

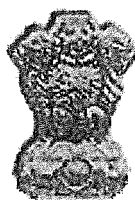
**IRREGULARITIES IN AWARDING OF
MAJOR WORKS OF SEEPZ, SEZ
AUTHORITY, MUMBAI**

MINISTRY OF COMMERCE AND INDUSTRY

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

SEVENTY SECOND

SEVENTEENTH LOK SABHA



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2301

SEVENTY SECOND REPORT

**PUBLIC ACCOUNTS COMMITTEE
(2023-24)**

(SEVENTEENTH LOK SABHA)

**IRREGULARITIES IN AWARDING OF
MAJOR WORKS OF SEEPZ, SEZ
AUTHORITY, MUMBAI**

MINISTRY OF COMMERCE AND INDUSTRY



Presented to Lok Sabha on: 10-08-2023

Laid in Rajya Sabha on: 10-08-2023

**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2023 /Sravana, 1945 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2021-22)

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Shri Bhartruhari Mahtab
6. Shri Jagdambika Pal
7. Shri Vishnu Dayal Ram
8. Shri Pratap Chandra Sarangi¹
9. Shri Rahul Ramesh Shewale
10. Shri Gowdar Mallikarjunappa Siddeshwara²
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. C.M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Dr. M. Thambidurai
21. Shri V. Vijayasai Reddy³
22. Dr. Sudhanshu Trivedi⁴

¹ Elected w.e.f. 29.07.2021 vice Smt. Darshana Jardosh, MP appointed as Minister of State w.e.f. 07.07.2021.

² Elected w.e.f. 29.07.2021 vice Shri Ajay Kumar Mishra, MP appointed as Minister of State w.e.f. 07.07.2021.

³ Elected w.e.f. 09.08.2021 vice Shri Rajeev Chandrasekhar, MP appointed as Minister of State w.e.f. 07.07.2021.

⁴ Elected w.e.f. 09.08.2021 vice Shri Bhupender Yadav, MP appointed as Union Minister w.e.f. 07.07.2021.

COMPOSITION OF THE SUB COMMITTEE-IV (FINANCE) OF PAC
(2021-22)

- | | | | |
|----|------------------------------------|---|--------------------|
| 1. | Shri Adhir Ranjan Chowdhury | - | Chairperson |
| 2. | Shri Bhartruhari Mahtab | - | Convenor |
| 3. | Shri Subhash Chandra Baheria | - | Member |
| 4. | Dr. C.M. Ramesh | - | Member |
| 5. | Dr. M. Thambidurai | - | Member |
| 6. | Shri V. Vijayasai Reddy | - | Member |

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE

(2022-23)

Shri Adhir Ranjan Chowdhury

-

Chairperson

MEMBERS

LOK SABHA

2. Shri Subhash Chandra Baheria
3. Shri Bhartruhari Mahtab
4. Shri Jagdambika Pal
5. Shri Vishnu Dayal Ram
6. Shri Pratap Chandra Sarangi
7. Shri Rahul Ramesh Shewale
8. Shri Gowdar Mallikarjunappa Siddeshwara
9. Shri Brijendra Singh
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabbhaneni
14. Shri Ram Kripal Yadav
15. Shri Shyam Singh Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Shri Bhubaneswar Kalita
18. Dr. Amar Patnaik
19. Dr. C. M. Ramesh
20. Shri Vijayasai Reddy
21. Dr. M Thambidurai
22. Dr. Sudhanshu Trivedi

**COMPOSITION OF THE PUBLIC ACCOUNTS
COMMITTEE (2023-24)**

Shri Adhir Ranjan Chowdhury - Chairperson

MEMBERS

LOK SABHA

2. Shri Thalikkottai Rajuthevar Baalu
3. Shri Subhash Chandra Baheria
4. Shri Bhartruhari Mahtab
5. Shri Jagdambika Pal
6. Shri Vishnu Dayal Ram
7. Shri Pratap Chandra Sarangi
8. Shri Rahul Ramesh Shewale
9. Shri Gowdar Mallikarjunappa Siddeshwara
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15. Shri Ram Kripal Yadav

RAJYA SABHA

16. Shri Shaktisinh Gohil
17. Dr. K. Laxman
18. Shri Sukhendu Sekhar Ray
19. Shri Tiruchi Siva
20. Dr. M. Thambidurai
21. Shri Ghanshyam Tiwari
22. Dr. Sudhanshu Trivedi

SECRETARIAT

1. Shri T.G Chandrasekhar - Additional Secretary
2. Smt. Bharti Sanjeev Tuteja - Director
3. Shri Girdhari Lal - Deputy Secretary
4. Shri Ashikho Alema - Executive Officer

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2023-24), having been authorised by the Committee, do present this Seventy Second Report (Seventeenth Lok Sabha) on '**Irregularities in awarding of Major Works of SEEPZ, SEZ Authority, Mumbai**' based on Para No.6.2 of C&AG Report 17 of 2019 relating to the Ministry of Commerce and Industry.

2. The C&AG Report No. 17 of 2019 was laid on the Table of the House on 03.02.2020.

3. Public Accounts Committee (2021-2022), selected the aforesaid subject and allocated the same to one of their Sub-Committees viz. Sub-Committee – IV (Finance) for examination.

4. The Sub-Committee - IV (Finance) of the Public Accounts Committee (2021-22) held a briefing from Audit on the subject matter on 28th April, 2022. Considering the gravity of the issues involved in the matter, Public Accounts Committee (2022-23), at the request of Sub-Committee - IV (Finance) of the Public Accounts Committee (2021-22), decided to carry forward the subject for detailed examination during 2022-23 and took oral evidence of the representatives of Ministry of Commerce and Industry and obtained written replies on the same on 30.11.2022. Based on the oral evidence and written replies, the Committee examined the subject in detail in 2023-24.

5. Public Accounts Committee (2023-2024) considered and adopted the Draft Report on the aforementioned subject at their Sitting held on 09.08.2023. The Minutes of the Sittings are appended to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

7. The Committee thank the predecessor Committees for taking oral evidence and obtaining information on the subject.

8. The Committee would like to express their thanks to the representatives of the Ministry of Commerce and Industry for tendering evidence before them and furnishing the requisite information in connection with the examination of the subject.

9. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Committee Secretariat and the Office of the Comptroller and Auditor General of India.

NEW DELHI:
09 August, 2023
18 Sravana 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

REPORT

PART-I

A. Introductory

The C&AG Report No. 17 of 2019 for the year that ended on March 2018 contains significant results of the compliance audit of the Department of Revenue-Customs under the Ministry of Finance and Director General of Foreign Trade under Ministry of Commerce and Industry and Chapter VI of the Report deals with Irregularities in awarding of Major works of SEEPZ, SEZ Authority, Mumbai"

2. According to Audit, it was observed from Financial Accounts of Santacruz Electronics Export Processing Zone (SEEPZ) Authority that during the year 2015-16 and 2016-17 substantial amount was booked under 'Advances on Capital Account' (₹ 637.08 lakh in 2015-16 and ₹ 3304.39 lakh in 2016-17) and under Capital works in progress' (₹ 3087.41 lakh in 2015-16 and ₹ 5197.56 lakh in 2016-17). Hence, during the regular compliance audit (January/February 2018) of the SEEPZ SEZ Authority (herein after referred as "the Authority") special focus was given to the transactions reported under these heads.

3. During scrutiny, Audit noticed following major issues:-

- (i) Awarding of works to ineligible agency;
- (ii) Issue of work order without approval of Authority;
- (iii) Weak mechanisms for quality control;
- (iv) Letter of Permission (LOP)/Letter of Agreement (LOA) issued to SEZ units without scrutinizing mandatory norms and other miscellaneous irregularities.

