

Annexure IV-A

Our Audit Observations

We give below the matters that have come to our attention during the course of audit which might have a significant impact on the implementation of the Project :-

S. No	Particular																																				
1.	<p>A. On reconciliation of expenditure incurred under the eligible contracts and the total expenditure in IUFR during FY 2017-18, we noted that certain expenditure eligible for reimbursement under contracts have not been claimed in IUFR. The details are given as under:</p> <table><tr><th>Unit</th><th>Date</th><th>Vendor Name</th><th>Voucher Type</th><th>BV #</th><th>Net Payment (In ₹)</th></tr><tr><td>MTC</td><td>19-03-18</td><td>400616262 TECNICA Y PROYECTOS S.A (TYP SA)</td><td>PV -MTC</td><td>BV2017MTC0 615</td><td>33,90,714</td></tr><tr><td>MTC</td><td>31-03-18</td><td>400616262 TECNICA Y PROYECTOS S.A (TYP SA)</td><td>PV -MTC</td><td>BV2017MTC0 651</td><td>54,10,715</td></tr><tr><td>HOO</td><td>01-02-18</td><td>4006132144 AECOM ASIA COMPANY LTD</td><td>PV- HOO</td><td>BV2017HOO1 796</td><td>27,32,454</td></tr><tr><td>HOO</td><td>15-01-18</td><td>400616203 KPMG ADVISORY SERVICES PVT LTD</td><td>PV- HOO</td><td>BV2017HOO1 724</td><td>46,27,314</td></tr><tr><td colspan="5">Total</td><td>1,61,61,197</td></tr></table>	Unit	Date	Vendor Name	Voucher Type	BV #	Net Payment (In ₹)	MTC	19-03-18	400616262 TECNICA Y PROYECTOS S.A (TYP SA)	PV -MTC	BV2017MTC0 615	33,90,714	MTC	31-03-18	400616262 TECNICA Y PROYECTOS S.A (TYP SA)	PV -MTC	BV2017MTC0 651	54,10,715	HOO	01-02-18	4006132144 AECOM ASIA COMPANY LTD	PV- HOO	BV2017HOO1 796	27,32,454	HOO	15-01-18	400616203 KPMG ADVISORY SERVICES PVT LTD	PV- HOO	BV2017HOO1 724	46,27,314	Total					1,61,61,197
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	<p>B. On reconciling the expenditure since inception till date under a package/contracts per IUFR submitted with subsidiary records maintained by Tundla unit, we noted following differences: (amount in ₹)</p> <table><tr><th rowspan="2">Package #</th><th colspan="2">Expenditure since Inception till March 31, 2018</th><th rowspan="2">Variance</th></tr><tr><th>As per IUFR</th><th>As per subsidiary records</th></tr><tr><td>101</td><td>6,74,68,14,818</td><td>6,71,75,13,337</td><td>2,93,01,481</td></tr><tr><td>102</td><td>6,76,62,56,654</td><td>6,76,61,74,742</td><td>81,912</td></tr><tr><td>103</td><td>6,30,84,36,724</td><td>6,33,77,35,418</td><td>2,92,98,695</td></tr><tr><td>Total</td><td>19,82,15,08,196</td><td>19,82,14,23,497</td><td>84,699</td></tr></table> <p>We have not been able to perform reconciliation for other contracts as the expenditure details of such contracts are maintained in manual register and project unit was in the process of updating the records in spreadsheet.</p> <p>As per defined process, on receipt of expenditure details from project units, loan division reconciles the same with ledgers of the contractors obtained from accounting team.</p> <p>On root causing the reason for not claiming the above expenditure in IUFR, we noted the following gaps in control procedures:</p> <p>a. As appraised, the reconciliation of expenditure details submitted with contractors' ledgers is not performed for every quarterly IUFR by Head Office (HO) DFCCIL. While preparing IUFR for subsequent period, the reconciliation, if performed is limited to that particular period without covering the previous period for which reconciliation was pending.</p>	Package #	Expenditure since Inception till March 31, 2018		Variance	As per IUFR	As per subsidiary records	101	6,74,68,14,818	6,71,75,13,337	2,93,01,481	102	6,76,62,56,654	6,76,61,74,742	81,912	103	6,30,84,36,724	6,33,77,35,418	2,92,98,695	Total	19,82,15,08,196	19,82,14,23,497	84,699														
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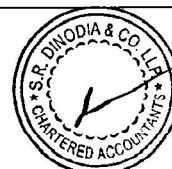
S. No	Particular																									
b.	Further, the reconciliation by HO is limited to only those expenditures, details of which are received from project unit for claim. Contractors' ledgers for which no expenditure is claimed by Project unit are not obtained and checked for completeness.																									
C.	After review of the IUFR – 1 for Quarter 4 (final) submitted by the Company to IBRD, we observed that the sources of funds from IBRD and Counterpart funds – Equity in column "Year to date" are not correctly reported.																									
	<p>Funds from IBRD are under-reported by ₹ 1,57,77,77,295 and Counterpart funds – Equity over-reported by ₹ 1,57,77,77,295 in "Year to Date" Column. The correct position of sources of funds year to date (i.e., FY 2017-18) is produced below:</p> <p style="text-align: right;">(Amount in ₹)</p> <table border="1"> <thead> <tr> <th>Item</th><th>Opening Balance (Cum) 01.04.2017</th><th>17th March 2018 To 31st March, 2018</th><th>Year to Date</th><th>Project to Date</th></tr> <tr> <th></th><th>3</th><th>4</th><th>5</th><th>6</th></tr> </thead> <tbody> <tr> <td>Amount received from IBRD</td><td>15,42,61,00,997</td><td>1,57,77,77,295</td><td>4,74,72,15,500</td><td>20,17,33,16,497</td></tr> <tr> <td>Counterpart funding - Equity</td><td>3,95,78,19,037</td><td>(43,95,56,183)</td><td>2,12,84,33,160</td><td>6,08,62,52,197</td></tr> <tr> <td>Total Sources</td><td>19,38,39,20,034</td><td>1,13,82,21,112</td><td>6,87,56,48,660</td><td>26,25,95,68,694</td></tr> </tbody> </table>	Item	Opening Balance (Cum) 01.04.2017	17th March 2018 To 31st March, 2018	Year to Date	Project to Date		3	4	5	6	Amount received from IBRD	15,42,61,00,997	1,57,77,77,295	4,74,72,15,500	20,17,33,16,497	Counterpart funding - Equity	3,95,78,19,037	(43,95,56,183)	2,12,84,33,160	6,08,62,52,197	Total Sources	19,38,39,20,034	1,13,82,21,112	6,87,56,48,660	26,25,95,68,694
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	<p>Steps already taken by DFCCIL:</p> <p>a. As appraised, the loan division has appointed a finance officer (FO) during FY 2018-19 to ensure correctness of claims.</p> <p>b. Further, the accounting division has planned to maintain contract wise / package wise expenditure details in accounting software – Tally ERP.</p> <p>Recommendation:</p> <p>a. More than 95% of the eligible expenditure is incurred under the approved contracts which are updated in client connection, the liability in respect of such expenditure are recorded under respective contractors' ledgers. Therefore, it is advised that a list of all such ledgers is prepared and obtained from accounts division and checked before submission of IUFR. The checking at HO should not be limited to only those contract ledgers where expenditure is reported by Project Units.</p> <p>b. To reconcile expenditure details submitted by project units with contractors' ledgers while preparing IUFR.</p> <p>c. To perform yearly reconciliation of total expenditure till date in IUFR with total expenditure as per subsidiary records maintained by Project units (ie. contract wise record).</p> <p>d. It is advised to project units to maintain all processed IPC details in spreadsheet along-with manual register for smooth reconciliation.</p>																									



