Uttarakhand as on the date of nomination (19 June 2019), whereas the other two CPSUs has already been registered²⁴ in Uttarakhand at the time of nomination of the B&R as implementing agency. It was observed that B&R got registration under GST in Uttarakhand on 01 January 2021, which indicates that B&R had no working experience in Uttarakhand as of the date of nomination.
- iii. Scrutiny revealed that DSCL signed three MoU with B&R for implementation of three projects as detailed in the **Table-3.3** below:

Table-3.3: Details of MoU signed with B&R

(₹ in crore)				
Sl. No.	Name of the Work	Date of MOU	Scheduled date of completion	Amount
1	Construction of Smart Road including multi utility duct, sewerage, drainage and water supply <i>etc.</i>	12 July 2019	01 July 2021	203.23
2	Drainage work (Part-II) connecting drains up to Outfall points including.	10 December 2019	01 December 2020	17.35
3	Sewerage work (Part-II) Main sewer network of ABD area with connectivity up to existing Outfall.	10 December 2019	01 December 2020	30.30

As per the MoU, the work (Smart Road) was scheduled to be completed by, 01 July 2021. However, by the end of the extended time period (April 2022²⁵) B&R could complete only 30 *per cent* of the physical work of Smart Road and Sewerage work and the Drainage work could not be commenced. As a result, the MoU with B&R was terminated by the Government in September 2022. Further, for execution of the leftover work, the GoU nominated PWD and established (October 2022) a separate Project Implementing Unit (PIU-PWD) for Smart Road work (₹ 138.06 crore) and assigned (October - November 2022) the Drainage (₹ 9.84 crore) and Sewerage work (₹ 16.00 crore) to Irrigation Department, Uttarakhand and UJN respectively. Audit scrutiny showed that though the works had not been completed by April 2024 even after lapse of seven to nine months from the scheduled date of completion²⁶, all the three projects were in an advanced stage²⁷ of construction.

²⁴ NPCC: 29 October 2018 and WAPCOS: 07 July 2017.

²⁵ Extension up to April 2022 was provided on the approval of the Board of DSCL due to COVID-19 pandemic impact.

²⁶ Smart Road: 16 August 2023; Drainage work: 30 June 2023 and Sewerage work: 01 June 2023.

²⁷ Smart Road (98 *per cent*); Drainage work (95 *per cent*); and Sewerage work (60 *per cent*).

Thus, the nomination of B&R as implementing agencies was, *prima facie*, unjustified. The said company was specialised in the industrial work and accordingly was under the administrative control of the Ministry of Heavy Industries, GoI. Secondly, there was a dedicated Public Works Department for Road & Bridge works, Irrigation Department for Drainage work and State PSU (UJN) for Sewerage work and Water Supply Works. In fact, the State's own agencies carried out all the works for which they were initially found unsuitable by the senior functionaries of the Government. Besides, the GoU agencies (Uttarakhand Urban Sector Development Agency and Irrigation Department) already had experience in executing sewerage and drainage related works under externally aided projects and State funded projects.

The Government accepted (30 May 2024) the fact and replied that B&R was subjectively assessed as having relevant experience in road projects. Further, no objective scoring criteria was adopted as the decision to nominate B&R was based on technical evaluation indicating their suitability for the project. It was clarified that the process for selection of the executive agency (B&R) adhered to the guidelines and directives set by the GoU.

The reply is not acceptable because the top authorities of the State overlooked the working capabilities of their own esteemed organizations which had extensive experience in the relevant field. Further, the work left unfinished by B&R was being done by the Government agencies of Uttarakhand, which was in the advanced stages of progress²⁸ as of 30 April 2024. Further, the Guidelines issued by Central Vigilance Commission provides that the award of contacts/procurements/projects on nomination basis without adequate justification amounts to a restrictive practice eliminating competition, fairness and equity.

3.2.1 Not providing hindrance-free work front

The site for the work to be carried out under the MoU with B&R was situated in a brownfield area, specifically in busy commercial hubs, where numerous utilities belonging to various departments were present. Audit observed the following instances of unavailability of hindrance-free work front.

