

## Chapter IV

### 4. Performance Audit on Infrastructure Development by City and Industrial Development Corporation of Maharashtra Limited

#### Executive Summary

##### *Introduction*

City and Industrial Development Corporation of Maharashtra Limited (CIDCO) was incorporated in March 1970 under the Companies Act, 1956 as a wholly owned company of Government of Maharashtra (GoM) to undertake development works and provide social and physical infrastructure, mainly in Navi Mumbai and adjoining areas. The major projects undertaken by CIDCO were Navi Mumbai Metro Rail (NMMR) project, Nerul-Uran Railway (NUR) project and Mass Housing Scheme (MHS) at Kharghar. Apart from these three major projects, various other contracts related to development of infrastructure projects were also awarded by CIDCO.

##### **Planning**

##### *Strategic planning*

The infrastructure works carried out by CIDCO did not emerge out of a systematic and comprehensive plan. CIDCO did not prepare any long, medium or short-term plans for the infrastructure works with the result that the proposals for infrastructure works were sanctioned on a case to case basis.

##### *Inadequate planning for execution of individual projects*

##### *Nerul-Uran Railway (NUR) project*

Due to delay in appointment of consultant and lack of synchronisation in various activities, the completion of Phase-I of the project was delayed from December 2015 to November 2018. The station works are yet to be completed and Phase-II is still in progress (November 2018). CIDCO had to terminate (May 2016) the work awarded for construction of a Rail Over Bridge (ROB) at Dronagiri to avoid the gas pipelines passing under the foundation after incurring expenditure of ₹ 67 lakh. Another work of ROB near proposed Uran station was held up due to Bharat Petroleum Corporation Limited (BPCL) not granting permission for the work of approach road as underground gas pipeline was passing below the approach road. Although, the work of ROB was completed (February 2019) at a cost of ₹ 38.20 crore, the ROB is yet (August 2019) to be opened for traffic.

### ***Navi Mumbai Metro Rail (NMMR) project***

CIDCO decided (May 2010) to invite tender for viaduct work even before receipt and review of final Detailed Project Report (DPR) which was submitted (October 2011) by Delhi Metro Rail Corporation. As the specification of rolling stock was revised after submission of DPR, there was delay in commencing the viaduct work till finalisation of the specifications (December 2012). The approvals required such as permission from Railways for crossing over rail lines, shifting of utilities *etc.* in the alignment of the line was not timely assessed and planned accordingly. Although the project was scheduled to be completed by December 2013, major works like Rail System contracts and approach viaduct works were awarded only in the year 2014 and are yet to be completed (November 2018).

#### **Award of works**

Following deficiencies were observed in award of works in respect of the three major projects and other infrastructure development works.

- Advertisements in respect of 16 tenders with estimated tender cost of ₹ 50 crore and above were not released in leading newspapers at the national level in violation of the laid down guidelines. Global tenders for projects like NMMR and Navi Mumbai International Airport (NMIA) projects were not published in any international publication.
- In six contracts with estimated cost of ₹ 890.42 crore, the contractors did not possess the minimum prescribed value of work experience, but were awarded the work.
- In seven contracts with estimated cost above ₹ 15 crore each, the bidders were technically evaluated by dispensing with the marking system for technical qualification of the bidders.
- In ten contracts with a total contract value of ₹ 429.89 crore, the existing contractors were awarded additional works valuing ₹ 69.38 crore at different work sites without inviting tenders in violation of the existing guidelines on tendering and lacked transparency.

#### **Execution of works**

##### ***Internal control and monitoring***

CIDCO had not implemented Information Technology (IT) based monitoring system for engineering works and projects, which would have enabled the Management to receive all the project related information in real time to enable timely and appropriate action on critical issues. Various instances of delay in execution of works due to lack of internal control and monitoring were noticed. The coastal road constructed at a cost of ₹ 50.94 crore in June 2012 could not be utilised for more than six years as the construction of precast arch bridges on holding ponds was completed only in January 2019. The work of construction of road of 3.38 km length at Dronagiri including asphaltting, storm water drain,

sewer lines and water supply line was short closed (December 2015) as the remaining area was covered under mangroves and encroachments.

### ***Payments and Recoveries***

In one contract valuing ₹ 1,328 crore pertaining to NMMR project, excess mobilisation advance amounting to ₹ 25.33 crore was paid in violation of the contract conditions. In three contracts valuing ₹ 2,033.72 crore pertaining to land developments works for NMIA project, CIDCO paid ₹ 22.08 crore as price variation on material component, although these works were carried out by cutting the hill and filling the same with rock obtained from the said hill.

In 22 contracts with a contract value of ₹ 4,759.94 crore, CIDCO had not recovered compensation for delay amounting to ₹ 185.97 crore even though the delay in completion of work or not achieving the milestones were attributable to the contractors. CIDCO did not recover liquidated damages from the consultants for NMMR and NUR projects, although delay in issuance of drawings was attributable to the consultants.

*CIDCO should address these issues urgently so that their project management and procedures are streamlined to achieve their objective of infrastructure development more economically, efficiently and effectively.*

## **Introduction**

**4.1** City and Industrial Development Corporation of Maharashtra Limited (CIDCO) was incorporated (March 1970) under the Companies Act, 1956 as a wholly owned company of Government of Maharashtra (GoM). The GoM, with a view to decongest the industrial and office concentration in Mumbai city, decided (March 1970) to develop the trans-Thane, trans-Harbour areas in Thane and Raigad districts and to speed up industrial development in Konkan Region by acquiring land which would be entrusted to CIDCO. The GoM directed (January 1972) CIDCO to undertake development works and provide social and physical infrastructure, mainly in Navi Mumbai and adjoining areas.

## **Organisational set up**

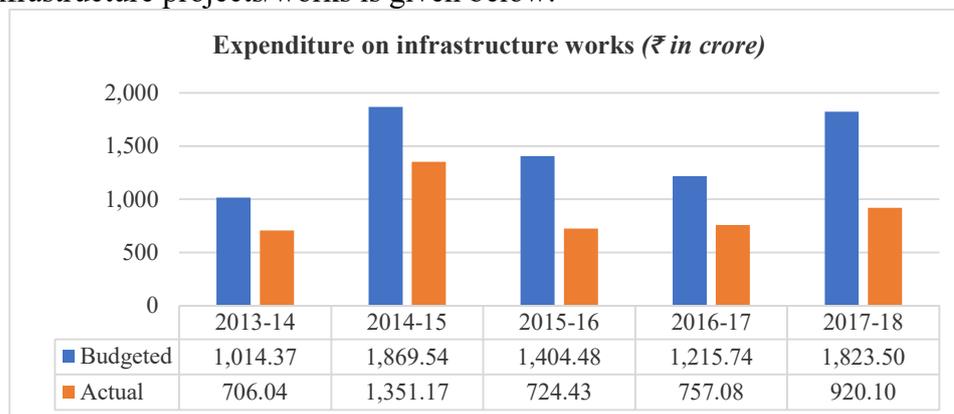
**4.2** CIDCO is under the administrative control of the Urban Development Department, GoM. The Management of CIDCO is vested with a Board of Directors (BoD) comprising of 11 members appointed by the GoM. The day to day affairs of CIDCO is managed by the Vice-Chairman and Managing Director (VC&MD) who is assisted by two Joint Managing Directors, Chief Administrator (New Towns), three Chief Engineers, Chief Accounts Officer and Heads of various sections.

