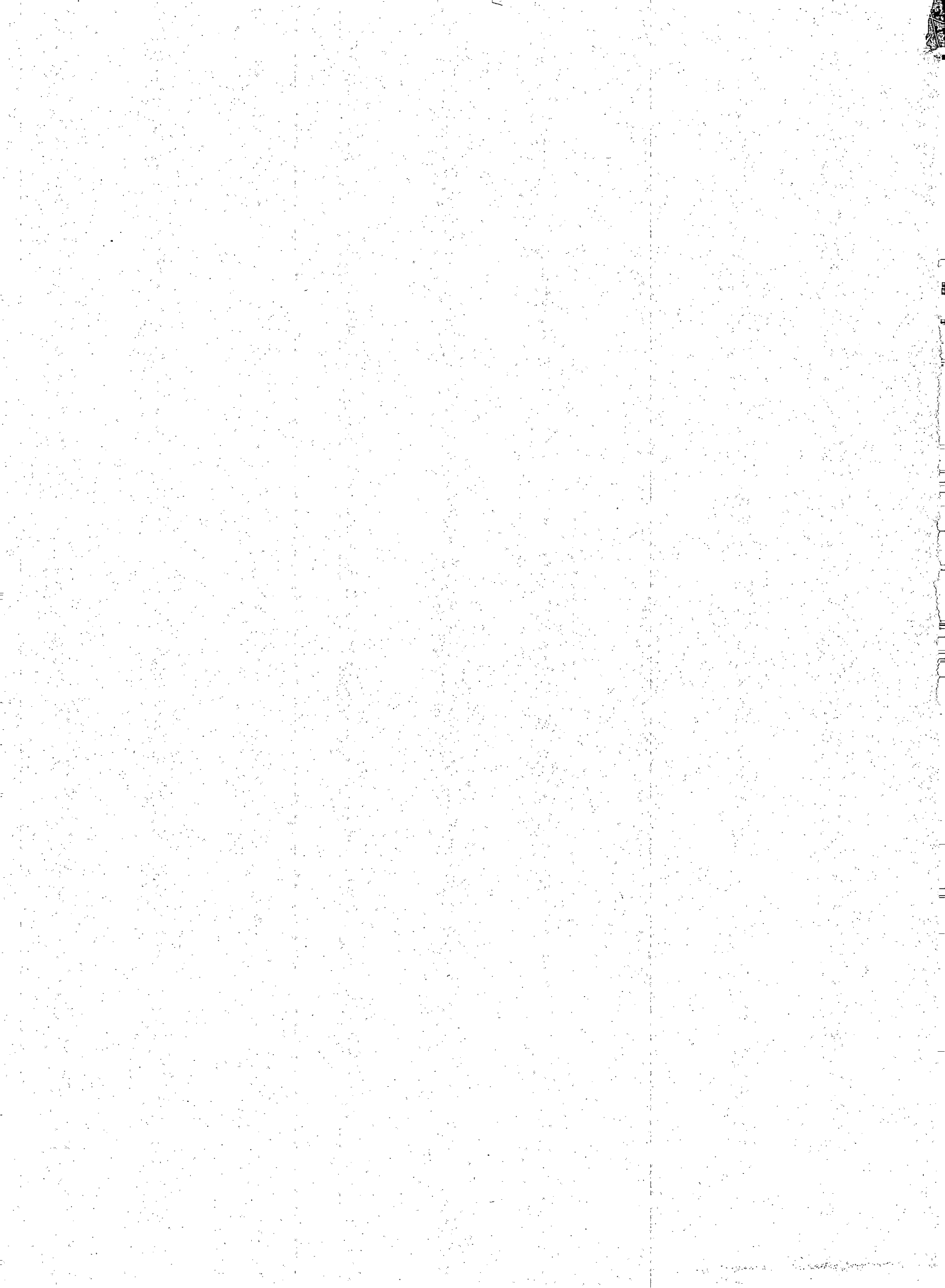


Report of the  
Comptroller and Auditor General  
of India

for the year ended March 1999

Union Government (**Civil**)  
Transaction Audit Observations  
No.2 of 2000



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## PREFACE

This Report for the year ended March 1999 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts of the Union Government for the financial year 1998-99 have been included in Report No. 1 of 2000. This Report includes matters arising from test audit of the transactions and accounts of Union Ministries and of Union Territories and under mentioned reviews of six schemes administered by the Union Ministries:

- (i) Implementation of Retention Price Subsidy Scheme on sale of controlled fertilisers.
- (ii) Modernisation of India Government Mint, Calcutta.
- (iii) New Growth Centre Scheme.
- (iv) Administered Pricing Mechanism for petroleum products.
- (v) Functioning of Land and Development Office.
- (vi) Working of Government of India Presses.

Matters arising from performance audit of some of the Centrally Sponsored/Funded Schemes of the ministries and departments are dealt with in Report No. 3 of 2000.

Separate Reports are also issued for Union Government - Other Autonomous Bodies (No 4), Scientific Departments (No.5), Post and Telecommunications (No.6), Defence Services - Army and Ordnance Factories (No.7), Defence Services - Air Force and Navy (No.8), Railways (No.9), Receipts of the Union Government - Indirect Taxes : Customs (No.10), Indirect Taxes : Central Excise and Service Tax (No.11) and Direct Taxes (No.12).

The cases mentioned in this Report are among those which came to notice in the course of audit during 1998-99. For the sake of completeness, matters which relate to earlier years but were not covered in the previous reports, are also included. Similarly, results of audit of transactions subsequent to 1 April 1999 in a few cases have also been mentioned, wherever available and relevant.

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## OVERVIEW

This volume of the Audit Report contains audit observations emerging out of the audit of some schemes and transactions in the civil ministries and their field offices. The audit observations on the accounts of the Union Government (Civil): 1998-99 have been incorporated in Report No.1 of 2000, while performance reviews of four centrally sponsored schemes/programmes are printed in a separate volume (No.3 of 2000).

An overview of more important paragraphs included in this report is as under:

### **Retention Price Subsidy Scheme on sale of controlled fertilisers**

Under the Retention Price Subsidy Scheme for Controlled Fertilisers, now available only to urea manufacturers, Government compensates the fertiliser manufacturers, the difference between their cost of production including a reasonable return on investment and the sale price determined by the Government. The total subsidy paid during 1992-98 was Rs 25155 crore.

Review of payments made by FICC<sup>1</sup> in the **Ministry of Chemicals and Fertilisers, Department of Fertilisers** to the fertiliser manufacturers disclosed the following:

- FICC relied entirely on the cost data furnished by the fertiliser manufacturers and had no means to verify it independently.
- FICC reimbursed pre-tax return to fertiliser manufacturers by assuming a normative percentage of return on net worth, which according to it, would work out to a post-tax return of 12 *per cent* on their net worth. It, however, did not verify the actual Corporation Tax paid by the manufactures to adjust/recover excess payments made on account of Corporation Tax. Sample-checks of the annual accounts of the manufacturers disclosed reimbursement of Rs 2731 crore towards Corporation Tax to them by FICC, which was never paid by them and was, therefore, inadmissible.
- FICC failed to take note of transfer of Rs 1849 crore by the fertiliser manufacturers, received towards Corporation Tax to 'General Reserves'. This increased their net worth, enabling them to claim subsidy on this amount also. This resulted in inadmissible subsidy of over Rs 460 crore.
- Failure of FICC to reduce the norms of pre-tax return despite drop in Corporation Tax rates from time to time resulted in excess subsidy payment of Rs 408 crore.

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<sup>1</sup> Fertiliser Industry Co-ordination Committee



- Admitting higher rate of depreciation charges by FICC than that provided in the statute led to overpayment of subsidy of Rs 592 crore.
- Other deficiencies in the administration of the Retention Price Subsidy Scheme relate to admitting the claim at widely varying rate/cost of various items claimed by different manufacturers, non-recovery of subsidy paid on sub-standard fertilisers, delays in recovery of the excess subsidy and more importantly, failure to verify the end use of fertilisers on which subsidy was paid, particularly since fertiliser used only for agriculture\* was entitled to subsidy.
- All fertiliser manufacturers claimed to have produced much more than the normative capacity fixed for them, which was as high as up to 143 *per cent* of the installed capacity. FICC did not revise the normative capacity on the basis of their past performance. Since the capital related charges were fully recovered at the normative production, the claim based on consistent higher production than the norm, allowed them to recover much more than the full capital related charges and, therefore, unintended benefit at the cost of public exchequer.
- It would be seen from the above that if the Retention Price Subsidy Scheme had been properly administered and controlled, the subsidy burden on the Consolidated Fund would have been much less.

*(Chapter I)*

### **Administered Pricing Mechanism for petroleum products**

Under this mechanism, the oil companies, which consist of oil refineries and marketing companies are compensated on the basis of retention price concept, which allows them a post tax return of 12 *per cent* on their net worth besides full reimbursement of the operating cost.

Review of implementation of the Administered Pricing Mechanism by the **OCC<sup>1</sup>** and the **Ministry of Petroleum and Natural Gas** disclosed several shortcomings in its management and control, which resulted in excess payment to the oil companies, ultimately leading to unintended charge on the Oil Pool account and consequent higher cost of the products to the consumers.

The excess payments to the oil companies under this mechanism due to various shortcomings in its implementation aggregated Rs 6321 crore during 1993-98, on the basis of sample-checked cases alone as under:

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\* fertilizers can be used for other purposes viz., industrial, export, etc.

<sup>1</sup> Oil Co-ordination Committee

- The system of verification/scrutiny of the correctness of claims of the oil companies in the OCC was deficient, which resulted in many inadmissible claims being admitted by it.
- The assured operating actual cost plus 12 *per cent* return on net worth did not promote any cost-cutting /economy measures in oil companies nor did it facilitate evaluation of their operational efficiency.
- Admittance of pre-tax return on normative basis to arrive at 12 *per cent* post tax return, without verification of the actual payment of Corporation Tax and consequent non-adjustment of excess payment resulted in inadmissible compensation of at least Rs 2155 crore to the oil companies.
- The refineries were compensated on the basis of standard throughput<sup>1</sup>, fixed refinery-wise, taking into account the technology, status of plant and machinery and crude. Incentives were allowed to refineries for improving upon the standard throughput and product pattern. Failure to revise standard throughput and standard production pattern on the basis of past performance led to extra payment of Rs 1481 crore by way of incentive claims and depreciation charges.
- OCC allowed undue benefit of Rs 1514 crore to oil companies by not reckoning the interest earned by them on the security deposits paid by the consumers for Liquefied Petroleum Gas cylinders and regulators, even though 100 *per cent* depreciation through full re-imburement of cost on all purchase of cylinders and regulators by oil companies was allowed to them.
- Excess margin for distribution of the administered petroleum products to some oil companies with reference to the lowest margin admitted by OCC for others, contributed to excess payment of Rs 1099 crore.

*(Chapter IV)*

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<sup>1</sup> *Quantity of crude to be refined during the year as fixed by OCC/Ministry*

### **New Growth Centre Scheme**

Ministry of Industry, Department of Industrial Policy and Promotion launched a scheme for setting up Industrial Growth Centres in industrially backward areas in 1988. The Growth Centres were to be provided with infrastructure for industrial promotion.

The scheme had inherent design defects, since it consisted of many assumptions, particularly in respect of financial resources, which were not realistic. The Ministry envisaged funding by the Central Government, state governments, financial institutions and through market borrowings, without realising that financial institutions invest funds where assured returns exist and market borrowing without adequate institutional arrangement would be a non-starter.

The total requirement of funds for 67 growth centres to be completed by March 1997 was Rs 2010 crore. Against this, Ministry's actual contribution was Rs 274 crore and state governments contributed Rs 222 crore. The Ministry, the state governments and the implementing agencies *i.e.* State Industrial Development Corporations, *etc.* pooled in a total of over Rs 653 crore since 1992 for the 67 growth centres in 25 states. The projects did not see the light of the day even eight years after the first central assistance was released. Most of the amounts spent were consumed for land acquisition. Infrastructure facilities have taken a backseat. While none of the Growth Centres has been completed, the projects for 22 of the 67 were not even initiated.

Thus, Rs 653 crore spent on the project have yielded no value for money so far and more importantly the spin-off benefits of industrial promotion in the industrially backward areas remained frustrated.

*(Chapter III)*

### **Modernisation of India Government Mint, Calcutta**

Ministry of Finance, Department of Economic Affairs approved modernisation of India Government Mint, Calcutta along with the Mints at Mumbai and Hyderabad in 1989 for increasing the output of coin blanks from 150 million to 1900 million pieces and the output of coins from 400 to 1000 million pieces.

The project was scheduled to be completed at Rs 40 crore by January 1993. Only two of the nine shops, whose functions are generally inter-connected, have been completed as of November 1999. While Rs 59 crore have been spent on the project, there has been no improvement in production of coins, which is stagnant at around the pre-modernisation capacity of 400 million pieces, except in 1998-99, when it picked up to 525 million pieces.



The management of the project by the consultants MECON<sup>1</sup>, the Ministry of Finance and more importantly, the General Manager of India Government Mint, Calcutta has been lackadaisical. As a result, the project, which should have been completed in 1993, is uncertain even by the end of 1999. While the modernisation project languishes, the country continues to depend heavily on imports for coin blanks.

The General Manager delayed issue and finalisation of tender for purchase of equipment, issue of structural drawings and award of works for civil construction.

While five equipment purchased at Rs 28.80 crore were commissioned 3 to 45 months after their receipt, another five equipment worth Rs 19.99 crore had not been installed for up to four years after their receipt.

## (Chapter II)

### Government of India Presses

The working of 21 Government of India presses functioning under **Ministry of Urban Affairs and Employment** was unsatisfactory. The average capacity utilisation was considerably low at 31 to 44 *per cent* during 1993-98. Sample checks disclosed loss of 28.87 lakh machine hours and 73.71 lakh labour hours, attributed to shortage of staff, old machines, non-availability of paper, insufficient work and frequent mechanical and electrical breakdowns, etc. The under-utilisation of capacity and avoidable idleness had affected their efficiency.

The Government presses were not cost-effective due to large administrative overheads and infrastructural inadequacies.

The operational results of presses are known through proforma accounts. There were delays in preparation of proforma accounts by 12 to 60 months. The system of financial control was generally lax. Rs 136.99 crore were pending recovery from various ministries on account of work done on their behalf.

Sample check of accounts of the Publication Unit and Forms Unit, Santragachi disclosed that due to delay in fixing hourly rate for billing they undercharged Rs 7.65 crore. Similarly, the Manager of Forms Unit claimed only Rs 48.61 lakh towards cost of paper in eight bills test-checked by Audit against actual consumption of paper worth Rs 1.17 crore, resulting in under recovery of Rs 68.72 lakh towards cost of paper. Managers of Publication and Forms Unit of Government of India Press, Calcutta had not raised supplementary bills aggregating Rs 69.15 crore for the period 1987-97, even after preparation of the proforma accounts.

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<sup>1</sup> Metallurgical and Engineering Consultants (India) Limited

The Ministry was yet to act on the decision of the Cabinet of June 1997 for examining in detail the status of the presses with a view to recommending their retention after their modernisation or closure.

In view of inefficiency in all Government of India presses, inability of the Government to modernise them with changing technology, large fixed overheads and high cost of printing and significantly improved capacity in the private sector, Government should re-consider whether it should continue to maintain the presses.

*(Chapter V)*

### **Working of Land and Development Office**

The functioning of Land and Development Office under the Ministry of Urban Affairs and Employment, responsible for documentation of properties, allotment of lands to various government/semi-government departments, social, cultural and religious institutions, etc. disclosed many shortcomings.

The Office did not institute an effective system for verification and assessment of dues, eviction of squatters from Government land, recoveries of dues and revision of rent, etc.

The review disclosed accumulation of arrears of ground rent and losses, due to improper or non-revision of ground rent aggregating Rs 30.24 crore. Further Land and Development Office failed to recover Rs 168.83 crore from 122 individual lessees and 19 lessees of other categories such as cinema halls, hotels, presses, etc. due to lack of effective pursuance and inefficient system of assessment and recovery.

100 acres of Government land valued at Rs 930 crore was under unauthorised occupation by squatters. In addition, overlapping control of Land and Development Office, Delhi Development Authority and Municipal Corporation of Delhi had led to encroachments of 1590 acre of Government land.

*(Chapter V)*



## **Ministry of External Affairs**

### **Indecisiveness of MEA<sup>1</sup> in renewal of lease**

The ambivalence of decision-making in the MEA in renewing the lease deed for 2, Rajaji Marg, the residential accommodation of the British High Commissioner, during 1990, has resulted in its failure to revise the lease rent/renew the lease for the last over 10 years.

In the past also, due to delay in communicating the revised lease rent by more than eight years, which was due from 1980, arrears of Rs 64.35 lakh up to November 1988 could not be recovered.

Despite being aware of the non-enforceability of the terms of renewal of the lease agreement, including the revised lease rent retrospectively, MEA did not act promptly when the occasion for revision in 1990 arose. MEA had not revised the lease premium and ground rent as of December 1999 on commercial principles despite the Crown Estate Commissioner revising the premium and ground rent of the residential accommodation of the Indian High Commissioner in London in 1994 on commercial principles retrospectively from 1990. Ministries of External Affairs and Urban Development determined in February/June 1995 the lease premium of 2, Rajaji Marg at Rs 118.40 crore and commuted value of the ground rent for 50 years at Rs 59.20 crore, MEA failed to give effect to it.

As a result, the Ministry continues to charge ground rent at Rs 6 lakh per month since January 1995, while having paid the commercial value of the premium and ground rent to the Crown Estate Commissioner for 9 KPG, the residential accommodation of the Indian High Commissioner in London.

The delay in realisation of the commercial value of premium and ground rent has resulted in interest implication of Rs 120 crore up to December 1999. It has also upset the value of NPV calculation of the ground rent payable by the British High Commission over the next 50 years from 1990.

*(Paragraph 8.1)*

### **Mismanagement of accommodation: Embassy of India, Kiev.**

**Embassy of India, Kiev** mismanaged the matter relating to acquisition/ hiring of office accommodation repeatedly, which led to substantial avoidable expenditure.

The Embassy failed to complete the formality of transferring the title of the 5000 sq. metre plot allotted by the local government for over four years. The Government of Ukraine cancelled the allotment in December 1996.

The Mission purchased a built up accommodation for Rs 2.53 crore in September 1995, but failed to undertake repairs and renovation work until December 1999 to make it usable.

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<sup>1</sup> Ministry of External Affairs

Having failed to get the title of the plot and undertake repairs to the accommodation purchased, the Mission hired a property at US \$ 15,000 per month, without sanction of the Ministry. The Mission has already spent US \$ 765,000 equivalent to Rs 3.34 crore on the lease rent up to December 1999, while the accommodation procured at Rs 2.53 crore continues to remain unutilised.

*(Paragraph 8.5)*

#### **Deficient internal control in missions abroad**

Sample checks of visa and consular fees realised by **few missions in Europe** disclosed widely prevailing non-compliance of the orders of MEA on issue of visas and levy of visa/consular fees leading to a loss of revenue of at least Rs 5.14 crore.

Failure of the missions to fix visa fee in local currency in accordance with the MEA guidelines led to a loss of Rs 2.16 crore towards visa fee. In other cases issue of short term visas by charging incorrect fees resulted in loss of revenue of Rs 1.89 crores.

**Embassy of India, Copenhagen** delayed implementation of the reciprocity in the rate of visa fees by more than eight months. This resulted in loss of Rs 1.06 crore.

**HCI<sup>1</sup> London, Consulate General of India in Birmingham and Consulate General of India at Glasgow** issued certificates to British nationals of Indian origin aged below 16 years, who held independent passports, that they did not require visa for entry into India. This was in violation of the passport (Entry into India) Act 1920. Granting of such certificates, resulted in loss of revenue of at least Rs 4.11 crore during 1996-99. The HCI, London and the Consulates did not maintain a comprehensive list of such certificates issued by them. The loss could, therefore, be more.

The shortcomings point towards deficient internal control in the missions and deficient management information system in the Ministry.

*(Paragraph 8.2)*

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<sup>1</sup> High Commissioner of India

### **Unauthorised expenditure**

**High Commission of India in London** and **Consulate General of India in Birmingham** operated local posts without sanction of the Ministry, which is a pre-requisite for such posts, continuously for up to 10 years. In another case **HCI London** employed up to 14 clerks paid from contingencies for work of regular nature. Such employments need prior approval of the Ministry of External Affairs. The total unauthorised expenditure on posts operated without sanction of the MEA was Rs 3.51 crore.

Besides, **HCI London** had appointed and continued the services of a computer consultant without sanction of the Ministry. Rs 83.27 lakh paid to him during February 1994 to March 1999 is unauthorised.

In another case, included in the Chapter XIII of this Report Embassy of India, Bonn operated three to five local posts against the budget of Ministry of Human Resource, Department of Education, without their sanction. The expenditure of Rs 2.36 crore on their pay and allowances was, therefore, unauthorised.

The total unauthorised expenditure on engagement of persons in above cases without the approval of MEA was Rs.6.70 crore.

*(Paragraph 8.6 and 8.7)*

### **Fraudulent drawal**

A fraudulent drawal of Rs 34.27 lakh was made from the New York bank account of the **Embassy of India, Kiev**. The fraud took place solely due to negligent action by the Embassy staff in authorising the State Bank of India, New York to transfer the amount to third party accounts on advice issued by fax. The arrangement for fax advice with the State Bank of India, New York was limited to transfer of the amounts to Mission's accounts in Kiev. Fax advice for third party transfer on the letterhead of the Mission was imprudent, since it exposed the Mission's funds held in the State Bank of India, New York to serious risk of fraud. No action was taken against the defaulting staff.

*(Paragraph 8.4)*

### **Unauthorised retention of additional car**

Despite categorical rejection by MEA of the request of the **Embassy of India, Oslo** for retention of the second car, the Mission continued to retain it for 11 years unauthorisedly. It spent over Rs 16 lakh in maintaining it.

*(Paragraph 8.10)*



### **Deficient cash management**

CGI<sup>1</sup>, Birmingham did not remit the excess cash held by them to the Ministry in disregard of the directions of MEA resulting in interest loss of about Rs 60 lakh. Similar instances of non-compliance to MEA's instructions on cash management and consequent loss of interest have been pointed out in Audit Reports in the past also.

*(Paragraph 8.14)*

### **Arbitration awards**

Sample check of arbitration cases in Director General of Supplies and Disposals disclosed deficiencies in the system of documentation, monitoring and accountability procedure in management of arbitration cases, which led to significant delays in follow up action. The efficacy of the system for maintenance of data was not ascertainable in the absence of comprehensive central list/register.

Of the 159 arbitration cases, for which data were made available, 132 were decided in favour of the Government with aggregate value of Rs 6.44 core during 1993-98. Of this, only Rs 45 lakh were recovered as of August 1999. The follow-up actions were lax.

Director General of Supplies and Disposals did not establish accountability procedure for delay in follow up action.

Most of the remaining arbitration cases were determined against the Government due to omissions attributable to negligence of the Department.

*(Paragraph 7.1)*

### **Development of tourism infrastructure**

Ministry of Tourism piloted the scheme of Development of Tourism Infrastructure with the objective of promoting domestic tourism and attracting overseas tourists by improving the infrastructure. The scheme consisted of assistance for construction of tourist bungalows, cottages, complexes and reception centres.

Ministry released Rs 15.82 crore for 158 projects during 1992-97. 119 of the 158 projects sanctioned at a cost of Rs 25.02 crore had not been completed as of June 1999, mainly due to lax implementation and monitoring. There was time over-run of between 4 and 51 months in completion of the remaining 39 projects.

Even of the 39 completed projects, only 28 were commissioned. Many of the commissioned projects are not being used for promotion of tourism due to one or the other reasons.

*(Paragraph 18)*

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<sup>1</sup> *Consulate General of India*

### **Undermining of Parliamentary Financial Control**

Unauthorised approval of the **Ministry of Textiles** to credit the penalties through AEPC<sup>1</sup> on account of the failure of the exporters to fulfil their export quota of textiles/garments into the Public Account rather than into the Consolidated Fund of India and meeting the expenditure directly by debiting the Public Account was against the provisions of Articles 266 and 114 (3) of the Constitution of India.

This had the effect of bypassing the authority of the Parliament, without whose approval no money could have been spent. This arrangement of additional funding for items, which were also funded out of the Consolidated Fund of India against specific budget provisions did not afford total picture of assistance for market development activities *etc.* and grants to NIFT<sup>2</sup>. This has rendered the entire expenditure of Rs 35.08 crore during 1989-99 questionable.

*(Paragraph 17.1)*

### **Unfruitful expenditure due to negligence**

**Ministry of Food Processing Industries** released Rs 1.24 crore for production of 45 films to sixteen film producers during March 1995 to February 1999. These films were to be telecast with a view to creating awareness for food processing among the masses. Of the 45 films, 18 were not yet completed. None of the 27 completed films had been telecast as of June 1999, thereby foiling the end-objective of creating awareness for food processing.

The Ministry did not exercise proper control to ensure that the producers follow the norms of production of commissioned films. Doordarshan did not telecast the films, since the producers had unauthorisedly inserted advertisements in the films, which labelled them in the category of commercial programme.

*(Paragraph 10)*

### **Loss due to failure to revise rates of licence fee**

Failure of the **Commissioner of Customs (Administration), Calcutta** to revise the licence fee for accommodation provided to clearing agents in the Customs House from time to time on the basis of standard rent determined by the CPWD resulted in loss of Rs 52.83 lakh during 1993-99.

*(Paragraph 9.7)*

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<sup>1</sup> Apparel Export Promotion Council

<sup>2</sup> National Institute of Fashion Technology

### **Payment of overtime allowance beyond the permissible norm**

**General Manager, Currency Note Press, Nasik** made overtime payment of 480 hours per quarter to almost all staff members during 1995-99, against the statutory permissible limit of only 50 hours per quarter. Reckoning the overtime hours allowed each worker should have put in on an average 14 hours of work every day during all four years, including on holidays and Sundays.

The value of overtime payment beyond the maximum limit prescribed for the aforesaid period worked out to Rs 64.19 crore. The overtime payments were over 56 per cent of the expenditure on their pay and allowances.

*(Paragraph 9.1)*

### **Failure to deduct Sales Tax from customers**

Ignorance of the **General Manager, India Government Mint, Mumbai** about Sales Tax liability on commercial productions resulted in payment of Rs 1.95 crore during 1983-95 to the Sales Tax Department, Maharashtra, which the IGM had not recovered from the customers and, therefore, was a loss to the Government. The Sales Tax Commissioner, Maharashtra also levied a penalty of Rs 2.12 crore for default in deposit of Sales Tax for 1983-95, against which, General Manager, India Government Mint had appealed to the Sales Tax Tribunal.

*(Paragraph 9.2)*

### **Loss on account of expired medicines**

Medicines worth Rs 48.40 lakh outlived their life in stock of **Central Government Health Services, Pune** due to excess procurement of medicines during 1996-98, without ascertaining the requirement from the user dispensaries by the Additional Director.

*(Paragraph 11.2)*

### **Pharmaceutical Factories in Medical Stores Depots at Chennai and Mumbai**

**Pharmaceutical Factories in the Medical Stores Depots at Mumbai and Chennai**, were established in 1893 and 1947 respectively with the objective of manufacturing about 75 and 100 odd common drug formulations and other materials like bandages, etc. for supply to the government hospitals/dispensaries on a 'no-loss and no-profit basis'. Their workload has reduced over the years and by now, it is negligible. The expenditure on establishment of the factories constituted 86 to 92 per cent of the total expenditure during 1991-98. The machinery installed at both the factories have outlived their life. Government should promptly assess their utility and close them to avoid further wasteful expenditure.

*(Paragraph 11.1)*



### **Inordinately delayed calibration laboratory project**

**The Ministry of Water Resources** sanctioned a Calibration Laboratory Project for Central Water and Power Research Station, Pune in June 1984 at Rs 1.90 crore to be completed by 1987. This was dependent on the progress of another project, termed as 'Hydromechanics Project', funded by UNDP<sup>1</sup>, which was scheduled for completion in 1984, as these two projects were to be implemented in an integrated manner. The termination of Hydromechanics Project after an expenditure of Rs 1.10 crore in March 1990 affected the progress of the Calibration Laboratory Project. Even as of December 1999, testing and commissioning of the project was yet to be completed 13 years after it was due for completion and an expenditure of Rs 2.69 crore. Thus, objective of installing a state-of-the-art facility was not achieved.

*(Paragraph 20.1)*

### **Unintended standing subsidy to the States/PSU<sup>2</sup>s.**

**Ministry of Home Affairs** deploys Central Paramilitary Forces in the states for internal security duties on receipt of the requisition from the state governments. The cost of deployment is borne by the respective state governments. Rs 796.24 crore were recoverable from different states on account of deployment of Central Para Military Forces as of March 1999.

Similarly, Rs 354.88 crore were recoverable from 226 PSUs for providing Central Industrial Security Force to them.

Non-recovery of outstanding dues of Rs 1151 crore from the state governments/PSUs has provided an unintended assistance to them.

*(Paragraph 12.1)*

### **Unprocessed books**

**The Director, National Library, Calcutta** failed to ensure quick processing of books and make them ready for use by the readers for up to nine years. Failure to process the books resulted in no value for money from an expenditure of Rs 74.63 lakh on books for three to nine years. The readers of the Library were deprived of using the books.

*(Paragraph 13.1)*

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<sup>1</sup> United Nations Development Programme

<sup>2</sup> Public Sector Undertaking

### **Undue benefit to the sponsor of the programme 'Yug'**

Observations have been included in the earlier Audit Reports about incorrect application of Rate Card in odd duration programmes, which were not in multiple of 30 minutes resulting in undue benefit to the sponsor. In yet another programme 'Yug', **Director General, Doordarshan** treated the 40-minute programme as that of one hour, allowing the sponsor more Free Commercial Time for sale. The inappropriate application of Rate Card resulted in an undue benefit of Rs 4.18 crore to the sponsor with a corresponding loss to Doordarshan for 216 episodes telecast during September 1996 to August 1997.

*(Paragraph 14.2)*

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

**Director, Doordarshan Kendra, Thiruvananthapuram**, neither took effective action for prompt recovery of dues for advertisement charges from the accredited agencies nor cancelled their accreditation due to default, as per the agreements. Such cases of ineffective system had been included in the earlier Audit Report for 1996-97 in relation to Doordarshan Kendras, Calcutta, Chennai, Delhi and Lucknow. This resulted in non-realisation of over due advertising charges and interest of Rs 5.77 crore.

*(Paragraph 14.1)*

### **Avoidable payment of demurrage charges**

**Department of Fertilisers** paid demurrage charges of Rs 31 lakh due to delay in finalisation of the rate of the handling contract, which was entirely avoidable. Department of Fertilisers initiated the process of fixing the rates for the financial year 1996-97 in April 1996 *i.e.* after the new financial year had already begun. Between them, Department of Fertilisers and Ministry of Finance took over two months to approve the rates.

*(Paragraph 6.1)*

### **Failure of the department to honour its guarantee**

**Department of Fertilisers** did not redeem the guarantee given to the Life Insurance Corporation of India, consequent upon default in repayment of loan of Rs 16 crore and interest of Rs 36.38 crore by the Fertiliser Corporation of India.

*(Paragraph 6.2)*

### **Undue benefit to a toll contractor by Government of West Bengal**

**Government of West Bengal** granted arbitrarily post-agreement concessions to a toll contractor for Calcutta-Durgapur Expressway by reducing the daily deposit of toll charges by 50 per cent for the first six months and permitting the arrears of Rs 1.99 crore to be deposited in ten equal weekly instalments



without interest after one year. In addition, it waived the toll charges of Rs 6.62 lakh for three days on the demand of the contractor without verification of his claim. More importantly, the Government extended the contract unauthorisedly for collection of toll from one year, determined on the basis of open tenders, to 30 years and revised the formula of calculation of bid money in favour of toll contractor.

Besides, it did not take any action for recovery of outstanding dues of Rs 8.17 crore towards toll charges and interest of Rs 1.08 crore as of September 1999 and to terminate the contract for default in deposit of the amount as per provisions of the agreement. The manner in which so many concessions were given to the contractor calls for an investigation.

(Paragraph 16.1)

#### **Undue benefit to a contractor**

**Superintending Engineer, Roads and Buildings, National Highway Circle, Hyderabad** changed the original terms of agreement for dumping of excavated material on road-side and allowed a lead of up to one kilometre without transparent reasons. This resulted in excess payment of Rs 78.50 lakh to the contractor.

(Paragraph 16.2)

#### **Unauthorised aid to a lessee and loss of revenue**

**Government of Andhra Pradesh** awarded the leasehold rights for 1996-98 on three bridges on National Highway No.5 to the existing lessee without public auction, in violation of the prescribed rules. This resulted in undue financial aid of Rs 23 lakh to the lessee at the cost of the public exchequer, with reference to *suo moto* offer of lease amount received from another applicant.

(Paragraph 16.4)

#### **Failure to deduct income tax at source**

**The Estate Manager, Calcutta** paid Rs 6.95 crore as rent for hired accommodation for Government offices during June 1994 to July 1997. He did not deduct income tax at source amounting to Rs 1.39 crore from the rent bills in contravention of the provision under Section 194-I of Income Tax Act 1961, introduced with effect from June 1994.

(Paragraph 19.3)

### **Retention of rented premises beyond requirement**

**The Estate Manager, Calcutta** had taken on lease a private building having usable area of 8554 sq ft. to accommodate the office of the Branch Secretariat of Ministry of Law, Justice and Company Affairs, Calcutta. Subsequently, Estate Manager, Calcutta allotted 7640 sq. ft. space to the Branch Secretariat in the MSO Building, Nizam Palace Calcutta in lieu of the rented accommodation in June 1986. The Branch Secretariat of the Ministry of Law, Justice and Company Affairs continued to occupy both the premises, the area of which was much beyond their requirement. The Estate Manager did not ensure vacation of rented premises and regularly renewed its lease agreement. This resulted in payment of Rs 1.89 crore as rent for the leased building during March 1987 to November 1999, which was wasteful. The avoidable liability continues at the rate of Rs 1.63 lakh per month.

*(Paragraph 19.2)*

### **Licence fee and damage charges not realised**

Failure of the **Estate Manager, Calcutta** to initiate timely action for vacation of the government residential accommodations from the unauthorised occupants and lack of sustained efforts for realisation of Government dues, resulted in non-recovery of damage charges aggregating Rs 34.37 lakh as of November 1999. Besides, while unauthorised persons continued to occupy the government residential accommodations up to a maximum of over 16 years in 61 cases, the eligible wait-listed employees continued to wait for allotment of government residential accommodation.

*(Paragraph 19.4)*

### **Wasteful expenditure**

**Andaman Public Works Department** started construction of an earthen dam on Guptapara Nallah in May 1995 to mitigate the problem of water supply to the villagers of Guptapara, Linedera and Manjuri in Andaman and Nicobar Islands. The work was taken up in disregard of Central Water Commission's Report regarding non-viability of an earthen dam on that site. Due to hill-slope stability problems the work had to be suspended in June 1996 after an expenditure of Rs 57.62 lakh. Thus, disregard of technical advice not only rendered Rs 57.62 lakh unfruitful, the objective of the project remained unfulfilled.

*(Paragraph 21.1)*

### **Recoveries at the instance of Audit**

This Report contains four paragraphs relating one each to **Ministries of Commerce, Finance and Information and Broadcasting and Andaman and Nicobar Administration**, where recoveries were made by departmental officers upon being pointed out by Audit. Out of the total excess

payment/non-recovery of Rs 1.47 crore pointed out by Audit, the departmental officers recovered Rs 1.20 crore and assured the recovery of the balance Rs 27 lakh.

*(Paragraph 7.2, 9.5, 14.3 and 21.4)*

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

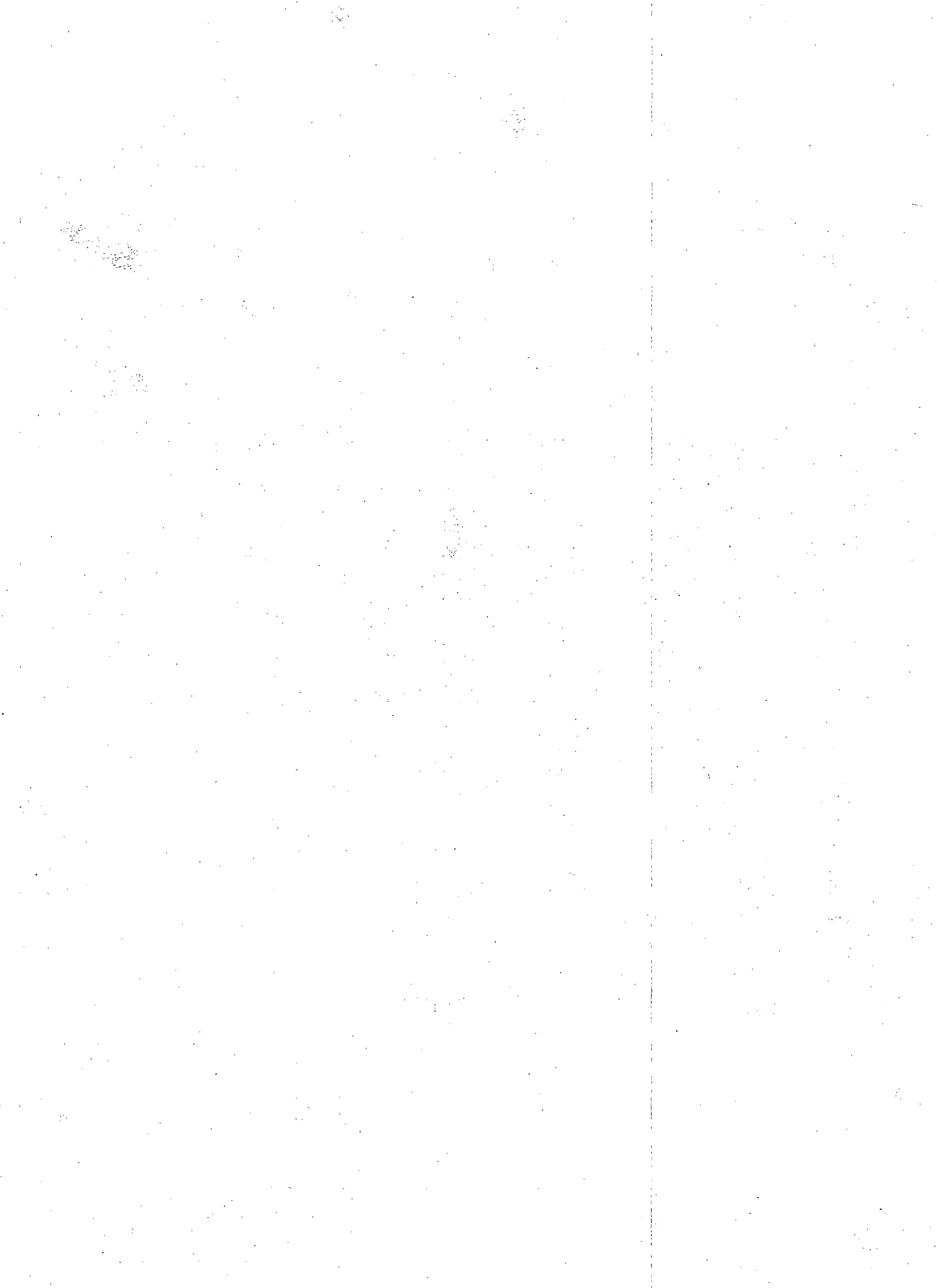
Despite repeated instructions by Government, consequent upon recommendations of the PAC, ministries/departments did not send remedial Action Taken Notes on 82 Audit Paragraphs included in the Reports relating to civil ministries, Other Autonomous Bodies and Scientific Departments. Of these, 48 were relatively older paragraphs, which were included in the Audit Reports of 1990 to 1996.

*(Paragraph 22.1)*

#### **Response of the ministries/departments to Draft Reviews/ Paragraphs**

Government issued instructions on the recommendations of the PAC, to all ministries/departments to send their comments on the draft audit reviews/paragraphs, which are forwarded to the secretaries of the ministries/departments through demi-official letters, within six weeks, The secretaries of the ministries/departments did not send replies to 38 draft reviews/paragraphs included in this report.

*(Paragraph 22.2)*





*Section A - Reviews*





**Ministry of Chemicals and Fertilisers**

**Implementation of Retention Price Subsidy Scheme on sale  
of controlled fertilisers**





## CHAPTER I : MINISTRY OF CHEMICALS AND FERTILISERS

### Department of Fertilisers

#### 1. Implementation of Retention Price Subsidy Scheme on sale of controlled fertilisers

##### *Highlights*

The system of reckoning the cost for fixation of retention price, which is the basis for providing the subsidy on indigenous fertilisers, is not satisfactory. The Fertiliser Industry Coordination Committee, which administers the Retention Price Subsidy Scheme, relied entirely on the data furnished by the fertiliser units. FICC paid fertiliser subsidy on urea aggregating Rs 25155 crore during 1992-98 on the basis of cost data furnished by the fertiliser units without independent verification and scrutiny of basic records maintained by them.

FICC allowed pre-tax return on net worth at much higher percentage rather than adjusting on the basis of actual corporation tax paid by fertiliser units since 1991-92. Delay in revision and adjustment of subsidy on reduction in corporation tax of all fertiliser units during 1994-95, 1996-97 and 1997-98 resulted in advance excess payment of subsidy of Rs 408 crore.

Sample checks disclosed that FICC allowed Rs 2731.25 crore to 20 fertiliser units during 1991-97 without ascertaining the actual amount of corporation tax paid by these units.

Provisions made for payment of corporation tax aggregating Rs 1849.21 crore for 1993-98 were transferred to general reserve and in turn treated as part of net worth for computation of RPS, which resulted in extra outgo of subsidy of Rs 459.89 crore.

Contrary to the provisions of the Company Act, 1956, FICC adopted higher rate of depreciation of 6.33 *per cent* against the prescribed rate of 5.28 *per cent*. This resulted in excess provision of depreciation of Rs 592.48 crore during 1993-98 which led to payment of excess subsidy.

There were wide variations in various elements of conversion cost in production of fertiliser such as salary and wages, administrative overheads, chemicals and stores, factory overheads, etc. allowed to different fertiliser units for the purpose of computation of retention price.

14 units reported utilisation higher than the installed capacity between 1991-92 and 1996-97, which resulted in undue benefits to the units in the form of extra recovery of cost beyond assessed level of capacity utilisation, reckoned for computing retention price. Rather than rationalising the installed capacity, FICC paid Rs 1885 crore towards retention price due to claim of higher capacity utilisation with reference to the capacity fixed by the Ministry.

Recovery of subsidy was not made on sale of sub-standard fertilisers paid as standard fertilisers.

Outstanding recovery of subsidy of Rs 43.34 crore paid to units during 1986-95 was not made by the FICC.

Delay in finalisation/revision of retention prices in respect of nine fertiliser units had resulted in non-recovery of Rs 677.76 crore of excess subsidy paid to them.

## 1.1 Introduction

**1.1.1** Ministry of Chemicals & Fertilisers introduced the Retention Price Subsidy (RPS) Scheme in November 1977 for indigenous fertilisers to make these available to farmers at reasonable prices and to ensure fertiliser manufacturers a reasonable return on their investments. The scheme was initially applicable to nitrogenous fertilisers and was extended to phosphatic and other complex fertilisers in February 1979 and single super phosphate in 1982. The Ministry de-controlled phosphatic and complex fertilisers and low nitrogenous fertilisers such as ammonium sulphate, calcium ammonium nitrate and ammonium chloride in August 1992 and June 1994 respectively. Since then, only urea manufacturers are covered under RPS scheme.

**1.1.2** There are 22 urea units in public, private and cooperative sectors with annual reported installed capacity of 77.19 lakh tonne, 65.90 lakh tonne and 39.45 lakh tonne *per annum* respectively as of March 1997. A list showing details of these units is at Annex A.

**1.2** The Fertiliser Industry Coordination Committee was constituted by the Government of India in December 1977 to administer and operate the system of retention price<sup>1</sup>. The FICC<sup>2</sup> consists of Secretary, Department of fertilisers as the Chairman and Secretaries to the Government in the Department of Industrial Development, Agriculture and Cooperation and Expenditure and Chairman, Bureau of Industrial Costs & Prices as members. In addition, there

FICC is administered by the Secretary Department of Fertilisers and headed by the Executive Director.

<sup>1</sup> The retention price is the ex-factory price per tonne of Fertilisers determined on assessed cost of production including post-tax return of 12 per cent on net worth (equity and reserves) of the fertiliser plant.

<sup>2</sup> Fertiliser Industry Coordination Committee.

are two representatives of the fertiliser industry in the FICC. The Office of Fertiliser Industry Coordination Committee is an attached Office under the Department of Fertilisers. Headed by an Executive Director, it deals mainly with unit-wise fixation and revision of retention prices of fertilisers, fixation of equated freight and payment of subsidy to them.

### **1.3 Types of subsidy**

The subsidies paid by FICC relate to retention price, freight and imported fertilisers.

#### **1.3.1 Subsidy related to retention price**

The retention price is fixed product-wise and plant-wise. It takes into account cost of variable inputs, conversion cost, selling expenses and capital related charges. Variable costs comprise of feed-stock, utilities like water, electricity, steam and packing materials. Conversion cost consists of salary and wages, contract labour and consumables, repairs and maintenance, catalysts and other overheads. Capital related charges consist of return on net worth, interest on borrowed funds and depreciation on fixed assets.

Retention price per tonne of fertilisers was determined for each plant dividing the total cost of production of fertilisers by production at the normative capacity utilisation fixed by the Ministry.

FICC fixed the retention price through a system of three years pricing period. During the pricing period increase and decrease in retention price was allowed if there was increase or decrease in the price of major inputs.

Subsidy paid to a unit was the difference between the retention price and the statutory sale price per tonne of fertilisers.

#### **1.3.2 Subsidy related to freight**

Freight subsidy was allowed from February 1979 to the indigenous fertiliser manufacturers to cover the cost of movement of fertilisers from production point to consumption point. Equated freight rates were fixed annually for each unit on normative basis taking into account the state-wise allocation of fertilisers and the actual distance of movement by rail/road or mix of the two during the preceding year.

