

CHAPTER-10

SUBJECT SPECIFIC COMPLIANCE AUDIT

IMPLEMENTATION OF SMART CITY MISSION IN HARYANA

10.1 Introduction

Ministry of Housing and Urban Affairs (MoHUA), Government of India (GoI) launched (June 2015) the “Smart Cities Mission” (SCM) to meet changing needs and achieve comprehensive development of physical, institutional, social and economic infrastructure of the cities.

Main objectives of the Mission were to promote cities that provide core infrastructure, clean, sustainable environment and give a decent quality of life to the citizens through the application of ‘smart solutions’. Core infrastructure elements in a smart city would include adequate water supply, assured electricity supply, sanitation, including solid waste management, efficient urban mobility & public transport, affordable housing, robust IT connectivity & digitalisation, good governance especially e-governance & citizen participation, sustainable environment, safety & security of citizens and health and education.

As per the scheme, shortlisted cities were to prepare their Smart City Proposal (SCP) containing the vision and plan for mobilisation of resources and intended outcomes in terms of infrastructure up-gradation and smart applications. The SCP was to be prepared using the principles of strategic planning process and the proposal was to contain Area-based Development¹ (ABD) and Pan-city Development².

In Haryana, two cities i.e. Faridabad (May 2016) and Karnal (June 2017) were selected by GoI. The duration of the Mission was five years (2015-16 to 2019-20), however, the same was extended upto March 2025 by GoI from time to time.

10.1.1 Faridabad City

Municipal Corporation, Faridabad had identified ABD area of 1,267 acre comprising of Sector 19, 20, 20A, 21B and 21D to transform into a compact, well-planned urban space with inclusive, sustainable and rationally incremental

¹ Area-based development (ABD) focuses on developing a specific area. Components under ABD in the Smart Cities Mission are city improvement (retrofitting), city renewal (redevelopment) and city extension (green field development).

² Pan-city development envisages application of selected smart solutions to the existing city-wide infrastructure. Application of smart solutions involve the use of technology, information and data to make infrastructure and services better.

economic development under the retrofitting model³. In addition, Pan-city development projects were also considered for smart solutions.

As per SCP of Faridabad, total 46 projects having estimated cost of ₹ 2,601.01 crore⁴ (37 projects costing of ₹ 2,108 crore in ABD area and nine projects costing of ₹ 469.47 crore in Pan-city) were to be executed under Smart City Mission. For execution of SCP projects, funds of ₹ 2,601.01 crore was to be arranged through Government grants, Public Private Partnerships (PPPs), land monetisation, convergence⁵ of projects with other schemes of Central/ State Government and debt.

10.1.2 Karnal City

Municipal Corporation, Karnal had identified ABD area of 720 acre around Ghanta Ghar Chowk, Kunjpura and Mughal Canal Market with state of art smart amenities and transform it to a light house for the city. In addition, Pan-city development projects were also considered for smart solutions. As per SCP of Karnal, total 57 projects with estimated cost of ₹ 1,295.81 crore⁶ (41 projects costing of ₹ 1,061.05 crore in ABD area and 16 projects costing of ₹ 149.99 crore in Pan-city) were to be executed.

The funds of ₹ 1,295.81 crore were to be arranged through Government grants, Public Private Partnerships (PPPs), convergence of projects with other scheme of Central/State Government and additional contribution by Municipal Corporation, Karnal.

10.2 Special Purpose Vehicle

As per para 10.1 of SCM guidelines, the implementation of the Mission at city level was to be done by a Special Purpose Vehicle (SPV). The SPV was to be a Company to be established under the Companies Act, 2013 which was to be responsible to plan, implement, manage, operate, monitor and evaluate the smart city development projects.

Accordingly, two SPVs i.e. Faridabad Smart City Limited (FSCL) and Karnal Smart City Limited (KSCL) were incorporated in September 2016 and

³ Retrofitting envisages improvement in an existing built-up area to make it more efficient and liveable.

⁴ This includes amount of ₹ 23.54 crore on account of communication and change management and interest during implementation.

⁵ 'Convergence' includes all projects that are executed by any authority/ organization other than the smart city SPV and financed through funds from other Government departments (Central/ State/ City level) or other schemes of the Central or State Government.

⁶ Total capital expenditure cost of ABD and Pan-city projects works out to ₹ 1,211.04 crore, whereas total capital expenditure cost of 57 projects was taken as ₹ 1,295.81 crore. Reasons for difference of ₹ 84.77 crore is not explained in SCP.

December 2017 respectively under the administrative control of the Urban Local Bodies (ULBs) Department. The role of these SPVs was to implement the projects of Smart City Proposal in their respective cities.

