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**Report of the  
Comptroller and Auditor General  
of India**

**for the year ended March 2007**

**Union Government (Civil)  
Compliance Audit Observations  
No. CA 1 of 2008**

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## PREFACE

This Report for the year ended March 2007 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts of the Union Government for the financial year 2006-07 have been included in Report No. 13 of 2007. This Report includes matters arising from test audit of the transactions of Civil Ministries including the Department of Posts and Telecommunications.

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2006-07. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to April 2007 in a few cases have also been mentioned, wherever available and relevant.



**OVERVIEW**

This Audit Report contains observations emerging out of the transaction audit in the Civil Ministries including the Department of Posts, Department of Telecommunications and their field offices. The audit observations on the accounts of the Union Government (excluding Railways) are incorporated in Report No. 13 of 2007.

**Ministry of Agriculture**

**Department of Agriculture & Co-operation**

**Parking of funds**

State Governments /implementing agencies had parked funds released by Government of India for implementation of the centrally sponsored scheme "Technology Mission for Development of Horticulture in NE State including Sikkim, J&K, H.P. and Uttarakhand" and had earned interest amounting to Rs. 6.30 crore. At the instance of Audit, Department recovered Rs. 3.90 crore from the State Governments/implementing agencies while the balance of Rs. 2.40 crore was yet to be recovered.

*Paragraph 1.1*

**Department of Animal Husbandry, Dairying & Fisheries**

**Unfruitful expenditure on procurement of patrol boats**

Lack of effective monitoring and failure to carry out mid-course correction resulted in investment of Rs. 25.10 crore on procurement of 26 patrol boats under a Centrally Sponsored Scheme for Enforcement of Marine Fishing Regulation Act being rendered largely unfruitful. The boats have either not been constructed or are lying idle/ not being used for the intended purpose of patrolling exclusive fishing zones.

*Paragraph 1.2*

**Ministry of Commerce and Industry**

**Department of Commerce**

**Payment of compensation on leased accommodation due to improper maintenance**

Improper maintenance of a fully furnished apartment leased to the Ambassador (World Trade Organisation) at Geneva led to avoidable payment of compensation of Swiss franc 183,500 (Rs. 67.96 lakh) to the owner of the property.

*Paragraph 2.1*

**Department of Industrial Policy and Promotion**

**Recovery at the instance of Audit**

An amount of Rs. 1.52 crore, irregularly transferred to the Jammu and Kashmir Development Finance Corporation, was recovered at the instance of Audit.

*Paragraph 2.2*

**Ministry of Communication and Information Technology**

**Department of Posts**

**Short realisation of postage charges**

Senior Superintendent of Post Offices, Ernakulam under Kerala Postal Circle authorised concessional tariff to a publication without ensuring the prescribed conditions as applicable to registered newspapers, resulting in short realisation of postage charges of Rs. 2.74 crore.

*Paragraph 3.2*

**Non-deduction of Income Tax at source**

Non-observance of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Assam, Gujarat, Punjab, Haryana, West Bengal and North East Postal Circles led to non-deduction of Income Tax at source to the tune of Rs. 1.93 crore on payments of interest under the Senior Citizens Savings Scheme.

*Paragraph 3.4*

**Non-levy of Service Tax**

Non-observance of the statutory provisions of Finance Act by the Postmasters under Kerala, Rajasthan, Madhya Pradesh and Chattisgarh Postal Circles led to non-levy of Service Tax and Educational Cess amounting to Rs. 81.69 lakh on commission received from Bharat Sanchar Nigam Limited for collection of telephone revenue.

*Paragraph 3.5*

**Irregular payment of commission**

Six post offices under North East and one post office under Delhi Postal circle allowed commission to Standardised Agency System Agents on holding of cash in excess of prescribed limits. This resulted in irregular payment of commission amounting to Rs. 76.06 lakh.

*Paragraph 3.6*

## **Department of Telecommunications**

### **Non-recovery of liquidated damages from Unified Access Service Licencees**

Department of Telecommunications failed to recover liquidated damages of Rs. 400.20 crore from Unified Access Service Licencees for delayed/non fulfillment of first phase and second phase roll out obligations as per terms and conditions of the licence agreement.

*Paragraph 3.10*

### **Non-realisation of financial bank guarantee**

Department of Telecommunications failed to obtain financial bank guarantee of Rs. 16.63 crore from M/s Mahanagar Telephone Nigam Limited for securitisation of spectrum charges.

*Paragraph 3.11*

## **Ministry of Culture**

### **National Museum**

#### **Questionable terms of contract**

The Ministry opted for the financial terms of the contract for development and maintenance of digital audio guide for the National Museum, New Delhi which was *prima facie* favourable to the contractor. It approved the terms without comparing the total cost of the development of audio guide and its maintenance over five years' period with the revenue expected to be generated from the charges levied from the visitors. This led to additional benefit of Rs. 1.11 crore to the contractor over the five years' period of the contract, which would have accrued to the National Museum.

*Paragraph 4.2*

## **Ministry of External Affairs**

### **Unauthorised expenditure on engagement of contingency paid staff**

Despite earlier audit findings and assurance given by the Ministry to the Public Accounts Committee, Indian Missions abroad continued to violate the rules and specific instructions of the Ministry and employed staff paid from contingencies for works of regular nature for prolonged periods. This resulted in unauthorised expenditure of Rs. 2.28 crore during 2003-07.

*Paragraph 5.1*

### **Extra expenditure due to hiring of residential accommodation in excess of entitlement**

Despite earlier audit findings, Indian Missions at Beijing, Mandalay, Tripoli and Ulaanbaatar hired residential accommodation for their India-based officers and staff in excess of ceiling on plinth area norms fixed by the Ministry. This resulted in extra expenditure of Rs. 91.05 lakh during 2002-03 to 2006-07.

*Paragraph 5.3*

### **Expenditure beyond delegation on garden grant**

The Missions at Singapore, Pretoria, Yangon, Muscat and Johannesburg incurred expenditure on garden grant in excess of their delegated financial powers without the approval of the Ministry. This resulted in expenditure of Rs. 87.79 lakh during 2001-07 beyond authorisation.

*Paragraph 5.5*

### **Extravagant Haj goodwill delegations**

The Ministry sent large delegations consisting of 24 to 34 members for long duration of 18-20 days during Haj 2005 and 2006 as against delegations of significant lower size by other countries despite the recommendations of the Consul General at Jeddah and leader of the Haj goodwill delegation to limit the size of the delegation. Besides, the Ministry has not established any criteria for determining the suitability of the members included in the delegations. The permission of the Ministry for permitting spouse/family members in the delegation contributed further to the extravagance. Ministry incurred substantial expenditure on hiring of double rooms rather than single rooms and on all local facilities utilised by the accompanying spouse/family members of the delegates which was unauthorised.

*Paragraph 5.9*

## **Ministry of Finance**

### **Department of Economic Affairs**

#### **Funds of SEBI kept outside Government Accounts**

Despite the obligation under the Constitution of India and clear instructions of the Ministry to maintain the funds of Regulatory Bodies in the Public Account, Securities and Exchange Board of India (SEBI) continued to maintain its surplus funds generated through fees/charges etc., aggregating to Rs. 706.82 crore at the end of March 2007 outside the Government Account. Its expenditure was met directly out of this fund without the approval of the budgetary appropriations. Despite being convinced of the inappropriate action



by SEBI, inconsistent with the Constitutional provision and the norms for budgetary appropriations, the Ministry has failed to secure compliance to its orders, if necessary, by binding orders under Section 16 of the SEBI Act.

*Paragraph 6.1*

### **Defective terms of National Equity Fund Scheme**

The Ministry released grants aggregating Rs. 156.94 crore during 1987 to 2006-07 to the Small Industries Development Bank of India (SIDBI) under the National Equity Fund Scheme for providing soft loan to small entrepreneurs for setting up new projects and for expansion, modernisation and technology upgradation etc. While the Ministry and SIDBI shared the expenditure on loan on 50:50 basis, SIDBI retained the entire amount of Rs. 134.06 crore repaid by the entrepreneurs by the end of March 2007, 50 per cent of which represented Government share of the loan.

*Paragraph 6.2*

### **Loss of revenue**

Debt Recovery Tribunals at Delhi, Chandigarh and Kolkata recovered Rs. 2.47 crore as poundage fees on execution of the recovery certificates of Rs. 247.45 crore by way of auction/sale proceeds of the properties. The Tribunals, instead of crediting the fees to the Government account paid the entire amount of poundage fees to the certificate holders/financial institutions alongwith the sale proceeds of the property. This resulted in loss of revenue of Rs. 2.47 crore during January 2001 to March 2007.

*Paragraph 6.3*

### **Ministry of Food Processing Industries**

#### **Non-completion of Food Parks under Infrastructure Development Scheme**

Grant of Rs. 110.55 crore released by the Ministry up to 2003-04 for setting up 43 food parks in different States remained largely unfruitful, as majority of the food parks did not attract entrepreneurs for setting up units.

*Paragraph 7.1*

### **Ministry of Health and Family Welfare**

#### **Unfruitful expenditure on construction of sub-standard laboratories**

Even after nine years of award of work, Ministry failed to ensure renovation/upgradation of laboratories of Central Research Institute, Kasauli to meet the requirements of current Good Manufacturing Practices (cGMPs)

for safe production and testing of vaccines. The facilities created at the cost of Rs. 11.86 crore could not be put to use due to sub-standard construction/not meeting cGMPs requirements, thus rendering the entire expenditure unfruitful. No action was taken against Hospital Services Consultancy Corporation (India) Ltd, the consultant and executing agency, for faulty execution of the project.

*Paragraph 8.1*

### **Ministry of Home Affairs**

#### **Unauthorised attachment of personnel by BSF and CRPF**

Directors General, Border Security Force (BSF) and Central Reserve Police Force (CRPF) irregularly attached a large number of personnel from their normal places of duty in field formations to the Headquarters and other Delhi offices for several years, in violation of the orders of the Ministry issued in June 2002 on the directions of the Group of Ministers on National Security. The additional attachment constituted up to 168 *per cent* of the authorised strength in the case of BSF and 32 *per cent* in the case of CRPF, resulting in unauthorised expenditure of Rs. 53.51 crore during 2003-04 to 2006-07 on the pay and allowances of attached personnel, besides depriving the field/operational functions of their authorised strength of personnel.

*Paragraph 9.1*

#### **Ineffective pursuance of demands**

Failure to pursue effectively the demands for charges for provision of services of Central Industrial Security Force (CISF) personnel resulted in Rs. 8.12 crore remaining unrealised from four bodies.

*Paragraph 9.2*

#### **Incorrect representations in sanctions**

Director General, Border Security Force accorded 68 split sanctions aggregating Rs. 2.39 crore during July 2001 to December 2006 to keep the sanctioned amount within his delegated financial powers of Rs. 20 lakh in each case, purportedly for establishing a wireless transmission station. Instead the sanctioned amount was used to construct an officers' mess through incorrect representation of the purpose in the sanctions.

*Paragraph 9.3*

### **Unauthorised attachment of vehicles**

Director General, Indo Tibetan Border Police held 30 to 40 additional vehicles by withdrawing them from various field formations/units during the period 2002-03 to 2006-07 and deployed them in its Headquarters at New Delhi over and above their sanctioned strength. This resulted in unauthorised and wasteful expenditure of Rs. 1.39 crore on fuel, repair and maintenance of these vehicles for non-operational activities at the Headquarters at the expense of operational requirement of the field units.

*Paragraph 9.4*

### **Ministry of Human Resource Development**

#### **Department of Higher Education**

#### **Delay in construction of UNESCO house leading to avoidable rental charges**

Ministry of Human Resource Development failed to get the UNESCO<sup>1</sup> house constructed on the plot allotted for this purpose in 1998. Meanwhile, it has paid Rs. 2.86 crore towards the rent of the building that accommodated the UNESCO office, the current rent liability being Rs. 48 lakh *per annum*.

*Paragraph 10.1*

### **Ministry of Overseas Indian Affairs**

#### **Questionable expenditure on dinner and liquor**

Deficient internal control in the management of dinner hosted on the occasion of Pravasi Bhartiya Divas 2006 entailed an extra expenditure of Rs. 14.92 lakh against the originally sanctioned expenditure of Rs. 7.60 lakh, besides an unsettled bill of Rs. 5.87 lakh for liquor served during the dinner in disregard of the protocol norms. While the Ministry had placed order for dinner to the caterer for only 1300 guests, the caterer preferred bill for serving dinner to 3850 guests. Between the Ministries of External Affairs and Overseas Indian Affairs, they admitted the bill for 3850 guests claimed by the caterer against the firm order for only 1300 guests without evidence of the actual number of guests, who attended the dinner and the feasibility of catering to the guests almost three times in number with reference to the firm order.

*Paragraph 12.1*

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<sup>1</sup> United Nations Educational, Scientific and Cultural Organisation

## **Ministry of Rural Development**

### **Department of Drinking Water Supply**

#### **Non-establishment of Central Water Testing Laboratory for Arsenic**

Lack of monitoring of the project for setting up of Central Water Testing Laboratory for Arsenic at Kolkata resulted in the Laboratory not being set up even after 8 years of releasing a grant of Rs. 50.32 lakh to the State Government.

*Paragraph 13.1*

## **Ministry of Social Justice and Empowerment**

### **Unfruitful expenditure due to delay in construction of hostels**

Ministry of Social Justice and Empowerment released Rs. 13.82 crore to eight states during 2001-02 to 2004-05 for construction of 74 hostels for other backward classes' (OBC) students. Though as per the sanctions, construction of all 74 hostels was to be completed, by December 2006, only 12 hostels had been completed, 42 were under construction and the remaining 20 had not been taken up for construction as of September 2007. This has led to the grants of Rs. 9.86 crore remaining unfruitful, as the intended facility was not made available to 5841 OBC students in time.

*Paragraph 14.1*

## **Ministry of Textiles**

### **Non-completion of Urban Haats**

The scheme for setting up of 'Urban Haats' in various states, launched in 1999, with a view to provide permanent marketing outlets to the local artisan community suffered from poor planning, lack of monitoring and inefficient execution, resulting in 71 *per cent* of the Haats approved during 1998-99 to 2003-04 costing Rs. 9.33 crore still remaining incomplete and un-operationalised even as of July 2007.

*Paragraph 15.1*

## **Ministry of Tourism**

### **Undue benefit to a private publisher in printing of the magazine "Incredible India"**

Department of Tourism failed to consider the potential for revenue generation to Government, while awarding the work of publication of the "Incredible India" magazine to a private publisher and subsequently renewing the agreement with the same publisher. This led to significant loss of revenue to

the Government. In addition, there were significant deficiencies, affecting the transparency of the contracting process.

*Paragraph 16.1*

### **Ministry of Urban Development**

#### **Inordinate delay in implementation of a scheme for minimising aircraft accidents due to bird hits at the airfields**

Lack of adequate and sustained efforts on the part of the Ministry in implementing a project on "Solid Waste Management and Drainage in 10 Selected IAF airfields" costing Rs. 105 crore resulted in serious delay of more than a decade in completing the project. This led to continuing national loss of IAF aircraft and invaluable lives of pilots in air accidents due to bird hits. During the period from 1990-91 to 2006-07, IAF aircrafts had 13 air accidents and 542 incidents on account of bird hits, which resulted in loss of 12 aircraft with a financial implication of Rs. 181.33 crore.

*Paragraph 17.1*

### **Central Public Works Department**

#### **Non-recovery of Construction Workers Welfare Cess from contractors**

Forty eight Divisions of CPWD in Delhi did not recover Rs. 2.09 crore from contractors on account of construction workers welfare cess between August 2005 and March 2007.

*Paragraph 17.2*

### **Directorate of Estates**

#### **Non-recovery of outstanding dues**

Failure of the Directorate of Estates to realise licence fees of Rs. 4.36 crore in time resulted in undue financial benefit to Central Cottage Industries Corporation.

*Paragraph 17.3*

#### **Non-recovery of licence fee**

Delay in allotment of a commercial property facilitated its unauthorised occupation by Delhi Police for 17 years. Besides, licence fee of Rs. 1.66 crore for this period was yet to be recovered by Directorate of Estates.

*Paragraph 17.4*

**Union Territories**

**Andaman and Nicobar Administration**

**Directorate of Industries**

**Unauthorised expenditure**

Implementation of Island Transport Subsidy Scheme beyond its approved period of operation, without approval from the Ministry and reimbursement of the transport subsidy to industrial units, resulted in an unauthorised expenditure of Rs. 48.69 lakh.

*Paragraph 20.1*

**Port Management Board**

**Unfruitful expenditure**

Port Management Board ignored the provisions of the agreement regarding release of payment and failed to monitor the progress of the work of construction of a Steel Dumb Barge resulting in unfruitful expenditure of Rs. 45.76 lakh.

*Paragraph 20.3*

**Union Territory of Lakshadweep**

**Unfruitful expenditure on a swimming pool project**

Director of Education of Union Territory of Lakshadweep acquired 8490 square metre of land in Androth Island during 2001-02 for construction of a sea water swimming pool. As the project was subsequently found unviable the land could not be put to use, rendering the entire expenditure of Rs. 77.11 lakh on acquiring the land unfruitful.

*Paragraph 20.5*

## CHAPTER I : MINISTRY OF AGRICULTURE

### Department of Agriculture & Co-operation

#### 1.1 Parking of funds

State Governments /implementing agencies had parked funds released by Government of India for implementation of the centrally sponsored scheme "Technology Mission for Development of Horticulture in NE State including Sikkim, J&K, H.P. and Uttarakhand" and had earned interest amounting to Rs. 6.30 crore. At the instance of Audit, Department recovered Rs. 3.90 crore from the State Governments/implementing agencies while the balance of Rs. 2.40 crore was yet to be recovered.

A centrally sponsored scheme titled "Technology Mission for Integrated Development of Horticulture in North Eastern region, including Sikkim" (the mission) was sanctioned in February 2001. This scheme was later extended to the States of Jammu & Kashmir, Himachal Pradesh and Uttarakhand in 2003-04. The Mission had four Mini Missions I, II, III, & IV on research and technology generation; productions and productivity; post harvest management, marketing and export; and processes.

The funds for Mini Missions-II, III & IV (except to designated agencies like National Horticulture Board -NHB) were routed through Small Farmers Agri-Business Consortium (SFAC) for further releases to the concerned beneficiaries. Funds of Mini Mission-I were directly released to the Nodal Officer, Indian Council of Agricultural Research (ICAR). The Department of Agriculture & Co-operation (DAC) released funds to Central SFAC, NHB and ICAR based on their work plans. Central SFAC had to release these funds to State Level SFACs/identified agencies of the States within 15 days after receipt of the funds from DAC as per approved physical and financial targets. On the basis of approved work plan, the District Horticulture Officer/District Agriculture Officer was required to further release funds to beneficiaries in the district.

The implementing agencies had to provide the details of interest earned on the funds deposited in their Horticulture Mission Accounts in the banks to the Ministry via certified bank statements every six months, so that these funds could be appropriately utilised after submission of separate proposals.

Mini-Mission-wise details of funds released during the years 2001-02 to 2006-07 were as under:

(Rupees in crore)

Name of the Mission	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Mini Mission-I	2.50	1.75	4.00	10.54	7.50	2.75
Mini Mission-II	47.44	75.00	103.19	143.26	165.39	270.47
Mini Mission-III	13.80	13.50	10.20	18.51	12.50	8.50
Mini Mission-IV	3.50	0.75	1.00	4.41	2.00	3.00
<b>Grand Total</b>	<b>67.24</b>	<b>91.00</b>	<b>118.39</b>	<b>176.72</b>	<b>187.39</b>	<b>284.72</b>

Audit examination in May 2006 revealed that:

- The Ministry was not monitoring the interest earned by the different states and implementing agencies on the programme funds parked by them in banks. On being pointed out in Audit, the Ministry took steps to collect information from the states and implementing agencies on interest earned. Between 2001-02 and 2006-07, these states/agencies had earned interest of Rs. 6.30 crore.
- Ministry had been releasing funds to the implementing agencies without obtaining Utilisation Certificates in respect of funds previously released.

Subsequently the Ministry, in July 2007, directed all State Governments/ implementing agencies to refund the amount of interest earned by them on parked funds latest by 15 July 2007. The Ministry intimated in October 2007 that an amount of Rs. 3.90 crore had been recovered from four units of ICAR, NHB, SFAC and State Governments of Mizoram and Uttarakhand. The balance amount of Rs. 2.40 crore was yet to be recovered.

The Ministry may exercise effective control and monitoring over utilisation of programme funds and should not release funds to the State Governments/implementing agencies without obtaining Utilisation Certificates/Statement of Accounts in respect of funds previously released.

## Department of Animal Husbandry, Dairying & Fisheries

### 1.2 Unfruitful expenditure on procurement of patrol boats

**Lack of effective monitoring and failure to carry out mid-course correction resulted in investment of Rs. 25.10 crore on procurement of 26 patrol boats under a Centrally Sponsored Scheme for Enforcement of Marine Fishing Regulation Act being rendered largely unfruitful. The boats have either not been constructed or are lying idle/not being used for the intended purpose of patrolling exclusive fishing zones.**

Eight maritime states<sup>1</sup> have enacted Marine Fishing Regulation Acts for

<sup>1</sup> Andhra Pradesh, Goa, Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu and West Bengal



reservation of exclusive fishing zones for traditional fisherman. This zone extends up to 5 to 10 Km. from the shore. Mechanised boats can operate only outside this limit, and deep sea fishing vessels are banned from fishing in the territorial waters. Despite well defined objectives, the desired results could not be achieved because of non-availability of adequate resources with the State Governments for effective implementation of the Acts. A Centrally Sponsored Scheme "Enforcement of Marine Fishing Regulation Act (MFRA) and Introduction of Artificial Reefs Sea Farming" having three components, including procurement of patrol craft for enforcement of Marine Fishing Regulation Acts was, therefore, introduced by the Government of India during the 8<sup>th</sup> Five Year Plan in 1993-94. Government of India, under this scheme, proposed to provide assistance to these States to meet 100 *per cent* of the capital costs of patrol boats and communication equipment to be used for the purpose of patrolling to detect any violation of the regulations of the Acts.

The Central Government provided Rs. 25.10 crore to the eight State Governments during 1994-95 to 2006-07 for procurement of 26 patrol boats for the enforcement of the Act. The State Governments were required to get the boats constructed and use them for patrolling of the exclusive fishing zones.

Audit scrutiny revealed that the scheme could not be implemented and the intended objectives remained unachieved which rendered the investment of Rs. 25.10 crore on procurement of patrol boats largely unfruitful. Out of eight participating States, only two States *viz.*, Kerala & Tamil Nadu, had agreed to bear the cost of operation and maintenance of patrol boats. Yet an amount of Rs. 14.30 crore was released for construction of 15 patrol boats to other six states without considering this aspect. Many States demanded assistance to meet operation and maintenance expenditure of the patrol boats, which was not provided. The status of construction and utilisation of 26 patrol boats by the State Governments is discussed below:

- Three patrol boats were not constructed at all by Karnataka and Kerala Governments.
- Fifteen patrol boats were constructed, but were either lying unutilised, or were being utilised for purposes other than surveillance for enforcement of Marine Fishing Regulation Act.
- Three patrol boats were constructed, but the position regarding their delivery to the State Governments could not be confirmed.
- For the remaining five boats, the Ministry did not have any information on their final utilisation.

The state-wise position of the implementation of the patrol boat component of the scheme is as follows:

### **Andhra Pradesh**

The Central Government released Rs. 1.80 crore to Andhra Pradesh during the period from 1994-95 to 1997-98 for construction of two patrol boats. These boats, Sagar Rakshak- I & II, which were constructed by July 2000, were not used for the purpose of surveillance for the enforcement of the Act due to lack of funds for operation & maintenance. The State Government, therefore, approached (February 2006) the Central Government for according permission for disposal of the patrol boats. The boats were put into operation under lease agreements with the Visakhapatnam Urban Development Authority and the Customs Department at Visakhapatnam during 2003 defeating the very purpose of the scheme.

### **Goa**

The Central Government released part funds of Rs. 0.50 crore to Goa in 1997-98 for construction of two patrol boats at a cost of Rs. 0.50 crore each. The work order for construction of only one boat was issued in October 2001 at a cost of Rs. 0.77 crore, which exceeded the cost of the boat in the original proposal and the Central Government refused to pay the balance amount of Rs. 0.27 crore. The delivery of the boat could not be confirmed from the Ministry's records.

### **Karnataka**

The Central Government released Rs. 2.20 crore between 1994-95 and 1996-97 to Karnataka for construction of two patrol boats. The State Government expressed its inability to bear the operational and maintenance cost of these two boats, and desired to utilise the funds for construction of 5000 houses under the "Matsya Ashray" scheme towards the share of Central funds. The proposal was not found acceptable by the Planning Commission, and the State Government was asked in January 2001 to refund the whole amount. While the State Government refunded Rs. 2.00 crore in March 2003, the balance amount of principal Rs. 0.20 crore and interest of Rs. 1.05 crore could not be recovered.

### **Kerala**

The Central Government released Rs. 6.30 crore to Kerala between 1993-94 and 1994-95 for construction of six patrol boats. The State Government got constructed (November 1996) only five patrol boats of changed specifications, at a per boat cost of Rs. 1.72 crore plus duties and taxes. The Central Government found the change in specification unjustified, and asked the State Government to refund the balance amount of Rs. 0.80 crore released in excess of the admissible limit of Rs. 1.10 crore for each of five boats. The excess release of Rs. 0.80 crore, along with interest of Rs. 0.58 crore, was still unrecovered. The use of patrol boats for the purpose of enforcement of the Act could not be confirmed from the Ministry's records.

### **Maharashtra**

The Central Government released Rs. 4.40 crore to Maharashtra for construction of four patrol boats between 1995-96 and 1996-97. The construction of patrol boats was completed in May 1998, but the use of these patrol boats could not be confirmed. In October 2001, the State Government expressed its unwillingness to bear the cost of running and maintenance of these boats, on the grounds that hiring of suitable private boats was cheaper by fifty per cent. The boats were reported (May 2006) to be in un-seaworthy condition.

### **Orissa**

The Central Government released Rs. 1.00 crore between 1993-94 and 1994-95 to Orissa for construction of two patrol boats. The State Government, in October 1995, expressed its inability to bear the running and maintenance cost of these boats, before the award of work of their construction in April 1999. The Central Government, instead of recovering Rs. 1.00 crore, released another amount of Rs. 0.48 crore between 1999-2000 and 2001-02. Though the construction of patrol boats was completed in 2002, the balance amount of Rs. 0.32 crore was released by the Central Government in September 2006 i.e. about four years after the completion of construction of boats. The delivery of the patrol boats could not be confirmed from the Ministry's records.

### **Tamil Nadu**

The Central Government released Rs. 4.50 crore to Tamil Nadu for construction of five patrol boats between 1993-94 and 1996-97. These boats were lying unutilised in Chennai Harbour since their completion in April

1999, except for a period of three months from February to May 2000 when these boats were given to the boat builder on contract basis. The boats were reported in January 2006 to be in unseaworthy condition and two boats based at Chennai were washed away in the Tsunami of December 2004.

### **West Bengal**

The Central Government released Rs. 3.60 crore to West Bengal during 1995-96 and 1996-97 for construction of four patrol boats. The State Government in January 2001 stated that the patrol boats could not be put to use since its completion in 1999 and were likely to get damaged. Instead, they asked the Central Government to meet the running and maintenance cost of these boats. The State Government also approached the State Police, B.S.F. and Coast Guards to take the boats for their operation and enforcing the MFRA, but these organisations found these boats unsuitable for their use.

Thus, the scheme framed by the Ministry failed to achieve the objective of enforcement of the Act, due to poor implementation by the State Government and lack of effective oversight and failure of the Ministry to remove bottlenecks leading to investment of Rs. 25.10 crore being rendered largely unfruitful.

In response (August 2007), the Ministry stated that:

- The one time grant towards the capital cost of marine patrol boats was conceived in the context of the absence of an enabling institutional mechanism to implement the Acts, and the states were expected to acquire the required assets and to manage them.
- The capital assets created out of the Central Government funds were not required to be monitored on continuous basis by the Ministry. It would be in the wisdom of the states to either dispose off the assets or deploy it for alternate purposes, of course, after keeping the Ministry informed.

The reply of the Ministry is not acceptable as the general principles for award of grants-in-aid to State Governments for centrally sponsored schemes as enumerated in the General Financial Rules require that the Ministries should focus their attention on attainment of objectives and not on expenditure only. These principles also require an evaluation mechanism to be established to provide for concurrent reviews and applying mid-course corrections, wherever necessary. The role assigned to the Ministry in such cases is of detailed

monitoring and effective control over such schemes so that the gain from the expenditure on the schemes is maximised.

The Ministry may, therefore, review the implementation of the scheme in consultation with the State Governments with a view to remove bottlenecks and effectively achieve the objectives of the Marine Fishing Regulation Act.

### **Regional Agmark Laboratory, Mumbai**

#### **1.3 Equipment not in use for the intended purpose**

**Sophisticated equipment costing Rs. 2.74 crore purchased for testing residues of pesticides and antibiotics in grapes were not put to intended use for three years due to failure to provide infrastructure and practical training to the chemist for operation of the equipment and analysis of data. This deprived grape growers the advantage of testing facilities.**

The Agricultural and Processed Food Products Export Development Authority (APEDA), an autonomous body under the Ministry of Commerce, decided in February 2004 to purchase two imported spectrophotometers GCMS-MS<sup>2</sup> and LCMS-MS<sup>3</sup> for supply to the Regional Agmark Laboratory (RAL), Mumbai for testing residues of pesticides and antibiotics in grapes at the levels desired by developed countries. Accordingly, funds were transferred to the Central Agmark Laboratory (CAL), Nagpur which procured the spectrometers at a cost of Rs. 2.62 crore.

The spectrometers received in RAL, Mumbai in August and September 2004 were installed in October 2004 after incurring an additional expenditure of Rs. 12.26 lakh on accessories, chemicals and cold storage. The chemists of RAL, Mumbai were imparted theoretical training in December 2004 and March 2005. In December 2005, the National Research Centre for Grapes (NRC), Pune carried out pre-assessment of capability of RAL, Mumbai and found that it lacked basic facilities such as standard reference materials for pesticides, chemicals, micropipettes, shortage of manpower, absence of report format etc. and removed RAL, Mumbai from the approved list of laboratories for testing programme of grapes during the harvest season of 2006. It also emphasised the requirement of a consultant who could guide the chemists in day-to-day analysis and data interpretation.

<sup>2</sup> Gas Chromatography Mass Spectrophotometer

<sup>3</sup> Liquid Chromatography Mass Spectrophotometer

Though RAL, Mumbai requisitioned (January 2006) the services of expert personnel to co-ordinate the data development through these spectrometers for interpretation and accurate analytical report of pesticide residue level in grapes, no expert was posted (June 2007). Theoretical training was, however, again provided to the chemists in May 2006 and September 2006 only on extraction procedures. Thus, the objective for which the spectrometers were procured could not be achieved.

The Department stated (March/April 2007) that the spectrometers could not be put to use as the essential infrastructural facilities for utilising them for analysis of grapes had not been made available in the laboratory. Ministry replied in August 2007 that operationalising and interpreting accurately the analytical data obtained from these instruments required special skills; that chemists had been trained accordingly; that they were practising on the instruments and would be able to analyse the samples for grapes for estimation of residue of pesticides in the coming grapes season and the instruments as such were not lying idle.

Ministry's reply is not tenable since it was already known at the time of placing orders for these sophisticated instruments that it required special skills for operation and interpretation of analytical data. Therefore, steps should have been taken to ensure availability of experiment and the basic infrastructural facilities at RAL, Mumbai after installation of the equipment in October 2004. Consequently, even three years after procurement, spectrometers costing Rs. 2.74 crore could not be put to the intended use depriving the grape growers of facilities to test residues of pesticides and antibiotics in grapes.

**CHAPTER II : MINISTRY OF COMMERCE AND INDUSTRY**

**Department of Commerce**

**2.1 Payment of compensation on leased accommodation due to improper maintenance**

**Improper maintenance of a fully furnished apartment leased to the Ambassador, (World Trade Organisation) at Geneva led to avoidable payment of compensation of Swiss franc 183,500 (Rs. 67.96 lakh) to the owner of the property.**

Ministry of Commerce (MOC) accorded sanction (February 2002) to the Permanent Mission of India (PMI) in Geneva for hiring an apartment for use as Embassy Residence by the then Ambassador (WTO) at a monthly rental of Swiss franc 24,500. A lease contract was concluded in March 2002 which came into force from 01 April 2002 and was valid up to 31 March 2005. The lease was subsequently extended up to 30 April 2005.

An incoming inventory was prepared in March 2002 by the Swiss Government appointed specialised authority at the time of taking possession of the apartment. The inventory consisted of paintings, decorative items, furniture, furnishings, crockery, cutlery, various domestic articles etc.

Final inventory undertaken in April 2005 by the same Government appointed specialised authority at the time of handing over possession of the property revealed that several of the valuable articles and expensive paintings were either missing or damaged. Besides, the estate agent of the property owner alleged that the floors, walls and roof of the rented apartment were damaged.

The owner of the property held the Mission responsible for the alleged condition of the apartment and demanded that the cost of repairs, restoration of the accommodation and also the loss of rent for the period during which the restoration work was undertaken should be paid by the Mission. The Mission, however, viewed the demand of the property owner to be unjustified and opined that the jobs requested by the property owner amounted to complete renovation of the apartment.