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	<p>Management's Responses:</p> <p>Observation A:</p> <p>The left out expenditure pointed out by Audit will be claimed in next IUFR for QTR ending Dec, 2018 which is likely to be submitted in 2nd Week of Feb, 2019.</p> <p>Observation B:</p> <p>It was a totaling error not having any impact on any other Figure Total disbursement received up to QTR under observation is correct. However the error got corrected in next IUR for 1st QTR of 2018-19.</p> <p>Observation C:</p> <p>This seems to a reclassification error. It will be checked from voucher wise details of each LOT i.e. 101,102 and 103 since start of expenditure and corrective measure if required will be taken in next IUFR for QTR ending Dec, 2018 which is likely to be submitted in 2nd Week of Feb, 2019.</p> <p>As assistance (FO) is now available to the officer concerned, the reconciliation will be done in each QTR. The other recommendation will also be taken care off to avoid such mistakes in future.</p> <p>Name Of Process Owner: Manager/Fin/MA</p> <p>Timeline for completion of activity: 2nd week of Feb, 2019</p>
2.	<p>To finalize the impact on Contract Price due to change in Law (ie applicability of GST w.e.f. 1st July, 2017)</p> <p>As per the circular no.32 dated 20.09.2017 issued by DFCCIL, it was decided that:</p> <ol style="list-style-type: none"> 1. It is the primary responsibility of PMC to assess impact of GST implication on contracts and to ensure that no law of land is violated besides positively ensuring that no loss is occurred to DFCCIL. 2. PMC should ensure that they have got GST impact assessed through their legal/tax experts. 3. PMC has to ensure that there is no undue enrichment of Contractors on account of GST Implementation. 4. All Contractors should submit details of impact due to GST implementation to PMC and copy to DFCCIL. 5. As an interim measure, pending working out details of GST effect, in order to ensure timely completion of Project, DFCCIL can consider adhoc release of payment after deducting a fixed percentage till the issue gets resolved so that contractor cash flow position does not deteriorate and project progress is ensured. The percentage may be worked out based on the proposal of the contractor duly examined by PMC and to be approved by concerned CPM. This adhoc arrangement is only till the issue of GST is resolved or a maximum of 3 months whichever is earlier, after which the same may be examined on case to case basis. <p><i>[The interim measure for payment under adhoc arrangement was extended till 30.09.2018 through various circulars]</i></p>