#### **1.3.3 Subsidy on imported fertiliser**

The expenditure on import, handling and distribution of fertilisers was borne by the Ministry and met from its budget and the receipts from its sale were taken as reduction of expenditure. The difference between the two is the subsidy borne by the Ministry directly.

The retention price is fixed product wise and plant-wise with reference to cost of production after allowing post tax return on net worth

#### 1.4 Payment of subsidy

1.4.1 The production, payments of subsidy to the manufacturers of fertilisers towards retention price subsidy scheme, freight subsidy and subsidy on imported fertilisers during 1992-98 were as under :

(Rs in crore)

Year	Production of indigenous urea (in lakh tonne of nutrient)	Retention price subsidy on urea	Freight subsidy	Subsidy on imported fertilisers	Total subsidy
1992-93	7430.30	4383.93	416.07	996.11	5796.11
1993-94	7231.30	3365.06	434.94	598.97	4398.97
1994-95	7945.40	3684.87	390.13	1166.00	5241.00
1995-96	8777.00	3656.19	643.81	1935.00	6235.00
1996-97	8599.00	4133.00	610.00	1350.00	6093.00
1997-98	10086.00	5932.00	668.00	729.36	7329.36
Total	50069.00	25155.05	3162.95	6775.44	35093.44

1.4.2 The subsidy to indigenous manufacturers of fertilisers was commented upon in Paragraph 5.2 of the Report of the Comptroller & Auditor General of India for the year ended 31 March 1991 (No.1 of 1992). Some of the significant deficiencies, which were earlier reported related to absence of rigor in scrutiny of cost data, excess payment, non-recovery and avoidable payments of subsidy on various counts by the FICC.

#### 1.5 Scope of Audit

The administration of the retention price subsidy by the Fertiliser Industry Coordination Committee was examined with regard to the records in the Offices of the FICC, Departments of Fertilisers and Agriculture and Cooperation and Registrar of Companies (Ministry of Law, Justice & Company Affairs), New Delhi. The test check covering records relating to fixation of retention price and payment of subsidy on sale of urea for the period 1992-1998 and even for earlier periods, where relevant, was conducted between June 1998 and October 1998. The examination did not cover subsidy paid on distribution of decontrolled fertilisers being administered by Ministry of Agriculture.

#### 1.6 Inadequate verification of cost data by FICC

One of the principal functions of FICC is fixation and review of retention price after detailed costing and disbursement of subsidy to the fertiliser manufacturers on the basis of difference between the retention prices of urea

worked out by FICC and the selling price<sup>3</sup> fixed by the Department of Agriculture and Cooperation. FICC paid retention price subsidy of Rs.25155 crore during 1992-98.

FICC relied on cost data as furnished by fertiliser units without independent checks.

Audit scrutiny revealed that FICC continued to rely exclusively on cost data furnished by fertiliser manufacturers as authenticated by the chartered accountants employed by the respective units, despite the fact that the quantum of subsidy paid was determined on the basis of unit-wise cost and the fertiliser units could inflate cost that would permit higher subsidy. The Bureau of Industrial Costs and Prices expressed this apprehension as early as 1992. The Cost Accountancy Records (Fertiliser) Rules, which were notified in 1993 by the Ministry of Law, Justice and Company Affairs had envisaged each fertiliser unit to maintain a proper set of cost records. Non existence of a system of independent verification and detailed scrutiny of cost data on a regular basis to cross check the cost records at the manufacturer's premises rendered verification of correctness of the retention price difficult.

FICC failed to ensure fixation of retention price on the basis of genuine and irrefutable cost data.

As would be evident from the following, FICC has failed in performing its functions to ensure that the fertiliser manufacturers are provided subsidy on the basis of genuine and irrefutable data and the policy of the Government is not used to provide inadmissible assistance.

Ministry stated in January 1999 that FICC was not responsible for maintenance of cost accounting records under the Companies Act and admitted that independent verification of cost data from the original records was not being undertaken due to shortage of manpower. The reply of the Ministry does not address the issue of failure of FICC to verify the correctness of cost data leading to payment of excess subsidy from the Consolidated Fund of India.

## 1.7 Incorrect determination of corporation tax

1.7.1 One of the elements of costs reckoned by FICC for calculating the retention price is 12 per cent post-tax return on the net worth of respective fertiliser unit. In case of companies corporation tax actually payable/paid by the manufacturers should be included while fixing the retention price.

The FICC reckoned amounts towards payment of corporation tax by allowing a pre-tax return on net worth at the rates of 18.46 per cent to 24.87 per cent assuming that these rates would provide a post-tax return of 12 per cent. The FICC never verified actual payment of corporation tax by the fertiliser manufacturers. The corporation tax was reckoned in the retention price to compensate for that expenditure and was certainly not meant as a source of additional income to the fertiliser manufacturers. Despite this irregularity having been pointed out previously in paragraph 5.2 of the Audit Report of the Comptroller and Auditor General of India for the year ended March 1991 –

<sup>3</sup> Selling price refers to the controlled price at which fertilisers are sold to farmers.

No.1 of 1992, the FICC continued to permit unintended benefit to the fertiliser manufacturers at the cost of the Consolidated Fund of India at a higher rate than 12 per cent envisaged, while the 12 per cent itself should have been limited to the actual payment of corporation tax.

While the exact amount of undue benefit could not be worked out in audit, the verification of annual accounts of the fertilisers manufacturers, which were available, disclosed large amounts of excess payment as under.

#### 1.7.2 Excess payment of subsidy<sup>4</sup>

FICC paid Rs 2731.25 crore towards element of corporation tax without ascertaining actual payments.

(a) On the basis of Annual Reports of 20 units spread over different years, it was noticed that the FICC paid Rs.2731.25 crore towards element of corporation tax on normative basis which was assumed to have been paid by these units for different accounting years without ascertaining the actual amount of corporation tax paid by each of them on production and sale of urea between 1991-92 and 1996-97 as indicated in Annex B. These payments were inadmissible on the following grounds:

- 12\* units as detailed in Annex C neither made any provision nor paid corporation tax during 1987-97.
- 11\* units as indicated in Annex D had made only provision for payment of corporation tax but actual payments were not verified.

\* Some units are common in Annex C and D.

13 fertiliser units transferred provision for corporation tax of Rs 1849.21 crore to General Reserve and claimed inadmissible subsidy of Rs 459.89 crore.

(b) Further, sample checks revealed that 13 fertiliser units had transferred the provisions aggregating Rs.1849.21 crore made for payment of corporation tax which were not actually paid, pertaining to 1993-98 to the "General Reserve" in the annual accounts of different years as shown in Annex E. The amount in turn was treated as part of net worth for computation of return/retention price for the subsequent years. The total outgo of inadmissible subsidy on this account would work out approximately to Rs.459.89 crore at the rate of return of 24.87 per cent allowed up to September 1998. The magnitude of such excess payments of subsidy would be much larger if such transfers in all fertilisers manufacturing companies in all these years are reckoned.

<sup>4</sup> FICC did not provide copies of Annual Accounts and other relevant financial statements of fertiliser units for verification by Audit. However, annual accounts of some of the fertiliser units for different years available in the Department of Company Affairs were obtained by Audit. In the absence of working sheets, the exercise of professional judgement of audit was restricted.



### 1.7.3 Miscellaneous Receipts

Wide variations in the amounts of Miscellaneous Receipts reckoned for computing the retention price by FICC inflated subsidy payment.

Under the scheme, the 'Miscellaneous Receipts'<sup>5</sup> of the fertiliser units are sought to be reduced from the retention price of fertiliser. Test check of records and annual accounts of the 11 fertiliser units revealed wide variations between the amounts of 'Miscellaneous Receipts' reckoned while computing retention price and that depicted in the annual accounts of respective fertiliser units as shown below:

(Rs in lakh)

	Unit	Year	Miscellaneous receipts as exhibited in annual accounts	Miscellaneous receipts reckoned in the retention price	Difference
1.	IFFCO <sup>6</sup>	1994-95	1474.07	229.82	1244.25
2.	NFL <sup>7</sup>	1994-95	468.25	188.43	279.82
3.	RCF <sup>8</sup>	1994-95	505.00	234.72	270.28
4.	IGFCC <sup>9</sup>	1994-95	152.00	45.58	106.42
5.	FCI <sup>10</sup>	1994-95	389.14	79.46	309.68
6.	GNFC <sup>11</sup>	1994-95	250.76	168.94	81.82
7.	FACT <sup>12</sup>	1994-95	1000.30	78.96	921.34
8.	SPIC <sup>13</sup>	1994-95	1239.89	00.00	1239.89
9.	MFL <sup>14</sup>	1994-95	289.00	54.19	234.81
10.	KRIBHCO <sup>15</sup>	1994-95	415.27	302.62	112.65
11.	HFC <sup>16</sup>	1994-95	1157.85	225.40	932.45
	<b>TOTAL</b>		<b>7341.53</b>	<b>1626.16</b>	<b>5715.37</b>

The working sheets of amounts of 'Miscellaneous Receipts' reckoned by FICC were called for verifying the correct amount of receipts apportioned to production of urea in the computation of retention price but were not furnished. In the absence of actual figures of 'Miscellaneous Receipts' including recoveries on account of loans and advances from staff, apportionment to urea plant could not be ascertained in audit and the quantum of extra outgo of subsidy could also not be determined. The matter needs to be further investigated by FICC.

<sup>5</sup> "Miscellaneous Receipts" comprise of income other than sale proceeds of Fertilisers and subsidy received by the unit.

<sup>6</sup> Indian Farmers Fertilisers Cooperative Limited

<sup>7</sup> National Fertilisers Limited

<sup>8</sup> Rashtriya Chemicals and Fertilisers Limited

<sup>9</sup> Indo-Gulf Fertilisers & Chemicals Corporation

<sup>10</sup> Fertiliser Corporation of India

<sup>11</sup> Gujarat Narmada Valley Fertiliser Company Limited

<sup>12</sup> Fertiliser & Chemical Travancore Limited

<sup>13</sup> Southern Petro Chemicals Industries Corporation Limited

<sup>14</sup> Madras Fertilisers Limited

<sup>15</sup> Krishak Bharati Co-operative Limited

<sup>16</sup> Hindustan Fertilisers Corporation Limited

Delay in revision and adjustment of subsidy on reduction of corporate tax resulted in extra outgo of subsidy of Rs. 408 crore to 22 units.

#### 1.7.4 Delay in revision of retention price on reduction of corporation tax

The FICC delayed revision and adjustment of the subsidy on reduction of corporation tax in respect of all the 22 units claiming subsidy. Despite the reduction in corporation tax from 45 per cent plus 15 per cent surcharge thereon to 40 per cent plus surcharge of 7.5 per cent during 1994-95, again reduced to corporation tax of 40 per cent only during 1996-97 and further reduced to 35 per cent during 1997-98, FICC continued to allow pre-tax rate of return on net worth at higher rate of 24.87 per cent allowed since 1991-92 against actual pre-tax rate of return of 22.22 per cent, 21.05 and 18.46 per cent on the basis of reduction in corporation tax for 1994-95, 1996-97 and 1997-98 respectively. This resulted in excess subsidy of Rs 408 crore to all the 22 units.

### 1.8 Adoption of varying rate

#### 1.8.1 Depreciation charges

In December 1993, by an amendment in Schedule XIV of Companies Act, 1956, the rate of depreciation charge for fixed assets of fertiliser plants was notified at 5.28 per cent per annum taking life of plant and machinery as 19 years. Since then, the fertiliser units were preparing accounts on the basis of the above amendment.

FICC made excess provision of depreciation charges of Rs 592.48 crore.

Contrary to the provision of the Companies Act, 1956, FICC allowed depreciation at the higher rate of 6.33 per cent. The differential of 1.05 per cent in the rate of depreciation charges on the plant and machinery and other assets, excluding cost of land in the retention price, resulted in an excess provision of depreciation charges of Rs. 592.48 crore in respect of 18 fertiliser units for 1993-98 as detailed in Annex F.

The FICC stated that it adopted higher rates following representations from the fertiliser industry and had stated that fertiliser industry should not be made to suffer financial hardship unjustifiably by further tightening of norms.

The justification advanced by the FICC is unacceptable. The fertiliser units are preparing annual accounts on the basis of the rate incorporated in the Act itself. Adoption of a higher rate for the determination of the retention price and the subsidy payments is not acceptable, more so when each and every cost is being reimbursed and each unit is getting 12 per cent of return on its net worth.

The Ministry stated, in January 1999, that the observations of Audit would be kept in view while deciding the new pricing policy.

**1.8.2 Adoption of varying rates for similar elements of cost.**

Varying rates adopted by FICC for similar items led to excess subsidy.

Sample-checks disclosed that FICC accepted widely varying rates per tonne selling expenses, administrative overheads, non-plant power and water, etc. A few instances are indicated in the table below, which would reveal inconsistent rates adopted by FICC for similar items in same type of manufacturing units. This has resulted in payment of excess subsidy to the fertiliser units which have claimed higher rates of the miscellaneous expenses.

(Rs per tonne)

	Overheads	Naphtha based plant		Fuel oil based plant		Gas/Associated Gas based plant	
		Value	Unit	Value	Unit	Value	Unit
1	Selling expenses	79.41 95.00	SFC <sup>17</sup> , Kota FACT, Cochin	80.25 95.00	NFL, Nangal GNFC	72.69 95.00	Indogulf KRIBHCO
2	Administrative overheads	27.58 176.20	IFFCO, Phulpur ZACL <sup>18</sup> Goa	38.19 72.53	NLC <sup>19</sup> Neyveli GNFC, Bharuch	9.27 96.75	HFC, Namrup III Indo-Gulf
3	Chemical & stores	46.68 256.14	FACT, Cochin MFL, Madras	125.67 208.27	FCI, Sindri NLC Neyveli	25.18 125.98	IFFCO, Anola RCF, Trombay I
4	Factory overheads	4.81 121.08	Duncans Industries Limited, Kanpur HFC, Barauni	13.85 120.66	GNFC, Bharuch NLC Neyveli	7.07 51.61	KRIBHCO IFFCO, Kalol
5	Non-Plant power	13.62 53.00	Duncans Industries Limited, Kanpur MCFL, Mangalore	17.23 93.61	NFL, Panipat FCI, Sindri	6.16 54.84	RCF, Thal RCF, Trombay I
6	Non-Plant water	0.35 37.08	NFL, Nangal MFL, Madras	19.59 91.26	GNFC, Bharuch FCI Sindri	2.35 39.17	HFC, Namrup III RCF, Trombay I
7	Salary and wages	137.03 720.48	ZACL, Goa HFC, Durgapur	99.99 1152.95	GNFC, Bharuch NLC, Ngyveli	76.04 498.07	RCF, Thal RCF, Trombay I
8	Catalyst expenses	75.57 181.09	IFFCO, Phulpur SFC, Kota	26.20 62.92	NFL, Panipat GNFC, Bharuch	42.45 219.51	NFL, Vijaypur RCF, Trombay I
9	Social overheads	178.16 248.74	Duncans Industries Limited, Kanpur HFC, Barauni	82.92 141.57	NLC, Neyveli NFL, Panipat	55.18 300.02	RCF, Thal RCF, Trombay I

The Ministry stated in January 1999 that the Government was considering the possibility of fixing norms for many items of expenditure in the new fertiliser pricing policy.

Similarly, FICC was reckoning project cost, capital related charges and return on net worth of various units for the purpose of retention price. Sample check revealed that in respect of three gas-based plants commissioned during 1988,

FICC reckoned varying project cost for fixation of retention price

\* In the table for each category of overheads only maximum and minimum unit rate of returns are shown to give indication of range of variations.

<sup>17</sup> Shriram Fertilisers and Chemicals

<sup>18</sup> Zuari Agro Chemicals Limited

<sup>19</sup> Neyveli Lignite Corporation Limited

the actual project cost and project cost reckoned for fixation of retention price varied significantly as shown below:

**Table (i)**

Unit	Year of commissioning	Sector	Installed capacity (in lakh tonne)	Actual project cost (Rs in crore)	Project cost reckoned for fixation of retention price
NFL, Vijaipur	1988	Public	7.26	507.35	425.42
IFFCO, Aonla	1988	Cooperative	7.26	647.84	520.66
IGFCC, Jagdishpur	1988	Private	7.26	701.52	615.41

In respect of three other gas-based plants, two of the same installed capacity and one with lower installed capacity commissioned during 1992-1994 the project cost varied widely.

**Table (ii)**

Name of Unit	Year of commissioning	Sector	Installed capacity (in lakh tonne)	Actual capital cost of project (Rs in crore)
NFCL <sup>20</sup> , Kakinada (Andhra Pradesh)	1992	Private	4.95	1185.54
CFCL <sup>21</sup> , Kota (Rajasthan)	1993	Private	7.26	1153.15
TCL <sup>22</sup> , Babrala (Uttar Pradesh)	1994	Private	7.26	1479.74

It would be seen from table (i) above that for identical installed capacity, commissioned during the same year i.e. 1988, the FICC reckoned the project cost for fixation of retention price for cooperative and private sector units at much higher rate than that for the public sector units. Further, as would be seen from table (ii) in case of the two private sector plants with identical installed capacity of 7.26 lakh tonne each commissioned during 1993-94, the capital cost reckoned for fixation of retention price varied widely. For CFCL it was Rs.1153.15 crore, while for TCL, Babrala it was Rs 1480 crore. Besides, such steep increase in the project cost of the plant commissioned during 1988 and those during 1992-94 was not examined by FICC for its correctness in a transparent manner. The scheme was thus a device to reward costly and inefficient operations.

The Ministry stated in January 1999 that increase in the project cost was due to Customs duty at the rate of 15 per cent in respect of IFFCO and IGFCC.

The reply of the Ministry is not tenable since the Customs duty should be uniformly applicable to all the three plants commissioned during 1988.

<sup>20</sup> Nagarjuna Fertilisers Chemicals Limited

<sup>21</sup> Chambal Fertilisers & Chemicals Limited

<sup>22</sup> Tata Chemicals Limited



Besides, Ministry did not offer any explanation for such steep increase in the capital cost of the project within the short span of 4-6 years. It is recommended that ministry should look into the system of reckoning the project cost, which has a significant bearing on payment of subsidy to the fertiliser units.

### 1.8.3 Variation in other costs

Under the scheme, capital related charges (depreciation, interest and return on net worth) are allowed on the capitalised cost of township. Besides this, the actual expenditure incurred on payment of house rent allowance to employees, not provided with the accommodation, is also considered in the retention price.

Analysis of data relating to accommodation cost per tonne of fertilisers, in respect of six gas based plants revealed wide variations in the range of Rs 45.71 for CFCL to Rs 208.32 for IFFCO, Aonla. Per employee cost *per annum* during 1994-95 varied in the range of Rs.57676 for OCFL to Rs.314458 for TCL, Babrala. The unit wise details were as under:

	Unit	Gross cost of township on date of commercial production (Rs in crore)	No. of employees as of 1994-95	Rs per employee <i>per annum</i> (at the level of 1994-95)	Rs per tonne (at the level of 1994-95)
1.	KRIBHCO (1986)	15.52	1403	80218	83.31
2.	IFFCO, Aonla (1988)	30.08	926	163327	208.32
3.	NFL, Vijaipur (1988)	17.26	773	126295	134.47
4.	CFCL (1994)	9.62	491	67591	45.71
5.	TCL, Babrala (1994)	39.43	358	314458	155.06
6.	OCFL <sup>23</sup> (1995)	15.74	751	57676	59.66

Annual expenses on house rent allowance per employee during 1994-95 ranged between Rs.2401 for IFFCO, Aonla and Rs.12851 for CFCL, Kota. The average cost of accommodation provided in township per employee during 1994-95 had ranged between Rs.1.10 lakh for KRIBHCO, Hazira and Rs.5.14 lakh for Tata Chemicals Limited, Babrala.

The main reasons for above inter-se variations, according to the FICC, were variations in the average composite cost of a dwelling unit including common facilities like guest house, club building, school, community centre, shopping

<sup>23</sup> Oswal Chemicals & Fertilisers Limited

complex, etc. The average actual cost of a dwelling unit in respect of KRIBHCO, Hazira and NFL, Vijaipur commissioned in 1986 and 1988 was only Rs.1.55 lakh and Rs.1.96 lakh per unit respectively. In respect of IFFCO, Aonla, which was commissioned in 1988, the average cost was Rs.4.56 lakh which was 133 per cent higher than NFL, Vijaipur. Similarly the average cost of a single flat in CFCL, Oswal and TCL commissioned in January 1994, 1995 and December 1994 was Rs 4.52 lakh, Rs 4.35 lakh and Rs 10.50 lakh respectively. The cost of township of various units ranged between Rs 962 lakh for CFCL and Rs 3943 lakh for TCL, Babrala.

Thus, the Ministry/FICC did not exercise any check for controlling these cost and allowed all the expenses at varying rates to these units without limiting them.

Similarly, there were variations in per unit cost of township. As higher cost on township conferred substantial benefit through capital related charges in computation of retention price under the scheme, FICC needs to look into these wide variations, as all the costs are considered for determining the retention price.

### 1.9 Failure to assess actual production capacity of urea and ammonia plants

The RPS scheme provides for fixation of retention price of controlled fertilisers after taking into account the normative capacity utilisation prescribed by the Ministry and a combination of norms and actuals in respect of various cost elements and expenses. The normative capacity of the plant reckoned for computing retention prices since April 1988 was as under:

Feed stock	Plant vintage	Annual capacity utilisation norm (in per centage)
i) Gas based plants	(i) 1 <sup>st</sup> year	80
	(ii) 2 <sup>nd</sup> year to 10 <sup>th</sup> year	90
	(iii) above 10 years	85
ii) Naphtha, Fuel Oil, Low Sulphur Heavy Stock	(i) 1 <sup>st</sup> year	80
	(ii) 2 <sup>nd</sup> year to 10 <sup>th</sup> year	85
	(iii) above 10 years	80
iii) Coal	(i) Up to 10 years	60
	(ii) Over 10 years	55

Capacity utilisation was uniformly shown more than the installed capacity resulting in extra benefits of Rs 1885 crore to the manufacturers.

The fertiliser units were, thus, expected to be recovering the entire cost of production along with reasonable return on net worth at the above assessed/normative production levels. Any production at levels higher than the normative level gives an additional benefit by way of extra recovery of fixed capital related charges on production in excess of the assessed normative production.

The High Powered Review Committee set up by the Ministry had also observed in March 1998 that the FICC accepted the design name plate capacity for assessing the normative capacity. There was, thus, an incentive for the fertiliser units to understate/derate the name plate/design capacity which enabled them to claim extra fixed cost on the quantity produced in excess of assessed production level. There was, thus, no justification, in principle, for payment of capital related charges above the assessed level as the plant recovers its full investment at this point.

Test-check of records revealed that capacity utilisation of 14 units was reckoned more than installed capacity between 1990-91 and 1996-97, the details of which are indicated in Annex G.

These 14 units had thus derived substantial undue benefit. This was also emphasised in the earlier Report of the Comptroller & Auditor General of India for the year ending March 1991.

In October 1994, a two member Committee, constituted to undertake a detailed technical examination of the issue so as to identify the cases of very high production of urea and reassess the plant capacity based on the actual performance of the plant, had identified 12 urea producing units under the category of high capacity utilisation units. The Committee had also observed that average daily plant capacity achievable in actual operation was higher than the declared design daily capacity and the capital related charges of various units were higher due to installation of equipment and standby power plants which added to the existing design capacity.

Another Technical Committee, set up in November 1996, had further observed that if a plant is operated at its daily rated capacity beyond 330 days, its capacity utilisation would work out higher than 100 *per cent*. As such the fixation of assessed production of 80 *per cent* in the first year was unjustified and concluded that implication of payment of fixed incentive on urea produced beyond the cut off level of capacity utilisation at the rate of Rs 1000 per tonne and Rs 500 per tonne of urea would result in saving in payment of subsidy of Rs 136.75 crore and Rs 162.53 crore respectively in respect of seven units, whose data were analyzed by the Committee during 1996-97.

Similarly, the High Powered Committee headed by Prof. C.H. Hanumantha Rao had also commented in March 1998 on outgo of extra subsidy through higher capital related charges of units working beyond 100 *per cent* capacity utilisation and had noticed that there was a difference of Rs 1047 per tonne in the weighted average retention price of Rs 6730 and recomputed retention price of Rs 5683, which would result in saving in capital related charges of Rs 1885 crore on 1997-98 production levels.

Despite these recommendations premised on sound empirical basis, FICC did not modify the normative capacity utilisation of each plant for computation of retention price. FICC needs to adopt urgent measures to determine the actual

production capacity and re-examine the normative determination to adequately safeguard against payment of higher subsidy.

### 1.10 Undue benefits

FICC did not act on the recommendations of an expert committee to revise the consumption norms of utilities which resulted in financial benefit of Rs 115 crore to the units.

(a) In January 1993, FICC had revised the consumption norms of utilities (power, water, steam and packing material) of three gas based fertiliser plants – IFFCO, Aonla, IGFCCL, Jagdishpur and NFL, Vijaipur, as these units had made major changes in the existing process, plant capacity and additional provision of captive power plant. The plants had started commercial production in July 1988, November 1988 and July 1988 respectively. The changes in the consumption norms had resulted in reduction of retention price as under:

Units	(Rs per tonne)			
	Retention price prior to revision		Revised retention price as on January 1993	
	In 1 <sup>st</sup> year	In 2 <sup>nd</sup> year	In 1 <sup>st</sup> year	In 2 <sup>nd</sup> year
IFFCO, Aonla	4811	4416	4585	4320
IGFCC, Jagdishpur	4940	4627	4908	4621
NFL, Vijaipur	4499	4191	4301	4071

Scrutiny revealed that FICC did not act on the recommendation of the Expert Committee to revise the consumption norms of utilities of KRIBHCO, Hazira as it had also made similar changes in the plant and, thus, qualified for reduction in retention price. According to the Committee, *ibid*, the resultant financial benefit that accrued to KRIBHCO was of the order of Rs.115 crore.

FICC stated in September 1998 that the observation of audit would be examined.

Benefits of installation of PGR unit was not worked out and recovered by the FICC.

(b) Similarly the installation of Purge Gas Recovery (PGR) unit and other energy saving devices in the plant could result in saving due to lesser consumption of various feed-stock. Despite this common awareness, FICC, however, had not reckoned the saving accruing to the units which had installed PGR unit for a period of 6 years while fixing the retention price till the 5<sup>th</sup> pricing period (upto March 1991). From the 6<sup>th</sup> pricing period (April 1991 onwards) the FICC recognized the investment on the installation of PGR and other devices immediately but the benefits accruing on this account were allowed to be retained by units for three years, after which these were mopped up for fixation to retention price.

A Technical Committee had observed in October 1997 that the five fertiliser plants, which had installed PGR units had carried out revamp, retrofitting, modification, etc. which had resulted in enhancement of production capacity of the plant at least by 10 *per cent*. FICC, however, did not work out and



recover the accrued benefits, which could have avoided payment of subsidy on this count as of October 1998.

### **1.11 Non-recovery of subsidy**

#### **(a) Non-recovery of subsidy paid on non/sub-standard fertilisers.**

**23953 fertiliser samples were sub-standard.**

Under the scheme, the non-standard fertilisers produced by the fertiliser manufacturers/sold by dealers were not entitled for subsidy from the Government. 23953 fertiliser samples analysed by various laboratories were found to be sub-standard during 1992-97.

The quality of sale of fertilisers is sought to be ensured/regulated under the Fertiliser (Control) Order, 1985. The Ministry of Agriculture (Department of Agriculture and Cooperation) and various State Governments had set up 60 Fertiliser Quality Control Laboratories in 18 States and a Central Laboratory at Faridabad. The Central and State Governments were to appoint inspectors for ensuring quality of sale of fertilisers. The State Governments and various laboratories were to submit details of samples of fertilisers found non-standard to the Ministry of Agriculture and FICC for taking action under Fertiliser (Control) Order. FICC was to recover prorata subsidies paid on the total quantity of the lot from which samples were drawn and found non-standard.

Examination disclosed that 11 State Governments of Assam, Bihar, Goa, Himachal Pradesh, Haryana, Madhya Pradesh, Punjab, Sikkim, Tripura, Uttar Pradesh and West Bengal did not furnish such details of sub-standard fertilisers regularly between 1994-95 and 1996-97. Information as to whether the entire lot from which samples were drawn and found non-standard was allowed for sale was not available either in the Ministry of Agriculture or in FICC, this aspect of subsidy reduction and attendant risk to quality control assurance remained unverifiable.

#### **(b) Outstanding recovery of subsidy**

The Ministry had issued instructions in September 1980 that amount due from the fertiliser units shall be recovered within a period of 45 days from the last date of the month in question. Delayed credits shall attract penal interest at the rate of 2.5 per cent above the ruling bank rate for working capital loans.

**Subsidy of Rs 43.34 crore were pending recovery from various units.**

Test check of Demand Register revealed that subsidy aggregating Rs 187.95 crore paid during 1986-95 in 10 cases remained un-recovered due to closing of units, referring the units to Bureau of Industrial Financial Restructure and pending investigation by CBI. On being pointed out by Audit, the FICC recovered Rs. 144.61 crore from one unit. Balance amount of Rs 43.34 crore was yet to be recovered.

(c) *Delay in finalisation/revision of retention price/non-recovery of excess subsidy paid.*

Recovery of Rs 677.76 crore was pending due to delay in fixation of retention price in nine cases

Significant delays were noticed in fixation/revision of retention prices in nine cases. Besides fixation/revision of 18 cases were pending for want of cost evaluation/technical verification. In the nine delayed cases, Rs 677.76 crore as detailed in Annex H were pending recovery by the FICC. The delay in these cases ranged between eight months and 113 months.

(d) *Non-recovery of Rs 1.66 crore*

Non recovery of depreciation charges of Rs. 1.66 crore on reimbursement of custom duty charges.

Under the scheme for grant of relief/incentives to the new and recently commissioned fertiliser units, Rs 6.99 crore were paid to Chambal Fertilisers & Chemicals Limited, Kota towards refund of custom duty paid in July 1995 on imported plant and machinery. Besides this, Rs 1.27 crore spent by the company towards capital related charges on the above amount of custom duty were also reimbursed. Rs 8.26 crore were capitalized and depreciation charges were paid upto August 1998. The FICC neither recovered nor adjusted the amount of depreciation charges of Rs 1.66 crore allowed at the rate of 6.33 per cent of the above cost to the manufacturer upto August 1998.

### **1.12 Avoidable freight subsidy payment**

Lead distance of movements of Fertilisers underline scope for rationalisation.

Freight subsidy is paid to fertiliser manufacturers to cover the cost of transportation from production point to consumption centres under the equated Freight Subsidy Scheme. The Department of Agriculture and Co-operation regulates movement of fertilisers through supply plan drawn up under the Essential Commodities Act (ECA), 1955. The equated freight rates for each unit are worked out on the basis of supply plans and normative lead (distances) fixed for movement by rail and road. The annual freight subsidy payment was in the range of over Rs 416 crore in 1992-93 and Rs 668 crore in 1997-98. The lead distances of movement of fertiliser from 1989-90 to 1996-97 were hovering around 930 km.

Study conducted by RITES in 1995 concluded that the wasteful criss-cross movement could be reduced by 12 per cent by streamlining the system of allocation of fertilisers. The High Power Review Committee had also recommended in March 1998 removal of distribution control system, except for movement of fertilisers in the problem areas.

There is, thus, scope for rationalising movement of fertiliser so as to reduce the burden of freight subsidy. The FICC needs to ascertain the amount of actual freight charges incurred by fertiliser units both by road and rail and carry out adjustment of excess/short reimbursement of freight subsidy drawn.

**1.13. Failure to verify end use of fertilisers**

**Independent control on movement of fertiliser out of factory gate and end-use was absent.**

Under the scheme payments of subsidy to the fertiliser manufacturers were being made on the basis of quantities of fertilisers moved out of the factory gate for the sale on a monthly basis. The manufacturers were to submit bills in duplicate, duly signed by an officer not below the rank of General Manager or the Finance Director. The monthly details of supplies were to be supplemented by annual certificate from statutory auditors. There was no independent control on movement of fertiliser out of factory gate. Since Central Excise duty on fertiliser had been abolished from June 1980, the inspection parties of the FICC were only checking daily stock register of fertilisers, dispatch/stock transfer advices alongwith gate passes, and dispatch instructions without any verification of the actual consignee's receipt thereof to ensure that it was utilised for agricultural purposes and subsidy was correctly paid. Since subsidy was only to be paid when fertiliser was used for agricultural purposes and not for industrial purposes, the claim of full cost from the consignees using fertiliser for industrial purposes and also subsidy under retention price scheme on the same quantity of fertiliser could not be verified in audit.

**Annex - A**  
**(Refers to paragraph 1.1.2)**

**Details of units/plants producing urea and their production capacity as of March 1997**

	Name the factory/location	Sector	End product capacity (000' tonnes)
<b>Private Sector</b>			
1.	Coromandel Fertilisers Ltd. (CFL), Vizag (AP)	Private	--
2.	Chambal Fertilisers, Kota, (Rajasthan)	Private	742.5
3.	Duncans Industries Limited, Kanpur, (UP)	Private	675.0
4.	Gujarat Narmada Valley Fertilisers Company. (GNFC), Bharuch	Private	594.0
5.	Gujarat State Fertilisers Company (GSFC), Vadodara	Private	367.2
6.	Indo Gulf Fertilizer & Chemicals Corporation (IGFCL), Jagdishpur, (UP)	Private	726.0
7.	Mangalore Chemicals & Fertilisers Limited (MCFL), Mangalore (Karnataka)	Private	340.0
8.	Nagarjuna Fertilizers & Chemicals Limited (NFCL), Kakinada (AP)	Private	495.0
9.	Oswal Chemicals & Fertilisers Limited (OSWAL), Shahjahanpur (UP)	Private	726.0
10.	Shriram Fertilisers and Chemicals, (SFC)	Private	330.0
11.	Southern Petro Chemicals Industries Corporation Limited (SPIC), Tuticorin (Tamil Nadu)	Private	512.0
12.	Tata Chemicals Limited (TCL), Babrala	Private	742.5
13.	Zuari Agro Chemicals Limited (ZACL), Goa	Private	340.0
	<b>Total</b>		<b>6590.2</b>
	<b>No. of Units</b>		<b>13</b>
	<b>No. of Plants</b>		<b>13</b>
<b>Public Sector</b>			
14.	Fertilisers & Chemicals Travancore Limited (FACT), Cochin II (Kerala)	Public	330.0
15.	Fertilisers Corporation of India (FCI) i) Gorakhpur (UP) ii) Sindri (Bihar) iii) Ramagundam (AP) iv) Talchar (Orissa)	Public	285.0 330.0 330.0 330.0
16.	Hindustan Fertilisers Corporation Limited (HFC) i) Barauni (Bihar) ii) Durgapur (WB) iii) Namrup I & II (Assam) iv) Namrup III (Assam)		184 173 190 328
17.	Madras Fertilisers Ltd. (MFL) Manali (TN)	Public	368.0
18.	National Fertilisers Ltd. (NFL) (i) Bhatinda (Punjab) (ii) Nangal I & II (Punjab) (iii) Panipat (Haryana) (iv) Vijaipur (M.P.)	Public	511.5 330.0 511.5 1452.0
19.	Neyveli Lignite Corporation Limited (NLC)	Public	152.0
20.	Rashtriya Chemicals & Fertilisers Limited (RCF), Mumbai (a) Thal (Maharashtra) (b) Trombay (I to IV) Maharashtra	Public	1485.0 99.0



	Name the factory/location	Sector	End product capacity (000' tonnes)
	(c) Trombay (V) Maharashtra		330.0
	<b>Total</b>		<b>7719</b>
	<b>No. of Unit</b>		<b>7</b>
	<b>No. of Plant</b>		<b>18</b>
<b>Cooperative Sector</b>			
21.	Indian Farmers Fertilisers Co-operative Limited (IFFCO) (i) Kalol (Gujarat) (ii) Phulpur (UP) (iii) Aonla (UP)	Co-operative	546.0 495.0 1452.0
22.	Krishak Bharati Co-operative Limited (KRIBHCO), Hazira (Gujarat)	Co-operative	1452.0
	<b>Total</b>		<b>3945.0</b>
	<b>No. of Units</b>		<b>2</b>
	<b>No. of Plants</b>		<b>4</b>

Annex - B  
(Refers to paragraph 1.7.2 (a))

Amount of income tax paid to fertiliser unit under RPS

				(Rs in lakh)
	Name of Unit	Period	Profit/Loss making units	12.87 per cent element of income tax
1	Duncan Industries Limited, Kanpur	1994 - 97	Profit	3014.23
2	Mangalore Chemical & Fertiliser Limited, Mangalore	1994 - 97	Profit	1381.23
3	Neyveli Lignite Limited, Neyveli	1992-97	Profit	13585.40
4	Shriram Fertiliser & Chemicals, Kota	1994 - 97	Profit	1401.27
5	Zuari Agro Chemicals Limited, Goa	1994 - 97	Profit	733.50
6	Indo Gulf Fertiliser and Chemical Corporation Limited, Jagdish Pur	1994 - 97	Profit	6227.91
7	Southern Petro Chemical Industries Corporation Limited	1994 - 97	Profit	1410.09
8	Madras Fertiliser Limited	1991 - 97	Profit	544.86
9	Fertiliser & Chemical Travancore Limited	1991 - 97	Profit	4965.87
10	Rashtriya Chemical & Fertiliser Limited	1991 - 97	Profit	45,869.12
11	National Fertiliser Limited	1991 - 97	Profit	40916.22
12	Krishak Bharati Co-operative Limited	1991 - 97	Profit	39495.81
13	Indian Farmers Fertiliser Co-operative Limited	1991 - 97	Profit	30485.25
14	Gujarat Narmada Valley Fertilisers Corporation Limited	1994 - 97	Profit	4462.05
15	Gujarat State Fertilisers & Chemical Limited	1994 - 97	Profit	1376.01
16	Tata Chemicals Limited	1994 - 97	Profit	10349.01
17	Fertiliser Corporation of India	1991 - 97	Loss	16926.38
18	Hindustan Fertiliser Corporation	1991 - 97	Loss	21936.96
19	Oswal Chemical & Fertiliser Limited	1995 - 97	Profit	15386.91
20	Chambal Fertiliser & Chemical Limited	1994 - 97	Profit	12656.44
				<b>273124.52</b>

**Annex - C**  
**(Refers to paragraph 1.7.2 (a))**

**Fertiliser units which had neither paid any corporation tax nor made any provisions in the annual accounts**

	<b>Name of the unit</b>	<b>Period</b>
1	Fertiliser & Chemical Travancore Limited	1990 - 95
2	Madras Fertiliser Limited	1993 - 96
3	Chambal Fertiliser & Chemical Limited	1994 - 97
4	Southern Petro Chemical Industries Corporation Limited	1992 - 96
5	Fertiliser Corporation of India (3 Plants)	1987 - 97
6	Hindustan Fertiliser Corporation (4 Plants)	1994 - 97
7	National Fertiliser Limited (4 Plants)	1990 - 93
8	Krishak Bharati Co-operative Limited	1985 - 92
9	Indian Farmers & Fertilisers Co-operative Limited (4 Plants)	1985 - 92
10	Gujarat State Fertilisers and Chemicals Limited	1992 - 96
11	Gujarat Narmada Valley Fertiliser Corporation	1994 - 96
12	Mangalore Chemicals & Fertiliser Limited	1994 - 97

**Annex - D**  
**(Refers to paragraph 1.7.2 (a))**

**Fertiliser units which had made provisions for payment of corporation tax but had not reflected the payments in annual accounts**

(Rs in lakh)			
	Unit	Period	Provision made
1	Indo Gulf Fertiliser and Chemical Corporation	1.4.91 to 31.3.95	1145.00
		1.4.95 to 31.3.96	4950.00
2	Southern Petro Chemical Industries Corporation Limited	1.4.91 to 31.3.92	5.00
		1.4.96 to 31.3.97	460.00
		1.4.97 to 31.3.98	450.00
3	Madras Fertiliser Limited	1.4.96 to 31.3.97	100.00
4	Fertiliser & Chemical Travancore Limited	1.4.95 to 31.3.96	878.00
		1.4.96 to 31.3.97	937.00
5	Rashtriya Chemical and Fertilisers Limited	1.4.93 to 31.3.94	3050.00
		1.4.94 to 31.3.95	15660.00
		1.4.95 to 31.3.96	4800.00
		1.4.96 to 31.3.97	4200.00
6	National Fertilisers Limited	1.4.93 to 31.3.94	5000.00
		1.4.94 to 31.3.95	8200.00
		1.4.95 to 31.3.96	6306.00
7	Krishak Bharati Co-operative Limited	1.4.92 to 31.3.93	8220.00
		1.4.93 to 31.3.94	7200.00
		1.4.94 to 31.3.95	9550.00
		1.4.95 to 31.3.97	8500.00
		1.4.96 to 31.3.96	9950.00
8	Indian Farmers Fertilisers Co-operative Limited	1.4.92 to 31.3.93	3961.00
		1.4.93 to 31.3.94	8050.00
		1.4.94 to 31.3.95	14230.00
		1.4.95 to 31.3.96	10745.00
		1.4.96 to 31.3.97	3461.00
9	Gujarat Narmada Valley Fertiliser Company Limited	1.4.96 to 31.3.97	2200.00
		1.4.97 to 31.3.98	2600.00
10	Gujarat State Fertilisers and Chemicals Limited	1.4.96 to 31.3.97	3082.00
		1.4.97 to 31.3.98	1877.00
11	Tata Chemicals Limited	1.4.94 to 31.3.95	6.00
		1.4.95 to 31.3.96	2200.00
		1.4.96 to 31.3.97	3800.00
		1.4.97 to 31.3.98	4350.00



**Annex -E**  
**(Refers to paragraph 1.7.2 (b))**

**Details of amount transferred to General Reserves**

(Rs in crore)

	Unit	Year					Total
		1993-94	1994-95	1995-96	1996-97	1997-98	
1.	IFFCO	59.43	125.67	124.44	68.41	....	377.95
2.	KRIBHCO	31.31	109.23	98.74	109.69	....	348.97
3.	NFL	87.07	14.68	1.86	51.36	....	163.97
4.	RCF	....	139.54	57.63	55.64	....	252.81
5.	SPIC	....	30.00	35.00	30.00	35.00	130.00
6.	Chambal Fertilisers	....	10.00	35.00	25.00	....	70.00
7.	Indogulf Fertilisers	....	15.00	51.00	....	....	66.00
8.	Tuticorin Alkali	....	1.00	0.60	....	....	1.60
9.	ZACL	....	....	52.00	28.00	....	80.00
10.	MCFL	....	....	0.25	0.25	....	0.50
11.	GNFC	....	....	....	7.00	7.00	14.00
12.	GSFC	....	....	....	127.00	111.41	238.41
13.	Tata Chemical	....	....	....	30.00	75.00	105.00
	<b>Total</b>	<b>177.81</b>	<b>445.12</b>	<b>465.52</b>	<b>532.35</b>	<b>228.41</b>	<b>1849.21</b>

**Grand Total : 1849.21 crore**

**Extra outgo at the rate of 24.87 pre-tax return (Rs 1849.21 x 24.87) =  
Rs 459.89 crore**

Annex - F  
(Refers to paragraph 1.8.1)

Gross value of fixed assets excepting land

(Rs in lakh)

	Unit	Total value of fixed assets except land					Total
		1993-94	1994-95	1995-96	1996-97	1997-98	
1.	N.F.L.	131711.05	137653.09	141808.25	229274.32		640446.71
2.	FACT	63227.71	64015.45	65143.20	67073.72		259460.08
3.	KRIHBCO	86347.08	90747.77	92154.40	97423.76		366673.01
4.	FCI	81623.55	82651.25	85850.54	87554.80		337680.14
5.	IFFCO	139173.78	144890.29	149867.52	241001.59		674933.18
6.	RCFL	135838.00	143243.00	103822.40	151145.00		534048.40
7.	Madras Fertilisers Limited	16866.00	16663.00	17178.00	17535.00		68242.00
8.	Chambal Fertilisers and Chemical Limited		122479.48	122618.31	124513.07		369610.86
9.	SPIC		101352.22	135315.22	193554.15	195860.08	626081.67
10.	Indo Gulf Fertilisers & Chemicals Corporation Limited		72268.00	76693.00			148961.00
11.	Tuti Corin Alkali Chemical & Fertiliser Limited		10048.45	11410.27			21458.72
12.	Godavari Fertilisers & Chemical Limited		11230.02	11899.54			23129.56
13.	Hindustan Fertilisers Corporation Limited			67542.34	68033.84		135576.18
14.	GNFC		108286.13	129659.77	130858.03	139459.86	508263.79
15.	ZACL			30696.34	32986.68		63683.02
16.	Manglore Chemicala & Fertilisers Limited			20923.96	21272.78	22575.81	64572.55
17.	Tata Chemicals Limited				225859.00	234300.00	460159.00
18.	GSFC				151410.56	187066.98	339477.54
		<b>654787.17</b>	<b>1105528.15</b>	<b>1262583.06</b>	<b>1840496.30</b>	<b>779262.73</b>	<b>5642657.41</b>

**5642657.41 x 1.05 = Rs 592.48 crore**

100

**Annex - G**  
(Refers to paragraph 1.9)

**Capital related charges of units working beyond installed capacity**

(In 000' tonne)