- i) B&R repeatedly informed DSCL through various letters that DSCL had not provided a hindrance free work front and had not submitted drawings and designs on time. In response, DSCL consistently stated that, according to the MoU, B&R was responsible for removing hindrances and providing drawings and designs. Despite this disagreement, neither DSCL nor B&R brought the matter before the Dispute Resolution Committee (DRC) as specified in the MoU.

The Government did not furnish any specific reply, however, the Management stated (December 2023) that, as per the MoU, B&R was responsible for addressing hindrances and handling drawing-related matters. DSCL also attempted to address the hindrance by coordinating with the line departments. Further, it was also stated that B&R had demanded new rates instead of taking the matter to DRC.

²⁸ 60 per cent to 98 per cent.

The reply is not acceptable as MoU did not include any specific provisions regarding the responsibility for hindrance removal. Moreover, B&R had consistently raised concerns about hindrance removal and drawing-related matters. Further, while the B&R conveyed (June 2022) the request of the contractor for introduction of a Price Variation Clause, the termination process of the MoU was already underway. During this period, DSCL had also not taken any steps to address the matter with DRC.

- ii) Four roads earmarked for the implementation of the Smart Road project were located in the busy commercial hub of the city, where there were many hindrances in alignment. Despite being aware of the project's complexity and technical challenges, DSCL failed to identify these hindrances during planning stage or devise a concrete plan for shifting the utilities or removing obstacles²⁹. B&R submitted a list of overhead hindrances, as detailed in **Appendix-3.1**, to DSCL in December 2019, January 2020, October 2020 and July 2021. DSCL, lacking in ownership of any assets, forwarded these concerns to the respective line departments from time to time. However, the necessary action was not taken by the concerned department. This not only indicates lack of effective planning on the part of DSCL but also shows lack of coordination with the concerned line departments.

Government accepted (30 May 2024) the fact, and replied that identification and mitigation of hindrances, particularly in busy commercial hubs, are crucial for the successful implementation of infrastructure projects like Smart Road. It further added that certain challenges were encountered in addressing hindrances related to utilities, hoardings, poles, trees and other obstacles during the planning and execution phase of the project. However, DSCL actively engaged with the line departments through joint site visits and made correspondence to facilitate the necessary utility shifting.

The reply is not acceptable because DSCL should have identified these hindrances during the planning stage and developed a concrete plan for shifting utilities or removing obstacles rather than making a lump-sum provision of ₹ 2.00 crore for utility shifting. Furthermore, despite the participation of Heads of Departments and representatives from various line departments³⁰ in the HPSC/Board of DSCL, the site issues could not be resolved.

3.2.2 Non-refund of unutilised funds

Against the three MoU, an amount of ₹ 76.84 crore, as detailed in **Table-3.4** below, was released as advance to B&R for implementation of three projects.

Table-3.4: Details of funds released to B&R

			(₹ in crore)
Sl. No.	Name of the Work	Date of release of fund	Amount
1	Smart Road work	23.10.2019	20.00
2	Drainage work	16.09.2020	1.63

²⁹ Obstacles refers to transformers, electric poles, bus stand, police booth, trees, dustbins, hoardings and encroachment *etc.*

³⁰ HPSC: UDD, Planning Department, PWD, Peyjal Department, Energy Department and Mayor, Nagar Nigam, Board of DSCL, MDDA, UDD, Nagar Nigam, Energy Department, Jal Sansthan and PWD.

Sl. No.	Name of the Work	Date of release of fund	Amount
3	Sewerage work	16.09.2020	2.84
4	Smart Road work	29.09.2020	30.00
5	Smart Road work	10.09.2021	20.00
Total			74.47
Centage Charge		13.10.2021	2.37
Grand Total			76.84

As per joint measurement,³¹ the implementing agency (B&R) had executed the work costing ₹ 57.78 crore (including GST and centage charges) till the date of termination (14 September 2022) of the MoU. Audit noticed that the unutilised amount of ₹ 19.06 crore³² lying with B&R had not been remitted to DSCL. B&R cited various reasons like pending recovery of mobilization advance (₹ 7.02 crore) and contractors claim (₹ 33.33 crore) for losses incurred due to termination of contract. It further clarified that the contractor has initiated arbitration against the IA *i.e.*, B&R and the refund is contingent upon settlement of claim with the contractor.