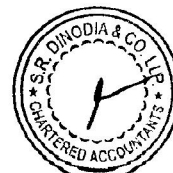
S. No	Particular
	<p>A procedure order was issued by DFCCIL Head Office via circular # 46 dated 21.08.2018 whereby it was decided:</p> <ol style="list-style-type: none"> 1. Each contractor should submit detailed GST impact calculation with supporting details and back-up papers to PMC. 2. Declaration under section 171 of CGST Act should be obtained duly approved by BOD of each contractor/each consortium partner duly certified by Statutory Auditor of each Contractor/each consortium partner. 3. Applicability of taxes in GST regime vis-a-vis position in Pre- GST Regime need to be informed by the Contractor by giving detailed break up of value of total taxes and their basis considered in Contract Price as well as impact due to introduction of GST to PMC. 4. PMC should determine GST claim in terms of applicable Contract conditions. 5. Based upon the determination by PMC, suitable modification in contract agreement through amendment will be incorporated as per provision of SOP. However provision to amend the contract was subsequently deleted vide HQ circular no. 52 dated 11.10.2018. <p>Observations:</p> <ol style="list-style-type: none"> a. It has been observed during audit that till 30.09.2018 (extended timeline of circular 32), all monthly Interim Payment Certificates (IPC) have been processed & released on adhoc basis & post 30.09.2018, IPC for Oct-18 and Nov-18 have been processed and released on adhoc basis after obtaining approvals from competent authority of DFCCIL. b. GST impact in compliance with Circular no. 46 read with 52, as referred above is yet to be finalized. Internal auditors had also observed to expedite the finalization of GST impact so as to regularized payment to contractor on adhoc basis. c. Declarations under section 171 of CGST Act duly approved by the Contractors have been obtained by PMC. The same have been certified by Chartered Accountants but not by Statutory Auditor of the contractor as required under circular 46. <p>Recommendations:</p> <p>To determine and finalize the impact of GST on Contract Price at the earliest possible.</p> <p>Management's Responses:</p> <p>A procedure order was issued by DFCCIL for assessing the impact of GST on contract via circular no. 46 dated 21.08.2018 uniformly in whole DFCCIL. This procedure order has been shared with executive agencies as well as with PMCs for action and preparation of GST impact accordingly. A request letter to PMC along with Circular No. 46 was sent on dated 05.11.2018. A preliminary calculation has been submitted by executive agency i.e. TATA – ALDESA JV and ALSTOM to the PMC but the impact is under discussions with experts hired by the PMC as well as experts from executive agency. Assessment of the GST impact is under finalization till then as an interim measure adhoc payment are being released to the executive agencies so that the cash flow position does not deteriorate. PMC has again been requested to finalize at the earliest. PMC has also asked the contractor for early submission of the certification from the statutory auditors of the contractor for the early determination of the GST implication.</p>



S. No	Particular
	<p>Name Of Process Owner: GGM/TDL</p> <p>Timeline for completion of activity: At the earliest possible</p>
3.	<p>Price adjustment due to revision in base year of All-India Wholesale Price Index (WPI) w.e.f. April, 2017</p> <p>Vide notification dated 12th May, 2017 by the office of the Economic Advisor (OEA), Department of Industrial Policy & Promotion, Ministry of Commerce & Industries, Government of India, the series of All India Whole Sale Price Indices with Base Year 2004-05 is revised to new series with Base Year 2011-12, changing the basket of commodities and assigning new weights to the commodities, which came into effect from April, 2017. As such WPI indices series 2004-05 is discontinued beyond March 2017.</p> <p>Contracts under execution in EDFC provide for payment towards price variation in terms of Sub Clause 13.8 of GCC read in conjunction with Appendix 1 to Tender, Particular Condition of the Contract and Addendum 1 item 86. As per contract provisions, price variation is to be paid using indices of WPI series 2004-05.</p> <p>Since the indices of WPI series 2004-05 are not available beyond March 2017, for making payment towards price variation to Contractors under aforesaid sub-clause of General Contract Conditions (GCC) from April 2017 onwards, DFCCIL after taking into cognizance the inputs from Contractors, PMC and opinion from Institute of Chartered Accountants of India notified a methodology vide letter dated 12.09.2018 which inter-alia consist of a linkage factor to derive indices based on Series 2004-05 beyond March 2017 and the corresponding items, which are no more available in series 2011-12, to be used in place of existing items given in Contracts.</p> <p>However, DFCCIL HQ vide letter # HQ/EN/Proc/WPI/Effects dated 29.10.2018 withdrew the policy letter issued on 12.09.2018 and advised that linkage factor methodology may be preferably replaced with 2-part PVC determination, which will also be in line with the philosophy of Railway Board letter dated 28.08.2018.</p> <p>Observation:</p> <ul style="list-style-type: none"> - Currently, as an interim measure, payment of price adjustment till date is made based on price indices of 2004-2005 series upto March, 17. However, 2nd layer of price adjustment taking March, 2017 as base price and indexing the same with price indices of 2011-12 series has not been done. <p>Currently monthly IPC payment of PV is calculated on provisional basis based on 2004-05 indices upto Mar 2017. In each IPC, DFCCIL Project unit made observations to PMC for giving effect to the HQ letter dated 29.10.2018, to which PMC replied that the its effect on price variation shall be submitted in next IPC.</p> <ul style="list-style-type: none"> - Further, above change in price adjustment will require amendment in the Contract agreements which are yet to be done. - Timelines for closure of above issue and final effect of price variation have not yet been defined. Further, as seen in other units, different practices are being followed, which needs to be standardized for example in Allahabad East/ West, 90% of price variation calculated on revised indices have been released with approval of the Director (PP).



