

This Audit Inspection report has been prepared on the basis of information provided by The Office of the Chief Executive Officer, Dehradun Smart City Limited, Dehradun. The office of the Principal Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non submission or submission of incomplete records.

Audit inspection of accounting records of the Office of the Chief Executive Officer, Dehradun Smart City Limited, Dehradun(Company) for the period September 2017 to March 2020 was carried out in exercise of the power conferred by section 19 of the C&AG's, (DPC) Act, 1971 read with section 143 of The Companies Act, 2013. Audit Inspection was conducted by Shri Amit Kumar, AAO and Shri. Nishant Choudhary Auditor under the supervision of Ms. Usha Singh, Sr. Audit Officer during the period from 06 July 2020 to 07 August 2020 and 05 October 2020 to 09 October 2020.

Part-I

1. **Introduction:** - The company was incorporated in September 2017 under the Companies Act, 2013. This is the first Compliance Audit of the Company. In current audit, accounting records of the period from September 2017 to March 2020 were generally examined.

2. (i) **Functions and geographical jurisdiction of the unit:**

The objective of Dehradun Smart City Limited, Dehradun is to develop core infrastructure in the Dehradun city and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'Smart' Solutions. The geographical jurisdiction of the Dehradun Smart City Limited, Dehradun is Dehradun City.

(ii) **Auditing methodology and scope of audit:**

Office of the Chief Executive Officer, Dehradun Smart City Limited, Dehradun was covered in this audit. This inspection report is based on findings of test months i.e. March 2019 and September 2020 which were selected for detailed examination and Arithmetical Accuracy.

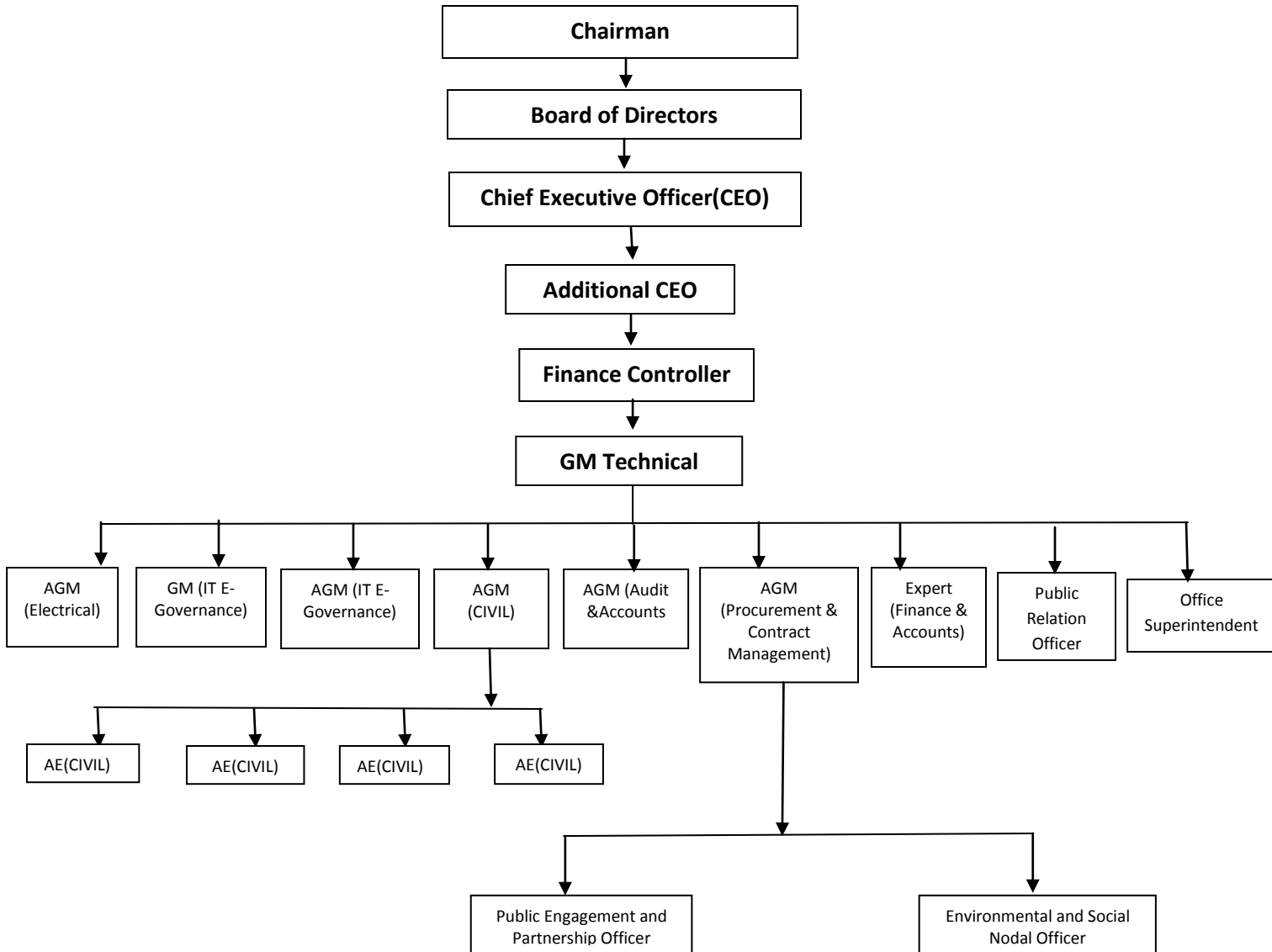
(iii)