During the Exit Conference (21 June 2024), the Government accepted the fact and stated that they pursued (March 2024) the matter with B&R to adjust and return the unutilised amount. It was further explained that since the contractor has initiated arbitration to settle a claim of ₹ 33.33 crore against B&R; B&R has indicated that the unutilised amount will be returned after the arbitration is settled. Additionally, in the 28th Board of Directors meeting (19 June 2024), it was decided that DSCL would arrange a meeting between DSCL, B&R, and the contractor, to be headed by the Chairman, DSCL (Divisional Commissioner, Garhwal) to settle the case. The fact remains that refund of ₹ 19.06 crore from B&R was pending as of November 2024.

3.3 Non-imposition of penalty for delay in execution of projects

Audit noticed instances of delays ranging from 19 months to 38 months with reference to the MoUs executed with IAs in execution of eight projects as detailed in **Appendix-3.2**. In one out of eight instances *i.e.*, Smart Road, there was cost escalation **as detailed in paragraph 3.5** below. Despite the provision of penalties in the respective contracts, no penalty was imposed by DSCL in case of Smart Road as it failed to provide hindrance free work front to B&R. Further, in case of Rejuvenation of Parade Ground, partial penalty was imposed as discussed in the succeeding **paragraph 3.3.1**. Similarly, in case of Pedestrianisation of Paltan Bazaar, penalty was imposed but partially recovered as discussed below in **paragraph 3.3.2**.

3.3.1 Non-imposition of penalty in case of Rejuvenation of Parade Ground

Clause 56.1 of the General Condition of Contract, in conjunction with Particular Condition of Contract 58.1, stipulates that if the contract is terminated due to a fundamental breach by the contractor, the employer shall recover 20 *per cent* of the value of the work that remains incomplete.

³¹ Representatives of DSCL, B&R, PMC and Contractor of B&R.

³² ₹ 19.06 crore = ₹ 76.84 crore - ₹ 57.78 crore.

DSCL entered into an agreement (30 October 2019) with a contractor³³ for ₹ 18.92 crore (excluding GST) for Rejuvenation of Parade Ground. The work was scheduled to be completed by 30 October 2020. Due to slow progress of the work even after granting time extension, the Board of DSCL decided (July 2022) to terminate the contract. For delay in execution of work liquidated damages of ₹ 1.90 crore (10 per cent of contract value) was recovered from the contractor.

Further, the balance work (₹ 5.99 crore³⁴) was transferred (January 2023) to PIU-PWD and letter of termination was issued (February 2023) to the contractor. The work was under progress as of October, 2023.

Audit scrutiny showed that the work amounting to ₹ 11.87 crore³⁵ (excluding GST) was executed against the agreement cost till the date of termination (February 2023) of the contract. Resultantly, the work amounting to ₹ 7.05 crore³⁶ was left incomplete by the contractor. As per the aforesaid provision of the contract, the contractor was liable to pay penalty of ₹ 1.41 crore³⁷, but the DSCL had not imposed any penalty on the contractor for the leftover work.

The Government replied (30 May 2024) that the matter had been discussed with the legal expert to evaluate the available options and identify the most appropriate course of action. If it is determined that the recovery of penalties for the incomplete work is justified under the contract terms, DSCL will proceed accordingly.

The reply is not acceptable as the DSCL should have imposed and recovered penalty as per the provisions of the contract.

3.3.2 Non-imposition of penalty in case of Pedestrianisation of Paltan Bazaar

According to Clause 47.1 of the General Condition of Contract, in conjunction with Particular Condition 47.1, the contractor shall be liable to pay liquidated damages to the employer at a rate of 0.5 per cent of the final contract value per week for any delay in completion beyond the intended completion date, subject to maximum of 10 per cent of the final contract price.

