

## **Performance Audit of the implementation of Phase I of Delhi Mass Rapid Transit System by Delhi Metro Rail Corporation Limited**

### **HIGHLIGHTS**

- Under the unique administrative model evolved by the Government of India, the company has not been put under direct control of any administrative ministry. This model presents ambiguity relating to the issues of (i) coordination and control by the executive government and (ii) the proper forum for legislative accountability.  

*(Para 2.1)*
- There is no regular monitoring from a designated administrative ministry, and the main agency to provide oversight is the Board of Directors (BOD) itself. The BOD, however, did not have independent Directors in accordance with the DPE's guidelines.  

*(Paras 2.2)*
- The company has not prepared a Corporate Plan to chart out its goals and strategies for achievement of business development, diversification, technology upgradation, and customer satisfaction.  

*(Paras 2.4)*
- The highest daily average ridership attained by the company was 21 *per cent* of the original projection and 29 *per cent* of the revised figure. The shortfall in ridership was mainly due to higher fare structure, lack of proper connectivity and lack of feeder bus system.  

*(Para 2.5)*
- The company adopted the broad gauge in Phase I as per the decision of the Group of Ministers. However, it was not ensured that the associated systems were planned and implemented to meet the stated objectives of adopting the broad gauge as envisaged by the Group of Ministers in August 2000. According to the management's estimates, the adoption of the broad gauge had resulted in an additional cost of Rs. 260 crore, besides additional energy consumption of Rs. 2.26 crore per annum.  

*(Para 3.2)*
- Due to non-consideration of certain facts by the general consultant while making recommendation in 1999, the company could not decide initially to implement 25 kV AC traction system for the underground corridor, which led to additional expenditure of Rs. 26.59 crore.  

*(Para 3.3.2)*
- The company has not provided Automatic Train Operation on all lines to ensure safer operation of trains. Noise levels were beyond the permissible limits and

there were premature wear and cracking in the wheel and floor of the rolling stock raising doubts on the stipulated 30 years design life.

*(Paras 3.4.2 and 3.6.2)*

- The company has not manualised the procurement guidelines for each stage relating to pre-qualification, short listing of vendors, estimation, bids evaluation, award and execution of domestically funded contracts.

*(Para 4.5.1)*

- The selection of general consultant was not based on a system where the best bid was selected on the basis of technical quality cum cost basis. It is not clear how the reasonableness of the awarded price was ensured under such a system.

*(Para 4.6)*

- Out of 13 'design and construct' contracts reviewed in audit, estimates were revised or approved after the opening of financial bids in seven cases (award value Rs. 3314.50 crore). Out of these seven cases, in three cases (award value Rs. 3097.89 crore), even financial concurrence was not obtained before the approval of estimates by the competent authority.

*(Para 4.7.1)*

- On the request of the company, the Japan Bank for International Cooperation allowed negotiation simultaneously with the first two lowest parties in two contracts, which was not in accordance with the loan agreement.

*(Para 4.7.2.2)*

- A letter indicating discount of 13 *per cent* on the contract price, allowing a bidder to become the lowest evaluated tenderer in one contract, did not find any mention in the tender opening register, indicating procedural shortcomings in processing of bids.

*(Para 4.7.2.3)*

- In four contracts, relaxations in commercial and technical terms were allowed after the opening of financial bids while negotiating with the lowest bidder (s). This practice was non-equitable as the other pre-qualified bidders were denied the opportunity to revise their bids in view of the change in commercial and technical terms.

*(Para 4.7.4)*

- In six cases, advances amounting to Rs. 38.72 crore not contemplated in the agreements were sanctioned to the contractors.

*(Para 4.8.1)*

- For effecting recoveries from a contractor towards exemption of duties on the supply of equipment, the company applied the rates applicable on the date of

import/supplies, which were lower as compared to the rates prevailing on the date of submission of bids. This resulted in short-recovery of Rs. 14.41 crore towards excise duty and customs duty. In another case, the company did not recover Rs. 3.47 crore from a contractor for replacing a part of cement by fly ash for structural concrete.

**[Paras 4.8.2 (a) and (b)]**

- The company made payment amounting to Rs. 6.92 crore against contractors' claims in eight contracts which were not admissible as per the contract agreement.

**(Para 4.8.3)**

- The contract for design, manufacture, supply and commissioning of rolling stock was awarded with a condition that if the contractor failed to carry out the indigenous programme, it would be treated as a default on his part attracting termination of the contract. There was, however, no provision for levy of any pecuniary penalty and accordingly, no penalty could be imposed on the contractor for non-utilisation of indigenous material.

**(Para 4.8.4)**

- As the company did not allow the contractor to demobilise the welding plant, the welding plant remained idle for five months. Accordingly, the company had to pay the contractor an amount of Rs. 1.43 crore.

**(Para 4.8.5)**

- Audit analysis of quality control indicated scaling down of testing requirements in four contracts, non-witnessing of tests by the company's representatives in some cases of eight contracts, testing of material in non-accredited laboratories and non-preservation of test reports.

**(Para 5.2)**

- The company has acquired 32.38 lakh square metre of land for the Project but has not maintained location wise data of land used for the Project and the property development. In nine locations it was observed that total land acquired was 6.42 lakh square metre, which was in excess of the Project requirement by 14 to 354 *per cent*.

**(Para 6.2.2)**

- The company finalised the lease/concession for property development at four locations based on one qualified bid received in each case and the amount realised was only 0 to 3 *per cent* over the reserve price. Apart from the restrictive clause for the land use in the allotment letters, poor response was also because of the stringent technical criteria fixed for the bid process.

**(Para 6.3)**