The property owner subsequently claimed (September 2005) Swiss franc 238,572 from the Mission towards repair works in the apartment and loss of rents during the works. As the Mission refused to settle the due amount, the property owner filed a payment claim in March 2006 against the Mission in the Commission for Arbitration in leasing and renting matters, Geneva.

The Mission belatedly realised in September 2006 that the property owner had a definite case against it, duly supported by authenticated inventory carried out both at the time of initial occupation and termination of the lease, as well as proper quotations and invoices for repairs and replacements and, therefore, there was little scope to escape liability for the damages caused to the rented apartment as well as for several missing articles. The Mission eventually ended up paying (December 2006) a compensation of Swiss franc 183,500 (Rs. 67.96 lakh) to the property owner in full and final settlement of the case *via* an out-of-court settlement.

The matter was referred to both Ministry of External Affairs and MOC in June 2007 for comments. The MEA stated in July 2007 that it had no comments to offer and the Audit paragraph may be treated as having been transferred to MOC. The MOC stated in July 2007 that most of the missing/damaged items were either glass or plastic items and since no scale of furniture had been prescribed for the HOM<sup>1</sup> it was difficult to say whether the Ambassador (WTO) was entitled to them or not. The MOC further stated in October 2007 that the matter relating to missing/damaged articles from the said apartment was got investigated by deputing two officers to PMI, Geneva in July 2007. The investigation revealed the following:

- (i) There was no system in place in PMI, Geneva to manage property affairs. At every stage, things were taken very casually. Had the concerned officers performed their duties in a responsible manner there would have been no occasion to put the Government of India in an embarrassing position and to incur the pecuniary loss on account of payment of compensation.
- (ii) The HOM had sufficient time to check the inventory when the then Ambassador occupied the apartment. However, no inspection of inventory was conducted during that period. Further, the HOM did not challenge the issue of missing items at any stage. This indicated that some of the items were indeed missing.
- (iii) It cannot be said that the officer occupying the accommodation was not aware of the rules on the subject. But, it was the responsibility of the Mission to ensure compliance of all relevant rules from time to time. The Mission, however, failed to perform its function in ensuring compliance of Rules.

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<sup>1</sup> Head of Mission



- (iv) Contracts concluded by the Mission were not properly monitored, inventories were not conducted in a timely manner and repairs, as provided for in the contracts, were not ensured.

The findings of the MOC are plain testimony to the fact that the property hired for use by the then Ambassador was not maintained in an appropriate manner despite clear provisions in the IFS (PLCA)<sup>2</sup> Rules governing upkeep and maintenance of leased accommodation. Consequently, a compensation of Rs. 67.96 lakh had to be paid to the property owner, which was largely avoidable.

MEA may investigate and fix responsibility for the lapses in this case and direct its Missions abroad to pay special attention to the upkeep of the leased properties by enforcing the mutual obligations laid down in the lease deeds, in order to avoid disputes with the landlords and consequent embarrassment to the Government of India.

### **Department of Industrial Policy and Promotion**

#### **2.2 Recovery at the instance of Audit**

**An amount of Rs. 1.52 crore, irregularly transferred to the Jammu and Kashmir Development Finance Corporation, was recovered at the instance of audit.**

In terms of the New Industrial Policy and other concessions for the state of Jammu and Kashmir (J & K) notified by the Department of Industrial Policy and Promotion (DIPP) in June 2002, the Jammu and Kashmir Development Finance Corporation (JKDFC) was to be set up with a one time Central assistance of Rs. 50 crore to act as the nodal agency for routing the subsidies/incentives under various schemes notified under the new Industrial Policy and to provide financial support and services aimed at industrialisation of the state.

Since it was taking some time to set up the JKDFC, DIPP, however, designated (August 2003) J & K State Industrial Development Corporation (SIDCO) as the interim nodal agency for routing the subsidies/incentives. Subsequently, DIPP released a sum of Rs. 50 crore<sup>3</sup> to J&K SIDCO as contribution of the Central Government with the condition that the funds should be kept in a separate account for contributing to the equity of JKDFC

<sup>2</sup> Indian Foreign Service (Pay, Leave, Compensatory Allowance and Other Conditions of Service) Rules.

<sup>3</sup> Rs. 12.71 crore and Rs. 37.29 crore in March and November 2004 respectively.

until it was set up. The JKDFC was incorporated in May 2005 as a Company under the Companies Act, 1956.

In June 2005, J&K SIDCO informed DIPP that they had, in the meantime, incurred an expenditure of Rs. 0.54 crore towards preliminary expenses on setting up the JKDFC and were awaiting instructions from the State Government for transferring the balance amount of Rs. 49.46 crore to the newly incorporated JKDFC.

While regularising the preliminary expenses, DIPP asked (August 2005), J&K SIDCO to make up the shortfall in the amount of Rs. 50 crore out of the interest earned thereon from time to time and to transfer the funds and the balance amount of interest to the Managing Director, JKDFC alongwith the details of preliminary expenses incurred.

In this connection, Audit pointed out (August 2005) that since the Central Government's commitment was limited to Rs. 50 crore as per the Ministry's notification dated 14 June 2002, the action of DIPP in allowing J&K SIDCO to incur the preliminary expenses out of the interest earned by them on the Government grant before incorporation of JKDFC and to transfer the balance amount of interest to JKDFC was irregular. DIPP, while accepting Audit's viewpoint, asked (October 2005) the State Government to refund pre-incorporation interest.

The JKDFC has since refunded (November 2006) an amount of Rs. 1.52 crore to the Government of India at the instance of audit.

## CHAPTER III : MINISTRY OF COMMUNICATION AND INFORMATION TECHNOLOGY

### Department of Posts

#### 3.1 Organisational set-up and financial management

##### 3.1.1 Functions of the Department

The basic functions of the Department of Posts (DoP) include collection, processing, transmission and delivery of mail, sale of stamps and postal stationery, booking of registered, insured and value payable articles, money orders, parcels etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Bank, other small savings schemes, Postal Life Insurance, Public Provident Fund Scheme, National Savings Certificate, collection of customs duty on articles sent by post from abroad, booking, transmission and delivery of telegrams, disbursement of pension to military and railway pensioners, disbursement of family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

##### 3.1.2 Organisational set-up

The management of the department vests with the Postal Services Board. The Board, headed by a Chairperson, has three Members holding the portfolios of Operations and Marketing, Infrastructure and Financial Services and Personnel. The Chairperson is also the Secretary to the Government of India in DoP. The Board directs and supervises the management of postal services throughout the country with the assistance of Chief Postmasters General in circles and Senior/Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP in 1996 to ensure focused management of value added services *viz.*, Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post card, Greeting Post, Data Post, E-Bill Post and E-Post. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

The department has 22 Postal Circles which are divided into 37 Regional offices, controlling 442 Postal Divisions and 46 Postal Stores Depots. There is also a Base circle to cater to the postal communication needs of the Armed

Forces. The staff strength of the department as on 31 March 2007 was 5.01 lakh with 2.20 lakh departmental employees and 2.81 lakh Gramin Dak Sewaks.

### 3.1.3 Postal traffic

The projected traffic for unregistered mail was calculated by the department on the basis of assessed traffic for the last two years. The assessed traffic was based on the revenue earned. According to information furnished by the Department, the volume of traffic projected and assessed during the years 2004-2007 in respect of classical services such as sale of post cards, letter cards (inland), money orders, insurance etc. was as shown in the table below:

#### (A) Unregistered mail

*(Numbers in lakh)*

Sl. No	Item	2004-2005		2005-2006		2006-2007	
		Projected	Assessed*	Projected	Assessed*	Projected	Assessed*
1.	Post cards	2989.32	2451.07	2574.96	1991.54	2109.87	1913.02
2.	Printed Post cards & Competition Post Cards	901.26	830.04	871.99	879.19	931.43	765.88
3.	Letter cards (Inland)	3103.20	2610.35	2742.31	2333.79	2472.46	2224.74
4.	Newspapers	896.56	860.86	904.37	968.68	1026.24	917.63
		91.49	150.82	158.44	162.81	172.48	163.53
5.	Parcels	452.70	408.75	429.41	397.08	420.67	410.94
6.	Letters	4109.33	7678.81	8066.95	7100.01	7521.87	7144.51
7.	Book packets	825.52	753.82	791.92	875.17	927.17	817.15
8.	Printed books	194.10	353.02	370.86	469.27	497.15	487.42
9.	Other periodicals	220.82	269.27	282.88	372.37	394.50	422.68
10.	Acknowledgement	703.98	741.07	778.53	716.83	780.99	663.00

\* Based on revenue collection

#### (B) Registered mail and others

*(Numbers in lakh)*

Sl. No.	Item	2004-2005		2005-2006		2006-2007	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1100.45	1222.91	1197.13	1229.31	1229.31	987.93
12.	Insurance	105.57	90.86	95.45	86.65	91.80	88.01
13.	Value payable letters and parcels	110.91	93.72	98.46	80.44	85.22	85.56
14.	Registered letters and parcels	2124.38	1900.84	1996.92	1844.32	1953.90	1947.47
15.	Speed Post	913.16	959.78	1008.29	1086.00	1150.53	1286.00

### 3.1.4 Revenue realisation and Revenue expenditure

#### (A) Revenue realisation

The major revenue earning groups of services *viz.*, sale of stamps, commission on MOs/IPOs, postage in cash and other receipts generated a revenue of Rs. 5322.44 crore during the year 2006-07 after adjusting the loss of Rs. 43.95 crore from other postal administration and registered an increase of six *per cent* over the previous year. Source-wise share of postal revenue for the years 2005-06 and 2006-07 is shown in the table below:

*(Rupees in crore)*

Name of the service	2005-06	2006-07	Percentage increase/decrease over the previous year
Sale of stamps	758.56	671.45	(-) 11.5
Postage in cash	1469.99	1680.47	14.3
Commission on MOs/IPOs	2696.38	2883.41	6.9
Other receipts	142.53	131.06	(-) 8.0
Net receipts from other postal administrations	(-) 43.97	(-) 43.95	0.0
<b>Gross Revenue</b>	<b>5023.49</b>	<b>5322.44</b>	<b>6.0</b>

#### (B) Revenue expenditure

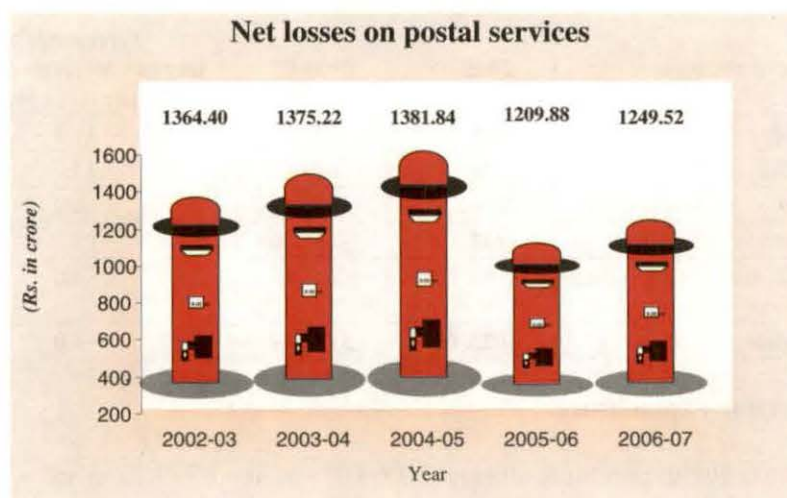
The gross revenue expenditure during 2006-07 was Rs. 6779.12 crore which showed an increase of 5.4 *per cent* over the preceding year. The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationery during 2005-06 and 2006-07 is shown in the table below:

**Revenue expenditure**

*(Rupees in crore)*

Category	2005-06	2006-07	Percentage increase/decrease over previous year
(a) Pay and allowances, contingencies, Bonus, Dearness allowances, etc.	4712.71	4803.70	1.8
(b) Pensionary charges	1351.02	1424.66	5.5
(c) Stamps, Post Cards etc.	16.43	28.19	71.6
(d) Stationary and Forms printing etc.	33.96	54.81	76
(e) Conveyance of Mails (payments to Railways and Air mails carriers)	126.31	265.77	110.4
(f) Other expenditure	188.72	201.99	7.0
<b>Total</b>	<b>6429.15</b>	<b>6779.12</b>	<b>5.4</b>

The net revenue budgetary support of Rs. 1249.52 crore was worked out by deducting receipts of Rs. 5322.44 crore and recoveries of Rs. 207.16 crore from the gross revenue expenditure of Rs. 6779.12 crore in 2006-07. The deficit was mainly due to decrease in revenue receipts under sale of stamps and other receipts and increase in expenditure under the heads Stamps, Post cards etc., Stationery and Forms printing etc. and Conveyance of Mails (payments to Railways and Air Mails carriers). The comparative position of net losses incurred by the Department on various postal services including speed post during the period 2002-07 was as under:



The Department's net overall loss of Rs. 1249.52 crore on postal services during 2006-07 increased by Rs. 39.64 crore (3.28 per cent) as compared to the net loss suffered during 2005-06 and decreased by 114.88 crore (8.42 per cent) as compared to net loss suffered during 2002-03.

### 3.2 Short realisation of postage charges

**Senior Superintendent of Post Offices, Ernakulam under Kerala Postal Circle authorised concessional tariff to a publication without ensuring the prescribed conditions as applicable to registered newspapers, resulting in short realisation of postage charges of Rs. 2.74 crore.**

Departmental Rules provided that every publication, consisting wholly or in great part of political or other news or of articles relating to other current topics with or without advertisements should be deemed a newspaper subject to the conditions that it was published in numbers of intervals of not more than 31 days and having a list of bona fide subscribers. An extra supplement should also be deemed as part of the newspaper but such supplement should not be an advertisement sheet which was by advertiser to publisher for distribution.

Departmental Rules also envisaged that special rates of postage in respect of a book packet containing periodicals should be applicable only if the periodical was registered with the Registrar of Newspapers in India under the Press and Registration of Books Act, 1867 and the registration number should be printed at a convenient place in the periodical. These instructions were reiterated by the Department of Posts (DoP) in February 2006.

Audit scrutiny of the records of Senior Superintendent of Post Offices, Ernakulam Division under Kerala Postal Circle in March 2007 revealed that the licence of a periodical viz., "Book Review" had been renewed as registered newspaper in December 2002 for the period 2003-05. The Postmaster General, Central Region (Kochi) observed in March 2003 that the publication "Book Review" had a supplement named "Knowledge Adventure" related with the advertisement of the book and such advertisements had to be paginated or included in the overall numbering of pages of the magazine. The supplement should be treated as book packet and postage realised accordingly. The Senior Superintendent of Railway Mail Service (SSRM) Ernakulam Division and Assistant Superintendent of Post Offices had also pointed out that the said publication was published monthly but posting same copies every week in guise of weekly was not regular. Again, SSRM, Ernakulam Division reported in July 2005 that all four issues of the publication issued in May/June 2005 were identical and requested SSPO, Ernakulam Division to cancel the licence of the publication. Audit, however, observed that SSPO, Ernakulam Division did not take any action on the complaints received and renewed the licence of the publication for a further period of three years in January 2006. In January 2007, the Inspector of Posts on verification reported that the said publication had no bona fide subscribers and the addressees informed that they were not subscribers of the publication. SSPO, Ernakulam Division finally cancelled the registration of the publication in February 2007 but took no action to recover the postage short realised. This resulted in short realisation of postage charges of Rs. 2.74 crore during January 2004 to February 2007.

On this being pointed out in audit, SSPO, Ernakulam Division stated (May 2007) that the renewal of registration of the publication was done after satisfying the stipulated conditions. Hence the renewal of registration was in order. He further added that loss assessed by Audit was not acceptable and recovery of Rs. 2.74 crore as pointed out by audit would invite unnecessary litigation. He further admitted that if the concessional rates for registered newspaper were not applicable, the rates applicable for book packet containing periodicals should be applied. He also stated that the publication was registered with the Registrar of Newspaper in India.

The reply was not tenable as SSPO, Ernakulam Division had not verified the addresses of the bona fide subscribers at the time of renewal of registration which was a basic requirement for the registration of newspapers. It was only in January 2007, the Inspector of Posts verified the addresses and reported that there were no bona fide subscribers. Further, the rates applicable to book packets containing periodicals could not be applied as on verifying the status of registration of publication, registration number 9756 was allotted to some other publication named "Bijnor Times" and not to "Book Review". Further, the registration number if any obtained from the Registrar of Newspapers in India under the Press and Registration of Books Act, 1867 was not printed on the publication as required under the Rules.

The matter was referred to the Ministry in June 2007; their reply was awaited as of October 2007.

### **3.3 Non-recovery of pension/family pension paid on behalf of other Departments and commission thereon**

**The General Manager, Postal Accounts and Finance, West Bengal Postal Circle failed to obtain complete vouchers from the Head Post Offices and raise debits of Rs. 3.43 crore on Railways, Department of Telecom, Coal Mines Provident Fund and Commissioner, Employees Provident Fund for payment of pension/family pension made on their behalf. He also failed to recover Rs. 2.22 crore against the debits raised on these Departments.**

The Department of Posts (DoP) discharges agency function for disbursement of pension/family pension on behalf of other departments viz. Railways, Department of Telecom, Coal Mines Provident Fund (CMPF) and Commissioner, Employees Provident Fund (EPF) through various Head Post Offices (HPOs) on charging of commission fixed by DoP from time to time. After payment of pension/family pension, HPOs are required to send monthly cash account along with relevant payment vouchers/schedules by 2<sup>nd</sup> of the following month to the Circle Account office to effect recovery from the concerned Department/Undertakings.

Audit scrutiny of the records of General Manager Postal Accounts and Finance (GM, PAF), West Bengal Postal Circle in April 2007 showed that he failed to obtain paid vouchers from three HPOs and consequently failed to raise debits against Railways, Department of Telecom and Commissioner, EPF to the tune of Rs. 3.43 crore on account of pension payments made by these HPOs and Rs. 11.53 lakh on account of commission during the period April 2003 to February 2007.



Further, GM (PAF) also failed to realise an amount of Rs. 2.22 crore inclusive of Department's commission of Rs. 1.14 crore out of the debit raised during 2003-2007 against Commissioner, EPF and DoT on account of pension payment made by DoP on their behalf.

On this being pointed out in audit, GM(PAF) replied in April 2007 that the debits of Rs. 3.43 crore for pension payment and of Rs. 11.53 lakh for commission were not raised due to non receipt of vouchers from HPOs despite several reminders and steps were being taken to settle the pending cases. The Postmasters of Baruipur and Katwa HPOs replied in April and June 2007 respectively that the schedules/vouchers were not sent to GM (PAF) due to shortage of staff while the Postmaster, Barasat HPO replied in May 2007 that wanting schedules/vouchers were not traceable. In respect of debit of Rs. 2.22 crore already raised against respective Departments, GM (PAF) stated (May 2007) that despite several periodical reminders, no communication had been received from the concerned Departments.

The above replies are suggestive of lackadaisical approach by the HPOs concerned in the submission of paid vouchers to GM (PAF) for the pension payments made on behalf of other Departments. It also indicates negligence of GM (PAF), West Bengal Circle in obtaining the wanting vouchers from the HPOs concerned for such a long period. Non-submission of debit vouchers for pension payments has serious risk of fraud and possibilities of fake pensioners. This needs to be investigated in detail by the Department.

The Ministry in their reply stated (November 2007) that out of Rs. 3.43 crore for which debits were not raised by DoP, Rs. 1.32 crore has been recovered.

### **3.4 Non-deduction of Income Tax at source**

**Non-observance of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Assam, Gujarat, Punjab, Haryana, West Bengal and North East Postal Circles led to non-deduction of Income Tax at source to the tune of Rs. 1.93 crore on payments of interest under the Senior Citizens Savings Scheme.**

Senior Citizens Saving Scheme Rules, 2004 came into effect from August 2004 with the introduction of Senior Citizens Saving Scheme (SCSS). These rules stipulated that an individual who had attained the age of 60 years or more on the date of opening the account or who had attained the age of 55 years or more but less than 60 years and who had retired under a voluntary retirement scheme could open account under SCSS within three months from the date of his/her retirement. The deposits made under these rules carried interest at the

rate of 9 *per cent* per annum from the date of deposit payable quarterly. The scheme provided that the applicant, while applying for the scheme, had to furnish his/her Permanent Account Number or a self declaration to the effect that his/her income from all sources including interest income from the account to be opened vide this application did not exceed the exemption limit. Section 194 A of the Income Tax Act, 1962 specified that Tax Deduction at Source (TDS) was recoverable from the income by way of interest, if the interest exceeds Rs. 5,000 in a financial year. Further Department of Posts (DoP) issued instruction to all field offices (January 2004) that the TDS and surcharge should be deducted as per the provisions of Finance Act without waiting for separate instructions from the Directorate.

Ministry of Finance reiterated these provisions in March 2006 and June 2006 and stated that the facility of furnishing Form 15-H under Income Tax Act, 1962 was available only to persons aged 65 years or above and resident in India, whereas declaration in Form 15-G could be furnished by a depositor of less than 65 years of age with the additional condition that the aggregate amount of interest credited/ paid or likely to be credited/ paid during the financial year was not more than the maximum amount\* which was not chargeable to tax. Ministry of Finance again in June 2006 clarified that TDS would be applicable from the very first day the SCSS was made operational.

Audit scrutiny of the records of Post Offices under Assam, Andhra Pradesh, Gujarat, Punjab, Haryana, West Bengal and North East Postal Circles during November 2006 to April 2007 disclosed that TDS at the prescribed rates had not been deducted from the interest payments made under the SCSS during the years 2004-05, 2005-06 and 2006-07 from those depositors who had not furnished Form 15-H or 15-G and in whose cases the interest exceeded Rs. 5000 in a financial year. This resulted in non-deduction of Income Tax and educational cess at source amounting to Rs. 1.93 crore in these post offices.

On being pointed out in audit, the Chief Postmaster General, Gujarat Circle replied (May 2007) that concerned Heads of circles had been instructed to recover Income Tax at source. The Senior Postmaster, Ludhiana Head Post Office under Punjab Postal Circle replied (January 2007) that cases were being examined. The Postmasters under Haryana Postal Circle replied (March 2007) that Form 15-G and 15-H were being taken after June 2006 while those under Andhra Pradesh, West Bengal, Assam and North East circles stated that the action would be taken for recovery.

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\* Rs. 1.10 lakh in case of male and Rs. 1.35 lakh in case of female tax payers

Thus, failure of post offices to observe the statutory provisions of Finance Act resulted in non-deduction of Income Tax at source to the tune of Rs. 1.93 crore on payments of interest under SCSS.

The matter was referred to the Ministry in June 2007; their reply was awaited as of October 2007.

### **3.5 Non-levy of Service Tax**

**Non-observance of the statutory provisions of Finance Act by the Postmasters under Kerala, Rajasthan, Madhya Pradesh and Chattisgarh Postal Circles led to non-levy of Service Tax and educational cess amounting to Rs. 81.69 lakh on commission received from Bharat Sanchar Nigam Limited for collection of telephone revenue.**

Finance Act, 2004 stipulates that Business Auxiliary Service means *inter alia*, any service in relation to provision of service on behalf of a client or incidental or auxiliary services such as billing, issue or collection of recovery of cheques, payments etc. Finance Act, 2006 stipulates that "taxable service" means any service provided or to be provided to a client, by any person in relation to business auxiliary service. Thus, the Department of Posts (DoP) was liable to pay Service Tax for the commission received by it from Bharat Sanchar Nigam Limited (BSNL) for collection of telephone revenue effective from May 2006. DoP also confirmed the above position by issuing instructions to all Heads of Circles in June 2006.

Audit scrutiny of the records of Director of Postal Accounts of Kerala, Rajasthan, Madhya Pradesh and Chattisgarh postal circles during November 2006, January 2007 and February 2007 respectively revealed that Service Tax and educational cess at the prescribed rates had not been levied on the commission received from BSNL for collection of telephone revenue by the post offices under these circles. This resulted in non-levy of Service Tax and educational cess amounting to Rs. 81.69 lakh for the period May 2006 to January 2007 as detailed below:

*(Rupees in lakh)*

Sl. No.	Name of the Circle	Service Tax Due
1.	Kerala	25.47
2.	Rajasthan	28.83
3.	Madhya Pradesh	21.24
4.	Chattisgarh	6.15
<b>Total</b>		<b>81.69</b>

On this being pointed out in Audit, the Chief Postmaster General, Rajasthan Circle (May 2007) stated that Service Tax and educational cess would be

recovered from subsequent bills. Postmasters under Kerala Postal Circle replied that service tax and educational cess were not deducted due to delay in receipt of instructions from DoP. The Director of Accounts, Bhopal replied (February 2007) that necessary instructions had been issued to field units for collection of Service Tax with effect from April 2006.

The mere fact that instructions were not received in regard to levy of Service Tax and educational cess did not itself absolve the field officers concerned of their responsibility in this regard. On the contrary, it was mandatory, on their part, to have commenced levy of Service Tax once the relevant Finance Bills had been passed to give effect to various taxation proposals. Further, DoP should put in place an effective system of delivery of important instructions having tax or revenue implications to ensure their timely implementation by the Postal Circles.

Thus, failure of HPOs to take necessary steps in compliance with the Finance Act, 2006 resulted in non-realisation of Service Tax and educational cess to the tune of Rs. 81.69 lakh.

The matter was referred to the Ministry in June 2007; their reply was awaited as of October 2007.

### **3.6 Irregular payment of commission**

**Six post offices under North East and one post office under Delhi Postal circle allowed commission to Standardised Agency System Agents on holding of cash in excess of prescribed limits. This resulted in irregular payment of commission amounting to Rs. 76.06 lakh.**

Departmental Rules provided that maximum limit of the cash receipt books that could be issued to the Standardised Agency System (SAS) agents and also the maximum limit of cash handled by them was Rs. 50,000 at a time and no commission was payable to the agents on holdings invested in excess of the prescribed limit. If any commission found to be paid on the excess holdings invested, it should be recovered from the agents. It further stipulated that investments/deposits in various saving schemes in excess of Rs. 50,000 should be received by means of a cheque only, if made through agents. It was the responsibility of the Postmasters to ensure that the prescribed limit was not exceeded. Ministry of Finance clarified in July 1998 that strong action should be taken against the erring agent as well as postal officials in charge issuing receipt books to the agent in excess of the prescribed limits.

National Saving Institute (NSI), Ministry of Finance also reiterated in November 2004 that all such cases, where the authorised agents were transacting business without using proper receipt and also above the prescribed cash limit, were to be reviewed as such transactions by the agents were irregular on which no commission was payable to them.

Audit scrutiny of the records of six post offices under North East Postal Circle and one Post Office under Delhi Postal Circle during March – April 2007 revealed that Postmasters of these Post Offices failed to follow prescribed rules/checks at the time of issuing receipt books and issued receipt books in excess of the prescribed limits, i.e. in excess of Rs. 50,000 at a time to authorised agents. They also accepted the deposits of the investors in cash through the agents in excess of the prescribed limits and allowed commission to the SAS agents thereupon. This resulted in irregular payment of commission of Rs. 76.06 lakh during the period February 1999 to April 2007.

The Department, while admitting the audit contention stated (November 2007) that the matter has been referred to the Ministry of Finance as there was no mention in the O.M. of July 1998 about the recovery of commission from the agents, if noticed later.

The reply was not tenable as the NSI, Ministry of Finance had already clarified in November 2004 and directed the DoP to review such cases as such transactions by the agents were irregular on which no commission was payable to them. Moreover, Department of Posts also clarified in February 2007 that as the deposit of cash above the prescribed limit at a time and non-issue of proper receipt were against the agency rules, the commission in such cases was not payable as already decided by NSI.

Thus, despite repeated clarifications, the Postmasters under North East and Delhi Postal Circles failed to adhere to the departmental rules and did not take any action to recover the commission of Rs. 76.06 lakh paid irregularly to the agents.

### **3.7 Irregular payment of interest**

**Failure of one Head Post Office under Rajasthan, and One Head Post Office under Chattisgarh Postal circles to ensure the prescribed monetary limit of subscription in respect of the Public Provident Fund (PPF) Scheme resulted in irregular payment of interest of Rs. 31.92 lakh.**

Departmental rules provide that an individual may subscribe to the PPF Scheme on his/her own behalf or on behalf of a minor/minors of whom he/she

is a guardian subject to the condition that the deposits in all accounts taken together should not exceed Rs. 60,000 (Rs. 70,000 with effect from 15 November 2002) during a year. Contributions in excess of the limit should be treated as irregular subscription and should be refunded to the subscriber without any interest. Declarations to the effect that he/she is not maintaining any other PPF Account and that he/she agrees to abide by the provisions of the PPF Scheme, 1968 and amendments issued thereto from time to time are required to be obtained from the subscriber along with his/her application form at the time of opening the account.

Audit scrutiny of the records of Head Post Office (HPO), Barmer under Rajasthan Postal Circle and HPO, Durg under Chattisgarh Postal Circle during November 2006 and July 2005 respectively revealed that they allowed subscribers to open two to three PPF accounts, one on their own behalf and others on behalf of minors, without obtaining the necessary declarations at the time of opening of the accounts. They also accepted Rs. 44.85 lakh as deposits in excess of the prescribed limit at the end of April 2005, which resulted in excess payment of interest of Rs. 31.92 lakh as of March 2006.

The Department of Posts (DoP) had issued orders in May 2004 for early detection of such cases and also instructed that stringent action should be taken against erring postal officials who failed to detect such irregularities. In spite of this, these post offices failed to detect excess deposits and allowed interest thereon to the tune of Rs. 31.92 lakh.

On this being pointed out in audit, the Postmaster, Barmer HPO while accepting the facts and figures, replied in November 2006 that notices were being issued to the account holders to recover the interest paid irregularly while the Postmaster, Durg HPO accepted the audit contention and replied (November 2007) that notices have been issued to the account holders to bring their pass books for correcting the amount of interest therein.

The matter was referred to the Ministry in July 2007; their reply was awaited as of October 2007.

### **3.8 Irregular payment of interest and commission**

**Senior Postmaster, Sansad Marg Head Post Office under Delhi Postal Circle failed to ensure the prescribed monetary ceiling in the accounts opened under the Monthly Income Scheme. This resulted in irregular payment of interest and commission amounting to Rs. 28.83 lakh.**

Post Office (Monthly Income Account) Rules, 1987 permitted an individual

depositor to open more than one account under the Monthly Income Scheme (MIS) subject to the condition that deposits in all accounts taken together should not exceed Rs. 3 lakh in a single account and Rs. 6 lakh in a joint account (effective from 1 February 2000).

Rules further provided that at the time of investment in an MIS Account, the depositor should give a declaration to the effect that his/her deposits in all the accounts taken together did not exceed the prescribed limit. In the case of excess deposits made beyond the prescribed limit, the Head Postmaster should refund the excess irregular deposits without interest to the depositor. The interest paid, if any, on the excess deposits should be deducted and commission paid to the agents on the excess investments should be recovered. However, in January 2002, the Ministry of Finance decided to refund to the depositors the excess deposits along with interest at the Post Office Savings Bank rate, from the date of deposit till the end of the month preceding the month in which the subscriber was to withdraw the excess deposit from the MIS account. The Department of Posts communicated this decision to all circles in April 2002.

Mention was made in paragraphs 1.12, 3.5 and 2.6 of the reports of the Comptroller and Auditor General of India for the year ended 31 March 2003, 31 March 2005 and 31 March 2006, Union Government, Transaction Audit Observations, of instances of irregular payment of interest on accounts opened in various post offices under MIS in contravention of these rules. The Ministry, in their Action Taken Notes submitted in December 2004, admitted that the postal staff failed to follow the rules of the scheme and stated that all Heads of Circles had been directed in September 2004 to ensure that the officers entrusted with inspection duties of post offices were also assigned the work of initiating checks on accounts opened in the post offices, besides ensuring that the rules regarding all post office accounts were available in the office to avoid recurrence of such irregularities in future. Ministry vide their ATN of March 2007 has accepted the excess payment to the extent of Rs. 18.10 lakh and instructions were reiterated.

Audit scrutiny of the records in the Senior Postmaster, Sansad Marg Head Post Office under the Delhi Postal Circle during December 2006 to February 2007 revealed that he had accepted Rs. 2.49 crore in 95 cases during the period May 2000 to January 2007 as deposits in excess of the prescribed limit and paid interest on these deposits, at MIS rates instead of at Savings Bank rates, besides paying commission amounting to Rs. 28.83 lakh.

On this being pointed out by Audit, the Senior Postmaster, Sansad Marg HPO under the Delhi Circle, while accepting the audit contention, replied that the notices had been issued to the depositors and the excess deposits were being refunded to the depositors with Post Office Savings Bank rate of interest and the recovery of excess interest/commission was being made. These clearly indicated that DoP had not been able to stop the irregular practices and the mechanism for monitoring compliance of their orders remained weak.

The matter was referred to the Ministry in May 2007; their reply was awaited as of October 2007.

## **Department of Telecommunications**

### **3.9 Background**

In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02 per hundred population. Since then the number of telephone connections has risen to 206.82 million with a telephone density of 18.31 telephones per hundred population by 31 March 2007.