10.3 Organisational Set-up

The management of FSCL and KSCL vests in the Board of Directors (BoDs) comprising of Principal Secretary of Urban Local Bodies (ULBs) Department, Director of ULBs Department, Chief Administrator of Haryana Shahari Vikas Pradhikaran, Representative of GoI, Chief Executive Officer (CEO) of SPV, Commissioner of respective Municipal Corporation and Independent Directors. Organisation set-up of FSCL and KSCL is depicted in *Appendix 10.1*.

10.4 Audit Objectives

The audit objectives were to assess whether:

- Planning for the implementation of the Mission was done keeping in view the objectives of SCM and in line with the SCM guidelines.
- Funds released by State Government to SPVs and mobilization of balance funds by SPVs was efficient and in consideration with objectives of the scheme.
- Projects were implemented by SPVs in accordance with smart city proposals.
- Mechanism in place for monitoring the implementation of the Smart Cities Mission was as per the SCM guidelines.

10.5 Audit Criteria

The findings of audit were benchmarked against the following criteria:

- Smart City Mission guidelines, advisories and memorandums issued by Ministry of Housing and Urban Affairs (MoHUA);
- Smart City Proposals of individual smart cities and detailed project report/feasibility report of projects;
- Notifications, circulars, advisories, memorandums and orders issued by the GoI/ State Governments from time to time;
- Tender documents and Schedule of Rates and Works Manual issued by State Public Works Department.

10.6 Scope and Methodology of Audit

Audit covered the period from 2015-16 to 2022-23. Audit methodology included scrutiny of records of the office of Director, ULBs Department relating to activities of the Mission and two SPVs viz. KSCL & FSCL.

An entry conference was held on 22 June 2023 with the Commissioner & Secretary, Urban local Bodies wherein audit objectives and scope of audit were discussed. Audit was conducted during June to November 2023 and July 2024⁷.

Joint physical verifications of sites were also carried out by the audit officials with officials of the SPVs.

An exit conference was held on 27 December 2024 with Commissioner and Secretary, Urban local Bodies. Replies received from Director, ULBs Department have been incorporated in the Report.

Audit Findings

10.7 Planning

10.7.1 Preparation of Smart City Proposal

As per para 9.1.2 of SCM guidelines, SCP would outline the consultations held with the city residents and other stakeholders. During consultations, issues, needs and priorities of citizens and groups of people had to be identified. Consulting firm was required to assist in preparation of SCP under the supervision of the ULBs Department and the State Government. SCP would *inter-alia* include preparation of a city-wide concept plan based on a review of previous plans, interventions and documents of all departments and agencies.

Audit in this regard observed that:

- (i) A total of 46 projects in Faridabad and 57 projects in Karnal were included in respective SCPs. However, records relating to citizen consultations were not made available to Audit. Consequently, the exact number of projects identified on the basis of citizen consultations and considered for inclusion in SCP could not be ascertained in audit.
- (ii) Relevant documents relating to preparation of a city-wide concept plan based on a review of previous plans, interventions and documents of all departments and agencies was not found on record. In absence of such records, it could not be ascertained whether the previous plans, interventions and documents of other departments were reviewed by the consultants and the city-wide concept plan was based thereon.

⁷ Audit party again visited the auditee units in July 2024 to get updated information.

The Department in its reply stated (January 2025) that all relevant documents were evaluated in accordance with SCM guidelines during finalisation of SCPs. However, due to relocation of records and transfer of officials, the requisitioned records are untraceable. However, the fact remained that in absence of records, involvement of citizen consultation and review of previous plans could not be evaluated in audit.

10.8 Finances of Smart Cities

As per para 11.1 & 12.2 of SCM guidelines, GoI was to provide ₹ 500 crore⁸ for each city and an equal amount on a matching basis was to be contributed by the State Government. The remaining funds of the approved SCP were required to be arranged from ULBs own resources, convergence of projects with other Government schemes, private sector through PPPs, municipal bonds, debt, loans etc. The details of sources of raising funds as per the SCP and the actual funds raised from various resources by the SPVs are given in **Table 10.1**.

Table 10.1: Details of sources of funds planned and actual funds raised by the SPVs

(₹ in crore)

Source	FSCL		KSCL	
	Planned	Actual	Planned	Actual
Government grant	980.00	980.00	1,000.00	833.00
Public Private Partnerships	1,007.50	0.00	132.85	0.00
Debt/loans	12.13	0.00	0.00	0.00
Land monetization	428.38	0.00	0.00	0.00
Convergence with other schemes of Government/ULBs	173.00	0.00	80.22	12.86
Contribution by ULB concerned	-	-	82.74	0.00
Total	2,601.01	980.00	1,295.81	845.86

Source: SCPs and information provided by the SPVs.

In this regard, Audit observed the following:

- (i) Against planned funds of ₹ 3,896.82 crore, the actual mobilisation of funds was ₹ 1,825.86 crore for two cities leaving a shortfall of ₹ 2,070.96 crore (53.15 per cent). FSCL and KSCL could raise ₹ 980 crore (37.67 per cent) and ₹ 845.86 crore (65.27 per cent) primarily through Government grants against proposed funding of ₹ 2,601.01 crore and ₹ 1,295.81 crore respectively.
- (ii) As per SCP of Faridabad, three projects⁹ of ₹ 1,007.50 crore were to be implemented on PPP basis. However, FSCL could not implement any of

⁸ ₹ 200 crore in first year to create a higher initial corpus followed by ₹ 100 crore for the next three years.