## **Expenditure on infrastructure projects/works by CIDCO**

**4.3** During the review period (April 2013 to March 2018), CIDCO had undertaken three major projects *i.e.* Navi Mumbai Metro Rail (NMMR) project, Nerul-Uran Railway (NUR) project and Mass Housing Scheme (MHS) at Kharghar. Apart from these projects, various other contracts for infrastructure

developmental works were awarded by CIDCO. CIDCO had incurred an expenditure of ₹ 4,459 crore on various infrastructure projects/works. CIDCO, being a PSU established to act as an agent for GoM to undertake all development work and to provide social and physical infrastructure, revenue generated from disposal of land vested by GoM with them was the major source of revenue for funding the expenditure on the above infrastructure projects/works.

The year-wise position of its budgeted and actual expenditure on various infrastructure projects/works is given below:



(Source: CIDCO Annual Budget documents)

It could be seen from the table above that there was approximately 30 per cent increase in expenditure incurred on infrastructural works from ₹ 706.04 crore in 2013-14 to ₹ 920.10 crore in 2017-18. The average expenditure incurred against the budget during the five-year period 2013-2018 was approximately 61 per cent<sup>1</sup>.

### Scope of Audit

**4.4** The present Performance Audit (PA) of CIDCO on infrastructure development for the period April 2013 to March 2018 was conducted between June 2018 and October 2018. Audit scrutiny included all 19 contracts/works relating to the three projects viz. (i) Navi Mumbai Metro Rail project (ii) Nerul-Uran Railway project and (iii) Mass Housing Schemes at Kharghar undertaken during this period. Further, out of 95 other infrastructure development contracts having total contract value of ₹ 3,485 crore awarded by CIDCO, 47 contracts of ₹ 3,200 crore value were selected on stratified sampling basis for scrutiny by audit.

### Audit objectives

**4.5** The objectives of the Performance Audit were to assess whether:

- the projects and the contracts awarded for infrastructure works were evaluated, planned and executed in an economical, efficient and effective manner to ensure fulfilment of the objectives; and
- there existed an adequate internal control and monitoring system to ensure timely completion of the projects.

<sup>1</sup>Except in 2014-15 which included payment of ₹ 463 crore for deposit work of Balganga dam

## **Audit criteria and methodology**

**4.6** The audit criteria were adopted from the following:

- Government Resolutions, Notifications and statutory compliance requirements;
- Feasibility Reports/Detailed Project Reports of projects;
- Agenda notes and minutes of Board meetings, Memorandum and Articles of Association of CIDCO;
- Tender documents and conditions of contract/agreements; and
- Schedule of Rates, circulars/notifications of CIDCO, e-Tendering Manual, Engineering Process Manual of CIDCO and Schedule of Rates of Maharashtra Public Works Department/Maharashtra Jeevan Pradhikaran.

The audit process involved examination of records at the Head office where records were maintained as well as at Engineering and Marketing Sections of CIDCO. Entry Conference was held in July 2018, followed by analysis of data/ records with reference to audit criteria, interaction with Management of CIDCO. The draft PA report on the subject matter was issued to the Management/GoM in November 2018 for their comments. The Exit Conference was held in January 2019 and the views expressed by CIDCO during the Exit Conference and their replies (January 2019) have been considered while finalising this report. Reply of the GoM was awaited (March 2019).

## **Acknowledgment**

**4.7** Audit acknowledges the co-operation and assistance extended by CIDCO at various stages of conducting the Performance Audit.

## **Audit findings**

### **Planning**

#### ***Strategic planning***

**4.8.1** CIDCO was entrusted (January 1972) by GoM with developmental works and to provide the social and physical infrastructure to attain the objectives of integrated development in Navi Mumbai. In order to achieve the above objectives and to provide adequate infrastructure within CIDCO area, a comprehensive plan for infrastructure projects/works was essential for systematic development of infrastructure.

Audit scrutiny revealed that the infrastructure works carried out by CIDCO did not emerge out of a systematic and comprehensive plan. CIDCO did not prepare any long, medium or short-term plans for the infrastructure works with the result that the proposals for infrastructure works were sanctioned on a case to case basis. CIDCO did not maintain any database on the existing infrastructure as well as future infrastructure works to be taken up to facilitate systematic and objective planning.

CIDCO stated (January 2019) that whole to part approach for development was adopted. Detailed Project Report (DPR) for Navi Mumbai project was prepared and phase wise development was proposed as per pace of development/requirements. The reply of CIDCO was not convincing as the DPR prepared for Navi Mumbai only exhibited price fixation of land in various nodes/zones of Navi Mumbai. However, it did not have any project/activity wise, phase wise development programme of infrastructural activities which had to be undertaken by CIDCO in short term/long term for overall development. CIDCO, however, agreed to the need for having short/long term/perspective plans in line with the objectives of the Company.

### ***Planning for execution of individual projects***

**4.8.2** In order to execute any project in an efficient, economical and effective manner, the steps involved in the project process should have been identified and synchronised. Audit observed deficiencies in planning in the following individual cases which led to delays and avoidable expenditure:

#### ***Lack of synchronisation in various activities***

- ***Nerul-Uran Railway project***

The Nerul-Uran Railway (NUR) project line with length of 23 km was approved (October 1996) at a cost of ₹ 402 crore by the Railway Board to provide direct access to Ulwe, Dronagiri, Uran Nodes and Jawaharlal Nehru Port Trust (JNPT) forming part of the southern portion of Navi Mumbai. The work was to be executed on cost sharing basis in the *ratio* of 67:33 between CIDCO and Railways respectively. Tripartite agreement among Railways, CIDCO and GoM along with commercial agreement between Central Railway and CIDCO was executed in July 2011. The cost was revised (2013) to ₹ 1,814 crore by CIDCO. The scheduled date of completion of Phase-I from Seawoods/Belapur to Kharkopar station was December 2015 and Phase-II from Kharkopar to Uran was June 2017.

**4.8.2.1** CIDCO granted (June 2013) administrative approval for taking up the works in respect of Phase-I of the NUR project. The Request for Proposal for appointment of the consultant was floated in August 2014 and the work order was issued in June 2015. It was observed that CIDCO did not prepare the DPRs for works to be undertaken for NUR project such as station works, Rail over bridge *etc.* The activity wise schedule of works to be completed was to be submitted by the contractors. The delay in appointment of consultant by CIDCO and subsequent delay on the part of consultant in initiating the tender process had a cascading effect on completion of the station works.

- The work for providing RCC L-blocks and earth filling for platform, which was a basic work to be taken up prior to the railway station works, was floated in February 2015, after lapse of almost two years from the date of administrative approval (June 2013).

- The consultant was required to prepare the drawings, estimates and tender documents for three railway stations (Kharkopar, Bamandongari and

Targhar) works by February 2016. However, even after appointment of consultants, tenders for Bamandongari and Kharkopar Railway stations were floated only in December 2016 *i.e.* after three years from the administrative approval.

- Tender for Targhar Railway station was floated only in June 2017 after lapse of almost four years from the administrative approval and awarded in October 2017.
- The total forest area under Phase-II (from Kharkopar to Uran) of the project was 4.0673 hectare. CIDCO belatedly applied for Forest Clearance (FC) from Central Government only in December 2016 though the Phase-II was planned to be completed by June 2017.

Thus, the delay in appointment of consultant and lack of synchronisation in various activities, the completion of Phase-I of the project was delayed from December 2015 to November 2018.

CIDCO accepted that delay had occurred in appointment of consultant and stated that due care would be taken to avoid such delays in future projects. The fact, however, remained that the total expenditure incurred by CIDCO on the NUR project up to August 2019 was ₹ 1,282 crore due to these delays as against the overall cost of ₹ 1,814 crore. Further, the station works and allied works for Phase-II were yet to be taken up (February 2019) by CIDCO.