B. Award of Major works of SEEPZ-SEZ Authority to ineligible agency (NFCD)

4. Audit observed that as per the Government of India office memorandum issued on 2 November 2010 read with rule 1 of General Financial Rules (GFR) 2017, provisions contained in GFR are deemed to be applicable to Central Autonomous Bodies except to the extent of the bye laws of an Autonomous Body for separate Financial Rules which have been approved by the Government. In the absence of any specific provision relating to awarding of works related to Major/Minor construction/repair works in the SEZ Rules 2009, provisions of GFR is applicable to the Authority. Further, as per sub rule 2 and 3 of Rule 133 of GFR, 2017 a Ministry or Department may, at its discretion, assign repair works estimated to cost above ₹ 30 lakh and original/minor works of any value to any Public Works Organization (PWO) such as Central Public Works Department, State Public Works Department, others Central Government organizations authorized to carry out civil or electrical works or to any Public Sector Undertakings (PSU) set up by the Central or State Government or any other Central/State Government organisation/ PSU which may be notified by Ministry of Urban Development

(MoUD) after evaluating their financial strength and technical competence. For award of work under the sub rule 3, competition among PSUs/organizations shall be ensured.

Audit scrutiny revealed that SEZ Authority had awarded in February 2017 the works of structural repair and allied civil works and water proof treatment to National Co-operative Construction and Development Federation (NFCD) of India Ltd amounting to ₹ 74.85 crore. Advance payment of ₹ 56.14 crore had been made to the agency upto December 2017. Audit noticed that NFCD was only not on the list of agencies notified by MoUD, and the selection of the agency was also done without any competitive bidding. It was seen that NFCD is an agency registered under Multi State Co-operatives Society Act 2002, Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India. On pointing out this aspect, the Authority in their reply stated in February 2018 that the Authority was enacted under the provisions of SEZ Act, 2005 and Section 51 of the SEZ Act, 2005 has an overriding effect in respect of any other law or instruments etc. It further stated that it has power to incur expenditure above the threshold limit of ₹50 lakh and had decided to engage NFCD on deposit work basis to carry out maintenance and repairs work because earlier the repair and maintenance work of the building was with MIDC which resulted in delays in execution. According to Audit, reply of the Authority is not acceptable because under Rule 7 of SEZ Rules, the Authority is permitted to incur expenditure on minor and maintenance works upto ₹50 lakh only. Further, as far as the procedure to be followed while incurring the expenditure for awarding works in excess of ₹ 30 lakh is concerned, the GFR provisions continue to be applicable to the Authority. Audit added that since NFCD is an agency registered under Multi State Co-operatives Society Act it was not eligible being not on the list of agencies notified by MoUD for carrying out the maintenance works of government autonomous body. Moreover, no competitive process was followed to select the agency. In a further response received from the Ministry of Commerce and Industry, it was stated that the appointment of NFCD was under examination by the Ministry's Vigilance Section, as to whether GFR Rules have been followed or not.

5. When the Committee desired to know about the composition of SEEPZ - SEZ Authority and their functions and powers in awarding the major/minor/other works, Ministry of Commerce and Industry, in a written reply stated as under:

"Composition of SEZ Authority is stipulated under sub-section 5 of section 31 of SEZ Act, 2005, which is as follows.

(a) *the Development Commissioner of the Special Economic Zone over which the Authority exercises its jurisdiction—Chairperson, ex officio;*

(b) two officers of the Central Government to be nominated by that Government having knowledge of, or experience in, dealing with matters relating to Special Economic Zones—Members, ex officio;

(c) an officer of the Government of India in the Ministry or Department dealing with commerce on matters relating to Special Economic Zone—Member, ex officio;

(d) not more than two persons, being entrepreneurs or their nominee, to be nominated by the Central Government—Members, ex officio

Functions of Authority are stipulated under provisions of section 34 of SEZ Act, 2005 which is as follows.

(1) Subject to the provisions of this Act, it shall be the duty of each Authority to undertake such measures as it thinks fit for the development, operation and management of the Special Economic Zone for which it is constituted.

(2) Without prejudice to the generality of the provisions of sub-section (1), the measures referred to therein may provide for—

(a) the development of infrastructure in the Special Economic Zone;

(b) promoting exports from the Special Economic Zone;

(c) reviewing the functioning and performance of the Special Economic Zone;

(d) levy user or service charges or fees or rent for the use of properties belonging to the Authority;

(e) performing such other functions as may be prescribed;

Powers of the Authority to Expenditure are stipulated under provisions of s Rule 7 of the SEZ Authority Rules, 2009 which is follows.

(1) All expenditure of the Authority except as specified in the sub-rule (2) below, shall be approved by the Authority.

(2) The Chairperson shall have,-

(i) powers to approve minor works and maintenance works of the Zone;

(ii) powers to approve recurring expenditure in connection with-

(a) Salaries,

(b) Overtime allowances,

(c) Travel Expenses,

(d) Advertisement and Publicity,

(e) Rent, Rates, Taxes,

(f) Professional services and legal expenses, and

Explanation - Minor works and maintenance works mentioned at clause (i) above means work costing less than rupees fifty lakhs per work.

(iii) powers to approve contingent expenditure both recurring and non-recurring:

Provided that the expenditure so incurred does not exceed rupees fifty lakhs at a time.

Provided further that the Authority concerned shall be competent to incur such expenditure beyond rupees fifty lakhs."

6. To a query on the basis of selection of NFCD, an agency registered under Multi State Co-operatives Society Act 2002, Department of Agriculture and Co-operation, Ministry of Agriculture, the Ministry of Commerce and Industry in their written reply stated as under:-

"SEEPZ SEZ informed that NFCD, in its proposal, had enclosed a copy of the letter no. L.11012/3/2013-CET dated.10.05.2013 (Annexure-I) issued by Ministry of Agriculture, Government of India addressed to All National Level Co-operative Federations and other organization/work awarding agencies of the State Govt. mentioning that NFCD has been registered as Multi State Cooperative Society under the Multi State Cooperative Societies Act, 2002 by the Central Registrar *w.r.t.* awarding the civil construction work. This was also taken on record that the Ministry of Agriculture, Government of India had conveyed, vide letter dated 21.02.2014 (Annexure-II) to Rural Development Department, Government of Maharashtra, to empanel/nominate NFCD for civil construction work. Accordingly, SEEPZ SEZ Authority, in its 30th meeting held on 18.11.2016 (Annexure-III), chaired by the then Chairperson Shri. N.P.S. Monga approved NFCD as an implementing agency for executing various projects on behalf of SEEPZ SEZ Authority."

7. To a question whether NFDC was selected on the basis of competitive bidding, Ministry of Commerce and Industry in a written reply stated as under:

"No, NFCD was not selected by competitive bidding. However, they had submitted their proposal in 2016 for on boarding and the same was approved in the 30th Authority meeting on 18.11.2016."

8. On being questioned on the factors that were taken into consideration before making the advance payment of ₹ 56.14 crore (75%) for a work costing ₹ 74.85 crore to National Co-operative Construction and Development Federation (NCFD) of India, Ministry of Commerce and Industry in a written reply stated as under:

“As per the available records, it is observed that it was decided in the project monitoring meeting to frame timeline for payment and it was agreed upon to grant 50% advance payment and 25% after half of the work completion and balance 25% on submission of all the papers and issuance of satisfactory certificate.”

9. On being asked on how the areas for structural repair were identified before awarding of contract for major works, Ministry of Commerce and Industry in a written reply stated as under:

“The buildings in SEEPZ SEZ being more than 40 years old, MIDC had carried out the structural audit of the Govt. leased buildings through IIT Mumbai in Dec-2015 wherein they had inspected and conveyed to demolish Standard Designed Factories (SDF)-I and reconstruct the said building. For rest of the buildings, it was conveyed that major structural repairs and strengthening and non-structural repairs will be required on urgent basis as per the methodology suggested by IIT Mumbai.”

10. Asked to furnish details of instances when delays in carrying out repair and maintenance work by MIDC were observed, Ministry of Commerce and Industry in a written reply stated as under:

“The details of the delayed projects of MIDC are as follows:-

Sl. No.	Nature of work	Completion date	Status as on July 2017
1	Construction of SDF-8,	20.11.2015	Delayed by approx. 1 and half year
2	Access Control System with CCTV camera	06.03.2013	Delayed by approx. 4 years and 3 months
3	CCTV Electronic Surveillance System	08.05.2014	Delayed by approx. 3 years and 2 months

Details of Cancellation of projects of MIDC:-

1. Development of garden of lakeside strips alongwith main

road

2. Repairs to fire fighting system SDF-I to VI
3. Repairing to external/internal walls with painting and other allied works to SDF-VI
4. Providing water proofing treatment to Terraces of SDF-I to VI
5. Repairs to SDF-III in SEEPZ SEZ
6. Strengthening and repairs to SDF-IV in SEEPZ SEZ
7. Remolding and refurnishing of conference hall at SEEPZ Service Centre

The said delay of projects and cancellation of the project was placed in the 33rd Authority Meeting held on 10.07.2017."