⁹ 1. Solar city mission/ solar roof tops (₹ 19.50 crore); 2. Transit oriented development (TOD) of real estate on MC Faridabad land (₹ 965 crore) and 3. Construction 100 bus que shelters (₹ 23 crore).

the projects on PPP basis as two projects¹⁰ were not found feasible subsequently and for implementation of third project¹¹, a separate SPV¹² has been incorporated. KSCL planned to implement projects of ₹ 132.85 crore on PPP basis, however, no such project could be implemented by KSCL due to land constraints and non-feasibility of the project.

- (iii) FSCL could not generate any funds through land monetisation against the targeted funds of ₹ 428.38 crore due to non-implementation of development of real estate project on MC Faridabad land on PPP basis.
- (iv) The SPVs planned to implement projects of ₹ 253.22 crore under convergence with schemes of Centre/ State Government/ ULBs in their SCP. KSCL implemented only four projects of ₹ 12.86 crore under convergence with MC Karnal. Both the SPVs could not implement any project under convergence with of Centre/ State Government schemes due to non-issuance of guidelines in respect of funding pattern of convergence of projects by the State Government and non-functioning of Inter-Departmental Task Force¹³ which was constituted (July 2015) by State Government for implementation of the schemes especially the projects through convergence.
- (v) FSCL and KSCL could not raise any funds against planned receipt of ₹ 12.13 crore from debt and ₹ 82.74 crore from additional contribution from MC Karnal respectively. Reasons for non-raising of funds from these sources were not found on records.

As per para 11.2 and 11.3 of SCM guidelines, grants of GoI/ State Government was to be leveraged to attract funding from internal and external sources, however, SPVs could not leverage the same.

Consequently, required funds to implement the projects in SCPs could not be arranged by the SPVs which impacted the achievement of objectives of the Mission to the extent as both the SPVs shelved 54 projects of ₹ 2,316.64 crore due to various reasons including financial constraints as discussed in **Paragraph 10.9.1**.

The department in its reply stated (January 2025) that PPP projects could not be implemented due to non-feasibility of projects and land constraints and admitted that the projects under convergence were executed partially in absence of

¹⁰ Solar city mission/ solar roof tops and Transit oriented development of real estate on MC Faridabad land.

¹¹ Construction of 100 bus que shelters.

¹² Faridabad City Transport Services Limited.

¹³ Consisting of parastatal bodies, ULB and Urban Development Authorities.

instructions issued from the State Government and operational challenges. However, the fact remained that the SPVs could not implement the envisaged projects of SCPs. Further, the reply is silent regarding non-raising of funds through debt by MC Faridabad and contribution from own funds by MC Karnal.

10.8.1 Payment of Interest to Government

Rule 230 (8) of the GFR, 2017 stipulates that all interests or other earnings against grant-in-aid released to any grantee institution would mandatorily be remitted to the Consolidated Fund of India immediately after finalisation of the accounts. FSCL earned an interest of ₹ 77.50 crore (GoI share: ₹ 38.75 crore and State Government share: ₹ 38.75 crore) during 2016-24. Out of which ₹ 37.19 crore was remitted (GoI share: ₹ 32.83 crore and State Government share: ₹ 4.36 crore) to Government, resulting into short payment of interest of ₹ 5.92 crore and ₹ 34.39 crore to GoI and State Government respectively.

Similarly, KSCL earned an interest of ₹ 31.86 crore (GoI share: ₹ 16.05 crore and State Government share: ₹ 15.81 crore) during 2018-24. Out of which ₹ 16.56 crore was remitted (GoI share: ₹ 9.77 crore and State Government share: ₹ 6.79 crore) to Government, resulting into short payment of interest of ₹ 6.28 crore and ₹ 9.02 crore to GoI and State Government respectively.

The department in its reply stated (January 2025) that both SPVs have been directed to ensure depositing their pending interest amount to Government.

10.9 Implementation of Smart City Mission projects

10.9.1 Revision in Smart City Proposal and Status of Execution

MoHUA directed (August and September 2018) SPVs to finalize the list of projects being undertaken from the first category of funds i.e. Central/State/ULB grant funds with the approval of its BoDs. The details of number of projects approved in SCP, projects shelved permanently, new projects (other than already approved in SCPs) under SCM by the SPVs and detailed status of execution of revised planned projects as on 30 June 2024 are shown in *Table 10.2*.

