



सत्यमेव जयते

Audit Report on **XIXth Commonwealth Games** **2010**



Report of
Comptroller and Auditor General of India

Union Government (Civil)
Report No. 6 of 2011-12



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(Performance Audit)

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Preface

During the meeting of the Commonwealth Games Federation (CGF) General Assembly in November 2003, Delhi won the bid to host the XIX Commonwealth Games 2010. Having won the bid, the host city contract was signed in November 2003 between the CGF, Indian Olympic Association, Government of India (GOI) and the Government of National Capital Territory of Delhi (GNCTD) with the Organising Committee (OC) (which was constituted later), becoming a subsequent signatory.

In pursuance of this contract, the XIX Commonwealth Games were successfully held in Delhi from 3 to 14 October 2010. All sporting events and supporting activities were very smoothly conducted. The country and its management won acclaim for the successful conduct of the games. The country won a record haul of 101 medals which was the highest ever in international events of this nature wherein we had participated earlier. The opening and closing ceremonies were spectacular.

Despite such phenomenal success of our athletes and sportspersons, the events leading to the conduct of the games had attracted severe adverse attention. There were reports of irregularities in the award of contracts, delays in construction of stadia, games village and related infrastructure, procurement of equipments of inferior quality or purchase of routine items at exorbitantly high prices. The Media as also other agencies, were vociferously pointing fingers at Government and the OC on account of both delays in the preparedness and also excessive expenditure. There were not only veiled allegations of serious leakage of Government funds and favouritism in award of contracts, but also direct indictments of officials in positions in the different agencies entrusted with either the hosting of the games or developing stadia and associated infrastructure. Such adverse publicity undermined the tremendous achievements of our sports persons, and indeed, even the successful conduct of the games.

It may be recalled that towards late 2008 and early 2009 serious concerns had been expressed about India's preparedness for successfully hosting this prestigious event, largely because of perceptions about the construction of venues and associated infrastructure lagging behind schedule. The hosting of the Games was a mammoth exercise as the preparations involved at least a dozen different agencies besides local and parastatal bodies like the DDA, NDMC and MCD. There were claims and counterclaims in different quarters about the state of preparedness.

It was under these circumstances that the C&AG had decided to conduct an independent study to assess the progress of projects and preparedness of different agencies for organizing the Games and to identify the significant risks that needed to be addressed. This study which was not an audit in the conventional sense, was meant to provide an aid to the Administration as benchmarks for monitoring the progress of different works and undertaking mid course corrections. After a study by a core team from our office, carried out between March and May 2009, a brief Report was prepared and submitted to Government in July 2009, 15 months before the games were to be held. The study Report provided detailed evidence of status of completion of projects in different phases as of July 2009, both documentary and pictorial. The report highlighted the fact that there was no scope for further delays and slippages in milestones, given the confirmed deadline of October, 2010 for holding the games. The study Report also suggested that “in view of the complexity and multiplicity of activities and organizations and the progress till date, there is need to rethink the governance model for the games project as well as for similar mega-events in the future”. Copies of the Report were provided to all authorities engaged in the execution of the complex games project.

In view of the concerns expressed by all sections of society with regard to the perceived inadequacies and shortcomings in different projects and associated activities with the staging and hosting of the games, the C&AG decided to conduct an external audit post completion of the games in the shortest possible time, so that the Parliament and the country could have the benefit of an independent and objective assessment of the outcomes emanating from the expenditures incurred. Ordinarily such a mammoth exercise would have taken several months. A multiplicity of agencies were involved and the activities and projects were manifold. However, considering the urgent need to keep all stakeholders apprised of the outcome of the expenditure incurred as also to provide an assurance with regard to the manner of achieving the outcomes, a dedicated team of auditors was put together to comprehensively audit all the agencies, aspects and activities leading to the conduct of the games. This audit was comprehensive in nature, combining both compliance and performance related issues across multiple Ministries and Departments of GOI, GNCTD, Government of Maharashtra, the OC and various other bodies with regard to the role and activities in respect of the Games projects. This Report contains the results of the audit, covering the period from May 2003 when the initial bid was made for hosting the games to December 2010 when most of the Games related projects and activities were completed. The exercise was mammoth, as our audit approach follows a very meticulous and clinical process in which we have to consider all significant details and also provide opportunity to the audited entity to present their responses and comments on the audit findings.

Audit conducted by the organization of the C&AG follows a very structured, systematic and objective architecture, to ensure that a balance and objective audit methodology is brought to bear on the Institution/Sector being audited and covering all nuances of that particular organization/activity. The audit methodology is as follows:

Before actual commencement of the field audit, to ensure a comprehensive coverage and consistency in findings, a detailed set of guidelines/checklists are prepared by the department. An “entry conference” is usually held at an appropriately senior level with the audited entity to elicit the cooperation and assistance required for the conduct of the audit as also share the broad audit approach and objectives. Suggestions and concerns of the entity raised in this Conference are taken into account to ensure a holistic and balanced coverage. Thereafter field audit commences which involves scrutiny of records and documents, physical inspection of sites (including collection of photographic evidences) and, where considered necessary, discussion with selected officials and persons. Audit requisitions are issued, seeking records, information and clarifications. Preliminary audit observations are communicated through audit memos/queries (also termed as “half margins”) to the audited entity at appropriate levels, seeking their responses and comments, which are duly examined and considered. After examination of the preliminary audit observations and responses thereto, draft audit findings are communicated, either through “Statements of Facts (SOFs) or draft Audit Reports” to the head of the audited entity, seeking their written responses. ‘Exit Conferences’ are also held, usually at the level of the head of the audited entity, providing an opportunity to explain their position vis-à-vis the audit observations and furnish additional information/clarifications. It is only after receipt of replies to the SOFs/draft Audit Reports that Audit finalises its findings and prepares the Audit Report for submission to the President for tabling in Parliament.

Whilst it has been oft commented that external audit is a postmortem and conducted quite often well after the event, the issue needs to be viewed in its right perspective. External audit of the kind conducted by the C&AG is, indeed conducted post the event. It is thus distinct from internal audit, which, by definition is concurrent. The efficacy and timeliness of our Report is often dependent on the promptness displayed by the audited entities at different stages – in making available the files and records, giving responses to audit memos and SOFs, as also in the holding of the exit conferences. Invariably, agencies seek additional time to respond at every stage. In the fitness of things and to provide an ample opportunity for them to present their arguments, reasonable extension of time is generally provided.

In the conduct of the extant audit of CWG 2010, the audit teams did a commendable job in completing the field audit, involving scrutiny of voluminous documents within a challenging time schedule of 90 days assigned to them. However, the preparation and finalization of the Report was totally dependent on the time taken by the different entities to respond to the requests for files, documents and records, and the time taken to make available complete and detailed responses to Audit at the different stages when the audit findings were shared with the audited entities. In the preparation of these audit findings, all agencies audited have been given adequate opportunity to provide clarification or state their side of the facts. Requests for additional time were also liberally granted to ensure that no authority or individual feels wronged that he did not have an adequate opportunity to represent his facts. Such granting of time could have led the delay of a few weeks in the presentation of this Report, but we believe that a fair opportunity must be given to all those on whose some observations are likely to be made. Needless to state, the final findings and its onus is entirely that of this Department. Audit is also constrained by the fact that its Report can be brought into the public domain, only after being tabled in both Houses of Parliament.

It is in the nature and context of the aforesaid issues that this Audit Report has been prepared. It is hoped that all stakeholders will perceive its balanced reporting and comprehensive coverage of the mammoth exercise leading to the conduct and staging of the CWG-2010. Whilst the Report is fairly comprehensive, it focuses on issues relating to the overall perspective of the organization and management of the Games Project. Other issues and concerns which focus on agency specific aspects would be reported separately through other Audit and Inspection Reports, depending upon their materiality and significance.

Some of the projects, works and contracts are yet to be completed. Consequently final bills are yet to be received and payments made. These payments are likely to have a significant impact on the final cost of the Games. Audit would cover the same in subsequent audits.

This Audit Report for the year ending March 2011 has been prepared for submission to the President under Article 151 of the Constitution.

Executive Summary

Background

The XIX Commonwealth Games (CWG-2010) were successfully hosted in Delhi from 3 to 14 October 2010. These Games represented the largest ever multi-sport event held in India. 4336 athletes and 2115 officials representing 71 Commonwealth Games Associations (CGAs) participated in competitive events in 17 sports disciplines, besides events in 4 para sports disciplines. While Australia was the most successful team at CWG-2010, India gave its best ever performance in the Commonwealth Games by securing second position in the medal tally with 38 gold, 27 silver, and 36 bronze medals.

The right to host CWG-2010 was awarded in November 2003 to Delhi on the basis of the May 2003 bid of the Indian Olympic Association (IOA), and the guarantee of Government of India (GoI), in conjunction with the Government of the National Capital Territory of Delhi (GNCTD) to bear the financial liability for hosting the Games, including underwriting any shortfall between revenues and expenditure.

In July 2009, we presented a Study Report to the Government of India on preparedness for CWG-2010. This Study Report was intended to provide an aid to the Executive in monitoring and benchmarking progress towards preparing the infrastructure and staging the Games, and making mid-course corrections.

The current audit of CWG-2010 was comprehensive in nature, and builds on the findings and recommendations of our Study Report on preparedness for the Games. It covers the period from May 2003 (when the bid was submitted) to December 2010 after the conclusion of the Games, as well as a multiplicity of activities – not just the hosting of the Games per se, but also the development of sporting venues, the Games Village, city infrastructure projects and other associated/ supporting activities – executed by a diverse set of agencies.

We conducted our field work between August and December 2010, held entry and exit conferences with the concerned agencies, and also issued detailed Statements of Facts (SOFs) to the agencies, seeking their responses and comments, which have been appropriately considered in this report. Our main findings are summarised in the following paragraphs. Details are available in the activity-specific chapters.

Governance

The commitment of GoI, in conjunction with GNCTD, in September 2003 to become parties to the Host City Contract (HCC) and undertaking to bear the financial liability for hosting of the Games, including underwriting any shortfall between revenue and expenditure, was critical to the success of the IOA bid for Delhi to host CWG-2010. The competing bid from Hamilton, Canada did not involve deficit guarantees from the Canadian Federal and Provincial Governments, nor did they agree to be parties to the HCC. In the case of India thus, the Games became the property of the nation, rather than merely that of the IOA. This was, however, inadequately reflected in the subsequent constitution of the Organising Committee (OC).

In our opinion, the unique challenge of managing and monitoring the activities of multiple agencies for delivering the Games Project should have been met by entrusting its stewardship to a single point of authority and accountability, with adequate mandate to ensure all deliverables in time, to cost, and to specified quality standards. Further, in view of the Government guarantee for meeting the cost of the Games, it was essential for such stewardship to be fully under Government control. However, this model of management or financial control was not followed for the Games Project.

Although the bid document of May 2003 envisaged the OC as a **Government-owned registered society**, with the Chairman of the OC Executive Board (EB) being a government appointee, and the IOA President being only the EB Vice-Chairman, the OC was ultimately set up in February 2005 as a **non-Government registered society**, with the IOA President, Shri Suresh Kalmadi as the Chairman of the OC EB. This change was orchestrated through a sequence of events, commencing with a document titled as an “updated bid” of December 2003 (which had no legal sanctity or relevance), indicating a changed structure. This “updated bid” dated December 2003 surfaced only in September 2004, viz. 16 months after the IOA made its bid and 10 months after that bid had already been declared successful! Despite serious objections from the erstwhile Minister, YAS, late Shri Sunil Dutt, Shri Kalmadi was appointed as the OC Chairman, based on a PMO recommendation of December 2004. This decision facilitated the conversion of the originally envisaged Government-owned OC into a body outside Governmental control, without commensurate accountability to Government and concomitant controls to ensure propriety and transparency (despite full financial guarantee and funding from Government). Attempts in 2007 by Shri Mani Shankar Aiyar, Minister, YAS and late Shri SK Arora, Secretary, Ministry of Youth Affairs and Sports (MYAS) with the PMO, the Group of Ministers (GoM) and the Cabinet Secretariat, highlighting the ineffective position of MYAS in

exercising control over the OC, met with strong resistance from the Chairman, OC, and were hence rendered unfruitful.

In the absence of a single point of authority and accountability and the lack of a clear governance structure, a multiplicity of co-ordination committees were created, disbanded, and reconstituted at different points of time. This approach was not methodical, consistent and effective, and also led to complete diffusion of accountability. This was unlike the structure for the Melbourne CWG-2006, where the Victorian Government oversaw the planning and delivery of the Games through a specially formed Cabinet Committee. The Minister for Commonwealth Games was specifically empowered and made responsible under the Commonwealth Games Arrangements Act 2001.

Although there were some changes in the governance structure of the OC from October 2009 onwards, these actions were largely in the nature of emergency fire-fighting measures. Possibly, the only effective steps taken were around August 2010 which eventually ensured the actual conduct of the Games. Early and decisive action on the governance structure for the Games of the kind witnessed in August 2010, with a single point of authority and accountability, could have made the Games delivery process less painful, more streamlined and accountable.

(Chapter 4)

Planning

There was a seven-year window from the award of CWG-2010 to Delhi in November 2003 to its hosting in October 2010, which was not appropriately utilised. The time window from November 2003 to mid-2006, which could have been effectively used for planning, clearances and approvals, was wasted. The OC itself was registered only in February 2005, while EKS was appointed by the OC as the consultant for preparation of venue briefs and site plans only in July 2006. This led to cascading delays in all subsequent activities, since the return briefs, concept designs and detailed designs and drawings for venues could be prepared only thereafter. Even after that, specifications and designs for venues continued to be revised by the OC and International Sporting Federations till late stages.

Overall planning for the Games, including the General Organisation Plan, the Games Master Schedule, and the operational plans for different Functional Areas, was also substantially delayed. So was the detailed planning for state-of-the-art city infrastructure in time for CWG-2010.

(Chapter 5)

Financial Management

Even while approving submission of the IOA bid in May 2003, and providing financial liability and deficit guarantees in September 2003, Gol did not have a clear and realistic assessment of the estimated cost of hosting the Games. The IOA bid of May 2003 estimated an all-inclusive cost of just Rs. 1200 crore (after setting off operational expenses against estimated revenues from hosting the Games). By contrast, the overall budget estimate for CWG-2010 for Gol and GNCTD (including MCD, NDMC and other agencies) as of October 2010 was Rs. 18,532 crore. This excludes investments by other agencies (such as DMRC and AAI/DIAL) on allied infrastructure.

The highly conservative and unrealistic size of the original budget envisaged in the May 2003 bid led to revisions of estimates at very short intervals even upto September 2010. This evidenced a piecemeal approach for consideration/approval of individual cost elements. The other major reason for increased costs/estimates was delays at multiple stages (including delays in grant of approvals by Gol), resulting in bunching of activities towards the end and consequential increase in cost.

The absence of a single point of authority and accountability for the Games was compounded by the early disbandment of the Finance Sub-Committee of the GoM, which would have acted as a special EFC for CWG-related proposals. This contributed to the piecemeal approach towards cost estimation and budget approvals.

We also found numerous instances of delays in grant of budgetary and financial approvals by the Gol. While we acknowledge that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of Gol funds, processing and approvals should have demonstrated a greater sense of urgency (in view of the considerable delays that had already taken place). These delays also contributed to the cascading of time at the execution stage.

(Chapter 6)

Internal Controls and Decision Making within the OC

The internal control environment and decision making structures within the OC were highly inadequate. The state of documentation in the OC was so inadequate that we are unable to derive assurance as to either the authenticity or the completeness of records.

Contract management by the OC was irregular and deficient. The state of contract documentation is such that we are neither sure of the entire sequence of events leading to award of contracts, nor about the total number of contracts and work orders awarded. We were also unable to ascertain complete contract-wise payments and outstanding liabilities.

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. There was enormous 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. We found 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 finalization, all of which seriously compromised transparency and economy. Further, there were numerous deficiencies in the appointment of external consultants and advisors and management of the multiplicity of contracts thereof.

We also found that the OC-IOA relationship was blurred, facilitating grant of irregular benefits to IOA at the expense of the OC/ Gol through various means.

(Chapter 7)

Revenue Generation by OC

At all points of time, the OC consistently presented staging of the Games as revenue neutral, if not revenue surplus. This argument was used to justify the independence and financial autonomy of the OC. However, this premise of revenue neutrality was seriously flawed, as it was never supported by robust and appropriately validated revenue projections. In fact, between March 2007 and July 2008, the revenue projections skyrocketed from Rs. 900 crore to Rs. 1780 crore. In our view, this increase in revenue projections (mainly on account of inflated projections of sponsorship revenue and donations) was made with the sole objective of keeping pace with the vastly increased operating expenditure estimates, so as to maintain the claim of revenue neutrality. Both MYAS and MoF failed to exercise necessary due diligence, and did not seriously challenge the OC's claim of revenue neutrality. In reality, the total committed revenues amounted to just Rs. 682.06 crore, and the net revenue actually realised by OC (after deducting revenue generation costs) was just Rs. 173.96 crore.

The OC's performance in revenue generation was consistently poor across all major revenue streams, e.g.

- It could generate committed sponsorship revenue of just Rs. 375.16 crore (against the target of Rs. 960 crore), out of which nearly 67 per cent was from Government agencies/ PSUs. No revenue has been received on account of merchandising and licensing rights. The engagement of SMAM as the consultant for sponsorship and merchandising/ licensing rights was flawed, as it was based on a single financial bid. It was also unduly influenced by the recommendation of the CGF CEO, and placed undue emphasis on international experience (ignoring the vast potential of the Indian market). OC chose not to derive lessons from the poor performance of SMAM leading upto the Games, and terminated its contract only in August 2010.
- The commercial exploitation of national and international broadcasting rights was badly managed. The agreement for national broadcasting rights between OC and Prasar Bharati was signed only on 23 September 2010, resulting in generation of just Rs. 24.70 crore of revenues for the OC. With regard to international broadcasting rights, OC could sign agreements for only Rs. 213.46 crore, of which only Rs. 191.40 crore has been received.
- OC's performance on ticketing was also deficient. Gross ticketing revenue of just Rs. 39.17 crore was realized (against the target of Rs. 100 crore). The appointment of the ticketing consultant and the ticketing agency was delayed enormously, and sale of tickets commenced only in September 2010. The generous distribution of high value complimentary tickets was excessive (nearly thrice that of earlier CW Games at Manchester and Melbourne). Also, OC adopted a wide range of ticket pricing, contrary to the recommendations of consultants, which contributed to low ticket sales (particularly of high denominations).
- OC included a revenue target of Rs. 300 crore in July 2008 from donations/ raffle, against which it collected a paltry sum of Rs. 0.99 crore.

(Chapter 8)

Games Planning Consultancy and Overlays

Event Knowledge Services (EKS) was awarded five consultancy contracts relating to venue appraisal/ briefs, project monitoring, games planning and workforce (awarded to an EKS consortium) during 2005-08. Three of these contracts were awarded on nomination basis, facilitated by strong patronage from the CGF (with which EKS had a close link). Tendering conditions for the other two

contracts were tailored to suit EKS. We are also unable to verify the need for this multiplicity of contracts, and the possible overlap between the deliverables from different contracts.

Planning and scoping for venue overlays was critically delayed by the OC and completed only in June 2009, after which the responsibility for procurement of overlays items was transferred from the venue owners to the OC. The procurement process followed for award of venue overlays contracts was highly irregular. OC inexplicably shifted from an item-wise basis (followed internationally) to a venue-cluster approach, based on geographical locations. This cluster-based approach, along with tailored eligibility criteria, was used to discourage competition by restricting the number of vendors. These criteria were then selectively and inconsistently applied to remove competitors, leaving a field of just four “technically qualified” consortiums – ESAJV-D-Art-Indo, Pico-Deepali, Nussli and GL-Meroform. The commercial bids of all four vendors were the lowest exactly for those clusters, which were their first and second preferences. Such coincidence points to collusion and the possibility of cartels among the vendors.

The overlays contracts were signed at exorbitant rates, causing huge financial loss to the OC (and the GoI). Although we cannot fully quantify the true total loss (based on available records), we have, however, come up with indicators of the financial loss in different ways (by inter se comparison of item-wise rates across clusters and vendors as well as rates declared to Customs).

(Chapter 9)

Ceremonies

The main ceremonial events of CWG-2010 were the Queen's Baton Relay (QBR), and the opening and closing ceremonies (which were to be signature events showcasing Indian culture and heritage). We note that the ceremonies were widely appreciated; in particular the opening ceremony was a spectacular success. However, we found numerous irregularities in the appointment of contractors/vendors for various ceremonies.

Regarding the QBR Launch Ceremony on 29 October 2009, we found an inexplicable reduction in the scope of work for JMW (the event management agency for the QBR Launch) in October 2009 (with an increase in cost). On the other hand, the OC made highly suspect payments of £ 386,237 to two little known entities – AM Films UK Ltd and AM Car and Van Hire Ltd – for diverse and unconnected services for the QBR Launch ceremony. The assignment of work and payments therefor were highly questionable; associated approvals and clearances were obtained and payments made with uncommon haste. Large

amounts were also paid in cash, perhaps to avoid leaving a transaction trail. The role of Shri TS Darbari and Shri Sanjay Mahindroo, who were unrelated to OC's Ceremony Functional Area, in the QBR Launch Ceremony is also questionable.

We found that planning for the opening and closing ceremonies was inordinately delayed. Further, a multiplicity of agencies was engaged – Shri Bharat Bala as Creative Director/ Creative Consultant, Spectak Productions (Shri Ric Birch) as International Consultant, Wizcraft as the Event Management Firm and 17 other consultants. There was considerable overlap between the roles and responsibilities of these multiple agencies. We also found that Spectak Productions and Wizcraft had tied up with other experts well in advance of the award of the contracts. The engagement of the additional consultants (for at least Rs. 6.12 crore) at OC's cost amounted to a clear financial benefit to Wizcraft.

There were also major irregularities in procurement of accessories/ special items. The consultant for the band stand, Mr. Mark Fisher, got his full fee of US\$ 514,000, even though the idea of the band stand was abandoned. Mr. Fisher then presented a design for an aerostat, which was accepted. The fact that Spectak Productions and the aerostat vendor were part of the same group was concealed. There were also serious irregularities in the technical evaluation and award of the lighting/ searchlight contract, as well as in the award of the contract for video content.

Contracts for Rs. 16.49 crore for art direction and props for the opening and closing ceremonies were irregularly awarded to Blue Lotus Productions, without even having an approved list of props which were actually required. Huge quantities of props remained unutilized. Some props were not even received. Many of these props were exorbitantly priced.

(Chapter 10)

Catering

OC was responsible for providing catering services at the Games Village and venues for athletes and team officials, CGF/ CGA officials, VIPs, technical officials and media persons, volunteers, workforce, contractors and spectators. We found inexplicable delays in planning for catering services, as well as in the execution of various catering-related activities.

There were numerous irregularities in the award of the Games Village catering contract. The process of award took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the recommendations of OC officials, but was

also done after opening the single financial bid on the Chairman's verbal orders. This decision to re-tender weakened the OC's negotiating position vis-a-vis the vendors and resulted in frantic activity upto June 2010 for conclusion of four separate contracts/agreements.

The process for award of venue catering contracts was also flawed, with unusual delays. This witnessed one round of cancellation of tenders and floating of three new RFPs as late as July 2010, with compromises on transparency, quality and economy (due to insufficient competition). Consequently, there were numerous complaints about the venue catering services, resulting in emergency arrangements during the Games Time.

(Chapter 11)

Technology

Successful organisation of the Games required several integrated technical solutions, including a Timing, Scoring and Results (TSR) system, a Games Management System (GMS), and a Games Time Website.

We found that planning for TSR was badly delayed and initiated only in January 2009. There were clear and repeated interventions at different stages to steer the TSR contract towards Swiss Timing Omega and eliminate MSL, Spain. Restrictive experience criteria for “end-to-end service” were specified and altered, and used to irregularly disqualify MSL, Spain. Swiss Timing Omega and MSL Spain had jointly provided TSR solutions for Melbourne CWG-2006, Doha Asian Games-2006 and Beijing Olympics 2008, and were, thus, equally qualified / unqualified as to the “end-to-end service requirement”. OC was left with a single financial bidder, effectively eliminating any opportunity for competitive pricing of TSR. This facilitated award of the TSR contract to Swiss Timing Omega at an exorbitant cost of Rs. 135.27 crore (compared to just Rs.39.84 crore equivalent at Melbourne CWG-2006 from the same vendor). There were also several deficiencies in the performance of TSR - in particular, the Commentary Information System (CIS) and the Games Information System (provided as Value-in-Kind sponsorship by Swiss Timing Omega).

The award of the Games Management System was also flawed. Restrictive RFP conditions resulted in disqualification of three out of four bidders, with MSL, Spain being eliminated through a biased evaluation. Gold Medal Systems was finally awarded the GMS contract on a single financial bid at a total cost of Rs. 25.29 crore (compared to just Rs. 4.15 crore equivalent at Melbourne-CWG from the same vendor).

Inexplicably, OC failed to consider the need for a Games Time website till June 2010. The award of the contract to HT-Hungama was flawed and irregular, with award procedures appearing to lack transparency. In addition to adverse media reports about the website's performance, the CGF President also confirmed serious problems with the website.

(Chapter 12)

Sports

The Sport Functional Area in the OC was responsible for organisation of sporting events, maintenance of results records, presentation ceremonies, and purchase of sporting equipment.

There were several deficiencies in the procurement of sports equipment, such as not following global tendering procedures, purchases on single tender basis, and deficient assessment of requirements.

The procedures followed for hiring Mr. Greg Bowman and his company, Great Big Events (GBE), for a multiplicity of contracts relating to sports presentation ceremonies were questionable. One contract was, in effect, deactivated in September 2010, and re-awarded at exorbitant rates to GBE. We also noticed fraudulent payments to GBE for false claims of personnel assignments (when they did not even visit India).

(Chapter 13)

Games Branding

Games branding essentially involved running the Games News Service (GNS) and other press operations, communication and marketing, and “image and look” (i.e. promoting a unique Games look and identity through banners and graphics).

We found that the exorbitant cost of Rs. 10 crore for the GNS contract was due to a decision to go in for outsourcing (as against the internally developed option used at Melbourne-CWG 2006) and also on account of flawed tendering procedures (with re-tendering) resulting in award on a single financial bid to Infostrada Sports. GNS failed to perform satisfactorily during the Games, as the Games news content was inaccessible from 5 to 8 October 2010 and was rectified subsequently using makeshift arrangements.

The selection of the “Games Look Provider” for preparing banners was marked by a cluster-based approach (as in the case of overlays). Further, on the pretext of urgency, a snap bidding process was used. As in the case of the venue overlays contracts, OC allowed several ineligible vendors to bid, while disqualifications were made on a selective basis. We also found the same vendor quoting different prices for the same items across clusters.

(Chapter 14)

Workforce and Other Supporting Activities of the OC

We found serious deficiencies in the award of the workforce consultancy contract to a consortium of E&Y and EKS. The tendering process was clearly tailored to favour EKS. There were several deficiencies in the contractual clauses, which tended to favour the interests of the consultant, as well as in the execution of the contract.

We found that the OC managed the work force in an arbitrary and ad hoc manner, leaving ample scope for patronage, favouritism and nepotism in the appointment and promotion of officials. Security and reference checks were not carried out for most employees. Certain employees, whose past records should have rendered them unfit for appointment in the OC, were nevertheless appointed.

Other major deficiencies in certain functional areas included the following:

- 492 persons who had not received security clearance were incorrectly listed in the data for the Integrated Security System, which indicated that the accreditation system was not followed strictly.
- 1.5 lakh lanyards at a cost of Rs. 0.68 crore were procured with an inexplicable fire retardant requirement of 800 degrees Celsius.
- Contracts for venue cleaning services were awarded irregularly, using a cluster-based approach, to just two contractors. Restrictive eligibility criteria were applied in a biased manner. 8 out of 9 packages went to A2Z Maintenance and Engineering Services, which was also engaged by OC for office automation services.

(Chapter 15)

Common Issues in Venue Development

There were delays relating to venue development at all stages – planning delays on account of late preparation/ approval of venue briefs, return briefs, and concept designs; delays in tendering and contract award; and delays in works execution and handover.

In the absence of in-house design skills, the venue owners/ implementing agencies were dependent on external design consultants. There were considerable variations in the performance of these consultants. We noticed that where the role of the foreign partner in the design consultants consortia (with relevant experience in design of sports stadia) was less, there were significant deficiencies in design inputs for execution.

Different implementation agencies followed different processes for award of major construction works. CPWD awarded most of the venue development contracts on item-rate basis, which is the preferred method as per the CPWD manual, since it is best suited to deviations from the original scope of work. Two major works, were, however, awarded on lump sum basis. Large number of extra/ substituted items and deviations in these works tended to change the very essence of the contract. PWD, GNCTD awarded most of its works on percentage rate tenders. This method of tendering is acceptable, only when the major portion of work is on account of items included in the Delhi Schedule of Rates (DSR), which was not the case in most of the venue development works.

Deficiencies in the process for award of major works related mainly to pre-qualification and eligibility. The pre-qualification of bidders separately for each venue not only introduced arbitrariness and inconsistencies in eligibility criteria, but also delayed the process of award and execution. Considering the similar nature of works for sports venue, we believe that a common pre-qualification process should have been conducted.

We found several deficiencies in the process of “justification” for awarding works at substantially higher amounts than the cost estimates. There were also numerous instances of deviations (quantity deviations, extra items, and substituted items) from the original scope of work, with adverse implications in terms of increased cost and delays.

We found numerous instances of delays in achieving the milestones listed in the contract, for which adequate penal action was not taken, and Extensions of Time (EOTs) not managed properly.

A key element of cost escalation is labour wage escalation. We found several deficiencies in the application of this escalation clause. In our opinion, although

such payments are in the nature of compensation, the payments are routinely made as per a specified formula and there is no mechanism to verify that payment is made for labour actually engaged by the contractor/ sub-contractor. In order to ensure that the benefit of increased minimum wages reaches the actual beneficiary, we recommend that such payments should be made only on production of proof of unskilled labour actually engaged, duly authenticated by the Labour Welfare Department.

(Chapter 16)

Venues developed by Central Public Works Department

General Issues

CPWD was engaged by the Sports Authority of India (SAI) for upgradation/ renovation of five competition venues – Jawaharlal Nehru Stadium, Dr. SP Mukherjee Stadium, Major Dhyan Chand National Stadium, Indira Gandhi Indoor Stadium, and Dr. Karni Singh Shooting Range, as well as one training venue – DPS, RK Puram. In addition, CPWD renovated the Kadarapur Shooting Range on behalf of CRPF.

We found that the appointment of Consulting Engineering Services (CES) as the main design consultant for the five main stadia was seriously flawed. CES was favoured at the evaluation stage by award of marks on “concept design” (which were largely outputs of a previous set of consultancy contracts for “condition survey” awarded to CES). Further, the technical qualification of CES on the basis of “concept design” is all the more surprising, since the OC's consultant, EKS was engaged only in November 2006 and thereafter prepared the venue briefs, on the basis of which “concept designs” were to be prepared. The performance of CES in almost all the venue consultancy contracts was abysmal.

A Centralised Co-ordination Committee, chaired by Chairman, OC and including representatives from venue owners/ implementing agencies, was responsible for selection of brands of sports surfaces. We found clear instances of favouritism and bias shown by this Committee (which was largely guided by the OC) in selecting sport surfaces for athletic tracks, hockey turf and badminton court mats.

A joint tendering mechanism was put in place for selection of agencies for laying the sports surfaces at the venues. We found serious deficiencies in the award of the contract for laying of synthetic athletic track surfaces by CPWD to Shiv Naresh Sports Pvt. Ltd. The restrictive tendering conditions resulted in a situation where the awarded rates were much higher than comparative rates

quoted for similar works. We also found that the area over which the synthetic track was laid included 9,130 sqm outside the main track and area of final warm-up and call rooms at JLN Stadium at a cost of Rs. 6.63 crore. We are unable to derive assurance that this additional quantity was required for the Games, and confirmed as such by OC. We also found deficiencies in the quality of the main competition track during our field visits in November 2010.

A joint tendering mechanism was evolved for supply and installation of VVIP/VIP chairs and media chairs for five venues. We found a systematic pattern of calculations and re-calculations for inflation of rates, which ultimately benefited the vendor, Superior Furnitures.

We found excessive “redundancy” in power supply arrangements for the venues, including installation of DG Sets as permanent fixtures, installation of UPS, and hiring of additional DG sets of huge capacity by OC.

Jawaharlal Nehru Stadium

In Jawaharlal Nehru Stadium, we found instances of non-adjustment for work not executed, extra payments for work already covered by the scope of the lumpsum contract, and non-levy of compensation for delayed completion of the work of the membrane roof. We found deficiencies in execution of work in the construction of the weightlifting auditorium at JNS, and common areas.

Dr. SPM Swimming Pool Complex

The main work of Dr. Shyama Prasad Mukherjee Swimming Pool Complex was awarded on a lumpsum contract. We found a number of concessions to the contractor, in deviation from the spirit of the lumpsum contract – large number of extra items, additional payment for work covered in the original contract, as well as substitution of the original galvalume roof with an aluminium roofing system, due to the failure of the contractor. The essence of the lumpsum character of the contract was, thus, defeated. There were also instances of poor quality of work execution.

IG Stadium Complex

Work at the Indira Gandhi Stadium Complex involved upgradation/construction of venues for cycling, gymnastics and wrestling. We found that a firm, otherwise ineligible for the composite work of the indoor cycling velodrome, was irregularly qualified. Strangely, competition for laying the permanent timber track for the velodrome was limited to Indian furniture contractors (in association with an international track design and construction expert), with no attempt to float

international tenders. This was compounded by dilution of eligibility criteria. There were deficiencies in the bidding process for the wrestling stadium, ultimately resulting in a single financial bid, which raises concerns on the competitiveness of the bidding process. Numerous irregularities/ relaxations in the tendering process for different works relating to the gymnastics stadium, hostel/ media centre and roads, boundary wall etc. to favour a particular bidder, Swadeshi Construction Co. was also observed.

Major Dhyan Chand Stadium

In the case of the Major Dhyan Chand Stadium, audit revealed dilution of pre-qualification criteria benefiting a particular contractor. Estimates were lowered substantially from the RFQ to the RFP stage, which may have discouraged larger companies from participating. We also found that the “justified” rates calculated by the CPWD did not truly reflect the market, as there was evidence of much lower rates for components of the main work from outsourced agencies. Also, despite additional costs for reduced time period for completion factored into the “justification” process, the project took 37 months, against the stipulated 18 months. There were inexplicable delays, with re-tendering twice along with dilution of bid criteria, in award of the work of the PA system to a firm, which was found ineligible in the first and second rounds of tendering.

Other Venues developed by CPWD

The originally envisaged renovation/ upgradation of Dr. Karni Singh Shooting Range was changed to reconstruction of ranges, creating a squeeze of time at the execution stage. There were deficiencies in the quality of works executed, which persisted even after the Games. We also found certain deficiencies in the execution of works at the Kadarapur Shooting Range. The training facilities to be constructed at the CRPF campus, Jharoda Kalan for police sportspersons for participation in CWG-2010, had not been completed.

(Chapter 17)

Venues developed by Delhi Development Authority

Delhi Development Authority (DDA) developed competition/training venues at Siri Fort Sports Complex (SFSC), Yamuna Sports Complex (YSC) and Saket Sports Complex (SSC).

There was an inexplicable delay of nearly a year in engagement of the design consultants for construction work of the new venues, which resulted in cascading

delays in award and execution of the main works. We found deficiencies in the selection and performance of Architect Bureau-GSA Group Consortium as design consultant for the archery competition venue, training venues and refurbishment work.

There were significant deficiencies in the procurement of chairs (with justification rates being unreliable). Deficiencies were also noticed in the contracts for synthetic surface for table tennis court as well as maple wood flooring at one venue.

(Chapter 18)

Venues developed by other agencies

NDMC and PWD, GNCTD developed competition/training venues at Thyagaraj, Talkatora, Shivaji, and Chhatrasal Stadia and Government Model Ludlow Castle School. The main contractor hired for Shivaji Stadium was a foreign company, China Railway Shisiju Group Corporation (CRSGC), when it is apparent from the conditions of the NIT, that such was not the intention. Shivaji Stadium could not be completed in time for the Games and the completed hockey pitch in the stadium has an East-West orientation, as against the required North-South orientation.

Simplex Project Ltd. was engaged as the main contractor for the works at Talkatora Indoor Stadium on a single bid basis; we are unable to derive assurance that the best price was determined for the work in a competitive market. The quality of construction was also found deficient by CTE, CVC.

In the case of Thyagaraj Stadium, we found several instances of adoption of higher cost items for estimation/execution from among multiple options, and also numerous instances of specifying a single brand or “equivalent”, thus favouring these brands, with consequential reduced competition and increased costs. We also found multiple forms of power back up – a solar power generator unit, and a dual fuel gas turbine with add-on Vapour Absorption Machine (VAM). The expenditure of Rs. 22.41 crore on the turbine and the VAM is largely infructuous, as it would be highly expensive to generate power from this unit post the Games.

Irregularities were also observed in the appointment of the design consultant for the Chhatrasal Stadium and Ludlow Castle.

JMI was selected as a training venue for Rugby 7s and table tennis. We found that the Rugby 7s field, developed at a cost of Rs. 2.11 crore, was being converted back into a cricket field, which defeats, at least partly, the objective of

creation of state of the art sporting infrastructure. Further, Rs. 2.58 crore was diverted for creation of sporting facilities for other disciplines (basket ball, lawn tennis, volley ball, hockey/football etc). While we recognise that development of university premises for providing sports facilities is desirable, the diversion of funds sanctioned for a specific purpose is irregular.

Delhi University and its affiliated colleges were designated as the competition venues for Rugby 7s and training venues for netball, boxing, rugby 7s, athletics and women's wrestling. We found that the legacy plan for training venues at individual colleges, covering the optimum utilisation of developed infrastructure as also arrangements for their regular maintenance and upkeep, is still pending.

The R.K. Khanna Tennis Complex, under the All India Tennis Association, was designated as the competition venue for tennis. We found that the consultant for this upgradation project was irregularly selected on nomination basis. However, AITA's concept of deleting the steel portion from the original contract (on account of volatility in steel prices in 2008) and procuring it directly had its advantages, especially since it did not include any 'escalation/ de-escalation' clause in the contract.

(Chapter 19)

Commonwealth Games Village

The Commonwealth Games Village, near the Akshardam Temple, had three major components – a residential complex for housing the athletes and officials, practice areas for athletes, and temporary structures (overlays) for the international zone, village operations and other areas.

We found that key issues related to selection of site were not properly addressed. Except for strengthening of the Akshardam bund, there was no evidence of compliance with the upstream flood mitigation/ abatement measures on the river Yamuna stipulated by the Ministry of Environment and Forests while according conditional environmental clearance. DDA essentially attempted to abdicate responsibility for this issue. We could also not verify compliance with the orders of the Hon'ble Supreme Court, which had permitted construction on the basis of an assurance regarding monitoring of construction activities by a PM-appointed committee in association with Dr. RK Pachauri. Surprisingly, when contacted, Dr. Pachauri confirmed that he had not been involved with any such monitoring activity.

We found serious irregularities in the award of the contract for construction of the residential complex in PPP mode to Emaar MGF Constructions Pvt. Ltd. There

was a series of misrepresentations and accommodations at the RFQ and RFP stage that resulted in Emaar MGF Constructions Pvt. Ltd, which was not qualified in terms of the PQ criteria, emerging as an eligible (and successful) bidder through the consortium route. Further, a short time period of just seven days was allowed after a significant addendum, introducing significant changes to the bid conditions.

In response to the RFP, two bids were received from Emaar MGF Constructions Pvt. Ltd and DLF Ltd. While DLF's conditional bid was summarily rejected without any interaction or negotiation, DDA chose to engage in a prolonged correspondence with its financial consultants, legal advisors and Emaar MGF Constructions Pvt. Ltd to find solutions to address the deficiencies in its proposal. Finally, only Emaar MGF Constructions Pvt. Ltd was declared technically qualified, and was awarded the contract on the basis of a single financial bid, thus denying DDA the benefit of financial competition.

The execution of the residential complex project was also plagued by several irregularities and deficiencies. The FAR constructed by the project developer substantially exceeded not only the sanctioned plan, but also the maximum permissible FAR under the Master Plan for Delhi – 2021. Emaar MGF also illegally constructed 17 additional dwelling units in the basement meant for parking. DDA allowed several financial concessions to Emaar MGF, including revision of milestones and delayed / non-levy of liquidated damages. Against the stipulated deadline of 1 April 2010, the residential flats were handed over to DDA between June and August 2010 and that too in incomplete condition.

The Central Building Research Institute, Roorkee (CBRI) was appointed by DDA as the third party independent quality inspection agency for the residential complex only after most of the foundation work was executed. CBRI pointed out serious lapses in construction work through thirteen reports between June 2008 and October 2010. These included deficient secondary reinforcement of beams and columns, lack of adequate concrete cover to Reinforcing Steel, improper beam-column joints, improper alignment of columns and tapered columns (which were plastered to cover up the deficiencies, contrary to CBRI's advice), and differences in the levels of grade slabs leading to seepage and leakages in the basements. CBRI concluded that on seeing the permeability of the concrete and the corrosion of reinforcing steel, it gave an impression that the service life of these towers could not be more than 20 years, unless substantial expenditure was incurred on repair and retrofitting. DDA did not take adequate action on these reports, as the deficiencies continued to recur in CBRI's successive reports.

There were serious deficiencies with regard to the award and execution of the design consultancy contracts for construction of the practice areas. The

selection of Sportina Payce Infrastructure Ltd. as the main contractor for the practice areas was manipulated to ensure that Sportina Payce Construction (India) Pvt Ltd. (a different entity) pre-qualified and the successful bidder for the project was different from the pre-qualified consortium. Subsequently, due to poor performance, the contract was terminated, and re-awarded.

The selection of GL Litmus Events Pvt. Ltd. as the contractor for delivering temporary structures (overlays) for the international zone and other areas was equally flawed. The successful bidder was entirely different from the pre-qualified entity, and the foreign entity with relevant expertise was not part of the successful bidding entity. Further, for a contract of Rs. 41.38 crore, the bulk of the material for which was to be imported, the value assessed at the Indian customs was only Rs. 5.32 crore.

Delhi Jal Board (DJB) constructed a 1 MGD Water Treatment Plant (WTP) for the Games Village, Akshardham Temple and surrounding areas at a cost of Rs. 35.20 crore. We found that the need for a separate 1 MGD was not clearly established and the plant was over-designed with expensive membrane filtration technology. Further, the tendering process was flawed and irregular, with undue and inexplicable delays. The bid evaluation was tailored to favour award of the work to a single bidder. The WTP is currently shut down and its requirement on a legacy basis is questionable.

DDA also purchased four 1250 KVA each generating sets with excessive and undue redundancy, which are now lying idle. Plans to shift two of these sets to DDA Headquarters (Vikas Sadan) appear unreasonable, as Vikas Sadan's current load is just 1230 KVA.

(Chapter 20)

Streetscaping and Beautification of Roads around CWG Venues

In 2004, GNCTD decided to implement streetscaping and beautification of roads for “aesthetics” before CWG-2010. However, in our view, the street-scaping and beautification project was ill-conceived and ill-planned, without a broad overarching vision and perspective of how this would impact urban design and development. The project was not part of Delhi's City Development Plan under the Gol's flagship JNNURM programme for urban development and renewal. GNCTD did not deem it necessary to obtain clearance from DUAC for this project, nor was there evidence of consultation with the Traffic Police at an appropriately early stage to assess and co-ordinate its impact on the management of the huge volume of Delhi traffic.

Streetscaping and beautification works at exorbitant average awarded costs of Rs. 4.8 crore/ km (compared to NHAI's estimated cost of Rs. 9.5 crore / km for constructing a four-lane national highway or Indian Railways' estimated cost of about Rs. 4.1 crore/km for constructing railway track) were awarded and executed in an ad hoc and arbitrary manner, with wasteful expenditure of Rs. 101.02 crore.

The project was largely a consultant-driven project, with the selection of consultants being arbitrary and non-transparent, and without any common design guidelines and targeted budgetary estimates. The consultants were given a free hand to draw up designs and estimates for the packages allotted to them. This resulted in adoption of richer specifications in an arbitrary and inconsistent manner in different packages. We also found adoption of higher rates/ short recovery, and other deficiencies in contract management. Third Party Quality Control failed to provide adequate assurance on the specifications and materials used in the works.

(Chapter 21)

Upgradation of Street Lighting of Roads in Delhi

The project for modernisation of Delhi Street Lighting System was conceived by GNCTD in June 2006, with plans to implement it across Delhi within 2 years. Detailed lighting standards were prepared in November 2006. Although these standards provided only the technical parameters of performance of lamps and luminaries and did not distinguish between indigenous and imported luminaries, PWD stipulated the use of a mix of imported and indigenous luminaries for different categories of roads. Records show the decision on use of imported luminaries being taken with the active involvement of the CM at various stages. No technical note regarding reasons for use of imported luminaries along with cost benefit analysis was found on record. The decision taken by PWD regarding use of imported luminaries was also adopted by MCD and NDMC.

The imported luminaries were procured at a far higher cost than the domestic luminaries, leading to avoidable extra expenditure of Rs. 31.07 crore across the three agencies. Models of various companies of vastly different reputation and of different price range were selected at the same level, without any record of techno-economic evaluation of options offered by different bidders. We also found that the procurement price of imported luminaries was far higher than the fair price computed on the basis of actual invoice price.

The awarding of work in NDMC after calling of design based tenders resulted in an extra expenditure of Rs. 6.77 crore, as work was awarded to the bidder with higher unit rates for various items. NDMC also awarded additional

work of 18.445 km, incorrectly terming it as deviations to the original contract. We believe that this may lead to an estimated additional loss of Rs. 6.13 crore.

Restrictive tendering conditions were stipulated and the work was split into three parts in PWD, with requirement of not more than one work to one bidder, reducing the competition between the bidding firms. After once being declared disqualified, one of the firms, Spaceage was irregularly declared qualified on subsequent re-assessment, following his appeal to the CM.

We found avoidable expenditure of Rs. 2.54 crore in contracts awarded by MCD (due to non-compliance with design specifications), as well as suspected post tender alteration of bids in two cases, which had resulted in enhancement of the quoted amounts by Rs. 6.97 crore.

(Chapter 22)

Road Signages

In February 2006, it was decided that the entire city of Delhi should have state of the art road signages with appropriate structural system for the forthcoming CWG-2010. A pilot project was taken up by PWD in May 2008 through authorised converters of the two leading manufacturers of the retro reflective sheets.

We found that the department did not facilitate healthy competition, but merely ensured sharing of signage work between the two major sheet manufacturers, 3M and Avery-Dennison. Instead of calling a single tender for the complete work, the project work was divided among three PWD Zones for separate tendering and execution, with restrictive conditions, leading to only two valid bidding parties, with work automatically getting distributed between them. The anti-competitive bidding conditions led to work of one zone being awarded at least Rs. 1.40 crore above the corresponding cost in the other two zones as well as higher overall costs of procurement in PWD, as compared with NDMC.

Subsequent to the award of work, the designs for the signages were substantially revised, leading to large number of extra and substituted items of dubious utility with additional avoidable expenditure of Rs 14.88 crore.

(Chapter 23)

City Infrastructure Development: Roads and Flyovers

GNCTD undertook construction of 25 roads and bridges for upgradation of city infrastructure and in preparation for CWG-2010. We selected seven of these projects for detailed review.

All the seven projects adopted Contractor's Profit and Overhead Charges (CPOH) of 37.5 per cent for the bridge/ flyover components in contrast to CPOH of 15 per cent stipulated by CPWD. This resulted in increasing the justified cost, worked out by the department after opening of the financial bids, by Rs. 352.47 crore. A higher CPOH leads to a higher cost baseline for potential bidders. The CPOH rate also forms an indirect input into the process of preparation of justified costs, where required, and the assessment of reasonableness of rates for final award of the contract.

There was irregular award of work in two projects where L-1 was determined by considering separate letters quoting a lump-sum amount, while use of correction fluid in tender documents, and large number of cuttings/corrections were seen in another bid (which was accepted).

Two works costing Rs. 62.63 crore were got executed by PWD through deviations of ongoing works, instead of calling for fresh tenders, on grounds of urgency. These works however, were, not completed in time for the games. PWD also awarded work for construction of two arch foot over bridges (FOB) for Rs. 10.35 crore at JLN Stadium using for the first time, a suspension bridge design using imported Macalloy suspension system. One of the FOBs collapsed and the work was subsequently stopped on both the FOBs. Both are still lying incomplete.

(Chapter 24)

Renovation and Restoration of Connaught Place

Although the project for renovation and restoration of Connaught Place (CP) was envisaged in April 2004, it was plagued by undue delays. The original estimated cost of Rs. 76 crore (as of May 2005) went up nearly nine-fold to Rs. 671 crore by July 2007, with a huge increase in scope of work.

The approved DPR for the project was submitted only in February 2008, and it was, therefore, unreasonable to expect that the project could have been completed in time for the Games, especially in view of the constraints of traffic management considering the importance of Connaught Place to Delhi's traffic. NDMC chose not to follow the approach of dividing the project into manageable packages, so organised as to minimise traffic disruption across the whole of CP, and taking up those project components which could have been completed in time. Instead, the project was divided into packages spanning the whole of CP, with all activities getting underway around the same time.

Apart from the pilot project for facade restoration of 'C' block (which was completed in August 2008), the project remained incomplete at the time of the Games. We also found significant deficiencies in contract management, with consequent avoidable expenditure.

(Chapter 25)

Other Infrastructure Development Activities

Secured Communication Services

In September 2008, GNCTD decided to introduce a TETRA network (a professional mobile communication service essentially meant for emergency services and government agencies) in time for CWG-2010. GNCTD awarded the contract for TETRA at Rs.99.81 crore for an 87 month period, covering not only the Games period but also a seven year legacy period. In our view, the decision to extend TETRA for legacy use for seven years was ill-conceived. A proper assessment of the requirements of Delhi Police (the main user) and other public agencies as well as the replacement of existing networks with TETRA (since no communication was permitted by DoT between TETRA and other networks) was not carried out. Post CWG-2010, most of these expensive TETRA sets are, in effect, no more than mobile phones.

Transportation Services

During CWG-2010, low floor buses of DTC were used for ferrying the athletes, technical officials and media persons. For keeping the buses 'new' for CWG-2010, DTC kept about 16 per cent of its low floor fleet idle between March and August 2010; further, 78 per cent of the Blueline fleet was also taken off the roads in the NDMC area for the duration of the Games. This, compounded by large scale diversion of DTC drivers for Games-related duties, led to significant disruption of public transport services.

Modernisation projects like LED destination boards on standard buses, and construction of Time Keeping Booths could not be completed before CWG-2010 as envisaged. The construction of 48 ticketing booths all over the city appears to be an anachronism at a time when the buses are being fitted with GPS/ AVTS.

For getting 1500 Bus Queue Shelters (BQs) constructed before the Games, DTC and the Transport Department of GNCTD resorted to various methods of execution (including award of 1050 BQs on Government funding/ BOT mode to DIMTS, a non-Government entity with 50 per cent private

shareholding), which indicated arbitrariness, ad hocism and lack of clarity in implementation of such a large project. So far, only 472 BQs could be completed.

The bus parking constructed at the Ash Pond opposite the Millennium Park is not really a temporary structure. It has certain permanent constructions. Its use has continued well beyond the short requirements of the Games. This was clearly in violation of the Master Plan for Delhi 2021 and the proposed Zonal plan of Delhi, which earmarks the area as a green zone with recreational uses but without permanent construction.

Power

GNCTD planned to commission a new power plant at Bawana on the grounds of increased dependence on own power generation sources. The construction of the 1500 MW Bawana gas-based power plant was, however, delayed, and could not be completed in time for the Games. Delhi Transco Ltd. (DTL) also took up five 220 KVA substations and seven corresponding cabling projects to strengthen the power supply situation in Delhi in time for the Games. Most of these projects were awarded very late (in the second half of 2009) and could not be completed before the Games. There were numerous deficiencies in the contract award process.

(Chapter 26)

Organisation of Commonwealth Youth Games – 2008, Pune

The Commonwealth Youth Games 2008 (CYG-2008), a sub-event of CWG-2010, was held between 12 and 18 October 2008 at the Shiv Chhatrapati Sports Complex Balewadi- Mhalunge, Pune, which was refurbished and upgraded for the event.

We found serious deficiencies with regard to the construction of the 3-star hotel on PPP basis for accommodating the participants. The plot for the hotel was located in a public/ semi-public land use zone, and commercial use was not permitted. The proposal for change of land use was mooted to the Government of Maharashtra (GoM) on the grounds of urgency/ late stage, work already having commenced on the ground, and lack of other alternatives. This was approved by the then Chief Minister in October 2007. The Review Committee, headed by the Chief Secretary, abdicated its responsibility in this regard.

Further, the tendering process for the hotel was severely flawed. Tender conditions were relaxed substantially in various stages, purportedly on grounds of lack of response. Strangely, the issue of change of land use was not raised at all during the tendering process. It is possible that only bidders who were confident of getting post facto clearance from the GoM would have gone ahead with the bidding process. The contract was finally awarded on a single financial bid to Unity Infra Projects with an NPV far below that recommended by the Finance Department.

CYG-2008, Pune was expected to be a learning experience for the staging of CWG- 2010 at Delhi. The deficiencies noticed at Pune, and the resulting recommendations were intended to ensure that these were not repeated in CWG-2010. We, however, noticed that OC lost this opportunity to learn and test its preparedness for Delhi 2010, and consequently repeated its mistakes in key functional areas during CWG-2010, notably technology, ticketing, sponsorship and merchandising, press operations, catering and accommodation.

We also found several deficiencies in the procurement of electronic, sports and other equipment for CYG-2008. Most of the security equipment indented for CYG-2008, Pune was either ordered after the Games, or received after the Games. Many of the city infrastructure projects (taken up largely under JNNURM) could not be completed in time for the Games.

(Chapter 27)

Media and Broadcasting Services

Although Doordarshan was indicated as the Host Broadcaster in the May 2003 bid, it was formally notified by the OC only in March 2007. The Host Broadcaster agreement between the OC and Prasar Bharati (PB) was signed in May 2009.

The award of the broadcasting services contract by PB to SIS Live was flawed on several counts:

- Only one bidder, SIS Live, was qualified on technical grounds, and the contract was awarded on a single financial bid, without any competition. Lack of competition was facilitated by a rigid stand taken by PB at the stage of bidding (especially on the payment schedule), which restricted potential competitors from bidding. However, PB agreed at the pre-bid meeting to finalise the contract terms “mutually” with the selected entity, and subsequently amended numerous clauses of the draft contract to make it one-sided in favour of SIS Live.

- Contrary to the intent of the contract with PB, SIS Live outsourced almost the entire contract on the same day to Zoom Communications, which would have been ineligible for bidding. We found that SIS Live and Zoom were in alliance much before the signing of the contract with PB, and even at the contract drafting stage, the intention of SIS Live to outsource the contract was clearly evident.
- While PB's contract with SIS Live was for Rs. 246 crore, the sub-contract between SIS Live and Zoom was for only Rs. 177.30 crore (which would also factor in Zoom's profit margin). Clearly, there was a substantial loss to PB and Government, although we are unable to quantify this loss (based on available and verifiable records).
- As per the contracted schedule of payment, SIS Live was to receive only 30 per cent payment before 14 October 2010, with the balance only on verification of performance. This was irregularly amended to allow 60 per cent payment in advance of the Games (subject to successful installation and testing of equipment).