#### **3.9.1 Administration and Control**

The Telecom Commission set up in April 1989 has the administrative and financial powers of the Government of India to deal with the various aspects of telecommunications. The Telecom Commission and the Department of Telecommunications (DoT) are responsible for policy formulation, review of performance, licensing, wireless spectrum management, administration of Public Sector Undertakings (PSUs) engaged in telecommunication services and international relations.

#### **3.9.2 Development in the telecom sector**

The process of entry of private operators in providing telecommunication services in India commenced in 1992. Apart from privatising basic telephone services Government also decided to introduce a number of value added services through private operators such as cellular mobile telephones, radio paging, e-mail, internet, closed user groups (CUG) and broad-band service which added to the value of the existing basic telephone services. The share of the private sector in the total number of telephones increased from *57 per cent* as of March 2006 to *65 per cent* as of March 2007.

Entry of private service providers brought with it the inevitable need for independent regulation. The Telecom Regulatory Authority of India (TRAI)



was, therefore, established with effect from 20 February 1997 by an Act of Parliament called the TRAI Act, 1997, to regulate the telecom services. The TRAI Act was amended by an ordinance effective from 24 January 2000, separating the dispute adjudicatory functions from TRAI by establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT). TDSAT adjudicates any dispute between a licensor and a licensee, between two or more service providers and between a service provider and a group of consumers. It also hears and disposes of appeals against any direction, decision or order of TRAI.

### **3.10 Non-recovery of liquidated damages from Unified Access Service Licensees**

**Department of Telecommunications failed to recover liquidated damages of Rs. 400.20 crore from Unified Access Service Licensees for delayed/non-fulfillment of first phase and second phase roll out obligations as per terms and conditions of the licence agreement.**

The Department of Telecommunications (DoT) introduced Unified Access Services Licensing (UASL) Regime in November 2003, which envisaged provision of wireline, fixed and limited mobile wireless, full mobile wireless and cellular mobile telephone services under one licence. Apart from new licensees, basic and cellular services licensees were also permitted to migrate to UASL regime. DoT issued 28 new UAS licences while 30 Basic Telephone Service providers migrated to the UASL regime during 2003-2005.

As per clause 34 of the licence agreement, the new as well as migrated licensees were to ensure commissioning of the system within one year and coverage of at least 10 *per cent* district headquarters (DHQs) in the first year (first phase) and 50 *per cent* of the district headquarters within three years (second phase) from the effective date of agreement/migration. The coverage of a DHQ/town would mean at least 90 *per cent* of the area bounded by the municipal limits.

In terms of clause 8 of the licence agreement, the date of test certificate issued by the Telecom Engineering Centre (TEC) was to be reckoned as the date of commissioning of the service for this purpose. However, the licensee might start providing service to customers at any time without the need of specific approval of the licensor. Further, as per clause 35 of the licence agreement, no extension in the prescribed due date for commissioning of the service was to be granted. If the licensee failed to deliver the service or to meet the required coverage area/network roll out obligation within the period prescribed for commissioning, such default would entail recovery of liquidated damages at

the rates prescribed in the agreement. In terms of the licence agreement, in case of delay in fulfillment of roll out obligations beyond the prescribed period (one year in case of phase I and three years in case of phase II), the LD charges were recoverable at the rate of Rs. 5 lakh per week for first 13 weeks; at the rate of Rs. 10 lakh for the next 13 weeks and thereafter at the rate of Rs. 20 lakh for 26 weeks subject to a maximum of Rs. 7 crore.

Audit scrutiny of the records of the Deputy Director General (DDG), DoT, New Delhi (August 2006/April- May 2007) disclosed that 30 UAS licencees who had migrated from basic services and 28 new UAS licencees did not fulfill the first phase roll out obligation and failed to provide 90 per cent coverage to 10 per cent district headquarters within the prescribed time limit of one year. Further, 28 out of 30 UAS licencees who migrated from basic services and 19 out of 28 new UAS licencees did not fulfill the second phase roll out obligations and failed to provide 90 per cent coverage to 50 per cent DHQs within the prescribed time limit of three years.

Audit also observed that 17 UAS licencees had fulfilled the first roll out obligation with delays ranging between 18 to 121 weeks while 41 of them had not fulfilled the first roll out obligation up to 31 March 2007. Further, out of 41 licencees, who were responsible to fulfill the second phase roll out obligation, only 2 UAS licencees had fulfilled the second roll out obligation and remaining 39 UAS licencees had not fulfilled the second roll out obligation up to 31 March 2007. Barring one licence of Hutchison Essar South Limited, all other 57 licencees delayed the phase I roll out obligations by more than 52 weeks, thereby attracting the maximum leviable LD of Rs. 400.20 crore as shown in the table below, which DoT failed to realise.

(Rupees in crore)

Name of the UAS Licencee	No. of Licences (New plus migrated)			LD to be recovered @ 7 crore/Licence
	New	Migrated	Total	
M/s Reliance Infocomm Ltd	1	20	21	147
Tata Tele services Ltd	12	8	20	140
Bharti Air Tel Ltd	6	0	6	42
Dishnet Wireless Ltd	7	0	7	49
Hutchison Essar South Ltd	2	0	2	8.2 (7 crore + 1.2 crore for 18 weeks)
HFCL Info Tel Ltd	0	1	1	7
Shyam Tele Link	0	1	1	7
	<b>28</b>	<b>30</b>	<b>58</b>	<b>400.20</b>

On this being pointed out in audit, DoT has accepted the liquidated damages payable for non-fulfillment of the first phase of roll out obligation as Rs. 400.15 crore by the various operators and stated (July 2007) that show cause notices for imposition of liquidated damages have been issued to the operators in June 2006. However, the demands were yet to be raised against these private service providers. As regards the second phase of roll out obligation, the Department was yet to take administrative decision on the matter and the cases for calculation and imposition of the second phase of roll out obligations were under process.

### **3.11 Non-realisation of financial bank guarantee**

**Department of Telecommunications failed to obtain financial bank guarantee of Rs. 16.63 crore from M/s Mahanagar Telephone Nigam Limited for securitisation of spectrum charges.**

Department of Telecommunications (DoT) granted a licence to Mahanagar Telephone Nigam Limited (MTNL) for providing Cellular Mobile Service after signing licence agreement in December 2002. As per terms and conditions of the licence agreement, the fee charges and royalties for the use of spectrum should be separately securitised by furnishing financial bank guarantee (FBG) of an amount equivalent to the estimated sum payable to WPC wing valid for one year, renewable from time to time till final clearance of all such cases. WPC in March 2002 decided that spectrum charges were payable on quarterly basis in advance i.e. within 15 days of the commencement of each quarter. If the payments were not received within the specified period, DoT had the right to terminate the licence after giving 60 days notice besides encashing the bank guarantee.

Audit scrutiny of the records of Department of Telecommunications (DoT) in January 2007 revealed that the DoT had failed to obtain financial bank guarantee amounting to Rs. 16.63 crore for securitisation of spectrum charges payable for the period 2005-06 in respect of Delhi and Mumbai service areas. This had also resulted in huge outstanding of spectrum charges amounting to Rs. 21.24 crore as of December 2006.

On this being pointed out in audit, DoT replied (January 2007) that financial bank guarantee for securitisation of spectrum charges had not been obtained and the same were being called for.

The matter was referred to the Ministry in July 2007; their reply was awaited as of December 2007.

**CHAPTER IV : MINISTRY OF CULTURE**

**National Library**

**4.1 Failure to provide reader services**

**Failure of the Director to take effective steps for timely processing of the books resulted in idle expenditure of Rs. 183.63 lakh and also deprived the users of the Library from getting readership service, frustrating the main objective of the Library.**

National Library (Library), Kolkata was established with the primary aim to render both general and specialised bibliographical and documents services of current and retrospective material. Under the Delivery of Books and Newspapers (Public Libraries) Act, 1954, National Library is entitled to receive a copy of every publication brought out by anyone anywhere in the country. Besides these, it also purchases books and journals in foreign languages including English. A book is available on the racks of the Library for readers only after due processing<sup>1</sup>.

Audit scrutiny disclosed that during 2006 the Library acquired 16,198 books under the Act out of which 14,662 books (90.52 per cent) had not been processed till March 2007. Besides, audit scrutiny of English Language Division relating to accessioning and processing disclosed the following:

Source of acquisition	Period of acquisition of books	No. of books unprocessed	Value in Rs.
DB Act 1954	Till December 2006	9500	----
Purchase	Till December 2006	4322	183.63 lakh
<b>Total</b>		<b>13822</b>	

Thus out of 13,822 books, 4,322 books purchased by the Library itself at a cost of Rs. 183.63 lakh were lying unprocessed in different divisions of English language, and therefore unavailable to readers.

Besides English Language Division, there are 13 major Indian language divisions in the National Library, where books are received under the Act. Test check of records in respect of language divisions revealed that total 2,47,155 books were lying unprocessed in these divisions. The Library did

<sup>1</sup> The Professional Divisions of the National Library select, receive, access and process books and publications obtained through purchase, Delivery of Books (Public Libraries) Act 1954, gift and exchange. On receipt of the books, the Acquisition Unit allots an accession number to each book and sends the books to the Processing Unit. The Processing Unit after processing of books as per MARC (Machine Readable cataloguing)-21 format, issues them to the readers as per requisition.

not even maintain the records regarding the number of total acquisitions in different languages. In the absence of proper records, the possibility of pilferage could not be ruled out in such weak documentation and control environment.

Further, the Library receives books of more than 43 foreign languages through gift or exchange of Indian books. Except Russian and Chinese books, no other foreign language books have ever reached the readers as all of them were lying un-processed till date. The library expressed inability to process the books as there was no person well versed with these languages. National Library had no documentation on total number of books in this category, their prices and other details.

No initiatives were ever taken to clear this huge backlog in processing by the Library Authorities, despite mention in Para 13.1 of Comptroller and Auditor General's Audit Report No. 2 of 2000. Huge numbers of books are still lying unprocessed, some for as long as 13 years after their possession or purchase, resulting in idle expenditure of Rs. 183.63 lakh and defeating the very purpose of existence of the National Library.

The matter was referred to the Ministry in June 2007; their reply was awaited as of September 2007.

### National Museum

#### 4.2 Questionable terms of contract

**Ministry of Culture approved the financial terms of the contract for development and maintenance of digital audio guide for the National Museum, New Delhi which *prima-facie* favoured the contractor by Rs. 1.11 crore.**

Ministry of Culture approved introduction of digital audio tour guide in the National Museum, New Delhi in July 2003 and directed them to enter into contract with M/s Narrow Casters Ltd. for development and maintenance of the digital audio guide on the terms and conditions approved by it. As per the terms of the agreement, M/s Narrow Casters was to develop digital audio guides in five languages at a cost of Rs. 20.75 lakh and maintain it for five years. The development cost was to be recovered at the rate of Rs. 40 per visitor against the total compulsory charge of Rs. 150 each for foreign visitor. For native visitors, the audio guide was optional. The maintenance charges were to be recovered by M/s Narrow Casters through appropriation of the balance of Rs. 110 out of Rs. 150 charged from the visitors, while Rs. 40 of

the total charge for the audio guide from the visitor was to be retained by National Museum after the total development cost of Rs. 20.75 lakh was recovered and appropriated by M/s Narrow Casters.

Director General, National Museum entered into a contract with M/s Narrow Casters Ltd. in August 2003 on the terms and conditions approved by the Ministry. He, however, advised the Ministry in February 2005 to review the financial terms of the agreement, which was still open for revision. As per his proposal, Rs. 20.75 lakh was to be paid by the National Museum to the agency for development of the programme. The agency had agreed to maintain the audio guides at a cost of Rs. 2 lakh *per month* for five years. The revenue from the visitors was to be appropriated by the National Museum. The Ministry rejected the proposal for revision of the financial terms.

The basic premise for the determination of financial terms was the consideration that these did not entail any cost to the National Museum since the cost of development of the five language digital guide was to be borne entirely by the Agency, which was to be recovered by appropriation of Rs. 40 out of the fee of Rs. 150 charged to each visitor. The recovery of the cost of maintenance was to be made by M/s Narrow Casters Ltd. by appropriating the remaining Rs. 110 out of the charges levied for audio guides.

The considerations for approving the financial terms were flawed in as much as the Ministry did not compare the total cost of the development of the digital audio guides and their maintenance over the five years period and the revenue generated from the charges levied from the visitors to arrive at the option favourable to the National Museum.

The financial terms, particularly that relating to recovery of the cost of maintenance against the charges levied from the visitors was *prima-facie* defective, since under this arrangement the agency was to get Rs. 38.59 lakh *per annum* on the basis of the then total number of foreign visitors<sup>2</sup> against their demand of Rs. 24 lakh *per annum* only, a clear gain of Rs. 14.59 lakh *per annum* for five years, even without reckoning the increase in the number of visitors over the five year's period.

Had the Ministry, instead opted for payment of the development and maintenance charges by the National Museum and permitted it to appropriate the revenue of Rs. 150 per visitor, the National Museum was to gain at least Rs. 72.95 lakh over the five year's period, after meeting fully the cost of

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<sup>2</sup> 35,084 *per annum*

development and maintenance to the agency, which accrued as a favour to the agency. The Ministry overlooked the unfavourable financial terms, even while rejecting the request for the review by the Director General, National Museum.

Moreover, under the terms of the contract approved by the Ministry, the intellectual property was to be jointly owned by the agency and the National Museum, while in the alternative model suggested by the Director General, National Museum in February 2005, the rights of the script were to rest with the National Museum. The Ministry ignored this advantage too.

The audio guide developed by the agency was introduced in the National Museum in October 2005. The average number of foreign visitors *per annum* to the National Museum on the basis of visitors during October 2005 to September 2007<sup>3</sup> was 42,045 which was much more than 35,084 visitors in 2004, on the basis of which the financial terms for recovery of the maintenance charges was determined. Moreover, number of visitors was growing. The benefit of growth in the total number of foreign visitors in terms of more recovery towards maintenance charges will also accrue to M/s Narrow Casters. On the basis of foreign visitors since introduction of the audio guides the additional benefit to the agency in the five years period is expected at Rs. 1.11 crore.

The Ministry stated in November 2007 that the proposal of National Museum was not agreed because as per the existing agreement there was no financial liability on the National Museum. With the proposed changes, National Museum would have spent approximately Rs. 140.75 lakh over the next five years. It added that substantial financial implications would need to work out the project afresh and execution of the project would get delayed which had already been delayed. It also added that there was no loss to the Government and on the contrary revenue to the extent of Rs. 40 per foreign visitor had accrued to the National Museum.

The reply of the Ministry is not acceptable as the cost of the programme was payable to the agency, whether it was met by National Museum or recovered out of the user charges from the visitors. Moreover as per the proposal of National Museum, the agency was to get maintenance charges of Rs. 24 lakh *per annum* against Rs. 38.59 lakh *per annum* appropriated by it as per the agreement on the basis of total number of visitors of 35,084 in 2004, even without reckoning the increase in number of visitors over the next five years

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<sup>3</sup> Figures available up to September 2007 and pro-rated

period. Therefore, the additional revenue over and above the cost demanded by the agency that would have accrued to the National Museum has been appropriated by the agency. As regards need to work out the project afresh resulting in delay, the contention of the Ministry is not correct as the total cost and revenue figures were already available and the agency had already given its consent for accepting the changed development and maintenance.

The considerations for approval of the financial terms of the agreement for the audio guide project as also the basis of subsequent rejection of the proposal of the Director General, National Museum in the face of the *prima-facie* favourable financial terms to the agency needs to be investigated to determine accountability.



**CHAPTER V: MINISTRY OF EXTERNAL AFFAIRS**

**5.1 Unauthorised expenditure on engagement of contingency paid staff**

**The Missions and Posts abroad continued to employ staff paid from contingencies and local staff in disregard of the rules and specific instructions of the Ministry governing the employment of locally recruited staff, resulting in unauthorised expenditure of Rs. 2.28 crore.**

Successive Reports<sup>1</sup> of the Comptroller and Auditor General of India have highlighted disregard of Schedule I of Financial Powers of the Government of India's Representatives Abroad and Ministry's instructions by various Missions and Posts regarding engagement of contingency paid staff. In its Action Taken Notes furnished in January 2001, May 2002, December 2004 and June 2005, the Ministry stated that instructions had been issued to the Missions and Posts emphasising the need to adhere to the rules and regulations, failing which responsibility would be fixed on errant officers.

Despite earlier audit findings and assurance given by the Ministry, the Missions at Bangkok, Canberra, Dhaka, Islamabad, Kuwait, Riyadh, Shanghai, Sydney and Tokyo continued to violate the rules and specific instructions of the Ministry reiterating compliance to them. These Missions employed staff paid from contingencies for works of regular nature for prolonged periods in disregard to the orders of the Ministry. This resulted in unauthorised expenditure of Rs. 2.28 crore as detailed in the **Annex-A**.

The Ministry stated in October 2007 that the action to disengage/regularise the contingency paid staff had been initiated.

The Ministry needs to fix responsibility for disregard of its instructions by the Missions and establish a system to instill better financial discipline among the Missions. Further, the Ministry may exercise proper budgetary control by allocating specific budget for contingency staff with instructions to limit the expenditure within the budget specifically provided for subject to the fulfillment of the conditions in the orders of the Ministry.

<sup>1</sup> Paragraph No. 4.1.1 of Report (No. 2 of 1999), Paragraph No. 8.6 of Report (No. 2 of 2000), Paragraph No. 9.2 of Report (No. 2 of 2002), Paragraph No. 4.1 of Report (No. 2 of 2003), Paragraph No. 2.3 of Report (No. 2 of 2004), Paragraph No. 4.2 of Report (No. 2 of 2006) and Paragraph No. 7.2 of Report (No. 2 of 2007) of the Union Government – Civil of the Comptroller and Auditor General of India.

## 5.2 Retention of cash in excess of requirement

**Failure of the Mission to repatriate promptly cash of Rs. 150.28 crore, not required by it, to the Ministry had an interest implication of Rs. 1.09 crore.**

Retention of cash in excess of requirement by the Embassy of India at Thimpu during 2004-05 and 2005-06 and consequent loss of interest of Rs. 58 lakh was highlighted in paragraph 7 of Report No.2 of 2007 (Civil) of the Comptroller and Auditor General of India.

Audit of the Mission at Thimpu in April 2007 further disclosed that it received two cash remittances by the Ministry aggregating Rs. 150.28 crore for Government of India assisted projects in Bhutan on 01 April 2006. Meanwhile, the Mission had already issued State Bank of India cheques of identical amount for the projects. Rather than remitting the cash received on 01 April 2006 back to the Ministry promptly, the Mission retained the remittances for 33 days before repatriating them to the Ministry in May 2006. The interest cost as a result of the amount unnecessarily kept out of the Consolidated Fund of India was Rs. 1.09 crore<sup>2</sup>.

On the matter being pointed out by Audit in July 2007, the Ministry stated in December 2007 that due to delay in banking transactions, the remittances could not reach the Mission by 31 March 2006 and the Mission made the payments through State Bank of India cheques and repatriated the entire remittance of Rs. 150.28 crore. The Ministry, however, did not address the issue of delay in repatriation of the whole amount of Rs. 150.28 crore to it by the Mission.

The Ministry needs to determine accountability for unnecessary delay in repatriation of funds by the Mission and strengthen its internal controls.

## 5.3 Extra expenditure due to hiring of residential accommodation in excess of entitlement

**Missions and Posts at Beijing, Mandalay, Tripoli and Ulaanbaatar hired accommodation for their India-based officers and staff in excess of plinth area norms prescribed by the Ministry resulting in extra expenditure of Rs. 91.05 lakh during 2002-03 to 2006-07.**

Para No. 7.1.2 of the Report No. 2 of 2007 of the Comptroller and Auditor

<sup>2</sup> At the average borrowing rate of interest of the Government of India at 8 per cent per annum.

General of India had highlighted non-adherence to the plinth area norms<sup>3</sup> by Missions and Posts abroad in hiring of residential accommodation for their officers and staff.

Subsequent audit of the Missions and Posts abroad in April-May 2007 disclosed that the Missions/Posts at Beijing, Mandalay, Tripoli and Ulaanbaatar hired residential accommodation far in excess of ceiling on plinth area norms fixed by the Ministry. This resulted in extra expenditure of Rs. 91.05 lakh as under:

Sl. No	Name of Mission/Post	Number of residences	No. of months of retention	Proportionate rent for excess area (Rupees in lakh)
1.	Beijing	28	12	56.11
2.	Mandalay	10	3-55	29.68
3.	Tripoli	2	12-36	4.85
4.	Ulaanbaatar	1	11	0.41
<b>Total</b>				<b>91.05</b>

In two other cases of Beijing, the Ministry approved the hiring of accommodation with plinth area 183 sq. metre in relaxation of its own prescribed norms of 150 sq. metre. There was no evidence that possibility of hiring accommodation close to the plinth area norms was exhausted completely.

On being pointed out by Audit in April-May 2007, the Missions at Ulaanbaatar and Tripoli stated in April-May 2007 that due to representational obligations, accommodation was provided to officers on a higher scale. The Mission at Beijing stated in May 2007 that it was not practical to locate rented apartments within the prescribed norms. The contentions are not acceptable since the Ministry has determined the norms after taking into account all relevant factors and most Missions/Posts are able to comply with the norms.

The Ministry needs to ensure that prescribed norms are adhered to and should evolve a system to determine accountability for disregard of its orders and provide for recovery of the extra expenditure caused by such decisions.

The matter was referred to the Ministry in July 2007; thier reply was awaited as of January 2008.

<sup>3</sup> Counsellor- 170 sqm, First/Second Secretary- 150 sqm, Third Secretary/Attache /PS/Sr. PA/Vice Consul- 110 sqm, LDC/UDC/Assistant and other non-diplomatic staff- 75 sqm and Class IV and Security Guards- 40 sqm

#### 5.4 Avoidable payment of compensation due to poor maintenance of a leased property

**Poor maintenance of a property leased by the High Commission of India, London led to payment of compensation of £ 50,000 (Rs. 44.12 lakh) to the landlord. No action was taken to recover the amount from the occupant of the property. Besides, the High Commission of India incurred legal expenses of £ 53,948 (Rs. 44.14 lakh) to contest the claims of the landlord which did not have the approval of the Ministry.**

The High Commission of India (HCI), London paid compensation of £ 50,000 (Rs. 44.12 lakh) to the landlord in September 2006 for a property leased for use by the then High Commissioner during November 1998 to March 2001. The landlord had filed dilapidation claims<sup>4</sup> against the HCI. The HCI took legal recourse but had to finally pay the compensation as the property was not maintained in a befitting manner during the tenancy period by the occupant. The HCI also incurred legal expenses of £ 53,948 (Rs. 44.14 lakh) in the process which did not have the approval of the Ministry.

Audit scrutiny of the case revealed following irregularities/inadequacies:

- (i) The lease agreement entered into by the HCI with the landlord in November 1998 was not a standard lease agreement prescribed by the Ministry in IFS (PLCA)<sup>5</sup> Rules. Further, it was also heavily loaded in favour of the landlord, particularly clause 2.65, which made the HCI liable for landlord's legal costs in the event of dispute.

Though the HCI entered into legal proceedings to contest the claims of alleged dilapidations made by the landlord, it was eventually forced to take a "commercial approach to settlement" for two reasons. One, the HCI belatedly conceded in August 2006 that the claim of the landlord could not be zeroed down to a 'no-claim' as some damages had indeed been caused to the property in the servant area and kitchen. Two, the HCI also realised that even if it had successfully defended the claim, it would be still liable for the legal costs of the landlord (as per clause 2.65), which was perceived to be in the region of £ 100,000. Thus, defective lease agreement, which provided for payment of landlord's legal cost by HCI, imposed limitations on the HCI's options to contest the case on merit, forcing

<sup>4</sup> A dilapidation claim arises out of any damage suffered to the premises other than in the course of normal wear and tear.

<sup>5</sup> Indian Foreign Service (Pay, Leave, Compensatory Allowance and Other Conditions of Service) Rules.

HCI to settle the matter urgently to limit the claims that could be made on Government of India.

- (ii) The Ministry advised the HCI in June 2001 that the final claim of the landlord for dilapidations should be examined professionally in the spirit of rules with a view to arriving at loss or damage due to (a) fair wear and tear, (b) negligence or misuse by the occupant and (c) fair wear and tear but which had occurred owing to causes beyond the control of the occupant. There was, however, no evidence on record to indicate that any such assessment was made by HCI.
- (iii) The HCI did not keep the Ministry posted of the developments that took place between April 2003 and May 2006. It was only in June 2006 that the HCI informed the Ministry that it had already paid more than £ 46,000 towards solicitor's fees and mediator's charges between June 2003 and January 2006 and simultaneously requested to convey in-principle approval to accept the liability of £ 60,000 in full and final settlement of the landlord's claim.

The HCI, thus, presented the Ministry with a *fait accompli* and denied the latter an opportunity to take stock of the situation and make comprehensive assessment of all the relevant aspects of the legal dispute. In such circumstances, the Ministry had no option but to grant its tacit approval to payment of £ 50,000 as compensation to the landlord.

- (iv) Paragraph 6, Annexure X of IFS (PLCA) Rules outlines the procedure for recovery from an officer held liable for all losses or damages caused to the premises leased to him as well as for fixation of responsibility. However, in the instant case, the HCI did not initiate recovery action against the occupant of the property whose negligence in maintaining the property led to payment of huge compensation to the landlord.
- (v) An expenditure of £ 53,948 incurred by HCI to meet the legal expenses did not have the approval of the Ministry, except for a small payment of £ 940 made to the chartered quantity surveyor initially in April 2003. The Ministry was yet to regularise the legal expenses as of September 2007.

The matter was referred to the Ministry in June 2007. The Ministry in its interim reply stated (July 2007) that it was in the process of examining the various aspects concerning the compensation claim arising out of poor maintenance of the property.

## 5.5 Expenditure beyond delegation on garden grant

**Disregard of rules regulating the garden grant by five Missions abroad resulted in excess and unauthorised expenditure of Rs. 87.79 lakh during 2001-07.**

Examination of the records of five Missions in May 2006/May 2007 disclosed that they incurred expenditure on garden grant beyond their delegated financial powers as under:

### (a) Mission at Singapore

The Mission engaged a private company for maintaining the garden of the chancery building and staff quarters without the approval of the Ministry in violation of its instructions and incurred unauthorised expenditure of S\$ 37920 equivalent to Rs. 10.53 lakh during 2004-06. The Mission had also engaged a private company for maintaining the garden of the rented residence of the HOM<sup>6</sup> and paid at the rate of S\$ 800 *per month* against the admissible limit<sup>7</sup> of S\$ 312.50 *per month*. This resulted in excess payment of S\$ 11,700 equivalent to Rs. 3.25 lakh during 2004-06.

The Mission stated in May 2006 that it would pursue the matter with the Ministry for *ex-post-facto* sanction.

### (b) Mission at Pretoria

The Mission engaged a private company for maintaining gardens attached to Government-owned chancery building, residences of High Commissioner and Deputy High Commissioner without approval of the Ministry and incurred expenditure of Rs. 61.65 lakh during March 2004 to April 2007 beyond their delegation.

The Mission stated in May 2007 that the matter had been taken up with the Ministry.

Reply is not acceptable as the Mission failed to obtain approval of the competent authority before awarding the contract.

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<sup>6</sup> Head of Mission

<sup>7</sup> Item 4(A) of Schedule I of Financial Powers of Government of India's Representatives Abroad.

**(c) Mission at Yangon**

The Mission reimbursed garden grant to eight RGOs<sup>8</sup> at the rate of US \$ 90 *per month* against the admissible rate of US \$ 34 *per month*. This resulted in excess payment of US \$ 6272 equivalent to Rs. 2.80 lakh during July 2004 to March 2006 which needed to be recovered from them.

The Mission stated in May 2006 that it was easier to get gardeners on regular wages than at the 1/30<sup>th</sup> rate prescribed by the government. The reply is not tenable as the Mission could not incur expenditure in excess of its delegated powers without the approval of the Ministry.

**(d) Mission at Muscat**

The Mission reimbursed garden grant to six RGOs during 2001-03, five during 2003-05 and four during 2005-06 at the rate of RO<sup>9</sup> 45 *per month* against the then best available and admissible rate<sup>10</sup> of RO 23.56 *per month*. This resulted in excess payment of RO 4610 equivalent to Rs. 5.30 lakh during 2001-06 which needed to be recovered from them.

The Mission stated in May 2006 that monthly wages were always lower than the hourly wages. It further stated that bigger companies did not supply gardeners on hourly basis. The reply is not tenable as according to the rules, where help on hourly basis was not available, the permissible number of man-hours in respect of all or any group of residences could be pooled together and within the total man-hours thus permissible, a whole time gardener could be employed on the condition that the total man-hours of such gardeners did not exceed the total hours admissible.

**(e) Mission at Johannesburg**

The Mission engaged a private company for maintaining the gardens attached to Government owned chancery building and CGI<sup>11</sup> residence without the approval of the Ministry in disregard of Ministry's instructions and incurred expenditure of Rs. 4.26 lakh during May 2005 to April 2007 beyond their delegation.

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<sup>8</sup> Representational Grade Officers

<sup>9</sup> Riyal Oman

<sup>10</sup> Item 4(B) of Schedule I of Financial Powers of Government of India's Representatives Abroad.

<sup>11</sup> Consulate General of India

Upon being pointed by Audit, the Mission stated in June 2007 that the services of the agency maintaining the garden at the Embassy Residence had been discontinued.

The Ministry may establish control to avoid disregard of its orders by the Missions and review its policy of according *ex-post-facto* regularisation of expenditure to discourage the tendency in the Missions to first commit the infringement and then seek *post-facto* approval.

The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.

### 5.6 Avoidable expenditure on rent

**Delay in renovation of a property acquired in April 2004 by the Indian Mission in Panama resulted in avoidable expenditure of Rs. 57.90 lakh on rent during the period from April 2005 to March 2007.**

On the recommendations of the property team of the Ministry of External Affairs, the Indian Mission in Panama purchased a property (March 2004) at a cost of US \$ 0.85 million for use as Embassy Residence. The property team observed that though the property was in good condition, some modifications and other related renovations would have to be carried out in order to make it suitable for the HOM's<sup>12</sup> requirements on functional reasons. Ministry sanctioned (March 2004) US \$ 75,000 for the modification work. The Mission took possession of the property in April 2004.

Barely after five months, the HOM informed (August 2004) the Ministry that the property so acquired was 50 years old and had not been occupied for the last four years and, therefore, required extensive repairs and modifications, which would entail higher costs. The Mission sent (May/June 2005) the draft contracts for the renovation project to be signed with the architect and the contractor for the approval of the Ministry. A minimum time frame of six months was envisaged for completion of the renovation project. The scope of the work was, however, changed again by the new HOM in April 2006 recommending additional modifications/construction at a cost of US \$ 46,064. The property could not be renovated and occupied till March 2007 and the HOM continued to reside in a rented accommodation.

The Ministry stated (July 2007) that the initial proposal of August 2004 was for the barest minimum scope of work covering the representational area of

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<sup>12</sup> Head of Mission



the house, whereas, the modifications proposed in April 2006 related to the living area of the HOM. It was, therefore, considered appropriate to include the essential repairs and modifications in the living area and combine with the main renovation work. The Ministry further stated that selection of architect, formulating scope of work and selection of contractor had taken substantial time. The final agreements with the architect and the contractor were approved in December 2006 and January 2007 respectively and the renovation work was slated for completion in September 2007.

The Ministry's explanation for delay in renovation of the property is not tenable for the following reasons:

- (i) The property was initially built and modelled for a different lifestyle with different requirements. It was purchased with full knowledge that modifications would be necessary immediately after its acquisition. The Mission should, therefore, have assessed the requirements (for expansion, repairs, renovation/remodelling etc.) at one go to ensure that it met in full the representational and personal living requirements of the HOM. The additional proposal for modifications suggested by the Mission in April 2006 had only added to the time frame.
- (ii) In pursuance of the recommendations of the Standing Committee of Parliament on MEA on acquisition of properties abroad, Panama was identified as one of the stations where rental liabilities were exorbitant. Therefore, the Mission/Ministry should have demonstrated a sense of urgency in completion of the renovation work in the least possible time, in order to obviate huge rental liabilities. The Mission/Ministry, however, took almost three years to complete the preliminary procedures leading to finalisation of contract with the architect and contractor for renovation of the property acquired in April 2004.

Thus, delay on the part of the Mission/Ministry to ensure renovation of a property acquired in April 2004 within a reasonable time frame led to avoidable expenditure of US \$ 0.129 million (Rs. 57.90 lakh) on rent during the period from April 2005 to March 2007. Besides, the Mission would continue to incur a rent liability of US \$ 5,500 *per month* until the property is occupied.

## 5.7 Unauthorised expenditure

**Five Indian Missions abroad incurred expenditure on repair/renovation and maintenance of Government owned/leased buildings in excess of the delegated financial powers by Rs. 34.14 lakh.**

The Heads of Missions have been delegated powers<sup>13</sup> to incur expenditure on repairs and maintenance of Government owned/leased buildings. Audit examination of the records of the Missions conducted in May-June 2006 and April 2007 revealed that five Missions<sup>14</sup> incurred expenditure on repairs and maintenance of buildings/residences in excess of their delegated powers. This action of the Missions resulted in unauthorised expenditure of Rs. 34.14 lakh as detailed in the **Annex-B**.