Table 10.2: Detail of projects under Smart City Mission as on 30 June 2024

(₹ in crore)

SPV	Projects as per SCP		Projects shelved		New projects added [§]		Revised planned projects		Completed projects		Projects under execution		Projects under planning	
	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost
FSCL	46	2,601.01	18	1,416.53	28	154.42	56	933.90	35	658.47	13	194.17	8	81.26
KSCL	57	1,295.81	36	899.81	90	673.03	111	947.85	77	303.44	27	581.80	7	62.61
Total	103	3,896.82	54	2,316.34	118	827.45	167	1,881.75	112	961.91	40	775.97	15	143.87

Source: SCPs and information provided by the SPVs.

§ other than SCP projects.

In this regard, Audit observed the following:

- (i) The SPVs shelved 54 projects due to non-availability of sites, non-viability of projects and financial issues. Out of these 54 projects, approval for shelving of projects from BoDs of the respective SPVs was not taken in 38 projects. Further, most of the new projects were taken up outside the selected ABD area as discussed in **Paragraph 10.9.4**. Consequently, the selected ABD area could not get due coverage as envisaged in SCP.
- (ii) Timelines for completion of 152 projects (FSCL: 48 and KSCL:104) out of 167 projects were decided by both the SPVs and for remaining projects, the timeline was not fixed as the same were under planning stage. Out of 112 completed project, the SPVs could complete only 45 projects (FSCL: 7 and KSCL: 38) as per the timelines and there were delays in completion of the 67 (60 *per cent*) projects_(FSCL: 28 and KSCL: 39) ranging from three to 1,506 days (as per detail given in **Appendix 10.2**) as on 30 June 2024. Analysis of delay in execution of projects is given in **Table 10.3**. The reasons for delay were non-availability of encumbrance free sites, delay in site clearance and revision of drawings, etc.

Table 10.3: Analysis of delay in execution of projects

Sr. No.	Range of delays (in number of days)	Number of projects
1	Less than 100	18
2	Equal or more than 100 and less than 500	31
3	Equal or more than 500 and less than 1000	16
4	More than 1000	2
Total		67

Source: Information provided by KSCL and FSCL.

The department in its reply stated (January 2025) that SCP projects could not be executed due to land issues, non-feasibility of SCP projects and issues related to no objection certificates. With regard to delay in execution of projects, it was stated that the smart city projects were brownfield projects and retrofitted in the existing infrastructure created before the implementation of SCM which encountered several challenges such as shifting of existing utilities, inter departmental consultation with various departments, Covid lock down, CAQM¹⁴ directions for closure of projects. It was further stated that the issue of delay in completion of projects has been acknowledged by GoI and consequently completion period has been extended upto March 2025.

The reply may be seen in the context that the department did not furnish any

¹⁴ Commission for Air Quality Management (CAQM) plays a key role in implementing the Graded Response Action Plan (GRAP), a tiered system of pollution control measures that is activated when air quality levels reach critical levels.

justification for shelving 38 projects without obtaining approval of BoDs of the respective SPVs. The justification given by the department with regard to delay in execution of projects, may be seen in the backdrop that these projects were already planned to be executed on retrofit model in the SCPs. Further, delay in completion of projects was due to inadequate due diligence in selection of sites, non-conduction of feasibility study/survey and award of project without finalisation of drawings as discussed in **Paragraph 10.9.2**.

10.9.2 Delay/deficiencies in Execution of Individual Projects

(i) Execution of Sewage Treatment Plants

A provision for water recycling for public area, group housing and green belt development was included in the SCP of Faridabad with the objective to reuse the Sewage Treatment Plants (STPs) recycled water for horticulture and other non-potable applications. FSCL awarded (March 2022) the work for installation of eight STPs alongwith O&M for a period of five years to M/s Pulkit Projects Private Limited at a cost of ₹ 64.50 crore. The project was to be completed within 15 months from the date of letter of award (LOA).

Audit observed that FSCL awarded the project without taking permission from departments who own the land. Consequently, FSCL could not provide any site to the contractor out of eight identified sites published in Request for Proposal (RFP) as per detail given in **Table 10.4**.

Table 10.4: Status of STPs planned under the Mission as on 31 March 2024

Sr. No.	Capacity	Location as per RFP	Remarks/Present status
1.	15 MLD	Sector-33 (HSVP land)	Location was revised to Jal Ghar, Sector-25. STP under construction
2.	5 MLD	Pyali Chowk (MC Faridabad land)	Location was revised to Golf Course. STP under construction
3.	2 MLD	Sector-45 (HSVP land)	Land not available
4.	2 MLD	Jharsently village (HSVP land)	Land not available
5.	1 MLD	NHPC Chowk (MC Faridabad land)	Land not available
6.	1 MLD	Town Park, Sector-12 (HSVP land)	Location was revised to Barahi-Talab, however, NOC was not received as STP was coming in the area of park
7.	1 MLD	Sihi Village, Sector-8 (Irrigation Department land)	Land not available
8.	1 MLD	Sector-9, Disposal station (MCF Land)	Land not available

Source: Information provided by FSCL.