DSCL entered into an agreement (10 December 2019) with a contractor³⁸ for ₹ 12.33 crore (excluding GST) for Pedestrianisation of Paltan Bazaar. Due to change in the scope of work, the contract was concluded (May 2023) with an expenditure of ₹ 5.95 crore. As per the terms of the contract, the project was initially scheduled to be completed by 10 December 2020. Due to the contractor's inability to meet the deadline, DSCL granted (October 2020) the first extension for one year without imposing any penalty and granted (September 2022) the second extension of one year (until

³³ Ch. Sandeep Contractor & Suppliers in JV with M/S Ajay Kumar Contractor.

³⁴ Excluding O&M cost of ₹ 1.07 crore proposed to handed over to MDDA and works valuing ₹ 0.47 crore earlier executed by PWD.

³⁵ ₹ 11.40 crore by Ch. Sandeep Contractor & Suppliers in JV with M/S Ajay Kumar Contractor and ₹ 0.47 crore earlier executed by PWD.

³⁶ ₹ 7.05 crore = ₹ 18.92 crore - ₹ 11.87 crore

³⁷ ₹ 1.41 crore = ₹ 7.05 crore (cost of remaining work) x 20 per cent.

³⁸ Ch. Sandeep Contractor & Suppliers in JV with M/S Ajay Kumar Contractor.

10 December 2022) with a penalty of 0.5 *per cent* of final contract value *i.e.*, ₹ 5.95 crore in contravention to the provisions of the contract which provides for levy of 0.5 *per cent* penalty per week subject to maximum of 10 *per cent* of the final contract value.

It was noticed that DSCL imposed and recovered penalty of ₹ 3.84 lakh only, whereas a penalty of ₹ 59.50 lakh³⁹ was leviable on the contractor as per the terms of the contract. Thus, by applying a reduced penalty to the contractor, an undue benefit of ₹ 55.66 lakh⁴⁰ was conferred upon the contractor.

The Government stated (30 May 2024) that the contractor completed the work before 10 December 2022 (*date up to which time extension given*), so under the direction of the Board, the indicative penalty was imposed for a week only.

The reply is not acceptable because, according to the records, the work was not completed till 10 December 2022 as many letters were written to the contractor after the aforesaid date to complete the work. Further, DSCL should have imposed the penalty as per the terms and conditions of the contract and in accordance with the Board's decision instead of imposing an indicative penalty.

3.4 Execution of work costing ₹ 2.93 crore without inviting tender

Rule 3 (2) of the Uttarakhand Procurement Rules, 2017 stipulates that all procurements shall be made through tenders, unless exempted under these rules or specific orders. Further, Rule 136 (1) (vi) of the GFR 2017 provides that “No work shall be commenced, or liability incurred in connection with it until tenders are invited and processed in accordance with rules”.

Scrutiny of the records of the project “Rejuvenation of Parade Ground” revealed that balance works costing ₹ 5.99 crore under the project were transferred (08 January 2023) to PIU-PWD by DSCL. It was observed that the PIU had incurred an expenditure of ₹ 2.93 crore⁴¹ on execution of seven works, as detailed in **Table-3.5** below, without following the tendering process as envisaged in the Procurement Rules and GFR. Further scrutiny revealed that five out of these seven works were executed on selection basis after inviting quotations and the remaining two works were executed as extra items under the contract bond of another works (CITIIS and VIP stage).

Table-3.5: Details of works executed without calling tenders

Sl. No.	Name of work	Contract no. & Date	Expenditure (₹)
1	Providing & fixing of sliding gate towards VIP parking and Granite work on outer boundary wall	C.B. No. 11 dated:03.07.2023	22,75,639
2	Providing & fixing of Bollards on boundary wall of Parade ground and fixing of railing towards Pant Road & Convent Road	C.B. No. 12 dated:03.7.2023	22,07,282

³⁹ ₹ 59.50 lakh = ₹ 5.95 crore x 52-week x 0.5 *per cent* per week (capped at 10 *per cent* of the value of work done *i.e.*, ₹ 5.95 crore).