Upon being pointed out, the Mission at Kuala Lumpur stated in May 2006 that the expenditure was beyond its control as the building had major structural deficiencies. The Missions at Kabul and Durban stated in May 2006 and January 2007 that the Ministry would be approached to regularise the excess expenditure. The Mission at Nairobi stated in December 2006 that since the expenditure had been incurred on urgent repairs, it was unable to obtain prior approval of the Ministry. It further stated that it had approached the Ministry to regularise the excess expenditure.

The Ministry should strengthen its internal controls to ensure that the Missions incur expenditure strictly within the delegated powers.

The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.

## 5.8 Short-levy of consular fee

**Deficient internal control in realisation of consular fees for attestation of NRIs' bank opening forms led to short-levy of the fee resulting in loss of revenue of Rs. 9.48 lakh.**

Indian missions abroad provide consular services, which includes attestation of documents, on payment of the fees prescribed by the Ministry in terms of US dollars. The Mission at Riyadh in Saudi Arabia charged the consular fees in Saudi Rial at the rate of one dollar to four Saudi Rials.

Audit of the Mission at Riyadh disclosed that the Mission attested the NRIs' bank opening forms gratis, though this service was not covered under gratis

<sup>13</sup> Sl. No. 4(a) and (b) (i) of Schedule I of Financial Powers of Government of India's Representatives Abroad

<sup>14</sup> Durban, Nairobi, Kuala Lumpur, Kabul and Cairo

category. The attestation of bank opening forms, being a civil document, was required to be charged at the rate of Saudi Rial 40 per attestation in terms of item no. 2 A of Government of India, Ministry of External Affairs Notification of December 2001. The loss of revenue on account of gratis attestation of 2038 cases of NRI bank opening forms was Rs. 9.48 lakh during January 2002 to December 2006.

The Ministry may determine accountability for the loss and review the internal control system in the Mission.

The matter was referred to the Ministry in September 2007; their reply was awaited as of January 2008.

### 5.9 Extravagant *Haj* goodwill delegations

**Ministry's approval for unwieldy large *Haj* goodwill delegations to the Kingdom of Saudi Arabia for long duration of 18-20 days, which is inconsistent with the role of the delegations, renders it extravagant. No criteria have been established for nomination of the members for the delegation. Ministry arranges hotel accommodation for the accompanying spouse/family members of the delegates at Government cost which is irregular.**

Government of India sends a *Haj* goodwill delegation to the Kingdom of Saudi Arabia every year. The stated purpose of the delegation is to promote goodwill between the two countries, in particular with special reference to the cooperation extended by the Kingdom of Saudi Arabia to India *Haj* pilgrims. All expenditure in connection with delegation is met out of the Consolidated Fund of India.

#### **Objectives of the delegation**

Ministry has not established the goodwill functions to be performed by the members of the delegation, through which the fulfillment of the intended objectives is ensured. As would be seen from the following paragraphs, the Ministry has no system and means to evaluate if the objectives of the policy for sending the goodwill delegation are fulfilled by the delegation as a whole, in particular, the role of and contribution to the promotion of goodwill by various members included in the goodwill delegation. In so far as the detailed feedback on the *Haj* arrangements is concerned, the Consul General at Jeddah already has a large contingent of about 500 India-based officials who are deputed in the pilgrim areas for overseeing the arrangements and feedback.

### Unwieldy size of the delegation and disregard for economy in public expenditure

The *Haj* goodwill delegations since 2003 consisted of 16 to 34 members as under:

Year	2003	2004	2005	2006	2006-II <sup>15</sup>
Size of delegation	16	17	34	24	27
Size of delegation taking into account the spouse/ companion with the members of the delegation	31	32	64	50	54

Though the objective of the goodwill delegation and the goodwill functions to be performed remain more or less identical every year, the widely varying number of the members included in the delegation would suggest that the size of the delegation is determined every year in an *ad-hoc* manner. No rationale behind any particular size of the delegation is available in the documents of the Ministry. Large size of the delegations continues to be approved despite the formal recommendations in the past of our Consul General at Jeddah and by the leaders of the delegations that the big size of the delegation is unwieldy, unnecessary and counter-productive. Audit of the documents disclosed that at least on three occasions in the past the Consul General and the leader of the delegation had recommended limiting the delegation to 2-3<sup>16</sup>, 6-8<sup>17</sup> and 15<sup>18</sup> respectively. The reports also raised questions on the commitment and role of all members of the delegations to the cause for promoting the goodwill.

Other countries, including Pakistan send *Haj* goodwill delegations consisting of only 5-10 members. However, the Ministry has not acted on the recommendations to reduce the size of the delegation and continue to send large delegations in disregard for economy in public expenditure.

#### Nomination of the members: non-transparent

The Ministry has not established any criteria for determining the suitability of the members included in the delegation. While the documents in the Ministry did not disclose any specific policy and procedure followed for nomination of the members, the Ministry gave unsubstantiated and vague response to audit

<sup>15</sup> Two *Haj* took place during 2006

<sup>16</sup> by Consul General of India, Jeddah

<sup>17</sup> by Consul General of India, Jeddah

<sup>18</sup> by the leader of the delegation

query stating that the size of the delegation is decided after taking into consideration all aspects, representations from all segments of the community and from all parts of the country, keeping in view the objectives of the delegation. Ministry further added that inclusion of the names in the delegation is finalised on the basis of applications/ recommendations. The Ministry, which issues the Government sanction, however, added that it was not privy to the antecedents of the members of the delegation. The scrutiny of the composition of the delegation furnished by the Ministry as well as the Government sanction for deputation of the delegation disclosed that in a large number of cases the full antecedents of members were not available. In most cases, only the names of members and the states which they belong to were available.

#### **Permission for spouse/family member**

Not only that the size of *Haj* delegation is large and inconsistent with the objective of the delegation leading to extravagance, Ministry's permission to the members of the delegation to take along with them their spouse or in lieu, a family member further contributes to the unwieldiness. It also leads to violation of financial propriety that places an obligation on the sanctioning authority to ensure that the expenditure is not more than what the occasion *prima-facie* demands. The Ministry issues diplomatic passport to all members of the delegation as well as to their companions for the duration of the visits.

#### **Unauthorised expenditure on the spouse and family members**

The formal sanction for the deputation of the delegation is issued only for the members of the delegation. However, the Ministry separately advises the Consulate General at Jeddah to arrange accommodation and transport for the entire delegation, consisting of the members and their spouse/companion. While the members of the delegation bear the expenditure on airfare of their spouse/companion, all local facilities in Saudi Arabia, except the daily subsistence allowance is shared by their spouse/companion, which entails additional expenditure from the Consolidated Fund of India. Component-wise analysis of the total expenditure of Rs. 2.39 crore incurred on one of the goodwill delegations (*Haj-2006-II*) disclosed that while the air fare accounted for Rs. 12.85 lakh and the daily subsistence allowance to the members was Rs. 12.12 lakh, other local expenditure aggregated Rs. 2.14 crore. Of the total expenditure, the hotel accommodation alone accounted for Rs. 1.97 crore and expenditure on transport was Rs. 16.52 lakh. The local expenditure in Saudi

Arabia, thus, accounts for about 90 *per cent* of the total expenditure on the delegation.

In compliance to the instructions by the Ministry, the Mission at Jeddah hires double rooms, rather than single rooms, for the members of the delegation and transport for the entire delegation, including the spouse/family members, which is irregular. Permission by the Ministry for inclusion of spouse/companion of the delegation in the delegation and sharing of local facilities by them entails extra expenditure on transport and hiring double rooms rather than single rooms, which is unauthorised. Such irregular expenditure is substantial but could not be quantified for want of rates for single accommodation at the places of stay in Saudi Arabia.

### **Huge expenditure on hotel**

Analysis of the hotel expenditure for *Haj*-2006-II disclosed that the average expenditure on hiring of hotel accommodation for each member was a staggering Rs 7.30 lakh. Based on the number of the days of deputation sanctioned by the Government, the average cost of hiring charge of hotel accommodation per member per day was a huge Rs. 38,400 (approximately US \$ 980). The massive expenditure on hotel accommodation is attributed to the long duration of the deputation, which is as much as 18-20 days, as well as extravagant hiring of double rooms.

### **Duration and purpose of deputation**

The itinerary drawn by the Consulate at Jeddah for *Haj* 2006-II disclosed that it was drawn solely for the purpose of facilitating *Haj* pilgrimage by the members of the goodwill delegation. The itinerary of the delegation included stay at Makkah, Mina and eight nights' stay at Madinah. The long duration of the deputation (usually 18-20 days) of the delegation is guided primarily by the objective of facilitating the members to perform the pilgrimage with their spouse/ family members at the cost of taxpayer's money.

Examination of the documents in the Ministry and in the Mission at Jeddah disclosed that the leader of the delegation holds a few meetings with the local dignitaries and officials *viz.*, Minister of *Haj* of the Kingdom of Saudi Arabia and Chairman of the South Asian Moassasa and attend the King's dinner. Only 2-3 other members of the goodwill delegation are associated with these meetings and the dinner. Other members have no role in promotion of goodwill. In view of aforesaid reasons, the practice of sending such large

delegations, accompanied by their spouses/family members is extravagant and questionable.

### **Total expenditure on Haj delegation**

While the total expenditure on previous *Haj* delegations was not available, analysis of expenditure on *Haj* delegation 2006 –II disclosed that the total expenditure for 27 member delegation was a huge sum of Rs. 2.39 crore. In case of *Haj* 2005, the local expenditure alone had touched Rs. 2.87 crore. At this rate, the expenditure on each member of the delegation works out to a massive Rs. 8.85 lakh for Haj 2006-II.

### **Recommendation**

The Ministry may determine the objectives of the goodwill delegation and the means through which the objectives can be achieved economically and efficiently. The Ministry may also reduce the size of the delegation and depute the delegation for the minimum number of days to fulfill their assigned roles. Further, the Ministry may review the extravagance in hiring of the accommodation and transport and de-link the pilgrimage by the members of the delegations and their spouse/family members from the goodwill delegation with a view to ensuring economy in expenditure and value for money from the goodwill delegation.

The matter was referred to the Ministry in November 2007; their reply was awaited as of January 2008.

## Annex-A

(Referred to in Paragraph No. 5.1)

## Details of unauthorised expenditure incurred by the Missions and Posts on account of engagement of contingency paid staff

Mission/ Post	Post	Period	Amount (Rs. in lakh)	Nature of irregularity	Ministry's reply
EI, Bangkok	Clerk-1 Translator-1 Messenger-1 Gardener-1	2004-06	4.71	Contingency paid staff were engaged for regular work without the approval of the Ministry.	Mission has been asked to disengage all the contingency paid staff vide MEA's fax dated 08 August 2007.
HCI, Canberra	Clerks-cum-typists -2 Marketing Assistants -4 Social Secretaries-3	2004-07	47.54	-do-	Mission has been asked to disengage all the contingency paid employees vide Ministry's fax dated 08 August 2007.
HCI, Dhaka	Clerks-19 Guards-3 Lift operator-1 Malis-2 Peons-4 Sweepers-4 Cook-1	2003-06	57.45	-do-	Contingency paid staff has been disengaged with effect from 01 April 2007.
HCI, Islamabad	Chauffers-4 Gardeners-14 Sweepers-6 Watchman-1	2003-06	35.56	-do-	Request for increase in manpower and hiring of dependents for consular and visa work is under consideration of the Ministry.
EI, Kuwait	Clerks-4	2005-06	11.43	-do-	Mission is in process of disengaging the contingency paid staff.
EI, Riyadh	Clerks-5	2005-06	7.96	-do-	Mission has been asked to submit details of unauthorised expenditure for regularisation.
CGI Shanghai	Clerks-5	2004-06	5.18	-do-	Mission has been asked to submit full details of expenditure incurred. Information is awaited.
CGI, Sydney	Local staff-14	2003-06	40.33	-do-	Mission has been asked to submit full details of expenditure incurred. Information is awaited from the Mission.
EI, Tokyo	Clerks-4	2004-06	17.68	-do-	Mission's proposal for regularisation of expenditure incurred is under consideration.
		<b>Total</b>	<b>227.84</b>		



## Annex-B

(Referred to in Paragraph No. 5.7)

## Details of expenditure incurred on repairs and maintenance of buildings in excess of the delegated powers

(Rupees in lakh)

S. No	Name of the Mission	Period	Particulars of building	Expenditure incurred Rs.	Delegated powers (per annum)		Excess expenditure Rs.
					US \$*	Rs.	
1.	Durban	2003-04	Government	9.30	15410	7.01	2.29
		2004-05	owned Embassy	10.75	15410	6.79	3.96
		2005-06	residence	8.41	15410	6.88	1.53
2.	Nairobi	2005-06	Government owned residence (Independent villas of Representational Grade Officers; Bungalow No. 1)	5.75	6165	2.76	2.99
3.	Kuala Lumpur	2004-05	Chancery	12.44	19270	8.49	3.95
		2005-06	building	15.26	19270	8.60	6.66
4.	Kabul	2005-06	Leased building (for full financial year)	24.19	US \$ 30,000 (25% of annual rent)	13.39	10.80
5.	Cairo, Egypt	2005-06	Government owned Embassy residence	8.84	15,410	6.88	1.96
<b>Total</b>				<b>94.94</b>		<b>60.80</b>	<b>34.14</b>

\* Exchange rate 1 US\$= Rs. 45.47 (March 2004), Rs. 44.04 (March 2005), Rs. 44.62 (March 2006)

## CHAPTER VI : MINISTRY OF FINANCE

### Department of Economic Affairs

#### 6.1 Funds of SEBI kept outside Government Accounts

**SEBI has been maintaining its funds outside the Government account, which is inconsistent with the constitutional provisions and the orders of the Government. The amount kept outside the Government Account stood at Rs. 707 crore as of March 2007.**

Ministry of Finance, Department of Economic Affairs issued instructions in January 2005<sup>1</sup> to implement various fiscal measures with a view to achieve fiscal objectives set out under the Fiscal responsibility and Budget Management (FRBM) Rules, 2004 framed under the provisions of FRBM Act, 2003. These instructions of the Ministry of Finance directed all Ministries and departments of the Government to ensure that funds of Regulatory Bodies are maintained in the Public Account but operated in such a manner as will protect their independent status.

Despite clear orders of the Government of India, Securities and Exchange Board of India (SEBI) continued to maintain its surplus funds generated through fees/charges, turnover fee and penalties etc. aggregating to Rs. 706.82 crore as at the end of March 2007 outside the Government Accounts.

The above practice of regulatory bodies such as SEBI maintaining their accounts outside Government account is not only violative of government instructions but is also inconsistent with the constitutional provisions. SEBI was established by an Act<sup>2</sup> of Parliament in 1992 and is to be treated as 'state' within the meaning of the expression used in Article 12 of the Constitution of India. The moneys collected by SEBI must, therefore, be credited to the Government account under Article 266 of the Constitution of India.

The apprehensions of the regulatory authorities that there could be compromise of their autonomy, if their receipts are credited to the Government account and expenditure met out of the budgetary appropriations, are unfounded in the light of the status obtaining in respect of similarly placed organisations abroad and the practice of maintaining accounts of the constitutional and independent authorities like judiciary, Union Public Service

<sup>1</sup> Government of India, Ministry of Finance, Department of Economic Affairs (Budget Division) OM No. F.1(30)-B(AC)/2004 dated 07 January 2005

<sup>2</sup> Securities and Exchange Board of India Act, 1992

Commission, Comptroller and Auditor General of India, Central Electricity Regulatory Commission, Telecom Regulatory Authority of India and Election Commission as a part of Government accounts.

Ministry has approached the subject in a lackadaisical manner and has failed to get SEBI to comply with its orders. Under Section 16 of SEBI Act, the Government has powers to issue directions to it on questions of policy. SEBI is bound by such directions and the decision of the Central Government is final. Even in face of non-compliance to its orders and despite being convinced of the constitutional impropriety of the action by SEBI, the Ministry did not exercise the powers of issuing direction to SEBI under Section 16 of the SEBI Act.

The Ministry stated in December 2007 that para 2 (v) of Ministry of Finance Office Memorandum of January 2005 specified that all existing funds, whether in the public account or outside, were to be reviewed by the administrative ministry concerned and a specific decision taken in each case to either continue or wind up the fund. It confirmed that no decision in the light of the Office Memorandum of January 2005 of the Government on the funds of SEBI had been taken by the Capital Markets Division of the Ministry.

The reply of the Ministry is factually not correct since the Office Memorandum of January 2005 by another Division of the same Ministry clearly stipulated that the funds of the regulatory bodies may be kept in the Public Account. That the Capital Market Division of the Ministry failed to comply with the orders to review the funds maintained by the regulatory body under its administrative jurisdiction within the stipulated time of three months from January 2005, can not, now be advanced in defence of its inability to secure compliance by SEBI to the orders of the Government. Moreover, the Ministry itself had held the view as early as 2001 that SEBI's funds should be kept in the Government account and its expenditure met out of the budgetary appropriations. In 2001 itself, the Ministry had also overruled the apprehensions of the SEBI on compromise in their autonomy in the light of the position obtaining abroad of similarly placed bodies and the financing arrangement of the constitutional authorities within the country, which did not compromise on their autonomy. Most importantly, in its reply to the audit point, the Ministry did not furnish any reason why it did not exercise the option of issuing binding directions to SEBI in this regard.

In response to a similar issue pointed out in paragraph 5 of Audit Report No. 4 of the Comptroller and Auditor General of India for the year ended March

2003 about unwillingness of the Insurance Regulatory and Development Authority of India (IRDA) to credit their funds in the Government account, the Insurance Division of the Ministry in its draft action taken note to the Public Accounts Committee had stated in November 2004 that IRDA had been asked to deposit its funds in the Public Account. Thus the two divisions (Insurance Division and the Capital Market Division) of the same Ministry cannot take contradictory stands on identical issues.

Hence, due to the failure of the Ministry to enforce its instructions of January 2005, SEBI continues to maintain its accounts and keep its surplus funds outside the Government Accounts, which is inconsistent with the constitutional provisions. This also leads to disparity with other constitutional authorities and independent bodies forming part of the state, in the manner of keeping accounts and incurring expenditure.

It is recommended that the Ministry may take immediate measures to credit receipts of the SEBI to the Government account.

## **6.2 Defective terms of National Equity Fund Scheme**

**Defective provisions of the National Equity Fund Scheme led to SIDBI retaining the amount of repayment of equity support loan by small entrepreneurs against the Government share of the loan.**

Under the National Equity Fund (NEF) scheme operational during 1987 to 2006-07<sup>3</sup>, Ministry of Finance released grants aggregating Rs. 156.94<sup>4</sup> crore to the Small Industries Development Bank of India (SIDBI), which was responsible for administration of the scheme.

Under the scheme, SIDBI granted interest free soft loan for equity support on the prescribed criteria to small entrepreneurs for setting up new projects and for expansion, modernisation and technology upgradation etc. Ministry of Finance and SIDBI shared the expenditure on loan on 50:50 basis. SIDBI recovered the loan from the entrepreneurs over a period of seven years, with a moratorium of three years.

The release of its share of the soft loan disbursed to the entrepreneurs by the Ministry to SIDBI in the form of grant was flawed on account of the following:

<sup>3</sup> The scheme was discontinued from 2007-08

<sup>4</sup> Excluding Rs. 5 crore as initial contribution

- (i) The Ministry did not take into account the repayments of the loan to SIDBI by the entrepreneurs, while releasing its share in the form of grants.
- (ii) The Ministry ignored the fact that after a period of time, the repayments of the loan by the entrepreneurs itself could be utilised as revolving fund for grant of further loans.

The entrepreneurs had repaid Rs. 134.06 crore against the equity support loans provided to them by the end of March 2007, 50 *per cent* of which constituted the repayment against Government share of the loans.

Ministry may take appropriate measures for refund of the amounts received by SIDBI towards repayments of the loan.

The matter was referred to the Ministry in August 2007; their reply was awaited as of January 2008.

### **6.3 Loss of revenue**

**Debt Recovery Tribunals Delhi, Chandigarh and Kolkata did not credit poundage fees realised in the execution of recovery certificates to the Government account in accordance with the codal provisions resulting in loss of revenue of Rs. 2.47 crore during January 2001 to March 2007.**

Debts Recovery Tribunals (Tribunals) were set up by the Government in June 1993 under the "Recovery of Debts due to Banks and Financial Institutions Act, 1993" for expeditious adjudication and recovery of debts due to banks and financial institutions and for matters connected therewith or incidental thereto. The Tribunal, on an application made by a bank or financial institution for recovery of debts, adjudicates the case, passes an order and issues a certificate to the Recovery Officer for recovery of the amount of debt specified in the certificate. Rule 57 of the Income Tax (Certificate proceedings) Rules, 1962, is applicable *mutatis mutandis* in execution of recovery certificate by Tribunals. As per this rule, a fee by way of poundage<sup>5</sup> on the gross amount realised by the sale calculated at the rate of 2 *per cent* of such gross amount up to Rs. 1000 and at the rate of 1 *per cent* on the excess of such gross amount over Rs. 1000 is levied on all sales of properties. The amount collected as poundage is to be credited to the government account as revenue.

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<sup>5</sup> Poundage is the commission or fee collected by Tribunals upon the money realised by an execution and is payable on the amount of sale by the purchaser of property.

Scrutiny of the records of 16 Debt Recovery Tribunals in nine States/Union Territories<sup>6</sup> for the period from January 2001 to March 2007 conducted in October 2006 and March-April 2007 disclosed that six Tribunals at Delhi, Chandigarh and West Bengal while executing the recovery certificates realised a total of Rs. 247.45 crore (Delhi: Rs. 114.80 crore, Chandigarh: Rs. 123.36 crore and West Bengal: Rs. 9.29 crore) by way of auction/sale proceeds of the properties on which they recovered Rs. 2.47 crore as poundage fees from the purchasers of properties. The Tribunals, instead of crediting the poundage fees to the government account, paid the entire amount of poundage fees to the certificate holder banks/financial institutions along with the sale proceeds of the property, resulting in loss of revenue of Rs. 2.47 crore.

The Debt Recovery Tribunals should recover the amount from the concerned banks/financial institutions along with interest thereon for credit to the government account. The Ministry may strengthen their internal control to ensure that cases of such non-compliance are detected in time.

The matter was referred to the Ministry in June 2007; their reply was awaited as of January 2008.

## **Department of Revenue (Customs)**

### **Customs Department (Exports)**

#### **6.4 Non-utilisation of residential quarters and avoidable expenditure**

**Residential quarters constructed after incurring an expenditure of Rs. 2.65 crore were kept unallotted while house rent allowance of Rs. 1.51 crore was paid to employees eligible for allotment of the quarters.**

The Customs Department got constructed 177 residential quarters at a cost of Rs. 2.65 crore on the land taken on lease from the Jawaharlal Nehru Port for allotment to its staff posted in Jawaharlal Nehru Customs House (JNCH). The selection of site for constructing these quarters was made in anticipation of infrastructural development, growth of other civic amenities in the area and connectivity/access to the facility of JNCH.

It was noticed in audit (December 2005/July 2007) that though the administrative approval and expenditure sanction was accorded in February 1992, the actual construction by the Central Public Works Department (CPWD) commenced in March 1996 which was completed between February

<sup>6</sup> Andhra Pradesh (1), Chandigarh (2), Delhi (3), Karnataka (1), Maharashtra (1), Orissa (1), Tamil Nadu (3), West Bengal (3), Kerala (1)

2002 and May 2003. The Customs Department pointed out (January 2004) certain defects/deficiencies including those in the electric panel but pending action on these by CPWD, it took possession of the quarters between February and September 2004. However, all the 177 quarters could not be allotted to the employees as there were no aspirants among JNCH employees to stay in the newly constructed quarters on account of the locality being remote and isolated without basic civic facilities like transport connectivity, market, school and hospital.

The non-utilisation of the quarters resulted in the investment of Rs. 2.65 crore on construction of these quarters being rendered idle. Further avoidable expenditure on house rent allowance of Rs. 1.51 crore (February 2004 to March 2007) was paid to the employees entitled to the quarters; besides, it deprived earning of licence fee of Rs. 13.10 lakh.

The Ministry stated (November 2007) that the site chosen for the purpose, though about 500 metres away from the self-sufficient JNPT township, was still isolated since no other housing complex or other development activity had taken place around it. It further added that defects in electricity connections had been got repaired in July 2007 and fresh options were invited from the staff for allotment of the quarters, and meanwhile 37 quarters were being used for storing office records.

Thus, construction of residential quarters even before provision of basic civic amenities/infrastructure facilities resulted in non-occupation of 177 quarters for more than three years and blocking of capital of Rs. 2.65 crore.

**CHAPTER VII : MINISTRY OF FOOD PROCESSING  
INDUSTRIES**

**7.1 Non-completion of Food Parks under Infrastructure Development Scheme**

**Grant of Rs. 110.55 crore released by the Ministry up to 2003-04 for setting up 43 food parks in different States remained largely unfruitful, as majority of the food parks did not attract entrepreneurs for setting up units.**

With a view to addressing the problem of infrastructure constraints in the food processing sector, the Ministry of Food Processing Industries initiated a plan scheme for 'Infrastructure Development' in the VIII Plan. One major component of the scheme was 'Food Parks', with the objective of making available common infrastructure facilities for the Food Processing Industry, especially Small and Medium Entrepreneurs (SMEs). Initially, the quantum of grant to states was restricted to the common facilities, subject to a maximum of Rs. 4.00 crore. Subsequently during the X Plan, the quantum of grant was restricted to 25 per cent of the project cost in General Areas and 33.33 per cent in Difficult Areas,<sup>1</sup> subject to a maximum of Rs. 4.00 crore.

Under the scheme, financial assistance of Rs. 169.34 crore for setting up of 45 Food Parks was sanctioned up to March 2004; out of this, an amount of Rs. 110.55 crore was released in respect of 43 parks as detailed below:

*(Amounts in Rs. crore)*

Plan (Plan period)	Project Sanctioned	Number of Projects for which Grants released	Amount of Grants sanctioned	Amount of Grants released	Appraised Project Cost	Reported Expenditure *
VIII (1992-97)	2	2	8.00	04.75	64.50	19.50
IX (1997-2002)	27	27	104.47	74.30	335.47	210.38
X (up to 2003-04)	16	14	56.87	31.50	146.92	111.87
<b>Total</b>	<b>45</b>	<b>43</b>	<b>169.34</b>	<b>110.55</b>	<b>546.89</b>	<b>341.75</b>

\* Including expenditure out of promoter's share and other sources of funding

Audit scrutiny revealed that none of the 45 Food Parks was fully operational as of March 2007, as detailed below:

➤ In the case of five parks, where grants amounting to Rs. 8.81 crore

<sup>1</sup> North Eastern Region including Sikkim, Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Andaman & Nicobar Islands, Lakshadweep & Integrated Tribal Development Project areas



were released, there was no physical or financial progress and the entire funds were lying unutilised with the implementing agencies.

- In the case of 13 parks, funds amounting to Rs. 33.45 crore were released, but the parks were not operational and did not attract any entrepreneur for setting up units.
- In the case of 22 parks, grants amounting to Rs. 59.64 crore were released, and the ministry had considered these parks as operational. However, Audit observed that only 109 units out of a total availability of 3154 units/plots (3.46 *per cent*) were commissioned as of March 2007.
- In the case of three parks (in Punjab, Kerala and West Bengal), funds amounting to Rs. 8.65 crore had been released, and the parks were operational with 50 *per cent* of the units being commissioned.
- In the case of two parks, grants were not released as the implementing agencies had not approached the Ministry for release of funds. Also, initial formalities, like achieving requisite physical and financial progress, had not been completed.

Large number of units remaining unutilised in 22 completed parks and 13 parks did not attract any entrepreneur indicate that adequate need assessment and feasibility studies had not been carried before designing and sanctioning the food parks. It also indicates lack of monitoring of the scheme as the Ministry neither ensured utilisation nor obtained refund of Rs. 8.81 crore in respect of five<sup>2</sup> projects sanctioned during 1996-97 to 2001-02.

Detailed audit scrutiny of the Ministry's records relating to 20 Food Parks, disclosed that only one park had become fully operational with more than 50 *per cent* units commissioned. The analysis revealed the following reasons for non-completion of Food Parks:

- In all 20 parks, the implementing agencies (IAs) could not adhere to the stipulated time schedule for completion. However, the sanctions were defective, as there was no provision for recovery of unutilised grants from the defaulting IAs, nor any penalty for non-adherence to the stipulated time schedules.
- In nine parks, the State Governments/ nodal agencies/ promoters had not contributed their share of funding.

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<sup>2</sup> (i) Rajnandgaon, Chattisgarh, (ii) Chaygaon, Assam, (iii) Lamphelpat, Manipur (iv) Ghaziabad, Uttar Pradesh and (v) Dankuni, West Bengal

- In five parks, despite release of funds four-six years ago, the projects were still in progress.
- In four parks, the promoters had changed the site location and/or substantially modified the project.
- In one park, the Ministry had not released funds, due to non-fulfillment of the prescribed conditions.

Project-wise details of the selected 20 food parks are indicated in the **Annex**.

The Ministry had got the scheme reviewed (June 2004) by the Entrepreneurship Development Institute of India, Ahmedabad (EDIIA), which also identified reasons for poor implementation and slow progress of the scheme as (i) change in Promoters/Implementing Agencies, (ii) location and site related problems and increase in project cost, (iii) delay in receipt of financial assistance and setting up of basic infrastructure facilities, and (iv) lack of entrepreneurial awareness/interest and aggressive promotional efforts.

In response, the Ministry stated (May 2007) that the scheme was distinct from a normal plan scheme for assisting individual units. The Ministry did not implement food parks on its own and most of the parks had been sanctioned in the State sector, which got affected by resources constraints and other problems affecting the State Governments, thus resulting in delays. The Ministry also stated that the suggestion of audit relating to penalty clause would be kept in view while reviewing the policy. Further, based on the recommendations of EDIIA and experience gained, a holistic and more comprehensive scheme had been proposed for the XI plan and the Ministry was also examining the possibility of engaging professional agencies for efficient utilisation of existing food parks.

However, the fact remains that the objective of setting up of 45 food parks for providing common infrastructure facilities for food processing units was far from being achieved, and the grant of Rs. 110.55 crore released up to 2003-04, remained unfruitful, as majority of parks established have not been able to attract entrepreneur for setting up units. The Government must ensure conduct of proper need assessment, feasibility studies and suitability of identified locations before sanctioning food parks and releasing funds. The existing unviable projects may be reviewed for ensuring optimal utilisation of assets created.

## Annex

(Referred to in Paragraph No. 7.1)

## Analysis of the implementation of the scheme in respect of 20 Food Parks

Sl. No.	State	Project Site (Village/District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
1.	Assam*	Chaygoan, Kamrup	2000-01	175.00	55.51	Location was changed from Sonapur to Chargaon. An amount of Rs. 55.51 lakh lying with the bank.	No units commissioned.
2.	Andhra Pradesh*	Kuppan, Chittoor	2000-01	200.00	--	Funds were released without identification of co-partner since the project was joint venture.	Incomplete.
3.	Bihar#	Hajipur, Vaishali	2002-03	-	--	Due to non-fulfillment of condition for release, the fund could not be released till May 2007.	Project not started.
4.	Chhattisgarh\$	Tedesara, Rajnandgaon	2001-02	200.00	200.00	Funds still lying with the bank. The project had been revised and it was proposed to shift the site elsewhere from the original site.	No units commissioned.
5.	Haryana*	Saha, Ambala	2001-02	293.00	146.50	2 <sup>nd</sup> instalment still lying with the bank, as the requisite level of promoter's share of expenditure had not been incurred.	Incomplete
6.	Haryana*	Rai, Sonipat	2001-02	200.00	--	Most of the funds were still lying with the bank, as the requisite level of promoter's shares of expenditure had not been incurred.	Incomplete.
7.	J & K^	Jammu	2001-02	273.00	13.50	The completion date was 15 February 2003, but till January 2005, the construction of cold storage & pack house was in progress. Further Rs. 73.00 lakh was still lying with bank, as utilisation certificates was not furnished by the IA for funds utilised.	No units commissioned.

Sl. No.	State	Project Site (Village/ District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
8.	J & K*	Khanmoh, Srinagar	2000-01	300.00	100.00	Rs. 1.00 crore was lying with the bank, due to lack of proportionate expenditure by the promoters.	Incomplete.
9.	Kerala^	Mallapuram	1996-97	400.00	--	As per progress report (11.6.04), the project was still to be completed in all respects as construction of the Effluent Treatment Plant was under progress.	Incomplete.
10.	Kerala ^	Aroor, Alappuzha	2001-02	265.00	--	Necessary reports and utilisation certificates not received from IA.	Incomplete.
11.	Karnataka\$	Malur, Kolar	2000-01	200.00	200.00	Rs. 2.00 crore each released to the bankers of the IA, later on, a new entity namely Food Karnataka Ltd. (FKL) was formed to implement these projects. Rs. 4.00 crore was lying with the bank for nearly 5 years. The project has undergone several changes.	No units commissioned.
12.	Karnataka\$	Bagalkot	2000-01	200.00	200.00		No units commissioned.
13.	Manipur*	Imphal	2000-01	160.00	--	Work was stopped due to non-release of State's share of Rs. 2.30 crore.	No units commissioned.
14.	Orissa*	Khurda	2001-02	200.00	--	The project was still incomplete due to less expenditure by IA.	Incomplete.
15.	Punjab#	Sirhind, Fatehgarh Sahib.	2000-01	200.00	--	Rs. 1.00 crore lying with the bank for more than five years; Ministry instructed on 19.3.07 to the bank for release of funds to the IA.	Incomplete.
16.	Rajasthan^	Boranada, Jodhpur	2002-03	193.88	--	IA spent only Rs. 0.71 crore against Rs. 1.94 crore released by the Ministry and the balance amount was lying with the IA.	Incomplete.