#### ***Alignment of Rail Over Bridge***

**4.8.2.2** The NUR project line involved construction of a Rail Over Bridge (ROB) at Dronagiri. The foundation of the proposed ROB was to be laid over the underground gas pipelines of five parties. Based on the report of the consultant<sup>2</sup>, a proposal was floated (August 2010) to change the original alignment of the ROB in order to avoid the gas pipelines passing under the foundation. CIDCO, however, decided (August 2011) to proceed with the original alignment, ignoring the practical difficulties of construction of ROB over the gas pipelines. The work was awarded (May 2014) to M/s Supreme Infrastructure India Limited (SIIL) for a contract value of ₹ 43.69 crore. During the survey and geotechnical investigations carried out by SIIL, it was found that the construction of ROB as per the original alignment was not feasible. CIDCO had to terminate (May 2016) the work awarded to SIIL after incurring an expenditure of ₹ 67 lakh which proved unfruitful. CIDCO further awarded (August 2018) the work to M/s J. M. Mhatre Infra Private Limited (JMMIPL) with changed alignment at a higher contract value of ₹ 63.76 crore.

CIDCO accepted the facts and stated that in future due care would be taken to tackle such eventuality.

**4.8.2.3** Another work for construction of ROB near proposed Uran Railway Station was awarded (September 2014) to M/s JMMIPL for ₹ 41.84 crore with completion period of 24 months. Audit observed that the work was held up due

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<sup>2</sup> M/s Wilbur Smith Associates Private Limited.

to Bharat Petroleum Corporation Limited (BPCL) not granting permission for the work of approach road at the location as underground gas pipeline of BPCL was passing below the approach road of ROB. The existence of gas pipeline was visible and CIDCO was aware of the same while awarding the work and should have addressed the concerns of BPCL prior to floating the tender. Although, the work of ROB was completed (February 2019) at a cost of ₹ 38.20 crore, the ROB is yet (August 2019) to be opened for traffic.

CIDCO accepted and stated that due care would be taken in future to tackle such eventuality. They also stated that in future projects, where other departments/agencies are involved, a co-ordination committee would be formed.

- ***Navi Mumbai Metro Rail (NMMR) project***

CIDCO decided (January 2010) to implement NMMR project Line 1 from Belapur to Pendhar (11.10 km) at a cost of ₹ 1,694 crore with scheduled completion in December 2013. CIDCO appointed (July 2011) M/s Louis Berger Inc. as the consultant to supervise the implementation of the work. The cost of the project was revised (August 2017) to ₹ 3,064 crore with revised schedule for completion as May 2019. The expenditure incurred on the project up to August 2019 was ₹ 1,759 crore.

**4.8.2.4** In the instant case, Audit observed that CIDCO decided (May 2010) to invite tender for viaduct work for NMMR Project based on draft Detailed Project Report (DPR) even before the receipt and review of the final DPR which was submitted (October 2011) by Delhi Metro Rail Corporation. As the specification of rolling stock was revised after submission of DPR, there was delay in commencing the viaduct work till finalisation of the specifications (December 2012). The approvals required such as permission from the Railways for crossing over rail lines and shifting of utilities in the alignment of the line were not properly assessed and planned accordingly. Although, the project was scheduled to be completed by December 2013, major works like rail system contracts and approach viaduct works were awarded only in the year 2014 and were yet to be completed (November 2018). As of August 2019, CIDCO had incurred an expenditure of ₹ 1,759 crore on partly completed facilities such as viaducts and elevated stations, which could be put to use only when the entire project is completed.

CIDCO accepted that the project got delayed due to delay in completion of civil works and receipt of various clearances.

- ***Other infrastructure works***

**4.8.2.5** The work of replacing existing 1,200 mm dia prestressed concrete (PSC) pipeline with 1,500 mm dia mild steel (MS) pipeline from Hamrapur Phata to Tarankhop was awarded (September 2014) to M/s SMC Infrastructure Private Limited for ₹ 69.26 crore. The work *inter alia* included laying of 1,500 mm dia MS pipeline from Hamrapur Phata to Water Treatment Plant (WTP) at Jite costing ₹ 34.38 crore. Subsequently, CIDCO decided (March 2016) to change the route alignment of this work citing cross alignment of new pipe with the

existing PSC pipe and encroachments by the villagers and the new route included tunnel boring work. Meanwhile, the contractor laid the pipeline for 4.12 km at a cost of ₹ 23.15 crore leaving the tunnel boring work. CIDCO later proposed (April 2016) to take up the tunnel boring as a separate work through tendering. The work for the tunnel boring was awarded only in November 2018 at a cost of ₹ 27.35 crore after a delay of more than 31 months and only 15 *per cent* of the work was completed (July 2019), thereby resulting in non-commissioning of the pipeline.

CIDCO stated that subsequent to award of work, alternative route was planned due to limitation of existing alignment on account of encroachments. The reply was not convincing as the work should have been awarded only after ensuring the availability of the proposed alignment, after taking into cognisance the ground situations which was not done.

**4.8.2.6** The work of construction of 11 metre wide road of 1,000 metre length including storm water drain around Panje village at Dronagiri was awarded (February 2014) to M/s K.N. Gharat at a cost of ₹ 3.15 crore. Audit observed that immediately after the award of the work, Oil and Natural Gas Corporation Limited (ONGC) informed (March 2014) CIDCO regarding existence of its gas pipeline adjoining the proposed peripheral road and requested to stop the work. The contract was short closed (May 2016) after construction of road of 600 metre length at a cost of ₹ 1.59 crore. Audit observed that CIDCO did not cancel the contract immediately and went ahead with the work even after intimation by ONGC, which resulted in avoidable expenditure of ₹ 1.59 crore.

CIDCO stated that the partly constructed road has established connectivity to arterial road and is now used by villagers, bird watchers *etc.*

### ***Deficiencies in preparation of estimates***

**4.8.3** Estimates are integral part of tendering. It is, therefore, essential that the estimates are realistic to the extent possible. Inaccurate estimates will have bearing on the technical and financial parameters of the bids and may vitiate competitiveness of the bids.

Audit scrutiny revealed that there were significant variations in the quantities of structural steel in respect of works executed at Bamandongari and Kharkopar stations under NUR project. As against tendered quantity of 1,654.41 MT of structural steel, the quantity as per drawing during execution was 2,445.32 MT in Kharkopar railway station resulting in variation of around 48 *per cent* amounting to ₹ 6.24 crore. In Bamandongari station, as against tendered quantity of 1,763.99 MT, the executed quantity was 2,580.88 MT, resulting in variation of 46.31 *per cent* amounting to ₹ 6.23 crore. Similarly, the cost of retaining wall increased from ₹ 1.67 crore to ₹ 3.31 crore (variation of 98.20 *per cent*) and from ₹ 47.47 lakh to ₹ 99.96 lakh (variation of 111 *per cent*) in Bamandongari and Kharkopar railway stations respectively. This indicated that the work was tendered without preparing adequate and proper cost estimates.

CIDCO accepted that the detailed designs were not prepared by the consultant at the initial stage, but was done subsequently when additional work of detailed design consultancy was awarded to them.

### **Award of works**

**4.8.4** In order to ensure transparency in tendering and award of work, prescribed rules, policies and guidelines are to be adhered to ensure fairness and competitiveness in the award of contracts. In the following cases, Audit observed that the laid down policies were not followed:

#### ***Lack of wide publicity to notice inviting tenders***

**4.8.4.1** The GoM directed (October 2013) that for proper publicity of tenders, advertisements for tenders should be published in leading newspapers with highest circulation to enable good response to the tenders. CIDCO adopted (May 2015) the revised policy for advertisement of tenders, wherein, tenders with project cost above ₹ 1 crore had to be released in three newspapers, out of which, one should be in a leading newspaper at the national level. CIDCO also decided that in the case of major projects like NMIA project and NMMR project, advertisements had to be published in leading national as well as in international publications.