11. Asked about punitive actions that may have been taken against MIDC on account of delay in repair and maintenance work, Ministry of Commerce and Industry in a written reply stated as under:

"MIDC had delayed the projects viz. SDF-8, Access Control System and Electronic surveillances system, therefore no payment was released for M&R works till the work was completed. Further, ₹ 11.48 crore related to M&R work were withheld and after due reconciliation and approval of the Authority, were released only in 2022. The balance of approx. ₹ 62 lakhs will be released only after compliance of documents and verification and approval of the Authority."

12. When asked whether any scientific method was followed for determining cost estimates for repair works, the Ministry of Commerce and Industry in a written reply stated as under:

"Before the formation of SEEPZ SEZ Authority, cost estimates were submitted by the Special Planning Authority, MIDC and the same was approved by the competent authority viz. Development Commissioner. In the case of NFCD, the cost estimate was provided by NFCD and the same was placed in the SEZ Authority meeting for approval. Presently, the cost estimates prepared by the PSUs which are functioning as PMCs are verified by institutes like IIT Mumbai, VJTI, VNIT, etc. who scrutinizes the cost estimates and provides the scientific backing for the methodology proposed. It is reiterated that presently, SEEPZ SEZ Authority are strictly following the GFR 2017 read with Manual for procurement of works."

13. In reply to a question about when the matter of irregular appointment of NFCD was referred to the Ministry's Vigilance section for ascertaining whether

GFR Rules were being complied with, Ministry of Commerce and Industry in a written reply stated as under:

- i. Vigilance Division of Department of Commerce has received various complaints about the irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai, vide letter dated 30.11.2017, from Shri Binod Aggarwal, from the CVC dated 11.5.2018 and from PMO and DoPT. Shri Baldev Singh, former DC, SEEPZ SEZ had submitted a confidential note dated 8.3.2018 against Shri N.P.S. Monga, ITS (Retd.), former DC, SEEPZ SEZ on this matter too. Shri Mahesh Yadav, then working as DDC, SEEPZ SEZ had also made similar allegations vide complaints dated 21.5.2019 and 28.5.2019. Shri G.S. Bhandari, an employee of SEEPZ, SEZ had also made similar allegations vide complaints dated 28.5.2019 and 29.5.2019.
- ii. A team of officers from Department of Commerce visited SEEPZ SEZ for inspection on 26 & 27 December, 2017 and submitted an inspection report dated 5.1.2018 where irregularities have been pointed out."

14. During oral evidence, the representatives of the Ministry of Commerce and Industry further stated as under:-

"Sir, we have referred the matter to the CVC and the CVC advised us to proceed with major penalty proceedings, and therefore, we had issued charge sheet to the Development Commissioner who is an officer of the Department of Commerce while the other officer who was Joint Development Commissioner, we also asked CVC, they advised us major penalty against the Development Commissioner, they also advised us to look into the lapses of other officers. Therefore, we looked into the lapses of other officers."

15. On being asked whether the probe of the Vigilance section has since been completed, Ministry of Commerce and Industry in a written reply stated as under:

"Presently, the Inquiry is going on against the suspected officers and the vigilance division has observed that the appointment of NFCD was not made in accordance with the existing rules.

- i. During the examination by vigilance Division, it was found that *prima facie* three officers were involved in these irregularities and these are Shri N.P.S. Monga, ITS (Retd), former Development Commissioner, SEEPZ SEZ, Mumbai; Shri V.P. Shukla, IRS, former Joint Development Commissioner, SEEPZ SEZ Mumbai; and Shri Baldev Singh, IAS

(Retd), former Development Commissioner, SEEPZ SEZ Mumbai.

- ii. Accordingly, the complaints against former officers of SEEPZ SEZ, Mumbai were examined in Vigilance Division, Department of Commerce and it was proposed for putting these officers under suspension and also referring the matter to CBI for detailed investigation. However, as a rule, it was decided by the Disciplinary Authority for seeking the preliminary explanation of Shri N.P.S. Monga and Shri Baldev Singh, former Development Commissioners of SEEPZ SEZ, Mumbai.

16. Enquired on the status of the charge sheet issued and proceedings initiated against the errant officials, the representatives of the Ministry of Commerce and Industry stated during oral evidence held on 23.09.2022 as under:-

"One charge-sheet was issued in July 2018 just before the officer was to retire. Subsequently,, in 2021 another senior officer who was handling that was charge sheeted based on the CVC advice. On the first charge-sheet, the inquiry is still going on. There have been a number of changes with regard to inquiry officers over a period of time. In May,, we have appointed a new officer as the Inquiry Officer and the inquiry proceedings have started. The charged officer has sought certain documents, which is under process."

17. Questioned on the process presently being followed by SEEPZ-SEZ Authority in awarding contracts for major works to agencies, Ministry of Commerce and Industry in a written reply stated as under:

"It is submitted that the Authority is presently following the due procedure as detailed hereunder for awarding and monitoring projects:

- (a) Tender is floated for engaging the Project Management Consultant (PMC) and on selection of the PMC, the proposal is placed before the Authority for approval.
- (b) After approval of the Authority, the PMC is awarded the contract as per the Manual for Procurement of Works.
- (c) A MOU furnished by the PMC is placed before the Authority and after due approval of the Authority, the same is executed.
- (d) Technical Cell of SEEPZ prepares the scope of work and the details of the works to be executed and forwards the same to PMC.
- (e) PMC provides the Preliminary Project Report (PPR).

- (f) Based on the approval of the PPR, the PMC submits the Detailed Project Report (DPR) for administrative approval.
- (g) The DPR submitted by the PMC is discussed along with respective Unit holders for their comments.
- (h) The DPR thus submitted is placed before the Authority for approval.
- (i) On approval of the DPR, the PMC floats the tender and award the contract to the L1 bidder.
- (j) The work thus executed is monitored by PMC as well as Technical cell of SEEPZ.
- (k) Based on the PMC's certification related to quality of the work, the bills are scrutinized and payment is released as per the schedule of the MOU.

It is reiterated that presently, all the works are being taken up as per due procedure prescribed in the Manual of Procurement of Works and services."

C. Issue of work order without approval of Authority

18. Authority had approved an expenditure of ₹ 40.48 crore including five per cent contingency for structural repair and allied civil works of Standard Designed Factories (SDF) buildings and Gems and Jewellery buildings. However, NFCD was issued work order in February 2017 for ₹ 44.58 crore. Thus, work order for an excess amount of ₹ 4 crore was issued without approval of the Authority. Further, an additional amount of ₹ 7.77 crore was sanctioned for structural repairs without approval of the Authority. In reply, the Authority stated (April 2018) that the proposal for additional amount of ₹7.77 crore was to be taken up in the agenda of the subsequent meeting of Authority for deliberation and discussion. However, the Authority was under reconstitution and the letter of approval was issued by the administration due to oversight. Authority further stated that the approval had been withdrawn in April 2018 and would be taken up in the next Authority meeting for deliberations and that no additional payment/budget had been released to M/s. NFCD on this account. Ministry replied (July 2019) that the Committee of Members of the Authority reconstituted to look into the matter held the view that the appointment of M/s NFCD was already under examination by Vigilance Section. It was further stated that the Institute of Technology (IIT), Mumbai which conducted a third party structural audit had in its report attributed the escalation in cost to the fact that the structural and non-structural repair works in the buildings had been carried out at the places which were appearing to be good at the time of initial audit and inspection and those were not considered in the initial estimates. The irregularities in awarding of contract for major works indicated serious deficiencies

in the financial management of the Authority for which responsibility needs to be fixed.

19. The Committee noted that Authority had approved an expenditure of ₹40.48 crore including five per cent contingency for structural repair and allied civil works of Standard Designed Factories (SDF) buildings and Gems and Jewellery buildings. However, NFCD was issued work order in February 2017 for ₹44.58 crore.

