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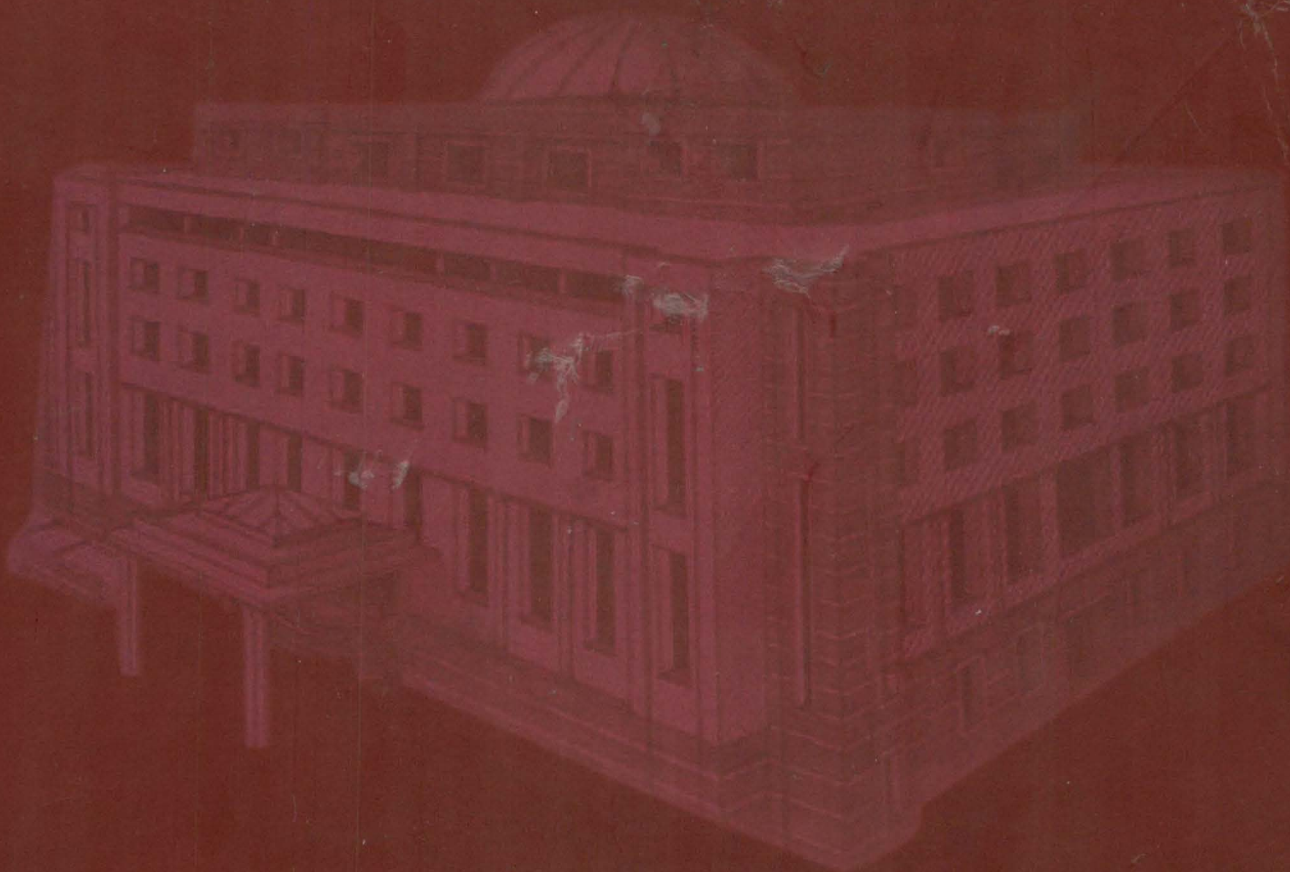
Report of the Comptroller and Auditor General of India



Union Government (Civil)
Compliance Audit Observations
No. CA 14 of 2008-09

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AUDITOR GENERAL OF INDIA
2008-09

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for the year ended March 2008

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PREFACE

This Report for the year ended March 2008 has been prepared for submission to the President under Article 151 of the Constitution.

This Audit Report contains findings emerging out of the compliance audit in the Civil Ministries in the General, Administrative and Social Sectors, the Department of Posts, Department of Telecommunications and their field offices. The audit findings on the accounts of the Union Government other than Railways are included in Report No. CA 13 for the year 2007-08.

Matters arising from audit of the Economic and Service Ministries and of Scientific Departments and their units/entities are included in separate Reports.

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2007-08. 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 March 2008 in a few cases have also been mentioned, wherever available and relevant.

OVERVIEW

This report contains the audit findings of significant nature which arose from the compliance audit in Civil Ministries under the General, Administrative and Social Sectors of the Union Government and also Union Territories, Departments of Posts and Telecommunications and their field offices. The report contains 12 chapters. Chapter I explains the audit methodology, profile of the auditee and also gives a synopsis of significant audit findings. Chapter II to XI present detailed findings/observations arising out of the compliance audit in these Ministries/Departments. Chapter XII presents summarised position of the remedial/corrective Action Taken Notes furnished by the Ministries as well as the position of Proforma Accounts.

A summary of some of the important findings included in this Report are as under :

Ministry of Communications and Information Technology

Department of Posts

General Audit Advisory

Paragraphs 2.3 to 2.10 in this report bring out irregular payment of interest and commission, failure to realise dues and penal interest, excess payment of service tax and haulage charges, short realisation of postage charges and failure to levy service tax in some postal circles audited. As there is a risk that similar instances may exist in other postal circles also, the Department of Posts is advised to carry out a review of the extent of compliance with its instructions and put in place proper control procedures to guard against non-recurrence.

Paragraph 2.11

Ministry of External Affairs

Irregular appointment of local staff

Ex Consul General, Hamburg in the Federal Republic of Germany made appointments against three local posts in contravention of guidelines of MEA and facilitated the appointments of personnel directly from India resulting in an irregular expenditure to the tune of Rs 1.27 crore.

Paragraph 3.1

Extra expenditure due to deployment of India-based chauffeurs

The deployment of India-based chauffeurs to three Missions namely Dushanbe, Kyiv and Oslo resulted in extra expenditure of Rs. 57.98 lakh during three years ending 2007-08. Inability to use the India-based chauffeurs outside the city limits due to their lack of familiarity and absence of local language skills were other issues over and above the extra expenditure.

Paragraph 3.2

Unauthorised expenditure on engagement of contingency paid staff

Despite earlier audit findings and assurances 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. 58.10 lakh during April 2004 to May 2008 in the case of 11 missions.

Paragraph 3.3.1

Loss of interest due to injudicious retention of excess cash balance

Indian Missions abroad, disregarding specific instructions of the Ministry, continued to retain cash balance in excess of six weeks' requirement. During August 2002 to March 2008, 14 missions retained excess cash balance for periods ranging from five to 29 months resulting in loss of interest of Rs. 50.85 lakh.

Paragraph 3.3.2

Recovery at the instance of audit

Failure of the Missions/Posts abroad to observe rules and procedures regarding payment of pay and allowances to their employees resulted in overpayment of Rs. 36.55 lakh by 44 Missions. The amount was recovered during 2005-08 at the instance of audit.

Paragraph 3.3.3

Loss of revenue

Instructions issued by the Ministry to the Missions/Posts abroad provide for upward revision of fee for issue of Overseas Citizenship of India (OCI) cards, whenever the local currency devalues against US dollar by 10 *per cent* or more. Consulate General of India (CGI) Johannesburg responsible for fixing the OCI fees in respect of the Missions in South Africa did not take action to revise the fees in line with the instructions of the Ministry. Consequently the three missions in South Africa continued to charge reduced fees resulting in loss of revenue of Rs. 29.30 lakh during July 2006 to May 2008.

Paragraph 3.3.5

Unrealised VAT refunds

Despite earlier audit findings, Indian Missions at Durban, Kampala, Kathmandu and Nicosia failed to realize VAT refund claims aggregating Rs. 26.94 lakh, due to improper filing, inadequate monitoring and deficiency in pursuance of VAT refunds.

General Audit Advisory

In case of persistent irregularities as brought out in paragraphs 3.3.1 to 3.3.6, the Ministry should either ensure non-recurrence or re-examine their rules and orders in this connection and amend them appropriately so as to bring them in line with ground realities existing in specific Indian Missions abroad.

Paragraph 3.3.6

Ministry of Finance

Department of Revenue

Utilisation of Funds under Public Account for questionable purposes: Central Board of Excise and Customs (CBEC)

Welfare Funds were set up in the Public Account of India for CBEC by appropriation of a part of revenue from the Consolidated Fund of India. The propriety of expenditure from the Funds, being entirely of discretionary nature, is questionable. The purposes for which the Funds are being used need to be reviewed.

Paragraph 4.1

Non-realisation of Revenue

A sum of Rs. 2.51 crore as penal interest was to be recovered from the banks on account of delayed remittance of Government revenues to Government account. Zonal Accounts Officer, Hyderabad recovered only Rs. 0.73 crore leaving the balance amount of Rs. 1.78 crore unrealised.

General Audit Advisory

As there is a risk of delayed crediting of revenues in the Government account, Department of Revenue, MoF, is advised to carry out a review in all the ZAOs of CBDT to effect recoveries from the defaulting banks and put in place proper control procedures to guard against non-compliance of instructions. The results of the exercise and the recoveries made as a result thereof may be communicated to the Ministry and Audit in due course.

Paragraph 4.2

Ministry of Health and Family Welfare

Supply of medicines on unlimited credit period

Unrestricted supply of medicines on credit basis by the Government Medical Stores Depot, Mumbai to various client departments resulted in accumulation of unrealised dues of Rs.19.73 crore.

Paragraph 5.1

Short/non- recovery of licence fee

Lady Hardinge Medical College and Smt. Sucheta Kriplani Hospital, (LHMC) New Delhi did not recover licence fee at the prescribed rates from State Bank of India and other commercial establishments in the premises of LHMC for several years.

Paragraph 5.3

Lackadaisical scrutiny of claims leading to excess payment

Deficient reimbursement/payment procedure adopted by the Ministry resulted in double reimbursement of claims of Rs. 77.33 lakh towards taxes and duties to Voluntary Health Services (VHS), a non-government organisation associated with the National AIDS Control Programme. Besides, the Ministry also reimbursed an expenditure of Rs. 35.86 lakh under the project to VHS for which the latter was not eligible.

Paragraph 5.4

Irregular benefit to staff on account of water charges

LHMC unauthorisedly subsidised the water charges of its staff quarters for which payments were made through bulk meters. Instead of recovering the amount on pro-rata basis, LHMC recovered water charges from the occupants at much lower rate than what was paid by it to New Delhi Municipal Council. The irregular benefit aggregated Rs. 61.52 lakh during 2002-03 to 2007-08.

Paragraph 5.5

Ministry of Home Affairs

Avoidable expenditure on rent due to delay in construction of office building

Delay in finalisation of the preliminary estimates and consequential delay in completion of office building resulted in avoidable payment of rent of Rs. 3.98 crore.

Paragraph 6.1

Recovery at the instance of audit

Under the Security Related Expenditure scheme, the Ministry of Home Affairs releases grants to states towards reimbursement of expenditure incurred by them in districts badly affected by naxal violence. The Ministry had reimbursed Rs. 75.34 lakh to the State Government of Assam in excess of the eligible amount. Out of this excess reimbursement, Rs. 72 lakh was recovered at the instance of audit.

Paragraph 6.2

Border Security Force

Unauthorised attachment of personnel at officers' mess by BSF

Director General, Border Security Force (BSF) irregularly attached a large number of personnel to its two messes by diverting them from their field units in violation of the orders of the Ministry issued on the directions of the Group of Ministers on National Security. The attachment resulted in an unauthorised expenditure of Rs. 1.64 crore during April 2004 to July 2008 on their pay and allowances.

Paragraph 6.3

Avoidable expenditure of Rs. 55.65 lakh on operation and maintenance of a grounded helicopter

BSF entered into an agreement in July 2006 with M/s Summit Aviation Private Limited for operation and maintenance of its two helicopters. One of the helicopters met with a flying accident in September 2006. Overlooking the terms of the agreement, BSF continued to make payments for maintenance of the grounded helicopter which had become inoperative, thereby incurring avoidable expenditure of Rs. 55.65 lakh during September 2006 to September 2007.

Paragraph 6.4

Intelligence Bureau

Extra expenditure- Rs. 59.61 lakh

Intelligence Bureau (IB) purchased a plot for its office building from Uttar Pradesh Housing and Development Board (UPHDB) in September 2006. Delayed processing of the case by IB resulted in an extra expenditure of Rs. 59.61 lakh over the original offer. The avoidable expenditure consisted mainly of interest due to delayed payments and forfeiture of discount offered by UPHDB.

Paragraph 6.6

Ministry of Human Resource Development

Department of School Education and Literacy

Inadequate monitoring leading to retention of unspent grant

The Ministry of Human Resource Development did not monitor the utilisation of the grants released to the Government of Bihar for establishing District Institutes of Education and Training / College of Teacher Education. This led to irregular retention of Rs. 8.73 crore for 5 to 14 years by the Government of Bihar.

Paragraph 7.1

Unfruitful expenditure on creation of National Support Group

The Ministry bypassed the ban imposed by the Ministry of Finance on creation of posts, by employing personnel under the National Support Group (NSG) through Educational Consultants India Limited for supervision, monitoring and evaluation of the Midday Meal Scheme. In addition, the NSG was not operationalised and the personnel employed remained attached with the Ministry rendering the entire expenditure of Rs. 82.82 lakh incurred under the project unfruitful.

Paragraph 7.2

Ministry of Information and Broadcasting

Press Information Bureau

Premature release of funds

The Ministry entered into an MoU in February 2006 with the National Building Construction Corporation (NBCC) for construction of the National Press Centre for use of print and electronic media. Faulty terms of MoU in violation of the codal provisions of CPWD placed an obligation on the Ministry to prematurely release an advance payment of Rs. 7 crore to NBCC.

Paragraph 8.1

Ministry of Tribal Affairs

Non-recovery of unspent grant

The Ministry of Tribal affairs failed to recover/adjust an unspent grant of Rs. 4 crore released to the Government of Bihar in March 1998 for establishment of residential schools for tribal students. This led to irregular retention of the grant for more than 10 years.

Paragraph 9.1

Ministry of Women and Child Development

Irregular retention of grant

Lack of financial control and monitoring by the Ministry resulted in irregular retention of grant of Rs. 97.76 lakh by Bharatiya Adimjati Sevak Sangh released to it during 2005-07.

Paragraph 10.1

Union Territories

Andaman and Nicobar Administration

Andaman Public Works Department (APWD)

Inordinate delay in completion of Water Supply Scheme

Improper planning and execution by APWD in completion of a Water Supply Scheme in South Andamans led to an expenditure of Rs.9.50 crore without fulfillment of the objectives even after thirteen years.

Paragraph 11.1

Directorate of Shipping Services

Unfruitful expenditure

Awarding of a ship building contract to a yard with limited capabilities, coupled with delays in decision making resulted in blocking up of funds of Rs.54.99 crore. More importantly, the objective of enhancing connectivity between Port Blair and the southern group of Islands could not be achieved.

Paragraph 11.2

CHAPTER I : INTRODUCTION

1.1 About this Report

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence.

Audits are conducted on behalf of the Comptroller and Auditor General as per the Auditing Standards[1] approved by him. Auditing standards prescribe the norms which the auditors are expected to follow in conduct of audit. Auditing Standards require reporting on individual cases of non-compliance and abuse, as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to auditee profile of some of the major Civil Ministries/Departments, also explains the planning and extent of audit, and includes a reference to significant audit observations included in this report.

1.2 Auditee profile

Brief profile of some of the major Civil Ministries/Departments of the Government of India covered in this Report are discussed in **Appendix-I.** Profiles on Departments of Posts and Telecommunications are discussed in Chapter-II.

The expenditure of these Ministries/Departments, during 2007-08 and in the preceding two years included in the Appropriation Accounts of the Government of India is indicated in the following table:

[1] www.cag.gov.in → About us → Auditing standards

(Rupees in crore)

Sl. No.	Name of the Ministry/ Department	2005-06	2006-07	2007-08
1.	Communications and Information Technology			
	Department of Telecommunications	5725.73	4631.02	5256.53
2.	Culture	670.90	715.58	864.49
3.	External Affairs	4089.67	3949.69	4572.39
4.	Finance			
	(i) Department of Economic Affairs	3928.79	9811.12	10525.86
	(ii) Department of Expenditure	26.77	39.53	37.02
	(iii) Department of Revenue	2779.59	4433.06	6383.27
5.	Health and Family Welfare			
	(i) Department of Health and Family Welfare	10544.84	11960.86	15345.36
	(ii) Department of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)	354.23	385.20	463.49
6.	Home Affairs*	16870.79	17928.79	20209.66
7.	Human Resource Development			
	(i) Department of Elementary Education and Literacy	12030.65	25694.82	30916.08
	(ii) Department of Secondary Education and Higher Education	5828.48	6923.67	6256.49
8.	Information and Broadcasting	1543.54	1462.45	1586.05
9.	Labour and Employment	1401.21	2038.17	2927.96
10.	Law & Justice£	376.26	673.24	507.22
11.	Overseas Indian Affairs	17.46	22.01	35.39
12.	Personnel, Public Grievances and Pensions	253.13	283.17	339.51
13.	Planning	104.54	85.86	81.90
14.	Social Justice and Empowerment	1657.12	1726.72	2231.15
15.	Statistics and Programme Implementation	1671.21	1673.04	1712.83
16.	Tribal Affairs	1399.93	1655.91	1533.42
17.	Women and Child Development	3929.37	4770.40	5595.57
18.	Youth Affairs and Sports	450.59	526.80	816.60

1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India (C&AG) and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG

* Excludes grant pertaining to 'Other Expenditure' of Ministry of Home Affairs

£ Excludes grants pertaining to Election Commission and Supreme Court of India conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13[2] and 17[3] of the C&AG's (DPC) Act[4]. C&AG is the sole auditor in respect of autonomous bodies under the Civil Ministries/Departments which are audited under sections 19(2)[5] and 20(1)[6] of the C&AG's (DPC) Act. In addition, C&AG also conducts supplementary/superimposed audit of other autonomous bodies under sections 14[7] and 15[8] of C&AG's (DPC) Act, which are substantially funded by the Government of India and whose primary audit is conducted by Chartered Accountants. Principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the Comptroller and Auditor General of India.

1.4 Planning and conduct of Audit

The audit effort can be classified under three distinct types of audits: Financial Audit, Compliance Audit and Performance Audit.

Financial Audit is the review of financial statements of an entity that seeks to obtain an assurance that the financial statements are free from material misstatements and present a true and fair picture.

Compliance Audits scrutinise transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

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[2] Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts

[3] Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State

[4] Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

[5] Audit of the accounts of corporations (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations

[6] Audit of accounts of any body or authority on the request of the President, on such terms & conditions as may be agreed upon between the C&AG and the Government

[7] Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of India and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of India in a financial year is not less than rupees one crore

[8] Audit of grant or loan given for any specific purpose from the Consolidated Fund of India to any authority or body, to scrutinise the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which such grants or loans were given

Performance Audits are in-depth examinations of a program, function, operation or the management system of entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

Audit process starts with the assessment of risk of the Ministry/Department/ Organisation as a whole and each unit based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports which are submitted to the President of India under Article 151 of the Constitution of India.

During 2007-08, 5603 audit party-days were used to carry out compliance audit of 458 units of Civil Ministries/Departments/ Organisations[9]. Our audit plan covered those units/entities which were vulnerable to significant risk, as per our assessment.

1.5 Significant audit findings

This Report is on matters arising from the compliance audit of the Civil Ministries in General, Administrative and Social Sectors. Through our earlier Reports, we have been reporting several instances of deviation from and failure to adhere to stipulated provisions. These deficiencies adversely impact the efficient functioning of the Ministries. This Report contains instances of such deficiencies. They can be grouped under four broad areas of concern requiring corrective action by the Government:

[9] The figures pertained to Ministries falling under the audit jurisdiction of Director General of Audit, Central Revenues

(A) Failure to recover Government dues fully and over payment from Government account:

- Under recovery and excess payment under the Department of Posts (Paragraphs 2.2 to 2.10) and Department of Health, Ministry of Health and Family Welfare (Paragraphs 5.2, 5.3 and 5.5)
- Failure to realise revenue under Ministry of Finance (Paragraphs 4.2) and Ministry of External Affairs (Paragraphs 3.3.5 and 3.3.6)

(B) Release of funds:

- The expenditure from three Funds set up under Public Account of India for the benefit of a section of Government employees is questionable. The purposes for which these Funds are being used need to be reviewed. (Paragraph 4.1)
- Premature release of funds under Press Information Bureau, Ministry of Information and Broadcasting (Paragraph 8.1)
- Grants remaining unspent/unadjusted under Ministry of Tribal Affairs (Paragraph 9.1) and Ministry of Women and Child Development (Paragraph 10.1)

(C) Failure to achieve objective:

- Failure to achieve objective and unfruitful expenditure under Andaman and Nicobar Administration (Paragraphs 11.1 to 11.3)

(D) Persistent irregularities:

- The Report also flags irregularities that are persistent (Paragraphs 2.4 under Department of Posts and Paragraphs 3.3.1 to 3.3.6 under Ministry of External Affairs)
- A brief on the status of follow up action by the Executive in response to earlier Reports is also included under Chapter XII

CHAPTER II : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

2.1 Organisational set-up and financial management

2.1.1 Functions of the Department

The postal system in India has a history of handling communications infrastructure for the country for almost 150 years and currently has the largest network in the world.