Sl. No.	State	Project Site (Village/District)	Year of sanction of the project	Grant released (Rs. in lakh)	Grant lying with the bank (Rs. in lakh)	Reasons for delay	Status as on March 2007
17.	Tripura <sup>^</sup>	Badhjung Nagar	2000-01	300.00	--	Funds were lying with the bank due to slow progress. Second instalment was released after reviewing the project but IA had sent no progress reports thereafter.	No units commissioned.
18.	U.P*	Masuri, Ghaziabad	1999-2000	271.00	--	The banker had taken the possession of land, due to default in repayment of bank dues.	No units commissioned.
19.	U.P*	Barabanki, Lucknow	2000-01	400.00	62.00	Non-release of promoter's share. The first instalment was released late by the Ministry while Rs. 0.62 crore was lying with bank out of second instalment as 100 per cent promoter's contribution was not incurred.	Incomplete.
20	W.B*	Dankuni, Hoogly	1996-97	75.00	--	As per latest report the project is still unimplemented due to inability of the promoter to mobilise funds and acquire land for the project.	No units commissioned.

\*10 Food Parks - State Governments/State Nodal Agencies/Promoters has not contributed their requisite share

<sup>^</sup>5 Food Parks - Works were still under progress while funds were sanctioned four to six years back.

\$3 Food Parks - Promoters had changed the site/reviewed the projects.

# 2 Food Parks - Ministry had late released/not released the funds, due to non-fulfillment of prescribed conditions.

**CHAPTER VIII : MINISTRY OF HEALTH AND FAMILY WELFARE**

**8.1 Unfruitful expenditure on construction of sub-standard laboratories**

**Even after nine years of award of work, Ministry failed to ensure renovation/upgradation of laboratories of Central Research Institute, Kasauli to meet the requirements of current Good Manufacturing Practices (cGMPs) for safe production and testing of vaccines. The facilities created at the cost of Rs. 11.86 crore could not be put to use due to sub-standard construction/not meeting cGMPs requirements, thus rendering the entire expenditure unfruitful. No action was taken against HSCC, the consultant and executing agency, for faulty execution of the project.**

Ministry of Health and Family Welfare sanctioned a project for renovation/upgradation of laboratories of Central Research Institute, Kasauli (CRI) in December 1996 at a cost of Rs. 4.50 crore to meet the requirement of current Good Manufacturing Practices (cGMPs) for safe production and testing of immunobiologicals. In September 1997 Ministry appointed Hospital Services Consultancy Corporation (India) Ltd (HSCC) as the project implementation authority to carry out preliminary survey, prepare drawings through specialised agency and rendering project implementation services at a fee of 12 *per cent* of the project cost. An agreement was signed between CRI and HSCC in March 1998. The project started in April 1998 and was scheduled to be completed in 2½ years.

During the currency of the Project, CRI in November 1999 submitted a revised project 'Renovation/Upgradation of Triple Vaccine Manufacturing and Quality Control Facility' at a cost of Rs. 9.86 crore to provide for expansion of manufacturing for advanced version of Petrusis vaccine and incorporation of inbuilt quality control, research and development of laboratories which was approved by the Ministry in March 2000 without stipulating any specific date of completion.

In August 2001, an assessment of the upgradation of the facilities was made by the office of Drug Controller General (India) at the request of CRI. It reported that the building for the laboratory did not fulfil the requirement of cGMPs and noticed a number of shortcomings including non-construction of separate premises for the production of different vaccines, non/faulty provision of internal system of laboratories, etc. A committee consisting of Senior Officers of CRI in August 2002 also observed in their report a number

of shortcomings in the project apart from pointing out additional expenditure of Rs. 2.02 crore over and above the approved cost of Rs. 9.86 crore. To regularise the extra expenditure and remove the defects, Ministry issued a revised project sanction of Rs. 13.29 crore in August 2003 with stipulation to complete the work within six months. CRI had made a progressive payment of Rs. 11.86 crore to HSCC from April 1988 to March 2006 for this project. The work was held up after August 2004 as a result of deadlock between CRI and HSCC over sub-standard execution of work/non-completion of work and non-release of balance amount of Rs. 1.43 crore to HSCC. A committee of officers, constituted by Ministry of Health in November 2005 after visiting the building concluded that the premises built for triple vaccine production was not suitable for production as per cGMPs. The work was lying incomplete as of April 2007. The case points out a number of deficiencies in planning and execution of the project as discussed below:

- (i) No specific date was stipulated by the Ministry for completion of the revised project. This shows lax attitude of the Ministry towards early completion of the project.
- (ii) The Ministry had sanctioned the revised project at the cost of Rs. 9.86 crore. The executing agencies incurred additional expenditure of Rs. 2.02 crore over and above the sanctioned cost without obtaining prior approval. The additional cost had to be subsequently regularised by a sanction from the Ministry. This indicates lack of monitoring, ineffective financial control and poor accountability in the CRI which allowed executing authorities to incur expenditure much beyond the sanctioned costs.
- (iii) The defects were pointed out as early as August 2001 but it took a period of one year for CRI to take up the matter with the Ministry and another one year by the Ministry to approve the proposal for rectification of defects.
- (iv) The work is held up after August 2004 for last three years but neither CRI nor Ministry took concrete steps either to resolve the deadlock with HSCC or to get the work executed from another agency to achieve the cGMPs objectives.
- (v) There were serious slippages and failures on the part of HSCC to execute the project as per contract conditions. The contract signed with HSCC clearly stipulated that the upgraded facilities should comply with cGMPs requirements. Despite significant cost overrun from initial cost of Rs. 4.50 crore estimated in 1996 to Rs. 11.86

crore already incurred up to 2006-07, HSCC could not ensure execution of the project as per cGMPs requirements even after nine years of award of contract. The HSCC's failure to deliver services and execute work to comply with the cGMPs standards rendered the entire expenditure unfruitful and led to non-achievement of the objectives of the project.

Despite serious defaults on the part of HSCC to complete the project timely as per contract specifications, Ministry failed to initiate action against HSCC for rendering poor quality of services.

Thus, the objective of cGMPs remained unachieved even after ten years of sanction of the project due to inept planning and failure of CRI to get the defects in building removed inspite of incurring an expenditure of Rs. 11.86 crore. The matter needs investigation for fixing responsibility.

Ministry while admitting the facts (April 2007) stated that they were seized of the matter and steps were afoot for fixing the responsibility and holding the inquiry against the officers responsible for the lapse.



**CHAPTER IX : MINISTRY OF HOME AFFAIRS**

**9.1 Unauthorised attachment of personnel by BSF and CRPF**

**Directors General BSF and CRPF attached large number of personnel from their field units to their headquarters, other Delhi offices, the Ministry and other non-force offices in violation of the orders of the Ministry issued on the directions of the Group of Ministers on National Security.**

Paragraph 10.1 of Report No. 2 of 2007 of the Comptroller and Auditor General of India, Union Government (Civil) had highlighted irregular attachment of large number of personnel withdrawn from the field formations/units by the Director General, ITBP<sup>1</sup> and their deployment in the headquarters of ITBP. Examination of the strength of personnel in the headquarters and Delhi field offices of the Directors General, BSF<sup>2</sup> and CRPF<sup>3</sup> disclosed that they have also been consistently withdrawing large number of personnel from their normal places of duty in field formations and attaching them to the headquarters and other Delhi offices for several years. The unauthorised additional attachment constituted up to 168 *per cent* of the authorised strength in the case of BSF and 32 *per cent* in the case of CRPF as shown in the table below :

(Rupees in lakh)

Name of the unit	Sanctioned Strength (March 2007)	Range of attached personnel during 2003-04 to 2006-07	Expenditure on pay and allowances during 2003-04 to 2006-07	Remarks
DG, BSF	368	726 to 862	3341.99	Total 726 attached officials include 23 Inspectors, 11 Sub-inspectors, 202 Head-constables, 461 constables from general duty cadres who are supposed to be assigned combat duties at the borders and 29 class-IV staff which includes cooks, safai-karamcharis and washermen etc.
DIG (HQ), FHQ, BSF	180	16 to 57	44.19	Attached officials include 5 Inspectors, 2 SIs, 2 ASIs, 12 Head-constables, 24 Constables and 11 class-IV staff which includes cooks, safai-karamcharis and washermen etc.
DG, CRPF	821	319 to 329	1827.12	Attached officials include 10 Officers, 63 ministerial staff and 252 Executive staff, which includes Inspectors, Sub-inspectors, Head-constables, Constables and class-IV.

<sup>1</sup> Indo Tibetan Border Police

<sup>2</sup> Border Security Force

<sup>3</sup> Central Reserve Police Force

(Rupees in lakh)

Name of the unit	Sanctioned Strength (March 2007)	Range of attached personnel during 2003-04 to 2006-07	Expenditure on pay and allowances during 2003-04 to 2006-07	Remarks
GC, CRPF	383	33 to 60	137.80	Attached officials include 31 Head-constables (28 GD, 2 drivers and 1 carpenter), 26 Constables (5 GD, 9 Brass Band, 6 Pipe Band and 4 Bugular, 1 Tailor and 1 Mochi) and 3 class-IV staff, which include 2 cooks and 1 safai-karamchhari.
<b>Total</b>			<b>5351.10</b>	

The persistent unauthorised attachment by Directors General, BSF and CRPF undermined the sanctity of Government sanction of the posts in different categories for their duties in the headquarters and field units. Further the action by Directors General, BSF and CRPF violated, each of the five specific terms of the orders of the Ministry of Home Affairs (Ministry) issued in June 2002, on the recommendation of the Group of Ministers (GOM) on national security.

Analysis of attachments of personnel disclosed that a large number of personnel in various ranks were attached with the Ministry and other Government offices, with specific approval of the Ministry. Thus, the Ministry rather than enforcing the orders of the GOM joined the BSF and CRPF in irregular attachments by asking the BSF and CRPF to attach personnel to work in the Ministry.

As on March 2007, 113 personnel in various ranks from CRPF and 66 personnel from BSF were attached with the Ministry and other non-force offices. In addition, ITBP had also attached 29 personnel to the Ministry.

The action of the Ministry to attach large number of personnel from the Central Para Military Forces, in effect, circumvented the orders regarding ban on recruitment and creation of new posts imposed by Ministry of Finance by diverting the personnel sanctioned for other units. The expenditure on pay and allowances of the personnel attached to Delhi offices and the Ministry etc. unauthorisedly was Rs. 53.51 crore during 2003-04 to 2006-07.

The personnel attached unauthorisedly with BSF and CRPF headquarters/field offices in Delhi and Ministry, whose headquarters continued to remain outside Delhi, were paid Daily Allowance continuously for six months at a time. In many cases their headquarters were changed to Delhi against non-existent

posts and the benefits of higher City Compensatory Allowance and House Rent Allowance were paid to them unauthorisedly.

The Director General, BSF stated that they had taken up proposals for creation of additional posts with MHA<sup>4</sup>/MOF<sup>5</sup> but due to austerity measures, additional posts have not been sanctioned. MHA had conveyed its approval for continuance of attachments as per recommendations of Staff Inspection Unit (SIU) study. The Director General, CRPF stated that the workload in the Directorate had increased manifold and it was not manageable with the sanctioned strength. It was further stated that in 1995, a committee was formed to assess the attachment of staff for various branches of the Directorate. Accordingly, the committee had recommended attachment of 303 executive and 50 ministerial staff. It also stated that attachment of personnel was negligible and their pay and allowances were their legitimate dues.

The replies of both BSF and CRPF are not tenable, since these do not address the issue of non-compliance to the decision of the MHA/GOM on national security and unauthorisedness of the various actions brought out above and violation of the ban on creation and recruitment by utilising the personnel sanctioned for purposes other than for which they were sanctioned. DG, BSF contended that the Ministry of Home Affairs had conveyed its approval for continuation of attachments as per recommendations of SIU study. The reply is not acceptable as it is not appropriate to reckon the Ministry's order as the reason to continue the attachment of staff indefinitely without completing the action for sanction of staff based on SIU study, which is required to be completed within three months. The Ministry had authorised in June 2002 the attachments limited to SIU recommendation till such time the posts were sanctioned. This authorisation cannot be used to retain attachments for years without sanction of additional posts. Besides DG, BSF in their reply has overlooked that the actual attachments have been far in excess of SIU recommendations.

The Ministry and Directors General, BSF and CRPF should comply with the orders of the GOM forthwith. Besides accountability should be established for disregard of the orders of the GOM and the Ministry.

The matter was referred to the Ministry in September 2007; their reply was awaited as of January 2008.

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<sup>4</sup> Ministry of Home Affairs

<sup>5</sup> Ministry of Finance

## Central Industrial Security Force

### 9.2 Ineffective pursuance of demands

**Ineffective pursuance of demands for charges for provision of services of CISF personnel resulted in Rs. 8.12 crore remaining unrealised from four bodies.**

Mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (No. 2 of 2005) regarding non-recovery of dues for providing services of the Central Industrial Security Force (CISF) to Public Sector Undertakings (PSUs) remaining unrecovered for long periods. With a view to preventing the accumulation of such arrears, in May 2005, CISF HQ prescribed a revised procedure for recovery providing for deposits equal to three months billing (CISF bills) and levy of interest for delayed payments. Accordingly, PSUs were required to deposit an amount equal to three months monthly billing. Bills for a month (inclusive of cost of clothing and arms and ammunition) were to be raised by the 10<sup>th</sup> of the subsequent month, and penal interest at two *per cent* above the Prime Lending Rate (PLR) of the Reserve Bank of India (RBI) was also to be charged from April 2005 on the outstanding amount.

It was noticed (October 2005) that the Airports Authority of India (AAI) had accumulated arrears for the period August 2003 to July 2005 in respect of services provided at four of its airports in Maharashtra. AAI finally paid up the amount during February-March 2007. Audit noticed (June 2007) that CISF had failed to charge interest of Rs. 1.24 crore for delayed payments.

It was also noticed (May 2007) that three PSUs: Hindustan Organic Chemicals, Rasayani (HOC), Hindustan Insecticides Limited, Rasayani (HIL) and Hindustan Aeronautics Limited, Pimpri (HAL) in Maharashtra were allowed to accumulate arrears of a total sum of Rs. 5.88 crore (including interest) by CISF, Navi Mumbai. Though it was contended that regular liaison was being maintained with PSUs, the fact that arrears remained uncleared by them even as of August 2007 and had since risen to Rs. 6.88 crore indicated that the efforts made were ineffective and had not been taken up with higher authorities.

Thus, total dues of Rs. 8.12 crore remained unrealised.

On the delay in realisation and non-levy of penal interest being pointed out (August 2007), the Ministry stated (October 2007) that interest on the dues from AAI could not be levied as AAI required certain clarifications before

payment of bills and also insisted on signing of Memorandum of Understanding (MOU); the issues were clarified to AAI in October 2006 and thereafter the bills were cleared by them. It added that a bill for interest amounting to Rs. 1.24 crore had since been raised (August 2007) on AAI. The Ministry also stated that revival plan for one sick unit (HAL, Pimpri) had been approved and extension of time up to 31 December 2007 had been given for continuation of CISF deployment on the condition that the dues would be paid during this period. It further stated that for the other two units (HOC, Rasayani and HIL, Rasayani), CISF had been withdrawn and the matter was being taken up with the concerned administrative Ministry at Secretary level to clear the dues.

The fact remained that ineffective pursuance of demands resulted in large amounts of dues remaining unrealised from PSUs for long periods.

### **Border Security Force**

#### **9.3 Incorrect representations in sanctions**

**Director General Border Security Force accorded several split sanctions aggregating to Rs. 2.39 crore in disregard of General Financial Rules purportedly for setting up a wireless transmitting station, which were meant primarily for establishing an officers' mess.**

Director General, Border Security Force accorded 15 split sanctions during July 2001 to September 2004 for an aggregate value of Rs. 1.37 crore, each within the financial powers of Rs. 20 lakh delegated to him, purportedly for setting up a wireless transmitting station in Nizamuddin, New Delhi. The work sanctions instead were utilised to construct mainly an officers' mess, termed 'Ashwini BSF Officers' Mess' through incorrect representations of the purpose in the sanctions. The wireless transmission system is accommodated in only two rooms, while six guest rooms, dinning room, kitchen and lobby constructed in the mess building are utilised for the guest-house. Subsequently, the Director General, BSF accorded 53 sanctions for an aggregate value of Rs. 1.02 crore for minor works during June 2003 to December 2006, most of them for development and improvement of the building. BSF has set-up a 63 KVA generator set and has installed 14 split air-conditioners in the building complex.

Examination of these sanctions disclosed that there were multiple sanctions for same works, such as construction of prefab structures and false ceiling (11 sanctions with aggregate value of Rs. 83.53 lakh), improvement and maintenance of building (19 sanctions aggregating Rs. 65.21 lakh), providing

electrical installations, fans, poles etc. (17 sanctions aggregating to Rs. 28.83 lakh), water supply scheme (six sanctions of total value Rs. 15.19 lakh), supply/fixing and repair/maintenance of servo voltage stabilizer (three sanctions of Rs. 6.23 lakh), installation of air-conditioner (four sanctions of Rs. 10.96 lakh), installation and maintenance of diesel generator set (seven sanctions of Rs. 9.02 lakh). Scrutiny of the bills of the contractors also disclosed that in a large number of contracts, the actual expenditure was very close to the amount of sanctions.

During 2002-03 to 2006-07, the field units of the BSF purchased various items for use in the guest-house viz silver-ware, crockery, glass-ware, steel, furniture, table linen and curtains etc. valued at Rs. 16.71 lakh and transferred them for use to the Ashwini Officers' Mess at Delhi.

The building, diesel generator set, air conditioners and maintenance expenditure etc., which are far in excess of the requirement of the transmitting station, are utilised largely for the officers' mess. While the guest charges for room rent and electricity charges are credited to the Government account, the charges recovered for messing, maintenance and services charges etc. from the guests are being credited unauthorisedly to a private fund account (transmitting station maintenance account).

Ministry stated in February 2008 that due to genuine requirement of the officers and their families/guests visiting the Force headquarters on temporary duty or in transit to their new locations, a portion of transmitting station was converted as guest house. Ministry also stated that sanctions were issued in the name of transmitting stations as the transit mess was not a part of authorised infrastructure and that multiple sanctions were issued due to limited availability of funds in a financial year.

## **Indo Tibetan Border Police**

### **9.4 Unauthorised attachment of vehicles**

**Director General, Indo Tibetan Border Police attached 30 to 40 vehicles to the Directorate by withdrawing them from field formations leading to wasteful expenditure of Rs. 1.39 crore on their petrol/diesel, repair and maintenance at the expense of the operational requirement of the field units.**

Paragraph 10.1 of Report No. 2 of 2007 of the Comptroller and Auditor General of India, Union Government (Civil) had highlighted irregular attachment of large number of personnel withdrawn from the field.

formations/units by DG, ITBP<sup>6</sup> to their Headquarters over and above their sanctioned strength.

Further examination disclosed that DG, ITBP had withdrawn 30 to 40 vehicles from the field formations/units during the period 2002-03 to 2006-07 and deployed them in its Headquarters at New Delhi. The Headquarters of DG, ITBP already has a sanctioned fleet of 32 vehicles of different types. The vehicles from the field formations were diverted under the orders of IG (HQ)<sup>7</sup>. The sanctioned strength of vehicles for each unit is determined with the approval of the Ministry. The IG (HQ) was not competent to divert the vehicles from field units. This resulted in unauthorised and wasteful expenditure of Rs. 1.39 crore on petrol/diesel, repair and maintenance of these vehicles merely for increasing the non-operational activities at the Headquarters at the cost of operational requirement of the field units.

On being pointed out by Audit in July 2007, the Ministry stated in October 2007 that the concerned field formation from where the vehicles had been withdrawn might have been inconvenienced but added that the mobilisation of additional vehicles on temporary attachment basis from other formations was due to increase in staff strength and other operational/administrative requirements. It further added that 20 vehicles had since been detached.

The reply of the Ministry does not address the core issue of unauthorised diversion. The Ministry had itself sanctioned the strength of the vehicles after taking into account entitlements as per rules and all factors applicable to the ITBP Headquarters. The Ministry has sought to justify the unauthorised attachments of almost equal or more number of vehicles than the sanctioned strength, in an imprecise manner rather than conducting a transparent review of the requirement and their actual utilisation. Moreover, the vehicles from operational units ought not be diverted for temporary and occasional nature of duties, depriving the units of their permanent use for which these were sanctioned.

The Ministry may determine accountability for unauthorised attachment of vehicles and restore the withdrawn vehicles to the field formations from which these were withdrawn with immediate effect.

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<sup>6</sup> Director General, Indo-Tibetan Border Police

<sup>7</sup> Inspector General (Headquarters)

**CHAPTER X : MINISTRY OF HUMAN RESOURCE  
DEVELOPMENT**

**Department of Higher Education**

**10.1 Delay in construction of UNESCO house leading to avoidable rental charges**

**Failure of the Ministry to construct the UNESCO<sup>1</sup> house, for which the land was allotted in 1998, has delayed the project besides avoidable payment of Rs. 2.86 crore on account of rent for the hired UNESCO building for the period from September 2001 to July 2007. The Ministry will continue to incur expenditure on account of rental liability at the rate of Rs. 48 lakh *per annum* till the building is constructed.**

Examination of records revealed that even after a lapse of more than nine years from the date of acquisition of plot, the Ministry could not start construction of UNESCO house. Clearance from regulatory/local authorities had not been obtained as of March 2007. This resulted in avoidable expenditure of Rs. 48 lakh *per annum* on rent of the hired building.

As a part of a commitment made by the member states to provide office accommodation to the UNESCO in their respective countries, the Government of India decided in 1975 to provide rent-free accommodation to the UNESCO office in New Delhi. The Ministry of Human Resource Development reimburses the rent paid by the UNESCO's New Delhi office.

With a view to finding a permanent solution to the requirement of accommodation for the UNESCO office in India, the Ministry of Urban Development allotted a plot measuring 2302.75 sq. metres in Chanakyapuri, New Delhi at a cost of Rs. 11.38 lakh in December 1998. As per the terms and conditions of the allotment, the construction work was to be completed within two years from the date of taking over possession of land. The Ministry approved the appointment of an architect in 1999 for preparation of drawings and design of the building. As per the contract of August 2000 entered into by CPWD<sup>2</sup> with the architect, selected at the instance of the Ministry, the architect was to obtain necessary approval of the local/statutory bodies to the drawings and design of the building within 16 weeks i.e. by December 2000 to facilitate taking up the construction by CPWD. The architect, however, failed

<sup>1</sup> UNESCO – United Nations Educational, Scientific and Cultural Organisation

<sup>2</sup> CPWD – Central Public Works Department



to obtain necessary approvals of the local/statutory bodies even as of October 2007.

The architect initially submitted the drawings of the building in February 2001, which the Ministry did not approve, since these did not conform to their requirement. The revised designs submitted by the architect in November 2002 needed further modifications and were finally approved by the Ministry in November 2003 and by the CPWD in February 2005. The detailed plans as approved by CPWD were submitted by the architect to NDMC in August 2005, but were rejected by the latter in October 2005. The Ministry took another 18 months to submit the revised drawings to NDMC in March 2007 which were again rejected by NDMC in May 2007 on the grounds of (i) Non-submission of NOC from Tree Officer and Chief Engineer, NDMC (ii) Non-deposit of Cess and Security and other various defects in the Building Plan. Thus, Ministry could not ensure finalisation of drawings and their clearance from the local bodies even after seven years of appointment of the architect. Construction of the building could not, therefore, commence even nine years after allotment of land. The Ministry of Urban Development in March 2005 allowed two years' extension for construction of the building which has also expired.

During September 2001 to July 2007, the Ministry paid rent of Rs. 2.86 crore for the UNESCO office.

Thus, Ministry's failure to ensure timely preparation of drawings by the architect and their clearance by the local bodies led to inordinate delay in the construction of the building which is bound to result in substantial escalations in the project cost. Besides, delay in construction of building also resulted in avoidable payment of rent of Rs. 2.86 crore for the UNESCO office.

The Ministry stated in October 2007 that the drawings relating to the construction of UNESCO house were already submitted to NDMC for their approval in July 2007 and the work on the construction of the building is scheduled to commence in January 2008.

The reply of the Ministry confirms the audit contention of significant delay in preparation of drawings and obtaining necessary clearances of the authorities concerned which has caused unnecessary burden on Government exchequer by way of avoidable payment of rent for the UNESCO building.

## Department of School Education and Literacy

### 10.2 Non-recovery of interest on unutilised balance

**Failure of the Internal Control in the Ministry to monitor the utilisation of the grant by National Council of Educational Research and Training (NCERT) resulted in idling of funds of Rs. 2.75 crore for over three years. The interest of Rs. 2.25 crore on the unspent balance of the grants was also not recovered.**

Test check of utilisation certificate of grants-in-aid paid by the Ministry to NCERT revealed deficient internal control in correlating the utilisation of the grant with the grant released, leading to non-recovery of interest of Rs. 2.25 crore earned on the unspent balance of grant from time to time.

Out of grants-in-aid aggregating Rs. 16.33 crore sanctioned by the Ministry during 1993-94 to 1996-97 for replacement of U-matic equipment in the Central Institute of Educational Technology and six State Institutes of Educational Technology, NCERT utilised only Rs. 13.58 crore during 1995-96 to 2002-03. On being pointed out in Audit, NCERT refunded the unspent grant of Rs. 2.75 crore to the Ministry only in May 2006, though no expenditure was incurred after 2002-03. In November 2006, the Ministry accepted the utilisation certificate of October 2006 furnished by NCERT, without correlating the grant released with the grant utilised and interest earned.

The NCERT retained the unutilised balances ranging between Rs. 7.54 crore to Rs. 0.25 crore in the savings account during April 1997 to March 2006 and invested Rs. 2.50 crore in October 1998 till February 2003 in short term deposit carrying average rates of interest of 4.5 and 5.6 *per cent per annum* respectively. The total interest earned thereon during April 1997 to April 2006 was Rs. 1.60 crore which was not refunded alongwith the unspent grant of Rs. 2.75 crore. Besides the Ministry did not secure compliance to its orders of March 1997 that the interest of Rs. 0.65 crore earned by NCERT on the unutilised balance until March 1997 should be treated as grant. Thus, the total amount still recoverable from NCERT worked out to Rs. 2.25 crore (Rs. 1.60 crore plus Rs. 0.65 crore).

Ministry may recover the interest earned by the NCERT on the unspent balances of the grant and strengthen its internal control for monitoring the utilisation certificates of grants.

The matter was referred to the Ministry in June 2007; their reply was awaited as of January 2008.

**CHAPTER XI : MINISTRY OF INFORMATION AND  
BROADCASTING**

**11.1 Premature release of funds**

**Premature release of funds for setting up an EMMC<sup>1</sup> without assessing the adequacy of infrastructure for commissioning of the project and the immediate requirement of funds resulted in idling of advance of Rs. 2.40 crore paid to BECIL<sup>2</sup>. The Ministry also failed to recover interest of Rs. 21.08 lakh from BECIL on the unutilised advance.**

The Ministry entrusted the project of setting up EMMC for content monitoring of television and radio channels to BECIL in April 2006. Even before the agreement with BECIL was entered into for setting up of the project and confirmation of appropriate site for setting up of the facility for media monitoring was assured, the Ministry released Rs. 2.40 crore as advance to BECIL on 31 March 2006. The Ministry entered into an agreement with BECIL subsequent to the payment of advance on 25 April 2006 for setting up of the EMMC at Pushpa Bhawan, Pushap Vihar, New Delhi as deposit work at an estimated cost of Rs. 11.65 crore within 12 months from the date of release of funds. Rs. 50 lakh advanced to BECIL in 2003-04 by the CMS<sup>3</sup> was already lying with them.

Since the CPWD did not permit installation of antenna on the roof of Pushpa Bhawan in November 2006, the work taken up in that building had to be abandoned. Until then, the BECIL had already spent Rs.9.77 lakh on the interior work. The Ministry stated in April 2007 that it had selected an alternate site, where the work of setting up the EMMC had started in March 2007.

The premature release of funds by the Ministry to BECIL, without ensuring the readiness of the consultants to undertake the work and more importantly, the suitable site for the project led to premature cash outgo from the Consolidated Fund of India with an interest cost of Rs. 21.08 lakh on the unspent amount up to February 2007. There was no obligation on the part of the Ministry to release advance payment before signing of the agreement. The advance of Rs. 2.40 crore was paid on 31 March 2006 merely to avoid surrender of funds. This was indicative of weak financial and budgetary controls in the Ministry. Ministry may also adjust the interest earned by

<sup>1</sup> Electronic Media Monitoring Centre

<sup>2</sup> Broadcast Engineering Consultants India Limited

<sup>3</sup> Central Monitoring Services

BECIL on the unutilised funds out of the total of Rs. 2.90 crore lying with them in the total amount to be paid to BECIL.

The Ministry stated in September 2007 that the delay in taking up the project was due to unforeseen reasons beyond the control of the Ministry and, therefore, no interest is payable by BECIL on Rs. 2.40 crore.

The contention of the Ministry is not tenable as the terms of agreement clearly stipulated release of advance to BECIL subject to the conditions prescribed in Government rules on advance payments. BECIL was, therefore, liable to pay interest on advance payment since the provisions of Central Public Works Department manual relating to grant of mobilisation advance to contractors for executing capital intensive works provide for charging of simple interest at the rate of 10 *per cent* on advances sanctioned to contractors. The Ministry ought to insist on payment of the interest by BECIL, as per provisions of Government rules and also in view of the fact that the amount of advance remained with BECIL for a sufficiently long period and the interest on outstanding balance earned by BECIL if not recovered would amount to grant of unintended benefit.

The Ministry also stated that the objection to installing the antenna in Pushpa Bhawan was raised by the CPWD as an after thought. This argument of the Ministry is also not convincing as the requirement of prior approval of CPWD for installing the antenna was brought to the notice of the Ministry by BECIL in November 2005 i.e. one year prior to the refusal by CPWD.

The Ministry needs to strengthen the internal control to ensure that release from the Consolidated Fund of India is made keeping in view the capacity or readiness of the implementing agency to utilise them within the approved time frame and that interest on unutilised advances is recovered as per provisions of CPWD Works Manual.

**CHAPTER XII : MINISTRY OF OVERSEAS INDIAN AFFAIRS**

**12.1 Questionable expenditure on dinner and liquor**

**Disregarding the protocol norms, liquor worth Rs. 5.87 lakh was served in the dinner for Pravasi Bhartiya Divas and lack of management and control of Ministry of Overseas Indian Affairs on the guests for the dinner resulted in extra expenditure of Rs. 14.92 lakh.**

For Pravasi Bhartiya Divas 2006 organised by the Ministry of Overseas Indian Affairs (MOIA) at Hyderabad during 6 to 9 January 2006, a dinner was hosted by the Minister of State, Ministry of External Affairs (MEA) on 08 January 2006. As per the list of invitees approved by the competent authority, 1300 persons were to be invited for the dinner. MOIA placed orders on the caterer for dinner for 1300 guests only. The caterer, however, submitted a bill for Rs. 22.52 lakh for dinner to 3850 persons, which was three times the number of approved invitees. In addition, the caterer also preferred bill worth Rs. 5.87 lakh towards charges for serving liquor at the dinner.

The Ministry of External Affairs, which had hosted the dinner agreed as a *fait accompli* to make payment to the caterer for 2000 persons against its approval for only 1300 persons thereby incurring additional expenditure of Rs. 4.10 lakh over and above the original sanction. It declined to entertain the bill for Rs. 5.87 lakh towards liquor, stating that as per the protocol norms, ministries do not serve liquor in their parties.

Subsequent to refusal by the Ministry of External Affairs to make the full payment of the bill for 3850 persons, MOIA made payment of Rs. 10.82 lakh for the remaining 1850 persons to the caterer. The bill for the liquor was yet to be settled as of June 2007. Since MOIA had given orders to the caterer to serve liquor during the dinner, the liability stands. Further, the Ministry did not examine the correctness of the bill from the point of view of the caterer's ability to provide dinner to 3850 persons, against the confirmed order for only 1300 persons.

On being pointed out by Audit, the Ministry stated in September 2007 that increase in number of participants was due to the fact that State Government, who was a partner in organising Pravasi Bhartiya Divas, had also invited guests for the cultural evening and these guests were over and above the expected guests. It also stated that the liquor was served as a part of registration package at the reception of cultural evening. It added that the

caterer was a seven star hotel and on analysing the number of guests the caterer made necessary arrangements to serve dinner to 3850 persons.

The reply of the Ministry is not tenable due to the following:

- (i) It is not supported by documents indicating that the State Government had in fact invited such a large number of guests;
- (ii) Ministry's assertion on the capacity of the caterer to provide dinner to 3850 persons against the firm order for 1300 persons on the basis of their on-the-spot realisation of three fold increase in the number of guests is a post audit response without any basis, since it had not examined this aspect prior to the matter having been raised by Audit; and
- (iii) The Ministry's contention regarding serving of liquor at the reception of the cultural evening rather than during the dinner is factually incorrect as it had placed written order with the caterer to serve liquor during the dinner and the bill of the caterer for liquor served was for NTR garden at 8.00 PM, which was the venue and time for dinner.