20. On being asked whether the progress of work carried out by NFCD was reviewed by the Authority, Ministry of Commerce and Industry in a written reply stated as under:

"M/s. Cospro, being the PMC appointed by NFCD, had inspected and furnished the progress report. However, the same was not reviewed by the Authority."

21. When asked about the steps taken by the Authority upon coming to know of the fact that the work order issued did not match the approved expenditure and was in excess of approved expenditure by ₹ 4 crore, the Ministry of Commerce and Industry in a written reply stated as under:

"The estimate was approved for ₹ 40.48 crores. The lowest bid on floating the tender was ₹41.10 crores. The work order was issued on 16.02.2017 with Structural Consultant Fees @ 2%, PMC fees @3.30%, 5% contingency on estimated cost NFCD Centage charges @ 3% totally to ₹44.58 crores."

22. To a pointed question on the authority on whose approval additional amount of ₹ 7.77 crore was proposed for structural repairs, Ministry of Commerce and Industry in a written reply stated as under:

"NFCD, vide letter dated 18.08.2017, had informed that accurate quantities of repairs cannot be quantified but with prior experience of similar work we could quantify the estimate within the range of +/- 10% variation. However, in the middle stage of the project, it was found that the repairs to terrace slabs is requiring more efforts and the quantity estimated for that areas has increased inordinately due to the excessive damage and deterioration of terrace slabs. In the letter, NFCD has attached the final cost of the repairs along with the proposed extra items required for few units as the slab there are beyond repair and the extra items are necessary based on the condition of the unit area which are dangerously placed requiring additional special repairs. NFCD has, therefore, requested to provide approval of additional quantities and extra items. It is noticed that Competent Authority has approved the cost escalation proposal of NFCD for placing the same in the Authority meeting. However, the then Estate Manager has issued the work order for additional amount of ₹ 7.76 crores."

23. When asked whether work orders, which were in excess by crores, were issued without approval of the Authority, Ministry of Commerce and Industry in a written reply stated as under:

"The excess amount proposal of ₹7.77 crores was approved in the file and to be placed in the Authority meeting. However, the same was not placed in the Authority meeting as there was a re-constitution of the Authority and based on the approval letter for excess amount was issued on 06.11.2017. However, on knowing the same, a withdrawal letter was issued on 27.04.2018."

24. On being asked about factors that prompted the Authority to withdraw the proposal and deciding to not release the additional amount of ₹ 7.77 crore, Ministry of Commerce and Industry in a written reply stated as under:

"The proposal of cost escalation was approved on 22.09.2017 and to be placed in the Authority meeting. However, since the Authority was under re-constitution, the Authority meeting was not conducted since July 2017 to April 2018. However, the proposal of increased estimated cost of structural repair work i.e. cost escalation was placed in the 34th Authority meeting held on 11.05.2018. It was informed to the committee that the letter dated 06.11.2017 in respect of approval of additional amount of ₹ 7.76 crore for structural repair was issued to M/s. NFCD due to oversight since the Authority was under reconstitution. However, the same has been withdrawn by this office vide letter dated 27.04.2018. Further, payments to NFCD will be subject to approval of Committee and concurrence of Ministry."

D. Weak mechanism for quality control

25. According to Audit, Disaster Management Advisor (DMA) of the Authority had inspected (November 2017) all the structural and waterproofing works of SDF and Gems and Jewellery buildings completed by NFCD's contractors. They submitted inspection report highlighting major structural discrepancies in all the buildings which included defective columns and beams and incomplete work. Though the Authority had taken up the matter with NFCD several times to rectify the deficiencies, no action was taken by NFCD till the date of audit. Since no MoU was signed between the Authority and NFCD and no Bank Guarantee (BG)/Performance Guarantee (PG) was taken, Authority could not enforce action against NFCD. The Authority also stated that the NFCD was in the process of taking corrective action in regard to discrepancies as pointed out by DMA. With respect to MoU, the Authority stated that the draft MoU was under process of finalization. Ministry further stated (July 2019) that to ensure the execution of the work was as per the given quality standards and technical specification, a third party audit through Department of Civil Engineer, Indian (IIT), Mumbai was carried

out. Fact remains quality control mechanism failure was evident from the IIT, Mumbai inspection report which stated that repairs were carried out even at the places which were appearing to be good, which resulted in escalation of costs.

26. In this regard, the Ministry, in their written note mentioned as under:-

"It is incorrect to say that there was absence of mechanism for quality control. M/s NFCD on behalf of SEEPZ-SEZ appointed the Project Management Consultant (PMC) to check the quality of the work being carried out by the agencies awarded contract for structural repair. The financial progress and physical progress report of the work were submitted by the PMC of M/s NFCD for review on regular basis. Periodical review was also taken with the M/s NFCD considering the urgency of the work and in view of the onset monsoon. It is also stated that a Committee comprising the PMC, Engineer, NFCD, DMA and Caretaker was also constituted for review of the physical work carried out by the agencies. Further the SEEPZ Authority, had also decided to conduct 3rd party audit of all the structural works executed through NFCD, so as to ensure the work execution are as per the given quality standards and technical specification. Accordingly vide letter dt. 23.02.2018, SEEPZ SEZ Authority carried out 3rd Party Audit through Department of Civil Engineer, Indian Institute of Technology Bombay, Powai, Mumbai. In view of the above, it is stated that checks and balances were exercised."

27. On being asked to specify the number of inspections conducted by the DMA of the Authority while the structural and civil works were on-going, Ministry of Commerce and Industry in a written reply stated as under:

"As per record no inspection report is placed in file. However, compliance report dated 27.02.2018 of Disaster Management Adviser (DMA) along with the NFCD officials including Caretaker of SEEPZ SEZ is available wherein they have specified that structural work of all SDF and G&J Complex is done properly. It is also mentioned in the compliance report that some debris and light fittings were not completed."

28. On being asked whether the authority agrees with the observations of IIT Mumbai, Ministry of Commerce and Industry in a written reply stated as under:

"Yes, IIT in its report had correctly mentioned the corrective measures to be taken. A third party audit was conducted by M/s. VNIT whose report was also not conclusive."

29. On being asked about the quantum of escalation of costs noticed from the initial estimates due to structural and non-structural repair works in the buildings having been carried out at the places which were appearing to be good at the time of initial audit, Ministry of Commerce and Industry in a written reply stated as under:

"Escalation of costs was not quantified by IIT."

30. Asked about the report of any other third party's audit of the structures apart from the one conducted by IIT-Mumbai, Ministry of Commerce and Industry in a written reply stated as under:

"Yes. M/s. Visvesvaraya National Institute of Technology, Nagpur had submitted the 3rd party audit of valuation work of existing building repaired/retrofitted by NFCD. The observations are as follows:-

- (a) Since detailed scope statement and the repair methodology/method statement, location taken in the estimate to be repaired was unable to distinguish between scope allotted and the work accomplished by the contractor.
- (b) Repaired and retrofitting were same, so difficult to distinguish the exact location where repair or retrofitting work is carried out by contractor.
- (c) No reference to check the total quantity executed by each contractor.

31. The Committee noticed that neither MoU was signed between the Authority and NFCD nor Bank Guarantee (BG)/Performance Guarantee (PG) taken. On being asked about the reasons thereof, Ministry of Commerce and Industry in a written reply stated as under:

"The draft MOU submitted by NFCD in Nov. 2017 could not be finalized. It is observed from records that NFCD has provided the xerox copy of the statement of the Bank guarantee/Performance guarantee/security deposit of structural and water proofing work which was valid upto 31.03.2018 executed with Contractor."

32. On being asked as to what actions were taken by the Authority against NFCD for their non-rectification of the deficiencies pointed out by the DMA, Ministry of Commerce and Industry in a written reply stated as under:

"25% payments of NFCD were withheld and not paid."

33. On being asked whether the draft MOU was finalized before the completion of project, Ministry of Commerce and Industry in a written reply stated as under:

"Draft MOU could not be finalized. The work executed by NFCD was monitored by the PMC and certified by them and they furnish the monthly progress report."

34. Asked about the approving authority for appointment of Project Management Consultant (PMC) by M/s NFCD on behalf of SEEPZ-SEZ for quality

control purposes, Ministry of Commerce and Industry in a written reply stated as under:

"Authority in its 30th Authority meeting approved the charges for appointment of PMC. NFCD had appointed the PMC."