Unit	Years	Installed capacity	Assessed capacity	Actual production	Per centage	CRC Per tonne	Capital Related Charges	
							Level to 100% (Rs in crore)	Level to 110% to 120% (Rs in crore)
NFL, Vijaipur	1991-92	726	690	893	123.03	1698	2.55	
	1992-93	726	691	842	115.99	1701	18.38	7.40
	1993-94	726	691	878	120.98	1682	18.18	12.21
	1994-95	726	691	820	112.91	1588	17.18	3.35
	1995-96	726	691	558	118.17	1588	17.16	9.42
	1996-97	726	691	843	116.09	1548	16.72	6.84
NFL, Nangal	1992-93	330	260	354	107.41	449	4.23	0.00
	1993-94	330	260	351	106.41	442	4.01	0.00
	1994-95	330	260	376	113.80	402	4.13	0.50
	1995-96	330	260	372	112.87	402	4.13	0.38
	1996-97	330	260	345	104.66	384	3.27	0.00
	IFFCO, Aonla	1991-92	726	691	850	117.03	2000	18.35
1992-93		726	692	817	112.51	2001	21.40	3.65
1993-94		726	692	906	124.87	2001	21.40	14.53
1994-95		726	692	801	113.29	2220	23.74	0.47
1995-96		726	692	882	121.48	2215	23.69	16.08
1996-97		726	692	786	108.29	2171	20.52	0.00
IFFCO, Phulpur	1991-92	495	406	506	102.26	1213	21.39	10.39
	1992-93	495	406	607	122.62	1226	16.92	6.07
	1993-94	495	406	541	109.40	1226	16.44	0.00
	1994-95	495	406	659	133.13	1325	18.29	6.56
	1995-96	495	406	581	117.47	1325	18.29	4.90
	1996-97	495	406	560	113.20	1298	17.91	2.06
KRIBHCO, Hazira	1991-92	1452	1351	1700	117.10	1348	12.09	0.00
	1992-93	1452	1351	1687	116.16	1348	33.12	12.05
	1993-94	1452	1351	1515	104.37	1348	22.11	0.00
	1994-95	1452	1351	1466	100.95	1248	14.28	0.00
	1995-96	1452	1351	1722	118.60	1248	30.68	15.59
	1996-97	1452	1351	1540	106.09	1204	22.70	0.00
SFC, Kota	1991-92	330	268	384	11.31	467	33.13	13.89
	1992-93	330	268	358	108.62	477	4.33	0.00
	1993-94	330	268	406	122.95	464	4.42	1.53
	1994-95	330	268	384	118.42	429	4.09	0.91
	1995-96	330	268	394	119.31	429	4.09	1.32
	1996-97	330	268	401	121.63	413	3.94	1.36
SPIC, TUTICORIN	1991-92	512	429	645	126.01	680	7.66	0.66
	1992-93	512	429	626	122.35	682	14.93	0.33
	1993-94	512	429	586	114.47	663	15.69	0.15
	1994-95	512	429	669	128.62	634	27.19	8.57
	1995-96	593	523	691	116.35	1138	8.51	3.25
	1996-97	512	429	616	120.32	623	8.37	3.19
ZACL	1991-92	376	229	391	103.93	472	9.16	3.49
	1992-93	376	229	402	106.86	472	9.16	3.49
	1995-96	376	229	410	109.00	439	7.96	0.00
GNFC	1991-92	593	523	716	120.49	1145	9.13	3.48
	1992-93	593	523	656	110.48	1145	22.21	6.68
	1993-94	593	523	655	110.21	1204	0.00	0.00
	1994-95	593	523	695	117.03	1138	14.83	4.75
	1995-96	593	523	691	116.35	1138	24.10	0.30
	1996-97	593	523	651	109.67	1111	14.83	4.30
Indogulf Fertiliser	1992-93	726	629	831	114.53	2033	0.00	0.00

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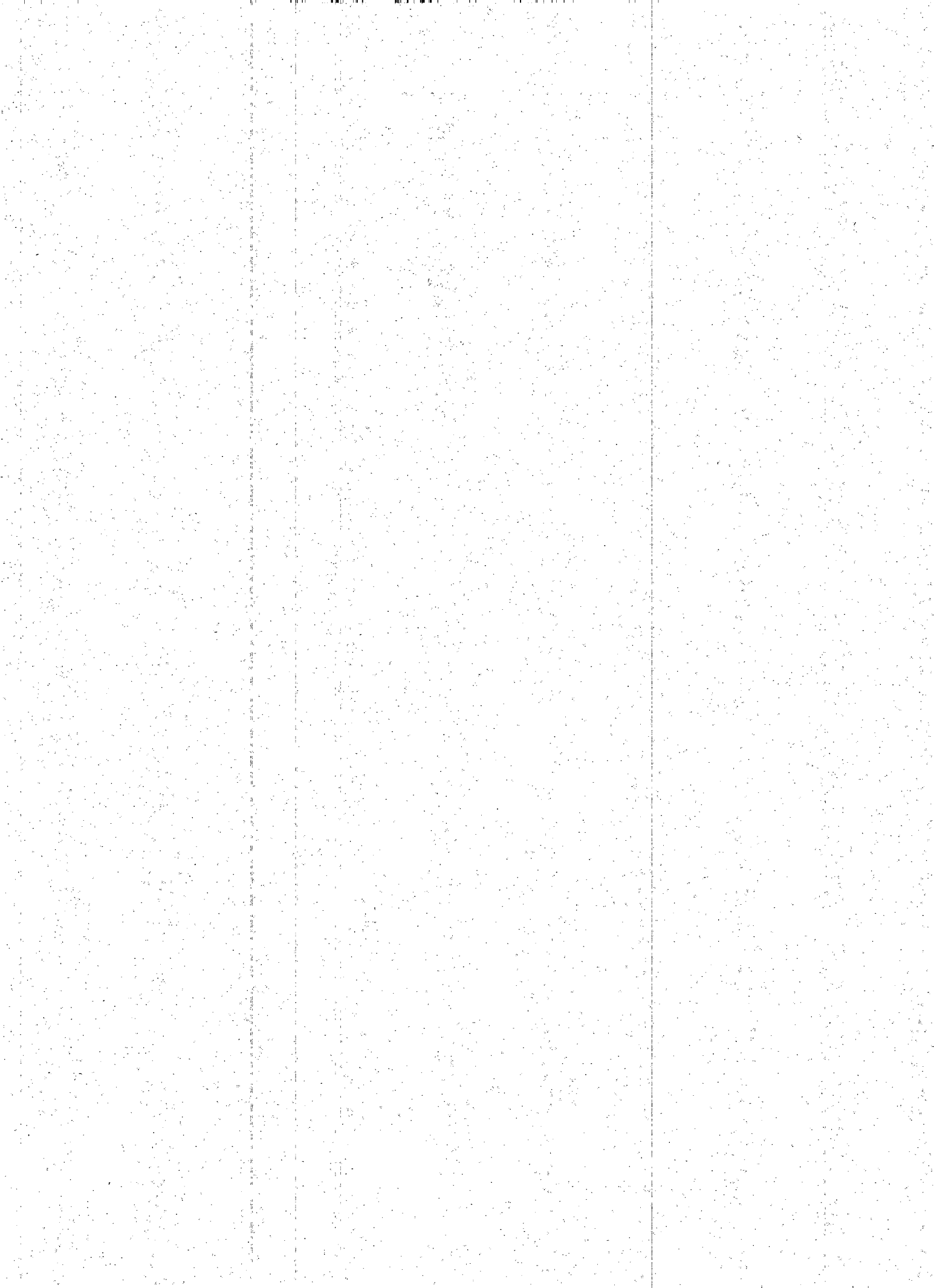
Unit	Years	Installed capacity	Assessed capacity	Actual production	Per centage	CRC Per tonne	Capital Related Charges	
							Level to 100% (Rs in crore)	Level to 110% to 120% (Rs in crore)
	1994-95	726	629	784	108.03	1977	18.77	0.00
	1995-96	726	629	896	123.35	1971	21.53	14.31
NFCL, Kakinada	1993-94	495	448	589	119.03	6501	62.96	29.07
	1994-95	495	465	675	136.39	5819	46.34	28.80
	1995-96	495	465	708	143.04	5819	46.34	28.80
	1996-97	495	465	717	144.83	5819	46.34	28.25
Chambal Fertiliser	1994-95	743	639	752	101.34	4165	47.19	0.00
	1995-96	743	697	894	120.46	3527	44.52	27.67
	1996-97	743	697	875	117.83	3727	44.52	21.68
Oswal Chemicals & Fertilisers	1995-96	189	155	209	110.35	4309	24.10	0.30
	1996-97	743	639	798	107.46	4509	71.54	0.00
Tata Chemicals	1995-96	743	613	840	113.15	4317	88.15	10.00
	1996-97	743	688	950	128.01	3865	57.40	28.70

**Annex - H**  
**(Refers to paragraph 1.11 (c))**

**Delay in recovery of unintended benefits from fertiliser units**

	Name of Unit/Plant	Date of meeting of FICC.	Details of recovery	Period from which recovery due	Date of approval of recovery by FICC	Delay in computing the amount of recovery	Amount  (Rs in crore)
1	RCF, Thal	Item-3of 76 <sup>th</sup> Meeting 8/Sept. 1998	Recovery of benefit accruing to the unit due to installation saving devices	1 June 1997	8 September 1998	15 months	8.35
2	GSFC, Baroda	Item-4 to 76 <sup>th</sup> Meeting of 8 Sept. 1998	Benefits accruing due to installation of cogeneration plant	31 March 1989	8 September 1998	113 months	76.00
3	28 Plants	Item-5of 76 <sup>th</sup> Meeting 8/Sept. 1998	Recovery due to reduction in Corporate Tax 1997-98	1 April 1997	8 September 1998	17 months	120.43
4	HFC, Barauni	Item-7of 76 <sup>th</sup> Meeting 8/Sept. 1998	Recovery of benefits due to recognition of captive power plant	2 August 1989	8 September 1998	109 months	6.74
5	Various units	Agenda Item 10, of 74 <sup>th</sup> Meeting	Revision of retention price due to annual repair & maintenance	16 July 1996	7 October 1997	16 months	17.00
6	Nagarjuna Fertiliser & Chemicals Limited Kakinada	Agenda Item 12, of 75 <sup>th</sup> Meeting	Fixation of final retention price	1 April 1994 to 30 June 1997	16 March 1998	8 months	325.00
7	KRIBHCO, Hazira	Agenda Item 5, of 74 <sup>th</sup> Meeting	Revision of consumption norms of utility and assessed level of production	April 86 to 31 March 1995	-do-	35 months	115.00
8	FACT Cochin	Agenda Item 12, of 74 <sup>th</sup> Meeting	Revision of RPS due to change in technical parameters of NPK/DAP and discontinuation of concentration of phosphoric acid plants	1 April 1988 to 1 April 1991	11 April 1997	72 months	6.09
9	Sriram Fertiliser & Chemicals Ltd., Kota	Agenda Item 9, of 69 <sup>th</sup> Meeting	Revision of RPS on account of PGR units	6 November 1991 to March 1995	21 June 1996	16 months	3.15
			<b>Total</b>				<b>677.76</b>





**Ministry of Finance**

**Modernisation of  
India Government Mint, Calcutta**



## CHAPTER II : MINISTRY OF FINANCE

### Department of Economic Affairs

#### 2. Modernisation of India Government Mint, Calcutta

##### Highlights

- The project of modernisation of India Government Mint, Calcutta is nowhere near completion even 10 years after it was sanctioned and more than six years after the original scheduled date of completion.
- Despite an expenditure of over Rs 59 crore, the objective of increasing the production of coin blanks and coins remained unfulfilled. The mint continued to produce almost the same quantity of coins as before the modernisation. Thus, no value for money has been realised from the expenditure of over Rs 59 crore.
- Consequently objective of reducing dependence on import of blanks and coins remained unrealised. Heavy dependence on import continues.
- GM, IGM Calcutta executed the project in an unsatisfactory manner. He issued tenders for equipment etc. very late, did not take advance action for preparation of sites for installing and commissioning the equipment. Most of the equipment were installed late by up to 29 months. Many were yet to be installed up to 54 months after their receipt.

##### 2.1. Introduction

Government of India, Ministry of Finance approved in March 1989 a modernisation project for the Mints at Mumbai, Calcutta and Hyderabad. This was a follow-up on the recommendation of the PAC in its 90<sup>th</sup> Report (1986-87) to the Eighth Lok Sabha. The objectives of the project were to replace obsolete equipment in the mints, to improve productivity and achieve self-sufficiency in coin production, avoid import of blanks/coins and to streamline the working hours of the existing mint.

The project envisaged production of coins of denomination of Rs 5, Rs 2 and Re 1 made of cupro-nickel and stainless steel coins of 50 paise, 25 paise and 10 paise denomination. The expected increase in blank output was from 150 to



1900 million pieces and output of coins from 400 to 1000 million pieces in the India Government Mint, Calcutta.

The project was to be completed by January 1993. The consultant, MECON<sup>1</sup> submitted the final engineering report in November 1990. In March 1989, the estimated cost of the project was Rs 40.09 crore, which increased to Rs 111.63 crore in 1994. There has been a time over run of over six years and over run of the estimated cost by Rs 71.54 crore.

## 2.2. Organisational set up

The General Manager, Hyderabad Mint functions as the co-ordinator of the project. General Manager IGM<sup>2</sup> Calcutta is in overall charge of the mint and, thus, of the modernisation project. The modernisation project was to be monitored by a project cell in Calcutta Mint under the Works Manager.

## 2.3. Scope of audit

A review on the implementation of the project in IGM, Calcutta was conducted during March - May 1999 to examine whether the project execution has been carried out as per the schedule, whether proper value for money has been realised and whether the stated objectives had been achieved. Rs 59.21 crore have been expended upto March 1999 but only two shops out of the total modernisation project involving nine main shops including auxiliaries had been commissioned.

## 2.4. Finance

The revised estimated cost of the Calcutta chapter of the project was fixed at Rs 111.63 crore in 1994 against the original estimate of Rs 40.09 crore. However, the pace of implementation of the project was very slow throughout. Against the total allotment of Rs 70.47 crore during 1990-91 to 1998-99, the expenditure was only Rs 40.19 crore excluding an amount of Rs 19.02 crore which was transferred to Hyderabad Mint directly for procuring imported equipment.

The unspent amount in six of the nine years was higher than 25 per cent of the budget provision. It ranged between 97.70 per cent in 1993-1994 to 6.88 per cent in 1995-96.

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<sup>1</sup> Metallurgical and Engineering Consultants (India) Limited

<sup>2</sup> India Government Mint



The reasons for unspent provision under the annual budget were (a) non-receipt of bills from civil contractors, (b) delayed supply of equipment due to late placement of orders and (c) slow progress of works.

### 2.5. Project profile

The modernisation project of India Government Mint, Calcutta involved nine shops including auxiliaries as under :-

Name	Function	Scheduled date of completion
(i) Melting and Casting shop	Metals (Cupro-nickel) are melted and cast into strips and ingots	November 1992
(ii) Rolling and Cupro-nickel Blanking shop	Ingots and strips are rolled into sheets and	January 1993
iii) "A" Rolling Mill	Blanks prepared	October 1992
(iv) Cupro-nickel Blank Annealing shop	Polishing of cupro-nickel blanks	November 1992
(v) Stainless Steel Blanking shop	Stainless Steel Blanks prepared	September 1992
(vi) Cupro-nickel and Stainless Steel Blank Finishing shop	Finishing of cupro-nickel and stainless steel blanks	October 1992
(vii) Cupro-nickel and Stainless Steel Coining and Coin examining shop	Coins stamped and examined	August 1992
(viii) Die shop	Prepares presses for stamping Cupro-nickel and Stainless Steel blanks	December 1992
(ix) Auxiliaries	Consist of facilities like water, electricity, stores etc.	August 1992

The operation of the shops are interconnected and cannot be run to achieve the design target in isolation. The detailed status of each shop is shown in Annex 'A'.

### 2.6. Project management and status as of March 1999

The modernisation project involved procurement and installation of new equipment with civil and structural engineering works for equipment foundation and erection as well as streamlining of existing manpower so that self sufficiency in coin production together with optimisation of capacity are achieved.

The General Managers of the three mints signed an agreement with MECON in January 1990 entrusting the job of detailed engineering and consultancy

services of mint modernisation to them. Out of the total consideration of Rs 5 crore for consultancy by MECON, Rs 1.25 crore related to IGM, Calcutta. As per the contract of January 1990, MECON's scope for engineering and consultancy services for the project extended over a period of 36 months i.e. up to January 1993. As MECON was unable to complete the project, the contract with MECON was extended in November 1997 upto January 1998 for a consideration of additional Rs 92 lakh for IGM, Calcutta.

Analysis of monthly progress reports up to November, 1999 with reference to the 'Network for Implementation' and 'Bar Chart' in respect of the nine shops disclosed following delays against crucial shopwise activities indicated in the Bar Chart / Network for Implementation :

S. No.	Name of shop	Delay in issue of technical specification for civil/structural works	Delay in tender scrutiny and recommendation	Delay in placement of order for equipment & civil works	Delay in delivery	Delay in issue of civil/structural drawings	Delay in civil construction	Delay in equipment erection	Delay in commissioning	
				<b>In months</b>						
1.	Melting and casting shop	2 to 48 months	39	32-52	36-57	27-60	91	86	85 (I)*	
2.	Rolling and Cupro-nickel blanking shop		34-61	45-104	44-90	26-73	84	84	82 (I)	
3.	Stainless Steel blanking and processing shop		---	29-40	37-45	33-76	58-92	49-57	86 (I)	
4.	A' Rolling shop		46	58	60	71	90	86	85 (I)	
5.	Cupro-nickel blank annealing shop		---	---	---	---	---	---	84* (I)	
6.	Auxiliary buildings and stores									
i)	Water system								87 (I)	
ii)	Power distribution and shop electrics									
iii)	Illumination									

\* I: Incomplete

7.	Cupro-nickel and Stainless Steel coining and coin examining shop		44	22-23	25-41	20-50	56-57	38	41 (C)
8.	Die shop		13-102	103-04	88-89	---	88	86	83
9.	Cupro-nickel and Stainless Steel blank finishing shop		---	40	45-64	---	88	56-57	54 (C)

\* Four Birlec furnaces were objected to by the Pollution Control Board of Government of West Bengal but have not been replaced by IGM Calcutta. Hence the Cupro-nickel Blank Annealing shop remained incomplete.

**Delay against crucial shopwise activities was attributable to MECON and IGM, Calcutta**

The delay is attributable to MECON's inability to adhere to the time schedule and failure of General Manager, IGM, Calcutta in timely processing of tenders, issuing purchase orders/work orders and to selection of inexperienced contractors. Thus, in spite of extension of contract with MECON the project is incomplete even after a time overrun of six years.

## **2.7 Achievement of objectives of modernisation**

### **2.7.1 Procurement and commissioning of equipment**

To increase the production capacity, some of the essential equipment included a Roll Grinding machine, a double drum furnace and three blanking lines. The Roll Grinding machine was to be used in Rolling and Cupro-nickel blanking shop to grind the rolls generated by the rolling mills. The double drum furnace and blanking lines were to be utilised in the Stainless Steel Blanking shop and in the Cupro-nickel Blanking shops for producing coin blanks. While the roll grinding machine was envisaged as replacement for two existing machines, the double drum furnace and blanking line were new equipment, considered pre-requisite for the functioning of Stainless Steel Blanking shop under the project.

Though the project was to be completed by October 1992, the Roll Grinding machine was received as late as in April 1999 due to delay in tendering and delayed delivery. The machine had not yet been commissioned as of November 1999.

\* C : Complete

Equipment considered a pre requisite for the project was yet to be procured

The IGM, Calcutta procured the Double Drum Furnace in November 1994 but shifted it to the Cupro-nickel and Stainless Steel Blank Finishing shop. The Double Drum Furnace required for Stainless Steel Blanking shop had not been procured as of November 1999. The Stainless Steel Blanking shop therefore cannot function.

Out of three Blanking Lines, two had been procured and installed in Stainless Steel Blanking shop. The third Blanking Line for Cupro-nickel Blanking shop had not been procured as of November 1999 since Ministry's approval had not been received.

The General Manager of the Mint stated, in April 1999 that the procurement of third Blanking Line and additional Double Drum Furnace was being taken up with the Ministry.

The Cupro-nickel and the Stainless Steel Blanking shops could not be made operational as the Roll Grinding machine had not been installed and additional Double Drum Furnace and the third Blanking Line had not been procured. As a result, against a target of 1000 million pieces of coins, IGM produced only 525.11 million pieces of coins in 1998-99.

#### **2.7.2 Equipment procured but not installed**

Out of expenditure of Rs 53.58 crore on procurement of equipment, installation of 10 major equipment valuing a total of Rs 48.79 crore were test-checked. GM, IGM Calcutta had procured there 10 high value imported and indigenous equipment between July 1994 and July 1998, as indicated in Annex 'B'.

Five machines costing Rs 28.80 crore were installed with delay of 3 to 45 months. Five costing Rs 19.99 crore had not been installed/ commissioned up to four years.

Five types of equipment, namely Composite Blanking Lines, Double Drum Furnace, Pickling and Polishing Lines, Coining Presses and Coin Counting machines valuing Rs 28.80 crore were commissioned between September 1995 and August 1998. These equipment were commissioned three months to 45 months after their receipt. The remaining five types of equipment procured at Rs 19.99 crore, namely Induction Furnace and Continuous Casting Plant for Melting and Casting shop, Hi Cold Rolling Mill and Strip Milling Line for Rolling and Cupro-nickel Blanking Shop and Bell Annealing Furnace for Rolling Shop, had not been installed as of November 1999. These machines had not been installed for upto four years after their receipt. Warranty had expired for three of the machines without having been commissioned. The Hi Cold Rolling Mill was needed for rolling out Cupro-nickel sheets and was identified as the most crucial in overall implementation of the scheme. This was received during January 1996 to July 1998 but had not been erected and commissioned till November 1999 as civil and structural works were not complete.

Besides, two Diesel Generating sets being part of auxiliary facilities, ordered at a cost of Rs 39.21 lakh in August 1998 had been received in April 1999 and Rs 31.37 lakh had been paid to the firm in March 1999. But as the civil works remained incomplete the DG sets were yet to be commissioned.

Thus, due to improper planning and lack of adherence to time schedule, many equipment have not been installed/ commissioned.

### 2.7.3 Production target for coins not achieved

The production of coins has not increased. The actual production remained close to pre-modernisation capacity.

The aim of modernisation was to increase blanking and coining capacity of the mint from 150 to 1900 million pieces blanks and from 400 to 1000 million pieces coins respectively by October 1992. The target and achievement of coin production is shown in the table below :

(In million pieces)

Year	Target	Achievement
1994-95	410	421.30
1995-96	450	317.63
1996-97	424.7	468.82
1997-98	440	434.18
1998-99	500	525.11

The annual target set was between 410 million pieces and 500 million pieces while the actual production ranged between 317.63 million pieces and 525.11 million pieces during 1994-99. Thus, there has been no significant improvement in the production and the maximum production was only about 52.5 per cent of the target of 1000 million expected to be achieved after modernisation.

### 2.7.4 Self sufficiency in production of blanks not attained

IGM, Calcutta contributed to the failure to achieve self-sufficiency in the production. Foreign exchange equivalent of Rs 77.19 crore had to be spent on import of 864.61 million pieces of blank during 1994-95 to 1999-2000.

### 2.7.5 Streamlining of the working hours

As per the contract, MECON was to make recommendations on staffing pattern and manpower re-deployment after modernisation. It was also to prepare a manpower utilisation chart in consultation with IGM, Calcutta.

Out of the nine shops, MECON had made manpower assessment for six shops. Out of these the General Manager, Calcutta Mint has assessed the manpower for three shops only comprising four categories of equipment. The manpower planning for remaining shops was not carried out.

Manpower utilisation chart and streamlining of the working hours of the existing mint also remained to be completed. The General Manager stated in



April 1999 that streamlining of working hours would be taken up after the completion of modernisation work.

## **2.8 Reasons for failure to implement the project.**

### **2.8.1 Delayed performance of contractual service**

The delayed performance of contractual service by MECON as evident from para 2.6 above had the following impact:-

- Delayed submission of tender enquiry/recommendation resulted in delay in placement of order.
- Imported/ indigenous equipment were received late between July 1994 and July 1998 i.e 17 months after expiry of the original contract period

As the major portion of civil works consisted of equipment foundation, late placement of order resulted in late receipt of feedback data on equipment foundation necessary for foundation design work. MECON was unable to perform main services like foundation design, project scheduling, site services inclusive of planning, control, co-ordination, monitoring of civil construction, dismantling and alteration of existing equipment etc. within the contract period.

### **2.8.2. Delay in civil works and in handing over of site**

Disregarding MECON's opinion that UPRNN<sup>3</sup> was inexperienced in executing mechanical and electrical works GM, IGM, Calcutta awarded the civil structural mechanical and electrical work for equipment erection to UPRNN in March 1993 at a cost of Rs 3.19 crore.

UPRNN was slow in execution and was able to complete only one third of the value of the work till May 1995. Rs 1.18 crore was paid to UPRNN after deducting Rs 7.55 lakh towards liquidated damages.

Delay in completion of work by UPRNN was due to delay in releasing the sites and drawings by GM, IGM as well as lack of experienced personnel with them. But the General Manager, IGM Calcutta did not invoke the risk and cost clause as per the agreement.

The work valued at Rs 1.77 crore was withdrawn from them in October 1995. The remaining work continues to be with UPRNN and was still incomplete.

**Delay in releasing sites by IGM Calcutta resulted in completion of only one third of the work by UPRNN**

<sup>3</sup> Uttar Pradesh Rashtriya Nirman Nigam Limited

**The works entrusted to NBCC were also delayed. Liquidated damages of Rs 11.81 lakh not recovered from NBCC**

The work valued at Rs 1.77 crore withdrawn from UPRNN was entrusted to NBCC<sup>4</sup> at a cost of Rs 2.48 crore resulting in cost overrun of Rs 71.42 lakh. The work at 30 sites was to be completed by NBCC within 14 months from the date of handing over the sites. NBCC also was lagging behind the time schedule. As of February 1999, work at only two sites had been completed, work at two other sites had not been started and in the remaining 26 sites, the work was partially completed. Rs 2.74 crore inclusive of additional work entrusted from time to time, had been paid to NBCC up to January 1999. As per penalty clause 4.6 of General Conditions of Contract, liquidated damages of Rs 11.81 lakh for not completing the work within the fourteen months' schedule had not been recovered from NBCC in violation of the Ministry's instructions.

The slow progress of works by NBCC was due to inadequate mobilisation of resources and supervisory personnel, in experienced sub-contractors and frequent revision of completion schedule.

### **2.8.3. Auxiliary facilities**

Auxiliary facilities like water system, power distribution and shop electrical system and illumination were necessary for timely implementation of the project. These were delayed as NBCC could not complete the civil works and consequently clear sites were not made available. The work relating to auxiliary facilities was incomplete, though an expenditure of Rs 2.98 crore had been incurred on them.

Erection work of machinery like Induction Furnace, Mould Cooling, Hi Cold Rolling Mill and Annealing Furnace was held up as the water supply system had not been completed. Five equipment valuing Rs 18.64 crore erected in Stainless Steel Blanking and Processing shop and Cupronickel & Stainless Steel coining and coin examining shop had to be installed with temporary electric connection, as power distribution and shop electrical system had not been completed. The illumination facility was also yet to be completed.

The General Manager attributed the set back to delays in handing over the site to UPRNN due to shifting of existing plants and equipment, procedural hold up in auction of dismantled and unserviceable equipment, scrap etc. The General Manager added that skilled persons were not available with UPRNN for specialised nature of jobs and that there were delays in supply of drawings by MECON.

It would be seen from the above that these factors were controllable if proper attention was paid.

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<sup>4</sup> National Building Construction Corporation Limited

#### **2.8.4 Defects in the agreement**

The interest of the IGM, Calcutta was not safeguarded while finalising the agreement with the consultant, namely MECON, as it tilted heavily in their favour. As a result, they had received payment of Rs 2.04 crore till March 1999, while the project had not been completed. The agreement did not set any milestones for completing the project within the contract period. Though payment schedule was part of the agreement, the work schedule was not. The result was that while the agreement stipulated the dates on which instalments had to be paid, there was no mention regarding the commensurate work to be completed. Consequently, MECON got its payment even though corresponding works had not been completed. The contract stipulated that IGM, Calcutta was not liable to pay extra fees for time over-run solely attributable to the consultants. The modernisation project required close co-ordination by them with civil and mechanical contractors and equipment vendors. As consultant for the project, they were also responsible for corrective measures to prevent delay in overall project schedule.

No penalty clause was incorporated in the contract specifying damages to be levied for delayed completion of the project due to non-fulfilment of contractual responsibilities by MECON

#### **2.8.5 Monitoring**

As per the agreement entered into by IGM, Calcutta, MECON was entrusted the work of monitoring the entire modernisation project consisting of procurement of equipment, civil and mechanical construction, including dismantling and alterations of existing equipment/facilities and supervision of erection of mechanical and electrical equipment piping, cabling and other utility services. MECON was to further formulate a system for corrective action to prevent slippage of overall project schedule. Thus the full responsibility for timely implementation of the project rested with them. No evidence was available to indicate that they effectively monitored the project and formulated a system to prevent delay.

MECON was sending monthly progress reports to the General Manager of IGM, Calcutta. However neither any action was taken on these progress reports nor the progress of the project was monitored by the Works Manager(Construction), IGM who was incharge of the project cell of the modernisation scheme. Payments were released as and when demands were raised by the consultant. No attempt was made to link the progress of work with payments. Thus, despite receiving continuous feedback from the executing agency on delay in progress of the work, the General Manager, IGM Calcutta and Works Manager took no corrective action to prevent the delay nor did they prepare any contingent plan to complete the project in time and continued paying bills of MECON without ensuring completion of the works.

The matter was referred to the Ministry in September 1999; their reply was awaited as of January 2000.

**Annex - A**  
**(Refers to paragraph 2.5)**

Sl. No.	Shop's Name	Functions as per Engg.Report	Civil Works (Civil Construction & Equipment Foundation)	Equipment	Schedule date of Completion/Commissioning	Actual date of Completion/Commissioning	Expected benefit (Ref Engg. Report)
1.	Melting & Casting Shop	Melting of copper & nickel would be done in medium frequency induction type melting furnaces for the production of Re.1 and Rs.2 CN blanks.	Between 26-8-91 & 26-4-92	(i) Induction & Melting furnace (ii) Continuous Casting Plant (CCP)	7-9-92 to 1-11-92	Not Commissioned upto 3/99	The entire quantity of liquid Cupro-nickel would be cast into strips through matching continuous strip casters and would be coiled in the coilers provided in the caster line.
2.	Rolling and CN Blanking shop	In the modernisation programme two routes of rolling would be practised. The first route would be followed for rolling ingots into sheets for the production of Rs 5 blanks. The second route rolling would be adopted for rolling continuous cast strips to desired thickness for the production of Re 1 and Rs 2 blanks.	2-12-91 and 29-11-92	(i) High rolling mill (ii) Bell Annealing Furnace (iii) Roll grinding machine (iv) Blank Cutting line	3-11-92 to 10-1-93	(i) NC (ii) NC (iii) NC upto 4/99 (iv) 14-11-96 and 2-12-96	The cast and conditioned ingots would be first rough rolled in 450 dia mill & finish rolled in 350 dia mill. The second route of rolling would be adopted for rolling continuous cast strips to desired thickness for the production of Re 1 and Rs 2 blanks.
3.	S.S. Blanking and Processing shop	The existing "A" melting shop and the open space of its eastern side would be converted to SS Blanking/blank processing shop after modernisation. This is entirely new shop for production of SS Blanks for 10P, 25P and 50P denominations.	30-9-91 and 29-3-92	1) Blanking lines 2) Bright Annealing furnace 3) Pickling and Polishing lines	24-8-92 to 20-9-92	1) -do- 2) between 26-6-98 & 25-8-98 3) between 13-5-97 & 29-5-97	This shop would store incoming stainless steel coils as raw materials and produce finished stainless steel blanks.
4.	"A" Rolling Mill	In the modernisation programme two routes of rolling would be practised. The first route would be followed for rolling ingots into sheets for the production of Rs 5 blanks. The second route of rolling would	11-11-91 and 10-5-92	1) Strip Milling machine	28-9-92 to 11-10-92	Not commissioned	The cast and conditioned ingots would be first rough rolled in 450 dia mill & finish rolled in 350 dia mill. The second route of rolling would be adopted for rolling continuous cast strips to desired thickness for

Sl. No.	Shop's Name	Functions as per Engg.Report	Civil Works (Civil Construction & Equipment Foundation)	Equipment	Schedule date of Completion/Commissioning	Actual date of Completion/Commissioning	Expected benefit (Ref Engg. Report)
		be adopted for rolling continuous cast strips to desired thickness for the production of Re 1 and Rs 2 blanks.					the production of Re 1 and Rs 2 blanks.
5.	CN Blank Annealing shop	The existing "B" annealing shop after modernisation would be known as CN Blank Annealing shop where rimmed CN blanks received from CN blanking shop would be annealed in Birlec furnaces.	7-10-91 and 24-5-92	1) Birlec Furnaces 2) Gas oven	16-11-92 and 29-11-92		The annealed blanks would be visually inspected on overlooking machines and then sent to CN & SS blank finishing shop for further processing. CN blanks for Rs 5 denomination would be washed and dried in this shop.
6.	Auxiliary Building and stores	R-water system S-Elec facilities Illunination	24-2-92 and 14-6-92		27-7-92 and 16-8-92		
7.	CN & SS Coining and coin examining shop	The "B" Coining Shop would be known as CN & SS Coining Shop after modernisation. The total quantity of finished CN blank and part of SS blanks would be stamped in this shop	20-1-92 and 3-5-92	1) Coining Presses 2) Counting Machines	27-7-92 to 23-8-92	1.September '95 2.14-2-96	For finishing targeted quantity of blanks into coin, the coining capacity of this shop would be augmented by installing high speed coining presses.
8.	Die shop	The existing Die shop would be modernised by augmenting the existing equipment and facilities to improve the quality of dies and collars	6-1-92 and 5-7-92 (NI)	1) Die Press 2) Annealing Furnace	9-11-92 and 20-12-92		Dies and collars for both existing and new coining presses as well as punch blocks for existing blanking presses of the proposed blanking lines would be manufactured in this shop.
9.	CN & SS Blank Finishing shop	The existing "A" annealing shop would be known as CN & SS Blank Finishing shop after modernisation. About 40% of rimmed SS Blanks received from SS Blanking shop is proposed to be annealed.	17-2-92 and 5-7-92	1) Pickling & Polishing line 2) Over looking Machine.	14-9-92 to 25-10-92	1) 29-5-97	The total quantity of annealed CN blanks received form CN blank annealing shop would be processed in this shop.



**Annex - B**  
**(Refers to paragraph 2.7.2)**

Sl. No.	Name of Equipment	Quantity (Number)	Imported or Indigenous	Shop for which the equipment is to be installed as per N.1	Order placed on	Value (in crores of rupees)	Date of receipt of equipment at I.G.Mint Cal.(Store challan file)	Whether erected, if so, date	Date of commissioning	Remarks if any
1.	Composite Blanking Lines	2	Imported	SS Blanking shop	L.Schuler GMBH, Germany PO No.4 dt. 3.12.93	10.25	24.6.95	Between 14.11.96 & 4.12.96	Between 14.11.96 & 4.12.96	Warranty expired before commissioning
2.	Induction Furnace	1	Indigenous	Melting & Casting Shop	GEC Alsthorh Equipment, Calcutta. PO 418 Dtd.2.10.95	1.03	Between 16.3.96 & 3.3.97	Not erected	Not Commissioned	Warranty expired
3.	Continuous Casting Plant (CCP)	2	Imported	Melting & Casting Shop	Alfred Switzerland No.5 Dtd.15.12.93	5.31	8.5.95	Not erected	Not Commissioned	Warranty expired
4.	Double Drum type Bright Annealing Furnace	1	Imported	SS Blanking Shop (Diverted to Blank Finishing Shop)	Bak, Germany PO.No. 2 dt 17.3.93	1.86	25.11.94	Between 16.4.97 & 19.5.97	Between 26.6.98 & 25.8.98	Warranty expired before installation and commissioning
5.	Pickling & Polishing lines (3 no)	3	Imported	SS Blanking & Blank Finishing shop	Bak Germany PO 6 dtd. 11.8.94	7.56	17.2.96 1 <sup>st</sup> 26.4.96 2 <sup>nd</sup> 11.11.96 3 <sup>rd</sup>	Between 13.3.97 & 29.5.97	Between 13.5.97 & 29.5.97	Warranty expired
6.	Hi-Rolling Mill	1	Indigenous	Rolling & CN Blanking Shop	Mecon, Ranchi	7.27	Between 17.1.96 & 15.7.98	Not erected	Not Commissioned	Warranty not expired
7.	Strip Milling Line	2	Imported	Rolling & CN Blanking Shop	Mino. SPA Italy, PO No. 8 dtd.27.2.96	5.58	16.8.97	Not erected	Not Commissioned	Warranty expired

Sl. No.	Name of Equipment	Quantity (Number)	Imported or Indigenous	Shop for which the equipment is to be installed as per N.1	Order placed on	Value (in crores of rupees)	Date of receipt of equipment at I.G.Mint Cal.(Store challan file)	Whether erected, if so, date	Date of commissioning	Remarks if any
8.	Coining Press	6	Imported	Coin & Cash Examining Shop (Diverted to New Coining Shop)	Schuler GMBH, Germany PO No.1 dt. 26.2.93	8.59	28.2.95	September 95	September 95	Warranty expired
9.	Coin Counting Machine	8	Imported	Coin & Cash Examining Shop (Diverted to New Coining Shop) (2no)	Universal Manufacturing Co. , USA dt.17.3.93	0.54	7.7.94 (4 Nos) 2.11.95 (4 Nos)	Feb 96	14.2.96	Warranty expired
10.	Bell Annealing Furnace	1	Indigenous	Rolling & CN Blanking Shop	Precision PO 72/M dt. 5.7.95	0.80	Between 20.7.96 & 1.8.96	Not Erected	Not Commissioned	Warranty not expired

**Ministry of Industry**

**New Growth Centre Scheme**





## CHAPTER III : MINISTRY OF INDUSTRY

### Department of Industrial Policy and Promotion

#### 3. New Growth Centre Scheme

##### Highlights

The objective of the scheme to promote industrialisation in backward areas of the country by development of industrial growth centres remained unfulfilled for more than nine years after the introduction of the scheme despite an expenditure of Rs 653.43 crore contributed by the central and state governments. Practically no value has been realised by this expenditure.

The scheme was based on many assumptions which later proved incorrect. Of the four sources of funding, two constituting 50 per cent of the total estimated resources for development of growth centres did not materialise putting a question mark on the success of the scheme. The financial institutions declined to contribute the share earmarked for them, while market borrowing as another source of funding was prima facie not feasible.

The scheme envisaged development of at least 100 growth centres throughout the country by the end of March 1997. Against this, government has approved only 67 growth centres up to March 1999. None of them had become operational. In 22 of the 67 approved growth centres, the infrastructure development has not started. Even the land had not acquired in these growth centres.

The Ministry released only Rs 274 crore against its share of Rs 670 crore for the 67 approved growth centres, while the state governments released Rs 222 crore against their share of Rs 335 crore. The remaining Rs 335 crore from financial institutions and Banks and Rs 670 crore from the marketing borrowings remained elusive. This has forestalled the development of growth centres.

Ministry has not ensured the funding of growth centre scheme of the portion of resource which was originally earmarked unrealistically for financing by the financial institutions and through marketing borrowings. Shifting the onus of funding the additional Rs 15 crore per growth centre to the state governments over and above their originally contemplated



**share of Rs 5 crore per growth centre has pushed the entire scheme into uncertainty.**

**The concept and management of the scheme have been lackadaisical. Scheme is being run in an open-ended manner, without any definite time frame for completion of the growth centres. It has not only resulted in an unproductive investment but industrialisation of the industrially backward areas through the growth centres also remains elusive.**

**64 per cent of the total expenditure incurred upto December 1998 was on the acquisition of land and its development.**

### **3.1 Introduction**

With a view to encouraging industrialisation of backward areas in the country, Ministry of Industry introduced a scheme in June 1988 for setting up of 100 growth centres throughout the country to act as focal points of industrialisation. The selected growth centres were to be provided with basic infrastructure facilities particularly in respect of power, water, telecommunications, banking, etc so that the centres were in a position to attract industries, which could in turn aid the development of the hinterland. Each growth centre was to be set up in an area of 400-800 hectre at an approximate cost of Rs 25-30 crore. The allocation of the growth centres to the states was made on a combined criteria of area, population and the extent of industrial backwardness. In the first phase, 61 growth centres were to be developed during the Eighth Five-Year Plan (1992-97). The number was subsequently raised to 71.

The scheme was to be implemented in most of the states through Industrial Development Corporations of the State Governments. Government of Punjab entrusted the work to their Small Industries and Exports Corporation and in Gujarat a Growth Centre Development Corporation was set up for the purpose. States of Arunachal Pradesh and Nagaland had assigned the work to their respective industries departments.

The financing pattern of each growth centre was as under:

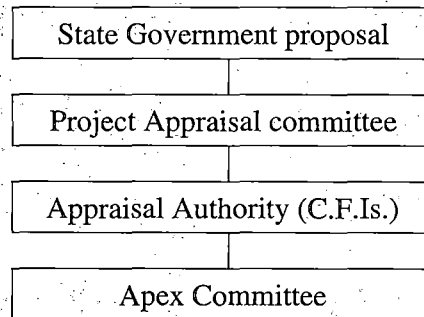
i)	Central Government (Equity)	Rs 10 crore.
ii)	State Government (Equity).	Rs 5 crore.
iii)	Financial Institutions	Rs 4 crore. (including Rs 2 crore as equity).
iv)	Nationalised Banks.	Rs 1 crore.
v)	Market borrowings	Rs 10 crore.
<b>Total</b>		<b>Rs 30 crore.</b>

In respect of North-Eastern region the Government decided in December 1997 to meet entire expenditure as Central assistance subject to a ceiling of Rs 15 crore per centre.

### 3.1.1 Procedure for approval of growth centres

The criteria laid down for selection of growth centre *iinter-alia* include that (i) growth centre should be located outside the distance criteria announced by the Government; (ii) it shall be located close to district/sub-divisional/block/taluk headquarters or developing urban centres; (iii) it shall have an access to the basic facilities like proximity to rail - heads, proximity to adequate and dependable source of water supply, power, telecommunications, etc.; (iv) availability of reasonable educational and health facilities; (v) as far as possible, the selection of centre should not lead to undue diversion of fertile and available agricultural land and its area of influence should cover a radius of about 20-25 km.

Based on the above criteria for selection of growth centre, States/UTs were to furnish proposals for roughly twice the number of centres allocated to them. A two tier inter-disciplinary committee was set up to appraise and approve the Project reports.



The Project reports were to be appraised by one of the designated CFI<sup>1</sup> viz. IDBI<sup>2</sup>, ICICI<sup>3</sup>, IFCI<sup>4</sup> and HUDCO<sup>5</sup> on behalf of Project Appraisal Committee. The final selection of the growth centre, however, rested with the Central Government.

### 3.1.2 Scope of audit

Documents relating to the implementation of the scheme during 1994-99 were sample checked in the Ministry of Industry as well as some of the implementing agencies to verify the extent to which the stated objectives were achieved and also to ascertain whether the Ministry had taken appropriate

<sup>1</sup> CFI : Central Financial Institution  
<sup>2</sup> Industrial Development Bank of India  
<sup>3</sup> Industrial Credit & Investment Corporation of India  
<sup>4</sup> Industrial Financial Corporation of India  
<sup>5</sup> Housing & Urban Development Corporation

action for timely implementation of the scheme. Major deficiencies/shortcomings noticed in the implementation of the scheme are discussed in the succeeding paragraphs.

### 3.2. Financial outlay

3.2.1 67 growth centres were to be completed by 1996-97 with a total assistance of Rs 2010 crore. Against this, the assistance actually rendered by different agencies up to March 1999 was as under:

(Rs in crore)			
Sources of funds	Share of contribution per centre	Total funds required to be released/ raised	Funds actually released/ raised
Central Government	10	670.00	273.75**
State Government	5	335.00	222.38
Central Financial Institution and Bank	5	335.00	NIL
Market Borrowing	10	670.00	NIL
Total	30	2010.00	496.13***

#### 3.2.2 Central assistance

Central assistance of Rs 273.75 crore constituting 41 per cent of the norm was released up to 1998-99. Out of 67 growth centres assisted by the Government, in as many as 25 growth centres the assistance released was less than 10 per cent of the stipulated amount and in another 18 centres the released amount ranged between 10 to 49 per cent only. The state-wise position is indicated in Annex B.

Scrutiny further revealed that the Central assistance was passed on by the state governments to the implementing agencies very late. Sample check of the records in 14 state governments/implementing agencies disclosed that out of

\* Growth centrewise details of assistance released is given in Annex A.

\*\* The budget provision made during the period 1990-91 to 1998-99 was to the extent of Rs 278 crore only.

\*\*\* Total expenditure incurred out of the releases made by Central as well as state governments was Rs 653.43 crore. The expenditure incurred over and above the Central and state releases was stated to be generated by the implementing agencies from their own sources.

Release of central assistance constituted less than 50 per cent. In 25 growth centres it was less than 10 per cent.

There were delays of 6 to 84 months in release of Central assistance to the implementing agencies by the state governments.

Rs 218 crore released to these states up to March 1999, they released only Rs 206.57 crore to the implementing agencies. Out of this, Rs 138.73 crore were released to the implementing agencies in 13 states with delays ranging between six and 84 months as indicated below. Besides, Central assistance of Rs 11.50 crore was not released by seven state governments to the implementing agencies.

(Rs in lakh)

Sl. No.	State	Amount released by Central Govt.	Amount released by the State to implementing agency	Amount yet to be released	Amount released late	Period of delay in releasing of amount (in months)
1.	Tamil Nadu	1930	1930	Nil	300	12 to 37
2.	Goa	674	524	150	524	12 to 17
3.	Maharashtra	2590	2340	250	2200	6 to 18
4.	Karnataka	2850	2850	NIL	1870	6 to 18
5.	Haryana	1050	1050	NIL	150	12
6.	Himachal Pradesh	450	400	50	400	10
7.	Assam	100	100	NIL	100	11 to 18
8.	Orissa	250	150	100	150	60 to 84
9.	West Bengal	150	NIL	150	--	--
10.	Andhra Pradesh	1440	1440	NIL	800	8 to 24
11.	Rajasthan	2120	2120	NIL	1460	6 to 36
12.	Punjab	2000	1800	200	1600	7 to 9
13.	Kerala	2000	2000	--	500	6 to 13
14.	Madhya Pradesh	4203	3953	250	3819	7 to 24
	<b>Total</b>	<b>21807</b>	<b>20657</b>	<b>1150</b>	<b>13873</b>	

### 3.2.3 State assistance

The state governments released Rs 222.38 crore of their share up to March 1999.