S. No	Particular								
	<p>Recommendations: To determine the effect of price variation and make necessary amendment in the Contract by giving effect to DFCCIL HQ letter dated 29.10.2018. To give effect of price variation due to change in WPI in subsequent IPC.</p> <p>Management's Responses: A request letter to PMC along with DFCC HQ letter dated 29.10.2018 & Railway Board letter dated 15.10.2018 were sent on dated 05.11.2018 and further matter is being chased with Contractor and PMC to submit the determination in line with Contract provisions. On the change of Base year from 2004-05 to 2011-12, some indices were discontinued/replaced by the Economic Advisor in their monthly Price index publications. Following instructions have been issued:</p> <p>i. Implementation of PVC on the basis of 2011-12 series to be made through amendments in the contract as per powers delegated in SOP, and ii. Adoption of 2 part PVC determination in line with the Railway Board letter No. 2007/CE-I/CT/18/Pt.19, dated 28.08.2018.</p> <p>Accordingly, determination of the PVC implication by the PMC, based on the Railway Board letter No. 2007/CE-I/18/Pt.19 dated 28.08.2018 after administrative approval from the competent authority, has been adopted under Sub. Clause 13.8. Presently, till the necessary amendments are introduced in the contract, the adhoc payment has been approved by the Competent Authority and the same is being followed.</p> <p>Name Of Process Owner: CPM/TDL</p> <p>Timeline for completion of activity: At the earliest possible time.</p>								
4.	<p>Substantial delay in determination of variation proposals</p> <p>As appraised by DFCCIL, normally it takes around 3 months for approval of variation proposal. The approval timeframe may go upto 6 months depending upon the case/situation under consideration.</p> <p>However, as per discussion with the TATA-ALDESA (Contractor) and documents review, we noted substantial delay in determination of variation proposals. On detailed review of one such variation proposal, we noted following observations:</p> <p>Contract Package: LOT 102 – Variation Proposal for Burried Box at LC-38 at IR Ch. 1180/27-Reg.</p> <table><tr><th>S No.</th><th>Sequence of events</th><th>Reference</th><th>Date</th></tr><tr><td>1</td><td>The Employer, DFCCIL gave principal approval for construction of additional buried box as variation to the contract has been granted by the competent authority.</td><td>Letter TDL/EN/SAI-Cons./PMC/296 (A)/08-18</td><td>29.08.2016</td></tr></table>	S No.	Sequence of events	Reference	Date	1	The Employer, DFCCIL gave principal approval for construction of additional buried box as variation to the contract has been granted by the competent authority.	Letter TDL/EN/SAI-Cons./PMC/296 (A)/08-18	29.08.2016
S No.	Sequence of events	Reference	Date						
1	The Employer, DFCCIL gave principal approval for construction of additional buried box as variation to the contract has been granted by the competent authority.	Letter TDL/EN/SAI-Cons./PMC/296 (A)/08-18	29.08.2016						



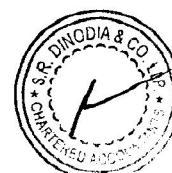
S. No	Particular		
2	The Engineer, SAI-TYPSA (JV) communicated the Employer's approval to the Contractor and instructed the Contractor to submit the variation proposal	Letter SAI-TYPSA/PMC/Y16-M09/2747	01.09.2016
3	The Engineer communicated the MOM elucidating the procedure of variation	Letter SAI-TYPSA/PMC/DFCCIL/Y16-M09/907	17.09.2016
4	The Contractor, TATA-ALDESA JV submitted variation proposal for additional work (Variation no. 27)	Letter TATA-ALDESA/EDFCCIL/L OT-102/C&R/2017-2018/008-73	15.01.2018
5	The Engineer made observations and sought clarification from the Contractor	Letter SAI-TYPSA/PMC/Y18-M02/3672	08.02.2018
6	The Contractor made reply to the Engineer's observation	Letter TATA-ALDESA/EDFFCIL/T DL/ENG/LOT-102/2017-2018/2980	21.02.2018
7	After review, the Engineer submitted the variation proposal for the Employer decision	Letter SAI-TYPSA/PMC/DFCCIL/Y18-M03/1710	30.03.2018
8	The Employer examined the proposal and made observations for clarification	Letter TDL/EN/SAI-Cons./PMC/296 (A)-07/04	12.07.2018
9	The Engineer submitted replies to the Employer's observations	Letter SAI-TYPSA/PMC/DFCCIL/Y18-M10/2032	18.10.2018
10	The Employer advised Engineer to perform due diligence and re-submit the replies as the earlier reply submitted are not matching with the observations.	Letter TDL/EN/SAI-Cons./PMC/296 (A)-11/10	21.11.2018
11	The Engineer re-submitted replies to the Employer's observations	Letter SAI-TYPSA/PMC/DFCCIL/Y18-M12/2089	11.12.2018

Observations:

- More than a month for Engineer to review the reply by the Contractor to their observations (ref S. No. 7 & 6)
- More than 3 months for Employer to examine the proposal and made observations (ref S. No. 8 & 7)
- More than 3 months for Engineer to submit the replies to the Employer's observation (ref S. No. 9 & 8)
- Almost 11 months since the variation proposal submitted by the Contractor and currently pending for approval