⁴⁰ ₹ 55.66 lakh = ₹ 59.50 lakh - ₹ 3.84 lakh (already recovered).

⁴¹ Expenditure incurred during August 2023 to October 2023.

Sl. No.	Name of work	Contract no. & Date	Expenditure (₹)
3	Construction works of gate towards sports complex, parking and Pant Road and laying of HDPE pipe at Parade ground.	C.B. No. 13 dated:06.07.2023	16,15,692
4	Facade work from Survey chowk to Doon club & in Kids zone	C.B. No. 16 dated:03.08.2023	20,92,756
5	Interlocking, CC pavement & iron grating work on Kanak Picture Palace Road and supply of JCB and tractor trolley for cleaning of debris from Sports complex.	C.B. No. 17 dated:03.08.2023	9,46,500
Total-A			91,37,869
6	Road works executed as an extra item under the project CITIIS		1,36,02,773
7	Works related to fencing and railing executed as an extra item under the work VIP stage.		65,78,143
Total-B			2,01,80,916
Grand Total (A+B)			2,93,18,785

During the Exit Conference (21 June 2024), the Government stated that due to time constraints, the work was carried out through selection bond by PIU-PWD in accordance with Departmental Rules & Regulations, as it needed to be completed before Independence Day (15 August 2023).

The reply of the Government is not acceptable as only 51 *per cent*⁴² of the work has been executed till date of audit (November 2023) without following the Procurement Rules. Further, after handing over of the balance work to the PIU-PWD in January 2023, it executed contract bond on selection basis after a period of six to seven months. This itself indicates that time constraint, as indicated in reply, is not justified.

3.5 Cost escalation of ₹ 10.34 crore in Smart Road project

DSCL entered (12 July 2019) into an MoU of ₹ 203.23 crore⁴³ with B&R (Implementing Agency) for execution of works under Smart Road project. As per the MoU, the work was to be started from 01 October 2019 and scheduled to be completed by 01 July 2021.

Scrutiny of the records revealed that DSCL failed to provide the hindrance-free work front and drawings for the execution of works under the projects to the Implementing Agency (IA). Later, DSCL terminated (14 September 2022) the MoU with the IA due to slow progress of work and nominated (September 2022) PWD as IA for the leftover works. IA had executed the works⁴⁴ amounting to ₹ 57.78 crore only till the date of termination of the MoU and DSCL entered into a fresh MoU (17 November 2022) at the sanctioned cost of ₹ 138.06 crore with PWD for the left over works after de-scoping and changing nature of works costing ₹ 33.19 crore under the project. On comparison of rates approved in old DPR and the rates in new DPR/ approved cost for the common items, it was revealed that the cost of the major items of the project increased by ₹ 10.34 crore due to price escalation as detailed in *Appendix-3.3*.

⁴² 51 *per cent* = Value of work done ₹3.08 crore / ₹ 5.99 crore (cost of work) *100.

⁴³ Including centage charges and other charges.

⁴⁴ Project Smart roads and Project Integrated Sewerage.

During the Exit Conference (21 June 2024), the Government justified cost escalation by stating that the cost of the balance work was ₹ 160.62 crore (including price escalation clause of the contract with B&R), whereas the balance work was awarded to PIU- PWD at the cost of ₹ 138.00 crore.

The reply of the Government itself confirms the audit observation indicating de-scoping/change in nature of works costing ₹ 33.19 crore out of the balance work of ₹ 160.62 crore, prior to transferring the works to the PIU-PWD at the cost of ₹ 138.00 crore. Further, audit calculated the cost escalation only for the items common in both the DPRs/approved cost.

3.6 Recommendations

1. *The State Government should ensure that payment terms linked with measurable project deliverables are incorporated in the future contracts.*
2. *Accountability should be fixed for irregularities in payments to PMC, including unverified payment, inadmissible payments, wasteful expenditure, procurement violations, and failure to adhere to contractual provisions.*
3. *The State Government should ensure that the ongoing projects are completed expeditiously in coordination with the line departments and implementing agencies.*
4. *The State Government should ensure prompt recovery of the unutilised amounts pending with the implementing agencies.*