(` in crore)

Year	Revenue	Expenditure	Profit
2017-18	3.13	0.11	--
2018-19	1,07.01	8.80	--
2019-20	2,60.68	2,15.64	--

(iv) Organisational structure of the unit and reporting lines.

The Management of the Company vests in a Board of Directors headed by the Chairman. The Chief Executive Officer is the Chief Executive of the Company. The organogram of the Company is given below:



Part II A

Nil

Part II B

Para1: Non recovery of interest on Mobilisation Advance

According to the Uttarakhand Procurement Rules, Advance is generally prohibited to contractors and payment should be made against the actual work done only. Exceptions may be permitted in certain pre-defined uses subject to rules and procedures established by the government or competent authority. Some examples of this exception may include Mobilization Advance and Advances for Equipment and Machines.

Further, it is also provided that the advance shall be approved subject to the conditions of interest and the recovery/ adjustment of advance shall be warranted by a bank guarantee or any other security deposit and the same shall be got approved by the bank.

Also, the guidelines of Central Vigilance Commission state that the Bank Guarantee taken towards security of Mobilization Advance should be at least 110 per cent of the advance so as to enable recovery of not only principal amount but also the interest portion.

Dehradun Smart City Limited (DSC) entered in a contract (16 December 2019) with M/s RG Industries for the “Water Supply Augmentation & Supply, Installation, Commissioning and Operation and Maintenance for Smart Water Meters and Related Infrastructure work” at a contract value of ` 36.40 crore (inclusive of GST). The LOA for the work was awarded on 21.11.2019. The work was to be completed within 12 months from the date of contract signing.

In order to execute the contract, the contractor was given a mobilization advance of Rs.3.64 crore (10 *per cent* of contract value) on 16 January 2020. Against the mobilization advance, Bank Guarantee amounting of ` 3.64 crore was obtained.

During the audit it was observed that as per clause 48 of the General Conditions of Contract stated that the Employer will make the interest-bearing advance payment to the contractor. The management stated that the recovery of the interest shall be made from the forthcoming bills of contractor. It was also stated that ` 69.84 lakh have been recovered from the contractor in respect of mobilization advance. Thus, the current bank guarantee was available with the company is sufficient to cover 110 *per cent* of the outstanding

mobilization advance. It was also assured to comply with the above conditions in all the fresh contracts.

The amount of the interest recovered may be intimated to Audit.

Para 2: Awarding the work before possession of the land.

The work of construction of Integrated Office Complex Green Building under Dehradun Smart City Limited (DSCL) was awarded to Central Public Works Department (CPWD) at a project cost of ` 187,75,41,999/- vide Memorandum of Understanding (MOU) dated 01 October 2019. The project cost included the cost of salvage value of the material of ` 3.26 crore which will be received by the auction of the dismantled material of the existing structure. According to the MOU, the work was to be completed within 24 months of the signing of the MOU i.e. 01 December 2021. The land on which the proposed office was to be constructed was a workshop of the Uttarakhand Parivahan Nigam, a state PSU located in Transport Nagar, Dehradun. The land was transferred in the name of Urban Development Department, Uttarakhand vide office order dated 01 November 2019.

