

## Internal Controls and Decision Making within the OC

*By 2009, it had become abundantly clear that the conduct of the XIX CWG would be totally funded by the Government. Even the earlier claim of the OC that it would be a revenue neutral exercise, let alone be revenue surplus, had been debunked. Since funds were flowing from Government coffers it was essential for the OC to follow procedures laid down by Government for such expenditure. The OC had enough experienced Government officers to ensure the same. Nevertheless, we found that the internal control environment and decision making structures within the OC were highly inadequate.*

- *The processing of certain sensitive contracts/ cases was allocated in an arbitrary and ad hoc manner to certain officials who had no linkages with the concerned Functional Area; such action diluted the process of due diligence and scrutiny.*
- *The state of documentation in the OC (especially with regard to contracting for goods and services) was so inadequate that we are unable to derive assurance as to either the authenticity or the completeness of records. In particular, documentation of the minutes of the meetings of the Executive Management Committee (EMC) is such that there is a possibility of these minutes being prepared as an afterthought to fill in gaps in approval.*
- *We found numerous instances of contracts not being subjected to the required taxation and legal advice/ vetting; even where offered, such advice and vetting was deficient and failed to protect the interests of the OC. OC's handling of tax-related issues was extremely poor; in 19 contracts, OC irregularly agreed to bear tax liability on behalf of the vendor. The financial advice function was, in effect, dispensed with from November 2008. The internal audit and vigilance set-ups were also rendered ineffective.*

*Contract management by the OC was irregular and deficient:*

- *We are not certain about the total number of contracts and work orders awarded by the OC. The state of contract documentation is such that we are not sure of the entire sequence of events leading to award of contracts. We are also unable to ascertain complete contract-wise payments and outstanding liabilities for each contract.*
- *There was avoidable bunching of high value contracts in 2010, particularly in the second and third quarters. The argument of urgency was used to obviate the regular process of tendering for award of contracts. This seriously compromised transparency and economy.*
- *There were numerous instances of single tendering, award on "nomination basis", award of contracts to ineligible vendors, inconsistent use of restrictive Pre-*

*Qualification (PQ) conditions to limit competition to favour particular vendors, inadequate time for bidding, cancellation and re-tendering of contracts, and inexplicable delays in contract finalisation.*

*The OC-IOA relationship was blurred. This facilitated grant of irregular benefits to IOA at the expense of the OC/ GoI through funding of huge delegations for the Beijing Olympics 2008 Study Observer Programme and the 2008 ANOC meeting, getting the IOA Bhawan fully furnished and renovated at OC's cost, and other additional irregular payments for IOA's "property rights" over the Indian contingent and grant for training and preparing Indian athletes (which was actually done by the GoI).*

*The OC hired a multiplicity of external consultants and advisors. We found numerous deficiencies in the procedures for appointment and management of consultancy contracts. Most consultants were appointed on nomination basis and did not have formal contracts, nor were consultancy payments linked to deliverables. In many cases, detailed scope of work was also not drawn up.*

*Detailed findings are presented in the relevant area specific chapters.*

## 7.1 Structure/Activities of OC

Broadly, the operational structure of OC was as follows:

Figure 7.1 – Organisational Structure of OC

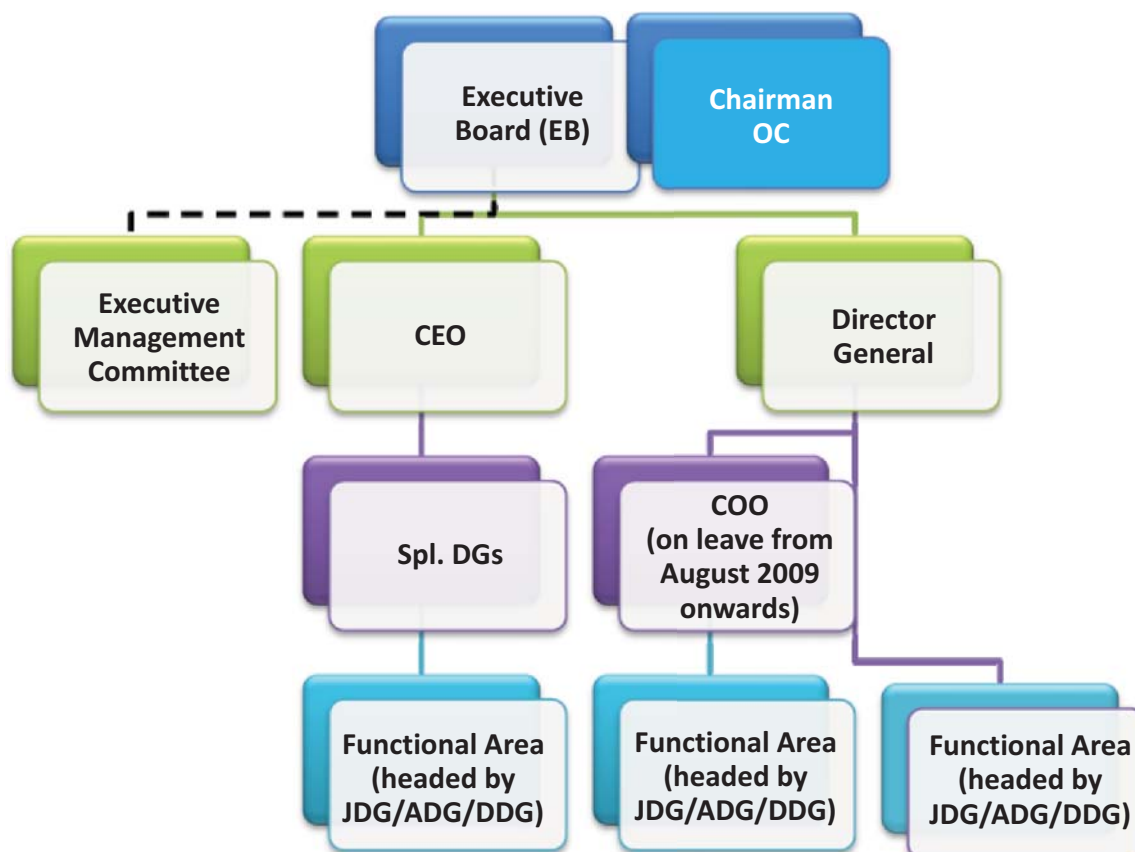
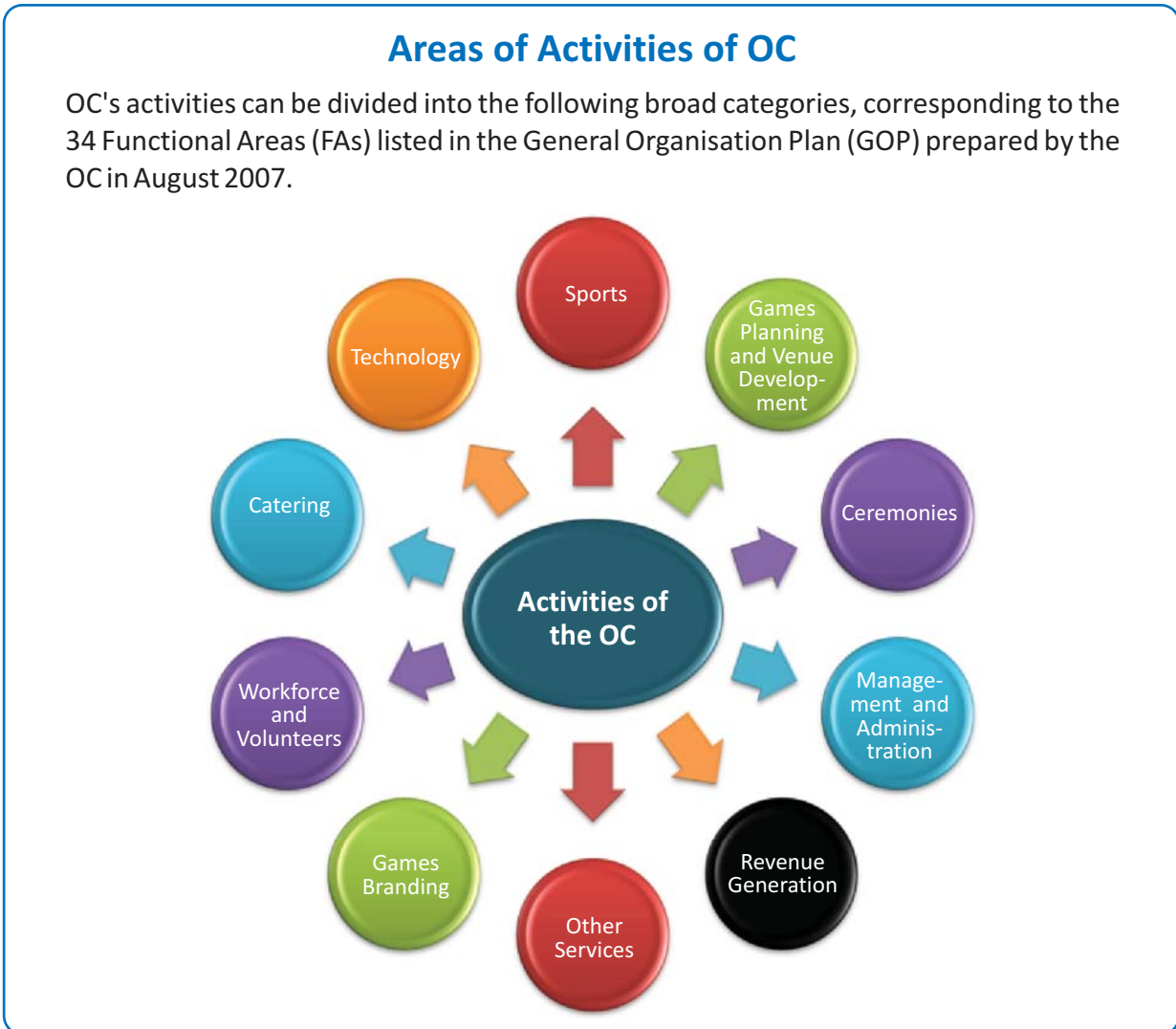


Figure 7.2 – Activities of OC



Section - C  
Conduct of the  
Games-Organising  
Committee

The scope of work in each Functional Area is delineated below:

Table 7.1 – Functional Areas of OC

Activity Group	S No	Name of the Functional Area	Scope of Work
Games Planning and Venue Development	1	Games Village Development and Operations	<ul style="list-style-type: none"> <li>■ Arranging and providing accommodation to athletes and team officials at the Games Village as per HCC and also planning for legacy while developing the Games Village; an</li> <li>■ Providing a safe, secure, comfortable and welcoming environment at the Games Village.</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
	2	Venue Development and Operations	<ul style="list-style-type: none"> <li>■ Providing venues with facilities of the highest international sports standards and catering to the needs of various stakeholders witnessing the events at Games Time; and</li> <li>■ Integrating all the Functional Areas in the planning process by communicating the roles and obligations expected from them during Games Time.</li> </ul>
	3	Legacy	<ul style="list-style-type: none"> <li>■ Developing a detailed legacy plan for the Games.</li> </ul>
Catering	4	Catering	<ul style="list-style-type: none"> <li>■ Providing food and beverage services to all constituent groups at all competition and non competition venues and the Games Village; and</li> <li>■ Meeting the special dietary requirements of its customers in the best possible manner.</li> </ul>
Ceremonies	5	Ceremonies	<ul style="list-style-type: none"> <li>■ Conducting successfully the opening and closing ceremonies that are unparalleled and unmatched by previous CWGs; and</li> <li>■ Promoting the spirit of the CWG through a variety of cultural events.</li> </ul>
	6	Queen's Baton Relay	<ul style="list-style-type: none"> <li>■ Enhancing visibility and promoting popularity of the CWG amongst local communities in all Commonwealth countries and in different parts of India.</li> </ul>
Games Branding	7	Image and Look	<ul style="list-style-type: none"> <li>■ Ensuring consistency in the image and look for the Games ; and</li> <li>■ Providing design assistance to various functions.</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
	8	Press Operations	<ul style="list-style-type: none"> <li>Promoting a positive image of India by working closely with the domestic and international media and ensuring their support and involvement in the Games ; and</li> <li>Coordinating the media activities at the Main Press Centre, Venue Media Centres (VMCs) and the Games Village.</li> </ul>
	9	Communications	<ul style="list-style-type: none"> <li>Developing an effective publicity and communications program to position the event as a prestigious, exciting 'must attend' for potential domestic and overseas attendees; and</li> <li>Creating and maintaining high levels of awareness about the sports program, the Games Village and other sites.</li> </ul>
Technology	10	Technology	<ul style="list-style-type: none"> <li>Providing a robust and tested technology platform for the staging and conduct of the Games and delivery of all timing, scoring, and on-venue results systems and downstream applications; and</li> <li>Offering a range of applications and solutions to all Functional Areas of the OC for games planning and execution with a focus on meeting specific requirements within budget.</li> </ul>
Sports	11	Sports	<ul style="list-style-type: none"> <li>Planning for all sports in the areas of sport entries, sport results, scoring and timing and the development of the competition schedule;</li> <li>Providing policy and operational support for all sports including regulations for sports, provision of equipment, training facilities etc; and</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
			<ul style="list-style-type: none"> <li>■ Planning and implementing the presentation of sports medal ceremonies.</li> </ul>
	12	<b>Medical and Doping Control</b>	<ul style="list-style-type: none"> <li>■ Creating an effective and high quality health care program for athletes and the Games Family; and</li> <li>■ Ensuring prompt and efficient medical care including the availability of first-aid and other emergency medical services for spectators at competition venues.</li> </ul>
	13	<b>Protocol</b>	<ul style="list-style-type: none"> <li>■ Ensuring compliance with the protocol as defined by the CGF across all functions and events.</li> </ul>
<b>Workforce/ Volunteers</b>	14	<b>Workforce</b>	<ul style="list-style-type: none"> <li>■ Attracting and recruiting appropriate and adequate personnel as per the requirements specified by various functions;</li> <li>■ Ensuring that the workforce members are assigned and informed about their respective roles and responsibilities;</li> <li>■ Delivering an effective volunteer program for the Games.</li> </ul>
<b>Other Services</b>	15	<b>Accommodation</b>	<ul style="list-style-type: none"> <li>■ Providing accommodation to stakeholder groups, VIPs, CGAs, International Federations etc. outside the Games Village.</li> </ul>
	16	<b>Accreditation</b>	<ul style="list-style-type: none"> <li>■ Providing accreditation to eligible and authorised individuals as per the CGF guidelines; and</li> <li>■ Limiting participants' access to only needed areas.</li> </ul>
	17	<b>Cleaning and Waste Management</b>	<ul style="list-style-type: none"> <li>■ Controlling cleaning and waste management services for all constituents groups at venues and the Games Village; and</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
			<ul style="list-style-type: none"> <li>Contributing to the achievement of environmental and sustainability objectives through an Integrated Waste Management Plan.</li> </ul>
	18	Logistics	<ul style="list-style-type: none"> <li>Working in collaboration with the Procurement Functional Area to store goods and material as and when they are delivered; and</li> <li>Facilitating transportation and delivery of goods and materials in the venues and the Games Village from the central warehouse.</li> </ul>
	19	Security	<ul style="list-style-type: none"> <li>Providing a cohesive framework for Games security to all Games participants and visitors; and</li> <li>Coordinating initiatives with relevant security agencies to deliver effective, professional, unobtrusive, friendly and helpful security for all Games participants and visitors.</li> </ul>
	20	Spectator Services	<ul style="list-style-type: none"> <li>Ensuring a safe and enjoyable CWG experience for all spectators by providing information assistance and support services.</li> </ul>
	21	Sustainability and Environment	<ul style="list-style-type: none"> <li>Adopting environmental best practices and minimising the negative impact of the Games on the environment.</li> </ul>
	22	Transportation	<ul style="list-style-type: none"> <li>Providing efficient, punctual and safe transport services to athletes and team officials etc;</li> <li>Coordinating with the Transport Department (GNCTD), DTC and DMRC to provide adequate transport arrangements; and</li> <li>Developing a traffic management plan with a view to building capacities to meet defined service levels.</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
Management and Administration	23	Procurement	<ul style="list-style-type: none"> <li>■ Planning and procuring goods and services as per defined timelines, locations and quantities; and</li> <li>■ Developing plans for return and disposal of surplus materials in the post-Games phase.</li> </ul>
	24	Coordination and Government Relations	<ul style="list-style-type: none"> <li>■ Managing information flow between Government Agencies and the OC; and</li> <li>■ Ensure compliance with the clauses of the Host City Contract with respect to the views of the CGF Co-ordination commission.</li> </ul>
	25	Finance and Accounts	<ul style="list-style-type: none"> <li>■ Developing the general Games Budget and relevant Annual Budgets;</li> <li>■ Monitoring revenue and expenditure vis-à-vis the budget; and</li> <li>■ Ensuring economy measures and clearing payments to vendors after due diligence.</li> </ul>
	26	Legal	<ul style="list-style-type: none"> <li>■ Protecting the interests of the OC in negotiation and preparation of all agreements; and</li> <li>■ Providing advice and assistance on all legal matters to the OC and various Functional Areas.</li> </ul>
	27	Office Administration	<ul style="list-style-type: none"> <li>■ Providing administrative support services (transport, workforce, IT etc) to the OC for ensuring the smooth functioning of various Functional Areas; and</li> <li>■ Ensuring expansion of office as per operational requirements.</li> </ul>
	28	Risk Management	<ul style="list-style-type: none"> <li>■ Developing a risk management framework for the OC; and</li> <li>■ Assigning responsibilities and defining timelines for development of mitigation plans for the key risks.</li> </ul>