35. On being asked about the level at which the financial progress and physical progress report of the PMC of M/s NFCD was examined in SEEPZ Authority, Ministry of Commerce and Industry in a written reply stated as under:

"As per the directions of the then Estate Manager, vide note dated 19.02.2018, the inspection was carried out by DMA and the compliance report was submitted to the Competent Authority. Further 3rd party audit was conducted by IIT Mumbai and furnished the report in May 2018."

36. On being asked whether any shortcomings in structure were highlighted in these reports, Ministry of Commerce and Industry in a written reply stated as under:

"Yes. The shortcomings in the structural repair were rectified by NFCD."

37. The Committee noted that a Committee comprising the PMC, Engineer, NFCD, DMA and Caretaker was also constituted for review of the physical work carried out by the agencies.

38. On being asked why there was no Representation from the Authority on the Committee so constituted, Ministry of Commerce and Industry in a written reply stated as under:

"The Caretaker is a govt. employee and DMA is the outsourced Advisor for the SEEPZ SEZ Authority who represented the Authority."

E. Letter of Permission / Letter of Approval issued to SEZ units without scrutinizing mandatory norms

39. Audit observed that Rule 17 and 18 of SEZ Rules 2006 contains provisions regarding allotment of units in SEZ which provides for applying to the Development Commissioner for setting up of unit in SEZ *inter alia* with allotment of land/industrial sheds in the SEZ along with approval for water connection, Registration- cum Membership certificate (RCMC), proof of registration with Central Pollution Control Board, Power connection, Building approval plan, approval from inspectorate of factories, pollution control clearance and NOC from fire department beside Export projections and past performance, if the applicant is existing SEEPZ unit etc.

Audit noticed (February 2018) that the Authority had invited (May 2017) applications for allotment of units in building SDF VIII (New Tower) even before

occupation certificate was issued by the MIDC. Approvals were accorded to 18 SEZ Units (12 fresh LOPs, six existing units were allowed Broad banding/ additional space) in July 2017 by Unit Approval Committee (UAC) although the requisite clearances like Occupation Certificate (OC), water and power connection, pollution control clearance, fire clearance and RCMC certificates had not been obtained. Allotment of units in the SDF VIII even before getting OC was irregular. Further, no business operation could be commenced by any SEZ Unit as there was no water and power connection and allotments were put under review because of non-submission of requisite approval certificates by the units. Audit noticed that the subsequent UAC held in August 2017, decided to review all allotments already made by earlier UAC on the grounds of non-fulfilment of terms and conditions laid down in the Provisional letter of SEEPZ authority e.g. acceptance of conditions by the allottee, making of payment within stipulated time and also cases of application for additional space because of capacity enhancement on the grounds that "there appears to be no-correlation between projected export and space allotted to the units with respect to their past performance, existing installed capacity and space utilized by them.

40. On being asked how the UAC accorded approvals to 18 SEZ Units (12 fresh LOP's six existing units were allowed Board banding/additional space) in July 2017, Ministry of Commerce and Industry in a written reply stated as under:

"As per the SEZ Rule, the Unit has to obtain the provisional offer/allotment letter from the Developer and thereafter, the UAC has approved the proposal based on the submission of the documents along with provisional offer letter issued after approval of the Authority."

41. When asked about the composition of Unit Approval Committee and the methodology followed for constituting it, Ministry of Commerce and Industry in a written reply stated as under:

"Section 13(2) of the SEZ Act, 2005 stipulates as follows.

Every Approval Committee shall consist of –

- (a) the Development Commissioner - Chairperson, ex-officio;*
- (b) two officers of the Central Government to be nominated by the Central Government - Members, ex-officio;*
- (c) two officers of the Central Government to represent the Ministry or Department dealing with revenue – Members, ex officio;*
- (d) one officer of the Central Government to be nominated by that Government to represent the Ministry or Department dealing with the economic affairs (financial services) – Members, ex officio;*

(e) two officers of the State Government concerned to be nominated by that Stated Government – Member, ex officio;

(f) a representative of the Developer concerned – Special Invitee”

42. Audit noticed that the subsequent UAC, held in August 2017, decided to review all allotments already made by earlier UAC on the grounds of non-fulfillment of terms & conditions laid down in the provisional section of SEEPZ Authority.

43. On being asked whether the review has been completed, Ministry of Commerce and Industry in a written reply stated as under:

“The review was completed and based on the same, a report was submitted to the Ministry on 08.03.2018. Ministry vide letter dated 21.03.2018, directed to cancel the allotment and accordingly, the LOPs were also cancelled. On completion of the review, following steps initiated:-

(i) As per the decision of the BOA dated 29.07.2021 and the decision in the 50th Authority meeting held on 16.11.2021 for allotment of space with restrictions due to the nature of construction, advertisement was hosted on the website and in newspapers and wide publicity was given in Dec 2021, based on which applications were received even from entrepreneurs other than the Unit holders in SEEPZ SEZ in the first attempt itself with all the restrictions and the Undertaking as specified in the advertisement dated 31.12.2021.

(ii) All the entrepreneurs have agreed to the restrictions and shortcomings and then applied for the space for work to be carried out based on the load bearing capacity and pre-fabricated nature of the building.

(iii) The units have also submitted individual undertaking not to carry out any operations which are not allowed in the said building.

(iv) In addition to that, an SOP has been issued for the Units allotted in SDF-8 for compliance by Security and Customs to ensure the following:

- Only one gate to remain open for movement in and out of the building at a time.
- Trained guards to be posted at the open gate to check the material being taken inside the building and to ensure that no machines/materials to be allowed inside the building which may damage the pre-fabricated structure of the building
- Undertaking submitted by Unit holders to be followed.
- Scrap and other material being carried out of the building to be checked for chemical and other debris produced during processing.
- CCTVs have been installed on the only gate to monitor that compliance is being done properly.

44. When asked as to what corrective actions were taken thereon, Ministry of Commerce and Industry in a written reply stated as under:

"Ministry, vide letter dated 21.03.2018, had approved and conveyed the cancellation of the allotment. Accordingly, the provisional allotment letter was cancelled and placed in the Authority meeting. Subsequent to the cancellation of provisional allotment, LOAs were also cancelled. MIDC on completion of the work of SDF-8 had handed over the building on 30.09.2021 with all the statutory compliance and then advertisement was floated in newspapers and on website stipulating the conditions *w.r.t.* nature of the construction. Accordingly, on receipt of the applications, the Committee thus constituted had examined and maintained the transparency and hosted the report on the website. On approval of the Authority, provisional allotment was issued.

45. When asked further on the measures that may have been taken to ensure impartiality by UACs, Ministry of Commerce and Industry in a written reply stated as under:

"Complete transparency was maintained to ensure impartial due process was followed. The Committee was constituted to examine the applications for allotment of space and the Committee's report was hosted on the website seeking comments from the Trade within 15 days and thereafter, the same was submitted before the Authority. Further, after the approval of Authority, provisional allotment letters are issued. On issuance of the provisional allotment letter, the project was examined by the Approval Committee. The Unit had also furnished an undertaking that they would not undertake the activities which are not permitted in the said building due to the nature of the pre-fabricated structure. Accordingly, LOAs were issued to adhere to the said conditions of the circular no. 9."

46. It was noted that as per CPWD norms & Central Vigilance Commission guidelines, Mobilization advance shall not exceed 10% of the value of work & shall require a Bank guarantee of 110%. In this case, advances of 50 % (₹ 37.43 crore) and 25% (₹ 17.70 crore) were paid, which was in gross violation of CVC guidelines.

47. On being questioned as to how the Ministry is ensuring full compliance by all SEZ authorities with the guidelines for such advances, Ministry of Commerce and Industry in a written reply stated as under:

"SEZ Authorities are competent to award works in due compliance with all regulations including GFR, Manuals for procurements for goods, works and services as well as relevant provisions of SEZ Act, 2005 as well as SEZ Authority Rules, 2009. Besides, any communication in this regard received

from Ministry of Finance, CVC, Vigilance Division of DoC are also shared with all Authorities. Moreover, such matters are also sensitized during the periodic review meeting of DCs.”