During the review of records furnished to audit, the following were observed:

The work was awarded to CPWD prior to possession of land by Dehradun Smart City. Due to non-availability of the clear land, CPWD even cancelled the NIT issued for the execution of work at its end. Further, till February 2020, DSCL was requesting the MD, Parivahan Nigam to provide NOC for the proposed construction of the building.

In continuation of the above, an advance of ` 20 crores was also given to CPWD for execution of the work without availability of free workable land.

Further, DSCL had transferred (05 November 2019) ` 20 crore to Uttarakhand Parivahan Nigam for shifting of the workshop. However, the same could not be shifted till date.

The Company in its reply stated that due to an objection raised by the Karamchhari Union (Uttarakhand Transport Corporation) for the transfer of land, the matter is pending in the Hon'ble High Court. UTC has been requested to refund ` 20 crore in case of non-finalization of the pending matter. Further, it was also proposed in the meeting of City Level Advisory Forum held on 20 August 2020 that the green building construction may be taken up on the current Collectorate Premises for which a proposal may also be forwarded to Government of Uttarakhand. The same has also been approved by the Board of Directors in its meeting held on 05 October 2020. Also, CPWD has been requested to refund the first instalment of Rs. 18.44 crore with interest. In turn, CPWD has also directed its concerned Executive Engineer to return the first instalment along with the up to date interest earned and expenditure with supporting documents to DSCL account.

The progress of recovery of amount from UTC and CPWD may be intimated to audit.

Para 3: Slow progress of works

(A) The work of construction of Smart Road including multi-utility duct, sewerage, drainage, water supply etc having a total cost (including centage charges and all other charges) of Rs. 203.22 crore was awarded to M/s Bridge and Roof Company (India) Limited. (M/s B&R Ltd.), a Government of India Undertaking. The Memorandum of Understanding (MOU) for the same was signed on 12 July 2019. According to the MOU, the work was to be started from 01 October 2019 and completed within 22 months i.e. 01 August 2021. It was mentioned in the MOU that in case the progress of the project does not match with the targets set then DSCL may withdraw the project back and allot the same to some other construction agency.

During the review of the records the following points were observed: -

1. M/s B&R Ltd. was provided (22.10.2020) an advance of Rs. 20.00 crore (` 19.60 crore were given after deduction of 0.40 lakh as TDS). M/s B&R Ltd. vide their letter dated 03 February 2020 intimated that out of ` 19.60 crore, ` 18.34 crore was utilised for the purpose of the allotted work. The utilisation certificate was reviewed by the PMC and it certified (11 February 2020) that Rs. 3.25 crore including the material at site has been utilised by M/s B&R Ltd. It was also stated in the report that the physical progress for the work was 01 *percent* as on 31 January 2020. The mobilisation for the field work progress was only 02 *percent* till February 2020. While 10 months have elapsed since the date of the start of the work, but the physical progress of the work was only 01 *percent* as against the milestone of 25 percent as per the MOU.

The management stated in its reply that the physical progress of the work was again reviewed, and the B&R Ltd. was not paid the further payment on the basis of the UC previously submitted. As on August 2020, the progress of the work was 10.61 *percent* and the utilisation was again submitted by the B&R Ltd. on the basis of which further funds were released.

Further, it was also stated that multi-utility duct (MUD) is being done on a busy road therefore, to avoid traffic issued and public inconvenience, precasting of the MUD is being done at a separate site and in the mean while shifting of electrical lines was to be done by UPCL resources and the expenditure for temporary shifting shall be borne

by DSCL. This was decided in a meeting held on 30 April 2020. Further, the work resumed after lockdown and funds were transferred for one section and the work is under progress.

The current status of work with likely completion date may be intimated to Audit.

- (B) In another work pertaining to the installation of Water ATM under the Smart City Mission through Public Private Partnership (PPP) at 24 designated locations was awarded to M/s Earth Water Limited (concessionaire). The Concessionaire Agreement for the said work was signed on 20 February 2019. A performance Bank Guarantee amounting to Rs. 20.00 lakh valid till 31 March 2024 was also furnished by the concessionaire.