PB failed to enforce compliance by SIS Live with even the conditions associated with the relaxed payment schedule viz. short supply of equipment, irregular changes in make/ model of equipment, and non-co-operation by SIS Live with PB's technical inspection team. There were also several deficiencies in the execution of the contract, notably with regard to delayed/ non-receipt of tapes for QBR coverage and non-deployment of stipulated technical personnel by SIS.

We found that the Host Broadcast Management Committee (HBMC) set up by the PB did not achieve the desired results. There was a lack of consensus among members of the HBMC; this ultimately resulted in debatable decisions, which favoured the interests of SIS Live. The Ministry of Information and Broadcasting, as well as an Oversight Committee (chaired by the Minister, I&B and co-chaired by the Minister of Law and Justice) which was constituted to monitor the progress of activities and expedite decisions, chose to largely accept the proposals put forward by PB.

The legacy value of HDTV coverage of CWG-2010 to PB, both in terms of improvement of infrastructure and development of in-house skills, was insignificant. PB participated in production of only three events, as against the initial plan of coverage of 10 out of 17 events in-house. Training was imparted to PB staff only in non-Games venues, and there was no evidence of such training being imparted on the highly specialised OB vans used for Games production. Further, PB failed to take advantage of the Cabinet approved scheme for upgradation of Doordarshan to HDTV. Consequently, the training received by PB personnel from

SIS Live would also become largely redundant, in the absence of HDTV equipment in PB.

(Chapter 28)

Telecommunications Services for CWG-2010

MTNL was appointed on “nomination basis” in October 2009 for providing telecommunications services for CWG-2010, on the premise that it would follow all norms and procedures for public financial accountability. However, we found that the process of awarding the telecommunications services contract was flawed.

MTNL, with OC's agreement, pushed through a vastly more expensive technical solution (IP/ MPLS) for the Broadcast Video Network and Broadcast Audio Network, which had not been tested in the previous Games and was not acceptable to the Rights Holder Broadcasters (RHBs) from different Commonwealth countries. Eventually, in addition to IP/ MPLS, the tested and existing technical solution (“point-to-point dark fibre”) was provided to meet the requirements of RHBs. Even Doordarshan made use of only the dark fibre solution for its video broadcast requirements. This solution would have been vastly cheaper, with less cost to the public exchequer.

The premise of the PSU following public financial accountability norms was jettisoned, as the technical requirements were altered without adequate justification by MTNL to leave only one technically qualified bidder, the HCL/Cisco team; there was, thus, no financial competition. Essentially, MTNL acted as a conduit for placement of a contract, on a back-to-back basis, in a non-transparent manner.

The estimates for telecommunications services provided by MTNL at different points of time were unreliable and lacked adequate support, with the final infrastructure cost of Rs. 270.70 crore (excluding taxes) approved by the Gol being more than eight times the estimates of approximately Rs. 33 crore for Melbourne CWG-2006. The contract awarded by MTNL to the HCL/ Cisco team was for an even higher amount of Rs. 387.19 crore. Clearly, there was a substantial loss to the Gol on account of this decision.

MTNL did not provide realistic and detailed business plans or strategies regarding the post-CWG market potential for the high speed IP/ MPLS solution obtained at considerable cost to the Gol (except for a reference in the tender documents to the requirement of network capacity to handle 1,00,000 customers each in Delhi and Mumbai). This, further, confirms the redundant nature of this expensive technical solution.

(Chapter 29)

Health Services for CWG-2010

In October 2009, the Directorate of Health Services (DHS) in the Department of Health and Family Welfare (DoHFW), GNCTD formulated a Health Action Plan (HAP) for CWG-2010 for providing free medical services to athletes, officials, spectators and others at the Games Village, venues and other locations.

While healthcare for the athletes and the Games Family was ensured, we found that the delayed finalization of the HAP, compounded by further delays during tendering/ award, was used to facilitate deviations from stipulated procurement procedures for ensuring transparency and competition on purported grounds of urgency.

The procurement of medical equipment was marked by serious irregularities. Despite CWG-2010 requirements having been identified well in advance in the HAP, DHS followed multiple procurement processes in an arbitrary manner – including procurement through one-year Rate Contracts (RCs) finalized in June 2010, operating of RCs of other hospitals, and use of “spot quotations” from the open market. We found that the rates for many of these items were exorbitant, by inter se comparison of rates for the same items between multiple modes of tendering. Further, 5 items of medical equipment (estimated at Rs. 5.89 crore) included in the HAP were not ordered at all, while an additional 5 items (which were not included in the HAP) were purchased for Rs. 1.10 crore.

Although the Sports Injury Centre (SIC) at Safdarjung Hospital was inaugurated in September 2010, it was not fully commissioned even in November 2010. Many items of equipment were yet to be procured and/or installed, and training on use of equipment was yet to be fully imparted. There was also a severe shortage of qualified manpower for providing necessary services.

The attempt to strengthen ambulance services in time for CWG-2010 through deployment of 150 ambulances in PPP mode was a failure, since the contract with the selected concessionaire (Fortis Healthcare) was terminated for failure to deliver the ambulances in time. In our opinion, this eventuality arose because of the DoHFW's failure to specify the exact nature of the ambulance vehicle well in advance. Government then acquired just 31 ambulances in June/ August 2010 on direct procurement for the Games at a much higher price. This difference in prices was largely due to higher specifications for the medical equipment than that originally envisaged. It is inexplicable why this was not considered earlier. Further, 21 of these ambulances were Advanced Life Support (ALS) ambulances, which require the services of trained doctors and are generally attached to hospitals. Only 10 ambulances were Basic Life Support (BLS) ambulances, which primarily address the need of Delhi and its citizens for a

general ambulance service for immediate pre-hospital emergency response services.

(Chapter 30)

Integrated Security System (ISS) for CWG-2010

Electronics Corporation of India Ltd. (ECIL), a PSU, was appointed by the GoI in May 2009 on “nomination basis” to provide an Integrated Security System (ISS) for CWG-2010. We found that ECIL prepared a highly inflated cost estimate (approved at Rs. 346 crore) which allowed it to make an exorbitant profit of at least Rs. 126 crore. We recommend that final payments may be released to ECIL only after detailed examination of actual costs and an appropriate certification by ECIL's statutory auditors after allowing a profit margin of upto 20 per cent.

We found that 176 Portable Explosive Detectors (PEDs) worth Rs. 39 crore were wrongly procured by ECIL, and remained unutilised; similarly, 15,090 out of 18,700 RFID tags for accredited vehicles also remained unutilised.

MHA did not have an approved legacy plan for the utilisation/redeployment of the security equipment, without an “a priori” identification of items as legacy, non-legacy and consumables. Subsequent to CWG-2010, ECIL identified legacy and non-legacy equipment worth Rs. 272.65 crore, which had still not been redeployed or utilised.

(Chapter 31)

Preparation of Indian Teams for CWG-2010

In June 2008, MYAS initiated a scheme for “Preparation of Indian Teams for CWG-2010” for imparting state of the art training, with well-equipped infrastructure and other supporting facilities, through the Sports Authority of India (SAI) and its regional centres to a core group of 1286 elite athletes, who would be the medal probables for CWG-2010.

We found that SAI utilised only 30 per cent of the budget of Rs.678 crore allocated for the period 2008-11. Further, there were substantial delays in selection of core probables, as well as in appointment of coaches and other supporting staff. The performance parameters for judging improvement in the performance of the core probables were decided as late as 15 to 20 months after commencement of implementation of the scheme.

A total number of 284 training camps were held for 18 (17 normal disciplines and one para sports). However, many disciplines and sub disciplines had not had training camps during the year.

For supporting training of core probables, SAI awarded 28 contracts/ orders for procurement of imported sports items and equipment at a cost of Rs. 40.12 crore during 2008-11. We found serious deficiencies in the procurement process. All 28 orders were awarded on single tender basis as “preferred items” without adequate justification. In the absence of competitive tendering, we are unable to derive assurance regarding considerations of economy and transparency. Further, this expenditure was largely unfruitful, as many of the items were received after the training camps or during/ after the Games, while some items could not be installed or were received at the wrong SAI regional centres or remained otherwise unutilized.

On the infrastructure front, SAI failed to construct hostels in five regional centres, while hostels constructed in three regional centres could not be utilised due to non-availability of furniture, kitchen and other supporting facilities. Seven out of eight sports science centres, all eight standard modern fitness centres, and renovated/ upgraded halls at various centres could not be utilised before the Games. Thus, out of funds of Rs. 78.63 crore released for infrastructure upgradation, expenditure of Rs. 74.35 crore was not fruitful in time for the Games. Further, out of the envisaged Rs. 9.20 crore of sports science equipment, only a negligible amount of equipment was in position before the Games.

There were deficiencies in financial management, including non refund of the unutilised amount of Rs. 45.50 crore by SAI and diversion of Rs. 19.00 crore for construction of the administrative block of SAI Hqrs building.

(Chapter 32)

Conclusion

It is acknowledged that India hosted the largest and among one of the most successful Commonwealth Games in Delhi in October, 2010. It is indeed a remarkable commentary on the nation's managerial and sporting capabilities that despite a multitude of adversities leading to the actual conduct of the games, India emerged successful both as hosts and as competitors.

It may be recalled that while submitting a study done by this Department in July, 2009, we had strongly recommended that Government should revisit the model of governance for a smooth and successful delivery of the games. Audit continues to feel that serious cognizance was not taken of the issues pointed out

in that report, as timely remedial action may have mitigated some of the adverse attention that the conduct of the Games attracted.

This report has commented upon the model of governance adopted for CWG-2010, in which authority was dissipated, accountability was defused and unity of command was not provided for or followed. It was also inadvisable to have placed such huge public funds at the disposal of non-government officials, who were not willing to heed to any advice from informed government officials.

The modus operandi observed over the entire gamut of activities leading to the conduct of the Games was: inexplicable delays in decision making, which put pressure on timelines and thereby led to the creation of an artificial or consciously created sense of urgency. Since the target date was immovable, such delays could only be overcome by seeking, and liberally granting, waivers in laid down governmental procedures. In doing so, contracting procedures became a very obvious casualty. Many contracts were then entertained based on single bids, and in fact, some of them were even awarded on nomination basis. Taking liberties with governmental procedures of the aforementioned kind led to elimination of competition. A conclusion from such action which seems obvious is that this could indeed have even been an intended objective! Eliminating competition led to huge avoidable extra burden on the exchequer.

As per established procedure in Government, whenever an outside entity makes a proposal to the Government involving budgetary commitments, the concerned departments are required to conduct an in depth and de novo examination of such proposals. However, such independent examination of proposals, especially regarding revenue generation by the OC and the expenditures likely to be incurred, as also the total financial liabilities to be borne by the Government, were conspicuous in their absence. Appropriate due diligence was conspicuously absent at all levels, while scrutinising and according approvals to expenditure proposals.

A basic canon of financial propriety is that the expenditure should not prima facie be more than what the occasion demands, and officials charged with stewardship of Government funds must exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further, not only should transparency and fair play be exercised, the public at large should perceive that Government monies have been expended in a fair and transparent manner and officials will be held accountable for lapses. Government needs to take appropriate measures to live up to the high expectations in this regard.

(Chapter 33)





1.1 Commonwealth Games

The Commonwealth Games (CWG) is a multi-sport event held every four years among the Commonwealth Countries. The Members of the Commonwealth Games Federation (CGF), which is responsible for direction and control of the CWG, are the 71 Commonwealth Games Associations (CGA) from 53 countries.

1.2 Commonwealth Games 2010

The XIX Commonwealth Games (CWG-2010) were successfully hosted in Delhi from 3 to 14 October 2010. These Games represented the largest ever multi-sport event held in

India, surpassing the IX Asian Games (held in Delhi in November- December 1982) and the I Asian Games (held in Delhi in March 1951).



The official Games mascot "Shera"



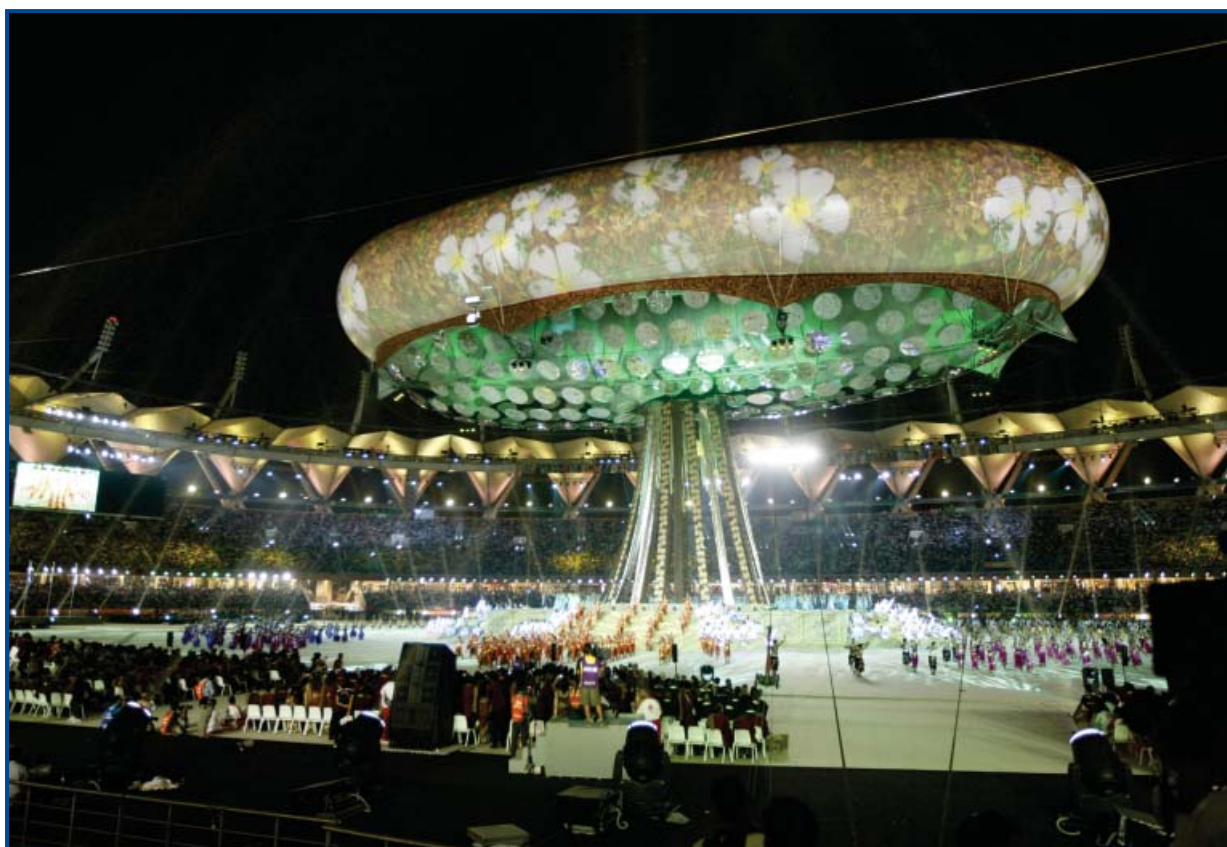
The Games logo

Chapter 1 - Introduction

The hosting of CWG-2010 was the culmination of the bid in May 2003 by the Indian Olympic Association (IOA), with the support of the Government of India (GoI) and the Government of the National Capital Territory of Delhi (GNCTD), for hosting the XIX Commonwealth Games 2010. Delhi won the right to host the Games with 46 votes against 22 cast in favour of the other bidding city Hamilton, Canada, at the Commonwealth Games Federation (CGF) General Assembly in November 2003. A Host City Contract (HCC) was signed in November 2003 between the

Commonwealth Games Federation (CGF), IOA, GoI, GNCTD, and the Organising Committee (yet to be formed).

The organisation of the Games was to be delegated by the IOA to the Organising Committee. However, all the Indian parties were jointly and severally responsible for all commitments, including financial liabilities without limitation, relating to the organisation and staging of the Games. In particular, GoI undertook to bear the financial liability for hosting of the Games, by underwriting any shortfall between revenues and expenditure.



1.3 Commonwealth Youth Games – 2008, Pune

The Commonwealth Youth Games are a small-scale version of the Commonwealth Games, designed for children and young people. The III Commonwealth Youth

Games took place in Pune, Maharashtra, from 12 to 18 October 2008, and were viewed, in part, as a test event for the XIX Commonwealth Games.

Highlights of XIX Commonwealth Games 2010

- 4336 athletes and 2115 officials representing 71 CGAs participated in CWG-2010.
- Competitions were held in 17 sports disciplines viz. archery, athletics, aquatics, badminton, boxing, cycling, gymnastics, hockey, lawn bowls, netball, rugby 7s, shooting, squash, table tennis, tennis, weightlifting and wrestling.
- In addition, 15 events were contested across four para sports viz. athletics, powerlifting, swimming and table tennis for elite athletes with disabilities under the Inclusive Sports Program.
- The events in 17 disciplines were held in competition venues in 12 stadiums and training/practice venues in 22 stadiums/ complexes. Details are given in **Annexe 1.1**.
- 108 Commonwealth Games records and two world records were set at the Games.
- Triple jumper from Jamaica, Trecia-Kaye Smith, was conferred the prestigious David Dixon award.
- With five gold medals in swimming, Alicia Coutts (Australia) was the most successful athlete. Gagan Narang (India), who won four gold medals in shooting, was the most successful male athlete.
- Australia was the most successful CGA at CWG-2010, with 74 gold, 55 silver and 48 bronze medals.
- India gave its best ever performance in Commonwealth Games by securing second position in the medal tally with 38 gold, 27 silver and 36 bronze medals. It also won all the medals in the women's discus throw event.

Major assets created/upgraded

- Creation of world class sporting infrastructure through renovation/ upgradation of sporting venues;
- Construction of several flyovers and roads and an elevated corridor;
- Upgraded metro connectivity and airport infrastructure;
- Induction of additional low-floor buses (AC and non-AC), and construction of new/upgraded bus queue shelters
- Streetlighting; and
- Restoration of heritage monuments (Safdarjung tomb, Purana Qila complex, Humayun's tomb complex, group of monuments at Hazrat Nizamuddin complex and Lodi Garden etc)

1.4 Organisation of CWG-2010 – a complex, long-term and multi-dimensional project

The organisation of the Games (and, indeed, any other multi-sport international events) constitutes a complex, long-gestation, multi-dimensional project with numerous participants/ activities.

Figure 1.1 - Organisation of CWG 2010



Governance and Management for CWG-2010 involved:

- Putting in place adequately empowered governance structures;
- Identification of activities, and delineation of responsibilities of different agencies;
- Funding and budgeting arrangements;
- Setting up of the “Organising Committee” (OC) for conducting the Games;

- Arrangements for monitoring, oversight and co-ordination; and
- Planning for legacy.

Development of sporting venues involved:

- Finalisation of 17 sporting disciplines (15 mandatory disciplines – as per CGF guidelines - and 2 optional disciplines – tennis and archery);
- Identification of stadiums as competition venues and training venues;



- Finalising plans for construction of new venues and renovation/ upgradation of existing venues;
- Venue building, testing and hand-over to the Organising Committee (OC) in time for the Games.

City Improvements involved:

- Transport improvements – roads and flyover projects to improve connectivity, road signages, traffic management, purchase of buses, construction of bus depots and bus queue shelters etc;
- Civic amenities – street lighting, public toilets, street “furniture”, streetscaping and beautification, restoration of heritage structures;
- Tourist accommodation and facilitation; and
- Power supply and other infrastructure arrangements.

Conduct of CWG-2010 involved:

- Games Planning and overlays;
- Sports and technology arrangements;
- Ceremonies (Queen's Baton Relay and Opening and Closing Ceremonies);
- Catering arrangements for athletes, officials and others;
- Workforce and volunteers;
- Games branding and image and look; and
- Revenue generation to offset the cost of organising CWG-2010.

Other services included:

- Security and law and order arrangements;
- Health services for the Games family; and
- Broadcasting and media coverage for the Games.

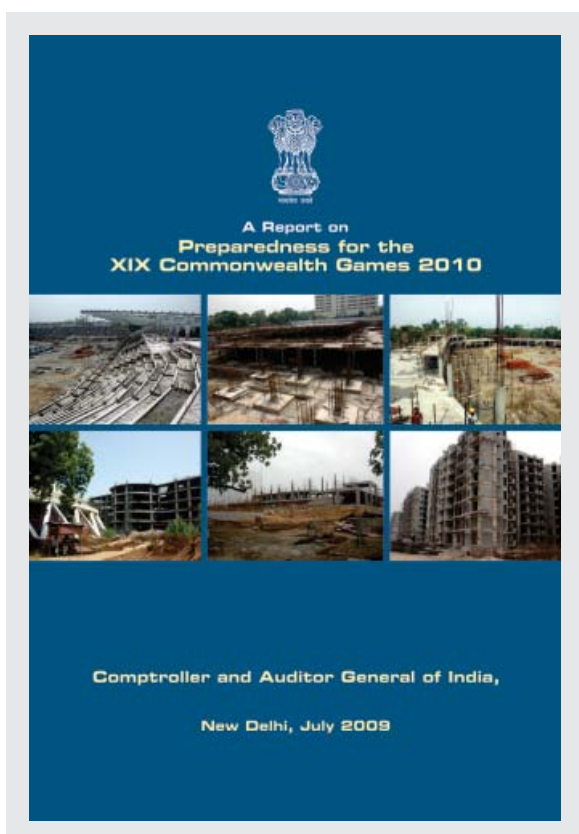


The organisation of CWG-2010 was a mammoth exercise. Notwithstanding the issues and concerns raised in this Audit Report, the Games were successfully conducted and received high praise nationally and internationally. Many of the objectives of hosting CWG-2010 – in terms of building state of the art sporting infrastructure as a lasting legacy; and large scale improvement of city infrastructure – were largely achieved.

We acknowledge the tremendous efforts put in by various agencies (both Government and non-Government) in working to very tight deadlines and under difficult circumstances to make CWG-2010 a grand success.

Study Report on 'Preparedness for the XIX Commonwealth Games 2010'

In July 2009, the Comptroller and Auditor General of India presented a Study Report to the Government of India on 'Preparedness for the XIX Commonwealth Games 2010'. The objective of the Study Report was to assess the progress of projects and preparedness of different agencies for organising the Games, and to identify significant risks that needed to be addressed.



The Study Report, which was the first of its kind produced by us, was intended to provide an aid to the Executive and the organisers in monitoring progress and in making mid-course corrections. It was

prepared to serve as a checklist and a ready reckoner to benchmark further progress towards preparing the infrastructure and in staging the Games.

For this Report, we conducted our field work between March and May 2009, and collected photographic evidence to record the status of construction as of 15 May and 1-2 July, 2009. Progress of works between May and July 2009 was also appropriately incorporated, based on available and verifiable information.

The main findings and recommendations of the Study Report were as follows:

- The scope for further delays and slippages in milestones no longer existed, given the immovable deadline of October 2010. In view of the complexity and multiplicity of activities and organisations involved and the progress till date, there was a need to rethink the governance model for the Games Project.
- While we witnessed renewed vigour and redoubled efforts by the agencies towards the close of our engagement, much time had been lost and it was imperative to move forward with the new-found sense of urgency, tempered by the realisation that crashing of timelines and bunching of decisions carried with it the heightened risk to transparency and accountability.

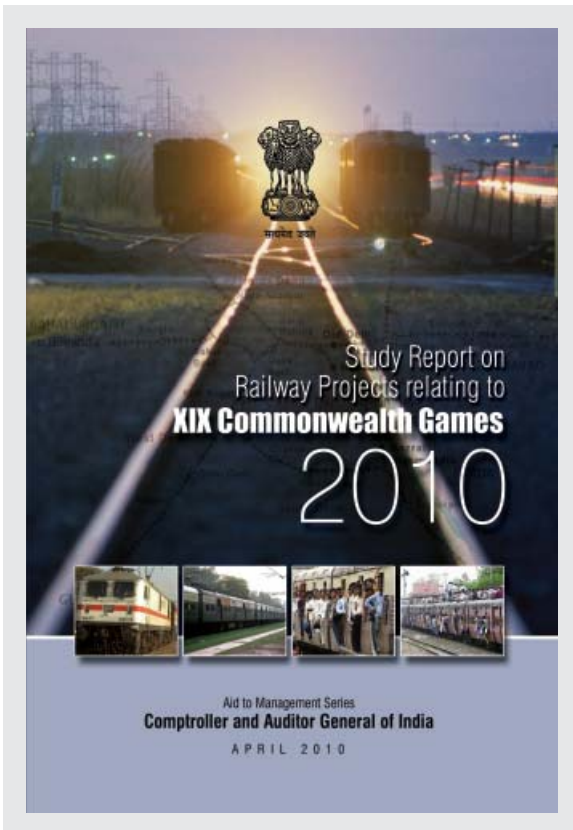
Chapter 2 - Study Report on 'Preparedness for the XIX Commonwealth Games 2010'

- The OC should finalise the pending basic planning documents and operational plans immediately. Further, it should expedite approval of final venue designs and detailed specifications. Freezing all specifications (howsoever minor) in all respects for all projects and works should no longer be delayed.
- There was considerable scope for improvement in the documentation and filing systems within the OC.
- Attention should be focused on the games venues identified by us as medium risk and high risk. Even the revised deadlines for completion would be challenging, considering the poor progress of work till date.
- The Games Village Project had run into several hurdles and required close monitoring and oversight to ensure successful and timely completion. Further, the bunching of the latest schedules of activities from June 2010 onwards would, in our opinion, put substantial pressure on the administrative and monitoring resources of DDA to ensure timely completion, without compromises on cost or quality.
- Many of the bridge and flyover projects assessed by us as critical on account of their location were at high/ medium risk, due to slow progress; three such projects had been delinked from the Games Project. Failure to address these risks in time would lead to traffic overload on roads being managed through sub-optimal solutions like reduction, diversion and restriction of non-Games traffic;
- Although the Games project was envisaged as a revenue neutral project, given the state of documentation supporting the revenue generation estimates, we were unable to derive an assurance that the organisation of the Games would be revenue neutral (especially regarding the increased estimates of revenue).
- Considerable work remained to be done in key outsourcing arrangements for HDTV production and broadcasting and related areas. Also, OC had not developed a comprehensive legacy plan for the overall legacy and long-term impact of the Games.

The Executive Summary of the Study Report is appended as **Annexe-2.1**.

We found that the draft audit report on preparedness for the Games was reviewed by the Committee of Secretaries (CoS) in July 2009. The main emphasis at this meeting was in responding to the audit findings, rather than using them as a benchmark for monitoring progress and making mid-course corrections. Ministries and Departments were asked to provide necessary documents to audit to enable to them to “share the confidence that the Ministry/ Departments concerned have on completion of works entrusted to them in a time bound manner.” Further, it was indicated that the OC may take the assistance of marketing agencies to give a convincing reply in the Exit Conference with regard to the audit concerns in respect of revenue projections.

Many of the issues and recommendations highlighted by us in our Study Report were not adequately addressed by the concerned agencies in a timely fashion, as detailed subsequently.



The CAG had also prepared a Study Report on the status of Railway Projects relating to

CWG in April 2010, which focused on the extent of completion of the Railway Projects identified for completion before the commencement of the Games and highlighted areas of risk that needed to be addressed by the Railway Administration.

Our initial review of Railway projects in January–February 2010 revealed substantial delays at every stage of the planning process, approvals for the projects, preparation of estimates, provision of designs and drawings, execution of works and monitoring. Our subsequent verification of the status of the Railway projects in April 2010 revealed satisfactory progress both in construction of rail over/under bridges and development of the facilities at the railway stations. We were especially heartened to see the progress in infrastructure works and provision of passenger amenities at New Delhi Railway Station, considering that about 290 trains pass through this station every day with approximately five lakh passengers commuting on a daily basis.

All the major activities relating to makeover of New Delhi Railway Station were completed before the Games and within a tight budget of Rs. 44.68 crore.



New Delhi Railway Station in time for the Games



Audit Approach

3.1 Audit Arrangements

3.1.1 Financial and Transaction/ Compliance Audit

Agencies, other than the Organising Committee, fall within the normal audit jurisdiction of the Comptroller and Auditor General of India (CAG). The scope, extent and frequency of audits of these agencies is decided through risk assessments, based on expenditure incurred, criticality/complexity of activities, assessment of internal controls, and previous audit findings. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of unit, for their responses within one month. The audit findings are either then settled, or further action for compliance is advised. Only important audit findings, where large government expenditure has been incurred, are separately processed for inclusion in the CAG's Audit Reports, which are submitted to the President of India under Article 151 of the Constitution of India.

Notable findings presented in the CAG's Audit Reports included shortcomings in the bail-out package provided by DDA to the developer of the residential complex at the Games Village (reported through paragraph 9.1 of Audit Report No. 23 – Union Government (Civil) Autonomous Bodies – of 2009-10).

3.1.2 Audit of the Organising Committee (OC)

The constitution of the OC in February 2005 stipulated audit of its financial statements by Chartered Accountants appointed by the OC, and audit of its financial statements upto 2007-08 was carried out as such.

Over the period of three financial years from 2004-05 to 2006-07, the GoI released loans totalling Rs. 127.51 crore¹, against which expenditure of Rs. 123.53 crore was incurred by the OC (largely on Games Hosting License Fee, expenditure on the closing ceremony component of Melbourne CWG-2006 and other items). From 2007-08 onwards, the volume of loans given to the OC increased substantially.

In May 2007, the Ministry of Youth Affairs and Sports (MYAS) requested the CAG for a “concurrent audit” of the Organising Committee from April 2008. Such concurrent audit is an internal audit function and, thus, the responsibility of the Executive. Concurrent audit is not the mandate of the CAG. Consequently, in July 2007, we requested MYAS for entrustment² of the external audit of the OC through the Ministry of Finance³. This was entrusted to the CAG in April 2008. Audit of the

¹ In addition, GNCTD provided grants of Rs. 29.54 crore.

² Under Section 20 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971

³ As per the approved procedure for entrustment of audit of autonomous bodies and authorities circulated by Ministry of Finance on 12 January 2008 to all Ministries/Departments of GoI.

Chapter 3 - Audit Approach

transactions⁴ of the OC for the years 2005-07 was carried out in November/ December 2008. Following this audit, an Inspection Report was issued in March 2009 to the OC and the Ministry of Youth Affairs and Sports. The audit of transactions for 2007-08 and 2008-09 was carried out in December 2008 and March/ April 2010, and the Inspection Reports issued in May 2009 and May 2010 respectively.

Audits of the financial statements of the OC for 2008-09 and 2009-10 were conducted independently and Separate Audit Reports (SARs) issued in July 2010 and April 2011 respectively.

3.1.3 Study Reports on Preparedness for CWG-2010.

In addition to the transaction and financial audits mentioned above, we also presented, in July 2009, a Study Report on Games preparedness, which also covered the activities of the OC, as well as a Study Report in April 2010 on preparedness of the Indian Railways for activities related to CWG-2010; the main findings of these Study Reports are summarised in Chapter 2 of this Report. These Study Reports were intended as aids to management for monitoring progress on a concurrent basis, to be followed by *post facto* audits of expenditure.

3.2 Audit Objectives

This audit of the XIX Commonwealth Games was comprehensive in nature, covering compliance and performance issues related to the preparation of the infrastructure and organising of the Games, and builds on the findings and recommendations of our

earlier Study Report of July 2009 on preparedness for CWG-2010.

The main objectives of our audit were to assess the following:

- Adequacy and effectiveness of the high-level governance structures for overall stewardship, planning, co-ordination, and monitoring of the Games Project and its different components, particularly in view of the multiplicity of agencies involved;
- Effectiveness and efficiency of agencies in planning, executing and delivering the Games and associated infrastructure projects and in organising the Games;
- Propriety, economy, transparency and probity (including compliance with relevant rules and regulations and accepted best practices) in procurement of goods and services by different agencies;
- Robustness and prudence of budgetary and financial management for the Games Project; and
- Adequacy and effectiveness of internal controls and oversight mechanisms for ensuring successful delivery of the Games within pre-determined time and cost budgets and to stipulated quality standards.

3.3 Audit Scope and Coverage

The scope of our audit covered the period from May 2003 (submission of the bid for hosting the XIX Commonwealth Games) to December 2010. The main activities and agencies covered by us in this audit are summarised in Table 3.1.

⁴ Under Section 14 of the CAG's DPC Act

Table 3.1 – Agencies Covered in Audit

Area	Main Agencies Covered
Overall Planning and Management	Ministries/ Departments of the GoI and GNCTD, and inter-Ministerial/ Departmental Committees; OC
Venue Development	Venue owners (Sports Authority of India, GNCTD, MCD, NDMC, DDA, DU, JMI, AITA, DPS RK Puram, and CRPF) and other implementing agencies (CPWD)
Games Village	DDA
City Infrastructure Projects	PWD (GNCTD), NDMC, MCD, DJB, DTC, DTTDC, PPCL, DTL
Organisation of the Games	OC
Organisation of CW Youth Games, 2008 Pune	Agencies of the Government of Maharashtra and Pune Municipal Corporation/ Pimpri Chinchwad Municipal Corporation
Preparation of Indian Teams	MYAS and SAI
Media and Broadcasting	Ministry of Information and Broadcasting and Prasar Bharati
Others	Ministry of Home Affairs, Delhi Police, ECIL, Ministry of Health and Family Welfare, Directorate of Health Services, GNCTD, MTNL and TCIL

This report focuses on issues, which would be of interest from the overall perspective of the organisation and management of the Games Project. Other issues and concerns, which focus on agency-specific aspects, would be reported separately, through other CAG's Audit Reports and Inspection Reports, depending on their materiality and significance.

3.4 Audit Methodology

We conducted our field audit between August and December 2010 (with a suspension of the audit from mid-September to mid-October 2010 to avoid inconvenience to the agencies during and around the Games period). We held an

entry conference with the Ministry of Youth Affairs and Sports (MYAS) and representatives of other agencies (except the OC) on 1 November 2010.

Our audit methodology covered scrutiny of records and documents of different agencies, interviews with concerned officials and persons, and physical inspection of sites, including collection of photographic evidence. Audit requisitions were issued, seeking records, information and clarifications (where necessary). Preliminary audit observations were communicated to the agencies at appropriate levels, seeking their responses.

Draft agency-specific audit findings were communicated through “Statements of Facts” (SOFs) in January- February 2011 to the concerned agencies for their responses. Exit Conferences were also held with the concerned agencies to discuss the main audit findings. The responses of these agencies at various levels have been examined and considered, as appropriate, in this report.

Details of the audit processes/ methodologies followed are indicated in **Annexe – 3.1.**

3.5 Scope Limitation

Our findings on the functioning/activities of the Organizing committee should be read in the context of the following:

- Given the state of documentation (refer para 7.2.3), we could not find evidence that documents produced for audit were complete and authentic in all cases.
- We could not derive any assurance regarding completeness of the number of contracts/agreements/work orders etc. entered into by OC.
- Till March 2011, OC could not provide information on contract wise payments made to vendors, limiting our scrutiny to

the contracted amount rather than the actual payments.

- We followed the formal reporting channels in the OC to obtain records and communicate findings. However, we noticed that informal reporting lines existed to the offices of Shri Suresh Kalmadi, ex-Chairman, Shri Lalit Bhanot, Secretary General and Shri V.K. Verma, DG-OC. We do not have access to the documents/ files/ records generated /maintained through these informal reporting channels and their consequential impact on the contracting and decision making.
- On certain issues, in addition to the official reply, we received several other replies from individuals associated with the OC. We have not treated their replies as the official view of the OC.

Final payments in respect of most of the venues have still not been made, despite lapse of considerable time since the conclusion of the Games. These are likely to have significant impact on the overall cost of the Games project. These would be covered in subsequent audits.

We acknowledge the co-operation and assistance extended by the Ministries/ Departments, Organizing Committee and other agencies of GoI and GNCTD during the conduct of this audit.

Governance and Monitoring Arrangements

Prime Ministerial approval for the IOA to bid, in May 2003, for CWG-2010 was processed by MYAS, without even obtaining the IOA bid document. In September 2003, Cabinet approval was obtained for Gol to underwrite the shortfall between revenue and expenditure (a deficit guarantee) without any cap. Although MoF did not support the proposal for such underwriting without a cap on Gol liability, MYAS felt that the shortfall was an unlikely event (based on the projections of revenue, expenditure, and surplus by the IOA), and it was not possible to put a cap on Gol's liability. By contrast, the competing bid from Hamilton, Canada for CWG-2010 involved a deficit guarantee only from the Hamilton City Council, and the Governments of Canada and Ontario Province did not provide any such guarantee, nor did they agree to be parties to the Host City Contract.

Thus, the commitment of Gol, in conjunction with GNCTD, to underwrite any shortfall between revenue and expenditure was critical to the success of the IOA bid for CWG-2010. In the case of India, thus, the Games became the property of the nation, rather than merely that of the IOA. This was inadequately reflected in the subsequent constitution of the Organising Committee (OC).

The unique challenge of managing and monitoring the activities of a multiplicity of agencies for delivering the Games Project was best met by entrusting its stewardship to a single point of authority and accountability. The authority should have been accorded adequate mandate to ensure all deliverables in time, to cost, and to specified quality standards. Further, in view of the Government guarantee for meeting the cost of the Games, it was essential for such stewardship to be fully under Government control. However, this model of management or financial control was not implemented for the Games Project.

The bid document of May 2003 envisaged the OC as a Government-owned registered society, with the Chairman of the OC Executive Board (EB) being a government appointee, and the IOA President being the EB Vice-Chairman. However, the OC was ultimately set up as a non-Government registered society, with the IOA President, Shri Suresh Kalmadi as the Chairman of the OC EB. This change was orchestrated through a chronology of events, commencing with a document titled as an "updated bid" with the dateline of December 2003. This had no legal sanctity or relevance, since the Games had already been bid and awarded to Delhi in November 2003. This document indicated the OC as a non-Government society and also removed references to the IOA President as EB Vice-

Chairman. These changes were objected to, and highlighted, by the erstwhile Minister, YAS, late Shri Sunil Dutt in November 2004 in correspondence with Shri Arjun Singh (Chairman, GoM) and the Prime Minister. These objections were ignored, and Shri Kalmadi's views prevailed. In our view, the decision to appoint Shri Kalmadi as the OC Chairman, based on a PMO recommendation, facilitated the conversion of the originally envisaged Government-owned OC into a body outside Governmental control, without commensurate accountability to Government and concomitant controls to ensure propriety and transparency. This was despite full financial guarantee and funding from Government. The late Shri SK Arora, Secretary, MYAS had, in 2007, highlighted the lack of effective authority with Gol representatives on the OC EB, and concluded that all decision-making was concentrated with the Chairman. He suggested multiple options – allowing OC to retain its flexibility and financial autonomy, but without direct financing by Gol; empowering the EB and providing Gol with control over high-value financial commitments; or broadbasing the OC's EB on the pattern of the 1982 Asian Games with representation from Gol and GNCTD at ministerial level. Shri Mani Shankar Aiyar, the erstwhile Minister, YAS, also highlighted the Ministry's ineffective position in exercising control over the OC to the PMO and GoM in 2007. This was, however, met with strong resistance from the Chairman, OC and did not yield the desired results.

The absence of a single point of authority and accountability for ensuring the successful conduct of CWG-2010 and the lack of a clear governance structure led to ad hoc creation of a multiplicity of co-ordination committees that were created, disbanded, and reconstituted at different points of time. This approach was not methodical, consistent and effective, and also led to complete diffusion of accountability. This was unlike the structure for the Melbourne CWG-2006, where the Victorian Government oversaw the planning and delivery of the Games through a specially formed Cabinet Committee. The Minister for Commonwealth Games was specifically empowered and responsible under the Commonwealth Games Arrangements Act 2001.

There were changes in the governance structure of the OC from October 2009 onwards, with the appointment of a CEO for the OC, deputation of senior Government officers to the OC, and the constitution of a Finance Sub-Committee of OC for scrutinising proposals before submission to the OC EB. This finally culminated in Gol's appointment of 10 senior officers in August 2010 to co-ordinate, monitor and take immediate decisions for each competition venue. However, these actions were largely in the nature of emergency fire-fighting measures. Early action on these lines, with a single point of authority and accountability, could have made the Games delivery process less painful and more streamlined and accountable.

4.1 Award of CWG-2010 to Delhi

The chronology of events leading upto to the award of the XIX Commonwealth Games, 2010 to Delhi is summarised below:

Table 4.1 - Chronology of events leading to award of XIX CWG to Delhi

June-July 2002	Gol conveyed its no objection to IOA making a bid presentation at Manchester to bid for the Games and also subsequently (February 2003) reiterated its support for the proposal, in connection with a preliminary presentation to the CGF Executive Board
May 2003	IOA submitted a formal bid for the Games to the CGF
August 2003	Visit of CGF Evaluation Commission to Delhi
September 2003	Guarantees given by Gol, Lt. Governor, Delhi and Chief Minister, GNCTD to bear all costs and underwrite any shortfall between revenues and expenses
November 2003	CGF General Assembly voted for allotment of XIX CWG to Delhi; Host City Contract (HCC) signed

4.1.1 Approval to IOA for bidding, without obtaining or examining the IOA bid

In May 2003, approval of the Prime Minister was sought (and granted) on a Cabinet note proposed by MYAS, allowing IOA to bid for the Games and underwriting Government's support for the bid.

However, while submitting this Cabinet note, MYAS did not even obtain the actual bid of the IOA to the CGF. The Cabinet note merely reproduced IOA estimates of Rs. 490 crore of revenue and expenditure of Rs. 295.50 crore, without an examination of the underlying IOA bid. In fact, these figures do not tally at all with those indicated in the IOA bid. This bid indicated:

- revenues of Rs. 840 crore, offset by operating expenses of Rs. 635 crore, leaving a projected surplus of Rs. 205 crore;

- grants of Rs. 518 crore and revenue from sale of flats of Rs. 477 crore;
- capital and repair/ renovation expenditure on stadia of Rs. 1,050 crore;
- city beautification and additional services of Rs. 150 crore;

The comments of the Ministry of Finance on the draft Cabinet note were focused on the relatively miniscule expenditure of Rs. 1.61 crore on the bidding process, rather than on the larger (and more serious) financial and other implications of the bid on Gol. In fact, the IOA bid specified that “for conducting the Games, the Central Government shall provide the necessary grants”, although it expected the Games to generate a surplus.

In short, Prime Ministerial approval in May 2003 for the IOA to bid for CWG-2010 was processed by MYAS without obtaining, let alone examining, the IOA bid document.

4.1.2 Visit of CGF Evaluation Commission in August 2003

During its visit to Delhi in August 2003, the CGF Evaluation Commission for CWG-2010 sought certain additional information and clarifications on the IOA bid. Key among these clarifications were commitments from the Government, in particular:

- Agreeing to become parties to the HCC;
- Underwriting any shortfall between revenue and expenditure of the Organising Committee (OC) – in effect, the cost of the Games; and
- Providing all necessary Government and municipal services at Government/ municipal cost.

4.1.3 Cabinet Note of September 2003

In September 2003, MYAS moved a Cabinet note seeking approval to the above commitments, based on a letter of August 2003 jointly signed by Shri Suresh Kalmadi and Shri Randhir Singh (as IOA President and General Secretary respectively). This letter, supported by an assessment of commercial revenues by SMAM¹, indicated IOA's "confidence" that the OC would be able to raise revenue resources of US\$ 100 million. **However, the letter did not indicate a specific undertaking from IOA that it**

¹ Subsequently appointed as the OC's consultant for sponsorship and merchandising/ licensing rights

would be able to raise resources on its own amounting to Rs. 480 crore, which was desired by Secretary, MYAS.

The Cabinet note, however, referred to IOA's reiteration of "commitment" for revenue generation, and stated that the projections of IOA showed an approximate surplus of Rs. 50-60 crore, thus hinting that there was no substantial risk to GoI in agreeing to underwrite the shortfall between revenue and expenditure of hosting the Games.

Another annexed letter from Shri Randhir Singh, Secretary General, IOA stated that:

- It was the requirement of the CGF that the Government of the host country must give an undertaking to underwrite the shortfall, if any, in the capital and revenue expenditure of the Games.
- It was understood that the Canadian Government had furnished a similar guarantee to the CGF.

We found no evidence of a CGF requirement mandatorily stipulating guarantee by the Government of the host country (not just the city). Further, no such guarantee was given by the Government of Canada, as brought out in the CGF Evaluation Committee Report (described subsequently in para 4.1.4).

On the draft Cabinet note, MoF did not support the proposal to underwrite the shortfall between revenue and expenditure, and suggested that in case such commitment was necessary, the liability of GoI should be capped. However, MoF did not challenge the estimates of revenue/ surplus.

MYAS responded that in view of the projections of revenue and surplus, the shortfall was an unlikely event. Hence, it was not possible to put a cap on the liability of GoI, although the likely liability on account of infrastructure development was estimated at Rs 218.50 crore.

Consequently, the Cabinet approved the proposal for underwriting any shortfall between revenue and expenditure, without any cap.

Subsequently, in September 2003, GoI, in conjunction with the Lt. Governor (LG) and CM, GNCTD, gave formal undertakings to bear all the costs involved in upgrading and constructing all infrastructure, security, transport etc. required for staging the games and also underwriting any shortfall between revenue and expenditure of the OC.

4.1.4 Report of CGF Evaluation Commission of October 2003

The CGF Evaluation Commission for CWG-2010 analysed the bids of Hamilton and Delhi for the 2010 Games. Among other things, it noted the following:

- The Governments of Canada and Ontario, the City of Hamilton and McMaster University pledged specific, significant contributions to the cost of staging the Games. However, the Government of Canada would not provide deficit guarantee, and would limit its contribution to 35 per cent of the total event costs (not exceeding 50 per cent of the total public sector contribution). In fact, none of the Governments of Canada and Ontario, the Canadian CGA or McMaster University would assume responsibility

for any deficit of the OC. The Governments of Canada and Ontario would not be parties to the Host City Contract. Only Hamilton City Council would provide deficit underwriting, subject to a number of conditions. Nevertheless, Hamilton's bid was considered to be a "conforming bid".

- By contrast, the overriding undertaking that GoI and GNCTD would meet the costs of the Games and would underwrite any operating or capital budget shortfall (i.e. including both operating expenses and venue upgradation) was noted.
- **The Report also noted that the Delhi OC would be a non-profit Government-owned registered society, chaired by a Government nominee with the IOA President as Vice-Chairman.** The constitution of the EB was as indicated in the May 2003 bid of IOA.

Evidently, IOA could not have won the bid without GoI, in conjunction with LG, Delhi and CM, GNCTD, undertaking to bear all the costs associated with the Games. In the case of India, thus, the Games became the property of the nation, rather than merely that of the IOA.

4.1.5 Main Features of Host City Contract (HCC)

The HCC was signed on 13 November 2003 between the CGF, IOA, GoI, GNCTD and the OC (yet to be formed²). The main features of the HCC are summarized below:

- The OC, IOA, GoI and GNCTD would be jointly and severally responsible for all commitments, including, without limitation, financial commitments relating to the organization and staging of the Games in accordance with the Games documents.
- The Games would be organized in accordance with the provisions of the CGF Constitution, protocols, regulations and code of conduct, and the OC would be constituted within 6 months with status and powers in accordance with the CGF Protocols.
- The CGF would be represented on the OC Executive Board³; it would also establish a Co-ordination Commission (CoCOM) to liaise with, monitor and advise the IOA and OC on all matters relating to the organization of the Games.
- The IOA and OC would submit various planning documents and strategies for CGF's written approval within stipulated timeframes, as also periodic reports on the progress of preparations.
- Brief details of venues and services/ activities (viz. ticketing, hospitality, accommodation, transport, security, ceremonies etc.) to be provided by the

² The OC, which was formed only in February 2005, signed the HCC in March 2005.

³ Termed as the Board of Directors in the HCC.

OC were stipulated, as also commercial rights, licensing, sponsorship, intellectual property, marketing and broadcasting rights.

- The host fees payable to the CGF, as well as courtesy facilities for the Games Family, officials and aides, were also stipulated.

Under the HCC, OC was required to comply with 34 major obligations within prescribed timelines. However, fulfilment of these obligations suffered delays, ranging from 1 to 56 months. Further, most of the CGF approvals for compliance with the obligations were obtained verbally.

4.2 Weak Governance Structure

4.2.1 Multiplicity of Agencies

Given the multi-dimensional nature of the Games Project and multiplicity of delivering agencies, the functional environment posed numerous challenges. The numerous agencies responsible for the various activities leading to the Games Project could be categorised into:

- Ministries/ Departments of GoI & GNCTD;
- Municipal bodies;
- Venue owners;
- Implementing agencies for the venues, Games village, and city infrastructure projects;
- OC;
- Regulatory agencies and other agencies according clearances; and
- Agencies handling support functions.

This unique challenge was best met by entrusting the stewardship of the Games Project to a single point of authority and accountability. The authority would be accorded adequate mandate to ensure all deliverables in time, to cost and to specified quality standards. Further, in view of the Government guarantee for meeting the cost of the Games, it was essential for such stewardship to be fully under Government control.

The organizational arrangement as seen in the case of the XVIII CWG in 2006 at Melbourne clearly shows a hierarchical structure of command/control with specifically assigned responsibilities. Considering that a large contingent of Indian officials from GoI/GNCTD/IOA/OC etc. visited Melbourne, that model could have been studied and its relevant aspects adopted.

Melbourne CWG 2006 Organisational arrangement

For the Melbourne CWG 2006, the Victorian Government oversaw the planning and delivery of the games through a specially formed cabinet subcommittee which included representation from key portfolios and was chaired by the Premier. The Victorian Government was the underwriter of the event.

The Minister for Commonwealth Games, Mr. Justin Madin, MLC was responsible for the Commonwealth Games Arrangements Act 2001. Under the Act, he had wide ranging planning powers for the various projects necessary for the delivery of the Games infrastructure. This included making venue and project orders for the timely completion of the Games infrastructure and for crowd management in the public domain during the Games.

The Office for Commonwealth Games Co-ordination (OCGC) within the Department for Victorian Communities was established in 2002 to manage the Government's interest in the Games and to ensure effective coordination of the Games across and within the Government.

The following box illustrates the complexity of the delivery structure for the Games:

Table 4.2 - Profile of Major Agencies Involved in CWG - 2010

	Govt Ministries/ Departments/ Agencies	Delhi Government	Municipal Bodies	Others
Monitoring and Oversight	Cabinet Secretariat PMO MYAS MHA MoUD MoF Mo I&B MoT DoT MoH&FW	LG CM, GNCTD		OC CGF
Venue Owners	SAI; DDA; DU (including constituent colleges); JMIU; CRPF	PWD	NDMC	AITA; DPS RK Puram
Implementing Agencies	DDA; CPWD; EIL; RITES; MTNL; ECIL; TCIL; BECIL	PWD; DTC; DTTDC; DHS; DJB; PPCL; DTL;	NDMC; MCD	OC
Support Services	Delhi Police; Prasar Bharati; PIB; MTNL; ITDC; Safdarjung, AIIMS and GB Pant Hospital; ASI	DTC; DTTDC; DHS; DJB		
Regulatory Agencies and other Agencies according clearances	DUAC; ASI; MoEF; L&DO; DDA	Forest Deptt; UTTIPEC; DFS; DPCC	NDMC; MCD	

Note: Agencies with multiple roles (e.g. owner/ implementing agency/ regulatory agency) are shown multiple times Committees (not being full-fledged agencies/ institutions) are not depicted here.

4.2.2 Group of Ministers (GoM)

In September 2004, the Prime Minister approved the constitution of a core Group of Ministers (GoM) headed by late Shri Arjun Singh, the then Minister, HRD for co-ordinating the work related to the organisation of the Games. The first meeting of the GoM was held in September 2004. A total of 14 meetings were held between September 2004 and April 2008. This GoM was reconstituted twice in July 2007 and April 2008.

The GoM could not provide the much needed focus and impetus:

- During 2004-06, the GoM took conclusive decisions only on setting up of the Apex Committee, CoS, authorities for financial approvals, engagement of EKS at OC's recommendation, and PPP model for the Games Village.
- During 2007, decisions were taken only on finalisation of sporting disciplines and competition/ training venues.
- During April 2008, no major decisions were taken.

GoM did not meet between May and November 2008. The interim GoM, which was constituted by the Cabinet in December 2008 under the chairmanship of Shri Jaipal Reddy, the then Minister, UD, met thrice between December 2008 and June 2009; its main decision was the engagement of Shri Bharat Bala as creative head for the opening and closing ceremonies.

The new GoM met 34 times between June 2009 and October 2010, and was in position at the time of the hosting of the Games.

4.2.3 Role of MYAS

As decided by the GoM in October 2004, the Ministry of Youth Affairs and Sports was entrusted with the overall responsibility of reviewing and monitoring various arrangements and organisation of the Games; it was also responsible for formulating Games-related funding proposals of OC and the venue owners as well as for releasing GoI funds to these agencies. However, we observed that MYAS could not establish a stable, long-term mechanism for discharging this onerous responsibility.

Frequent changes in incumbency in MYAS

Preparations for an event of this magnitude required a high degree of continuity of functionaries, for consistency as well as accountability.

However, there were numerous changes in the functionaries at various levels in the MYAS associated with the Games from May 2003 till date; there were five Ministers, YAS; five Ministers of State, YAS; seven Secretaries, YAS, and three Joint Secretaries (Sports/ ISD), as indicated below. This, further, contributed to the lack of effective and consistent monitoring by the MYAS.

Table 4.3 - Changes in Incumbency at MYAS

Minister, YAS	
Shri Vikram Verma	26.08.2002 to 21.05.2004
Shri Sunil Dutt	22.05.2004 to 25.05.2005
Shri Mani Shankar Aiyar	30.01.2006 to 06.04.2008
Dr. M.S. Gill	07.04.2008 to 19.01.2011
Minister of State, YAS	
Shri Vijay Goel	24.05.2003 to 21.05.2004
Shri Prithviraj Chavan	26.05.2005 to 17.11.2005
Shri Oscar Fernandes	18.11.2005 to 29.01.2006
Shri Arun Yadav	01.06.2009 to 16.06.2009
Shri Pratik Prakashbapu Patil	17.06.2009 to 19.01.2011
Secretary	
Sh. Rajeev Srivastava	1.4.2003 to 31.5.2004
Smt. Meenaxi Anand Chaudhry	1.6.2004 to 8.11.2005
Dr. S.Y. Qureshi	9.11.2005 to 29.6.2006
Sh. Madhukar Gupta	4.7.2006 to 19.3.2007
Sh. S.K. Arora	4.4.2007 to 19.5.2008
Ministry bifurcated in the year 2008	
Deptt. of Sports	
Sh. Sudhir Nath	20.5.2008 to 17.3.2009
Smt. Sindhushree Khullar	19.3.2009 till date
Deptt. of Youth Affairs	
Smt. Jayati Chandra	17.4.2009 to 30.9.2009
Smt. Sindhushree Khullar	1.10.2009 to 2.11.2009 (additional charge)
Sh. A.K. Upadhyay	3.11.2009 till date
Joint Secretary (Sports)	
Sh. R.K. Mishra	From 2003 to Sept. 2004
Sh. S. Krishnan	Oct. 2004 to Feb. 2007
Sh. Injeti Srinivas	Feb. 2007 till date
Joint Secretary (ISD)	
Sh. Rahul Bhatnagar	27.11.2006 till date
Joint Secretary & Financial Adviser	
Sh. S.K. Mittal	14.03.2007 till date

4.2.4 Apex Committee

The Apex Committee under the chairmanship of Minister, YAS was decided upon in October 2004 by the GoM. It was constituted in March 2005, reconstituted in May 2006 and November 2006, and functioned only from June 2006 (i.e. 19 months after the decision to constitute this committee) till April 2007, when it was discontinued.