48. On being asked on the action that may have been taken by Ministry to ensure non- recurrence of such major irregularities in future, Ministry of Commerce and Industry in a written reply stated as under:

“Issues pertaining to awarding contracts by following due process in compliance with all the relevant statutory provisions as well as other regulations / guidelines are sensitized during the course of periodic review meeting of DCs. Besides, any issue of irregularities which comes to the notice of Ministry is taken up for due examination and necessary corrective action, as appropriate, in consultation with the Vigilance Division. Vigilance Section, DoC vide its OM dated 13.10.2022 has circulated a copy of CVC Circular No. 14/07/22 dated 11.07.2022 regarding updated Manual on Procurement, Goods, Services, Works and Consultancy to all the Divisions, Attached Offices, Subordinate Organizations, PSUs under the Department of Commerce for information and strict compliance. The Tender Guidelines issued by the CVC and the Department of Expenditure have been hyperlinked on the Department’s website at <http://commerce.gov.in>>>Tender Guidelines for information and strict compliance of all concerned.”

49. Audit scrutiny revealed that a preliminary charge sheet was issued by vigilance section to the officers concerned and letter of approval was withdrawn.

50. When asked about the current status in regard to the Charge sheets filed against erring officials, Ministry of Commerce and Industry in a written reply stated as under:

“(I) Action taken against Shri N.P.S.Monga, ITS, former DC, SEEPZ SEZ

- i. A Charge Memorandum dated 27.7.2018 for major penalty proceedings was issued to Shri N.P.S. Monga.
- ii. Shri N.P.S. Monga superannuated on 31.07.2018.
- iii. Shri N.P. S. Monga submitted his Written Statement of Defence on 8.8.2018 denying the charges.
- iv. On 7.9.18, the Disciplinary Authority appointed the then CEO, GeM as Inquiring Authority and also appointed a Presenting Officer on 7.9.2018.
- v. Consequent to the repatriation of the IA, the Disciplinary Authority appointed former Special Secretary, Department of Commerce as Inquiring Authority on 28.11.2019.

- vi. Due to retirement of Inquiring Authority, the Disciplinary Authority appointed former Principal Adviser (Cost), Department of Commerce as the Inquiring Authority on 25.8.2020.
- vii. Due to retirement of the Presenting Officer, the Disciplinary Authority appointed a Director, Department of Commerce as the Presenting Officer on 13.9.2021.
- viii. The Inquiring Authority was promoted and transferred on 31.12.2021.
- ix. On 19.1.2022, the Presenting Officer informed that the Inquiring Authority has been transferred.
- x. On 10.5.2022, the Disciplinary Authority appointed the Principal Adviser (Cost), DGTR, Department of Commerce as the Inquiring Authority.
- xi. The inquiry proceedings are in progress. The Department has directed the Inquiring Authority vide communication dated 23.09.2022 and 11.10.2022 to complete the inquiry proceedings within one month.
- xii. The Department has also directed the Presenting Officer vide communication dated 26.09.2022 and 11.10.2022 to take necessary action to complete the enquiry proceedings within one month.
- xiii. In the case of Shri N.P.S. Monga, former DC, SEEPZ-SEZ, all retirement benefits including leave encashment have been withheld as disciplinary case is pending against him. However, the officer is currently getting provisional pension.

(II) Action against Shri V.P. Shukla, IRS, former Joint Development Commissioner, SEEPZ SEZ

- i. The Disciplinary Authority, after considering the First Stage Advice of the CVC dated 18.7.2019, had approved for initiation of major penalty proceedings against Shri V.P. Shukla. Shri V.P. Shukla is an IRS officer whose Disciplinary Authority is the Hon'ble Minister of Finance. Accordingly, the Department of Commerce forwarded a proposal along with draft charge sheet to the CBIC, Department of Revenue on 16.8.2019. The Disciplinary Authority in the Department of Revenue approved issue of charge sheet on 18.5.2021. Accordingly, a Charge Memorandum dated 21.5.2021 was issued to Shri V.P. Shukla for major penalty proceedings.

- ii. The Charged Officer, Shri V.P. Shukla submitted his Written Statement of Defence on 31.5.2021 denying all the charges levelled against him in the charge sheet.
- iii. The Disciplinary Authority in the Department of Revenue had appointed an Inquiry Authority on 3.9.2021 and a Presenting Officer on 3.9.2021.
- iv. On 22.11.2021, the Presenting Officer changed. On 5.7.2022, a Presenting Officer was appointed.
- v. The Department of Revenue has informed that the inquiry is in progress and 14 hearings have been conducted by the Inquiring Authority.
- vi. Shri V.P. Shukla is in service and his date of retirement is 31.03.2024.
- vii. Department of Revenue has been requested vide communications dated 23.09.2022, 11.10.2022, 12.10.2022 and 13.10.2022 to direct the Inquiring Authority to complete the inquiry proceedings within one month expeditiously."

51. On being asked whether there is any time frame within which disciplinary departmental proceedings are to be completed, Ministry of Commerce and Industry in a written reply stated as under:

"As per the CVC Guideline issued on 06.10.2021, the inquiry report should be submitted within six months from the date of appointment of Inquiring Authority. In addition to the time limit, a period of one more month may be taken if required."

52. When asked about the current status of the ongoing departmental proceedings at, Ministry of Commerce and Industry in a written reply stated as under:

"Departmental proceedings are still going on and it is yet to be completed and we have asked the concerned Inquiry officer to complete the same within a period of one month. Any punishment against the erring official will be taken based on the finding in the Inquiry Report. However, all retirement benefits including leave encashment have been withheld against Shri NPS Monga and the officer is currently getting provisional pension. Further, Shri V P Shukla is still in service so any punishment against him would be taken based on the finding in the Inquiry Report."

53. To a pointed question whether the Department has any reservation if this matter is examined or investigated by an independent agency, Ministry of Commerce and Industry in a written reply *inter alia* stated as under:

"The Department of Commerce has no reservations in getting the matter examined or investigated by independent agency viz. the CBI. The Hon'ble Minister of Commerce & Industry has approved for handling over the entire matter to CBI for a detailed investigation."

54. On being asked to furnish a copy of minutes of the Meeting wherein the decision for abandoning MIDC (a State Government undertaking) and deciding to go in for a new entity namely NFCD, Ministry of Commerce and Industry in a written reply stated as under:

"MIDC being the Special Planning Authority and the implementing agency continued to execute all the works of SEEPZ SEZ Authority till 2015 even on enactment of the Authority. SEEPZ SEZ Authority had noticed that MIDC had delayed projects and could not complete within the stipulated time inspite of repeated reminders on discussions. Also, MIDC would levy 12.5% ETP charges & 5% contingencies to the estimated cost. Subsequently, in 2016, NFCD had submitted their proposal and the same was approved in the 30th Authority meeting held on 18.11.2016 as service provider and executor for all kinds of civil engineering works and will provide the services under one umbrella. It was noticed that the other charges levied by NFCD were lower than the one charged by MIDC. However, there is no decision taken for abandoning MIDC and going in for a new entity namely NFCD. Presently, all the major/minor works are being awarded after due examination and approval of the Authority and following the guidelines and rules specified in the GFR 2017, the Manual of Procurement of Works and the CPWD Works Manual to the extent applicable."

55. Subsequently, the Ministry of Commerce and Industry (Department of Commerce) in a written reply dated 07 July 2023 informed the Committee that matter relating to irregularities observed in the C&AG Paras 6.2.1 to 6.2.4 on Audit Report No. 17 of 2019 has been referred to CBI for detailed investigation on 28.10.2022 and CBI investigation is ongoing.

PART II**OBSERVATIONS/RECOMMENDATIONS OF THE COMMITTEE**

The Committee note that Santacruz Electronics Export Processing Zone (SEEPZ) Authority, in violation of Rule 7 of SEZ Rules and sub rule 2 and 3 of Rule 133 of GFR, 201, had awarded in February 2017 the works of structural repair and allied civil works and water proof treatment amounting to ₹ 74.85 crore to National Co-operative Construction and Development Federation (NCFD) of India Ltd, an agency registered under Multi State Co-operatives Society Act 2002, Department of Agriculture and Co-operation, Ministry of Agriculture and made advance payment of ₹ 56.14 crore to the agency upto December 2017. Audit added that NCFD being an agency registered under Multi State Co-operatives Society Act was not eligible to be on the list of agencies notified by MoUD for carrying out the maintenance works of a government autonomous body. Moreover, no competitive process was followed while selecting the agency.