The case clearly demonstrated lack of management and control on the part of the Ministry to limit the guests strictly as per the list of invitees leading to extra expenditure of Rs. 14.92 lakh on dinner to 2550 additional guests.

**CHAPTER XIII : MINISTRY OF RURAL DEVELOPMENT**

**Department of Drinking Water Supply**

**13.1 Non-establishment of Central Water Testing Laboratory for Arsenic**

**Lack of monitoring of the project of setting up of Central Water Testing Laboratory for Arsenic at Kolkata resulted in the Laboratory not being set up even after eight years of releasing a grant of Rs. 50.32 lakh to the State Government.**

Arsenic contamination of ground water in several districts of West Bengal had proved to be a major health hazard affecting a large segment of rural population. To accelerate the pace of testing of ground water and also to help arsenic mitigation activities in the State, the Government of India, Ministry of Rural Development, Department of Drinking Water Supply approved a research & development project "Setting up of Central Water Testing Laboratory for Arsenic at Kolkata" at an estimated cost of Rs. 62.91 lakh to be completed in one year. The technical approval was issued in January 1999.

In February 1999, the Department released grants-in-aid of Rs. 50.32 lakh towards the first instalment of the project to the State Public Health Engineering Department, Government of West Bengal. As per the terms and conditions of the grant, the organisation was required to refund the entire amount of grant-in-aid if it was not in a position to execute or complete the project.

Audit scrutiny in April 2007 revealed that the State department neither set up Central Water Testing laboratory for arsenic nor refunded the grant of Rs. 50.32 lakh, which remained completely unutilised as of June 2007.

This was indicative of poor internal control and monitoring on the part of the Ministry which could neither ensure execution of the project nor effect recovery of the amount of the grant.

The matter was referred to the Ministry in May 2007. While accepting the audit observation, the Ministry stated (October 2007) that the amount of Rs. 50.32 lakh would be deducted from the Accelerated Rural Water Supply Programme (ARWSP) funds to be released to the Government of West Bengal.

**CHAPTER XIV: MINISTRY OF SOCIAL JUSTICE AND  
EMPOWERMENT**

**14.1 Unfruitful expenditure due to delay in construction of hostels**

**Failure of the Ministry to ensure compliance to the terms of grants aggregating Rs. 9.86 crore released to eight States during 2001-02 to 2004-05 for construction of hostels for other backward classes' students rendered the intended facility not being available to 5841 students as per schedule.**

Audit of the grants released by the Ministry of Social Justice and Empowerment under the scheme of construction of hostels for other backward classes' students disclosed that construction of 68 hostels as per the **Annex**, for which grants were released by the Ministry to the state governments and which were due for completion by December 2006, were not completed as of September 2007.

The Ministry released Rs. 13.82 crore to eight States and Union Territories for construction of 74 hostels for OBC students during 2001-02 to 2004-05. The construction was to be completed within two years from the date of sanction of the central assistance. The construction of all 74 hostels should have been completed by December 2006. Of the 74 hostels, construction of only six hostels had been completed, 48 were under construction and the remaining 20 had not been taken up for construction as of September 2007. Delay in construction of 68 hostels ranged between 9 to 42 months.

The Ministry, while accepting the facts stated in December 2007 that six hostels in Gujarat had since been completed and it was pursuing with the state governments for early completion of the construction of the remaining hostels.

The Ministry, thus, failed to monitor the progress of construction of the hostels and ensure compliance with the terms of the grant. This has led to the grants of Rs. 9.86 crore for 62 hostels remaining unfruitful for the period of time-overrun, depriving 5841 students of the hostel facility.



## Annex

(Referred to in Paragraph No. 14.1)

## Statement showing details of Hostels not completed

(Status\* as of September 2007)

(Rupees in lakh)

Sl. no	Name of the State	Year	Total amount released	Date of sanction	Scheduled date of completion	Details of hostels				Total central assistance for hostels not completed and no. of beneficiaries affected		Remarks
						Sanctioned	Completed	Under const.	Yet to start.	Amount	Beneficiaries	
1	Andhra Pradesh	2003-04	220.00	09.02.2004	08.02.2006	20	-	20	-	220.00	2000	-
		2004-05	330.00	01.11.2004	31.10.2006	30	-	10	20	330.00	3000	
2	Gujarat	2004-05	138.60	06.12.2004	05.12.2006	7	-	7	-	138.60	525	-
3	J&K	2002-03	108.27	27.03.2003	26.03.2005	4	-	4	-	191.43	350	-
		2003-04	83.16	30.05.2003	29.05.2005							
4	Orissa	2003-04	161.87	05.06.2003	04.06.2005	5	3	2	-	57.44	100	The agency responsible for construction of two hostels deviated from their earlier commitment to share 50 per cent of the cost of construction.. The State Govt. diverted the funds to other agencies in Jan, 2007 with the approval of the Ministry.
5	Pondicherry	2004-05	50.00	27.09.2004	26.09.2006	1	-	1	-	50.00	50	-
6	Tripura	2004-05	20.00	09.09.2004	08.09.2006	1	-	1	-	20.00	66	-
7	Bihar	2001-02	229.93	30.03.2002	29.03.2004	4	3	1	-	57.48	100	Reason for delay 'Land dispute'.
8	Sikkim	2002-03	20.00	09.01.2003	08.01.2005	1	-	1	-	40.00	50	-
		2003-04	20.00	01.09.2003	31.08.2005	1	-	1	-	-	50	
<b>Total</b>			<b>1381.83</b>			<b>74</b>	<b>6</b>	<b>48*</b>	<b>20</b>	<b>1104.95*</b>	<b>6291*</b>	

\* Includes six hostels involving grant of Rs. 118.80 lakh for 450 beneficiaries of Gujarat completed as per Ministry's reply of December 2007 to the Draft Paragraph.

## CHAPTER XV : MINISTRY OF TEXTILES

### 15.1 Non-completion of Urban Haats

**The scheme for setting up of 'Urban Haats' in various states, launched in 1999, with a view to provide permanent marketing outlets to the local artisan community, suffered from poor planning, lack of monitoring and inefficient execution, resulting in 71 per cent of the Haats approved during 1998-99 to 2003-04 costing Rs. 9.33 crore still remaining incomplete and un-operationalised even as of July 2007. This not only denied opportunity to the local artisans to sell their wares but also resulted in blocking of capital.**

A plan scheme titled "Setting up of Urban Haats" was launched by the Government of India (GoI) in 1999, on the pattern of Dilli Haat, to provide permanent marketing outlets to the artisan community. These Haats were to be set up in various metropolitan cities of the country, with 40-50 stalls in each Haat for artisans to sell their wares directly to the consumers without involving any middlemen. There was also a provision for two exhibition halls/museums in the Haat. The built up stalls were to be allotted in a transparent manner to artisans on a fortnightly rotation basis at nominal daily rentals. This scheme is being implemented through State Handicrafts/Handloom Development Corporations/Tourism Development Corporation/Non-Government Organisations in consultation with the concerned State Governments. The responsibility for providing developed land at a suitable location would be that of the concerned State/Implementing Agency (IA). Expenditure on the scheme is to be shared by GoI and the State Government in the ratio of 70:30, with Central assistance restricted to Rs. 1.40 crore per Urban Haat. Further, any cost escalation would be borne by the State Government/implementing agencies.

Government of India had approved 41 Urban Haats in 22 States /Union Territory<sup>1</sup> and released Rs. 18.48 crore during 1998-99 to 2006-07. The year-wise position of sanction of Haats and their status of operation is given in the table below:

<sup>1</sup> Gujarat, Uttar Pradesh, Orissa, Andhra Pradesh, Haryana, Jammu & Kashmir, Jharkhand, Rajasthan, Madhya Pradesh, Chattisgarh, Uttarakhand, Kerala, Punjab, Karnataka, Maharashtra, Goa, Bihar, Tamil Nadu, Delhi, Assam, Tripura, Nagaland.

Sl. No..	Year of approval	No. of Urban Haats approved	Amount of funds released (Rs. in crore)	No. of operational Urban Haats	No. of Urban Haats withdrawn	No. of Urban Haats still not operational
1.	1998-99	2	1.87	1	-	1
2.	1999-00	4	3.51	3	-	1
3.	2000-01	2	1.40	1	1	-
4.	2001-02	9	6.41	2	1	6
5.	2002-03	7	1.54	1	3	3
6.	2003-04	4	2.35	-	-	4
7.	2004-05	4	-	-	-	4
8.	2005-06	4	0.70	-	-	4
9.	2006-07	5	0.70	-	-	5
	<b>Total</b>	<b>41</b>	<b>18.48</b>	<b>8</b>	<b>5</b>	<b>28</b>

Audit examination disclosed following inadequacies/slippages in the implementation of this scheme:

- (i) As per the sanctions, the projects were to be completed in a time bound manner i.e. within 18 months from the start of construction. However, out of 28 projects approved up to 2003-04, only eight projects had become operational, while five projects were withdrawn due to various reasons e.g. location of site being under reconsideration, layout plan awaited, project under litigation etc. As regards remaining 15 projects approved up to 2003-04, funds amounting to Rs. 8.84 crore had been released between March 1999 and February 2007 but remained unfruitful, as the projects have still not become operational. Hence, 71 per cent of the projects sanctioned during 1998-2004 have still not become operational even as of July 2007.
- (ii) Audit selected 26 incomplete/withdrawn Urban Haats in respect of 17 states for detailed examination. The status of their completion and reasons for slippages are given in the **Annex**. Audit analysis indicated:
  - In five cases (Patiala, Thiruvananthapuram, Surat, Agartala and Kanpur), the projects were either withdrawn or cancelled. A sum of Rs. 48.50 lakh released for these projects was yet to be recovered from the states/implementing agencies concerned as of July 2007.
  - In six cases (Patna, Delhi (Pitampura & Mehrauli), Panaji, Navi Mumbai and Indore), projects were approved during 2004-07, but grants could not be released by the Ministry due to non-finalisation of lay-out plan/architectural designs, non-availability of appropriate site etc.

- In seven cases (Raipur, Ranchi, Puri, Ajmer, Dehradun, Bareilly and Lucknow), central grant of Rs. 3.56 crore was released during 1999-2000 to 2006-07, but physical and financial progress was 'Nil' and the entire funds were lying unutilised with the IAs. As per provisions of the scheme, if the grantee failed to utilise the grant for the purpose for which it was sanctioned, it was required to refund the amount along with interest at the rate of six *per cent* per annum. Despite considerable delays on the part of states/implementing agencies in taking up the project, Ministry did not recover the amount of unutilised grant.
- In eight cases (Agra, Bhuj, Dimapur, Guwahati, Hazaribagh, Jaipur, Rampur and Varanasi) funds amounting to Rs. 4.88 crore were released, but physical and financial progress was not fully known to the Ministry. This indicated lack of monitoring and control in implementation of the scheme. Poor monitoring was also reflected from the fact that the Ministry was only requesting the status of the project from the State/implementing agency and no penal action was either envisaged or taken.

The Office of the Development Commissioner (Handicrafts) in its reply of October 2007 stated that the Haat at Agartala had been revived in September 2007 after reconsideration and two more Haats at Konark and Ahmedabad had become operational in August and September 2007 respectively. While no time limit was mentioned in the scheme, such limits were to be mentioned in the sanctions.

The reply is not tenable, as the projects were to be executed in a time bound manner. Non-completion of projects sanctioned as early as 1998-99 to 2003-04, reflects poorly on the efficiency of planning, monitoring and implementation of the scheme. Further, the sanctions were defective, since these specified a time limit of 18 months from the start of construction, without specifying a definite time limit for starting the construction after approval of the project and release of funds.

Hence, poor planning, lack of effective monitoring and deficient implementation of the scheme resulted in denial of opportunity to the local artisans to sell their wares in the Haats and also led to blocking of capital on incomplete projects.

The matter was referred to the Ministry in August 2007; their reply was awaited as of January 2008.

## **15.2 Deficient property management**

**Poor planning by the Ministry of Textiles resulted in a plot of land lying idle for more than 10 years, on which a total expenditure of Rs. 6.22 crore was incurred between November 1989 and March 2006; in addition, avoidable expenditure of Rs. 0.31 crore was incurred on payment of rent of hired building.**

In November 1989, the Ministry of Textiles purchased a plot of land measuring 10 acres in the institutional area of New Okhla Industrial Development Authority (NOIDA) for setting up the Office of the National Centre for Jute Diversification (NCJD) between November 1989 and March 2006. A total expenditure of Rs. 6.22 crore was incurred on this plot, as summarised below:

- Rs. 1.66 crore between November 1989 and April 1990 towards the cost of the plot.
- Rs. 1.60 crore towards development charges in December 1994.
- Rs. 1.68 crore towards penal interest in November 1995 on account of delay in depositing development charges.
- Rs. 0.21 crore towards the cost of construction of boundary wall in March 2000.
- Rs. 1.07 crore up to March 2006 towards pending lease rent up to November 2005.

Of the above amount, Rs. 1.66 crore, representing cost of the plot was contributed by the Government of India, while the rest was invested out of the corpus of NCJD.

Audit scrutiny revealed that the land remained unutilised and the NCJD Office continued to function from rented premises, on which it incurred expenditure of Rs. 0.31 crore on the rent from January 1998 to December 2006. Further, NOIDA authority issued notice in February 2006 for furnishing the completion certificate of the building, failing which it would initiate action for resumption of the plot of land.

In response to the audit observations, the Ministry stated (January/August 2007) as follows:

- Land was initially purchased for setting up the Headquarters of NCJD. However, this was set aside, as Headquarters of NCJD was set up in Kolkata for administrative reasons.

- The possession of land was handed over only in December 1997, and any construction should have been planned only thereafter.
- The construction time limit, as per the lease, was December 2001.
- In 2002, it was decided to establish the NIFT-NCJD R&D Centre. However, due to inability to fund the construction, the Council of Governors of NCJD suggested disposal of the land.
- In March 2006, the earlier decision to sell land was reversed and the Ministry of Textiles decided to utilise the plot for locating regional offices of jute-related bodies, as well as for establishing the proposed National Institute of Natural Fibre. However, this could not progress due to funds constraints.
- Now, the Ministry and NCJD had decided to take up the project through public sector partnership, so that the selected partner could provide the required funding for the project.
- With the passage of time, there had been changes in administrative requirements of the NCJD and the Ministry, and the decisions at various points of time reflected unavoidable circumstances due to which the project envisaged could not materialise.

The reply of the Ministry is not tenable for the following reasons:

- The Ministry and NCJD should have properly planned the utilisation of the plot so that construction should have taken place at least by the stipulated time limit of December 2001.
- Availability of funds should have been appropriately considered as part of the planning process.
- The changes in decisions and requirements reflect an *ad hoc* approach, which are indicative of poor long term planning.

Thus, inadequate planning of the Ministry resulted in the plot remaining unutilised for nearly 10 years after handing over, for which a total payment of Rs. 6.22 crore was made between November 1989 and March 2006.

**15.3 Outstanding contingent advances**

**The Ministry failed to ensure timely submission of adjustment bills in respect of contingent advances aggregating Rs. 57. 51 lakh, drawn four years earlier.**

Rules<sup>2</sup> provide that drawals in abstract contingent bills (AC bill) require presentation of detailed countersigned contingent bills (DCC bills) to the Controlling officer (CO) and transmission to the Accounts Officer. A certificate shall be attached to every AC bill to the effect that the DCC bills have been submitted to the CO in respect of AC bills drawn during the month previous to that in which the bill in question is presented for payment.

A test check of the contingent advance register for the year 2003-04 of the Weavers Service Centre, Delhi revealed that in 22 cases an amount of Rs.80.36 lakh on account of contingent advances for different purposes was outstanding for want of adjustment bills and this was pointed out to the Department (March 2005). Further scrutiny in audit revealed that an amount of Rs. 57.51 lakh in four cases still remains unadjusted, the details of which are given below:

Sl. No.	Date of drawal of the AC bill	Brief subject for drawing advance	Amount Unadjusted (Rs. in lakh)	Remarks
1.	24/3/2004	Organisation of trainings under Integrated Handloom Training Project (IHTP) in the North Zone	5.84	As per the sanction, amount was required to be adjusted within 30 days after the completion of trainings which were completed in 2004-05.
2.	25/3/2004	For payment of stipends to trainees taking part in trainings under Integrated Handloom Training Project (IHTP).	19.67	- Do -
3.	29/3/2004	To Association of Corporation of Apex Societies for Handloom (ACASH) for renovation and civil works in Handloom Pavilion Pragati Building New Delhi.	30.00	As per Government of India Decision (4) below Rule 258(2) of GFR 1963, adjustment was required to be done within 30 days from the date of drawal (March 2004) of advance.
4.	3/12/2003	To Association of Corporation of Apex Societies for Handloom (ACASH) for local arrangement of organisation of TANTAVI- 03 held from 11 to 16 December, 2003.	2.00	As per Government of India Decision (4) below Rule 258(2) of GFR 1963, adjustment was required to be done within 30 days from the date of drawal (December 2003) of advance.
<b>Total</b>			<b>57.51</b>	

<sup>2</sup> Rules 117-118 of Central Government Receipt and Payment Rules

Thus the Drawing and Disbursing officer concerned failed to submit adjustment bills for nearly four years in respect of contingent advances amounting to Rs.57.51 lakh. The case highlights weakness of internal controls and oversight in the Ministry with regard to expenditure monitoring and control.

In response, Ministry stated (December 2007) that the cases were under process and the balances would be adjusted after receiving sanctions of the competent authority and necessary payments vouchers. Reply of the Ministry confirms that the amounts drawn have still not been adjusted. The Ministry should take adequate measures to ensure that the amounts drawn from the Government accounts as contingent advances are spent within the prescribed time limits and adjustment bills with proof of expenditure i.e., vouchers are submitted without delay to eliminate any possibility of misappropriation, fraud or misuse of Government funds.



## Annex

(Referred to in Paragraph No. 15.1)

## State-wise analysis of incomplete Urban Haats

Sl. No.	State	Location & Implementing Agency	Total approved project cost (Rs. in crore)	Amount released by GOI (Rs. in crore)	Reasons for delay and remarks, if any
1	Assam	Guwahati (Assam Govt. Marketing Corpn., Guwahati)	1.98	0.74	The project was approved in 2001-02 but delayed due to encroachment of land by various local agencies and a case was filed by these unauthorised encroachers in Guwahati High Court. Accordingly, construction work of the project was suspended by the Court.
2	Bihar	Patna (Bihar Industrial Area Development Authority)	2.00	-	Approved in principle in July 2006. However, no funds had been released for this project so far.
3	Chhatisgarh	Raipur (Chhattisgarh Khadi Gramodyog Board, Raipur)	1.60	0.35	Though the project was approved in 2001-02 and 1st instalment of Rs. 35.00 lakh released to the Implementing Agency by DC(HC) in November 2006, IA had requested for escalation in the project cost from Rs. 1.60 crore to Rs. 2.00 crore. Besides, the site was under litigation.
4	Delhi	Mehrauli (Haryana Tourism, Chandigarh)	-	-	This project was approved in August 2004 and no funds released as lay-out plan/architectural design with other relevant documents were awaited from IA
5	-do-	Pitampura (DTTDC Ltd., Delhi)	2.00	-	Though the project was approved in 2004-05, funds were still not released. Proposal for releasing funds was under consideration. M/o Tourism had also released Rs. 4.00 crore for this project.
6	Gujarat	Bhuj (Bhuj Indl. Extn. cottage, Gandhi Nagar)	1.42	0.50	Though the project was approved in 2002-03 and funds released in July 2005 due to increase in price of material, the party to whom the work was allotted, did not turn up. Consequently, the revised estimated cost increased to Rs. 2.14 crore.
7	-do-	Surat (Surat Indl. Extn. Cottage INDEXT-C, Gandhi Nagar)	2.00	-	This project was approved in January 2003, but was under litigation. Hence the project was withdrawn/cancelled in September 2006.

Sl. No.	State	Location & Implementing Agency	Total approved project cost (Rs. in crore)	Amount released by GOI (Rs. in crore)	Reasons for delay and remarks, if any
8	Goa	Panji (Goa HC Rural & Small Scale Ind. Dev Corpn., Goa)	2.00	-	This project was approved in Dec. 2005. However, the Finance Deptt. of State Govt. objected to the proposal at the existing site, since another urban haat project had been sanctioned by MORD-GOI for the Rural Development Agency, North Goa located within 5 Kms radius of the proposed urban haat site. Due to unavailability of alternative land, the project had been delayed.
9	Jharkhand	Ranchi (Ranchi Indl. Dev. Authority, Ranchi)	1.81	0.52	Though this project was approved in 1999-2000 and funds worth Rs. 51.68 lakh were released up to March 2004, the site of the project was under litigation and no progress was reported by the IA.
10	-do-	Hazaribagh (Hazaribagh Kala Evam Sanskriti Vikas Parishad, Hazaribagh)	2.00	0.70	This project was approved in January 2003, but the project could not be completed due to failure of district authority to make available cement as per the approved rate contract.
11	Kerala	Thiruvananthapuram (Kerala State Dev. Corpn. Ltd, Kerala)	-	-	This project was approved in principle in May 2003, but layout plan and architectural design were not submitted by IA. Consequently, the project was withdrawn in September 2006.
12	Maharashtra	Navi Mumbai (CIDCO, Mumbai)	-	-	Though the project was approved in principle in 2004-05, it was delayed due to want of clarifications regarding availability of land, selection of IA etc. Subsequently, the IA had requested for enhanced grant of Rs. 2.1 crore
13	Madhya Pradesh	Indore (MP HC & HL Dev. Corpn., Bhopal)	2.00	-	Though the project was approved in 2004-05, it was delayed as the supporting documents regarding acquisition of land and release of funds by the State Govt. were awaited. The project was finally approved in Aug. 2007 at an escalated cost of Rs. 2.67 crore.
14	Nagaland	Dimapur (Nagaland HL & HC Dev. Corpn., Dimapur)	2.00	0.70	Though the project was approved in 2003-04, the Progress report, UC, SOE and latest status were awaited from the IA.

Sl. No.	State	Location & Implementing Agency	Total approved project cost (Rs. in crore)	Amount released by GOI (Rs. in crore)	Reasons for delay and remarks, if any
15	Orissa	Puri (Orissa Indl. Infrastructural Dev. Corpn., Bhubaneswar)	2.40	0.66	Though the project was approved in 2003-04, it was delayed due to problems in location of site. IA intimated that there was a <i>nallah</i> in front of the available site for the Urban Haat.
16	Punjab	Patiala (INTACH, New Delhi through Deptt. of Culture, Govt. of Punjab)	1.96	-	This project was approved in 2002-03, but the location of the project site was under reconsideration by the State Govt. As no progress reported by the IA, the project was cancelled in September 2006.
17	Rajasthan	Ajmer (Udhyam Protsahan sansthan )	2.00	0.35	Project was approved in April 2006 and the first instalment of Rs. 35.00 lakh was released in August 2006. The bill amounting to Rs. 35.00 lakh received from IA was returned several times from the CPAO with the remarks that the clearance of pending UCs in the Ministry may be done first.
18	-do-	Jaipur (Udhyam Protsahan Sansthan, Jaipur)	2.00	0.88	The project was approved in 2001-02 and total funds of Rs. 87.50 lakh released in January 2007. The delay in release of funds by the Ministry was due to the fact that initial formalities i.e. lay-out plan, architectural design, land allotment by State Govt etc were not completed by the IA.
19	Tripura	Agartala (Tripura Handloom & Handicrafts Dev. Corpn, Tripura)	1.35	0.14	The project was approved in 2000-01 and Central grant of Rs. 13.50 lakh was released in February 2003. As no progress was reported by IA, the project was cancelled in September 2006, but subsequently revived in September 2007 after reconsideration
20	Uttarakhand	Dehradun (State Industrial Corpn. of Uttaranchal)	1.81	0.63	The project was approved in 2001-02 but could not be completed as there was delay in getting permission for converting agricultural land to community (Urban) facilities land.
21	Uttar Pradesh	Agra (UP State Tourism Corpn. Ltd., Lucknow)	1.05	0.49	This project was approved in 2001-02 and funds released, but the IA had not reported status of the project to the Deptt..

Sl. No.	State	Location & Implementing Agency	Total approved project cost (Rs. in crore)	Amount released by GOI (Rs. in crore)	Reasons for delay and remarks, if any
22	Uttar Pradesh	Bareilly (Bareilly Dev. Corpn., Bareilly)	2.00	0.35	This project was approved in 2005-06 but the construction work had not been started. The IA had intimated that the number of shops were not appropriate to fulfil the aims of Urban Haat and hence the sanction order did not seem to be appropriate in respect of the number of shops, food plaza, exhibition hall and their sizes.
23	-do-	Kanpur (Kanpur Dev. Authority)	2.00	0.35	The project was approved in September 2002 and funds released. As no progress reported by the IA, the project was cancelled/withdrawn in September 2006
24	-do-	Lucknow (Awadh Haat Samiti, Lucknow)	2.00	0.70	Though, the project was approved in 2001-02 and funds released, implementation was delayed due to land problem as lay-out plan was not approved by the Lucknow Dev. Authority. Besides, approval for conversion of land use was also not given. Subsequently, the land allotted for Haat was handed over to an Education Institute.
25	-do-	Rampur ( State Urban Dev. Agency)	2.00	0.53	This project was approved in Dec. 2005. Construction work was reported to be under progress.
26	-do-	Varanasi (UP Tourism Development Corpn, Varanasi)	1.95	0.34	This project was approved in 2002-03. IA reported that the work was stopped from April 2007 due to non-receipt of funds for the project. Actually, the IA had not submitted the SOE, UC and latest status of the project for release of further funds.

## CHAPTER XVI : MINISTRY OF TOURISM

### 16.1 Undue benefit to a private publisher in printing of the magazine "Incredible India"

**DOT failed to consider the potential for revenue generation to Government, while awarding the work of publication of the "Incredible India" magazine to a private publisher and subsequently renewing the agreement with the same publisher. This resulted in significant loss of revenue to the Government. In addition, there were significant deficiencies, affecting the transparency of the contracting process.**

Since 1998, the Department of Tourism (DOT) had been publishing a quarterly publication titled "Explore India" through M/s Durga Das Publications (DDP) as its official newsletter. In July 2002, DOT decided to terminate the contract for "Explore India" and replace it with a quarterly newsletter. DOT, therefore, issued a press advertisement in October 2002 inviting tenders for publication of a quarterly newsletter, which would cover news relating to tourism in India for its offices in India and abroad, the tourism industry and the travelling public in general. The tender specified that the newsletter would be for a minimum of 40 pages, and 2000 copies of each issue would be published. Quotations were required to be submitted within 14 days of release of the advertisement.

Ten bids were received in response to the tender notice. The two vendors (DDP and M/s Cross Section Publications) were short-listed, who submitted their dummies<sup>1</sup> for the newsletters in January 2003 and were invited to make presentations in February 2003 to a duly constituted Committee. At the meeting in February 2003, the two parties were asked to clarify whether they would continue to give DOT complimentary copies, provided no advertising was given by DOT, and whether the number of copies could exceed the initially indicated 2000 copies. DDP agreed to print free copies, even if the number were increased to 10,000, without any advertising support from DOT, and also agreed to mail individual copies abroad at their own cost, while M/s Cross Section Publications expressed their inability to mail individual copies. Consequently, the Committee recommended award of the work to DDP for a one year contract, renewable for the second year after evaluation. Also, it was decided that the newsletter would be a bimonthly titled "Incredible India" in the same logotype as DOT's byline, with a minimum of 60 pages.

<sup>1</sup> Dummy: a mock-up of a proposed publication (as a book or magazine)

After approval of the Committee's recommendation, Department of Tourism entered into contract in May 2003 with M/s Durga Das Publishers (DDP) for printing the "Incredible India" magazine on a bi-monthly basis for a period of one year with a minimum of four pages devoted to hard news and major tourism related developments in the country as the India Tourism Newsletter. As per the order, DOT would get 10,000 complimentary copies and DDP at its own cost would mail 2000 copies to tour operators, travel agents, etc. as per DOT's mailing list. The agreement was subject to extension for a second year, after evaluation. In July 2004, DOT extended the contract by three years, on the same terms and conditions.

Audit examination of the contract documents in the Ministry disclosed that:

**Contract of May 2003**

- (i) Ten bids were received in response to the tender notice, which were evaluated by a Committee at a meeting held on 9 December 2002; however, the draft minutes of the meeting of the Committee were not found on record.
- (ii) Out of ten bidders, two vendors – DDP and M/s Cross Section Publications were short-listed. The basis of short-listing of two bidders out of 10 bids was not known, and no documented technical and financial evaluation for this purpose was available on record.
- (iii) The scope and coverage of the order *viz.* printing of a bi-monthly magazine-cum-newsletter, with a minimum of 60 pages (with a four page newsletter), and with 12,000 complimentary copies, differed substantially from that indicated in the original advertisement, which was for a quarterly newsletter relating to tourism in India, for a minimum of 40 pages and 2,000 copies. The advertising revenue implications of a bi-monthly magazine vis-à-vis a newsletter were not considered.
- (iv) The potential for revenue generation for DOT from the publication, as well as the revenue implication of the use of the "Incredible India" logo (which belonged to the Government of India), were not considered. The advertisement had asked potential bidders to quote all inclusive costs, and also indicate expected revenue proceeds from advertisements and open market sales. Although some of the bidders had indicated revenue generation through advertisements ranging from Rs. 1.16 lakh to Rs. 3.8 lakh per issue, while DDP had indicated a figure of only Rs. 0.05 lakh, there was no evidence of any

financial evaluation. This is important, in view of DOT's subsequent request in October 2003, at the instance of DDP, to State Governments to consider advertising support for the publication.

- (v) Records indicated that the magazine had already been printed by March 2003, before issue of the formal work order in May 2003.

#### **Contract for extension- July 2004**

- (vi) In July 2004, a proposal for extending the contract by one more year from May 2004 to May 2005 was submitted, in view of the satisfactory performance of the Agency. However, DOT extended the contract by three years till May 2007, on the ground that the publisher should be given some timeframe to enable them to plan for the medium term, given the fact that DOT had no financial commitment in these ventures. Audit scrutiny revealed lack of adequate consideration of the financial interests of Government at the time of extension of the contract, as detailed below:

- The aspect of revenue generation for DOT was not considered even at the time of extension. No analysis of the actual revenues received through advertisement, as well as open market sales, and actual costs incurred over the first year of the contract was conducted, to assess the potential for revenue generation for DOT.
- There were 40 issues between April 2003 and May 2007. Taking a sample of eight issues during this period, and using the advertising rates for different pages, Audit estimated the total net revenue from advertisements and sales at Rs. 7.39 crore, as detailed in the **Annex**. However, no portion of this revenue accrued to the Government.
- Audit, however, noted that in the case of the inflight magazine of Indian Airlines Limited (which was referred to in the file notings), the publisher provided a monthly remuneration of Rs. 10.50 lakh, as per the Extension Agreement of March 2007.

In response to the audit observations, DOT stated (August 2007) that the branding exercise for "Incredible India" was initiated in 2002-03, and no brandline generates revenue in the initial period of its launch. The reply is not tenable as the Ministry, at the time of extending the contract for three years in July 2004, should have negotiated better terms by conducting proper assessment of the potential for revenue generation from advertisements in the Newsletter, on the basis of the revenue generated by DDP in the first year of the contract.

Incidentally, on expiry of the contract with DDP in May 2007, DOT invited fresh bids, and awarded the contract to another party for three years, with a minimum guaranteed revenue generation to DOT of Rs. 44 lakh for the period. DOT stated (August 2007) that the tender for revenue sharing was initiated on the advice of Integrated Finance of the Ministry, as well as audit.

Thus, failure to consider the potential for revenue generation from the publication of the "Incredible India" Magazine between 2003 and 2007 resulted in undue benefit to the publisher, and consequent loss to the Government. There was also lack of transparency in the contracting process.

The matter was referred to Ministry in June 2007; their reply was awaited as of December 2007.

## 16.2 Wasteful expenditure on hiring of excess space at World Travel Market

**Due to improper assessment, Government of India Tourist Office in London hired space in excess of requirement at World Travel Market during the years 2003, 2004 and 2005 leading to significant underutilisation of space and wasteful expenditure of £ 255,069 (Rs. 2.06 crore).**

World Travel Market (WTM) is the premier global event for the travel industry and is held every year in London. This event is held in the month of November every year at 'Excel' International Exhibition Centre, London.

Government of India Tourist Office (TO), London has been participating in WTM over the years and incurs expenditure on various items viz. hiring of space, stall fabrication, holding of press conference and India Evening, arranging catering, logistics and banners etc. Hiring of space alone accounts for around 50 to 70 per cent of total expenditure. Expenditure incurred on hiring of space vis-à-vis total expenditure incurred during WTM 2003, 2004, 2005 and 2006 are as indicated below:

(Amount in GBP)

Item	WTM 2003	WTM 2004	WTM 2005	WTM 2006
Total expenditure incurred	392,005.22	416,310.02	526,777.00	492,235.12
Expenditure incurred on hiring of space	242,787.93	287,253.46	303,969.00	238,524.25
Percentage of total expenditure	61.93	69.00	57.70	48.46

TO London hires space for event organisers and in turn allots space to various participating tourist organisations of State Governments and other private



participants promoting tourism in India. A participating fee from each participant is collected based on the space requested/allotted to them.