FSCL handed over (December 2022 and February 2023) two sites (Sr. no. 1 and 2 of **Table 10.4**) at revised locations to the contractor for construction of STPs but could not provide remaining six sites by March 2024. The matter regarding non-availability of sites for remaining six STPs was discussed by BoDs of FSCL from time to time and finally, BoDs decided (December 2023) to short close the contract for the remaining six STPs. It was further observed that the agency had

initiated the work for STPs at Sector-45 and partial work¹⁵ was executed. However, due to protest from local residents, the work was stopped and it remained in abandoned position due to non-availability of alternative site. FSCL paid ₹ 0.27 crore to the contractor against partial work done.

Thus, due to inadequate due diligence in selection of sites and award of work without finalisation of the sites, FSCL was not able to complete any of the STPs even after lapse of more than two years of award of work. Additionally, FSCL had to bear infructuous expenditure of ₹ 0.27 crore.

The Department in its reply stated (January 2025) that MC Faridabad issued no objection certificate (NOC) for these sites and accordingly, LOA to contractor was issued by FSCL. The reply is not acceptable as FSCL issued LOA in March 2022 before issuance (August 2022) of NOC by MC Faridabad. Further, no NOC was obtained for five sites from the land owning agencies i.e. Haryana Shehri Vikas Pradhikaran and Irrigation Department.

(ii) Development of Sant Nagar Slum Area

As per SCP of Faridabad city, retrofitting of civic infrastructure of slum area in Sant Nagar was to be carried out. Accordingly, FSCL awarded (July 2018) work for construction of roads, civic infrastructure¹⁶ and landscaping in Sant Nagar to M/s SGK Projects (P) Limited (the agency) at a cost of ₹ 9.69 crore with O&M for five years. The work was to be completed in six months (December 2018)

The agency could not complete the work despite extension granted upto 30 June 2021. The payment of ₹ 2.58 crore¹⁷ was made to the agency against the partial works of water supply, sewerage, drainage, road improvements, electrical works and underground tank. In view of slow progress of the work, the BoD decided (December 2021) to terminate of contract and thereafter re-tender the left-out work. The balance work was assessed at ₹ 2.08 crore which was assigned (March 2022) to MC Faridabad as deposit work to ensure that all the work must be completed by June 2023. However, MC Faridabad refused (April 2023) to undertake the work as some parcel of land was privately owned and remained under the jurisdiction of other Government Department. As a result, the project remained incomplete as of June 2024.

Audit in this regard observed that FSCL had neither conducted any feasibility

¹⁵ Work of excavation of SBR tank-50 per cent completed, soil investigation, survey and design (IIT/NIT) was completed.

¹⁶ 24*7 water supply, sewerage, drainage, roads improvements, internal lanes, community toilets, rainwater harvesting, landscaping, solar LED streetlights, electrical work and underground tank.

¹⁷ After deducting penalty of ₹ 0.65 crore.

study/survey nor obtained permission from the concerned authorities before awarding of the work. FSCL did not initiate any action to resolve the issues pertaining to land. Consequently, the project could not be retendered, and the slum area could not be developed despite incurring an expenditure of ₹ 2.58 crore.

The department in its reply stated (January 2025) the project was identified by the MC Faridabad and subsequently handed over to FSCL for execution. The work could not be executed as some parcel of land was owned by private owners and remained under the jurisdiction of other Government department. The reply of the department confirms the contention of audit that the work was awarded without conducting any feasibility study/survey.

(iii) Installation of LED Lights in Karnal

KSCL awarded (11 January 2022) work for replacement/ retrofitting of 25,000 Street light points to M/s HPL Electric and Power Limited (the agency) at a total cost of ₹ 35.27 crore along with O&M for a period of 10 years. The scope of work¹⁸ *inter-alia* included conducting baseline survey to identify infrastructure requirements for smart streetlights, supply, installation, testing and commissioning of smart street light system with LED lights, smart feeder panel controllers, erection of poles, laying of cabling, street light management system application, Mobile Apps and integration with Integrated Command and Control Centre¹⁹ (ICCC) platform with Geographic Information System (GIS). The work was to be completed within 30 weeks i.e. upto 23 August 2022²⁰ in two phases. After survey, the work was reduced (May 2022) to 23,634 lights in 20 wards amounting to ₹ 33.87 crore. The agency sought extension upto February 2024, however, KSCL granted (October 2022) extension upto 21 November 2022 (Phase-II). KSCL granted go-live for phase-1 on 11 August 2023. However, the project is still under execution as on June 2024 due to various hurdles²¹.

Audit observed that KSCL granted go-live for phase-1 to the agency despite the fact that the agency had not carried out integration of LED lights with ICCC, GIS mapping of locations of poles and had not developed Mobile App for running day-to-day operations, dashboard to showcase alert and lodging complaints. KSCL also released (September 2023) partial payment²² for

¹⁸ Clause 2.1 of tender documents.

