Gomti Riverfront: procurement lessons from the CAG audit

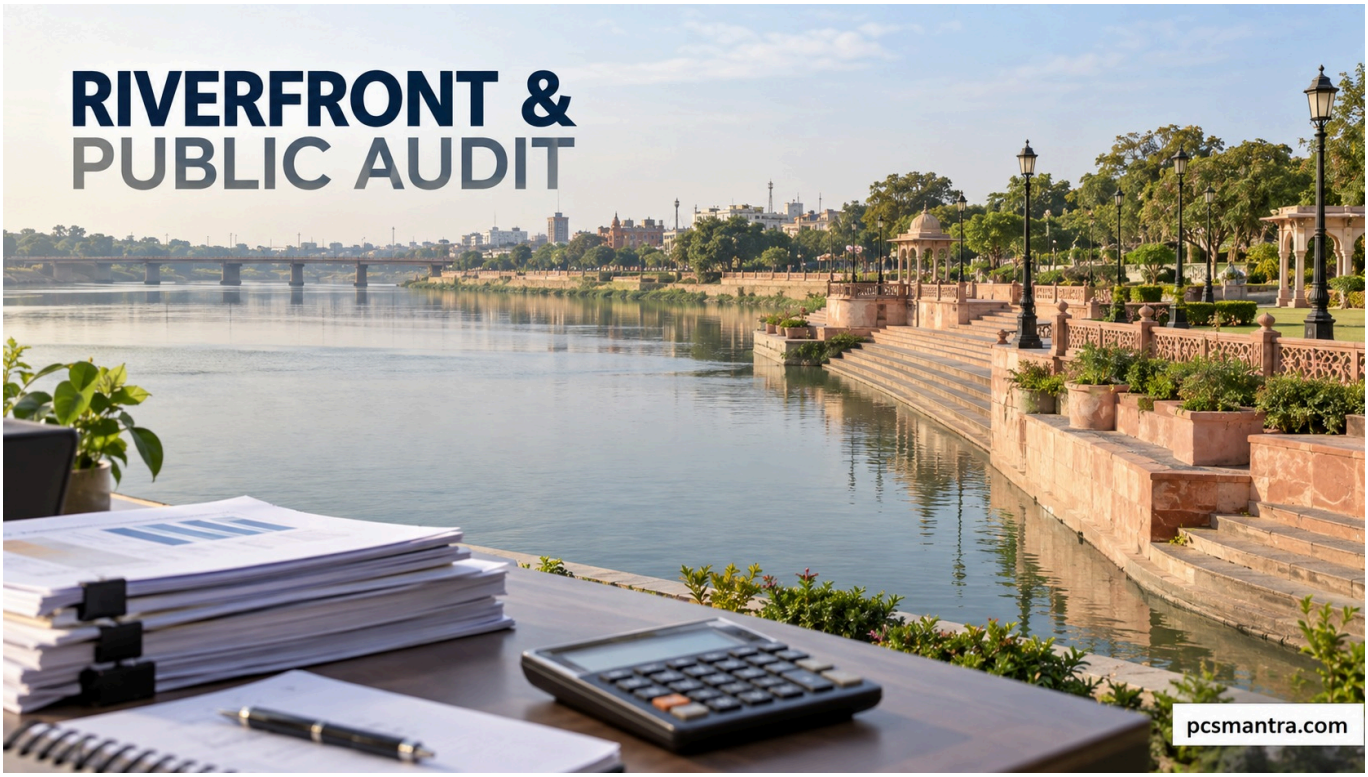
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Source context: 7 February 2019, CAG report; background study

Prelims: CAG audit, Notice Inviting Tender (NIT), Department of Information and Public Relations (DIPR), Article 151, Central Vigilance Commission (CVC)

Mains: General Studies II, governance, transparency and accountability, public procurement; General Studies III, infrastructure projects



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Why in news

The Gomti Riverfront project offers a case study in public procurement and accountability. This article uses CAG Report No. 3 of 2018 on Uttar Pradesh, tabled on 7 February 2019. It is a background study, not confirmation of any new CBI action in 2026. [1][2]

The most useful primary source for the exam is the **Comptroller and Auditor General (CAG)**'s **Report No. 3 of 2018** on Uttar Pradesh, tabled on **7 February 2019**. It carries audit findings on the project's procurement. This is a historical audit report, not the result of any new action in 2026. [1][2]

The project and its cost

> The basic idea: a CAG compliance audit checks whether a government department followed the Constitution, laws, rules and orders in spending and procurement. It is not a court judgment. CAG recommends correction and further examination; guilt is decided by a court.