Details of space acquired *vis-à-vis* space allotted and number of participants during WTM 2003 to 2006 are tabulated below:

Year	No. of participants	Space hired	Space allotted to participants	Balance space (Common space)	Excess space hired <sup>2</sup>	Hiring charges (per sq m)	Wasteful expenditure on hiring of excess space	
							(in GBP)	(in INR) <sup>3</sup>
							(in sq m)	
2003	32	770	378	392	248	268	66,464	5,144,978
2004	54	893.75	400	493.75	349.75	268	93,733	7,951,370
2005	64	938	440	498	354	268	94,872	7,530,939
2006	98	756	612	144				
<b>Total</b>							<b>255,069</b>	<b>20,627,287</b>

The assessment of space to be hired during the event is done purely on *ad-hoc* basis as no criteria are laid down to determine the quantum of space to be hired. It is apparent from the table above that space hired during WTM 2003, 2004 and 2005 was more than the space hired during WTM 2006, whereas, the number of participants and total space allotted to the participants was more during WTM 2006. Utilisation of space during 2003 to 2005 ranged from 45 *per cent* to 49 *per cent* only, which was significantly lower than the year 2006 when it was 81 *per cent*, pointing to excess hiring of space during WTM 2003, 2004 and 2005 and consequent wasteful expenditure aggregating £ 255,069 (Rs. 2.06 crore) during these three years.

Ministry of Tourism stated in December 2007 that in addition to the space sold to the co-exhibitors, space in the India Pavilion is also required for common areas, aisles for easy accessibility, meeting rooms for officials of the Ministry to interact with international tour operators, media, opinion makers, as well as areas for presentations to be made by the Central and State Governments. The Ministry further stated that a VIP lounge is also required for interaction of the Minister/Secretary (Tourism), heading the delegation from India, with their counterparts from other countries, the international trade and media.

The reply of the Ministry lacks rationale as the requirement of common areas, meeting rooms, VIP lounge etc. would more or less be invariant, irrespective of the year of the event.

<sup>2</sup> Worked out adopting the area allotted for common space (144 sq m) in WTM 2006 as benchmark.

<sup>3</sup> Converted at average official exchange rate for the month of November and December of particular year.

The Ministry may consider fixing norms for hiring of space at WTM in order to ensure that the space so hired is utilised optimally.

### **16.3 Recovery at the instance of Audit**

**At the instance of Audit, the Ministry recovered an amount of Rs. 19.20 lakh disbursed as Central Financial Assistance for a project in Karnataka, which had not been executed.**

Under the scheme for strengthening of tourism infrastructure – wayside amenities, the Ministry of Tourism approved a proposal from the Government of Karnataka for construction of a restaurant at Fort Chitradurga, and released a total amount of Rs. 19.20 lakh as Central Financial Assistance between March 2001 and June 2002. Since, the Archaeological Survey of India refused permission for the project as the Fort was a protected monument, the project could not be taken up. Ministry also did not pursue the matter with the State Government for recovery of unutilised grant.

On being pointed out in audit in May 2006, the Ministry confirmed (July 2007) that the project had been dropped, and the amount of Rs. 19.20 lakh was recovered by adjustment against another project in that State.

## Annex

(Referred to in Paragraph No. 16.1)

## A. Statement showing estimated revenue from advertisement per issue

	Issue of the Magazine	Advertising Rates					
		Front/ Back Gate Fold	Back Cover	Inside Cover (Front or Back)	Full Page	Half Page	Quarterly Page
1.	March-April 2003	-	1	2	25	7	10
2.	Nov-Dec 2003	-	1	2	19	2	4
3.	May-June 2004	1	1	2	9	6	4
4.	Jan.2005	1	1	2	17	3	5
5.	Feb. 2006	1	1	2	14	1	2
6.	Oct. 2006	-	1	2	12	4	2
7.	Nov.2006	-	1	2	40	11	5
8.	Apr. 2007	-	1	2	14	3	3
	Total (A)	3	8	16	150	37	35
	No. of Issue (B)	8	8	8	8	8	8
	Avg (A/B=C)	0.375	1	2	18.75	4.62	4.75
	Amount of Insertion* (D)	@ Rs. 2,62,500 per insertion	@ Rs. 1,35,000 per insertion	@ Rs. 90,000 per insertion	@ Rs. 56,250 per insertion	@ Rs. 30,000 per insertion	@ Rs. 18,750 per insertion
	Revenue per insertion (E)	Rs. 98,437.50 (i)	Rs. 1,35,000 (ii)	Rs. 1,80,000 (iii)	Rs. 10,54,687.50 (iv)	Rs. 1,38,600 (v)	Rs. 89,062.50 (vi)
	Total Revenue per Issue from Advertisement (i)+(ii)+ (iii)+(iv)+ (v)+(vi)						<b>Rs. 16,95,787.50</b>
	<b>Revenue for Advertisement (A) (40 x Rs. 16,95,787.50)</b>						<b>Rs. 6,78,31,500</b>

\* The advertisement rates for the month of November 2006 have been adopted and a deduction of 25 per cent on this rate has been assumed, taking into account increase/decrease in rates.

**B. Statement showing estimated revenue from advertisements during April 2003 to May 2007**

Bi-Monthly issue	March-April 2003 to March –April 2004	11
Monthly issue	Jan.2005 to May 2007	29
	<b>Total</b>	<b>40</b>
Sales Revenue of Bi-Monthly Issue	11x 23,590 x 100	Rs. 2,59,49,000
Sales Revenue of Monthly Issue	29 x 23,590 x 50	Rs. 3,42,05,500
Total Revenue From Sales (B)		Rs. 6,01,54,500
Cost of Bi-Monthly Issue	53,000 x 11 x 100 x 40%	Rs. 2,33,20,000
Cost of Monthly Issue	53,000 x 29 x 50 x 40%	Rs. 3,07,40,000
Total Cost (C)		Rs. 5,40,60,000
Net Revenue from Sales (B-C=D)		Rs. 60,94,500
<b>Total Net Revenue from Advertisement &amp; Sales (A+D=E)</b>		<b>Rs. 7,39,26,000</b> <b>Say Rs. 7.39 crore</b>

## CHAPTER XVII: MINISTRY OF URBAN DEVELOPMENT

### 17.1 Inordinate delay in implementation of a scheme for minimising aircraft accidents due to bird hits at the airfields

**Lack of adequate and sustained efforts on the part of the Ministry in implementing a project on “Solid Waste Management and Drainage in 10 Selected IAF airfields” costing Rs. 105 crore resulted in serious delay of more than a decade in completing the project. This led to continuing national loss of IAF aircraft and invaluable lives of pilots in air accidents due to bird hits. During the period from 1990-91 to 2006-07, IAF aircrafts had 13 air accidents and 542 incidents on account of bird hits, which resulted in loss of 12 aircraft with a financial implication of Rs. 181.33 crore.**

Bird hits have been a major cause of air accidents. Indiscriminate disposal of garbage and stagnation of waste water in open drains close to the airfields attract birds, thereby posing serious hazards to aircraft operating at such airfields. During the period from 1978-79 to 1987-88, the Indian Air Force (IAF) suffered damages to 60 aircraft due to bird hits; of these, in 38 cases, the aircraft were totally destroyed and five pilots killed. IAF was stated to be incurring an expenditure of more than Rs. 50 crore annually on account of damage to aircraft due to bird hits.

In order to prevent/ reduce accidents due to bird hits, an Inter Ministerial Joint Sub Committee (IMJSC) was constituted in February 1989 to formulate action plans to sanitise a few selected airfields. In February 1990, IMJSC recommended implementation of garbage disposal and sewerage/ drainage schemes in 10 selected high risk category-I airfields<sup>1</sup> at an estimated cost of Rs. 5.05 crore, which were to be completed in a period of two to three years. Having observed that the problem areas and the remedial measures identified a decade ago were not implemented due to lack of financial resources and unwillingness of the States and local bodies to invest funds in these schemes, IMJSC recommended Central funding of this scheme, and also recommended that the Ministry of Urban Development be made the nodal ministry for the solid waste management and sewerage schemes.

Audit examination indicated that despite the IMJSC’s recommendations of February 1990, the solid waste management and sewerage schemes in the 10 airfields were not completed even after 17 years, as detailed below:

<sup>1</sup> Gwalior (M.P.), Sirsa and Ambala (Haryana), Hindon and Bareilly (U.P.), Adampur (Punjab), Tezpur (Assam), Pune (Maharashtra), Jodhpur (Rajasthan), Dindigul (A.P.)

- The Planning Commission was approached only in October 1993, more than three years after the IMJSC recommendations, for budget provision. In May 1994, the Ministry requested the State Governments to submit projects with commitments to share one-third of the cost, as indicated by the Planning Commission. The Ministry initiated project preparation only in March 1995.
- The initial feasibility report for the project was got prepared by HUDCO<sup>2</sup> in October 1996. However, due to delayed actions for obtaining in-principle approvals from the Planning Commission and the Expenditure Finance Committee, HUDCO was asked in October 2003 for preparing DPRs; no time schedule for preparation was, however, framed.
- Due to the failure of HUDCO to prepare the DPRs, the work was reassigned in August 2004, after more than three years, to three agencies, and the DPRs were finally approved by March 2006.
- Against the estimated cost of Rs. 118.58 crore indicated in the DPRs, total funds of Rs. 104.72 crore were released up to 2006-07. Subsequently, the estimated cost was revised upwards to Rs. 129.54 crore.
- Out of 10 projects, only two projects at Sirsa and Jodhpur were reported completed in June 2006 and October 2006 respectively; details of physical and financial progress in respect of the 10 projects are indicated in the **Annex-A**.

Thus there were serious delays in implementation of solid waste management and sewerage schemes due to lackadaisical approach of the Ministry. Meanwhile, during the period from 1990-91 to 2006-07, the IAF had 13 air accidents and 542 incidents on account of bird hits, which resulted in loss of 12 aircraft with a financial effect of Rs. 181.33 crore. Further, even after completion of the projects at Sirsa and Jodhpur, 11 incidents occurred at these airfields during 2006-07, raising doubts on the effectiveness of the projects.

Hence, inordinate delay on the part of the Ministry in monitoring and ensuring implementation of solid waste management and drainage schemes in 10 selected airfields, resulted in loss of 12 IAF aircraft, and repair/ replacement cost of Rs. 181.33 crore, and non-achievement of the intended objectives of minimising bird hits. The Ministry stated (October 2007) that the main causes of delay were non-finalisation of sources of funding, and delays in formulation

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<sup>2</sup> Housing and Urban Development Corporation (HUDCO)

and finalisation of DPRs and project approvals by various authorities. The contention of the Ministry is not tenable, as these issues should have been sorted out much earlier, through better co-ordination and serious and sustained efforts on the part of the Ministry. The delay of more than 17 years in the implementation of the schemes resulted in air accidents causing invaluable loss of lives of pilots and continuing national loss of IAF aircraft due to bird hits, with much higher financial implications than the cost of these solid waste management and drainage schemes/projects.

### **Central Public Works Department**

#### **17.2 Non-recovery of Construction Workers Welfare Cess from contractors**

**Forty eight Divisions of CPWD in Delhi did not recover Rs. 2.09 crore from contractors on account of construction workers welfare cess between August 2005 and March 2007.**

The Building and Other Construction Workers Welfare Cess Act 1996 (Cess Act) provides for levy and collection of a cess on the cost of construction incurred by employers with a view to augmenting the resources of the Building and Other Construction Workers Welfare Boards constituted under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The provisions of the Cess Act and the Rules made thereunder in 1998 were made operative in the whole of the National Capital Territory of Delhi from January 2002, with the notification of the Delhi Building and Other Construction Workers (RE&CS) Rules 2002. These rules required all Government Departments and other bodies carrying out any building or other construction works through contractors to mandatorily deduct cess at source at one *per cent* of the cost from the bills at the time of making payment to the contractors and to remit the deductions within 30 days to the Delhi Building and Other Construction Workers Welfare Board (Board), along with a prescribed return. In November 2004, the Directorate General, Central Public Works Department (CPWD) made provisions for deduction of cess in the General Conditions of Contract 2005 and directed all concerned in December 2005 to ensure recovery and remittance of the cess and also to take necessary action for clearing the backlog on this account.

Test check of records of 48 Divisions of CPWD in Delhi revealed non-recovery of cess aggregating Rs. 2.09 crore during the period from August 2005 to March 2007 as per details in the **Annex-B**. Audit noted in one of the

divisions that on demand from the New Delhi Municipal Council (NDMC), CPWD itself had made payment of Rs. 9 lakh from its own budget in March 2004 and May 2005 to the NDMC on account of the cess in respect of Handicrafts Bhawan at Baba Kharag Singh Marg, New Delhi constructed by it through a contractor, thus extending undue favour to the contractor at Government cost.

Thus, ineffective implementation of the Cess Act and Rules by CPWD Divisions in Delhi, despite specific orders of the Directorate General for clearing the backlog on this account, resulted in non recovery of Rs. 2.09 crore from contractors on account of the cess. The Ministry may put in place an effective internal control and oversight mechanism to ensure that the cess is recovered from the contractors before releasing their payments so that the objective of augmenting the resources of the Building and Other Construction Workers Welfare Boards is achieved as envisaged in the Act.

The matter was referred to the Ministry in July 2007; their reply was awaited as of October 2007.

### Directorate of Estates

#### 17.3 Non-recovery of outstanding dues

**Failure of the Directorate of Estates to realise licence fees of Rs. 4.36 crore in time resulted in undue financial benefit to Central Cottage Industries Corporation.**

Directorate of Estates, New Delhi (DOE) provided office space measuring 25045 square feet to the Central Cottage Industries Association, a voluntary organisation, in September 1967. The Association was later taken over by Central Cottage Industries Corporation (CCIC), a Government of India Undertaking under the Ministry of Textiles, in April 1976. DOE also provided additional accommodation measuring 9078 square feet (December 1976) to CCIC on the condition that market licence fee as determined by Government from time to time, would be paid by the Corporation for the entire accommodation.

The market rate of licence fee as fixed by DOE was revised periodically. From 16 March 1999, the licence fee recoverable from non-Government/non-eligible allottees of general pool accommodation was revised to Rs. 63 per square feet and CCIC was requested in October 2000 for payment of arrears of Rs. 2.70 crore for the period from March 1999 to September 2000. CCIC did not make payment of arrears of the revised licence fee and vacated the



premises in October 2001. When the non-recovery was pointed out in audit (June 2003), DOE issued notices in August 2004, April 2006 and August 2007, but the arrears of Rs. 4.36 crore up to the date of vacation were yet to be recovered as of September 2007. DOE replied in September 2007 that the matter was being actively pursued with CCIC and Ministry of Textiles and they had also initiated recovery proceedings under the provisions of Public Premises (Eviction of Unauthorised Occupants) Act, 1971. The reply is not acceptable as the DOE has not effectively enforced the recovery of licence fee even after six years of vacation of premises. Failure to recover the licence fee dues amounts to grant of undue favour to the corporation.

The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.

#### **17.4 Non-recovery of licence fee**

**Delay in allotment of a commercial property facilitated its unauthorised occupation by Delhi Police for 17 years. Besides, licence fee of Rs. 1.66 crore for this period was yet to be recovered by Directorate of Estates.**

The Ministry of Urban Development decided in March 1979 (then Ministry of Works and Housing) that the construction of convenient shopping centre in Mehrauli Badarpur Road would be undertaken by Central Public Works Department (CPWD) and the shops would be sold by auction by the Land and Development Office (L&DO) at the earliest so as to ensure that they do not remain vacant after completion. CPWD completed construction of shopping centre with 13 shops and nine stalls in March 1985 and made several requests to the L&DO for taking over the shops for allotment. However, the auction conducted by L&DO proved unsuccessful and the shops remained vacant. Accordingly, the Ministry decided in December 1996 that all shops/ stalls in Government colonies would be allotted by the Directorate of Estate (DOE) on licence fee basis through open tender system. During a joint inspection in June 1998 with CPWD officials, DOE noted unauthorised occupation of these shops by Delhi Police since January 1990. Despite pursuance from August 1998, the shopping complex could not be got vacated from Delhi Police, who requested to allow them to retain the premises till completion of their own building by March 2006.

On being pointed out in audit, DOE decided to charge licence fee and demanded (December 2005) an amount of Rs. 1.47 crore towards licence fee for the premises for the period from January 1990 to November 2005. Delhi Police finally vacated the shopping centre on 10 July 2007. However, the

licence fee of Rs. 1.66 crore up to the date of vacation remained unrecovered. DOE stated (August 2007) that the recovery of licence fee was being actively pursued with the Ministry of Home Affairs.

The reply is not tenable as the licence fee had not been recovered for nearly ten years after taking note of the unauthorised occupation in June 1998. The Ministry needs to evolve an effective oversight mechanism for control over unallotted properties.

The matter was referred to the Ministry in June 2007; their reply was awaited as of January 2008.

## Annex-A

(Referred to in Paragraph No. 17.1)

Details of physical and financial progress of projects on Solid Waste Management and Drainage in 10 selected IAF airfields

(Rupees in lakh)

Sl. No.	Name of the Town	Total Funds Released	Physical Progress (Percentage completed)	Financial Progress (Percentage funds utilised)
1.	Sirsa	811.51	100	100
2.	Jodhpur	1850.74	100	100
3.	Ambala	846.01	85	75
4.	Adampur	231.40	80	75
5.	Gwalior	960.12	90	75
6.	Pune	2833.37	10	9
7.	Tezpur	462.19	2	2
8.	Dundigal	161.43	70	75
9.	Hindon	1276.00	NA	NA
10.	Bareilly	1039.50	79	75
<b>Total</b>		<b>10472.27</b>		

## Annex-B

(Referred to in Paragraph No. 17.2)

Statement showing non-recovery of Construction Workers Welfare Cess by CPWD in Delhi from contractors during 16.08.2005 to 31.03.2007

(Amount in Rupees)

Sl.No.	Name of Division	Amount of Cess recoverable @ 1% of gross payment	Amount of Cess actually recovered	Short recovery from contractors
1.	A	2430536	1308405	1122131
2.	B	915287	0	915287
3.	C	1019430	661946	357484
4.	D	630407	256136	374271
5.	G	664586	0	664586
6.	I	709730	332117	377613
7.	K	599935	0	599935
8.	H	1047993	666234	381759
9.	L	312902	305946	6956
10.	M	1410490	0	1410490
11.	Q	473031	0	473031
12.	V	1437951	1293917	144034
13.	PWD-I	942651	794413	148238
14.	PWD-III	815547	753721	61826
15.	PWED-I	846653	401722	444931
16.	PWED-II	573720	0	573720
17.	P Estate D	2542966	2198534	344432
18.	ED-I	582307	0	582307
19.	ED-II	462186	337491	124695
20.	ED-III	89624	81278	8346
21.	ED-IV	138416	96692	41724
22.	ED-V	604240	0	604240
23.	ED-VII	938395	0	938395
24.	ED-VIII	409184	0	409184
25.	ED-IX	369330	0	369330
26.	ED-XII	187759	113306	74453
27.	ED-XV	86922	0	86922
28.	SJHED	187370	0	187370
29.	SJHD	418848	0	418848
30.	RMLHD	211661	0	211661
31.	RML(Elec)	212132	0	212132
32.	SSKH	336342	0	336342
33.	UFWSD	339776	0	339776
34.	ECD-I	718453	0	718453

(Amount in Rupees)

Sl.No.	Name of Division	Amount of Cess recoverable @ 1% of gross payment	Amount of Cess actually recovered	Short recovery from contractors
35.	ECD-II	226150	0	226150
36.	ECD-III	729966	0	729966
37.	ECD-IV	124333	0	124333
38.	ECD-V	442594	357884	84710
39.	ECD-VI	392121	195027	197094
40.	ECD-VII	116346	49253	67093
41.	ACD-IV	147439	0	147439
42.	ACD-V	2549862	0	2549862
43.	CD-VI	741707	0	741707
44.	CD-XII	1663796	936566	727230
45.	VBD	1102324	934573	167751
46.	VBED	453750	0	453750
47.	NGMA	195581	45448	150133
48.	ED-XVIII	426432	0	426432
<b>Total</b>		<b>32979161</b>	<b>12120609</b>	<b>20858552</b>

## CHAPTER XVIII : MINISTRY OF WATER RESOURCES

### Central Water Commission

#### 18.1 Deficient implementation of intranet portal 'Sangam'

**There was a delay of more than three years in completing the intranet 'Sangam' portal of the Central Water Commission. Further, despite expenditure of Rs. 37.85 lakh, the implementation of the system was deficient, and the system was remaining largely idle.**

Under a IX Plan scheme for "Upgradation and modernisation of information technology system", the Central Water Commission (CWC) awarded the work of software development for its intranet portal to M/s C-DAC in July 2002 at a cost of Rs. 44.50 lakh; the work included intranet application development, databases and data entry, commercial software, training, integration and implementation of commercial software, network and intranet improvement services, documentation, media, warranty and hand holding.

The intranet application was intended to harness the advantages of IT in administrative, financial and technical fields, and provide a canvas for appropriate information links to all the offices of CWC and to other organisations as well. It involved development of 8 modules<sup>1</sup>, which were to be mounted on the 'Sangam' intranet portal of CWC. The platforms chosen for the portal were Microsoft SQL Server at the back-end and Active Server Pages for the front-end web based interface. The work was stipulated for completion by April 2003.

IT audit of the software application (June 2007) revealed that a structured approach to system development was not adopted:

- Before awarding the contract, CWC did not conduct a feasibility study to identify and evaluate alternative options and formulate a business case for the computerisation proposal.
- CWC did not also prepare a User Requirement Specification (URS) for the system, which should have formed the basis for system design and development, as also for inviting quotations from prospective vendors.

<sup>1</sup> (i) Technical Information Highway (TIH), (ii) Establishment & Accounts (Personnel Information System-PIS), (iii) Financial Management System (FMS), (iv) Budget, (v) Administrative Features, (vi) Intranet main Page, Administrative, and Security Features, (vii) Parliamentary Query System (PQS), and (viii) Library Information System (LIS).

- The System Requirements Specifications (SRS) prepared by C-DAC, which was not based on formally documented user requirements of CWC, was conditionally accepted by CWC (March 2003) and changes made to original SRS were not properly documented.

Audit scrutiny also revealed that the work of software development was completed only in April 2006, against the stipulated date of April 2003. Although the software was developed and tested by C-DAC, piecemeal extensions of time were granted till July 2004 for implementation. Due to delay by CWC in furnishing data, C-DAC withdrew its team from software development work from March 2004 to July 2005. C-DAC restarted the work in July 2005 on the condition that identifiable responsibility / ownership in execution of the work by the management would be provided by CWC, resulting in completion of the work by April 2006.

However, despite completion in April 2006, the implementation of 'Sangam' was still found to be deficient. Audit examination of the database in July 2007 revealed that only two modules, namely, PIS (Personnel Information System) and LIS (Library Information System), contained significant data. Even in respect of these two modules, the data was only partial and there were several cases of invalid or incomplete data records. The system was thus, largely, remaining idle.

Thus, due to non-conduct of feasibility study, non development of User Requirement Specifications and poor IT project management, the intranet 'Sangam' portal of CWC was completed after a delay of more than three years. Further, lack of ownership and involvement right through the planning, development and implementation stages resulted in the system remaining largely idle, despite expenditure of Rs. 37.85 lakh.

In response, the CWC stated (November 2007) that:

- A standard approach was adopted to the development of the Intranet portal, as per standard practices in a Government system, by constituting committees, namely 'nodal group' and 'procurement committee', consisting of experts from various fields, including representatives from NIC. User representatives were part of the nodal group and procurement committee of experts. The steps/ procedures suggested by the experts of various fields in the committee were adopted as such. The procedure for awarding the

work of development of the software was vetted by the finance desk of the Ministry, before approval of the Secretary.

- The SRS was prepared by C-DAC with the active participation of user representatives of CWC, with overall co-ordination by Secretary, CWC, and was accepted subject to the condition that necessary modification of the software development would be carried out by C-DAC, based on recommendations during testing or during user trials of the development software.
- The extension for the work of software development till April 2006 was granted by the Ministry in April 2006.
- Implementation of a versatile package like CWC could only be a gradual exercise involving acceptance by all users. The larger role in its initiation was required to be played by the establishment officials for capturing miscellaneous service book details/events. Understandably, these officials were not very computer savvy, and moreover with manpower constraints, not many of them were being spared for training or dedicated data entry jobs.
- While the LIS module data entry was nearing completion, progress on PIS module data, which had to be entered by role managers of various establishment sections was relatively slow due to excessive work load/ shortage of manpower/ non-availability of computers etc.; moreover, data entry work could not be outsourced. The administrative module was fully operational, and usage would pick up as soon as it was popularised. The Parliamentary Query System was fully operational, and use of this module had to be picked up by the nodal directorate. The TIH module was complete, but data had to be gradually built up through co-operation of individual users. Other modules were linked to PIS, and hence overall implementation of 'Sangam' was getting slowed down.
- It may not be apt to say that the system was remaining idle. The program was fully developed, and considerable progress was being made on implementation, in spite of such constraints as lack of manpower and hardware resources.



The response of the CWC is not tenable for the following reasons:

- A structured and systematic approach<sup>2</sup> would involve the conduct of a feasibility study, followed by the preparation of a URS, which would form the basis for inviting quotations from prospective vendors. Such an approach helps to ensure that the system, when developed, is fully aligned with business and user requirements, and is effectively implemented within the stipulated time schedule with the full co-operation and support of the users. Constitution of committees, even if experts and user representatives are included, and vetting of the award of the work by the Ministry's finance desk do not, by themselves, constitute such an approach, in the absence of a formally documented feasibility study and URS.
- The fact that the SRS, prepared by C-DAC, was accepted with the caveat of modification at the time of testing and user trials, itself clearly points to the lack of adequate user involvement through the drafting of a formal URS. A properly prepared URS should form the basis for development of a SRS, and user trials and testing would then be with reference to the URS and SRS, and not the basis for significant changes to the SRS after development of the software.
- The fact that the implementation of the intranet portal 'Sangam' was being hampered primarily due to lack of adequate co-operation from users in entering data, and making use of the system, purportedly due to manpower and other constraints, itself points to the lack of adequate user involvement at the time of developing the URS. Such user involvement at the initial stage (feasibility study and URS) would have ensured a focus on a practicable, realistic and implementable scope for the proposed IT system, after due consideration of existing constraints, before calling in a vendor for system development. In the current case, the process of first developing the system and then making efforts to persuade users to make better use of the developed modules has contributed significantly to the delays in implementation.

The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.

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<sup>2</sup> For example, CoBIT (Control Objectives for Information and Related Technology) is an international open standard issued by the IT Governance Institute

**CHAPTER XIX : MINISTRY OF YOUTH AFFAIRS AND SPORTS**

**19.1 Release of excess grant**

**The Ministry of Youth Affairs and Sports continued to release grants to the Nehru Yuva Kendra Sangathan year after year without taking into account the unspent balances of the previous years resulting in the accumulation of funds of Rs. 63.91 crore as of March 2006.**

The examination of records of the Ministry and the accounts of Nehru Yuva Kendra Sangathan (NYKS) disclosed that Ministry of Youth Affairs and Sports had been releasing grants to NYKS, far in excess of their requirement year after year ranging between Rs. 4.67 crore to Rs. 8.35 crore from 2002-03 to 2005-06. The Ministry did not take into account the unspent balances of the previous years while releasing the grants resulting in excess release of grants in all the subsequent years. The persistent excess release of the grants resulted in accumulation of funds between Rs. 57.59 crore to Rs. 77.17 crore during 2002-03 to 2005-06, which was retained by NYKS in a fund termed as 'Endowment fund (NYKS)', created without the approval of the Ministry.

The following table indicates the internal receipts, grant released, expenditure incurred and the unspent balances each year:

*(Rupees in crore)*

Year	Internal receipts	Grant released	Total	Expenditure	Unspent balances
1	2	3	4 (2+3)	5	6
2002-03	2.13	48.57	50.70	44.60	6.10
2003-04	2.89	46.80	49.69	41.67	8.02
2004-05	2.99	49.06	52.05	47.38	4.67
2005-06	4.02	54.89	58.91	50.56	8.35
<b>Total</b>	<b>12.03</b>	<b>199.32</b>	<b>211.35</b>	<b>184.21</b>	<b>27.14</b>

All premature and unnecessary release of funds result in avoidable increase in the fiscal deficit and interest cost.

On being pointed out by Audit in February 2007, the Ministry while admitting the lapses in the system stated in November 2007 that the entire unspent balance of Rs. 63.91 crore has been adjusted against the grants-in-aid for the current financial year i.e. 2007-08.

The Ministry should strengthen internal control to reckon the actual utilisation of previous grants by the grantee institutions and internally generated amount while releasing the grants to a body or authority.

## CHAPTER XX : UNION TERRITORIES

### Andaman and Nicobar Administration

#### Directorate of Industries

#### 20.1 Unauthorised expenditure

**Implementation of Island Transport Subsidy Scheme beyond its approved period of operation, without approval from the Ministry and reimbursement of the transport subsidy to industrial units, resulted in an unauthorised expenditure of Rs. 48.69 lakh.**

In January 2001 Government of India, Ministry of Commerce and Industry approved the operation of "Island Transport Subsidy Scheme 1995" for a period of three years from 2000-01 to 2002-03. The scheme was to be implemented by the Directorate of Industries, Andaman & Nicobar Administration.

The scheme envisaged reimbursement of freight charges as transport subsidy for transportation of raw materials from the port of mainland to the location of the unit in the Islands and for transportation of finished goods from the location of the unit to the port at mainland. The subsidy was 85 per cent in the first two years and 75 per cent in the third year.

In January 2003, Andaman & Nicobar Administration decided to continue the scheme beyond the stipulated period ending in 2002-03 and sought the approval of the Ministry to that effect. Though the approval was never given by the Ministry, the Administration continued to reimburse the freight charges beyond 2002-03. Test check of records of the Directorate of Industries, Andaman & Nicobar Administration revealed that the Administration had sanctioned the reimbursement of the subsidy as late as in February 2005 and payments amounting to Rs. 48.69 lakh were released to seven industrial units as detailed below:

Sl. No.	Name of the unit	Period of claim	Amount of subsidy (Rs.)
1.	M/s Amuda Poultry Feed, Calicut, South Andaman	01.11.03 to 30.04.04	1,37,799
2.	M/s Sri Lord Venkateshwar Mills, Babu Lane, Port Blair	01.04.03 to 31.12.03	2,86,312
3.	M/s Andaman Paints Pvt. Ltd., Industrial Estate, Garacharma, South Andaman	01.01.03 to 30.03.04	53,298
4.	M/s Shiva Products, Garacharma, South Andaman	01.07.03 to 31.03.04	96,371

Sl. No.	Name of the unit	Period of claim	Amount of subsidy (Rs.)
5.	M/s Inland Marine Works Pvt. Ltd., Hathitapu, South Andaman	01.04.03 to 31.12.03	1,58,236*
6.	M/s Pioneer Feeds, Sadha Bhavan, Gurudwara Lane, Port Blair	01.04.03 to 31.03.04	41,06,739
7.	M/s Phoenix Enterprises, Phoenix Bay, Port Blair	15.09.03 to 31.01.04	30,501
<b>Total</b>			<b>48,69,256</b>

In view of the audit observation raised during September 2005 reimbursement of further claims amounting to Rs. 30.34 lakh were kept in abeyance.

Thus, continuation of the scheme without obtaining the approval of the Ministry and the Planning Commission resulted in an unauthorised expenditure of Rs. 48.69 lakh.

The matter was referred to the Ministry in June 2007; their reply was awaited as of December 2007.

### Directorate of Shipping Services

#### 20.2 Loss of revenue

**Delay by the Andaman and Nicobar Administration in revision of Bunker Surcharge at par with the Indian Coastal Conference resulted in loss of revenue of Rs. 27.83 lakh with no scope of recovery.**

The Directorate of Shipping Services (DSS) is engaged in transportation of cargo between Foreshores, Inter-Islands and Mainland-Island sectors. The freight is charged on the basis of rate fixed by Indian Coastal Conference (ICC).

DSS, Andaman and Nicobar Administration decided in June 1993 to levy Bunker Surcharge as may be fixed by the ICC from time to time in addition to the freight.

Test check in audit revealed that the Bunker Surcharge was revised three times during the period from March 2003 to April 2006 but the revised rates were implemented after delays ranging from seven to nineteen months. Instead of maintaining proper liaison with the appropriate agency i.e. ICC to promptly obtain revised rates of Bunker Surcharge, DSS depended on Andaman Ship-owners' Association and Chamber of Commerce, which resulted in late receipt of orders.

\* Rs. 3,09,100 pertained to period from 01.01.2003 to 31.12.2003 out of which Rs. 1,50,864 was for the period 01.01.2003 to 31.03.2003.

The delay in implementation of revised rates of Bunker Surcharge thus resulted in loss of revenue of Rs. 27.83 lakh with no scope of recovery.

The matter was referred to the Ministry in July 2007; their reply was awaited as of September 2007.