S. No	Particular																															
	As part of monthly presentation provided by the Contractor – TATA-ALDESA (JV) dated 12.10.2018, the status of pending variations is as under: <div>(amount in ₹ crores)</div> <table><tr><th>S No</th><th>Description</th><th>Lot-101</th><th>Lot-102</th><th>Lot-103</th><th>Total</th><th>Remarks</th></tr><tr><td>1</td><td>Amount of variations pending with the Employer</td><td>8.23</td><td>1.66</td><td>9.52</td><td>19.41</td><td rowspan="3">Variations are pending with ageing from 2 months to more than 2 years</td></tr><tr><td>2</td><td>Amount of variations pending with PMC</td><td>15.58</td><td>15.58</td><td>2.11</td><td>33.27</td></tr><tr><td></td><td>Total</td><td>23.81</td><td>17.24</td><td>11.63</td><td>52.68</td></tr></table>						S No	Description	Lot-101	Lot-102	Lot-103	Total	Remarks	1	Amount of variations pending with the Employer	8.23	1.66	9.52	19.41	Variations are pending with ageing from 2 months to more than 2 years	2	Amount of variations pending with PMC	15.58	15.58	2.11	33.27		Total	23.81	17.24	11.63	52.68
S No	Description	Lot-101	Lot-102	Lot-103	Total	Remarks																										
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2	Amount of variations pending with PMC	15.58	15.58	2.11	33.27																											
	Total	23.81	17.24	11.63	52.68																											
	Recommendation: a) Delay in approval of variation proposal may result in blockage of Contractor funds to the extent of work executed and pending for claims. It is advised to speed-up the process of approval of variation proposal to release the Contractor's payments. b) It is advised to issue internal circulars defining turnaround time for various activities/ correspondence for smooth functioning of the process. Management's Responses: The variation proposals of Contractors are being dealt in line with Contract provision and Internal procedure defined in SOP to deal variations in case of D&B contract. There was delay in some cases due to technical/administrative reasons. Instructions have been issued to PMC and field officials to expedite the variations. Name Of Process Owner: CPM/TDL Timeline for completion of activity: At the earliest possible time																															
5.	Large number of cases with DAB and Arbitration On review of pending cases, we noted that 9 and 10 cases are pending with Dispute Adjudication Board (DAB) and Arbitration respectively amounting to approx. ₹ 950 crores. With total contracts value of ₹ 4,763 crores (CST, S&T and Electrical together), total disputes are significant proportion of contract value involved. The details of which are given in Appendix A: <div>Appendix A</div> <table><tr><th colspan="6">Status of DAB cases of Tata – Aldesa (JV)</th></tr><tr><th>S. No.</th><th>Lot</th><th>Dispu te No.</th><th>Item</th><th>Status</th><th>Amount In (₹)</th></tr><tr><td rowspan="2">1</td><td>101</td><td rowspan="2">3</td><td rowspan="2">Additional costs incurred due to increase in scope of structure, related earthwork and allied works arising from</td><td rowspan="2">Judgment received</td><td>32.51 Cr+ Award Pendenelite and Post Award Interest + GST (Applicable)</td></tr><tr><td>102</td><td>42.64 + Award Pendenelite and</td></tr></table>						Status of DAB cases of Tata – Aldesa (JV)						S. No.	Lot	Dispu te No.	Item	Status	Amount In (₹)	1	101	3	Additional costs incurred due to increase in scope of structure, related earthwork and allied works arising from	Judgment received	32.51 Cr+ Award Pendenelite and Post Award Interest + GST (Applicable)	102	42.64 + Award Pendenelite and						
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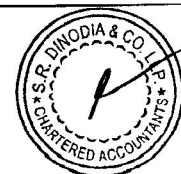


S. No	Particular				
			change in size/type of structures		Post Award Interest+ GST (Applicable)
	103				46.78 + Award Pendenelite and Post Award Interest+ GST (Applicable)
Status of Arbitration cases of Tata- Aldesa (JV)					
S. No.	Lot	Dispute No.	Item	Status	Amount in (₹)
1	101	1	Payment of Supervision Charges of Uncharted Electrical Utilities	Pending with Arbitral Tribunal	3.36 Cr + Pendenelite & Post awarded Interest including cost of DAB & arbitration proceedings
	102				
	103				
2	101	2	Claim related to Additional Earthwork and its associated works cut to additional structures	Pending with Arbitral Tribunal	62.15 Cr + Pendenelite & Post awarded Interest including cost of DAB & arbitration proceedings
	102				
	103				
3	101	3	Additional costs incurred due to increase in scope of structure, related earthwork and allied works arising from change in size/type of structure	Contractor has invoked arbitration & requested DFCCIL to appoint	NA
	102				
	103				
Status of Claims of Tata- Aldesa(JV)					
S. No.	Lot	Dispute No.	Item	Status	Amount in (₹)
1.	101	1	Claim for time related additional costs incurred during the extended period of Milestone -1 stage activities on account of disruptions and delay to works for reasons not attributable to Contractor.	Refused by PMC	168.51 Cr.
	102				158.03 Cr
	103				166.10 Cr.
			Total Value		679 Cr.

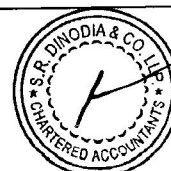
System Contractor Claim		
Claim No.	DESCRIPTION	Claim Value (In ₹ Cr.)
1.	Extension of Time Claim – 01 (Cost is in Separate claim)	57.72
2.	Extension of Time – 02	125.97
3.	Third Party Charges for inspection and witnessing the FAT/Prototype Tests	3.9
4.	Change in Construction Methodologies - RDSO Foundation in place of Circular Foundation	0.62
5.	OCC Bulling – Increase in size of Theatre Block	7.8



S. No	Particular			
	6.	Change in the Non- Traction Electrical System	42.37	
	7.	Change in configuration of HT VCB Panel	1.27	
	8.	Additional 4 Quad Separate cables	5.57	
	9.	Increase (3"4 Quad Vs 2"6 Quad)	1.28	
	10.	Signal Post Telephone and related cable	1.18	
	11.	Separate cable for location box lighting including 6 Core looping cable for location box lighting	8.56	
	12.	1/0 Redundancy for SCADA System	15.19	
	Total		271.43	
Observations: The above situation indicates that each DAB and arbitration case consumes significant time preparation of briefing, reply, rejoinder and final submission.				
Recommendation: In order to improve the efficiency of the Project Unit personnel in project execution, it is advised to hire an expert agency having domain knowledge dedicated for dispute and arbitration cases to ensure expeditious settlement of all pending disputes.				
Management Response: Each DAB and arbitration case consume significant time for preparation of brief, reply, rejoinder and final submission and a dedicated team is desired for this job. PMC has already been requested to hire an expert agency having domain knowledge dedicated for dispute and arbitration cases to best defend the interest of DFCCIL.				
Name Of Process Owner: CMP/TDL				
Timeline for completion of activity: At the earliest possible date				
6.	Observations in Procedure of Extension of Time As per clause 11 of Appendix 4 – Project Program Requirements, Volume 6, Employer's requirement, Part 1 of Contract # 101, 102& 103, If the current contract baseline schedule no longer represents the actual or planned progress of the Work, the Contractor shall submit (at no additional cost to the Employer), a proposed revision to the current contract baseline schedule in accordance with this section. Any proposed revisions to the contract baseline schedule must be submitted to the PMC for acceptance. The timelines for extension of 6 th EOT is as under:			
	Approved 5 th EOT	6 th Extension of time		
		TATA-ALDESA Proposed dates	PMC Recommendation	DFCCIL Approval
Correspondence date		16-08-2018	19-09-2018	08-10-2018
M1	03-08-2018	16-01-2019	15-10-2018	15-10-2018
M2	12-09-2018	10-09-2019	10-11-2018	10-11-2018
M3	30-11-2018	20-03-2020	30-11-2018	30-11-2018



