

CHAPTER-III
MINISTRY OF ELECTRONICS AND
INFORMATION TECHNOLOGY

3.1 Locking up of funds and unfruitful forex outgo

Non-compliance with provisions of General Financial Rules while releasing Grant-in-Aid of ₹ 53.91 crore to Kerala Medical Services Corporation Limited and Geo Spatial Delhi Limited coupled with inadequate monitoring of the projects resulted in delay in completion of the projects, blocking of funds and unfruitful foreign exchange outgo towards interest and commitment fee to the tune of ₹ 2.62 crore.

Department of Electronics and Information Technology (DeitY) (now Ministry of Electronics and Information Technology (MeitY)) accorded Administrative approval for the projects ‘*e-Health Kerala*’ to be implemented by Kerala Medical Services Corporation Limited (KMSCL), a State of Kerala PSU and ‘*Development of Smart City Using Datasets of DSSDI¹*’ to be implemented by M/s Geo Spatial Delhi Limited (GSDL), a Government of Delhi Undertaking under World Bank assisted ‘India: e-Delivery of Public Services Project’.

Audit examined the following in respect of these two projects:

(a) Project “e-Health Kerala” by Kerala Medical Services Corporation Limited (KMSCL)

To create universal and accurate database of health information about every individual and demographic data about the community, ‘e-Health Kerala’ project was approved in February 2013 at a total estimated outlay of ₹ 96.12 crore (DeitY share ₹ 86.69 crore and Government of Kerala share ₹ 9.43 crore). The duration for implementation of the e-Health project was two years. Accordingly, Department released (March 2013) ₹ 43.35 crore as first installment to M/s KMSCL.

Audit observed that there were irregularities in release of Grant-In-Aid to M/s KMSCL in terms of its monitoring and non-compliance of the provisions of General Financial Rules, 2005 (GFR) as discussed below:

- The implementation guidelines formulated (October 2012) by the Department in respect of World Bank assisted ‘India: e-Delivery of Public Services Project’, prescribed that the project proposals should indicate a Programme Implementing Agency to which funds can be transferred for implementing the projects. Audit, however, noticed that Department released the grant funds to M/s KMSCL even though the State Government had designated “Project Management Unit (PMU), e-Health Mission Kerala” as implementing agency;

¹ DSSDI: Delhi State Spatial Data Infrastructure

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- Rule 209 (1) of GFR prescribes that all relevant information and documents would be required to be submitted for enabling the sanctioning authority to assess the suitability of institution seeking grant. Department released the grant to KMSCL during March 2013 without considering the fact that the Company had not finalized its annual accounts since 2010-11 onwards thereby defeating the transparency in the matter.
- Rule 209(6)(i) of GFR provides that the sanctioning authority may prescribe conditions regarding quantum and periodicity for release of grants in installments in consultation with the Financial Adviser. It was noticed that the e-health project consisted of various milestones such as selection of System Integrator through tendering process, System Study, Application Software Development, Training, Pilot Study, etc. Even though the Department, as a sanctioning authority, was empowered to prescribe conditions on quantum and periodicity for release of grant in pursuance with Rule 209(6)(i) of GFR, it did not exercise any due diligence in regulating the release of funds based on achievement of milestones. Instead, the Department released 50 *per cent* of its share as first installment in the fag end of the financial year.
- Rule 212(1) of GFR provides that Utilization Certificate (UC) should be submitted within twelve months of the closure of the financial year by the Institution or Organisation concerned. Audit noticed that KMSCL was only bound to submit UC at the time of seeking second installment of the Grant as per the terms of the Administrative approval. This resulted in extending undue flexibility to KMSCL for not being liable to submit UC in a time bound manner as per GFR.
- Department, while releasing the grant, exempted KMSCL from the execution of Surety Bond even though exemption was only applicable to Central Government Institutions as per Rule 209(6)(x) and Rule 2(xv) of GFR. This resulted in foregoing the opportunity to demand refund of grant from the recipient institution in the event of breach of terms and conditions.
- The Project Review Steering Group (PRSG) set up by the Department as an inbuilt evaluation mechanism in the sanctioned projects was to meet once in every four months. Audit, however, noticed that the first meeting of PRSG was held only in January 2014 i.e., after a lapse of nine months from the release of grant to a project with a duration of two years.
- As per the progress report submitted (August 2016) by PMU, it was seen that the project could not be completed by the State government even after a lapse of three years and four months as against the envisaged timeline of two years. The total fund utilization by May 2016 was only ₹ 6.44 crore, being 15 *per cent* (approximately) of the released funds.

On being pointed out (April 2016), Ministry stated (September 2016) that 'e-health Kerala' was approved on 14 March 2013. Thereafter, for monitoring of the progress of the project, regular PRSG and review meetings have been conducted.