The primary services rendered by the Department of Posts (DoP) are as follows:

- Communication services – Letters, Post Cards, etc.
- Transport services – Parcel, Logistics, etc.
- Financial services – Savings Bank, Money Order, Insurance, etc.
- Value added services – Speed Post Service, Business Post, Direct Post, etc.

As part of its Universal Service Obligation, the postal system is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mail is the core traditional business of the Postal Department. Over the years several value added services like bulk mail, business post and speed post have been introduced by DoP.

The Post Office Savings Bank Scheme is an agency function performed by the Department of Posts (DoP) on behalf of the Ministry of Finance, Government of India, for which the Ministry of Finance remunerates the DoP at rates fixed from time-to-time. In discharge of its agency functions, DoP represents the oldest and largest banking network in the country and plays a critical role in mobilising small savings, primarily in rural areas. DoP also assists people in transfer of money from place to place through 'money order' and 'postal order'.

The Department of Posts also provides life insurance. Postal Life Insurance (PLI) has been providing life insurance coverage since 1884 to Government employees. From 1995 PLI has been extended to the rural population of the country under a new Rural Postal Life Insurance scheme.

DoP is also engaged in disbursement of pension and family pension to military and railway pensioners, family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

2.1.2 Organisational set-up

The Department of Posts is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts, as the Chief Executive of the Department, is also the Chairperson of the Postal Services Board and Director General, India Post. The Board has three Members for the three portfolios of Operations & Marketing, Infrastructure and Financial Services and Personnel.

The department has 22 Postal Circles that are divided into 33 Regional offices, controlling 445 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 2008 was 4.94 lakh with 2.18 lakh departmental employees and 2.76 lakh Gramin Dak Sewaks[$].

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, Greetings Post, Data Post, E-Bill Post and E-Post. The Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

2.1.3 Postal traffic

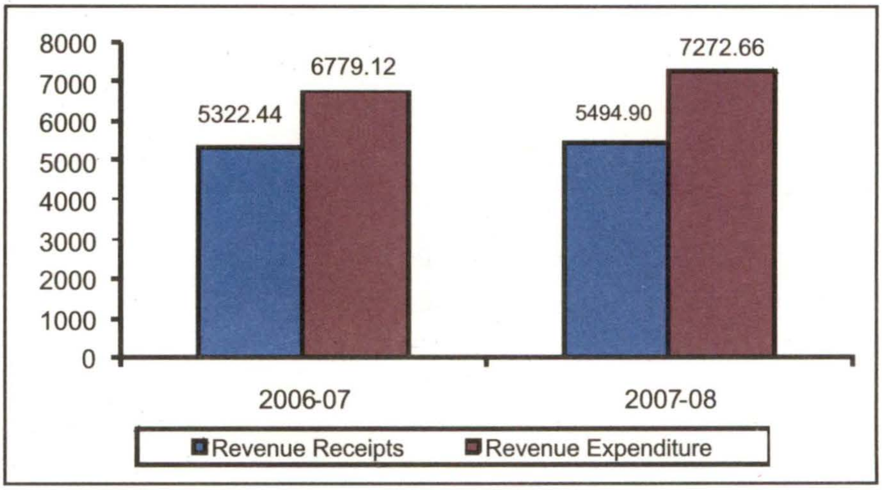
The volume of traffic projected and actually handled by the DoP in respect of unregistered and registered mail over the last 3 years from 2005-06 to 2007-08 is given in **Annex-I**.

Actual volume of unregistered mail has shown a decreasing trend over the three years in respect of almost all categories of traditional services like sale of postal stationery, parcels, and letters. The revenue from mails relating to

[$] In the rural, remote corner of the country, Postal Services are rendered through Branch Post Office, working for limited hours utilising the services of rural based personnel called "Gramin Dak Sevaks" (previously called Extra Departmental Agents) who work on a part time basis forwarding of books and periodicals, however, has shown a positive trend. In the category of registered postal services, volume under classical services like money orders, insurance, and registered letters/parcels has declined. The exception to this trend is the quantum of speed post, which has increased by almost 60 *per cent* over the period 2005-06 to 2007-08.

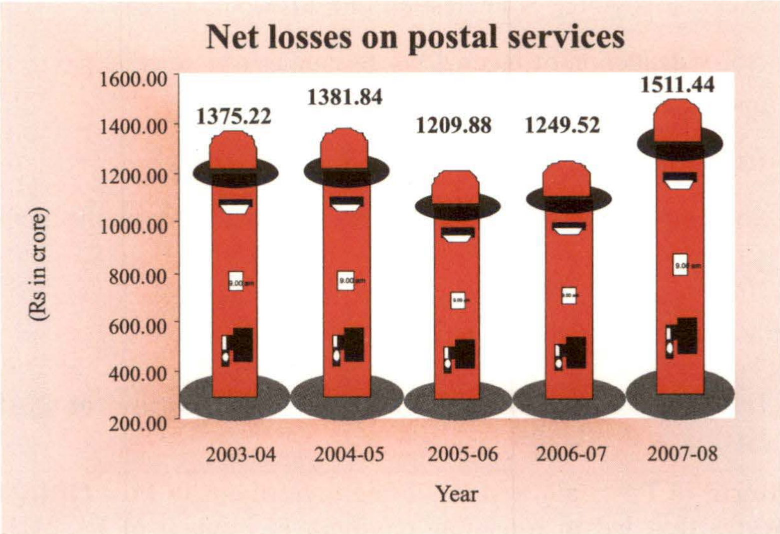
2.1.4 Financial Performance

The total revenue receipts during 2007-08 showed an increase of 3.2 *per cent* over the previous year. The increase was, however, less than the increase in the gross revenue expenditure which was 7.3 *per cent* more than the preceding year as shown in the chart below.



The details of revenue receipts and revenue expenditure are given in **Annex-II**.

There was a net loss* of Rs. 1511.44 crore on postal services in 2007-08. The comparative position for the period 2003-08 is as under:



The Department's net loss which was more than Rs. 1380 crore in 2004-05 had declined in subsequent years and was less than Rs. 1250 crore in 2006-07. However, as at the end of 2007-08, the net loss had crossed Rs. 1500 crore, representing an increase of Rs. 261.92 crore (20.96 *per cent*) as compared to the preceding year.

2.1.5 Role of Audit

During the audit of the DoP, Audit endeavoured to examine and assess whether established systems were functioning effectively, stipulated procedures were adhered to and whether financial propriety was observed. Subjects for compliance audit were selected on the basis of an assessment of the risk associated with various activities carried out by postal units. Parameters for assessing risk included volume of transactions, materiality, relative importance of the function/service, past audit results, etc. The audit of postal units was conducted through 15 Branch Audit Offices located mainly in State capitals.

The audit process helps the auditee to identify areas of financial and managerial controls that need attention for efficient and effective management. Audit has also proved to be an aid in effecting revenue recoveries.

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* Net loss was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e., {(Rs. 5490.90 + Rs. 266.32)-Rs. 7272.66}

Some of the persistent deficiencies that have appeared in the audit reports relating to DoP in the last five years include:

(1) Irregular payment of interest on PPF/MIS*

(2) Non - deduction of income tax at source from interest payments made under Senior Citizens Savings Scheme

(3) Excess payment of haulage charges

(4) Short realisation of postage charges from ineligible publications

(5) Non-levy of Service Tax

Audit findings relating to DoP in this report follow.

2.2 Irregularities in issue, discharge and accounting of Post Office Savings Certificates

Department of Posts allowed ineligible investment in Post Office Savings Certificates that led to irregular payment of interest of Rs. 21.32 crore. This also resulted in unauthorised payment of commission of Rs. 98.09 lakh to the agents.

The Post Office Savings Bank is the largest savings institution in the country covering urban and rural areas through a network of over 1.55 lakh Post Offices throughout India. Operation and management of Post Office Savings Bank is an important agency function performed by the Department of Posts (DoP) on behalf of the Ministry of Finance (MoF). The Post Office Savings Certificates (POSCs) is one of the savings bank fixed investment schemes which has been in operation since pre-independence period. The objective of POSCs is to provide remunerative and easily available instruments to promote small savings. A number of POSC schemes such as a series of National Savings Certificates (NSC), Indira Vikas Patra (IVP), Kisan Vikas Patra (KVP) have been introduced by the Government from time to time. The currently transacted POSCs are National Savings Certificates (VIII Issue) and Kisan Vikas Patras.

The maturity period of NSC is six years. The maturity period of KVP is modified from time to time, the current period being 8 years and 7 months. The maturity value is double of the amount invested in both cases. Investments are received in the Post Offices mostly through authorised small savings agents. A total number of 28.52 crore POSCs were issued and 27.35 crore discharged by the post offices during the period 2003-2008.

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* PPF – Public Provident Fund; MIS – Monthly Income Scheme

Irregular payment of interest to unauthorised investors

Departmental Rules stipulate that as on or after 1 April 1995, NSCs/KVPs may be purchased only by an individual or a trust registered under any law for the time being in force. Firms, institutions and Kartas of Hindu Undivided Family (HUF) are not authorised to invest in KVPs/NSCs. Post Offices are to ensure that any KVP/NSC purchased in contravention of these rules is encashed by the holder as soon as the fact is discovered. In any case, no interest is to be paid on such holding. The Ministry of Finance has also clarified that they would not accept any liability of interest on this account. The purpose in making firms and institutions ineligible for POSCs is to restrict such investment to genuine small investors as small saving schemes carry higher rate of interest.

On scrutiny of the records of 18 post offices in five Postal Circles*, it was noticed that the Postmasters of these post offices allowed institutions, firms, unregistered trusts and Kartas of Hindu Undivided Family (HUF) to invest in KVPs/NSCs and accepted investment of Rs. 182.54 crore. Of these, KVPs/NSCs valuing Rs. 21.32 crore were discharged, on which an equal amount of interest was paid irregularly as shown in the table below.

(Rupees in crore)

Statement showing irregular issue of KVPs/NSCs			
Sl. No.	**Name of the Circle**	**Amount invested**	**Interest paid**
1	Andhra Pradesh	106.67	10.73
2	Karnataka	75.29	10.39
3	Gujarat	0.40	0.19
4	Uttar Pradesh	0.12	0.00
5	Maharashtra	0.06	0.01
Total		**182.54**	**21.32**

On this being pointed out in audit, the local management of Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Uttar Pradesh stated that matter would be taken up with the Directorate for regularisation.

Thus, inability of the Postmasters to confine investment to eligible investors in POSCs led to irregular payment of interest of Rs. 21.32 crore besides compromising the objective of providing investment instruments for targeted segments.

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* Andhra Pradesh, Karnataka, Gujarat, Uttar Pradesh and Maharashtra

Irregular payment of commission to agents

Ministry of Finance, in November 2004, reiterated that all cases where authorised agents were transacting business without using proper receipt and also above the prescribed cash limit were to be reviewed and treated as irregular. No commission was payable on such irregular transactions.

Audit scrutiny revealed that in five circles[∝], the Postmasters accepted deposits of investors in cash through the agents in excess of the prescribed limits and allowed commission to the agents. This resulted in irregular payment of commission of Rs. 98.09 lakh to the agents during the period 2003-08 as shown in the table below.

(Rupees in lakh)

Statement showing irregular payment of commission to agents		
Sl. No.	**Name of the Circle**	**Irregular payment of commission**
1	Andhra Pradesh	71.55
2	Bihar	0.39
3	Gujarat	0.12
4	U.P.	21.80
5	West Bengal	4.23
Total		**98.09**

On this being pointed out, the respective Postmasters replied that the excess paid commission would be recovered from the agents. However, the recovery particulars were awaited as of January 2009.

Short deduction of income tax at source

DoP issued instructions in June 2007 to recover TDS at the rate of 10.3 per cent with effect from June 2007 on commission paid to agents instead of 5.25 per cent applicable from April 2002.

Audit scrutiny of the records of 13 selected post offices in four* Circles revealed that these post offices continued to recover TDS at old rates. This resulted in short recovery of TDS amounting to Rs 27.58 lakh during the period June 2007 to March 2008 as shown in the following table:

[∝] Andhra Pradesh, Bihar, Gujarat, U.P. and West Bengal

[*] Andhra Pradesh (2), Gujarat (3), Tamil Nadu (3) and Uttar Pradesh (5)

(Rupees in lakh)

Statement showing short recovery of TDS on commission paid to agents		
Sl. No.	**Name of the Circle**	**Short recovery of TDS**
1	Andhra Pradesh	20.71
2	Gujarat	2.18
3	Tamil Nadu	3.62
4	Uttar Pradesh	1.07
	Total	**27.58**

In reply, the local managements stated that short collected tax would be recovered.

Accounting of cash certificates

The Circle Postal Accounts Office (CPAO) is the accounting unit for the POSCs at the Circle level. It is the responsibility of the CPAO to watch and monitor the receipt of returns from Head Post Offices (HPOs) and ensure proper accounting of POSCs so that every certificate discharged in the Circle stands properly accounted for.

Timely despatch of monthly issue and discharge journals by the HPOs to the CPAOs is vital to ensure accurate accounting of certificates and reconciliation of issues and discharges. The CPAOs, on receipt of discharge summary list from HPOs, should carry out the required checks and discrepancies, if any, should be brought to the notice of Post Master concerned and settled immediately. These functions provide the requisite checks and controls to ensure that frauds/fraudulent encashment of certificates get detected at the earliest.

Audit scrutiny of the records of CPAOs revealed that in 10 of the 11 Circles test checked, the work of accounting of issue and discharge of cash certificates was not being performed as a result of which actual amount of issue and discharge of POSCs could not be quantified. In ten out of the eleven Circles the work was in arrears for periods more than 10 years as indicated in the table below:

Name of the Circle	Posting work pending since
Andhra Pradesh	June 1998
Bihar	May 1997
Delhi	October 2004

Name of the Circle	Posting work pending since
Gujarat	July 2002
Karnataka	September 1999
Maharashtra	April 1999
North East	April 2001
Rajasthan	May 2004
West Bengal	April 1991
Uttar Pradesh	December 2003

This persistent lack of proper accountal and reconciliation is fraught with the risk of fraud and attempt to defraud going undetected/unnoticed. The Department may immediately initiate effective steps to address this area of serious concern.

The matter was referred to the Ministry in December 2008; their reply was awaited as of January 2009.

2.3 Short recovery of commission from the Department of Telecommunications and Railways

Postal Account Offices failed to recover commission at revised rates for the disbursement of pension resulting in short recovery of commission of Rs. 8.62 crore from Railways and Department of Telecommunications.

The Department of Posts (DoP) discharges agency function for disbursement of pension/family pension on behalf of Railways and Department of Telecom (DoT) through various Head Post Offices (HPOs) and charges commission fixed by DoP from time to time for the agency service. After payment of pension/family pension, HPOs are required to send monthly cash account along with the payment vouchers/schedules by 2nd of the following month to the Postal Accounts Office (PAO) to effect recovery from the concerned Department. The commission for payment of pension/family pension to Railways, DoT, etc. is to be worked out with reference to the actual number of transactions taking into account the remuneration rates communicated by the Directorate.

Audit scrutiny of the records of Postal Account and Finance Wing (PAF) of the Postal Directorate, New Delhi in July 2007 revealed that the Directorate failed to circulate the departmental instructions regarding revised rates of commission for the years 2002-03 to 2006-07 for disbursement of pension to PAOs. Due to non receipt of circulars, the PAOs continued to recover commission at old rates instead of the revised rates. This resulted in short recovery of commission amounting to Rs. 8.62 crore from Department of Telecommunications and Railways for the period 2002-07 as per details in the following table.

Name of Department	Amount *(Rupees in crore)*
Department of Telecommunications	2.28
Railways	6.34
Total	**8.62**

The circle-wise details of outstanding commission are given in the **Annex-III**.

On this being pointed out in Audit, DoP replied (December 2007) that short recovery of commission was due to non-availability of latest orders of commission with most of the PAOs and the same had been provided to all the PAOs in December 2007. While the PAOs of Gujarat, Uttar Pradesh, Orissa, Kerala, Haryana and Punjab Circle had raised the debits against the concerned departments, other PAOs were yet to do so (December 2008). The recovery particulars were awaited as of December 2008.

Thus, Postal Directorate's failure to circulate important instructions to field units led to short recovery of commission of Rs. 8.62 crore.

The matter was again referred to Ministry in May 2008; their reply was awaited as of January 2009.

2.4 Irregular payment of interest and commission

Five Head Post Offices under Delhi Postal Circle and one Head Post office each under Andhra Pradesh and Himachal Pradesh Postal Circles failed to ensure that the prescribed monetary ceiling is not exceeded under the Monthly Income Scheme. This resulted in acceptance of deposits of Rs. 2.69 crore beyond prescribed limit and in irregular payment of interest and commission amounting to Rs. 42.78 lakh.

The Monthly Income Account Scheme is an agency function carried out by Department of Posts on behalf of Ministry of Finance. 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 (Rs. 4.50 lakh from 1 August 2007) in a single account and Rs. 6 lakh (Rs. 9 lakh from 1 August 2007) in a joint account. The authorised agents are appointed by State Government Authorities to canvass for investment in MIS.

These agents are entitled to receive a commission of one *per cent* on the securities sold by them.

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. 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 Report of the Comptroller and Auditor General of India, Union Government, (Civil) Transaction Audit Observations (No. 2 of 2004, 2 of 2006 and 2 of 2007 for the year ended 31 March 2003, 31 March 2005 and 31 March 2006) 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 had accepted the excess payment and intimated that the instructions were reiterated once again in January 2007.

Audit scrutiny of the records of five Head Post Office (HPOs) under Delhi Postal Circle (February 2008), one HPO under Andhra Pradesh Circle (June 2008) and one HPO under Himachal Pradesh Circle (September 2007) revealed that the Post Masters of these HPOs had accepted Rs. 2.69 crore in 208 cases during the period June 2001 to January 2008 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. 42.78 lakh (**Annex-IV**).

On this being pointed out by Audit, the Postmasters of these HPOs while confirming the facts and figures replied (February 2008) that suitable action would be taken to recover interest paid in excess and to recover commission from the agents.

Thus, despite Ministry's instructions/directions issued to all heads of circles from time to time to follow the rules relating to post office accounts, the irregularity continued to persist.

The matter was referred to the Ministry May 2008; their reply is awaited as of January 2009.

2.5 Failure to realise dues and penal interest thereon

Nine units under three Postal Circles failed to collect postal dues and penal interest totaling Rs. 110.79 lakh under the 'Book Now Pay Later Scheme'.

In order to increase the market share for speed post by motivating bulk mailers/corporate customers, Department of Posts (DoP) introduced (November 1990), the "Book Now Pay Later" (BNPL) scheme. DoP was to maintain accounts of the customers registered under the scheme and to issue bills on the last day of each month. The customers, in turn, were required to make payments on or before 7^{th} of the following month, failing which penal interest @ 12 per cent was to be charged from the date the amount became due.

Audit scrutiny of the records in five Business Offices (BOs) under West Bengal Postal Circle, one Business Development Group under Maharashtra Postal Circle and three Post Offices under Jharkhand Postal Circle during August 2007 to February 2008 revealed that 193 'BNPL' customers failed to make payments by the stipulated dates during the period, 2003-04 to 2007-08. The postal units, however, failed to collect the dues in time and also to levy penal interest on the overdue amounts. This resulted in dues totaling Rs. 110.79 lakh remaining unrealised (overdue amount of Rs. 99.12 lakh and penal interest of Rs. 11.67 lakh as detailed in the **Annex-V**).

On this being pointed out in audit, the Business Development Group under Maharashtra Postal Circle replied (June 2008) that an amount of Rs. 22.45 lakh had been recovered and efforts were being made to recover the balance amount. Assistant Director under West Bengal Postal Circle stated (July 2008) that an amount of Rs. 8.45 lakh had been recovered and vigorous efforts were being made to recover the balance amount. The Postmasters under Jharkhand Circle indicated that reminders have been issued to defaulting customers for payment of outstanding dues.

The matter was referred to the Ministry July 2008; their reply is awaited as of January 2009.

2.6 Excess payment of service tax

Failure of the Chief Postmaster General, Andhra Pradesh, Gujarat & Kerala Postal Circles and the Postmaster General, Central Region, Tamil Nadu Postal Circle to avail Cenvat credit resulted in excess payment of service tax amounting to Rs. 92.18 lakh.

The Cenvat Credit Rules introduced in September 2004 allow a manufacturer or provider of a taxable service to take credit of duty/service tax paid on specified input capital goods/input services used in or in relation to the manufacture of specified final products/output services. The Cenvat credit so available could be utilised for payment of any duty of excise on any product or service tax on output services subject to certain conditions.

Services rendered by the Department of Posts (DoP) were brought into the ambit of service tax by the Government of India with effect from 18 April 2006. DoP, being an output service provider, collects service tax and educational cess on its output services, *viz.*, Speed Post, Postal Life Insurance, Business Auxiliary Services, etc, and pays service tax/excise duty and educational cess on input services availed like telephone bills of DoP, annual maintenance charges for computers, purchase of capital goods, etc.