Scrutiny revealed that in 12 growth centres in seven states, the state governments did not release their contribution at all and in another 12 growth centres in eight states the contribution made by them was less than the stipulated Rs 5 crore. The state governments of Gujarat, Kerala and Uttar Pradesh released their share of contribution, two-three years from the date of approval of the project. The Ministry stated, in December 1999, that these

State Governments' releases fell short of the stipulated contribution.

states could not release their share of contribution because of the considerable time taken in the land acquisition process.

### 3.2.4 Central financial institutions

**Institutional funding failed to materialise, which impaired the project seriously.**

The CFI's and banks were to contribute Rs 5 crore as their share for each growth centre towards the implementation of the scheme. IDBI was appointed to act as the nodal agency for institutional finance in respect of the scheme. None of the CFI's despite their having appraised these growth centres contributed anything for their implementation. In fact, IDBI had conveyed in August 1991, the terms and conditions for institutional funding, which *inter-alia* included minimum return on share capital at the rate of 11.5 per cent per annum and interest on loan at the rate of 13.5 per cent per annum. The state governments were asked to finalise the terms and conditions with IDBI. None of the state government, however, pursued the matter.

The Ministry stated, in November 1999 that the main reason for CFI's not joining the scheme was that they wanted minimum return on investment as per their charter, whereas the development schemes yielded low return. This was unrealistic assumption.

### 3.2.5 Market borrowings

**Market borrowing did not fructify which was expected to fund 33 per cent of project cost.**

Market borrowing was another major source of funding for implementation of this scheme and there was a target to raise Rs 1000 crore at Rs 10 crore each centre through this. In January 1989 the Government had mooted a proposal to create a Central Agency, which would be entrusted with the responsibility of raising market borrowings centrally for all the approved growth centres, as it was felt that individual growth centre would not be able to raise funds of such a magnitude at their own. No decision on this vital issue could, however, be taken by the Government for all these years with the result that this source remained untapped. The Planning Commission had proposed in August 1995 for changing the financing pattern of the scheme by raising the assistance level of the Central Government as well as the state governments to make good the deficit.

The Ministry stated in December 1999 that in view of the non-participation of CFIs and the absence of market borrowings, change in the financing pattern of the scheme was resorted to in March 1995 with the approval of Ministry of Finance whereby contribution of the Central Government was restricted to Rs 10 crore and the extra funds over and above would be borne by the state government / implementing agencies through their own resource generation. Acceptance of this stipulation by the state governments was not available.



Under utilisation of funds in 22 growth centres ranged between 67 and 100 per cent.

### 3.3 Under utilisation of funds

A review of the utilisation of funds released by the Central and the state governments up to March 1999 revealed an unsatisfactory position as indicated below.

In respect of 9 growth centres there was no utilisation of funds although Rs 6.43 crore were released for them. Utilisation was negligible in another 9 growth centres and in respect of 4 growth centres the utilisation was merely 33 per cent of the fund released. In respect of Hazari Bagh in Bihar, Gandhidham and Palanpur in Gujarat, the second instalment of Central assistance totalling Rs 2.50 crore was released even though funds released in the first instalment remained unspent. In West Bengal, in all the three centres no expenditure was incurred. In Bihar, J&K, Orissa, Tripura and Uttar Pradesh, which were developing more than one growth centre, no expenditure was incurred in one growth centre each. The states where expenditure incurred was insignificant were Bihar, Gujarat, Haryana, Manipur and Himachal Pradesh.

(Rs in crore)

Number of Growth Centres	Funds released up to March 99	Expenditure incurred	Percentage of under utilisation
9	6.43	NIL	100
9	27.38	2.23	92
4	39.28	12.91	67

### 3.4 Delay in project formulation and approval

3.4.1 Examination of project approval disclosed delays at every stage as detailed below:

Project approval was delayed at each stage.

- ⊗ The scheme was announced in June 1988 and the instructions for selection of centres were issued in December 1988. The Ministry issued the guidelines for preparation of project reports to state governments/UTs in September 1990. The scheme could, therefore, effectively come into effect only in 1991.
- ⊗ As per the guidelines the project reports were to be received by the Ministry by November, 1990 for their approval. The submission of project reports by the state governments, however, took one to two years and in few cases it took even over five years.
- ⊗ No time frame was set out for completion of the appraisal work by the Appraising Authorities.

- ⊗ Appraisals of the project reports done by the Appraisal Authorities and the approval accorded by the Apex Committee were significantly delayed as indicated below.

Time taken by Appraising Authorities in appraising the projects		Time taken by the Apex Committee in approving the projects	
No. of projects	Time taken (months)	No. of projects	Time taken (months)
37	10 to 74	8	10 to 21
9	6 to 9	19	4 to 9
21	1 to 5	40	1 to 3

### 3.5 Approval of technically deficient projects.

Ministry's approval was technically deficient and economically unviable.

Project reports of the growth centres were to be appraised by one of the designated CFI's on behalf of Project Appraisal Committee and were to be approved by the Apex Committee on the basis of appraisal reports scrutinised by the Project Appraisal Committee. A perusal of Technical Appraisal Reports, Agenda notes and the minutes of Apex Committee, etc. revealed that the deficiencies in the project reports highlighted in the appraisal reports of the CFI's had a vital bearing on the success of the projects and these were not rectified before according approval to the projects by the Apex Committee. The project appraisal reports were not scrutinised in depth by the Apex Committee, provision of funds and financial viability was not verified and tying up of infrastructure facilities like electricity, water and sewerage, etc. were not checked by the state governments e.g. in Dholpur in Rajasthan and Saltapur in Madhya Pradesh. Even the projects which were declared economically unviable by the CFI's were granted approval. Some examples are Bhagalpur, Darbhanga and Hazaribagh in Bihar.

The Ministry stated, in December 1999, that the above projects were approved on the assurances given by the state governments that facilities like power, water and telecommunications, etc. would be provided by them.

### 3.6 Physical progress/performance

Projection of establishment of 100 growth centres during the Eighth plan period failed to materialise.

Although the scheme envisaged development of 100 growth centres in the country in five years i.e. by the end of Eighth Five year plan, only 67 growth centres have been approved up to March 1999. The total estimated cost of development of these projects worked out to Rs 2268 crore against which an expenditure of Rs 653.43 crore, as intimated by the Ministry, was incurred as of March 1999. However, on the basis of progress reports up to December

1998 in respect of all growth centres made available by the Ministry, the expenditure incurred was as under :

(Rs in crore)

Sl. No.	Activities	Estimated cost	Expenditure incurred	Percentage of columns 3 to 2
1	Land and its development	506.63	326.28	64.40
2	Industrial Infrastructure	1269.13	241.73	19.05
3	Social Infrastructure	116.04	6.14	5.29
4	Other amenities	58.49	NIL	0.0
5	Other contingencies	317.71	23.76	7.48
<b>Total</b>		<b>2268.00</b>	<b>597.91</b>	

64.4 per cent of the total expenditure was incurred on acquisition and development of land.

From the above it would be seen that out of the total expenditure incurred on the various components of the scheme, Rs 326.28 crore constituting 64.40 per cent were spent on acquiring and development of land. Examination of the progress reports revealed that in 10 growth centres the cost overrun on land acquisition ranged between 86 per cent and 457 per cent. The Ministry admitted in December 1999 that the excess expenditure in these cases was due to escalation of land price and time overrun.

Further, the status of the physical progress of the development of the growth centres highlighted implementation lag in respect of key components (Annex C). Summary of the status is shown below:

Growth centres completed as per plan	NIL
Growth centres undertaken but not completed	67
Growth centres where no progress was made	22
Total land requirement for all 67 growth centres	47169 acre, 8114 hectare, 6700 kanal and 8135 bighas.
Total land actually acquired in 45 growth centres	24236 acre, 6283 hectare, 1714 kanal and 5282 bighas.
Number of growth centres for which land fully acquired	14
Number of growth centres for which land partially acquired	31
Number of growth centres for which no land was acquired	22

Wide ranging shortfall in establishment of key infrastructure facilities and services.

Total number of industrial plots planned to be developed	N.A. <sup>#</sup>
Total number of industrial plots actually developed	6083
Number of growth centres where all industrial plots developed	4
Number of growth centres where no industrial plot developed	33 <sup>##</sup>
Number of industrial plots sold/allotted to entrepreneurs	2444
Number of industrial units established	260
Infrastructural facilities e.g. roads and water	In progress in 27 growth centres
Drainage works	In progress in 15 growth centres
Power	In progress in 14 growth centres
Telecommunications	In progress in 7 growth centres
Residential and social infrastructural works.	Not yet started

The reasons for the slow pace of growth were attributed by the Ministry to bottlenecks like locational problems, unduly long time taken by CFI's in appraisals of the projects and non-involvement of these institutions in financing the projects. The Ministry further stated, in December 1999, without elaborating on why and what it proposed to do, that there was no time limit fixed for the completion of growth centres.

<sup>#</sup> The details about the total number of industrial plots to be developed, unit price realised from the sale of plots to the entrepreneurs, etc. was not ascertainable, as the relevant information was not available with the Ministry.

<sup>##</sup> Excludes six growth centres for which no information was available with the Ministry

(Refers to note below Paragraph 3.2.1)

Statement showing the Growth Centre-wise details of fund released by the Central/State Government and the expenditure incurred upto March 1999.

(Rs in lakh)

S.No	State	Name of the growth centre	Date of approval	Fund released			Expenditure incurred
				Central	State	Total	
I	Andhra Pradesh	1.Hindupur	30/3/1992	200	100	300	287
		2.Khammam	23/7/1992	50	Nil	50	NIL
		3.Vigianagaram Bobbili	30/3/1992	540	250	790	1037
		4.Ongole	30/3/1992	650	200	850	1108
		<b>Total</b>		<b>1440</b>	<b>550</b>	<b>1990</b>	<b>2432</b>
II	Bihar	5.Begusarai	3/5/1995	300	190	490	106
		6. Bhagalpur	30/9/1996	50	168	218	2
		7.Chhapra	30/9/1996	50	NIL	50	4
		8.Darbhanga	13/2/1998	50	NIL	50	Nil
		9.Hazaribagh	3/5/1995	200	71	271	1
		10.Muzaffarpur	30/9/1996	50	NIL	50	4
				<b>Total</b>		<b>700</b>	<b>429</b>
III	Goa	11.Electronic city	12/2/1993	674	236	910	1155
		<b>Total</b>		<b>674</b>	<b>236</b>	<b>910</b>	<b>1155</b>
IV	Gujarat	12. Gandhidham	23/7/1992	100	400	500	16
		13.Palanpur	23/7/1992	100	400	500	16
		14. Vagra	23/7/1992	1000	500	1500	4940
		<b>Total</b>		<b>1200</b>	<b>1300</b>	<b>2500</b>	<b>4972</b>
V	Haryana	15. Bawal	31/3/1992	1000	500	1500	3004
		16. Saha	31/10/1997	50	25	75	4
		<b>Total</b>		<b>1050</b>	<b>525</b>	<b>1575</b>	<b>3008</b>
VI	Himachal Pradesh	17. Kangra	20/2/1997	450	447	897	168
		<b>Total</b>		<b>450</b>	<b>447</b>	<b>897</b>	<b>168</b>
VII	Jammu & Kashmir	18. Ompora Lassipora	11/12/1997	50	Nil	50	Nil
		19. Samba	27/1/1992	650	705	1355	1249
		<b>Total</b>		<b>700</b>	<b>705</b>	<b>1405</b>	<b>1249</b>
VIII	Karnataka	20. Dharwar	27/1/1992	1000	480	1480	5110
		21. Raichur	27/1/1992	850	420	1270	1560
		22. Hassan	27/1/1992	1000	480	1480	6108
		<b>Total</b>		<b>2850</b>	<b>1380</b>	<b>4230</b>	<b>12778</b>
IX	Kerala	23 Alappuzha-Malapuram	28/2/1994	1000	1777	2777	2284
		24.Kannur-Kozhikode	28/2/1994	1000	1402	2402	1685
		<b>Total</b>		<b>2000</b>	<b>3179</b>	<b>5179</b>	<b>3969</b>
X	Madhya Pradesh	25. Borai	27/3/1991	668	268	936	1116
		26. Chainpura	27/3/1991	100	160	260	162
		27 Ghirongi	27/3/1991	1000	877	1877	3718
		28. Kheda	27/3/1991	1000	167	1167	2069
		29. Satlapur	23/3/1993	435	463	898	580
		30. Siltara	11/3/1992	1000	532	1532	2344
		<b>Total</b>		<b>4203</b>	<b>2467</b>	<b>6670</b>	<b>9989</b>



S.No	State	Name of the growth centre	Date of approval	Fund released			Expenditure incurred
				Central	State	Total	
XI	Maharashtra	31. Akola	30/3/1992	750	948	1698	1698
		32. Chandrapur	30/3/1992	600	648	1248	1048
		33. Dhule	30/3/1992	250	487	737	737
		34. Nanded	11/2/1997	550	760	1310	1310
		35. Ratnagiri	30/3/1992	440	67	507	520
		<b>Total</b>		<b>2590</b>	<b>2910</b>	<b>5500</b>	<b>5313</b>
XII	Orissa	36. Chhatrapur	12/2/1997	50	91	141	58
		37. Kalinganagar (Duburi)	12/2/1997	100	91	191	1150
		38. Jharasaguda	22/2/1998	50	Nil	50	31
		39. Kesinga	5/2/1999	50	Nil	50	Nil
		<b>Total</b>		<b>250</b>	<b>182</b>	<b>432</b>	<b>1239</b>
XIII	Pondicherry	40. Polagam Karaikal	31/10/1997	50	675	725	457
		<b>Total</b>		<b>50</b>	<b>675</b>	<b>725</b>	<b>457</b>
XIV	Punjab	41. Bhatinda	27/3/1991	1000	500	1500	1893
		42. Pathankot	26/1/1992	1000	500	1500	1004
		<b>Total</b>		<b>2000</b>	<b>1000</b>	<b>3000</b>	<b>2897</b>
XV	Rajasthan	43. Abu-Road	31/3/1992	1000	450	1450	2326
		44. Bikaner	31/3/1992	350	150	500	626
		45. Bhilwara	18/12/1997	150	150	300	407
		46. Dholpur	23/3/1993	320	100	420	516
		47. Jhalawar	23/7/1992	300	150	450	253
		<b>Total</b>		<b>2120</b>	<b>1000</b>	<b>3120</b>	<b>4128</b>
XVI	Tamil Nadu	48. Erode	23/7/1992	1000	1500	2500	6943
		49. Tirunelveli	4/5/1992	930	1500	2430	760
		<b>Total</b>		<b>1930</b>	<b>3000</b>	<b>4930</b>	<b>7703</b>
XVII	Uttar Pradesh	50. Bachouli Buzarg	23/3/1993	50	50	100	103
		51. Banthara	17/2/1993	50	50	100	83
		52. Choudharpur	17/2/1993	50	50	100	60
		53. Dibiapur	3/3/1998	50	NIL	50	Nil
		54. Khurja	23/3/1993	420	215	635	587
		55. Mungra Satharia	17/2/1993	450	219	669	654
		56. Sahjanwa	16/2/1993	1000	500	1500	1105
<b>Total</b>		<b>2070</b>	<b>1084</b>	<b>3154</b>	<b>2592</b>		
XVIII	West Bengal	57. Bolpur	20/2/1997	50	NIL	50	Nil
		58. Jalpaiguri	20/2/1997	50	NIL	50	Nil
		59. Malda	20/2/1997	50	NIL	50	Nil
		<b>Total</b>		<b>150</b>	<b>Nil</b>	<b>150</b>	<b>Nil</b>
XIX	Arunachal Pradesh	60. Niklole Ngornung	8/4/1997	98	137	235	187
XX	Assam	61. Chariduar	8/4/1997	50	180	230	250
		62. Matia	31/10/1997	50	140	190	201
XXI	Manipur	63. Lamlai Napet	2/3/1998	50	127	177	8
XXII	Mehgalaya	64. Mendipathar	24/10/1997	50	75	125	65
XXIII	Mizoram	65. Luangnual	24/10/1997	50	Nil	50	99
XXIV	Nagaland	66. Ganeshnagar	2/2/1998	550	317	867	367
XXV	Tripura	67. Bodhjung Nagar	7/11/1997	50	193	243	Nil
		<b>Total</b>		<b>948</b>	<b>1169</b>	<b>2117</b>	<b>1177</b>
		<b>Grand Total</b>		<b>27375</b>	<b>22238</b>	<b>49613</b>	<b>65343</b>

## Annex B

(Refers to Paragraph 3.2.2)

Statement showing quantum of central assistance released to state governments upto 31 March 1999.

State	No. of Growth Centres approved	Quantum of Central assistance released			
		less than Rs 1 crore (No.)	Rs 1 crore but less than Rs 5 crore (No.)	Rs 5 crore but less than 10 crore (No.)	Rs 10 crore (No.)
Andhra Pradesh	4	1	1	2	-
Arunachal Pradesh	1	1	-	-	-
Assam	2	2	-	-	-
Bihar	6	4	2	-	-
Goa	1	-	-	1	-
Gujarat	3	-	2	-	1
Haryana	2	1	-	-	1
Himachal Pradesh	1	-	1	-	-
Jammu & Kashmir	2	1	-	1	-
Karnataka	3	-	-	1	2
Kerala	2	-	-	-	2
Madhya Pradesh	6	-	2	1	3
Maharashtra	5	-	2	3	-
Manipur	1	1	-	-	-
Meghalya	1	1	-	-	-
Mizoram	1	1	-	-	-
Nagaland	1	-	-	1	-
Orissa	4	3	1	-	-
Pondicherry	1	1	-	-	-
Punjab	2	-	1	-	1
Rajasthan	5	-	4	-	1
Tamil Nadu	2	-	-	1	1
Tripura	1	1	-	-	-
Uttar Pradesh	7	4	2	-	1
West Bengal	3	3	-	-	-
<b>Total</b>	<b>67</b>	<b>25</b>	<b>18</b>	<b>11</b>	<b>13</b>

**Annex - C**  
**(Refers to paragraph 3.6)**

**Statement showing the Growth Centre-wise status of physical progress of the various components of the scheme.**

S. No.	State	Name of the growth centre	Land proposed to be acquired/ (actually acquired) (acre)	No. of plots to be developed/ (actually developed)	Plots allotted	No. of Industrial Units established	Status of infrastructure created			
							Roads	Water Drainage	Power Telecomm unication	Residential Social
<b>I.</b>	Andhra Pradesh	1.Hindupur	1000 (761)	400 (249)	111	Nil	Y	Y N	AA AA	N N
		2.Khammam	1062 (Nil)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		3.Vigianagaram Bobbilli	1150 (1150)	388 (308)	Nil	Nil	P	P P	Y Y	N P
		4.Ongole	1533 (1530)	674 (674)	Nil	Nil	N	Y N	P N	N AA
<b>II</b>	Bihar	5.Begusarai	1078 (01)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		6. Bhagalpur	1111 (Nil)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		7.Chhapra	1075 (Nil)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		8.Darbhangga	4113 (NIL)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		9.Hazaribagh	3000 (775)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		10.Muzaffarpur	3311 (1085)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
<b>III</b>	Goa	11.Electronic city	300 ** (292)	N.A. (355)	190	37	P	P P	AA AA	AA P
<b>IV</b>	Gujarat	12. Gandhidham	400 (NIL)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		13 Palanpur	400 (NIL)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N

S. No.	State	Name of the growth centre	Land proposed to be acquired/ (actually acquired) (acre)	No. of plots to be developed/ (actually developed)	Plots allotted	No. of Industrial Units established	Status of infrastructure created			
							Roads	Water Drainage	Power Telecommunication	Residential Social
		14. Vagra	400 (100)	N.A. (353)	1	Nil	N	Y N	N N	N N
V	Haryana	15. Bawal	1200 (1185)	N.A. (285)	194	15	P	P N	N AA	N N
		16. Saha	1000 (NIL)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
VI	Himachal Pradesh	17. Kangra	264 ** (166)	N.A. (137)	108	41	P	N Y	AA AA	N AA
VII	Jammu & Kashmir	18. Ompora Lassipora	N.A. N.A.	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		19. Samba	6700 *** (1714)	N.A. (217)	32	Nil	P	P Y	P N	N P
VIII	Karnataka	20. Dharwar	2205 (2205)	N.A. (190)	190	Nil	Y	P P	P P	P P
		21. Raichur	2000 (1000)	N.A. (50)	3	Nil	P	P N	N N	N N
		22. Hassan	2456 (1830)	N.A. (82)	82	Nil	Y	P P	P P	P P
IX	Kerala	23 Alappuzha-Malapuram	542 (257)	N.A. (Nil)	Nil	Nil	N	N N	N N	N N
		24. Kannur-Kozhikode	572 (572)	N.A. (59)	8	Nil	P	P P	N N	N N
X	Madhya Pradesh	25. Borai	NA (437) **	N.A. (323)	52	27	P	P N	P N	N N
		26. Chainpura	488 ** (251) **	N.A. (N.A.)	N.A.	3	P	P P	P P	N N
		27. Ghirongi	800 ** (716)	N.A. (N.A.)	N.A.	23	P	P P	P Y	P P
		28. Kheda	1000 ** (254)	N.A. (85)	85	3	P	P N	N N	N N
		29. Satlapur	543 **	N.A.	Nil	Nil	N	N	N	N

S. No.	State	Name of the growth centre	Land proposed to be acquired/ (actually acquired) (acre)	No. of plots to be developed/ (actually developed)	Plots allotted	No. of Industrial Units established	Status of infrastructure created			
							Roads	Water Drainage	Power Telecommunication	Residential Social
			(321)**	(Nil)				N	N	N
		30. Siltara	1239** (1239)**	N.A (151)	12	9	P	P P	P Y	P N
XI	Maharashtra	31. Akola	661 ** (625)	328 (189)	115	Nil	P	P N	N N	N N
		32. Chandrapur	722 ** (630)	150 (150)	Nil	Nil	P	P N	P N	N N
		33. Dhule	707 ** (707)	N.A (N.A)	N.A.	N.A.	P	P N	N N	N N
		34. Nanded	645 ** (645)	N.A (20)	1	Nil	P	P N	N N	N N
		35. Ratnagiri	631 ** (Nil)	N.A (N.A)	N.A.	N.A.	N	P N	N N	N N
XII	Orissa	36. Chhatrapur	1162 (Nil)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		37. Kalinganagar (Duburi)	1000 (1000)	N.A (NIL)	Nil	Nil	N	N N	N AA	N N
		38. Jharasaguda	1063 (Nil)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		39. Kesinga	N.A (Nil)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
XIII	Pondicherry	40. Polagam Karaikal	N.A. (592)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
XIV	Punjab	41. Bhatinda	395 (390)	N.A (401)	354	2	P	P P	P N	N AA
		42. Pathankot	414 (410)	N.A (432)	170	Nil	P	Y Y	P N	N AA
XV	Rajasthan	43. Abu-Road	1000 (890)	294 (63)	55	27	Y	Y Y	Y Y	P N
		44. Bikaner	2189 *	239	77	19	P	AA	N	N



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S. No.	State	Name of the growth centre	Land proposed to be acquired/ (actually acquired) (acre)	No. of plots to be developed/ (actually developed)	Plots allotted	No. of Industrial Units established	Status of infrastructure created			
							Roads	Water Drainage	Power Telecomm unication	Residential Social
			(1162)*	(239)				N	AA	P
		45. Bhilwara	1159 * (870)*	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		46. Dholpur	1004 (238)	160 (160)	32	10	P	P N	P P	N P
		47. Jhalawar	1460 (438)	238 (88)	88	44	Y	N P	Y N	N N
XVI	Tamil Nadu	48. Erode	2800 (2523)	583 (457)	118	Nil	Y	Y P	Y P	N AA
		49. Tirunelveli	2003 (2003)	N.A (NIL)	Nil	Nil	N	P P	P P	N AA
XVII	Uttar Pradesh	50. Bachouli Buzarg	400 (232)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		51. Banthara	303 (147)	N.A (1)	1	Nil	N	N N	N N	N N
		52. Choudharpur	468 (Nil)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		53. Dibiapur	350 (Nil)	N.A (NIL)	Nil	Nil	N	N N	N N	N N
		54. Khurja	1201 (1201)	N.A (NIL)	Nil	NIL	N	N N	N N	N N
		55. Mungra Satharia	N.A (N.A)	N.A (363)	363	N.A.	N	N N	N N	N N
		56. Sahjanwa	N.A (N.A)	N.A (2)	2	N.A.	N	N N	N N	N N
XVIII	West Bengal	57. Bolpur	N.A (N.A)	N.A (N.A.)	N.A.	N.A.	N	N N	N N	N N
		58. Jalpaiguri	N.A (Nil)	N.A (NIL)	N.A.	N.A.	N	N N	N N	N N
		59. Malda	686 (Nil)	N.A (N.A.)	N.A.	N.A.	N	N N	N N	N N

S. No.	State	Name of the growth centre	Land proposed to be acquired/ (actually acquired) (acre)	No. of plots to be developed/ (actually developed)	Plots allotted	No. of Industrial Units established	Status of infrastructure created			
							Roads	Water Drainage	Power Telecomm unication	Residential Social
XIX	Arunachal Pradesh	60.Niklole Ngornung	N.A. (481)	N.A. (Nil)	Nil	Nil	N	N N	P P	N N
XX	Assam	61. Chariduar	2543 * (1500)*	N.A. (NIL)	Nil	Nil	N	P N	N N	N N
		62. Matia	2244 * (1750)*	N.A. (NIL)	Nil	Nil	N	P N	N N	N P
XXI	Manipur	63. Lam-lai Napet	301 (Nil)	N.A. (NIL)	Nil	Nil	N	N N	N N	N N
XXII	Mehgalaya	64. Mendipathar	114 ** (Nil)	N.A. (NIL)	Nil	Nil	N	N N	N N	N N
XXIII	Mizoram	65. Luangnual	311 (Nil)	N.A. (NIL)	Nil	Nil	N	N N	N N	N N
XXIV	Nagaland	66. Ganeshnagar	1000 (1000)	N.A. (NIL)	Nil	Nil	P	N N	N N	N N
XXV	Tripura	67. Bodhjung Nagar	240 (240)	N.A. (NIL)	Nil	Nil	N	N N	N N	N N

AA denotes already available \* Bhiga  
N denotes not created \*\* Hectare  
NA denotes not available \*\*\* Kanal  
P denotes work in progress  
Y denotes created



**Ministry of Petroleum and Natural Gas**

**Administered Pricing Mechanism for petroleum products**





## CHAPTER IV : MINISTRY OF PETROLEUM AND NATURAL GAS

### 4 Administered Pricing Mechanism for petroleum products

#### *Highlights*

The oil industry was operating under total regulation through Administered Pricing Mechanism (APM) till 31 March 1998, when refining activities were taken out of APM. The APM was based on cost plus returns which ensured full reimbursement of crude cost, operating expenses and 12 *per cent* post tax return on capital employed to refineries and marketing companies. The APM was controlled through a system of oil pool accounts maintained by Oil Coordination Committee. These accounts though supposed to be self-balancing had accumulated deficit of Rs 18271 crore as of June 1997. The deficit was liquidated through issue of 10.5 *per cent* bonds of Rs 12984 crore to oil companies on 29 March 1998.

The Ministry and OCC allowed overpayments/undue benefits of Rs 6321 crore to oil companies during 1993-98.

The functioning of APM entailed diligent scrutiny and determination of claims of oil companies by OCC and the Ministry. However, the institutional basis for an independent scrutiny of cost data by the Ministry was absent. As a result, the costing process is distorted to allow inadmissible returns to the oil companies over and above what was envisaged. The system of verification of claims lacked transparency.

Against a provision of 12 *per cent* post-tax return on capital employed, Ministry and OCC allowed pre-tax returns to oil companies, without making adjustments for actual tax payments by them. This resulted in grant of unintended benefit of Rs 2154.75 crore to the oil companies.

Assured cost plus returns on borrowings prompted the oil companies to invest large amounts at lower rate of interest and borrow at higher rates. At least Rs 1530 crore of investment since 1993-94 could have been used to liquidate excess borrowings and reduce interest burden of companies eventually reducing the liability on oil pool accounts



The standard throughput and standard production pattern, despite heavy capital investment, were not revised in accordance with the actual production pattern and actual throughput. This resulted in overpayment of Rs 95.10 crore on account of excess depreciation claims and Rs 1386.06 crore on account of incentive claims.

The oil companies incurred avoidable expenditure of Rs 72 crore on purchase of power from outside at higher rates while their captive power plants remained under-utilised.

Demurrage charges between 1993-94 and 1997-98 rose six times from Rs 103 crore to Rs 613 crore in case of crude and product imports, resulting in progressively higher retention price.

The OCC was reimbursing the entire expenditure on purchase of cylinders by allowing 100 per cent depreciation under retention price. Thus, the deposits against cylinders security should belong to the oil pool. The Ministry and the OCC gave undue benefits to oil companies by allowing them to retain LPG cylinder deposits. The interest cost foregone by the oil pool worked out to Rs 1514 crore.

Different oil companies were allowed varying margins for distribution. Compared to the lowest rate for margins for each activity allowed to the oil companies, the excess returns allowed to different oil companies on account of varying marketing margins worked out to Rs 1098.73 crore.

The Government, by withholding cess collected on crude production, denied the oil industry, the option of cheap and readily available fund for refining and exploration. The cess amount withheld by the government was Rs 30098 crore.

#### 4.1. Introduction

4.1.1 India's petroleum sector consists pre-dominantly of government-owned enterprises such as ONGC<sup>1</sup> and OIL<sup>2</sup> in the upstream for exploration and production and IOC<sup>3</sup>, BPC<sup>4</sup>, HPC<sup>5</sup>, IBP<sup>6</sup>, MRL<sup>7</sup>, CRL<sup>8</sup> and BRPL<sup>9</sup> in the downstream, engaged in refining and marketing/distribution. The entire oil

<sup>1</sup> Oil and Natural Gas Commission/Corporation

<sup>2</sup> Oil India Limited

<sup>3</sup> Indian Oil Corporation Limited

<sup>4</sup> Bharat Petroleum Corporation Limited

<sup>5</sup> Hindustan Petroleum Corporation Limited

<sup>6</sup> Indo British Petroleum

<sup>7</sup> Madras Refineries Limited

<sup>8</sup> Cochin Refineries Limited

<sup>9</sup> Bongaigaon Refineries and Petro-Chemicals Limited

industry was operating under a total regulation through APM<sup>10</sup> till 31 March 1998, when refining activities were taken out of APM.

**4.1.2** Under the APM, oil refineries and marketing companies were compensated on the basis of retention concept and are allowed a return of 12 per cent post-tax at net worth and reimbursement of the operating cost. Under this concept, fixed level of profitability for the oil companies were ensured subject to their achieving laid down capacity. The prices of indigenous crude oil were also based on cost-plus formula wherein the oil producing companies were allowed operating cost and 15 per cent post-tax return on capital employed.

**4.1.3** The APM was controlled through a complex system of Oil Pool Accounts maintained by the OCC<sup>11</sup>, working under the MP&NG<sup>12</sup>, to which the oil companies were to surrender the surcharges recovered from the customers after adjusting allowable claims. The accounts were maintained to provide uniform and stable prices within the country and were supposed to be self-balancing.

**4.1.4** The efficiency of APM depended on the ability of the system to keep the Oil Industry Pool Account inflows and outflows in balance. However, from 1989-90, due to increase in the international prices of crude oil and petroleum products and falling domestic crude production, the pool account came under tremendous strain. It had an accumulated deficit of Rs 18271 crore as of June 1997. To meet the deficit, the government issued "10.5 per cent Oil Companies (Non-transferrable) Government of India Special Bonds 2005" on 27 February 1998 and 10 March 1998 towards payment of outstanding claims of the oil companies against Oil Pool Account as detailed below.

(Rs in crore)

Sl. No	Company	Amount
1.	Indian Oil Corporation Limited	6478.00
2.	Oil & Natural Gas Corporation Limited	3122.00
3.	Mangalore refinery & Petro Chemicals Limited	1242.00
4.	Hindustan Petroleum Corporation Limited	994.00
5.	Bharat Petroleum Corporation Limited	760.00
6.	Madras Refineries Limited	164.00
7.	Oil India Limited	224.00
	<b>Total</b>	<b>12984.00</b>

**4.1.5** The government sanctioned on 29 March 1998 the provisional payment to oil companies in lieu of their receivable claims from the OCC,

<sup>10</sup> Administered Pricing Mechanism

<sup>11</sup> Oil Coordination Committee

<sup>12</sup> Ministry of Petroleum and Natural Gas

with the condition that the claims would be subjected to audit by the Comptroller and Auditor General of India for their final acceptance.

#### **4.2. Scope of audit**

**4.2.1** Audit Review of six oil companies<sup>13</sup> was carried out with a view to verifying the reasonableness and accuracy of cost of returns admitted in the margins and allowed to these oil companies; the extent of scrutiny of cost data by the OCC and Ministry; the extent and effectiveness of cost control measures taken by the oil companies; fixation/revision of standard product pattern, incentive claims; marketing efficiency and improvement in performance of oil companies. Of various cost elements, audit examined the following costs:

- (i) Cess on indigenous crude.
- (ii) Refining cost, interest on borrowing and return on net worth for refining.
- (iii) Installation, distribution and administrative costs, interest on borrowings and return on net worth for marketing.

**4.2.2** The review was conducted for 1993-98. The costing structure of petroleum products is shown in Annex A.

#### **4.3 Consumer and oil pool**

All costs incurred in production, import, transportation, excise and custom duties on crude, operating expenditure of refineries and marketing companies, assured post tax return on capital employed to oil producing, refining and marketing oil companies, etc. were paid from oil pool. This aggregate cost was passed on to the consumer in full as oil pool was self-balancing. This system provided full protection to the oil companies in terms of assured profit. Since the administered prices are fixed on the premise that the oil pool account is self-sustaining, any overpayment leading to higher prices of controlled items is ultimately borne by the consumer.

#### **4.4 Inadmissible payments common to crude production, refining and marketing**

##### **4.4.1 Cost data verification**

One of the principal functions of OCC related to scrutiny and correct determination of claims from and surrenders to the oil pool accounts by the oil companies, carrying out a periodical revision of costs/margins of refinery, marketing and pipeline activities for consideration of the Ministry.

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13 IOCL, BPCL, HPCL, IBP, MRL, CRL and BRPL

A system of internal check in the Ministry and OCC for scrutiny of claims of oil companies was absent.

It is significant to note that for discharging such functions professionally and objectively, a well-knit team of professional Cost Accountants and Chartered Accountants within the OCC and the Ministry is an imperative for an independent verification of cost data that determines reimbursement to the oil companies. It is unacceptable that Ministry's attention escaped such professional needs. It was found that OCC functioned, implicitly, as an extended arm of the oil companies under the administrative control of the Ministry as the staff deployed in OCC were taken exclusively from oil companies. This had inherently undermined the objectivity. Even the Ministry did not consider it prudent to out-source expertise

Internal check in the Ministry was, thus, institutionally absent. OCC never contemplated to independently verify the cost data through the Bureau of Industrial Costs and Prices under the Ministry of Finance on a periodical basis to rule out the possibility of omissions and commissions.

#### 4.4.2 Payment of element of corporation tax in excess of actual tax.

The retention price was to be fixed after allowing 12 per cent post tax return on net worth of the oil companies. The post-tax returns should be determined only on the basis of the actual corporation tax paid by the companies.

OCC calculated the retention price allowing 23.10 per cent pre tax return instead of 12 per cent post tax return without verifying actual payment. Verification of actual tax paid disclosed an overpayment of at least Rs 2154.75 crore to oil companies.

OCC, however, calculated the retention price after assuming the pre-tax return of 23.10 per cent on notional basis by averaging it on the basis of corporate tax rates for three years (1993-96) and never adjusted the payments made on the basis of actual corporation tax paid by the companies.

The corporate tax is payable on actual gross profit earned by company and is not related in any way to the net worth. It was, therefore, incumbent upon OCC to adjust the payments made on the normative basis on account of the actual corporate tax paid by the companies. Verification of actual corporation tax paid by the companies on their products under APM disclosed an overpayment of Rs 2154.75 crore to oil companies during 1993-98 as detailed below:

(Rs in crore)

Name of Unit	Amount
IOC	1189.12
HPCL	283.45
BPCL	227.48
IBP	92.12
CRL	144.33
MRL	218.25
<b>Total</b>	<b>2154.75</b>

The over payments to ONGC, OIL and BRPL on account of corporation tax may be worked out by the OCC. The OCC should verify the actual corporation tax paid by each company and component of APM products towards tax and adjust the excess payments. The OCC should institute a system of verification

of actual corporation tax paid by companies and adjustment of excess payment made on normative basis. Besides, unrealistic fixation of throughput as discussed in Paragraph 5.1 also led to overpayment on account of corporation tax.

#### 4.4.3 Interest on loans

The oil companies simultaneously borrowed at higher rates while investing their own funds at lower rates.

For the purpose of calculating return under net worth concept, gross capital employed was worked out after taking into account the net fixed assets and normative working capital. A return of 12 *per cent* post tax was adopted for actual net worth and balance portion of capital employed was compensated at the latest known average rate of interest. On the borrowed funds latest known average rate of interest of the individual company was adopted for computing the entitlement of the companies.

Test check of records revealed that oil companies had borrowed money from outside agencies within the country in Indian Rupees during 1993-98 as shown below:

(Rs in crore)

Company	1993-94	1994-95	1995-96	1996-97	1997-98
HPCL	918.51	599.53	444.36	1411.21	1254.93
BPCL	405.84	407.80	519.07	1357.53	1460.90
IOC	1021.02	1074.01	2257.32	4122.31	2958.78
IBP	287.11	253.59	314.72	444.76	492.42
<b>Total</b>	<b>2632.48</b>	<b>2334.93</b>	<b>3535.47</b>	<b>7335.81</b>	<b>6167.03</b>

Side by side the oil companies were also found investing their own money with other agencies as detailed below:

(Rs in crore)

Company	1993-94	1994-95	1995-96	1996-97	1997-98
HPCL	270.80	271.35	282.47	283.82	1640.98
BPCL	150.01	242.29	165.80	244.80	1080.44
IOC	3857.63	3856.89	3689.31	3384.06	9279.16
IBP	91.19	149.15	161.72	197.92	239.72
<b>Total</b>	<b>4369.63</b>	<b>4519.68</b>	<b>4299.30</b>	<b>4110.60</b>	<b>12240.30</b>

From Annex -B, it is seen that investment made by HPCL, BPCL, IOC and IBP was always above Rs 270 crore, Rs 150 crore, Rs 3300 crore, Rs 90 crore respectively during 1993-94 to 1997-98 while the internal borrowings of the companies for the same period were always above Rs 440 crore, Rs 400 crore, Rs 1020 crore and Rs 280 crore respectively. It is also seen from the Annex that for most of the years interest paid was around ten *per cent* of the borrowings, indicating that the borrowings were for substantial time periods. The investments made by the companies could have been utilised to liquidate borrowings to the extent of their investments. Since the interest rates fetched on investments are always lower than the interest rates paid on the commercial borrowings, this step would have reduced the interest outgo for the companies. Lack of such efforts showed absence of cost control measures by the oil



companies. Exact amount of payments to oil companies from oil pool on account of borrowings could not be ascertained for want of complete details.

#### 4.4.4 Working capital

The OCC allowed interest on the amount of working capital requirements for cost of crude, storage of raw materials and petroleum products for period ranging between 30 days and 45 days.

Under the system of cost plus assured returns, OCC/Ministry was reckoning each and every component of cost for reimbursement. The latter, therefore, should have included advance recovery of depreciation, tax component of return etc. while calculating working capital requirements for oil companies.

Further, the marketing divisions of oil companies were delivering petroleum products to retailers/dealers against advance payment. These advance payments were, however, not taken into consideration while calculating requirement of working capital.

Had these accruals been included in the determination of working capital requirement by the OCC/Ministry, the normative working capital requirements allowed for oil companies could have been reduced and would also have reduced outgo from oil pool on account of interest for working capital.

### 4.5. Refining

#### 4.5.1 Fixation of standard throughput

The fixation of standard throughput<sup>14</sup> for each refinery by the Ministry on the recommendation of OCC was important as at that level of throughput and production the refinery gets full compensation for the cost incurred by it and the return on its investment. These standard throughputs were normally fixed for a period of three years, and were to be revised when new facilities, additions and modifications in individual cases were likely to affect the existing standard significantly.

The Ministry had admitted that normal achievable capacity was to be taken into account for fixing standard throughput. However, test-check of records pertaining to cost updation revealed that the standard throughput revised in 1993-94 and 1996-97 was not according to the capacity utilisation of preceding years for all refineries as detailed in Annex C.

It would be seen (from the Annex) that during 1993-94 to 1995-96, ten refineries<sup>15</sup> achieved throughput in excess of standard throughput for all three years (1993-94 to 1995-96). The actual throughput was as high as 124 per cent

<sup>14</sup> Quantum of crude refined annually.

<sup>15</sup> BPCL, Mumbai; MRL Narimanam; HPCL, Vizag; IOC, Haldia; IOC, Koyali; IOC, Mathura; IOC, Baruni; IOC, Guwahati; IOC, Digboi; BRPL, Bongaigaon.

Though oil companies collected in advance large amount on accounts of depreciation charges and excess corporation tax, OCC failed to reckon these while remitting working capital of Rs 1351.39 crore.

of standard throughput for 1995-96 for IOC, Haldia. Besides, for these three years, there were also capital additions for refineries in respect of four companies as shown in table below. These capital additions would also have contributed to increased throughput capacities of the refineries. However, OCC did not furnish the detailed basis for lower revision of throughput than actually achieved even when capital additions for up gradation were being made

Besides, the capital additions in the refineries were made and additional returns were allowed during 1993-98 without verification of actual date of commissioning in many cases. The capital additions for 1993-98 in refineries are detailed below.

(Rs in crore)

Year	Total capital additions	Additions in plant & machinery
<b>Hindustan Petroleum Corporation. Ltd.</b>		
1993-94	26.67	25.06
1994-95	59.39	54.13
1995-96	40.12	36.77
1996-97	39.42	35.79
1997-98	68.88	60.95
<b>Bharat Petroleum Corporations Limited</b>		
1993-94	94.29	75.96
1994-95	74.52	56.27
1995-96	147.30	119.18
1996-97	75.34	35.72
1997-98	57.93	38.39
<b>Indian Oil Corporation Limited</b>		
1993-94	518.10	502.09
1994-95	Not furnished	
1995-96	2097.06	1990.17
1996-97	272.06	251.41
1997-98	784.16	698.51
<b>Cochin Refinery Limited</b>		
1993-94	72.44	48.28
1994-95	336.54	322.15
1995-96	27.55	15.27
1996-97	117.38	104.45
1997-98	88.90	66.62

Non-revision of standard throughput of the refineries according to the above provisions had resulted in excess benefits in the shape of extra recovery of *per unit* operation and capital related charges on the production beyond the standard throughput. (as discussed in paragraphs 4.2, 4.3 and 5.2).

**4.5.2 Un-intended benefits towards extra recovery of depreciation charges.**

While fixing the retention price per unit for the refineries, the depreciation charges were taken into account as an element of cost. The chargeable amount of depreciation on the fixed assets was divided by the standard throughput of crude for working out per tonne rate of depreciation for payment through cost. Thus, the total amount of depreciation charges were recovered fully on achievement of the standard throughput and if the actual throughput was more, the oil companies were recovering extra amount towards depreciation charges.

**OCC allowed extra payment of Rs 95.10 crore towards depreciation charges.**

Test check of records/data relating to oil companies revealed that actual throughput of crude was much more than the standard throughput. This had resulted into grant of un-intended benefits/extra recovery of Rs 95.10 crore towards depreciation charges during 1993-98 on the production beyond the standard throughput as shown below:

(Rs in crore)

S.No.	Unit	Amount
1.	IOC Mathura	3.84
	IOC Haldia	8.98
	IOC Koyali	18.75
	IOC Barauni	0.55
	IOC Guwahati	1.64
	IOC Digboi	0.54
2.	HPCL Visakh	-0.68
	HPCL Bombay	8.95
3.	BPCL	23.06
4.	MRL Chennai	10.30
5.	CRL Cochin	18.00
6.	BRPL Bongaigaon	1.17
	<b>Total</b>	<b>95.10</b>

**4.5.3 Under-utilisation of captive power plant.**

The refineries had installed their own captive power plant to generate electricity to get uninterrupted supply of power and also to effect economy in refining. The installed capacity, actual generation, requirement and quantum of power purchased from outside during 1993-98 in three refineries of BPCL and HPCL, for which data was available, was as detailed in Annex-D.

**Under- utilization of captive power plants in three refineries resulted in an extra avoidable expenditure of Rs 72 crore.**

It would be seen that the capacity utilisation of the refineries was less than the installed capacity, which necessitated purchase of power from outside sources during 1993-98. The cost of production of power in the captive plant was much lower than the cost of power purchased from outside sources, yet the refineries did not ensure captive generation to the optimum capacity. The oil companies thus incurred an avoidable extra expenditure of Rs 72.00 crore on

the purchases reckoning 90 per cent capacity utilization, the maximum achieved by one of the refineries. Since the entire expenditure formed part of operational cost, which was taken into account for determining the margin, the oil companies did not put efforts to optimise the capacity.

#### **4.5.4 Non-revision of standard product pattern: Payment of incentive claims**

Each refinery had a standard product pattern of various distillates<sup>16</sup>, fixed by OCC based on type of crude, design of refinery, chemicals and catalysts used, secondary processing facilities, etc. This standard product pattern was used for the purpose of computing the retention price for the product of each refinery. The fixation of standard product pattern for each refinery was important as it was on achieving this product pattern refineries got full compensation for the costs incurred and the return on its investment.