¹⁹ Integrated Command and Control Centre: serves as the "nerve center" for managing city operations by collecting data from various applications across the city, allowing authorities to make informed decisions in real-time regarding aspects like traffic management, waste disposal, public safety, and more, effectively acting as a central monitoring and decision support system for the city administration.

²⁰ From 14 days from issue of LOA.

²¹ Resentment from public for installation of poles, due to rainy season and slow progress by the contractor.

²² ₹ 0.49 lakh against ₹ 1.39 lakh.

integration with ICCC platform with GIS. Thus, go-live was given in violation of contractual conditions.

The department in its reply stated (January 2025) the work as per contractual obligation has been completed. However, the final go-live will be issued only after verification of LED lights. The fact, however, is that the go-live for phase-I was issued in violation of contractual obligations.

(iv) Construction of Commercial Space at Old Anaj Mandi, Karnal

The work for construction of commercial complex at old Anaj Mandi was approved (September 2021) by KSCL to create a space for all age groups that supports people's participation in terms of social interaction, commercial usage and recreation. The said project was to be constructed on MC Karnal's land. As per proposal, the site was to be developed as multistorey²³ commercial complex building with two levels of basements.

The said work was assigned (August 2022) to MC Karnal for execution on deposit work basis and MC Karnal awarded (January 2023) the work to a contractor at a cost of ₹ 30.80 crore which was to be completed within 18 months from the date of issue of Letter of acceptance (i.e. by July 2024). KSCL deposited ₹ 30.80 crore with MC Karnal in December 2022.

Audit observed that the project was awarded without finalisation of drawings and design and the same could be finalised only in November 2023 and accordingly excavation of work could start only in October 2023. Further, the work was held up due to non-shifting of tubewell by MC Karnal till February 2024. The contractor has requested extension in time upto March 2025. Thus, the project faced delays due to late finalisation of drawings and the intended benefits of the project could not be achieved in time.

The Department in its reply stated (January 2025) the structure and architectural drawings have been finalized and 35 *per cent* work has been completed and remaining work would be completed upto March 2025. However, the reply is silent as to why the work was awarded without finalisation of drawings.

(v) Functioning of Surveillance Camera System

(a) FSCL awarded (December 2018) the work for installation of ICCC set up to M/s. Honeywell Automation India Limited (M/s HAIL) at a total cost of ₹ 159.40 crore along with O&M for five years. FSCL issued go-live to the project in February 2020. M/s HAIL installed 1486 surveillance cameras at 168 junctions at the time of issue of go-live to the project.

²³ A multi-storey structure with a ground floor (G) and two additional floors above.

Functioning of surveillance cameras at 25 junctions were reviewed by Audit on 26 October 2023. Audit observed that surveillance cameras at none of the test-checked junctions was found fully functional²⁴. Surveillance cameras at 12 junctions were found completely non-functional and at remaining 13 junctions, surveillance cameras were found partially functioning due to damaged cable, burnt control switch, power failure etc. However, as per report generated of ICCC dated 26 October 2023, all the test-checked cameras were fully functional on the date.

Audit also observed that Deputy Commissioner of Police, Faridabad informed (5 October 2022) FSCL that only 233 surveillance cameras were found functional during checking by the Department against 695 surveillance cameras as reported in the Reports (28 September 2022) of FSCL and sought a detailed status/ reasons for the non-functional cameras. However, no reply in this regard from FSCL was found on record.

These instances indicate that report relating to proper functioning of surveillance system and achievement of its intended objectives lack genuineness/authenticity as lot of cameras which were reported to be functional were found non-functional. Consequently, the surveillance system remained ineffective to the extent.

The department in its reply stated (January 2025) that M/s HAIL faced several challenges like power/internet cable damage due to road excavation by unknown vendor, damage of control switch due to high voltage supply, pole removal, power failure, theft of ICT equipment etc. during O&M phase. Further, in view of the functioning / fully automated report generation system of the surveillance there is no reason to suspect on the genuineness/authenticity, however, it can be improved further. Reply is not acceptable as it does not address the specific inconsistencies in reports of ICCC pointed as out.

(b) M/s HAIL dismantled (January to December 2022) 614 cameras of ₹ 4.80 crore installed at 45 junctions due to widening of roads by National Highway Authority of India (NHAI). Audit observed that FSCL did not carry out any exercise for proper utilisation of these dismantled infrastructure and these items are lying idle (June 2024) under the custody of M/s HAIL.

The department in its reply stated (January 2025) that FSCL is already in communication with NHAI for release of reasonable compensation for dismantled infrastructure.

²⁴ More than one camera was installed at one junction and out of which some cameras were functional and others were not functional.