Reply of Ministry was not convincing as first meeting of PRSG was held in January 2014, i.e. after a lapse of nine months from the release of grant to a project with a duration of two years and the project was yet to be completed.

(b) 'Development of Smart City Using Datasets of DSSDI' project by M/s GSDL

In order to provide complete transparency to the Department users to monitor the data development work of the features of their interest through a simple web GIS interface in the internet environment, the 'Development of Smart City Using Datasets of DSSDI' project was approved in April 2013 to be implemented by M/s Geo Spatial Delhi Limited (GSDL), a Public Sector Undertaking of Govt. of Delhi. The total outlay of the project was ₹ 21.11 crore and the duration for implementation of the project was three months. Accordingly, Department released (June 2013) ₹ 10.56 crore as first installment to GSDL.

Audit noticed that the release of Grant-In-Aid to GSDL was not in compliance with GFR provisions and the monitoring of the project implementation was inadequate as detailed below:

- Rule 209(6) (i) of GFR provides that the sanctioning authority may prescribe conditions regarding quantum and periodicity for release of grants in installments in consultation with the Financial Adviser. It was noticed that as per the Detailed Project Report, the project consisted of various components such as selection of Project inception report, sizing of hardware & software, publication of RFP for selection of System Integrator (SI), on boarding of SI, etc. Even though the Department, as a sanctioning authority, was empowered to prescribe conditions on quantum and periodicity for release of grant in pursuance with the relevant provision of GFR, it did not exercise any due diligence in regulating the release of funds in a phased manner based on the components of the project. Instead, the Department released 50 *per cent* of the grant funds in one stretch.
- Department, while releasing the grant, exempted GSDL from the execution of Surety Bond even though exemption was applicable only to Central Government Institutions as per Rule 209(6)(x) and Rule 2 (xv) of GFR. This resulted in foregoing the contractual right of the Department to demand refund of grant from the recipient institution in the event of breach of terms and conditions.
- The Project Review Steering Group (PRSG) set up by the Department as an inbuilt evaluation mechanism in the sanctioned projects was to meet once in every four months. Audit, however noticed that the first meeting of PRSG was held in January

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2014, i.e. after a lapse of eight months from the release of grant to a project which was supposed to be completed within three months.

- It was noticed that Department continued extending the timelines despite there being no significant progress in the implementation of the project. It was seen that the timelines were revised (November 2014) from three months to nine months and subsequently upto August 2015. It was further seen that timeline for selection of SI was extended upto March 2016.
- As per the progress report submitted (June 2016) by GSDL, it was seen that GSDL could not complete the selection of SI through tendering process and the project remains incomplete even after a lapse of more than 3 years since release of funds. The total fund utilization as per the progress report was only to the tune of ₹ 0.14 crore, being 1.33 *per cent* (approximately) of the released funds.

On being pointed out (April 2016), Department stated (June 2016) that 'Development of smart city using datasets of DSSDI' project was approved on 30 April 2013. Thereafter, for monitoring of the progress of the project, regular PRSG and review meetings have been conducted. Reply of Department was not acceptable as first meeting of PRSG was held in January 2014, i.e. after a lapse of eight months from the release of grant to a project which was supposed to be completed within three months. The project was yet to be completed.

The Grant-In-Aid for both the projects was released out of loan funds of ₹ 791.40 crore (USD 150 million) received (December 2011) under 'e-Delivery of Public Service Development Policy Loan' from International Bank for Reconstruction and Development (IBRD). The total cost incurred towards interest and commitment fee on the project outlay of ₹ 53.91 crore (₹ 43.35 crore plus ₹ 10.56 crore) in terms of foreign exchange outgo was ₹ 2.62 crore² as of September 2016.

Thus, lack of due diligence in releasing Grant to the implementing agencies, non-compliance of GFR provisions coupled with inadequate monitoring mechanism resulted in delay incompleteness of the projects thereby blocking of funds on account of Grant-In-Aid amounting to ₹ 53.91 crore and unfruitful foreign exchange outgo in form of interest and commitment fee by ₹ 2.62 crore.

Reply of the Ministry is awaited (February 2017).

² Total interest and commitment fee paid on ₹ 791.40 crore is ₹ 38.39 crore as per the IBRD Loan ledger prepared by CAA&A. Proportionate amount of interest for ₹ 53.91 Crore is ₹ 2.62 crore (₹ 38.39 crore / ₹ 791.40 crore * ₹ 53.91 crore).

3.2 Over payment of rent

C-DAC failed to properly measure the area taken for rent in connection with hiring of office space at Pune, resulting into overpayment of rent by ₹ 2.59 crore.