Activity Group	S No	Name of the Functional Area	Scope of Work
	29	CGA Relations	<ul style="list-style-type: none"> <li>■ Establishing and maintaining relations with the CGF and CGAs and provide timely communication for the efficient conduct of the Games; and</li> <li>■ Ensuring provision of all required services including accreditation, accommodation, transport etc to CGF/CGA attendees.</li> </ul>
Revenue Generation	30	Sponsorship	<ul style="list-style-type: none"> <li>■ Working closely with the sponsorship agent to achieve the budgeted sponsorship revenues (Cash and Value in Kind); and</li> <li>■ Monitoring provision of agreed support services to sponsors at the venues with respect to hospitality, venue signage, recognition, ticketing, accreditation, accommodation etc.</li> </ul>
	31	TV Rights	<ul style="list-style-type: none"> <li>■ Facilitating the TV rights sales in India and overseas to generate maximum possible revenue; and</li> <li>■ Overseeing and monitoring the tendering and negotiations process conducted by the broadcasting rights sales agents.</li> </ul>
	32	Broadcasting	<ul style="list-style-type: none"> <li>■ Providing a strong platform for the sale of TV, radio and other broadcast related rights; and</li> <li>■ Coordinating the activities of broadcasters at the International Broadcasting Centre, VMCs and the Games Village.</li> </ul>
	33	Ticketing	<ul style="list-style-type: none"> <li>■ Developing a ticketing strategy for the sale and distribution of tickets; and</li> <li>■ Managing the distribution and sales of tickets directly with key stakeholder groups including CGAs, IFs, sporting bodies, tour operators and sponsors.</li> </ul>

Activity Group	S No	Name of the Functional Area	Scope of Work
	34	Merchandising & Licensing	<ul style="list-style-type: none"> <li>Identifying the product range to be covered under the Merchandising and Licensing programme; and</li> <li>Identifying, selecting and contracting with the commercial partner for the production and distribution of merchandise.</li> </ul>

## 7.2 Internal Control Environment

### 7.2.1 Overview

Internal controls are actions taken by management to provide reasonable assurance that the organisation's risks have been managed, and that the organisation's goals and objectives will be achieved efficiently and economically.

In the case of the OC, it was critical to put in place a robust and adequate internal control framework, since the OC was not established either as a Government Department/ entity or a PSU (which would have automatically been required to comply with existing internal control and governance frameworks). Such an internal control framework would have required, at the minimum, the following:

- Clear delineation of roles and responsibilities (with commensurate delegation of powers);
- Prescribed procedures for processing, approval and documentation of decision-making at various levels;
- Appropriate budgetary controls and financial sanctions/ Authorisation for

Expenditure (AFE), supported by concurrent financial advice and examination;

- Comprehensive procedures for procurement of goods and services, which promote competition, transparency and economy;
- Procedures for verification and processing of payments, and preparation of financial statements;
- Professional scrutiny (from the legal, taxation and other perspectives) of draft contracts and other legal documents and other arrangements for ensuring compliance with applicable legal and statutory requirements; and
- Oversight arrangements, including effective vigilance mechanisms, and external and internal audit arrangements.

We found that the internal control framework within OC was inadequate and ineffective, as described below.

### 7.2.2 Irregular distribution of work relating to sensitive contracts

We found that the processing of certain sensitive contracts/ cases were entrusted in an arbitrary and ad hoc manner to certain officials closely associated with Shri Kalmadi and Shri Bhanot. Such officials had no role/ linkages with the concerned Functional Area to which these activities pertained. Such action leads to the inescapable conclusion

that it was done to facilitate approval of contracts/ cases without the required due diligence and scrutiny of the prescribed authorities. It also ensured that the trail of decision making and accountability was difficult to establish. Many of these contracts/ cases also involved impropriety, irregularity and lack of transparency, which have been discussed in the area-specific sections of this report.

*Table 7.2 — Irregular Distribution of Work to Certain Officials*

Person	Official Position	Contracts/ Cases with which irregularly associated
<b>TS Darbari</b>	JDG (Revenue Marketing and Chairman's Secretariat)	■ QBR Launch Ceremony, London
<b>Sanjay Mohindroo</b>	DDG (Technology Marketing)	■ QBR Launch Ceremony, London
<b>Sangeeta Badhwar</b>	PO/ Director/ DDG (Chairman's Secretariat)	■ Beijing Olympics 2008 Study Observer Group
<b>Harish Sharma</b>	OC member (not employee)	■ Accommodation for Beijing Olympics 2008 Study Observer Group
<b>RK Sacheti</b>	Head of Co-ordination and Government Relations Functional Area	■ Youth Games QBR (Hoardings); ANOC Beijing Meeting; Ceremonies (booking of accommodation and selection of Wizcraft)
<b>AK Kesari</b>	DDG (SG's Secretariat)	■ Accommodation for international consultants; Sports Presentation (selection of GBE)

7.2.3 Documentation

**Documentation within OC**

**In our Study Report of July 2009, we had observed that there was considerable scope for improvement in the documentation and filing systems within OC, and systematic procedures for documentation and filing were essential, especially those relating to correspondence with different agencies; recording of decisions on different activities; and version control over planning and implementation documents. OC has obviously ignored our recommendations.**

The state of documentation in the OC was so inadequate, that we are unable to derive assurance as to either the authenticity of the records, or their completeness. In particular, documentation with regard to contracting for goods and services was extremely poor. Even the instructions of November 2009 issued by the CEO for proper filing and documentation were ignored. Thus, accountability for decisions and acts of omission/commission cannot be easily ascertained. It also made the process of decision making non-transparent.

Instances of poor documentation included:

- Index/ registry of files (with numbering) not maintained; custody of files not specified;
- Files not page-numbered/ incomplete; many “part” files; in many cases, files were just a collection of loose sheets; notings and documents found missing in a selective manner;

- Many files produced to us were “created” from photocopies by collecting “relevant” documents from various sources, originals for which were not traceable;
- In many cases, correspondence was handled and decisions taken on e-mails from personal e-mail IDs (and not the official OC e-mail account), and print-outs of e-mails were not uniformly kept in files;
- Most officials, especially higher management, signed records without date;
- Different signed versions of minutes of the same meetings; and
- Inadequate/no documentation of file movement; some files which were reported “missing” were found in unexpected locations (e.g. Chairman and Treasurer's Offices) during our audit and during CBI surveys or searches.