10.9.3 Execution of Projects by Line Departments/ Agencies

As per Advisory 15 issued (14 January 2019) by MoHUA, for certain projects, technical expertise and execution capabilities of the respective Government line departments/ agencies can be leveraged for faster executing smart cities projects instead of depending solely upon Project Management Consultant. The respective cities may explore arrangement of an appropriate tripartite agreement between the SPV, Government line department/ agency and prospective bidder for execution of specific projects which have been pending for implementation.

In this regard, it was observed that:

- (i) The SPVs assigned 41 projects (KSCL: 31 and FSCL:10) to various Government line departments/ agencies for execution. The details of the projects are given in *Appendix 10.3*. As per above Advisory, projects were to be identified through a joint meeting of SPV and Government line department/ agency. All these projects were identified by BoDs in their meetings held from time to time. However, no separate joint meetings between SPV and Government line department/ agency was found on record.
- (ii) As per the Advisory, a draft tripartite agreement would be drawn under approval of the SPV and be part of the tender document for each such project which would be awarded to the successful bidder. However, no draft tripartite agreement was entered into by the SPVs as required in the Advisory as the same was not included in the tender documents by the line departments.
- (iii) As per the Advisory, no funds were to be transferred from SPV to Government department/ agency. The payments were to be disbursed directly by the SPV to the contractor on completion of each milestone as per the terms of the tender. The Government line department/ agency was to check and verify contractor's bills as per standards of financial rules and submit them to SPV for payment. Audit observed that KSCL transferred funds of ₹ 350.36 crore for 28 projects to Government line departments/ agencies in violation of the Advisory issued by GoI, which otherwise would have been released to the contractor on the basis of running bills/ milestones achieved. This has resulted in parking of funds with line departments. In one case, ₹ 13.68 crore was transferred to MC Karnal on 12 July 2022 for construction of commercial complex which was dropped on 14 March 2024 due to non-vacating of site by existing shopkeepers and the amount was lying (June 2024) with the line department.

Consequently, the SPVs did not participate in tender management process and implementation of these projects as per the directions of GoI and the projects were assigned to the line departments against the spirit of the Advisory.

The department in its reply stated (January 2025) that all HoDs of line departments are member of BoDs of KSCL, hence, no separate joint meeting was required for discussion of the projects. It was further stated that funds were transferred to concerned departments with the approval of BoDs by following PWD code provision in deposit work which states that the work can be initiated after receiving of funds. Therefore, after the transfer of funds, SPVs were unable to make tripartite agreement. The reply is not acceptable as HoDs of PWD (B&R) Department, Public Health Engineering Department, Irrigation & Water Service Department etc. were not member of BoDs of KSCL. Further, the funds were received under centrally sponsored scheme and the same should have been utilised as per directions issued by GoI.

10.9.4 Execution of Projects Outside ABD Area

As per Advisory 13 issued (21 January 2019) by MoHUA, addition of projects outside ABD location and execution of non-ICT projects in Pan-City component was not permissible.

Audit in this regard, observed that 76 projects of ₹ 407.99 crore (*Appendix 10.4*) executed/under execution at various locations in Karnal city were completely outside the ABD area.

Additionally, KSCL executed one non-ICT project (i.e. Open-air gym: ₹ 5.51 crore) as Pan-city project.

An expenditure of ₹ 356.87 crore was incurred on these projects upto June 2024. Consequently, KSCL incurred expenditure of ₹ 356.87 crore for execution of 77 new projects in violation of SCM guidelines.

Further, execution of projects outside ABD area defeats the Area-based development approach which focuses on developing a specific area into better planned one. Consequently, the selected ABD area was deprived of with the funds to the extent.

The department in its reply stated (January 2025) that as per MoHUA guidelines these projects were undertaken based on city needs and public interest. The reply is not acceptable as the projects outside ABD area and non-ICT projects in Pan-city were not permissible under SCM guidelines.

10.10 Monitoring

Monitoring in the context of smart cities refers to the systematic process of assessing and evaluating various aspects of a city's performance, development, and implementation of smart initiatives. Audit observed following inadequacies in the monitoring system:

10.10.1 Full Time Chief Executive Officer

As per SCM guidelines, SPV was to be headed by a full time CEO with nominees of Central Government, State Government and ULB on its BoD. The CEO of the SPV shall be appointed with the approval of MoHUA for a fixed term of three years and shall be removed only with the prior approval of MoHUA.

Advisory¹⁴ issued (03 October 2018) by MoHUA also contained provisions to ensure appointment of full-time CEOs to enable Mission Directorate to achieve the intended outcomes in a time-bound manner.

Audit reviewed the appointment and removal of CEOs of both the SPVs during the period from October 2016 to June 2024 and noticed as below;

The first appointment of CEOs in both the SPVs were approved by MoHUA. Subsequently, 11 CEOs (FSCL: 7 and KSCL: 4) were appointed and removed without approval from MoHUA. Further, 12 out of 13 CEOs were appointed for a period less than the prescribed period of three years. Five out of eight CEOs in FSCL and all five CEOs in KSCL were not appointed on full-time basis by the State Government in violation of SCM guidelines.