Centre for Development of Advanced Computing (C-DAC), Pune issued (March 2013) advertisement in newspapers for hiring 75,000 to 1,00,000 square feet furnished or unfurnished space for shifting one of its offices located at NSG IT Park, Pune owing to expiry of its current lease and additional demand for space. Accordingly 89,164 square feet chargeable area³ was hired between May 2013 and January 2014 from Daksha Infrastructure Private Limited (DIPL) at Westend Centre, Aundh, Pune at a monthly rent of ₹ 80 per square feet as per the details furnished in Table below:

Table 1
Details of Chargeable Area

Floor	Carpet area (in square feet)		25 percent of carpet area (in square feet)	Total Chargeable area (in square feet)
	May 2013 agreement	January 2014 agreement		
3 rd Floor	22800	-----	5700	28500
4 th Floor	23352	-----	5838	29190
5 th Floor	13964	8837	5700	28500
6 th Floor	-----	2379	595	2974
Total	60116	11216	17833	89164

Audit observed (December 2014) the following:

- The agreements entered into with DIPL contained that the area mentioned was subject to joint measurement. However C-DAC did not jointly measure the chargeable area and resorted to payment of rent on the basis of measurement given by DIPL.
- As per the provisions of the “Indian Standard of Method of Measurement of Plinth, Carpet and Rentable Areas of Buildings” issued by the Bureau of Indian Standards, the carpet area does not include common areas such as passage/corridor, kitchen, bathrooms, canteen, etc. While arriving at the chargeable area for rent, carpet area was inflated by including common areas of passage therein.

On being pointed out by Audit, C-DAC requested CPWD (November 2015) for measurement of hired premises jointly with DIPL which was denied by CPWD stating (December 2015) that there were no provisions in the CPWD manual for

³ As per Letter of Intent (LoI)/Agreements, Chargeable area would be carpet area plus 25 per cent of the carpet area.

conducting the joint measurement of the building premises already hired. Subsequently, C-DAC Pune approached (December 2015) Public Works Department (PWD), Pune for joint measurement of the hired premises. PWD intimated (January 2016) that total carpet area of all the hired floors was 77605.42 square feet.

As the detail breakup of said carpet area was not furnished by PWD to C-DAC, Audit requested (April 2016) C-DAC to furnish breakup of said carpet area of floors so as to ascertain whether the carpet area was determined by the PWD in accordance with Indian Standards of Measurement of Plinth, Carpet and Rentable Area of Buildings as issued by Bureau of Indian Standards. However, the required information was not furnished by the C-DAC and instead another measurement of carpet area of hired floors by PWD was intimated (August 2016), whereby carpet area of floors was mentioned as 6104 sq. meter i.e. 65678 square feet.

Audit observed that there was huge difference between carpet area intimated by PWD in January 2016 (77605.42 square feet) and in August 2016 (65678 square feet). Though, it was stated by the PWD (August 2016) that carpet area was determined as per Indian Standard of Measurement, the fact could not be examined as breakup of different components of the carpet area was not furnished. Reckoning the latest measurement of carpet area given by PWD for payment of rent, area for which the rent was actually paid was much higher than the area for which rent was payable. This resulted into an over payment of rent amounting to ₹ 2.59 crore (**Annexure-I**). Management of C-DAC Pune did not take up the matter with DIPL to deliberate the issue of varied calculations of chargeable area as pointed out by audit.

Ministry replied (February 2017) that

- Indian Standard (IS) code was not a pre-condition of the tender. Had the advertisement mentioned that carpet area would be measured as per IS code; the bidders would have quoted accordingly.
- While calculating the rent payable, Audit has excluded the area of parking from the measurement given by PWD as per IS code. Either IS code or the agreement or the original quotation should be strictly followed in totality.
- It is the contract signed between parties alone which were final documents to be considered for calculation/payment of rent. Neither the advertisement nor bid/contract mentioned the CPWD norms/IS code regarding the measurement of carpet areas.

The reply of the Ministry is not convincing due to the following:

- ✓ Standard definition of carpet area will remain same over various tenders. It should be as defined by the Standards issued by Bureau of Indian Standard. C DAC being an autonomous society under MeitY, Government of India, should have verified the same as per the IS code.
- ✓ In the leave and license agreements, only carpet area of the floors was indicated for payment of rent. It is also mentioned that as per the agreements, the licensor shall provide one car park for every 1000 square feet of chargeable area for the exclusive use of the licensee at no extra cost. Hence inclusion of parking area in the basements as carpet area was irregular.
- ✓ As per the agreements signed between parties, it was clearly stated that the area mentioned was subject to joint measurement. C-DAC however did not consider it necessary to measure the chargeable area and resorted to payment of rent without joint measurement.

Thus, C-DAC did not conduct joint measurement of area of office space. As a result, it did not reckon correct area for rent payable in respect of hired office space at Pune and made an over payment of rent by ₹ 2.59 crore for the period from June 2013 to August 2016.