S. No	Particular
	<p>FIDIC conditions for Extension of Time</p> <ol style="list-style-type: none"> As per sub-clause 8.4 [Extension of time for completion], if the Contractor considers himself to be entitled to an extension of the time for completion, the Contractor shall give notice to the Engineer in accordance with sub-clause 20.1 [Contractor's claim]. Further, as per sub-clause 20.1 [Contractor's claim] the Engineer (ie PMC) shall proceed in accordance with sub-clause 3.5 [Determination] to agree or determine extension (if any) of the time for completion in accordance with sub-clause 8.4 [Extension of time for completion]. As per sub-clause 3.5 [Determination], <i>the Engineer shall proceed in accordance with this Sub-Clause 3.5 to agree or determine any matter, the Engineer shall consult with each Party in an endeavor to reach agreement.</i> If agreement is not achieved, the Engineer shall make a fair determination in accordance with the Contract, taking due regard of all relevant circumstances. <i>The Engineer shall give notice to both Parties of each agreement or determination, with supporting particulars.</i> Each Party shall give effect to each agreement or determination unless and until revised under Clause 20 [Claims, Disputes and Arbitration]. <p>Observation On review of procedure adopted on 6th Extension of Time in LOT # 102, we noted following observations:</p> <ol style="list-style-type: none"> As per sub-clause 3.5 of FIDIC Conditions, the engineer shall consult with each party in an endeavor to reach agreement. The proposed dates requested by Contractors are not the same which PMC recommended to DFCCIL. However, we have not been produced any correspondence to substantiate that the PMC has consulted the Contractor to agree on the recommended timelines or even intimation thereof before DFCCIL approval. PMC letter providing extension of time different from time extension requested by Contractor does not provide basis of extension or reasons for curtailment of time to the Contractor to plan activities accordingly. Though the PMC letter clearly states in its letter that the Extension of Time has been thus granted in line with Contract Clause 8.4 (b) of GCC along-with conditions mentioned above. Revised baseline schedule along-with three month rolling program & critical path as per the approved EOT is neither asked by PMC nor submitted by the Contractor. On review of monthly progress report submitted by the Contractor for Sep-2018 & Oct-2018, the revised baseline schedule as per approved EOT and actual work done during the month are not updated. <p>Recommendation: Considering the above procedure being performed, we would recommend that before revising the proposed timelines for EOT, the same should be communicated to the Contractor with reasons to get Contractor's comments. Post contractor's comments, PMC may determine the extension in accordance with sub-clause 3.5</p> <p>Further, after approval of extension of time, PMC should ask contractor to submit the revised baseline schedule in line with approved EOT.</p>



S. No	Particular																		
	<p>Management's Responses: Extension of time is dealt by engineer as per relevant contract provisions.</p> <p>Name Of Process Owner: CPM/TDL</p> <p>Timeline for completion of activity: Not provided</p>																		
7.	<p>Frequent change in Team Leader Position (PMC) – Sai-Typsa (JV) Project Director/Team Leader is the highest position in PMC and top Key Expert – Category A which has most important role in entire project implementation. During the course of our discussion, we noted that there have been frequent replacements in Team Leader position as tabulated below:-</p> <table><tr><th>Team Leader</th><th>Left In</th><th>Period of Service</th></tr><tr><td>Mr. Steve Borsa</td><td>Dec, 2015</td><td>Less than 18 months</td></tr><tr><td>Mr. Michael Barcham</td><td>May, 2017</td><td>Less than 18 months</td></tr><tr><td>Mr. Blaine Peterson</td><td>Jun, 2018</td><td>Less than 13 months</td></tr><tr><td>Mr. TSB Singh</td><td>Aug, 2018</td><td>Less than 2 months</td></tr><tr><td>Mr. Veer Narayan</td><td>Currently holding the position</td><td>Around 5 months till Dec 2018</td></tr></table> <p>As per clause 30.1 of contract agreement # HQ/EN/Procurement/PMC/BAU-KRJ dated 31.10.2013 between PMC and DFCCIL, the substitution of Key Experts during Contract execution may be considered only based on the Consultant's written request. The consultant shall forth provide as a replacement, a person of equivalent or better qualifications and experience, and at the same rate of remuneration.</p> <p>As per the documents produced to us, Mr. TSB Singh resigned on 16.08.2018 and Mr. Veer Narayan, presently holding the position of Team Leader, was nominated by PMC and approved by DFCCIL on 17.08.2018 as an interim arrangement till a suitable candidate for the position is identified. It has been around 5 months that the position of permanent Team Leader is yet to be filled.</p> <p>Management's Responses: PMC had submitted 4 CVs for the position of Team Leader in the past but none of them fulfilled the contract conditions hence rejected. PMC is being perused to submit the CV of an Expert who fulfills the Contract provisions for approval of Employer & No Objection from WORLD BANK.</p> <p>Name Of Process Owner: CPM/TDL</p> <p>Timeline for completion of activity: At the earliest possible date</p>	Team Leader	Left In	Period of Service	Mr. Steve Borsa	Dec, 2015	Less than 18 months	Mr. Michael Barcham	May, 2017	Less than 18 months	Mr. Blaine Peterson	Jun, 2018	Less than 13 months	Mr. TSB Singh	Aug, 2018	Less than 2 months	Mr. Veer Narayan	Currently holding the position	Around 5 months till Dec 2018
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Mr. TSB Singh	Aug, 2018	Less than 2 months																	
Mr. Veer Narayan	Currently holding the position	Around 5 months till Dec 2018																	