The minutes of meetings of the Executive Management Committee (EMC) exemplify the state of documentation. Till April 2010<sup>1</sup>, these meetings were not numbered, there were no agenda items, and EMC members did not affix the date with their signatures. There were at least 24 instances of minutes for multiple meetings purportedly held on the same date and time for deciding different issues. In an extreme example, 7 meetings were recorded to have been held on the same date and time, but on different issues.

<sup>1</sup> After SDG(F&A) became an EMC member in April 2010, there was a remarkable improvement in documentation of EMC minutes, which could be relied upon.

**We are unable to derive assurance that these EMC meetings were actually held, or the records produced to us are complete and authentic; it is possible that these EMC minutes were prepared as an afterthought to fill in gaps in documentation and approval.**

#### 7.2.4 Financial, taxation and legal advice/ vetting

We found that legal vetting was not conducted by the legal Functional Area in more than 50 percent of the contracts; in a few cases, the legal vetting was actually done after the contract was signed. The quality of taxation and legal vetting was also deficient, as it failed to safeguard the interests of OC (e.g. by ignoring provisions for penal clause, performance guarantees, absence of clarity as to liability for bearing taxes). In some cases, the legal advice given was also ignored.

The financial advice function (concurrent at the proposal stage and before contract finalisation) was in existence only from September 2005 to October 2008, after which it was, in effect, dispensed with<sup>2</sup>. Even when it was in existence, financial advice on the sensitive contract with SMAM was ignored.

#### 7.2.5 Processing of Payments

We found that there were several deficiencies in the processing of payments by the Finance & Accounts Functional Area. Proposals were not scrutinised diligently

<sup>2</sup> *The Finance and Accounts FA (responsible for processing payments) also doubled as the Financial Adviser, which were essentially incompatible functions and compromised internal controls.*

before making payments. This included several instances of

- overpayments,
- incorrect confirmation of budget availability,
- payment without approved contracts or the required certification by the Functional Area head,
- payments without adequate supporting documentation (contract terms and payment / rates schedule including linkages with deliverables/ milestones, attendance sheets, sub-vouchers etc.)
- payments in foreign currency for contracts in Indian Rupees or irregularly benefiting the contractors on foreign exchange fluctuations. There were also cases where approvals for payments in foreign currency were not taken (detailed in **Annexe-7.1**).

Examples of deficient scrutiny included excess payment of Rs. 1.5 lakh to one vendor for the closing ceremony, payment for November 2009 to February 2010 to Ms. Saba Ali (earlier consultant, QBR launch) without a valid contract; approval of payments for the QBR launch, ANOC and Study Observer Group without certification by the concerned FA head; and write-off of stores of Rs. 5.44 crore without approval.

#### 7.2.6 Poor management of taxation issues

We found that OC's handling of tax-related issues was extremely poor; further, in many cases, OC did not consult their own tax consultant:

- OC undertook to bear taxes on behalf of the vendor in 19 contracts; this resulted in payments of TDS of Rs. 7.40 crore<sup>3</sup> by the OC on total payments of Rs. 134.09 crore under these contracts.
- Under the terms of the Double Tax Avoidance Agreement (DTAA) between India and Australia, no withholding tax was leviable on rights fees of US\$ 33.50 million receivable by the OC from Network Ten Australia. However, the OC did not seek appropriate tax advice and, instead, incorrectly approached the Australian Tax Office in April 2008 for tax exemption, which was rejected in March 2009. This resulted in avoidable deduction of US\$ 5.03 million (Rs. 23.11 crore) as withholding tax. This amount can now be recovered only through Mutual Agreement Proceedings (MAP) under the DTAA, which was initiated only in September 2010.
- OC failed to obtain the PAN numbers of vendors, resulting in TDS at the higher rate of 20 per cent applicable from April 2010. In the case of the TSR contract with Swiss Timing Omega (where the OC bore the tax burden), OC paid Rs. 7.10 crore additionally as TDS, due to delay in obtaining PAN registration.
- OC failed to deduct TDS on payments to EKS and SMAM (for CYG-2008, Pune) at the higher rate of 42.23 percent applicable for a PE (Permanent Establishment) in India, resulting in short-deduction of Rs. 3.06 crore and Rs. 1.04 crore respectively.

<sup>3</sup> Out of this, Rs. 1.87 crore was on account of higher TDS rates due to OC's failure to obtain PAN numbers of vendors.

- OC failed to deposit service tax in time in respect of taxable services provided by foreign service providers, resulting in penal interest of Rs. 2.46 crore on delayed service tax deposits of Rs. 58.56 crore. OC also failed to deposit service tax of Rs. 0.28 crore, already collected in respect of rate card services. Further, OC paid Rs. 30.75 crore to service providers, who were not registered with the Service Tax Department.

### 7.2.7 Outstanding Loans and Advances

OC had provided recoverable/ adjustable loans and advances to vendors/ OC officials for various purposes. Of this, Rs. Rs.101.39 crore was still outstanding (pending adjustment/ repayment); details are given in **Annexe 7.2**.

**If immediate action is not taken, it may not be possible to recover the outstanding amounts, since the relationship between the vendors/ officials and the OC are on contractual basis for a limited time period.**

### 7.2.8 Internal Audit and Vigilance

We found that the vigilance function was established only in March 2010; the Chief Vigilance Officer continued to hold charge as ADG (Procurement), a mutually incompatible function, for another two months. The internal audit set-up was also ineffective; its planning, scope and coverage were not well-defined, and there was practically no effective follow-up action on the internal audit findings.