The commissioning period of all the water ATMs was 06 months from the date of the signing of the Concession Agreement. The concession period for the work was five years.

The agreement also provided that the DSCL shall be responsible to provide the space for water ATM units. Also, if completion does not occur within 180 days from the date of agreement, the DSCL shall be at absolute liberty to encash the Performance Security and to terminate the agreement. DSCL, may at its sole liberty extend the time for achieving the implementation completion on such terms and conditions as it deems fit in its sole discretion.

During the review of records, it was observed that:

1. The concessionaire was able to commission the water ATM at only 15 locations till January 2020. However, the contract has neither been terminated by DSCL nor any extension of work has been granted even after lapse of 11 months from the scheduled date of completion of the work (20 August 2019).

On several occasions the concessionaire had written to DSCL that out of 24 locations only 15 locations were handed over to the concessionaire and the on the remaining locations NOC could not be obtained by DSCL

The management stated in its reply that under the provisions of the concession agreement, 24 water ATMs were to be installed. However, during the implementation, site specific public resistance and utility issues were encountered which resulted in change in sites and NOCs obtained again for same. The latest NOC for clear sites were obtained by February 2020. After, that the country wide

lockdown was imposed and the progress was affected severely. Further, in the latest Board meeting of the company held on 05 October 2020, the extension of the work was granted to the concessionaire till December 2020.

The current status of the work may please be intimated to Audit.

Para 4: Deficiencies noticed in the Internal Control System.

Internal controls system includes a set of rules, policies, and procedures an organization implements to provide direction, increase efficiency, and strengthen adherence to policies.

During the review of records in audit, the following deficiencies were noticed in the internal control system of Dehradun Smart City Limited: -

1. There does not exist any system of preparation of the list of files/records available with a department/section. In absence of the same, audit could not ensure whether all the relevant record related to a particular project/work/scheme was provided. Also, the files/record furnished to audit did not contain any page numbering on the documents enclosed.

2. The various sections/departments operating in the company are Finance, Procurement, Civil, IT etc. The files and records maintained in the company are according to the department/section. This implies the fact that each department has separate files for a particular project/scheme or work. Also, in the absence of proper listing of the files/records maintained by the relevant departments, the above methodology adopted by the company in the maintenance of records lacks the continuity. During the audit, it was observed that all the files pertaining to a particular project could not reviewed in a single instance. Either the files are properly listed project wise by the departments or the same are available at one place except for the working file if in circulation.

The management while accepting the audit observation stated that the files are being properly serial numbered and a section wise list and register of all the available files shall be prepared.

The progress of the work may be intimated to Audit.

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Details of unsettled paras of previous inspection reports:-

Sl. No.	Period	Part II A	Part II B
The Dehradun Smart City Limited, Dehradun was incorporated in September 2017, hence, the compliance audit of the Chief Executive Officer, Dehradun Smart City Limited, Dehradun has been taken first time so unsettled paras of previous inspection reports are NIL.			

Part IV

Best practices of the unit

NIL

Part V

Acknowledgement

1. Office of The Principal Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards O/o the Chief Executive Officer, Dehradun Smart City Limited, Dehradun and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Though following documents were not produced during audit:

NIL

2. **Persistent irregularities.**

NIL

3. **The following officers held the charge of head of the office during the audit period:**

Sl No	Name	Post	Duration
1.	Shri Dilip Jawalkar,	Chief Executive Officer	10 August 2017 to 25 July 2020
2.	Shri Shailesh Bagauli	Chief Executive Officer	26 July 2020 to 13 February 2020
3.	Shri Ashish Kumar Srivastava	Chief Executive Officer	13 February 2020 to 08 June 2020
4.	Shri Ranvir Singh Chauhan	Chief Executive Officer	08 June 2020 to 20 August 2020

5.	Shri Ashish Kumar Srivastava	Chief Executive Officer	20 August 2020 to till date
6.	Shri. Ganga Prasad	Finance Controller	10 August 2017 to 10 August 2020
7.	Shri Dinesh Chandra Lohani	Finance Controller	10 August 2020 to 18 Sep. 2020
8.	Shir Abhishek Kumar Anand	Finance Controller	19 September 2020 to till date

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (AMG-II) within one month of receipt of the letter.

Sr. Audit Officer/AMG-II