Audit observed that in 16 tenders with estimated tender cost of ₹ 50 crore and above, advertisements were not released in leading newspapers at the national level in violation of the laid down guidelines. The advertisements were released in Mumbai edition of English and in vernacular newspapers. Further, global tenders for projects like NMMR and NMIA projects were not published in any international publication. This resulted in poor response to the tenders and lack of competition as only two or three offers were received against 10 tenders.

CIDCO stated that the advertisements were published in leading English and regional newspapers and were also uploaded on their website. CIDCO further stated that e-bid notice would henceforth be published in newspaper having international circulation.

In the following three contracts (out of the above 16) with a total contract value of ₹ 1,581.11 crore, the works were awarded without sufficient competition as observed below.

➤ The contracts for land development works for packages III and IV relating to airport were awarded to M/s GPL for ₹ 699.44 crore at 18 *per cent* above estimated cost and M/s CSJ-GVK for ₹ 804.91 crore at 28.50 *per cent* above the estimated cost.

The quotes of both the parties in packages III and IV were as below.

Package No.	Estimated cost (₹ in crore)	Bid of M/s GPL	Bid of M/s CSJ-GVK
III	592.74	18.20 <i>per cent</i> above	29.50 <i>per cent</i> above
IV	626.39	32.00 <i>per cent</i> above	29.00 <i>per cent</i> above

Audit observed that as only two parties quoted for the aforesaid two packages, there was lack of competition. Both parties got one of the two packages.

➤ In other instance, the work of power supply infrastructure development was awarded (June 2017) to M/s Leena Powertech Engineers Private Limited (LPEPL) for ₹ 76.76 crore at seven *per cent* above estimated cost of ₹ 71.74 crore. It was observed that LPEPL had quoted 29 *per cent* above the estimated cost. During the 2<sup>nd</sup> call and on negotiation, reduced their quote to 16 *per cent* above the estimated cost. As the negotiated rate of LPEPL was very high, CIDCO decided to invite 3<sup>rd</sup> call. In the 3<sup>rd</sup> call, LPEPL quoted 13 *per cent* above the estimated cost and on negotiation, reduced their offer to seven *per cent* above estimated cost though the estimated cost remained same in 2<sup>nd</sup> and 3<sup>rd</sup> call. Besides, in view of the limited response, the Tender Evaluation Committee (TEC), which included MSEDCL official, had recommended (April 2017) to re-invite the tender. The Company, however, did not retender stating (April 2017) that it would further delay the work. Therefore, due to only two bidders (LPEPL and M/s Polycab Wires Private Limited) being in the fray in both 2<sup>nd</sup> and 3<sup>rd</sup> calls, the offer of LPEPL was accepted due to lack of competition.

CIDCO replied that the negotiated offer received from L1 bidder of seven *per cent* above was lower than their earlier offer. The reply is not convincing as despite the TEC recommendation to re-invite the tender, the offer of LPEPL was accepted in the absence of other competitive bidder.

#### ***Award of work to L2 bidder without matching with L1 price***

**4.8.4.2** The tenders for viaduct works for NMMR project comprising length of 9.25 km was invited (May 2010) in two parts *viz.* first part for 4.34 km length and second part for 4.91 km length. The estimated cost of work under the first part was ₹ 167.41 crore and ₹ 184.24 crore for the second part. The offers of M/s J. Kumar Infra projects Limited (JKIL) were the lowest for both the parts. M/s JKIL had quoted 16.19 *per cent* below the estimated cost for the first part and 20.77 *per cent* below the estimated cost for the second part. M/s JKIL was awarded (June 2011) work for only one contract (second part) for ₹ 145.96 crore as the tender contained a clause, as per which, if the L1 bidder was the same in both the contracts, only one work would be awarded to the L1 bidder. Audit observed that CIDCO awarded (July 2011) the first part to M/s NCC Limited (NCC), the L2 bidder for ₹ 158.96 crore (5.05 *per cent* below tender), which was ₹ 18.66 crore more than the L1 bid in the absence of a clause in the tender for matching the L1 bid.

CIDCO in its reply stated that they had followed the standard practice of not awarding more than one/two contracts to the same party to deploy more

competent agencies. The reply was silent on awarding work to L2 bidder without matching the L1 bid.

***Incorrect award of marks for technical evaluation***

**4.8.4.3** As per the tender conditions, the bidders were required to possess work experience of minimum value prior to being technically eligible for opening of price bids. Further, if the prior work was not executed for Central or State Government, only 50 *per cent* of the value of past work was to be considered for the purpose of technical qualification. Audit observed that in six cases with estimated cost of ₹ 890.42 crore, the contractors did not possess the minimum prescribed value of work experience, but were awarded the work as detailed below.

*(₹ in crore)*

Sl. No.	Name of the contractor	Details of the work	Estimated cost	Required minimum amount of work executed as per tender condition	Actual work executed earlier
1	Constructora San Jose-GVK Projects and Technical Services Private Limited	NMIA Land development package IV	626.39	187.92	123.72
2	D. G. Belhekar & Co.	Targhar Railway Station	103.08	51.54	41.04
3	Kalpana Struct-Con Private Limited	Kharkopar Railway Station	56.74	28.37	24.57
4	P D Earthmovers	Land development at R&R site in Sector 25 and 25 A at Vahal	55.17	28	8.42
5	P.P. Kharpatil Construction Private Limited	Integrated Development of R&R Pocket-I (North) up to stage-I at Vadghar (Part-A)	32.97	16.49	12.87
6	Vishal Construction	Construction of RCC bridges across Taloja river	16.07	12.86	12.06
<b>Total</b>			<b>890.42</b>		

In respect of work pertaining to land development (package IV) of NMIA awarded (September 2016) to M/s Constructora San Jose-GVK Projects and Technical Services Private Limited (CSJ-GVK), the lead JV *viz.* M/s CSJ-GVK was required to possess a minimum work experience of ₹ 187.92 crore against which, the lead JV possessed work experience of ₹ 123.72 crore (50 *per cent* of previous work executed of ₹ 247.43 crore, as the work was not executed for Central or State Government).

Audit observed that in the case of works awarded to M/s D.G. Belhekar & Co. (DGBC) and M/s Kalpana Struct-Con Private Limited (KSCPL) relating to construction of Targhar and Kharkopar Railway Stations respectively, to make the contractors eligible for the work, the value of work was brought to current costing level by enhancing the executed value of work at simple rate of seven *per cent* per annum. As per tender conditions for station works, enhancing the executed value of work at the rate of seven *per cent* per annum was applicable only for annual turnover purpose and not for executed value of work. The reason for awarding the other three works (at Sl. No. 4, 5 and 6) to the contractors who

did not possess the minimum prescribed value of work experience was not on record.

Thus, award of contracts by making the contractor eligible by way of enhancing the executed value of work resulted in violation of tender conditions and extension of undue favour to the contractors.

CIDCO replied that M/s CSJ-GVK had executed works for autonomous body of Spain. In case of work awarded to M/s P.P. Kharpatil Construction Private Limited (PPKCPL), CIDCO stated that the contractor had carried out the work of ₹ 32.76 crore earlier. In case of works awarded to M/s DGBC and M/s KSCPL relating to construction of Targhar and Kharkopar Railway Stations respectively, it was stated that the cost was escalated and brought to current cost level by enhancing the value of work at the rate of seven *per cent* per annum. The reply was not tenable as in the above cases, the marks were awarded in deviation from the criteria laid down, which resulted in award of contracts to ineligible bidders.