## 7.3 Contract Management

**We are not certain about the total number of contracts/ agreements/ work orders awarded by OC as well as the extent of its liabilities.**

No contracts register (or equivalent document) was maintained by the OC. Our scrutiny is thus limited to the contracts/ agreements/ work orders about which we could gather information. Incidentally, although the SG, who is the authorized signatory for all contracts, furnished a list of only 326 contracts, we gathered information in respect of 458 contracts; this is also unlikely to be exhaustive.

**The state of contract documentation is such that we are not sure of the entire sequence of events leading to award of contracts (e.g. issue of EOI/ RFP/ RFQ and cancellation/ retendering thereof; addendums/ corrigendums to tendering documents).**

**We are also unable to ascertain contract-wise payments and outstanding liabilities for each contract.**

The contracting deficiencies/ irregularities indicated in this report are based on the information gathered by us from the records made available by OC. It is possible that there may be other instances of contracting deficiencies/ irregularities which have not come to our notice, due to deficiencies and/ or incompleteness in documentation.

### 7.3.1 Bunching of Contracts in 2010

#### **Bunching of contracts/ activities**

**In our Study Report of July 2009, we had expressed our concern that the bunching of procurement and other decisions in respect of overlays, within shortened timeframes, closer to the Games, carried the risk of compromised transparency and accountability. We had also recommended expediting of steps for generating sponsorship and other revenue due to the fast shrinking window of opportunity in leveraging the Games.**

Our concerns were, however, not appropriately addressed, and we found enormous bunching of high-value contracts in 2010, particularly in the second and third quarters. Out of the 458 contracts for Rs. 1551 crore, on which we have information, 428 contracts for Rs. 1356.55 crore were finalised only in 2010. Of these, 410 contracts for Rs. 1292 crore (82 per cent) were signed in the 2nd and 3rd quarters of 2010; these included major contracts relating to:

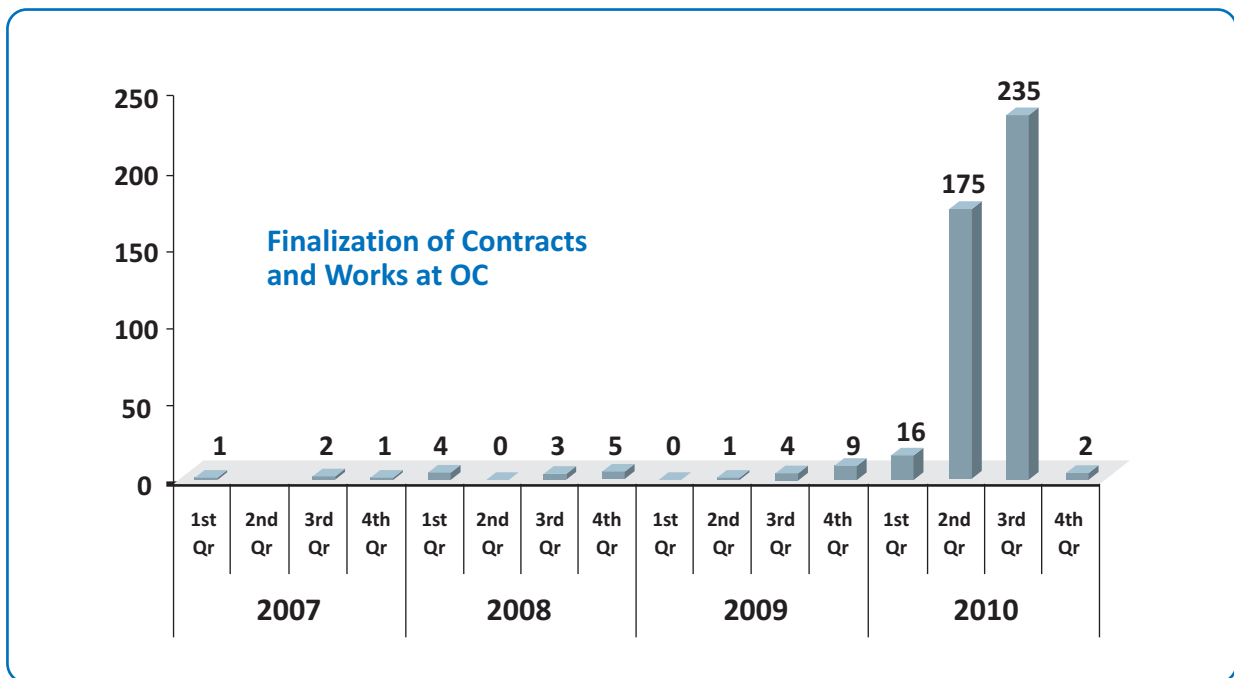
- Overlays (Rs. 630.23 crore);
- Catering (Rs. 131.59 crore);
- Technology contracts (Rs. 118.74 crore); and
- Ticketing agency (Rs. 14 crore)

As regards ceremonies, 173 out of 175 contracts<sup>4</sup> amounting to Rs. 208.75 crore were awarded in 2010, with one contract<sup>5</sup> being signed on 30 October 2010 (15 days after the Games conclusion).

<sup>4</sup> Except for the contracts for Spectak Productions and Wizcraft

<sup>5</sup> Contract signed with Highway Travels for ceremonies

Figure 7.3 – Bunching of Contracts of the OC



### 7.3.2 Irregularities in Contracting

The bunching of contracts towards 2010 and purported urgency, on account of limited time available to the Games, was used to facilitate serious deficiencies in tendering and award of contracts. This compromised transparency, economy and compliance with stipulated procedures and favoured selected vendors.

A list of individual contracts where irregularities were noticed is enclosed in **Annexe- 7.3**, while a summary of the main deficiencies is indicated below.

#### 7.3.2.1 Single tender and award on “nomination basis”

107 contracts for Rs. 310.68 crore were awarded on nomination basis (without tendering<sup>6</sup>), while 28 contracts for Rs. 356.14 crore were awarded on the basis of a single tender (in many cases, by

disqualifying all vendors except one on questionable grounds during evaluation); none of these procurements were for proprietary items. Some of the high value contracts so awarded include Games Village catering, TSR (Timing, Scoring and Results) and GMS (Games Management System).