The Government started a scheme for grant of incentive from November 1977 under which the refineries were allowed to retain the benefit of improvement in the pattern of productions of various distillates. The value realised from improved production of various costlier distillates was compared with the standard product pattern of the refineries and the refineries claimed the difference as incentive.

The improvement in product pattern could be on account of usage of good quality crude, adoption /installation of new machinery, equipment, chemicals and catalysts, adoption of new technology, expansion of capacity, managerial efficiencies, etc. While the benefit, accrued as a result of managerial efficiency was allowed to be retained by the refineries, the benefit accrued by other means was allowed to be retained till such time the investment made for the purpose were recognised for compensation towards return, depreciation, etc.

Test-check of records revealed that Rs 1386.06 crore was paid to the refineries during 1993-98 as detailed in Annex-E as incentive claims of the refineries. The OCC had not revised the product pattern on the basis of actual production of various distillates during the previous year. The OCC also did not take into account the capital additions resulting in increased capacities of refineries in terms of product pattern while investments made were promptly recognized for return and depreciation. Further the improvement in product pattern comes substantially from improvement in operating practices, which are subsequently adopted by all the refineries. While one time award for efficient operating practices was justified, however, it also required a further revision and adoption of new standards for product pattern. In its absence the product patterns already achieved were allowed incentives year after year. There was no evidence that OCC had distinguished between the improved operating practices and managerial efficiency for allowing incentive claims.

**Non-revision of product pattern by OCC on the basis of actual capability of refinery, new operating practices, type of crude processed etc. led to extra benefit of Rs 1386.06 crore towards incentive claims.**

<sup>16</sup> Motor Spirit, High Speed, Diesel, Aviation Turbine Fuel, Naphtha, Light Diesel Oil, Superior Kerosene Oil, Fuel, Oil, Bitumen Liquefied Petroleum Gas etc.

Incentive claims of BPCL were examined in detail. It was seen that in the claims preferred, type of crude used by the refinery, a very important factor influencing the product pattern was not mentioned. When imports are made, the foremost consideration is yield value of crude. However, in calculation of payment of incentive, yield value was not considered, rendering these calculations redundant.

In the scheme of incentives claims, retention prices were allowed for quantity of excess production of products over and above the standard production prescribed and same were deducted for products where production was less than standard production prescribed. Since the overall output remains same, if one product's production is increased, it means production for some other product will go down. Thus, if a product for which retention price is higher than average retention price, is produced more than the standard production and another product for which retention price less than the average retention price, is produced less than the standard production, then net incentive claims will be positive.

It was seen that the actual production of LPG, MS, HSD was consistently higher than standard production prescribed for these products during 1993-98. All these products were having higher than average retention prices for crude products; therefore excess production resulted in positive net incentive claims. However there was no upward revision in standard production for these commodities. Only standard HSD production was revised from 2.197 million tonne to 2.46 million tonne in 1996-97, while minimum annual production of diesel was 2.537 million tonne in preceding three years. Thus, standard production fixed had lot of cushion.

In case of LPG, the standard production was reduced from 2.20 lakh tonne to 2.17 lakh tonne in 1996-97, in spite of a minimum annual production of 2.56 lakh tonne in preceding three years. Since LPG had one of the highest retention prices, it resulted in substantial over payment of incentive claims. It was also seen that fuel and losses allowed to refinery for refining of crude which was supposed to be reduced, was revised upwards in 1996-97 from 3.08 lakh tonne to 4.19 lakh tonne in spite of actual fuel and losses being less than three lakh tonne in preceding three years. Correspondingly decrease in the standard production of other products resulted in excess incentive claims. Revision of standard product pattern to actual minimum production for these three components would have wiped out total incentive claims for BPCL.

There was no evidence that OCC had distinguished between the improved operating practices and managerial efficiencies in allowing incentive claims. Besides, the OCC also ignored past production levels for fixing standard product pattern, type of crude used and allowed excessive fuel & losses. These shortcomings emphasised the inadequacies in the administration of incentive claims.



#### 4.5.5 Demurrage charges

The Ministry had designated IOC as the sole canalising agency for import of crude oil and petroleum products for the entire requirement of the oil companies engaged in refining and marketing. The import was being made on the basis of the demand of the various oil companies.

The delivered cost of crude oil comprised pooled *fob* cost, freight, ocean losses, wharfage, landing charges, demurrages, customs duty, etc. Actual payment of demurrage charges during 1993-98 were as given below:

Year	Demurrage on crude oil	Demurrage on imports of petroleum products	Total
1993-94	34.77	68.58	103.35
1994-95	25.95	100.41	126.36
1995-96	64.66	313.55	378.21
1996-97	67.36	449.86	517.22
1997-98	86.70	526.46	613.16

Demurrage charges paid by oil companies increased from Rs 103 crore to Rs 613 crore during 1993-94 to 1997-98 that showed lax cost control measures.

From the above it would be evident that demurrage charges increased from Rs 103.35 crore in 1993-94 to Rs 613.16 crore in 1997-98. The OCC and the Ministry failed to contain the demurrage charges despite the provisions in OCRC<sup>17</sup> to make attempt to remove the constraints on port and other handling facilities to reduce the demurrages. The demurrages could have been minimized by planning ships availability at port and also by adoption of a medium and long-term strategy through appropriate investments in infrastructure in cohort with port authorities. This lack of effort was inherent in the arrangements based on system of cost plus returns.

Headquarter expenses of IOC increased by 226 percent in five years. The expenses allocated to refineries were higher than actual and contained inadmissible items.

#### 4.5.6 Headquarter expenses of IOC

Examination of the amount apportioned to refining function in IOC disclosed rapid increase in the amount claimed as headquarters expenses relating to refining function, which went up from a mere Rs 19.52 crore in 1993-94 to Rs 63.55 crore in 1997-98, an increase of 226 per cent as given below:

Unit	1993-94	1994-95	1995-96	1996-97	1997-98
Guwahati	0.66	0.83	1.02	1.74	2.26
Barauni	2.85	3.69	3.96	6.73	8.78
Gujarat	7.46	9.14	11.38	19.38	25.26
Haldia	2.42	2.67	3.30	5.61	7.31
Mathura	6.13	8.05	8.98	15.30	19.94
<b>Total</b>	<b>19.52</b>	<b>24.38</b>	<b>28.64</b>	<b>48.76</b>	<b>63.55</b>

<sup>17</sup> Oil Cost Review Committee

It was seen from the IOC records that there was no apportioning of headquarter expenses for lubricants, which were out of ambit of APM since November 1993. It was also seen that for 1996-97 and 1997-98 the headquarter expenses debited to refineries were in excess of actual expenditure by Rs. 1.05 crore and Rs 2.41 crore respectively. Besides, expenditure of Rs 5.25 crore incurred on advertisements during 1994-98 was incorrectly debited to refineries since sale promotion expenses were being paid separately through retention prices.

OCC did not scrutinize the correctness and reasonableness of amounts claimed as headquarter expenses before reckoning it as operating expenses. This unquestioned but assured reimbursement did not put any obligation on the IOC to contain the expenses on this account.

#### 4.6. Marketing

##### 4.6.1 Security deposits for gas cylinders:

Oil companies are charging Rs 900 per gas cylinder and Rs 100 per regulator towards security deposits for gas connections. The year-wise security deposit collected/recovered, accumulated deposits, amount spent by oil companies on purchase of cylinders and incremental investment by oil companies on purchase of cylinders were as given below:

	Years	1993-94	1994-95	1995-96	1996-97	1997-98
IOC	Deposit received	84.98	106.05	198.13	250.96	389.62
	<b>Cumulative Deposit</b>	<b>747.00</b>	<b>853.05</b>	<b>1051.18</b>	<b>1302.14</b>	<b>1691.76</b>
	Expenditure on purchase	164.94	241.25	280.50	375.11	480.20
	Incremental investment	--	19.08	9.81	23.65	26.27
HPCL	Deposit received	40.47	59.71	81.49	106.05	193.05
	<b>Cumulative Deposit</b>	<b>371.16</b>	<b>431.47</b>	<b>512.97</b>	<b>618.03</b>	<b>811.08</b>
	Expenditure on purchase	64.73	119.50	104.11	175.53	258.05
	Incremental investment	--	13.69	(-) 3.85	17.86	20.63
BPCL	Deposit received	52.00	78.80	97.10	120.50	247.30
	<b>Cumulative Deposit</b>	<b>334.80</b>	<b>413.60</b>	<b>510.70</b>	<b>631.20</b>	<b>878.50</b>
	Expenditure on purchase	33.95	121.39	67.51	96.10	211.46
	Incremental investment	--	21.86	(-) 13.47	7.15	28.84
<b>Total cumulative deposits</b>						<b>3381.34</b>

The rate of depreciation prescribed under Schedule XIV of Companies Act (amended in 1988) in respect of gas cylinders is 16.21 *per cent* (straight line method). However, the companies were continuing to charge 100 *per cent* depreciation in their books in the year of purchase and claiming full depreciation through retention price.

**The consumer deposits for LPG cylinders amounting to Rs 3381.34 crore was not credited to the oil pool in spite of full reimbursement of expenditure on their purchase.**

The OCC was also reimbursing the entire expenditure incurred on purchase of cylinders by allowing 100 *per cent* depreciation under retention price. Thus, the deposits received by the oil companies belonged to oil pool and should have gone towards reducing the deficit of oil pool. The entire amount of consumer deposits for LPG<sup>18</sup> cylinders of Rs.3381.34 crore was lying with the oil companies and being utilised by these companies as their internal resources.

Since the purchase of cylinders was totally financed by the oil pool, the deposits against cylinders should also have accrued to the oil pool. The oil companies could have been allowed to retain a small portion of deposits collected without interest to take care of refunds, which were insignificant. The OCC was not charging interest on security deposits received and retained by the oil companies. The interest on balances (including deposits and interest) would work out to Rs1514.41crore for the period 1993-98 even at the rate of 10 *per cent per annum* as detailed below:

(Rs in crore)				
Period	Amount including interest of previous year	Additions during the year	Total deposits	Interest earned @ 10 <i>per cent</i>
Up to 92-93	1276.11	<sup>19</sup>	1276.11	127.61
1993-94	1403.72	177.45	1581.17	158.12
1994-95	1739.29	244.56	1983.85	198.38
1995-96	2182.23	376.72	2558.95	255.90
1996-97	2814.85	477.51	3292.36	329.24
1997-98	3621.60	829.97	4551.57	445.16
<b>Total</b>				<b>1514.41</b>

#### 4.6.2 Wide variations in per unit marketing margins allowed for various activities.

OCC took into account expenses common to all products on elements/activities like installation, distribution and administration cost, return on net fixed assets, working capital, RPO<sup>20</sup>, air field stations, LPG filling return, etc. for computation of marketing margins

Variation in marketing margins allowed against various activities from 1993-94 onward were as given below:

<sup>18</sup> Liquefied Petroleum Gas

<sup>19</sup> Data prior to 1992-93 was not furnished

<sup>20</sup> Retail Pump Outlets

(Rs per kl)

	Installation common cost	Difference from lowest rate	Distribution common cost	Difference from lowest rate	Administrative common cost	Difference from lowest rate	Return on net fixed assets	Difference from lowest rate	Return on working capital	Difference from lowest rate	Retail pumps outlets cost/return	Difference from lowest rate	AFS <sup>21</sup> cost/return	Difference from lowest rate
IOC	20.99		24.52		28.93	4.30	35.30		42.29	11.63	30.92	3.05	223.50	7.07
BPCL	21.71	0.72	37.21	12.69	30.16	5.53	61.47	26.17	30.66	-	36.87	9.00	216.43	-
HPCL	22.66	1.67	37.55	13.03	24.63	-	60.79	25.49	31.66	1.00	27.87	-	488.06	271.63
IBP	36.73	15.74	37.05	12.53	51.26	26.63	60.57	25.27	31.23	0.57	40.11	12.24		

Year-wise and company-wise quantity sold under APM during 1993-98 were as detailed below:

(in lakh tonne)

	1993-94	1994-95	1995-96	1996-97	1997-98	Total
IOC	364.55	357.64	400.13	413.57	425.84	1961.73
BPCL	121.53	134.58	153.73	160.36	168.20	738.40
HPCL	123.65	129.95	130.19	157.54	159.93	701.26
IBP	38.35	43.62	47.03	50.68	55.23	234.91

It is pertinent to point out that marketing involved mainly transportation, storage and distribution and did not involve any processing. Thus, in marketing there was no scope for significant variations either in operating costs or in returns on capital employed.

From the above, it would be apparent that there were wide variation in per unit of marketing margins allowed against each activity to oil companies suggesting lack of efforts for containing/reducing the cost and as the OCC was reimbursing all the expenditure incurred by the oil companies, the oil companies were trying to justify their cost rather than exercising cost control measures.

**OCC allowed extra benefit of Rs 1098.73 crore to oil companies on account of varying marketing margins.**

Taking the minimum per unit cost of one company against each activity and applying the same to other companies, the extra marketing margins allowed during 1993-98 to the companies would work out Rs 1098.73 crore as detailed in Annex-F.

**Higher LPG filling return allowed**

The OCC allowed per tonne return on LPG filling at varying rates of Rs 493.29, Rs 678.37 and Rs 660.73 to IOC, BPCL and HPCL respectively. The rates of BPCL and HPCL were higher resulting in extra reimbursement of Rs 155.23 crore during 1993-98 as detailed below:

**LPG filling return**

Company	Difference in rates (Rs per tonne)	Quantity sold (million tonne)	Excess (Rs in crore)
BPCL	185.08	4.440	82.18
HPCL	167.44	4.363	73.05
<b>Total</b>			<b>155.23</b>

<sup>21</sup> Air field stations

Reasons for variations in LPG filling returns were not furnished by OCC.

#### 4.6.3 Allotment of dealerships

Recent public auction of RPO and LDO/SKO dealership on the direction of Supreme Court had clearly shown that the market value of these dealerships was very high. The amount realised through auction of these dealerships was as given below:

Sl. No.	Name of Oil Company	Location of RPO/SKO dealership	Amount realised (Rs in crore)
1.	BPCL	LDO/SKO dealership at Sultanpur (UP)	5.36 (Details of auction amount outlet wise not made available)
2.	-do-	LDO/SKO dealership at Faizabad (UP)	
3.	-do-	Retail Pump Outlet at Raibareilly (UP)	
4.	-do-	Retail Pump Outlet at Sultanpur (UP)	
5.	-do-	RPO at Raibareilly (UP)	
6.	-do-	RPO at Raibareilly	
7.	-do-	RPO at Delhi	
8.	-do-	RPO at Manimajra, Chandigarh	
9.	-do-	RPO at Darlaghat, Solan (HP)	
10.	-do-	RPO at Hyderabad	
11.	IOC	RPO at Pitampura, Delhi	3.11
12.	IOC	RPO at Sector 46, Chandigarh	1.75
13.	IOC(AOD)	RPO at Dimapur, Nagaland	0.16
		<b>Total</b>	<b>10.38</b>

In view of the high market value of that dealership commanded through the recent auction, this mode of allotment could be considered as an economic option. Through this, the oil companies could also derive substantial income out of the investments in retail infrastructure. Besides, this will reduce the burden on the oil pool.

#### 4.7 Crude production

##### 4.7.1 Levy of cess

The Government of India levied cess at the rate of Rs 900 per tonne in February 1989 on crude oil produced to create a fund for development of oil



**The government did not pass on Rs 30098 crore collected through cess on crude oil to OIDB.**

sector under the Oil Industry (Development) Act, 1974. The amount of cess so collected was to be made available to the OI DB<sup>22</sup>.

Mention was made in paragraph 3.3.3 of the Report of the Comptroller and Auditor General of India, Union Government, No. 19 (Commercial) of 1995 regarding the retention of the collection of cess in the Consolidated Fund of India. Audit further noticed that out of Rs 31000 crore collected towards cess up to March 1998, Government of India passed on only Rs 902 crore to the OI DB and retained the balance of Rs 30098 crore in government account.

The levy of cess was being charged from the consumers in terms of increased costs. However, oil companies were not provided with funds generated through cess collection of Rs 30098 crore. This resulted in commercial borrowings, thus, increasing operating costs, which in turn were again passed on to consumers through higher prices of petroleum products.

The OI DB charged interest for financial assistance/loan at the following rates:

Project	Percentage rate of interest charged
Exploration projects higher risk areas	5
lower risk areas	10
Commercial discovery	14
Working capital loan in exceptional circumstances	18.5

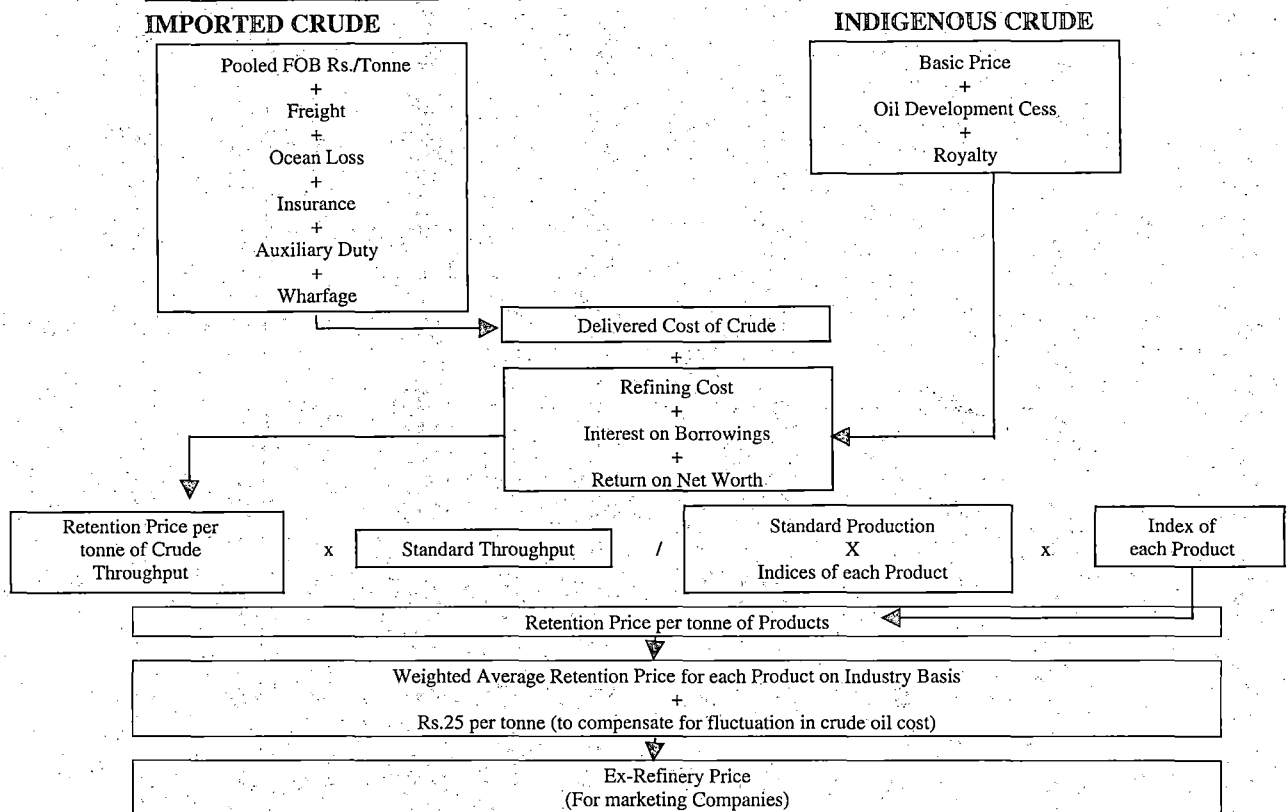
Despite such lower rate of interest of 5 per cent to 14 per cent, it was seen from Annual Accounts that the oil companies were getting loan from banks/financial institutions at higher rates instead of getting it from OI DB.

## GLOSSARY

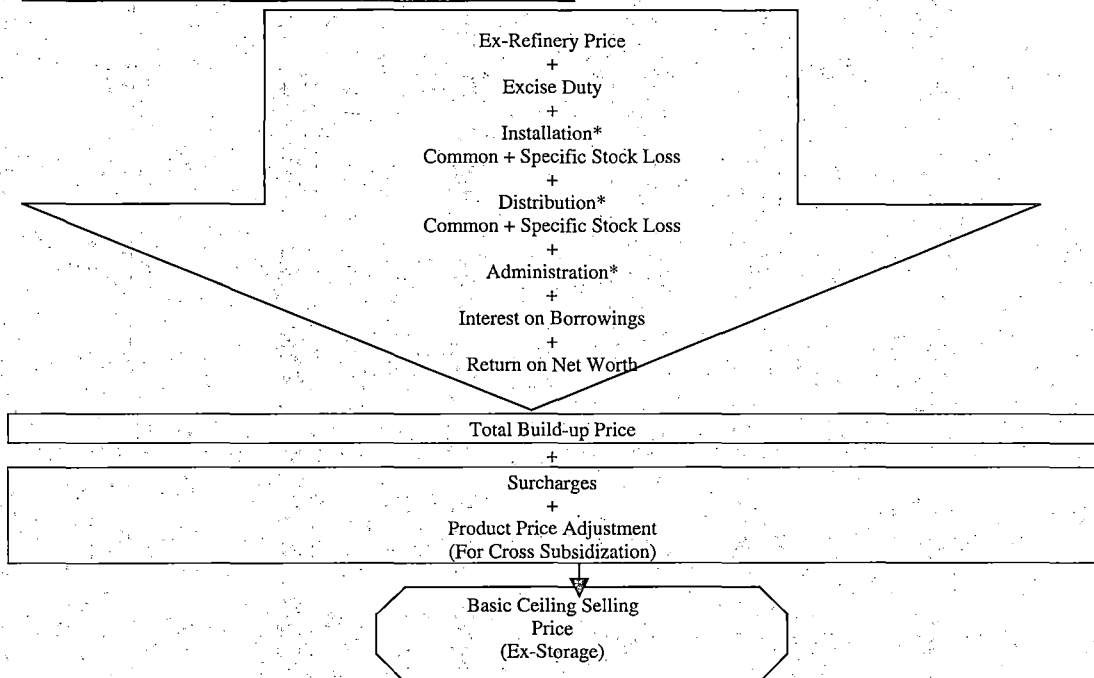
Capital employed	Net fixed assets plus normative working capital.
Demurrage	Compensation for undue delay or detention of a vessel.
Incentive	Award for better performance in terms of production pattern.
Margins	Per unit returns allowed to companies inclusive of operating expenditure, return on capital employed, etc.
Net-worth	Share capital plus free reserves.
Normative working capital	Working capital requirement allowed to refineries as 45 days crude requirement in case of HPCL Bombay, MRL and Haldia refinery and 35 days crude requirements for other refineries with crude cost taken as Rs 1700 per tonne.
Retention Price	Retention price is computed by taking into account the delivered cost of crude refinery operating cost and a reasonable return on capital employed and other capital related charges.
Sales Plan Entitlements	Quantity of sales fixed by the OCC for marketing companies.
Standard throughput	Quantity of crude to be refined during the year as fixed by OCC/Ministry.
Standard Product Pattern	The proportion of products derived from refining of crude, fixed by OCC refinery wise on the basis of refinery design, type of crude processed etc.
Wharfage	Charges paid for using port.

**Annex A**  
(Refers to paragraph 4.2.2)

**Figure I: APM for a Refining Company**



**Figure II: APM for a Marketing Company**



\*Stores & Spares, Utilities, Salaries and Wages, Repairs and Maintenance, Overheads and Depreciation

## Annex- B

(Refers to paragraph 4.4.3)

## Investment made by the units and interest earned there on during 1993-98

(Rs in crore)

Year	HPCL		BPCL		IOC		IBP	
	Amount of investment	Interest earned	Amount of investment	Interest earned	Amount of investment	Interest earned	Amount of investment	Interest earned
1993-94	270.80	13.47	150.01	0.97	3857.63	348.72	91.19	14.73
1994-95	271.35	13.47	242.29	4.10	3856.89	371.76	149.15	19.31
1995-96	282.47	13.45	165.80	5.26	3689.31	315.95	161.72	19.02
1996-97	283.82	13.46	244.80	5.27	3384.06	314.40	197.92	15.30
1997-98	1640.98	33.17	1080.44	11.83	9279.16	233.07	239.72	17.18
<b>Total</b>	<b>2749.00</b>	<b>87.02</b>	<b>1883.34</b>	<b>27.43</b>	<b>24067.05</b>	<b>1583.90</b>	<b>839.70</b>	<b>85.54</b>

## Amount of loan\* taken by the units and interest paid thereon during 1993-98

(Rs in crore)

Year	HPCL		BPCL		IOC		IBP	
	Amount of loan	Interest paid	Amount of loan	Interest paid	Amount of loan	Interest paid	Amount of loan	Interest paid
1993-94	918.51	74.72	405.83	46.72	6499.90	398.35	287.11	32.92
1994-95	602.19	76.75	407.80	43.72	5366.71	475.24	253.59	32.83
1995-96	446.20	46.21	524.38	39.38	8227.36	560.15	314.72	38.78
1996-97	1418.09	97.52	1360.81	80.06	13178.76	1075.77	444.76	50.84
1997-98	1256.92	84.98	1464.37	112.23	14210.14	1126.15	492.42	65.39
<b>Total</b>	<b>4641.91</b>	<b>380.18</b>	<b>4163.19</b>	<b>322.11</b>	<b>47482.87</b>	<b>3635.66</b>	<b>1792.60</b>	<b>220.76</b>

## Amount of interest paid on loans and interest earned on investments during 1993-98

(Rs in crore)

Name of units	Interest paid on loans	Interest earned on investments
HPCL	380.18	87.02
BPCL	322.11	27.43
IOCL	3635.66	1583.90
IBP	220.76	85.54
<b>Total</b>	<b>4558.71</b>	<b>1783.89</b>

\* Loans includes internal and external loans as far the corresponding interest paid was not available separately.

## Annex- C

(Refers to paragraph 4.5.1)

## Standard/actual throughput and capacity utilisation of refineries

(in thousand tonne)

Refinery	Throughput for 1993-94			Throughput for 1994-95			Throughput for 1995-96			Throughput for 1996-97			Throughput for 1997-98		
	Standard	Actual	Percentage	Standard	Actual	Percentage	Standard	Actual	Percentage	Standard	Actual	Percentage	Standard	Actual	Percentage
HPCL, Mumbai	5500	5880	108.73	5500	5236	95.20	5500	5970	108.55	5835	6540	116.05	5835	6380	113.22
BPCL, Mumbai	6750	7203	108.71	6750	7505	111.19	6750	7480	110.52	6900	7840	110.72	6900	8000	115.94
CRL, Cochin	4700	4857	103.34	5150	5136	99.73	6583	7420	113.05	6760	7290	108.00	6750	7730	114.52
MRL, Chennai	5900	5717	98.90	5900	6920	117.29	5900	560	94.92	6120	6620	108.17	6120	6970	113.89
MRL, Narimanam	125	130	104.00	306	380	105.56	370	370	100.00	490	350	71.43	490	560	114.29
HPCL, Vizag	4300	4448	103.44	4300	5014	116.80	4300	5040	117.21	4515	4850	107.42	4515	2470	54.71
IOC, Haldia	2750	3106	112.95	2750	3258	118.47	2750	3420	124.36	3060	3450	112.75		4710	
IOC, Koyali	9100	8434	103.67	9100	9888	108.66	9100	10170	111.76	9430	10350	109.76	9430	10690	113.38
IOC, Mathura	7500	8518	113.57	7500	8377	111.89	7500	8330	111.07	7500	8110	108.13	7500	8570	114.27
IOC, Barauni	2100	2222	105.81	2100	2220	105.71	2100	2320	110.48	1900	1900	100.00	1900	2180	114.74
IOC, Guwahati	800	911	113.88	800	884	110.50	800	840	106.00	800	860	106.25	800	800	107.50
IOC, Digboi	500	554	110.80	500	536	107.20	500	560	112.00	500	480	96.00	500	500	100.00
BRPL, Bongaigaon	1100	1167	106.09	1100	1179	107.18	1201	1220	101.58	1500	1540	102.67	1500	1720	114.67
MRPL, Mangalore										2400	2792	116.33	3600	3955	100.86
<b>Total</b>	<b>51125</b>	<b>54247</b>	<b>106.11</b>	<b>51810</b>	<b>56533</b>	<b>108.12</b>	<b>53334</b>	<b>58720</b>	<b>110.10</b>	<b>57500</b>	<b>62762</b>	<b>109.15</b>	<b>55640</b>	<b>65295</b>	<b>117.35</b>



**Annex- D**  
(Refers to paragraph 4.5.3)

**Loss due to short fall in generation of electricity by Captive Power Plant**

Unit	Year	Installed capacity	Optimum production*	Actual production	Short fall in production	Purchased from outside	Cost per unit (Rupees)	Rate at which purchased from outside Rs/kwh	Difference in cost (Rupees)	Extra amount paid (Rs in crore)
BPCL, Bombay	1993-94	318.40	286.56	162.66	123.90	19.14	00.98	3.78	2.80	5.36
	1994-95	318.40	286.56	166.14	120.42	18.30	00.99	4.66	3.67	6.72
	1995-96	318.40	286.56	188.76	97.80	10.89	1.11	6.90	5.79	6.31
	1996-97	318.40	286.56	210.94	75.62	7.63	1.04	7.88	6.84	5.22
	1997-98	318.40	286.56	214.26	72.30	8.63	00.99	8.29	7.30	6.30
HPCL, Visakh	1993-94	114.88	103.39	78.30	25.09	10.25	00.68	2.84	2.16	2.21
	1994-95	114.88	103.39	79.63	23.76	15.94	00.70	2.52	1.82	2.90
	1995-96	114.88	103.39	80.79	22.60	16.64	00.94	2.76	1.82	3.03
	1996-97	114.88	103.39	98.82	4.57	6.72	00.95	4.49	3.54	1.62
	1997-98	114.88	103.39	63.70	39.69	2.94	00.99	3.34	2.35	0.69
HPCL, Bombay	1993-94	172.32	155.09	76.26	78.83	132.89	00.81	2.29	1.48	11.67
	1994-95	229.76	206.78	107.60	99.18	79.95	00.71	2.71	2.00	15.99
	1995-96	229.76	206.78	201.99	4.79	28.38	00.56	4.01	3.45	1.65
	1996-97	229.76	206.78	203.26	3.52	36.89	00.88	4.12	3.24	1.14
	1997-98	229.76	206.78	204.18	2.60	36.14	1.32	4.63	3.31	0.86
									<b>Total</b>	71.67

\*Optimum production is taken as 90% of the installed capacity since HPCL refinery in Bombay achieved 90 per cent production in 1997-98.

**Annex- E**  
**(Refers to paragraph 4.5.4)**

**Statement showing the incentive claims of the Units during 1993-98**

(Rs in crore)

S.No.	Year	BPCL	HPCL	IOC	Total
1.	1993-94	36.39	41.70	250.18	328.27
2.	1994-95	44.09	32.35	132.12	208.56
3.	1995-96	41.91	62.70	140.62	245.23
4.	1996-97	44.58	37.78	311.96	394.32
5.	1997-98	61.72	21.71	126.25	209.68
<b>Total</b>		<b>228.69</b>	<b>196.24</b>	<b>961.13</b>	<b>1386.06</b>

**Annex- F**  
**(Refers to paragraph 4.6.2)**

**Variations in the elements of marketing margins allowed to companies**

	Difference		Avoidable excess margin allowed (Rs in crore)
	Rs (Per kl)	Quantity (in lakh kl)	
<b>A. Installation common cost</b>			
IBP	15.74	234.91	<b>36.98</b>
<b>B. Distribution common cost</b>			
BPCL	12.69	738.40	93.70
HPCL	13.03	701.26	91.37
IBP	12.53	234.91	29.43
			<b>214.50</b>
<b>C. Administration common cost</b>			
IOC	4.30	1961.73	84.36
BPCL	5.53	738.40	40.83
IBP	26.63	234.91	62.56
			<b>187.75</b>
<b>D. Return on net fixed assets</b>			
BPCL	26.17	738.40	193.24
HPCL	25.49	701.26	178.75
IBP	25.27	234.91	59.36
			<b>431.35</b>
<b>E. Return on working capital</b>			
IOC	11.63	1961.73	<b>228.15</b>

**Total excess margin allowed**

	<b>(Rs in crore)</b>
Installation common cost	36.98
Distribution common cost	214.50
Administration common cost	187.75
Return on net fixed assets	431.35
Return on working capital	228.15
	<b><u>1098.73</u></b>

**Ministry of Urban Affairs and Employment**

**Functioning of Land and Development Office**





## CHAPTER V : MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

### 5.1 Functioning of Land and Development Office

#### *Highlights*

Despite recommendations of the Public Accounts Committee in September 1989, and assurance by the Ministry to the PAC, documentation of properties continued to be a serious weakness impairing effective functioning of L&DO<sup>1</sup>. Deficiencies in key control registers precluded estimation of substantial revenue loss and underscored the constraint in systematic verification of correctness of assessment, recovery of dues, revision of rent, etc.

Sample checks disclosed accumulation of arrears of ground rent and loss either due to irregular or non-revision of ground rent aggregating Rs 24.96 crore.

In 19 cases test-checked, lack of effective pursuance by L&DO resulted in non-recovery of Rs 74.77 crore on account of breaches by various lessees.

Improper system of assessment and deficient documentation hampered collection of dues in cases of breaches and mis-use of properties. Rs 94.06 crore demanded by L&DO in 122 cases, test checked, had not been recovered till November 1998.

Rs 9.60 crore had not been recovered from educational, social and cultural institutions, who violated terms of concessional lease.

Unauthorised occupation by squatters of Government land, measuring 100 acre, valued at Rs 930 crore further highlighted the ineffectiveness of L&DO in checking encroachment.

Lack of effective enforcement was noticed in 38 cases awaiting eviction by the Court of the Estate Officer. In addition, 551 legal cases in different Courts were pending.

<sup>1</sup> Land and Development Office

**Overlapping control of L&DO and DDA/MCD had led to encroachment of Government land measuring 1590.494 acre and unauthorised auction of land 1073 sq meter.**

### **5.1.1 Introduction**

The Land and Development Office under Ministry of Urban Affairs and Employment is the superlessor in charge of about 60,000 properties consisting of 20,000 hectare of land of different types of the Central Government in Delhi. Out of this 3147 are Nazul<sup>2</sup> and perpetual leases of land and remaining are rehabilitation<sup>3</sup> leases transferred from the Department of Rehabilitation. The administrative functions of L&DO include:-

- ⊙ Maintenance of records of all Nazul and Rehabilitation leases and their administration and management thereof;
- ⊙ Allotment of land to various government/semi government departments and various political, social, cultural, educational and religious institutions;
- ⊙ Recovery of all government dues and maintenance of all receipts and refunds in respect of land under its control;
- ⊙ Eviction of squatters of government land and recovery of damages under Public Premises (Eviction of Unauthorised Occupants) Act, 1971 in respect of lands under its control.

### **5.1.2 Organisational set up**

The Land and Development Office is a subordinate office under Ministry of Urban Affairs and Employment. It is headed by Land and Development Officer who is assisted by Deputy Land and Development Officers, Assistant Settlement Commissioner, Vigilance-cum-Legal Officer, Estate Officer, Engineer Officer, Public Relation Officer, Accounts Officer and Administrative Officer, etc.

### **5.1.3 Scope of audit**

The management (of lease) functions of L&DO in respect of ground rent, its revision, allotment of land, removal of squatters, settlement of court cases and management of vacant land, etc. were reviewed during July-October 1998.

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<sup>2</sup> land acquired under the land acquisition act by the government for the formation of capital of Delhi/New Delhi under the Government Notification from 1911 onwards.

<sup>3</sup> land acquired by the Government for the speedy rehabilitation of displaced persons from Pakistan granted by L& DO and the Regional Settlement Commissioner in Delhi/New Delhi.

#### 5.1.4 Constraints in carrying out the audit

Well-managed documentation is the basis for ensuring public accountability. It is fundamental to good governance and underpins administrative arrangements. This is significantly absent in the functioning of L&DO.

Following an earlier audit review of the functioning of the L&DO, which appeared in the Report of the Comptroller & Auditor General of India (Civil), Union Government for 1986-87, the Public Accounts Committee in September 1989 had expressed concern regarding improper maintenance of land records, which had caused substantial loss of revenue. The Committee had recommended that the Ministry needed to draw up an appropriate action plan and schedule of implementation for improvement of documentation. In the Action Taken Note the Ministry had assured the Public Accounts Committee that it would update the basic records within a time-bound period.

Examination of documents disclosed that the Ministry did not translate its assurance to the Public Account Committee into action. Key control registers were not maintained in the prescribed manner as is evident from the following:

Sl. No.	Name of Register	Purpose	
1.	Ground Rent Register	To watch the recovery of ground rent due, including arrears with next date of revision to be indicated in red ink.	This register was not maintained since 1984-85. Failure to maintain it resulted in non-assessment of total ground rent due, amount recovered and those in arrears.
2.	Squatter Register	To record the squatting noticed during survey of government lands.	Incomplete maintenance of this register precluded systematic evidence on squatters.
3.	Register of Damages	To maintain records of damage charges levied and received under Public Premises (eviction of unauthorised occupants) Act, 1971.	This register was not maintained since 1984-85, resulting in failure to watch the recovery of damage charges due, amount recovered and those in arrears.
4.	Register of Transfers	To keep consolidated record of transfer of leased properties.	The details of transfers were not available.
5.	Register of Miscellaneous Recoveries	To watch recoveries on account of temporary allotment of lands.	This register was also not maintained since 1984-85 and this resulted in non-availability of recoveries due, amount recovered and those in arrears.



Sl. No.	Name of Register	Purpose	
6.	Register of Valuables	To watch the receipt and disposal of cheques/demand drafts etc.	Incomplete maintenance of the register delayed the reconciliation of revenue receipts and their accounting.

In the absence of a systematic documentation, the scope of audit was limited to test check of individual case records. Besides, this also posed a constraint in verification of the accuracy of statistical information furnished by the L&DO in respect of different categories of lessees, defaulters, encroachers, etc.

### 5.1.5 Ground rent

Ground rent is an annual charge levied at the prescribed rates with reference to the amount of premium i.e. one time payment at the time of allotment, initially paid at the time of allotment.

The ground rent is payable in two half yearly instalments in advance on 15 January and 15 July each year or annually on the first April of each year.

Ground rent in the case of Nazul Properties was recoverable @ 2.5 per cent of the premium calculated at full market rates/per annum for premises used for remunerative<sup>4</sup> purposes and 5 per cent of the premium as determined by the Government for those used for unremunerative purposes<sup>5</sup>. In the case of rehabilitation leases the ground rent is nominal i.e. @ Re 1 per 100 square yard or fraction thereof and can be revised @ 2.1/2 of the value of the land at the time of second sale/assignment and thereafter, at the end of each successive period of not less than 30 years.

Since the ground rent registers containing details of property by L&DO block-wise and plot-wise, giving municipal house numbers, were not maintained since 1984-85, the amount of ground rent due, the amount recovered there-against and arrears could not be ascertained. The L&DO was not aware of the amount of ground rent recoverable at any point of time. It could, thus, be concluded that the administration of L&DO for ground rent fixation, recovery and procedure for realisation was adhoc and lacked transparency and completeness. The Ministry stated in February 1999 that the Ground Rent Registers were being completed.

**Ground rent registers were not maintained.**

<sup>4</sup> Remunerative purposes such as offices, shopping centres, water supply, drainage, etc.

<sup>5</sup> Unremunerative purposes such as schools, hospital, maternity centre, community centres, libraries, public conveniences, etc.

### 5.1.5.1 Revision of ground rent

#### 5.1.5.1.1 Nazul properties

The Nazul leases administered by L&DO provide for revision of ground rent at the end of each successive period of not less than 30 years at the option of the lessor provided that ground rent fixed at each enhancement is not to exceed one third of the letting value on the date of enhancement assessed by the Deputy Commissioner.

**Revision of ground rent had not been carried out in 2013 Nazul Properties.**

Out of 3147 Nazul properties, the revision of ground rent were due in 2013 cases as on 31 March 1998, which became due for revision during 1951-1998. The position of 800 cases test checked is given below:-

Period when due for revision	No. of cases
1951 to 1960	2
1961 to 1970	69
1971 to 1980	108
1981 to 1990	509
1991 to 1998	112
<b>Total</b>	<b>800</b>

Although complaints for revision of ground rent as per provision of the lease deeds were filed with Deputy Commissioner but no final decision could be taken. In December 1983, the Ministry decided that revision of ground rent pending decision of the court should be claimed by L&DO on the basis of letting out value of the sites, as noted in the municipal records for house tax purposes. Ministry further directed L&DO to ensure that complaints were filed/revised in all such cases within a maximum period of six months. L&DO failed to get complaints filed by the branch officers on the plea that no such revision was to be made and claimed by L&DO, as the Ministry had not delegated the powers of the Collector of Delhi to them for claiming the revised ground rent despite their clarification issued to them in 1986 and 1988. In September 1996, Ministry decided to hold in abeyance their order of August 1996, wherein it was instructed to revise the ground rent not exceeding 50 per cent or 100 per cent in all such cases where the revision had fallen due.

L&DO referred 1732 cases from 1959 onwards to the Deputy Commissioner Delhi for revision of ground rent of Nazul properties. The Deputy Commissioner had not communicated his decision as of February 1999.

It would be seen that the system of reference of cases to the Deputy Commissioner for revision of ground rent has been the principal constraint for Land and Development Office to revise the ground rent. It is desirable that Government amends the provisions of the Act/Rules, as the case may be, to set up land revenue administration system within the departments in metropolitan like Delhi, where large number of properties are managed by the designated departments.



The deadlock about the procedure and absence of any time-frame for decision and accountability therefore has led to non-revision of ground rent for upto 40 years and unspecified amount of substantial loss of revenue to the Government.

#### 5.1.5.1.2 Rehabilitation properties

Similarly ground rent in the case of rehabilitation properties which are leased for 99 years becomes due for revision after 20 years of entering the lease. The ground rent is the sum equivalent to the interest on the cost of land at the government borrowing rate prevailing on the date of lease. For remaining period of lease, the ground rent is the sum equivalent to the interest on the market value of land calculated at government borrowing rate on the 1 April of the 21st year of lease. Interest was also to be charged for delayed payments of ground rent at the rates fixed by the Government from time to time.

Sample checks disclosed that in respect of 1962 properties, revision of ground rent was due since 1983 which had not been revised, resulting in loss of revenue to the Government. The quantum of revenue loss could not be ascertained in the absence of proper documentation. Ministry stated in February 1999 that in 817 properties, final orders for revision of ground rent had been issued. The audit could not ascertain the promptness and correctness of the revised ground rent, as details in respect of the cases were not made available.

Revision was not done since 1983 in respect of 1962 Rehabilitation properties.

#### 5.1.5.1.3 Temporary leases

Temporary allotment of land in respect of petrol pumps, fuel depots, temporary shops, offices, bathing ghats, parks, play ground, etc., is made for a period of five years at a stretch or till the expiry of the period of less than five years, for which prescribed rates are available. However temporary leases are generally extended on a year to year basis and the ground rent is demanded at the time of extension of lease.

Sample check of 62 such allotments made during the years 1939 to 1984 disclosed that revision of ground rent was due three to 12 times as under, but was not effected as of July 1998:

Years	Cases	Number of times
1939-44	1	12
1950-54	5	9
1955-59	3	8
1960-64	19	7
1965-69	11	6
1970-74	6	5
1975-79	5	4
1980-84	12	3
<b>Total</b>	<b>62</b>	-

Recoveries of Rs 3.50 crore from 62 temporary allottees were not effected.

Revision of ground rent due to be revised every five years since 1962 was done only once in 1979.

Rs 3.50 crore demanded in these 62 cases from time to time on the basis of pre-revised rates of ground rent had also not been recovered as of July 1998.

Such delays in revision and realisation even at the old rates pointed to all round inefficiency and lack of effective enforcement. The Ministry stated, in February 1999 that efforts were being made to update and recover the pending dues.

#### 5.1.5.1.4 *Petrol pumps*

The Land and Development Office allotted land to oil companies for filling cum service stations. There were 75 such petrol pumps on temporary lease basis at the end of March 1998. The L&DO was required to fix the lease rent for the land at  $2\frac{1}{2}$  per cent of the premium determined for the year in which the ground rent was fixed plus a percentage of the premium at prevailing bank rate. The ground rent to be realised on this principle was to be revised every five years.

Since the principle was enunciated in 1962 and the ground at  $6\frac{1}{2}$  per cent of premium of the land determined at 1962 price, constituting  $2\frac{1}{2}$  per cent plus 4 per cent at the prevailing bank rate, it was incumbent upon the L&DO to revise the ground rent in 1967 and every five year thereafter. The L&DO did not follow its own guidelines in respect of either the periodicity of revision or rate at which the ground rent was to be determined.

The first revision took place 17 years after 1962 i.e. in 1979. Even in this, instead of charging the ground rent at  $11\frac{1}{2}$  per cent representing  $2\frac{1}{2}$  per cent of the land premium rate of 1977 plus 9 per cent of the premium at the prevailing bank rate, L&DO fixed it again at  $6\frac{1}{2}$  per cent only.

Next revision took place in 1986 in which the L&DO fixed the ground rent again at  $12\frac{1}{2}$  per cent only. Since then no revision of ground rent had taken place.

The oil companies continued to pay the ground rent at the old rate of  $6\frac{1}{2}$  per cent instead of  $12\frac{1}{2}$  per cent fixed in 1986. L&DO could not enforce the recovery of ground rent at the rate of  $12\frac{1}{2}$  per cent.

#### 5.1.5.1.5 *Irregular revision of ground rent*

Temporary leases are extended from time to time generally on year to year basis and ground rent is demanded as and when the period of lease is extended. However, in violation of the provisions, Ministry extended the lease period for twenty years in the case of Delhi Golf Club and decided to revise the Ground rent every 20 years instead of five years as in the case of other clubs. This conferred undue benefit upon the club under the orders of the then Union Minister for Urban Affairs and Employment in June 1994.