In his letter of 14 November 2004 to the Prime Minister after the first GoM meeting, the erstwhile Minister, YAS, late Shri Sunil Dutt, appeared to have mistaken the “Apex Committee” for the Organising Committee.

This Committee was to have overriding power and responsibility for overseeing and co-ordinating the Games. However, this mandate was highly circumscribed by the GoM itself, which stipulated that:

- The minutes of all other Committees should be submitted to the Apex Committee periodically for its information.
- The Chairman of the Apex Committee could also call for such information which he deemed fit and could give such guidance that may be required.
- The Chairman of the Apex Committee may be kept informed by all other Committees, whenever any major decision was taken.

With such terms of reference, it is no wonder that the Apex Committee turned out to be a complete non-starter, as the responsibility placed on it by the GoM could not be fulfilled in any way.

The erstwhile Minister, YAS, Shri Mani Shankar Aiyar, went on record at the GoM meeting of March 2008 that the Apex Committee was dormant for 1½ years due to “resistance from the OC.”

In correspondence with the PM, Shri Aiyar indicated that it was his personal decision to not operationalise the Apex Committee after “Kalmadi's vociferous opposition to the Apex Committee at the meeting in August 2006 convened at your level.”

In July/ August 2006, the Apex Committee decided to constitute five sub-groups dealing with:

- Corporate Sector Participation;
- CWG Legacy;
- Economics and Provisioning of Infrastructure;
- Public Participation/ Medal Tally; and
- Organisation of Games.

These sub-groups were to submit their reports to the Chairman of the Apex committee, but were discontinued on disbanding of the Apex Committee itself in April 2007.

Given the overlapping nature of responsibilities, and without a clear hierarchical reporting relationship between the Apex Committee and the OC, it should have been anticipated, even in October 2004, that there would be conflicts between these two Committees, if both were allowed to function concurrently. The failure of the Apex Committee was, thus, inevitable.

4.3 The Organising Committee (OC) and Role of MYAS vis-a-vis OC

4.3.1 Formation of OC

The HCC stipulated the formation of an Organising Committee within six months. However, the Organising Committee Commonwealth Games 2010 Delhi was registered as a Society only on 10 February 2005 under the Societies Registration Act, 1860.

“Updated” bid document with December 2003 timeline

At the time of bidding for the Games, OC was envisaged as a *Government owned registered society*. However, we found a document titled as the 'updated' bid with the dateline of December 2003. This document, which, in our opinion, has no legal sanctity or relevance (since the Host City Contract had already been signed in November 2003), was sent to the MYAS only in September 2004. We are unsure as to when it was produced since we found multiple versions of it made available to us by different sources, all

bearing the same dateline – December 2003⁴. Describing this document as an “updated bid document” was a misrepresentation by the IOA.

There was no official endorsement by Gol of the modified constitution and structure of OC envisaged in the 'updated' bid; however, OC was registered in February 2005 in the form and structure laid out in this document.

The bid document submitted to the CGF (May 2003) and the document titled as the “updated” bid (December 2003) are similar, except for the organizational structure of the OC and certain expenditure figures under one head (Games Operating Expenditure). Other differences included changes in certain venues, location of the Games Village⁵, and an increase in some heads (e.g. license fee payable to CGF, payments to CGAs, Games Technical Conduct etc.) balanced largely by a reduction in one head (participants and team officials)⁶. A comparison of the constitution of OC and its Executive Board in the bid document and the “updated” bid document reveals the following position:

⁴ Multiple versions of the so-called “updated bid” have been provided to us by MYAS and OC, all with the dateline of December 2003. We are unable to determine authentically as to when this “updated bid” was actually produced, as such, till September 2004, when this document was transmitted to the MYAS.

⁵ One of the versions of the “updated bid” indicated that the Games Village would be on a 118 acre plot on the banks of the Yamuna; the original bid, merely, stated that the Athletes Games Village would be created on a 100 acre site in a prime Delhi area; the associated maps indicated a location on the New Delhi side of the River Yamuna, rather than on the East Delhi side.

⁶ The reworking of the figures under the head “Games Operating Expenditure” had numerous discrepancies. Expenditure under certain heads were reduced to one-tenth or increased ten-fold, without any alteration in the underlying supporting figures.

	Bid Document (May 2003)	Document entitled as "Updated" Bid (December 2003)
Nature of OC	The OC would be a non-profit, Government-owned registered society.	The OC would be a non-profit, non-Government registered society.
Constitution of the Executive Board	Chairman, Executive Board would be a Government Appointee, and the Vice-Chairman would be the IOA President.	The chart depicting the EB of OC simply showed the positions of Chairman and Vice Chairman; references to Government Appointee and IOA President as Vice-Chairman were deleted.

In a separate response, Shri Kalmadi (Ex-Chairman, OC) indicated that it was necessary to amend the final bid to bring it in conformity with the Games Protocols. Further, the Government had at no time objected to this amendment, as the Olympic movement contemplates that such organizations remain free from government interference. We do not agree with Shri Kalmadi's response; once Government of India decided to provide unconditional and unlimited financial guarantees, it was duty bound to take necessary steps to safeguard the public interest.

Appointment of Shri Suresh Kalmadi, President, IOA as Chairman, OC Executive Board

In our opinion, the primary objective of the document, titled as the "updated" bid, was to orchestrate the appointment of the President, IOA (Shri Suresh Kalmadi) as the Chairman of the OC Executive Board, since, as per the May 2003 bid document, the President, IOA would only be the Vice-Chairman. A chronology of related events, concluding in PMO's communication of 6 December 2004 (which was finally accepted by the GoM in January 2005) that Shri Kalmadi be appointed as the Chairman of the OC, is given in Table 4.4:

Table 4.4 - Chronology of Events related to formation of OC

Dateline	Events
August - September 2004	Correspondence was exchanged between Shri Kalmadi and Shri Michael Hooper, CEO, CGF, referring to recent discussions at Athens, whereby Shri Hooper indicated that the structure of the EB of the OC, its Chairman and members as proposed by Shri Kalmadi was acceptable to them.
6 September 2004	Shri RK Sacheti, Director, IOA wrote to MYAS, enclosing the "updated bid", giving the new structure of the OC, and stating that CGF had informed them that, except the CGF nominees, all members' appointment had to be approved by the IOA General Assembly.

Dateline	Events
13 September 2004	GoM constituted, headed by late Shri Arjun Singh
23 October 2004	<p>Shri Suresh Kalmadi wrote to the PM indicating that</p> <ul style="list-style-type: none"> ■ MYAS had not put the correct perspective of the role of IOA in the Games. ■ The Games were allotted to the IOA, and IOA had the responsibility to ensure successful conduct of the Games ■ OC was to be formed by the IOA and approved by the General Assembly of IOA. <p>Shri Kalmadi also referred to the “updated bid”⁷ in this letter.</p>
25 October 2004	1st meeting of GoM chaired by PM ⁸ .
26 October 2004	Shri Kalmadi wrote to the PM, suggesting that he should be the Chairman, OC, while the Minister, YAS should be Chairman of the “Steering Committee”.
28 October 2004	PM acknowledged Shri Kalmadi's letter, stating that the Sports and HRD Ministers had been asked to examine the issues.
1 November 2004	IOA, at its AGM, passed a resolution, “constituting” the Organising Committee under the IOA and electing Shri Kalmadi as Chairman of the OC and EB ⁹ .
11 November 2004	Shri Sunil Dutt wrote to Shri Arjun Singh, specifically referring to the “updated bid” document received in MYAS in September 2004. He stated that it made significant changes with major structural and financial implications, without consultation/ approval of the MYAS for making these changes. Specifically, Shri Dutt highlighted the change in constitution of the OC from a non-profit Government owned registered society to a non-profit, non-Government registered society as well as the deletion of word “Government appointee” as chairperson of the Executive Board of the OC. Shri Dutt stated that the provisions in the original bid must have been incorporated because organizing the CWG involved large financial commitments on the part of the Gol.
14 November 2004	Shri Sunil Dutt wrote to the PM, specifically highlighting his surprise at the resolution passed by IOA appointing the President, IOA as Chairman of the OC. This was at variance with the decisions taken in the GoM meeting (of 25 October 2004). He also stated that the minutes of this GoM meeting, as issued by the Cabinet Secretariat and received in his office on 10 November 2004, did not reflect the decisions taken in the meeting regarding various aspects of the composition of the OC.

⁷ Which removed the reference to the Chairman of OC as a Government nominee.

⁸ Referred to by late Shri Sunil Dutt in his letter of 11 November 2004.

⁹ This was a very surprising development, as the PM's decision, deciding that Shri Kalmadi would be the Chairman, was communicated only on 6 December 2004.

Dateline	Events
	<p>Interestingly, we found substantial differences between the draft minutes of the GoM meeting prepared by MYAS, and those finalised by the Cabinet Secretariat and forwarded to the PM:</p> <ul style="list-style-type: none"> ■ The reference to an OC (as well as the OC EB) under the chairmanship of Minister, YAS for creation and development of infrastructure facilities for CWG-2010 was replaced by a reference to an “Apex Committee” chaired by Minister, YAS for “monitoring and reviewing of activities”. ■ The reference to the Empowered Committee on infrastructure (chaired by the LG) functioning under the OC was replaced by an Empowered Committee to “monitor” construction.
6 December 2004	A communication from the PMO stated that institutional arrangements had been evolved for the conduct of the CWG-2010. In this, Shri Suresh Kalmadi, President, IOA was indicated as the Chairman of the Organising Committee and the Executive Board. It also communicated the Prime Minister's direction that these institutional arrangements be considered in the next GoM meeting.
14 January 2005	The second GoM Meeting did not take a view regarding governance structure.
29 January 2005	The GoM, at its third meeting, endorsed the views of the PMO and decided that the OC would be headed by Shri Kalmadi.
10 February 2005	OC was registered as a society under the Societies Registration Act, 1860. The Rules and Regulations of the OC indicated Shri Kalmadi by name (and not merely as President, IOA) as the Chairman of the OC

Even, Shri MS Gill, the erstwhile Minister, YAS, in his letter to the PM (September 2009) stated that *“the original signed document had a Government chairman, but later somehow that was changed”*.

In our opinion, the decision of the PMO for appointing Shri Suresh Kalmadi as the Chairman of the OC facilitated the conversion of the originally envisaged Government-owned OC into a body effectively outside Governmental control.

Incidentally, it may be noted that the Melbourne 2006 Commonwealth Games Corporation (M2006), previously created under Federal Company Law in 1999, was incorporated as a Statutory Authority in 2003 to manage the provision of the Games and its Board reported to the Minister under the Commonwealth Games Arrangement Act.

4.3.2 Members of OC

The bid document (May 2003) referred only to a 15-member Executive Board, supported by “Executive Management” and “Special Projects & Relations”. There was no mention whatsoever of any other

“membership” or “general body” of the OC¹⁰.

However, the Rules and Regulations of the OC, constituted as a society, stipulated a membership of not more than 500 persons “who shall be invited to become members by the Chairman.” According to these Rules, the members were to “promote the purpose of the Society (viz. the OC) to the best of their ability”.

Shri Kalmadi, Chairman, OC, recommended the appointment of 484 members, comprising the OC General Body, which was approved by Shri Arjun Singh (Chairman, GoM) in May 2005 and communicated to the then Minister, YAS. The strength of the membership was subsequently reduced to 454 in March 2004, at the behest of the new GoM.

The General Body, which consisted of personalities from different walks of life, was to meet at least once a year, to approve the accounts/ budget and accept the report of the Executive Board and the (private) auditors.

As many as 23 sub-committees of the OC were constituted from amongst the “members” of the OC, for providing “advice” on various functional areas. While the dates of constitution of these sub-committees could not be ascertained, the Terms of Reference for these sub-committees are dated as of 2009. 21 of these sub-committees reportedly held a total of 162 meetings (ranging from 2 to 17). The OC could not produce records or

¹⁰ Incidentally, Shri HJ Dora, erstwhile Vigilance Commissioner and President, Weightlifting Federation Member of India was a founding member of the OC. In response to our enquiry, the Central Vigilance Commission indicated that no information was available regarding obtaining of prior approval of the Government by Shri Dora before accepting membership of the OC.

documentation of the action taken, if any, on the recommendations/ advice offered by these sub-committees.

The constitution of an unwieldy 400-plus general body of members of the OC, which was not envisaged in the bid document or the HCC, did not result in any significant benefit or value addition to the Games Project.

Even the erstwhile Minister, YAS, Shri MS Gill, indicated in September 2009 that these 23 sub-committees had rarely met or performed in delivering the Games to the quality expected.

4.3.3 Executive Board of OC

As finally constituted, the 15-member EB had only 2 nominees each of the GoI and GNCTD; of these, only 2/ 3¹¹ members were Governmental functionaries. Apart from the Chairman (Shri Kalmadi), the Secretary General, IOA (Shri Randhir Singh), was to be the EB Vice-chairman, with the IOA Treasurer (Shri AK Mattoo) and the Secretary General, Athletics Federation of India (Shri Lalit K Bhanot), as well as four members from amongst the National Sports Federations (to be nominated by the Chairman). The CGF CEO and two CGF nominees completed the EB.

The day to day financial and administrative decisions were taken by the Executive Management Committee (EMC) comprising Shri Suresh Kalmadi, Shri Randhir Singh, Shri Lalit K Bhanot, Secretary General and Shri A.K. Mattoo, Treasurer. The functioning of the OC was overseen by the OC Secretariat,

¹¹ At different points of time.

headed by Director General (DGO). The various activities to be undertaken by the OC for staging the Games were to be looked after by 34 Functional Areas (FAs) each headed by a Functional area head.

The OC thus functioned, in effect, as a parallel, non-Governmental organization, without commensurate accountability to Government and concomitant controls to ensure propriety and transparency (despite full financial guarantee and funding from Government).

In a separate response, Shri Kalmadi stated that the decisions of the EB were taken on a unanimous basis. While the constitution of the OC contemplated decisions being taken by majority, in practice, this was not followed. Therefore, effectively each Government nominee had a veto power over decisions of the EB, none of which recorded any matter being put to vote. Further, Shri Kalmadi also drew reference to the constitution of the Finance Sub Committee and the OC Finance Committee.

Strangely, apart from late Shri SK Arora, erstwhile Secretary, MYAS's letter of July 2007 (discussed subsequently) regarding lack of authority for GoI representatives on the OC EB, the records of the EB meetings indicate that the EB decisions were unanimous and GoI representatives were present. Further, there were no instances of dissent notes or matters being put to vote on account of lack of unanimity.

Our comments on the ineffectiveness of the Finance Sub-Committee and the OC Finance Committee are brought out in Chapter-7.

4.3.4 Concerns expressed regarding OC Governance Structure

From July 2007 onwards, concerns of MYAS resurfaced at the GoM and PMO levels, regarding the lack of Government control over the functioning of the OC and the absence of a systematic arrangement to ensure reasonableness of expenditure and greater public accountability. This was of critical importance, in view of the OC being an asset-less organisation funded entirely by the GoI through an unsecured loan.

In July 2007, the late Shri SK Arora, Secretary, MYAS wrote to the PMO, with a copy to the Cabinet Secretary, regarding the role and responsibilities of the GoI nominees on the Executive Board of the OC. Apart from Secretary, MYAS, Secretary, UD was nominated on the EB, in line with the PM's desire in June 2005 that GoI representation on the EB should be raised. Shri Arora indicated that experience had shown that the Executive Board had a very limited management or decision-making authority and the GoI representatives had neither any executive authority nor any means of ensuring that the Government's view point was acknowledged and complied with, and concluded that all decision making was concentrated with the Chairman.

Shri Arora also highlighted the differences between the composition of the OC with that followed for the Special Organising Committee for the 1982 Asian Games, essentially in terms of the overriding powers of the Chairman in the CWG OC, the

lack of Governmental control, and the broadbased organisational structure for the 1982 Asian Games.

Shri Arora flagged the need for balancing OC's need for operational flexibility with transparency and public financial accountability, and indicated that in the present legal framework of the OC, it was unlikely that the Government representatives would be able to discharge their responsibility of ensuring transparency and public financial accountability in the management of the OC.

Subsequent events justified Shri Arora's apprehensions regarding lack of Governmental control for ensuring transparency and public financial accountability.

Shri Arora suggested three options:

- OC could retain its operational flexibility and financial autonomy, and the role of Government nominees could be restricted to a largely advisory role on the EB. However, in such a situation, GoI should revise its decision to give “bridge finance” to the OC, and discontinue direct financing by GoI, as well as take a view on the overall ceiling on the commitment to meet any revenue deficit.
- OC should be given a clear signal to vest decision-making in the EB. Government could consider retaining some authority for approving decisions with financial commitments above a certain limit.
- OC could be directed to broadbase its EB, as in the case of the 1982 Asian Games, with representation from GoI and GNCTD at Ministerial level.

Concerns expressed by erstwhile Minister, YAS, Shri Mani Shankar Aiyar highlighting lack of control by MYAS over OC

Extracts from letters addressed by Shri Mani Shankar Aiyar, erstwhile Minister, YAS to the PMO and PM (October 2007), and the Finance Minister (December 2007) indicate the lack of control by the Ministry of Youth Affairs and Sports over the functioning of the OC:

- Lack of decision on “institutional arrangements to give adequate and effective representation to the GoI in the EB and important committees of the OC to ensure public financial accountability and reasonableness of expenditure to minimize financial commitments of Government emanating from its guarantee to fully meet the revenue deficit of the OC budget”.
- The role of MYAS seeming to be to “funnel funds to the OC”, (described as an “asset-less organization”) and the Chairman's insistence that “funds should be released to him as per the annual phasing approved by the Cabinet with no further questions asked.”
- The advice by the MoF to release the balance funds in monthly installments during 2007-08 on the basis of information given directly by the Chairman, OC, which did not “enlighten us on the basis of these monthly releases”.

- Shri Aiyar's remarks that “following the GFRs and other financial prudence norms is leading to acrimony and making our position rather invidious” and also requesting the MoF to consider the possibility of relieving MYAS of the responsibility of releasing the balance of the loan amount and consider directly releasing the rest of the loan to the OC.
- The failure of MYAS to establish a genuinely co-operative working relationship with the OC, and the “abuse and scorn heaped at the Ministry in public statements by the Chairman, who stoops so low as to describe us as cartoons sitting in one room in Shastri Bhavan”, and the Chairman “increasingly resorting to establishing sub-committees of the EB which exclude the Government nominees, take decisions endorsed by the Chairman alone and without referring even the minutes to the Ministry” and seeing the “Ministry as a milch cow to extract as much money as he can and a rubber stamp to endorse every spending decision he takes, however outrageous.”
- The suggestion of the then Secretary, MYAS (late Shri SK Arora) that “since the Chairman of the OC believes his proposal to be bankable, it might be best for him to raise the required finances in the open market rather than have Government fund his demands and then be held responsible before Parliament”, and the lack of response from the Cabinet Secretariat and the PMO on this proposal.

Shri Aiyar also urged the imperative need for recasting the OC and its EB to be chaired by a Minister of State for International Sporting Events (i.e. fully under Governmental control). However, we noted that Shri Aiyar's interventions did not yield the desired results.

Such attempts were met with strong resistance from the Chairman, OC, who wrote to Shri Arjun Singh, Chairman GoM stating that *“...any attempt to fiddle around with the structures of OC would not only stop the internal motion but would be perceived as retrograde step by the CGF, IFs (International Federations) and the CGAs...would diminish the brand value of the Games globally and prove to be fatal for the conduct of Games.”*

Recommendations in our Study Report of July 2009

In our Study Report of July 2009 on “Preparedness for CWG-2010”, we had highlighted the need to rethink the governance model for the Games Project. We also found significant scope for improvement of coordination among agencies and for better clarity of their roles. We also observed that it was vital for the MYAS and the OC to assume effective leadership without further loss of time.

Subsequently, in September 2009, Mr. Mike Fennell, President CGF, wrote to the OC EB members and stated that “unless there is significant change in the management, culture and operation of the OC, these games will fail from an operational perspective.” Mr. Fennell also met the PM and, reportedly, expressed his doubts about the ability of the OC and its management for staging the Games.

4.3.5 Sphere of Influence of OC

As per the HCC, the IOA and the OC jointly and severally undertook to organise the Games. This was further expanded by the Rules and Regulations of the OC, which enabled it to **“advise all offices, institutions, governments and other bodies of associations that may be associated with the holding”** of the Games, and also **“to decide on all matters connected with the preparations and holding”** of the Games.

Thus, in addition to the organisation of the Games proper, **the OC was in a position to take or influence decisions of a central nature (e.g. approval of venue briefs, designs and specifications) to be implemented by other agencies, as well as determining specifications of common items (e.g. track/ turf, seating, sports equipment, certain items of overlays) which were to be ordered by implementing agencies.** Many of these decisions were taken/ driven by the OC in a highly non-transparent, inequitable and arbitrary manner.

These OC-driven decisions had serious financial implications, but were not reflected in the expenditure of the OC, which was only restricted to activities directly associated with staging the Games. This also had the effect of implicitly shifting responsibility for such questionable decisions from the OC to other agencies.

4.3.6 Changes in OC's Governance Structure from October 2009

In his letter to the PM dated 26 September 2009, Shri M S Gill, the then Minister, YAS referred to a letter from Mr Mike Fennell, President CGF, **raising doubts about the ability and the capability of the OC to deliver the Games to the quality expected,** and stated that, after due consultation, a line of action to strengthen the management inside the OC was being implemented.

4.3.6.1 Appointment of CEO, OC

Shri Jarnail Singh, a retired IAS officer was appointed as CEO by the OC in October 2009. His efficacy was totally blunted as we found several instances where queries raised by him were ignored and proposals were approved by the Chairman and EMC despite his expressed reservations.

4.3.6.2 Finance Sub-Committee

A Finance Sub-Committee (FSC) was constituted by the MYAS in November 2009, comprising entirely of Government nominees on the EB i.e. Secretary, Sports, Secretary, Urban Development, Addl Secretary, Ministry of Finance and CEO as convenor member. Initially, its mandate was to vet all proposals meant for the EB. Later in December 2009, this was expanded to

cover all proposals going to the EMC as well. The FSC functioned from November 2009 till July 2010, when Fast Track Committees were set up by the GoM to examine all proposals above Rs 25 lakh for direct approval by the Chairman and subsequent ratification by the EB.

In our view, MYAS constituted this Committee too late in time (less than a year from the Games) to have adequate and effective impact. We observed that the Committee discussed the proposals in detail, raised issues, but finally recommended all proposals for approval by EB. In many situations, the Committee members expressed their helplessness, as the proposals were presented as fait accompli and re-tendering was not appropriate or possible given the paucity of time. No proposals were rejected because any further delay would have adversely impacted the organisation of the Games. They were also not in a position to make comprehensive changes to the tendering process. Pointing out deficiencies/ inadequacies in proposals at the eleventh hour would not have facilitated executive decision making.

Many decisions (e.g. cancellation of the first catering bid) went to the Chairman, who did not allow it to go to the EB (and by implication, the Finance Sub Committee). When the catering contract finally went to the FSC, **it was April 2010, by which time no other options were available.**

The effectiveness of such committees was further reduced by (a) situations where proposals did not go beyond the Chairman to the EB (b) Chairman made subsequent decisions, which went against the EB/ FSC decisions/ recommendations e.g. counters for ticketing. For example, on catering,

despite the CEO's recommendation, the Chairman, at his level, decided to go for re-tendering, instead of sending the proposal to EB.

If a Finance Sub Committee was needed for effective government oversight and control, it should have been appointed much earlier (by around mid-2008). By end-2009, it was too late. At this time, the only mechanism that could have worked was effective takeover of the OC's functions by designated officials with full executive powers.

4.3.6.3 Fast Track Committees

The approval for expenditure for the Opening and Closing Ceremonies was already on a fast track mechanism in January 2010. Subsequently, from 1 August 2010 onwards, all financial proposals of the OC were taken up for approval by the Fast Track Committees (which put up cases directly for the Chairman's approval and post facto approval by the EB) that replaced the process through the Finance Sub-Committee as per the decision taken in the 25th meeting of the new GoM on 26 July 2010.

4.4 Co-ordination Committees

Planning, monitoring and oversight of the CWG-2010 Project, as well as co-ordination of activities across organisations/ agencies, was conducted through a host of co-ordination committees at various levels.

The following table depicts the multiplicity of committees created at different points of times for the Games Project:

Table 4.5 - Main Co-ordination Committees

Note: **Committee highlighted in Red** - Closed before hosting of the Games in October 2010

Committee	Function	Period of Functioning
GoI		
Committee of Secretaries (CoS)	Implementation of decisions of GoM regarding Games Project	May 2006 till date; held 112 meetings
Co-ordination Committee (MYAS)	Co-ordination with CM, GNCTD, Chairman, OC and Others	April 2008 to June 2009; held 5 meetings (discontinued from January 2010)
Infrastructure Monitoring Committee of MYAS (created by MYAS Co-ordination Committee)	Monitoring the progress of infrastructure works	June 2009 to May 2010; held 11 meetings
Venue Co-ordination Committee	Discuss issues for co-ordinated and speedy completion of works	June-July 2010; held 7 meetings
Stadium Committees	Venue-specific committees	November 2008 to June 2010
Reconstituted Stadium Committees	Venue-specific committees	June to July/ August 2010
Finance Sub-Committee of GoM	Supervise and deal with all financial matters	May to September 2005 (decided in January 2005)
Empowered Finance Sub-Committee of GoM	Supervise and deal with all financial matters (with Planning Commission representative)	November 2005 to January 2006 (decided in September 2005)
Empowered Security Committee	Oversee and approve and security arrangements	July 2006 onwards
Oversight Committee	Monitoring all aspects of CWG concerning Prasar Bharati and Press Information Bureau	September 2009 onwards

Committee	Function	Period of Functioning
Government of National Capital Territory of Delhi		
Empowered Committee under LG	Monitor construction of required infrastructure within specified time; representatives of central ministries/ state Government /agencies	Decided in October 2004; Never constituted
Chief Minister's Sub Committee	To look after all issues that come under the jurisdiction of GNCTD as per constitution	Decided in January 2005; Never constituted
Empowered Committee under CS	Facilitation of clearances by various agencies of CWG related projects	From September 2006 onwards
Steering Committee	To approve venue-wise plans for installation of CCTV cameras and access control equipment; covered all venues, including ex-Delhi venues, irrespective of ownership	From February 2009 onwards
Organising Committee		
Finance Sub-Committee for OC	Scrutinise all decisions placed before OC EB; review functional area-wise expenditure between two EB meetings	November 2009 to July 2010; From July 2010, Fast Track Committee (internal to OC) was initiated
(Other committees/ sub-committees of OC did not have external representation)		

A detailed chart of the interplay of different agencies and committees involved with the delivery of CWG-2010 is enclosed as a pull-out chart.

The above multiplicity of committees, many of which were created, disbanded and/or reconstituted at different points of time during 2005-10, reflected an ad hoc approach and was not conducive to a focused, streamlined, governance mechanism with stewardship for the Games Project as a whole. This also led to complete diffusion of accountability.

In addition, other major audit findings in respect of the co-ordination committees are summarised below:

4.4.1 Committee of Secretaries (CoS)

The GoM decided to constitute a CoS in January 2005, with responsibility for implementation of the decisions of the GoM. However, the CoS had its first meeting only in May 2006.

Further, while the CoS held 112 meetings, it became, in effect, a forum for monitoring and co-ordination, rather than implementing GoM decisions.

4.4.2 Committees Constituted by MYAS

- A Coordination Committee (which included Minister, YAS, Chairman, OC, and CM, Delhi) came into existence in April 2008, but was discontinued in June 2009, after holding five meetings.
- The Infrastructure Monitoring Committee, which was constituted in June 2009 pursuant to a decision of the Co-ordination Committee, was headed by Secretary, Sports and was responsible for apprising the Co-ordination Committee of the important developments relating to commissioning of different venues. This committee ceased to function after May 2010, and was rendered redundant by the CoS decision of June 2010 for constitution of the Venue Co-ordination Committee.
- The Venue Co-ordination Committee functioned for two months during June – July 2010. This committee, which consisted of Secretary, Sports and Chairman of all the Stadium Committees, came up pursuant to the CoS decision of June 2010, but was never formally constituted. In its last meeting on 29 July 2010, it was decided to hand over all the stadia to the OC.

- Stadium Committees had been constituted for each stadium in November 2008, but were reconstituted in June 2010, pursuant to the May 2010 decision of the CoS to empower them with decision making powers. There were eight stadium committees, which functioned till July 2010 (except for the SAI Stadium Committee, which functioned till 31 August 2010).
- In August 2010, Gol appointed ten senior officers (one for each competition venue) to coordinate, monitor and take immediate decisions for each competition venue, and the Stadium Committees ceased to meet thereafter. Possibly this team of officers under the direct supervision of the Cabinet Secretary was the only effective step which finally enabled the conduct of the Games and saved the country enormous embarrassment.

Clearly, the succession of committees formed and abruptly shelved from time to time under the aegis of MYAS could not ensure the handover of the stadiums even by July 2010, forcing the Gol to take emergent firefighting measures in August 2010. This was the decisive step which ultimately facilitated the conduct of the Games. The efforts of MYAS towards establishing a mechanism for proper monitoring and review of various arrangements towards delivery of the games were ineffective.

It must be noted that the MYAS was handicapped by its inability to exercise oversight and control over the functioning of the OC. While, in theory, this should not have been allowed to hamper the construction of the stadiums, the role of the OC in approving venue designs and specifications at various points of time and the delays therein constituted a major impediment to appropriate oversight arrangements even for venue development.

4.5 Web-based Project Monitoring System (PMS)

In August 2006, the Prime Minister had desired the establishment of a system for providing monthly status reports on progress on Games-related activities. However, MYAS acted only in April 2007, by appointing STPI¹² as the project manager, who, in turn, appointed TCS in May 2007 for development of the Project Monitoring System (PMS). The information made available to us indicates PMS generated reports for the period only from October 2008 onwards (till July 2010).

Our audit scrutiny revealed the following:

- The PMS did not cover activities of the OC, which further confirms that the OC effectively remained out of the GoI's monitoring and control efforts.
- The very purpose of the PMS in monitoring progress of different activities was vitiated, as the timelines against which such progress was measured were changed numerous times, rendering the reports completely ineffective. Further, there were no mechanisms for verifying the authenticity of revision of timelines. Detailed instances of the reduction in the percentage of planned work between October 2008 and July 2010, which served to depict a “misleading” picture of progress, are indicated in Annexe - 4.1.

In our Study Report of July 2009, we had highlighted instances of four venues, where the planned project progress was revised downwards from May 2009 to June 2009, so as to depict better progress. Instances of such “downward revisions” continued to occur till April 2010.

- The procedure for ensuring the reliability of data, e.g. audit trail, data validation procedures etc. were absent. In fact, Secretary, Sports, had also commented adversely in March 2010 on the discrepancies between the data submitted by officials in the CPWD, DDA and other agencies to the OC consultant for the PMS and the corresponding data submitted to their own higher authorities.
- The PMS did not have facilities for capturing follow-up action on issues/ deficiencies flagged in their monthly reports (as recommended in our Study Report of July 2009). This, further, contributed to the inadequate follow-up action by the MYAS in controlling delays in progress of various Games related activities.

4.6 Role of LG, Delhi and GNCTD

4.6.1 Overview

The GoM in its third meeting, in January 2005, decided that LG would have overall responsibility regarding the Games with specific reference to security, law and order and matters under DDA. CM, GNCTD would look after all issues under the jurisdiction of

¹² Software Technology Park of India (STPI)

GNCTD. The main areas of activity for LG and GNCTD were:

- The Games Village under DDA;
- City infrastructure by PWD, GNCTD, DDA, NDMC and MCD;
- Venues under DDA, PWD, GNCTD, and NDMC; and
- City improvement projects under PWD, GNCTD, NDMC and MCD

The main Committees set up by GNCTD for planning, coordinating and monitoring the execution of these projects are described below.

4.6.2 Empowered Committee under the Chief Secretary, Delhi

In September 2006 an Empowered Committee under the Chairmanship of Chief Secretary, GNCTD, was set up to expedite clearance in a time bound manner by various agencies, and coordination and close monitoring of all projects. The Committee met 27 times between October 2006 and October 2010. However, the Committee was not empowered to issue any sanction or approval, which was issued through normal organisational/ departmental channels. These decisions were processed through the established Departmental channels e.g. Works Advisory Board/ Technical Committee etc, and later subject to scrutiny by the GNCTD Expenditure Finance Committee, before submission to the GNCTD Cabinet for approval and subsequent issue of work orders.

4.6.3 Engagement of Shri Narayanswami as Advisor CWG – 2010

In September 2009, LG, Delhi and CM, GNCTD appointed Shri R. Narayanswami (who retired in August 2009 as Chief Secretary, GNCTD) as Special Advisor(CWG). His initial appointment was for co-ordination and monitoring of projects of CWG. He was subsequently appointed Chairman, Steering Committee in September 2009 and continued to be Chairman, Unified Traffic and Transportation Infrastructure Planning and Engineering Centre (UTTIPEC).

4.6.4 Steering Committee

The Steering Committee set up in September 2009 prepared the security plans for venues and deployment of CBRN (Chemical, Biological, Radiological and Nuclear) measures for the CWG.

4.6.5 Unified Traffic and Transportation Infrastructure (Planning and Engineering) Centre (UTTIPEC)

Set up by a September 2008 circular of LG, Delhi, this group was responsible for preparation of transport plans for the Games family and spectators in respect of six stand alone venues, the Games Village, linkages from airport to the Games Village, ITPO and other venues where the Games family was to be accommodated.

4.6.6 Multiple lines of command

The multiplicity of agencies carrying out overlapping/ similar activities (e.g. roads being the responsibility of PWD, GNCTD, MCD, NDMC, DDA and even NHAI) as well as issues relating to statutory approvals and clearances from several agencies (DUAC, ASI, Railways etc.) resulted in substantial delays in project execution. This was compounded by the lack of a single window mechanism for timely approvals and execution of Games-related projects.

Consequently, some important projects had to be delinked due to non clearance from the regulatory agencies:

- Elevated East West corridor;
- Shastri Park Tunnel Corridor;

- SP Mukherjee Marg Corridor; and
- Right turn signal free at junction at JB Tito Marg and Siri Fort Road for Siri Fort Sports Complex.

Objections by ASI and DUAC delayed the construction of the Barapullah Nallah flyover.

In addition, the following important projects were started late and could also not be completed in time for the Games:

- Shivaji Stadium;
- Connaught Place facade restoration work;
- Improvement of surroundings of New Delhi Railway Station;
- Streetscaping and street furniture works



There was a seven-year window from the time of award of CWG-2010 to New Delhi to its execution, which was not appropriately utilised. The time window from November 2003 to mid-2006, which could have been effectively used for planning, clearances and approvals, was wasted. The OC itself was registered only in February 2005, while EKS was appointed by the OC as the consultant for preparation of venue briefs and site plans only in July 2006. This led to cascading delays in all subsequent activities, since the return briefs, concept designs and detailed designs and drawings for venues could be prepared only thereafter. Even thereafter, specifications and designs for venues continued to be revised by the OC and International Sporting Federations till late stages.

The finalisation and approval of the two key planning documents for the Games – the General Organisation Plan and Games Master Schedule – were delayed by more than three years. Operational plans for different Functional Areas (FAs) as well as other planning documents of the OC were also delayed substantially.

A comprehensive, over-arching plan identifying the requirement of city infrastructure and gaps therein for hosting the Games was essential for ensuring an integrated perspective. However, we found evidence of only a presentation to the Committee of Secretaries in December 2006, which could, at best, be termed as an approach to an infrastructure development plan, without the necessary level of detail and rigour. Detailed planning for state-of-the-art city infrastructure for CWG-2010 was substantially delayed, and was done in an ad hoc fashion without a “bottom-up” assessment of needs and requirements. We also found indications of “stop-start” planning and implementation in several areas. Further, the delayed planning resulted in adequate time not being available for obtaining statutory clearances from various agencies.

5.1 Overview

The last international multi-sport event held in India was the IX Asian Games held in November- December 1982. Since then, there had been massive changes in the scale, format, presentation, technology and the funding model associated with such events. All the agencies involved

(Ministries/ Departments of GoI, GNCTD, OC and others) were handicapped by the lack of experience in organising an event of this magnitude, and were dependent on the advice offered by a host of consultants, as well as the CGF and its representatives. This also resulted in requirements being identified/ amended in an ad hoc and sporadic manner, often at a late stage.

5.2 Seven Year Window from Award to Hosting of Games not utilised

The CWG is awarded to a candidate city by the CGF at its General Assembly seven years in advance of eventual hosting. The seven year window (from November 2003 to the hosting of the Games in October 2010) was identical to the time available for organising other such mega multi sport international events such as the Melbourne CWG 2006, the Beijing Olympics 2008 and the London Olympics 2012; this facilitates adoption of a phased approach. For example, the organisers of the Beijing Olympics 2008 and the London Olympics 2012 followed a three-phase approach:

- 2 years for planning and approvals;
- 4 years for execution, construction and developments; and
- 1 year for test events and trial runs.

The bid document for CWG-2010 of May 2003 envisaged a four phase approach, as under¹:

Phase I	Plan	January 2004 to May 2006
Phase II	Create	May 2006 to May 2008
Phase III	Deliver	May 2008 to December 2010
Phase IV	Conclude	December 2010 to March 2011

¹ The General Organisation Plan (GOP) approved in August 2007 indicated a four phase Games Planning Process – Plan, Mobilise, Execute and Legacy, but without indicating timelines for each phase, which made this “phased” approach largely meaningless.

Phase-wise approach not implemented

As reported by us in our Study Report of July 2009, we found no evidence of the four phase approach being translated into action during the first phase years of 2004 to 2006, nor during a major portion of Phase-II. In effect, project implementation did not follow the phase-wise approach envisaged. Both planning and execution commenced only in late 2006. These delays had a cascading effect on all subsequent activities.

The non-utilisation of the time windows between November 2003 and mid-2006 and the consequent compression in the remaining time available are depicted below:

Waste of time window between November 2003 and mid-2006

Date	Event
November 2003	Award of Games to Delhi; signing of HCC
September 2004	Constitution of GoM
October 2004	Decisions to constitute Apex Committee and International Sports Division (ISD) of MYAS
January 2005	Constitution of CoS
February 2005	Registration of OC
March 2005	Constitution of Apex Committee; signing of HCC by OC
May-July 2006	First meetings of CoS, Apex Committee and CoS; creation of ISD

Compression of time available due to inaction upto mid-2006

Time Line	January - June 2004	July - December 2004	January - June 2005	July - December 2005	January - June 2006	July - December 2006	January - June 2007	July - December 2007	January - June 2008	July - December 2008	January - June 2009	July - December 2009	January - June 2010	July - December 2010	January - June 2011
Plan	Plan				Create				Deliver				Conclave		
Actual	No significant planning activity				Planning		Planning and Creation		Planning, Creation and Delivery				Conclave		

5.3 Delayed Finalisation of General Organisation Plan (GOP) and Games Master Schedule (GMS)]

Under the HCC, the two key planning documents for the Games - the General Organisation Plan (GOP) and the Games Master Schedule (GMS) - should have been finalised by the OC and approved by the CGF by May 2004 (i.e. within 6 months of the HCC).

Importance of GOP and GMS

The General Organisation Plan (GOP) is a high level master planning document, which sets the structural framework and timelines for the overall organization of the Games. It is to articulate the way the Games would be planned and delivered, including the allocation of responsibilities. Importantly, it considers all stakeholders involved in staging the Games (not just the OC), including those responsible for development of facilities and infrastructure.

The GMS is a roadmap, which lays out the detailed timelines for starting and completing various activities in a coherent and co-ordinated manner.

Delayed Finalisation of GOP and GMS

As pointed out in our Study Report of July 2009, the GOP and GMS were finalized for CGF's approval only in August 2007 and November 2008 respectively.

In fact, the GMS was also revised and altered several times. During the finalization of our Study Report, the OC responded that the planning of the Games was challenging and complex, and planning documents continued to evolve till Games time due to evolving dependencies between functional areas and delivery partners.

Delay in preparing and finalizing the GOP and GMS by more than three years critically affected preparations for the Games; this was compounded by the "evolutionary" planning process, arising out of changes in requirements at late stages.

5.4 Delayed Finalisation of OC Plans

5.4.1 Operational Plans of FAs

The GOP scoped the Games Project into 34 Functional Areas (FAs), with clearly demarcated activities and objectives. Operational plans had to be prepared for each of these functional areas.

Delayed Preparation of Operational Plans

As of May 2009, draft operational plans had been prepared for only 16 out of 34 FAs. Subsequently, in response to the draft Study Report, OC stated that all the 34 Operational Plans had been finalized, and CGF approval would be obtained by the revised deadline of 31 August 2009.

We found that many of these Operational Plans underwent subsequent revisions, and some plans were finalised only after the conclusion of the Games. Further, in many FAs, these plans were not actually operationalised and remained theoretical inputs, and the actual activities of the FA differed significantly from that indicated in the Operational Plans.

5.4.2 Other Planning Documents

In addition to the GOP and GMS, the HCC also stipulated several planning documents and strategies, which required CGF approval. We found that in some cases, the plans remained just plans and were not translated into action e.g:

- Plan for international and national business programme;

- Corporate hospitality plan;
- Sponsor servicing strategy;
- Plan for exploitation of commercial rights

5.5 Planning for Venues

For ensuring proper planning of venue specifications and timely execution, a phased approach was decided by the Infrastructure Co-ordination Committee of OC in August 2007:

Stage	Timeline
Venue appraisal study by OC consultant and submission of venue brief to owners	December 2006
Submission of return brief and concept design by venue owners	May 2007
OC's approval of concept design and complete final design	June - July 2007
Start of construction	Sept. 2007
Completion of construction	December 2009

Importance of Venue Brief and Approval

In simple terms, the venue brief prepared by the OC consultant (EKS) described the sporting and other requirements for each completion and training venue, incorporating the specifications of the respective International Sporting Federations.

On the basis of this venue brief, the venue owners/ implementing agencies, assisted by their consultants, were required to

prepare return briefs and concept designs, which indicated how they proposed to translate the venue brief into reality. After approval by OC/ EKS, these were to be further developed into detailed designs and drawings, on the basis of which works could be tendered and awarded and construction commenced.

Delayed Finalisation of Venue Specifications

As indicated in our Study Report of July 2009, there were delays at all stages of the above process. Further, final specifications and drawings were still being revised and modified in mid-2009, and had not yet been frozen. Also, all approvals granted by OC were only of a conditional nature.

Even after our July 2009 Study Report, officials of implementing agencies indicated that there were further changes to the specifications and drawings at the instance of OC, although documentation of such late changes could not be produced to us.

5.6 Delayed Finalisation of Plans for City Infrastructure

One of the objectives of CWG-2010 was to develop state of the art city infrastructure. These were to be undertaken by a multiplicity of agencies principally under three different jurisdictions – NDMC, MCD, and PWD (GNCTD). It was essential that a comprehensive, overarching plan identifying the requirements of city infrastructure (and the gaps therein) for hosting the Games be prepared and approved at the highest level.

In response to our request for a copy of a comprehensive city development plan

specifically for the requirements of CWG-2010, GNCTD indicated that in June 2004 itself they had taken up with the Finance Minister the need for a specific allocation of funds to fulfil the requirements of the city government for CWG-2010. This was followed by a letter in May 2005 to MYAS, indicating department-wise details of the requirement of additional funds and its justification. In the 9th meeting of the GoM in January 2006 (where the list of competition venues for sports disciplines was finalised), it was decided that GNCTD should include all its requirements covering city infrastructure and venue infrastructure in its proposal to the Planning Commission. Subsequently, a committee headed by Member Secretary, Planning Commission and including representatives of GNCTD finalised a list of infrastructure projects which was presented at the CoS meeting held on 12 December 2006. GNCTD indicated that the presentation (consisting of 66 slides) titled *“Preparing Delhi for 2010 and Beyond – Making it a world class capital”* made to the CoS constituted a comprehensive city development plan for CWG-2010.

We do not agree with GNCTD's response. The presentation merely touched on issues such as

- Modernisation of the airport, and connectivity thereto (metro/ road/ bypasses);
- Metro and road connectivity to JLN Stadia, Games Village, NOIDA, Airport etc. and proposed 24 flyover/ bridges and 12 car parking sites;
- Upgradation of Connaught Place and areas surrounding New Delhi/ Old Delhi Railway stations, Chandni Chowk/ Jama Masjid; and
- Large scale requirements for drainage, sewage, solid waste management, water, power supply

Chapter 5 - Planning

At best, the presentation to the CoS meeting of December 2006 could be termed as an approach to an infrastructure development plan for CWG-2010, without the necessary level of detail and rigour.

We found that detailed planning was done in an ad hoc fashion without an integrated perspective, and without a “bottom-up” assessment of needs and requirements. It was also substantially delayed.

Roads, bridges and flyovers constituted critical city infrastructure for meeting the requirements of CWG-2010. We found that there was lack of clarity about identification of projects directly linked to the Games. In the meetings of the Empowered Committee, the Chief Secretary had reviewed as many as 86 projects. However, in a post-Games consolidation and review exercise, he only identified 25 projects as directly related to the Games. No documented plan for the selection of these projects (after appropriate inter se prioritisation and sequencing) could be provided to us.

We also found indications of “stop-start” planning and implementation in several areas:

- Action for renovation and restoration of Connaught Place was initiated in 2004, but the revised DPR was finally approved only in November 2007.
- The plan for streetscaping and beautification was initiated in 2004, but action for appointment of consultants was initiated only in 2008. Planning for street furniture was initiated even later (after receiving the reports of the streetscaping consultants).
- Planning for improved streetlighting was initiated in 2006, but re-activated only in 2007.
- The need for improved signages was highlighted in February 2006, but the

pilot project was initiated only in May 2008, with works being awarded only in 2009.

Delayed planning was a key reason for many infrastructure projects, envisaged to be completed in time for the Games, not being completed in time. Further, such delayed planning resulted in non-availability of adequate time required for statutory clearances from various agencies e.g DUAC, ASI, MoEF/ Forest Department etc. (given the normal time required for due diligence on proposals by these agencies).

We also derived the impression that planning and selection of projects was, to an extent, driven by the perceived availability of funds for Games-related projects, rather than a strictly need-based analysis.

While many of the completed projects resulted in a substantial upgradation of city infrastructure, such a process reflected an ad hoc approach, often with a dilution of focus/ priorities on the requirements for CWG-2010.

5.7 Planning for Other Activities

Planning for other supporting activities was also substantially delayed:

- Cabinet approval for funding for media and broadcasting services was finally received only in October 2008.
- GoI approval for MTNL as the telecommunications service provider for the Games was received only in September 2009.
- Approval for funding arrangements for the Internal Security System for the Games was communicated only in September 2009.

Financial Management of the Games Project

Even while approving submission of the IOA bid in May 2003, and providing financial liability and deficit guarantees in September 2003, GoI did not have a clear and realistic assessment of the estimated cost of hosting the Games. The IOA bid of May 2003 estimated an all-inclusive cost of just Rs. 1200 crore (after setting off operational expenses against estimated revenues from hosting the Games). By contrast, the overall budget estimate for CWG-2010 for GoI and GNCTD (including MCD, NDMC and other agencies) as of October 2010 was Rs. 18,532 crore; this excludes investments by other agencies (such as DMRC and AAI/DIAL) on allied infrastructure.

We found numerous upward revisions in GoI's budget estimates from time to time. In particular, there were seven revisions from April 2007 to September 2010 at very short intervals, representing a three fold-increase. This was the outcome of a piecemeal approach adopted for consideration/ approval of individual cost elements and lack of planning in the initial stages, as well as the highly limited and unrealistic scope of the budget originally envisaged in the May 2003 bid document. In addition to the increased scope of activities, the other major reason for increased costs/ estimates was delays at multiple stages, resulting in bunching of activities towards Games Time and increases in cost; this was compounded by several instances of lack of financial prudence and propriety across the range of implementing agencies (which are described in the area-specific chapters).

The absence of a single point of authority and accountability for the Games was compounded by the early disbandment of the Finance Sub-Committee of the GoM, which would have acted as a special EFC for CWG-related proposals. This contributed to the piecemeal approach towards cost estimation and budget approvals.

We also found numerous instances of delays in grant of budgetary and financial approvals by the GoI. While we note that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of GoI funds, processing and approvals should have demonstrated a greater sense of urgency (in view of the considerable delays that had already taken place). These delays also contributed to the squeeze of time at the execution stage.

6.1 Background

The costs of hosting and conducting the Commonwealth Games or other multi-sport international event (Olympics, Asian Games etc.) can be broadly divided into the following categories:

Operational Expenditure	This represents the revenue component of expenditure associated with hosting the Games, offset by revenue generated. This is the aspect considered for assessing the “revenue neutrality” of the Games
Capital Expenditure	These constitute expenditure on capital items, with legacy value beyond the Games. Major items include venue development (including renovation/ upgradation) and upgradation of city infrastructure (roads, bridges, flyovers and other transport services, power upgradation projects etc.)
Government/ Municipal Services	These represent services provided free of cost under the HCC. Major items include security, health services, telecom services, traffic and fire services and other services.
Games Village	The Games Village is expected to be a revenue-generating/ revenue neutral venture, where the cost of construction (and accommodating athletes and others) is to be recouped through sale of flats.
Other / Miscellaneous Services	These include services like media and broadcasting (which do not generally require Government expenditure), expenditure on preparation of teams etc.

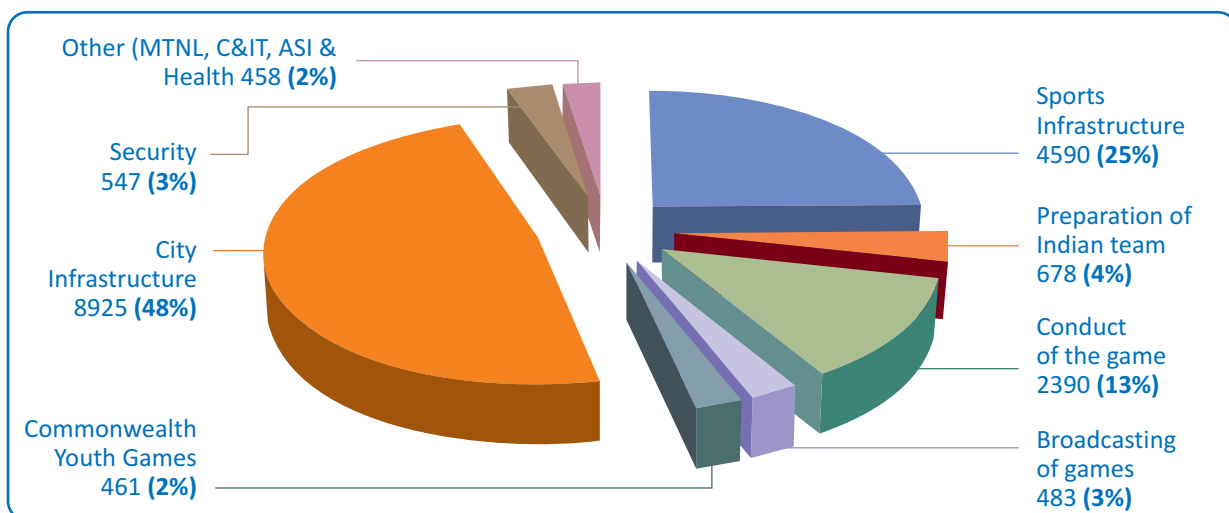
6.2 Budgeting for CWG-2010

6.2.1 Break Up of Budget Estimates

The overall budget estimates for CWG 2010 for Gol and GNCTD (including MCD, NDMC

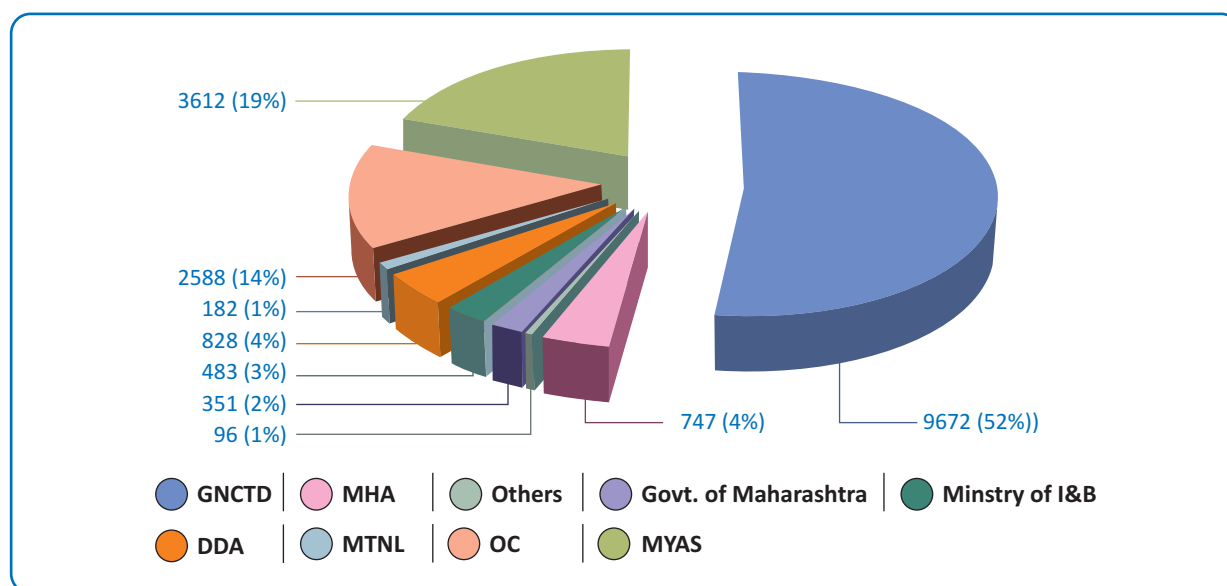
and other agencies) as of October 2010 was Rs. 18, 532 crore. A profile of category- wise budget estimates is given below:

Figure 6.1 - Category wise budget estimates (Rs. in crore)



Agency-wise profile of budget estimates is given below:

Figure 6.2 - Agency wise Budget estimate (Rs. in Crore)



6.2.2 Quantum jump in budget estimates

The initial budget estimate for hosting and conducting CWG-2010 projected in the May 2003 bid document was just Rs. 1200 crore, as summarised below:

Table 6.1 — Budget Estimates indicated in May 2003 IOA Bid

(In Rs. Crore)

Projected Expenditure		Sources of Finances	
Capital/ repair and renovation expenditure on stadia	1,050	Revenue Surplus from conduct of Games (revenues of Rs. 840 crore, offset by operating expenses of Rs. 635 crore)	205
		Sale of residential flats	477
City beautification and additional services	150	Grants	518
Total	1200	Total	1200

Note: US\$ figures in IOA bid converted @ Rs. 45/ US\$

This estimate increased more than 15-fold to Rs. 18532.31 crore¹, as of October 2010. At the time of our Study Report on Preparedness for CWG 2010 (July 2009), the estimated expenditure for the Games Project was Rs. 13566 crore², which increased to Rs. 18532.31 crore by December 2010.