OC chose not to make efforts to collect/ collate information for a wide pool of large players with relevant experience and encourage them to bid for the Games contracts (which would have ensured adequate competitive tension and economical procurement), and relied on selective recommendations and references.

#### 7.3.2.2 Award of contracts to ineligible vendors

14 contracts for Rs. 1253.78 crore were awarded to vendors not fulfilling the eligibility criteria stipulated in the EOI/ RFP. These included the contracts relating to overlays, waste management, and image and look.

<sup>6</sup> For this purpose, we have excluded contracts on nomination basis for music, dance and other artists.



### 7.3.2.3 Restrictive pre-qualification (PQ) conditions not specified consistently

In 16 contracts for Rs. 973.51 crore (including the four major overlays contracts), pre-qualification conditions were unduly restrictive, allowing very few vendors to participate. There was no uniformity in fixing of restrictive conditions; it appeared that in some cases, criteria were fixed so as to suit the interests of particular vendors.

For example, while inviting bids for four different works on the same day, two bids specified PQ criteria as Games experience in the relevant field, while the other two bids specified Games experience in any field. The latter PQ specification facilitated award of the Games Planning and Project Management consultancy and workforce consultancy contracts for Rs. 51.96 crore to the EKS- Ernst & Young consortium, who did not have category-specific experience.

We also noticed instances of these restrictive clauses being waived, on grounds of urgency, to benefit selected contractors, while in other cases, retendering was resorted to. In two contracts, non-submission of Earnest Money Deposit (EMD) was used to justify retendering, while in five other cases, contracts were finalised despite non-receipt of EMD from the successful bidder.

### 7.3.2.4 Negotiation with Vendors

In 7 contracts for Rs. 74.03 crore, OC held negotiations with bidders other than the L-1 bidders.

### 7.3.2.5 Inadequacies in inviting EOIs/ RFPs

We found that global tendering procedures (involving publication in the India Trade

Journal and circulating to Indian embassies) were never adhered to. Adequate time (stipulated: 4 weeks) was not provided for responding to notices inviting RFPs/ tenders.

### 7.3.2.6 EOI/ RFP Cancellation and re-tendering

We are aware of nine big contracts, where RFPs/ EOIs were cancelled and re-tendering resorted to either on procedural grounds or on account of poor response, resulting in further delays in award of contracts, and also in many cases, in restricted competition e.g. catering, ticketing, and TSR.

### 7.3.2.7 Improper assessment of requirements / deliverables

In 28 cases for Rs. 38.05 crore, 36 per cent of the items were not utilised. In 58 cases, the deliverables were either not defined at all or defined vaguely. In 10 contracts for Rs. 276.53 crore, the scope of work in the agreement differed substantially from that indicated in the RFP.

### 7.3.2.8 Inexplicable delays in contract finalisation

In several cases, we found inexplicable delays in contract finalisation; e.g.

- Games Village catering, where the Chairman took several months to decide whether to waive off the EMD condition or not, and
- The ticketing consultancy contract, where the DG (OC)'s query remained unanswered for a year.

Inexplicable delays were also found in finalisation of contracts for ceremonies props, Games planning consultancy, venue catering and several other contracts.

We also found that even after selection of the vendor, the signing of the contract took several months, which is inexplicable e.g. TSR, GMS, and Games Time Website contracts.

#### 7.3.2.9 Conflict of interest

In nine cases (sports presentations, kitchen equipment assembly, aerostat, and ceremonies etc.), there were clear instances of conflict of interest between the consultant and the contractor recommended for providing services.

#### 7.3.2.10 Irregular advance payments

In six cases of Rs. 40.6 crore, OC extended advances ranging from 50 to 100 per cent, against the stipulated 30 per cent and 40 per cent for private and Government agencies respectively.

#### 7.3.2.11 Benefit to vendors on account of tax liability

We found instances where the burden of tax liability in the agreements differed substantially (benefiting the contractors) with the conditions in the RFP/ EOI, as well as instances where OC took on the tax liability since the contract terms were vague or silent.

#### 7.3.2.12 Other unusual practices

We also found other unusual contracting practices:

- Calling for “snap bids” within 24 hours – typically from the same bidders in tenders which were cancelled (evidently to allow revision of bids) e.g. venue catering, and image and look.
- Terming of only one bid out of several technically qualified bids as “technically

superior”, and not opening the financial bids of other parties;

- Obtaining of technical advice on a selective basis e.g. TCIL's advice was obtained for disqualifying MSL, Spain for the TSR contract but not for telecommunications services.

### Final Payments still not made

Even after four months of the Games, final payments were yet to be made in many high-value contracts, nor is the total amount of liabilities ascertainable. Since the OC is scheduled to be wound up on 31 March 2010, the burden of outstanding payments, as well as resolution of disputes with vendors, will then fall on the GoI, as the successor to the OC; this burden will be long-term, but unquantifiable at this stage.

## 7.4 OC-IOA relationship

Although the IOA was one of the signatories to the HCC, the OC was an independent legal entity. However, we found several instances where the vast funds available to the OC were used to irregularly fund activities, which properly fell within the remit of IOA, or to irregularly benefit IOA at the expense of OC (and ultimately the GoI). There was a blurring of identities of the two organisations, which further enabled IOA (and its office bearers) to effectively exercise control over the OC, at the expense of the GoI.