Land & Development Office temporarily leased out a plot of land to Delhi Golf Club measuring 179 acre for the period from 8 November 1963 to 31 December 1990. With the expiry of lease terms, L & DO offered terms and conditions for renewal of lease on 6 November 1990 and automatic revision of ground rent after every five years. No effective action was taken by L&DO for revision. It was decided in April 1994 that Delhi Golf Club would pay 5% of Rs 39 lakh, the then prevailing institutional rate for the built up area of 2.08 acre and Rs 1000 per acre *per annum* for open green area of 176.92 acre. The ground rent and licence fees would be revised every five years with next revision on 1 January 1996. Ministry communicated the terms and conditions to L&DO in May 1994 and to the Delhi Golf Club in June 1994, stating therein that as per the policy guidelines of the Ministry, licence fee and ground rent rate were to be revised after every five years, as was being done in case of other sports clubs.

**Arbitrary revision of ground rent in favour of Delhi Golf Club would result in loss of Rs 2.30 crore**

However, the provision for revision of ground rent and licence fee after 5 years was arbitrarily revised to 20 years by the Ministry of Urban Affairs and Employment in June 1994 with approval of the Minister. The decision to revise the ground rent and licence fee, after every 20 years instead of every 5 years was contrary to the policy for clubs and put the public exchequer to a loss of Rs 2.30 crore by the end of 2010 as shown below:

Period	Institutional land rate fixed	Revised presumptive land rate	Difference (Column 3-2)	5% of Difference on ground rent payable	Covered area	Years	Total loss of ground rent. Col. (5x6x7) (Rupees)
1	2	3	4	5	6	7	8
1.1.91 to 31.12.95	Rs 39 lakh per acre <i>per annum</i>	Rate fixed for 5 years	NIL	NIL	2.08 acres	5	NIL
1.1.96 to 31.12.2000	-do-	Rs 80 lakh (to be revised after 5 yrs.)	41,00,000	2,05,000	2.08 acres	5	21,32,000
1.1.2001 to 31.12.2005	-do-	Rs 160 lakh (revised on the basis of revised rates from 1.1.91 to 31.12.95 i.e. double the rates)	1,21,00,000	6,05,000	2.08 acres	5	62,92,000
1.1.2006 to 31.12.2010	-do-	Rs 320 lakh (revised on the basis of rates revised from 1.1.91 to 31.12.95 i.e. double the rates)	2,81,00,000	14,05,000	2.08 acres	5	1,46,12,000
<b>Total</b>							<b>2,30,36,000</b>

**5.1.5.1.6. Outstanding recovery of ground rent**

Ground rent of Nazul leases is to be revised after a period of 30 years or earlier in the event of resale, additional construction, change and use of property, letting of property on hire and occupation of additional land, etc.

Revised ground rent of Rs 19.16 crore in 92 properties was not recovered.

Test check of 766 properties revealed that in 92 cases, although ground rent was revised, damages levied and demand notices were issued between August 1985 and December 1997, yet Rs 19.16 crore had not been recovered by the L&DO as of February 1999.

The Ministry stated in February 1999, that after the issue of demand notice, the lessee is responsible to pay the outstanding dues. In case the lessee fails to pay the dues within the stipulated period, he is liable to pay interest on government dues. Since the government dues are recoverable with interest, no loss is caused to the government.

The stand of the Ministry is against the cannons of sound administrative management. If this argument of the Ministry is accepted that the lessees anyway pay the interest on the overdue amount, others would get an idea to retain the dues indefinitely.

**5.1.5.2 Failure to recover Rs 74.77 crore on account of breaches, etc.**

In case the lessee does not remove breaches viz. change of land use or unauthorised construction after the receipt of notice, action should be taken to re-enter upon the property with forfeiture of lease rights.

Rs 74.77 crore was recoverable from cinemas, hotels, presses and clubs on account of breaches.

Scrutiny of records revealed that in 19 cases of hotels, presses, clubs, cinemas and petrol pumps, show cause notices were issued in ten cases but in other cases no action was taken for re-entering the properties for default in payments on account of damages/misuse/unauthorised occupation of lands, premium, ground rent, licence fee and interest aggregating Rs 74.77 crore (Annex 'A') pertaining to the periods between 1955 and 1998 which were outstanding as of May 1998. L& DO failed to take action to re-enter upon the properties and for eviction of the properties from the defaulters under Public Premises (Eviction of Unauthorised Occupants) Act 1971. The Ministry stated in February 1999 that action was being taken to recover the amount.

The establishments which had breached the terms of lease included Bharat Hotel, Taj Palace, Le-Meridien, Samrat, Rajdoot, Ashoka Hotel, Sangam and Alankar Cinemas, Delhi Race course and Delhi Gymkhana Club, National Herald, Daily Pratap, Daily Taj and Gulab Printers Presses.

**5.1.5.2.1 Outstanding dues of Rs 94.06 crore on account of breaches – shortcomings in documentation of records.**

Departmental instructions envisage annual inspection of all lands/ properties to identify breaches of lease conditions, if any. Further, as per instructions,

ledgers for leased properties to keep an account of recovery of ground rent, additional charges, damages, etc. were to be maintained and all demand notices and terms communicated to the lessees by the L&DO were required to be noted in the concerned ledgers, but the L&DO flouted the departmental instructions and failed to maintain information in the prescribed records as no consolidated record showing the total number of inspections held, breaches detected, cases in which notices issued, amount assessed for recovery and outstanding, etc. was kept.

Rs 94.06 crore was not recovered on account of damages, breaches in 122 cases.

There was no proper system of assessing the dues from the lessees, watch the collection of dues under various categories, preparation of defaulter lists, periodical inspection of property and timely sending of demand notices to the lessees. The department failed to initiate the process of collection of dues on its own and took action against the misuse or violation only, when some lessees approached the department for sale permission, mutation, substitution, temporary or permanent change of purpose of the lease, etc. Lack of effective control and monitoring mechanism, through which cases can be pursued had led to huge accumulation of arrears of Government dues of Rs 94.06 crore as detailed in Annex 'B' towards premium, ground rent, damage charges, etc., covering the period from February 1972 to November 1998 in 122 cases test checked. Most of properties, where breaches occurred were in the prime locations.

The Ministry stated in February 1999 that they had taken up the cases by issuing demand notices.

### 5.1.5.3 *Violation of terms of allotment*

The L&DO had allotted land to a large number of educational, social, cultural and religious institutions for construction of buildings at concessional rates as decided by the ministry for different zones from time to time. The ground rent was recovered @2.5 per cent/5 per cent of the premium for sponsored and aided/funded institutions. The premium fixed for the period from 1 April 1994 onwards for aided educational institutions and charitable institutions was Rs five lakh per acre i.e. about Rs 123.50 per square meter as one time payment plus 5 per cent as annual ground rent thereof. It was 2.5 per cent of the premium in the case of sponsored and fully aided/funded institutions engaged in charitable or cultural activities as against the normal rate of Rs 1800 to 16800 per square meter in the case of residential purpose and Rs 3600 to 50400 per square meter in the case of commercial use.

L&DO neither maintained any consolidated record for allotment of land to such institutions, nor the prescribed registers. Three institutions, to whom such allotment were made, violated the terms and conditions of allotment as detailed below:-



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Sl. No	Name of Institution	Location	Area	Type of breach	Demand notice issued in	Period of recovery/ breach	Amount of damages/ misuse including penalty etc. demanded as upto March 1998 (Rupees in crore)	Action if any taken on reentry/ eviction
1	Bhartiya Kala Kendra	Feroz Shah Road	1.71 acre	Sub-letting of premises to Kathak Kendra, Waste Land Development & Hospital Consultancy Services Corp.	May 1993	01.01.70 to 14.05.93	1.02	No such action was taken till February 1999.
2	Shri Ram Centre for Arts (Indian National Theatre)	J Point College Road Mandi House	0.603 acre	Unauthorised construction, renting of premises to Central Provident Fund Commissioner, canteen cum book stall, hiring of Auditorium etc.	March 1997	15.01.75 to 15.08.97	0.71	-do-
3	Indian Council of World Affairs	Sapru House Barakha mba Road	1.996 acre	Sub-letting of premises to Defence Studies and Analysis, Children Film Society, Economic & Scientific Research Foundation- Mezzanine Floor, Agency of Museum, Press Institute of India, Federation of Indian Exports, Birla Institute of Scientific Research, Maharaja Ranjit Singh Trust, DSE Communication, Rajasthan Bank Financial Services Ltd., Canteen, wooden khokha of Shri Shivender Rai Prince.	September 1997	15.07.76 to 31.3.98	9.12	Premises re-entered from 4.9.96 and on representation from ICWA, L&DO offered terms in Sept. 97 for withdrawal of re-entry. Action for eviction under PPE Act not taken as of Feb. 1999.
<b>Total</b>							<b>10.85</b>	

**Rs 9.60 crore remained to be recovered from cultural institutions.**

Though demand for Rs 10.85 crore on account of misuse/damage charges were raised against these institutions, no follow up action was taken by L&DO to recover the dues. The Ministry stated in February 1999 that Rs 1.05 crore in the case of Bhartiya Kala Kendra upto December 1997 and Rs 0.20 crore up to April 1997 in the case of Shri Ram Centre for Arts had been recovered and action was being taken to recover the balance amount of Rs 9.60 crore.

**5.1.5.3.1 Squatting on and encroachment of vacant lands.**

Departmental instructions provide for survey of Government land twice a year and to record the squatting in squatter register maintained by L&DO, area wise. The surveys were conducted only thrice in eight years in 1990, 1995 and

in 1998, but the squatter registers were not maintained with the result the damage charges could not be ascertained.

As per survey conducted by L&DO in 1998, vacant land of about 100 acre valuing Rs 930 crore was under encroachment of 96 Jhuggi Jhopri clusters having about fifteen thousand Jhuggies. Of these, 43 clusters as detailed below were in important and high value land covering an area of 59 acre.

No. of clusters	Prime location	Area in acre
11	Gole Market	11.375
2	Ranjit Singh Flyover	3.25
2	Rouse Avenue	4.574
3	Majnu-ka-tilla	12.25
3	Nehru Nagar	3.60
2	Srinivas Puri	2.303
5	Lodhi Road	7.003
4	Andrews Ganj	1.615
4	East Kidwai Nagar	3.704
4	R.K. Puram	2.563
2	Timar Pur	5.00
1	Chankya Puri	1.50
<b>43</b>	<b>Total</b>	<b>58.737</b>

Further 2.746 acre of government land (Lawns, District Park and Shopping Centers) valuing about Rs 35.21 crore was occupied by 45 squatters and being used for commercial purposes since 1959 onwards. L&DO has not been able to evict them and recover the damages.

#### 5.1.5.3.2 Cases pending with the Estate Officer

The Estate Officer in the office of L&DO acts as semi-judicial officer to start proceedings under the Public Premises (Eviction of Un-authorized Occupants) Act 1971 for eviction and other works related to these proceedings such as issue of summons to witness, service of notices, pursue the proceedings, passing of orders and realisation of damages. The Estate Officer failed to perform his duties as Judicial Officer by not taking action in 186 cases of unauthorised squatters which are pending with him up to 30 years or more.

Unauthorised squatters	No of cases
Above 30 years	1
Above 25 but less than 30 years	5
Above 20 but less than 25 years	16
Above 15 but less than 20 years	56
Above 10 but less than 15 years	86
Above 5 but less than 10 years	22
<b>Total</b>	<b>186</b>

Delayed action for a long period had not only given encouragement to mushrooming of the squatters but also allowed the Government land worth crore of rupees to be occupied by the unauthorised squatters.

#### 5.1.5.4 Delay in settlement of court cases

551 court cases were pending in the different courts as of November 1998. The age-wise break up of these cases was as under:-

Period	Supreme Court	High court	Lower courts	Consumer dispute redressal forum	Total
25 to 30 years	-	5	-	-	5
20 to 25 years	-	27	2	-	29
15 to 20 years	1	10	10	-	21
10 to 15 years	1	49	17	-	67
5 to 10 years	2	61	86	-	149
Up to 5 years	4	132	142	2	280
<b>Total</b>	<b>8</b>	<b>284</b>	<b>257</b>	<b>2</b>	<b>551</b>

All these cases had been filed by the lessee and stay orders obtained against (a) notices of re-entry issued by the L&DO for breaches of lease conditions, (b) orders for removal of encroachment/un-authorized occupation and (c) conversion charges for more intensive uses of land decided by L&DO, etc.

#### 5.1.5.5 Delay in auction of shops

The shopping centres comprising of 309 shops/stalls/platforms/fuel depots(FD)/kiosk as detailed below were constructed by CPWD in seven Government colonies and handed over to L&DO:-

Shopping centers	Location	No. of Shops/Stalls	Auctioned/ Allotted	Balance vacant
1.	Lodhi Road Complex	Shops-12 Stalls-19	5 -	7 19
2.	Mohammad pur	Shops-7	-	7
3.	Baba Kharag Singh Marg	Shops-10 Stalls-9 Platform-7	8 - -	2 9 7
4.	Hanuman Road	Shops-3 Stalls-9	1 -	2 9
5(a).	MB Road, Sector 1	Shops-17 Stalls-19 Kiosk-1 F.D.-3	17 - - -	- 19 1 3
5(b)	-do -Sector 3	Shops-48 Stalls-36	- -	48 36
5(c)	-do- Sector 3(A)	Shops-3 Stalls-7 FD-2	3 - -	- 7 2
5(d)	-do- Sector 3(B)	Shops-3 Stalls-5	3 -	- 5
5(e)	-do- Sector 4	Shops-13 Stalls-9	- -	13 9

5(f)	-do- Sector-5	Shops 15 Stalls 15	15 -	- 15
6.	Pragati Vihar Hostel	Shops-5 Stalls-8 open platform-10	- - -	5 8 10
7.	Sadiq Nagar	Shops-7 Stalls-6 Kiosk-1	5 6 1	2 - -
	<b>Total</b>	<b>309</b>	<b>64</b>	<b>245</b>

Out of 309 shops/stalls/kiosk/platform/fuel depots taken over by L&DO during 1983 onwards, 245 were not disposed off till July 1998, as the auctions conducted by the L&DO had proved unsuccessful. Ministry of Urban Affairs and Employment decided in December 1996 to allot these shops on licence fees basis, through open tender and directed L&DO to place these shops at the disposal of Directorate of Estate. Even then the shops/stalls/platforms/fuel depots were lying vacant till July 1998, resulting in loss of revenue to Government. The loss of revenue for 62 shops alone constructed during 1981-83 in Lodhi Road, Mohammadpur, Baba Kharag Singh Marg and Hanuman Road, for which data could be available, was Rs.1.01 crore

#### 5.1.5.6 *Mis-use of land transferred to Delhi Development Authority*

The L&DO transferred 192 plots of Nazul land measuring 2613.402 acre for the purpose of development and maintenance as green areas in July 1974, August 1975 and October 1978, and for taking such steps as may be required to serve the said purpose subject to the condition that DDA was not to make, or cause or permit to be made, any construction on the said land and was when required to do so, replace the said land or any portion thereof, as may be so required, by the central government.

However, both Land and Development Office and Delhi Development Authority failed to develop and maintain almost entire land as green area and their failure in keeping vigil on the transferred land led to grabbing of land measuring 1590.494 acre by encroachers. It was revealed from the joint survey conducted in July 1992 that 75 plots of land measuring 1150.645 acre as detailed in Annex 'C'(a&b) had been fully/partly encroached by Jhuggi dwellers, coal depots, kabaris, temples, schools, etc., 22 plots of land measuring 1053.078 acre as indicated in Annex 'C'(c) were encroached upon by Government agencies viz. New Delhi Municipal Corporation, Delhi Administration, Municipal Corporation of Delhi, Delhi Electricity Supply Undertaking, Central public Works Department, etc., 11 plots of land measuring 219.369 acre as detailed in Annex 'C'(d) were utilised by DDA for purposes other than for green area in contravention of terms and conditions of transfer of land and 25 plots of land measuring 207.873 acre were utilized by L&DO for allotment to hotels, Indian Tourism Development Corporation, Hindustan Petroleum Corporation Limited, CPWD, Kendriya Vidyalaya Sanghathan, Delhi Administration etc. as detailed in Annex 'C'(e).



**5.1.5.6.1 Unauthorised auction of government land by MCD.**

Allotment of alternative plots to Jhuggi Jhopri holders was auctioned illegally and the bid amount of Rs 2.88 crore was also not realised by L&DO.

Prime area measuring 15.117 acre between Ring Road and Satya Niketan was transferred free of cost to Chief Commissioner Delhi by the erstwhile Ministry of Works and Housing in August 1964 under Jhugi Jhopri Scheme for carving and allotment of alternative plots to pre 1960 squatters. The slum wing of the MCD, which was having the possession, auctioned unauthorisedly 9 plots of land measuring 1073 square meter out of it to private parties in February 1995 and did not pass out the bid amount of Rs 2.88 crore to L& DO. The auction was stayed by Delhi High Court on the suit filed by the residents of adjoining areas. The decision of the court was awaited as of February 1999.

Sl. No.	Plot No.	Area in square meter	Name of the highest bidder
1	300	122.68	M/s Sthir Holdings Pvt. Ltd., 1005, Akashdeep Bldg., Barakhamba Road.
2	301	122.68	-do-
3	302	122.68	M/s Sawar Pvt. Ltd., 22/18, Sharam Marg, Chanakya Puri, New Delhi.
4	303	122.68	M/s Trident Projects Ltd., Greater Kailash- II Mkt. New Delhi
5	304	122.68	-do-
6	305	122.68	M/s Ganga Nath
7	306	122.68	-do-
8	307	122.68	M/s Arora Pvt., Ltd.,
9	308	92.00	M/s Prima Railings, Greater Kailash,, New Delhi
<b>Total</b>		<b>1073.44</b>	

**5.1.5.6.2 Leasing out of land in the bed of river Yamuna**

Sale proceeds of sand on Yamuna land measuring 125.31 acres transferred to DDA 25 years ago has not been realised

An area measuring 125.31 acre of land in Bela Bir Estate and about 30 acre from Crystel Ice Factory to Maha Kali Bhawan on the bank of the river Yamuna were transferred to DDA in May 1973 for extraction of sand and development of Yamuna river water front respectively. The terms and conditions provided that the sale proceeds of sand realised by DDA after deducting 12.5 per cent as departmental charges was to be paid to L&DO as ground rent. Sales proceeds had not been paid to L&DO by DDA till February 1999. The Ministry stated, in February 1999, that the matter has been taken up with the DDA and their reply was awaited.

**5.1.5.7 Inordinate delay in settlement of re-entered cases**

Where a breach of unauthorised construction/mis-use was noticed, a show-cause notice was to be served to remove the breaches within 30 days. In case of non-removal of breaches or non receipt of satisfactory communication, an action to re-enter upon the property is required to be taken. The plaint should also be filed after re-entering (forfeiture of lease rights) upon the property in the court of Estate Officer for eviction under Public Premises (Eviction of Unauthorised Occupants) Act 1971, in addition to recovery of Government dues including damage charges, etc.



Plaints in 116 re-entered cases were not filed in the court of Estate Officer.

Inordinate delay ranging from 8 to 83 months in filing plaints in the court of the Estate Officer was noticed.

Actual eviction in 38 cases was pending in last 22 years.

The Engineer Officer was responsible in detecting misuse and unauthorized construction and other breaches of lease terms and working out the damages/misuse charges. In case breaches were not removed and damage charges not recovered, it was his responsibility to see that such cases were re-entered upon and plaints in these cases were filed in the court of Estate Officer for eviction of unauthorised occupants and proceedings for eviction or recovery of damages are conducted. He failed to file plaints in the court of the Estate Officer in 116 cases out of 187 re-entered cases pertaining to the period 1964 onwards. The Ministry stated, in February 1999, that action was being taken to finalise the cases.

In 17 out of 18 re-entry cases test checked in Sunder Nagar, Jor Bagh, Golf Link, and Chankyapuri, the L&DO took 8 to 83 months in filing the plaints in court of the Estate Officer. Besides Government dues of Rs 11.78 crore as indicated in Annex 'D' was also not recovered.

The Ministry stated in February 1999 that some cases were sub-judice or pending with the Estate officer.

#### **5.1.5.7.1 Eviction cases**

There were 38 cases as detailed in Annex 'E' in which orders for eviction were passed by the Estate Officer between 1976 and 1992 but the actual eviction had not taken place till February 1999. Of these, 28 are 22 to 10 years old and 10 are eight to five years old. The Estate Officer failed to get the premises vacated under forcible eviction within the prescribed period of 30 days after passing eviction orders.

The Ministry stated, in February 1999, that they do not have demolition squad to comply with eviction orders. This argument is not tenable as Ministry could use the police assistance as is done by other revenue authorities.

**Annex 'A'**  
(Refers to Paragraph 5.1.5.2)

**Outstanding recovery of ground rent**

(Rupees in crore)

Sl. No.	Name of Hotel	Location	Area (in acres)	Types of breaches	Demand Notice issued in	Premium (including interest)		Ground Rent (including interest)		Damages/misuse charges (including interest)		Licence fee (including interest)		Payment made if any	Balance Amounts recoverable As upto Sep. 1997	Action if any on receipt/correction
						Period of recovery	Amount	Period of recovery	Amount	Period of recovery	Amount	Period of recovery	Amount			
1	2	3	4	5	6	7	8	9	10	11	12	13				
HOTELS																
1.	Bharat Hotel	Barakhamba Road	6.0485	L&DO allotted land to NDMC for construction of 5 star hotel but they entered into agreement with Bharat hotel for construction of hotel.	September 1992 November 1996 May 1996	22.2.1981 to 16.9.1992	6.78	15.7.1995 to 14.7.1996 22.5.1981 to 31.3.1996	5.87 4.66	-	-	-	-	-	17.31	No such action was taken till February 1999
2.	Taj Palace	S.P.Marg	6.000	L&DO allotted land to DDA for construction of 5 star hotel but they entered into agreement with M/s Taj Palace for construction and commissioning of hotels.	-do-	20.7.1989 to 19.5.1998	6.97	-	-	4.3.81 to 9.4.85	0.96	10.4.85 to 14.7.98 10.4.85 to 9.5.98	3.47 2.32	-	13.72	Allotment cancelled on 4.3.81 but allotted afresh on 10.4.85
3.	La-Meridian	Raisina Road	4.290	L&DO allotted land to NDMC for construction of 5 star hotel but they entered into agreement with M/s Pure Drinks Ltd. And M/s CJ Internationals hotels.	September 1992 April 1998	30.3.1981 to 7.5.1992	3.39	30.3.1983 to 14.7.1996 30.3.1983 to 31.3.1996	2.77 1.82	30.3.83 to 31.3.96	0.71	-	-	-2.27	6.42	Ministry cancelled the allotment in July 1983 but reallocated.



4.	Samrat Hotel	Panch Sheel Marg adjoining Ashoka Hotel	3.115	An area of 3975.24 sq. yds were encroached upon by the lessee	June 1994	-	-	15.1.1992 to 14.7.1994 1.11.1991 to 14.7.1994	0.11 0.02	1.4.89 to 14.7.94	4.27	-	-	-	4.40	No such action was taken till February 1999
5.	Hotel Rajdoot	13, B Jangpura	0.3149	Allotted for residential purposes whereas constructed hotel on the land and occupied 110 sq. yds government land un-authorisedly.	May 1993	-	0.15	15.7.1964 to 30.4.1994	0.002	22.10.83 to 14.7.93	0.72	-	-	-	0.87	Premises re-entered on 3.2.72 but no eviction action taken till February 1999
6.	Ashoka Hotel	Chankaypuri	21.155	Unauthorised construction on additional coverage of 182172 Sq. ft.	Not issued	-	0.11	22.11.1955 to 31.12.1996	0.22	-	-	-	-	-	0.33	Final show cause notice issued Dec.1998 but no action taken till Feb.1999
Total							17.40		15.47		6.66		5.79	-2.27	43.05	
PRESSES																
1	National Herald	5-A, Bahadur Shah Zafar Marg	0.309	Un-authorised construction and sub-letting etc.	May 1988 and December 1996	-	-	15.7.1971 to 14.7.1997	0.034	15.7.1971 to 14.7.1997	4.266	-	-	-	4.30	Re-entry action under process
2	Daily Pratap	5 Bahadur Shah Zafar Marg	0.364	-do-	July 1994	-	-	-	-	01.01.1963 to 14.01.1995	11.00	-	-	-	11.00	Show cause notice issued in Dec. 1998. No action of re-entry till Feb. 1999.
3	Daily Tej	8 Bahadur Shah Zafar Marg	0.251	-do-	January 1998	-	-	15.1.1971 to 14.1.1998	0.03	23.2.1978 to 14.1.1998	0.62	-	-	-0.06	0.59	Show cause notice issued in June 1996. No action of re-entry till Feb. 1999.
4	Gulab Printers	6 Bahadur Shah Zafar Marg	0.675	-do-	June 1992 and June 1996	-	-	15.7.1973 to 14.7.1992	0.03	6.7.1969 to 31.3.1992	3.02	-	-	-	3.05	Show cause notice issued in June 1996 and again in Dec. 1998. No action of re-entry till Feb. 1999.
5	United	3,	-	-	-	-	-	15.7.1988	0.006	1.4.1987	7.035	-	-	-	7.05	No such action

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	India Periodicals Private Ltd.	Bahadur Shah Zafar Marg						to 14.1.1997 to 15.7.1980 to 14.1.1998	0.009	to 31.1.1998					taken till February 1999.	
		Total							0.109		25.941				-0.06	25.99
CLUBS																
1	Delhi Race Course Club	Race Course Road	53.25	Unauthoris-ed occupation charges	February 1998			26.11.1979 to 31.12.1984 to 26.11.1979 to 31.12.1997	0.03 0.06	1.1.1995 to 31.12.1997	1.09				1.18	No such action was taken till February 1999
2	Delhi Gymkhana Club	-do-	27.3	Unauthorised construction/misuse charges etc.	October 1998					20.5.1959 to 14.7.1998	2.45				2.45	-do-
		Total							0.09		3.54				3.63	
CINEMAS																
1	Sangam	RK Puram	4001.33	Misuse/ unauthorised construction/ subletting	December 1985			15.07.1975 to 14.01.1986	0.04	20.8.1975 to 15.1.1986	1.17				1.21	Referred to screening committee but no action of re-entry till February 1999.
2	Alankar	Lajpat Nagar	5043.33	Misuse/ unauthorised construction/ sub-letting.	Proposed in January 1990					13.9.1977 to 15.12.1989	0.51				0.51	No such action till February 1999.
		Total							0.04		1.68				1.72	
PETROL PUMPS																
1	Hindustan Petrol Corporation	Opp. INA market	NA	Mis-use (welding work)	1983					April 1987	0.12				0.12	No such action till February 1999
2	-do-	Vinay Marg	NA	Mis-use (welding work)	1983					December 1989	0.02				0.02	Show cause notice issued in Dec. 1998 but no action of

																re-entry till February 1999	
3	Bharat Petroleum Corporation	Ring Road, Opp. R.K Puram	NA	Mis-use (welding work)	March 1987	-	-	15.1.1979 to 14.1.1988	0.05	12.09.77 to 14.01.87	0.05	-	-	-0.02	0.08	No action of re-entry till February 1999	
4	Indo Burmah Petroleum Corporation	Church Road	NA	Coca Cola booth Encroachment of land etc.	1966 1970	-	-	-	-	NA	0.16	-	-	-	0.16	-do-	
	Total								0.05		0.35			-0.02	0.38		
19	Grand Total						17.40		15.759		38.171		5.79	-2.35	74.77		



**Annex 'B'**  
**(Refers to Paragraph 5.1.5.2.1)**

**Outstanding dues on account of breaches etc.****(Rs in crore)**

Sl.No	Description of Property	Name of owner	Date of demand	Premium (including interest)	Ground Rent (including interest)	Damages / Misuse charges	Unearned increase	Amount recoverable
1.	24, Barakhamba Road	M/s. Ashoka Estates (P) Ltd.	20.10.1995	0.69	0.79	2.37		3.85
2.	8, Jantar Mantar Road	Sh.Hardev Singh & others	23.12.1993	6.85	-	0.08		6.93
3.	40, Hanuman Road		25.7.1991			0.66		0.66
4.	33, Prithvi Raj Road		27.6.1995	0.05	0.06	0.04		0.15
5.	23, Prithvi Raj Road		3.4.1996	-	0.19	-		0.19
6.	10, Connaught Circus		23.10.1990	0.32	0.07		0.04	0.43
7.	50, Janpath		17.11.1993	-	-	0.28		0.28
8.	22, Connaught Circus	Sh. Raj Gopal & Smt. Sushma	27.2.1992	-	-	0.11	-	0.11
9.	B-3, Connaught Place		25.11.1993	-	-	0.45		0.45
10.	A-2D, Connaught Place	Sh. Onkar Nath	24.6.1992	0.26	0.09			0.35
11.	G-9, Connaught Place	Sh.O.P.Arora	12.1.1993	-	-	0.12	-	0.12
12.	1, M.M.Road	Sh.Banwari Lal Charitable Trust	7.12.1993	-	-	3.29	-	3.29
13.	8, Lady Harding Road	Sh. Arjun Dev	8.9.1992	-	-	2.81	-	2.81
14.	90/6, Connaught Circus	Shri Radha Krishna Temple Trust	4.7.1994	-	-	1.11	-	1.11
15.	90/20, Connaught Circus	Smt. Vidyawati	11.7.1994	1.22	-	0.07	-	1.29
16.	1, Sikandra Road	Sh.Gajbir Singh	12.7.1993	-	-	1.63	-	1.63
17.	20, Ferozshah Road	Sh. Anand Kumar Mohatta	17.7.1982	1.07	0.01			1.08
18.	136/171, Sunder Nagar	Smt. Sarla Devi Khosla	3.3.1998			2.31		2.31
19.	171/2, Sunder Nagar	Sh. Rajender Kumar Gupta	29.3.1994			0.07	0.38	0.45
20.	10/70, Golf Links	Sh. Satyawati Devi	21.7.1994			0.47		0.47
21.	13-29 E, Connaught Place, N.Delhi	M/s Pearay Lal & Sons	29.4.1994	0.24	0.21	0.11		0.56
22.	185, Golf Links, New Delhi	Sh. Ashok Kumar Gupta	8.12.1995		0.19			0.19
23.	7, Bahadur Shah Zafar Marg, New Delhi	M/s. Bennet Coleman & Co. Ltd.	11.02.1981	0.19	0.12			0.31
24.	172/11, Jor Bagh, New Delhi	Sh. Ramesh Mehra	24.02.1994			2.05		2.05

Sl.No	Description of Property	Name of owner	Date of demand	Premium (including interest)	Ground Rent (including interest)	Damages / Misuse charges	Unearned increase	Amount recoverable
25.	15, Barakhamba Road	Sh. Hans Raj Badera	20.10.1995					1.57
26.	26, Barakhamba Road	Smt. Premvati & Others	17.10.1995					1.39
27.	19, Curzon Road	M/s Ansal Properties (P) Ltd.	19.10.1995					1.32
28.	30, Ferozshah Road	-	26.10.1995					0.72
29.	13, Tolstoy Marg	-	20.11.1995					0.32
30.	18, Barakhamba Road	-	19.10.1995					0.60
31.	26, Curzon Road	M/s. Abaskar Constn. (P) Ltd.	18.10.1995					2.46
32.	26 A, Barakhamba Road	-	17.10.1995					0.66
33.	1, Tolstoy Marg	-	19.10.1995					0.50
34.	16, Curzon Road	M/s. Ansal Properties (P) Ltd.	10.10.1995					1.17
35.	3, Tolstoy Marg	-	18.10.1995					1.34
36.	9, Hailey Road	-	30.10.1995					0.22
37.	10, Hailey Road	Raja Bans Bahadur & Others	27.10.1995					10.39
38.	23, Curzon Road	M/s. Lok Nath Saran Dass	17.10.1995					2.64
39.	22, Curzon Road	-	19.10.1995					0.71
40.	17, Barakhamba Road		20.11.1995					1.55
41.	13, Curzon Road		10.6.1991					0.54
42.	7, Barakhamba Road	Sh. R.B.Durga Das	26.7.1993					0.19
43.	6, Curzon Road		18.12.1995					0.70
44.	24, Curzon Road (Embassy of USA)		20.11.1995					1.34
45.	15, Hanuman Road		16.6.1992					0.09
46.	48, Hanuman Road		6.9.1991					0.39
47.	90/21, Connaught Circus		1.8.1981					0.16
48.	G-4, Connaught Place		31.5.1993					0.19
49.	E-5, Connaught Place		20.2.1996					0.73
50.	D-3, Connaught Place		23.9.1986					0.10
51.	H-I, Connaught Place		11.11.1993					0.67
52.	1, Doctor Lane		16.11.1994					1.37
53.	11-B, Plot No. 1, Aurangzeb Road	Sh.J.Daulat Singh	20.11.1998	1.64	0.73			2.37
54.	22, Barakhamba Road	Smt. Savitri Devi						1.19

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Sl.No	Description of Property	Name of owner	Date of demand	Premium (including interest)	Ground Rent (including interest)	Damages / Misuse charges	Unearned increase	Amount recoverable
55.	14, Barakhamba Road	Baba Dan Singh						3.95
56.	5/171, Sunder Nagar	Sh. Balbir Singh Ex. Leese						2.13
57.	Plot 38, Block-10, Golf Links	Smt. Savitri Devi Sharma	14.7.1998					2.05
58.	171/145, Swadeshi Cotton Mills	-	21.8.1998					0.15
59.	171/26, Sunder Nagar Market	Sh. Salig Ram Kapila	17.10.1994					0.03
60.	4, Dev Nagar, Block 172	Sh. Gujar Mal	27.6.1994					0.02
61.	10/117 (Ledger folio No. 1561)	Sh. Abinash Puri	5.12.1986					0.28
62.	172/18, Jor Bagh	Maj. Abnish Chander	24.6.1991					0.22
63.	Benet Col. Co. Times of India, Darya Ganj		11.2.1981					0.31
64.	10/153, Ajmeri Gate	Sh. Govind Ram & Sons	6.8.1990					0.31
65.	43, Panchquin Road	Sh. Anant Ram	8.12.1995					0.19
66.	10/189/35 (Ledger folio No. 1511)	Sh. Deepak Sharma	22.4.1991					0.12
67.	2, Canning Lane	Smt. Devki Dar	30.7.1992					0.05
68.	124, Queen Ways	Indian Airlines Corpn.	17.8.1993					0.28
69.	Naya Bans Delhi	Sh. Brij Lal	15.7.1991					0.47
70.	22, Feroz Shah Road	Sh. Munna Lal	22.1.1996					0.41
71.	19, Barakhamba Road	Sh. Dwarka Das	6.1.1994					0.21
72.	29, Feroz Shah Road	Lala Girdhari Lal Memorial Federation	31.7.1991					0.32
73.	13, Roshanara Road	M/s. Rising Star Constn.	5.9.1985					0.63
74.	C-36, Connaught Place	Atma Ram House	6.1.1987					0.66
75.	59, Panchquin Road	Sh. Vijay Kumar & Vidya Dhar	7.12.1993					2.74
76.	12, Connaught Circus		18.11.1982					0.03
77.	16, Connaught Circus		8.5.1993					0.08
78.	20, Rajpur Marg Delhi		17.5.1984					0.05
79.	Block 171, Plot 126, Sunder Nagar		7.12.78					0.01
80.	2 A, Aurangzeb lane		2.3.1994					0.03
81.	234, Vinay Marg		16.4.1982					0.04
82.	M- Connaught Circus		10.12.1991					0.04

Sl.No	Description of Property	Name of owner	Date of demand	Premium (including interest)	Ground Rent (including interest)	Damages / Misuse charges	Unearned increase	Amount recoverable
83.	138, Sunder Nagar, Delhi		1.10.1991					0.01
84.	56, Queensway		10.3.1992					0.05
85.	11, Bazar lane, Bangali Market		24.2.1994					2.05
86.	12, Jor Bagh, New Delhi		10.1.1996					0.70
87.	9, Lodhi Market, New Delhi		14.9.1995					0.08
88.	31, Hanuman Road		12.11.1982					0.17
89.	B-31, Connaught Place		9.8.1995					0.68
90.	47/172, Jor Bagh, New Delhi		28.5.1984					0.02
91.	58-A/172, Jorbagh		1.7.1986					0.06
92.	108 A, Defence Colony, New Delhi		2.6.1989					0.09
93.	French Embassy, New Delhi		15.2.1995					0.43
94.	23, Babar Road, New Delhi		4.7.1989					0.05
95.	17 A/53, Gurdwara Road		20.10.1995					0.10
96.	122, Sunder Nagar		7.10.1992					0.11
97.	M/16/72 (Ledger folio No. 904)		16.2.72					0.01
98.	3612, Chawri Bazar, Delhi M (9D)/94 (Ledger folio No. 904D)		9.7.1994					0.80
99.	7, Barakhamba Road, New Delhi		16.3.1994					0.64
100.	3, South End Road,		20.12.1994					0.01
101.	1, Canning lane, New Delhi		13.8.1982					0.43
102.	Block - 134, Plot 46, C.Place	Sh. Daulat Ram	28.12.1994					0.08
103.	Block 134, Plot 43, C. Place	Durga Devi	14.7.1982					0.11
104.	C-100, Defence Colony	Smt. Prakashwati Soundhi	11.10.1995					0.02
105.	N.Block, Connaught Place		26.7.74					0.19
106.	N.Block, Connaught Place	Sh.Surat Prasad Jain	29.3.1993					0.29
107.	15, Lodhi Estate		13.6.1995					0.44
108.	H-Block, Connaught Place	Mr. Bhutani Proprietors	23.4.1992					0.09
109.	90/21 Connaught Circus		21.7.1981					0.04
110.	90/22 Connaught Circus		11.3.1992					0.09

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Sl.No	Description of Property	Name of owner	Date of demand	Premium (including interest)	Ground Rent (including interest)	Damages / Misuse charges	Unearned increase	Amount recoverable
111.	9-H/8 Connaught Circus		8.9.1993					0.21
112.	205-C/128, Todar Mal Road		18.2.1992					0.01
113.	40, Lodhi Estate	India International Centre	6.5.1986					0.19
114.	42-C, Pump House, Connaught Place	Gandharav Mahavidyalaya	12.3.1987					0.06
115.	29, Prithvi Raj Road		16.2.1995					0.02
116.	Denmark Embassy, 1/31		13.2.1996					0.03
117.	C-1/3B, Connaught Place		28.2.1994					0.54
118.	H-10, Connaught Circus	Smt. Pushpinder Kaur	23.3.1984					0.01
119.	M-11/5A, M.D. Circle	Christian Service Agency	24.12.1991					0.04
120.	M-13/5, M.D. Circle	Sh. Rameshwar Swaroop	27.10.1992					0.35
121.	K-2, K. .D. Circle	Sh. Rishi Kumar	21.3.1995					0.26
122.	27, Aurangajeb Road	Sh. Harsaran Das	25.5.1995					0.03
	<b>Total</b>							<b>94.06</b>



**Annex - C**  
**(Refers to Paragraph 5.1.5.6)**

**(Position of 192 sites transferred to DDA for care and maintenance as green)**

**(a) Sites fully encroached upon by squatters including Jhuggi's, Coal Depots, Kabari's, Temples, Schools etc.**

Sl. No	Sl No of list	Location	Area (in acre)	Type of encroachment
1.	2	Shanti Van	0.54	Three temples
2.	4	At the junction of Todar Mal Rd. and Bazar Road	0.044	Unauthorised occupation of Kaushalya Devi
3.	6	Behind Curzen Rd. & Haily Rd.	0.496	Grave & Jhuggis
4.	9	Between Bapu Dham & officers flats	7.983	Jhuggis
5.	15	Pillanji Village (Sarojini Nagar)	5.02	Villagers occupied the site.
6.	16	Service Rd. Behind Press Plots Mathura Rd.	0.42	Dhaba, Cycle stand, store etc.
7.	17	Bet. Nallah and Laxmi Bai Nagar	10.00	2 Coal Depots, 2 Temple 1 Gurdwara, Craft Bazar, 30 Jhuggies etc.
8.	31	Near Burmah Shell Petrolpump at Alipore Road.	0.2	Unauthorised workshops
9.	54	Near Rajghat	7.866	4 Temples, 4 Dhabas, DTC Bus Terminal etc.
10.	55	Behind P & T on Ring Road	0.777	23 Huts
11.	62	Near Gora Cementary	0.75	140 Sq meters, 3 Huts etc.
12.	64	Near NAC Store	3.00	Balmiki Mandir
13.	66	Malkaganj Graveyard	6.00	Residential and commercial squatters
14.	69	Behind Gokhale Market	7.395	140 squatters
15.	3	Near Ramjas College Poorvi Marg	2.041	Kabari, Jhuggis, Temples
16.	7	Srinivas puri Near 'L' Shape market	3.09	Arya Samaj Temples
17.	10	Srinavas puri near child welfare	0.60	Squatters
18.	21	Ring Road, along Nallaha, Nataji Nagar	6.00	3 petrol pump
19.	26	Ring Road, R.K.Puram	0.40	80 Jhuggis, 2 Temple
20.	36	Area of Shah Kamal Mosque DIZ Area, Gole Market	0.207	Motor Garaj
21.	45	Nanak pura	0.20	Building Material supplier
22.	46	Dispensary site Nauroji Nagar	0.34	Bharat sewak Samaj
23.	47	Nauroji Nagar	0.20	Gurudwara
24.	54	Opp. Central School, R.K.Puram	1.50	Squatters, Temple Dairy
25.	71	R.K.Puram VI	1.50	Temple, Gurudwara etc.
26.	72	- do -	3.50	School, Church Temples, etc.
27.	73	Ekta Vihar	16.90	CRP Camp., Temple, School, Dairy, Market etc.
28.	76	R.K.Puram VII	0.38	Jhuggies, Post Office, School, Dairy etc.
29.	103	Ring Road, R.K.Puram	0.35	Jhuggies, Temples, Tents etc.
30.	111	R.K.Puram Near St.Colombus School	6.749	Squatters, Lavotory Temples, School Etc.
31.	122	Near G.B.Pant Hospital	6.00	80 jhuggies, Dairy Mandir, Grave yard, Dargah, Masjid, School etc.
<b>Total</b>			<b>100.448</b>	

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(b) Sites partly encroached upon by squatters including Jhuggis, Milk Dairies, Shops, temples etc.

32.	12	Nanak Pura Shastri Market	18.00	4 Kabar's, 12 Milk Dairies, 700 Jhuggies, 6 Gas godowns, 3 Temples (rest vacant)
33.	13	University Enclave (Dhaura Kuan)	2.00 (Out of 35 Acres)	Squatters, School
34.	18	Between Nallah and West Kidwai Nagar	4.50 (Out of 5 Acres)	Temple, Tents, Training Centre, etc.
35.	21	Sector III & IV R.K.Puram	21.00	School, Mandir, water tank, etc (partly occupied, partly vacant)
36.	28	Along Najafgarh Nallah & Hakikat Nagar	2.00	One Vyam Shala, MCD school
37.	29	Crossing of Princess Road and Karaval Road.	1.30 (Out of 2.3 acres)	Shops, Mandir, Nursery (Partly Squatted)
38.	30	Model Town	0.044 (out of 2.044 acres)	Three Jhuggies
39.	33	Between Link Road & Nizamudin West	9.00	Partly Encroached
40.	40	Nehru Nagar	4.828	Partly occupied
41.	45	NDMC Market Chanakyapuri	7.20	Squatters etc.
42.	47	Back of INA Colony & Market	8.226	Tamples, Mazar, (Balmiki & Shiv Temple) Jasbir Singh,
43.	53	Near Munirka	27.200	DTC Depot, Police station, Petrolpump 100 Jhuggies
44.	58	Near Grid Station	2.08	One residential flat
45.	59	Between Magazine Road & Timarpur	62.00 (Out of 128 Acre)	100 flat, 6 Mandir, 152 Shops, 1 School, 150 MCD Qtrs. (Partly Vacant)
46.	60	Lucknow Road	3.828 (out of 4.828)	School, Flats-24, two Mandir etc.
47.	65	Hill Road and Ludlow Castle Road	17.00	Residential squatters, Mosque Graves (Partly vacant)
48.	67	Near Ezzo Petrolpump at Alipore Road	0.500	DDA Nursery, fencing and two shades
49.	1	Sewa Nagar	0.273	Vyayam Shala, Temple MCD
50.	4	Aroud Humayun Tomb	20.981	One Gas Godown allotted by DDA
51.	8	Srinivaspuri Opp. Enquiry	0.444	Partly squatted upon
52.	9	Do	1.06	Do
53.	14	J.J. Colony Rly. Line Brig. Hoshiyar Singh Road	0.700	Partly squatted partly vacant.
54.	16	Rly Land, Sarojini Nagar	10.00	80 square meters; 3 Kabaris, 6 Temples, (Partly land is vacant)
55.	20	B Avenue to Pillanji Village	5.10	Squatters, Temple, NDMC Staff Qtrs. etc.
56.	25	Moti Bagh I	10.00	6 Temple, DDA Slum 64, Partly vacant
57.	31	Plat 18, Diplomatic enclave	0.708	8 Labour huts
58.	41	Rocky area, Nanakpura	6.00	Taxi stand, Petrol pump
59.	42	-DO-	8.50	MCD water Tank, Temple, Baba Balak Nagar Partly vacant
60.	43	DMC site Nanakpura	0.50	Coal Depot
61.	48	Garhi Mandu Area (Sharpur & Saudat Pur)	750	About half allotted to Library, rest under unauthorised temple, 4 Jhuggis
62.	62	MS & Primary School R.K. Puram	2.50	Shastri School, Sanatan Dharam Mandir
63.	64	CGHS Disp. R.K. Puram	1.00	Unauthorised School, Two Jhuggi's (Rest-vacant)

64.	65	Police Station R.K. Puram	2.00	Temple, School, Ravi Das
65.	67	Monument R.K. Puram	3.00	Gurdwara Temple, Rest Vacant
66.	68	Pettrol Pump R.K. Puram	0.853	Arya Samaj Temple, School, Contractor Store
67.	70	CGHS Disp. Sec. VI, R.K. Puram	0.65	Labour flats, Bldg. Material CPWD Rest-vacant
68.	75	R.K. Puram, Sec. VII	3.00	School, Temple, Fuel Depot
69.	76	-do- RC School	0.38	School, Jhuggis, PO
70.	82	Community Centre, R.K.P VIII	2.00	Temple, 50 Jhuggis
71.	89	Near post office in R.K. Puram	0.369	Commercial squatters
72.	91	Dispensary Elect. Sector R.K. Puram IX	1.50	Subzi Mandi, One Temple
73.	93	R.K. Puram IX	0.773	Viveka Nand School
74.	98	R.K. Puram X	26.20	Partly occupied by squatters
75.	115	R.K.Puram IV	1.00	Partly occupied by Mohan Singh Hut
<b>Total</b>			<b>1050.197</b>	
<b>Total (A) + (B)</b>			<b>1150.645</b>	

(c) Sites encroached upon by other Departments including NDMC, MCD, DESU, CPWD, Delhi Administration etc.