### **Port Management Board**

#### **20.3 Unfruitful expenditure**

**Port Management Board ignored the provisions of the agreement regarding release of payment and failed to monitor the progress of the work of construction of a Steel Dumb Barge resulting in unfruitful expenditure of Rs. 45.76 lakh.**

With a view to provide fresh water to vessels calling at Port Blair harbour and to the general public at the time of water crisis, the Port Management Board (PMB) proposed for acquisition of four 250 ton capacity steel Dumb Water barges and entrusted the construction and delivery of two barges to M/s Collaboration Industries Boat Yard (firm)<sup>1</sup>. An agreement was entered into between Chief Port Administrator (CPA) and the firm in December 2002 for construction and delivery of two barges at a cost of Rs. 63.46 lakh each. The construction was to be done under the supervision of Indian Registrar of Shipping (IRS) and was to be completed within six months. The progress of work was to be monitored by the Assistant Engineer (P&S) of PMB.

Terms and conditions of the contract provided for release of payment to the firm in five stages as follows:

First stage: 20 *per cent* of the contract price to be paid on signing of the contract agreement.

Second stage: 30 *per cent* on laying of keel of the vessels. The payment was to be released on submission of stage completion certificate issued by IRS surveyor and subject to placement of order for full quantity of steel, anchor equipment and machineries and also on submission of IRS approved designs and drawings.

Third stage: 20 *per cent* on completion of erection of bulkhead, floors, frames and beams.

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<sup>1</sup> The contract for construction and delivery of 2 more barges were awarded to M/s Inland Marine works Private Ltd, Port Blair.

Fourth stage: 20 *per cent* of the contract price on completion of the hull and placement of machineries on board barge and on launching and trial of the machineries.

Fifth and final stage: Balance 10 *per cent* to be paid on completion of delivery and acceptance of the fully completed barge.

Audit examination disclosed that the Board did not adhere to the conditions of the contract in releasing stage payments to the firm and made excess payment without ensuring that the requisite progress was achieved by the firm in executing the work, as discussed below.

In January 2003, Board paid the first stage payment of Rs. 25.38 lakh, being 20 *per cent* of the contract price, to the firm. The second stage payment of Rs. 38.10 lakh was released in March 2003 for both the barges without verifying the fact that the firm had placed orders for machineries and anchor equipment only for one barge. The third stage payment of Rs. 25.38 lakh for the two barges was released during August – September 2003, in two instalments of Rs. 12.69 lakh each. The remaining fourth stage payment for the first barge amounting to Rs. 12.69 lakh was released in March 2004 by PMB and the first barge was delivered in November 2004.

PMB did not enquire and follow up on the construction and delivery of the second barge before releasing stage payments. A joint inspection was carried out by the PMB and the IRS only in November 2005 when it was revealed that the construction of the second barge was still incomplete. It prepared a show-cause notice in February 2006 informing the Board's intention to terminate the contract for delayed construction and completing the work at the risk and cost of the contractor by a third party, which, however, could not be served, the firm allegedly having vacated its premises. It was published in a local daily in March 2006, with no response from the firm till date. The Board had spent Rs. 1.34 lakh on the security personnel deployed to guard the semi-constructed barge. It had taken no further action to complete its construction either.

Payment of Rs. 31.74 lakh for second and third stage payment was made on the basis of completion certificates issued by the Assistant Engineer (P&S). The matter needs investigation for fixing responsibility of the authorities concerned for releasing stage payments on the basis of incorrect certificates.

Thus, failure on the part of PMB to closely follow up the various stages of construction of the second barge resulted in unfruitful expenditure of Rs. 45.76 lakh so far.

The matter was referred to the Ministry in July 2007; their reply was awaited as of December 2007.

### **Chandigarh Administration**

#### **20.4 Recovery at the instance of Audit**

**Non-auctioning of lease for sale of printed forms resulted in non-recovery of Rs. 41.46 lakh. On being pointed out in audit, Chandigarh Administration recovered an amount of Rs. 35.33 lakh from the Society.**

District Office Manual (Kutchery Compound Fund Rules 1937)<sup>2</sup> envisage that in March every year, on a date to be fixed by the Deputy Commissioner and previously notified, the lease of culturable areas as well as the lease for the sale of printed forms shall be auctioned by an officer not below the rank of an Extra Assistant Commissioner for one year with effect from the 1<sup>st</sup> April next.

It was noticed in audit that in Union Territory, Chandigarh lease contract for the sale of different types of forms used in courts was being awarded by auction. As the contractor started selling forms at rates higher than the prescribed rates, U.T. Administration decided to give the lease contract to the Secretary, Red Cross Society, UT Chandigarh for the year 1996-97 by adding additional amount of 10 *per cent* in the lease money for the previous year. The department referred the case to the Chandigarh Administration for write off of the lease money for the year 1996-97 on the grounds that the society was engaged in helping the persons in distress which was rejected (January 1998). The society deposited the lease money for the year 1996-97. The lease contract for the year 1997-98 was renewed for the Rs. 2,60,150/- on the condition that monthly instalment of lease money would be deposited by 7<sup>th</sup> of each month in advance. Thereafter neither auction for the sale of the said forms was held nor was the lease contract renewed with Red Cross Society for the year 1998-99 to 2006-07 although the society continued to sell the forms. The Society did not pay lease money amounting to Rs.41.46 lakh for the year 1997-98 to 2006-07 which resulted in loss of revenue to the Government.

On being pointed out in audit in May 2002 and July 2005, Chandigarh Administration intimated (September 2007) that a sum of Rs.35.33 lakh has been deposited by the Society in Government account in August 2007 and the Society has also been asked to deposit the balance amount of Rs. 6.13 lakh.

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<sup>2</sup> Appendix 1(3) to Chapter-10 of the Manual

## Union Territory of Lakshadweep

### 20.5 Unfruitful expenditure on a swimming pool project

**Land acquired in Androth Island of Union Territory of Lakshadweep for construction of a sea water swimming pool for imparting coaching could not be put to use as the project was later found ill-conceived, rendering entire expenditure of Rs. 77.11 lakh on acquisition of land unfruitful.**

Director of Education in the Union Territory of Lakshadweep acquired 8,490 square metre of land in Androth Island during 2001-02 at a total cost of Rs.77.11 lakh for construction of a sea water swimming pool. The Department intended to construct a 50 metre six lane swimming pool to provide long term scientific coaching in swimming to sports enthusiasts of the island for producing top class swimmers. The cost of construction of the swimming pool was estimated at Rs. 2.72 crore.

After acquiring the land, the Department discussed the viability of the project with the National Swimming Coach (technical expert) in February 2003 who pointed out that swimming competitions were conducted in fresh water pools and therefore, swimmers trained in salt water pools would be at a disadvantage due to variance in buoyancy of saline and non-saline water. He also opined that 50 metre pool was not a viable option in view of the high cost of construction and maintenance, smaller number of trainees available in the island and the high demand of fresh water for the pool. Though possibility of constructing a 25 metre fresh water swimming pool was explored after the advice of National Coach was received, no effective follow up action was taken.

Audit scrutiny revealed poor planning and lack of foresight and understanding on the part of the Department in projecting construction of a large sea water swimming pool to train swimmers for competitive sports. It was only after the land was acquired that the Department consulted (February 2003) the technical expert and found that its proposals were not viable. Going into a project of this magnitude, involving expenditure of over Rupees three crore, without proper study of its feasibility and viability was imprudent and resulted in locking up of government funds with no tangible benefit.

The Department in its reply stated (February 2007) that currently there was no proposal to construct a swimming pool and the Department was exploring ways to utilise the land acquired for some other departmental purpose.



The reply is not tenable as even four years after the project was found unviable by the technical expert, the Department did not take any effective action to utilise the land for any other purpose or dispose it off, if not needed. Thus, the expenditure of Rs. 77.11 lakh incurred on acquisition of land was unfruitful. Government may examine whether an effective system of conducting proper study and obtaining expert technical opinion is in place before acquiring land for large projects as land in Lakshadweep is a scarce resource.

The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.

## CHAPTER XXI : GENERAL

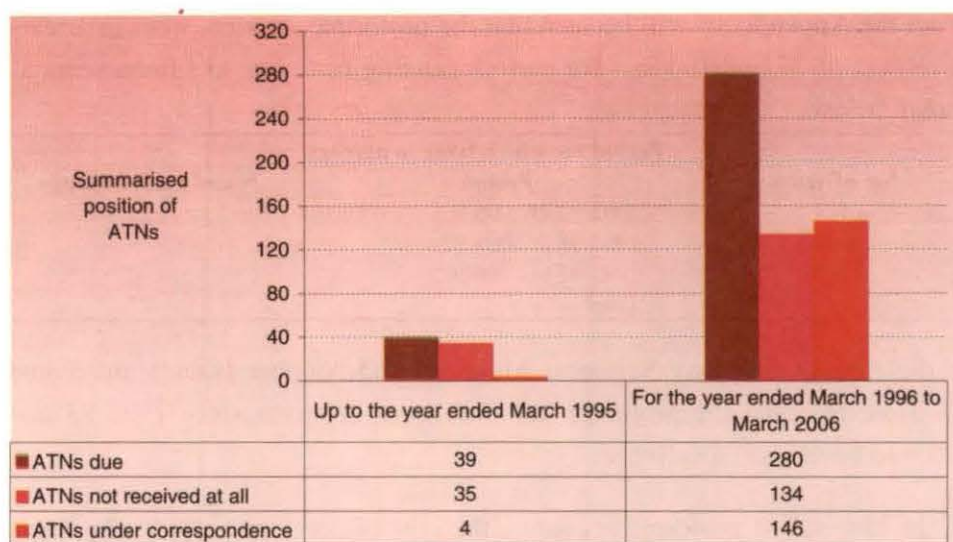
### 21.1 Follow up on Audit Reports – Summarised Position

**Despite repeated instructions/recommendations of the Public Accounts Committee, various ministries/departments did not submit remedial/corrective Action Taken Notes on 169 audit paragraphs even after the lapse of time limit prescribed by the Public Accounts Committee.**

With a view to ensuring accountability of the executive in respect of the matters brought out in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that the Ministries/Departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained in these Reports.

PAC took a serious view of the inordinate delays and persistent failures on the part of a large number of ministries/departments in furnishing the ATNs within the prescribed time limit. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, PAC desired that submission of pending ATNs pertaining to the Audit Reports for the years ended March 1994 and 1995 be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in Parliament.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Other Autonomous Bodies and Scientific Departments) as of October 2007 disclosed that the Ministries/Departments had not submitted remedial ATNs on 169 paragraphs. This includes 35 paragraphs included in the Audit Reports up to and for the year ended March 1995, as indicated in **Appendix-I**. The outstanding ATNs date back to as far as 1988-89.



Though the Audit Reports for the years ended March 1996 to March 2006 were laid on the table of the Parliament each year between May 1997 and May 2007 and the prescribed time limit of four months had elapsed in each case, the ministries/departments were yet to submit ATNs on 134 paragraphs while final ATNs in respect of 146 paragraphs were awaited as of October 2007 as indicated in **Appendix-II**.

## 21.2 Departmentally Managed Government Undertakings - Position of Proforma Accounts

The General Financial Rules stipulate that the departmentally managed government undertakings of commercial or quasi-commercial nature will maintain such subsidiary accounts and proforma accounts as may be prescribed by the Government in consultation with the Comptroller and Auditor General of India.

There were 30 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 2007. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading Account, Profit and Loss Accounts and Balance Sheet. While the Government of India Presses prepares Proforma Accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Store Accounts.

The position of the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in **Appendix III**.

From the Appendix, it will be seen that the proforma accounts were in arrears in respect of 27 undertakings for periods ranging from one to fifteen years as shown below:

Period for which lying in arrears		
No. of years	Period	No. of Undertakings
1-5	2002-03 to 2006-07	22
6-11	1997-98 to 2001-02	3
12-15	1992-93 to 1996-97	2
	<b>Total</b>	<b>27</b>

In the case of Shipping Services, Andaman and Nicobar Islands and Films Division, Mumbai the proforma accounts were in arrear since 1992-93 and 1995-96 onwards respectively.

In the absence of proforma accounts, the cost of services provided by these organisations, which are intended to be managed on commercial basis, could not be ascertained. It was also not possible to work out performance indicators like return on investment, profitability etc. for their activities.

The delay in compilation of accounts in respect of departmentally managed undertaking was brought to the notice of the Secretaries of the concerned Ministry.

### 21.3 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues, duties, advances written off/waived during 2006-07 furnished by the ministries/departments, is given in **Appendix-IV** to this Report. It will be seen from Appendix that in 298 cases, Rs. 2.78 crore representing losses mainly due to failure of system, Rs. 1.35 crore due to neglect /fraud etc. on the part of individual Government officials and Rs.11.57 crore for other reasons, were written off during 2006-07. During the year, recoveries waived and *ex-gratia* payment made in 10298 cases aggregated Rs. 12312.71 crore.

### 21.4 Response of the ministries/departments to draft paragraphs

**Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 27 of 58 draft paragraphs included in this Report.**

On the recommendation of the PAC, Ministry of Finance issued directions to all ministries in June 1960 to send their response to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are always forwarded by the

respective Audit offices to the Secretaries of the concerned Ministries/Departments drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such paragraph included in the Audit Report.

58 draft paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2007 were forwarded to the Secretaries of the respective Ministries/Departments during April 2007-December 2007.

The Secretaries of the Ministries/Departments did not send replies to 27 draft paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the **Appendix-V**. As a result these 27 paragraphs have been included in this Report without the response of the Secretaries of the Ministries/Departments.



(A.K. THAKUR)  
Director General of Audit  
Central Revenues

New Delhi  
Dated: 01 April 2008

Countersigned



New Delhi  
Dated: 07 April 2008

(VINOD RAI)  
Comptroller and Auditor General of India



## APPENDIX - I

(Referred to in Paragraph No. 21.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of October 2007.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Finance	1994	2	-	2	-	-	-	-	-	-	2	-	2
2.	Information and Broadcasting	1995	1	-	1	-	-	-	-	-	-	1	-	1
3.	Urban Development and Poverty Alleviation	1989	-	-	-	1	1	-	-	-	-	1	1	-
		1990	-	-	-	5	5	-	-	-	-	5	5	-
		1991	-	-	-	8	8	-	-	-	-	8	8	-
		1992	-	-	-	9	9	-	-	-	-	9	9	-
		1993	-	-	-	12	12	-	-	-	-	12	12	-
4.	Youth Affairs and Sports	1994	-	-	-	1	-	1	-	-	-	1	-	1
<b>Total</b>			<b>3</b>	<b>-</b>	<b>3</b>	<b>36</b>	<b>35</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>35</b>	<b>4</b>

**APPENDIX-II**  
(Referred to in Paragraph No. 21.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 2006 as of October 2007.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Agriculture	2006	1	1	-	1	-	1	-	-	-	2	1	1
2.	Commerce & Industries	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	3	3	-	-	-	-	-	-	-	3	3	-
		2006	-	-	-	1	1	-	-	-	-	1	1	-
3.	Culture	1998	-	-	-	1	-	1	-	-	-	1	-	1
		2001	-	-	-	2	-	2	-	-	-	2	-	2
		2003	1	1	-	-	-	-	-	-	-	1	1	-
		2004	1	1	-	2	2	-	-	-	-	3	3	-
		2005	-	-	-	1	-	1	-	-	-	1	-	1
		2006	2	2	-	-	-	-	-	-	-	2	2	-



Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
4.	Communication & Information Technology (Centre for Development of Telematics)	2003	-	-	-	-	-	-	1	1	-	1	1	-
		2006	-	-	-	-	-	-	1	1	-	1	1	-
	Department of Posts	2001	1	-	1	-	-	-	-	-	-	1	-	1
		2003	2	-	2	-	-	-	-	-	-	2	-	2
		2005	5	-	5	-	-	-	-	-	-	5	-	5
		2006	6	5	1	-	-	-	-	-	-	6	5	1
	Department of Telecommunications	1997	1	-	1	-	-	-	-	-	-	1	-	1
		1999	2	-	2	-	-	-	-	-	-	2	-	2
		2000	1	-	1	-	-	-	-	-	-	1	-	1
		2001	1	-	1	-	-	-	-	-	-	1	-	1
		2003	3	1	2	-	-	-	-	-	-	3	1	2
		2004	2	1	1	-	-	-	-	-	-	2	1	1
		2005	1	-	1	-	-	-	-	-	-	1	-	1
		2006	3	2	1	-	-	-	-	-	-	3	2	1

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
5.	Consumer Affairs	2006	-	-	-	1	-	1	-	-	-	1	-	1
6.	Scientific and Industrial Research	2006	-	-	-	-	-	-	1	1	-	1	1	-
7.	Earth & Sciences	2006	1	1	-	-	-	-	-	-	-	1	1	-
8.	Environment & Forest	2005	-	-	-	-	-	-	1	1	-	1	1	-
		2006	1	1	-	-	-	-	-	-	-	1	1	-
9.	External Affairs	1999	1	-	1	-	-	-	-	-	-	1	-	1
		2000	4	-	4	-	-	-	-	-	-	4	-	4
		2002	3	-	3	-	-	-	-	-	-	3	-	3
		2003	10	2	8	-	-	-	-	-	-	10	2	8
		2004	8	5	3	1	-	1	-	-	-	9	5	4
		2005	4	2	2	-	-	-	-	-	-	4	2	2
10.	Finance	2006	11	5	6	-	-	-	-	-	-	11	5	6
		1998	1	-	1	-	-	-	-	-	-	1	-	1
		1999	2	1	1	-	-	-	-	-	-	2	1	1
		2000	1	-	1	-	-	-	-	-	1	-	1	

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2002	1	1	-	-	-	-	-	-	1	1	-	
		2003	4	1	3	1	-	1	-	-	5	1	4	
		2004	-	-	-	1	-	1	-	-	1	-	1	
		2005	2	2	-	1	-	1	-	-	3	2	1	
		2006	3	3	-	2	2	-	-	-	5	5	-	
11.	Health & Family Welfare	1997	1	1	-	-	-	-	-	-	1	1	-	
		1999	1	-	1	1	-	1	-	-	2	-	2	
		2000	3	1	2	-	-	-	-	-	3	1	2	
		2001	3	1	2	-	-	-	-	-	3	1	2	
		2002	1	-	1	2	1	1	-	-	3	1	2	
		2003	2	-	2	-	-	-	-	-	2	-	2	
		2004	4	-	4	3	-	3	-	-	7	-	7	
		2005	6	5	1	2	2	-	-	-	8	7	1	
		2006	3	2	1	-	-	-	-	-	3	2	1	

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
12.	Heavy Industries & Public Enterprises	2005	-	-	-	1	1	-	-	-	-	1	1	-
13.	Home Affairs	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	2	-	2	-	-	-	-	-	-	2	-	2
		2006	2	-	2	-	-	-	-	-	-	2	-	2
14.	Human Resource Development	1999	2	-	2	-	-	-	-	-	-	2	-	2
		2000	1	-	1	-	-	-	-	-	-	1	-	1
		2001	1	-	1	2	-	2	-	-	-	3	-	3
		2002	-	-	-	3	3	-	-	-	-	3	3	-
		2003	4	1	3	-	-	-	-	-	-	4	1	3
		2004	3	-	3	6	2	4	-	-	-	9	2	7
		2005	-	-	-	4	2	2	-	-	-	4	2	2
		2006	3	1	2	9	8	1	-	-	-	12	9	3
15.	Information and Broadcasting	1997	1	-	1	-	-	-	-	-	-	1	-	1
		1998	1	-	1	-	-	-	-	-	-	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2000	3	1	2	-	-	-	-	-	-	3	1	2
		2001	3	-	3	-	-	-	-	-	-	3	-	3
		2002	-	-	-	3	-	3	-	-	-	3	-	3
		2003	-	-	-	1	-	1	-	-	-	1	-	1
		2004	2	1	1	1	1	-	-	-	-	3	2	1
		2005	1	1	-	4	1	3	-	-	-	5	2	3
		2006	-	-	-	7	6	1	-	-	-	7	6	1
16.	Indian Council of Medical Research	2006	-	-	-	-	-	-	1	1	-	1	1	-
17.	Information & Technology	2006	1	1	-	-	-	-	-	-	-	1	1	-
18.	Labour	2005	-	-	-	3	3	-	-	-	-	3	3	-
		2006	1	1	-	-	-	-	-	-	-	1	1	-
19.	Law & Justice	2003	1	1	-	-	-	-	-	-	-	1	1	-
20.	Minority Affairs	2004	-	-	-	1	-	1	-	-	-	1	-	1
21.	Mines and Minerals	2006	2	2	-	-	-	-	-	-	-	2	2	-

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
22.	Power	2005	2	1	1	-	-	-	-	-	-	2	1	1
		2006	1	1	-	-	-	-	-	-	-	1	1	-
23.	Shipping	2004	-	-	-	1	-	1	-	-	-	1	-	1
		2005	-	-	-	5	2	3	-	-	-	5	2	3
		2006	2	1	1	7	4	3	-	-	-	9	5	4
24.	Science & Technology	2005	1	1	-	-	-	-	-	-	-	1	1	-
		2006	1	1	-	-	-	-	-	-	-	1	1	-
25.	Space	2005	1	1	-	-	-	-	-	-	-	1	1	-
26.	Road Transport and Highway	2006	1	1	-	-	-	-	-	-	-	1	1	-
27.	Small Scale Industries & Agro Rural Industries	2006	-	-	-	2	1	1	-	-	-	2	1	1
28.	Social Justice and Empowerment	2001	-	-	-	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	-	-	-	1	-	1
		2006	-	-	-	1	1	-	-	-	-	1	1	-

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
29.	Statistics and Programme Implementation	1997	1	-	1	-	-	-	-	-	-	1	-	1
		2000	-	-	-	1	-	1	-	-	-	1	-	1
30.	Textile	2003	1	1	-	-	-	-	-	-	-	1	1	-
		2005	-	-	-	1	-	1	-	-	-	1	-	1
31.	Tourism	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	2	2	-	-	-	-	-	-	-	2	2	-
		2006	2	1	1	-	-	-	-	-	-	2	1	1
32.	Tribal Affairs	1998	1	-	1	-	-	-	-	-	-	1	-	1
		2004	1	1	-	-	-	-	-	-	-	1	1	-
33.	Urban Development	2003	1	1	-	-	-	-	-	-	-	1	1	-
		2004	2	1	1	-	-	-	-	-	-	2	1	1
		2005	2	2	-	1	1	-	-	-	-	3	3	-
		2006	2	2	-	-	-	-	-	-	-	2	2	-
34.	Women and Child Development	2002	-	-	-	1	-	1	-	-	-	1	-	1

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
35.	Youth Affairs and Sports	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	-	-	-	4	4	-	-	-	-	4	4	-
		2006	-	-	-	2	2	-	-	-	-	2	2	-
<b>TOTAL</b>			<b>180</b>	<b>79</b>	<b>101</b>	<b>95</b>	<b>50</b>	<b>45</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>280</b>	<b>134</b>	<b>146</b>



## APPENDIX-III

(Referred to in Paragraph No. 21.2)

## Summarised financial results of Departmentally Managed Government Undertakings

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
<b>MINISTRY OF AGRICULTURE</b>										
1.	Delhi Milk Scheme	2006-07	3722.56	23375.36	2397.51	(-) 2828.47	221.05	(-) 2607.42	--	
2.	Ice-cum-Freezing Plant, Kochi	2005-06	269.45	1368.26	87.51	(-) 83.29 *(-) 1226.14	41.76	-	--	*Accumulated losses
<b>MINISTRY OF DEFENCE</b>										
3.	Canteen Stores Department	2005-06	48.00	3273.54	2920.63	5941.26	8681.81	14623.07	17.87	
<b>MINISTRY OF ENVIRONMENT AND FORESTS</b>										
4.	Department of Environment and Forests, Andaman and Nicobar Islands	1999-00	1443.83	162.11	1281.72	(-) 993.99	2147.31	(-)993.99	(-)4.20	
<b>MINISTRY OF FINANCE</b>										
5.	Government Alkaloid Works, Ghazipur	2005-06	606.08	421.41	180.46	31.61	101.94	133.55	12.04	1109.24*
6.	Government Alkaloid Works, Neemuch	2005-06	1632.71	1132.72	493.57	2580.40	5.84	2586.24	4071.54	63.52*
7.	Government Opium Factory, Ghazipur	2005-06	428.79	231.70	214.08	(-) 396.11	1722.66	1326.55	7.08	1874.92*
8.	Government Opium Factory, Neemuch	2005-06	594.19	427.59	166.60	2433.33	1042.36	3475.69	30.64	11342.37*
<b>MINISTRY OF HEALTH AND FAMILY WELFARE</b>										
9.	Central Research Institute, Kasauli	2004-05	906.87	251.03	99.81	124.24	137.04	549.86	38.44	

\* Mean capital

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
10.	Medical Stores Depot, Hyderabad	2005-06	2793.65	64.66	3.89	(-) 26.29	-	3126.27	111.90	
11.	Medical Stores Depot, Kolkata	2002-03	1207.73	36.92	15.35	(-) 37.76	-	(-) 37.76	-	
12.	Medical Stores Depot, Karnal	2004-05	85.42	19.30	12.49	(-) 151.35	-	215.09	-	
13.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	2006-07	0.31	0.23	0.00127	0.0895	0.124	0.298	72.12	
<b>MINISTRY OF INFORMATION AND BROADCASTING</b>										
14.	Films Division, Mumbai	1994-95	1641.87	1602.94	801.41	(-) 1418.89	167.87	-	-	
15.	HPT Doordarshan, Asansol	1999-00	291.83	291.83	1.20	(-)101.59	-	(-) 101.59	-	
<b>MINISTRY OF NEW AND RENEWAL ENERGY</b>										
16.	Indian Renewable Energy Development Agency Ltd.	2006-07	40000.00	4092.13	727.98	3460.03	*700.00	700.00	1.75	*Dividend
<b>MINISTRY OF POWER</b>										
17.	Badarpur Thermal Power Station, New Delhi	2005-06	42673.00	10445.00	35625.00	3100.00	863.00	3963.00	9.29	BTPS has been merged with NTPC since 30 June 2006.
18.	Electricity Department, Andaman and Nicobar Islands	2001-02	17926.41	15464.33	2015.55	(-) 55167.01	1718.91	(-) 8694.07	(-) 61.40	Accounts for the year 2002-03 received on 31.07.2007 being audited.
19.	Electricity Department, Lakshadweep	2004-05	4228.68	2654.59	1574.09	(-) 2066.76	343.26	(-) 1723.50	-	

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
<b>DEPARTMENT OF ATOMIC ENERGY</b>										
20.	Nuclear Fuel Complex, Hyderabad	2005-06	47858.87	30347.21	17521.88	25629.76	6129.54	31759.30	70.43	Accounts under audit
21.	Heavy Water Plant, Mumbai	2004-05	-	-	-	-	-	-	-	Format of proforma account is yet to be approved.
<b>MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS</b>										
<b>Department of Road Transport and highways</b>										
22.	Chandigarh Transport Undertaking	2004-05	7994.47	5128.94	745.21	(-) 721.55	334.24	(-) 387.31	(-) 3.84	
23.	State Transport Service, Andaman and Nicobar Islands, Port Blair	2005-06	2278.81	768.09	1162.17	(-) 24972.48	3311.44	(-) 21661.04	(-) 115.14	
<b>Department of Shipping</b>										
24	Andaman Ferry Service	2002-03	26092.38	3373.67	5486.23	(-) 32.74	(-) 2553.32	(-) 2586.06	(-) 9.91	Accounts for the years 2003-04 and 2004-05 received on 04.07.2007 being audited.
25.	Department of Lighthouses and Lightships	2004-05	15014.00	15692.00	6551.00	4839.00	318.00	5157.00	68.00	
26.	Goa Ship Yard Ltd.	2005-06	1487.00	8927.00	4381.00	2822.00	-	327.00	22.00	
27.	Marine Department (Dockyard) Andaman and Nicobar Islands	2003-04	2884.55	205.10	61.60	(-) 4166.22	(-) 289.41	(-) 4455.63	(-) 154.47	

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	% age of total return to mean Capital	Remarks
28.	Shipping Services, Andaman and Nicobar Islands	1991-92	2347.60	567.60	479.10	(-) 21798.70	1841.20	(-) 19957.50	(-) 850.00	
<b>MINISTRY OF URBAN DEVELOPMENT</b>										
29.	Department of Publications, New Delhi	2000-01 and onwards	-	-	-	-	-	-	-	Instead of proforma accounts, the publication department prepares store accounts which have been audited up to 1999-2000. The Ministry decided in November 2001 to change over the accounting system to commercial pattern of accounts. The department has still not changed over.
30.	Government of India Press	2005-06	1286.47	-	57.86	-	76.51	556.13*	93.70*	Govt. of India Press works on "No Profit, No Loss" basis. The figures included results of Presses in Delhi (Minto Road, Mayapuri and Rashtrapati Bhawan) only.

\* Pertain to Government of India Press, Minto Road, New Delhi only

## APPENDIX - IV

(Referred to in Paragraph No. 21.3)

## Statement of losses and irrecoverable dues written off/waived during 2006-2007

(Rupees in lakh)

Name of Ministry/ Department	Write off of losses and irrecoverable dues due to									
	Failure of system		Neglect/fraud etc.		Other reasons		Waiver of recovery		Ex-gratia Payment	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture	-	-	1	0.15	4	0.27	-	-	2	10.00
Atomic Energy	-	-	-	-	13	5.17	-	-	-	-
Andman & Nicobar Administration	-	-	-	-	-	-	-	-	9977	718.24
Central Board of Excise & Customs	-	-	-	-	3	1.72	14	0.76	1	5.00
Defence	1	0.07	7	4.18	4	100.11	-	-	-	-
Finance	-	-	-	-	1	3.01	44	1230413.00 <sup>1</sup>	74	8.19
Health and Family Welfare	22	264.07	8	92.00	15	485.00	-	-	-	-
Information Technology	-	-	-	-	1	3.12	-	-	-	-
Power	-	-	1	13.13	2	26.70	2	0.08	8	4.00
Post and Telecommunications	-	-	26	7.62	50	7.87	9	1.57	37	2.40
Small Scale Industries	-	-	-	-	2	0.08	-	-	-	-
Space	-	-	-	-	1	0.01	-	-	-	-
Shipping, Road Transport and Highways	26	13.94	35	17.50	71	524.04	-	-	-	-
Urban Development	-	-	-	-	-	-	-	-	129 <sup>2</sup>	107.37 <sup>2</sup>
Water Resources	-	-	-	-	4	0.39	1	0.06	-	-
<b>Total</b>	<b>49</b>	<b>278.08</b>	<b>78</b>	<b>134.58</b>	<b>171</b>	<b>1157.49</b>	<b>70</b>	<b>1230415.47</b>	<b>10228</b>	<b>855.20</b>

<sup>1</sup> Central loans to State Governments written off: Andhra Pradesh (Rs. 118631 lakh), Arunachal Pradesh (Rs. 2021 lakh), Chhattisgarh (Rs. 18652 lakh), Goa (Rs. 2021 lakh), Gujarat (Rs. 84605 lakh), Haryana (Rs. 9667 lakh), Himachal Pradesh (Rs. 7249 lakh), Karnataka (Rs. 71666 lakh), Madhya Pradesh (Rs. 72612 lakh), Maharashtra (Rs. 33997 lakh), Manipur (Rs. 7508 lakh), Meghalaya (Rs. 1490 lakh), Mizoram (Rs. 1293 lakh), Nagaland (Rs. 1587 lakh), Orissa (Rs. 76380 lakh), Punjab (Rs. 390343 lakh), Rajasthan (Rs. 61740 lakh), Tamil Nadu (Rs. 52656 lakh), Tripura (Rs. 2225 lakh), Uttar Pradesh (Rs. 212762 lakh) and Uttarakhand (Rs. 1308 lakh).

<sup>2</sup> Ex-gratia payment, arising out of special VRS to Central Government employees declared as surplus made by PAOs under the accounting control of CCA, UD and HUPA.

## APPENDIX - V

(Referred to in Paragraph No. 21.4)

## Response of the ministries/departments to draft paragraphs

Sl. No	Ministry/ Department	Total No. of Paragraphs	No. of Paragraphs to which reply not received	Reference to Paragraphs of the Audit Report
1.	Agricultural	03	--	--
2.	Commerce and Industry	02	--	--
3.	Communication and Information Technology	09	06	3.2, 3.4, 3.5, 3.7, 3.8, 3.11
4.	Culture	02	01	4.1
5.	External Affairs	09	05	5.3, 5.5, 5.7, 5.8, 5.9
6.	Finance	04	02	6.2, 6.3
7.	Food Processing Industries	01	--	--
8.	Health and Family Welfare	01	--	--
9.	Home Affairs	04	01	9.1
10.	Human Resource Development	02	01	10.2
11.	Information and Broadcasting	01	--	--
12.	Overseas Indian Affairs	01	--	--
13.	Rural Development	01	--	--
14.	Social Justice and Empowerment	01	--	--
15.	Textiles	03	01	15.1
16.	Tourism	03	01	16.1
17.	Urban Development	04	03	17.2, 17.3, 17.4
18.	Water Resources	01	01	18.1
19.	Youth Affairs and Sports	01	--	--
20.	Union Territories	05	05	20.1, 20.2, 20.3, 20.4, 20.5
<b>Total</b>		<b>58</b>	<b>27</b>	