Table 7.3 – Instances of Irregular Benefit to IOA

Area	Audit Findings
Common Management	Till October 2009, the higher management of OC and IOA office bearers/ key position holders were largely common. Even in the officers' cadre, there were many IOA personnel deputed to the OC, notably the only two IOA Directors – Shri RK Sacheti and Shri ASV Prasad.
OC Funding of Beijing Olympics Study Observer Programme and ANOC <sup>7</sup> Meeting in 2008	<p>OC paid Rs. 8.50 crore for the Beijing 2008 Observer Programme<sup>8</sup> and for the ANOC Meeting at Beijing in April 2008. Neither programme had any relevance to the hosting of CWG-2010. This cost should, rightfully, have been borne by IOA and should in no case have been met out of the budget of OC.</p> <p>For the Beijing Observer Program, OC had a list of 166 persons approved by the EMC; however, it is doubtful whether this list is complete. For the ANOC meeting, OC deputed an 18 member delegation (including five persons associated with CYG-2008, Pune). There were no criteria for selection of persons for these visits. There were also no reports (after completion of the visits) on record.</p>
Renovation and furnishing of IOA Bhawan at OC's Cost	<p>OC spent Rs. 4.11 crore for renovation of the entire IOA Bhawan. This was purportedly in exchange for rent free office accommodation of 20,000 sq. Feet, which was reduced to 6,750 sq. Feet (effectively from January 2008); however, OC also paid rent and maintenance charges of Rs. 3.33 crore.</p> <p><b>Thus, IOA managed to get the IOA Bhawan completely renovated and furnished at the cost of OC and ultimately GOI, on the pretext of providing part of the Bhawan on rent free basis to OC, which too, was not honoured and rent and maintenance charges were paid by the OC.</b></p>
Accommodation at Palika Place for Sports Federations	OC paid Rs. 3.5 crore to NDMC for hiring office space at Palika Place from July 2008 onwards; this space was utilised by various sports federations and was not required for OC's use.
Additional Payments beyond Joint Marketing Agreement	OC had a Joint Marketing Agreement with IOA for compensation of Rs. 25 crore in exchange for IOA's "property rights" <sup>9</sup> , against which payments of Rs. 8.75 crore had been made. However, despite this agreement, OC also paid Rs. 7.70 crore (on account of pocket allowance, uniform for the Indian contingent, and for the Indian Weightlifting Federation), which should have been deducted from payments to IOA.
Grant to CGAs under Host City Contract for training and preparing athletes	The HCC stipulated a grant of US\$ 100,000 by OC to each CGA for training and preparing their athletes. IOA also received US\$ 100,000, which should have been recovered, since SAI had a Rs. 678 crore scheme for training and preparing Indian athletes.

<sup>7</sup> ANOC: Association of National Olympic Committee

<sup>8</sup> MYAS approved a 166-strong delegation for this event.

<sup>9</sup> According to this agreement, IOA claimed ownership rights on the Indian Contingent. To purportedly enable OC to derive sponsorship revenue by using the Indian Contingent/Indian sportspersons, IOA charged compensation of Rs. 25 Crore from the OC. We are not in a position to ascertain the legality of IOA's claim.

## 7.5 Role of Consultants

The GOP recognized that the OC would need to hire external consultants and advisors. They would bridge gaps in areas where external professional assistance was required and assist in strengthening domestic capacities for future conduct of multi-sport events in India.

OC hired 108 consultants/advisors/ consultancy firms in 28 (out of 34 FAs) for the organization of the games; this involved a total payment of Rs. 146 crore (approximately 10 per cent of OC's total expenditure till date).

We found numerous deficiencies in the OC's procedures for appointment and management of consultancy contracts, as summarized below:

*Table 7.4 - Deficiencies in Appointment of Consultants*

Area	Audit Findings	Audit Findings
<b>Mode of Appointment</b>	<ul style="list-style-type: none"> <li>62 were appointed on nomination basis and 31 were through search committee;</li> <li>Only 15 consultants were appointed through the proper tendering process;</li> </ul>	<ul style="list-style-type: none"> <li>Chief Advisor, Shri BS Ojha, ex-DG, OC was appointed on nomination basis;</li> <li>Most of the consultants for ceremonies, legal, communication, taxation, security, overlays, technology were appointed on nomination basis;</li> </ul>
<b>Delayed Appointment</b>	<ul style="list-style-type: none"> <li>Only 17 consultants had been appointed till December 2007;</li> </ul>	<ul style="list-style-type: none"> <li>Major functional areas in which appointment of consultants was delayed till 2010 included:                             <ul style="list-style-type: none"> <li>17 of 19 consultants in ceremonies;</li> <li>4 of 28 consultants of Venue Development and overlays; and</li> <li>4 of 5 consultants in communications.</li> </ul> </li> </ul>
<b>Scope of work</b>	<ul style="list-style-type: none"> <li>OC did not define the detailed scope of work for 59 consultants</li> </ul>	<ul style="list-style-type: none"> <li>6 architect consultants (all of them were subsequently employed by the OC); 4 technology consultants were appointed without any detailed scope of work.</li> </ul>
<b>Contracts</b>	<ul style="list-style-type: none"> <li>OC did not sign formal contracts with 45 consultants</li> </ul>	<ul style="list-style-type: none"> <li>All architect consultants, 2 Media advisors and 1 security advisor did not have formal contracts.</li> </ul>
	<ul style="list-style-type: none"> <li>Payments were not linked to deliverables in respect of 94 consultants</li> </ul>	<ul style="list-style-type: none"> <li>Consultants for sports presentation ceremony, venue development and overlays</li> </ul>

Area	Audit Findings	Audit Findings
<p><b>Interchange between consultancy and employment</b></p>	<ul style="list-style-type: none"> <li>16 consultants were later on appointed as employees of OC, while three employees of OC later became consultants to OC (which is not as per accepted professional norms).</li> </ul>	<ul style="list-style-type: none"> <li>13 architect consultants, 2 erstwhile DG(OC) and 1 overlays consultant.</li> </ul>

A complete listing of consultancy contracts, along with associated deficiencies, is enclosed in **Annexe- 7.4**.

**Further, we were unable to verify the extent of domestic capacity building, if any, through hiring of these external consultants/ advisors.**



TOTAL JUMP HIGH		18:29
Fuji	17.15	17.05
JOE YOUNG	18.05	18.05
DONALD MATHEN	18.07	18.07
WILLIE G.	18.08	18.08
ACROBE LARRY	18.16	18.16
BONHEIMER RAY	18.18	18.18
LEWIS RANDY	18.18	18.18
JOHN SCHLACK	18.18	18.18
JOHN ZACHERIA	18.18	18.18
SMITH AMYRAC	18.18	18.18
18:32:42		