CHAPTER XIII : NITI AAYOG

Unique Identification Authority of India

13.1 Avoidable expenditure on Annual Maintenance Contract

Unique Identification Authority of India (UIDAI) in contravention of the provisions of the contract extended undue favour to the vendor (M/s Wipro Limited) and incurred an avoidable expenditure of ₹ 4.92 crore on Annual Maintenance Contract of the equipment for a period covered under warranty/free maintenance.

Unique Identification Authority of India (UIDAI) entered (May 2011) into a contract with M/s Wipro Limited (vendor) for 'Supply, Installation and Commissioning of Servers, Storage Systems, Security Systems and Accessories with Incidental Services' in the Data Centres of UIDAI in Bengaluru and Delhi/NCR at a cost of ₹ 134.28 crore.

In terms of Clause 7 of the 'General Conditions of Contract' the vendor was responsible for erection and installation of the Goods/Services at the destination sites and for making them fully operational, subject to an Acceptance Test[1] (AT) based on the prescribed norms[2].

Clause 12.2 of the Contract stipulated that warranty of the equipment would remain valid for 36 months in respect of servers and storage systems and 12 months in respect of all other goods, after the goods had been delivered (and commissioned) to the final destination and accepted.

All the goods provisioned in the contract, were deployed and commissioned in the data centres of UIDAI in Bengaluru and Delhi/NCR during November 2011 to February 2012. As UIDAI did not have in house technical expertise in conducting AT, it hired (March 2012) Standardization Testing and Quality Certification (STQC) for conducting third party ATs of all equipment and systems on behalf of UIDAI.

STQC carried out ATs at both the Centres and reported (August 2012, Delhi/NCR and October 2012, Bengaluru) that in certain cases component

[1] AT involves the operation of the complete Goods/Services to be conducted by the vendor in the presence of the purchaser and/or authorized officials and/or any other team or agency nominated by the purchaser.

[2] The equipment must, as a complete system, operate for thirty (30) consecutive days, 24 hours a day, at 99.5 *per cent* up-time efficiency.

uptime[3] requirement was not being met as per specifications prescribed in the Contract. On the request of vendor, UIDAI reduced (November 2012) the component uptime requirement norms[4].

Finally, STQC conducted (January- February 2013) the ATs again as per revised norms and reported (February 2013) satisfactory performance of all the goods/components. Hence as per the contract terms and conditions the date of acceptance of equipment was February 2013. However, on being requested by M/s Wipro, UIDAI decided (February 2013) to adopt the date of final commissioning of equipment i.e. February 2012 as date of acceptance for all equipment. As a result of reckoning this date, the stipulated period of warranty of 12 months for items other than servers and storage system expired on 31 January 2013 which was a month before its acceptance.

Audit further noted that UIDAI agreed (March 2013) with the vendor for Annual Maintenance Contract (AMC) of these equipments at a total cost of ₹ 4.92 crore for the period from February 2013 to January 2014 and an agreement was signed between UIDAI and M/s Wipro at later date i.e. 1st June 2013.

Thus deviation from the original contract terms and entering into a fresh AMC retrospectively by UIDAI resulted in avoidable expenditure of ₹ 4.92 crore on AMC of the equipment for a period which was to be covered under warranty/free maintenance.

UIDAI in its reply stated (May 2015) that STQC raised several issues in respect of testing process and several discussions were held to resolve them. Thereafter, STQC re-conducted the process of testing. By that time valuable time had elapsed and systems went out of warranty. Therefore, as mentioned in the contract the last date of commissioning was taken as date of acceptance. Further, it stated (October 2015) that the term delivered (and commissioned) to the final destination and accepted in clause 12.2 stipulates acceptance of delivery and commissioning of equipment by the competent authority. Acceptance of goods was given by the competent authority in UIDAI after commissioning of equipment and they had adequate assurance to do so on the basis of successful operation of the system and factory tests/reports submitted by the vendor. Since the equipment were put in operation and aadhar generation

[3] Time during which a machine, especially a computer is in operation.