***Award of contract by waiving marking criteria for technical qualification***

**4.8.4.4** As per the criteria for eligibility of qualification of bidders, contracts with cost of ₹ 15 crore and above have to be technically evaluated by awarding marks for selected parameters and technical qualification was to be based on the total marks awarded subject to a minimum of 75 marks. Marking criteria would help CIDCO in proper evaluation of the technical experience and financial capacity of the contractor in executing the work. Audit observed that in seven contracts with estimated cost above ₹ 15 crore, the bidders were technically evaluated by dispensing with the marking system for technical qualification of the bidders as shown in the table below:

**(₹ in crore)**

Sl. No.	Name of the contractor	Details of the work	Estimated cost of the work
1	Thakur Infraprojects Private Limited and J. M. Mhatre Infra Private Limited (JV)	Land development (package I and II)	544.89
2	P. P. Kharpatil Constructions Private Limited	Integrated development of R&R pocket Vadghar	32.97
3	J.M. Mhatre Infra Private Limited	Integrated development in Sector 4 to 10 Pushpak Nagar	157.95
4	Thakur Infraprojects Private Limited	Integrated infrastructure development Sector 27	19.08
5	P.P. Kharpatil Constructions Private Limited	Integrated works in Sector 24 of Vahal	16.55
6	P. D. Earthmovers	Integrated development works in Sector 25 and 25A of Vahal	62.40
7	P.P. Kharpatil Constructions Private Limited	Development of infrastructure work stage II in 20, 21 and 23	17.12
	<b>Total</b>		<b>850.96</b>

CIDCO stated that in the physical infrastructure works, marking system was not applicable. The reply was not tenable as the guidelines for notice inviting tenders with estimated cost of ₹ 15 crore and above had two bid system with mandatory eligibility criteria and scoring minimum stipulated marks which were not adhered to.

### ***Changes in conditions after floating Request for Proposal***

**4.8.4.5** A transparent tendering process should ensure that the tender conditions are not changed after floating of tender/Request for Proposal (RFP). In case the tender conditions are changed subsequent to floating of tender/RFP, the tender/RFP should be floated afresh to ensure transparency and competitiveness. As per e-tendering manual of CIDCO, in case of changes in the tender conditions, fresh tender was to be issued.

Audit observed that against the RFP floated (January 2013) for rail system contract, nine parties had purchased the RFP documents. Based on the queries from the parties, CIDCO subsequently changed (October 2013) the original conditions regarding period of contract from 18 months to 30 months and regarding payment from Indian Rupee (INR) to multiple currencies. Subsequently, three bidders (consortium) submitted (October 2013) their bids. The rail system contract was awarded (August 2014) to M/s AnTaCs Consortium (Ansaldo STS SpA, TATA Projects Limited and CSR Zhuzhou Electric Loco. Co. Limited), the L1 bidder for ₹ 1,328 crore (30.17 per cent above estimated cost). As critical tender parameters like period of contract and terms of payment were changed subsequent to invitation of RFP, CIDCO should have published fresh advertisement calling for RFP to ensure transparency and competitiveness in the bids.

CIDCO replied that the modifications were made in the bid documents as per request of the bidders and was done before submission of the offer. The reply was not convincing as the changes were incorporated after purchase of RFP by the bidders which limited participation by other parties.

### ***Irregular withdrawal of letter of acceptance to L1 bidder***

**4.8.4.6** CIDCO issued (June 2016) Letter of Acceptance (LoA) to the L1 bidder M/s Associated Soap Stone Distributing Company Private Limited-Supreme Infrastructure India Limited (JV) (ASDCPL-SIIL) for Land Development (package I) for NMIA project at their quoted rate of ₹ 203.53 crore (9.81 per cent below the estimated cost of ₹ 225.67 crore). Similarly, for package II, ASDCPL-SIIL was the L1 bidder for ₹ 194.15 crore (14.71 per cent below the estimated cost of ₹ 227.63 crore). CIDCO, while issuing the LoA to ASDCPL-SIIL for package I, demanded additional security deposit (ASD) equivalent to five per cent of the contract value (₹ 10.18 crore), citing that their offer was 9.81 per cent below the estimated cost put to tender. As per the tender conditions, ASD was to be demanded on account of unbalanced bids only when the offer received was below 15 per cent of the estimated cost.

Audit observed that CIDCO in contravention of the tender conditions, withdrew (August 2016) the LoA issued for package I, citing delay in submitting contract deposit and non-furnishing of ASD and also cancelled the bid received for package II. The two works under package I and II along with Ulwe river diversion were later clubbed and awarded (June 2017) to M/s Thakur Infraprojects Private Limited-J.M. Mhatre Infra Private Limited (JV) for ₹ 529.37 crore (2.85 per cent below the estimated cost of ₹ 544.89 crore).

CIDCO replied that the withdrawal of work from ASDCPL-SIIL was on account of non-submission of contract deposit as well as ASD within the stipulated time. The reply was not tenable as the ASD was to be demanded only when the offer received was below 15 *per cent* of the estimated cost, while in the instant case, CIDCO had received offer which was only 9.81 *per cent* below the estimated cost put to tender. The legal counsel of CIDCO had also opined (August 2016) that ASD was not to be insisted as the rate for package I was 9.81 *per cent* below the estimated cost.

***Award of additional works to existing contractors without tendering***

**4.8.4.7** As per the GoM resolution (August 2010), works valuing ₹ 50 lakh and above had to be awarded only after calling for tender. Further, as per the e-tendering manual of CIDCO, any work/purchase having value of ₹ 3 lakh and above should be awarded only after calling for tender. Audit observed in 10 cases with a total contract value of ₹ 429.89 crore, the existing contractors were awarded additional works valuing ₹ 69.38 crore at different work sites without inviting tenders, violating the extant guidelines, as shown in the table below.

*(₹ in crore)*

Sl. No.	Name of Contactor	Name of the work	Value of original work awarded	Value of additional work awarded at a different site
1	P. D. Earthmovers	Integrated work for R&R Sector 25 and 25A	45.18	3.14
2	P. D. Earthmovers	Land development for R&R Sector 25 and 25A at Vahal	45.61	17.19
3	P. D. Earthmovers	Land development Sector 24 at Vahal	21.79	1.25
4	J.M. Mhatre Infra Private Limited	Integrated development Sector 4 to 10 Puspak Nagar	107.85	10.26
5	Thakur Infraprojects Private Limited	Land development near Dapoli (part II)	50.98	4.87
6	J.M. Mhatre Infra Private Limited	Land development near Dapoli (part I)	51.18	16.93
7	Shree Venkateshwara Infrastructures Private Limited	Integrated development of road from Pandavmarg	14.76	0.59
8	P. D. Earthmovers	Area reclamation of Sector 5A and 6 at Karanjade	23.31	12.97
9	Kalpana Struct-con Private Limited	Construction of S&T rooms at Targhar railway station	67.43	0.50
10	Hiten Sethi & Associates	Preparation of detailed structural design for three railway stations	1.80	1.68
	<b>Total</b>		<b>429.89</b>	<b>69.38</b>

CIDCO replied that in case of integrated infrastructure works, land development works, construction of rooms at Targhar railway station and preparation of detailed structural design for railway stations, the contractors were awarded additional works to compensate them for non-availability of work sites in the originally awarded scope and due to urgency of work.

The reply was not convincing as award of works to compensate the contractors for reduction in scope of original work was contrary to the laid down guidelines.