Consequently, implementation of the projects in both the cities lacked continuity of direction and effective supervision from CEOs.

The department in its reply stated (January 2025) that the appointment and transfer of CEOs was undertaken by the State Government.

10.10.2 City Level Monitoring

As per para 13.3 of SCM guidelines, a Smart City Advisory Forum (SCAF) was to be established at the city level to advise and enable collaboration among various stakeholders²⁵. MoHUA directed (November 2018 and December 2019) SPVs to conduct SCAF meetings on regular intervals and at least once a month.

In this regard, Audit observed that SCAF was established by the FSCL and KSCL on 16 October 2018 and 08 January 2019 respectively. Both the SPVs held 10 meetings²⁶ (FSCL:4 and KSCL:6) of SCAF during June 2018 to November 2021 against the requirement of conducting 133 meetings upto June

²⁵ SCAF was required to include the District Collector, MP, MLA, Mayor, CEO of SPV, local youths, technical experts and at least one member from the area who is (1) President/Secretary representing registered Residents Welfare Association, (2) Member of registered Taxpayers Association/ Ratepayers Association, (3) President/Secretary of slum level federation, and (4) Members of a Non-Governmental Organization (NGO) or Mahila Mandali/Chamber of Commerce/Youth Associations.

²⁶ FSCL: 15 June 2018, 04 September 2019, 01 March 2020 and 18 January 2021 and KSCL: 11 January 2019, 06 March 2020, 30 April 2020, 02 July 2020, 25 July 2020 and 27 November 2021.

2024. Consequently, participation of various stakeholders in monitoring the progress of implementation of projects could not be ensured.

The department in its reply stated (January 2025) that suggestion of SCAF were considered during implementation of the project, further progress of smart city projects was discussed in DISHA meetings²⁷. The reply is not tenable as participation of various local stakeholders could not be ensured due to non-holding of sufficient meetings of SCAF.

10.10.3 Assessment of Projects Undertaken for Achievement of Objectives of the Mission

As per the SCM guidelines, the objective of the mission was to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of smart solutions. Further, as per the guidelines, the key roles and responsibilities of the SPV *inter-alia* include to act upon the reports of a third-party review and monitoring agency and reviewing quality control related matters.

In this regard, Audit observed that the SPVs had not appointed any agency for carrying out third-party review/ impact assessments of the projects executed under SCM. Further, the SPVs had also not carried out any assessment in terms of success parameter of the initiatives implemented under SCM. Consequently, achievement of Mission objectives by the SPVs could not be evaluated.

The Department in its reply stated (January 2025) that overall impact/ assessment of the projects would be carried out after completion of the Mission as per direction of MoHUA/ State Government.

10.11 Conclusion

The effectiveness of citizen consultation and review of previous plans in preparation of Smart City Proposals for both cities in the State could not be evaluated as relevant records were not made available to Audit.

Against planned mobilisation of funds of ₹ 3,896.82 crore for implementation of projects under the Mission for two cities, the SPVs could mobilise only ₹ 1,825.86 crore (46.86 *per cent*) primarily through grant-in-aid received from Government. The SPVs failed to leverage grant received from Government and required funds for implementation of the projects from internal and external sources (i.e. Public Private Partnership, debt and land monetisation etc.) could not be arranged. The SPVs failed to implement projects under convergence with

²⁷ District Development Coordination and Monitoring Committee under the chairmanship of Chief Minister, MP and other public representatives.

schemes of Centre/State Government due to non-issuance of guidelines in respect of funding pattern of convergence of projects by the State Government. KSCL implemented only four projects of ₹ 12.86 crore under convergence with MC Karnal.

The SPVs revised the Smart City Proposals and planned 167 projects of ₹ 1,881.75 crore, out of which 152 projects were awarded and 112 projects completed by June 2024. However, only 45 projects met their scheduled timelines, while 67 projects faced delays ranging from three to 1506 days due to issues like lack of encumbrance-free sites, site clearance delays, and drawing revisions. Karnal Smart City Limited incurred expenditure of ₹ 356.87 crore for execution of new projects outside the selected ABD area in violation of the Mission guidelines.

Monitoring mechanism for implementation of the Mission was deficient at city level as both SPVs held 10 meetings of city level monitoring committee as against the requirement of 133 meetings. Further, the SPVs had not appointed any agency for carrying out third-party review/ impact assessments of the projects executed under the Mission. Consequently, the achievement of Mission objectives by the SPVs could not be evaluated.

10.12 Recommendations

The State Government may:

- (i) take steps for convergence of ongoing projects under the Mission with other Central/State Government schemes to drive the maximum benefit in implementation of smart city projects in the State;
- (ii) ensure timely execution of on-going projects as per the guidelines of the Mission; and
- (iii) identify measurable indices and carry out third-party review for assessing the impact assessments of the projects executed under the Mission.