Further, the Authority had approved an expenditure of ₹ 40.48 crore including a five per cent contingency amount for structural repair and allied civil works of Standard Designed Factories (SDF) buildings and Gems and Jewellery buildings. However, NCFD was issued work order in February 2017 for ₹ 44.58 crore. Thus, work order was issued in excess by an amount of ₹ 4 crore without approval of the Authority. An additional amount of ₹ 7.77 crore was also sanctioned for structural repairs without approval of the Authority. It has also been pointed out that the Institute of Technology (IIT), Mumbai which conducted a third party structural audit had, in its report, attributed the escalation in cost to the fact that the structural and non-structural repair works in the buildings had been carried out at the places which appeared to be good at the time of initial audit and inspection.

The Committee observe that Disaster Management Advisor (DMA) of the Authority had inspected (November 2017) all the structural and waterproofing works of SDF and Gems and Jewellery buildings completed by NCFD's contractors. They submitted the inspection report highlighting major structural discrepancies in all the buildings which included defective columns and beams as also incomplete work. Though the Authority had taken up the matter with NCFD several times for rectifying the deficiencies, no action was taken by NCFD. Since no MoU was signed between the Authority and NCFD and no Bank Guarantee (BG)/Performance Guarantee (PG) was taken, the Authority could not enforce remedial action against NCFD.

The Committee further observe that the Authority had invited (May 2017) applications for allotment of units in building SDF VIII (New Tower)

even before occupation certificate was issued by the MIDC. Approvals were accorded to 18 SEZ Units (12 fresh LOPs, six existing units were allowed road banding/ additional space) in July 2017 by Unit Approval Committee (UAC)5354555657although the requisite clearances like Occupation Certificate (OC), water and power connection, pollution control clearance, fire clearance and RCMC certificates had not been obtained. Allotment of units in the SDF VIII prior to getting the OC was irregular. Further, no business operation could be commenced by any SEZ Unit as there was no water and power connection and allotments were put under review because of non-submission of requisite approval certificates by the units. Audit noticed that the subsequent UAC held in August 2017, decided to review all allotments already made by earlier UAC on the grounds of non-fulfilment of terms and conditions laid down in the Provisional letter of SEEPZ authority e.g acceptance of conditions by the allottee, making of payment within stipulated time and also cases of application for additional space because of capacity enhancement on the grounds that "there appears to be no-correlation between projected export and space allotted to the units with respect to their past performance, existing installed capacity and space utilized by them".

The Committee note from the Ministry's reply that the matter of entrusting the work to NFCD was referred to the Ministry's Vigilance section after various complaints on irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai were received from different quarters including the PMO and DoPT. Further, a team of officers from the Department of Commerce had also pointed out the irregularities in their report submitted on 5.1.2018. During the examination by vigilance Division, it was found that *prima facie* three officers two of whom being former Development Commissioners and one a former Joint Development Commissioner, SEEPZ SEZ Mumbai were involved in the irregularities. The Vigilance Division, Department of Commerce had proposed putting these officers under suspension and referring the matter to CBI for detailed investigation. However, as per rules, it was decided by the Disciplinary Authority to seek the preliminary explanation of former Development Commissioners of SEEPZ SEZ, Mumbai. It was further submitted by the representative of Ministry of Commerce during the oral evidence that one charge sheet was issued to a Development Commissioner initially and that the matter was also referred to CVC and on the basis of the recommendation of the CVC, charge sheet had been issued to the other former Development Commissioner as well, and role of other officers was also being inquired into.

The Committee took serious note of the fact that appointment of NFCD was made in outright violation of the GFRs and that there were blatant irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai viz.

awarding of work of structural repair and allied civil works and water proof treatment work to an agency not on the list of agencies notified by MoUD on nomination basis without following due procedure of competitive bidding; making an advance payment of ₹ 56.14 crore (75%) for a work whose total cost was ₹ 74.85 crores; sanctioning of additional amount of ₹ 7.77 crore for structural repairs without approval of the Authority; not signing/ finalizing an MoU with the NFCD; not insisting on submission of Bank Guarantee/ Performance Guarantee by NFCD; cost escalation due to structural and non-structural repair works at places which appeared good at the time of initial audit; inadequate monitoring that led to major structural discrepancies in all the buildings including defective columns and beams and incomplete work. The Committee on the basis of the oral evidence tendered by the official representatives, expressed the view that the role of the officials of NFCD and other stakeholders in misappropriation of public property need to be enquired into, and therefore, felt that an investigation of the matter by the Central Investigative Agency was required.

Subsequently, the Ministry informed the Committee that matter relating to irregularities observed in the C&AG Paras 6.2.1 to 6.2.4 on Audit Report No. 17 of 2019 has been referred to CBI for detailed investigation and CBI investigation is on-going. While acknowledging that in pursuance of the view expressed by the Committee, the matter is since under probe by the CBI, the Committee would expect the Ministry and SEEPZ-SEZ Authority, Mumbai to ensure all possible support to CBI in its inquiry by providing all relevant records of alleged irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai as required by them so that the culprits are booked and prosecuted as per prevalent law.

In view of the flagrant lapses observed in the award of major works of SEEPZ-SEZ Authority due to issue of work order without approval of Authority, weak quality control mechanism and issue of LOP/LOA to SEZ units without scrutinizing mandatory norms and scant regard to GFR and CVC Guidelines were accorded, the Committee desire that the Ministry devise a robust administrative monitoring mechanism to ensure scrupulous compliance of the guidelines and rules specified in the GFR 2017, the Manual of Procurement of Works and the CPWD Works Manual to the extent applicable by autonomous bodies like SEEPZ SEZ. Further, the Committee desire that necessary action should be taken for strengthening the internal audit control and quality control mechanism to obviate recurrence of such lapses in other SEZs in future.

even before occupation certificate was issued by the MIDC. Approvals were accorded to 18 SEZ Units (12 fresh LOPs, six existing units were allowed road banding/ additional space) in July 2017 by Unit Approval Committee (UAC)5354555657although the requisite clearances like Occupation Certificate (OC), water and power connection, pollution control clearance, fire clearance and RCMC certificates had not been obtained. Allotment of units in the SDF VIII prior to getting the OC was irregular. Further, no business operation could be commenced by any SEZ Unit as there was no water and power connection and allotments were put under review because of non-submission of requisite approval certificates by the units. Audit noticed that the subsequent UAC held in August 2017, decided to review all allotments already made by earlier UAC on the grounds of non-fulfilment of terms and conditions laid down in the Provisional letter of SEEPZ authority e.g acceptance of conditions by the allottee, making of payment within stipulated time and also cases of application for additional space because of capacity enhancement on the grounds that "there appears to be no-correlation between projected export and space allotted to the units with respect to their past performance, existing installed capacity and space utilized by them".

The Committee note from the Ministry's reply that the matter of entrusting the work to NFCD was referred to the Ministry's Vigilance section after various complaints on irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai were received from different quarters including the PMO and DoPT. Further, a team of officers from the Department of Commerce had also pointed out the irregularities in their report submitted on 5.1.2018. During the examination by vigilance Division, it was found that *prima facie* three officers two of whom being former Development Commissioners and one a former Joint Development Commissioner, SEEPZ SEZ Mumbai were involved in the irregularities. The Vigilance Division, Department of Commerce had proposed putting these officers under suspension and referring the matter to CBI for detailed investigation. However, as per rules, it was decided by the Disciplinary Authority to seek the preliminary explanation of former Development Commissioners of SEEPZ SEZ, Mumbai. It was further submitted by the representative of Ministry of Commerce during the oral evidence that one charge sheet was issued to a Development Commissioner initially and that the matter was also referred to CVC and on the basis of the recommendation of the CVC, charge sheet had been issued to the other former Development Commissioner as well, and role of other officers was also being inquired into.