***Non-invitation of fresh tenders despite revision in bill of quantity***

**4.8.4.8** A transparent and competitive tendering system requires that the layout and drawings of the work to be tendered has been firmed up and bill of quantity of the work estimated before the tendering process commences. Audit observed that in the work of development of land for Rehabilitation and Resettlement (R&R) site at Vahal awarded (February 2015) to M/s P.D Earthmovers for ₹ 21.79 crore, the bill of quantity was revised upwards due to revision in layout and drawing after opening of bids and prior to award of the work.

Audit observed that the layout was modified by CIDCO in January 2015 prior to the issue of work order. The revised layout resulted in additional filling of 57,240 cum and change in reclamation level leading to additional quantity of 2,11,139 cum resulting in variation of ₹ 7.83 crore (36 per cent of the awarded cost). The total cost of work including variation was ₹ 29.62 crore for 22 hectare. As these major changes in drawing, layout and bill of quantities were known prior to the award of work, fresh tender should have been invited for ensuring competitive bidding and transparency. Audit, however, observed that fresh tenders were not invited and contract was awarded on the basis of original tender.

CIDCO replied that due to frequent modifications in the layout plan, the variations had cropped up which increased the cost. The reply was not convincing as the frequent modifications in layout after tendering the work indicates poor planning and inadequate survey of the work site prior to tendering the work.

**Execution of works**

***Internal control and monitoring***

**4.8.5** Internal control is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation. It is, thus, imperative that the progress of the works is reviewed periodically by CIDCO and corrective actions are taken promptly. Besides, payments to contractors and consultants also need to be strictly governed as per the contract conditions to avoid granting of any undue favour to the contractors and consultants.

CIDCO had not implemented Information Technology (IT) based monitoring system for engineering works and projects, which would have facilitated the Management to receive real time project related information to enable them to take timely and appropriate action on critical issues.

CIDCO appraised that it was in the process of implementing IT based monitoring system.

The instances of delay in execution of works due to lack of internal control and monitoring, as observed by Audit, are discussed below.

**Delays in NMMR project**

**4.8.5.1** The NMMR project was scheduled to be completed in December 2013. There was delay in completion of the works and revised probable completion period had been fixed as May 2019. The details of works awarded, due date of completion of works and the status of completion of works as at January 2019 for the NMMR project is as under:

Sl. No.	Name of work	Name of the contractor	Awarded cost (₹ in crore)	Date of award	Due date of completion	Completion of work as at January 2019 (in per cent)
1	Elevated six stations	Sanjose-Mahavir-Supreme consortium	179.17	31/08/2012	30/06/2014	56.70
2	Elevated five stations	Sanjose-Mahavir-Supreme consortium	141.99	06/07/2012	05/05/2014	64.78
3	Elevated six stations	Prakash Constrowell	127.00	17/10/2017	16/07/2018	27.00
4	Elevated five stations	Buildrite Construction, Univastu India Limited and J. Kumar Infracore Limited	126.40	14/11/2018	13/08/2019	11.00
5	Viaduct for 4.34 Km	NCC Limited	158.96	01/07/2011	30/06/2013	95.00
6	Viaduct 4.91 Km	J. Kumar Infracore Limited	145.96 69.73	22/06/2011	21/06/2013	88.00
7	Approach Viaduct to Depot	J. Kumar Infracore Limited	67.99	02/05/2014	01/08/2015	100.00
8	Depot work	J. Kumar-CRTG JV	139.21	20/02/2013	19/02/2015	100.00
9	Rail system contract	AnTaCs Consortium	1,327.75	01/08/2014	31/01/2017	45.00

It could be seen from the above table, the NMMR project has been delayed mainly on account of delay in completion of station works attributed to the poor financial condition of the contractor. According to the original stipulated period of completion of May-June 2014, the contractor could complete only 36 and 38.59 per cent of the station works in respect of six elevated stations (Sl.No.1) and five elevated stations (Sl.No.2) respectively. CIDCO, however, terminated the works in February 2017 and December 2017 respectively. The delay in termination of station works by more than 31 and 41 months respectively had a cascading effect on the completion of station work and related rail systems work also. Further, the balance works for elevated five stations for the terminated work at Sl.No.2 were split and awarded to three contractors (Sl.No.4) by CIDCO only in November 2018 which would further delay the completion of the project.

The progress of work by the rail system contractor (Sl.No.9) was also behind schedule resulting in non-completion of two Receiving Sub Station (RSS) works. The delivery of rolling stocks required for the project was also not completed by the rail system contractor, even though the scheduled date of completion of work elapsed in January 2017. CIDCO while granting extension to the contractor stated (July 2017) that the rail system works were delayed on

account of deployment of inadequate resources by the contractor, lack of co-ordination among the consortium partners, delay in construction of RSS building and installation of equipments resulting in delay in supply of power.

In the case of the Viaduct work of 4.91 km (Sl.No.6) awarded to M/s J. Kumar Infraprojects Limited, Audit observed that the work was delayed due to non-completion of the viaduct over the railway crossing at Taloja. Further, the Railways had approved structural steel span for railway crossing and approved the General Arrangement Drawings (GAD) in March 2015. However, due to delay of 18 months on the part of the consultant<sup>3</sup> in finalising the cost of the railway crossing span work, the work could be taken up by the contractor only in December 2016, resulting in delay in completion of the railway span work.

CIDCO accepted that the project got delayed due to delay in completion of civil works and receipt of various clearances.

#### ***Other infrastructure works***

**4.8.5.2** The work of coastal road (60 metre wide) work having 4.5 km length was completed (June 2012) at a cost of ₹ 50.94 crore. The road was lying unutilised for more than six years as the three precast arch bridges on holding ponds, essential part of the road, were not constructed. As the Environment Clearance (EC) for the above work was valid only up to February 2014, CIDCO had to apply for EC afresh (August 2014) while awarding the work in August 2014. EC for the second time was obtained in August 2015 and the site was made available for work only in November 2016 after clearing the mangroves. The construction of precast arch bridges on holding ponds was completed only in January 2019 after which the coastal road was put to use after a delay of more than six years.

While accepting the audit observation, CIDCO stated that due care would be taken in the future.

**4.8.5.3** The work of construction of six to 36 metre wide road of 3.38 km length at Dronagiri including asphaltting, storm water drain, sewer lines and water supply line was awarded (December 2013) to M/s Thakur Infraprojects Private Limited for ₹ 16.31 crore. The contractor could complete only 74 *per cent* of the road work and 71 *per cent* of storm water drain amounting to ₹ 10.27 crore and the work was short closed (December 2015) as the remaining area was covered under mangroves and encroachments.

CIDCO accepted that the work could not be completed due to encroachment and mangroves.

In the absence of monitoring mechanism to watch the progress of the works being executed, a more vigilant monitoring could have either stopped the work earlier or ensured its completion.

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<sup>3</sup> M/s. Louis Berger Inc.

**4.8.5.4** CIDCO awarded (July 2014) the work for construction of 20 million litre per day Sewage Treatment Plant (STP) at Karanjade for ₹ 34.35 crore. Audit observed that though the work of STP was completed by the contractor in May 2017, the same could not be made functional till October 2018 due to non-availability of power supply. Audit observed that although Maharashtra State Electricity Distribution Company Limited had sanctioned the power supply in February 2016 against the application made in December 2015, CIDCO deposited the security deposit of ₹ 15.52 lakh only in December 2016 stating administrative reasons.