This excludes investments by other agencies in infrastructure and other activities – notably Delhi Metro Rail Corporation (DMRC) and Airports Authority of India (AAI)/ Delhi International Airport Limited (DIAL).

¹ Without setting off the revenue generated/ realized by OC.

² Including Rs. 678 crore for Preparation of Indian Team

Table 6.2 - Category wise escalation (July 2009- December 2010)

(In Rs. Crore)

Projected Expenditure	2009	2010
Sports Infrastructure (Venue Development)	5214.00	4590.03
City Infrastructure	4550.00	8925.00
Conduct of the Games	1628.00	2390.48
Preparation of Indian team	678.00	678.00
Broadcasting	463.00	864.57
Commonwealth Youth Games	351.00	461.48
Others (including security)	682.00	622.75
Total	13,566.00	18532.31

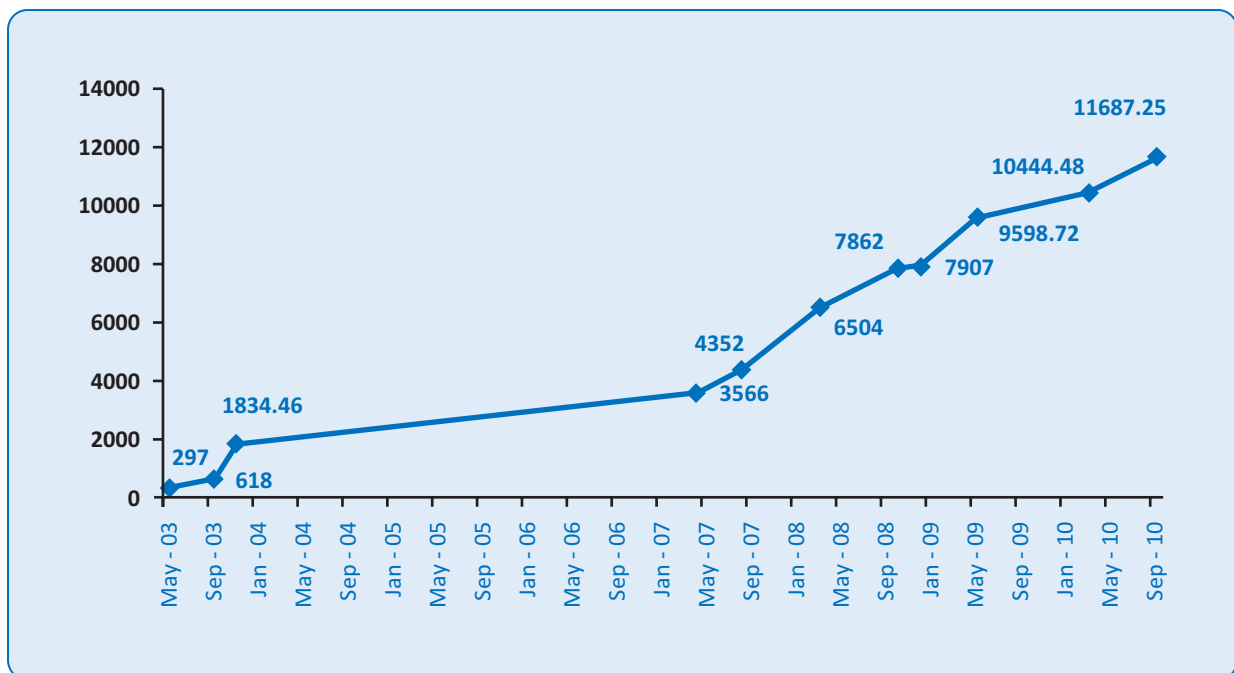
This does not include the value/ cost of the bail-out package provided by DDA to the project developer for the residential complex of the CWG Games Village.

The details of various projects initiated by the respective Ministries/Departments and their final approval indicating the amount involved have been shown in Annexe 6.2.

We could not attempt a category-wise analysis of budget estimates from the bid in May 2003, due to lack of clarity on figures, especially with respect to budget estimates for city infrastructure.

Analysis of the cost estimates³, as considered by or intimated to the Gol, reveals the following increasing trend:

Figure 6.3 – Increasing trend of cost estimates



³ Including Rs. 2800 crore for GNCTD and Rs. 351 crore for Government of Maharashtra

Table 6.3 - Cost estimates as considered by or intimated to the Gol at different stages

Event	Period	Total Cost Estimate (Rs. in Crore)	2010
Assessment of IOA	May-03	297.00	Indicated in the Cabinet Note seeking permission for IOA to bid for CWG-2010 and for MYAS to issue various guarantees to CGF.
Bid Document	May -03	1199.92	Not submitted to Gol
Estimate to Cabinet	Sep-03	618.00	Projected to Cabinet at the time of seeking its consent to enter into Host City Contract and underwriting the shortfall between the revenue and expenditure of the OC etc.
"Updated" bid document	Dec-03	1834.46	Submitted to MYAS in September 2004
Estimate to Cabinet	Apr-07	3566.00	Estimates indicated to Cabinet while submitting a proposal for bidding for XVII Asian Games - 2014 at NCR Delhi.
Estimate to GOM	Aug-07	4352.00	Estimates indicated to the GoM while being apprised of the status of funding to various agencies.
Estimate to CCEA	Mar-08	6504.00	This was indicated while presenting the expenditure budget of MYAS for up-gradation/ renovation of competition venue/ training venues at Delhi University, JMI and DPS RK Puram for approval.
Estimate to Cabinet	Oct-08	7862.00	This was indicated while obtaining approval of the Cabinet for additional funds for the OC for CYG-2008, Pune.
Estimate to Cabinet	Dec-08	7907.00	The amount was reported while the Cabinet was apprised of the preparedness for hosting CWG-2010.

Event	Period	Total Cost Estimate (Rs. in Crore)	2010
Estimate to Cabinet	May-09	9598.72	This was indicated with the Cabinet Note at the time of obtaining approval for revised estimate of SAI stadia; recreating of sports facilities in Delhi etc.
Estimate to Cabinet	Mar-10	10444.48	This was reported to the Cabinet while obtaining approval for budget of OC for overlays.
Estimate to GOM	Sep-10	11687.25	This was indicated during deliberations by the GoM in September 2010 while considering the proposal for additional expenditure on opening and closing ceremonies.

In particular, there were seven upward revisions in budget estimates from April 2007 to September 2010 at very short intervals, representing a three-fold increase (from Rs. 3566 crore to Rs. 11,687.25 crore).

Even at this late stage, GoI was unable to estimate the cost of hosting the Games with reasonable accuracy. This was the outcome of a piecemeal approach adopted for consideration /approval of individual cost elements and lack of planning in the initial stages.

6.2.3 Limited Scope of Original Budget Estimate (May 2003 Bid)

The budget envisaged in the May 2003 bid document, which was prepared by the Chartered Accountant of IOA (AS Sharma & Co.) and was not vetted or approved by the GoI, was extremely limited in scope:

- It assumed that the existing sports venues / facilities (largely constructed for the 1982 Asian Games) could be upgraded/ renovated/refurbished at relatively minimal costs (Rs. 1050 crore for all venues – Rs. 946 crore for new facilities and Rs. 104 crore for repairs/ renovation). This was a completely unrealistic assumption, which failed to factor in the drastic changes in sporting and technological specifications (in line with the latest requirements of the international sporting federations) and consequent increase in costs. **In reality, most of the venues were largely rebuilt, rather than renovated.**
- A meagre provision of Rs. 75 crore for city beautification (with an additional Rs. 75 crore for additional health, fire, security, traffic, and customs/ immigration services) was made in the bid document. The 1982 Asian Games

represented a landmark for Delhi in terms of upgradation of roads, bridges, flyovers and other infrastructure. CWG-2010 was also viewed subsequently as an opportunity for similar upgradation. Unfortunately, this was not appropriately planned and provided for right at the outset. The infrastructure projects were added and approved in a piece meal and ad hoc fashion (mostly from 2007-08 onwards). Very often, GNCTD, NDMC and MCD used this opportunity to club several existing projects, and obtain additional funding for completing these projects in time for the Games. We observed that even then timely completion could not be achieved in many cases.

- The original budget did not have any provisions for broadcasting and media and telecom infrastructure, and a meagre provision for security infrastructure. Ultimately, both Prasar Bharati and MTNL used this opportunity to obtain funds for upgradation of their infrastructure (HDTV capability for Prasar Bharati, and high speed IP/ MPLS telecom infrastructure for MTNL). However we observed, both agencies outsourced these activities completely (without relying on, or upgrading in-house capacity), leading to creation of no/ insignificant legacy infrastructure (physical and human). The security infrastructure also cost many times the original estimate, and its legacy value is again uncertain as of date.

- The budget did not factor in the cost of preparing Indian teams for the Games (through focused training and support to identified “core” probables in different disciplines), for which Rs. 678 crore was allocated only in February 2008.

6.2.4 Other reasons for Cost/ Budget Increases

In addition to the increased scope of activities, the other major reason for increased costs/ budget estimates was delay at all stages – planning, tendering and award, and execution/ completion – in respect of most activities. These delays, with consequent bunching of activities towards Games Time, led to substantial increases in cost, which could have been avoided through timely action.

As pointed out elsewhere, the seven-year time window from award of the Games to its hosting was not fruitfully utilised, and most activities were undertaken in the last two years or so. These delays led to increased costs, and also facilitated short-circuiting of procurement and related procedures on grounds of urgency, and consequent compromise on economy.

Further, we found several instances of lack of financial prudence and propriety across the range of implementing agencies, which inflated costs further and resulted in wastage of public funds. These are described in detail in the relevant area-specific chapters.

6.3 Financial Management by Gol

6.3.1 Approval Process

The mechanisms in the Gol for approval of plan and non-plan expenditure are as follows:

The Committee on Non-Plan Expenditure (CNE), with Secretary, Expenditure as Chairman, serves as an appraisal forum for the following types of cases⁴ where

- All non-plan proposals involving expenditure of over Rs. 75 crore recurring or non-recurring, on a new service or for expansion of existing services.
- Any other non-plan proposal which a Department may like to be considered in the CNE.

As regards Plan schemes⁵:

- Schemes costing beyond Rs. 100 crore but less than Rs. 300 crore are to be considered by the Expenditure Finance Committee⁶ (EFC) (chaired by the Secretary of the administrative department).
- Plan schemes/ projects involving expenditure of Rs. 300 crore and above are to be considered by the Expenditure Finance Committee where it does if it does not give returns, or by the Public Investment Board where it gives returns.

- Cases where the expenditure involves an investment of Rs. 300 crore or more require the approval of the Cabinet also.

We noted that the budget proposals were mooted by the respective ministries and approval of the Cabinet was obtained, wherever necessary. Further, in respect of Gol,

- All grants were under the Plan head; . Funds were released in instalments subject to standard terms and conditions and also subject to Utilisation Certificates.
- In the case of Prasar Bharati, funds were released as 50 per cent grant and 50 per cent loan (in view of the uncertainty of revenues), with conversion into grant-in-aid to be considered later, if found necessary.
- The only non-plan component was in respect of the loan for the OC's operational budget (intended to be repaid out of OC's revenues).

6.3.2 Summary of Approvals

A summary of item-wise proposals routed through EFC/ CNE/ Cabinet in respect of different Ministries of Gol is given below; details are given in Annexe 6.1:

⁴ Limits are effective from April 2010

⁵ Limits are effective from April 2010

⁶ Chaired by the Secretary of the administrative department along with Secretary (Expenditure) and Secretary (Planning Commission)

**Table 6.4 - Summary of Approved CWG-2010 Proposals/ Estimates
(in respect of Gol)⁷**

Ministry	Name of the Project/ Proposal	Approved amount
MYAS	Operational Budget of OC	1813.42
	Overlays for OC	687.00
	Procurement of TSR and Sports Equipment for Venues	87.25
	Venue Development (SAI Stadia)	2475.00
	Venue Development (DU, JMI, and DPS, RK Puram)	350.71
	Venue Development (AITA)	65.65
	Scoring and related equipment for Dr. Karni Singh Shooting Range	30.15
	Venue Development (CRPF Kadarapur Range)	28.50
	Scheme for Preparation of Indian Team for CWG-2010	678.00
	MTNL (Telecom Service Provider for CWG-2010)	182.00
MoUD	Construction of Games Village and Sports Venues by DDA	827.85
MIB	Host Broadcasting, International Broadcasting Centre, and Main Press Centre	482.57
MHA	Integrated Security System and related equipment	375.00
MoHFW	Sports Injury Centre (Safdarjung Hospital)	70.72

6.3.3 Delayed grant of approvals

In addition to other delays, we found substantial delays in the process of approvals/ sanctions. A list of approvals, which took 4 months or more (as ascertained from the records of the Ministry of Finance) is given below:

Table 6.5 – Delays in budget approvals

Ministry Department	Proposal	Date of initial proposal to MOF	Date of approval	Time Gap (Months)
Youth Affairs & Sports	Venue Development (SAI Stadia)	28.08.2006	15.03.2007	7
		23.01.2009	08.05.2009	3
	Operational Budget of OC	30.11.2005	15.03.2007	15
		16.06.2009	05.11.2009	5
	Overlays (for OC)	17.11.2009	19.03.2010	4
Scheme for Preparation of Indian team for CWG-2010	12.02.2008	12.06.2008	4 3	
Venue Development (DU, JMI and DPS, RK Puram)	19.12.2007	27.03.2008	8	
	11.02.2009-JMI 23.02.2009-DU	08.10.2009	7	

⁷ Does not include proposals which were sanctioned/ approved but not utilised (e.g. approval of Rs. 200 crore for Intelligent Traffic Management System (ITMS))

Ministry Department	Proposal	Date of initial proposal to MOF	Date of approval	Time Gap (Months)
Youth Affairs & Sports	MTNL	21.10.2009	10.02.2010	7
	Venue Development (AITA)	02.11.2006	22.09.2009	35
	Venue Development (CRPF Kadarapur Range)	27.05.2009	08.10.2009	4
Urban Development	Construction of Games Village and Sports Venues by DDA	12.07.2006	15.10.2009	39
Information & Broadcasting	Host Broadcasting, International Broadcasting Centre, & Main Press Centre	18.12.2007	03.10.2008	10

While we note that careful scrutiny of proposals is required to ensure due diligence before approvals and commitment of GoI funds, for a time-sensitive project like CWG-2010 (where considerable delays had already taken place at the initial stages, reducing the time available for planning and implementation), processing and approvals at various levels should have demonstrated a greater sense of urgency than they actually did.

In particular, we noted the discomfort and delay of the EFC in clearing the budget proposals of the OC due to lack of complete understanding of bid documents, CGF protocols, HCC and related documents by MYAS/MoF. Even as late as January 2010, while discussing the proposal for Overlays Secretary, MYAS acknowledged that roles of various agencies (venue owners and OC) were not clearly demarcated. This lack of clarity had an adverse impact on the financing of the projects.

OC submitted its first budget proposal to MYAS in November 2005, but this was approved only in April 2007. OC's revised budget was submitted in July 2008, but was sent to the Ministry of Finance only in June 2009 and finally approved in November 2009. We noted that the approval of the OC budget got linked with the differences between MYAS and OC over the extent of Governmental control. However, these differences should not have been allowed to delay scrutiny and approval of budgets.

6.4 Financial Management in GNCTD

An agency-wise profile of approvals/sanctions by GNCTD (including approvals for MCD, NDMC and other bodies) is given in Table 6.6.

Table 6.6 – Agency-wise profile of Approvals for GNCTD

(In Rs. Crore)

Agency	Sanctioned Amount
PWD	5,456
DTC	1,173
Power Department	1,100
NDMC	1,016
MCD	542
DJB	269
DHS	46
Art & Culture Deptt.	28
IT	28
Environment & Forest	7
DPGS	6
Grand Total	9,672*

*This includes funding from Gol – (a) components of JNNURM: Rs. 761 crore and (b) Additional Central Assistance for CWG-related projects: Rs 2800 Crore.

A category-wise profile of approvals/ sanctions is given in Annexe 6.2.

6.5 Outstanding Liabilities

It is a matter of concern that the final bills for most of the projects (Organising Committee, venue development, city infrastructure and other projects) are yet to be settled by the implementing agencies, even after several months of conclusion of the Games.

- The OC is scheduled to cease existence from 31 March 2011. Accounts upto 2009-10 only have been finalised.
- Releases to agencies like SAI, MTNL, Prasar Bharati, ECIL etc. are treated as expenditure in the books of Gol. However, the final cost will be known

after settlement of bills/ receipt of UCs with detailed Statements of Expenditure (SOEs).

- Even in respect of departmentally executed projects in GNCTD, final payments are yet to be made.

Until final payments are made, the full cost of organizing and staging CWG-2010 to the public exchequer will not be known. This will be verified/ scrutinized in future audits.



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

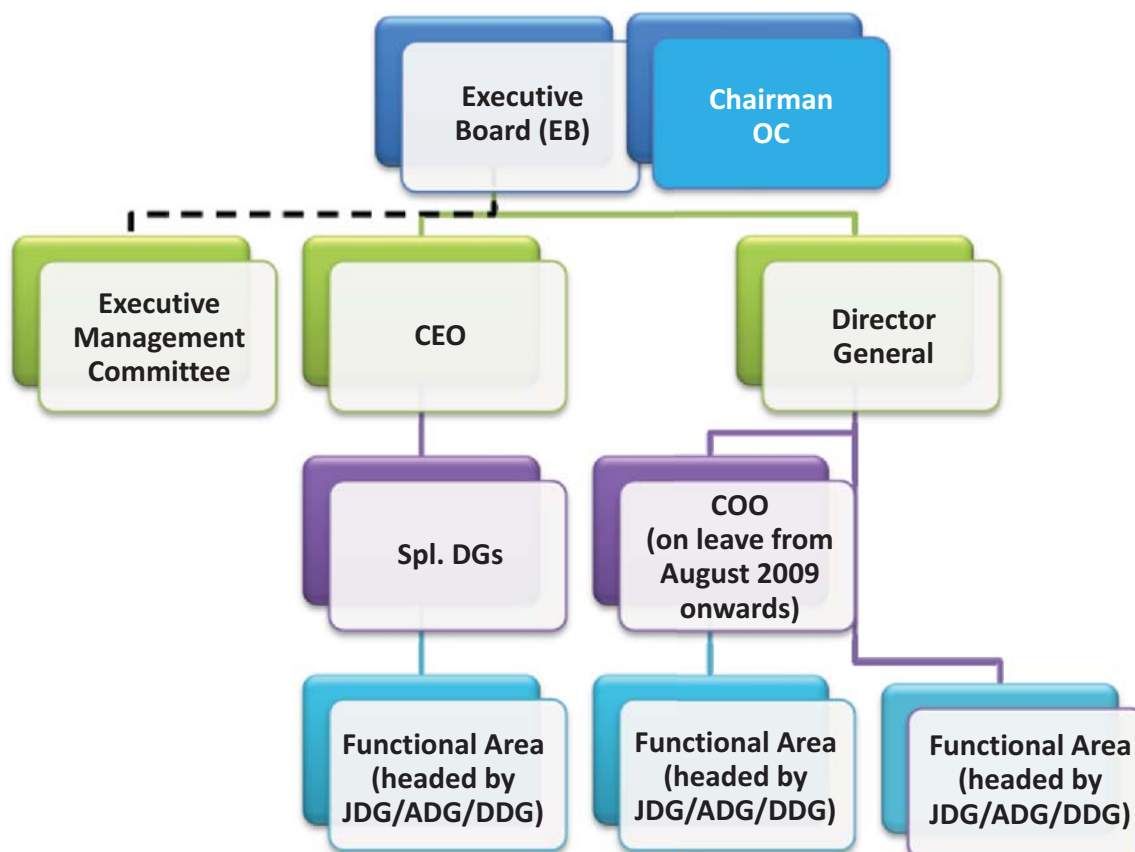
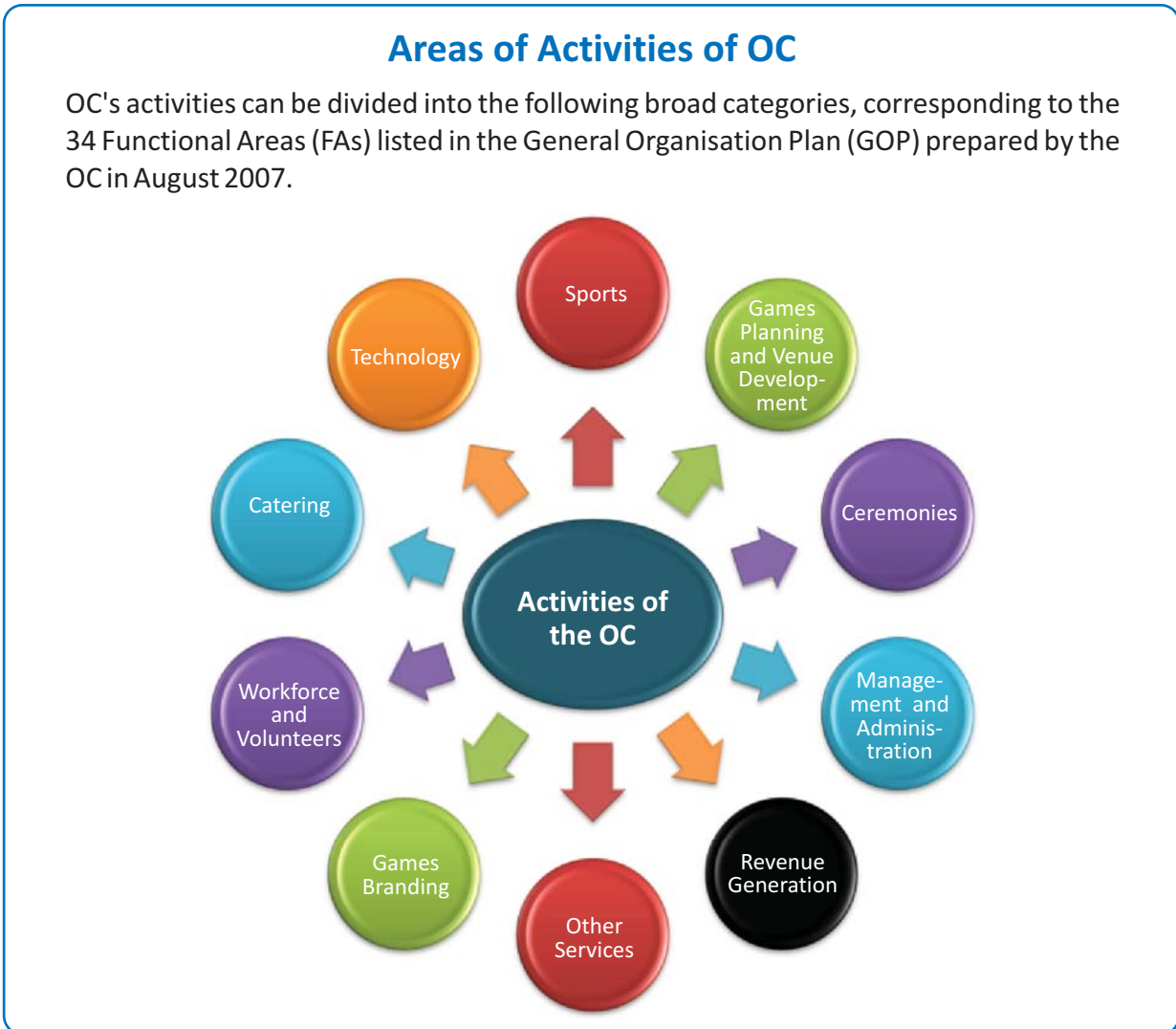


Figure 7.2 – Activities of OC



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"> ■ 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 ■ Providing a safe, secure, comfortable and welcoming environment at the Games Village.

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

Activity Group	S No	Name of the Functional Area	Scope of Work
	8	Press Operations	<ul style="list-style-type: none"> 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 Coordinating the media activities at the Main Press Centre, Venue Media Centres (VMCs) and the Games Village.
	9	Communications	<ul style="list-style-type: none"> Developing an effective publicity and communications program to position the event as a prestigious, exciting 'must attend' for potential domestic and overseas attendees; and Creating and maintaining high levels of awareness about the sports program, the Games Village and other sites.
Technology	10	Technology	<ul style="list-style-type: none"> 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 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.
Sports	11	Sports	<ul style="list-style-type: none"> Planning for all sports in the areas of sport entries, sport results, scoring and timing and the development of the competition schedule; Providing policy and operational support for all sports including regulations for sports, provision of equipment, training facilities etc; and

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

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

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

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

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

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
TS Darbari	JDG (Revenue Marketing and Chairman's Secretariat)	■ QBR Launch Ceremony, London
Sanjay Mohindroo	DDG (Technology Marketing)	■ QBR Launch Ceremony, London
Sangeeta Badhwar	PO/ Director/ DDG (Chairman's Secretariat)	■ Beijing Olympics 2008 Study Observer Group
Harish Sharma	OC member (not employee)	■ Accommodation for Beijing Olympics 2008 Study Observer Group
RK Sacheti	Head of Co-ordination and Government Relations Functional Area	■ Youth Games QBR (Hoardings); ANOC Beijing Meeting; Ceremonies (booking of accommodation and selection of Wizcraft)
AK Kesari	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 2010¹, 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.

¹ 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 with². 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

² *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 crore³ 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.

³ 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:

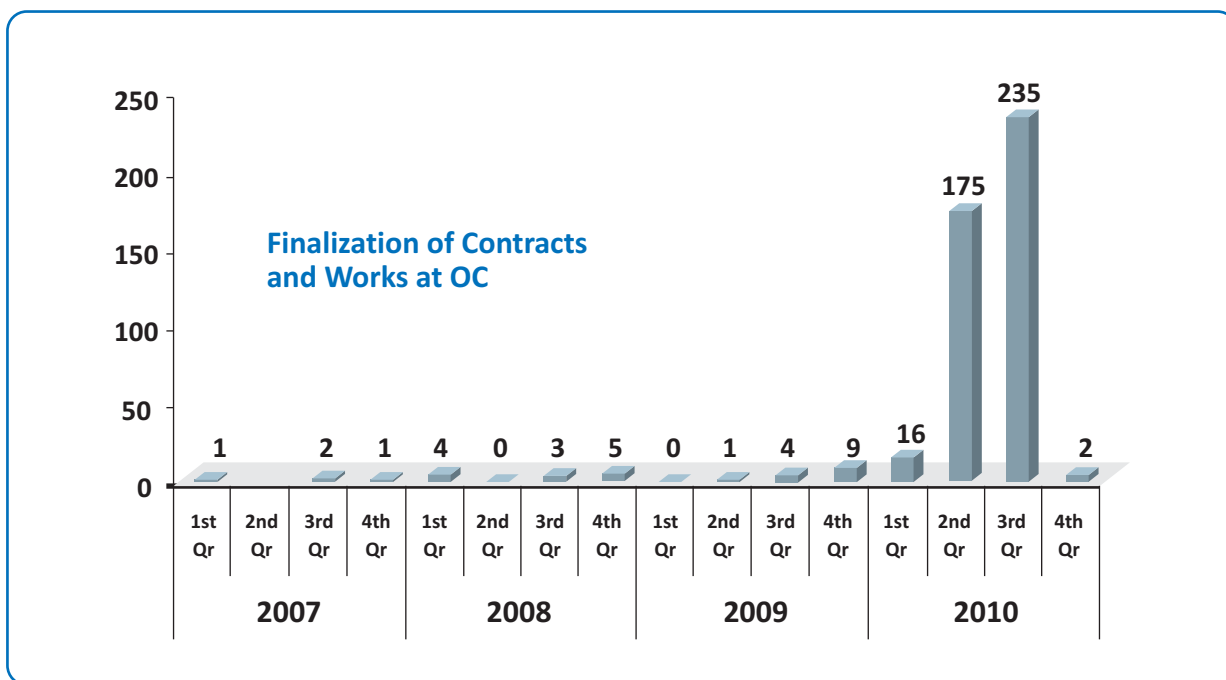
- Overlays (Rs. 630.23 crore);
- Catering (Rs. 131.59 crore);
- Technology contracts (Rs. 118.74 crore); and
- Ticketing agency (Rs. 14 crore)

As regards ceremonies, 173 out of 175 contracts⁴ amounting to Rs. 208.75 crore were awarded in 2010, with one contract⁵ being signed on 30 October 2010 (15 days after the Games conclusion).

⁴ Except for the contracts for Spectak Productions and Wizcraft

⁵ 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 tendering⁶), while 28 contracts for Rs. 356.14 crore were awarded on the basis of a single tender (in many cases, by

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

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.

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 ⁷ Meeting in 2008	<p>OC paid Rs. 8.50 crore for the Beijing 2008 Observer Programme⁸ 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>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.</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" ⁹ , 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.

⁷ ANOC: Association of National Olympic Committee

⁸ MYAS approved a 166-strong delegation for this event.

⁹ 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
Mode of Appointment	<ul style="list-style-type: none"> 62 were appointed on nomination basis and 31 were through search committee; Only 15 consultants were appointed through the proper tendering process; 	<ul style="list-style-type: none"> Chief Advisor, Shri BS Ojha, ex-DG, OC was appointed on nomination basis; Most of the consultants for ceremonies, legal, communication, taxation, security, overlays, technology were appointed on nomination basis;
Delayed Appointment	<ul style="list-style-type: none"> Only 17 consultants had been appointed till December 2007; 	<ul style="list-style-type: none"> Major functional areas in which appointment of consultants was delayed till 2010 included: <ul style="list-style-type: none"> 17 of 19 consultants in ceremonies; 4 of 28 consultants of Venue Development and overlays; and 4 of 5 consultants in communications.
Scope of work	<ul style="list-style-type: none"> OC did not define the detailed scope of work for 59 consultants 	<ul style="list-style-type: none"> 6 architect consultants (all of them were subsequently employed by the OC); 4 technology consultants were appointed without any detailed scope of work.
Contracts	<ul style="list-style-type: none"> OC did not sign formal contracts with 45 consultants 	<ul style="list-style-type: none"> All architect consultants, 2 Media advisors and 1 security advisor did not have formal contracts.
	<ul style="list-style-type: none"> Payments were not linked to deliverables in respect of 94 consultants 	<ul style="list-style-type: none"> Consultants for sports presentation ceremony, venue development and overlays

Area	Audit Findings	Audit Findings
<p>Interchange between consultancy and employment</p>	<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> 13 architect consultants, 2 erstwhile DG(OC) and 1 overlays consultant.

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
DORRIS Nathan	18.07	18.07
WILSON G.	18.08	18.08
ACROE Larry	18.16	18.16
BONEMAN Ray	18.19	18.19
LEWIS Randy	18.48	18.48
JOHN SCHLACK	18.12	18.12
JOHN ZACHERIA	15.05	15.05
SMITH Ameyac	15.05	15.05
18:32:42		

Revenue Generation by OC

At all points of time (right from bidding for the Games in May 2003), IOA and the OC consistently presented staging of the Games as revenue neutral, if not revenue surplus. This argument was used to justify the independence of the OC and lack of Government control on its financial transactions. However, this premise was seriously flawed:

- *This assertion of revenue neutrality was never supported by robust and appropriately validated revenue projections. In fact, between March 2007 and July 2008, the revenue projections skyrocketed from Rs. 900 crore to Rs. 1780 crore, primarily on account of inflating receipts from sponsorship and donations without justification. In our view, this increase in revenue projections was made with the sole objective of keeping pace with the vastly increased operating expenditure estimates, so as to maintain the claim of revenue neutrality.*
- *Both MYAS and MoF failed to exercise necessary due diligence, and did not adequately examine and scrutinise the revenue projections or raise “red flags” on this critical issue at the highest levels of Government, especially on the quantum jump in revenue projections from Rs. 900 crore to Rs. 1780 crore, and chose to go along with the OC's claims of revenue neutrality.*

OC recorded total committed revenues of just Rs. 682.06 crore, of which only Rs. 440.43 crore had been realised. After deducting revenue generation costs of Rs. 266.47 crore, the net revenue realisation was just Rs. 173.96 crore. Clearly, OC failed to exploit the vast revenue potential of the Games.

OC's engagement of SMAM as the consultant for sponsorship and merchandising/licensing rights was flawed on several counts:

- *The pre-conditions for bidding stipulated experience of international multi-sports events and ignored the vast potential of the Indian market.*
- *The award of the contract to SMAM was essentially on a single financial bid, and was unduly influenced by the recommendations of the CGF CEO, Shri Mike Hooper who suggested a neat division of consultancy contracts between SMAM and Fast Track Events.*
- *The contractual provisions with SMAM were deficient and unduly favoured it.*

The performance of SMAM during CYG-2008, Pune as well as the QBR (launch and international leg) was demonstrably poor. OC chose not to derive lessons from their poor track record, and terminated the contract only in August 2010.

Against the sponsorship target of Rs. 960 crore, OC generated committed sponsorship revenue of just Rs. 375.16 crore. Nearly 67 per cent was from Government agencies/ PSU, and 36 per cent was in the form of “Value in Kind” (which remained largely unaccounted for). OC failed to follow up adequately on sponsorship offers from reputed companies, contrasted with the unusual enthusiasm and interest it showed in inflating sponsorship revenue projections. OC also wasted Rs. 3.08 crore on road shows and discounted tickets for the Business Club of India, which was formed for supporting marketing efforts for CWG-2010 but generated no revenue.

OC irregularly selected Premier Brands Limited (PBL) as the “master licensee” for merchandising and licensing rights without even signing a formal agreement with PBL. Consequently, no royalty has been received so far by the OC.

The commercial exploitation of national and international broadcasting rights was badly managed. The agreement for national broadcasting rights between OC and Prasar Bharati was signed only on 23 September 2010, resulting in generation of just Rs. 24.70 crore of revenues for the OC. With regard to international broadcasting rights, OC could sign agreements for only Rs. 213.46 crore, of which only Rs. 191.40 crore had been received. OC also failed to exploit the market for new media rights (Internet, mobile/ SMS etc.) as well as “big screen rights” for the Games.

OC's performance on ticketing was also deficient. The appointment of the ticketing consultant and the ticketing agency was delayed enormously, and marketing of tickets was taken up only in September 2010. The issue of complimentary tickets (particularly high value tickets) was excessive (nearly thrice that of earlier CW Games at Manchester and Melbourne). Also, OC adopted a wide range of ticket pricing, contrary to the recommendations of consultants, which contributed to low ticket sales (particularly of high denominations). This was compounded by OC's refusal to permit ticket sales at the outlets of IRCTC (the main ticketing agency) on specious grounds. Consequently, against the target of Rs. 100 crore, OC could only muster Rs. 39.17 crore of gross ticketing revenue. After setting off costs of Rs. 23.37 crore, the net ticketing revenue was just Rs. 15.80 crore.

OC included a revenue target of Rs. 300 crore in July 2008 from donations/ raffle, essentially to maintain the claim of revenue neutrality. Against this target, OC collected a paltry sum of Rs. 0.99 crore.

8.1 Revenue-neutrality of the Games

8.1.1 Initial Revenue Estimates

MYAS moved a Cabinet note in May 2003 to grant approval to the IOA to bid for the Games. The revenue estimates in this note, as worked out by IOA (through sponsorship) amounted to Rs. 490 crore, against the projected expenditure of Rs. 295.50 crore. However, no break-up of these projections was provided.

When the issue was again taken to the Cabinet in September 2003¹, the revenue estimates of Rs. 490 crore were reiterated, while the annexed correspondence with the IOA indicated a figure of US\$ 179.9 million

(matching the figures indicated in the bid document²). No reference was made to direct funding from Gol in the form of loans/ grants, although the approval of Gol guarantee for underwriting the cost of the Games was recommended on the basis of a projected surplus of approximately Rs. 50-60 crores.

8.1.2 Trend of Increasing Revenue Projections

The increasing trend of revenue projections from the IOA bid document (May 2003) to OC's first budget (March 2006) to its revalidated budget (July 2008) is reflected below:

Table 8.1 - Revenue Estimates and Realisation

(Rs. in Crore)

Revenue streams	Operating Revenues from Melbourne CWG-2006 ³	IOA Bid Document (May 2003)#	OC's Original Budget (March 2006)	OC's Revalidated Budget (July 2008)	Revenue realised (February 2011)
Sponsorship fee	313.83	450	450	960	201.63
Broadcasting rights	205.92	300	300	370	191.40
Merchandising licensing income	30.69	60	50	50	-
Sale of tickets	261.69	30	100	100	27.49
Donations		-	-	300	0.99
Interest/ Others	33.66				
Total	845.79	840	900	1780	18.92
Estimated Operating Expenses*	-	635	767	2500.48 ⁴	440.43
Estimated Surplus	-	205	133	-	1729.95

Note:

Figures in IOA bid document converted from US\$ to Rs. @ Rs. 45/US\$

*Operating expenses refers only to expenses of the OC, and excludes expenditure on infrastructure development and services provided by Government Departments (which would have to be met through Government grants/funding).

¹ Mainly in connection with the additional commitments/ clarifications required by the CGF Evaluation Commission

² The IOA bid document (May 2003) had still not been sought by MYAS or referred to in the September 2003 Cabinet note.

³ Converted from AUD @ Rs. 33/ AUD

⁴ Total loan sanctioned Rs. (1620 + 687.06 + 193.42) crore

Subsequent to the July 2008 budget (which was approved in November 2009), OC was sanctioned additional GoI loans of Rs 880.48 crore in August/ September 2010 to cover the cost of overlays and ceremonies. This increased the total loan extended to the OC to Rs. 2500.48 crore, and formally rendered the organisation of the Games as revenue deficit, since the revenue estimates remained fixed at Rs 1780 crore.

The 'revenue neutrality' argument formed the basis on which OC's expenditure was financed as a loan by the GoI. The assertion for autonomy of the OC was premised on the concocted revenue neutrality argument. However, far from being revenue neutral, OC's budget was hugely revenue deficit.

8.2 Claim of revenue neutrality

8.2.1 Examination of Original Budget of OC

When the original OC budget of March 2006, involving revenue projections of Rs. 900 crore, was examined by the EFC in May 2006, the then Secretary (Sports) indicated that the revenue neutrality principle would be strictly followed, with expenditure sanctions to be based on revenue inflows. Chairman, OC countered that GoI *"should have faith in the ability of OC to generate the revenue as projected"*. He also stated that such Games had been revenue surplus all over the world, and that most of the revenue flows would come after the Games. Out of the total revenue projections of Rs. 900 crore, revenues of Rs. 450 crore were

projected during 2010-11 and Rs. 325 crore during 2011-12.

In the next EFC meeting in September 2006, the EFC recommended that a risk analysis study of the projected revenue streams be undertaken expeditiously by OC and incorporated in the Cabinet note on the OC budget, so as to validate the principle of revenue neutrality. However, the Cabinet note of March 2007 for approval of the OC budget did not insist on the risk analysis study on the grounds that the OC had engaged Ernst & Young (E&Y) for a risk assessment study, and a draft report was currently under examination of the OC. The OC budget was approved without even obtaining, let alone examining, this study. The issue of the risk analysis study came up again only in October 2009, while examining the revised OC budget.

Even when the IOA proposal for bidding for the XVII Asian Games 2014 was being considered through a Cabinet note of April 2007 by MYAS, a passing reference was made that the present revenue generation estimates for CWG-2010 were untested, and Government would have to meet the shortfall, if any. However, this aspect was not pursued further by MYAS.

Both MYAS and MoF failed to exercise necessary due diligence, and did not adequately examine and scrutinise the revenue projections or raise "red flags" on this critical issue at the highest levels of Government. The risk assessment study of revenue projections was not demanded from OC, let alone scrutinized and validated. The "faith" in the ability of OC to generate the projected revenue was clearly, entirely misplaced.

8.2.2 Revised Budget of OC

In the OC's revised budget of July 2008, the revenue projections skyrocketed, without any basis, from Rs.900 crore to Rs. 1780 crore, with the projected increase mainly on account of sponsorship revenues (Rs. 450 crore to Rs. 960 crore) and donations (a new line item for Rs. 300 crore)

In our view, this increase in revenue projections had no justification and was made with the sole objective of keeping pace with the vastly increased operating expenditure estimates, so as to maintain the claim of revenue neutrality. The inaccuracy of the increased projections on account of sponsorship is borne out by the fact that the contracted commitment of the sponsorship consultant (SMAM) was not correspondingly revised and remained only at US\$100 million (equivalent to the original projection of Rs. 450 crore).

Disclaimer on Revenue Neutrality

In our Study Report of July 2009, by when it had become evident and we had clearly observed, the claim of the Games being revenue neutral in cash terms was flawed. The available documentation could not satisfy us of the soundness of the increased estimate of revenue:

- Donations of Rs. 300 crore were estimated by the OC, which initially stated that this would be done through an aggressively marketed

consumer promotion, but later stated that this would come from corporate trusts on account of IT exemption. No basis for such optimistic claims were seen

- As regards the increase in projected sponsorship fees from Rs. 450 crore to Rs. 960 crore, we were not clear how Value in Kind (VIK), which was supposed to constitute a majority of sponsorship revenues, could be precisely dovetailed to set off individual items of operating expenses. We had also found discrepancies in the underlying calculations for different categories of sponsors.
- We had also expressed concerns that no revenue generation had taken place from sponsorship, ticketing, merchandising and licensing till date. We had recommended expediting of steps for generating sponsorship and other revenue, in view of the fast shrinking window of opportunity in leveraging the Games.

However, no concrete action was taken on our concerns and recommendations.

The Cabinet note of October 2009 for approving the revised OC budget (July 2008) of Rs. 1780 crore indicated a revenue surplus of Rs. 88 crore (after certain economy measures effected by the Committee on Non-Plan Expenditure (CNE)), and stated that although a risk analysis of projected revenue streams had been conducted by the OC, the risk factors identified and the risk mitigation measures

suggested for the revenue streams as shown by OC were **“largely untested in Indian conditions”⁵**. However, this issue was not taken further.

MYAS and MOF did not rigorously scrutinize or validate the huge increase in revenue projections, and continued to accept the claim of revenue neutrality projected by the OC.

In response to our query, MYAS stated that the shortfall of revenue generation had been deliberated in the meetings on various occasions and the OC had promised to reduce the shortfall to a minimum. It referred to two letters from the erstwhile Minister, YAS, Shri Mani Shankar Aiyar, to the Prime Minister and the Finance Minister, which referred to (a) the possibility of OC raising finances from the market as a “bankable” proposal, and (b) linking further releases to the OC to revalidation of the OC budget. MYAS also referred to a mention by Secretary, YAS in the August 2007 GoM meeting, references in the October 2009 Cabinet note, as well as monitoring of revenue generation by CoS in July 2007 and February 2008.

The references and interventions by MYAS on revenue neutrality were inadequate and oblique. Even Shri Aiyar's letters focused primarily on the lack of control over OC, rather than on the robustness of the revenue model. In our view, MYAS (and MoF) did not seriously challenge the reliability and robustness of the revenue projections, nor did they present a categorical disclaimer or opinion on the projected revenue neutrality at the highest levels of Government.

8.2.3 Actual Revenue Commitment and Realisation

Against the revenue target of Rs.1780 crore, OC recorded committed revenue of just Rs.682.06 crore, of which only Rs. 440.43 crore had been realized (February 2011). The revenue generation costs amounted to Rs 266.47 crore, leaving net revenue realisation (after deducting associated costs) of just Rs. 173.96 crore. Stream-wise details of targeted, committed and realised revenue (as of February 2011) are given in Table 8.2.

⁵ Incidentally, even a copy of this risk analysis study was apparently not available with MYAS.

Table 8.2 - Category wise breakup of the Committed and Realised Revenue

(Rs. in Crore)

Revenue streams	Target (July 2008)	Committed Revenue	Per cent shortfall in commitment	Revenue realized against commitment	Cost of Raising Revenue
Sponsorship fee	960	375.16	61%	201.63	190.74*
Broadcasting rights	370	238.17	36%	191.40	45.64
Merchandising licensing income	50	4.52	91%	-	0
Sale of tickets	100	39.17	61%	27.49	23.37
Donations/ Raffle	300	1.11	100%	0.99	0
Revenue from CYG Pune 2008	No Target fixed	23.93#	--	18.92	6.72
Total	1780	682.06	62%	440.43	266.47

Notes:

*This includes the license fee to CGF and expenditure on BCI across revenue streams

#This included Sponsorship Rs.20.17 crore, M&L Rs.2.34 crore, Ticketing Rs.1.30 crore and TV rights Rs. 0.12 crore

Clearly, the OC failed to exploit the vast revenue potential of the Games. There was a huge shortfall in generating revenue commitments vis-à-vis not just the revised target, but even the original target of Rs. 900 crore; this, further, confirms the unrealistic and inflated nature of the revenue projections. Further, OC could collect just 65 per cent of even the committed revenue. After deducting the expenditure incurred by OC on consultants etc. for revenue generation, the net revenue accruing from CWG-2010 is insignificant.

8.3 Delay in Planning for Revenue Generation:

We found lack of focused leadership for the four revenue-related Functional Areas (sponsorship, TV rights, merchandising and licensing, and ticketing), with numerous changes in leadership till late 2009. We also found substantial delays in preparation of detailed plans for each revenue segment, as summarised in Table 8.3.

Table 8.3 - Delayed Planning for Revenue Segments

Revenue Segment	Area	Target Date	Actual Date of Finalisation
Sponsorship	Marketing Plan	Oct. 2005	December 2007
Merchandising and Licensing	Appointment of Sponsorship Consultant	-	July 2007
	Appointment of Licensing Resources	April 2007	July 2007
	Licensing and Merchandising Plan	Oct. 2007	June 2009
	Licensing Marketing Program Launch	April 2008	May 2010
	Consumer Launch of Licensing Program	April 2009	September 2010
Ticketing	Ticketing Strategy	June 2008	December 2009
	Ticketing Vendor Contracted	Oct. 2008	January 2010
	Ticketing Marketing Plan to be submitted to CGF	July 2009	Not done
Donation/ Raffle	No planning done		

8.4 Sponsorship Revenue

8.4.1 Selection of SMAM as sponsorship and merchandising/ licensing consultant

The process for engagement of an international consultant for sponsorship and merchandising/ licensing started in March 2006 and concluded with the engagement of SMAM, Singapore in July 2007.

The selection of SMAM was unduly influenced by the recommendations of the CGF CEO, Shri Mike Hooper, who

- clearly suggested a neat division of consultancy contracts for sponsorship, merchandising and licensing, and international

broadcasting rights between SMAM and Fast Track Events; and

- recommended that the EB may approve appointment of SMAM and Fast Track Events for the sponsorship/ merchandising / licensing and international broadcasting consultancy contracts respectively (with an assurance that CGF approval would be forthcoming for such appointments).

It is not clear why the CGF CEO was interested in selection of a specific entity as sponsorship consultant, rather than in selection of individual sponsors⁶.

⁶ who could have linkages/ conflicts with the brand image of the CGF/ CW Games as well as with any pre-existing CGF sponsors, if any

We found that the engagement of SMAM as the consultant for sponsorship and merchandising/ licensing rights was flawed on several other counts, as well:

- The pre-conditions for selection as sponsorship and merchandising/ licensing consultant were restrictive (by requiring experience of international multi-sports events) and did not factor in the specific requirements of a sports event being organised in India, which required experience and understanding of the local market. The vast potential of the Indian market (which had been tapped for sporting events like the IPL tournaments) was, thus, ignored, and no active attempts were made by the OC to encourage participation by leading players in the Indian sporting sponsorship arena. While SMAM claimed to have a tie-up with an Indian partner (World Sports Group), full details of active participation by the Indian partner in sponsorship activities were not made available to us by the OC.
- OC's linkages with SMAM could be traced back to August 2003, when it provided the first revenue estimates for the IOA which were used to assure the Cabinet of the robustness of the revenue projections.
- The award of the sponsorship and merchandising/ licensing consultancy contracts to SMAM was essentially on consideration of a single valid financial bid. Due to insufficient publicity and non adherence to global tendering procedure, only two bids were received. Of the two bids received, the other bidder (Leisure Sports Management

Private Limited)⁷ did not appear for the presentation and suggested (by fax) that they be appointed principal agents on mutually agreed terms; this bid was not pursued subsequently.

- Although contract negotiations were conducted with SMAM, Australia and the consultancy services were essentially provided by SMAM, Australia, the OC signed the contract with SMAM, Singapore (a newly established company, which was purportedly set up as an SPV to save taxes). Due to this change, it might not be possible to ascertain the ultimate beneficiaries of the payments made by the OC to SMAM.

Further, we found that the contractual provisions with SMAM were deficient, unduly favouring SMAM e.g.

- no penal clauses despite financial advice to the contrary;
- a lower tax liability of only 10.54 per cent for SMAM against the expected 42.23 per cent;
- commission payable to SMAM (and at the same rates)⁸ even on sponsorship from PSUs and Government agencies (where the role of SMAM was likely to be insignificant or unimportant)⁹;
- low contracted targets for sponsorship generation vis-a-vis the targets indicated in the "revenue surplus/ neutral" OC budgets;

⁷ who had quoted lesser commission for PSU sponsorship, while SMAM had offered a uniform rate of commission across all deals

⁸ Ranging from 15 -22.5 per cent graded on slabs.

⁹ Ultimately, out of the contracted revenue of Rs. 375.16 crore, Rs. 250 crore was from Government agencies, which was largely due to efforts by the OC and the Government, rather than by SMAM.

- OC, rather than SMAM, being made responsible for providing an “effective brand projection programme, including the development and management of CWG-2010 intellectual property protection and anti-ambush programme”; and
- annual performance reviews (rather than the normal six monthly performance reviews).

We found that the clauses of even this deficient contract were not adhered to during execution:

- SMAM did not depute the minimum stipulated nine executives on a full-time basis in the beginning;
- Annual performance reviews were not conducted during 2008 and 2009; and

The stipulated public liability insurance of US\$ 10 million was not provided by SMAM.

8.4.2 Termination of contract with SMAM in August 2010

SMAM's performance was reviewed for the first time only in February 2010, when a committee headed by the SG undertook this exercise. The committee recommended that no commission be paid on sponsorships from PSUs and also recommended renegotiation of terms with SMAM (on the issue of inadequate staffing as well as the burden of tax liability). The terms were renegotiated with SMAM through a variation deed of 7 July 2010.

Significantly, Shri Mike Hooper, CEO, CGF refused to be a member of the review committee, indicating that this was a procedural matter covered by the contract between the OC and SMAM and not one that should involve CGF. This was in complete contrast to the stance taken in 2006, when Shri Hooper strongly recommended appointment of SMAM and indicated that CGF approval would be forthcoming for such an appointment.

8.4.3 Generation of Sponsorship Revenues

We found that the performance of OC and its consultant (SMAM) in planning, developing and ultimately generating sponsorship revenue was a complete failure.

8.4.3.1 Sponsorship revenues from CYG-2008, Pune and Queen's Baton Relay (QBR)

The OC had separately contracted with SMAM as sponsorship consultant for CYG-2008, Pune. SMAM's performance was very poor. Against the requirement of Rs. 60 crore for making CYG-2008, Pune revenue-neutral¹⁰, the revenue generated was just Rs. 20.17 crore, out of which PSU/ Government sponsorship was Rs. 18 crore. SMAM was paid Rs. 3.38 crore on this account, and the OC also undertook to bear the tax liability of Rs 1.05 crore on behalf of SMAM.

¹⁰ We could not find documentation of formal revenue targets for CYG-2008, Pune; however, there were indications that CYG-2008, Pune would be revenue-neutral.

SMAM was responsible for sponsorship generation from QBR – both the QBR launch ceremony and the international leg.

However, against the target of Rs. 65 crore, no sponsorship revenue was generated.

OC chose not to derive any lessons from the poor performance of SMAM during CYG-2008 and the QBR-2009. SMAM's performance on merchandising and licensing rights was even worse.

Ultimately, OC terminated the contract with SMAM only in August 2010, which was too late.

8.4.4 Frequent changes in sponsorship plans

The planning for sponsorship was delayed, ad hoc and erratic. While sale of sponsorship rights was scheduled to commence from November 2007, even the first sponsorship marketing plan was prepared by SMAM only in December 2007. Further, there were frequent and unexplained changes to this plan; between March and July 2009, which was revised thrice, as summarised below:

Table 8.4 - Changes in Sponsorship Plans between March and July 2009

Association Status	No of targeted companies		Total (Rs.in crore)		No of targeted companies		Total (Rs.in crore)	
	Plan of 31 March 2009		Plan of 6 May 2009		Plan of 5 July 2009			
Lead Partner	4	400	2	200	2	200		
Partner	6	270	12	600	10	500		
Sponsors	20	220	24	240	12	300		
Co-sponsors	Nil	Nil	Nil	Nil	24	240		
Suppliers	36	70	36	90	36	108		
Total		960		1130		1348		

We found that these changes were arbitrary and were not supported by substantiated justification or developments on the ground.

8.4.5 Sponsorship offers ignored

In our study report (July 2009) on preparedness for the Games, we had expressed our concerns regarding delays in sponsorship generation. At that time, the OC had indicated that the sponsorship drive had slowed due to global slowdown and general elections,

and indicated that the final negotiations for sponsorship were now scheduled for the first quarter of 2010. We had recommended that steps for generating sponsorship and other revenue should be expedited, as the window of opportunity for leveraging the Games was fast shrinking with the passage of time.

However, our concerns were not adequately addressed.

In July 2009, OC sought sponsorship offers through an advertisement to which 48 companies responded. Significant offers were received from entities such as Airtel¹¹, Power Grid Corporation of India, Wipro, LG, Dabur and Pico. However, OC's follow up of these offers was very lackadaisical, despite significant potential, and none of these offers finally fructified into a sponsorship commitment.

OC showed considerably more interest and enthusiasm in inflating sponsorship revenue projections to maintain the claim of revenue neutrality, than in actually developing offers already in hand, despite significant potential to generate revenues. We would presume that OC's lack of interest in generating sponsorship revenue was ultimately based on the GoI commitment to underwrite the shortfall between costs and revenues.

8.4.6 Actual Committed/ Realised Sponsorship revenues

Against the budgeted sponsorship revenue (July 2008) of Rs. 960 crore¹², total committed sponsorship revenue was only Rs. 375.16 crore. Of this amount,

- Rs. 250 crore was from Government agencies, and only Rs. 125.16 crore was from the private sector;
- Rs. 238.90 crore was in cash, while Rs. 136.26 crore was in the form of "Value in Kind" (VIK).

A summary of the main sponsors is given below:

Table 8.5 - Breakup of Committed Sponsorship Revenue

Government agencies/PSUs		Private Companies	
Organization	Amount (Rs. In Crore)	Organization	Amount (Rs. In Crore)
Air India	50.00	Hero Honda	38.00
NTPC	50.00	Coca Cola	15.70
Central Bank of India	50.00	Swiss Timing	19.40
Indian Railways	100.00	Agility Logistics	12.50
		Tata Motors	24.66
		Reebok	9.85
		Amity University	0.05
Total	250.00	Total	125.16
	Cash - Rs. 190 Crore VIK - Rs. 60 Crore		Cash - Rs. 49.90 Crore VIK - Rs. 76.26 Crore

¹¹ The sponsorship offer from Airtel is described in the Chapter on Telecommunications Services.