S. No	Particular
8.	<p>Non-availability of Chief Project Manager in CST Contract (LOT-102) – TATA-ALDESA (JV)</p> <p>The post of Chief Project Manager (CPM) is the most important position in relation to day to day handling of the Site. As per the Organization chart submitted on Page 478 of the Contract Agreement, all Site Staff have to report to the CPM. He is responsible for the execution of the Works as per the agreed Specifications and Completion schedule.</p> <p>[Source: PMC letter # SAI-TYPSA/PMC/Y18-M08/4016 dated 08.08.2018]</p> <p>However, there is no CPM deployed in LOT 102 by the Contractor – TATA-ALDESA since Feb, 2018. We noted that the Engineer has issued various letters/reminders to the Contractor. It has been categorically mentioned by the Engineer in one of the letters that the project is being delayed and the Quality/Safety are being compromised in the absence of an approved candidate for the post of CPM. However, the position of Chief Project Manager for LOT-102 is still to be filled.</p> <p>Apart from the position of CPM in LOT-102, the PMC has raised concerns regarding the scarcity of technically experienced staff which is rigorously affecting various stages at site.</p> <p>Letter Reference:</p> <p>PMC Letter SAI-TYPSA/PMC/Y18-M04/3784 dated 04.04.2018 PMC Letter SAI-TYPSA/PMC/Y18-M04/3784 dated 05.04.2018 PMC Letter SAI-TYPSA/PMC/Y18-M08/4016 dated 08.08.2018 PMC Letter SAI-TYPSA/PMC/Y18-M10/0710 dated 03.10.2018</p> <p>Recommendation</p> <p>The Company should take up the matter with the contractor for appointment of full time CPM and other technical staff for smooth functioning of the project site.</p> <p>Management's Responses:</p> <p>PMC has been asked to impress upon the Contractor for deployment of Chief Project Manager in CST Contract (LOT-102) – TATA-ALDESA (JV) and in case of non-deployment of CPM IN lot 102, action in accordance with Contract provisions shall be taken.</p> <p>Name Of Process Owner: CPM/TDL</p> <p>Timeline for completion of activity: At the earliest possible date</p>



Annexure IV-B

Pending Critical Internal Audit Observations

S No	Internal Audit Observations
1	<p>Internal Audit Observation:</p> <p>Payment of ₹ 61.15 crores made in advance other than contractually due to TATA – ALDEA (JV) against contract No: HQ/EN/DB/Bhaupur-Khurja - Incurring interest cost of ₹ 2.30 crores up to 30.6.2015.</p> <p>Management Reply:</p> <p>The Engineers replies to the audit comment are as follows - Price adjustment shall be applied on completion of the specified stage of the respective item of work in accordance with price schedule for payment; Adjustment for each item of work/stage shall be made separately. Increase or decrease in the cost of works during the period under consideration due to changes in the rates. In the event of withheld amount towards work not done vide Sub -Clause 14.6(b), the price adjustment worked out as per contract sub clause 13.8 during the period under consideration for completed stage and will be released such amount to the contractor when stage is completed in forthcoming IPCs. In view of above explanation by PMC, Para may be dropped.</p> <p>Internal Audit Comments:</p> <p>Contract with Tata-Aldesa is lump sum contract for the entire scope of work. Obviously in such high value lump sum contract, it is necessary to make payment to the contractor on completion/prorate completion of identified activities or "cost centres". In this contract the apportionment of the total contract price to 7 identified "cost centres" has been done in Price Schedule -2 of Section IV. Six Cost Centres have further been subdivided in identified stages of payment in Schedule 2.1 to 2.6.</p> <p>It may be noted that in last column of each Schedule 2.1 to 2.6 it has further been mentioned that "Payment of each stage will be made on prorated completion of liner length" or Number (Bridges). But for inclusion of this clause in the contract, the running account payment for the total contract price would have been due only on completion of specified "Weightage" under each stage for the whole length under the contract.</p> <p>What has been examined and explained above is about procedure of payment of total lump sum contract price for the scope of work under the contract, and not for price adjustment payment. The contract separately provide for "price adjust payment", which is in addition to the lump sum contract price. Procedure for calculation and payment of price adjustment has been defined in Clause 13.8 of the General Condition of Contract, read with Particular Condition of the contract.</p> <p>For price adjust payment a specific clause has been inserted in the contract that "Price adjustment shall be applied on completion of the specified stage of the item of work (Schedule 2.2 to 2.6)". This clause for price adjustment payment has not been further amplified with appropriate clause, as has been done in Schedule 2.2 to 2.6 for payment of lump sum contract price against <i>prorate completion of liner length</i>. In fact the inclusion of the specific condition for price adjustment payment, highlighted</p>



S No	Internal Audit Observations
	<p>above, would not have been necessary at all if the intention was to pay price adjustment payment along with prorate completion of liner length.</p> <p>That the above interpretation of Audit of the contract clause is correct is evident from the fact that the civil contract of Western Corridor (Jaipur and Ajmer Section) doesn't have any such clause regulating timing of price adjustment payment due under the contract. Hence, price adjustment payments are correctly being made by Jaipur and Ajmer Units along with the prorate payment of lump sum contract price.</p> <p>The reply furnished may be re-examined in the light of above interpretation of audit of contract clause.</p>