CIDCO replied that the plant was commissioned in October 2018 and the delay was attributable to the electricity distribution company. The reply was not convincing as the delay in payment (December 2016) towards application for power supply connection resulted in change in supply parameters such as sanctioning of load and additional security deposit of ₹ 9.02 lakh, which was paid in June 2017 and further delay in commissioning (October 2018) of the plant.

#### ***Mass Housing Scheme (MHS) at Kharghar***

**4.8.5.5** The tenements constructed are required to be sold of expeditiously to the eligible public in order to earn revenue and to avoid deterioration of infrastructure created.

Applications for allotment of tenements/shops of the MHS at Kharghar in 'Valley Shilp' scheme and for allotment of tenements in 'Swapnapurti' scheme were invited by CIDCO in January and August 2014 respectively and draw for allotment was conducted in March 2014 and November 2015.

As against 4,814 saleable tenements in the two housing schemes, allotment letters were issued to 3,733 applicants and possession was handed over to 3,317 applicants. Therefore, even after four years from draw of lots, 1,081 tenements (22 *per cent*) remained unsold. Similarly, out of 216 commercial premises (108 shops and 108 offices) available in these two projects, 199 (92 *per cent*) commercial premises were left unsold till date (November 2018). CIDCO has not framed guidelines/policy relating to the disposal of tenements constructed in MHS. CIDCO had also not prescribed time limits for scrutiny of documents, issue of letter of intent/allotment letters which resulted in inordinate delay in disposal of tenements. It was observed that even after lapse of two years from completion of construction, applications for allotment of 66 number of shops in 'Swapnapurti' scheme were not invited. There was no periodic review by CIDCO of unsold tenements/shops valuing ₹ 634.08 crore to ensure disposal of unsold tenements, thereby defeating the intended objective of providing housing facilities. CIDCO decided (October 2016) to allot unsold tenements in 'Swapnapurti' scheme to waitlisted applicants. The waiting list based on which allotments were made was, however, not on record.

CIDCO accepted the audit observation and stated that the scheme for disposal of unsold/cancelled tenements was underway.

**Payments and recoveries**

**4.8.6** The payments to and recoveries from the contractors should be strictly governed as per the contract conditions. Deviations therefrom result in unwarranted favour to the contractors, besides avoidable expenditure. Instances of such deviations observed by Audit are discussed below.

**Excess payment of mobilisation towards supply**

**4.8.6.1** As per the Rail System contract for NMMR project, interest free payment against mobilisation for supply of equipment and contract spares at the rate of 10 *per cent* was payable on submission of invoice. Audit observed that CIDCO paid (November 2014) ₹ 123.88 crore to M/s AnTaCs Consortium towards mobilisation for supply considering the total contract value of ₹ 1,239 crore which included engineering services to be provided by them. The contract value towards supply portion of equipment was only ₹ 985.55 crore and therefore CIDCO should have paid ₹ 98.55 crore only. This resulted in excess payment towards mobilisation for supply of equipments amounting to ₹ 25.33 crore. Further, CIDCO released the amount in November 2014 without submission of any invoice whereas the supply commenced from January 2016 onwards, resulting in loss of interest of ₹ 14.87 crore<sup>4</sup> due to early release of advance.

CIDCO stated that the payment against mobilisation at 10 *per cent* of the entire rail system price was made as per the contract condition. The reply was not acceptable as the contract price had bifurcated the amount towards supply of equipment and contract spares and service portion, and as such the payment towards service portion should have been excluded as per clause 1.2 of schedule 5 of special conditions of contract.

**Payment of price variation on inadmissible material**

**4.8.6.2** Price variation (PV) is payable to compensate the contractors against increase in the cost of material, fuel and labour components in the contract. In three contracts valuing ₹ 2,033.72 crore pertaining to land developments works for NMIA project, CIDCO paid ₹ 22.08 crore as PV towards material component, although these works were carried out by cutting the hill and filling the low lying area with the rock obtained from the hill as per the scope of the work. The contract wise details of the PV paid in respect of the land developments works are given below:

Sl. No.	Name of the Contractor	Package No.	Awarded contract value (₹ in crore)	Amount of PV paid (₹ in crore)	Period up to which PV paid
1	Thakur Infraproject Private Limited-M/s J.M. Mhatre Private Limited (JV)	I and II	529.37	0.60	December 2017
2	Gayatri Project Limited	III	699.44	15.87	June 2018
3	Constructora San Jose-GVK Projects and Technical Services Private Limited	IV	804.91	5.61	March 2018
	<b>Total</b>		<b>2,033.72</b>	<b>22.08</b>	

<sup>4</sup> At the rate of 12 *per cent* per annum on ₹ 123.88 crore.

As no material was purchased by the contractors from outside source, CIDCO was not liable to pay PV on material. Further the specific documents indicating the basis on which PV was claimed and approved were called for, however, no such documents produced to Audit. Therefore, payment of ₹ 22.08 crore as PV on inadmissible material component was irregular, resulting in undue benefit to the contractors.

CIDCO stated during the Exit Conference (January 2019) that the issue would be examined.

#### ***Non-levy of compensation for delay/liquidated damages***

**4.8.6.3** As per the contract conditions, if the contractor/consultant failed to comply with the time for completion of whole or part of the work, the contractor was to pay to CIDCO, compensation amount calculated at 0.25 *per cent* per week of the contract price up to a maximum of 7.50 *per cent* of the contract price. The condition was to become operative after completion of 25 *per cent* of the work in financial terms or after elapse of 25 *per cent* of stipulated time period of contract, whichever was earlier. In order to levy compensation for delay (CFD)/liquidated damages (LD) for the delays attributable to the contractors/consultants, it was necessary that the delays/disruption in works were analysed in time and reasons/justification for delay worked out with proper documentation.

➤ Audit observed that in 22 contracts with a contract value of ₹ 4,759.94 crore, CIDCO had not recovered CFD amounting to ₹ 185.97 crore (**Annexure 9**), even though the delay in completion of work or not achieving the milestones were attributable to the contractors/consultants. The extensions were granted to the contractors citing non availability of land in case of land development works, monsoon, protest by villagers *etc.* The extension granted without levy of CFD were not justified in case of land development works, as the works in the area in which, land was made available was also not completed/ partly completed on the stipulated dates. Further, in such cases, the completion time was not proportionately reduced as the area to be developed decreased due to non-availability of land.

CIDCO stated that the delays in completion of works were mainly due to delay in receipt of EC/FC, resistance from villagers, increase in scope of work and delay in furnishing drawings to the contractors. The reply was not tenable as the delays were attributable to the contractors even after considering the factors stated by CIDCO. In cases, such as protest by villagers, monsoon period *etc.*, the contract duration was inclusive of monsoon period. No register was maintained by the Divisions showing daily disruption of work with proper documented reasons. Thus, the extension of time was granted as a routine without levy of CFD resulting in undue benefit to the contractors.

➤ As per the scope of work of consultant (M/s Louis Berger Inc) for NMMR project, the consultant had to review DPR and prepare tender documents for various contract packages including rail system, construction supervision including contract administration, safety, quality and environment

aspects and testing and commissioning of entire system. As per contract conditions, LD at the rate of 0.05 *per cent* of the contract value per day subject to a maximum of five *per cent* of the contract value was to be levied for delay on the part of consultant. Audit observed that there was delay of 127 days due to error in alignment of viaduct at junction of two viaduct contracts, delay in decision for cross over and merging/demerging spans for depot approach viaduct work awarded to M/s J. Kumar. Similarly, there was delay of almost 18 months in finalisation of the cost of railway span work at Taloja by the consultant, resulting in delay in commencing the span work. As the aforementioned lapses/delays were attributable to the consultant, CIDCO should have levied penalty amounting to ₹ 3.72 crore<sup>5</sup> as per the contract conditions.