¹² SMAM's contract specified a target of only Rs. 450 crore (US\$ 100 million)

Of the cash sponsorship of Rs 238.90 crore, 80 per cent came from Government Agencies/PSUs. Of the VIK sponsorship of Rs 76.26 crore generated from private companies, Rs. 56.56 crore was provided by Swiss Timing, Tata Motors and Agility Logistics¹³ (who were recipients of contracts for services from OC); these were essentially “set-offs”/ discounts offered at the tendering stage.

Further, free commercial time worth Rs. 20 crore on Doordarshan and free tickets worth Rs. 5 crore were also provided to the sponsors. Indian Railways, as a lead partner, also utilised VIK of Rs. 2 crore offered to the OC by international Right Holder Broadcasters.

Incidentally, OC was able to account for utilisation of only Rs. 5 crore of VIK, with the balance yet to be calculated finally by the concerned functional areas.

Besides, OC has another contracted commitment of Rs. 30 crore¹⁴ as a part of the cost of raising the sponsorship revenue. Hence the net committed sponsorship revenue on a net basis is only Rs. 345.16 crore, and the net realised sponsorship revenue is Rs. 184.42 crore. This excludes the potential liability on account of commission to SMAM and income tax liability thereon¹⁵.

¹³ Suppliers for Timing, Scoring and Results (TSR), transport and logistics services respectively.

¹⁴ Under the Joint Marketing Agreement, Rs 25 crores was payable to IOA and Rs. 5 crore GNCTD.

¹⁵ Under the sponsorship consultancy agreement, SMAM's income tax liability is restricted to 10.3 per cent, with the balance burden to be borne by the OC.

8.4.7 Business Club of India (BCI)

The OC signed an MoU with the Confederation of Indian Industries (CII) in August 2006 and formed the Business Club of India (BCI), in order to support marketing efforts for CWG-2010. Chairman, OC was the Chairman of the BCI and the President, CII was its co-chairman. Despite incurring expenditure of Rs. 3.08 crore (Rs. 0.45 crore on road shows worldwide, and discount of Rs. 2.63 on tickets for BCI members), no revenue whatsoever was generated through this club.

8.5 Merchandising and Licensing

8.5.1 Delay in preparation of merchandising and licensing plan

Merchandising and licensing revenues were to be generated through appointment of licensees, who could utilise the CWG-2010 brand name and associated logos on manufacture and retailing/ distribution of products in different product categories e.g. accessories, sportswear and other clothing, bags, collectables, home wares, lifestyle/luxury goods, stationery, toys etc.

However, the preparation of the Licensing and Merchandising Plan was delayed by 20 months (June 2009 against the targeted date of October 2007), which reduced the time available for tendering and contracting procedures towards engagement of licensee(s), and the consumer launch of the merchandising and licensing programmes. In keeping with the widespread pattern observed in the functioning of the OC, no reasons for delaying this plan to June 2009 were discernable.

8.5.2 Appointment of Premier Brands Limited as sole licensee for the Games

The process for appointment of official licensee(s) was beset by delays, with one round of processing (undertaken between November 2009 and February 2010) being set aside due to non-approval of the RFP by OCFC and a meagre response.

The process of tendering was re-initiated only in February 2010, with the contract being awarded in May 2010 to Premier Brands Limited (PBL)¹⁶. We found that out of the 17 technically qualified bidders, PBL was the only bidder which did not qualify on its own strength and was considered eligible on the strength of its parent company. Its inclusion in the panel of technically qualified bidders was justified by the technical evaluation committee, based on the “goodwill” and financial and retail strength of its parent company, Compact Disc India Limited (CDIL). Incidentally, CDIL is essentially an animation company engaged in multi-media and entertainment production, and it is hard to justify that its retail channels would suit retailing of Games memorabilia.

Further, the RFP specified separate licensees for 18 different categories, but PBL was irregularly appointed as a master licensee for all categories on the basis of its offer of total royalty of Rs. 7.05 crore for all categories (which was not as per the RFP). It may be noted that in Melbourne CWG-2006, the master licensee concept was not adopted, and 39 official licensees were appointed.

¹⁶ Interestingly, PBL was appointed in May 2010 as the sponsor of Team India by the Badminton Association of India, which is headed by Shri VK Verma, DG, OC.

8.5.3 Execution of Merchandising and Licensing Programme

OC failed to sign a Long Form Agreement with PBL (primarily due to delays in decisions on additional product categories and sub-licensees¹⁷), which would have committed PBL to a total royalty of Rs. 7.05 crore. Consequently, OC could neither bind PBL to its originally offered royalty of Rs 7.05 crore, nor an additional offer of 10 per cent flat royalty of sale value of additional product categories with a minimum guarantee of Rs.2 crore. By August 2010, PBL revised its offer downwards to Rs. 3.52 crore of royalty; even this has not been received, since PBL's cheques were dishonoured.

The merchandising and licensing programme was officially launched only on 2 September 2010. PBL was to sell merchandise through its own outlets, as well as concession outlets provided by the OC at venues. However, due to security reasons, only 5 out of the 60 competition venue outlets provided by the OC were operational, and that too only during the opening ceremony.

PBL could make arrangements for merchandising only 12¹⁸ out of the 18 product categories, out of which 7 were sub-licensed by PBL, who also engaged Vaishali Enterprises as the contractor for managing their concession outlets. This belied the financial and retailing strengths of PBL and its parent company, CDIL, based on which it was declared technically eligible. Further, PBL also issued sub-licenses (with

¹⁷ Other reasons were discontent between OC and PBL for accreditation of PBL staff, marketing efforts by OC, counterfeit merchandising, discounted tickets and payment schedules etc.

¹⁸ The full product range was not furnished in any of these 12 categories.

OC's approval) for additional product categories for Apollo Tyres and Vighneshwara Developwell. An amount of Rs. 1 crore payable by PBL for rights granted to Vighneshwara Developwell is still outstanding.

8.6 Broadcasting Revenues

8.6.1 Overview

Under the HCC, CGF granted to OC the right to commercially exploit TV and radio broadcast rights, as well as internet rights. Broadcasters fell into two categories:

- **Host Broadcaster (HB)**, who was responsible for producing and distributing “unbiased” radio and TV coverage of CWG-2010 and would also generally obtain the national domestic broadcast rights (at commercial terms to be negotiated with the OC); and
- **International Right Holder Broadcasters (RHBs)**, who would be awarded broadcast rights for their region/ country on mutually negotiated commercial terms.

OC's original budget (March 2006) envisaged broadcasting revenues of Rs. 300 crore (without a break-up between domestic and international revenues). This was raised to Rs. 370 crore in the July 2008 budget – Rs. 110 crore from domestic rights, and Rs. 260 crore from international rights.

However, OC could generate total broadcasting revenue of just Rs. 238.17 crore, which was substantially lower than the revenue of Rs. 255.28 crore generated from the TV rights for Melbourne CWG-2006.

8.6.2 National Domestic Broadcast Rights

Against the projected revenue of Rs. 110 crore from national broadcast rights, the OC generated just Rs. 24.70 crore¹⁹. This was on account of abnormal delays by the OC in finalising the contract with the Host Broadcaster, Prasar Bharati (PB):

- Despite having declared PB as the Host Broadcaster in the original bid of May 2003, OC formally communicated this appointment to PB only in March 2007.
- OC took another two years to sign the Host Broadcaster Service Agreement with PB in May 2009.
- The formula for revenue sharing for domestic telecast as well as new media rights (Internet, SMS etc.) was finalised only in July- September 2010, and the agreement for broadcast rights between OC and PB was signed on 23 September 2010 (just 10 days before the Games), leaving no time for developing, let alone implementing, a joint marketing strategy for exploiting of free commercial time.

8.6.3 Appointment for International Consultant for Broadcasting Rights

The process for engagement of an international consultant for international broadcasting rights commenced in March 2006 (simultaneously with the engagement of the consultant for sponsorship, merchandising and licensing) and resulted in the engagement of Fast Track Events in March 2007, with unexplained delays between June 2006 (when presentations were made) to the signing of the contract. As in the case of the sponsorship consultant

¹⁹ Incidentally, Prasar Bharati got just Rs. 55.29 crore of revenues from telecasting CWG-2010 and also did not benefit substantially from this event.

(SMAM), the selection by OC of Fast Track Events was flawed on several counts:

- The selection was unduly influenced by the recommendations of the CGF CEO, Shri Mike Hooper, who clearly suggested a neat division of consultancy contracts for sponsorship and merchandising and licensing as well as broadcasting rights between SMAM and Fast Track Events, and recommended that EB may approve appointment of SMAM and Fast Track Events respectively for the sponsorship/ marketing/ licensing and broadcasting consultancy contracts (for which decision CGF approval would be forthcoming as per Shri Fennell's assurance).
- SMAM, which was the L-1 bidder for the international broadcasting rights consultancy, had quoted a flat rate of commission of 12.5 per cent, while Fast Track Events, which was the L-2 bidder, had quoted a higher commission rate of 15 per cent. However, contrary to CVC guidelines and best procurement practices, OC irregularly conducted financial negotiations with the L-2 bidder, Fast Track Events, and concluded the contract with it. Going by the difference between commission rates offered by the L-1 and L-2 bidders, the excess cost to the OC (and ultimately to GoI) on account of commissions on broadcasting revenue amounted to Rs. 5.34 crore.
- The original estimate of broadcasting revenues was Rs. 300 crore (which would work out to roughly Rs. 210 crore from international broadcast rights²⁰), and the revised estimates for international

broadcast rights was Rs. 260 crore.

However, the contracted target revenue set for Fast Track Events was just Rs. 120 crore. This ensured that shortfall in revenue realisation could not be contractually attributed to the poor performance of the consultant.

8.6.4 International Broadcast Rights

As against the revised revenue estimates of Rs. 260 crore, OC could sign agreements for only Rs. 213.46 crore. As of January 2011, the amount of revenues actually remitted was Rs. 191.40 crore (including VIK of Rs. 16 crore).

We could not derive assurance that highest possible value was obtained from the sale of international broadcasting rights and selection of RHBs.

- Documents related to the negotiations by the international consultant with the broadcasters were purportedly not available with the OC. Further, OC had no independent mechanism to assess the reasonableness of the rights fees offered by the RHBs, and went by the reports/ recommendations of the consultants.
- For one region (UK/ Ireland), the actually contracted revenues of Rs. 14.86 crore were less than one-third of the projected estimates of Rs. 49.80 crore. The Chairman, OC rejected a proposal for direct negotiation with BBC, stating that he had personally bargained with BBC for higher fees which were not agreed to.

²⁰ The original broadcasting revenues estimate of Rs. 300 crore did not have a break-up between national and international broadcasting revenues; we have worked out a break-up, based on the ratio of national and international broadcasting revenues in the revised estimate of Rs. 370 crore.

8.7 Big Screen and New Media Rights

We found that OC failed to exploit the markets for commercial rights for Big Screens (i.e. screening Commonwealth Games in public places e.g. cinema halls, clubs etc) as well as new media rights.

OC assigned big screen rights only for non-commercial purposes to Prasar Bharati in September 2010, purportedly as it was separately exploring the possibility of exploiting the commercial big screen rights with a chain of theatres. OC took no action till 4 October 2010, when it permitted Digital Signage Networks Limited (in response to its offer) to show information and pictures of the Games at 1000 locations in 22 cities, with a 50 per cent share of advertising revenue. However, due to paucity of time, no contract was signed, and the agency informed OC that it could not generate any revenue.

Likewise, OC failed to exploit the commercial potential of new media rights (Internet, streaming video e.g. youtube.com, SMS and mobile telephony, mobile TV etc.)²¹ While international new media rights were awarded to international RHBs (along with TV and radio and broadcast rights), there were conflicts between OC and PB on domestic rights. Finally, OC granted:

- mobile telephony new media rights on a non-exclusive basis to PB in September 2010;
- Internet rights (Live Streaming) on nomination basis without revenue element to Times Internet in October 2010; and
- Live Streaming of Games on mobile to Smile of India on nomination basis with a minimum guaranteed revenue of Rs. 5 lakh and revenue share of 35 percent of revenue accrued.
- Mobile infotainment rights on nomination basis to a KPMG- Smile India consortium, with a 10 per cent revenue share (subject to a guarantee of Rs. 5 lakh); however, no revenues were received till December 2010.

OC failed to receive any revenue, whatsoever, from Big Screen and new media rights in domestic broadcasting for CWG-2010.

8.8 Ticketing

8.8.1 Overview

Ticketing represented the third-largest source of revenue potential for the Games. Besides revenue generation, an effective ticketing programme should also ensure maximum attendance and generate adequate spectator interest equitable and efficient availability and vending of tickets, and satisfy seating requirements of all client groups (including the Games Family, sponsors etc).

²¹ Revenue from new media rights are expected to be more than 15 per cent of total revenues for the London Olympics 2012. The Indian Premier League gave separate rights to various agencies for live coverage such as live screening, SMS/MMS and IVR rights, real time mobile video clips, online and mobile gaming etc.

However, against the targeted revenue of Rs. 100 crore, the actual revenue generated was just Rs. 39.17 crore, of which only Rs. 27.49 crore had been realised as of December 2010. After setting off costs of Rs. 23.37 crore, the net ticketing revenue was just Rs.15.80 crore.

This dismal performance was attributable to a critically delayed appointment of the ticketing consultant and the ticketing agency, inadequate marketing, low ticket sales and spectator attendance, and excessive distribution of complimentary tickets (especially high value tickets), paradoxically coupled with reports of non-availability of tickets.

8.8.2 Appointment of Ticketing Consultant

OC followed a stop-start process for appointing a ticketing consultant.

- After floating an EOI in March 2008 and recommending Market Plus for appointment, the process was stalled for 13 months due to DG's opinion that this was within the scope of work of EKS.
- OC approached EKS on 20 September 2008 for preparation of detailed ticketing strategy plan; thereafter, we found no evidence of any contribution of EKS in this area or follow up by OC with EKS in this regard.
- In September 2009²², Shri Bruce Wilkie²³ was appointed as the ticketing

²² Incidentally, the incumbency of the post of DG, OC had changed by this time.

²³ Who was earlier associated with Market Plus

consultant on nomination basis, purportedly on the basis of his past experience and CGF's recommendation. Subsequently, the consultant abandoned his assignment in June 2010, due to ill health. Thereafter, OC continued to take decisions on the marketing of tickets on its own without any expert advice.

8.8.3 Appointment of Ticketing Agency

OC followed a similar stop-start process for appointing of the ticketing agency:

- Two EOIs issued in March and June 2009 were cancelled on account of a single eligible bid on each occasion.
- A third RFP was issued in October 2009, after relaxing the qualifying criteria on experience of international multi-sports event. The work was finally awarded in January 2010 (against October 2008 - a delay of 14 months) to a consortium of IRCTC, Ticket Pro and Broad Vision at a cost of Rs. 14.03 crore.

8.8.4 Marketing of Tickets

The ticket marketing plan, which was to be finalised by July 2009 for CGF approval, was prepared only in April 2010. The plan was not seriously implemented till September 2010 (a month before the Games), when a Games time ticketing campaign was conducted at a cost of Rs. 6 crore. This included:

- Award of contracts for Rs. 0.81 crore for production of commercials in September – October 2010 (however, there was no evidence of their actual production and broadcast);

- Two TV advertising plans for Rs. 2 crore; these were unprepared and unplanned (e.g. it did not specify the commercials to be broadcast in the work orders to the TV channels; focussed on promoting only two sports – aquatics and gymnastics – and that too after 80 per cent of the sessions were over, and commercials for the closing ceremony were telecast after closure of ticket sales);
- Advertisements in international channel between 11 and 14 October 2010, when it was hardly feasible to promote international ticket sales.

In brief, marketing of tickets was not taken up till September 2010, when a campaign was launched at a cost of Rs. 6 crore. This campaign was unplanned and unprepared, and resulted in wasteful expenditure.

8.8.5 Poor Ticket Sales

8.8.5.1 Overview

As compared to the previous two Games, the ticket sales for CWG-2010 were poor, while the percentage of complimentary tickets was nearly three times that of earlier Games. There were also a large number of unsold tickets.

Table 8.6 - Profile of Ticket sales for CWG 2002, 2006, and 2010

(Numbers in Lakhs)

	Manchester 2002	Melbourne 2006	Delhi 2010
Tickets available for revenue seats	10.03	18.32	14.13
Total ticket sales (Revenue generation)	7.79 78 %	15.54 75%	5.61 40%
Tickets distributed free-of charge	1.20 12 %	2.16 11%	4.95 35%
Total unsold tickets	1.03 10%	2.77 14%	3.56 25%

8.8.5.2 Complimentary Tickets

Excess issue of complimentary tickets, contrary to the CGF's "no free ticket policy", was a major problem for CWG-2010. The OC EB prescribed certain norms on 23 September 2010 for issue of complimentary tickets after considering availability/ unsold tickets between 2-8 days before the event/ ceremony (with the Chairman authorised to take final decisions). However, we found that OC had instructed IRCTC on 25 September 2010 itself (i.e. well in advance) to print 2 lakh complimentary tickets

valuing Rs. 6 crore for sports session events.

For the opening and closing ceremonies,

- Against 77860 revenue seats for Rs. 82.54 crore, OC issued 22900 complimentary tickets worth Rs. 56.60 crore; one third of which (7525 tickets) were high denomination tickets of Rs. 50000 each.
- In addition, 584 tickets worth Rs.3 crore for the ceremonies were sold at 90 per cent discount to the "Business Club of

India”, which generated no sponsorship revenue whatsoever (as brought out in para 9.4.6).

Likewise for the sports events, against 13.35 lakh tickets, 5 lakh complimentary tickets valuing Rs. 15 crore were issued.

We found no evidence of a policy for free/ discounted tickets for school children, college students and other target groups, which would have had potential for promoting sports awareness.

It is not known on what basis or on whose authority such a large number of complimentary tickets were distributed. Such flagrant patronage at the expense of Government funds needs to be investigated as a deterrent for such indiscretionary acts in future. Accountability should be fixed, and where possible, amounts should be recovered.

8.8.5.3 High Ticket Prices

The price range of 50 times between the cheapest and costliest tickets (Rs. 750 to Rs. 50,000) for the opening and closing ceremonies was higher than the ranges of 5.9 times (AUD 100 to 590) and 7.8 times (£25 to £ 195) for the Melbourne and Manchester Games. The need to inflate revenue projections (which were not achieved) may have been a reason for this wide price range.



In our view, this wide range of ticket pricing, which was contrary to the recommendations of consultants, not only contributed to the low ticket sales (especially for higher denominations), but also facilitated issue of large quantities of complimentary tickets (purportedly on account of unsold stock).

8.8.5.4 IRCTC outlets not set up

Low ticket sales was compounded by the Chairman, OC's illogical decision of April 2010 that only sponsors' centres, locations and showrooms would be used for retailing tickets (despite the absence of any such conditions in the sponsorship agreements²⁴). This was contrary to the ticketing agreement with the IRCTC consortium. Ultimately, just 1 outlet of IRCTC and 41 outlets²⁵ through sponsors and OC's venue caterer were opened in Delhi/ NCR; no outlets were opened in the other metros/non-metro locations. The reasons offered by OC for not permitting IRCTC outlets - that these outlets were not approachable and accessible to the general public and also had security problems – are completely untenable, and also resulted in infructuous payment of Rs. 2 crore to IRCTC, without availing of their services.

8.8.5.5 Low attendance

On top of poor ticket sales, only 65 per cent (6.87 lakh) of paid and complimentary ticket holders (10.56 lakh) turned up for the ceremonies / events (as per ECIL's turnstile

²⁴ Except in the contract with Central Bank of India

²⁵ Hero Honda-6, Central Bank of India-20, Tata motors-1, Fast trax-13, Delhi haat -1

data reports); this could have been caused by poor attendance by complimentary ticket holders. Contrarily, there was substantial traffic on the ticketing website, with 40.36 lakh “hits”²⁶ between 4 and 14 October 2010; there were also media reports that people willing to buy tickets for events (especially for lower priced tickets) were unable to do so, as the website indicated that tickets had been sold out.

8.9 Donation/ Raffle

OC included a revenue target from donations of Rs. 300 crore in its revised revenue budget (July 2008). As has been stated earlier, in our view, this was done solely to maintain the claim of revenue neutrality. This was confirmed by the fact that as against this target, OC collected paltry sums of Rs. 0.75 crore from donations and Rs. 0.24 crore from raffle.

- OC made minimal effort for collecting donations. The only evidence of these efforts was a meeting with the Minister for Corporate Affairs where a request

was made for sponsorship and donations through PSUs and the corporate sector. Even an offer of Rs. 3 crore made by an industrialist²⁷ did not fructify for lack of follow-up by the OC.

- OC set a target of Rs. 120 crore²⁸ for generating revenue through a raffle and made cursory efforts, by approaching the Mizoram Government for conduct of online and paper lottery. The Mizoram Government selected a sole distributor for 24 months with minimum projected revenue of Rs. 203.86 crore (to be shared with it). This projected revenue was obviously overstated, optimistic and arbitrary, as 97 per cent of the revenue was projected from non-lottery playing states. All lottery operations in Mizoram were suspended in March 2010 pursuant to a Court order. Out of the reported revenue generation of Rs. 0.36 crore, OC had received Rs. 0.24 crore as of December 2010. No details of state-wise revenue and revenue realised were available with the OC.

²⁶ *i.e. visits to the website*

²⁷ *Shri Rahul Bajaj*

²⁸ *Projected by Ernst & Young for the revalidated budget*



Games Planning Consultancy and Overlays

Event Knowledge Services (EKS) was awarded five consultancy contracts relating to venue appraisal/ briefs, project monitoring, games planning and workforce (awarded to an EKS consortium) during 2005-08. Three of these contracts were awarded on nomination basis, facilitated by strong patronage from the CGF (with which EKS had a close link); tendering conditions for the other two contracts were tailored to suit EKS. We are also unable to verify the need for this multiplicity of contracts, and the possible overlap between the deliverables from different contracts.

Venue overlays are temporary facilities at various venues provided during the operational phase of the Games. Planning and scoping for overlays was critically delayed by the OC and completed only in June 2009, after which the responsibility for procurement of overlays items was transferred from the venue owners to the OC. The reliability of the overlays requirements is also open to question, since there were huge variations in successive budget estimates between September 2009 and January 2010 and there was a substantial curtailment in the awarded quantities (in view of the available budget provision), which did not apparently affect the overlays work.

The procurement process followed for award of venue overlays contracts was highly irregular. OC inexplicably shifted from an item-wise basis (followed internationally) to a venue-cluster approach, based on geographical locations. This cluster-based approach, along with tailored eligibility criteria (enormous annual turnover requirements and stipulated experience of only Olympics/ Asian Games/ CWG), was used to discourage competition by restricting the number of vendors. These criteria were then selectively and inconsistently applied to remove competitors, leaving a field of just four “technically qualified” consortiums – ESAJV-D-Art-Indo, Pico-Deepali, Nussli and GL-Meroform. The commercial bids of all four vendors were the lowest exactly for those clusters, which were their first and second preferences. Such coincidence points to collusion and the possibility of cartels among the vendors.

The overlays contracts were signed at exorbitant rates, causing huge financial loss to the OC (and the GoI). Based on the available records, we cannot fully quantify the true total loss. We have, however, come up with indicators of the financial loss in different ways, which give an idea of the exorbitant rates charged for individual overlay items:

- *By comparing item wise rate across clusters and across vendors;*
- *By comparing item wise rates for the same vendor across different clusters; and*
- *By comparing item wise rates with other supporting documents (e.g. rates declared to Customs, rates charged by CPWD and other agencies).*

9.1 Games Planning Consultancy – Role of Event Knowledge Services (EKS)

Event Knowledge Services (EKS), a Switzerland-based organisation, was irregularly awarded multiple consultancy

contracts related to CWG-2010 as summarised below:

Table 9.1 - Award of consultancy contracts to EKS

Area	When awarded	Amount	Organisation
Venue appraisal study	June 2005	Rs. 0.49 crore	DDA
Venue brief and preparation of site plan	July 2006	US\$ 1.16 million	OC
Project Scheduling Review and Monitoring and Delivery Review	November 2006	US\$ 3.24 million	
Games Planning Consultancy (EKS- Ernst & Young Consortium)	March 2008	Rs. 29.66 crore	
Workforce consultancy contract (EKS- Ernst & Young Consortium)	March 2008	Rs. 22.36 crore	

We found that the award of these contracts to EKS/ EKS Consortium was non-transparent and irregular in all cases. The first three contracts were awarded on nomination basis. Although the other two contracts (Games planning consultancy and workforce consultancy) involved tendering, the tendering conditions were tailored to suit EKS.

EKS had a strong CGF link, as its CEO, Mr. Craig McLatchey, was also a member of the CGF Co-ordination Commission, who was specifically entrusted with the responsibility of monitoring CWG-2010 arrangements in India. The appointment of EKS by OC was facilitated by strong patronage from the CGF, with clear statements discouraging global tendering and advising EKS appointment without tendering, for which CGF approval would be readily forthcoming.

There were serious deficiencies relating to the contract for project scheduling review and monitoring and delivery review:

- The contract was poorly negotiated; the final offer after negotiations was for the same amount of US\$ 3.24 million but for a shorter period (December 2006 to Games time), which was eight months shorter than the original offer (April 2006 to the Games time);
- Subsequently OC cut short this contract till April 2010, purportedly because it felt no further monitoring was necessary (which is inexplicable, since almost all the venues were still incomplete); and
- Consultancy contract of this nature are primarily dependent on deployment of specialist manpower for specified mandays. For the period from June 2008 to March 2010, we noticed deployment of only 3 professionals for a total of 279 mandays. Even assuming the highest

rate of US\$ 2,000/ day¹, the eligible payment for this period works out to just \$0.56 million, as against the actual payment of US\$ 1.38 million. This further confirms that the contract was awarded to EKS at highly inflated costs on a nomination basis, without adequate cost justification.

Although a tendering process was allowed for awarding the contract for Games Planning consultancy, there were serious deficiencies:

- The pre-qualification conditions were tailored to specify experience of Olympics/ CW Games/ Asian Games “in any capacity”, rather than experience “in the relevant area”. The EKS- E&Y consortium did not have experience in Games Planning and Project Management Consultancy;
- There was an unexplained delay of nearly four months from the receipt of the PQ bids in May 2007 to their opening in September 2007; and
- The recommendation of the OC commercial bid evaluation committee (headed by DG) for a reduction in the 5450 mandays as against 3950 mandays indicated by the other bidder, which would have resulted in savings of Rs. 11.69 crore, was not given effect to, primarily because of CEO, CGF's intervention against such a reduction.

Specific deficiencies relating to the workforce consultancy contract are discussed in Chapter 15.

¹ Applicable for CEO, EKS, Mr. Craig McLatchey

We are also unable to ascertain or verify the need for this multiplicity of contracts, especially the Games Planning consultancy contract awarded in March 2008, and the possible overlap between the deliverables from different contracts awarded to EKS/ EKS and E&Y.

Further, from August 2009 onwards, EKS requested for future OC payments to be made to a new company, EKS Private Limited in Mauritius; payments of Rs. 7 crore were made through this route. We are unable to ascertain the reasons as to why OC acceded to this unusual request, particularly because the shareholding pattern of this Mauritius company is not traceable/ verifiable.

9.2 Venue Overlays

9.2.1 Introduction

Overlays are temporary facilities at various venues provided during the operational phase of the Games. These include items like pre-fabricated structures, tents, furniture and fixtures, back-up power (DG Sets/ UPS), consumables etc.

9.2.2 Delays in Planning and Scoping of overlays

The planning and scoping of overlays involved the listing of items required, quantities and their specifications on a venue-wise basis. This work, which was entrusted in August 2007 to the OC by GoM, was critically delayed by the OC. Despite CGF indicating in July 2008 that overlays was an area of concern, the overlays functional area in the OC was set up only in February/ March 2009 and the overlays scoping was completed only in June 2009. The OC finally forwarded the Bill of

Quantities (BOQs) and overlay requirements of individual venues only in July 2009 to SAI in respect of its venues. In August 2009, SAI expressed its lack of technical knowledge to undertake procurement of overlay items. Consequently, the responsibility for procurement of overlay items was also entrusted to the OC.

These delays in planning were compounded by further delays in the procurement process, leading to signing of the overlays contracts only on 2 June 2010.

Table 9.2 - Chronology of events relating to award of venue overlays contracts

Date	Event
5 December 2009	Issue of EOI with last date 6 January 2010; 10 responses received and 4 vendors shortlisted
16 January 2010	RFPs issued to 4 vendors
15 / 26 February 2010	Opening of technical and financial/ sponsorship bids of 4 vendors
March – April 2010	1st and 2nd round of negotiations
2 June 2010	Signing of contracts with 4 consortia (Pico-Deepali, Nussli, ESAJV-D'Art-Indo, and GL Events-Meroform)

9.2.3 Budgeting for Overlays

The estimated cost of overlays, was not specified in the bid document (May 2003). It was stated as Rs. 200 crore in GoM meeting (August 2007) and was tentatively taken to Rs 400 crore (July 2009), by EFC. At this

point of time, these overlays were envisaged to be provided by the venue owners/ SAI.

After the transfer of responsibility for procurement, the OC submitted an overlays budget estimate of Rs. 870.41 crore in September 2009 to MYAS, indicating that this estimation was based on item wise rates obtained from different international suppliers as well as Indian suppliers/manufacturers, partially for procurement and partially for hiring. This estimate was reduced by OC in October 2009 to Rs. 687.06 crore (including contingencies of Rs. 40 crore). Finally, on January 2010, the EFC approved an estimate of Rs. 574.93 crore².

Such huge variations in budget estimates, even after scoping of overlays requirements, were indicative of “elasticity” in the estimating procedures and cast doubts on their reliability.

9.2.4 Unexplainable shift from item-wise contracts to 'cluster' wise contracts.

Internationally, overlay contracts are awarded on item-wise basis³. Contrarily, in August 2009, DG OC stated that, in a meeting attended by Chairman OC, it was decided that overlays work would be divided into different clusters, based on geographical locations. However, Shri Suresh Kalmadi, in his separate reply (March 2011), denied that the decision was taken by him.

² With an additional Rs. 53.23 crore for TSR, network, switches etc. and Rs. 58.9 crore for Image and Look.

³ Even OC's budget estimate of September 2009 was constructed, based on item wise rates.

The venues were then divided into seven clusters⁴, and tender documents prepared accordingly.

In our opinion, this “cluster-based approach”, along with other restrictive conditions, was used to discourage competition by restricting the number of participating vendors (due to the eligibility condition of exorbitant annual turnover on a “whole of cluster” basis, rather than item-wise basis, coupled with an initial stipulation of holding of at least 80 per cent stock of diverse overlay items). Competition was further restricted to just four vendors (by eliminating two bidders against the recommendation of the evaluation committee) by inconsistent application of PQ criteria; all four vendors bagged overlay contracts for one or more clusters. This cluster-based approach also gave ample scope to vendors to quote exorbitant rates for the same items supplied at different venues.

OC's response that this approach was adopted as per the Finance Sub Committee's suggestion is incorrect, since the tenders had already been floated on a “cluster” basis before FSC approval⁵.

⁴ This “cluster based approach” was also used in award of contracts relating to Cleaning and Waste Management, Image and Look . However the composition of clusters in these cases was not identical.

⁵ Incidentally, the FSC merely recommended consideration of a cluster-based approach amongst other alternatives to be explored.

9.2.5 Improper Eligibility Criteria and Evaluation

We found that the eligibility criteria were tailored to minimise competition:

- **High annual turnover requirement** – An enormous annual turnover requirement of Rs. 1075 crore was specified for bidding for all clusters. 9 out of 10 vendors submitting PQ bids (including three successful bidders – Nussli, ESA JV, and Pico-Deepali – out of four) did not qualify. We could not ascertain the rationale for this arbitrary figure, which is substantially higher than both the budget estimated and the total contract value.
- **Restrictive experience criteria** – The pre-qualification (PQ) criteria stipulated experience of providing at least one major multi-sport event (Olympics/ CWG/ Asian Games) and excluded other events of such scale, even though the overlay requirements (which are non-sporting in nature) were not significantly different. This criteria restricted participation of similarly experienced Indian and international vendors. Further, this criteria was, in our opinion, impractical, since a cluster-based overlays approach was not standard international practice, and experience of providing individual overlay items would not be relevant.
- **Inclusion and subsequent deletion of condition of holding 80 per cent stock** – The EOI of 5 December 2009 stipulated certification of 80 per cent holding of the stock (of diverse overlay items) by the bidders; this condition was deleted on 19 December 2009 with the intention of incorporation at the RFP stage (which

was not done). Only one of the successful bidders (GL Meroform) would have met this condition.

In addition, global tendering (by circulation through the Indian Trade Journal and Indian

embassies) was not followed, which helped to limit competition for such huge items of work.

Further, these criteria were selectively applied to restrict competition further:

Table 9.3 - Selective application of eligibility criteria

Criteria	Instances of Selective Application
Annual Turnover of Rs. 1075 crore for bidding for all clusters	<ul style="list-style-type: none"> ■ Nussli (with an annual turnover of just Rs. 418 crore) was irregularly allowed, at DG's instance, to bid for all clusters, and did not submit a solvency certificate ■ Pico was allowed to bid for all clusters on the basis of self-certification of annual turnover (instead of adopting figures from the annual audited accounts⁶)
Experience of providing overlays at one major multi-sports event	<ul style="list-style-type: none"> ■ The certificates of three successful bidders were deficient, but were accepted: <ul style="list-style-type: none"> ■ Nussli was allowed to bid, based on its experience of just providing a Grand Stand for the 2006 Doha Asian Games (which was not comparable to the scope of this overlays contract) ■ The certificate submitted by Pico for the Beijing Olympics 2008 did not specify the nature of work ■ GL Meroform's certificate for Doha Asian Games 2006 was for sponsorship for hospitality service, while its certificate for Beijing Olympics 2008 was from the Hong Kong Jockey Club (and not the Beijing Olympics OC). ■ By contrast, a similar approach was not adopted for two other bidders: <ul style="list-style-type: none"> ■ The experience certificate of Cityneon from the Doha Asian Games 2006 OC was found to be insufficient, without a specific justification; ■ Uniplan was not considered, as it could not furnish a certificate from a (now defunct) Beijing Olympics OC. <p>The OC Evaluation Committee recommended consideration of six vendors for issue of RFP (including Cityneon and Uniplan), but this was turned down by DG⁷.</p>

⁶ Even the balance sheet supplied (and purportedly examined by OC), as well as the solvency certificate, pertained to the Pico Group of Companies and not to the individual company (Pico HongKong Limited).

⁷ stated to be with CEO's verbal approval

9.2.6 Nexus, Cartelisation and suspected leaking of information

Our scrutiny shows that two of the successful bidders were aware of the conditions of the EOI, even before its publication on 5 December 2009:

- Nussli entered into a consortium agreement with Comfort Net Traders India Pvt. Ltd. and also with Minaean Habitat (India) Pvt. Ltd originally on **15 November 2009** for exactly the same scope of work as indicated in the EOI.
- While the consortium agreement of ESG Arena Group Joint Venture Ltd (ESAJV): D-Art: Indo Consortium was recorded to have been constituted on 29 December 2009, ESAJV wrote to the OC on 1 December 2009 that they had already formed a consortium with their Indian partners exactly for the same scope of work.

The four vendors were required to submit their order of preference for award of contracts for the seven different clusters. We found that the commercial bids of all the four vendors were the lowest exactly for those clusters, which were their first and second preferences. Such coincidence and precision of estimates, rarely seen in practice, points to collusion and possibility of cartels among the vendors.

Further evidence of the existence of cartel was noticed, when we found that Pico had sub-contracted public display systems (a significant overlay item) to MIC Electronic Limited for all 17 venues, although it was entrusted with overlays for only 6 venues.

9.2.7 Global Companies merely acting as Front

The need to involve experienced global companies along with Indian partners for provisioning of overlays was repeatedly reflected during the process for overlays planning⁸. The participation of Indian (and foreign) vendors had already been restricted through various clauses. We, however, found that in the cases of the successful bidders, the respective global companies were merely acting as a front, to enable pre-qualification eligibility and award of contract, and not for work execution.

The EOI stipulated that ***the turnover and the experience of (only) the lead partner of the consortium would be counted for pre-qualification eligibility***. We, however, found that the defined lead partners for the ESAJV consortium and the GL Meroform consortium – ESAJV and GL – had only 1 per cent and 0 per cent shareholding respectively in the joint venture companies⁹ formed for executing the overlay contracts; their contribution would therefore have been insignificant. However, the role and contribution of the lead partner in execution of overlay contracts was not verified and ensured by OC, by requiring submission of necessary legally binding documents.

⁸ In the EFC minutes and OC's FSC deliberations

⁹ In the case of the GL Meroform consortium, payments were made to a company named GL Litmus Events Private Ltd. (with 0 per cent shareholding of the "lead partner"; however, the agreement was signed with another company "GL Events – Meroform Consortium / CG 2010".

9.2.8 Award of Contracts

The quoted prices of the four bidders in respect of their “chosen” clusters amounted to a total of Rs. 1276 crores; consequently, two rounds of negotiations were held with the four bidders in respect of their chosen clusters. There was a reduction of 5.6 per cent in the first round; the “reduction” of

5.3 per cent obtained in the second round was not material, as the discounts were offered on items (e.g. fixed flood lighting poles, treadmills, cross trainers by GL) for which quantities had been reduced drastically. Contracts were signed with the four bidders as follows:

Table 9.4 - Award of Venue Overlays Contracts

(Rs. in Crore)

Name of the vendor	Clusters	Contract Amount
Pico Deepali	I & VI	209
Nussli	II & IV	128
ESAJV,D:Art, Indo Consortium	V	84
GL Events	III & VII	150

We found that the OC reduced the contract value from Rs 1276 crore to Rs 630 crore, (which was still higher than the budget provision of Rs.574 crore) mainly by curtailment of quantities in each of the clusters, which ranged in aggregate from 27.4 percent to 57.6 per cent. Since this drastic reduction does not seem to have affected the overlays work later on, it appears that the quantities were substantially inflated at the time of scoping and tendering. In response, the OC stated that they had not reduced the quantities of mandatory overlays items. This begs the question of a distinction between purported “mandatory” and “non-mandatory” overlays, which was never envisaged or mentioned at the time of scoping or budget estimation.

Even after four months of the Games, OC could not produce the final bill of quantity for items actually supplied, for our scrutiny. We, therefore, do not know what overlay items were actually delivered, whether these were actually required/ used, what

will be billed for, and how much financial loss GoI will ultimately suffer.

9.2.9 Exorbitant rates of Overlays

In our view, the overlays contracts were signed at exorbitant rates, causing huge financial loss to the OC (and the GoI). Based on the available records, we cannot fully quantify the true total financial loss. We have, however, tried to come up with indicators of the financial loss in several ways, which give an idea of the exorbitant rates charged for individual overlay items:

- **By comparing item wise rate across clusters and across vendors**
- **By comparing item wise rates for the same vendor across different clusters**
- **By comparing item wise rates with other supporting documents (e.g. rates declared to Customs, rates charged by CPWD and other agencies.**

It may be noted that there would be instances of overlap between these three kinds of comparisons and the losses quantified through these comparisons cannot be aggregated.

9.2.9.1 Instances of Different Rates across vendors and across clusters

We have compared the item-wise rates quoted by the four successful bidders for different clusters, and calculated the loss on account of just the difference vis-a-vis the minimum rates quoted. This (minimum) loss

works out to Rs. 199.37 crore (plus service tax of Rs. 20.53 crore).

We are unable to understand how OC failed to negotiate and obtain at least this minimum reduction. OC's response that each cluster had "unique" features, rates were worked out across items on "notional basis", and high O&M cost for individual items is unacceptable.

While the complete details are given in Annexe - 9.1, some glaring examples are given below¹⁰.

*Table 9.5 - Instances of widely varying rates for overlays items
(Note: BOH – Back of House; FOH – Front of House)*

Furniture

Item	Minimum rate (per unit in Rs.)	Maximum rate (per unit in Rs.)
Chair BOH	1,276	10,254
Chair Folding - Padded BOH	1,374	3,217
Chair Folding - Padded FOH	1,459	3,306
Chair Office BOH	1,318	4,535
Chair Office FOH	3,556	7,595
Chair Patio FOH	1,276	12,244
Chair Sofa 1 seater (Fabric) BOH	10,030	18,229
Chair Sofa 1 seater (Fabric) FOH	10,030	15,304
Chair Sofa 2 seater (Fabric) BOH	12,323	24,216
Chair Sofa 2 seater (Fabric) FOH	12,323	24,487
Chair Sofa 3 seater (Fabric) BOH	19,071	36,458
Chair Sofa 3 seater (Fabric) FOH	19,071	35,743
Chair Sofa Swivel BOH	7,112	12,152
Chair Sofa Swivel FOH	7,112	13,404
Cup Boards BOH	8,342	56,664
Press Table FOH	4,012	14,583
Refrigerator (Small) BOH	9,848	22,957
Refrigerator BOH Large.	13,129	49,864
Safe Small BOH	7,473	20,515
Safe Small FOH	8,973	20,515
Table Folding 1200x760 FOH	3,191	10,774
Table Folding BOH	3,191	10,774
Umbrella Patio (BOH)	1,304	5,137
Visitor Chair Stackable BOH	1,178	2,192
Visitor Chair Stackable FOH	1,542	3,476

¹⁰ For some items the quantity given in the contracts was 'Nil' but till date (March 2011), final Bills of Quantities (BOQ) are not firmed up and are not sure whether the actual quantity also remained 'Nil'.

Fitness equipment

Item	Minimum rate (per unit in Rs.)	Maximum rate (per unit in Rs.)
Adjustable Benches : Declined	24,306	1,55,763
Adjustable Benches : Inclined	24,306	1,38,456
Adjustable Benches : Normal	24,306	1,23,621
Cross Trainer	1,46,765	8,01,066
Gym Mirrors - Full Height	2,435	15,305
Multi Gym - 12 stations with pulley and leg extension cables	2,20,147	9,01,484
Skipping Ropes	480	1,268
Stepper	5,706	3,06,087
Treadmill	4,03,603	8,83,953
Twisters	3,803	29,353
Vibrators	15,215	49,864
Weights, Dumbels and Barbels (per Kg)	85	317

Industrial goods:

Item	Minimum rate (per unit in Rs.)	Maximum rate (per unit in Rs.)
Air conditioning HVAC - 11T	2,03,151	7,47,005
Air conditioning HVAC - 150T	16,21,809	2,08,87,833
Air conditioning HVAC - 2T	69,652	1,46,733
Air conditioning HVAC - 3T	92,869	2,64,120
Air conditioning HVAC - 5.5T	1,16,087	3,76,348
DG Sets 10 KVA - 415V, 50 Hz, 1500 RPM	1,82,291	2,53,991
DG Sets 1000 KVA - 415V, 50 Hz, 1500 RPM	15,84,719	1,45,83,305
DG Sets 125 KVA - 415V, 50 Hz, 1500 RPM	4,93,368	10,30,862
DG Sets 15 KVA - 415V, 50 Hz, 1500 RPM	1,82,291	5,87,747
DG Sets 2 KVA - 415V, 50 Hz, 1500 RPM	58,043	1,82,291
DG Sets 20 KVA - 415V, 50 Hz, 1500 RPM	2,43,055	3,52,608
DG Sets 200 KVA - 415V, 50 Hz, 1500 RPM	7,25,541	13,47,970
DG Sets 250 KVA - 415V, 50 Hz, 1500 RPM	9,28,692	16,45,016
DG Sets 300 KVA - 415V, 50 Hz	10,44,779	20,20,258
DG Sets 380 KVA - 415V, 50 Hz, 1500 RPM	10,22,864	23,90,195
DG Sets 40 KVA - 415V, 50 Hz, 1500 RPM	2,90,217	5,58,380
DG Sets 5 KVA - 415V, 50 Hz, 1500 RPM .	88,152	2,32,173
DG Sets 500 KVA - 415V, 50 Hz, 1500 RPM	18,22,913	29,29,651
DG Sets 62.5 KVA - 415V, 50 Hz, 1500 RPM	3,48,260	6,07,638
DG Sets 82.5 KVA - 415V, 50 Hz, 1500 RPM	4,06,303	8,81,620
Fuel Oil Tank for Diesel Storage - Steel Tank 1500 lts. with motor and pipes to fill diesel in DG set.	25,497	1,17,550
Generator auxiliary equipment	34,826	2,03,497
GI Pipe Earthing	5,040	9,496
ICE BOX, Large, 70L FOH	4,467	16,070
Power - 10kVA UPS -	4,86,110	11,27,726
Power - 180 kVA UPS -	14,54,100	60,76,377
Power - 1kVA UPS -	5,581	1,13,790

Industrial goods:

Item	Minimum rate (per unit in Rs.)	Maximum rate (per unit in Rs.)
Power - 200kVA UPS -	18,85,406	62,72,892
Power - 250kVA UPS -	20,73,947	72,91,652
Power - 2kVA UPS -	60,764	2,57,924
Power - 320kVA UPS -	23,75,612	2,43,05,508
Power - 400kVA UPS -	26,39,569	5,46,87,394
Power - 40kVA UPS -	10,36,653	14,99,000
Power - 5kVA UPS -	1,82,291	4,93,089
Power - 600VA UPS -	2,371	60,688
Power - 60kVA UPS -	12,13,758	17,46,715
Printer FOH	5,457	21,446

Other general/household items:

Item	Minimum rate (per unit in Rs.)	Maximum rate (per unit in Rs.)
Air Freshener	266	1,456
Automatic shower sprinklers	13,140	1,82,291
Bookcase FOH	4,518	12,153
Brush	65	1,841
Colour TV FOH	19,659	36,265
Designated Lane Marker Tapes	365	1,580
Disposable Glasses	1	37
Door Mats FOH	322	939
Fan - Pedestal, Commercial, 46cm High BOH	1,915	7,149
Fan Pedestal BOH	2,431	7,881
Fan Pedestal FOH	2,594	7,736
First Aid Kit	938	6,711
Garbage Bags	4	3,068
Liquid Soap Dispenser	187	9,379
Mirror Standing H:160 cm FOH	1,682	5,362
Mosquito Repellent	114	188
Office Stationary (Paper, Stapler, Resister, pens, pencils etc,)	657	9,246
Plasma TV FOH	28,460	72,917
Plastic Rope in 5m	38	2,762
Refrigerator Large FOH	13,129	56,210
Rubbish Bin 15 Ltr. Size	245	7,618
Soap Dispensers	187	9,379
Tissue Paper (Box)	84	295
Tissue Paper Dispenser	654	4,652
Tissue Roll	22	3,751
Toiletries	789	9,515
Umbrella Patio FOH	1,542	5,719
Wall Clock BOH	603	2,000
Washing Machine & Dryer FOH	13,940	61,218
Water Dispenser - 20 Lts.	1,776	32,986
Water Jug	152	1,944

Rates for power from DG Sets

OC had agreed to pay Rs.11/ unit to Pico Deepali towards per unit consumption of DG Power in cluster VI, while the rate agreed for other clusters ranged from Rs. 14 to Rs. 73. Thus the difference in rates was from 1.27 times to 6.63 times. Total excess expenditure for this one item alone was of Rs. 8.16 crore; details are given in Annexe-9.2

9.2.9.2 Instances of Different Rates by the same vendor

We have found bizarre cases, where there were substantial differences between the rates offered by the same vendor (Pico-Deepali) for the same item in different clusters. Losses on this account alone work out to Rs. 11.06 crore. Incidentally, we did not find such differences in respect of other two vendors viz. Nussli and GL Meroform who also got multiple clusters

While some items would be overlapping with the details given in the previous section, some glaring examples are given in the table below; (details are given in Annexe-9.3).

Table 9.6 - Widely varying item-wise rates from the same vendor (Pico-Deepali)

Item	Max. Rate	Min. Rate
ELECTRICAL ITEMS		
6A, 1 phase, plug points	359	305
16A, 1 phase, plug points	402	342
20A, 1 phase, plug points	1077	917
32A, 1 phase, plug points	1,148	977
32A, 3 phase, plug points	2,728	2322
4 Plug, 5A, 1 phase extension boards	646	550
Surge Protector	31,581	26,883
HOUSEHOLD ITEMS		
Fitness and Gym equipment		
Treadmill	5,35,654	4,59,879
Cross Trainer	2,65,531	2,27,968
Stepper	3,06,087	2,62,788
Weights, Dumbles and Barbels	153	131
Vibrators	30,609	26,279
Twisters	20,308	20,308
Skipping Ropes	559	480

Item	Max. Rate	Min. Rate
HOUSE HOLD ITEMS		
First Aid Kit	4,741	3,942
Tissue Paper Towels	1,580	1,314
Bathroom shelves	1,580	1,314
Disposable Glasses	2	1
Toiletries	948	789
Office Stationary (Paper, Stapler, Resister, Pens, Pencils etc.)	790	657
Garbage Solid Waste Container 6"x6"	1,16,446	91,976
Air Freshener	790	657
Tissue Paper Dispenser	1,897	1,577
Liquid Soap Dispenser	1,501	1,248
Water Dispenser - 20 lts.	11,852	9,855
PRE- FABRICATED ITEMS		
Prefabricated WC unit- Footprint-3.5mx3.0m	7,27,448	6,19,644
Prefabricated WC unit- Footprint-8.3mx3.1m	12,01,871	10,23,759
Prefabricated WC unit- Footprint-12.0mx3.6m	13,99,547	11,92,140

9.2.9.3 By comparing item wise rates with other supporting documents

In some cases, where the items were imported, we compared the CIF cost declared to the Customs authorities with the cost charged to the OC (only for temporary hiring and not purchase). In the

absence of final BOQs of items actually supplied, we could not work out the total monetary loss. However, we found differences between the CIF cost and the hiring charges to OC, ranging from 2 to 178 per cent. Some illustrative examples are given below (details are given in Annexe-9.4).

Table 9.7 - Comparison of lowest item-wise rates to rates declared to Customs authorities

Item	Lowest Rate (in Rs.)	Mkt. Rate/CIF value declared to Customs (in Rs.)	Vendor
Cupboard Pigeon Holes FOH	14,440	5,200	Pico
Bookcase 4 shelves BOH	7,655	2,840	Pico
Coffee Table 1200x400 FOH	3,830	1,500	Pico
Coffee Table 1200x400 BOH	3,830	1,500	Pico
Whiteboard Large BOH	3,365	1,420	Pico
Coat Stand 1800 high BOH	1,963	830	Pico
Bookcase 4 shelves FOH	8,206	3,470	Pico
Cabinet 1020 high FOH	8,314	3,520	Pico
Safe Small FOH	8,973	3,870	Pico
Table Patio 1540x1000 FOH	2,994	1,300	Pico
Witches Hats - Transport BOH	547	250	Pico
Notice Board BOH	3,101	1,420	Pico
Reception Counter 1800x460 H:1150 FOH	8,297	3,850	Pico
Visitor Chair Stackable FOH	1,542	720	Pico
Whiteboard Large FOH	4,038	1,890	Pico
Coat Stand 1800 high FOH	2,188	1,030	Pico
Table Patio 1540x1000 BOH	2,664	1,300	Pico
Cabinet 1800 high FOH	11,076	5,460	Pico

We also found some instances of sub-contracting (public display boards, UPS, and DG sets) by the vendors, which revealed huge differences of 152 per cent to 1140 per cent between the rates charged to the OC and the rates charged by the sub-contractors; details are given in Annexe - 9.5.

Incidentally, such sub-contracting was carried out irregularly by the vendors without OC's approval, as contractually required.

We also noticed other instances of exorbitantly priced overlays items, as summarised below:



Prefabricated Structures at JLN Stadium

OC paid rental - @Rs.4,250 per sqft (Vendor-Pico Deepali Consortium)

CPWD paid rental -@1,645 per sqft (Vendor – Deepali Designs & Exhibits)

Such excessive rental rate of pre-fabricated items was found in other clusters also. The excess expenditure on this account was to the tune of Rs.13.39 crore; (details are given in **Annexe 9.6**).



Water Dispenser of normal specifications hired by OC

Supply of Water Dispensers

OC hired 3120 water dispensers under overlays contracts, with rates ranging between Rs. 1,776 and Rs. 32,986 per unit. Excess expenditure (based on the lowest cost) worked out to Rs.3.82 crore. (**Annex 9.7**)

This item was infructuous, since Coca Cola was required to provide adequate mineral water to all the venues during the entire period of the Games, under the sponsorship agreement. Further, Delhi Jal Board (DJB) also made arrangements for provision of drinking water at venues by setting up its own water kiosks for dispensing water, for which an amount of Rs 0.26 crore was payable to the kiosk contractor.

In response to adverse media publicity, OC published a full page advertisement in several national newspapers at a cost of Rs. 0.34 crore on 10-11 November 2010. Among other aspects, the advertisement attempted to justify the prices of tissue rolls as “per box of 100 rolls” and not per roll.

We have verified this from the comparative evaluation statements, and found that the information in the advertisement was misleading. In response, OC has now indicated that “there were some problems in comparison”.

The main ceremonial events of CWG-2010 were the Queen's Baton Relay (containing a message of Queen Elizabeth – II) which was to be carried through the Commonwealth countries and different parts of India, and the opening and closing ceremonies which were to be signature events showcasing Indian culture and heritage. We note that the ceremonies were widely appreciated; in particular the opening ceremony was a spectacular success. Other ceremonial events included the Delhi capsule at the previous CWG, and the ceremonies at CYG-2008, Pune.

We found significant irregularities in the appointment of both Maxxam International as the consultant for QBR and Jack Morton Worldwide (JMW) as the event management agency for the QBR Launch Ceremony in London on 29 October 2009. Further, the scope of work for JMW was inexplicably reduced in October 2009 (with an increase in cost), and the OC made highly suspect payments of £ 386,237 to two little known entities – AM Films UK Ltd and AM Car and Van Hire Ltd – for diverse and unconnected services for the QBR Launch ceremony. The assignment of work and payments therefore were highly questionable; associated approvals and clearances were obtained and payments made with uncommon haste, and large amounts were also paid in cash, perhaps to avoid leaving a transaction trail. The role of Shri TS Darbari and Shri Sanjay Mahindroo, who were unrelated to OC's Ceremony Functional Area, in the QBR Launch Ceremony is also questionable.

We found that planning for the opening and closing ceremonies was inordinately delayed. Further, a multiplicity of agencies were engaged – Shri Bharat Bala as Creative Director/ Creative Consultant, Spectak Productions (Mr. Ric Birch) as International Consultant, Wizcraft as the Event Management Firm and 17 other consultants. There was considerable overlap between the roles and responsibilities of these multiple agencies. Further, the event agency charges of Rs. 16.09 crore paid to Wizcraft (in addition to a fixed ceremonies management fee of Rs. 5.40 crore) are, in our opinion not justified. We also found that Spectak Productions and Wizcraft had tied up with other experts well in advance of the award of the contracts. The engagement of the additional consultants (at a cost of at least Rs. 6.12 crore) by the OC amounted to a clear financial benefit to Wizcraft.