Approval and cost: the Uttar Pradesh government approved the Gomti Riverfront Development Project in March 2015 at an estimated cost of **Rs 656.58 crore**. The aim was a world-class riverfront on the Gomti in Lucknow, to promote tourism and help water supply to the capital. In June 2016 the cost was revised to **Rs 1,513.52 crore** with March 2017 as the scheduled completion date. By September 2017, **Rs 1,447.84 crore** had been spent. [1]

How much it rose: the revised cost was about Rs 857 crore, or roughly 130 per cent, above the original estimate. Spending had reached about 96 per cent of the revised cost (calculated from the figures above).

Components: cleaning the riverbed; channelisation of the river by building a diaphragm wall (a wall that retains soil) on both sides; an Intercepting Trunk Drain (underground pipeline) to carry sewage to the Sewage Treatment Plant; a rubber dam (an inflatable rubber-fabric barrier that raises the upstream water level); and beautification. [1]

What the CAG found

1. Evidence of tender publication: under 1992 directions, government advertisements must be published only through the Department of Information and Public Relations (DIPR). CAG found that the Executive Engineer's files held copies of letters to DIPR for publishing 24 Notices Inviting Tender (NITs) valued at **Rs 1,188.74 crore**, along with replies purportedly confirming publication. On cross-checking with DIPR, apart from one NIT of **Rs 525.77 crore** (diaphragm wall), the remaining NITs, valued at **Rs 662.58 crore**, had not been published by DIPR at all. The advertisements actually published against those order numbers belonged to other departments and subjects. CAG called this fabrication of evidence and recommended examination from a vigilance angle and for criminal prosecution. (CAG's figures are quoted as given.) [1]

2. The diaphragm wall contract (Rs 516.73 crore): after the February 2015 NIT, eligibility conditions were lowered in March 2015. The original requirement of 20 lakh cubic metres of earthwork in one year was

deleted, and the concrete-work threshold was cut from 1,50,000 to 75,000 cubic metres. CAG said this violated a 2001 Finance Department direction and 2002 CVC guidelines, and that the change was not published in newspapers. The selected firm had experience of only 19 lakh cubic metres, so it was ineligible under the original condition, and by CAG's account it lacked the required hydraulic-structure expertise even under the relaxed conditions. The department admitted that records of the relaxation and its publication were not available. [1]

3. The Intercepting Trunk Drain contract (Rs 285.70 crore): no technical evaluation report was prepared. The minimum annual turnover required was Rs 345 crore (1.5 times the estimated cost of Rs 230 crore), while the selected firm's maximum turnover was Rs 152.53 crore, and it did not submit the mandatory financial-fitness certificates from the District Collector. Meanwhile, a firm that met the criteria was rejected on the ground that it had not submitted the earnest money deposit (EMD), although per CAG it had submitted it with the financial bid as the NIT required. [1]

4. The rubber dam contract (Rs 60.27 crore, January 2016): the NIT was not published in any newspaper and lacked pre-qualification conditions such as prior experience, which the department accepted. Under the agreement the department was to import rubber membrane worth Rs 31 crore through a global tender and supply it to the contractor, but the contractor was allowed to import it itself for Rs 18.84 crore (including customs duty), and the department paid it Rs 29.24 crore. CAG said this gave the firm an undue benefit of Rs 10.40 crore. [1]

5. Non-production of records: the Executive Engineer did not produce 26 records requisitioned by audit and gave no replies to 230 audit memos relating to the project. CAG added that its findings rest on a limited test-check and that the government should review all contracts related to the project. [1]

What to look for: standards of procurement

Standard	Expectation	What the CAG said
Open tender and publicity	NITs published through DIPR	Except for one of 24, publication was not found
Stable eligibility conditions	No changes after the NIT; if changed, notify everyone	Conditions relaxed for the diaphragm wall and not published
Technical evaluation	Written evaluation by a committee	No technical evaluation report found for the trunk drain
Fair consideration of eligible bidders	Evaluate a bid that meets the conditions	An eligible bid rejected on EMD grounds, which CAG called incorrect
Records and accountability	Give records and replies to audit	26 records and replies to 230 audit memos not provided

Related concepts

Notice Inviting Tender (NIT) and corrigendum: an NIT states the work, conditions and deadline. A corrigendum is a later amendment, which must reach all prospective bidders.

Earnest money deposit (EMD): a security amount deposited by a bidder with the bid, to ensure the bid is serious.

Pre-qualification conditions: minimum experience, turnover and capacity expected of a bidder before bidding.

Central Vigilance Commission (CVC): the apex vigilance body that issues guidelines for transparency and fairness in public procurement. The report links these to the right to equality in **Article 14** of the Constitution.