CIDCO accepted and stated that an amount of ₹ 1.10 crore has been retained from their payment and the LD as per contract clause will be finalised towards end of their contract based on lapses attributable to them.

➤ As per the conditions of Request for Proposal for appointment of consultant for Nerul-Uran Railway (NUR) project, if the consultant could not achieve the critical milestone for timely execution of the project, LD at the rate of ₹ 25,000 for each day subject to maximum of five *per cent* of the total fees payable should be levied. Audit observed that subsequent to the award of two railway station works by CIDCO, there was delay in issuance of drawing by 160 days for Kharkopar railway station and 210 days for Bamandongari railway station by the consultant, resulting in delay in completion of railway station works. Further, it was observed that in spite of delay in submission of the deliverables and submission of drawings, CIDCO did not recover penalty amounting to ₹ 14.90 lakh<sup>6</sup> for delays on the part of consultant.

CIDCO accepted that there was delay in submission of drawings by the consultant, however, the reply was silent in respect of non-levy of LD.

➤ Similarly, in respect of work of development of Seawoods railway station in NUR project, LD at the rate of ₹ 1 lakh per day up to a maximum of 90 days was to be levied on M/s Larsen & Toubro Limited (L&T). Though, the delay in construction of Phase-I of Seawoods railway station itself was more than 450 days, CIDCO did not levy and recover penalty of ₹ 90 lakh from the contractor.

CIDCO accepted that the delay was attributable to M/s L&T Limited and stated that ₹ 90 lakh has been recovered from them after being pointed out by audit.

#### ***Non-renewal of insurance cover by the contractors***

**4.8.6.4** As per the contract conditions, the insurance policies for works and contractor's equipment known as Contractor's All Risk (CAR) insurance policy was to cover the period from then date of commencement of work at the site

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<sup>5</sup> Five *per cent* of fees of ₹ 74.39 crore paid till July 2018.

<sup>6</sup> Five *per cent* of ₹ 2.98 crore (original work ₹ 1.31 crore and additional work ₹ 1.67 crore).

until the date of issue of the taking over certificate. Further, it was also prescribed that all the insurance policies were to be kept alive till expiry of defect liability period prescribed in the contract. Audit observed that in seven contracts with a contract value of ₹ 192.02 crore, insurance policies covering an amount of ₹ 204.30 crore were not renewed by the contractors. Non-renewal of the insurance policies by the contractors resulted in unwarranted exposure to risks related to the contracts and violation of the tender conditions.

CIDCO accepted and stated that due care would be taken in future to avoid such eventuality.

***Non-recovery/renewal of performance security***

**4.8.6.5** As per the letter of acceptance, the successful bidder was to pay performance security at five *per cent* of the contract price. Of this, 2.50 *per cent* was contract deposit (CD) in the form of bank guarantee (BG) issued by nationalised bank and remaining 2.50 *per cent* was to be recovered as retention money from the payments made to the contractor. Further, the CD obtained in the form of BG was to be kept valid till the issue of taking over certificates to the contractor.

Audit observed (August 2018) that CIDCO did not obtain BG amounting to ₹ 1 crore in five cases as CD on additional works of ₹ 40.12 crore awarded to contractors. CIDCO accepted that CD on additional work was not obtained from the contractor.

Audit further observed that in five cases, the BG amounting to ₹ 2.64 crore obtained for CD was not renewed (August 2018) by the contractor and had lapsed even though the taking over certificate was not yet issued.

CIDCO accepted and stated that due care would be taken in future to avoid such eventuality.

***Non-issue of taking over certificate and non-preparation of work completion report***

**4.8.6.6** As per the conditions of contract, the concerned engineers of the Division would issue taking over certificate to the contractor after completion of works in all respects. Preparation of work completion report (WCR) was essential as it gives a complete picture of the actual work executed, amount paid to the contractors and date of commissioning of the asset.

Out of the 47 contracts test checked, Audit observed that works in respect of 29 contracts were completed out of which, the taking over certificate were not issued in eight cases. Further, CIDCO had not compiled the data on pending final bills in case of completed works. In none of the 29 completed works, WCR was prepared by CIDCO.

CIDCO accepted and stated that due care would be taken in future.

### ***Non-payment of appropriate stamp duty***

**4.8.6.7** As per the Maharashtra Stamp (Amendment) Act, 2006 (Act) the Stamp Duty (SD) to be levied on the agreements for works contracts up to ₹ 10 lakh was ₹ 100. Further, SD to be levied for agreements for works contracts exceeding ₹ 10 lakh was ₹ 100 *plus* ₹ 100 for every one lakh in excess of ₹ 10 lakh or part thereof, subject to maximum of ₹ five lakh. The Act was amended (April 2015) and the SD to be levied was ₹ 500 for agreements up to ₹ 10 lakh and for agreements exceeding ₹ 10 lakh was ₹ 500 *plus* 0.1 *per cent* of the amount above ₹ 10 lakh subject to maximum of ₹ 25 lakh. Audit observed that in 11 cases, the SD paid by the contractors was not as per the prescribed rate, resulting in short-payment of ₹ 14.99 lakh to the exchequer. Out of the 11 cases mentioned above, in seven cases, the contractors were awarded additional works over and above the original contract for which no formal agreement was entered into resulting in non-payment of SD.

CIDCO accepted and stated that due care would be taken in future.

## **Conclusion and Recommendations**

CIDCO was incorporated to undertake development works and provide social and physical infrastructure, mainly in Navi Mumbai and adjoining areas. There was approximately 30 *per cent* increase in expenditure incurred on infrastructural works from ₹ 706.04 crore in 2013-14 to ₹ 920.10 crore in 2017-18 and was approximately 61 *per cent* against the budget.

The infrastructure works carried out by CIDCO did not emerge out of a systematic and comprehensive plan. CIDCO did not prepare any long, medium or short-term plans for the infrastructure works with the result that the proposals for infrastructure works were sanctioned on a case to case basis. CIDCO did not take adequate steps at the planning stage itself to synchronise various works so as to avoid delays in commencement and completion of projects and works. Wide publicity was not given to the tenders and there was lack of transparency in award of work as cases of award of work to ineligible parties were noticed. Further, additional works of significant contract value were awarded to the existing contractors without inviting fresh tenders.

CIDCO had not implemented Information Technology (IT) based monitoring system for engineering works and projects, which would have facilitated the Management to receive real time project related information to enable them to take timely and appropriate action on critical issues. Various instances of delay in execution of works and excess payments to and short recoveries from the contractors were noticed.

CIDCO should address these issues urgently so that their project management and procedures are streamlined to achieve their objective of infrastructure development more economically, efficiently and effectively.

***It is recommended that:***

- ***CIDCO may ensure adequate planning, proper survey, feasibility study and preparation of realistic estimates prior to tendering the works in order to ensure that there is no delay during execution and the work is completed within the stipulated timeframe and on economic cost.***
- ***Proper co-ordination may be ensured where other departments/agencies are involved at the planning stage itself to avoid delays at the execution stage.***
- ***CIDCO should invariably ensure wide publicity to their tenders as per their policy to ensure competitive participation. CIDCO may also prepare a comprehensive database of contractors including global players for disseminating tenders for major works.***
- ***CIDCO should strictly implement its laid down policy for tendering and award of work to ensure transparency in the tendering process.***
- ***Payments to the contractors may be made strictly as per the terms of contract and extension of time limit for execution of work may be allowed only after recording grounds for delay with justifiable and documented analysis.***

The matter was reported to the Government (November 2018); their reply was awaited (March 2019).