The Committee took serious note of the fact that appointment of NFCD was made in outright violation of the GFRs and that there were blatant irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai viz.

awarding of work of structural repair and allied civil works and water proof treatment work to an agency not on the list of agencies notified by MoUD on nomination basis without following due procedure of competitive bidding; making an advance payment of ₹ 56.14 crore (75%) for a work whose total cost was ₹ 74.85 crores; sanctioning of additional amount of ₹ 7.77 crore for structural repairs without approval of the Authority; not signing/ finalizing an MoU with the NFCD; not insisting on submission of Bank Guarantee/ Performance Guarantee by NFCD; cost escalation due to structural and non-structural repair works at places which appeared good at the time of initial audit; inadequate monitoring that led to major structural discrepancies in all the buildings including defective columns and beams and incomplete work. The Committee on the basis of the oral evidence tendered by the official representatives, expressed the view that the role of the officials of NFCD and other stakeholders in misappropriation of public property need to be enquired into, and therefore, felt that an investigation of the matter by the Central Investigative Agency was required.

Subsequently, the Ministry informed the Committee that matter relating to irregularities observed in the C&AG Paras 6.2.1 to 6.2.4 on Audit Report No. 17 of 2019 has been referred to CBI for detailed investigation and CBI investigation is on-going. While acknowledging that in pursuance of the view expressed by the Committee, the matter is since under probe by the CBI, the Committee would expect the Ministry and SEEPZ-SEZ Authority, Mumbai to ensure all possible support to CBI in its inquiry by providing all relevant records of alleged irregularities in the functioning of SEEPZ-SEZ Authority, Mumbai as required by them so that the culprits are booked and prosecuted as per prevalent law.

In view of the flagrant lapses observed in the award of major works of SEEPZ-SEZ Authority due to issue of work order without approval of Authority, weak quality control mechanism and issue of LOP/LOA to SEZ units without scrutinizing mandatory norms and scant regard to GFR and CVC Guidelines were accorded, the Committee desire that the Ministry devise a robust administrative monitoring mechanism to ensure scrupulous compliance of the guidelines and rules specified in the GFR 2017, the Manual of Procurement of Works and the CPWD Works Manual to the extent applicable by autonomous bodies like SEEPZ SEZ. Further, the Committee desire that necessary action should be taken for strengthening the internal audit control and quality control mechanism to obviate recurrence of such lapses in other SEZs in future.

NEW DELHI:
09 August, 2023
18 Sravana 1945 (Saka)

ADHIR RANJAN CHOWDHURY
Chairperson,
Public Accounts Committee

No.L.11012/3/2013-CET
Government of India
Ministry of Agriculture
Department of Agriculture & Cooperation

Krishi Bhavan, New Delhi
Dated the 10th May, 2013

To

All National Level Cooperative Federations and other
such organizations/Work Awarding Agencies of the State
Government-

Subject : Civil, Labour supply works to Labour Cooperative
Societies- Regarding .

Sir,

The National Cooperative Construction and Development
Federation of India Ltd.(NCFCD) has been registered as a Multi State
Cooperative Society under the Multi-State Cooperative Societies Act,
2002 by the Central Registrar, Cooperative Society, Ministry of
Agriculture, Government of India with headquarters in New Delhi and
area of operation extending to various States.

2. The Federation has requested for giving preference to award a
civil construction work, the request of the federation is forwarded for
taking appropriate action/decision by the concerned
organizations/agencies/States on its own merits as per the Rules.

Yours faithfully,

(Dr. A.K. Misra)
Chief Director (Coop)
011-23386053(O)

F. No. L-15018/2/2013-MPS
Ministry of Agriculture
Government of India
Department of Agriculture & Cooperation

Date: 21.02.2014

To,

The Principal Secretary,
Department of Rural Development,
Government of Maharashtra,
Mumbai.

Subject: Empanelment / nomination of National Cooperative Construction and Development Federation of India Ltd. (NFCD) for awarding civil construction works.

Sir,

I am directed to refer on the above mentioned subject and to say that National Cooperative Construction and Development Federation of India Ltd. (NFCD) is a Multi-state Cooperative Society registered under Central Act i.e. Multi-state Cooperative Societies Act, 2002 in Ministry of Agriculture, Department of Agriculture and Cooperation vide its Registration number MSCS/CR/444/2011. The area of operation of Federation is throughout India.

2. As per the registered bye-laws, NFCD is entitled to undertake the following activities:

- (i) To obtain and execute construction work of buildings of every nature and description from the Central Government, The state governments, state owned corporations, local bodies, Private and Public Sector Undertaking and other Cooperative Societies.
- (ii) To obtain and execute the construction of roads, culverts, bridges, fly-over's, cold storage, goddown and other Civil Engineering works from the aforesaid sectors.
- (iii) To obtain labour contracts for the construction of any building of any description, roads, culverts, bridges and flyovers etc.
- (iv) To get maps, drawings and design prepared through Architects of repute and provide the same to the consumers with or without a contract for supervision of constructional activities undertaken of the maps, drawing and designs provided to the consumers.
- (v) To engage in the construction of building on the basis of builder's agreement.
- (vi) To provide technical know-how in the field of construction and designing of building and other structures to the consumers.

3. A copy of the request letter of NFCD made to this Department is enclosed herewith along with supportive documents.

4. The NFCD possesses experience in wide ranging jobs such as multi-storied building, residential complexes, institution, school building, interiors, site development, roads, culverts, canals etc. of large magnitude with good financial standing we are in a position to offer services even on turnkey basis.

You are requested to kindly empanel / nominate (NFCD) for awarding civil construction works available within the purview of the State Government.

Encl: As above

Yours faithfully



(Vineet K. Verma)
Director (Coop.)
Tel. Fax: 23381557

MINUTES OF THE 30th AUTHORITY MEETING OF THE SEEPZ SEZ AUTHORITY
HELD ON 18th November, 2016 AT 11.30 AM

The following were present:

- 1) Shri V.P. Shukla- Secretary
Estate Manager/Secretary
- 2) Shri. Abhay Doshi, (MD)- Trade Member Representating
M/s. Fineline Circuit Ltd.
- 3) Shri. Prem Kothari, (CMD)- Trade Member Representating
M/s. Fine Jewellery Manufacturing Ltd.

Agenda I: Fees Structure of Consultant and NFCD charges.

It was discussed in the meeting, NFCD is service provider and executor of the all kind of civil engineering works. Organization shall provide following services under the one roof.

1. Architectural Consultants
2. Structural Consultants
3. Project Management/ Construction Management Services (PMC)

NFCD shall provide the above mentioned service under one umbrella for that NFCD is charging 3% of total expenses incurred in executing the work.

Other fee structure is as under:

Sr. No.	Type of work/works/upto	NFCD	PMC	Architect	MEP	Structural Consultant
1	50.00 L	3.00%	8.00%	5.00%	1.00%	2.00%
2	51.00 L – 100.00 L	3.00%	5.00%	5.00%	1.00%	2.00%
3	101.00 L – 150.00 L	3.00%	5.00%	4.20%	1.00%	2.00%
4	151.00 L 500.00L	3.00%	4.20%	4.20%	1.00%	2.00%
5	501.00 L and above	3.00%	3.30%	3.30%	1.00%	2.00%

Each consultant will be appointed with approval of SEEPZ-SEZ Authority

Decision: The Authority approved the fees Structure of NFCD, PMC, Architect and Structural Consultant.

Agenda II: Day to day maintenance of SEEPZ quarters, BFC building, SC building and Gate no. 1,2,3 at SEEPZ-SEZ premises.

The Committee noted that the proposal for day to day maintenance of SEEPZ quarters, BFC building, SC building and Gate no. 1,2,3 at SEEPZ-SEZ premises dated 21.10.2016 and recommended M/s. Sunita Fabrication Plastic Company as the lowest bidder on the basis of NFCD recommended.

The NFCD has submitted an estimate of Rs. 51,04,890/- for day to day maintenance.

The Budget Estimation received from NFCD

Sr. No	Description	Amount
A		
A	Cost of Following work	
1	Comparitive Statement of services for day to day maintenance of SEEPZ quarters, BFC building, SC building and Gate no. 1,2,3 at SEEPZ-SEZ premises.	45,99,000.00
	Total cost	45,99,000.00
B	PMC @ 8%@ A	3,67,920.00
C	NFCD charges @ 3% @ A	1,37,970.00
D	Total (A to D)	51,04,890/-

Decision: After detailed discussion the Authority approved the proposal.