Audit scrutiny of the records of Chief Postmaster General (CPMG), Andhra Pradesh, Gujarat & Kerala Postal Circles and Postmaster General, Central Region,Tamil Nadu Circle, during July 2007 to May 2008 revealed that though these circles paid service tax/excise duty on input services during 2006-07, the eligible Cenvat credit thereon was not availed by the Department while making the payment of service tax on their output services during the period 2006-07 and 2007-08, which resulted in excess payment of service tax to the extent of Rs. 1.74 crore as shown in the table below:

Sl. No.	Name of the circle	Details of service tax/excise duty paid on input/input services	Excess payment of Service Tax/ Excise duty paid by the circle due to non-availing of Cenvat Credit *(Rupees in lakh)*
1.	Andhra Pradesh	Purchase of Gensets	89.13
2.	Gujarat	Purchase of Gensets and Weighing scales	29.91
3.	Kerala	Telephones working for DoP and purchase of Gensets	42.96
4.	Tamil Nadu	Telephones working for DoP, AMC for computers, etc	11.99
	Total		**173.99**

On this being pointed out in audit, the Assistant Director, Postal Services, Gujarat Circle replied that the Cenvat credit could not be availed due to non-availability of relevant Rules, while the General Manager (Postal Accounts and Finance), Tamil Nadu Postal Circle stated (October 2007) that Cenvat credit could not be availed since there were no instructions from the Directorate for availing service tax credit. It is to be noted that Cenvat Credit Rules are statutory provisions of the Finance Act, which are to be followed by the Postal Circles. Director of Accounts (Postal), Andhra Pradesh Circle stated (October 2008) that an amount of Rs. 81.81 lakh has been adjusted. In Kerala Circle it was stated that matter has been taken up with the Directorate for further clarification.

The matter was referred to the Ministry July 2008; their reply is awaited as of January 2009.

2.7 Excess payment of haulage charges

Failure of the Chief Postmaster General, Tamil Nadu Postal Circle to adhere to the rules regarding payment of haulage charges resulted in excess payment of haulage charges to the Railways amounting to Rs. 62.66 lakh.

The Department of Posts (DoP) had decided to pay for the haulage charges to the Railways by seat displacement method with effect from 1 October 2002. DoP also issued instructions in January 2005 regarding the system of billing and payment of haulage charges to the Railways under the method. For calculation of haulage charges, full coach was to be treated as 90 seats (Broad Gauge) and 64 seats (Meter Gauge) till such time coaches with higher number of seats were used. Tariff for accommodation less than full coach was to be charged in terms of seats. The instructions further stipulated that in case of mails carried by postal vans attached to trains, a rebate of two *per cent* on the capital invested by the DoP on postal vans would be allowed and it should be deducted from the billed amount before raising claims against DoP by the Railways.

The Chief Postmaster General (CPMG), Tamil Nadu Circle was designated as the nodal officer for Southern and South West Railways against whom the bills relating to haulage charges were to be preferred by the Railways.

Audit scrutiny of the records of CPMG, Tamil Nadu Postal Circle in November 2007 revealed that there was reduction in accommodation availed from 90 seats to 40 seats during the period from 1 May 2005 to 30 June 2005 in three of the trains of Southern Railway. However, the circle paid haulage charges for the full accommodation of 90 seats to the Southern Railway instead of restricting the payments to 40 seats actually availed by DoP during the said period. This resulted in excess payment of haulage charges of Rs. 42.58 lakh.

Further, it was also observed that CPMG, Tamil Nadu Circle, had not claimed rebate of the two *per cent* on haulage charges in respect of the trains where mails were carried by postal vans during the period April 2004 to March 2007. This resulted in excess payment of haulage charges of Rs. 20.08 lakh.

On this being pointed out, the Principal Chief Postmaster General, Tamil Nadu Circle replied (January 2008) that matter had been taken up with the Southern Railway to adjust the overpaid amount of Rs. 42.58 lakh in the next bill. Regarding non-availing of rebate, it was stated that Rs. 6.48 lakh had been adjusted and the matter had been taken up with Southern Railways to adjust the balance amount. The recovery particulars were awaited as of January 2009.

The matter was referred to the Ministry June 2008; their reply is awaited as of January 2009.

2.8 Short realisation of postage charges

Senior Superintendent of Post Offices, Sundar Garh Division, Orissa Postal Circle and Chief Postmaster, Lucknow General Post Office, Uttar Pradesh Postal Circle authorised concessional tariff to ineligible publications, resulting in short realisation of postage charges of Rs. 62.11 lakh.

As per provisions of the Indian Post Office (IPO) Act, 1898 and IPO Rules, 1933, a publication shall be deemed a newspaper provided it has a periodicity of 31 days and a bona fide list of at least 50 subscribers who have paid their subscriptions. Any publication meeting these criteria may be registered as a newspaper with the Department of Posts (DoP) and would be entitled to transmission by the inland post at concessional tariffs during the currency of registration. DoP further clarified (October 2002) that unpriced periodicals should be classified as "Book Packets" and transmitted at the higher rates prescribed for 'Book, pattern and sample packets' with effect from 1 June 2002. These provisions were reiterated by DoP in December 2002. DoP also obtained a clarification from the Ministry of Law (December 2003) stating that a bonafide subscriber is one who pays the face value printed on the newspaper and that a publication indicating no price and sent free to the public could not avail of the concessional rates applicable to registered newspapers under the Indian Post Office Act and Rules.

Audit scrutiny of the records of Head Post Office (HPO), Rourkela under Sundargarh Division, Orissa Postal Circle and Chief Postmaster, General Post Office (GPO), Lucknow under Uttar Pradesh Postal Circle in January 2007 and October 2007 respectively revealed that one unpriced periodical in Orissa Postal Circle and two unpriced periodicals in Uttar Pradesh Postal Circle were registered and transmitted at concessional rates instead of the rates applicable to book packets. This resulted in short realisation of postage charges of Rs. 62.11 lakh in Orissa (Rs. 29.34 lakh) and Uttar Pradesh (Rs. 32.77 lakh) Circles during the period January 2003 to September 2007.

On this being pointed out in audit, Senior Superintendent of Post Office (SSPO), Sundargarh Division, Orissa Postal Circle stated (February 2007) that the renewal of registration for the periodical under reference was issued in December 2005, before receipt of instructions of DoP, while the Chief Postmaster, GPO Lucknow, after cancelling the license of the periodicals, referred the case to the Chief Postmaster General, Uttar Pradesh Circle in March 2008.

The statutory provisions for registration of newspapers stipulated in the IPO Act, 1898 and the IPO Rules 1933 were mandatory. Therefore, failure of SSPO, Sundergarh Division under Orissa and Chief Postmaster under Uttar Pradesh Postal Circles to comply with extant provisions of Departmental Rules led to short realisation of postage charges of Rs. 62.11 lakh.

The matter was referred to the Ministry July 2008; their reply is awaited as of January 2009.

2.9 Failure to levy Service Tax

Postmasters under Gujarat and Maharashtra Postal Circles failed to levy service tax and educational cess amounting to Rs. 55.65 lakh on commission received from Bharat Sanchar Nigam Limited/State Electricity Boards.

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 levy, collect and remit service tax for the commission received by it from Bharat Sanchar Nigam Limited (BSNL)/State Electricity Boards for collection of telephone revenue/energy bills 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 Post Offices under Gujarat and Maharashtra Postal Circles during May 2007 to March 2008 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 and from State Electricity Boards for collecting payments of electricity bills by the Post Offices under these circles. This resulted in the failure to levy service tax and educational cess amounting to Rs. 55.65 lakh for the period May 2006 to February 2008 as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Circle	Service Tax Due
1.	Maharashtra	31.75
2.	Gujarat	23.90
	Total	**55.65**

On this being pointed out in Audit, the Postmaster General, Nagpur region under Maharashtra Postal Circle replied (April-July 2008) that Rs. 20.17 lakh had been recovered in respect of seven Post Offices while the recovery particulars in respect of other Post Offices in the Maharashtra Circle were awaited. The Chief Postmaster General, Gujarat Circle replied (June 2008) that an amount of Rs. 1.63 lakh had been recovered from three Post Offices. It was also stated that efforts were being made to recover the balance amount.

The matter was referred to the Ministry in June 2008; their reply was awaited as of January 2009.

2.10 Irregular payment of interest

Failure of three Postal Circles to ensure prescribed monetary limit of subscription in respect of the Public Provident Fund (PPF) Scheme resulted in irregular payment of interest of Rs. 51.09 lakh.

Departmental rules state that any individual may, on his own behalf or on behalf of a minor of whom he is a guardian, subscribe to the PPF Scheme any amount not less than Rs. 500 and not more than Rs. 70,000 in a year. Contributions in excess of Rs. 70,000 made during a year by the subscriber are to be treated as irregular and refunded to the subscriber without any interest. Declarations to the effect that the subscriber is not maintaining any other PPF

Account and that the subscriber agrees to abide by the provisions of the PPF Scheme, 1968, as amended from time to time, are required to be obtained with the application form at the time of opening the account.

The Department of Posts (DoP) had issued orders (May 2004) for early detection of cases of unlinked multiple accounts held by the individuals (in their own names or as guardians of minors) and resultant excess deposits therein. DoP had further indicated that stringent action be taken against erring postal officials who fail to detect such irregularities.

Audit scrutiny of the records of four Head Post Offices (HPOs) under Rajasthan Postal Circle, one HPO and a General Post Office (GPO) under Gujarat Postal Circle and a GPO under Assam Postal Circle during May 2007 to December 2007 revealed that deposits of Rs. 1.15 crore were accepted in excess of the prescribed limits till the end of June 2007, which resulted in excess payment of interest of Rs. 51.09 lakh as of March 2008. Moreover, subscribers were allowed to open multiple of PPF accounts, one in their own name and others on behalf of minors, without submitting necessary declarations at the time of opening of the accounts.

On this being pointed out in audit, the Principal Chief Postmaster General, Rajasthan Circle replied (August 2008) that an amount of Rs. 13.92 lakh had been recovered and efforts were being made to recover the balance amount. The Chief Postmaster, Ahmedabad GPO stated (December 2008) that excess subscriptions made by the investors were refunded and an amount of Rs. 1.26 lakh towards interest was recovered. The Senior Postmaster of GPO Guwahati stated (July 2008) that interest amounting to Rs. 9.15 lakh had been recovered.

Failure to comply with extant instructions of the PPF Scheme resulted in acceptance of deposits in excess of prescribed limits and irregular payment of interest of Rs. 51.09 lakh thereon.

The matter was referred to the Ministry in July 2008; their reply was awaited as of January 2009.

2.11 General Audit Advisory

Paragraphs 2.3 to 2.10 under this chapter bring out irregular payment of interest and commission, failure to realise dues and penal interest, excess payment of service tax and haulage charges, short realisation of postage charges and failure to levy service tax in some postal circles audited. As there is a risk that similar instances may exist in other postal circles also, the

Department of Posts is advised to carry out a review of the extent of compliance with its instructions and put in place proper control procedures to guard against non-recurrence.

Department of Telecommunications

2.12 Background

The New Telecom Policy (NTP) of 1999 laid emphasis on universal service obligation (USO) and was committed to provide basic telecom services to all at affordable and reasonable cost. The introduction of NTP led to the telecom sector witnessing tremendous growth in the ensuing decade. In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02[1]. Since then, the number of telephone connections has risen to 300.94 million representing a telephone density of 26.22 by 31 March 2008. The Indian telecommunications network with over 270 million connections is third largest in the world and second largest among emerging economies.

2.12.1 Functions of the Department

After corporatisation, i.e., after the formation of Bharat Sanchar Nigam Limited (BSNL), a Public Sector Company (PSU), the function of providing telecom services was transferred to the PSU. Mahanagar Telephone Nigam Limited (MTNL) had earlier been set up for providing telecom services in the metropolitan cities of Delhi and Mumbai. DoT is primarily responsible for policy formulation and grant of licences to operators for providing basic and value added services. The DoT also administers the Universal Service Obligation (USO) Fund, which was constituted in April 2002. The USO Fund is to be used primarily to provide subsidies for expansion of telecommunication facilities in rural/remote areas of the country.

Further, the Department allocates frequency and manages radio communications in close coordination with the International bodies through its Wireless Planning and Coordination (WPC) wing. The WPC is the nodal agency to plan, authorise, and regulate use of spectrum within the country. It deals with the policy of spectrum management, wireless licensing, frequency assignments, international coordination for spectrum management and administration of Indian Telegraph Act 1885, for radio communication systems. The WPC is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country.

[1] Telephone density is expressed as the number of connections per hundred persons

The responsibility for assessing and collecting licence fee and spectrum charges rests with the Controllers of Communications Accounts (CCAs) in each of the 26 Telecom Circles.

2.12.2 Administration, Control & Regulation

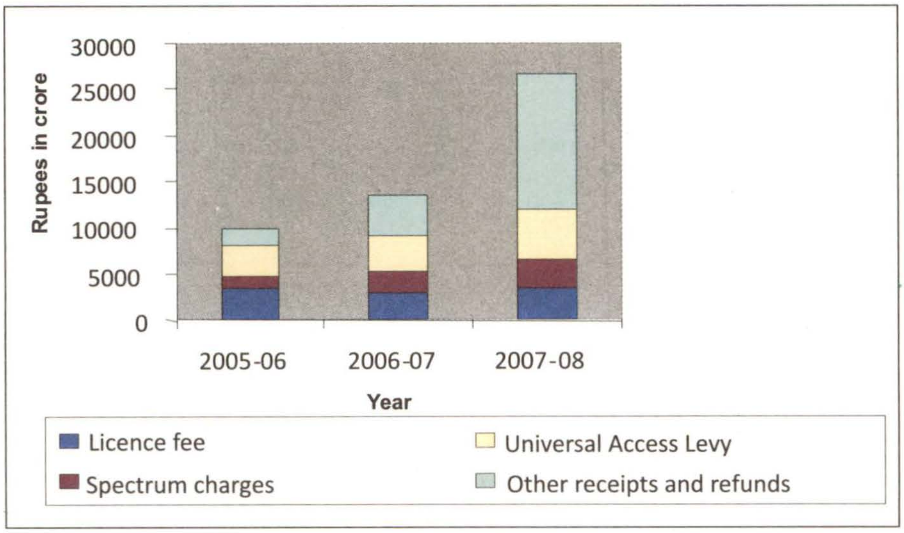
The Telecom Commission, set up by the Government in April 1989, has been vested with administrative and financial powers of the Government of India to handle various aspects of telecommunications. The Commission consists of a Chairman, four full time members and four part time members. The Telecom Commission and the Department of Telecommunications (DoT) are responsible for policy formulation, licensing, wireless spectrum management, administrative monitoring of PSUs (BSNL, MTNL, ITI, TCIL[2]), promotion of standardisation, research and development (mainly through C-DoT[3]) etc in respect of the telecom sector in India.

The telecom sector in India was opened to private operators in 1992. This brought with it the inevitable need for independent regulation. The Telecom Regulatory Authority of India (TRAI) was therefore established on 20 February 1997 by an Act of Parliament, the TRAI Act, 1997. The TRAI Act was amended in January 2000, taking away the dispute adjudicatory functions from TRAI and conferring the function on the newly established Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT). The 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.

[2] ITI – Indian Telephone Industries; TCIL – Telecommunications Consultants India Limited

[3] C-DoT – Centre for Development of Telematics

2.12.3 Revenues



The total non-tax revenue receipts of DoT during 2007-08 was Rs. 26729.27 crore, out of which Rs. 11910.98 crore was in the form of licence fee, spectrum charges and universal access levy. The spurt in 'Other receipts' (from Rs. 2044.76 crore in 2005-06 to Rs. 14818.29 crore in 2007-08) was mainly due to the collection of one-time entry fee for 120 new Universal Access Service Licences (UASLs) issued in January 2008. The category-wise break-up of non-tax revenue of DoT over the last 3 years is given in **Annex-VI**.

2.12.4 Role of Audit

During the audit of the DoT, Audit endeavoured to examine and assess whether established systems were functioning effectively, stipulated procedures were adhered to and whether financial propriety was observed. Subjects for compliance audit were selected on the basis of an assessment of the risk associated with various activities carried out by field units. Parameters for assessing risk included volume of transactions, materiality, relative importance of the function/service, past audit results, etc. Audit helps to identify the financial and managerial processes that need attention for efficient and effective management.

Annex-1

(Referred to in paragraph No. 2.1.3)

(A) Unregistered mail

(Numbers in lakh)

Sl.No.	Item	2005-06		2006-07		2007-08	
		Projected	Actual	Projected	Actual	Projected	Actual
1.	Post cards	2574.96	1991.54	2109.87	1913.02	2189.04	1779.52
2.	Printed Post cards & Competition Post Cards	871.99	879.19	931.43	765.88	915.24	650.78
3.	Letter cards (Inland)	2742.31	2333.79	2472.46	2224.74	2620.20	2164.62
4.	News Papers						
	Single	904.37	968.68	1026.24	917.63	1087.56	972.57
	Bundle	158.44	162.81	172.48	163.53	182.79	151.65
5.	Parcels	429.41	397.08	420.67	410.94	445.81	421.91
6.	Letters	8066.95	7100.01	7521.87	7144.51	7971.33	6633.44
7.	Book packets	791.92	875.17	927.17	817.15	982.57	893.22
8.	Printed books	370.86	469.27	497.15	487.42	526.86	527.31
9.	Other periodicals	282.88	372.37	394.50	422.68	418.07	428.18
10.	Acknowledgement	778.53	716.83	780.99	663.00	803.03	669.71

(B) Registered mail and others

(Numbers in lakh)

Sl. No.	Item	2005-2006		2006-2007		2007-2008	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1197.13	1229.31	1229.31	987.93	1193.47	989.45
12.	Insurance	95.45	86.65	91.80	88.01	97.28	84.84
13.	Value payable letters and parcels	98.46	80.44	85.22	85.56	90.31	78.18
14.	Registered letters and parcels	1996.92	1844.32	1953.90	1947.47	2070.66	1796.36
15.	Speed Post	1008.29	1086.00	1150.53	1286.00	1219.28	1725.50

The projected traffic for unregistered mail was calculated by the department on the basis of actual traffic of the preceding two years. The actual traffic was based on the revenue earned.

Annex-II

(Referred to in paragraph No. 2.1.4)

(A) Revenue Realisation

(Rupees in crore)

Name of the service	2006-07	2007-08	Percentage increase/decrease over previous year
Sale of stamps	671.45	566.82	(-)15.6
Postage in cash	1680.47	1964.81	16.9
Commission on MOs/IPOs	2883.41	2886.74	0.1
Other receipts	131.06	120.77	(-)7.9
Net receipts from other postal administrations	-43.95	-44.24	0
Gross Revenue	**5322.44**	**5494.90**	**3.2**

(B) Revenue expenditure

(Rupees in crore)

Category	2006-07	2007-08	Percentage increase/decrease over previous year
(a) Pay and allowances, contingencies, Bonus, Dearness allowances, etc.	4803.70	5114.10	6.5
(b) Pensionary charges	1424.66	1608.84	12.9
(C) Stamps, Post Cards etc.	28.19	26.06	(-)7.6
(d) Stationery and Forms printing etc.	54.81	53.13	(-)3.1
(e) Conveyance of Mails (payments to Railways and Air mail carriers)	265.77	261.74	(-)1.5
(f) Other expenditure	201.99	208.79	3.4
Total	**6779.12**	**7272.66**	**7.3**

Annex-III

(Referred to in paragraph No. 2.3)

Statement showing short realization of commission on payment of pension to railway pensioners through post offices

Sl. No.	Name of Circle	Year	No. of transactions	Rate of commission due per transaction	Amount of commission Due	Amount of commission actually realized	Short realization
1	Assam	2003-04	13786	61	840946	703086	137860
		2004-05	10972	63	691236	566212	125024
		2005-06	11950	67	800650	728951	71699
		2006-07	11565	67	774855	705465	69390
2	Bihar	2003-04	202001	61	12322061	10302051	2020010
		2004-05	613225	63	38633175	15454768	23178407
		2005-06	199851	67	13390017	12190911	1199106
		2006-07	164553	67	11025051	10037733	987318
3	Chhattisgarh	2002-03	12165	58	705570	378125	327445
		2003-04	8948	61	545828	478628	67200
		2004-05	8006	63	504378	524966	-20588
		2005-06	3029	67	202943	184769	18174
		2006-07	2201	67	147467	134461	13006
4	Delhi	2002-03	5280	58	306240	180616	125624
		2003-04	4941	61	301401	338361	-36960
		2004-05	4901	63	308763	298961	9802
		2005-06	4696	67	314632	286456	28176
		2006-07	4402	67	294934	268522	26412
5	Gujarat	2002-03	8256	58	478848	261792	217056
		2003-04	8624	61	526064	458574	67490
		2004-05	8049	63	507087	489891	17196
		2005-06	7912	67	530104	478932	51172
		2006-07	7667	67	513689	467693	45996
6	Himachal Pradesh	2004-05	1335	63	84105	81435	2670
		2005-06	1272	67	85224	77592	7632
		2006-07	1145	67	76715	69845	6870
7	Haryana	2004-05	2258	63	142254	137738	4516
		2005-06	2081	67	139427	126941	12486
		2006-07	1777	67	119059	114497	4562
8	Jharkhand	2001-02	14510	51	740010	326476	413534
		2002-03	13564	58	786712	1105350	-318638
		2003-04	11425	61	696925	582675	114250
		2004-05	35615	63	2243745	857330	1386415
		2005-06	12644	67	847148	771284	75864
		2006-07	9191	67	615797	560651	55146
9	Jammu & Kashmir	2002-03	72	58	4176	3672	504
		2003-04	54	61	3294	2754	540
		2004-05	60	63	3780	3450	330
		2005-06	58	67	3886	3538	348
		2006-07	56	67	3752	3416	336