There were also major irregularities in procurement of accessories/ special items. The consultant for the band stand, Mr. Mark Fisher, got his full fee of US\$ 514,000, even though the idea of the band stand was abandoned. Mr. Fisher then presented a design for an aerostat, which was accepted; the fact that Spectak Productions and the aerostat vendor

were part of the same group was concealed. There were also serious irregularities in the technical evaluation and award of the lighting/ searchlight contract, as well as the award of the contract for video content.

Contracts for Rs. 16.49 crore for art direction and props for the opening and closing ceremonies were irregularly awarded to Blue Lotus Productions, even without having an approved list of props actually required. Huge quantities of props remained unutilised. Some props were not even received. Many of these props were exorbitantly priced.

OC went in for multiple forms of ground protection (ground protection tiles, ground cloth, and grass turf replacement) at a cost of Rs. 17.84 crore for the opening and closing ceremonies, which, in our opinion, was not adequately justified. There were major tendering irregularities; the quantities required were fixed and reduced arbitrarily, and large quantities of ground protection tiles and ground cloth remained unutilised.



10.1 Overview

The main ceremonial events for CWG-2010 were:

- A “capsule” at the Closing Ceremony of Melbourne CWG-2006, showcasing the next Games;
- The opening and closing ceremonies of the Commonwealth Youth Games – 2008 (CYG-2008), Pune, which was a sub-event of CWG-2010;
- **The Queen's Baton Relay (QBR)** - This was the ceremonial carrying of the baton (containing a message from the Head of the Commonwealth, Queen Elizabeth II) through the participating Commonwealth countries, and through different parts of India culminating in the Opening Ceremony of CWG-2010.
- **The opening and closing ceremonies** – These were to be the signature events

of the Games with large scale world-wide coverage, which would showcase Indian civilisation, history and cultural diversity.

- Other minor events and launches – e.g. “1500 days to go” and “1000 days to go”.

Organising such ceremonial events would normally require two players – a consultant to render advice on the creative concept, and an event management firm which delivers the ceremony in line with the approved creative concept. However, the OC ended up appointing a multiplicity of agencies for these tasks.

The original IOA bid of May 2003 indicated an amount of Rs. 30 crore for ceremonies. A comparison of the budget and expenditure of the OC for ceremonies till date is given below:

Table 10.1 - Budget and expenditure on ceremonies

(Rs. in Crore)

Event	Original budget (March 2006)	Revised Budget (July 2008)	Expenditure (December 2010)
Capsule for Melbourne CWG-2006 [#]	30	29.78	27.56
Opening and Closing Ceremonies for CYG-2008, Pune		22.06	21.76
Queen's Baton Relay	7	51*	26.00
Opening and Closing Ceremonies	85	106 [^]	240.00
Others		15.04	15.04
Total	122	223.88	330.36

Notes:

[#] Paid for by GNCTD; this was not part of OC's budget

^{*} While the overall QBR budget was reduced from Rs.51 crore to Rs.26 crore through re-appropriation in the OC, the budget for the QBR Launch ceremony at London was enhanced from Rs.2.20 crore to Rs.12.77 crore

[^] This was increased to Rs. 300 crore, through additional budget of Rs. 193 crore sanctioned in September 2010.

10.2 Capsule for Melbourne CWG-2006

We observed that Wizcraft International Entertainment Private Ltd. (Wizcraft) was appointed in September 2005 as the event management firm (EMF) for delivering the capsule of the next host city (Delhi) of CWG-2010 on “nomination” on the basis of past experience. For this, the EOI released in July 2005 (against which five proposals were received) was abandoned. Further, Wizcraft submitted a budget for Rs. 15.05 crore for production and execution expenses (excluding their commission of 15 per cent), which was approved and paid without any independent analysis and scrutiny by OC .

Incidentally, Wizcraft was also appointed as the Event Management Firm for the ceremonies for CYG-2008, Pune and the main CWG-2010 ceremonies – the opening and closing ceremonies. These appointments involved deficient tendering and award. Wizcraft was also the event manager for the ceremonies of other IOA-associated sporting events – the Afro-Asian Games -2009 (Hyderabad); the SAF Winter Games – 2010 (Dehradun); and the National Games – 2011 (Ranchi).

10.3 Opening and Closing Ceremonies for CYG-2008, Pune

Wizcraft was appointed in August 2008 as the event management firm for the opening and closing ceremonies for CYG-2008, Pune, after a deficient tendering process. After floating an RFP in March 2008, to which two responses were received, Wizcraft¹ was

¹ The other technically qualified bidder was Alternate Brands Solution Ltd.

declared T-1 in technical evaluation and only a single commercial bid was opened and selected.

Interestingly, the contract with Wizcraft for Rs. 12.77 crore was signed on 1 August 2008, well before:

- submission of rates by Wizcraft on 5 August 2008, and
- submission of a note on 25 August 2008 by the evaluation committee for EMC's approval;

In our view, the evaluation committee's report appears to have been just a formality to legitimise a decision already taken informally.

Further, the contract required approval by the EB, which was not obtained.

We also found excess payment of Rs. 0.22 crore to Wizcraft on account of artists, whose names were indicated in the response to the original RFP but excluded from the final contract; demonstrating clear favouritism.

10.4 Queen's Baton Relay (QBR)

The QBR represented an opportunity for the OC to generate significant international publicity and promotion in advance of the Games. The QBR involved different segments:

- the formal QBR launch at London by Queen Elizabeth II on 29 October 2009;
- the international leg of the QBR from 29 October 2009 to 25 June 2010 through the Commonwealth countries; and



- the domestic leg of the QBR through 35 States/UTs before arriving at JLN Stadium for the Opening Ceremony on 3 October 2010.

10.4.1 Consultancy Services for QBR

We found that Maxxam International was irregularly awarded the contract for consultancy services for QBR in February 2008, as summarised below:

- The process from issue of EOI (May 2007) to award of the contract (February 2008) took an unduly long period of eight months;
- There was no global tendering, and adequate time was not provided for potential bidders. Maxxam International was also allowed to submit its bid on 25 September 2007 after the due date for submission;
- E-mails seeking presentations from technically qualified bidders were sent to Maxxam on 27 September 2007 but to the other two bidders only on 29 September 2007, providing them just 5 days for preparation;
- Maxxam was the highest cost bidder at Rs. 8.01 crore, but was awarded the contract on the basis of a newly evolved criteria – cost per manday (rather than total cost), which was not mentioned

earlier. Further, OC did not possess information on the actual mandays of consultancy services provided by Maxxam and made full payments, evidently without considering this aspect; and

- Contrary to the RFP provisions, OC agreed to bear the service tax liability of US\$ 0.24² million (Rs. 1.08 crore), irregularly benefiting Maxxam to that extent.

We found that payments of \$ 25,850 (Rs. 1.16 lakh) were made to Maxxam for November-December 2007, even before the issue of the Lol to Maxxam in January 2008.

It appears that OC had already informally decided to award the contract to Maxxam, and the evaluation process was just a charade.

10.4.2 Design and manufacture of batons for QBR

As per the Host City Contract, the OC was required to supply two batons for the QBR - a route baton (which was to be carried throughout the route) and a ceremonial baton (into which Queen Elizabeth II's message was to be transferred for the opening ceremony). We found that there was a delay of 15 months in obtaining CGF approval for the baton design, due to the OC's failures.

² @ 1 US \$ = Rs. 45

10.5 QBR Launch Ceremony

The QBR was to be launched in London by Queen Elizabeth-II and the President of India on 29 October 2009. In May 2009, the OC increased the budget for the QBR launch ceremony from Rs. 2.20 crore to Rs. 12.77 crore, purportedly on account of the visit of the President.

10.5.1 Event Management Agency for QBR Launch at London

For the QBR launch ceremony at London on 29 October 2009, OC appointed Jack Morton Worldwide (JMW) on 24 September 2009 at a cost of Rs. 1.50 crore (£ 1, 99,982³).

We found the integrity of the process of award of the QBR event management agency contract to JMW was suspect:

- Global tendering was not followed, nor was sufficient time provided to potential bidders;
- Technical evaluation was flawed, since weightage was given to bidders who submitted themes, drawings and plans, which was contrary to the RFP (which indicated such themes and concepts as a deliverable of the firm, in liaison with the OC). Thus, bidders who potentially had advance knowledge of this requirement were at an advantage;
- One technically qualified bidder withdrew from the process, questioning the evaluation criteria adopted and also indicating that no time was available for proper execution. Interestingly, this bidder questioned the evaluation criteria a day after the purported date

of the meeting of the technical evaluation committee which decided these criteria. In fact, these evaluation criteria were not even communicated to the bidders; it is thus not clear on what basis these criteria were questioned.

Inexplicable reduction in scope of work of JMW

Less than 20 days after award (and with less than 20 days to the QBR launch), OC revised the work order to JMW on 10 October 2009, removing work relating to outdoor video display screens, transport and logistics (which were later awarded to AM Films and AM Cars & Van Hire Ltd) and simultaneously increasing (rather than decreasing) the cost to Rs. 1.87 crore (£ 2, 49,739). This reduction in scope and increase in cost is inexplicable.

In addition, excess payments, amounting to £ 30531 (Rs. 22.90 lakh) were made to JMW at the instance of Chairman and SG, OC as detailed below:

- **Increased Scope of Work due to visit of President** - In October 2009, DG-OC and Chairman OC approved an additional payment of £ 10350 (Rs. 7.76 lakh) to JMW proposed by Shri Sanjay Mahindroo, DDG, purportedly due to increased scope of work on account of the visit of the President of India. In fact, this visit was known to the OC in May 2009 itself, well before the award of the contract to JMW. Neither Chairman nor DG, while approving the payment,

³ 1£= RS.75

questioned Shri Mahindroo regarding the reasons for change of scope of work. Further, during execution of the work, OC hired certain extra items from JMW, for which £ 2370 (Rs. 1.78 lakh) was purportedly paid in cash by Shri Mahindroo to JMW.

- **Trafalgar Square Function** - OC scheduled a function at Trafalgar Square, London, which was later cancelled and JMW intimated about this cancellation. Subsequently, JMW raised a bill of £ 31000 (Rs. 23.25 lakh) for this event, claiming that they had already incurred these expenses. Curiously, this issue was dealt with directly by the Chairman and SG. The instruction to work on this function was given from the Chairman's Secretariat, and the SG agreed to pay half this amount; ultimately £ 17811 (Rs. 13.36 lakh) was paid to JMW.

Role of Shri Darbari and Shri Mahindroo in QBR Launch

Interestingly, the expenses for the QBR London launch were not approved by the QBR functional head. These expenses were handled by Shri TS Darbari, JDG (Revenue Marketing & Chairman Secretariat) (who was appointed by Chairman, OC, although without a formal office order, as in-charge of the London launch) and Shri Sanjay Mahindroo, DDG (Technology and Marketing) (who was closely involved without a formal role).

10.5.2 52 member delegation for QBR Launch Ceremony

On 21 October 2009, Chairman, OC approved a 52 member delegation for the QBR Launch Ceremony, which was at variance to the 36 member delegation approved by MYAS on 19 October 2009⁴; reasons for non-adherence to the MYAS approval, and the criteria for selection of delegates, were not documented. Consequently, the OC booked 56 rooms, and incurred excess expenditure of £ 22,910 (Rs. 17.18 lakh) for the persons in excess of the MYAS-approved delegation. We also noticed:

- Extra expenditure of Rs. 14 lakh on account of travel booking of extra members (including Smt. Meera Kalmadi⁵ and Smt. Ranjan Mukherjee⁶) and relatives of baton bearers, who were not in the approved list;
- OC failing to deduct TDS amounting £ 18898 (Rs.14.17 lakh), while making two part payments to the hotel;
- Excess payments totalling £ 2084 (Rs. 1.56 lakh) on account of double charging for two rooms, and a superior room beyond entitlement; and
- Excess advance payment of £ 3399 (Rs.2.55 lakh) by the OC to the hotel.

⁴ Based on a proposal from the OC for a 37-member delegation

⁵ Shri Kalmadi (ex-Chairman, OC) stated that Smt. Meera Kalmadi bore her own travel expenses, without however providing supporting documents. However, OC confirmed that the ticket in the name of Smt. Meera Kalmadi was booked by OC.

⁶ Wife of OSD to LG Delhi

10.5.3 Hiring of AM Films UK Ltd and AM Cars & Van Hire Ltd for various services

We found that the OC made payments of £ 386,237 (Rs.2.90 crore) during October 2009 to two little known entities, AM Films UK Ltd. and AM Car and Van Hire Ltd, for diverse and unconnected services for the QBR Launch Ceremony:

- £ 146,869 for hiring of large outdoor video display screens and £ 1275 for postage, photocopy, paper, cartridges etc;
- £ 238,093 for transport facilities, branded cars & buses, driver services, power generation facilities, mobile toilets, telephone charges etc.; this included a payment of £ 100,625 due to AM Cars and Van Hire Ltd but actually made to AM Films UK Ltd.

These services were originally to be provided by the QBR Event Management Agency, JMW, but were taken away from JMW's scope of work just 20 days before the QBR Launch ceremony for unexplained reasons.

In our view, the assignment of work to AM Films UK Ltd/ AM Cars and Van Hire Ltd and payments therefore were highly questionable; associated approvals and clearances were obtained and payments made with uncommon haste, and large amounts were also paid in cash, perhaps to avoid leaving a transaction trail.

10.5.3.1 Hiring of AM Films UK Ltd. for large outdoor video display screens

We observed the following:

- Three bids were purportedly obtained by Shri Mahindroo without any advertisements being issued; it is not known how these bids were obtained;
- One of the bidders (3 Dots Vision Ltd.) was not registered with the UK Registrar of Companies; we also verified that the agency did not exist at its stated address;
- The credentials of AM Films UK Ltd. appear suspect, since the company registration and VAT registration numbers indicated in its advance invoice were false;
- The committee, consisting of Shri Jeychandran, JDG (F&A), Shri Mahindroo, DDG (TM) and Shri Sudhir Verma, DDG (Communications) which evaluated the quotes and selected AM Films UK Ltd at a total cost of £ 146,869 (Rs. 1.10 crore) and recommended 100 per cent payment in advance, was different from the originally formed committee. The minutes of the committee meeting purportedly held at London on 23-24 October 2009 were signed by Shri Jeychandran, who was actually in Delhi on these dates and processed the payment to AM Films Ltd.
- AM Films Ltd. submitted an advance invoice for £ 146869 (Rs. 1.10 crore) on 23 October 2009. Approval was obtained by Shri Mahindroo from the Chairman and communicated to Shri Jeychandran by e-mail / fax and processed, the OC CA's certification of payment of foreign currency obtained,

and funds transferred to AM Films Ltd – all on 24 October 2009 with undue haste by the OC.

In a separate response, Shri Kalmadi indicated that he gave his in-principle clearance, on account of urgency and the threat of cancellation of the QBR launch (as informed by Shri Mahindroo), and also expressed his dissatisfaction on the manner in which this issue had been handled. He also indicated that many of these aspects were approved/ processed by other officials – Shri Bhanot, Shri AK Mattoo and Shri Jeyachandran. In our view, the Presidential visit was known well in advance, and there should have been no occasion for such “emergent” action.

- Payment of £ 1275 (Rs. 0.96 lakh) was also purportedly made in cash by Shri Mahindroo to AM Films for unrelated postage/ stationery services, which appears unusual.

10.5.3.2 Hiring of Services of AM Cars and Van Hire Ltd.

AM Car and Van Hire Ltd. was hired for diverse and unconnected services, including power generation and video equipment (including LED), mobile toilets, barriers and first aid provision. We found that this agency was hired on the basis of a proposal by Shri Mahindroo on 20 October 2009, who stated that he had learnt about the firm during his visit to London in September 2009 through the High Commission of India and the Mayor's Office. Shri Mahindroo's claim was false, as he had earlier utilised the services of the agency in August 2009. Further, the selection of a transport solutions company for various event management services lacks credibility.

Payments of £ 238,093 (Rs.1.79 crore) were made for these services as follows:

- Even before the agency submitted three invoices⁷ for £ 100,625 (Rs. 75.47 lakh) on 21st October 2009, the payments were processed and DG and Chairman's approval was obtained on 20 October 2009 itself; the payment was transferred to the account of AM Films UK Ltd. (and not AM Cars and Van Hire Ltd.) on 22 October 2009⁸. This payment included £ 49,803 (Rs. 37.35 lakh) for power generation purportedly required by SIS Live⁹, but no correspondence with SIS-Live was documented.
- A subsequent payment of £ 36,612 (Rs. 27.46 lakh) was made on 26 October 2009, on a proposal by Shri Mahindroo which was processed for payment by Shri Jeychandran after a “talk with the Chairman”.
- A cash payment of £ 100,856 (Rs.75.64 lakh) was made by Shri Mahindroo, purportedly for various services and works. There seems to be no reason for such large cash payments, except to avoid a transaction trail.

10.5.4 Gift Plaques for QBR Launch Ceremony

OC placed an order on 23 October 2009 for 91 silver and gold plated plaques at a cost of Rs. 14 lakh as gift items for the QBR Launch

⁷ For branded buses and taxis, transport services and other services (barriers, toilets etc.)

⁸ OC informed the Westminster City Council that AM Films (and not AM Cars and Van Hire Ltd.) had been hired for providing these services. This was either misinformation or indicated that the two entities were identical or the same.

⁹ The contractor of Prasar Bharati, the Host Broadcaster for CWG-2010.

Ceremony. 72 small plaques were to be supplied, but only 52 plaques had been taken to stock; there are no records of actual distribution of these plaques. Further, only a payment of Rs. 5 lakh had been paid till December 2010.

10.5.5 Other Miscellaneous Expenditure incurred by Shri Mahindroo

Besides the above payments, Shri Mahindroo also incurred expenditure of

£ 28,301 (Rs. 21.23 lakh) on miscellaneous items, including food bills, alcohol charges, Chairman's party, phone charges, tips to hotel staff etc. and also expenditure without documented justification and/or reasons.

Incidentally, Shri Jeychandran and Shri Mahindroo drew advances of £ 65,000 (Rs. 48.75 lakh) each from the OC. Although they had submitted their adjustment bills in December 2009 and February 2010 respectively, these had not yet been settled.

10.6 Opening and Closing Ceremonies



We note that the ceremonies were widely appreciated; in particular, the opening ceremony was a spectacular success. Our concerns, as described below, focus on delayed planning, lack of assurance that funds were expended economically, and numerous instances of non-compliance with procedures to ensure due diligence and transparency.

10.6.1 Delays in planning

There were huge delays in planning for the opening and closing ceremonies.

- The manning of the Ceremonies Functional Area commenced only in January 2008 (against the original deadline¹⁰ of October 2006), and no personnel from the Ceremonies FA formed part of the delegation to Melbourne CWG-2006.
- The process for engagement of the international consultant and the event management firm was suspended by the OC in December 2008 on the orders of MYAS (since the GoM had started examining this issue), and restarted only in May 2009 (after the appointment of a Creative Director in line with the GoM's directions).
- The first creative concepts for the opening and closing ceremonies were presented only in September and December 2009 respectively, against the stipulated timeline of October 2008.

10.6.2 Overlapping roles of agencies

For handling the opening and closing ceremonies, multiple sets of agencies were appointed:

- Shri Bharat Bala Ganapathy was engaged in February 2009 as the Creative Director on the recommendation of a panel of experts¹¹ (including Shri Bharat Bala himself) constituted by the GoM. From November 2009, he was appointed as “Creative Consultant”;
- Spectak Productions (headed by Mr. Ric Birch) was engaged in September 2009 as the international consultant for ceremonies;
- Wizcraft was appointed in December 2009 as the Event Management Firm; and
- 17 consultants (one Indian and 16 international) were appointed for the period between February and December 2010 for various services.

There was considerable overlap between the roles and responsibilities of these multiple agencies, as summarized below:

Table 10.2 - Overlapping roles of different agencies

Role of Shri Bharat Bala	Role of Spectak Productions (Shri Ric Birch)	Role of Wizcraft
<p>(Phase I – Creative Director February – October 2009)</p> <p>Ideation and development of creative concept for opening and closing ceremonies</p>	<p>Adequate support for planning of creative story/ boards/ scripts and designs, logistics and production plans/schedules (including audio-visual, sound/music, lighting, props, décor, aerial rigging, pyrotechnics etc.) along with timely and high quality implementation of all creative and production aspects of the ceremonies.</p>	<p>Rendering the service of creatively enhancing, coordinating, organizing, producing, directing, managing, executing and successfully delivering the opening and closing ceremonies.</p>
<p>(Phase II – Creative Consultant - November 2009 – October 2010)</p> <p>Advice and work for overall development of concept theme</p>	<p>Help to access the most appropriate talent, technology and specialist consultants and contractors from across the world.</p> <p>Provide timely advice to ensure that the preparations and delivery of ceremonies are meticulously planned.</p>	<p>Sourcing ceremonies procurement for technical arrangements, performers and other creative elements.</p>

¹⁰ As indicated in the General Organisation Plan of the OC.

¹¹ The other members were Shri Javed Akhtar, Shri Prasoon Joshi and Shri Shyam Benegal.

Consultant	Work
Mark Fisher	Production Designer
Piers Shepperd	Technical Director
Durham Marengi	Lighting Designer
Laurence Estrin	Communications Designer
Andrew Garrod	Associate Technical Director
James Lee	Production Rigging
Ian Baldwin	Technical Systems Manager
Scott Willsallen	Audio Designer
Sarah Grubb	Master Scheduler
Ola Melzig	Technical Director
Stage Safe	Health & Safety Consultant
Aaron Felker	CAD Manager
Richard Hartman	Scenic Engineering and Scenic Rigging Manager
Knut Stockhusen	Roof Loading Study
Linus Lopez ¹²	Power Consultant
Stage One	Rigging consultant
Laura Thatcher	Show Caller

The need for a multiplicity of agencies with roles, which are prima facie overlapping, is not clear; we found instances of Shri Bharat Bala rendering advice on areas within the remit of Wizcraft. At best, two agencies – one as a consultant/ advisor, and another for execution (on a turnkey basis) could be justified.

We also noticed that the working relationship between Shri Bharat Bala (who was appointed on the directions of GoM) and the other agencies – Wizcraft, Spectak Productions and other consultants were often discordant. OC's documentation reveals complaints by Mr. Ric Birch about the lack of live stage experience of Shri Bharat Bala. We are unable to comment on the differing perceptions of Mr. Ric Birch and Shri Bharat Bala as to their performance/ experience on the basis of available records.

¹² Only Indian Consultant

10.6.3 Engagement and Performance of Shri Bharat Bala

We found that no contract, specifying his scope of work and terms of remuneration, was signed with Shri Bharat Bala from February 2009 till February 2010. Shri Bharat Bala unilaterally decided his own scope of work for the first phase. Shri Bharat Bala also unilaterally determined his own remuneration:

- Initially in June 2009 at Rs. 40 lakhs per month from May to August 2009 and Rs. 10 lakh per month thereafter; and
- Revised in July 2009 to Rs. 50 lakhs per month from May to August 2009 and Rs. 12.50 lakh per month thereafter.

He was paid a total of Rs. 3.09 crore till October 2010 (including an advance payment of Rs. 0.25 crore).

As against the original timeline of August 2009, Shri Bharat Bala presented the creative concepts for the opening and

closing ceremonies only in September 2009 and December 2009 respectively. Further, the creative concept for the opening ceremony was largely a rearrangement of ideas presented by Wizcraft in August 2009 (as part of the technical evaluation for the event management firm¹³).

We are not clear about Shri Bharat Bala's role in Phase-II as Creative Consultant – “advice and work for overall development of concept and theme”, when the creative concepts had already been presented and an event management firm (Wizcraft) appointed to deliver the ceremonies.

10.6.4 Engagement of Spectak Productions (Mr. Ric Birch¹⁴)

We found that:

- Global tendering procedures were not followed for engagement of the international consultant;
- The tendering process commenced with an EOI in September 2008, was suspended in December 2008 (on the directions of MYAS), and restarted in May 2009. After evaluation in July 2009, an Lol was issued in September 2009 to Spectak Productions for Rs. 10.33 crore and the agreement signed in December 2009.
- The performance guarantee obtained from Spectak Productions was faulty, as it could be invoked only with its prior approval. Consequently, OC was unsuccessful, when in December 2010 (after a review), it tried to invoke the performance guarantee.

¹³ Shri Bharat Bala was present during the technical evaluation.

¹⁴ CEO, Spectak Productions

- OC favoured Spectak Productions by agreeing to take on the service tax liability of Rs. 1.06 crore (when the RFP clearly indicated that the consultant was to indicate costs inclusive of all taxes).

10.6.5 Engagement of Wizcraft as Event Management Firm

We found that:

- The tendering process was initiated in September 2008, suspended in December 2008, and restarted in May 2009. After evaluation in August 2009, the contract with Wizcraft was signed only in December 2009.
- The scope of work of Wizcraft was not adequately clear, as OC also appointed other consultants and contractors, whose scope of work fell within the same areas as indicated in Wizcraft's scope of work.
- No milestones were indicated in the scope of work, and the schedule of payments was not linked to deliverables.
- In the EOI, the contract was to be given on a turnkey basis on the lines of Melbourne CWG-2006; this was changed through a corrigendum issued on 30 September 2008. In the RFP, the Event Management Firm was not to get agency commission on procurement done by OC directly. However, in the contract, OC agreed to pay a fixed ceremonies management fee of Rs. 5.40 crore and event agency charges on a sliding scale depending on the procurement amount, (even on OC's direct procurements) which eventually amounted to Rs. 16.09 crore. This pattern of remuneration was on the

lines of Melbourne CWG-2006. However, OC did not follow the turnkey business model followed at Melbourne, and appointed staff/ consultants and made procurements on their own.

In our view, the event agency charges of Rs. 16.09 crore to Wizcraft were not justified. OC's response that Wizcraft was providing BOQs, drawing up scope of work, and sourcing vendors/ artists etc. is not tenable, since these activities were undertaken by Shri Bharat Bala, Spectak Productions and the other 17 consultants engaged by the OC.

10.6.6 Inappropriate Engagement of Other Consultants

OC appointed 17 other consultants for various ceremony-related activities for the period February to December 2010; Rs. 6.12 crore had been paid till February 2011¹⁵ to these consultants. 16 out of these 17 consultants were appointed on nomination basis (largely on the advice of Mr. Ric Birch and Event Management Firm), with one consultant appointed through limited tender.

Our review of the EOI documents submitted by Wizcraft revealed that five of these consultants (Mr. Piers Shepperd, Mr. Durham Marengi, Mr. Mark Fisher, Mr. Laurence Estrin and Mr. Richard Hartman) had addressed consent letters dated 1 June 2008 to Mr. Ric Birch, wherein they indicated that:

- They would provide their services on an exclusive basis to Spectak Productions

for submitting a creative proposal for the CWG-2010 ceremonies;

- It was understood that Spectak was providing their consulting services to Wizcraft; and
- Should Wizcraft be appointed as the producer for the ceremonies, they confirmed their availability and willingness to participate in the creative production group.

Further, the website of Spectak Productions also indicates that Mr. Ric Birch and 10 Spectak contractors provided services for CWG-2010.

Nexus between Mr. Ric Birch (Spectak Productions), Wizcraft and other consultants

This correspondence involving Mr. Ric Birch (Spectak Productions) and the additional consultants (with references to Wizcraft's role) took place on 1 June 2008, while the EOIs resulting in appointment of Spectak Productions and Wizcraft were issued only in September 2008. We conclude that:

- **Mr. Ric Birch and Wizcraft had a high level of confidence of being awarded the contracts for the CWG-2010 ceremonies, and had tied up with other experts well in advance. Incidentally, the other respondents to the EOI did not indicate evidence of such tie-ups.**

¹⁵ Final payments were yet to be made to two consultants.

- **These consultants, who expressed their willingness in June 2008 to work for Wizcraft, were appointed by the OC in 2010. Evidently, the cost of engaging these consultants was to be paid by Wizcraft, and not by the OC. OC should not have appointed these additional consultants, and their engagement at a cost of at least Rs. 6.12 crore amounted to a clear financial benefit to Wizcraft.**

Further, the terms and conditions of the contracts with the 16 foreign consultants did not safeguard OC's interests:

- The mandays to be spent on-site in India were not provided in 10 cases, and there was no formal system of periodic monitoring and reporting in all cases.
- We found three specific instances of overlapping scope of work – show caller/ stage manager, rigging manager, and master scheduler – between the consultants and Spectak Productions, Wizcraft and another consultant.
- No performance related provisions were incorporated in any of the contracts (despite OCFC's recommendations), which prevented OC from taking adequate action in June 2010 against Mr. Shepperd and Mr. Marengi. Further, no clauses regarding refund of advances (for breach of contract or non-delivery of services) were incorporated; consequently, OC could not take action against four consultants, who resigned mid-way.

- 12 out of 17 contracts did not specify the liability for service tax; OC finally bore the liability for service tax of Rs. 0.52 crore. In the case of Mr. Mark Fisher, OC failed to deduct service tax of Rs. 1.23 lakh.

We also found overpayments of Rs. 0.43 crore to Mr. Shepperd and Mr. Marengi, as well as an unexplained reduction in the scope of work of Mr. Andrew Garrod¹⁶ on 4 October 2010.

10.6.7 Theme song

Shri AR Rehman was engaged for composing and performing the theme song for the Opening Ceremony. The theme song was launched on 28 August 2010 and the video shoot completed only on 11 September 2010, as against the contractual date of 15 August 2010 for release at a press conference. This delay resulted in lack of adequate exposure and publicity for the theme song. No action could be taken for the delay, due to absence of penal provisions in the contract.

10.6.8 Music Composer and Director

OC engaged Shri Ranjit Barot as music composer and director for a turnkey solution for the opening and closing ceremonies at a total cost of Rs. 1.75 crore plus taxes. Contrary to the Fast Track Committee's direction, OC did not obtain the cost break-up for each sequence, nor did it constitute a negotiation committee. Further, we noticed overpayment of Rs. 0.18 crore to Shri Barot; OC also incurred expenditure of Rs. 0.73 crore for royalty and license fees for music (which should have been borne by Shri Barot).

¹⁶ Who was paid \$ 102,700 (Rs. 0.46 crore)

10.6.9 Procurement of accessories/ special items

In order to present spectacular opening and closing ceremonies, OC entered into various contracts for accessories/ special items. We found that the tendering/ award process in most of these contracts were deficient; details are summarized below.

Consultant for Band Stand

With the approval of GOM, OC engaged Mark Fisher Studio, London in October 2009 at a fee of USD 514,000 excluding taxes (Rs. 2.31 crore) for providing architectural designs and drawings for a centre stage pavilion (band stand) in the JLN Stadium for the opening ceremony.

We found that Mark Fisher Studio¹⁷ was engaged directly by the EMC (without OCFC's approval¹⁸).

Subsequently, Mr. Mark Fisher managed to get

- his scope of work revised to cover only “preliminary” designs and drawings”, rather than complete designs and drawings, and
- revised terms for 100 per cent payment in advance.

When the GoM decided in December 2009 to dispense with the bandstand, full payment had already been made; the CEO's efforts to subsequently review the work done by Mr. Mark Fisher were unfruitful.

¹⁷ Mr. Mark Fisher had attended two creative workshops hosted by Shri Bharat Bala; he was also one of the consultants, who submitted a consent letter to Mr. Ric Birch to work with Wizcraft for CWG-2010.

¹⁸ The proposal was, post-GoM approval, remitted to the OCFC, who refused to comment on it at that stage.

10.6.9.1 Hiring of Aerostat

After the idea of the band stand was dropped, Mr. Mark Fisher presented a design for an aerostat in January 2010. A turnkey contract for the aerostat was awarded to K-Events at a cost of € 5.87 million (Rs. 35.81 crore). We found that Mr. Ric Birch had claimed that after having surveyed 51 agencies for different aspects of the aerostat¹⁹, K-Events was the only respondent. Further, Mr. Ric Birch falsely claimed that he had no corporate or commercial relationship with K-Events; in fact, Spectak Productions and K-Events were part of the same group, the Filmmaster Group.

Further, OC showered other undue favours on K-Events:

- It hired two consultants and equipment for this work and paid Rs.2.23 crore; and additionally spent Rs. 0.23 crore for expenses on customs duty and electric generator, as well as necessary approvals; these were within the remit of the turnkey contract awarded to K-Events;
- OC also provided undue benefits worth Rs. 1.13 crore on account of travel, accommodation and other charges.

Further, one out of the five parts (sausages) of the aerostat was not utilized for the ceremony.

10.6.9.2 Pyrotechnic supplier

OC hired Howard & Sons in June 2010 as the pyrotechnic supplier at a cost of US\$ 0.75 million (Rs. 3.38 crore). We found that the supplier was selected through a limited

¹⁹ No evidence of such communications with these 51 agencies was available on record.

tender issued to firms recommended by Mr. Ric Birch, contrary to the Fast Track Committee's direction for an open tender²⁰; Also, we found excess payment of Rs. 0.23 crore on account of non-adjustment of freight charges.

10.6.9.3 Lighting and Searchlight

OC awarded a contract for lighting and searchlight to PRG, Belgium at a cost of US\$ 3.5 million (Rs. 15.75 crore). We found that the tendering/ award process was irregular:

- Limited tendering was adopted, contrary to the recommendations of the Fast Track Committee for open tendering. Further, the firms for the RFP were recommended by the Technical Director (Mr. Piers Shepperd) and not the lighting designer (Mr. Durham Marengi).
- The last date for submission of the bid was extended on PRG's request, as they had not prepared the bank drafts for processing fee and EMD.
- The contract was originally envisaged as two separate RFPs for lighting and searchlight, but a single contract was awarded on the basis of a post-bid proposal by PRG for a composite contract. However PRG did not provide the details of the equipment, they were going to supply.
- The technical evaluation was faulty, as another bidder, BeiAo Events, China with relevant experience was technically disqualified through incorrect evaluation.

Dubious Technical Evaluation of Lighting and Searchlight RFPs to favour PRG

Our review of the papers relating to termination of the services of Mr. Durham Marengi indicated an e-mail from Mr. Durham Marengi to a PRG official, who then complained to the OC against Mr. Marengi's attempt to "frighten" them.

In his e-mail, Mr. Marengi alleged:

- vigorous efforts by Wizcraft to rate PRG as top of the list, and mark down another bidder (Agora) for the lighting RFP,
- PRG failing to meet the bid requirements for the searchlight RFP.

Mr. Marengi then indicated that he and PRG could then "*play our collaboration card... so that OC has their preferred one stop shop*" and Wizcraft "*had their obviously preferred company in place*". Mr. Marengi also offered to "*assure everyone of the absolute integrity of PRG's actions in Delhi*" if PRG sub-hired a part of the contract from the other bidder, Agora, "*which would keep them from feeling aggrieved*".

Mr. Marengi also drew reference to the need to be "*especially squeaky clean as we head towards the infinitely politically correct procurement process that we will find in the UK (2012 Olympic) Games opportunities coming up soon.*"

On the basis of PRG's complaint (enclosing Mr. Marengi's e-mail), the OC terminated Mr. Marengi's contract.

²⁰ Later in March 2010 OCFC agreed for limited tender.

Subsequently, OC re-evaluated the selection of PRG. However, the re-evaluation committee, consisting of Shri Sanjiv Mittal, JDG (Procurement), Shri KUK Reddy, DDG (F&A), Shri Jeyachandran, JDG (F&A), Shri Ram Mohan, DDG (Legal), Ms Indu Anand Director (Ceremonies) and representative of Wizcraft found the selection of PRG to be correct. Interestingly, the committee re-evaluated the contract for lighting (which was the main focus of Mr. Marengi's e-mail) and not the searchlight contract.

We also found other instances of undue favour by the OC to PRG:

- Irregular payment of € 225,000 (Rs. 1.37 crore) to PRG on account of damage to equipment, although risk insurance for such eventualities was contractually PRG's liability;
- Short-deduction of TDS of US\$ 1.13 million (Rs. 5.09 crore), contrary to the advice of OC's CA; and
- Provision of 136 air flights free of cost, instead of 60 (as contractually stipulated).

10.6.9.4 Video Content²¹

We found the OC irregularly awarded a contract of Rs. 3.8 crore for video content to Prime Focus (the L-3 bidder), after negotiations with them, on the basis of Shri Bharat Bala's "strong belief in his capabilities", to reduce their rates to the L-1 rates. Incidentally, no tenders were floated, and only proposals given by Wizcraft were evaluated.

10.6.9.5 Audio Systems

OC awarded the contract for audio systems at a cost of US\$ 1.15 million (Rs. 5.17 crore) to Norwest Production and Sound.Com. We found the award process to be irregular:

- Although an open RFP was stated to have been issued in June 2010, the successful PQ bid was not available on record;
- Norwest submitted two options in its bid, one as per OC's criteria and the other on alternative criteria. During evaluation, OC revised its criteria and opted for the alternate option given by Norwest, thus selecting Norwest and not PRG²² who was L1 as per OC's RFP criteria; and
- While the work was awarded to Norwest through tendering, the contract was signed with Norwest and Sound.com and payments were equally divided between them.

²¹ To be projected on the aerostat

²² Who had just been awarded a composite contract for lighting and searchlight.

Appointment of Shri Omung Kumar (Blue Lotus Productions) as supplier of props for ceremonies

OC engaged Shri Omung Kumar (Blue Lotus Productions) as Art Director for the opening and closing ceremonies and manufacturing of props. The proposal for appointment of Shri Omung Kumar was initiated on the recommendation of Wizcraft, Mr. Ric Birch and Shri Bharat Bala; a separate tender process for manufacturing of props was scrapped at the commercial evaluation stage. The scope of work was finalized in April 2010 with Shri Omung Kumar, bypassing the Fast Track Committee, which was considering this issue. Initially, OC signed a turnkey contract for Rs. 11 crore plus taxes (for props and art direction for the opening ceremony) in July 2010. Subsequently, Shri Kumar was given additional work and props for Rs. 1.45 crore plus taxes, contrary to the principle of a “turnkey contract”. This was further expanded on 10 October 2010 to cover props of Rs. 4.04 crore plus taxes for the closing ceremony (which was just four days away). All these works were awarded without an approved list of props required. The need for such high volumes of expenditure on props is, thus, questionable.

The props included vehicles of different categories, ownership for which was not transferred in OC's name. Further, props worth Rs. 3.09 crore for the closing ceremony and Rs. 0.36 crore for the opening ceremony remained unutilized. In addition, props worth Rs. 2.38 crore were not received at all.

We also noticed that the props procured from Blue Lotus Productions were exorbitantly priced, as is illustrated below:

DESCRIPTION OF PROPS AND PRICES CHARGED

Podium (Rs.50000/- per piece)



Polo Circles (not used) - just a ply piece covered with cloth (Rs.13425/- per piece)



DESCRIPTION OF PROPS AND PRICES CHARGED

**Ashok Chakra painted on cloth
(4 metres diameter) (Rs. 150000/-)**



**Placard for each CGA
(Rs.3521/- per piece)**



**Sugarcane Truck
(Rs.10 lakh)**



**Chinese fan
(Rs. 11,000 per piece)**



DESCRIPTION OF PROPS AND PRICES CHARGED

Mobile flag holder - Used to hold the flags for all CGAs (Rs.2254/- per piece)



Garland with stand used as a show piece (Rs. 46833/- per piece)



Bangles for Namaste (Rs.22,950- per piece)



Chagada – Gujarati style (Rs. 2.5lakh)



Tiffin trays for dabbawalas (Rs.8,141/- per piece)



Milk Churn with Bicycle (Rs. 8,000 per set)



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DESCRIPTION OF PROPS AND PRICES CHARGED

Small truck (Tata 407-1996 model) Rs.4.47 lakh



Car (Ambassador-2001 Model) Rs.3.45 lakh



Though the EB asked OC to dispose off these props by selling them in order to earn revenue, Chairman OC approved the proposal for handing over the props and costumes to artist and schoolchildren.

10.6.10 Ground Protection and restoration FOP



Ground Cloth Closing ceremony Lying in JLN Stadium (Picture Taken 1 March 2011)



Ground cloth Opening ceremony Lying in JLN Stadium (Picture Taken 1 March 2011)

OC incurred a total expenditure of Rs. 17.84 crore on various forms of protective coverage for the ground at JLN Stadium for the opening and closing ceremonies. This included:

- Rs. 7.87 crore on procurement of ground protection (temporary flooring tiles to take heavy loads);
- Rs. 2.71 crore on ground cloth (thick carpets) for the opening and closing ceremonies; and
- Rs. 7.26 crore for rolling out grass turf replacement for the Field of Play in the stadium (where grass had initially been laid by CPWD at a cost of Rs. 0.40 crore).

We found that the need for multiple forms of ground protection was not adequately justified. In addition:

- The area to be covered was fixed after the RFP were issued; this area was subsequently reduced and even the reduced supply (of ground protection tiles and ground cloth) was utilised only partially²³ (leaving 4500 tiles worth

Rs. 2.02 crore as well as 16 rolls of ground cloth worth Rs. 0.20 crore, unutilised).

- Ground cloth for the closing ceremony was merely optional, but the OC still went ahead with procurement.

Further, the procurement of all these items was irregular:

- Procurements were done without following global tendering and also not providing adequate time for bidders to respond.
- The ground protection contract was initially floated on hiring basis in March 2010. Out of three qualified bids, the L-1 bidder (Signature Fencing and Flooring Systems) and L-2 bidder (Signature Fencing jointly with Jubilee Sports Technology Ltd.) were essentially the same. After the L-1 bidder withdrew its offer for Rs. 7.87 crore (purportedly

²³ The original requirement of ground tiles of 23,000 sq. meter was reduced to 16,900 sq. meter, but only an area of 11,970 sq. meter was covered.

because it refused to bear the withholding tax), the scope of work was reduced (from 23,000 sq. meter to 16,900 sq. meter) and awarded in June 2010 to L-2 (since Jubilee Sports agreed to bear the tax). Then, Jubilee Sports refused to bear the tax, and the contract was awarded on procurement basis to Rs. 7.87 crore to Signature Fencing. Incidentally, Signature Fencing supplied only one layer of ground protection (against the contracted three layers of protection)

- The ground cloth contracts for the opening and closing ceremonies were awarded on the basis of single responses to GeoFabrics, UK and Lalit Art Studio at costs of US\$ 387,695

(Rs. 1.74 crore) and Rs.0.97 crore. Further, Lalit Art Studio supplied ground cloth of the wrong colour (white against black and sand colour), but OC accepted the cloth.

- OC awarded the contract for rolled grass turf replacement in June 2010 at Rs. 7.26 crore to Hortus Consultants Ltd, after re-tendering. In addition, OC also awarded a service agreement for Rs. 0.48 crore in September 2010 to supply water proof membrane for levelling of ground and filling of sand for the Field of Play, which was actually the responsibility of CPWD. There was no evidence that CPWD refused to undertake this work.



Unused Ground Protection Tiles (March 2011)

OC was responsible for providing catering services at the Games Village and venues for athletes and team officials, CGF/ CGA officials, VIPs, technical officials and media persons, volunteers, workforce, contractors and spectators.

We found inexplicable delays in planning for catering services, as well as in the execution of various catering-related activities. The catering contracts for CWG-2010 were awarded only between May and August 2010, in contrast to the scenario for Melbourne CWG-2006 and London Olympics 2012 where these were awarded more than a year in advance.

There were numerous irregularities in the award of the Games Village catering contract. The process of award took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the recommendations of OC officials, but was also done after opening the single financial bid on the Chairman's verbal orders. This decision to re-tender weakened the OC's negotiation position vis-a-vis the vendors and resulted in frantic activity upto June 2010 for conclusion of four separate contracts/ agreements.

The process for award of venue catering contracts was also flawed, with unusual delays. This witnessed one round of cancellation of tenders, and floating of three new RFPs as late as July 2010, with compromises on transparency, quality and economy (due to insufficient competition). Consequently, there were numerous complaints about the venue catering services, resulting in emergency arrangements during the Games time.

11.1 Planning for Catering Services

Catering for all the under mentioned categories of persons was an activity which was solely the mandate of the OC.

- athletes and team officials;
- CGF/CGA officials and VIPs;
- technical officials and media persons;
- volunteers, workforce, and contractors; and
- spectators.

We found totally inexplicable delays in planning for catering services:

- The catering functional area in the OC was activated only in January 2009 (against the original deadlines of June 2007) with the appointment of an Assistant Project Officer.
- The first draft operational plan for catering was prepared only in March 2009; also, a comparison of the sequence of actual catering-related activities vis-a-vis the operational plan revealed substantial deviations, raising serious doubts as to the actual implementation of the plan.



11.2 Contrast between CWG 2010 and Melbourne 2006 and London Olympics 2012

The catering contracts for CWG-2010 (Oct 2010) were awarded only between May and August 2010. By contrast, the contracts for Melbourne CWG-2006 (Mar 2006) were awarded in February 2005. The contracts for the London Olympics 2012 (July 2012) have already been awarded in February 2011.

Only one tie-up between the catering contracts and sponsors in the catering area could be arrived at, due to the enormous delays and uncertainties in finalisation of contracts for both sponsorship and catering. By contrast, the roles of the Olympic sponsors (McDonalds, Coca-Cola and Cadbury) vis-a-vis other catering service providers (incumbent and future) for London-2012 were clearly identified as early as in December 2009.

Catering requirements were divided into 11 tender packages, based on their location, size and scope –

- one for Catering for the Games Village (CGV);
- eight for clusters of venues; and
- two for non-venues (airport/ International Broadcasting Centre).

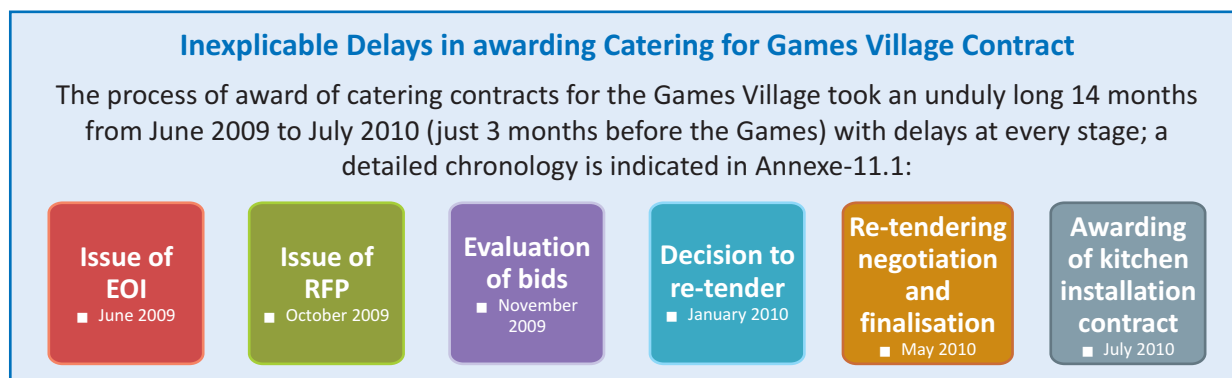
EOI were issued in June 2009 for all 11 tender packages; the Games Village package was processed first. The RFPs for the other 10 packages were staggered.

11.3 Award of Catering for Games Village (CGV) Contract

As per the HCC, the OC was to provide a variety of meals to all athletes, round the clock, in the Games Village. The food in the Games Village was to be prepared taking into consideration the special needs of high performance athletes, as well as national and religious habits and traditions of the competitors. More than 8000 athletes and officials were expected to stay in the Games village and to have food there. The catering contract was envisaged in two parts:

- Part A – for provision of catering services; and
- Part B – for kitchen design and construction

Figure 11.1 — Award of Games Village Catering Contract



We found serious deficiencies in the tendering/ award process:

- Global tendering, requiring issue of advertisement in the Indian Trade Journal and consultation with Indian embassies abroad and foreign embassies in India, was not followed at any stage.
- Although four bidders were technically qualified (after evaluation of responses to the June 2009 EOI), only one party – Delaware North Company Australia (DNC) submitted a financial bid¹.

Questionable Decision by Chairman to re-tender

The Evaluation Committee noticed that DNC had not submitted the EMD with its technical bid, but still decided to continue with technical evaluation. The Committee recommended, in December 2009, condonation of non-submission of EMD and opening of the commercial bid. The CEO recommended EB approval for such condonation. However, on verbal orders of the Chairman on 11 December 2009, the commercial bid of DNC was opened.

A month later, on 12 January 2010, the Chairman ordered re-tendering, due to non-submission of EMD². Despite SDG Catering's advice of 13 January 2010 that such re-tendering would take about 3-4 months with disastrous consequences and a subsequent e-mail from 19 January 2010 from DNC confirming that it was committed to depositing the EMD, the decision to re-tender was communicated to DNC on 2 February 2010. OC informed (December 2010) us that the Chairman was requested repeatedly for immediate decision on the DNC bid, but "due to reasons known to him" decided to re-tender the contract.

This was based on a reversal of opinion by Shri Jeychandran, JDG (F&A) and Shri Ram Mohan, DDG (Legal) (who were part of the evaluation committee recommending condonation), now agreeing with the Chairman's decision to re-tender. CEO's direction to submit this decision for OCFC's consideration was rebutted by the views of Shri Jeychandran and Shri Ram Mohan that the Chairman was the competent authority. The decision was never put up for the approval of either the EB or the OCFC.

As described below, the decision to re-tender unleashed frantic activity between March and June 2010 for tendering, negotiation and conclusion of four separate contracts/ agreements - with DNC for catering, PKL for procurement of kitchen equipment; Balmer-Lawrie for airlifting of kitchen equipment, and Constellation-Aster for kitchen installation and additional equipment. At this stage, every delay (howsoever minor) weakened the negotiating position of the OC, leaving it at the mercy of vendors.

In a separate response, Shri Kalmadi indicated that it was incumbent on the OC to reject the bid in the light of non-submission of EMD, and there was no occasion to seek the approval of the EB for enforcement of stipulated tendering conditions; hence, his decision was not questionable. We do not agree, for the reasons indicated above.

¹ In consortium with TajSATS and PKL London

² As already pointed out (Annexe 7.3 F), in three other previous contracts, the OC took a contrary position by condoning the non-submission of EMD.

- After re-tendering in February 2010, only one bidder (DNC) was found technically qualified, and its financial bid opened on 26 March 2010 (in their presence). However, on 30 March 2010, DNC stated that PKL, their partner for kitchen design and construction had refused to participate (*“due to frustrations and concerns about OC's processes and procedures to meet deadlines”*) and asked OC to directly negotiate with PKL (while also stressing that only PKL should be appointed as the equipment supplier).
- We did not find evidence of a valid consortium between DNC and PKL/ TajSATS (whose staff strength was included in DNC's bid document to meet the manpower requirements stipulated in the RFP). Further, the re-evaluation of technical bids after change in scope of work (removal of kitchen design and construction) was not done. Despite several deficiencies in the DNC bid, OC had no choice but to go ahead with the contract with DNC, nor was it able to enforce any penal measures against DNC for suddenly backing out from part of the bid. This was because the sequence of delays had left OC with no options in this regard.
- OC separately negotiated with PKL, who offered only outright purchase of the ex-hire (used) kitchen equipment (rather than hire), which was done in May 2010. At this stage, OC was in a weak negotiating position, which was exploited by DNC and PKL.
- Due to the delayed finalisation of the kitchen equipment contract with PKL, OC was forced to airlift the kitchen equipment in July 2010 from London at

a cost of Rs. 8.59 crore through Balmer-Lawrie.

- OC awarded a separate contract in June 2010 for purchase of additional equipment and installation of kitchen equipment purchased from PKL to a consortium of Constellations and Aster Technologies. A time limit of just 10 days (which was not extended) was provided for submission of bids. Further, Constellation did not qualify on its strength; Aster Technologies, whose role was not indicated in the bid, was evidently included only to meet the criteria of annual turnover of Rs. 15 crore. Incidentally, Shri Sunil Khanna, who was appointed in May 2010 as a consultant in the OC's Catering Functional Area, was already associated with Aster Technologies; this clear conflict of interest was not documented before award of the contract. Shri Khanna resigned from the OC on 13 June 2010³ citing his association with Aster Technologies. It appears that his sole interest in the OC was to facilitate award of the contract to the Constellations – Aster Technologies consortium.
- The kitchen was ultimately handed over by the OC to DNC only on 9 September 2010 (as against the contractually stipulated date of 15 August 2010). OC attributed this delay to DDA's failure to hand over the kitchen area in time.

In response, OC accepted that *“the decision making authority kept on postponing the decision. The merry go round of the SFC-*

³ Shri Khanna purportedly joined on 24 May 2010. However, the head of OC's Workforce Functional Area indicated that he learnt of Shri Khanna's joining only on his resignation.

EMC-EB-EMC-Chairman-EB took a heavy toll on precious time.” OC also agreed that a prompt decision in April 2010 could have ensured transportation through shipping instead of airlifting, but stated that “taking

prompt decision was never a strong point with OC”.

The financial implications of the numerous changes in the Games Village Catering Contract are summarised below:

Table 11.1 – Financial implication of changes to Games Village Catering Contract

November 2009	March 2010	May - July 2010	December 2010 (Payments)
DNC's Original Financial Bid	DNC's Revised Financial Bid	Contract with DNC - Rs. 66.59 crore	Rs.57 crore
Part A – Rs. 52.20 crore	Part A – Rs. 57.96 crore	Procurement from PKL - Rs. 8.63 crore	Rs.8.63 crore
Part B – Rs. 18.95 crore	Part B – Rs. 21.10 crore	Contract with Constellations/ Aster - Rs. 9.50 crore	Rs. 9.50 crore
		Airlifting of kitchen equipment by Balmer Lawrie - Rs. 8.59 crore	Rs.8.59 crore



View of the dining area in the Games Village

From the available documentation, we are unable to explain how the purchase price of equipment from PKL (Rs. 8.63 crore), even after clubbing with the Constellations/ Aster contract (Rs. 9.50 crore), was lower than the corresponding components of DNC's original and revised financial bids (which were on hire basis).

In response, OC indicated that there would be substantial savings of Rs. 9.4 crore on the DNC contract. Although the 527,227 meals provided exceeded the estimate of 480,435 meals, there were savings on account of overhead charges on actual basis, office space provided by the OC and Value-In-Kind (VIK) sponsorship from Coca Cola.



Kitchen equipment lying in packed condition post-Games

OC has still not been able to either dispose of the kitchen equipment or transfer/ redeploy it to a Government/ semi-Government body or institution. We recommend that the OC and MYAS take immediate action on this account, as the value of such equipment is continuously depreciating with time. Meanwhile the equipments are lying in the Games Village.

In our opinion, the lack of adequate competition for the Games Village Catering Contract from organizations with requisite global experience and credentials⁴ is strange, to say the least. DNC was the only truly eligible bidder with global experience in both rounds of tendering and it was, in a sense, inevitable that the contract would be awarded to DNC without financial competition.

From the documentation made available to us, we found no evidence of OC systematically having identified the large global players who had relevant experience over the last 10 years or so, or having encouraged such players to respond to the EOI (so as to promote adequate competition). Lack of competition was further accentuated by the OC's delays in planning and tendering/ approval, which left little time

- both for the catering agency to finalise its operational and logistical plans and for the OC to scout around for alternatives.