How a CAG report travels: this report was prepared for submission to the Governor under **Article 151**, who has it laid before the state legislature. It was sent to the government on 12 November 2018 and tabled on 7 February 2019.

Investigation context: the full press archives place the first CBI case in November 2017. Searches in a further case took place at multiple locations in July 2021. These records concern investigations of alleged irregularities, not convictions; judicial outcomes are outside this article. [3][4]

Analysis for the exam

Process is the safeguard: the same points recur in these findings: open and publicised tenders, stable eligibility conditions, written evaluation and equal treatment. Break any one link and competition shrinks.

Cost escalation and accountability: a 130 per cent rise over the estimate is not by itself proof of wrongdoing, but it raises the question of how realistic the original estimate was and how transparent the revision process was.

Action after audit: the report says that after an interim reply (February 2018) the department had given nothing further till August 2018. The effect of audit findings depends on how fast the Public Accounts Committee and the government follow up.

Caution: a CAG finding and a court decision are different things. Do not write any report of CBI inquiry or action as completed action.

Way forward

E-tendering and automatic publication of NITs and corrigenda on a public portal can reduce human discretion. Written, public records of technical evaluation and reasons for rejecting bids, time-bound replies to audit objections and follow-up by the Public Accounts Committee would strengthen accountability. For large projects, an independent review of cost revisions would also help.

Prelims practice question

Question 1. Consider the following statements regarding the CAG's report on the Gomti Riverfront Development Project (Uttar Pradesh, Report No. 3 of 2018):

Statement 1: The report relates to the year ended 31 March 2017.

Statement 2: The project's original estimated cost was Rs 656.58 crore, revised in June 2016 to Rs 1,513.52 crore.

Statement 3: CAG found that all 24 Notices Inviting Tender had been published in newspapers through DIPR.

Which of the statements given above are correct?

(a) 2 and 3 only
(b) 1 and 3 only
(c) 1, 2 and 3
(d) 1 and 2 only

▼ **Answer and explanation**

Answer: (d).

Statement 1 is correct: the report covers the year ended 31 March 2017. Statement 2 is correct: the estimate approved in March 2015 was Rs 656.58 crore and the revised cost in June 2016 was Rs 1,513.52 crore. Statement 3 is incorrect: per CAG, except for one NIT, the rest had not been published by DIPR at all.

Question 2. To whom are the CAG's audit reports relating to a state submitted, for being laid before the state legislature?

(a) The President
(b) The Governor
(c) The Chief Minister
(d) The Speaker of the Legislative Assembly

▼ **Answer and explanation**

Answer: (b).

Under **Article 151**, CAG reports relating to a state's accounts are submitted to the Governor, who has them laid before the state legislature. The Gomti Riverfront report was likewise prepared for submission to the Governor.

Mains practice question

Question 1. "Transparency in public procurement is a question of the integrity of the process, not merely of rules." Discuss in the light of the CAG's findings on the Gomti Riverfront project. (250 words, 15 marks)

Answer outline

Introduction: Introduce the project (original and revised cost) and the CAG report context; note the difference between an audit finding and a court decision.

Body: Main findings: absence of NIT publication, relaxation of eligibility after the tender, no technical evaluation, rejection of an eligible bidder, undue benefit in rubber-membrane import, and records not produced; their effect on competition, equality (Article 14) and public money; reforms: e-tendering, public records, time-bound follow-up.

Conclusion: Conclusion: a sound process protects public money and trust, and timely action on audit findings is an essential part of it.

Sources

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- https://www.thehindu.com/news/national/other-states/cbi-registers-fresh-case-in-gomti-river-front-project-irregularities-searches-at-over-40-locations/article35142515.ece (Press report, 5 July 2021, CBI searches (context only))

Findings are from Chapter 2, para 2.1 of the report (pages 5 to 9). The CBI context rests on press reports.

Frequently asked questions

▼ What was the cost of the Gomti Riverfront project?

The estimated cost was Rs 656.58 crore in March 2015, revised to Rs 1,513.52 crore in June 2016, with Rs 1,447.84 crore spent by September 2017 (per the CAG report).

▼ What did CAG find about tender publication?

Except for one NIT of Rs 525.77 crore, the rest, valued at Rs 662.58 crore, had not been published by DIPR, although the files held letters about publication.

▼ Is this the result of fresh CBI action?

No. These are findings of the CAG report tabled in 2019; this article does not confirm any new CBI action.

▼ Why is a CAG report submitted to the Governor?

Under Article 151, CAG reports on a state's accounts are submitted to the Governor, who has them laid before the state legislature.