Sl. No.	Name of Circle	Year	No. of transactions	Rate of commission due per transaction	Amount of commission Due	Amount of commission actually realized	Short realization
10	Kerala	2004-05	57161	63	3601143	3486821	114322
		2005-06	55139	67	3694313	3363479	330834
		2006-07	52922	67	3545774	3228220	317554
11	Madhya Pradesh	2002-03	9922	58	575476	506022	69454
		2003-04	11760	61	717360	599760	117600
		2004-05	10320	63	650160	629642	20518
		2005-06	15616	67	1046272	952576	93696
		2006-07	14825	67	993275	904325	88950
12	North East	2003-04	96	61	5856	4743	1113
		2004-05	73	63	4599	3863	736
		2005-06	84	67	5628	5124	504
		2006-07	81	67	5427	4941	486
13	Orissa	2002-03	28933	58	1678114	1475583	202531
		2003-04	27517	61	1678537	1494187	184350
		2004-05	24879	63	1567377	1517619	49758
		2005-06	21464	67	1438088	1309304	128784
		2006-07	24027	67	1609809	1465647	144162
14	Rajasthan	2004-05	61797	63	3893211	3769678	123533
		2005-06	60251	67	4036817	3675372	361445
		2006-07	55412	67	3712604	3380132	332472
15	Tamil Nadu	2002-03	212256	58	12310848	6379113	5931735
		2003-04	203034	61	12385074	10354734	2030340
		2004-05	196651	63	12389013	10029201	2359812
		2005-06	200885	67	13459295	16377066	-2917771
		2006-07	177814	67	11913538	10846654	1066884
16	Uttaranchal	2002-03	15270	58	885660	778770	106890
		2003-04	24555	61	1497855	1497855	0
		2004-05	16146	63	1017198	984906	32292
		2005-06	9584	67	642128	584624	57504
		2006-07	9285	67	622095	566385	55710
17	Uttar Pradesh	2004-05	358375	63	22577625	21860875	716750
		2005-06	285740	67	19144580	17430140	1714440
		2006-07	226488	67	15174696	13815768	1358928
18	West Bengal	2002-03	295502	58	17139116	9705334	7433782
		2003-04	301758	61	18407238	15389658	3017580
		2004-05	287946	63	18140598	14685246	3455352
		2005-06	269996	67	18089732	16469756	1619976
		2006-07	266717	67	17870039	16269787	1600252
19	Maharashtra	2004-05	44501	63	2803563	2714561	89002
		2005-06	37318	67	2500306	2276398	223908
		2006-07	45424	67	3043408	2770864	272544
					347735393	**284313301**	**63422092**

Statement showing short realization of commission on payment of pension to telecom pensioners through post offices

Sl. No.	Name of Circle	Year	No. of transactions	Rate of commission due per transaction	Amount of commission Due	Amount of commission actually realized	Short realization
1.	Andhra Pradesh	2004-05	100604	63	6338052	6136844	201208
		2005-06	101604	67	6807468	6197844	609624
		2006-07	97576	67	6537592	5952136	585456
2	Chhattisgarh	2004-05	40189	63	2531907	2451529	80378
		2005-06	13745	67	920915	838445	82470
		2006-07	11679	67	782493	712419	70074
3	Delhi	2000-01	123438	50	6233448	0	6233448
		2001-02	71358	55	3924690	1962345	1962345
		2002-03	75204	58	4361832	6361832	0
		2003-04	67360	61	4108960	4108960	0
		2004-05	55355	63	3487365	3487365	0
		2005-06	53022	67	3552474	3017412	535062
		2006-07	49346	67	3306182	0	3306182
4	Gujarat	2004-05	64331	63	4052853	3924191	128662
		2005-06	68288	67	4575296	4165568	409728
		2006-07	73955	67	4954985	4511255	443730
5	Haryana	2004-05	18270	63	1151010	1014470	136540
		2005-06	16916	67	1133372	1125455	7917
		2006-07	19558	67	1310386	1120000	190386
6	Himachal Pradesh	2004-05	8901	63	560763	542961	17802
		2005-06	8620	67	577540	525820	51720
		2006-07	8655	67	579885	540627	39258
7	Jammu & Kashmir	2005-06	6024	67	403608	402630	978
		2006-07	5940	67	397980	388696	9284
8	Madhya Pradesh	2004-05	25543	63	1609209	1558123	51086
		2005-06	65967	67	4419789	4023987	395802
		2006-07	68296	67	4575832	4166056	409776
9	Maharashtra	2004-05	137297	63	8649711	8375117	274594
		2005-06	162939	67	10916913	9939279	977634
		2006-07	166676	67	11167292	10167236	1000056
10	Rajasthan	2004-05	32912	63	2073456	2007632	65824
		2005-06	33444	67	2240748	2040084	200664
		2006-07	32697	67	2190699	1994517	196182
11	Tamil Nadu	2004-05	217224	63	13685112	13250664	434448
		2005-06	239558	67	16050386	14613038	1437348
		2006-07	171401	67	11483867	10455644	1028223
12	Uttar Pradesh	2003-04	137620	61	8394820	6437620	1957200
		2004-05	180340	63	11361420	12681900	-1320480
		2006-07	127426	67	8537542	7987114	550428
13	Uttaranchal	2004-05	7417	63	467271	452254	15017
		2005-06	7528	67	504376	459940	44436
		2006-07	8318	67	557306	524943	32363
							22852853

Annex-IV

(Referred to in paragraph No. 2.4)

Statement showing irregular payment of interest and commission

Sl. No.	Name of HPOs	No. of cases in which irregularity noticed	Excess deposit made beyond the prescribed limit	Excess interest paid	Irregular commission paid to agents on the excess investment	Total excess interest allowed to investors and commission paid to agents
Delhi Postal Circle						
1.	New Delhi	38	4607000	745048	46070	791118
2.	Lodhi Road	49	5713500	836215	57135	893350
3.	Krishna Nagar	19	1880500	272607	18805	291412
4.	Ashok Vihar	42	7365000	961232	73650	1034882
5.	Indra Prastha	44	4585500	775925	45855	821780
Andhra Pradesh Postal Circle						
6.	Vikarabad	10	1760000	260027	17540	277567
Himachal Pradesh Postal Circle						
7.	Dharamshala	6	1010000	157999	10100	168099
		208	**26921500**	**4009053**	**269155**	**4278208**

Annex-V

(Referred to in paragraph No. 2.5)

Statement showing non-realisation of dues and penal interest thereon

(Rupees in lakh)

Name of the Circle	Year	Amount outstanding	Amount outstanding	Penal interest	Grand Total
West Bengal	2004-05	3.05	53.61	5.20	58.81
	2005-06	10.33			
	2006-07	8.99			
	2007-08	31.24			
Maharashtra	2003-04	0.82	26.02	4.06	30.08
	2004-05	0.85			
	2005-06	3.60			
	2006-07	20.75			
Jharkhand	2004-05	5.97	19.49	2.41	21.90
	2005-06	5.39			
	2006-07	4.02			
	2007-08	4.11			
Total			**99.12**	**11.67**	**110.79**

Annex-VI

(Referred to in paragraph No. 2.12.3)

Components of non-tax receipts of DoT

(Rupees in crore)

	2005-06	2006-07	2007-08
Licence fee	3432.51	3097.19	3448.59
Spectrum charges	1371.97	2090.39	3056.59
Universal Access Levy	3215.13	3940.73	5405.80
Other receipts and refunds	2044.76	4300.92	14818.29
Total	**10064.37**	**13429.23**	**26729.27**

CHAPTER III: MINISTRY OF EXTERNAL AFFAIRS

3.1 Irregular appointment of local staff

Ex Consular General in the Federal Republic of Germany recruited staff for three local posts directly from India, in contravention of guidelines of MEA. As the whole process of recruitment was flawed, entire expenditure incurred on the salary of these employees totalling to Rs. 1.27 crore is irregular.

Each Indian Mission/Post abroad is sanctioned with a certain number of India-based officers/official and locally recruited personnel. Ministry of External Affairs (MEA) has prescribed certain norms to be observed in recruitment of local staff by the Missions/Posts. The local staff is recruited on contractual basis under the powers delegated to Head of Mission/Head of Post. The recruitment should be done by advertising vacancy in local newspapers and should be on the basis of interviews/test of the applicant(s) who satisfy eligibility condition of age, educational/professional qualification, experience etc. The local employee appointed in the Mission/Posts is expected to be responsible for obtaining local permit/resident visa etc. Further, the local employees of the Mission are not permitted to take up assignment with any other establishment, government or otherwise.

During the course of Audit, in March 2008, it was noticed that Consular General of India (CGI), Hamburg in Germany had recruited three local staff between the period May 2002 and May 2003, directly from India. Scrutiny of documents made available revealed that:

(a) The vacancies were not advertised in any local newspapers in Germany as was stipulated by the MEA.

(b) No criteria for age, educational/professional qualification, experience etc. were set for the selection of prospective candidates.

(c) The Ex-Consul General showed a great deal of personal interest in recruiting personnel directly from India by entering into direct correspondence with prospective candidates in India, issuing a note verbal to the Consul General of Germany in Kolkata for expediting visa in case of one candidate and pursuing with Embassy of India in Germany for issue of note verbal to the Foreign Ministry in Germany.

(d) In addition to the efforts at obtaining permission/visa with authorities in Germany, undue interest was shown in getting a 'mini job' for two local employees recruited by him, after office hours of the Consulate. A request was made to the host country foreign office to grant such permission. The act was in contravention of the direction of MEA that local staff are not to take up assignment with any other establishment, Government or otherwise.

(e) One local staff resigned from the job after nine months of his appointment. However, the person was not deported from the host country even though the onus of deportation on termination of the job lay with the Consulate General and Embassy of India functioning in the host country.

It is evident from the foregoing that Ex-CG in Germany made local appointments in contravention of guidelines of MEA and misused his diplomatic status to facilitate the appointments of personnel directly from India. As the whole process of recruitment was flawed, entire expenditure incurred on the salary of these employees totalling to Rs. 1.27 crore is irregular.

The Post in its reply (April 2008) promised adherence to the guidelines issued for the recruitment of local employees in future.

The matter was brought to the notice of the Additional Secretary (AD & CPV), MEA in April 2008. It was stated by MEA in July 2008 that employees had to be recruited from India as the salary offered by the CGI was below the prescribed minimum wages. The reply is not acceptable as (i) the concerned CGI in October 2008 confirmed that there was no cross sector statutory minimum wage prescribed except for occupations like construction work, electrical trade, sanitation etc.,(ii) CGI also confirmed that prior to the irregular recruitments, local recruitments were made for the post of clerks, (iii) other Missions/Posts in the same country were recruiting local staff as per the prescribed procedure by advertising in newspapers.

MEA also stated that efforts were made to recruit locally but no response was received. This fact was subsequently contradicted by the concerned CGI who confirmed that no records/orders were available to explain reasons for non publication of the vacant positions in local newspapers.

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

3.2 Extra expenditure due to deployment of India-based chauffeurs

The posting of India-based chauffeurs entailed expenditure of pubic money. At three missions abroad, the posting of India-based chauffeur has resulted in extra expenditure of Rs. 57.98 lakh during a three year period. MEA needs to review deployment of India-based drivers abroad with a view to effecting economies in expenditure.

Indian Missions/Posts abroad are provided with one or more than one car based on the assessed requirement. One of the cars in each Mission/Post is termed as Flag car and all other cars are known as Staff cars. Flag car is meant for exclusive use by the Head of the Mission/Post. Ministry of External Affairs (MEA) has sanctioned one chauffeur for each car.

These chauffeurs are either India-based or locally recruited. The tenure of posting of India-based chauffeur is usually three years. India-based chauffeurs are entitled for basic pay, foreign allowances admissible to the grade, overtime allowances, bonus, rent-free furnished accommodation, medical facilities, home leave passage and other benefits admissible to India-based staff. Locally recruited chauffeurs are entitled for pay, cost of living allowance, bonus, overtime allowances and social security benefit as per local rules and regulations.

Audit conducted a study to assess the economics of posting of India-based chauffeurs in various Indian Missions/Posts in Europe and Commonwealth of Independent States (CIS). The expenditure incurred on India-based chauffeur and locally recruited chauffeur in three missions, *viz.* Embassies of India in Oslo, Kyiv and Dushanbe for a period of three years (2005-06 to 2007-08) is given in the following table:

(Rupees in lakh)

Sl. No.	Missions	Sanctioned post of chauffeurs		Expenditure on chauffeurs (for a period of three years)		Ratio of expenditure Local : India-based	Difference
		Local	India based	Local	India-based[1]		
1	EI Dushanbe	1	1	15.09	31.32	1 : 2.07	16.23
2	EI Kyiv	1	1	12.98	38.58	1 : 2.97	25.60
3	EI Oslo	1	1	49.39	65.54	1 : 1.33	16.15

As is evident, the expenditure incurred in deployment of India-based chauffeurs in these stations was far in excess of expenditure on local

[1] This expenditure on India based drivers does not include pensionery benefits that are due to them and therefore, the actual would be even higher

chauffeurs. Further, India-based chauffeurs were handicapped as they were unable to speak or read the local language and were also not conversant with local driving conditions. As per Missions' own admission, these chauffeurs were deficient in driving skills required particularly in these countries.

Thus, the posting of India-based chauffeurs at three Missions resulted in extra expenditure of Rs. 57.98 lakh during three years ending 2007-08.

On the matter being pointed out in audit, Ministry in its reply (September 2008) stated that the deployment of India based staff was done after 'carefully weighing' various considerations such as security and confidentiality of operations, availability of appropriate skills and English speaking expertise among local population, past experience in hiring local staff at lower levels etc. and that these factors could not be disregarded on grounds of economy.

The reply of the Ministry is not specific to the issues flagged. For 15 Missions/Posts from which information was made available to audit, India-based chauffeurs were only found to be in position in five stations (Oslo, Berne, Kyiv, Dushanbe and Athens). The fact that in all but one of the five stations, India-based chauffeur was not attached to the flag car indicates that confidentiality of operations was not a consideration. Further in the only station where India-based chauffeur was being used by the Head of Mission, the feedback received on his performance was extremely poor. Apart from the higher expenses, inability to use the India-based chauffeur outside the city limits, need to have an escort in view of his lack of familiarity, absence of language skills etc. were pointed out by the Head of Mission.

In light of the above, MEA may review deployment of India-based chauffeurs abroad with a view to effecting greater economies.

3.3 Persistent Irregularities

3.3.1 Unauthorised expenditure on engagement of contingency paid staff

The Missions and Posts abroad continued to employ staff paid from contingencies in disregard of the rules and specific instructions of the Ministry governing the employment of locally recruited staff resulting in unauthorised expenditure of Rs. 58.10 lakh.

At least seven Reports[2] of the Comptroller and Auditor General of India since 1999 have highlighted disregard of Schedule I of Financial Powers of the

[2] 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),

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, July 2002, December 2004 and June 2005, the Ministry stated that instructions had been issued to the Missions and Posts emphasizing the need to adhere to the rules and regulations, failing which responsibility would be fixed on errant officers.

Despite earlier audit findings and categorical assurance given by the Ministry to the Public Accounts Committee, a sample check of 11 Missions[3] disclosed that they continued to violate the rules and specific instructions of the Ministry reiterating compliance to them and employed class-IV staff to be paid from contingencies for works of regular nature for prolonged periods and class-III staff beyond the delegated authority in disregard to the orders of the Ministry. This resulted in unauthorised expenditure of Rs. 58.10 lakh as detailed in the **Annex-VII.**

The Ministry stated in January 2009 that expenditure had been regularized/partly regularized in respect of two Missions and regularisation in respect of other Missions was under process.

The reply does not address the basic audit conclusion of transgression of delegated powers by the Missions. The issue of ex-ante approval of the competent authority cannot be substituted with post-facto justification.

The Ministry may determine accountability in specific cases of disregard of its specific instructions by the Missions in compliance to its assurance to the Public Accounts Committee. 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 as stipulated in the orders of the Ministry.

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

[3] Johannesburg, Suva, Ankara, Hong Kong, Bangkok, Bahrain, Dar-es-Salaam, Tripoli, Khartoum, Lusaka and Islamabad

3.3.2 Loss of interest due to injudicious retention of excess cash balance

Persistent non-compliance with Ministry's instructions for not holding cash balance in excess of requirement by overseas Missions and Posts despite audit observations on a number of occasions in the past resulted in loss of interest of at least Rs. 50.85 lakh in the test-checked cases.

At least nine Reports[4] of the Comptroller and Auditor General of India since 1996 had highlighted instances of retention of cash balances in excess of prescribed requirements by various Missions and Posts abroad resulting in avoidable loss of interest. In their 'Action Taken Note' of January 2008 to paragraph 4.3 of Report No. 2 of 2006 of the Comptroller and Auditor General of India, Union Government (Civil) on the subject, the Ministry had stated that the Missions had time and again been instructed to streamline the financial internal control and a mechanism had been instituted to closely monitor the cash balances of Missions/Posts abroad.

Subsequent audit of Missions and Posts abroad conducted between April 2007 and June 2008, revealed that repeated audit findings and the Ministry's instructions notwithstanding, as many as 14[5] Missions and Posts had retained cash balances in excess of their six weeks' requirements for periods ranging from 5 to 29 months during August 2002 to March 2008, where the interest impact of excess retention of cash outside the Consolidated Fund of India in each case was more than Rs. 1.00 lakh. Out of 14 Missions, nine[6] are such whose disregard of the Ministry's instructions have figured in Audit Reports during the last five years. With reference to the total cash balance held in excess during the relevant period by these 14 Missions and Posts and the average cost of borrowings specific to the respective years applicable on Government borrowings, the estimated loss of interest on this account was Rs. 50.85 lakh (**Annex-VIII**).

Upon being pointed out, the Ministry endorsed the replies of the Missions in January 2009 which attributed the retention of excess cash balance to one or more reasons *viz.* (i) visit of Indian Naval Ship (ii) to meet extra expenditure (iii) non-reconciliation of cash account (iv) time-gap involved in transfer of

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[4] Refer paragraph nos. 4.4, 4.5, 8.14, 8.7, 9.4, 4.7, 2.14, 6.13 and 4.3 of Report No. 2 of the Comptroller and Auditor General of India for the years ended March 1996, March 1997, March 1999, March 2000, March 2001, March 2002, March 2003, March 2004 and March 2005 respectively

[5] Angola, Beijing, Beirut, Colombo, Hong Kong, Johannesburg, Mandalay, Manila, Maputo, Nicosia, Port Louis, Pretoria, Sudan and Wellington

[6] Beirut , Hong Kong, Manila, Maputo, Nicosia, Port Louis, Pretoria, Sudan and Wellington

funds (v) receipt of special remittance (vi) local currency not being convertible and (vii) exponential rise in consular receipts.

The reply of the Ministry fails to recognize that while incidences of sudden spurt in consular receipts may arise occasionally, this cannot be advanced as a reason to hold cash balances for prolonged periods which ranged between 5 and 29 months in the cases included in this report. Persistent disregard of the Ministry's instructions leading to recurring interest impact underscores the need for addressing the issue with greater seriousness. Ministry may take more effective measures to ensure compliance of its own orders, including determining accountability where required.

3.3.3 Recovery at the instance of audit

Missions/Posts abroad failed to observe rules and procedures regarding payments of pay and allowances etc. to their employees resulting in an overpayment of Rs. 36.55 lakh by 44 Missions in 117 cases which were recovered at the instance of audit during 2005-08.

Para 7.9 of the Comptroller and Auditor General of India's Report No. 2 of 2007 had highlighted recovery of overpaid pay and allowances of Rs. 36.14 lakh from the employees of the Missions/Posts abroad at the instance of audit.

Subsequent audit examination of the records of various Indian Missions/Posts abroad revealed that the Missions continued to deviate from the prescribed rules and procedures resulting in overpayment of pay and allowances to their employees and other miscellaneous payments. At the instance of audit, 44 Missions/Posts recovered the overpayment of Rs. 36.55 lakh in 117 cases during 2005-2008 as detailed in **Annex-IX**.

As recommended earlier, the Ministry should take effective steps to ensure strict observance of the prescribed rules and procedures by all the Missions/Posts to guard against recurrence of such overpayments.

The matter was referred to the Ministry in September 2008; their reply was awaited as of February 2009.

3.3.4 Avoidable expenditure on leasing of accommodation

Leasing of private accommodation for chauffeurs while using the space available for them in chancery premises for unauthorised purposes resulted in avoidable expenditure of Rs. 29.51 lakh.

The scales of accommodation for officials serving in Missions abroad are prescribed in the Indian Foreign Service (PLCA) Rules, which stipulate that India-based chauffeurs should be accommodated in the outhouses of Embassy and Chancery premises, failing which they should be provided with separate accommodation within the prescribed scales where persons of similar status usually reside.

The matter of leasing of private accommodation for chauffeur by the Consulate General of India (CGI), New York, in October 2000 despite the availability of Government owned residential accommodation in the chancery premises, entailing an avoidable expenditure of Rs. 28.36 lakh till November 2003 was commented upon in paragraph No. 6.6 of the Audit Report No. 2 of 2005. An additional expenditure of Rs. 9.02 lakh was incurred on the rent till October 2004. No formal sanction had been issued by the Ministry till date to regularise this expenditure.

Despite the audit objection and violation of the rules, the Post leased another private accommodation for the succeeding chauffeur in November 2004 again without the prior approval of the Ministry. Even at this stage, the feasibility of using the available space at the chancery premises for the purpose was not considered by the Post. This entailed further additional expenditure of Rs. 20.49 lakh during the period from November 2004 to December 2007. No formal sanction had been issued by the Ministry till date to regularise this expenditure either. Only as late as in December 2007 was the accommodation in Chancery premises finally allotted to the chauffeur.