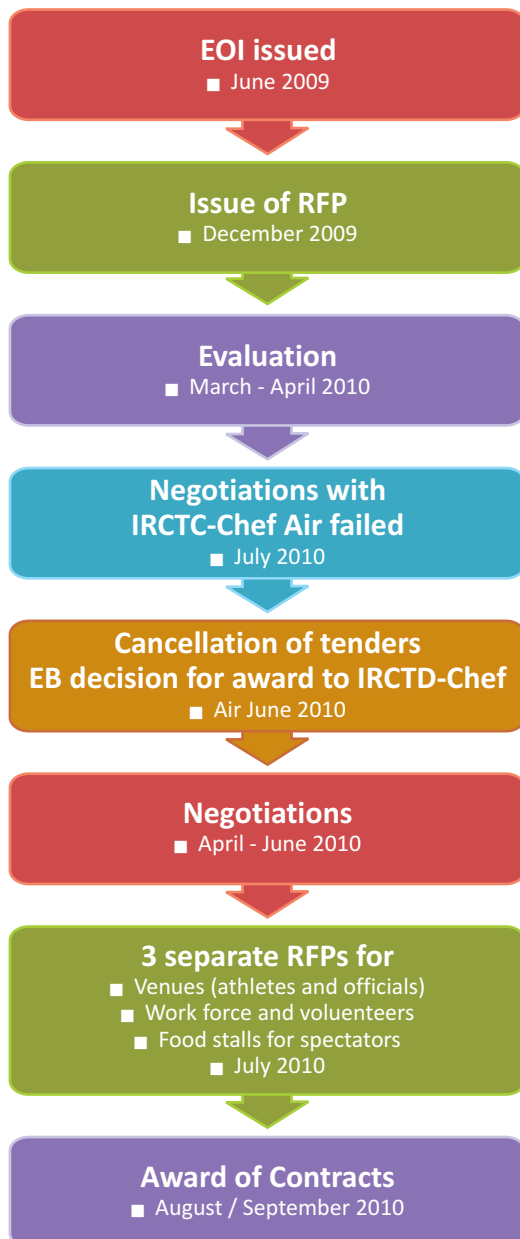
11.4 Catering at venues and non-venues

Although a common EOI was issued in June 2009 for the Games Village package and ten other catering packages (8 venue clusters and 2 non-venue clusters), the RFPs for the Games Village package and the other packages were to be issued in a “staggered manner”, purportedly to ensure proper framing of the Scope of Work. This merely ensured more delay for the venue and non-venue clusters; 13 out of 16 bidders were qualified, and RFPs issued to them only in December 2009.

⁴ e.g. Aramark, the largest food caterer in the US, which provided catering services at the Beijing Olympics 2008 did not show any interest, even at the EOI stage.

Inexplicably, catering for spectators at venues was not planned specifically as a revenue generation activity, and was clubbed with other catering services (which were cost centres, to be paid for by the OC). Further, the scope and range of catering services for spectators and others (and consequently the pool of potential service providers) were quite different; this was also not considered at the planning stage.

Figure 11.2 – Award of catering contracts for venue/ non-venue clusters



The process of award of catering contracts for the venue/ non-venue clusters took an even longer 15-16 months from June 2009 to August/ September 2010, with several flip-flops; a detailed chronology of events is listed in Annexe 11.2.

In our view, the delays and frequent changes are indicative of complete ad hocism:

- The RFP for venues/ non-venues was issued in December 2009, a full six months after the EOI, purportedly to ensuring proper framing of the scope of work. However, the last date for submission of bids to the RFP was extended twice due to changes in templates and the size of the work, indicating extremely poor estimation of requirements;
- In the first round of bidding, IRCTC submitted bids for all venue clusters⁵, with four other bidders for selected clusters;
- The first attempt by the Chairman, OC to cancel the tendering process took place in March 2010 after the technical evaluation, when he indicated that many reputed firms like ITDC had not participated. However, the commercial evaluation was allowed to proceed on the SDG Catering's advice that delays would escalate cost and make it difficult to meet deadlines;
- Multiple rounds of negotiations were carried out over three months (April-June 2010) with the five bidders for the clusters where they were L-1. The total estimated expenditure came down from Rs. 77.94 crore to Rs. 68.46 crore.

⁵ There were no bids at all for the two non-venue clusters.

- The results of these negotiations were nullified in June 2010, when the Chairman suggested cancellation of all tenders and nomination of IRCTC-Chef Air, which was endorsed by the EB; and
- After negotiations, though IRCTC agreed for a total amount of Rs. 43.83 crore, OC decided in July 2010 not to accept the IRCTC offer and float new RFPs. At this point of time, Shri Jiji Thomson SDG Catering clearly expressed his strong objection to floating new RFPs with diluted eligibility criteria and service levels (which would result in taking on board contractors with no proven experience in catering to such mega events) and requested that he be relieved of the responsibility of the Catering Functional Area, as he wanted to distance himself from such a move⁶. Subsequently, the responsibility for this functional area was handed over to Shri Sanjiv Mittal, JDG (Procurement) (with SDG Catering to continue to “supervise” the work), and new RFPs were floated.

11.5 Floating of three “new” RFPs in July 2010

Three separate RFPs were issued on 19 and 24 July 2010 for appointment of:

- Agency for operating food stalls for providing food and beverages to spectators as “user pay service” at 8 venue clusters;
- Caterers for all lounges (for athletes, officials and VIPs) in competition and training venues; and

⁶ Interestingly, this file was returned by the Chairman's Office only in December 2010 to the Catering Functional Area.

- Caterers for supply and distribution of food packets to workforce, volunteers, security personnel at all venues (except the Games Village).

The RFPs provided just 6-10 days time for bidding, thus restricting participation (as pointed out by SDG Catering).

11.5.1 Agency for operating food stalls for spectators

In August 2010, OC selected Fast Trax, which was the H-1 bidder offering Rs. 0.93 crore for all eight venue clusters, as the agency for operating food stalls for providing food and beverages to spectators. The MoU was signed only on 27 September 2010 and was badly drafted⁷.

Safety of Food for Spectators

Initially, the RFP stipulated submission of lab test reports for the last three months; this was relaxed to submission of food safety certificates (HACCP/ ISO 22000) in lieu thereof. Further, Fast Trax's bid for catering at the lounges (for athletes, officials and VIPs) and provision of food packets for workforce and others was rejected due to non-submission of HACCP certificate. In fact, Fast Trax's offer of Value-in-Kind sponsorship of Rs. 8 crore for food packets was rejected on this account.

Clearly, while the OC was unwilling to compromise on food safety standards for the Games Family (and association of the Games brand with non-HACCP agencies for such catering), it did not accord the same priority to food safety for spectators.

⁷ The MOU indicated the date of payment of the second installment as 23 September 2010, which had already elapsed.

The entire amount was to be paid in advance – 25 per cent on signing of the MoU, 50 per cent by 23 September 2010, and 25 per cent by 2 October 2010. However, as of December 2010, OC had received only Rs. 0.38 crore. In response, OC indicated they were taking legal recourse for recovery of the balance amount.

11.5.2 Caterers for Lounges at Competition and Training Venues

We found significant deficiencies in the tendering process for catering for lounges:

- For two venue clusters – 1 and 2, multiple bids were received, and the contracts were awarded by the Fast Track Committee to the L-1 bidders - Graviss Hospitality and IRCTC, at Rs. 5.2 crore and Rs. 1.7 crore respectively. For cluster 4, a single bid was received from Seven Seas at Rs. 2.0 crore and accepted. However, IRCTC's single bids for clusters 3, 7 and 8 (at Rs. 1.40 crore, Rs. 0.80 crore and Rs. 3.2 crore) were rejected on being found “very expensive”. Clusters 5 and 6 received no bids, but received fresh bids for Rs. 1.90 crore and 1.20 crore from Graviss (under a new clause of “right of first refusal” for technically qualified bidders evolved by the Committee); these were, however, rejected.
- The Committee cancelled the bidding for clusters 3,5,6,7 and 8, and called for “snap bids” in 24 hours from the same three bidders (IRCTC, Graviss and Seven Seas). After this round of “snap bidding”, cluster 6 was awarded to Graviss at Rs. 0.74 crore, and clusters 3,5,7 and 8 to Seven Seas at Rs. 1.20 crore, Rs. 0.90

crore, Rs. 0.78 crore and Rs. 1.38 crore respectively.

- Additional work of providing hot meals to athletes and team/ technical officials for lawn bowls venues was awarded to Graviss at Rs. 0.36 crore.

OC followed an arbitrary approach in this process. In the first round, Seven Seas was awarded a cluster on single bid, but IRCTC did not receive the same consideration for three clusters where it was a single bidder. Instead of negotiations with all single bidders for reducing the costs, OC evolved an unusual and irregular practice of “snap bids”, which involved complete lack of transparency.

Interestingly, while the catering rates for the lounges for athletes and technical officials ranged from Rs. 450 to Rs. 600 per head per day, the corresponding rates at the lounges for the VIPs and Games Family ranged from Rs. 1190 to Rs. 2356.

11.5.3 Caterer for supply and distribution of food packets

Out of seven responses, OC found five firms technically qualified and awarded the work to the L-1 bidder, AFP Manufacturing Co. Pvt. Ltd (a manufacturer of namkeen, snacks and bakery products), at a cost of Rs. 8.75 crore. However, we found that AFP Manufacturing was ineligible and was irregularly qualified by the OC:

- They did not provide details of catering processes, equipment details, manpower, transport, kitchen equipment etc., as stipulated in the RFP. Instead, they submitted an MOU dated 30 July 2010⁸ with Co-ordinators, who

⁸ Last date of submission of bid

also did not provide such details but merely indicated a list of recent clients.

- The HACCP certificate for AFP Manufacturing was for their unit at Bhiwadi, manufacturing namkeen and bakery products and not for any catering services. This issue was flagged by the catering consultant and SDG Catering. Subsequently, AFP submitted an HACCP certificate for hospitality and catering for Ekta Shakti Foundation, a body under the “umbrella” of AFP with experience of supplies for the Mid-day Meal Scheme⁹.

OC's failure to examine AFP Manufacturing's capability for such large scale catering services before awarding the work to it resulted in total chaos. AFP's base kitchen was not found satisfactory during OC's inspection on 25 September 2010. Further, OC's estimation of the requirement of meals also went up by more than 100 per cent, and AFP was found incapable of serving such large requirements. AFP also indicated their inability to provide packed lunch and dinner before 1 October 2010. OC was forced to make alternate arrangements:

- Engagement of 19 new caterers (in two phases);
- Engagement of Kohinoor Foods for retort¹⁰ food as a back-up solution;
- Use of vehicles and manpower of AFP; and
- Buffet solution (along with on-site packing) at JLN Stadium, and provision of dry snacks from AFP.

⁹ By contrast, Fast Trax was declared ineligible for want of the HACCP certificate.

¹⁰ Food in a flexible sealed pouch or package which can be stored for long periods without spoiling

Besides additional expenditure of Rs. 4.23 crore, the arrangements for catering for the work force turned out to be chaotic, with numerous complaints about non-service and unhygienic food from various categories of users.

Incidentally, OC had engaged TQS for food audits at all locations at a cost of 0.88 crore. Although the food audit reports were available on OC's records, there were numerous complaints about food quality. Further, food audit of the base kitchens of some of the caterers could not be conducted, as even JDG/SDG Catering were not aware, till the last minute, of the source of food supply for each venue.

11.6 Catering at Airport

Catering at the airport originally constituted Cluster 11 at the stage of the initial EOI of June 2009. This aspect was not considered subsequently till 20 September 2010, when the need for providing meals at the airport from 23 September 2010 to guests and workforce was flagged. After discussions with Delhi International Airport Ltd. (DIAL), OC appointed two existing caterers at the airport – Premium Port Lounge Management and Global Gourmet – out of the five caterers suggested by DIAL. OC incurred a total expenditure of Rs. 0.75 crore for catering at the airport.

Successful organisation of the Games required several integrated technical solutions – a Timing, Scoring and Results (TSR) system, a Games Management System (GMS), a Games Time Website, and supporting IT, telecom and network infrastructure.

The TSR system is required for capturing and disseminating the detailed results of a competition. We found that planning for TSR was badly delayed and initiated only in January 2009. The tendering and award (including re-tendering) process took an unusually long period of 13 months from March 2009 to March 2010. There was an abnormal six months gap between the 1st EOI in March 2009 and the issue of the RFP (for the 2nd tender) in October 2009. There were clear and repeated interventions at different stages to steer the TSR contract towards Swiss Timing Omega and eliminate MSL, Spain.

- *The technology consultant recommended award of the contract on nomination basis to Swiss Timing Omega.*
- *The RFP (for the 2nd tender) favoured Swiss Timing Omega by stipulating experience in Asian Games, CWG or Olympics during the last five years with “end-to-end service”; this was further amended to change the service requirements from “Timing, Scoring and/or Results” to “Timing Scoring and Results”.*
- *MSL, Spain was irregularly disqualified at the PQ stage, overruling objections from two members of the Evaluation Committee. MSL, Spain and Swiss Timing Omega had jointly provided TSR solutions for Melbourne CWG-2006, Doha Asian Games-2006 and Beijing Olympics 2008. Both MSL and Swiss Timing Omega were equally qualified / unqualified as to the “end-to-end service requirement” or the requirement to provide Timing, Scoring and Results. Further, the fact that MSL had been appointed for providing TSR for 2010 Asian Games Guangzhou was not considered.*

OC was thus left with a single financial bidder, effectively eliminating any opportunity for competitive pricing of TSR. This facilitated award of the TSR contract to Swiss Timing Omega at an exorbitant cost of Rs. 135.27 crore (compared to just Rs.39.84 crore equivalent at Melbourne CWG-2006 from the same vendor).

There were several deficiencies in the performance of TSR. TSR was not tested either during the test events, or in a real-time Games situation. The Commentary Information System (CIS) and remote CIS did not function properly during most part of the Games. The Games Information System (provided as Value-in-Kind sponsorship by Swiss Timing Omega) also did not function properly.

The award of the Games Management System (GMS - the primary IT application for administration of the Games) was also flawed. As in the case of TSR, the RFP conditions were unduly restrictive by stipulating experience in Asian Games, CWG or Olympics during the last five years. Three out of four bidders were disqualified, with MSL, Spain being eliminated through a biased evaluation. However, Gold Medal Systems was declared eligible, despite not submitting any documentation in support of its financial strength and finally awarded the GMS contract at a total cost of Rs. 25.29 crore (compared to just Rs. 4.15 crore equivalent at Melbourne-CWG from the same vendor).

Inexplicably, OC failed to consider the need for a Games Time website (the main Internet platform for disseminating real-time information on sporting events during the Games) till June 2010. The award of the contract to HT-Hungama was flawed and irregular. In the absence of bids being received in a sealed cover, associated complaints, and a cash discount (which we cannot confirm if it was received with the bid) making the L-3 bidder into L-1, the award procedures appeared to lack transparency. In addition to adverse media reports about the website's performance, the CGF President also confirmed serious problems with the website; documentation with OC on this aspect was, however, sparse and unreliable.

In October 2009, OC appointed Telecommunications Consultants India Ltd. (TCIL), a PSU, as a turnkey implementation agency for telecom, IT and networking projects and paid Rs. 18.66 crore. We found that the engagement of TCIL was unjustified, and TCIL's contract was not implemented in turnkey mode (with OC remaining in full control of approval of individual contracts).

Further, TCIL's consulting services/ advice was only taken in a selective manner, and not used at all for telecom services.

OC had not properly planned the decommissioning of technology and IT equipment. Rs. 21.04 crore of leased equipment was yet to be returned to the vendors, while procured items were still lying with the OC.

12.1 Overview of Technology Requirements

The main technology requirements for successful staging of the Games covered:

- A Timing, Scoring and Results (TSR) system for capturing details of the results of the sporting events, and other associated systems/ modules;
- A Games Management System (GMS) for supporting administration of the Games;
- A Games Time Internet website for enabling public access to full details of sporting results; and
- IT, telecom and network infrastructure to support the above systems and normal office automation applications.

12.2 Management of Technology Functional Area

We found that there was lack of adequate leadership, advice and continuity for the Technology Functional Area:

- There were as many as nine key persons associated with the functional area at different points of time:

Table 12.1 — Key persons associated with Technology Functional Area

People associated	Period
VK Gautam	September 2007 to October 2009
SK Dass	January – April 2008
Sujit Panigrahi	October 2008 – December 2009
Sandeep Arya	November 2009 – December 2009
Ajit Sirohi	December 2009 – February 2010
Sunil Arya	February – November 2010
Harsh Kumar	February 2010 till date

- Shri Brian Nourse prepared the Functional Area report for technology in August 2007 on behalf of EKS, and was subsequently appointed twice as Consultant by the OC – from December 2007 in intermittent spells, and continuously from September 2009 to October 2010¹. On both occasions, his scope of work was not clearly defined, timelines were not given, and payments were not linked to achievement of deliverables.

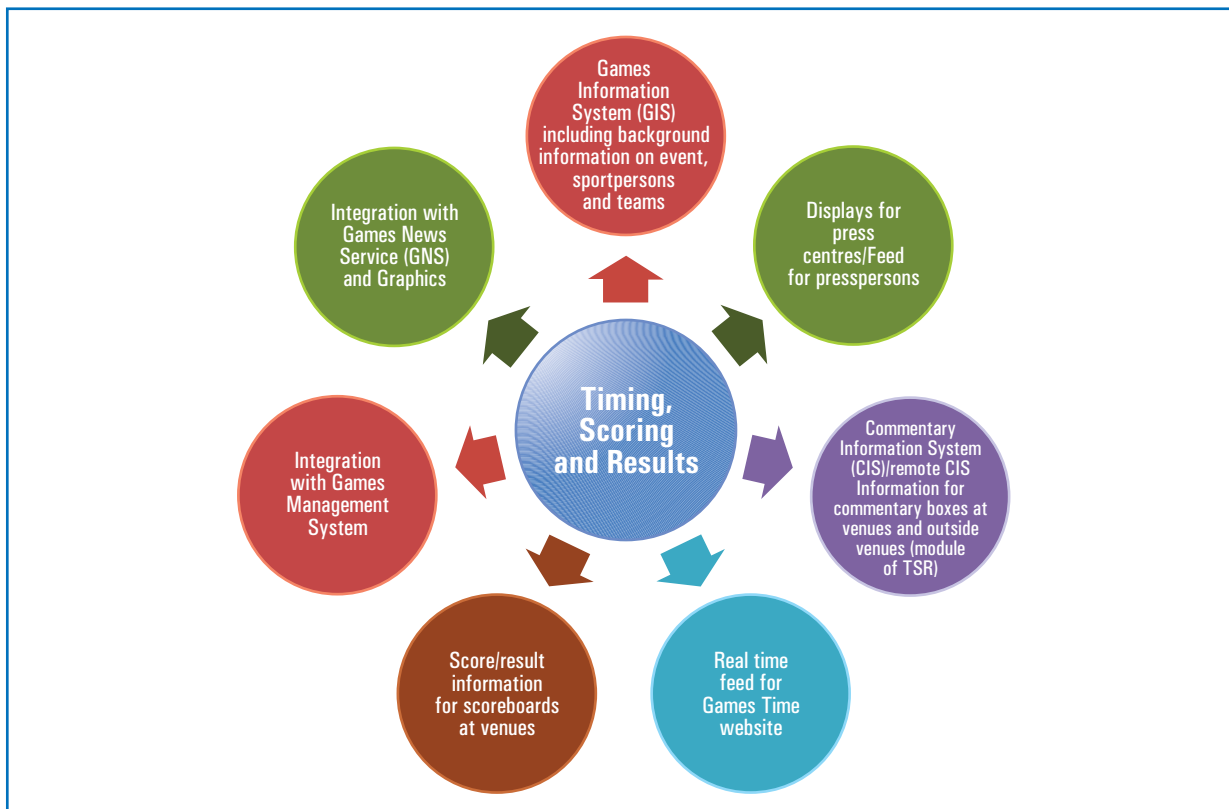
12.3 Timing, Scoring and Results (TSR) System

12.3.1 Overview

The Timing, Scoring and Results (TSR) system captures the detailed results of a competition, both during and at the conclusion of the session, and distributes this information, while ensuring consistency in results, outputs and graphics. An overview of the TSR system and integration with other systems is depicted below:

¹ Shri Nourse's contract was terminated by the OC in March 2010, in order to enable him to commence work for Glasgow CWG-2014.

Figure 12.1 – Overview of TSR System and integration with other systems



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OC procured the TSR system from Swiss Timing Omega at a cost of Rs. 112.45 crore (CHF 2,49,90,000) with an additional liability of Rs 22.82 crore for service tax (Rs. 11.58 crore) and withholding tax (Rs. 11.24 crore).

12.3.2 Delays in Planning

We found that planning for TSR for CWG-2010 was badly delayed and the first draft of the scope of work for TSR was prepared only in January 2009². By contrast, planning for TSR services for London Olympics-2012 started four years in advance. The delays at the planning stage were primarily attributable to lack of internal expertise and complete reliance on the consultant.

² Shri Bhanot, however, announced at a meeting of the Centralised Co-ordination Committee in December 2008 that Swiss Timing Omega would be providing the TSR equipment, even before the TSR scope of work was prepared.

12.3.3 Budgeting

The original budget for TSR-related activities of Rs. 57.53 crore was increased to Rs. 109.53 crore by the EFC in October 2009. The total cost of TSR of Rs. 135.27 crore exceeded the budget by Rs. 25.74 crore, despite the absence of any additional budget allotment / re-appropriation.

Abnormally high cost of TSR in CWG-2010 as compared to Melbourne CWG-2006

OC procured the TSR system at an abnormally high sum of Rs. 135.27 crore from Swiss Timing Omega in March 2010, as compared to Rs 39.84 crore³ (AUD \$12 million) spent for Melbourne CWG - 2006 for procuring the system from the same manufacturer i.e. Swiss Timing Omega. This additional cost is abnormally high and calls into question the reliability of the contracting procedure.

³ 1AUD=Rs.33.20 (as on 1.1.2006)

Originally, TSR was envisaged as a legacy item to be procured centrally by an agency to be designated by MYAS out of the budget provision of venue owners⁴. It is only in the EFC meeting of October 2009 that Shri VK Verma, DGOC stated that the TSR equipment would be on “lease in- lease out” basis. However, the budget for TSR was still given as a grant, rather than a loan.

When the final accounts of the OC are drawn up, this should be treated as a loan for accounting purposes, although the ultimate deficit will necessarily have to be borne by Gol.

12.3.4 Award of TSR Contract

We found unduly long delays in the tendering and award of the TSR contract:

Figure 12.2 – Undue delays in tendering and award of TSR contract



There was an abnormally long gap of six months between the first EOI (March 2009) and the issue of RFP (October 2009), which was punctuated only by the consultant's discussion paper (May 2009) making a case for engaging Swiss Timing Omega on nomination basis.

Such unwarranted and unexplained delays, particularly at a stage in organizing the Games when shortage of time was a critical concern, suggest considerations other than ensuring fair and transparent practices in award of the contract which are borne out by our findings.

⁴ As clarified in the December 2008 meeting of the Centralised Co-ordination Committee.

We observed that there were clear and repeated interventions to steer the contract towards Swiss Timing Omega and eliminate MSL, Spain and other potential bidders

through biased technical evaluations to restrict competition that resulted in a single financial bid with no scope for competitive pricing:

Table 12.1- Chronology of events relating to TSR contract

Timeline	Stage	Intervention
December 2008	Centralised Co-ordination Committee Meeting	<ul style="list-style-type: none"> Announcement by Shri Lalit Bhanot that the hardware for TSR would be supplied by Swiss Timing Omega
March 2009	EOI	<ul style="list-style-type: none"> The EOI listed five eligibility criteria and stated that '<i>only Swiss Timing Omega meets all the above criteria</i>'. Shri VK Gautam, COO opposed the process, as the Technology FA was not involved.
April-May 2009	Responses to EOI	<ul style="list-style-type: none"> Two responses were received from TechnoVision SPA (Italy) and Mondo (India) Shri Bhanot, however, constituted an evaluation committee, which rejected both bids. Shri Bhanot recommended Swiss Timing Omega for TSR to the MYAS. No further action was taken.
May 2009	Consultant's Discussion Paper to Shri Bhanot	<ul style="list-style-type: none"> The consultant recommended a single supplier approach for all TSR components and suggested confirmation of the scope of work and direct negotiations with Swiss Timing Omega.
October 2009	RFP (2 nd round of tendering)	<p>The RFP clauses restricted competition and favoured Swiss Timing Omega</p> <ul style="list-style-type: none"> Experience of providing TSR systems in Asian, CWG or Olympics during the last five years – despite objections of the then ADG (Technology) and Shri Gautam about its restrictive nature and suggestions to include Pan-American or other similar multi-sporting events, the clause was retained by Shri VK Verma, DG-OC, without recorded reasons. The scope of work required “end to end service” associated with CWG (incidentally, neither Swiss Timing Omega nor MSL, Spain fulfilled this criteria on their own). The RFP was amended to change the service requirement from 'Timing, Scoring and/or Results' to 'Timing Scoring and Results'. This change formed the basis for rejecting MSL.

Timeline	Stage	Intervention
October - November 2009	Responses to RFP and Pre-Qualification	<ul style="list-style-type: none"> ■ Two bidders responded to the RFP – Swiss Timing Omega and MSL, Spain. ■ The bids were to be evaluated in three stages – pre-qualification (PQ), technical and commercial. However, MSL, Spain was disqualified at the PQ stage itself. While two members of the Evaluation Committee – ADG (Technology) and ADG (Revenue) recommended that both bidders be qualified – they were overruled by the other two members (with the support of Shri VK Verma, DG-OC) on the grounds that MSL did not have experience as an end-to-end provider and had never provided the timing function in the specified events. ■ Incidentally, Swiss Timing Omega and MSL, Spain were jointly providing TSR systems for Melbourne CWG-2006, Doha Asian Games -2006, and Beijing Olympics 2008 – with the timing element being provided by Swiss Timing Omega (the main contractor), the results software and the Games Information System by MSL, Spain, and the scoring element being provided jointly by both parties. Further, OC was aware that MSL had already been appointed for providing TSR for the 2010 Asian Games, Guangzhou. Hence, the rejection of MSL, Spain was questionable. ■ We conclude that if MSL was not experienced in providing end to end solution, neither was Swiss Timing. However the evaluation was just steering towards selection of Swiss Timing Omega .

OC was left with a single financial bidder (by irregularly disqualifying the only other serious competitor - MSL, Spain), effectively eliminating any opportunity for competitive pricing of TSR, which facilitated acceptance of the exorbitant rates quoted by Swiss Timing Omega.

OC took another 4 months to complete a (now meaningless) technical and commercial evaluation and award the contract to Swiss Timing Omega only in March 2010; this further delay is inexplicable.

Interestingly, OC also took advice on MSL, Spain's eligibility from TCIL and Shri Mike Hooper. TCIL advised disqualification of MSL, Spain, though it had no association or technical knowledge on the specific aspects of the TSR tender. Shri Mike Hooper relied largely on TCIL's opinion.

Swiss Timing Omega offered VIK (value in kind) of 3 legacy scoreboards and Games Information System (GIS)⁵ besides a cash

⁵ OC had also floated a separate tender for GIS in October 2009 to which MSL, Spain had responded; this tender was terminated on acceptance of Swiss Timing Omega's offer of GIS as VIK for the TSR contract. Incidentally, MSL, Spain was providing the GIS in previous Games as a partner of Swiss Timing Omega

sponsorship of Rs. 4.50 crore and a cash discount of Rs. 1.18 crore. This was accepted by the OC. OC extended several undue favours to Swiss Timing Omega:

- **Liability for Tax:** OC took an additional liability of Rs.22.82 crore on account of taxes on behalf of Swiss Timing Omega, contrary to the RFP provisions. This variation was neither discussed by the commercial evaluation committee nor brought to the notice of the OCFC.
- **Cost of TSR systems for test events:** The RFP was modified by keeping costs relating to test events out of the commercial bids, though this formed a part of the original scope of work. Accordingly, Swiss Timing Omega in its commercial bid asked for an additional 33 per cent for providing TSR for test events, which was not considered by the OC.
- **No clause for Liquidated Damages:** The contract had no clause for levying liquidation damages on Swiss Timing Omega for non-achievement of milestones or non-performance.
- **Terms of payment:** The contract provided for payment of 95 percent amount even before completion of the game, thus leaving no foothold for the OC in case of poor performance.

12.3.5 Performance of TSR

We found several deficiencies in the performance of TSR:

- TSR was not tested during the test events (due to reduction in scope of work) and was not tested at all in a real-time games situation.

- The final user acceptance of TV graphics (to be superimposed on live video feed) was to be completed by July 2010, but the graphics were not approved till 24 September 2010.
- Commentary Information System (CIS), a module of TSR, provides real time information to commentators and sports presenters of Prasar Bharati and other international broadcasters. For most part of the Games period, the CIS and remote CIS⁶ did not function properly. The dissatisfaction with the service was such that some broadcasters sought refunds from OC for non delivery of CIS services and the Australian RHB even wanted removal of the logo of TSR provider from the telecast as a penalty.
- Games Information System (GIS) (provided by Swiss Timing Omega as VIK) was the link between results generated by TSR and its distribution to broadcasters, media persons and other users. This did not function properly during CWG-2010 and the broadcasters lodged complaints in this regard.
- Despite CIS and GIS not functioning, OC did not revoke the performance guarantee of Rs 5.63 crore provided by Swiss Timing Omega, which was valid till 31 October 2010.

⁶ This was meant to provide CIS information at other than venue locations

12.4 Scoreboard Structures

Besides the TSR equipment, Swiss Timing Omega also provided 39 scoreboards 36 of which were rental and 3 were legacy items. OC had to erect structures for mounting these scoreboards. The contract for execution of these structures was awarded to Advance Tech Engineering at a cost of Rs. 3.40 crore. We found the following deficiencies in the approval process:

- The RFP was issued in May 2010 without global tendering; and
- Various corrigenda effecting changes in scope of work, eligibility criteria of turnover, consortium related conditions and documentation to be submitted by bidders were purportedly issued. We do

not find evidence that these changes were duly approved and advertised.

The execution of the contract and its monitoring was also deficient as:

- Scoreboards could be installed at only 10 out of 33 venues by the deadline of 1 September 2010;
- There was no provision for levy of liquidated damages;
- Proper testing for certifying the safety of the structure was not carried out; and
- In case of a Rugby 7s venue, the location and site was changed at the last moment by Swiss Timing Omega. During testing, the scoreboard structure came crashing down and was re-installed subsequently.

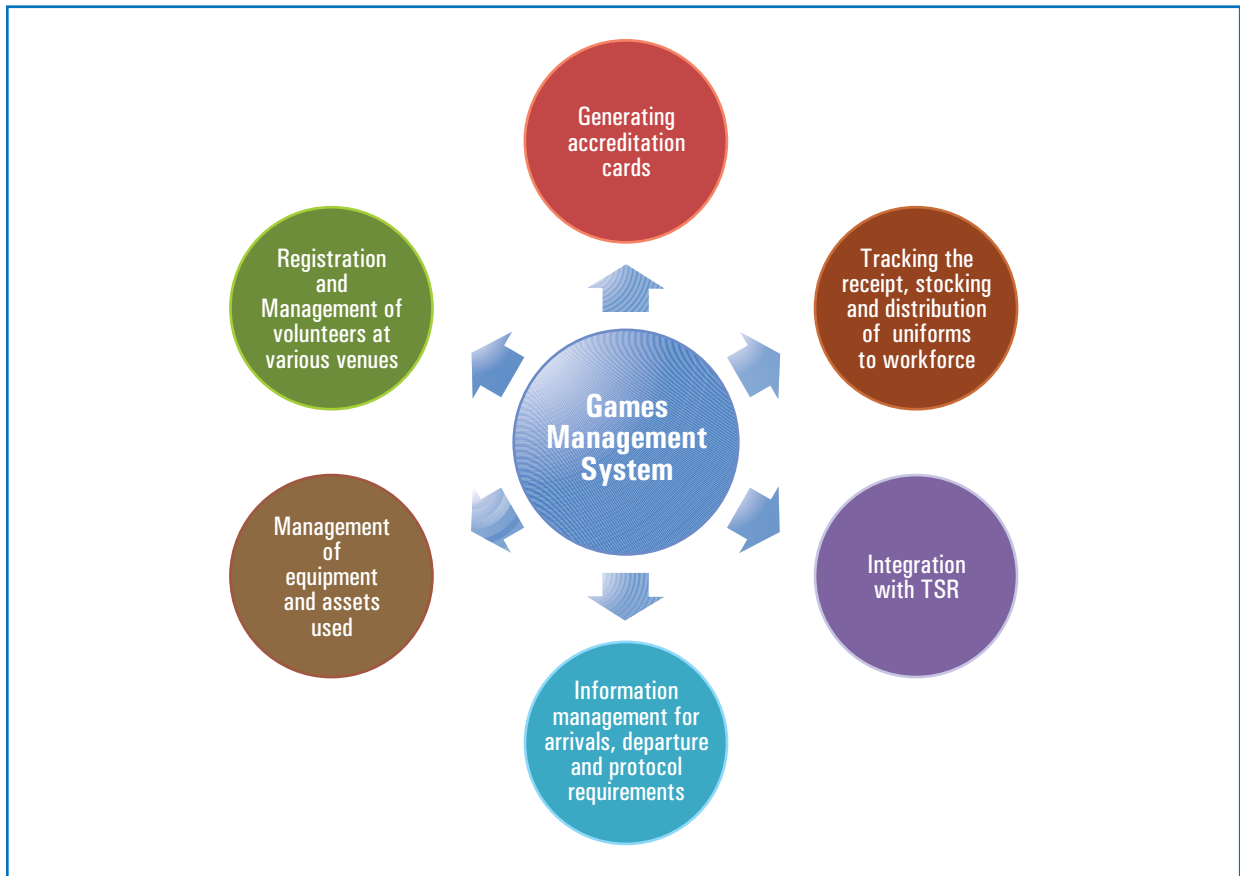


12.5 Games Management Systems

The Games Management Systems (GMS) is the primary application that deals with the

administration of the Games. OC procured this system from Gold Medal Systems for Rs 21.02 crore with an additional liability of Rs 4.27 crore towards taxes.

Figure 12.3 – Overview of GMS

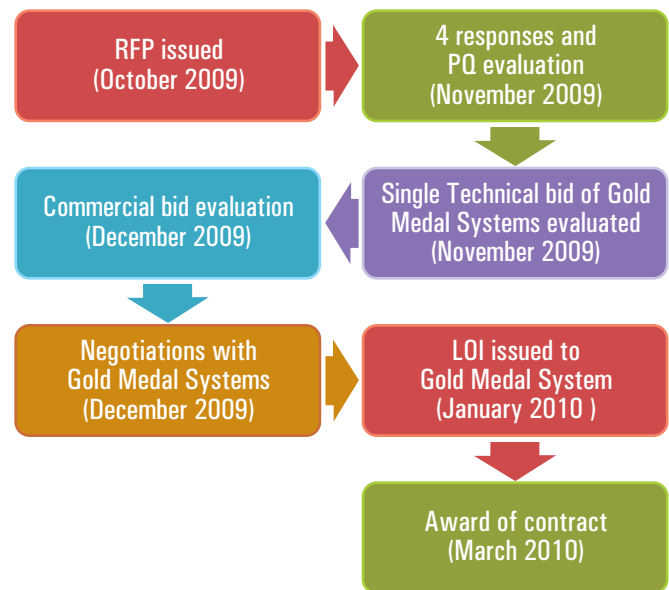


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12.5.1 Delays in Planning

For CWG 2010, the process for procuring GMS was initiated only in October 2009 and the contract could be signed just six months before the Games (March 2010). In contrast, CWG-Melbourne 2006 had awarded the GMS contract 18 months prior to the start of the Games. This created a squeeze on the delivery schedule and, combined with lack of competition, led to a 500 per cent increase in costs, with the supplier virtually dictating all the terms.

Figure 12.4 – Undue delays in award of GMS Contract



12.5.2 Elimination of competition

We observed that the bidding process was tailored to eliminate competition and facilitate Gold Medal System's emergence as a single financial bidder:

- Global tendering was not resorted to and sufficient time was not given for responses. The RFP could not generate adequate competitive tension, as two major players in the field, Atos Origin⁷ and Sangyong⁸, did not even respond to the EOI.
- The RFP was restrictive in ensuring competition as it asked for experience of providing GMS in Olympics, Commonwealth or Asian Games in the last 5 years and could effectively have had a maximum of just 3 qualified bidders.
- Out of the four bidders, three bidders were disqualified on grounds of inadequate experience, processing fee and supporting documentation. MSL Spain, which was disqualified for the TSR contract was once again disqualified in the PQ evaluation for GMS, although it had better credentials than Gold Medal Systems. It had provided all the five modules of GMS directly in the past, whereas Gold Medal Systems could provide only two out of five modules on its own and was dependent on multiple partners for delivering the other modules. Incidentally, Gold Medal Systems also did not furnish any document evidencing its tie up with its local partner, Tristar Enterprises.

⁷ supplier of GMS for Beijing Olympics 2008

⁸ supplier of GMS for Doha Asian games 2006

- Although MSL Spain had not provided GMS in Olympics, Commonwealth or Asian Games in the last five years, it had provided GMS for Asian Games 1998. This was not considered, due to the restrictive RFP clause.
- The PQ evaluation is even more questionable as Gold Medal Systems did not submit the required documentation in support of its purported financial strength; whereas MSL Spain had done so and had strong financials in comparison to Gold Medal Systems.

Evidently, the restrictive clauses in RFP and biased evaluation of bids resulted in elimination of competition, and ensured that the financial bid of Gold Medal Systems was the only bid to be opened. With no financial competition, and on the plea of shortage of time, OC accepted the highly priced bid of Gold Medal Systems. This bid was five times the amount (Rs. 4.15 crore) charged for Melbourne CWG-2006 by the same vendor.

As in the case of the TSR contract, OC also unduly favoured the vendor for GMS in several ways:

- **Liability for Tax:** OC took an additional liability of Rs.4.27 crore on account of taxes on behalf of Gold Medal Systems, contrary to the RFP provisions. This variation was neither discussed by the commercial evaluation committee nor brought to the notice of the OCFC.
- **No clause for Liquidated Damages:** The contract had no clause for levying liquidation damages on Gold Medal Systems for non-achievement of milestones or non-performance.

- **Performance Guarantee** - There was no provision for performance security in the contract, despite OCFC's instructions in view of the unascertainable financial condition of Gold Medal Systems.
- **Increased Rates** - A clause for payment at increased rates for additional work was added after EB's approval.

12.6 Official Games Time Website

12.6.1 Planning

The Games Time website was effectively the main internet platform for CWG2010 to disseminate real time information on sporting events during the Games. Although the Games Time Website is a standard and predictable feature of all multi sport international events, this was not planned or considered till June 2010, when, after CGF criticism, the proposal for creating a Games Time Website was initiated. OC also failed to exploit the opportunity for revenue generation from the Official Games Time website through advertisement revenue due to deficient and delayed planning.

12.6.2 Irregular Award of Contract to HT-Hungama

The bidding process was squeezed and completed within two months, leading to several irregularities in the award of the contract to HT-Hungama at Rs. 2.95 crore in August 2010:

- Global tendering was not followed and only 10 days time was given for responses;
- The RFP stipulated past experience in international multisport events as a pre-

qualification. A day before the final bid submission date, this criterion was relaxed on the grounds that no bidder might qualify on these criteria. We have no evidence of this corrigendum being published on the website/newspapers. Three bids from HT-Hungama, HCL Info systems- NDTV Convergence and TCS-Sports interactive were received; interestingly, all three did not have such experience but were termed as technically qualified under the relaxed criteria;

- The documentation from Hungama regarding its consortium with Hindustan Times was deficient, but was ignored by the technical evaluation committee;
- Despite complaints that bids were received in loose sheets, unbound and unsealed, Hungama's bid was accepted;
- Although Hungama's commercial bid was L-3 at Rs. 7.94 crore, it was declared L-1 by taking into account a cash discount of Rs. 4.65 crore offered by them. We cannot confirm whether the offer of cash discount was actually received along with the bid. This L-1 bid was reduced further to Rs.2.95 crore after negotiations.

The bids were not received in a sealed cover as is the stipulation. This evidently led to complaints. Further, audit has seen no proof of the cash discount reportedly offered by Hungama actually accompany the bid to convert it into L-1. There was relaxation in the RFP criteria also. Such infirmities in the award to Hungama lack transparency and lead to the conclusion that the process was tweaked in their favour.

12.6.3 Performance of the Website

While there were adverse media reports on the performance of the website, quoting problems of speed and non availability of real time information, the documentation at the OC's end was sparse and unreliable. Even the CGF head, Shri Mike Fennel stated that *"there is certainly a big problem with the Official Games Time Website"*.

OC's vetting of the content hosted on the website was also deficient, as the list of participating nations incorrectly included Korea, Japan, Philippines and even the US. Even the archival CD/DVD of the fully functional website, which was to be provided by November 2010, had not been given by the vendor till March 2011.

Despite these facts, OC failed to encash the performance guarantee of Rs. 0.29 crore; there were no other contractual provisions for penalties in case of non performance.

12.7 Telecom, IT and networking projects

12.7.1 Appointment of TCIL on nomination basis

Telecommunications Consultants India Limited (TCIL), a Public Sector Undertaking, was appointed without any recorded justification as the turnkey implementation agency for telecom, IT and networking projects on nomination basis in October 2009. This was approved ex-facto by the EB in January 2010.

OC had a 139 strong technology team (excluding 4 consultants/advisors) since October 2009. Out of the 42 technology related contracts worth Rs 247 crores, only 12 contracts of Rs 92.17 crore were

awarded through TCIL on behalf of the OC; for which OC paid Rs. 18.66 crore to TCIL as commission and tax. Considering that the Technology functional area could handle technical contracts like TSR and GMS on its own, engaging the services of TCIL for 12 routine contracts is grossly unjustified. Further, many other contracts e.g. of Wi-Fi services, data cards, official website and IPTV were awarded by OC directly. Interestingly, TCIL was never consulted in contracts related to telecom or IT services.

Further, the contract with TCIL was not implemented in practice in turnkey mode. At different stages of the contract from negotiations to bid evaluation, contracts were sent to OC for approval.

Also, it was noticed that TCIL's 'selective' advice was taken on other technical issues e.g. in the TSR contract at the pre bidding stage for declaring MSL, Spain ineligible.

12.7.2 Supply of Audio Video Equipment for Venues

OC had to provide audio video equipment⁹ at all competition and non competition venues for media and international broadcasters. The estimation of requirements was faulty, went through revisions, and resulted in over provisioning; the equipment was finally procured from Samsung India for Rs 3.79 crore.

The first round of tendering commenced with the issue of the RFP in March 2010 (without budgetary approval) and resulted in the issue of a purchase order for Rs. 5.20 crore to MIRC Electronics (ONIDA) in June 2010. This was cancelled as there were

⁹ TV, TV mounts, DVD/CD, Data Projector (desktop), Digital Video Camera, Tripod for Digital Video Camera (Still), PA system etc.

substantial reductions in quantities and duration of renting (on the instructions of the Fast Track Committee) and the vendor revised the terms and conditions, which TCIL refused to accept. This proposal was neither seen by the Chairman, nor ratified by the EB at any stage.

After MIRC's refusal, on 7 September 2010, the Fast Track Committee recommended approaching Samsung India and LG India for outright purchase or rental of the equipment. However, OC chose to approach only Samsung India (and not LG India) on nomination basis on 8 September 2010 and issued the LOI on 13 September 2010 of Rs 3.78 crore for outright purchase of the equipment excluding PA Systems, DVD recorder and Portable CD players. There were no recorded reasons for initial inclusion and subsequent exclusion of these items.

12.7.3 Procurement of Computer Hardware

OC purchased/leased 3302 laptops and desktops for Rs 9.80 crore in several batches during April to September 2010 to meet IT requirements at competition and non-competition venues. Strangely, the quantities required were not assessed at one go and nearly 50 percent (1638) of these computers were leased. We could find no documented criterion for deciding whether to procure or lease. Further, the option of getting suitable sponsorship from IT companies for such a large requirement was never explored by the OC at any stage.

Interestingly, leased computers were always taken through TCIL, while purchases were done directly by OC. The lease rent charged was 76 percent of the cost, and with an

additional 9 per cent as commission and 10.33 per cent as leasing charges for TCIL, OC ended up paying 95 percent of the purchase cost of equipment. In addition, OC spent Rs. 2.92 crores for purchasing software licenses for these leased computers.

12.7.4 Maintenance of inventory, decommissioning and legacy planning

OC procured IT equipment worth Rs. 6.46 crore and rented Rs. 58 crore worth of IT equipment for the games. The documentation on inventory, distribution and decommissioning was incomplete and there were substantial delays in ascertaining the location of all equipment. The leased equipments were to be decommissioned and returned to the respective vendors; we found that Rs. 21.04 crore of leased equipments was yet to be returned. OC has not planned for disposal of the owned assets. There was no policy for warehousing and legacy use of the equipment after the games. After MYAS turned down OC's initial proposal for offering this equipment to its employees at discounted rates, no action has been taken and the equipment is lying in MDC stadium and OC headquarters (March 2011).

12.8 Provision of IT services – Other contracts

12.8.1 Wi Fi services in Games Village

Without involving TCIL, OC decided in March 2010 to provide free wi-fi internet service at the Games Village. While the initial proposal was for services in only selected parts of the Games Village, the

scope of work was extended significantly, raising the estimated cost from just Rs.15 lakhs to Rs. 3.50 Crore. Based on a single response received, the contract was awarded to Radius Infratel at a cost of Rs.2.75 crore. Incidentally, several complaints were received from international broadcasters about the non-functioning of Wi-Fi services and OC was compelled to provide for alternative services. OC stated that necessary deductions were being made for non performance.

12.8.2 Provision of data cards for media

OC provided 1400 data cards from Tata Teleservices and Reliance and took another 1264 data cards on lease from MTNL at a total cost of Rs.0.8 crore, after wireless internet access was barred for security reasons. Records of usage, distribution and return of these datacards are very scanty. Also, when some data cards did not function, OC had to make alternative arrangements.

12.8.3 Fixed line broadband connection for media persons

The work of providing high speed Internet bandwidth for media press Operations was awarded to Tata Communications Ltd. on nomination basis in September 2010 at a cost of Rs. 11.28 crore. OC stated that this was resorted to when CERT guidelines disallowed Wi Fi services in media tribunes, and the option of datacards could not fulfil this requirement. According to the OC, prior approval from financial authorities was not sought due to paucity of time.

12.8.4 IPTV for Games village

OC awarded a contract for Rs. 0.60 crore on 21 September 2010 to Bharati Airtel on nomination basis for provision of IPTV, without recorded reasons for the change from Cable TV. Records on actual delivery of services were not available.



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Life

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The Sport Functional Area was responsible for organisation of sporting events, maintenance of results records, and presentation ceremonies; it was also assigned the responsibility of purchase of sporting equipment.

There were several deficiencies in the procurement of sports equipment, such as not following global tendering procedures and purchases on single tender basis. We also found purchase of a boxing ring with older specifications, half the badminton shuttlecocks crossing the shelf life even before the events, and huge quantities of procured equipment lying unused in stores, raising doubts on the reasonableness of the assessment of requirements (in particular, trampoline sets procured for an event not scheduled in the Games).

The procedures followed for hiring Shri Greg Bowman and his company, Great Big Events (GBE), for a multiplicity of contracts relating to sports presentation ceremonies were questionable. One contract was, in effect, de-activated in September 2010, and re-awarded at exorbitant rates to GBE. We also noticed fraudulent payments to GBE for false claims of personnel assignments (when they did not even visit India), which were certified by OC officials.

Audio video equipment for sports presentations were hired at exorbitant rates, through a highly flawed process. Our enquiries revealed that the quoted prices for purchase of the same equipment was about half the hiring cost.

13.1 Overview

During the Games, 272 events in 17 sporting disciplines were to be organized. The Sports Functional Area was responsible for organisation of each event including its regulations and conduct; maintenance of the timing, scoring and results records; the presentation ceremonies and announcements.

13.2 Procurement of Sports Equipment

13.2.1 Overview

After venue owners indicated their lack of expertise in procurement of sporting equipment, MYAS assigned the overall responsibility for procuring sports equipment for both competition and training venues in October 2009 to OC and released a budget of Rs. 25 crores in May 2010, in addition to OC's existing sanctioned budget of Rs. 5.42 crores.



We do not find sufficient evidence that requirement assessment for sports equipment was done with due diligence. Although OC stated that after initial listing of items, comments were invited from the national sports federations, we found that most federations did not make any comments. Thus, the procurements – both the items and brands, as well as quantities - were effectively decided by the OC, which apparently had no expertise in this area.

OC awarded 93 contracts for procurement of sports equipments between February 2010 to September 2010 for a total amount of Rs 27.22 crore. We found several deficiencies in the procurement:

- Global tendering procedure was not followed at all;
- Performance guarantee was not obtained from the successful bidders in any case;

- In 5 cases, supply orders of Rs 3.95 crore were issued even before approval of the competent authority(EMC);
- In 19 cases, purchases worth Rs. 3.17 crore were made on single tender basis. Interestingly, in 14 such cases, the single tenderer was the same agency i.e. Swatantra Stores, Patiala¹. In cases where only one tender was received /found eligible, the option of re-tendering was not exercised by OC, despite reasonable time being available.
- While processing the award for purchase of boxing equipment, OC irregularly shifted from item wise processing of bids to processing the procurement as a single package after technical qualifications of the bidders had been evaluated and commercial

¹ Which is essentially a sports equipment store and not manufacturer

bids opened. Consequently, the purchase order was placed to a party who was not the L1 bidder for all items.

Selected instances of irregularities in procurement are detailed below:



13.2.2 Purchase of Athletic Equipment

Out of the five IAAF² approved companies who bid for this work, three did not submit the usage certificates³ from the international federation as required in the RFQ and the only qualified bid of DIMA Sports was opened in March 2010. After an inexplicable delay of 3 months, the supply order was issued in June 2010 to the firm at a cost of Rs. 2.78 crore. In July 2010 DIMA

² International Association of Athletic Federations

³ Usage certificate is given by the International Federation for the usage of any equipment in any previous international event.

expressed their inability to deliver the items in time due to vacations in Europe. OC maintained that the delays were on account of their waiting for other bidders to give the required usage certificates. We, however, noticed that in August 2010, after cancelling the earlier supply order, OC divided the order and procured the equipment at higher rates from UCS Inc(USA) and Nordic Sports AB(Sweden) which resulted in additional expenditure of Rs. 0.95 crore. Surprisingly, both the companies never submitted any usage certificate.

13.2.3 Purchase of Boxing Equipment



The International Boxing Federation changed its boxing ring specifications in January 2010 from 7.5 m x 7.5 m to 7.8 m x 7.8 m for all AIBA approved events⁴. OC, however, ordered 2 competition boxing

⁴ The new specifications were notified 2 years in advance; existing rings with old specifications were considered valid only till December 2010.

rings for Rs. 0.18 crore in February and June 2010 with the old specification.

Significantly, the evaluation committee dealing with the purchase of boxing rings did not have any member from the national boxing federation, or sportspersons associated with boxing. OC stated that though their specifications were incorrect, in one case the supplier changed it to new specification. The other boxing ring is however, unfit for use in AIBA-approved events.

13.2.4 Purchase of shuttlecocks

Of the 2000 dozen shuttlecocks purchased for badminton events, 1000 dozen shuttlecocks had crossed the shelf life⁵ even before the events were held. Significantly, 1392 dozen shuttlecocks (i.e. 68 per cent of the procurement, including the ones which had crossed the shelf life) valuing Rs 0.16 crore remained unutilised.

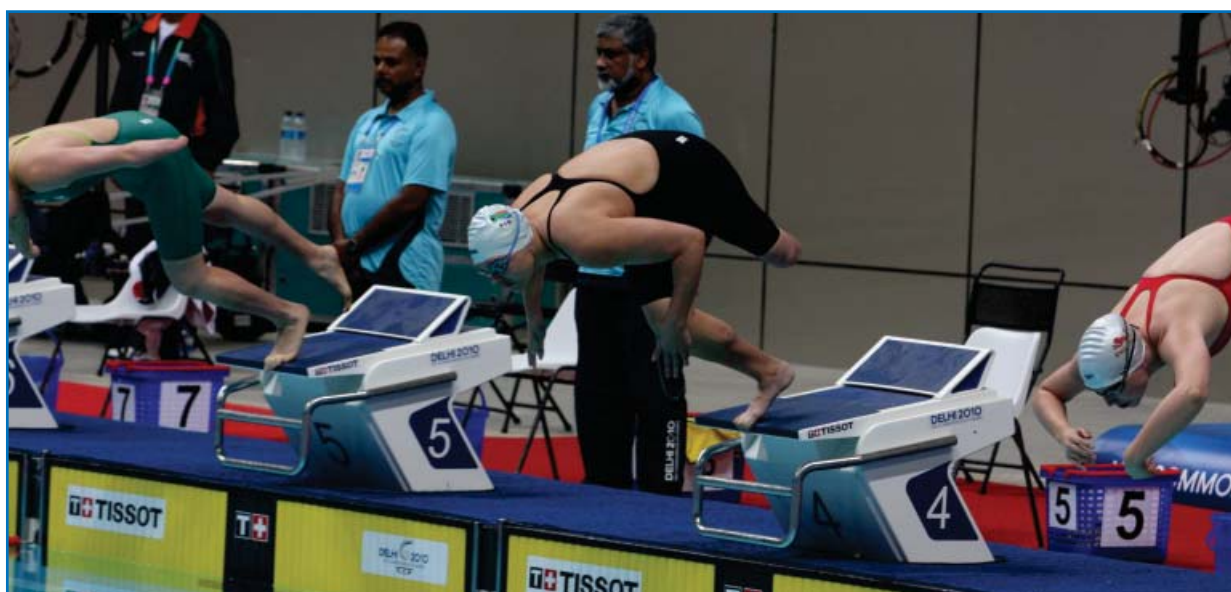
Further, while OC placed an order with Sunrise & Company for providing 300 dozen of Speed-1, 400 dozen of Speed-2 & 300 dozen of Speed-3 i.e. total 1000 dozen

Yonex shuttle cocks, the vendor supplied 1000 dozen of shuttle cocks of only two speeds i.e. speed 1 & 2. OC accepted the supply, though it was at variance with the supply order.

13.2.5 Delayed supply of equipment for test events and training

Imported sporting equipment for gymnastics and aquatics worth Rs. 4.56 crore and Rs.1.08 crore respectively was required to be delivered before the test events scheduled in July-August 2010, but was delivered only in August-September 2010. This led to cancellation of test events in the disciplines of synchronised swimming and high board diving. Also, in the absence of the new equipment, some equipment had to be transported from Pune and Ranchi⁶.

Four training boxing rings (Rs 0.35 crore) ordered for the practice session of the Indian team scheduled from 23 September to 3 October 2010, were received only on 29 September 2010 and could be installed just one day before the events began.



⁵ as prescribed under the standards of the IBF

⁶ Out of the equipment procured for CYG-2008, Pune and National Games 2011, Ranchi

13.3 Procured equipment lying unused

We found huge quantities of sports equipment lying unused at various locations even after the Games had concluded, raising doubts on the reasonableness of the assessment of requirements. Some instances are given below:

- Sports equipment worth Rs 1.35 crore (Details in Annex 14.1), was lying unpacked in the ITPO store as of November 2010;



Non-use of trampoline during CWG 2010

- Out of 17 venues, equipment usage records of only 7 venues were received. In these venues, sports equipment worth Rs 0.93 crore (Details in Annex 14.2) was lying fully unused.
- 10 trampoline sets procured for aquatics at a cost of Rs 0.34 crore were kept unused at the ITPO store.
- 2 trampoline sets procured for gymnastics at a cost of Rs 0.11 crore were procured wastefully, as there was no trampoline event scheduled in the Games. These were lying packed in the IG Stadium store throughout the Games.