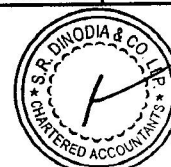
Annexure IV-C

Status of pending actions relating to Financial Management Action Plan

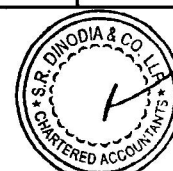
Sr. No.	Action	Management comments	Status
A	Financial Management		
1.	Final draft of the Finance Manuals to be shared with the Bank.	<p>The work for updating of Finance Manuals was awarded to M/s K.K. Chanani and Associates, Chartered Accountants, Kolkata but the firm has not completed to the satisfaction of Competent Authority hence the said contract was terminated on 23/05/2018.</p> <p>The re-engagement of new firm for updating of finance manual is under process. The bid are schedule to be opened on 10.01.2019</p>	Open
2.	<p>1. Recruit the following staff positions:</p> <ul style="list-style-type: none"> - DGM (Internal Audit) - DGM/AGM in Risk Management <p>2. SAP consultants and IT resource persons</p>	<p>The work of Internal Audit is being looked after by AGM/Fin/WC (2 level above the requirement).</p> <p>Risk Management framework of DFCCIL prepared by M/s Ernst & young LLP approved by Audit Committee and accepted by World Bank provides Funds 3.</p> <p>Shri Rakesh Mohindra DGM/Fin has been posted against the post of DGM/Risk Management. The work of Risk Management Co-ordinator at Head Office is headed by GM/CAG (Corporate Accounts Governance).</p> <p>Walking interviews for engagement of SAP consultants on contractual basis were held on 18.01.2018 and three consultants have already joined. The joining of another four are still in process.</p>	<p>Closed</p> <p>Closed</p> <p>Partially closed</p>
B	Governance		
3.	Status of selection and appointment of full-time Managing Director, Director Finance and Director OP/BD to be	Sh. Anurag Sachan, Full Time MD is in place. Appointment for Post of full time Dir /Fin is with MOR. Interview for the post of Director/OP&BD was schedule for 20.12.2018 and non was found suitable. In this regard the MOR has been given	Open for the post of full time Dir/Fin.



Sr. No.	Action	Management comments	Status
	shared with the Bank	authority to constitute a search committee.	
4.	Continue pursuing with MoR for appointment of two independent directors	Two independent directors are in place. Case is being pursued with Ministry advised to expedite posting of other two independent directors. Last Reminder was sent on 25.06.2018	Open
C Institutional Strengthening			
5.	Updated status of SAP/ERP implementation and action plan detailing the roadmap proposed for full SAP/ERP implementation to be shared with the Bank	<ul style="list-style-type: none"> Entire SAP landscape which was shut down by M/s HCL Technologies on 5th March 2018 has been restored. Production environment in high availability mode, quality and development environment are currently available. Contract with the system integrated M/s HCLT has been terminated on 22.03.2018. M/s HCLT moved to High Court for appointment of Arbitrator, on 1st Oct'2018 Delhi High Court appointed Retd. Supreme Court Judge as Sole Arbitrator. The first Arbitration hearing was held on 12th Nov'2018. The next hearing is scheduled on 5th April'2019. Data centre is being managed through M/s RailTel. The Railtel Contract expired on 5th Dec'2018 and the currency of same is extended for another eight months. Annual maintenance contract has been renewed with OEM of data centre hardware (Server and storage) M/s HP Enterprises is valid up to June'2019. ATS (Annual Technical Support) Charges for licenses procure beyond original contract have been released to SAP till 2018. Additional 300 ESS licences have been procured vide PO dated 26th Nov'2018. Hiring of Four SAP resource persons (BASIS, HCM/ Payroll, FICO and MM) for six months, PO has been issued on 18th Dec'2018. Resources likely to join in first week of Jan'2019. Issues related to HR/ Payroll module are being resolved through outsourced agencies. 3rd PRC, 7th CPC implemented. Disaster Recovery: Clouds Space has been hired for hosting SAP applications and agency has been hired to migrate SAP from current Data Centre and upgrade to latest software 	In-progress



Sr. No.	Action	Management comments	Status
		<p>patches. Sand Box implementation testing has been completed.</p> <ul style="list-style-type: none"> • Training on SAP functional modules through SAP authorised training partners has been imparted: HR, Payroll, Financial Management (FI/ CO), PMS (Materials Management) in Sept'2018. • Contract for SAP-ERP Audit and Forensic Audit has been awarded to M/s PwC vide PO dated 1st Nov'2018. The report is expected within three months. • Currently financial statements are being generated from Tally software. • Selection of agencies is under process for the following activities: <ul style="list-style-type: none"> a) Upgradation of SAP-ERP System and moving to Cloud Services as current ERP system is working on EhP 6.0 b) Fixing of gaps in implemented functionality for smooth functioning of SAP, as identified by the Auditor c) Mapping GL Codes and reconciling balances between Tally and SAP for past transactions and generation of financial statements. d) Configuring SAP system to take care of IndAS, GST and other updated regulatory requirements. e) Configuring SAP system as per revised SOP (May 2018). f) Data Migration, hand holding and roll out of PMS Module across DFCCIL. • Implementation and stabilisation SAP ERP system is seriously handicapped due to acute shortage of in house IT Manpower. • To enhance the strength of IT Department, 25 posts has been sanctioned by BOD. • Five Walk-in interviews for direct hiring of SAP Consultants for one year have been arranged on 24th Jan'2018, 27th Mar'2018, 14th June'2018, 22nd Oct'2018 and 16th Nov'2018. Till date three SAP Consultants have joined and 4 SAP Consultants expected to join shortly. 	



Sr. No.	Action	Management comments	Status
		<ul style="list-style-type: none"> • Intake of thirteen IT personnel through open advertisement on permanent basis is under process. • Present GM/IT, Mr S.K. Behera is being repatriated on 26th Dec'2018. The additional charge of GM/IT will be looked after by GM/Stores Mr Rajeev Saxena. 	