[4] 30 days to 15 days or 7 days.

was in process, acceptance of equipment was a contractual requirement to get various services covered under the warranty clause.

The reply of the department that it had adequate assurance to satisfy itself about performance of equipment is inconsistent with its decision to engage STQC for carrying out AT. The final report of STQC about satisfactory performance of equipment was received in February 2013 and hence this should have been effective date for acceptance of goods. Clearly in the instant case, the action of the UIDAI was inconsistent with the provisions of the contract and led to avoidable payment of ₹ 4.92 crore towards AMC.

13.2 Irregular release of advertisements leading to loss on advertisement campaign

The Unique Identification Authority of India did not route its advertisements through the Directorate of Advertising and Visual Publicity in accordance with the advertisement policy of Ministry of Information and Broadcasting. This led to loss of ₹ 1.41 crore as the eligible discount was not availed.

The Directorate of Advertising and Visual Publicity (DAVP) is the nodal agency of the Government of India for advertisements by various Ministries and Organizations of Government of India including public sector undertakings and autonomous bodies.

As per New Advertisement Policy[5] of DAVP, all Central Government Ministries/Departments/Attached and Subordinate Offices/Field Offices are required to route their advertisements, including display advertisements, through DAVP only. These orders were reiterated by the Government of India in June 2013.

Further, DAVP provides 15 *per cent* discount (equivalent to agency commission) to Ministries/Departments and other client organizations for advertisements made through DAVP.

Audit observed that Unique Identification Authority of India (UIDAI) did not route its advertisements through DAVP, and instead, hired an advertising agency, M/s R K Swamy BBDO Pvt. Ltd. for releasing print advertisements in leading national newspapers across the country at DAVP's rates during the

[5] Clause 3 of New Advertisement Policy issued by DAVP (effective from 2nd January 2007)

period from December 2014 to March 2015. The total expenditure incurred on these campaigns was ₹ 9.42 crore as per details given below:

Sl. No.	Campaign	Period	Expenditure incurred (₹)
1.	Benefit of linking the Aadhaar with LPG database for DBTL	December 2014	1,45,50,395-00
2.	-DO-	January-February 2015	1,28,94,219-00
3.	-DO-	January-February 2015	2,98,72,097-00
4.	Educating residents on mode of retrieving Aadhaar if they have lost their EID/UID	March 2015	3,68,55,276-00

Thus, failure of the UIDAI to avail the opportunity of getting 15 *per cent* discount (equivalent to agency commission) by routing its advertisements through DAVP led to a loss of ₹ 1.41 crore[6].

On being pointed out by audit, the Ministry of Communications and IT endorsed (December 2015) the reply of UIDAI stating that UIDAI availed the services of private advertising agency as there had been little contribution from DAVP in terms of assessment of communication needs, insufficient creative inputs in terms of designing, development of content & messages, lack of media planning etc. The agency which assisted in these activities, besides releasing advertisements, was not paid any additional amount for the same and hence there was no loss in real terms. UIDAI also stated that to meet its project objectives, it had also been accorded permission and freedom by the Prime Minister's Council of UIDAI to procure from international vendors/organisations as and when need arose.

The reply is inconsistent with the extant orders of Government of India according to which advertisements would be released only through DAVP to the print and other publicity media. Further, the contention of UIDAI that there was no loss in real terms is not supported by cost benefit analysis. We also observed from the documents of UIDAI that the constraints expressed by them for preferring a private agency over DAVP was in relation to tender notices only and not with respect to advertisements. Moreover, even in the light of stated constraints, routing advertisements through another agency in a routine manner is not consistent with the GoI's orders. Further, the stated special

[6] 15 *per cent* of ₹ 9.42 crore

dispensation was in relation to procurement and also contained a restrictive clause 'as and when the need arises' and cannot be strictly applied in the present context of routing advertisements through a private agency as a matter of routine. Thus, the action of UIDAI was not in consonance with extant orders of GOI.