The matter was taken up with the Post by Audit (November 2007). In reply (November 2007), the Post stated that the matter of regularising the expenditure in both cases was under correspondence with the Ministry. Further, the space available at the chancery for the chauffeur had been used as a guest room and accommodation for the domestic help of the Consul General (CG) and for storage purposes. The reply is not tenable since there is no provision for separate accommodation for domestic servant of an officer and neither was there any authorisation from the Ministry for using the space as a guest room. Moreover, leasing of outside accommodation and continued incurrence of extra expenditure without approval by the Ministry even while an action taken note on the earlier report was pending indicates a total disregard of the rules.

Thus, leasing of private accommodation for chauffeurs while using the space available for them in the chancery premises for unauthorised purposes resulted in avoidable expenditure of Rs. 29.51 lakh (Rs. 9.02 lakh + Rs. 20.49 lakh) during the period from December 2003 to December 2007.

The matter was referred to the Ministry in July 2008; their reply was awaited as of February 2009.

3.3.5 Loss of revenue

Failure of Consulate General of India, Johannesburg in revising the fee for issue of Overseas Citizenship of India cards resulted in loss of revenue of Rs. 29.30 lakh in three Missions in South Africa.

Deficiencies in realisation of Visa and Consular Service fees by the Missions/Posts abroad leading to loss of revenue was pointed out in earlier Audit Reports[7] of the Comptroller and Auditor General of India.

Government of India prescribed a fee of US $ 275 or equivalent in local currency, in August 2005, for issue of Overseas Citizenship of India (OCI) Cards to persons of Indian origin of all countries. Further instructions issued in October 2005 stipulated upward revision of fee on the local currency being devalued against US dollars by 10 *per cent* or more.

Fee for visa and other consular services including OCI cards for Missions in South Africa is fixed by Consulate General of India (CGI), Johannesburg. Audit of CGI, Durban in June 2008 disclosed that though the local currency devalued by more than 10 *per cent* against US dollar on 20 June 2006 and further by more than 10 *per cent* on 3 October 2006, the CGI, Johannesburg did not take action to revise the fee for OCI cards. Consequently, the Missions at Durban, Johannesburg and Pretoria continued to charge a fee of Rand 1835 instead of revising it to Rands 1947 and 2165 in June and October 2006 respectively. Loss of revenue on account of non-revision of fee for issue of OCI cards in these three Missions for the period July 2006 to May 2008[8] works out to Rand 562642 equivalent to Rs. 29.30 lakh[9].

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[7] Paragraph No. 8.2 of Report No. 2 of 2000 and paragraph No. 9.7 of Report No. 2 of 2002
[8] Till March 2008 in case of Mission at Pretoria
[9] Worked out at the exchange rate of March 2008

On being pointed out, CGI, Johannesburg revised the fee for OCI cards to Rands 2200 in June 2008 at the prevailing rates as on 1 June 2008.

The matter was referred to the Ministry in August 2008; their reply was awaited as of February 2009.

3.3.6 Unrealised VAT refunds

Inadequate monitoring and pursuance of claims for VAT refunds in four Missions/Posts led to Rs. 26.94 lakh remaining unrealised.

At least four[10] reports of the Comptroller & Auditor General of India since 2004 had highlighted deficiencies in monitoring and pursuance of claims for VAT refunds by the Missions.

Subsequent audit of four Missions/Posts[11] during May 2007-July 2008 disclosed that improper filing, inadequate monitoring and deficiency in pursuance of VAT refund claims led to non realisation of Rs. 26.94 lakh as detailed in the **Annex-X**.

The Mission at Uganda stated in June 2008 that the audit observation had been noted and action was being initiated for submission of pending claims urgently. The Mission at Durban stated in January 2009 that it was vigorously pursuing the matter for early reimbursement of balance VAT amount.

The Ministry needs to ensure that Missions abroad submit their claims of VAT refunds in time along with proper documents and undertake periodical review of pending claims so as to ensure that no claims remain unprocessed and refund due to government is realised promptly.

The matter was referred to the Ministry in September 2008; their reply was awaited as of February 2009.

[10] Para 2.1 of 2004, 6.3 of 2005, 4.5 of 2006 and 7.6 of 2007
[11] Durban, Kampala, Kathmandu and Nicosia

General Audit Advisory:

In the case of the persistent irregularities as brought out in paragraphs 3.3.1 to 3.3.6, the Ministry should either ensure non-recurrence or re-examine their rules and orders in this connection and amend them appropriately so as to bring them in line with ground realities existing in specific Indian Missions abroad.

Annex-VII

(Referred to in paragraph 3.3.1)

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

Mission/ Post	Post	Period	Amount *(Rupees in lakh)*	Nature of irregularity	Ministry's reply
CGI, Johannesburg	Clerks- 3	May 2005 to June 2006	3.58	Contingency paid staff were engaged beyond prescribed limit without the approval of the Ministry.	File under process for regularisation.
HCI, Suva	Clerk-cum-Typists-2 Receptionist- 1 Messenger/ -3 Cleaner	April 2004 to March 2007	7.66	Contingency paid staff were engaged without the approval of the Ministry.	File under process for regularisation.
EI, Ankara	Marketing Assistant-1	January 2006 to May 2007	7.34	Despite immediate withdrawal of the post ordered by the Ministry of Commerce and Industry in November 2005, the Mission unauthorisedly engaged one Marketing Assistant.	Part information obtained from the Mission. Mission requested to forward more information on 07 January 2009.
	Clerk-cum-Receptionist-2 Library Clerk-.1	December 2007 to March 2008	1.80	Contingency paid staff were engaged for work of regular nature without the approval of the Ministry.	
CGI, Hong Kong	Visa Clerk- 2	November 2005 to April 2007	2.91	Contingency paid staff were engaged without the approval of the Ministry.	Expenditure regularised.
EI, Bangkok	Visa Clerk- 1	April 2006 to March 2007	1.62	Contingency paid staff was engaged for work of regular nature without the approval of the Ministry.	File under process for regularisation.
EI, Bahrain	Gardener- 1 Messenger- 1	May 2007 to April 2008	2.01	Contingency paid staff were engaged without the approval of the Ministry.	Part information received. Mission requested to send more information.
HCI, Dar-es-Salaam	Gardener- 1 Typist- 1 Driver-1	April 2006 to March 2008	0.78	Contingency paid staff were engaged without the approval of the Ministry.	File under process for regularisation.

Mission/ Post	Post	Period	Amount *(Rupees in lakh)*	Nature of irregularity	Ministry's reply
EI, Tripoli	Clerk- 1	November 2007 to February 2008	0.42	Contingency paid staff were engaged without the approval of the Ministry.	File under process for regularisation.
EI, Khartoum	Night Watchman- 1 Clerk-1	November 2005 to January 2006 June 2006 to September 2006	0.87	Contingency paid staff were engaged for work of regular nature without the approval of the Ministry.	File under process for regularisation.
HCI, Lusaka	Gardener- 6	June 2005 to May 2007	3.11	Contingency paid staff were engaged without the approval of the Ministry.	File under process for regularisation.
HCI, Islamabad	Chauffeur- 4 Gardeners and Cleaners- 19 Watchman- 1 Sweeper- 1	June 2006 to May 2008	26.00	Contingency paid staff were engaged without the approval of the Ministry.	Expenditure till March 2007 regularised. File under process for regularisation for the period from April 2007 to November 2008.
Total			**58.10**		

Annex-VIII

(Referred to in paragraph 3.3.2)

Statement showing the loss of interest due to retention of excess cash balance by the Missions/Posts

Sl. No.	Missions/Posts at	Period examined in audit	No. of months during which excess cash held	Total amount of excess cash retained during these months (*Rupees in crore*)	Rate of interest *per annum* (*per cent*)	Loss of interest (*Rupees in lakh*)
1.	Angola	July 2005 to March 2006	29	3.41	8.1	2.30
		April 2006 to March 2007		3.45	8.1	2.33
		April 2007 to May 2008		1.83	7.9	1.20
2.	Beijing	May 2006 to April 2007	6	4.40	8.1	2.97
3.	Beirut	May 2006 to May 2008	7	7.53	8.1	5.08
4.	Colombo	April 2006 to March 2007	5	3.04	8.1	2.05
5.	Hong Kong	July 2005 to March 2006	19	5.33	8.1	3.60
		April 2006 to March 2007		2.27	8.1	1.53
6.	Johannesburg	May 2005 to April 2007	10	3.26	8.1	2.20
7.	Mandalay	July 2002 to March 2003	25	0.99	9.5	0.78
		April 2003 to March 2004		1.09	8.8	0.80
		April 2006 to March 2007		2.32	8.1	1.57
8.	Manila	July 2005 to March 2006	12	2.06	8.1	1.39
		April 2006 to March 2007		6.14	8.1	4.14

Sl. No.	Missions/Posts at	Period examined in audit	No. of months during which excess cash held	Total amount of excess cash retained during these months (*Rupees in crore*)	Rate of interest *per annum* (*per cent*)	Loss of interest (*Rupees in lakh*)
9.	Maputo	July 2004 to March 2005	18	4.90	8.5	3.47
		April 2005 to April 2007		2.00	8.1	1.35
10.	Nicosia	June 2004 to April 2007	8	4.27	8.1	2.88
11.	Port Louis	June 2004 to March 2007	6	6.97	8.1	4.70
12.	Pretoria	June 2005 to April 2007	5	2.07	8.1	1.40
13.	Sudan	May 2005 to March 2006	21	2.33	8.1	1.57
		April 2006 to May 2008		1.81	8.1	1.22
14.	Wellington	July 2004 to April 2007	6	3.43	8.1	2.32
Total				**74.90**		**50.85**

Annex-IX

(Referred to in paragraph 3.3.3)

Recoveries effected in respect of Missions/Posts at the instance of audit

(A). Office of the Principal Director of Audit, London		
Name of Mission	**No. of Cases**	**Total *(Rs.)***
EOI, Helsinki	02	100380
CGI, Edinburg	01	95652
EOI, Madrid	04	49853
EOI, Bucharest	01	22981
EOI, Moscow	04	32785
EOI, Geneva	02	145072
EOI, Dushanbe	01	4262
EOI, Sofia	02	72388
EOI, Paris	01	508545
EOI, Athens	03	47049
EOI, Prague	01	26078
CGI, Munich	01	82257
EOI, Copenhagen	01	5000
EOI, Vienna	05	134000
EOI, Berlin	04	217961
CGI, Birmingham	01	62982
EOI, Hague	01	18872
CGI, Vladivostok	03	162876
EOI, Berne	01	81230
EOI, Brussels	01	32220
EOI, Kiev	05	253347
EOI, Belgrade	01	8670
EOI, Rome	03	48588
EOI, Warsaw	02	80379
Total	**51**	**2293427**

(B). Office of the Principal Director of Audit, Washington		
Name of Mission	**No. of Cases**	**Total *(Rs.)***
CGI, San Francisco	02	20744
EOI, Venezuela	02	68618
CGI, Toronto	10	167370
HCI, Chicago	01	8860
CGI, Houston	03	46060
HCI, Ottawa	05	86823
EOI, Panama	06	75101

Name of Mission	No. of Cases	Total *(Rs.)*
EOI, Argentina	01	44300
HCI, Jamaica	05	147289
HCI, Port of Spain	04	47616
PMI, New York	05	195887
EOI, Washington	06	121646
CGI, Vancouver	07	65892
Total	**57**	**1096206**

(C). **Office of the Director General of Audit, Central Revenues, New Delhi**		
Name of Mission	**No. of Cases**	**Total *(Rs.)***
HCI, Luanda	01	30392
HCI, Maputo	01	1651
HCI, Pretoria	01	127578
EOI, Tel Aviv	03	70068
EOI, Riyadh	01	5109
HCI, Singapore	01	25569
EOI, Doha	01	4806
Total	**09**	**265173**
Grand Total	**117**	**3654806**

Annex-X

(Referred to in paragraph 3.3.6)

Details of unrealised VAT refund claims

(Rupees in lakh)

Sl No.	Mission/ Post	Period	Amount	Remarks
1.	CGI Durban	April 2003 to March 2004	3.30	Claims of April and May 2003 were located in HCI Pretoria while weeding out the old records. Resubmitted along with the claims of March 2008.
		April 2004 to March 2008	15.63	Claims were filed but not pursued. Some of the claims were not admitted by South African Government because of inaccuracy of claims, purchases from non-registered vendors, non-inclusion of amount of VAT in invoices, lack of proof of payment etc.
2.	HCI Uganda, Kampala	April 2005 to January 2007	1.45	Claims rejected as these were not submitted in the prescribed manner.
		October 2007 to December 2007	2.54	Claim not filed by the Mission as of May 2008.
3.	EOI Nepal, Kathmandu	May 2007	3.64	The claims had been misplaced by Nepal Foreign Ministry but the issue had not been pursued by the Mission since November 2007.
4.	EOI Nicosia	March 2005	0.38	Claims filed without proper supporting documents and were not pursued.
Total			**26.94**	

CHAPTER IV : MINISTRY OF FINANCE

Department of Revenue

4.1 Utilisation of Funds under Public Account for questionable purposes: CBEC

Welfare Funds were set up in the Public Account of India for CBEC by appropriation of a part of revenue from the Consolidated Fund of India. The propriety of the expenditure from the Funds, being entirely of discretionary nature, is questionable. The purposes for which the Funds are being used need to be reviewed.

The three separate Funds in the Public Account of the Government of India being operated by the Ministry are for the welfare of the officers and staff, performance award to the officials of Central Board of Excise and Customs (CBEC) and for acquisition of anti-smuggling equipment. The receipts of and expenditure from these Funds averaged, each year, Rs. 17.60 crore and Rs. 12.59 crore respectively during the period 2002-08. The balance available under these Funds as on 31 March 2008 stood at Rs. 162.20 crore.

- Ministry established three Funds in 1987
  (i) Customs and Central Excise Welfare Fund,
  (ii) Performance Award Fund and
  (iii) Special Fund for Acquisition of Anti-Smuggling Equipment
- Financed through transfer of 10 *per cent* of the sale proceeds of the confiscated goods and duties and fines/penalties

Administration of the Funds

The Funds are administered by a governing body comprising the Chairman and members of the CBEC, Financial Adviser in the Ministry and Commissioner (preventive operations). The policy for regulating the expenditure and each individual proposal for an item of expenditure is approved by the governing body. The approval process for expenditure is independent of the Government financial rules and orders governing the expenditure from public funds, viz. the General Financial Rules, Delegation of Financial Powers Rules, Medical Attendance Rules, Fundamental Rules, CNE[1] procedure and economy instructions issued by the Government from time to time. Thus, the assurance regarding the financial propriety that every officer authorising expenditure from public moneys enforces financial order

[1] Committee on Non-Plan Expenditure

and strict economy and ensures compliance to all rules and regulations is not high.

Audit examination of the utilisation of the Funds brought out the following:

Welfare and Performance Award Funds

The grants from the Welfare and Performance Award Funds were provided to staff and community welfare for recreation clubs, canteens, libraries, crèches, gym/sports centre/recreation, treatment in private hospitals, holiday homes, cash award, scholarship to the children of the departmental officers, relief due to losses suffered by the departmental staff in natural calamites, supplemental loan to the staff for construction of residential houses, performance incentive to the best managed/maintained units/circle/ division, rent-free accommodation in hotels, financial assistance for non-reimbursable medical expenses on treatment, deposits to private hospitals for treatment of the staff and officers of CBEC and *ex-gratia* financial assistance in cases of death of the officers and staff etc.

- Benefits on many unchartered items or in addition to those available under the rules
- Questionable on the grounds of financial propriety

For most of the grants indicated above, Government has separate provisions or schemes for the benefit of all Central Government civilian employees, including the officers and staff of CBEC, and the welfare of their families. Those items, for which there are no approved provisions or scheme, have not been considered as legitimate or within the terms and conditions of the service under the Central Government. Additional financial assistance for various items, either over and above those provided by the Government under the commonly applicable rules or on altogether new objects, not being either a custom or in pursuance of recognised policy of the Government, is questionable on the grounds of financial propriety.

Discretionary Extension of Benefit

The governing body approved inclusion of the officers and staff of the Integrated Finance Unit, Principal Chief Controller of Accounts (CBEC) during their posting in these offices and the re-employed officers and staff of the Department in CESTAT[2], Settlement Commission etc as beneficiaries of these Funds. Such expansion in the scope and type of expenditure would, in most cases require the approval of the Departments of Personnel and Expenditure and/or of the Cabinet.

[2] Customs, Excise and Service Tax Appellate Tribunal

Illustrative instances

Analysis of a few sample cases of the expenditure from the Welfare and Performance Award Funds indicated that the propriety of expenditure in each case was questionable. In most cases, the items of expenditure were otherwise covered under the commonly applicable Central (Civil Service) Rules.

- **Financial assistance on account of medical treatment not reimbursable under Central Civil Service (Medical Attendance) Rules - Rs. 2.26 crore**

  Additional financial assistance to a section of employees for the portion not covered by the Medical Attendance Rules outside the purview of the commonly applicable Medical Assistance Rules.

  Deposits provided to private hospitals for medical treatment of the staff and officers of the CBEC.

- **Ex-gratia financial assistance to bereaved families of staff due to natural death, death attributed to performance of duties and to those departmental officers/staff who died or suffered injuries in the Mumbai serial bomb blast – Rs. 1.22 crore**

  Ex-gratia financial assistance to a section of employees belonging to a particular organisation beyond the scope of the generally applicable rules;

  Deaths categorised as occurring in performance of duty not established on merit that the death occurred in action. Cases of death in road accident taken as that attributable to performance of duty; and,

  No obligation on the CBEC to compensate either the family members or the staff or officers who died or suffered injuries in any calamity, which affects the general public as a whole and not the staff of a department alone.

- **Disbursement of loans to Commissionerates/ Directorates for purchase of land for offices/ready built office building, flats for the department/creating departmental residential complexes/ colonies, personal computers and publicity for tax compliances, etc. Rs. 23.20 crore**

  Specific provisions for purchase of land for offices/ready built office buildings, personal computers etc exist in the grant of the department in the Union Budget and are governed by separate rules and orders.

  The responsibility for creating departmental residential complexes/ colonies rests with the Directorate of Estates.

- **Recreation club/ gym/ sports centre, financial assistance to Sports Board and to sports persons, etc. - Rs.1.14 crore**

  Specific provisions exist in the Union Budget; governed by separate rules and orders of common applicability.;

  Financial assistance to sports persons of the department out of these Funds is outside the Government approved rules; and

  Separate budgetary appropriations available for Central Revenues Sports Board.

- **Setting up/ furnishing of guest houses and holiday homes for use of departmental officers and staff and payment to hotels for providing rent free accommodation to departmental officers and staff, Purchase of generator for department's residential colony, Financial assistance for meeting overdues towards rent from staff provided with dormitory accommodation in addition to HRA– Rs. 2.04 crore**

  Construction, hiring and leasing of holiday homes for the use of departmental officers and staff during leave and Leave Travel Concession is over and above those maintained by CPWD for Central Government employees;

  Furnishing of guest houses is to be carried out by specific Central Government department from out of the approved budget heads provided in the demands for grants;

The propriety in using the Funds for providing rent-free hotel accommodation to the officers and staff of CBEC is questionable; and,

Purchase of generator for department's residential colony is to be out of the maintenance budget of the CPWD maintaining the colony.

☞ **Relief to Cyclone/Tsunami /Earthquake/Floods departmental victims. – Rs.82 lakh**

Grant of relief aggregating Rs. 35.02 lakh to 191 employees who suffered floods damages in Mumbai and Rs. 21.62 lakh to 155 employees in Surat is questionable as the grant relates to a general issue and not a departmental one.

☞ **Scholarship / cash award to children of officials – Rs. 1.16 crore**

Cash award to the children of Departmental officers for their performance in board examination; and,

Scholarship to the children of the Departmental officers pursing professional courses

Benefits for a section of employees; not available to other Central Government employees.

☞ **Grant to school for reservation of seats - Rs. 3 crore**

Grants of Rs. 3.00 crore provided to a school for reserving seats for the nominees of the Chairman, CBEC and to also give preference to the children of Custom Service Officers in the admission.

The use of public money for the benefit of a particular section of employees at the discretion of the Chairman is of questionable propriety.

Customs Special Equipment Fund

This Fund was created for procurement of anti-smuggling equipment of specialised nature. Analysis of the utilisation of this Fund disclosed that out of the total expenditure of Rs. 23.19 crore[3], Rs. 7.88 crore was used for purchase of vehicles, while Rs. 8.22 crore was utilised for acquiring special anti-smuggling equipment. A temporary loan of Rs. 3.60 crore to Director General (Systems) for purchase of Computer Servers required for expansion of Electronic Data Interface (EDI) programme in 12 new locations was released out of the Special Equipment Fund.

Purchase of vehicles and advancing of a loan over and above those available through normal budget provision rendered the financial control and established procedure redundant. The purchase of vehicles also led to enhancing the fleet without reference to the justification in totality bypassing the ban orders of the Government.