1	1	Original Road & Faiz Road	0.283	MCD Water Pumps
2	10	Between S. Patel Road & Ring Road	13.00	Delhi Administration
3	11	Between Moti Bagh I & Military TPT Co.	11.40	Delhi Administration
4	14	Area between Chanakaya Puri & Rly. Line towards Safdarjung Aerodrome	1.000	NDMC Shops (one u/a structure, one attached temple)
5	19	Area opposite Defence Colony and Kasturba Nagar	0.350	Partly u/a occupied by MCD for latrins & partly by DESU
6	34	Land between T.Power Stn. And Jamuna Bridge	3.903	Partly u/a occupied by Police Station I.P.Estate Partly developed in Park
7	35	Between Power Station & Nallah	3.180	MCD office Pumping Station
8	42	Kitchner Road in Diplomatic Enclave	3.500	Allotted to NDMC
9	48	Land in Golf Link Colony	0.674	NDMC for service centre & staff quarters
10	52	Along DTC building at Ring Road	946.000	Partly occupied by PWD (Delhi Admn.) Offices
11	53	Near Munirka	27.200	By DTC Depot, Police Station, Petrol Pumps & 100 Jhuggis
12	56	AT the Junction of Rajpur Road near Alipur	0.740	MCD for Lawns & Labs
13	60	On Lucknow Road	4.828	By MCD u/a Primary school, Huts, Two Mandir
14	1	Site near NDMC School storm water drain, Sewa Nagar	0.273	Partly by MCD, Bajrang Vyayam Shala
15	2	Area Near NDMC School Kasturba Nagar	0.884	By MCD
16	22	Area in Netaji Nagar	2.413	NDMC School
17	34	Diplomatic Enclave	3.500	Rose Garden NDMC
18	35	Deplomatic Enclave	3.500	Rose Garden NDMC
19	53	Adjoining Central School, R.K.Puram II	1.75	By MCD
20	63	Rocky Land & vacant land along Nallah	5.000	Developed as Park by CPWD (Hort)
21	99	Police Station, R.K.Puram, Sector - XII	19.300	CRP Camp & a Park
22	171	Land Near Primary School, Pilot Project, New Moti Bagh -I	0.400	4 NDMC Shops
<b>Total</b>			<b>1053.078</b>	

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(d) Sites utilised by DDA for purposes other than maintenance as green

1	7	Extension of Diplomatic Enclave	127.406	DDA Slum by Constructing Laboratory Blocks, Library School, Sewing Centre
2	22	South Periphery Road, Sector-VI, R.K.Puram	0.700	DDA Shopping Centre.
3	26	Area at the Crossing of Link Road & towards Ring Road, Defence Colony	2.864	Fully utilised
4	27	Land near Pumping Station at Najafgarh Nallah	14.287	Utilised for expansion of Mukharjee Nagar
5	31	Land near Burmah shell Petrol Pump at Alipur Road.	0.200	4 Numbers of DDA Shops
6	37	Land at the back of Police Station Andrews Ganj	1.652	Part of land by DDA for Bharat Petrol Pump & Nursery & Partly encroached by Govt./Semi-Govt. agencies. (Delhi Administration Elect. Division & CPWD, Division)
7	47	Land at the Back of INA Colony and Market	23.982	Partly by DDA for Vikas Sadan office etc. Partly encroached by Temples etc. (Partly vacant)
8	61	Land Near DTC Shed Coronation Road	15.737	Utilised by DDA (Indira Vihar)
9	4	Area Near Humayun Tomb	20.981	For Park & a Gas godown
10	9	'L' Market, J.J.Colony Srinivas Puri	1.060	For Barat Ghar & Park
11	15	Circular Road (NAC Area)	10.500	DTC Shed
<b>Total</b>			<b>219.369</b>	

(e) Sites allotted/utilised by Land and Development Office (L&DO)

Sl. No	Sl No of list	Location	Area (in Acre)	Plot/Area allotted by L&DO to
1	1	Original Road & Faiz Road	0.372	Maratha Mitra Mandal
2	5	At the junction of Janpath and Ashoka Road	4.900	Kanishka Hotel Yatri-Niwas
3	7	Extension of Diplomatic Enclave	NA	Embassies
4	28	Along Najafgarh Nallah & Hakikat Nagar	2.000	Mandir
5	32	At the back of Bal Bharti School & DAV School, Lodhi Road	2.000	Bal Bharti and Habital Centre
6	36	Between Oberoi Hotel and Blind Institute	2.762	Indian Tourism Development Corporation
7	38	Behind Lodhi Hotel	1.100	Bharat Heavy Electricals/Housing and Urban Development Corporation
8	39	Between Housing Factory and Railway crossing at Jangpura	7.818	Hindustan Petroleum Corporation Limited
9	40	Nehru Nagar	5.697	Primary school and CPWD
10	43	Near Ashoka Hotel	3.195	Samrat Hotel
11	47	At the back of INA Colony & Market	7.44 4.180 5.413	Central Public Works Department Kendriya Vidhyala Sanghathan Director of Education
12	48	In Golf Link Colony	0.210	Utilized by L&DO
13	49	Between State plots and Security quarters at kautalya Marg	1.147	Guest House & New Delhi Municipal Corporation
14	51	Pinjra Pole Society at the back of Andrews Ganj	75.494	CPWD for construction of General Pool accommodation
15	55	Behind P&T on Ring Road	3.156 0.67	Delhi Administration Visonia Sabha
16	58	Near Grid Station	1.995	Delhi Vidyut Board
17	59	Between magazine Road & Timarpur	66.000	Delhi Administration, MCD Inld Parking Mission of Charity
18	60	On Lucknow Road	1.000	CGHS Dispencary

Sl. No	Sl No of list	Location	Area (in Acre)	Plot/Area allotted by L&DO to
19	70	Railway crossing at Kitcher Road	6.000	Taj Hotel
20	18	Area lying behind NDMC School in 'B' Block Sarojini Nagar	0.325	Khalsa School
21	19	Near Children Welfare Society Sarojini Nagar	0.750	Khalsa School
22	23	Nataji Nagar	0.750	College of Arts and Commerce
23	30	Plot No. 34 Diplomatic Enclave	0.900	To Sikkim
24	48	Garhi Mandu Area (Sharpur & Saudatpur)	Not available	Nanaksar Gurudwara
25	120	Taj Barracks at Janpath	2.599	State Trading Corporation (Jawahar Vyapar Bhawan)
		<b>Total</b>	<b>207.873</b>	



Annex - D  
(Refers to Paragraph 5.1.5.7)

Statement showing details of re-entered cases

Name of the colony	Total number of re-entered properties	Number of re-entered cases test checked	Property No.	Date of re-entry	Date of filing the plaint in ESO court/ present status	Delay in filing plaint in ESO court (Months)	Amount involved (Rupees in crores)
Jor Bagh	5	4	172/200	11 September 1973	22 November 1975	26	0.02
			172/118	8 August 1983	Not available	--	0.22
			172/190	13 April 1970	-do-	--	0.02
			172/103	11 June 1976	-do-	--	0.01
Golf Link	2	2	10/38	27 April 1974	Pending in High Court	--	7.28
			10/70	24 April 1982	-do-	--	0.47
Chankeyapuri	4	4	8/39	31 July 1970	-do-	--	0.15
			13/48	29 July 1983	-do-	--	N.A.
			39/2 (shop)	18 October 1965	22 September 1972	83	0.04
			48/2 (shop)	21 May 1971	Not available	--	0.07
Sunder Nagar	7	7	61	4 August 1973	4 December 1974	16	0.04
			126	28 March 1970	30 July 1975	64	N.A.
			144	27 March 1970	6 July 1976	75	0.10
			142	24 August 1971	8 September 1972	12	0.05
			5	22 August 1989	Pending in High Court	--	3.18
			Shop 9	27 October 1973	17 June 1974	8	0.13
			Shop 6	18 August 1973	3 October 1974	13	n.a.
<b>Total</b>	<b>18</b>	<b>17</b>					<b>11.78</b>

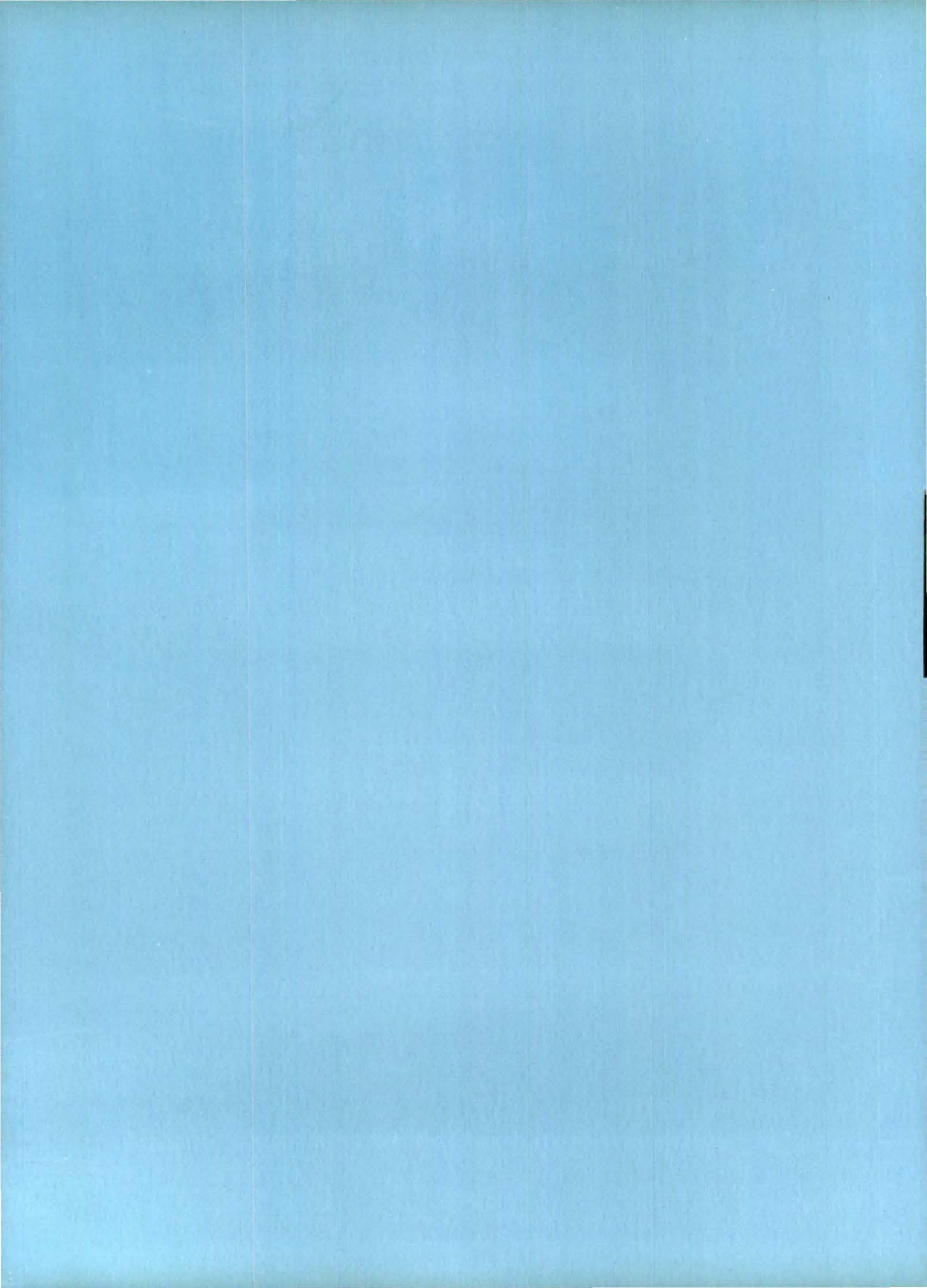
**Annex - E**  
**(Refers to Paragraph 5.1.5.7.1)**  
**Cases in which eviction orders have been passed by the Estate Officer**

Sl. No.	File Number	Name and date of eviction order	Site of encroachment
1.	Ref.15-7(276)/67	Sh.Santlal Jain 21.7.82	Rouse Avenue
2.	" 15-7(4733)/69	Sh. Rajesh Kumar 31.1.90	Aram Bagh
3.	" 15-7(1596)/72	Sh. Ravinder Nath 16.9.76	*I.Point, Panchkuian Road
4.	" 15-7(4209)/72	Sh.Ramesh Chand 31.3.89	Adjacent to market, Panchkuian Road
5.	" 15-7 (4300)/72	Sh. Kishan 26.8.85	I.Point Panchkuian Road
6.	" 15-7(4303)/79	Sh. Arjun 6.2.86	I.Point, Panchkuian Road
7.	" 15-9 ( 8616)/78	Sh. Bisamber Dayal 4.11.85	I.P.Estate, New Delhi
8.	" 15-7(4290)/79	Sh. Pujari 22.1.86	Near Udasin Temple, I.Point,
9.	" 15-7(3909)/73	Sh. Satnam 7.3.91	Mirdard Road
10	" 15-7(1883)/70	Sh. Shiv Hanuman Temple,28.6.91	Kidwai Nagar, New Delhi
11	" 15-7(4286)/	Sh. Moti Ram 18.9.85	Panchkuian Road
12	" 15-7(4309)/	Sh. Ramesh Gaba 13.8.86	Panchkuian Road
13	" 15-7(1677)/69	Sh.Trilok Chand 23.7.77	I.Point, Panchkuian Road
14	" 15-7(1660)/70	Sh. Surjit Singh 22.7.76	I.Point Panchkuian Road
15	" 15-9(7132)	Sh. Vishwanath 29.4.85	I.Point, Panchkuian Road
16	" 15-7(4291)/79	Sh. Ram Kumar 13.9.85	I.Point, Panchkuian Road
17	" 15-7(861)/78	Sh.Bala Dutt 15.11.84	I.P.Estate
18	"15-9(860)/79	Sh. Yena Sharma 29.2.85	I.P.Estate
19	" 15-7(4300)/79	Sh.Kishori 26.8.85	I.Point, Panchkuian Road
20	" 15-7(8615)/	Sh.Shyam Lal 19.11.85	I.P.Estate
21	" 15-7 (4817)/80	Sh.Inder Mohan 26.5.86	Pusa Road, N.Delhi
22	" 15-9(8640)/81	Sh.Ram Mehar 9.11.82	Minto Road, New Delhi
23	" 15-9(8641)/81	Mohd.Idris 22.4.83	-do-
24	" 15-9(8642)/81	Sh. Manthu Ram 4.3.83	-do-
25	" 15-9(8643)/81	Sh.Ram Bahadur 8.2.83	-do-
26	" 15-9(8644)/81	Sh. Charanjit Lal 9.11.82	-do-
27	" 15-9(8645)/81	Sh.Mohd.Isaq 18.6.82	-do-
28	" 15-9(8646)/81	Sh. Munna Lal 15.10.82	-do-
29	" 15-9(8622)/80	Sh. Mukesh 14.3.85	I.Point, Panchkuian Road
30	" 15-7(4629)/83	Sh.Basant Ram 20.3.85	36/389 Trilok Puri
31	" 15-7(4453)/80	Sh.Shish Pal 27.6.86	Aram Bagh, N.Delhi
32	" 15-7(4569)/81	Sh.Jamail Ahmed 16.10.85	Club Road, Delhi
33	" 15-7(4773)/80	Sh. Wazir Chand Gulati 27.3.89	Shop 27 Baird road Market, DIZ area
34	" 15-7(4638)/83	Sh. Kishan Chand 31.7.89	Shop behind Khz pass market
35	" 15-3(531)/82	Sh. Suraj Pal 31.1.89	Near Udasin Mandi, I.point Panchkuian road
36	" 15-7(4377)/80	Sh. Ram Chander Rao 31.1.90	Rouse Avenue
37	" 15-7(4279)/79	Sh. Dal Chand	I.Point, Panchkuian Road
38	" 15-7(4302)/74	Smt. Premwati 31.1.92	I.Point, Panchkuian Road

\* I Point refers to seriatum order like A, B, C,...etc.

**Ministry of Urban Affairs and Employment**

**Working of Government of India Presses**





## 5.2 Working of Government of India Presses

### Highlights

Government of India Presses have not performed efficiently. Absence of commercial orientation to performance, slow pace of modernization to keep in line with the all round improvement in printing technology and services, no strategic plan for the future of the Presses under the impact of competition from the private sector have impeded their overall efficiency and effectiveness. Ministry needs to follow up the Cabinet decision to examine in detail the status of presses and recommend either retention on modernisation or closure.

In 21 Government of India Presses, the average capacity utilisation varied between 31 per cent and 44 per cent during 1993-94 and 1997-98. In three Presses, the percentage of utilisation was only 15 to 17.

Productivity was low in all the Presses. 28.87 lakh machine hours and 73.71 lakh labour hours were lost during 1993-98. Absenteeism, loss of work due to "idleness" brought about by a number of controllable factors and instances of administrative inefficiency were widespread. In the presses at Coimbatore and Shimla "no work" had caused financial loss of Rs 10.51 crore.

Significant delays of over five years in completion of jobs and delays of five to 12 years in dispatch of printed products were evidence of management ineffectiveness which had also delayed receipts of printing costs.

Modernisation in the form of replacement of ageing and technologically obsolete machines was sporadic. Efforts to modernize the press at Ring Road, New Delhi have not succeeded even after five years of sanction of the scheme at Rs 5 crore in September 1993.

Depreciation Fund to finance modernization efforts is not operational in any of the Presses. In seven presses, 66 unserviceable machines were not replaced.

Issue of 225 No Objection Certificates to various ministries and departments, permitting printing from private sources during 1993-98 underscored the infrastructural inadequacies of Government of India Presses.

The cost of printing was found to be higher in Government Press compared to the rates of private presses.

Non-adoption of commercial accounting system contravened the recommendation of the Public Accounts Committee made in 1982 in its 64 Report (5<sup>th</sup> Lok Sabha). Besides, this had rendered impossible any meaningful efficiency and financial evaluation of the working of the Presses.

Rupees 136.99 crore were outstanding as on 31 March 1998 against various ministries/departments which included Rs 76.40 crore pertaining to the last

five years and the balance of Rs 60.59 crore were outstanding for a period from five to 22 years.

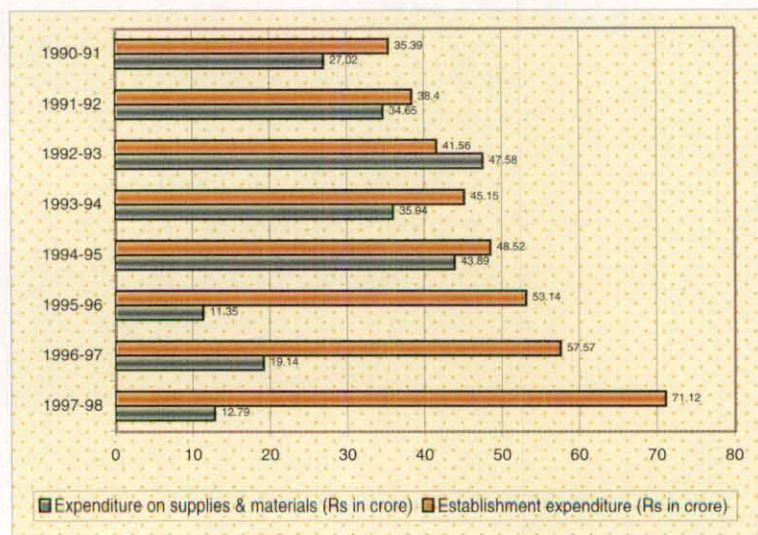
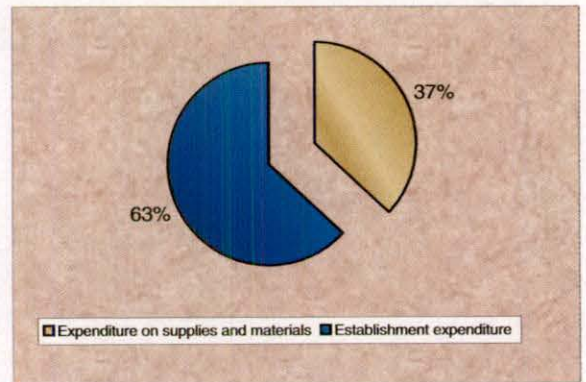
Store accounting was deficient. Stores valuing Rs 67.57 lakh were found short during physical verification in two presses and in six presses, stores valuing Rs 536.65 lakh were lying unused. Besides damaged stock valuing Rs 23.56 lakh was pending disposal in one Press.

**Recommendation**

Government should review the need to continue the presses in the light of printing facilities available in the market, inefficiency of Government Presses, inability of the government to modernise them from time to time and high cost of printing.

**5.2.1 Introduction**

**5.2.1.1** The Director of Printing, under the Ministry of Urban Affairs and Employment is the nodal agency for all printing jobs of government departments. There are 21 presses throughout the country organised and functioning on non-commercial basis (**Annex A**). These presses are labour intensive with a work force (both industrial and non-industrial) of 9499 as on 1 March 1998 and its establishment expenditure ranged between 47 per cent to 85 per cent of its total revenue expenditure since 1990-91. The detailed break-up is as follows:





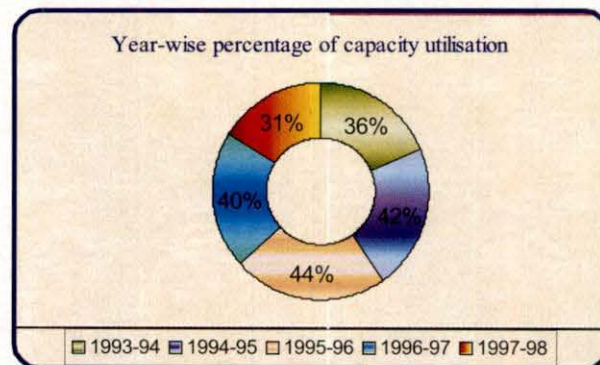
### 5.2.2 Scope of audit

Performance of the Presses for 1993-98 was reviewed during June to August 1998. Audit findings are as follows.

### 5.2.3 Low capacity utilisation

**Annual capacity** : The Director of Printing is responsible for fixing annual capacity for printing works in the press after considering all relevant (both controllable and uncontrollable)<sup>1</sup> factors. The capacity utilisation of a press is fixed with reference to the men-in position/machines installed and working (excluding unserviceable machines). Annual capacity is revised from time to time keeping in view the work force and availability of machines. Last revision in capacity had taken place in January 1994 and further revision has long been due.

In 1994, the Director had directed that the endeavour of the presses should be to achieve maximum / optimum capacity utilisation vis-à-vis their determined capacity which should in no case be less than 60 per cent in respect of letter press machines and 75 per cent in respect of offset machines.



**There was gross under utilisation of capacity in all Government of India Presses.**

Test check disclosed gross under utilisation of capacity in all the presses. The average under utilisation varied from 31 to 44 per cent during 1993-98. It was further noticed that the threshold level of performance was not achieved even once during the five years period from 1993-98. The decline was perceptible in the last three years - from 44 per cent in 1995-96, the utilisation declined to 40 per cent in 1996-97 and 31 per cent in 1997-98. The overall performance could have been further disappointing had it not been for the comparatively better utilisation achieved by Government of India presses in Gangtok (63-79 per cent), Mumbai (64-104 per cent) and Chandigarh (67 per cent) during this period.

Under performance was evident in some GOI Presses - 27 per cent in LPU<sup>2</sup>, Minto Road, New Delhi (1994-95); 15 and 19 per cent in PLU<sup>3</sup>, Minto road,

<sup>1</sup> Controllable factors related to absenteeism, machine ready time, daily cleaning, weekly cleaning, monthly cleaning, electrical defects, mechanical defects and stoppage and uncontrollable factors related to situations of power failure, no work, paper shortage and staff shortage and any other contingent factor.

<sup>2</sup> Letter Press Unit

New Delhi in 1993-94 and 1994-95 respectively. Utilisation was also poor in Faridabad (17 per cent during 1997-98), 22 per cent in Ring Road Press, New Delhi (1993-94 and 1997-98), between 17 and 28 per cent (1993-94 to 1997-98) in Santragachi Publication Unit, 26 per cent in Aligarh (1997-98) and 30 per cent in Nasik (1997-98). This indicated inefficient functioning of the Presses.

Year-wise percentage of capacity utilization of 19 Presses

S.No	Name of the Press	1993-94	1994-95	1995-96	1996-97	1997-98
1.	Minto Road (LPU)	37	27	34	50	43
2.	Faridabad (LPU)	45	48	53	43	34
3.	Minto Road (PLU)	15	19	38	40	31
4.	Faridabad (PLU)	26	30	34	28	17
5.	Ring Road, New Delhi	22	28	27	50	41
6.	Nilokheri	31	41	45	36	31
7.	Gangtok	70	70	79	56	63
8.	Bhubaneswar	41	48	49	36	31
9.	Koratty	46	50	49	41	36
10.	Santragachi (Publication Unit)	21	21	20	28	17
11.	Santragachi (Forms Unit)	26	44	47	31	26
12.	Calcutta (Temple Street)	52	43	50	45	30
13.	Aligarh	32	32	30	33	26
14.	Bombay	51	90	64	104	97
15.	Chandigarh	56	68	67	50	35
16.	Coimbatore	52	58	53	56	40
17.	Mysore	37	59	51	46	44
18.	Nasik	41	48	45	40	30
19.	Shimla	46	47	49	52	57
		36%	42%	44%	40%	31%

Managers of five Presses attributed the lower capacity utilisation to factors such as idle machine hours due to lack of oiling and cleaning, roller adjustment, lack of skilled personnel and absence of motivation, shortage of power, etc. GOI presses at Coimbatore, Shimla and Bhubaneswar attributed the high percentage of idleness to low utilisation arising from absenteeism, mechanical and electrical defects, power shortage and non-supply of spare parts, etc.

The Ministry also attributed the reasons for lower capacity utilization due to old and obsolete machinery, mismatch in crew due to ban on filling up of posts and mechanical and electrical defects, etc. The Ministry further stated that studies were being undertaken for fixing the revised capacity.

These constraints were easily identifiable and could have been overcome through effective managerial superintendence and control, which were lacking in the Government of India Presses. The Director was required to monitor capacity utilisation through Monthly Control Returns received from the presses and initiate appropriate remedial action.

<sup>3</sup> Photo litho Unit



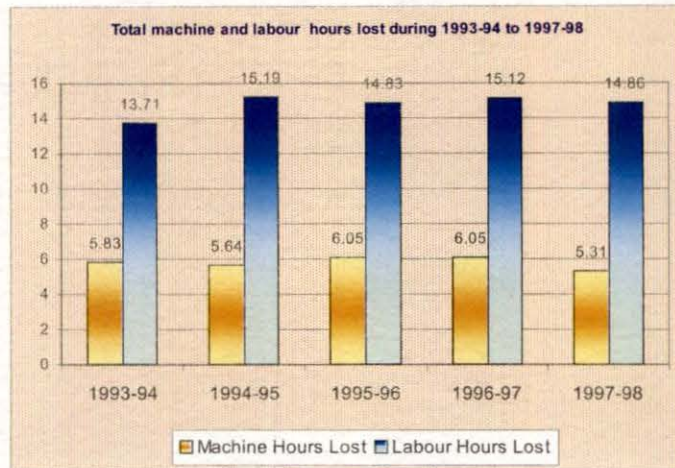
**5.2.4 Idle manpower**

During 1993-94 to 1997-98, 28.87 lakh machine hours and 73.71 lakh labour hours were lost.

(i) In respect of all the 21 Government of India presses, 2887296 machine hours and 7370652 labour hours were lost during 1993-94 to 1997-98 as is evident from the table below.

**Total machine and labour hours lost during 1993-94 to 1997-98**

Year	Machine Hours Lost	Labour Hours Lost
1993-94	583313	1371196
1994-95	563850	1518984
1995-96	604807	1482785
1996-97	604603	1512136
1997-98	530723	1485551
<b>Total</b>	<b>2887296</b>	<b>7370652</b>



The reasons for such high idle labour and machine hours were attributed to shortage of staff, old machines, non-availability of paper, insufficient allotment of work, frequent mechanical and electrical break-down, ink cleaning, corrections, failure of electricity, etc. These explanations, do not, however, fully explain the low productivity of GOI Presses, as capacity of every press was determined every year after considering all constraints. It would, thus, be seen that absenteeism, shortage of papers (as shown in the table below) were evidently controllable and could have been overcome through proper and timely management action. Besides, absence of any work order with presses at Coimbatore, Bhubaneswar and Aligarh also contributed to idle manpower, which could have been avoided through proper planning. Some instances are as follows:

**Absenteeism**

Year	Percentage	Presses
1994-95	24	Minto Road
1994-95	35	Faridabad L.P.
1996-97	29	Coimbatore
1996-97	25	Aligarh
1997-98	22	Bombay
1997-98	27	Faridabad

**Paper shortage**

Year	Percentage	Presses
1996-97	12	Mumbai
1996-97	6	Faridabad
1997-98	16	Nilokheri
1997-98	39	Temple Street, Calcutta
1997-98	23	Chandigarh
1997-98	22	Faridabad

**No work**

Year	Percentage	Presses
1995-96	11	Coimbatore
1996-97	10	Bhubaneswar
1997-98	8	Aligarh

(ii) In 14 presses, the percentage of idle labour hour to available labour hour varied from 6 to 86 per cent as detailed below:

S.No	Name of the Press	Percentage of idle labour hour to available labour hour	Percentage of idle machine hour to available machine hour
1.	Government of India Press, Koratty	15 to 20	57 to 63
2.	Government of India Press, Nasik	22 to 36	65 to 76
3.	Government of India Patent Press, Mumbai	27 to 33	27 to 33
4.	Government of India Press, Calcutta Temple Street	34 to 55	34 to 56
5.	Government of India Press, Calcutta (Publication Unit)	19 to 49	19 to 49
6.	Government of India Press, Calcutta (Forms Unit)	55 to 70	55 to 68
7.	Government of India Press, Simla	76 to 86	48 to 55
8.	Government of India Text Book Press, Bhubaneswar	61 to 66	49 to 64
9.	Government of India Press, Gangtok	6 to 8	6 to 16
10.	Government of India Press, Mysore	19 to 24	55 to 68
11.	Government of India Press, Coimbatore	49 to 63	51 to 55
12.	Government of India Press, Nilokheri	12 to 13	53 to 62
13.	Government of India Press, Faridabad (LPU)	25 to 51	49 to 60
14.	Government of India Press, Faridabad (PLU)	63 to 78	67 to 78

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The percentage of idle labour hour during 1993-98 was much higher contributing to poor utilisation of available manpower. During 1993-98, in these 14 presses the percentage of idle machine hour to available machine hour ranged between 6 per cent to 78 per cent.

#### **Loss due to idleness**

It was also difficult to quantify the consequential loss of such idleness. Deficient costing and non-adoption of commercial principles of accounting had rendered the determination of such loss, difficult. Test check, however, revealed that in GOI presses in Coimbatore and Shimla 8069 and 60708 machine hours were lost during April 1997 to March 1998 and 1993-94 to 1997-98 respectively due to 'no work' and 329137 hours lost due to absenteeism, shortage of staff, cleaning, power break down and sorting, etc. which resulted in financial loss of Rs 10.51 crore based on hourly rate fixed by the Director of printing. In Mysore, Chandigarh, Aligarh, Faridabad, Nilokheri, Koratty, Mumbai, Bhubaneshwar, Santragachi (Forms Unit) and Minto Road, New Delhi despite machine hours lost due to 'no work', the quantum of financial loss could not be worked out in these presses.

The Ministry stated, in January 1999, that the Presses do not have control on the flow of work and have to carry out the jobs entrusted to them and can not pick and choose the work and since it is a Government Department working on the basis of "no profit no loss" basis, the concept of loss perceived may not be appropriate.

The reply of the Ministry is untenable in view of the commonly assumed parameter of efficiency within which all agencies of Government are to function and expected to improve their efficiency through better management practices. Besides, it is not correct to assume that since it is a Government Department, wasteful expenditure should not be a cause for concern.

#### **5.2.5 Low productivity**

The Director of Printing determines production capacity of each press in sheet impressions from time to time with reference to the available workforce in the press.

Test checks revealed that the productivity per man (sheet impression) had decreased sharply in four Presses during 1997-98 as under:

**Government of India Press, Gangtok:** from 1.42 lakh sheet impressions per worker in 1995-96 to 0.73 lakh sheet impressions in 1997-98.

**Government of India Press, Chandigarh:** the production per worker had decreased from 2.39 lakh impressions during 1994-95 to 1.29 lakh impressions in 1997-98.

**Government of India Press, Faridabad :** Productivity decreased from 1.76 lakh impressions per worker during 1995-96 to 0.90 lakh impressions in 1997-98.



Government of India Press, Shimla: the annual sheet impression per worker had decreased from 0.45 lakh during 1993-94 to 0.34 lakh in 1997-98.

### 5.2.6 Higher cost of printing in GOI presses vis-a-vis private presses

Cost effectiveness not achieved due to large administrative overheads.

5.2.6.1 Test check revealed that higher cost of printing charges by GOI presses as compared to the private presses was impacting on the viability of the presses. Mention was made in the Report of the CAG of India for the year ended 31 March 1996 (No 06 of 1997) Union Government, Post and Telecommunication, that GOI Press, Ring Road, New Delhi had preferred a claim of Rs 20.68 lakh for printing work done on behalf of Department of Telecommunications, though a private printer had offered to undertake the same job at Rs 1.93 lakh.

5.2.6.1.1 Further test check revealed that Chief Electoral Officer, Bihar had paid widely varying rates for printing ballot papers concurrently through a private press and Government of India press in February 1998. The cost of printing per ballot paper by the private press had ranged between 33 and 35 paisa, for which the Government press had worked out 95 to 97 paisa for printing, the paper was supplied by the Chief Electoral Officer, Bihar in both the cases.

The Ministry stated in January 1999 that since majority of jobs are time-bound, involving many layers of verification and per unit cost would in absolute term be higher. This is not tenable as in the above mentioned cases are of similar type of jobs, executed by GOI Presses and private printers within the same time bound period.

In another instance, payment of Rs 2.79 lakh on a confirmed printing of taking Artpulls of 130 pages of Kuvi-Oriya-English dictionary work executed by the Press at Bhubaneswar, indented by Central Institute of Languages, Mysore had been withheld since February 1996, as the composing cost per page was allegedly more than Rs 2000 per page against the prevailing market rate of Rs 50 per page.

5.2.6.2 In this context, as stated in the Report of the CAG (No 6 of 1997), there is an urgent need for examination of the efficiency and system of costing in Government presses so that the printing cost of Government document in the press are comparable to those in the private sector and the Government departments are not made to bear the burden of prohibitive cost of running the Government presses<sup>4</sup>.

<sup>4</sup> The costing system being followed in Government of India presses provides for recovery of printing costs from the indentors. The existing costing formula is based on "No Profit No Loss" basis. The cost of printing recoverable from the indentors is arrived at by first computing the hourly rate on the basis of the total payments made to the operatives of the respective cost centre i.e., by dividing the total expenditure on account of direct labour cost by the number of hours put in by the cost centre. To this is added the percentage of overheads i.e., all administrative expenditure, such as payments made to the supervisory, auxillary staff, interest on capital and building and also the cost of paper and binding materials. This policy of printing of documents in Government presses entails liability on the various departments towards printing costs upto 10 times the cost of printing through private presses.

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The Ministry stated in January 1999 that the Director of Printing has been advised to bring down the cost and improve the quality. For realization of cost the introduction of page rate formula replacing the existing costing system is under consideration of the Government.

Issue of large number of NOC underscored the infrastructural inadequacies.

**5.2.7 No Objection Certificates to ministries and departments**

5.2.7.1 During 1993-94 to 1997-98, the Director of Printing issued 225 'No objection certificates' to various ministries and departments for getting the printing work done due to non-availability of paper as specified by the indentors and the limited time provided for printing. Audit scrutiny revealed that the types of works for which No Objection Certificates were issued related to printing of mostly accounts and reports, which was an annual feature of ministries/departments. The requirements of ministries and departments though at times be emergent, exclusive and time-bound that required outside printing, yet, Director of Printing needed to identify its inadequacies and overcome them in order to keep pace with the changes in printing technology that would ensure quality, cheaper cost and faster delivery. Alternatively, the viability of the Government Press itself should be reviewed critically.

5.2.7.2 The Ministry stated, in January 1999 that a conscious decision has been taken to reduce printing from private printers and issue No Objection Certificates on merits i.e. wherever, any job could not be undertaken in Government Presses as per the requirement of the indenting departments.

**5.2.8 Lack of modernisation in Government of India presses.**

5.2.8.1 Out of 21 presses, 16 were more than twenty-five years old. Of these, eight presses were following the offset printing technology, seven were having photo litho and letter press technology<sup>5</sup> and the remaining six were still following the old letter press technology. The machinery and equipment in most of these presses were more than 10 years old and in some cases more than twenty years old.

**5.2.8.2 Slow progress of modernisation**

Slow progress of modernisation in Government of India Presses.

Test check of two presses namely Government of India Press, Ring Road, New Delhi and Government of India Press (Letter Press Unit) Fariadabad disclosed that in these two presses where initiatives have been taken, the progress of modernisation was slow.

The progress of modernisation of Government of India Press, Ring Road, New Delhi approved in September 1993 at a total cost of Rs 5 crore and partial modernisation of Government of India Press (LPU) Faridabad in January 1997 at a total cost of Rs 1.55 crore was slow. In respect of Ring Road Press only Rs 2.77crore out of the estimated cost of Rs 5 crore had been incurred between

<sup>5</sup> Letter Press Technology is the old technology. In this technology printing is done after composing the matter using metal types. This technology is being replaced by the modern offset printing technology. Presses/Units using this technology are called photo litho units. In this technology composing is done using desktop publishing on computers. Printing is done after taking photo, making negatives and plates.

1992-93 and 1997-98. The reason for non-utilisation of funds provided for modernisation of presses was stated to be non-finalisation of purchase and specification for machinery by the Ministry, non-receipt of estimates for civil and electrical works from the CPWD and lack of training to the personnel in offset stream. As regards partial modernisation of Government of India Press, Letter Press Unit, Faridabad, the progress was similarly slow.

### **5.2.8.3 Depreciation Fund**

Further as per departmental instructions depreciation fund is to be maintained to provide a reserve, sufficient to meet the cost of the renewal and replacement of plant, machinery and furniture in order, so that the Press may be kept automatically in an efficient working condition. The fund shall be treated as a deposit in the Government account and receipt due to the fund shall be credited immediately prior to the closing of the accounts of each financial year on the basis of the actual amount of depreciation worked out during the year.

Test check revealed that 66 letter press printing machines, though declared unserviceable in 7 Presses during 1984-97, had not been replaced though depreciation fund of Rs 1106.05 lakh was available with these Presses (**Annex B**).

Out of 21 Presses, 20 had depreciation fund of Rs 19.65 crore. Although depreciation fund was available, still separate provision was also made for modernisation/replacement in four Government of India Presses; Coimbatore: Rs 15.48 lakh, Mayapuri/Minto Road: Rs 5 crore and Faridabad : Rs 1.55 crore but unserviceable / obsolete machinery were not replaced, thus defeating the very purpose of creating the depreciation fund.

**Depreciation Fund of Rs 19.65 crore not utilised for replacement/ renewal of Plant and Machinery.**

**5.2.8.4** The Director of Printing stated in August 1998 that the modernisation of Government of India Presses through replacement of machinery and equipment had been taken up in a phased manner. Out of 21 presses, eight have been modernised with offset printing technology, seven presses have been partially modernised, one press is under process of modernisation and five presses are continuing with old technology. Further modernisation of Government of India presses will depend upon the Cabinet decision of June 1997 and assurance of enough work from all ministries/departments and also provision of adequate funds.

**5.2.8.4.1** In this Context, it is imperative that the Ministry follows up the Cabinet decision of June 1997 that the Cabinet Secretary, in association with the Ministry of Urban Development and user departments may examine in detail the position of Presses and recommend either retention after their modernisation or closure.

## **5.2.9 Financial and accounting shortcomings**

### **5.2.9.1 Failure to prepare Proforma Accounts.**

**5.2.9.1.1** The presses had not implemented the recommendation of Public Accounts Committee (paragraph 1.29 of their 64<sup>th</sup> Report - 5<sup>th</sup> Lok

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Sabha) and subsequent instructions of the Ministry of Works and Housing issued in December, 1982 to switch over to the commercial system of accounting from 1 April 1983 that required them to maintain Proforma Accounts in the prescribed formats by preparing manufacturing accounts, profit and loss accounts and balance sheets along with five schedules. Therefore, the working results of any of the presses could not be ascertained in audit.

**The Presses have not shifted to commercial accounting system despite PAC's recommendations.**

The Ministry stated in January 1999 that the recommendations made by the PAC were carefully considered but commercial accounting could not be introduced in the Presses due to the following constraints:

- The commercial pattern of accounting is linked with the commercial pattern of costing. As the system of costing continues to be on the basis of 'no profit no loss', commercial pattern of accounting could not be implemented.
- Preparation of commercial accounting requires trained staff. Due to lack of expertise and ban on direct recruitment, it has not been possible to initiate the process.
- In majority of the cases, in Delhi-Faridabad Complex, the jobs received are time sensitive and have to be done on urgent basis. Therefore, the commercial pattern may not be appropriate for the jobs handled in the Government of India Presses, particularly in Delhi-Faridabad Complex.
- The Government has been considering restructuring of Government of India Presses, including closure of certain Presses and transfer of some other units. Therefore, the issue of finalising the introduction of commercial pattern could not be pursued further. However, on finalisation of restructuring and the page rate formula, the commercial pattern of accounting will be introduced.

**5.2.9.2 Delay in preparation of proforma accounts**

**Delay in preparation of Proforma Accounts**

**5.2.9.2.1** Proforma Accounts for a financial year are required to be completed for submission to Audit not later than the end of September of the following year. Significant delays varying from 12 to 60 months were noticed in all presses in the preparation of Proforma Accounts. In case of Bhubaneswar press these accounts had not been prepared and submitted since 1993-94. (Annex C)

The Ministry stated in January 1999 that all efforts were being made to bring the proforma accounts up to date in all the presses.

**5.2.9.3 Billing and dues realisation**

Government of India Press undertakes printing jobs on behalf of other departments. The cost incurred on printing is recovered from them on the basis of the cost of materials, labour and overheads. The Managers of the presses are responsible for realisation of the cost. The hourly labour rate is



fixed by the Managers of the government press after preparation of the proforma accounts. Where, however, the proforma accounts are not ready immediately, the manager of the press issues the bill to the indenting department on provisional basis. They are expected to issue supplementary bills immediately on preparation of the proforma accounts and fixing of the hourly labour rates.

Due to abnormal delays in preparation of proforma accounts by the press raising of supplementary bills was delayed resulting in huge accumulation of outstanding dues from the indenting departments.

Test check in audit revealed that in ten presses during 1993-98 against the value of work done to the extent of Rs 241.04 crore only Rs 150.41 crore were realised.

**Rs 136.99 crore were recoverable from various ministries.**

**5.2.9.3.1** Rs 136.99 crore were outstanding as on 31 March 1998 against various ministries/Government departments. The outstanding included Rs 76.40 crore pertaining to the last five years and the remaining balance of Rs 60.59 crore were outstanding from five to 22 years. In respect of four presses the outstanding dues of Rs 23.09 crore as on 31 March 1994 had gone up to Rs 33.85 crore as on 31 March 1998 (Annex D). In addition to above bills amounting to Rs 60.74 crore could not be raised due to delay in preparation of proforma accounts by the G.O.I. Presses.

The Ministry stated in January 1999, that efforts were being made to recover the dues from all indentors.

**5.2.9.3.2** *Under recovery of Rs 8.34 crore*

In Para No. 14.1.7 of Audit Report No. 2 of 1997, Audit pointed out that bills for Rs 12.07 crore and Rs 18.17 crore in respect of Forms Unit and Publication Unit respectively had not been raised for the period 1987-92. By 1997 the figure increased to Rs 37.16 crore and Rs 31.99 crore for Forms Unit and Publication Unit respectively.

**The Managers of the press delayed preparation of the proforma accounts.**

The Managers of Forms Unit and Publication Unit of Government of India Press, Santragachi, have not prepared the proforma account in time for many years. They are required to prepare the proforma accounts for each financial year not later than 30 September of the following financial year. The accounts for 1991-92 to 1996-97 were prepared late by 22 to 30 months and 22 to 33 months in respect of Forms Unit and Publication Unit respectively. As of 30 November 1999, the proforma accounts of both the Forms Unit and Publication Unit were in arrears by two years each. Since the initial expenditure on the printing jobs of the indenting officers/departments is booked against the budget provision of the press, delay in realisation of the cost of printing depicts an incorrect view of the accounts of the press and of the indenting departments. The delay in preparation of the proforma accounts also deprives the press management and the Government of information necessary for review of performance.