Use of trampoline during Beijing Olympic 2008

- 16 storage trolleys, which were neither in the list approved by MYAS nor requested by the Sporting Federation, were procured at a cost of Rs. 0.25 crore as part of aquatic equipment, but were never made available at the Dr. SPM Aquatics Complex, the aquatics venue. Eight of these trolleys were kept at the Games Village and the rest remained in the store.

13.4 Sports Presentation Ceremonies

13.4.1 Overview

Sports presentation is the showcasing of a sport for venue spectators and broadcast audiences. This is the ceremony where the medal winners are presented with medals in recognition of their achievement and their countries are honoured by raising their national flags and playing the national anthem of the gold medal winners.



OC incurred a total expenditure of Rs. 13.62 crore for sports presentation:

- Rs 5.68 crore on Shri Greg Bowman/ Great Big Events (GBE);
- Rs 6.75 crore on hiring of audio video equipment;

- Rs 0.19 crore on hiring of sports presentation managers and announcers; and
- Rs 1.00 crore for miscellaneous expenses on GBE consultants.

OC awarded several contracts to Shri Greg Bowman and his company, Great Big Events (GBE), as summarised below.

Table 13.1 – Contracts awarded to Shri Greg Bowman and Great Big Events

Timeline	Vendor	Work	Contract Amount	Actually Paid (Rs. in Crore)
October 2009	Greg Bowman	Sports presentation consultant	USD 17,200 per month	0.77
January 2010	Great Big Events	Sports presentation core team	USD 502,000	1.47
July 2010	Great Big Events	Supply of sports presentation managers (17) and victory ceremony producers (3)		Bidding cancelled
September 2010	Great Big Events	Sports presentation workshop & Basic Music/Video Pack Service Agreement	USD 850,000	3.44



We found that these contracts were awarded and managed by OC in complete disregard of the norms of propriety and without safeguarding its financial interests.

13.4.2 Hiring of Greg Bowman and Great Big Events

In October 2009, OC hired Shri Greg Bowman as consultant for sports presentation on nomination basis. He was overall in-charge for the delivery of the sports presentation programme across all competition Venues.

Shri Bowman was also responsible for selecting the Sports Presentation Team. Accordingly, he hired his own company, Great Big Events (GBE) on nomination basis in January 2010 for a period of 10 months at a cost of USD 502000 (Rs. 2.26 crore) for assisting the consultant (Shri Bowman) and for the creation, deployment and delivery of the Sports Presentation programmes for the Games.

In July 2010, OC advertised for the “supply of sports presentation manager (17) and victory ceremony producers (3).” The two tenders received were from Great Big Events and Fun and Games Limited, which was submitted by Shri Radley Foxon, an

employee of GBE. Shri Greg Bowman did not inform OC of this interconnection and advised OC to accept the bid of GBE. This bid was however cancelled as both bids were found to be unsealed.

Seven months into the January 2010 contract and after receiving payments of Rs 1.47 crore (65 per cent), GBE sent a notice of termination in August 2010 to OC. OC did not terminate this contract, but initiated an EOI for a new contract for “supply of sport presentation managers and victory ceremony producer”, although the contract was awarded for a different scope of work⁷. The entire process of bidding was miraculously completed within 16 days as follows:

Table 13.2 – Award of second contract to GBE

1 September 2010	Issue of EOI (in newspaper)
7 September 2010	Last date of receiving EOI
7 September 2010	Opening of single bid from GBE
12 September 2010	Negotiations with GBE
13 September 2010	Approval of Fast Track Committee
16 September 2010	New contract signed between OC and GBE

After hurried negotiations and approvals of the Fast Track Committee on 13 September 2010, on 16 September 2010 OC once again entered into an agreement with GBE at a

⁷ Sports Presentation Workshop and Basic Music/Video Pack Service Agreement

total fee of US\$ 850000 for 29 days. The cost of this contract was absolutely unjustified as it essentially amounted to an enormous upward revision of rates, after paying Rs 1.47 crore under the earlier contract.

Further, till August 2010, despite progressing 70 percent on timeline and release of 65 percent of the amount contracted earlier, GBE had neither assisted in the recruitment of sports personnel nor trained them before the test events as was required under the January 2010 contract. We find that, OC's negotiations for the re-hiring of GBE were highly questionable, as, besides the exorbitant rates, the scope of work included items already done under the initial contract by GBE or by OC on their own e.g.

- **Conducting interviews for Indian announcers** - 42 of the 55 announcers finally selected were engaged prior to signing of the second contract.
- **Hiring of presentation personnel** - 30 sports presentation personnel were already engaged directly by OC.

OC also failed to utilise the services of GBE as per the contract. In early September 2010, OC was processing the award of tender for hiring of audio/video equipment and even before GBE could finalise the venue wise requirements, tendering was already done. It would appear that the OC officials handling the award of the contract allowed unwarranted expansion of scope of work to justify payments of substantial sums of Government money.

Fraudulent payment to Great Big Events (GBE)

As per the January 2010 contract, GBE was to assign 9 personnel for contract related activities. While three of them were to stay in India for the entire duration of 10 months, the other six had to stay for specified number of days. Fees were accordingly prescribed on monthly and daily basis for these two categories.

We ascertained that the three GBE executives required to stay in India did not do so for the entire stipulated period as one executive did not even visit India and was paid @ 7500 USD per month for 7 months. OC officials actively colluded by duly certifying their payment invoices and work, despite their absence from India. Shri ASV Prasad, JDG (Sports) even certified⁸ the presence of one executive Ms. Kate Campbell⁹, who never visited India.

The entire claim for the periods that the executives were not available in India could be termed as fraudulent. However, even on a proportionate basis, such fraudulent payments amounted to Rs 40.13 lakh (USD 89186).

While OC indicated that they would make deductions from the remaining 10 percent payment, the balance with OC would not cover the excess payment.

⁸ The attendance sheet for the month of May and June 2010 was authenticated by DDG (Sports) and countersigned by JDG (Sports) stating that Kate Campbell was present full time in India.

⁹ Incidentally, we found a draft agreement signed by Greg Bowmen (for GBE) where in place of Kate Campbell, the name of Ms. Kavita Sontakay (who was an employee of OC till 2 weeks after this contract was signed with GBE) is mentioned.

GBE's performance under the contract entered in September 2010 was also deficient:

- Against a commitment to conduct at least six training workshops with sports presentation managers/ assistants and announcer, GBE conducted only four workshops.
- GBE was to provide audio systems, audio production systems, video production equipment and communication equipment at all venues, including nine Instant Replay machines at cost of USD 25953¹⁰. While the advance payment to GBE was increased to 50 percent on this pretext, there was no evidence that they provided these equipments. Instead, OC hired these equipments separately at a cost of Rs 6.75 crore.

13.4.3 Exorbitant Hiring of Audio video Equipment for Sports presentation:

Despite hiring expensive consultants for sports presentation, OC realised its requirement for renting of audio and video equipment only on 4 September 2010, when a tender was floated. The contract was awarded to Modern Stage Pvt. Ltd at a cost of Rs 6.75 crore. We found the award process to be flawed:

- The newspaper advertisement only gave notice of a detailed advertisement on the OC's website which was not available till 9 September 2010. The website advertisement was available only for one day (10 September 2010) and the technical bid was opened on 11

September 2010. Interestingly, the newspaper advertisement did not even mention whether the equipments are to be hired or purchased.

- OC added a restrictive clause of experience of CWG, Asian, Olympics or World Mega Sports Competition, thus ensuring even less competition.
- Only two responses were received; after negotiations, the contract was awarded at a total cost of Rs 6.75 crore.

Further, the vendor raised an additional bill for Rs 1.28 crore, on account of a claim of supplying additional equipment (after keeping GBE informed); OC had no knowledge of this additional supply.

To evaluate the reasonableness of the hire charges, we invited quotations for purchase of the audio, video equipments hired by the OC from the Modern Stage Pvt. Ltd. In response, two quotations were received. The quoted price for purchase was around Rs. 3.5 crore, as opposed the hire charges of Rs 6.75 crore paid by OC. Clearly, the hiring process was non-transparent and the charges exorbitant.



¹⁰ For this, freight charges @ USD 15000 were also paid to them.



Games branding essentially involved running the Games News Service (GNS) and other press operations, communication and marketing, and “image and look” (i.e. promoting a unique Games look and identity through banners and graphics); this was handled through three separate functional areas.

We found that the appointment of Shri Manish Kumar as Director, Press Operations and his subsequent promotion was irregular. Despite numerous complaints about his behaviour, no action was taken till late-September 2010, when he was transferred out of Press Operations, just eight days before the Games.

The exorbitant cost of Rs. 10 crore for the Games News Service (GNS) contract (against the initial budget of just Rs. 0.56 crore) was due to a decision to go in for outsourcing (as against the internally developed option used at Melbourne-CWG 2006) and also on account of flawed tendering procedures (with re-tendering) resulting in award on a single financial bid to Infostrada Sports. GNS failed to perform satisfactorily during the Games, as the Games news content was inaccessible from 5 to 8 October 2010 and was rectified subsequently using makeshift arrangements.

The selection of the “Games Look Provider” for preparing banners was marked by a cluster-based approach (as in the case of overlays). Further, on the pretext of urgency, a snap bidding process was used. As in the case of the venue overlays contracts, OC allowed several ineligible vendors to bid, while disqualifications were made on a selective basis; we also found the same vendor quoting different prices for the same items across clusters.

The Communications Functional Area was hampered by bad planning, drastic curtailment of the budget for advertising campaigns, and award of works on ad hoc basis to selected TV channels and media houses.



14.1 Overview

Games Branding essentially involved three aspects:

- **Press Operations** – Running the Games News Service (GNS) for providing the editorial content for the GIS, managing the main and venue press centre and facilities for media persons;

- **Communication** – Creating awareness about the games; and
- **Image and Look** – designing logos and promoting a uniform games identity through graphics and banners.

14.2 Press Operations

14.2.1 Appointment and Removal of Shri Manish Kumar as Director, Press Operation

The appointment of Shri Manish Kumar as Director, Press Operations was irregular:

- In September 2008, Shri Manish Kumar was appointed as Director, Press operations.
- After 15 days of his appointment, Shri Kumar informed Shri Lalit Bhanot that he was unwilling to accept the post at the remuneration offered.
- OC kept the post vacant for another 6 months and then interviewed Shri Manish Kumar again, offering him a considerably higher salary. The post was neither advertised openly nor any other interviews conducted.

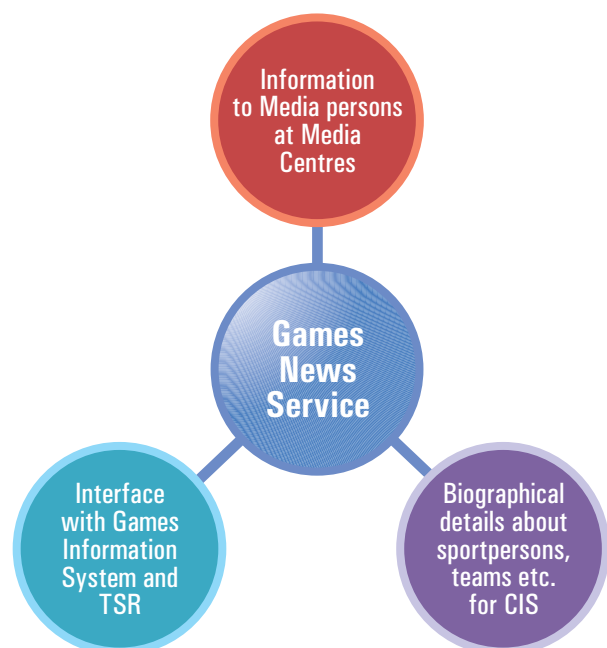
Due to complaints regarding his behaviour, Shri Manish Kumar was transferred out of Press Operations just 8 days before the commencement of the games to the Sustainability and Environment Functional Area office without any specific charge. Earlier in August 2010, a foreign hire of the OC, Shri Gnanapragasam, responsible for press operations across all venues, had left the organisation, complaining about Shri Manish Kumar's misbehaviour, but OC did not conduct an inquiry into these complaints. Shri Manish Kumar was also

instrumental in procurement of media kits without due financial approval, where he also revised the quantities and items on his own, at the time of placing the order. CEO, OC declined to give ex-post facto approval and ordered for recoveries from the concerned officials.

Interestingly, though Shri Manish Kumar's performance in Press Operations was far from satisfactory, he was promoted from Director to DDG. Further on his transfer, Shri Manish Kumar did not hand over records to his successor. Thus, during the Games, the Press Operations FA had no access to its own records, including the GNS contract documents (and the obligations of the GNS provider). Although the matter was brought to the notice of higher management, no action was taken on this issue.

14.2.2 Games News Service

Figure 14.1 – Games News Service



The Games News Service (GNS) supplies the editorial content for the Games Information System (GIS) i.e. athlete biographies, records, background, reviews, previews from the competitions etc. OC awarded the GNS contract to Infostrada Sports in June 2010 at a cost of US \$ 20.60 million. We found that the award was irregular:

- An RFP was issued in January 2010 only on the OC's website, and without presenting any last date for submission; global tendering was not followed. Only one bid from Infostrada Sports was received.
- OC retendered the work in March 2010, but again received only one bid from Infostrada Sports.
- After three months, in June 2010 OC awarded the GNS contract to Infostrada Sports:

OC also showed other favours to Infostrada Sports:

- OC deducted only Rs. 5 lakh as performance security against the required amount of Rs 45.30 lakh.
- OC made payments in foreign currency (USD), without approval, resulting in additional financial burden of at least Rs. 58.09 lakh due to currency fluctuations. Even the conversion rate applied at the time of negotiation was incorrect.
- OC accepted the liability for service tax payment of Rs 0.94 crore without the EB's approval, although the LOI stipulated otherwise.
- The terms of payment were also varied materially from the commercial bid in

favour of the vendor. The vendor had demanded 30 per cent payment till the first delivery (with 20 per cent within 10 days of signing of the contract) while the OC agreed to pay 50 percent (with 20 per cent within 10 days of contract signing). The contract also irregularly provided for advance payment of 70 percent.

The initial budget of Rs. 0.56 crore for GNS was based on the internal development model adopted for Melbourne CWG-2006. However, OC incurred Rs. 10.00 crore (inclusive of taxes) on an outsourced GNS. OC chose not to take action on SDG (Press Operations)' opinion recommending engaging journalists and university students for this task; the relevant notings of the SDG were missing from OC's records. Further, Infostrada hired most of its manpower requirement for GNS locally.

We found that the exorbitantly priced GNS failed to perform satisfactorily during the Games, as the Games news content was inaccessible from 5 to 8 October 2010 due to technological glitches. The GIS, which was supplied by Swiss Timing Omega and was to receive editorial content from GNS, did not perform satisfactorily, as pointed out in Chapter 12. OC confirmed that the information could not be displayed because no testing was carried out prior to the event. Finally on 8 October 2010, a makeshift arrangement was made to provide electronic access to GNS information in PDF format. Even Shri Mike Hooper, CEO CGF confirmed the difficulties experienced by broadcasters and media-persons due to the malfunctioning of GNS.

14.3 Image and Look



The successful execution of the Games required building and ensuring consistency in the image and look for CWG-2010.

14.3.1 Graphic Design

OC issued a limited RFP in June 2008 for appointment of a Graphic Design Agency, in response to which two bids were received. OC declared the L-2 bidder, Idiom Design and Consultancy to be “technically superior” (after opening of commercial bids) and issued the LOI to it in July 2008, to match the L-1 bid. OC finally signed the contract with Idiom Design and Consultancy only in November 2008 on further relaxed¹ payment and performance guarantee terms.

Further, the visual identity concept for Games (logo, mascot, colour palette, pictogram, sub-graphics and sub brands) could be finalised only in July 2009, delaying other milestones for image and look activities.

¹ *Idiom Design and Consultancy asked for separate payment for approval of design (art work) and reduction in performance guarantee.*

14.3.2 Selection of “Games Look Provider”

OC hired two consultants on nomination basis only in October 2009 for scoping and costing Games branding.

The Games Look Provider was to promote a uniform game identity and look through graphics, banners etc at all venues. Although scoping was completed in October 2009, for inexplicable reasons, tendering for this work was taken up only in June 2010, encouraging deficient tendering procedures on pretext of urgency .

OC replied that considerable time was spent in reworking the entire BOQ for venues and cities to fit within the re-appropriated budget which was received in June 2010.

OC adopted a “cluster” based approach (on a similar pattern as venue overlays), with work divided in 9 clusters covering all venues and non venues. OC stated that this approach was adopted with OCFC's approval in view of cost effectiveness, ease

of operations and paucity of time. However, we found that this cluster based approach led to several irregularities and increased cost:

Table 14.1 – Chronology of events for selection of Games Look Provider

June 2010	RFP Issued
July 2010	Out of nine bids, two were rejected in pre-qualifications. After technical and commercial bidding, cluster-wise, L1 selected for nine clusters Three rounds of negotiations held with L1 bidder
July and August 2010	Fast track committee approved the negotiated prices for cluster 1,2,3,7,8 and called for “snap bid” for the other 4 clusters to all 7 bidders and awarded work on the basis of these snap bids

- The draft RFP initially contained an unusual clause for “snap bids” which was deleted at the insistence of Director(Procurement) These snap bids were later called for from four clusters where the deviation in prices was more than 10 percent of the estimated cost, resulting in undue benefit to two vendors (Peacock Media and Hannu Advertising) who were not L-1 before the snap bids but were finally awarded the contract. In retrospect, this appeared to be a pre-meditated strategy to favour selected vendors.
- Ambiguity on the turnover eligibility criteria for bidding for multiple clusters
- was not rectified², leading to lower competition. It was not clear whether annual turnover of Rs. 4 crore or more was required in each of the three preceding financial years or any one of them.



² despite being pointed out by Director (Procurement).

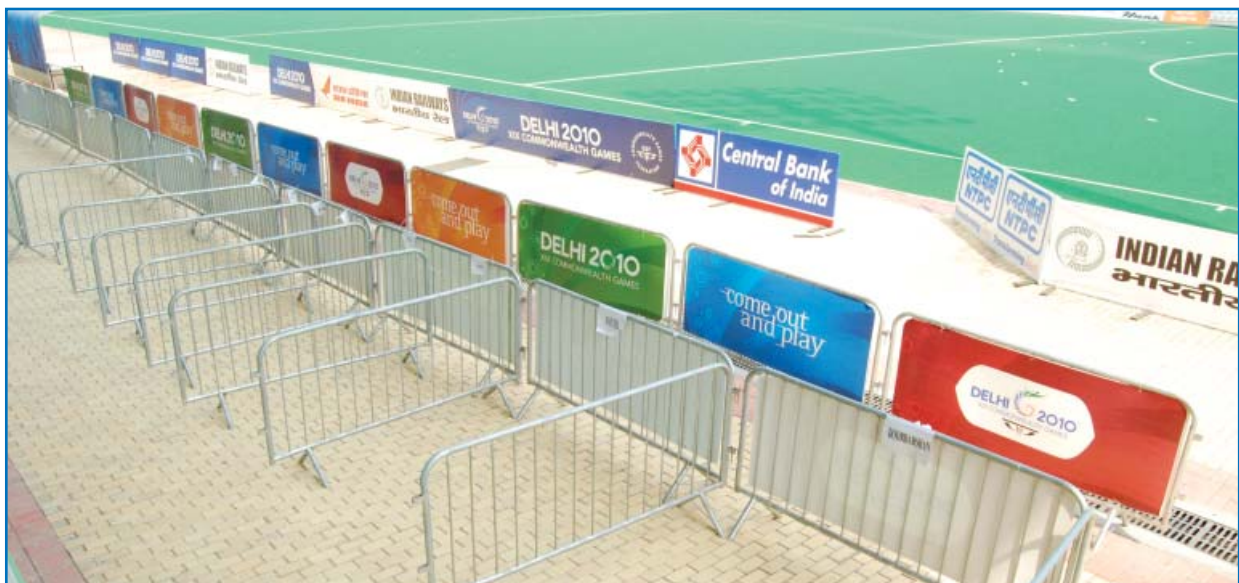
Consideration of ineligible vendors

Mirroring the overlays contract, OC entertained several vendors who could not supply the required documents or were ineligible. We also found that disqualifications were made selectively.

While two bidders were disqualified for not submitting certificate of factory license/ certificate from the Pollution Control Board, OC accepted a temporary license from another bidder (Peacock Media) and even a certificate in the name of a sister concern from yet another bidder (Hannu Advertising), both of whom were finally awarded contracts.

Further, Roop Sign and Graphics, a bidder who had submitted multiple bids, one independently and one in consortium, was given an opportunity to select and propose its preferred bid and was awarded a contract.

As in the case of the venue overlays contract (refer Chapter-9), the annual turnover of Pico Hong Kong was accepted on the basis of self certification, and they were allowed to bid for all clusters.



- As per the conditions of snap bids, all technically qualified firms were required
- to submit the order of preference for award of contracts for different clusters. We found that bids of different bidders and L-1 prices for their preferred clusters matched with almost unreal precision, indicating existence of a cartel.

As in the case of the venue overlays contracts, successful vendors for different

clusters had quoted different rates for same items and OC accepted it. Also, the same vendor (Design Dialogue) quoted different prices for same items in the different clusters. Had OC negotiated rates in different clusters to match the lowest item wise rates, across clusters, they could have achieved savings of Rs 2.04 crores across the clusters (details in **Annexe- 14.1**).

14.3.3 Execution of Games Look Provider Contract

Although the works were awarded for Rs 25.94 crores, after further physical verification, the scope of work was reduced to Rs 20.33 crores; finally, the work executed by the vendors was limited to only Rs 14.45 crores. This decrease was largely due to OC's failure in ensuring timely accreditation and permissions, coupled with limitation of time available for execution.

14.4 Communications Functional Area

14.4.1 Overview

Although the Communication functional area was operating since 2007, its operation plan was prepared only in April 2009, revised twice, and finalised in March 2010. The functional area was required to create awareness about the Games; promote ticketing, merchandising and sponsorship for the Games; and create Games time build up to support spectator services.

These objectives could not be achieved due to:

- Bad planning;
- Reduction of the budget from the initial amount of Rs. 82.02 crore to Rs.68.34 crore to Rs.38.34 crore in June 2010. This forced curtailment of advertisement campaigns for the QBR domestic leg;, ticket marketing; test events; Pre Games, Games and Post Games advertisements; internet campaign and direct media relations;
- Initial reluctance on the part of senior management of OC for marketing efforts

(as it was anticipated that the CWG tickets would sell on their own); and

- Award of works on ad hoc basis to selected TV channels and media houses.

Internal controls in the Functional Area were very weak as there was no institutional memory and the files and records made available to audit were incomplete.

14.4.2 Award of contract on ad hoc basis to selected TV channels

OC awarded contracts for Rs. 3.78 crore for production and broadcasting of commercials for promoting of CWG-2010 to CNN-IBN and NDTV. An arbitrary approach was followed, with no planning for specific channels and time slots, cost benefit analysis, benchmarking of rates and tenders. Proposals were considered, in an ad hoc manner, as and when a proposal was received; no form of competitive tendering was adopted. We had no assurance about the competitiveness of the rates quoted by these channels and the need and usefulness of the proposals.

From March 2010 to June 2010, the entire pre games publicity and sponsorship publicity was done only on NDTV and CNN-IBN.

Further, although OC had rights to telecast commercials produced by these channels (particularly for celebrity films, special episodes on development of games) it never used these commercials. Instead, it separately spent Rs.0.81 crore on the production of films during Games time.

14.4.3 Non-utilization of VIK worth Rs. 16.20 crore during the Games

As part of the international broadcasting contracts³, OC got VIK (Value in Kind) sponsorship in the shape of commercial spots for promotion of the Games. While some of these channels broadcast their own films for Games publicity, the VIK on other channels was not utilized during the Games. Instead, OC awarded separate contracts worth Rs. 0.73 crore for promotion of games internationally following deficient tendering processes to BBC, Google, MSN and Yahoo. Incidentally, inadequate publicity was one of the reasons for low sale of tickets in other participating countries.

14.4.4 Empanelment of Advertising Agency

In 2007, OC empanelled three advertisement agencies, namely, JWT, Quantum, and Mercantile for effective publicity and communication and for handling all indoor and outdoor publicity. Work of Rs.10.76 crore was executed by these agencies. **Records regarding selection of these firms were not furnished by the OC.** In December 2009, a fresh empanelment of advertisement agencies was considered, and approved, but not pursued further.

14.4.5 Non-utilisation of audio and visual commercial valuing Rs. 1.27 crore

OC failed to utilise audio and video segments produced at a cost of Rs. 1.27 crore as it revised its media plan to cover only the print media for the launch of logo and promotion on the “1000 days to go” campaign.

Abnormally high specification restricting competition

OC floated a RFP for appointment for sports consultant in the Communication Functional Area in June 2010. Although the estimated value of the contract was only Rs. 2 crore, the RFP stipulated pre-qualification criteria of an abnormally high turnover of Rs. 250 crore, ignoring DDG(Procurement)'s advice . Only two out of three bids received met this criterion, and the work was awarded in July 2010 at a negotiated cost of Rs. 1.90 crore to Percept Limited. This arbitrary turnover requirement of Rs. 250 crore was, in our opinion included to restrict competition.

³ with Network Ten, TVNZ and South Africa Broadcasting Corporation.

Workforce and Other Supporting Activities of the Organising Committee

We found serious deficiencies in the award of the workforce consultancy contract to a consortium of E&Y and EKS. The tendering process was clearly tailored to favour EKS. There were several deficiencies in the contractual clauses, which tended to favour the interests of the consultant, as well as in the execution of the contract.

We found that the OC managed the workforce in an arbitrary and ad hoc manner, leaving ample scope for patronage, favouritism and nepotism in the appointment and promotion of officials. Security and reference checks were not carried out for most employees, and certain employees, whose past records should have rendered them unfit for appointment in the OC, were nevertheless appointed. Further, the OC was grossly understaffed till 2009, but was grossly overstaffed by September 2010 (with this overstaffing being regularised post facto by the EB).

Regarding the Accommodation Functional Area, we found arbitrariness in hiring of apartments for OC's consultants and employees and one case of potential conflict of interest in hiring flats. OC had nominated Ashok Hotel as the flagship hotel for CWG-2010. Though between 155 to 399 rooms were vacant in Ashok Hotel on a daily basis, OC was inexplicably unwilling to accommodate technical officials in the same hotel where guests/officials were accommodated, and booked accommodation for them in 11 other hotels, resulting in infructuous expenditure of Rs. 1.15 crore.

We found 492 persons who had not received security clearance were incorrectly listed by the Accreditation Functional area in the data for the Integrated Security System, which indicated that the accreditation system was not followed strictly. We also found procurement of 1.5 lakh lanyards¹ at a cost of Rs. 0.68 crore with an inexplicable fire retardant requirement of 800 degrees Celsius.

Contracts for venue cleaning services were awarded irregularly, using a cluster-based approach, to just two contractors. Restrictive eligibility criteria were applied in a biased manner. 8 out of 9 packages went to A2Z Maintenance and Engineering Services, which was also engaged by OC for office automation services.

Although a separate logistics contractor was hired (with VIK sponsorship), most of the Functional Areas made separate arrangements. This resulted in information on the location and distribution of assets not being available with the OC. The Procurement Functional Area was also equally underutilised.

We found undue favour in awarding the insurance brokerage contract to Marsh/ Trinity, as also in the selective clauses for appointment of insurance companies (which favoured the interests of Marsh/ Trinity, rather than the OC).

¹ A lanyard is a rope or cord generally worn around the neck to carry identity cards and similar objects.



15.1 Workforce

15.1.1 Appointment of Workforce consultant

To build capable and well-managed workforce and to define transparent, implementable and appropriate human resource policies, OC signed an agreement in March 2008 with the consortium of Ernst and Young (E&YS) Pvt. Ltd. and Event Knowledge Services (EKS) for workforce consultancy services at a cost of Rs. 22.36 crore.

15.1.1.1 Selection of consultant

As in the case of other contracts with EKS (refer Chapter 9, Para 9.1), we found serious irregularities in the award of this contract, with clear intent to favour EKS:

- Global tendering procedures were not followed. Instead, in May 2007 OC floated an EOI with restrictive clauses

with regard to an annual turnover of Rs. 50 crore in foreign currency, and experience of providing advisory services to at least two multi-sport events of the stature of Olympics, Asian Games or Commonwealth Games.

- Only 2 out of four bidders qualified; EKS responded as an independent entity, and was found ineligible.
- At the RFP stage, OC relaxed the criteria² and issued RFP to three agencies viz. Price Water Coopers, Ernst and Young Pvt. Ltd. and Homes Glen Institute of Tafe, Australia. Only two responded with bids, both of which were technically qualified. EKS was allowed to form a consortium with E&Y after the EOI evaluation, which ensured its technical eligibility; the other bidder was Price Waterhouse Coopers.

² One year experience in advisory capacity for workforce

- OC took recourse to the RFP stipulated condition of considering only the “technically superior” bidder, and opened only one financial bid - that of EKS-E&Y consortium, which was awarded the work in March 2008. This clause in the RFP is against the extant CVC guidelines and GOI rules, and was evidently put in to ensure that OC could predetermine the winning bid.

15.1.1.2 Faulty contract with consultant

We found that the contract with EKS- E&Y included many clauses which were detrimental to the interests of OC:

- **Absence of schedule for delivery of services:** While the contract had a detailed list on deliverables from OC, it did not indicate the deliverables from the contractor and associated timelines.
- **Wasteful expenditure of Rs. 0.31 crore for compensation structure of OC employees** - The consultant's report on compensation structure, costing Rs. 0.31 crore, was redundant, since OC already had an EB approved compensation structure in place since January 2008. Further, OC's compensation structure was not altered in the light of the consultant's report.
- **Preferential terms of engagement for the consortium member:** Instead of dealing with the lead partner the two partners of the consortium were paid separately and in different currencies as per the contract. Rs. 7.23 crore was to be paid to EKS in foreign currency. Separate and higher out of pocket expenses were also allowed for EKS. They were allowed Rs. 2.20 crore for out

of pocket expenses as against Rs. 0.69 crore to E&Y the lead partner.

- **Full payment scheduled before the completion of work:** While the contract was till 15 November 2010, the final payment to the consultant was to be made by April 2010.

15.1.1.3 Irregularities in execution

We noticed several regularities in the execution of the contract:

- **Non utilization of output documents:** Although the consultant had submitted 73 policy documents (including Functional Area operational plans), we found no evidence of their actual use. Most FAs were not even aware of the timelines prescribed in these operational plans.
- **Release of payment due to misinformation:** At the time of release of a payment instalment In June 2010, when the CEO inquired about terminating the contract of EKS-E&Y, he was misinformed by Shri Abrar Hussain, DDG Establishment that the contract was to end in July 2010 and 90 days notice is required to terminate the contract. He therefore, recommended that there was no option but to release the payment, which was done. However, for inexplicable reasons, the next instalment was not released to EKS.
- **Non revocation of bank guarantee:** Though the consultant failed to deliver the “Post Commonwealth Games Delhi Report” and two HR reports (costing Rs. 2.82 crore as per the commercial bid), OC did not invoke the performance bank

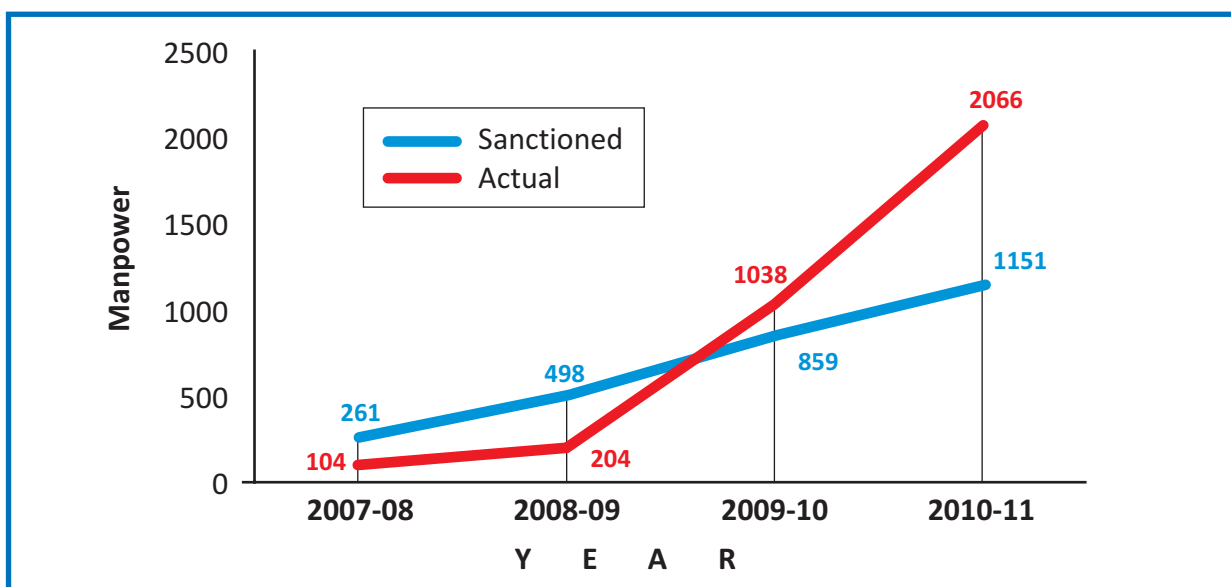
guarantee of Rs. 2.23 crore, which was valid till 15 November 2010.

- **Short deduction of TDS amounting to Rs. 3.06 Crore:** OC deducted income tax of US \$ 2.11 lakh @ 10 per cent, instead of 42.23 per cent as applicable to a Permanent Establishment (PE). This resulted in short deduction of income tax of Rs. 3.07 crore.

15.1.2 Arbitrary and Ad hoc Workforce management

While the General Organizational Plan of OC established the management structure of the OC and had timelines for hiring of staff clearly laid out, we found that the OC went about workforce management in an arbitrary and ad hoc manner, leaving ample scope for patronage, favouritism and nepotism.

Figure 15.1 – Excess Appointment of Staff at OC



15.1.2.1 Excess Appointment of Staff

Till 2009, OC lacked critical manpower as per its requirements. However, by September 2010, it had 2066 personnel in position, against the sanctioned strength of 1151. This was regularised post facto by the EB in a meeting held just 12 days before the Games. Incidentally, the proportion of excess staff at higher levels was substantially higher. There were 40 excess personnel at DDG level where sanctioned strength was 9 and 5 were excess at JDG level where sanctioned strength was 2. Further, the posts of DG, JDG, and COO were equated, facilitating distribution of

perquisites and higher salaries to a larger number of officials.

15.1.2.2 Irregularities in the appointment of Personnel

The maintenance of personnel files was extremely poor, and no files were maintained in respect of the Chairman, Secretary General, Vice Chairman and Treasurer. Our scrutiny of 191 personnel files in the rank of Director and above revealed several irregularities:

- **Identification of requirements:** The stipulated process for identification of requirements for subsequent

recruitment was rarely followed. Further, we could not find position briefs, job profile and desired qualifications in our sample of personnel files.

- **Competitive sourcing of candidates:** While OC appointed three recruitment agencies³ for sourcing of candidates, less than 5 percent of OC's staff was hired through them. Newspaper advertisements for recruitment were also rarely followed. We found that in 167 out of the 191 sampled personnel files, only one person was considered for the particular post and selected.
- **Appointment of personnel not having the requisite qualifications:** EKS-E&Y prepared job descriptions (with roles

and responsibilities), and required educational qualifications and experience for each unfilled position as of 2008. However, OC did not take note of these job descriptions, and appointed persons without the requisite qualifications and experience. We noticed incomplete or missing educational and experience certificates in 175 out of 191 personnel files.

- **Security and Reference Checks:** We found details of security/ vigilance checks and reference confirmations in only 18 and 2 files respectively out of 191 files. An illustrative list of employees, whose past records should have deterred their appointment in the OC, is given below:

- **Shri VK Verma:** In July 2008, after resignation of the then DG-OC, OC appointed Shri V.K. Verma as Director General on nomination basis. There was no advertisement or interview for the post, and only an unsigned single page bio data of Shri Verma was available in the personnel file. Even the dates of employment were not mentioned in the bio-data. While it was indicated that Shri Verma belonged to the Indian Railways Service of Mechanical Engineers (IRSME), there is no information regarding his retirement, NOC from his former cadre and re-employment information. We ascertained that there was a vigilance inquiry against Shri Verma, while he was working as Commercial Director in Air India, where he was “warned” for indiscretion and error of judgment. This information was not available in his personnel file.
- **Shri T.S. Darbari :** Well before his formal appointment with OC, Shri Darbari was, in August 2007, part of the evaluation committee for bids of the workforce consultants and was appointed as Joint Director General (Revenue, Marketing and Chairman's Secretariat) in January 2009. There was no evidence of any interview or application from Shri Darbari, and Chairman, OC was kind enough to write to his private sector employer for his early release on the very day of his selection by the search committee. OC took no action on the numerous complaints received against him from various sources (including MYAS) from February to April 2010. Shri Darbari's services was eventually terminated in August 2010 on corruption charges.
- **Shri Nachiketa Kapur:** Shri Nachiketa Kapur was appointed as Director, Protocol and Media Relations in July 2009 and further promoted to the rank of DDG. The official had been rejected for the post of OSD to Minister of State (MOS) for Women and Child Development in February 2008 by the Appointment Committee of the Cabinet (ACC), which stated that he should not be considered for any sensitive posts in future. OC however employed him, without any verification.

³ ABC Consultants, Ma Foi Management Consultant, and Team Lease-People Strong Consortium

15.1.2.3 Non Disclosure of related employees:

While there were no formal records or disclosures by employees of their close relatives working in the OC (despite provision for such disclosure), OC provided us a list of 35 such cases who had one or more relatives working in OC. Such a large number of cases, which are easily identifiable by OC (without formal disclosure records), indicates risk of favouritism / nepotism in appointments.

15.1.2.4 Fixation of salary

We found that employees were indiscriminately granted higher pay at the

time of appointment. OC did not follow the GoI rules for considering the pension of retired Government officers for deduction, while fixing their pay at the time of re-employment.

15.1.2.5 Unadjusted advances from employees

We found that employees were allowed to leave the organisation without adjusting the outstanding loans and advances. Apart from a serious internal control failure this indicated the work environment of patronage.

Table 15.1 : Advances outstanding against Employees at the time of relieving

Name of the Official	Designation	Functional Area	Loan/advance outstanding after relieving from OC
Mr. Sujit Panigrahi	ADG	Technology	15,000
Vijay Kumar Gautam	COO		83,647
B.B. Kaura	JDG	Protocol	69,313
Brig Sunil Arya	ADG	Technology	50,000
M. Jeychandran	ADG	Finance	50,49,652
Sanjay Mohindroo	DDG	Technology	67,58,578

15.1.2.6 Promotions in the OC

Given the temporary nature of the OC, there was no provision for grant of promotions. Nevertheless, OC granted promotions (multiple promotions in some instances) in an arbitrary and ad hoc manner to some of its employees. We found that this was apparently used as a form of patronage:

- Performance appraisal, which was supposed to be the basis for promotion, was not available in many cases.

- There was no criteria, time frame or process for grant of promotions.
- 7 persons were granted two promotions in short span of 1-3 years, of which 5 were staff associated with CYG-2008, Pune, Chairman Secretariat and DG Secretariat.

Promotions were granted to certain officials, despite low ratings by the workforce consultant of these officials on educational qualification and experience, as summarised below. Some officials were also promoted, despite less than satisfactory performance of their functional areas.

Table 15.2 : Staff promoted despite low ratings on educational qualifications and experience

Name of the Official	Designation	Functional Area
Mr. Ram Mohan	DDG	Legal and Chairman Secretariat
Dr. G.S. Anand	DDG	Venue Development and overlays
Dr. G.S Bawa	DDG	Sports and Venue Development
Mr. Abrar Hussain	Director	Workforce
Mrs. Indu Anand ⁴	PO	Ceremonies

15.1.2.7 Cases of Gross Irregularities in Workforce Management

- **Shri Vijay Kumar Gautam:** In September 2007, Shri Vijay Kumar Gautam, IAS (Maharashtra cadre) was appointed to the post of COO, which had overall responsibility for the delivery of the Games in addition to certain functional areas. Despite complaints by his reporting officer (Shri VK Verma, DG) about his performance, Chairman OC did not allow him to be replaced. Shri Gautam was allowed to proceed on leave from December 2009 for the next 10 months (including the actual Games period) and was relieved from the OC w.e.f. 31 October 2010, while still on leave. Shri Gautam's leave applications were addressed directly to Chairman, OC and not to the DG. Despite his leave spells never being formally sanctioned, he was paid full salary for the period.
- **Shri Manish Kumar :** There were several irregularities in appointment and functioning of Shri Manish Kumar, DDG Press Operations. Details are already discussed in para 14.1.1
- **Shri Sanjay K. Mahindroo:** Shri Mahindroo was interviewed for the post of Director (Information Services and Network) in May 2009, but appointed as DDG (Information Services-Technology). Approval was obtained for a salary of Rs.60,000, but Shri Mahindroo's appointment letter indicated his salary as Rs. 1,00,000 and his post as DDG (Technology/Marketing).
- **Wing Commander (Retd.) Rajiv Mohla :** Wing Commander Mohla was interviewed in April 2010 for the post of DDG (Chairman Sectt.), when he was also holding the post of Secretary in DDA (Sports Complex). He was appointed on 28 April 2010 as DDG (Chairman Sectt.), but continued to hold both the posts till October 2010.
- **Ms. Sangeeta Welinkar:** Ms. Welinkar joined the OC during CYG-2008, Pune as a coordinator. She was then appointed as DDG for 'Image and Look' in January 2009 by upgrading the post (without EB approval), and was promoted five months later as ADG 'Image and Look' with the approval of Chairman. We did not find Ms. Welinkar's qualifications and experience matching with her job profile.

⁴ She was granted two promotions despite the above low rating

15.2 Accommodation

15.2.1 Overview

The Accommodation Functional Area was responsible for:

- providing suitable accommodation to OC employees and consultants as per their contracts; and
- booking of hotel rooms and other arrangements for delegates and officials.

15.2.2 Hiring of Flats

OC hired 38 apartments in different parts of NCR Delhi for its consultants and employees at a cost of Rs. 4.39 crore as rental charges. This hiring was done in an arbitrary manner without any advertisements and prescribing entitlements in terms of maximum rent, area etc. Inexplicably, the selection of apartments was done by Shri Lalit Bhanot's office, despite the existence of a specific Functional Area for accommodation related issues. Further, we found instances of hiring of multiple accommodation for the same period and idle accommodations, with avoidable expenditure of Rs. 0.12 crore.

Further, as of March 2011, security deposit worth Rs.0.60 crore for these flats was still lying with the property owners, though most contracts had ended in October 2010.

Flats from Salwan Educational Trust

In November 2009, OC entered into an agreement with Salwan Education Trust for renting five flats for which OC ultimately paid Rs. 0.33 crore. While no details for selection of these flats were available on record, we

found that the entire process was done through Shri Lalit Bhanot's office. There is a distinct possibility that this process was conducted through Shri Sushil Salwan⁵, a legal advisor of OC pointing to a potential conflict of interest. Despite knowing that these flats were lying vacant for a significant part of the lease period, OC continued to retain them and pay rent, resulting in expenditure of Rs 0.21 crore towards rent on unoccupied flats.

15.2.3 Booking of hotel accommodation

The Ashok Hotel was nominated as the Flagship Hotel for the CWG 2010 and was booked exclusively for accommodating guests/officials from 29 September 2010 to 16 October 2010 at a cost of Rs 12.01 crore.

Of the 480 rooms provided by Hotel Ashok as many as 155 to 399 rooms remained vacant on different days during the period of reservation. During the same period, OC booked accommodation for International Technical officers (ITOs) and National Technical Officers (NTOs) with 11 others hotels at a total cost of Rs 3.53 crore. As the guest arrival list was firmed up by then, OC could have utilised at least 100 rooms in flagship hotels to accommodate the ITOs/NTOs, thereby saving Rs.1.15 crore. However, for some inexplicable reason, OC was apparently unwilling to accommodate ITOs/NTOs and other guests in the same hotel.

⁵ He was also a trustee of Salwan Education Trust

15.3 Accreditation

Accreditation Functional Area was responsible for issue of accreditation cards after obtaining security clearance. Data in respect of accredited persons was sent by the OC to ECIL, who was responsible for providing the integrated security system in all venues. We found that due to OC's negligence, 492 persons, who did not receive security clearance, were listed in the ECIL verified data as on 12 October 2010. This oversight was a serious security flaw and indicates that the accreditation system was not followed strictly.

Procurement of Lanyards by OC

A lanyard is a cord or rope worn around the neck to carry the identity card. Without ascertaining the need for lanyards for the accreditation card, a supply order for 1.5 lakh lanyards was placed on Tristar Enterprises⁶ in July 2010 at a total cost of Rs. 0.68 crore; out of these, 48,040 lanyards costing Rs. 0.22 crore were never used. Inexplicably, the lanyard specifications for fire retardantness stipulated withstanding temperature of up to 800 degree Celsius, whereas for the plastic pouch⁷ (which would contain the accreditation card) the requirement was 110 degree Celsius. We find no utility for such abnormal specification for the lanyard⁸, except to restrict competitive tendering.

⁶ Incidentally, Tristar Enterprises, was also the consortium partner of Gold Medal Systems who supplied GMS (See para 13.5)

⁷ for which separate RFP was issued

⁸ Incidentally, the selected lanyard contained PBDE (Polybrominated diphenyl ether), a chemical banned due to its harmful effects on the environment and humans.

15.4 Cleaning and waste management

This Functional Area was responsible for cleaning and waste management at venues and non venues, and also for development of an Integrated Waste Management Plan. The initial budget for this work of Rs.11.22 crore was increased in June 2010 to Rs 31.22 crore.

We found that the consultant for cleaning and waste management was appointed only in November 2008 and planning for this aspect was unduly delayed till July 2009.

15.4.1 Contract for Cleaning services at Venues

OC took an inexplicable long period of 11 months (from October 2009 to August 2010) for appointment of cleaning companies for providing cleaning services at all competition and non competition venues, after dividing them in nine tender packages (clusters). Except for tender package two (which was awarded to Sarvatra Integrated Services at a cost of Rs.1.02 crore) all the other eight packages were awarded to A2Z Maintenance and Engineering Services for Rs. 19.30 crore.

We found that the tendering process was deficient in many ways:

- There was no justification on record as to why the package/cluster based approach was adopted
- The qualifying marks for technical evaluation were lowered in the RFP from that specified in the EOI, purportedly to get more competition.

- The tendering was restrictive as the EOI stipulated an annual turnover, specifically related to cleaning services, of at least Rs 5 crore, in each of the last three financial years, for one tender package with a seating capacity of up to 5000, and Rs.10 crore for bigger venues. Consequently out of the 23 firms who responded to the EOI, 9 firms were disqualified for not satisfying prequalification criteria.
- We found that the two successful bidders, A2Z and Sarvatra, also did not fulfil the requirements indicated in the prequalification and technical bid stages, as details of experience were not provided by both of them. A2Z submitted only the certified copy of its turnover (from which the income derived exclusively from cleaning services could not be determined). Clearly the evaluation was not objective.
- At the technical evaluation stage when A2Z, Cleanvent and ISS Integrated Facility Services did not submit the required documents, OC contacted them to fill in the gaps instead of rejecting the bids.
- While OC consistently maintained during the tendering process that multiple tenders would not be allotted to the same vendor, A2Z was finally awarded eight out of nine tender packages.

Undue favour to A2Z Maintenance and Engineering Services

It appears that OC was intent on benefiting A2Z rather than safe guarding its own interests:

- During the price reduction negotiations, the scope of work and period was reduced
- A2Z was awarded multiple packages despite lack of games time/international experience, although Director (Cleaning and Waste Management) noted that it was beyond the capability of one single vendor to bring in such a large workforce for delivery of service.
- Although it was decided in May 2010 that A2Z would not undertake any other contract till its assignment with OC for CWG is over, OC itself engaged A2Z for office automation work in June 2010. Thus OC relaxed the condition in favour of A2Z. Interestingly, when A2Z had applied for another contract of office maintenance/housekeeping of OC, it was disqualified. We fail to appreciate why such relaxation was considered important, when there was no dearth of companies providing either cleaning/waste management services or office automation service.
- A2Z quoted different prices for items of same specifications in the tender packages allotted to him. OC did not question these inconsistencies, nor did it negotiate for lower rates.
- The performance of A2Z was found deficient and OC stated that a deduction up to Rs. 4.53 crore was being considered as also encashment of performance guarantee.

15.4.2 Cleaning services at Non Competition Venues

Due to deficient planning, the four non competition venues - International Broadcasting Centre, Uniform Accreditation Centre, Main Logistics Centre and Media Press Centre were not covered in the nine tender packages, and a separate tendering was conducted in June 2010. A contract for Rs.0.98 crore was awarded to an ineligible vendor (as they did not meet the relevant parameters as given in RFP), as no time was available by then.

15.5 Logistics

OC decided to centralise its logistics work with a separate functional area. Agility Logistics was appointed as the logistic service provider in July 2010, after a six month long tendering processing, at a cost of Rs. 12.5 crore less VIK sponsorship of Rs.11 crore. As of March 2011, OC could not provide details of the VIK services availed from Agility Logistics. However, we found that 20 out of 34 Functional Areas of OC did not avail of the centralised logistic services and made separate arrangements even for warehousing and distribution of goods e.g. OC engaged Buhariwala Logistics for the opening and closing ceremonies at a cost of Rs 0.69 crore. Further since all goods procured by the OC did not pass through the centralised logistics section, full information on assets procured by the OC, their location, distribution and retrieval was not available.

Also, after four months of the closure of the Games, OC has yet to complete physical verification of stores. Substantial assets are still lying in the Games Village, MDC Stadium and OC Headquarters. OC stated that they were awaiting instructions from

MYAS. We also found that out of four prime warehouses in the premises of ITPO, OC, JLN and SAI, two were closed in November 2010 without any physical verification. As such possibility of shortages during transit movement to OC building and MDC stadium cannot be ruled out.

15.6 Procurement

A separate Functional Area for procurement was established to facilitate planning for procurement of goods and services for the Games and procure goods and services as per defined timelines, locations and quantities. However, this Functional Area was grossly underutilised and played a very limited role in OC procurement. The procurement manual was prepared only in April 2010, and was also not complied with. In most cases, though associated with tendering, this Functional Area was not used to make procurement for other areas. In many cases e.g. Image and Look and Communication, their advice on tendering was ignored.

No plan for the return and disposal of surplus material was formulated till the Games were over. A committee was formed in November 2010 for the disposal of assets; however, its work is yet to start (March 2011).

In cases of procurement through this Functional Area, we found some irregularities e.g.:

- Souvenir items worth Rs.3.51 crore were lying unutilized as of December 2010, out of which commemorative medals constituted Rs.2.64 crore.
- Out of 200 laptops purchased in April 2010, 52 laptops worth Rs.0.27 crore were lying unutilised.

15.7 Risk Management

15.7.1 Insurance Broker

As per the Host City Contract, the OC was required to obtain adequate insurance coverage in respect of all risks associated with the organization and staging of the Games.

OC took 15 months to select insurance brokers:

Table 15.2 : Chronology of events for selecting of brokers

Timeline	Event
March 2007	EOI issued
June 2007	Evaluation committee recommended re-tendering, as none of the nine responses had the desired profile
July 2007	EOI issued again. Criteria revised from experience of five international events to experience of only two events.
January 2008	RFP issued to three shortlisted firms – Marsh India, Aon Global Insurance and JB Boda Insurance.
25 March 2008	Two sets of minutes of the Technical Evaluation committee, one where Marsh India was the bidder, and another where it was shown along with partner Trinity Insurance Broker.
June 2008	OC signed an agreement with Marsh India/Trinity Insurance Brokers

Incidentally, the RFPs for appointment of insurance companies for different covers included an unusual clause that “All re-insurance requirements will be discussed with Marsh/Trinity before approaching reinsurance market. All insurance companies have to follow guidelines laid

down by Marsh/Trinity with regard to Re-Insurance companies, failing which the bid will stand cancelled.”

Further, the RFP also provided for maximum brokerage permissible under IRDA rules. Both these clauses appear to have been designed to benefit the interest of the broker Marsh/Trinity.

15.7.2 Insurance for CYG-2008, Pune:

For CYG-2008 Pune, OC executed three insurance policies at a cost of Rs. 1.30 crore with Reliance General Insurance and ICICI Lombard. No records pertaining to these policies were made available for scrutiny. Strangely the insurance cover for 80 OC officials was taken up to March 2009 (while the Games took place in October 2008). In August 2009, OC, on the advice of MYAS, decided to opt only for public sector insurance companies for insurance coverage.

15.7.3 Execution of Insurance Policies

In September 2009, EB approved execution of a Comprehensive General Liability policy for US\$ 20 million (Rs. 100 crore). However, on the intervention of Shri Mike Hooper in October 2009, OC executed the said policy for US\$ 100 million at a total premium of Rs. 2.90 crore. Shri Hooper insisted that OC should take the insurance for US\$ 100 million based on the recommendations of CGF's insurance consultant Marsh⁹. It was noted in the EB meeting that there was a conflict of interest as Marsh was both a consultant to CGF and an insurance broker to OC and had a vested interest in

⁹ Shri Hooper even threatened that if OC did not execute the policy for US\$100 million, CGF would do so and charge it to OC.

increasing the policy amount on account of their brokerage commission. Despite EB's approval for a limit of US\$ 100 million (i.e. Rs. 460 crore), OC executed the policy for an enhanced limit of Rs. 500 crore resulting in excess payment of premium of Rs. 0.23 crore.

The management of other insurance policies and premiums was faulty on several counts:

- OC took insurance cover for 25000 volunteers (as against the actual 17667 volunteers and for a longer period than the volunteers' engagement, resulting in excess expenditure of Rs.0.11 crore.
- OC executed insurance policies for QBR personnel and equipment during the international and national legs of QBR at a premium of 0.84 lakh, although this was the responsibility of Maxxam, the QBR consultant.

- OC took insurance cover for directors and officers liability to protect the officials from the decision taken in good faith, during which process, Shri M Jeychandran¹⁰ falsely informed the CEO that the EB had approved a policy for US\$ 25 million. The EB did not discuss this issue in the above meeting. Further, as recommended by the CEO, the approval of SFC was also not taken. OC made a payment of Rs.1.29 crore in June 2010 only on Chairman's approval.

In a separate response, Shri Kalmadi (ex-Chairman, OC) disputed the above statement and indicated that the EB members had, in their meeting on 11 May 2010, suggested that OC should obtain such Directors & Officers Liability (D&OL) insurance. We do not agree, since the minutes of the EB meeting of 11 May 2010 did not reflect a discussion, nor a decision, on D&OL insurance.

¹⁰ Incidentally, Shri Jeyachandran submitted a claim for Rs. 5 crore (under the directors and officers liability cover) directly to the insurance company after his suspension; details are not available in OC's records.



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