Transparency in Budgetary Process

- Transparency in budgetary process and financial reporting diluted

The Funds are financed though annual appropriation by transfer of lump-sum amount from the Consolidated Fund of India to Public Account. As per the General Financial Rules, 2005[4], the detailed demands for grants should be prepared with full accounts classification. Ministry of Finance has

[3] During the period 2002-07

[4] Rules 48 and 49 read with Appendix -3

prescribed the standardised object heads of the accounts[5] under which the demands for grants of all grants and charged appropriations are required to be presented in the detailed demands for grants. However, Demand for grant of transfer to the Public Account in the instant case is through a lump-sum provision "transfer to Customs Welfare Fund". Some of the examples of the utilisation of the Funds which otherwise would fall under one or other of the objects heads are 'Rewards', 'Medical treatment', 'Office expenses', 'Other administrative expenses', 'Minor works', 'Grants-in-aid', 'Scholarships/ stipend', 'Motor vehicle', etc. The lump sum transfer to Public Account and utilisation of such transferred funds on items that can be included in the detailed demands for grants dilutes the transparency of the budgetary process and financial reporting.

Department's Response

The Department, on behalf of the Ministry, stated in January 2008 that the Funds were constituted as a part of liberalisation policy of Government of India for grant of rewards to Government servants in cases of seizure made, infringement or evasion of duty etc. detected under the provisions of Customs/Central Excise Act, Gold Control Act and FERA Act. It further stated that the governing body formulated by the Government was vested with full powers to make rules for administering the Funds. It also stated that Funds had been created as a recognized policy of the Government and this had been expended according to the rules made by the governing body for welfare of the officers and staff working in the Central Board of Excise and Customs. The reply added that transfer of amounts to Funds was directly linked to performance of the officers and staff of the department as a whole who while performing anti-smuggling and anti-evasion work risk their life and such schemes help in keeping their morale high.

But the fact remains that public funds were being used for the benefit of a section of government servants. More importantly, all expenditure of questionable propriety met out of the specially created Funds could have been met through appropriate budgetary appropriations, following transparent procedure.

Recommendation

In the light of the fact that some of the purposes for which the Funds have been utilised can be seen as questionable on the grounds of financial propriety, we recommend that the Government revisit the matter, relate the rationale of

[5] GOI order (1) below Rule 8 of the Delegation of Financial Power Rules, 1978

setting up of the Funds with their actual operation and take appropriate further action.

4.2 Non-realisation of Revenue

A sum of Rs. 2.51 crore as penal interest was to be recovered from the banks on account of delayed remittance of Government revenues. Zonal Accounts Officer, Hyderabad recovered only Rs. 0.73 crore leaving the balance amount of Rs. 1.78 crore unrealised.

Accounting procedure relating to On Line Tax Accounting System (OLTAS) envisaged that the tax collections effected by the designated branches of banks are to be credited to the Government Account promptly on a day-to-day basis. The Nodal Branches of the Bank are responsible for prompt and accurate transmission and accounting of collections/refunds reported to it daily by all the designated branches including its own receipt. The maximum number of days allowed for crediting tax collections to Government Account at Central Accounts Section (CAS), Reserve Bank of India, Nagpur is within T[6]+ 3 working days of the date of realisation of the instrument or receipt of cash for local transactions where collecting branch and focal point branch are in the same city/agglomeration and T+5 working days for outstation transactions where collecting branch and focal point branch are in a different city/agglomeration. In case of delay beyond the prescribed period, Zonal Accounts Officer (ZAO) under the control of Central Board of Direct Taxes (CBDT) would quantify and collect penal interest at the rate of eight *per cent* from the defaulting banks and also impress upon them to pay the penal interest within two weeks of such establishment and acceptance.

Audit noticed that as against an amount of Rs. 2.51 crore of penal interest imposed by ZAO Hyderabad, on various banks for the period from July 2004 to March 2008, only Rs. 0.73 crore was realised leaving a balance of Rs. 1.78 crore.

The department replied (June 2008) that the matter was being pursued with banks. The response of the Ministry was awaited as of February 2009.

As there is a risk of delayed crediting of revenues in the Government account, Department of Revenue, MoF, is advised to carry out a review in all the ZAOs of CBDT to effect recoveries from the defaulting banks and put in place proper control procedures to guard against non-compliance of instructions. The results of the exercise and the recoveries made as a result thereof may be communicated to the Ministry and Audit in due course.

[6] T is the day when money is available at the bank branch

CHAPTER V : MINISTRY OF HEALTH AND FAMILY WELFARE

5.1 Supply of medicines on unlimited credit period

Unrestricted supply of medicines on credit basis by the Government Medical Stores Depot, Mumbai to various client departments resulted in accumulation of unrealised dues of Rs. 19.73 crore over a period of 18 years from 1990 to 2008.

The Government Medical Stores Depot, Mumbai (GMSD) is engaged in procurement and supply of medicines and medical stores required by hospitals/dispensaries run by the Central and State Government departments and local bodies.

Scrutiny of records of GMSD revealed (May 2006/June 2008) that supplies to Central and State Government hospitals and dispensaries were being made on credit basis and supplies to Non-Government departments on cash basis. The client departments were to make the payments within the financial year of purchase. As of August 2008, Rs. 19.73 crore remained to be recovered from various organisations which had received supplies on credit basis during the period 1990 to 2008. More than 53 *per cent* of the outstanding amount was due from the Government of Maharashtra alone. State-wise position of outstanding dues is given below:

State/Indenter	Total number of indenters	Number of defaulting indenters	Amount outstanding (*Rs*).	Amount outstanding for over five years
Maharashtra	263	131	106192598	103286620
CGHS	5	0	62783551	0
Central Government	155	0	14129825	12719334
Bihar	12	12	6384785	5440890
Gujarat	10	10	3866429	0
Madhya Pradesh	17	17	3427554	0
Karnataka	1	1	515757	515757
Total	**463**	**171**	**197300499**	**121962601**

GMSD stated (April/June 2008) that no agreement was being entered into with the indenters for the supplies made on credit basis and that most of the indenters had cleared their dues. It further added that the Government of Maharashtra was being reminded regularly and that supply of medicines to them had been stopped till clearance of their dues.

The fact remains, however, that more than one third of the indenters were defaulters and nearly two thirds of the arrears were outstanding for more than five years. More effective action needs to be taken to ensure that dues are cleared promptly so that supply of medicines to Government hospitals at economic rates do not suffer.

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

Department of Health

5.2 Failure to recover CGHS charges from BSNL and Postal Department

Failure to recover Rs. 11.90 crore from Bharat Sanchar Nigam Limited and Postal Department on account of medical services rendered by CGHS, Allahabad.

Medical facilities are provided to Central Government employees through dispensaries of the Central Government Health Scheme (CGHS) of the Ministry of Health and Family Welfare, Department of Health, Government of India. The beneficiaries of different departments are required to pay contribution for the services so rendered. The rates of contribution to be recovered from the paying Departments were prescribed by the Government of India from time to time.

Scrutiny of records of CGHS Allahabad (November 2007) revealed that a sum of Rs. 9.73[1] crore was yet to be recovered from Bharat Sanchar Nigam Limited (BSNL) and Postal Department in respect of their employees who had opted for the services rendered by CGHS Allahabad for the period form 1978-79 to 2004-05. With effect from 2005-06, BSNL, with the autonomous status, opted out of CGHS. Rates of contribution recoverable from the beneficiaries of Postal Department during 2005-08 had not been decided (June 2008) by the Ministry. Based on rates applicable in 2004-05, the estimated amount to be recovered from Postal Department for 2005-08 works out to Rs. 2.17 crore.

The matter was referred to the Ministry; their reply is awaited as of February 2009.

[1] Bharat Sanchar Nigam Limited (Rs. 5.31 crore) and Postal Department (Rs. 4.42 crore)

5.3 Short/non-recovery of licence fee

Short/non-recovery of licence fee and water/electricity charges by Lady Hardinge Medical College and Smt. Sucheta Kriplani Hospital, New Delhi from Central Bank of India, Post Office and other commercial establishments operating within its premises had a financial implication of Rs. 3.64 crore over the period February 1978 to June 2008.

Lady Hardinge Medical College and Smt. Sucheta Kriplani Hospital, New Delhi (Hospital) provided office space to Central Bank of India without entering into any agreement and at rates far below those prescribed by the Government from time to time. Besides, it had also failed to recover licence fee from the Post office and 12 other commercial establishments[2] (except in two cases that too partially), which had been running their business within its premises for several years. Moreover, no electricity and water charges had ever been recovered from the bank and other commercial establishments. Against the total rent of Rs. 3.19 crore recoverable by the Hospital from these institutions from February 1978 to 30 June 2007 at the prescribed rates, it had recovered only Rs. 6 lakh resulting in short recovery of Rs. 3.13 crore.

Upon being pointed out in audit, the Hospital issued notices in August 2007/May 2008 for recovery of licence fee (Rs. 2.95 crore) and electricity and water charges[3] (Rs. 0.27 crore) and initiated action in May 2008 for eviction of the establishments under sub-section (1), Section 4 of Public Premises (Eviction of Unauthorised Occupant) Act 1971. The Hospital has been able to only recover Rs. 1.85 lakh (Post office: Rs. 1.35 lakh and bank : Rs. 0.50 lakh) in October 2007 and July 2008 respectively. Short recovery up to June 2008 aggregated Rs. 3.64 crore (licence fee : Rs. 3.36 crore and electricity and water charges : Rs. 0.28 crore).

The hospital administration should review the continued occupation of the accommodation by the establishments, determine with the approval of the competent authority those that are to be continued, enter into formal agreement or issue sanction orders containing terms and conditions of allotment and get the remaining vacated in a time-bound manner.

The matter was referred to the Ministry in October 2008; their reply was awaited as of February 2009.

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[2] Canteens/Cafeteria : 5, STD booths : 2, Internet café : 1, Tailor : 1, Typing centre : 1, Book shop : 1 and General shop : 1

[3] Electricity charges worked out by the Hospital on the basis of calculation made by CPWD and water charges worked out at fixed rate of Rs. 60 per month

National Aids Control Organisation

5.4 Lackadaisical scrutiny of claims leading to excess payment

Deficient internal control in scrutiny of claims by the Ministry led to excess payment of Rs. 1.13 crore to a Non-Government Organisation working in the field of prevention and control of AIDS in Tamil Nadu.

VHS[4], Chennai, a non-government organisation, is associated with implementation of National AIDS Control Programme in the State of Tamil Nadu. It receives grants from NACO[5] for the implementation of the programme.

Examination of reimbursement claims towards taxes and duties of Rs. 77.33 lakh pertaining to the period 2004-05 and 2005-06 paid by NACO to VHS, Chennai in April 2007 under NACP project disclosed that NACO had already paid this amount while making the reimbursement of the total project cost to VHS during June 2004 to July 2006. As a result, the claims for Rs. 77.33 lakh were paid twice by NACO.

Further, the expenditure under the project reimbursed by NACO to VHS during 2004-05 to 2006-07 also included Rs. 35.86 lakh, which was recoverable by VHS from sub-grantees and, therefore, was not eligible for reimbursement.

The total excess payment of Rs. 1.13 crore to VHS indicates deficient internal control in scrutiny of claims by the Ministry. This also calls into question the integrity of reimbursement/payment procedure.

The Ministry admitted the audit findings in October 2008 and stated that the excess payments would be recovered from VHS from their claims for 2008-09.

Lady Hardinge Medical College and Sucheta Kriplani Hospital

5.5 Irregular benefit to staff on account of water charges

The Management of the Lady Hardinge Medical College and Sucheta Kriplani Hospital unauthorisedly subsidised the water charges of the staff quarters. The irregular benefit aggregated Rs. 61.52 lakh during 2002-03 to 2007-08.

Four bulk water connections cater exclusively to 239 Type I staff quarters at Baird Road, Gole Market, New Delhi. The Hospital authorities paid Rs. 49.53 lakh towards actual water consumption charges from the four bulk meter

[4] Voluntary Health Services

[5] National AIDS Control Organisation - a division of Ministry of Health and Family Welfare

connections during the period 2002-03 to 2007-08. Instead of charging this amount on *pro-rata* basis from the occupants, the Hospital authorities recovered Rs. 4.01 lakh towards water charges which was much lower than the actual charges paid by the Hospital. This resulted in under-recovery of Rs. 45.52 lakh. Besides these 239 Type I quarters, water was supplied through the bulk meters which cater simultaneously to the Hospital to another 84 quarters, consisting of Type I and Type IV quarters and bungalows. Based on the proportionate amount chargeable from the occupants of 239 Type I quarters, the under-recovery in respect of these 84 quarters was estimated to be Rs. 16 lakh during 2002-03 to 2007-08. Thus, the total amount recoverable from all the occupants availing inadmissible benefit on account of water charges worked out to Rs. 61.52 lakh during 2002-03 to 2007-08.

The Hospital authorities thus extended inadmissible benefit to the occupants of the staff quarters by recovering water charges at a far lower rate than what was paid by the Hospital to NDMC[6]. Upon being pointed out, the Hospital had taken up the matter with the NDMC in March 2007 for installation of separate meters. However, no further follow-up action was taken. Meanwhile, the under-recovery continues.

The Hospital should get separate meters installed at the individual staff quarters with immediate effect and recover water charges on *pro-rata* basis with reference to the charges paid to the NDMC including the arrears of the amount under-recovered.

The matter was referred to the Ministry in August 2008; their reply was awaited as of February 2009.

[6] New Delhi Municipal Council

CHAPTER VI : MINISTRY OF HOME AFFAIRS

6.1 Avoidable expenditure on rent due to delay in construction of office building

Delayed finalisation of the preliminary estimates and consequential delay in completion of building resulted in avoidable payment of rent of Rs. 3.98 crore.

Government of India, Ministry of Home Affairs accorded administrative approval and financial sanction (December 1982) of Rs. 39.81 lakh for purchase of approximately 6113.32 sq. meters of land at Lucknow from Lucknow Development Authority (LDA) for construction of office building for the office of the Director of Census Operation, Uttar Pradesh, Lucknow (DCO). The land[1] was registered in the name of the DCO (June 1990).

Scrutiny of records (May 2007) of DCO and further information collected (May 2008) revealed that the DCO sent the Preliminary Estimates for Rs. 9.11 crore for approval to the Registrar General of India (RGI) in July 1997, after seven years of land allotment. Thereafter the matter remained under correspondence. Based on the modifications intimated by the DCO, the CPWD revised their estimates twice in June 1999 and October 1999. The latest estimate for Rs. 6.11 crore was submitted by the CPWD in May 2004, as the requirement of space was reduced from 5435.663 sq. meter (58509 sq.ft.) to 3146.533 sq. meter (33869 sq.ft.). This estimate was also sent to the RGI for approval in July 2004. The CPWD stated in their latest estimate that the construction work would be completed in 21 months. Pending construction of the building, the office was functioning from hired buildings and Rs. 3.98 crore was paid as rent during 1997-98 to 2007-08 which could have been avoided in case the construction of the office building was completed timely.

Ministry in its reply (November 2008) stated that the delay had taken place in completion of required formalities and the estimates of Rs. 6.11 crore submitted in July 2004 had been sanctioned in September 2008. The fact remains that it took more than 18 years from registration of the land to according sanction for construction on the land.

[1] At Sector "G" Aliganj, Lucknow

6.2 Recovery at the instance of audit

On being pointed out that reimbursement of expenditure on security had been made to the Government of Assam in excess of the eligible amount, the Ministry recovered Rs. 72 lakh from the Government of Assam.

Under the Security Related Expenditure Scheme, the MHA[2] releases grants to nine states by way of reimbursement of expenditure incurred on ammunition, training and upgradation of police posts etc. by them in 76 districts badly affected by naxal violence. Expenditure incurred on deployment of home guards is reimbursed at the rate of Rs. 45 per person per day.

Sanctioned strength of home guards in Assam for 2005-06 was 4899. Government of Assam, however, submitted a reimbursement claim for deployment of 5355 home guards, which was paid by the MHA in full. This led to excess payment of Rs. 75.34 lakh.

Upon being pointed out by audit, the MHA recovered Rs. 72 lakh from the Government of Assam in November 2007. The confirmation of the MHA for recovery of the remaining Rs. 3.34 lakh was awaited.

The matter was referred to the Ministry in August 2008; their reply was awaited as of February 2009.

Border Security Force

6.3 Unauthorised attachment of personnel at Officers' Mess by BSF

Director General, Border Security Force attached large number of personnel by diverting from their field units to the Ashwini Officers' Mess, Nizamuddin and Force Headquarter Officers' Mess, Tigri, New Delhi in violation of the orders of the Ministry issued on the directions of the Group of Ministers on National Security.

The unauthorised attachment of large number of personnel withdrawn from the field formations/units by the Director General of BSF[3] and their deployment in the headquarters and other Delhi offices for several years in disregard to MHA's directions consequent upon the decision of GoM[4] on national security was reported in the Audit Report[5] of the Comptroller and Auditor General of India, Union Government (Civil). Audit of the units of

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[2] Ministry of Home Affairs
[3] Border Security Force
[4] Group of Ministers
[5] Report No. CA 1 of 2008

BSF revealed that despite having been pointed out earlier, it continued attachments of large numbers of personnel at its two officers' messes on permanent basis in complete disregard of Government of India orders.

BSF is running two officers' messes *viz.* the unauthorised Ashwini Officers' Mess, Nizamuddin and FHQ[6] Officers' Mess, Tigri in New Delhi. The expenditure on Officers' Mess is met from the BSF officers' mess fund, which is maintained partly by initial grant from the Government/FHQ and partly by subscription from the members of the mess. The grants and subscriptions from the members are being credited unauthorisedly into a private fund (BSF officers' mess fund) and kept outside the Consolidated Fund of India.

Examination of the records revealed that BSF attached 23 to 27 personnel in Ashwini Officers' Mess, Nizamuddin, and 18 to 29 personnel in FHQ Officers' Mess, Tigri during 2004-05 to July 2008 **(Annex-XI)** of the ranks of Inspectors, Sub-inspectors, Head Constables and class IV personnel by diversion from their normal places of duty resulting in unauthorised expenditure of Rs. 1.64 crore during April 2004 to July 2008 on their pay and allowances.

The persistent unauthorised attachment of personnel by Director General, BSF undermines the system of deployment of man power against sanctioned posts in different categories, besides adversely affecting the working of field formations.

On being pointed out by Audit in April 2008, BSF stated in September 2008 that the personnel attached with these messes had been detached from July 2008

The matter was referred to the Ministry in August 2008; their reply was awaited as of February 2009.

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[6] Force Headquarter

6.4 Avoidable expenditure of Rs. 55.65 lakh on operation and maintenance of a grounded helicopter

Negligence of the Border Security Force in making continued payment overlooking the terms of the agreement even after the helicopter became inoperative due to accident resulted in avoidable expenditure of Rs. 55.65 lakh.

BSF entered into an agreement with M/s SAPL[7] in July 2006 for the operation and maintenance of one Cheetah and one Chetak helicopters owned by BSF. The agreement was for a period of two years from July 2006 at a monthly payment of Rs. 5.5 lakh for Cheetah and Rs. 4.25 lakh for Chetak helicopters.

The Cheetah helicopter met with a flying accident in September 2006 and remained grounded for want of repairs. BSF got the helicopter inspected by SAPL Engineer in September 2006 but delayed the dispatch of damaged parts to M/s Hindustan Aeronautics Ltd., Bangalore by two months. Meanwhile, BSF continued to make payments for the operation and maintenance of helicopter to M/s SAPL till October 2007, even though the helicopter was unusable due to damages suffered in the accident. BSF deducted damages of Rs. 25.97 lakh from the payments to the contractor under the force majeure clause 5 of the contract and paid Rs. 55.65 lakh for the period September 2006 to October 2007. It, however, failed to terminate the contract under clause 9 (k) which stipulated that if the helicopter(s) was destroyed, lost or subject to irreparable damage or suffered such damage, requiring more than 30 days to repair, the government would have the right to terminate the contract without notice.

Thus, failure of BSF in applying appropriate clause of the agreement resulted in avoidable payment of Rs. 55.65 lakh for operation and maintenance of a grounded helicopter. The Pay and Accounts Officer, BSF also overlooked the terms of the contract while making payment to SAPL.

The BSF, stated in January 2008 that they did not terminate the contract since there was shortage of qualified engineers and pilots in the aviation market and no other agency was available in the market to operate and maintain both the Cheetah and Chetak helicopters on contract basis. The contention of BSF is not in consonance with the terms of agreement which clearly provided for termination of the contract in case of the grounding of one or both the helicopters and the terms of payment were separately determined for the two helicopters.

[7] Summit Aviation Private Limited

The matter was referred to the Ministry in August 2008; their reply is awaited as of February 2009.

6.5 Non-recovery of liquidated damages from supplier

Failure to invoke standard conditions of contract resulted in non-recovery of liquidated damages of Rs. 43.59 lakh for delayed supply of equipment by the Paying Authority.

Procurement Wing of Ministry of Home Affairs (MHA) placed a supply order for 57 Field Artillery Tractors (FATs) with M/s Tata Motors Limited on behalf of Director General, BSF, on 28 June 2006 with due date of delivery as 31 December 2006. The Ministry later increased the quantity by additional 14 FATs on the same terms and conditions with due date of delivery for the additional 14 FATs as 30 April 2007. As per Clause 14(7)(1) of general conditions of the Directorate General of Supplies and Disposals standard contract that govern the supply of stores, liquidated damages at the rate of two *per cent* of the cost per month or part thereof were recoverable for delayed supplies. The firm supplied 57 FATs on 20 March 2007 and remaining 14 FATs on 18 June 2007, at a total cost of Rs. 7.81 crore, after a delay of three months and two months respectively.

While granting the extension of time to the firm for supply of FATs, the Procurement Wing reserved the right to levy liquidated damages and requested the Commandant (ORD), DG, BSF to inform them about the monetary loss or inconvenience suffered on account of delayed supplies. The Procurement Wing of the MHA had also endorsed a copy of the sanction of the extended time of delivery to the Pay and Accounts Officer. But the Paying authority, the Deputy Director (Accounts) PAO, BSF failed, despite the delay in supply, to invoke the clause relating to, and to levy, liquidated damages. This resulted in non-recovery of the liquidated damages of Rs. 43.59 lakh.

The Ministry stated in November 2008 that the BSF had not suffered any loss or inconvenience due to delayed supply of FATs. However, the Hon'ble Supreme Court in the case of Oil & Natural Gas Commission Vs. SAW Pipes Ltd. (2003)5SC 705, held that the aggrieved party to the contract need not prove actual loss or damage suffered from the other party for breach of contract. The Hon'ble Court also held that if the terms of contract were clear and unambiguous, stipulating liquidated damages for breach, the party committing the breach was required to pay compensation unless it was held that such estimated damages/compensation was unreasonable. In this connection it is noted that clause 15 of the contract read with section 14 (7) (1) of the general conditions of the Directorate General of Supplies and Disposals stipulate for payment of liquidated damages (i.e. not by way of penalty) for delay in supply.

It is further noted that making the intimation of the late receipt of supplies or details of damages within a month a prerequisite for recovering liquidated damages would result in the failure to recover liquidated damages a routine practice, negate clause 14 (7) of the general conditions of the Directorate General of Supplies and Disposals and will not safeguard Government's interests.

Intelligence Bureau

6.6 Extra expenditure – Rs. 59.61 lakh

Delay in processing of the case by Intelligence Bureau for purchase of a plot for its office building in Varanasi resulted in extra expenditure of Rs. 59.61 lakh.

IB[8] purchased a plot measuring 1600 square metres for its office building at Varanasi from UPHDB[9] in September 2006 at a total cost of Rs. 1.95 crore. Audit examination disclosed that the cost included an extra expenditure of Rs. 59.61 lakh as discussed below:

- Despite the fact that the terms of allotment of UPHDB on 06 December 2004 indicated that the offer would be automatically cancelled if the payment was not made by 28 February 2005, the IB Headquarters did not even initiate the proposal by the due date. This led to cancellation of the offer by UPHDB.
- UPHDB revived the offer of allotment of the same plot in February 2006 and their revised demand of Rs. 1.79 crore included interest of Rs. 30.64 lakh at 19 *per cent* from original due date of payment. The discount of 10 *per cent* for timely payment was also withdrawn by the UPHDB in the revised offer.
- Although the due date of payment was 31 March 2006, IB took seven months to deposit the amount (September 2006) which resulted in payment of additional interest of Rs. 15.27 lakh and penalty of Rs. 0.43 lakh.

[8] Intelligence Bureau
[9] Uttar Pradesh Housing and Development Board

Thus, delayed processing of the proposal for procurement of plot led to avoidable expenditure of Rs. 59.61 lakh constituting 44 *per cent* of the cost as per the original offer. The avoidable extra expenditure consisted of interest of Rs. 45.91 lakh and forfeiture of discount of Rs. 13.27 lakh and penalty of Rs. 0.43 lakh.

The Ministry stated in December 2008 that sufficient funds were not available in the budget of IB to make the payment by 28 February 2005. It further stated that on receipt of offer from UPHDB for allotment of land, IB had asked CPWD[10] for a certificate indicating area of land required for construction of office which was received in June 2005. It also stated that MHA and their IFD[11] had sought clarifications on the proposal which had to be re-examined and the proposal was finally approved by IFD only in August 2006.

The reply does not explain why additional allocation could not have been sought for at the first instance by IB from MHA as proposed by them later in February 2006 while seeking approval of the Ministry for purchase of land. Further their contention about the receipt of certificate indicating area of land from CPWD is to be viewed in the light of the fact that CPWD had furnished their report as early as in May 2003. There was no significant material change in the contents of the two reports of May 2003 and June 2005 furnished by the CPWD. The reply also underscores the need for better coordination among various units of the MHA for timely processing of such cases. The Ministry assured of making every effort to expedite the process in future (December 2008).

[10] Central Public Works Department
[11] Integrated Finance Division

Annex-XI

(Referred to in paragraph 6.3)

Statement showing unauthorised attachment of BSF personnel at Officers Mess

(Rupees in lakh)

Name of the BSF Officers' Mess	Sanctioned Strength (March 2007)	Range of attached personnel during 2004-05 to July 2008	Expenditure on pay and allowances during 2004-05 to July 2008	Remarks
Ashwini Officers' Mess, Nizamuddin, New Delhi	Nil	23 to 27	70.76	Attached officials include 1 Inspector, 3 Head-constables, 8 Constables from general duty cadres who are supposed to be assigned combat duties at the borders and 11class-IV staff which includes cooks, safai-karamcharis, and washer men etc.
Force Headquarter Officers' Mess, Tigri, New Delhi	Nil	18 to 29	92.92	Attached officials include 1 Sub Inspector, 1 to 4 Head-constables, 8 to 15 Constables and 9 to 11 class-IV staff which includes cooks, safai-karamcharis, and washer men etc.
Total			**163.68**	

CHAPTER VII : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

Department of School Education and Literacy

7.1 Inadequate monitoring leading to retention of unspent grant

Failure of the Ministry in monitoring the utilisation of grants released to the Government of Bihar for establishing District Institutes of Education and Training/Colleges of Teacher Education resulted in retention of Rs. 8.73 crore for 5 to 14 years by the Government of Bihar. The interest impact on the Consolidated Fund of India on the unutilised balances was Rs. 11.41 crore.

Examination of the utilisation of the grants paid by the Ministry to the Government of Bihar for establishment of DIETs[1] /CTEs[2] disclosed weak control procedures in monitoring the utilisation of grants resulting in Rs. 8.73 crore remaining unutilised with the Government of Bihar for 5 to 14 years.

The Ministry had released Rs. 12.47 crore as a non-recurring grant for civil works and equipment from 1991-92 to 1993-94 to the Government of Bihar as the first instalment for the establishment/upgradation of 25 DIETs and three CTEs. After the bifurcation of the State of Bihar in December 2000, 18 DIETs and 2 CTEs remained in Bihar with 7 DIETs and 1 CTE going to Jharkhand.

Government of Bihar sent a proposal in November 2002, for release of the second instalment of the non-recurring grant for the seven DIETs in which the work had progressed. It also stated that the construction work in 11 DIETs had not yet started and requested that it be allowed to carry forward the unspent grant for 11 DIETs.

Further examination of the documents in the Ministry disclosed that the Government of Bihar had utilised Rs. 3.58 crore up to November 2002 on nine DIETs (comprising seven DIETs of Bihar and two DIETs of Jharkhand) and Rs. 8.89 crore had remained unutilised as construction in 11 DIETs of Bihar and 5 DIETs of Jharkhand had not started. Despite this, the Ministry released the second instalment of non-recurring grant of Rs. 3.20 crore for seven DIETs in December 2002 without adjusting the unspent grant.

[1] District Institutes of Education and Training
[2] Colleges of Teacher Education

The release of grant of Rs. 3.20 crore was in contravention of the provisions in the Ministry's sanction releasing the first instalment, which stipulated that further grant would be released only on receipt of the report from the State Government on the utilisation of assistance for civil works and equipment to the extent of 75 *per cent* and corresponding physical progress of work.

The expenditure figures furnished by the Government of Bihar in April 2007 disclosed that against the grant of Rs. 15.66 crore released by the Ministry, expenditure of Rs. 6.93 crore had been made leaving an unspent balance of Rs. 8.73 crore including Rs. 3 crore pertaining to the DIETs in Jharkhand.

Thus, the failure of the Ministry in monitoring the utilisation of grant and also its consequent release of fresh grants in violation of its own instructions resulted in unspent balance of Rs. 8.73 crore remaining with the Government of Bihar for 5-14 years as of January 2008 with consequent interest impact of Rs. 11.41 crore on the Consolidated Fund of India.

The matter was referred to the Ministry in September 2008; their reply was awaited as of February 2009.

7.2 Unfruitful expenditure on creation of National Support Group

Employment of personnel under NSG[3] through Educational Consultants India Limited for supervision, monitoring and evaluation of Midday Meal Scheme and their attachment in the Ministry bypassed the orders of Ministry of Finance imposing ban on the creation of posts. Since the NSG was not operationalised, the entire expenditure of Rs. 82.82 lakh incurred on the project had been rendered unfruitful.

The Ministry entered into an agreement with Ed. CIL[4] in December 2005 for setting up NSG for management, monitoring and evaluation of the Midday Meal Scheme. Audit of the expenditure incurred on this assignment disclosed the following:

Role of Ed. CIL/NSG

As per the agreement, NSG was to consist of professionals drawn from various areas and was to be headed by a chief consultant aided by consultants and other support staff.

However, the agreement merely served the purpose for engaging staff for use by the Ministry bypassing the orders of November 2005 on ban on recruitment

[3] National Support Group
[4] Educational Consultants India Limited

of staff. During 2005-06 to June 2008, Ed. CIL employed three to 20 support staff, consisting of nine word processing operators, six messengers, a daftry, a driver and a steno and placed them with the Ministry. They were attached with various officers in the Ministry. The chief consultant, who was to head the NSG had not been selected as of November 2008. Of the three other consultants hired by Ed. CIL for NSG on short term basis, two had left and one was working with the Ministry as of June 2008. Thus, while the NSG had not been operationalised, the support staff continued to remain attached in the Ministry.

Irregular recruitment of staff

The Ministry of Finance through its office memorandum of November 2005 had imposed ban on creation of posts. The above action of the Ministry to engage large number of support staff through Ed. CIL has bypassed the ban on creation of posts imposed by Ministry of Finance. The Ministry has paid Rs. 37.12 lakh to Ed. CIL for the staff placed with the Ministry during 2005-08.

Unfruitful expenditure

Of the total grant of Rs. 1.05 crore released by the Ministry to Ed. CIL during 2005-08, Ed. CIL had claimed an expenditure of Rs. 45.70 lakh apart from the salary paid to the staff placed in the Ministry. This included consultancy charges of Rs. 12.52 lakh and infrastructural and other expenditure of Rs. 33.17 lakh. In the absence of NSG being operationalised, the entire expenditure was rendered unfruitful.

Response of the Ministry

The Ministry stated in April 2008 that the staff was assisting the officers of the Ministry, who were monitoring the MDM[5] Scheme in addition to their own work as no posts of typists, computer operators/word processing operators had been sanctioned in the Ministry for MDM Scheme. It further stated in December 2008 that Ed. CIL had appointed two consultants and three research associates and the NSG would be made operational from December 2008.

It is clear from the reply that additional staff was provided bypassing the need for approval of Ministry of Finance, which was in contravention of the ban orders of November 2005. Further, the Ministry's reply does not show as to how support staff consisting of messengers, daftry and driver could play a role in management, monitoring and evaluation of the scheme.

[5] Midday Meal

The manner in which the Ministry provided itself with additional staff through a consultancy agreement with a public sector undertaking is questionable. The Ministry should terminate this arrangement with immediate effect.

CHAPTER VIII : MINISTRY OF INFORMATION AND BROADCASTING

Press Information Bureau

8.1 Premature release of funds

Premature release of funds for construction of National Press Centre in violation of codal provisions and without assessing the immediate requirement of funds resulted in idling of advance of Rs. 7 crore paid to National Building Construction Corporation.

Ministry approved the proposal to set up the National Press Centre (NPC) for use of print and electronic media in January 2005 at a cost of Rs. 35 crore, for which administrative approval was accorded in April 2005. The Ministry entrusted the work of construction of NPC to National Building Construction Corporation (NBCC) and entered into an MOU[1] with the latter in February 2006.

As per the terms of the MOU, the project was to be executed by NBCC within two years of approval of design, release of initial deposit and handing over of land, whichever was later.

Examination of the documents disclosed that the statutory clearance for construction of NPC from the local bodies NDMC[2], CPWD[3] and DUAC[4] was awaited as of May 2008. Even before receipt of requisite statutory approvals from local bodies, the Ministry released an interest free advance of Rs. 7 crore in March 2006 to NBCC being 20 *per cent* of the cost of the project to be adjusted against the final bill of NBCC.

The release of advance of Rs. 7 crore by the Ministry to NBCC without ensuring the readiness of the corporation to undertake the work led to premature cash out go from the Consolidated Fund of India. The advance of Rs. 7 crore was paid in March 2006 at the fag end of the financial year and in contravention of the provisions of the CPWD Works Manual which provide for extending advances either on the security of material and supplies or for capital intensive projects subject to advance not exceeding 10 *per cent* of the project cost or rupees one crore.

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[1] Memorandum of Understanding
[2] New Delhi Municipal Council
[3] Central Public Works Department
[4] Delhi Urban Art Commission

The Ministry stated in October 2008 that the release of Rs. 7 crore to NBCC was in accordance with the provisions contained in the MOU. The reply is silent on the aspect of setting of the terms of MOU which were faulty and not in consonance with the codal provisions.

The Ministry needs to ensure due diligence in determining the terms of agreement so that the agreements are made strictly in accordance with the codal provisions and the release of funds from the Consolidated Fund of India are made keeping in view the capacity and readiness of the implementing agencies to execute the project within the stipulated time frame.

CHAPTER IX : MINISTRY OF TRIBAL AFFAIRS

9.1 Non-recovery of unspent grant

Failure of the Ministry to recover/adjust unspent grant of Rs. 4.00 crore from the Government of Bihar released to it in March 1998 for establishment of residential schools for tribal students resulted in irregular retention of grant for more than 10 years with interest impact of Rs. 2.60 crore.

The Ministry of Tribal Affairs released advance grant of Rs. 4.00 crore to the Government of Bihar in March 1998 against the total requirement of Rs. 10 crore for setting up of four[1] residential schools for tribal students. Consequent upon the creation of Jharkhand state in November 2000, all four schools for which the grant was released, fell under the territorial jurisdiction of the state of Jharkhand. Till then, the entire amount of the grant had remained unutilised with the Government of Bihar.

The Ministry asked the Government of Bihar in September 2002 to transfer these funds to the Government of Jharkhand. The Ministry neither obtained the refund nor adjusted the amount from subsequent releases to Bihar as of November 2008.

Meanwhile, the Ministry released the entire share of Rs. 10 crore to the Government of Jharkhand (Rs. 6.00 crore in February 2003 and Rs. 4.00 crore in March 2006) for construction of these residential schools.

Thus, failure of the Ministry to recover/adjust the unspent grant resulted in irregular retention of Rs. 4.00 crore by the Government of Bihar for over 10 years with consequent interest impact of Rs. 2.60 crore computed at the average borrowing rate of the Union Government.

The Ministry stated in August 2008 that since the Bihar Government did not confirm transfer of the amount to Jharkhand, it had adjusted Rs. 4.00 crore from the allocation of Jharkhand for 2007-08 as a corrective measure. It also stated that it had advised Bihar Government to confirm transfer of funds to Jharkhand. The Ministry thus adjusted the amount from the future release to the Government of Jharkhand without confirmation of the transfer of the amount by Government of Bihar.

[1] The schools were to be set up in the Districts of Ranchi, Dumka, Sahibganj and West Singhbhum

The action of the Ministry in response to the audit finding to adjust the amount from the Government of Jharkhand does not address the problem of recovering of excess amount from Bihar Government.

The Ministry should adjust this amount from the subsequent releases to the Government of Bihar, if the confirmation and evidence of transfer of the amount to Government of Jharkhand is not received within a prescribed period, as determined by it.

The matter was referred to the Ministry in September 2008; their reply was awaited as of February 2009.

CHAPTER X : MINISTRY OF WOMEN AND CHILD DEVELOPMENT

10.1 Irregular retention of grant

Inadequate financial control and monitoring by the Ministry resulted in irregular retention of Rs. 97.76 lakh by Bharatiya Adimjati Sevak Sangh.

Audit of the grants-in-aid disbursed by the Ministry of Women and Child Development to Bhartiya Adimjati Sevak Sangh (BAJSS) for Rajeev Gandhi National Creche Scheme disclosed the following deficiencies in monitoring of the utilisation certificate and performance.

- The BAJSS reported utilisation of Rs. 13.74 crore during 2005-07 against the grant of Rs. 14.28 crore. However, audit of accounts of BAJSS disclosed disbursement of only Rs. 13.31 crore by it to the individual crèches. Thus, BAJSS retained Rs. 43.57 lakh during the two years and submitted incorrect utilisation certificate and statement of accounts. The Ministry did not exercise effective checks to verify the correctness of the amount shown as utilised by the BAJSS.

- The Ministry also did not get the reported unutilised amount of Rs. 54.19[1] lakh with reference to the utilisation certificate and statement of accounts for 2005-07 refunded. It did not even recognise that this amount was recoverable from BAJSS until pointed out by Audit.

- The grants under the scheme are provided on a normative basis at the rate of Rs. 2000 per month per crèche for honorarium to crèche workers, 90 *per cent* of the ceiling of Rs. 1352 per month on supplementary nutrition and 90 *per cent* of Rs. 350 on contingencies and emergency medicines per crèche or the actual amount of expenditure, whichever is less. While the Ministry released the grants at the normative rates to the BAJSS, a grant sub-disbursing body, the Ministry did not obtain report on the actual expenditure by the crèches. Therefore, the actual running of the crèches to whom BAJSS provided grants and their actual expenditure was not verified by the Ministry.

[1] Does not include the unspent balances lying with the crèches as the figure was not available with BAJSS

Ministry may

(i) have the balance amount of Rs. 97.76 lakh refunded by BAJSS;

(ii) obtain the details of actual expenditure incurred by the crèches to whom BAJSS gave grants-in-aid out of the money released from the Consolidated Fund of India; and

(iii) strengthen its mechanism for monitoring the utilisation of grants-in-aid provided by it.

The matter was referred to the Ministry in October 2008; their reply was awaited as of February 2009.

CHAPTER XI : UNION TERRITORIES

Andaman and Nicobar Administration

Andaman Public Works Department

11.1 Inordinate delay in completion of Water Supply Scheme

Improper planning and execution by APWD in completion of a Water Supply Scheme in South Andaman led to an expenditure of Rs. 9.50 crore without fulfillment of the objective even after thirteen years.

In September 1995 the Ministry of Rural Areas and Employment (Ministry) sanctioned the Indira Nallah Water Supply Scheme for providing treated water to eight problem villages in South Andaman for mitigating shortage of water. The work was to be completed in two years. The Ministry, while approving the Project, had emphasized the need for resettlement of families occupying the forest area of 24.94 hectares earmarked for the Dam before taking up the work. Results of Audit scrutiny (January 2006) of the connected documents were as under:

- Though Andaman Public Works Department (APWD) had approached the forest department for removal of encroachment from site, the eviction and resettlement of such families was not carried out till December 2008.
- The detailed estimate, prepared by the Chief Engineer, APWD, based on preliminary designs submitted by CWC, did not provide for important items like the consultancy charges of CWC and GSI, compensation for land, afforestation, secondary and tertiary grouting, etc. The estimates had to be revised three times between February 2002 and April 2008.
- APWD awarded (September 1997) the work of laying pipe lines, the highest valued component of the scheme, to contractor 'X' at a cost of Rs. 3.89 crore with stipulation to complete it by April 1999 although the mandatory civil components like the construction of earthen dam, dyke, spillway and grouting works for storage of raw water were yet to be taken up, the environmental clearance received and the possession of the entire land required for the purpose taken over. The work was not completed due to failure on part of the APWD to hand over clear site to the contractor though an expenditure of Rs. 1.80 crore was incurred.

- In December 2004 earthquake and Tsunami damaged pipe lines already laid, and washed away pipes valued Rs. 43.97 lakh that were lying in the open.
- Though the Project Report of December 1994 provided for foundation treatment below earthen dam as suggested by CWC, it was only in June 1999 that CWC and GSI delivered drawing and details of grouting work to be taken up. APWD awarded (January 2001) the primary and secondary grouting to contractor 'Y' at a cost of Rs. 29.69 lakh which was completed in May 2002. Since primary and secondary grouting failed to achieve the desired permeability of three lugeons[1], GSI advised in March 2002 to execute tertiary grouting. This was executed through contractor `Z' at a cost of Rs. 30.42 lakh in August 2004. As the test result of the tertiary grouting was also not satisfactory, the CWC advised in June 2007 to continue further grouting which was yet to be taken up by APWD.

As of May 2008, APWD had taken up construction of Raw Water Sump and laying of pipelines of six main items of original estimate. The project remained incomplete and the expenditure of Rs. 9.50 crore incurred on it had not yielded any benefit so far. The purpose of providing drinking water to eight South Andaman villages remained elusive even after a lapse of over 13 years, which was mainly attributable to APWD for not learning any lessons from 'Construction of Ramkrishnapur Dam at Hutbay', deficiencies relating to which were mentioned in Para 14.2 of Audit Report No. 2 of 2003.

The matter was referred to the Ministry in July 2008, their reply was awaited as of February 2009.

Directorate of Shipping Services

11.2 Unfruitful expenditure

Awarding of a ship building contract to a yard with limited capabilities coupled with delays in decision making resulted in blocking up of funds of Rs. 54.99 crore. More importantly, the objective of enhancing connectivity between Port Blair and the southern group of Islands could not be achieved.

The Andaman and Nicobar Administration (Administration) entered into an agreement with Alcock Ashdown (Gujarat) Limited, Bhavnagar (yard), a

[1] Lugeon is an unit devised to quantify the water permeability of bedrock and the hydraulic conductivity resulting from fractures

Government of Gujarat Undertaking, in February 2000 for construction and delivery of a 400-pax vessel at a price of Rs. 63.00 crore plus sales tax. The vessel was to enhance connectivity by plying between Port Blair and Southern Group of Islands up to Campbell Bay and was to be delivered by September 2002.

Audit scrutiny revealed that the Administration finalised the contract without proper planning and assessment of the technical capability of the firm. Funds were released without linking the releases to the progress of work thereby extending undue financial benefit to the contractor. The objective of enhancing connectivity between Port Blair and southern group of Islands was yet to be achieved (February 2009) although the work was awarded in February 2000 as evident from the following:

- The construction work on the dry dock commenced only in September 2002 though the work was awarded to the yard in February 2000. Further, the Registrar of Shipping and the Mercantile Marine Department, after inspection opined (February 2002) that the yard would be unable to complete the vessel without managerial help from outside.
- The contractor informed in September 2002 that the vessel needed modifications as per SOLAS[2] requirement as advised by DGS. The Administration decided, about one and a half years later (March 2004), to seek exemption from the requirement. Following this, the construction virtually stopped. The DGS finally rejected the request for exemption in September 2008. Thus the process of decision making relating to SOLAS compliance took six years.
- During the period from March 2000 to December 2007, eighty *per cent* of the contractual cost amounting to Rs. 54.99 crore was paid to the yard. Audit scrutiny revealed that the 3rd installment of Rs. 15.75 crore was paid in March 2001 as adhoc advance in contravention of the agreement. Further, the 4th installment of Rs. 12.60 crore, due to be paid on launching of the vessel fitted with underwater valves, equipments and fittings and haul painting, was paid in September 2004 itself, though the decision whether the vessel would be built as per SOLAS requirement was yet to be taken and the construction had virtually come to a halt.

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[2] Survival of Life At Sea

Thus, despite blocking up of Rs. 54.99 crore, the objective of enhancing connectivity among the southern group of Islands with Port Blair was yet to be achieved.

The matter was referred to the Ministry in June 2008; their reply was awaited as of February 2009.

11.3 Undue benefit leading to blocking of fund

Premature release of stage payment to a firm for conversion job led to undue benefit to the tune of Rs. 27.83 lakh to the firm. Also as the conversion has not progressed, an amount of Rs. 51.68 lakh has been blocked and the vessel has been idling for years.

Some vessels owned by Andaman & Nicobar Administration (Administration) registered under Inland Vessel (I.V.) Act were deployed for inter–island services beyond inland water limits defined under the Act. As this was endangering the safety of life and vessel at sea, the Director General of Shipping Services recommended for immediate conversion of vessels registered under I.V. Act into Merchant Shipping (M.S.) Act in a phased manner.

Based on the recommendation, the Administration entered into an agreement in March 1999 with M/s Inland Marine Works, Port Blair (firm) for conversion of M.V. Kalpong, in accordance with M.S. Act, which included remodification of load line, better fire fighting equipment, more life saving equipments, better radio communications etc., at a total cost of Rs. 79.50 lakh. The conversion was to be completed within seven months from the date of signing of contract or first stage payment whichever was later. Prior to handing over the vessel to the firm, some pre– conversion works were to be carried out by the Directorate of Shipping Services (DSS).

The first stage payment of Rs. 7.95 lakh was released in March 1999 and accordingly the conversion work was to be completed by October 1999. Subsequently the second stage payment being 20 *per cent* amounting to Rs. 15.90 lakh was also paid to the firm in August 1999.

However, the vessel was not handed over by the Administration to the firm in spite of their several reminders and was kept in operation till June 2001. The pre-conversion work, a pre-requisite, was only taken up by DSS in June 2001 and the vessel was finally handed over to the firm in April 2005 after a lapse of six years from the date of signing of the contract.

The firm was unable to obtain the Load Line Certificate from Indian Registrar of Shipping (IRS) which was required for the release of the third stage payment because special survey of hull and machinery was not complete. Though the firm had intimated in January 2006 that no progress of work could take place due to the pre–conversion work left pending by DSS, the Administration released the third stage payment amounting to Rs. 27.83 lakh to the firm in March 2006 in violation of the contract agreement.

As the vessel was handed over to the firm after a lapse of six years and no work has progressed, the entire amount of Rs. 51.68 lakh has been blocked, and the vessel has been idling for more than four years. Further, the objective of converting the vessel into a Merchant ship by providing better fire fighting equipment, more life saving instruments, better radio communication etc for enhancing safety of life and vessel at sea, could not be achieved even after nearly ten years of the Administration's decision for making M.V. Kalpong compliant to MS Act.

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

CHAPTER XII : GENERAL

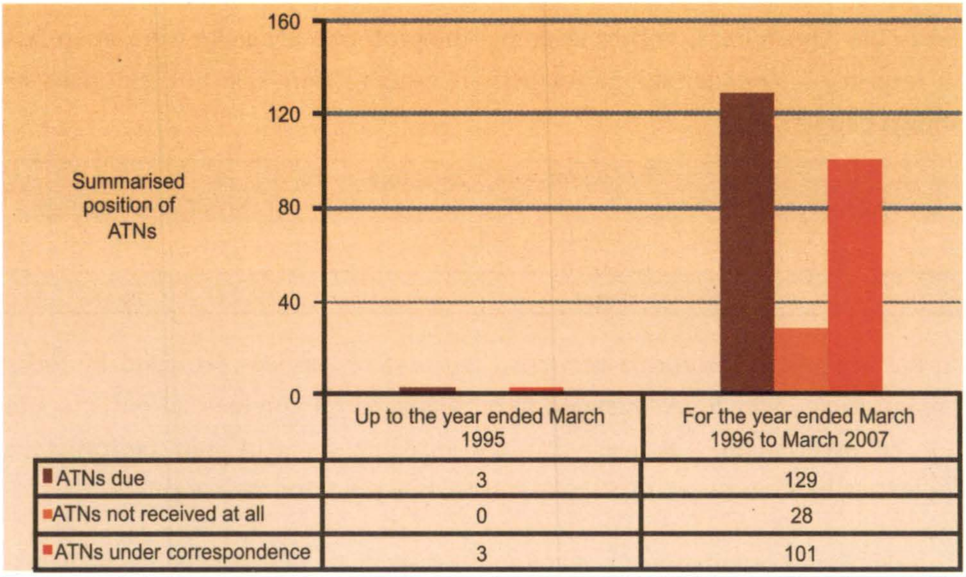
12.1 Follow up on Audit Reports – Summarised Position

Despite repeated instructions/recommendations of the Public Accounts Committee, various ministries/departments did not submit remedial/corrective Action Taken Notes on 28 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. In the meeting convened by PAC on 15th September 2008 for a briefing by the Secretary, Ministry of Finance (Department of Expenditure), the Hon'ble Chairman directed the Secretary Expenditure that all the pending Remedial/Corrective Action Taken Notes should be furnished with in a period of three months along with reasons for such delay. The Chairman also asked Audit officials to furnish Ministry-wise position of the paras on which Action Taken Notes were awaited from the concerned Ministries /departments, which was submitted to PAC in October 2008.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil) as of October 2008 disclosed that the Ministries/Departments had not submitted remedial ATNs on 28 paragraphs. Besides, there were 104 paras on which final ATNs were awaited out of which three pertained to the Audit Reports up to and for the year ended March 1995 as indicated in **Appendix-II**.



Though the Audit Reports for the years ended March 1996 to March 2007 were laid on the table of the Parliament each year between May 1997 and May 2008 and the prescribed time limit of four months had elapsed in each case, the ministries/departments were yet to submit final ATNs on 101 paragraphs as of October 2008 (**Appendix-III**).

12.2 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 12 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 2008. 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 prepare 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-IV**.

From the Appendix, it will be seen that the proforma accounts were in arrears in respect of 10 undertakings for periods ranging from one to eight years as shown below:

Period for which lying in arrears		
No. of years	**Period**	**No. of Undertakings**
1-5	2003-04 to 2007-08	8
6-8	2000-01 to 2002-03	2
	Total	**10**

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 undertakings was brought to the notice of the Secretaries of the concerned Ministry.

12.3 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues, duties, advances written off/ waived during 2007-08 furnished by the ministries/departments, is given in **Appendix-V** to this Report. It will be seen from Appendix that in 6284 cases, Rs. 10.29 lakh representing losses mainly due to failure of system, Rs. 5.86 lakh due to neglect /fraud etc. on the part of individual Government officials and Rs. 2.03 crore for other reasons, were written off during 2007-08. During the year, recoveries waived and *ex-gratia* payment made in 66274 cases aggregated Rs. 25.36 crore.

12.4 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 28 of 38 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 status of receipt of replies from the ministries are indicated in each paragraph included in the Audit Report.

In 28 out of the 38 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2008, replies from the secretaries of the Ministries/Departments were awaited. The details are indicated in **Appendix-VI**.

New Delhi
Dated: 9 June 2009

(K.R. SRIRAM)
Principal Director of Audit

Countersigned

New Delhi
Dated: 10 June 2009

(VINOD RAI)
Comptroller and Auditor General of India

Appendices

APPENDIX-I

(Refers to Paragraph 1.2)

Auditee Profile

Ministry of External Affairs

Ministry of External Affairs (MEA) is responsible for conducting relations with foreign and commonwealth countries. The main functions of the MEA include conducting all matters affecting foreign, diplomatic and consular offices and its specialist agencies in India, entering into political treaties, agreements and conventions with foreign and commonwealth countries, providing passport, visa and all consular services, carrying out external publicity, providing economic and technical assistance to neighbouring countries etc. The activities of the MEA are carried out through its various organisations such as Indian Council of World Affairs, Foreign Service Institute, Indian Council of Cultural Relations etc. The representatives of the Ministry in the Missions/Posts abroad assist the Ministry in carrying out its mandated functions.

Ministry of Finance

Department of Economic Affairs

Department of Economic Affairs is the nodal agency of the Union Government to formulate and monitor country's economic policies and programmes having a bearing on domestic and international aspects of economic management. A principal responsibility of this Department is the preparation of the Union Budget annually (excluding the Railway Budget). Other main functions include formulation and monitoring of macroeconomic policies, including issues relating to fiscal policy and public finance, public debt management and the functioning of Capital Market including Stock Exchanges, monitoring and raising of external resources, production of bank notes and coins etc.

Department of Revenue

The Department of Revenue exercises control in respect of matters relating to all the Direct and Indirect Taxes through two statutory Boards, namely, the Central Board of Direct Taxes (CBDT) and the Central Board of Excise and Customs (CBEC). Matters relating to the levy and collection of all the Direct Taxes are looked after by CBDT, whereas those relating to levy and collection of customs and central excise duties and service tax fall within the purview of CBEC.

Department of Expenditure

The Department of Expenditure plays a cardinal role in governing the fiscal rules and regulations that include service status of all the employees in Central Government. The department deals with a number of issues that widely include deciding upon the salary structure and grades of the employees, policies regarding wages, revision of the pay scale system. Other areas of concern for the expenditure department encompasses house rent allowance, daily traveling allowance, many other allowances meant for the Central Government employees. Functions of the Department of Expenditure also include formulation of Financial Powers Rules, General Financial Rules, Staff Car Rules etc., formulation of terms and conditions while appointing members for different committees and commissions, scrutinizing various proposals initiated by different ministries and departments pertaining to the non-plan schemes of expenditure. The department carries out its functions through its various units i.e. Office of Chief Controller of Accounts, Finance Commission Division, Controller General of Accounts, National Institute of Financial Management, Staff Inspection Unit etc.

Ministry of Health and Family Welfare

Department of Health and Family Welfare

Department of Health and Family Welfare is responsible for implementation of various programmes on a national scale in the areas of health & family welfare, prevention and control of major communicable diseases and promotion of traditional and indigenous systems of medicines. The department also assists states in preventing and controlling the spread of seasonal disease outbreaks and epidemics through technical assistance. The department functions through its attached offices of Director General of Health Services and various subordinate offices, by way of grants-in-aid to the autonomous bodies, Non Government Organisations etc. Various world bank assisted programmes for control of AIDS, Malaria, Leprosy and Tuberculosis are also implemented by the department.

Department of AYUSH

The Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) was established with a view to providing focused attention to development of Education & Research in Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy systems. The objectives of the department include upgradation of the educational standards in the Indian Systems of Medicines and Homoeopathy colleges in the country, strengthening existing research institutions, to draw up schemes for promotion, cultivation and regeneration of medicinal plants used in these systems, to evolve Pharmacopoeial standards for Indian Systems of Medicine and Homoeopathy drugs.

Ministry of Home Affairs

The main responsibilities of the Ministry of Home Affairs are internal security, management of para-military forces (Border Security Force, Central Reserve Police Force, Indo Tibetan Border Police Force etc.) Centre-State relations, disaster management, etc. The Ministry also extends manpower and financial support, guidance and expertise to the State Governments for maintenance of security, peace and harmony.

Ministry of Human Resource Development

The Ministry of Human Resource Development is responsible for development of human resource and conducts its functions through its two departments:

Department of School Education and Literacy

The department is responsible for primary education both formal and non-formal with its goal being universalisation of elementary education. Some of the centrally sponsored schemes that are run by the Ministry to support this objective are Sarva Shiksha Abhiyan, National Programme of Nutritional Support to Primary Education (Midday Meal Scheme) etc.

Department of Higher Education

The department is in charge of the secondary and Post-secondary education. Most of the work of the department is carried out through about 90 autonomous bodies that it oversees. Some of the major autonomous bodies that aid the functioning of the department are University Grants Commission - provides grants to university and colleges and also advises the Government of the measures for promotion of higher education, Indian Council of Philosophical Research-aids in promotion of research and allied disciplines, Jawaharlal Nehru University-imparts education in varied disciplines through its ten schools consisting of 36 centres of studies, All India Council for Technical Education-Grants approval for starting new technical institutions and courses and lays down norms for such institutions.

Ministry of Information and Broadcasting

The Ministry of Information & Broadcasting, through means of communication and media gives access to free flow of information, catering to the dissemination of knowledge and entertainment to all sections of society. The mandate of the Ministry of Information & Broadcasting is to provide news services through All India Radio and Doordarshan for the people, development of broadcasting services, promotion of film industry, advertisement and visual publicity on behalf of the Government of India. Ministry carries out its mandated functions through its autonomous organisations and PSUs such as Prasar Bharati, Film and Television Institute of India, Satyajit Ray Film and Television Institute, Children Film Society of India, Indian Institute of Mass Communication, Press Council of India, National Film Development Corporation Limited, Broadcast Engineers Consultants (India) Limited etc.

Ministry of Women and Child Development

The broad mandate of the Ministry of Women and Child Development is to have holistic development of Women and Children. The Ministry formulates plans, policies and programmes; enacts/ amends legislation, guides and coordinates the efforts of both governmental and non-governmental organisations working in the field of women and child development. The Ministry also implements certain programmes for women and children such as welfare and support services, training for employment and income generation, awareness generation and gender sensitization.

Ministry of Tribal affairs

The objective of Ministry of Tribal Affairs is to provide more focused attention on the integrated socio-economic development of the most under-privileged sections of the Indian society namely, the Scheduled Tribes (STs), in a coordinated and planned manner. The Ministry of Tribal Affairs is the nodal Ministry for the overall policy, planning and coordination of programmes for development of STs. The main activities undertaken by the Ministry of Tribal Affairs are social security and social insurance to the Scheduled Tribes, promotion and development of voluntary efforts on tribal welfare, development of Scheduled Tribes and conducting all matters including legislation relating to the rights of forest dwelling Scheduled Tribes on forest lands.

APPENDIX- II

(Referred to in Paragraph No. 12.1)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments up to the year ended March 1995 as of October 2008.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
1.	Finance	1994	2	-	2
2.	Information and Broadcasting	1995	1	-	1
	Total		**3**	**-**	**3**

APPENDIX-III

(Referred to in Paragraph No. 12.1)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments up to the year ended March 2007 as of October 2008.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
1.	Culture	2003	1	1	-
		2004	1	-	1
		2006	2	2	-
2.	Corporate Affairs	2005	1	1	-
		2006	1	1	-
3.	Department of Posts	2001	1	-	1
		2003	1	-	1
		2005	5	-	5
		2006	6	-	6
4.	Department of Telecommunications	1997	1	-	1
		1999	2	-	2
		2000	1	-	1
		2001	1	-	1
		2003	3	1	2
		2004	2	-	2
		2006	2	-	2
5.	External Affairs	2000	3	-	3
		2001	1	-	1
		2002	3	-	3
		2003	9	-	9
		2004	7	3	4
		2005	3	2	1
		2006	11	2	9
6..	Finance	1998	1	-	1
		1999	2	1	1
		2000	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
		2002	1	1	-
		2003	1	1	-
		2005	1	1	-
		2006	2	-	2
7.	Health & Family Welfare	1997	1	-	1
		1999	1	-	1
		2000	3	1	2
		2001	3	1	2
		2002	1	-	1
		2003	2	-	2
		2004	3	-	3
		2005	6	3	3
		2006	3	1	2
8.	Home Affairs	2003*	1	-	1
		2004	1	-	1
		2005*	1	-	1
9.	Human Resource Development	1999	2	-	2
		2000	1	-	1
		2001	1	-	1
		2003	3	1	2
		2004	1	-	1
		2006	1	-	1
10.	Information and Broadcasting	1997	1	-	1
		1998	1	-	1
		2000	3	-	3
		2001	2	-	2
		2004	1	-	1
		2005	1	1	-

* Pertain to Union Territory Andaman and Nicobar Island

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
11.	Labour	2006	1	-	1
12.	Law & Justice	2003	1	1	-
13.	Social Justice and Empowerment	2003	1	-	1
		2006	1	1	-
14.	Statistics and Programme Implementation	1997	1	-	1
		2000	1	-	1
15.	Tribal Affairs	1998	1	-	1
		2004	1	1	-
	TOTAL		**129**	**28**	**101**

APPENDIX-IV

(Referred to in Paragraph No. 12.2)

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
	MINISTRY OF FINANCE									
1.	Government Alkaloid Works, Ghazipur	2006-07	606.51	378.84	223.47	(-) 733.70	262.82	(-) 470.88	0.00	3158.95♣
2.	Government Alkaloid Works, Neemuch	2006-07	1645.64	1083.34	555.90	2110.68	15.48	2126.16	1142.92	186.03♣
3.	Government Opium Factory, Ghazipur	2006-07	431.64	209.03	239.60	1533.74	1327.82	2861.56	17.93	15959.38♣
4.	Government Opium Factory, Neemuch	2006-07	636.85	450.23	188.09	(-) 20.63	982.14	961.51	8.15	11804.58♣
	MINISTRY OF HEALTH AND FAMILY WELFARE									
5.	Central Research Institute, Kasauli	2005-06	918.08	240.72	113.38	(-) 160.11	144.62	436.59	27.74	
6.	Medical Stores Depot, Hyderabad	2006-07	3132.87	73.61	37.62	(+) 34.23	--	-	-	The details were collected during the local audit institution held in August 2008.
7.	Medical Stores Depot, Kolkata	2005-06	2275.68	49.21	27.06	(-) 34.82	77.49	42.66	3.88	1099.10♣
8.	Medical Stores Depot, Karnal	2005-06	86.99	18.43	14.93	(-) 64.53	--	386.44	--	
9.	Medical Stores Depot, New Delhi	2007-08	28.33	27.16	6.33	(-) 17.01	-	-	-	

♣ 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.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	2007-08	0.31	0.27	0.00116	0.333	0.149	0.698	69.32	
	MINSTRY OF INFORMATION AND BROADCASTING									
11.	Films Division, Mumbai	2000-01	3553.20	3544.43	1828.56	(-) 764.45	413.20	--	--	
12.	HPT Doordarshan, Asansol	1999-00	291.83	291.83	1.20	(-) 101.59	-	(-) 101.59	-	

APPENDIX – V

(Referred to in paragraph 12.3)

Statement of losses and irrecoverable dues written off/waived during 2007-08

(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
Andman & Nicobar Administation	-	-	-	-	-	-	-	-	13	7.90
Central Board of Excise and Custom	-	-	-	-	20	11.05	205	0.40	2	2.00
Election Commission of India	-	-	-	-	4	0.44	-	-	-	-
Health and Family Welfare	1	10.29	-	-	5	15.26	-	-	-	-
Home	-	-	-	-	1	0.11	-	-	-	-
Information and Broadcasting	-	-	-	-	2	1.07	-	-	-	-
President's Secretariat	-	-	-	-	3	0.42	-	-	-	-
Planning Commission					8	0.83				
Personnel, Public Grievances and Pension	-	-	-	-	-	-	-	-	2	10.00*
Post and Telecommunications	-	-	18	5.86	6222	174.10	65178	2482.23	874	33.30
Total	**1**	**10.29**	**18**	**5.86**	**6265**	**203.28**	**65383**	**2482.63**	**891**	**53.20**

* Represents payments to Government servants (SPG) dying in harness

APPENDIX - VI

(Referred to in Paragraph No. 12.4)

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.	Communications and Information Technology	9	9	2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8, 2.9, 2.10
2.	External Affairs	8	5	3.1, 3.3.3, 3.3.4, 3.3.5, 3.3.6
3.	Finance	2	1	4.2
4.	Health and Family Welfare	5	4	5.1, 5.2, 5.3, 5.5
5.	Home Affairs	6	3	6.2, 6.3, 6.4
6.	Human Resource Development	2	1	7.1
7.	Information and Broadcasting	1	-	-
8.	Tribal Affairs	1	1	9.1
9.	Women and Child Development	1	1	10.1
10.	Union Territories	3	3	11.1, 11.2, 11.3
	Total	**38**	**28**	