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**The manager raised supplementary bills for Rs 8.34 crore only at the instance of Audit.**

**Even after belated proforma accounts and fixing of hourly rate, the supplementary bills for Rs 7.65 crore were not raised until pointed out by Audit.**

**The Manager claimed only Rs 48.61 lakh towards cost of paper against actual consumption of paper worth Rs 1.17 crore.**

Sample-check of the bills raised by Forms Unit and Publication Unit revealed that even where the bills were raised, there was undercharge of labour cost (Rs 7.65 crore) and cost of paper (Rs 0.69 crore) as detailed below:

- (a) The Manager of Publication Unit raised provisional bills on account of printing of the Indian Trade Journal of the Director General of Commercial Intelligence and Statistics for Rs 2.05 crore relating to the printing jobs undertaken during 1991-95 between May 1991 and March 1995 on the basis of labour rates prevailing during 1986-87 and 1988-89. As per the hourly labour rates later fixed for the corresponding years, the amount chargeable for this job was Rs 9.70 crore in place of provisional bills of Rs 2.05 crore. Even after the proforma accounts of 1991-92 to 1994-95 were finalised during March 1995 to September 1997, the Manager not only delayed fixing of hourly labour rates by 12 to 42 months after finalisation of the proforma accounts, but did not raise supplementary bills for Rs 7.65 crore on the basis of belatedly revised hourly labour rates until pointed out by Audit in August 1999.
- (b) The Manager of Forms Unit raised eight bills against Superintendent, Postal Store, Calcutta and Deputy Director of Income Tax (RSP & PR) and claimed only Rs 48.61 lakh towards the cost of paper against actual consumption of paper worth Rs 1.17 crore resulting in under-recovery of paper cost of Rs 68.72 lakh.

The Ministry stated in August 1999 that supplementary bills have since been raised on receipt of audit observations and the reasons for short billing would be looked into and efforts were being made to reduce the delay in preparation of proforma accounts. The payment in respect of the bills are yet to be received by the press.

Since, the expenditure is originally charged to the budget grant of the press, the delay in preparation of the proforma accounts and recovery of the actual cost of printing depresses the accountability of the Manager to recover the cost of printing and the budget of the press Consolidated Fund of India continues to be loaded with the charge on account of the printing jobs of other departments/non-government units inappropriately.

It is recommended that Ministry may carry out internal audit of all bills raised on provisional basis for works done from 1991 in all presses to assure that supplementary bills have been raised in all cases. Ministry may also institute a system of accountability under which the Managers of different presses are made personally responsible for ensuring that the amounts spent on printing, which are initially charged to the budget grant of the department, are actually claimed and realised in accordance with a fixed time-schedule.

**5.2.10 Delay in delivery**

**5.2.10.1** For long order jobs, under the current procedure, bills are drawn only after the dispatch of all printed matters, which led to inordinate delay in preferring claims. In respect of four presses i.e. in Koratty and Mysore Presses 323.04 lakh copies of printing material and 68 jobs respectively printed during 1993-94 were lying undelivered since then, the value of which was not made available to audit. In Santragachi Press (Forms Unit), West Bengal, 35.06 lakh copies and 24.80 lakh pads / books valuing Rs 116.72 lakh were lying undelivered since 1986 to 1993 and in Bhubaneswar Press 73 printing jobs worth Rs 145.89 lakh were lying undelivered from May 1994 to March 1997.

The Ministry stated in January 1999 that necessary instructions have been issued to all the presses to clear the backlog and not to allow any accumulation in future.

**5.2.11 Delay in completion of jobs**

**5.2.11.1** Effectiveness implies completion of all indents received for printing within a reasonable time frame, preferably during the year of receipt. Test check revealed several instances of delays during 1993-98 (Annex E). Out of 47332 jobs received during this period, 5235 jobs remained incomplete as on 31 March 1998. Test check of five Government of India Presses i.e. Mysore, Calcutta, Form unit, Bhubaneswar, Gangtok and Koratty revealed that 23 per cent to 54 per cent jobs remained incomplete during 1993-98. The reasons for incomplete jobs were attributed to non-finalisation of final proofs, inadequate printing capacity, shortage of manpower, correction in proof reading, poor utilisation of machine hours and poor performance of printing jobs.

37 jobs remained incomplete for five to ten years in Text Book Press, Bhubanswar as detailed below:

Year of receipt	No of jobs
1988-89	16
1889-90	7
1990-91	4
1991-92	5
1992-93	5

As of June 1998, all these jobs were either not executed or partially executed leading to part supply of material. Non-completion of these jobs resulted in idling of Rs 54.99 lakh for the cost of paper alone, which could not be claimed from the indentors.

The Ministry stated in January 1999 that detailed analysis will be done and the remedial measures will be taken to avoid such delays in completion of jobs.

Idling of Rs 54.99 lakh due to non-completion of jobs.

**5.2.12 Deficiencies in stores accounting and utilisation of stores**

**5.2.12.1 Missing stores**

The physical verification of consumable and other articles available in stock is to be conducted annually by staff other than that of the stores branch and excesses/shortages, if any, found should be reported to competent authority for sanction and necessary adjustment.

Stores valuing  
Rs 67.57 lakh were  
found short/ missing.

In Mysore and Nasik presses, stores valuing Rs 67.57 lakh were found short/missing during physical verification conducted in 1996 and 1998.

The Ministry stated in January 1999 that efforts are being made to reconcile the missing stocks.

**5.2.12.2 Stores lying idle**

Idle investment of  
Rs 2.75 crore.

As mentioned in para 9.4 of the Report of the CAG of India for the year ended 31 March 1994 (No 2 of 1995) of the Union Government (Civil), Government of India Printing presses located at Nasik and Aligarh had not utilised two Envelope Making Machines procured at Rs 2.75 crore : Rs 1.50 crore by Nasik and Rs 1.25 crore by GOI Press, Aligarh in December 1990 and June 1992. The machine could not be installed due to technical problems. As such the two machines imported at Rs 2.75 crore resulted in idle expenditure defeating the very purpose of procurement.

The Ministry stated in January 1999 that both the machines have since been installed and are in productive use. To investigate the delay in installation, Central Bureau of Investigation had registered the case. Further progress was awaited as of February 1999.

Besides, in six presses (Mysore, Nasik, Koratty, Calcutta, Minto Road, New Delhi and Bhubaneswar) paper worth Rs 536.65 lakh and printing material valued at Rs 4.60 lakh were lying unused since 1989 - 1995.

The Ministry stated in January 1999 that efforts were being made to rationalise procurement to ensure that over stocking of slow moving items is reduced to the minimum.

**5.2.12.3 Damaged stores**

In three presses of Calcutta, damaged stock of paper valuing Rs 23.56 lakh due to improper godown conditions was awaiting disposal as on 31 March 1998.

The Ministry in their reply in January 1999 assured to dispose off the damaged stock of paper.

#### 5.2.12.4 Excessive accumulation of stores

Spares valuing Rs 48.86 lakh were lying unutilised for the period ranging 3 to 20 years.

Government of India Press, Nasik had accumulated various type of spare parts excessively procured between November 1977 to January 1994. Out of 14 items valuing Rs 62.25 lakh available at the end of 1992-93 spares worth Rs 3.05 lakh and Rs 10.34 lakh in respect of Numbering Boxes and Mono Matrices & Lino Founts were utilised in 1993-94 and 1996-97 respectively leaving a balance of Rs 48.86 lakh at the end of March 1997. Thus, spares valuing Rs 48.86 lakh were lying unutilised for the period ranging from three to 20 years.

The Ministry stated in January 1999 that efforts were being made to utilize the available stock.

#### 5.2.12.5 Non-disposal of stores

In 13 presses, obsolete/unserviceable machines/articles were lying undisposed for 10 to 30 years (Annex F)

#### 5.2.13 Waste paper

In 1983, the percentage of spoilage/wastage to be allowed on the offset machines and Letter Press Rotaries in Government presses was prescribed. The purpose behind the fixation of particular percentage of wastage is to avoid the excess wastage, which could be ascertained only after scrutiny of output details after actual performance.

Test-check disclosed that the presses did not maintain monthly account of stock of salvage paper in the absence of which the correctness of the prescribed percentage limit fixed by the Directorate of Printing could not be verified in audit.

Improper accountal and disposal of waste paper.

However, it was noticed that as on 31 January 1998, 98.110 tonne of waste paper were lying in GOI Press, Koratty for disposal besides 42.674 tonne of waste paper valuing Rs 2.40 lakh were found short, for which no action was taken by the Press. Similarly, 89 tonne of waste paper valuing Rs 10.19 lakh were lying undisposed since April 1996 at GOI Press, Calcutta.

The Ministry stated in January 1999 that the Presses would be directed to maintain the records of salvage paper. It was further stated that all steps are being taken to dispose off the waste paper.

#### 5.2.14 Monitoring and evaluation

A test check of the records revealed that the system of supervisory control, monitoring and review was not followed regularly to evaluate the working of the Presses either by the Directorate of Printing or by the Ministry during 1993-98, nor any periodical evaluation study was conducted.

Similarly, the records did not indicate the complaints received from the indentors in the Presses and their follow up action taken, if any with a view to

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ascertaining whether the service was being rendered to the satisfaction of the clients.

**5.2.15 Conclusion**

5.2.15.1 The under utilisation of capacity and avoidable idleness have eroded the competitive advantage of the Government presses. The advent of modern technology, liberalised import of state-of-the-art machinery has led to rapid proliferation of private presses, which provide more efficient and cost effective service. Cost effectiveness is also inherently not achievable in Government of India Presses in view of large administrative overheads. In addition, the specialised requirements of the ministries and Government departments have posed new challenges to them.

It is recommended that the ministry should examine critically the need for continuing the Government presses in the light of inherent limitation in improving their performance, quality and cost-effectiveness, besides large scale infrastructure of quality printing facilities available in the private sector.



## Annex - A

(Refers to paragraph 5.2.1.1)

The following Presses and Branches, which function as, separate units, each under a Head of Office as shown against them.

S. No	Name of the Press or Branch	Designation of Head of the Press/Branch	Number of workers in position as on 01/03/98
1.	Govt. of India Press (LPU), Minto Road, New Delhi	Manager	810
2.	Govt. of India Press (PLU), Minto Road, New Delhi	Manager	487
3.	Government of India Press (Pub. Unit) Santragachi	Manager	749
4.	Government of India Press, (FU) Santragachi	Manager	770
5.	Government of India Press, Nasik	Manager	858
6.	Government of India Press, Faridabad	Manager	884
7.	Government of India Photo Litho Press, Faridabad	Manager	194
8.	Government of India Press, Simla	Manager	366
9.	Government of India Press, Aligarh	Manager	686
10.	Government of India Press, Temple Street Calcutta	Manager	320
11.	Government of India Press, Rashtrapti Bhawan, New Delhi	Office-in-charge in rank of Asstt. Manager (Technical)	65
12.	Government of India Press, Nilokheri	Manager	451
13.	Government of India Press, Gangtok	Office-in-charge in the rank of Asstt. Manager (Technical)	67
14.	Government of India Press, Coimbatore	Manager	655
15.	Government of India Press, Koratty	Manager	338
16.	Government of India Press, Ring Road New Delhi	Manager	1130
17.	Government of India Text Books Press, Mysore	Manager	136
18.	Government of India Text Books Press, Bhubaneshwar	Manager	184
19.	Government of India Text Books Press, Chandigarh	Manager	273
20.	Government of India Patent Printing Press, Bombay	Office-in-charge in rank of Asstt. Manager (Technical)	46
21.	Government of India Press, Staff College, Wellington	Office-in-charge in rank of Asstt. Manager (Technical)	30
<b>Total</b>			<b>9499</b>

## Annex - B

(Refers to paragraph 5.2.8.3)

(a) Details of machines lying unserviceable but not replaced though Depreciation funds were available.

Sl. No	Name of the Press	Total no of machines declared unserviceable	Period since when lying unserviceable	Depreciation fund available (Rs in lakh)	Year of proforma account
1	GIP Koratty	17	1984		
		2	1994	107.94	N.A
2	Minto Road (LPU)	15		396.63	1993-94
3	Rashtrapati Bhawan	2		10.00	1996-97
4	Mayapuri	15	1985		
		2	1993	164.08	1995-96
5	Shimla	6	1985	45.16	1996-97
		3			
6	Coimbatore		1963-64	90.84	1997-98
7	Chandigarh		70-71 to 87-88	76.07	1997-98
8	Gangtok	-	-	6.86	1996-97
9	Aligarh		-	69.32	1995-96
10	Nilokheri		1958-71	59.44	1995-96
11	Faridabad (LPU)	3	1957-97	284.71	1996-97
12	Faridabad (PLU)	1	1978	97.53	1996-97
13	Wellington			4.83	1993-94
14	Santragachi (Publication Unit)			90.47	1997-98
15	TSP, Calcutta			28.70	1997-98
16	Santragachi, (Form Unit)			55.44	1997-98
17	Mysore			107.67	1996-97
18	Mumbai			6.59	1991-92
19	Nasik			190.34	1997-98
20	Bhubaneshwar			72.79	1991-92
	<b>Total</b>	<b>66</b>		<b>1965.41</b>	

## Annex - B

(b) The Depreciation fund available in respect of 66 machines declared unserviceable with the concerned Presses was Rs 1106.05 lakh as under:

Sl. No	Name of the Press	Depreciation fund available (Rs in lakh)
1	GIP Koratty	107.94
2	Minto Road (LPU)	396.63
3	Rashtripati Bhawan	10.00
4	Mayapuri	164.08
5	Shimla	45.16
6	Faridabad (LPU)	284.71
7	Faridabad (PLU)	97.53
	<b>Total</b>	<b>1106.05</b>

Annex – C

(Refers to paragraph 5.2.9.2.1)

Position of Proforma Account of Govt. of India Presses as on 30.11.98

S.No	Name of the Press	Prepared upto	Period of delay in months
1.	Minto Road [PLU]	1993-94	48
2.	Minto Road [LPU]	1993-94	48
3.	Ring Road, N.D.	1996-97	12
4.	Rashtrapati Bhawan, New Delhi	1996-97	12
5.	Shimla	1996-97	12
6.	Nilokheri	1994-95	36
7.	Faridabad	1996-97	12
8.	Faridabad [PLU]	1996-97	12
9.	Aligarh	1996-97	12
10.	T.S. Calcutta	1994-95	36
11.	Santragachi [Form Unit]	1994-95	36
12.	Santragachi [Publication Unit]	1994-95	36
13.	Gangtok	1996-97	12
14.	Coimbatore	1996-97	12
15.	Koratty	1996-97	12
16.	Wellington	1993-94	48
17.	Nashik	1996-97	12
18.	Mumbai	1995-96	24
19.	Chandigarh [Text Books]	1996-97	12
20.	Bhubaneshwar [Text Book]	1992-93	60
21.	Mysore [Text Book]	1996-97	12

**Annex – D**  
**(Refers to paragraph 5.2.9.3.1)**

**Details of presses whose outstanding dues considerably increased as on  
31.3.98**

**(Rs in lakh)**

S.No.	Name of the Press	Dues outstanding as on	
		31.3.94	31.3.98
1.	GOI Press, (Letter) Faridabad	759.75	1667.63
2.	GOI Press, (Photolitho) Faridabad	450.19	564.37
3.	GOI Press, Simla	270.96	308.17
4.	GOI Press, Nilokheri	828.47	844.72
	<b>Total</b>	<b>2309.37</b>	<b>3384.89</b>



**Annex - E**  
**(Refers to paragraph 5.2.11.1)**

**Statement showing the details of jobs received and jobs remaining incomplete during 1993-94 to 1997-98**

Sl No	Name of the Government of India Press	Opening Balance	No. of jobs received	Total jobs	No. of jobs completed	Incomplete jobs	Percentage of incomplete jobs
1	Bhubhaneshwar	-	458	458	240	218	48
2	Aligarh	215	767	982	818	164	17
3	Koratty	-	2085	2085	1608	477	23
4	Ring Road	-	15859	15859	15701	158	1
5	Nasik	373	2841	3214	2696	518	16
6	Bombay	-	638	638	586	52	8
7	Shimla	230	2247	2477	2215	262	11
8	Faridabad LPU	-	4852	4852	4477	375	8
9	Faridabad PLU	7	1467	1474	1245	229	16
10	Nilokheri	-	3829	3829	3565	264	7
11	Wellington	-	936	936	918	18	2
12	Coimbatore	1	3350	3351	2997	354	11
13	Mysore	-	1047	1047	553	494	47
14	Calcutta, Temple Street	678	1299	1977	1827	150	8
15	Calcutta PUP	220	1642	1862	1498	364	20
16	Calcutta FUP	530	1148	1678	769	909	54
17	Gangtok	-	613	613	384	229	37
	<b>Total</b>	<b>2254</b>	<b>45078</b>	<b>47332</b>	<b>42097</b>	<b>5235</b>	

Annex - F  
(Refers to paragraph 5.2.12.5)

Details of obsolete/unserviceable machines/articles lying undisposed of

<i>S.No</i>	<i>Name of the Press</i>	<i>Particulars/period</i>	<i>Numbers</i>
1	GOI Press, Nasik	Printing Machines 1991-95	5
2	Patent Printing Press, Mumbai	1988	2
3	Rashtrapati Bhawan, New Delhi		1
4	Calcutta Temple Street Press	1983-95	30
5	Publication Unit Press	-do-	35
6	Forms Unit Press	-do-	8
7	Nilokheri	1958 1971	4 4
8	Faridabad (PLU)		4
9	Faridabad (LPU)		17
10	Minto Road (PLU)		25
11	Coimbatore	Machine and Metal	2
12	Koratty	Machines, Motors etc.	85
13	Aligarh	Printing Machines	2

***Section B - Transaction Audit Paragraphs***





## CHAPTER-VI : MINISTRY OF CHEMICALS AND FERTILISERS

### Department of Fertilisers

#### 6.1 Avoidable payment of demurrage charges

Failure of the Department of Fertilisers in not getting the rates of handling and distribution of imported Fertilisers approved by the scheduled date resulted in avoidable payment of demurrage charges of Rs 31.12 lakh.

Department of Fertilisers did not fix any time schedule for calling of tenders for finalisation of rates for handling contracts.

Department issued notice-inviting tenders in April 1996.

Discharge of urea from two vessels did not take place due to non-finalisation of rates.

Proposal for approval of rates remained under correspondence with the Department of Expenditure and the rates were finally approved in July 1996.

The Department of Fertilisers appoints handling agents for handling and distribution of imported urea every year. The agents are appointed for one year with effect from April of the year and the contract is extendable for two months i.e upto May of the following year. Department of Fertilisers has not prescribed any time schedule for calling of tenders and their processing, etc. for finalisation of rates for handling contracts with the agents.

The Department of Fertilisers issued Notice Inviting Tenders on 12 April 1996 for finalisation of rates for handling contract of imported Fertilisers for 1996-97 and got the rates approved only on 11 July 1996.

Before the rates for 1996-97 could be finalised, two vessels namely "Prabhu Gopal" and "Jagravi" with 17,873 tonne and 30892 tonne of bulk urea had arrived at the nominated ports "Tuticorin" and "Rozy" on 17 June 1996 and 22 June 1996 respectively. The discharge of urea from the vessels could not be obtained due to non-finalisation of handling contract for 1996-97. After finalisation of the rates of handling contract on 11 July 1996 the discharge of urea by the approved agents could be started only on 20 July 1996 and 12 July 1996 respectively.

Scrutiny of the records of the Department of Fertilisers revealed that the Department of Fertilisers failed to ensure that the process of approval and appointment of handling agents is completed before commencement of the financial year. The Department sent the proposal for approval of rates for handling contract for 1996-97 to the Department of Expenditure, Ministry of Finance on 14 May 1996, which remained under correspondence for about two months. The Department of Expenditure returned the proposal six times between 22 May 1996 to 8 July 1996. The Ministry of Finance finally approved the rates on 11 July 1996.



Delay in finalisation of rates, thus, resulted in pre-berthing detention of the vessels Prabhu Gopal and Jagravi resulting in payment of demurrage charges of Rs 27.87 lakh and Rs 3.25 lakh respectively to the owners of vessels.

The Department stated in September 1999 that it could not be faulted for delay as Department of Expenditure took exceptionally long time in giving concurrence to the proposal, which led to payment of demurrage charges. The Department further added that the proposal for getting the rates approved also got delayed partly due to change of governments in a short period of less than one month.

The reply of the Department underscores the administrative inertia of the system. Departments of Fertilisers and Expenditure should set a schedule for different stages in finalisation of the contract and establish a system of accountability in cases of delays in future.

#### **6.2 Failure of the Department to honour its guarantee**

**Government of India did not redeem its sovereign guarantee, which arose in 1991 and 1992 on account of failure of the Fertiliser Corporation of India to repay the loans of Rs 16 crore obtained by it from Life Insurance Corporation of India in February and May 1989 on the guarantee of Central Government.**

It was highlighted in paragraph 3 of the Report of CAG of India for the year ended March 1996, No. 2 of 1997 Union Government (Civil), that Department of Chemicals and Petro-chemicals failed to redeem its sovereign guarantee which arose in 1986 on account of failure of IDPL<sup>1</sup> to repay the loan of Rs 5 crore obtained by it from LIC<sup>2</sup> in 1984 on the guarantee of the Central Government.

In their Action Taken Note on this paragraph in February 1999, the Ministry did not furnish any explanation for why it did not honour the guarantee and what remedial measures were being taken to ensure that sovereign guarantees are honoured in future. The amount of the principal and compound interest of Rs 20.39 crore had not been paid to LIC by the Department of Chemicals and Petro chemicals as of 31 March 1996.

Subsequent sample checks disclosed another case in which Department of Fertilisers provided guarantee and undertook to pay the principal and interest due to LIC on loans of Rs 12 crore and Rs 8 crore taken by Fertiliser Corporation of India in February and May 1989.

**Government of India stood as a guarantor to repay the principal and interest to LIC in case of two loans taken by the FCI in February and May 1989.**

<sup>1</sup> Indian Drugs and Pharmaceuticals Limited (IDPL)

<sup>2</sup> Life Insurance Corporation of India (LIC)

The loans were repayable by FCI<sup>3</sup> in three and two annual instalments during February 1990 and February 1992 respectively.

**FCI failed to repay the subsequent instalments of principal and interest.**

The FCI repaid only first instalment of Rs 4 crore in February 1990 in respect of first loan and defaulted in repayment of further instalments of principal and interest.

**Consequent upon default in repayment of loans by the FCI, LIC invoked the guarantee.**

Consequent upon default in repayment of loans by FCI, LIC invoked the guarantee and requested the Department of Fertilisers in January 1998 to remit the balance amount of loan of Rs 16 crore and the compound interest of Rs 26.59 crore due thereon as at the end of December 1997. Department of Fertilisers did not make any payment to the LIC as of March 1999. The outstanding liability of interest has gone up to Rs 36.38 crore in March 1999.

**Department requested LIC to defer any action for revocation of guarantee.**

Meanwhile, FCI filed a petition before the BIFR<sup>4</sup> in April 1998 seeking protection under the Sick Industrial Companies Act 1985. Department of Fertilisers requested LIC in March 1999 to defer any action for revocation of the Government guarantee against the outstanding loans and the interest thereon till the pronouncement of BIFR in the matter.

**The Department stated that repayment of the principal and interest rehabilitation proposal would be submitted to BIFR.**

The Department stated, in June 1999, that rehabilitation proposal had been finalised wherein a provision for repayment of the principal amount and the re-negotiated interest components of the inter corporate loan had also been made and the proposal would be shortly submitted for approval of the competent Authority and to BIFR.

The stand of the Department is not acceptable. Reference to BIFR for revival of a sick unit and honouring the sovereign guarantee by the Government of India are two distinct and unrelated issues. A lender, precisely to safeguard its interest against any default by the borrower, obtains the guarantee, whatever may be the reason for default. Failure to honour the guarantee compromises the credibility of a legal instrument provided by none other than the Government of India. Besides, it also brings into the question of Government using its influence or authority over the lender, who being a body/authority under the Government of India is unable to take recourse to any other measures available to it for enforcement of guarantee.

It is recommended that Government should ensure that once it provides a guarantee, it should promptly honour it, as and when a valid claim is made.

<sup>3</sup> Fertilizer Corporation of India (FCI)

<sup>4</sup> Board for Industrial and Financial Reconstruction (BIFR)

## CHAPTER VII : MINISTRY OF COMMERCE

### Department of Supply

#### 7.1 Arbitration awards

The deficiencies in the system of documentation, monitoring and accountability procedure in management of arbitration cases in DG S&D led to delays in follow up action and rejection of many claims

The standard format of agreement/terms and conditions of all contracts/procurement orders placed by DGS&D<sup>1</sup> contains a clause that in the event of any dispute or differences arising under the conditions of contract, the matter would be referred to the sole arbitrator, who is appointed from among the officers in the Ministry of Law.

The cases referred to the arbitrator relate mainly to the disputes relating to risk purchase, general damages, liquidated damages and for miscellaneous other reasons.

#### 7.1.2 Non-maintenance of systematic data

Examination of management of arbitration cases in DGS&D disclosed that DGS&D did not maintain a comprehensive central list/register containing the details of such cases, the reasons for arbitration, date when the claim arose, name and date of reference to the arbitrator, follow up action, award of arbitrator and date of award, date of filing of the awards in the court of law to make them decree of the court, actual recovery of the decreed amount, etc. As a result, the efficacy of the system and its operation could not be ascertained. The arbitration award register maintained by the Litigation Directorate of the DG S&D also did not contain complete details to enable Audit to verify their correctness and to obtain assurance that the cases were processed timely and effectively.

As per the Annual Administrative Report of DGS&D under the Department of Supply, 289 cases were pending with arbitrators, while 815 cases were pending in civil courts as on 31 March 1998. The year-wise break-up is given below:

<sup>1</sup> Director General of Supplies and Disposals

The efficacy of the system and its operation was not ascertainable in the absence of a comprehensive central list/register.

Date	In arbitration*	In court*
01.04.1993	4914	NA
01.04.1994	5040	NA
01.04.1995	375	837
01.04.1996	356	911
01.04.1997	405	834
01.04.1998	289	815

\* Source: Annual Administrative Report for 1993-94, 1994-95, 1995-96, 1996-97 and 1997-98

The basis on which the information in the Annual Administrative Reports was incorporated could not be verified, as the relevant records were not made available. As a result the correctness of the sudden drop in the number of cases in arbitration as on 1 April 1995 to 375 from 5040 during the previous year could not be verified. It is noteworthy that number of cases decided by the arbitrators in six years : 1993-99 was reported as only 446.

### 7.1.3 Delay in follow up action

Sample check of 159 cases out of 205 cases, the records of which were produced to audit, in which the arbitrators had already given the award, relating to 18 Directorates, were carried out during January – August 1999. 132 of these cases were decided in favour of the Government with aggregate financial implication of Rs 6.44 crore, of which only Rs 0.45 crore stood recovered and Rs 5.99 crore remained unrecovered. 73 cases with financial implication of Rs 0.89 crore were decided against it.

The analysis disclosed the following position.

Status of the cases	No of cases	Value of award (Rs in lakh)	Remarks
A. Failure of DGS&D to file the award in court in time for making the rule of court/execution petition yet to be filed.	14	56.08	The delay ranged between 9 and 78 months (Annex A)
B. Pending recovery of decree award from firms	8	10.38	Delay of one to three years (Annex B)
C. Pending with courts for decree after arbitration award	64	532.79	Pending for over six years (Annex C)
D. Arbitration's award against the Government	73	89.13	In these cases, Government's claim of Rs 4.40 crore was not admitted by the Arbitrator

**DGS&D did not establish accountability procedure for delay in follow-up action.**

Following deficiencies were noticed in the management of the arbitration cases in which the arbitration awards were already made.

- ⊙ There was general laxity in follow up actions for acceptance of the award or for challenging them in a court of law. DGS&D did not establish any accountability procedure for delay in the follow-up action
- ⊙ The system of monitoring the cases by the Director (Purchase) monthly, by the Deputy Director General every two months and by the Director General every quarter did not function, since the Purchase Directorates did not maintain the register containing the details of all cases.
- ⊙ The Directorates did not maintain a systematic documentation of the arbitration cases to enable their proper follow-up action.

#### **7.1.4 Cases where the awards went against the Government**

Scrutiny of cases in which the arbitrators had rejected the claims of the Department disclosed that in many cases the claims of the Department were rejected due to laxity/negligence of the Departmental officers as under:

- ⊙ In 10 cases, the terms of repurchase contract were different from those of defaulted contracts.
- ⊙ In five cases, the Department failed to prove the principle of mitigation of loss before the arbitrators.
- ⊙ In three cases, the Department failed to produce the available documents before the arbitrators.
- ⊙ In 12 cases, the Department failed to prove timely rejection of stores before the arbitrators.
- ⊙ In the remaining 43 of the 73 cases also, where the claims of the Department were rejected, the reasons could be attributed to failure of the Department on one or another count.

Scrutiny of individual files disclosed following deficiencies as being the reasons for rejection of claims namely; unacceptable rejection of lower offers in risk purchase tender enquiry, failure to issue demand notice regarding general damages, failure to file document of the market price on the date of breach, failure to place the risk purchase order within the stipulated period, failure to conclude risk purchase within six months of the date of breach or failure to produce documentary evidence to substantiate the claims, rejections of stores without joint inspection and failure to issue performance notice before cancellation of the contract, etc.



These shortcomings also disclosed that the internal audit of the arbitration cases was not effective.

**7.1.5 *It is recommended that the Department should:***

- (i) prescribe a system of proper documentation of cases,
- (ii) establish a system of monitoring and review and
- (iii) put accountability system in place.

The matter was referred to the Ministry in October 1999; their reply was awaited as of December 1999.

**Annex A**  
**(Refers to paragraph No 7.1.3)**

**Delay in follow up action**

Sl. No.	AT No. & Date	Arbn. Case No	Date of Award	Amount (in Rupees)	Remarks.
1.	BTX-3/0793/0244/COAD Dt. 29 August 88	30-B/93	15 October 1993	881814	Award was not filed in court to get a decree of the court, though a period of five years has passed.
2.	101/1096/T3/025/COAM dated. 12 May 1983	RB-02-B/93	30 April 1993	11850	Case was not pursued after 23 December 1996. Recovery of RP loss not yet made. Award was received on 30 April 1993 but it was accepted only on 19 December 1996 after delay of more than 3 years.
3.	BTX-8/0703/RP/0747(91) 0800 Dt. 28 August 1992	127-B/97-B	22 December 1998	55059	Execution petition was not filed.
4.	107/1335/23-2-88/B2/143/RP/1322 COAB Dt. 15February1991	47-B95-B	26 July 1996	212106	Award was not filed in the court for making a decree of the court.
5.	B1/106/1941/8-5.90/0172/ COAM Dt. 14 September 1990	34-B/97-B	3 June 1998	185433	Execution petition was not filed.
6.	BTX-3/0818/0111/COAD Dt. 13 July 1987	130.B/97-B	24 December 1998	115183	The Contractor challenged the award on 16 April 1999. Ministry of Law appointed Govt. Counsel on 21 July 1999 to defend the case.
7.	B2/203/1566/1228/C OAB Dt. 28 November 1989	92-B/97	19 November 1998	126324	Execution petition was not filed.
8.	203/1720/29 August 89 B2/1311/COAB Dt. 14 November 90	35-B/97-B	9 October 1998	334720	Execution petition was not filed.
9.	203/1601/22February 89/B2/1224/COAB Dt. 26 October 1989.	94-B/97-B	16 November 1998	1029673	Execution petition was not filed.

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Sl. No.	AT No. & Date	Arbn. Case No	Date of Award	Amount (in Rupees)	Remarks.
10.	B1/316/2427/26 October 94/COAM/ 0324 Dt. 28 October 1994	90-B/97-B	16 April 1998	1195113	Execution petition was not filed.
11.	BTX- 3/0381/COAB/0301 Dt.20 December 1988	RB/16- B/97	16 June 1997	66132	Notice issued to the contractor on 20 October 1997 Award not filed in the court so far.
12.	BTX- 4/474/0214/0554/CO AD/028 dt. 16 February 84	RB-253- B/92	28 April 1995	170127	Demand notice was issued to the contractor on 11 November 1999. Award has not been filed in the court.
13.	BTX-3/0288(88)RP/ 0411 Dt. 13 July 1989	31-B/97-B	30 March 1998	333804	Demand notice issued on 3 June 1998. Application yet to be filed in the court for obtaining decree.
14.	107/0778/10-9-98/T- 6/1058/82/RP/024/C OAB Dt. 19 March 1984	RB/84- B/92	9 May 1995	891056	Award not accepted. Not filed in the court for making it rule of the court. Not pursued after 9 September 1997.
		<b>Total</b>		<b>5608394</b>	

**Annex B**  
**(Refers to paragraph 7.1.3)**

**Recovery of decree award from firms**

Sl. No.	AT No. & Date	Arbn. case No	Date of Award	Decreed amount (in Rupees)	Remarks
1.	WL.4/101/362/13 September 85/64/1979/COAD dt. 28February86	10-B/96	30 April 1996	199925	Award made rule of the Court on 27 May 1997. Delay of 2 years in execution of Award.
2.	101/002/ K- 3/695/COAD dt. 30 May 86	120-B/94	31 January 1997	47380	Award made rule of the Court on 25 August 1998. Delay of 1 year in execution of decree.
3.	ST-4/101/169/ 17 July 83 1287/ 11 August 83/20/086/ RP/155/COAD dt. 13 March 85	186-B/92	12 March 1993	73320	Award made rule of the court on 6 July 1998. One year delay in execution of decree.
4.	AM-2/225/099/ 18 July 83/71 Belco/ COAD/496 dt. 22 February 84	33-B/96	1 December 1996	64404	Award made rule of the court on 15 October 1998- one year delay.
5.	PM-3/206/128/ 6 November 87/ COAD/ 072 Dt. 15 June 88	54-B/94	30 March 1995	110520	Award made rule of the court on 18 March 1998 with 12% int. from date of Award till realisation -delay of 1 ½ years.
6.	ST-4/101/109/ 7 July 83/207/11 August 83/24/ 108 COAC dt. 7 June 84	72-B/94	30 May 1994	112164	The contractor approached court for setting aside ex-parte decree, which was dismissed on 2 August 1996 by the Court. But the contractor has submitted application for setting aside the order of. 2 August 1996. Last date of hearing was 21 March 1997 and thereafter no action was taken by the department.
7.	WMT-5/107 /105/ 11 October 88/ 15/ MA/ COAC/965 dated 15 December 89.	RN-59- B/95	7 September 1995	354729	The Award was made rule of the Court on 17 October 1997. The decree was filed in the court for execution of the decree on 2 September

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Sl. No.	AT No. & Date	Arbn. case No	Date of Award	Decreed amount (in Rupees)	Remarks
					1998 by attachment order.
8.	OC-1/043 dated 30 August 1985	RN-86-B/95	17 January 1996	75990	Award made rule of the court on 25 October 1996. Recovery pending:
		<b>Total</b>		<b>1038432</b>	



**Annex - C**  
**(Refers to paragraph 7.1.3)**

**Cases pending with courts for decree after award**

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
1.	OC-4/101/0206/ 20 July 88/H4/COAC/594 Dt. 7 October 88	30-B/97	20 October 1997	20722776	The award was filed in the court on 4 December 1997 but still not made rule of the court- delay of 2 years.
2.	PM-4/220/0025/ 14 April 88/P4/COAD/133 Dt. 22 September 1988	10-B/98	20 April 1995	11257480 + 10000	Award was accepted on 3 May 1995 by the department but not yet made rule of the court delay of 4 years. No action taken by the department since July 1996.
3.	ST-3/RGC- 9883/78- 79/KMOC/COAM /035 dt.29 November 78	29-B/93	10 August 1993	2518047	Award accepted on 24 August 1993 filed in court on 5 October 1993 still not made rule of the court-delay of 6 years.
4.	TP- 5/AT/RGC/9952 /oil paste/79- 80/451/ POAD Dt. 29March79	46-B/97	22 December 1997	567838	Award was accepted on 5 February 1998 but still not made rule of the court- delay of almost 2 years.
5.	PM-5/206/0178 /15March 88/816/COAB/ 17 May 88	RN-110- B/94	30 March 1995	312793	Award filed in court in December 1997 but still not made rule of the court- delay of 4 ½ years.
6.	TP-5/Rerc-1252/ Enamel interior/85- 86/COAC/ 882 dated 11 July 85	RN-19-B/95	12 June 1996	213092	Award filed in the court and not yet made rule of the court- delay of 3 years period.
7.	ST4./101/308/24 (074)RP/ 156/COAD dated 27 March 95	RN-103- B/94	30 November 1994	207535 (251199.60 less SD 43665.00)	Award was accepted by the department in March 1995 but the award yet to be made rule of the court- delay of 5 years. No action taken after January, 1997 by the department.
8.	PM4/220/237/2 July 83/ 526/COAB Dated 12 April 84	RN-143/94 146-B/94	9 December 1994	212775	Award was accepted on 24 January 1995 and filed in the court on 27 May 1996 but still not made rule of the court- delay of more than 4 ½ years.
9.	ST/1/107/8251/29 February68/COAD /417 Dated 29 November 90	12-B/96	3 June 1996	151582	Award filed in court on 25. October 1996 but still not made rule of the court- delay of 3 years.

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Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
10.	ES-4/101/024/19 August 88/34/ COAD Dated 8 February 90	162-B/94	31 August 1995	137287	The award was accepted by the contractor on 19 December 1995 but still the award was neither made rule of the court nor recovery effected- delay of more than 3 ½ years.
11.	WL3/307/0075/24 March88/ED/ 31 August 89/63.161/ COAD. Dated 5 January 90	9-B/96	29 August 1996	85476	Award filed in court on 27 February 1998 but still not made rule of the court- delay of 3 years.
12.	PM-6/RGC/1547/RP/ Rolls/86-87/138/ COAD dated 3 February 88	72-B/92	30 April 1993	76371	Award filed in court on 9 January 1995 but still not made rule of the court- delay of 6 years.
13.	PM-6/106/0018/3 May 89/ COAC/282 Dated 30 October 89	RN-50-B/94	11 July 1994	51423 (RP)	Award not yet made rule of the court- delay of 5 years.
14.	ESI/102/ 906/24 November 78/37/ GLS/ Omega.739/PAOC / 26 December 78 against R/C No ES-1/RC- 9797/GLs/ 178.79/ 608/ PAOC Dated 16 October 78	RN-7-50/B/98	24 November 1998	23691 (GD)	Award not made rule of the court.
15.	TP-4/101/014/7 April 83/ Bulked/Z-4/PAOC/760 Dated 18 August 84	3-B/93	25 October 1993	124641 (RP)	Award filed on 14 December 1993 but Judgment awaited - delay of 6 years.
16.	ST-4/101/169/ 7 July 83/ 207/ 11 August 83/24/106/ COAC Dated 23 June 84	21-B/95	28 December 1995	10640	Award still not made rule of the court- delay of 4 years.
17.	TP-2/102/567/15 September 79/Z2/ PAOD/ 495	RN-39-B/92 4-B/97	15 September 1997	12409	Award pending in the court for making rule of the court - delay of 2 years.
18.	PM-9/RC- Paper/0213/80-81/115/COAD/16	28-B/98	11 June 1998	5000	Award not made rule of the court whereabouts of the contractors not known -delay of



Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
	August 80 & POM-9/0401/81-82/192/COAD Dated 27 July 81				1 year.
19.	PE-4/RC/1901/BD/Def/88-89/Geep/COAD/ 139 Dated 17 May 88	62-B/92	16 September 1993	339388	The award was accepted by the department filed in court on 20 October 1997 but the contractor have challenged the award – delay of 6 years.
20.	ST-4/220/0327/2-September 85/24/REC/219/COAD Dated 15 May 86	16-B/92	28 April 1993	161317	The award was set aside by the court on 18 May 1998 with the order of referring the case to arbitrator afresh.
21.	ST/4/101/0217/3 June 85/24/SI/206/ COAC Dated 6March86	9-B/97	17. August 1998	53352 (GD)	The award was not accepted by the contractor and hence challenged in the court - delay of 1 years.
22.	B1/307/2122/26-4/91/2133/COAD/214 dated 27 May 91	RB-107-B/94	28 April 1995	283895	Award filed in High Court Mumbai on 27 June 97. award yet to be made decree of Court.
23.	309/1518/5 July 82/B1/859/COAB dated 12-May 83	RB-74-B/94	19 June 1995	102544	Award filed in Mumbai High Court on 24 November 1995 yet to be made decree of court. Out of total recovery of Rs 247386 a sum of Rs 144842 was recovered from contractor by Dy. Controller of Accounts and kept under deposit. Balance amount of Rs 102544 is yet to be recovered.
24.	301/1201/14/8/87/ BP4/910/COAC Dt. 1 July 88	RB-105-B/94	8 August 1995	600045	Award filed in Mumbai High Court on 10 November 1995. Yet to be made decree of court.
25.	BTX-3/305/0850/3/10/9/COA D/0777 Dt. 24 October 91	RB-67-B/95	7. February 1996	53853	Award filed in Delhi High Court on 11 September 1996. Yet to be made decree of court.
26.	BTX-4/438/0653/1261/0471/T4/COAD/027 Dt. 22March83	97-B/97-B	29 May 1998	285246	Award filed in Mumbai High Court in September 1998. Yet to be made decree of court . Demand notice issued in July 1998 was received back undelivered in September 1998.
27.	BTX-4/267/0457/12-8-	48-B/97-B	2 June 1998	824376	Award filed in Mumbai high court in September 1998. Yet to

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Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
	82/T4/COAD/ 115 Dt. 15 December 82				be made decree of court. Demand notice issued in July 1998 was received back both with the remarks "Left".
28.	BTX-3/0706/ 0205/COAC Dt. 17 June 88	56-B/97-B	10 June 1998	1201104	Award filed in Mumbai High Court in August 1998 but the same yet to be made decree of court.
29.	BTX-2/0068/ COAC/104 Dt. 11 September 86	65-B/97-B	11 March 1998	163279	Award was filed in Mumbai High Court on 2 September 1998. Yet to be made decree of court.
30.	107/0498/ 24- 11-88/T6/ 0209/ COAC Dt. 9 March 89	RB-62-B/94	11 July 1994	273897 (RP)	Award filed in High Court Calcutta in August 1994 still pending.
31.	BTX-4/107/ 0877/COAC/ 0393 Dt. 24 November 88/ 1 December 88	66-B/97-B	12 May 1998	715318 (RP)	Award filed in Mumbai High Court on 12 November 1998. Yet to be made decree of court.
32.	BTX-1/506/ 0790/2-2-88/ 0254/COAC Dt. 15 June 88	50-B/97-B	21 April 1998	33968 (RP)	Arbitrator filed award in civil city court, case is pending. Award not yet made rule of the court. No demand notice was issued to contractor after the issue of award.
33.	BTX- 8/0507(89)RP/059 7 Dt. 22 August 90	RB-81/B-94	12 February 1996	1009721	Award filed in Mumbai high Court on 9 uly1996. Demand notice issued on 22 September 1998.
34.	BTX-8/0357 Dt. 30 May 88	RB-17-B/94	13 February 1996	600273	Demand notice issued on 5 November 1996. Award filed in High Court on 8 July 1996.
35.	BTX-3/0402 Dt. 29 June 89	RB-22-B/97	20 June 1997	619996 (RP)	Demand notice was issued on 28 August 1997. Award filed in Mumbai High Court on 25 September 1997.
36.	BTX-3/0193/ COAB Dt. 1 June 88	87-B/97-B	26 February 1998	38810 (RP)	Demand notice issued on 18 May 1998. Award filed in City civil court in December 1998.
37.	BTX-3/0446 Dt. 11 October 89	17-B/97-B	13. October 1997	75929 (RP)	Demand notice issued on 19 January 1998. Award filed in Mumbai High Court on 4 March 1998.
38.	BTX-4/037(81)/ RP/COAB Dt. 16 March 82	RB-45-B/97	17 June 1997	27169	Award filed in city civil court on 26 September 1997 Demand notice issued on 12 September 1997.

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
39.	BTX-3/0359 Dt. 21 April 89	58-B/97-B	27 February 1998	23885 (RP)	Award filed in city court on 28 August 1998 Demand notice was issued.
40.	BTX-3/001/ COAD Dt. 15 January 86	RB-13-B/97	16 June 1997	25600 (RP)	Award filed in city civil court on 16 October 19.97 Demand notice was issued on 19 September 1997.
41.	506/0604/ 19-11-87/T7/ COAD/ 0163 Dt. 9 August 88	RB-33/B/93	12 October 1993	126693	Award was filed in Mumbai High Court on 16 November 1994. Yet to be made decree of court.
42.	BTX-4/15/0644/0475/C OAD/049 Dt. 27 April 83	52-B/97-B	4 June 1998	2086860	Demand notice issued on 27 July 1998. Award was filed in Mumbai High Court in September 1998. Yet to be made decree of court. There was mistake in mentioning the A/T no. in the award for which matter was taken up with the arbitrator.
43.	CP-3/079	RC-169-B/92	30 August 1993	40336	Award not made rule of the court. Delay of 6 years.
44.	C.P. 6/569	RC-30/B/95	29 December 1995	136678	Award not made rule of the court. Delay of 4 years.
45.	C.P.-6/322	RC-14-B/95	31 May 1995	22085	Award not made rule of the court. Delay of 4 years
46.	C.P.-6/245	RC-98-B/94	24 June 1994	99750	Award not made rule of the court. Delay of 5 years
47.	C.P. 6/043	RC-274-B/91	6 December 1993	826895	Award not made rule of the court. Delay of 6 years.
48.	C.P.-3/306	RC-183-B/94	21 September 1995	9349	Award not made rule of the court. Delay of 4 years
49.	CP-3/015	RC-259-B/92	30 August 1993	375112	Award not made rule of the court. Delay of 6 years
50.	CP-5/049	RC-68-B/94	23 June 1994	260914	Award not made rule of the court. Delay of 5 years
51.	CP-6/205	RC-180/B-92	24 November 1993	284000	Award not made rule of the court. Delay of 6 years
52.	CP-3/057	RC-187-B/94	28 December 1994	63000	Award not made rule of the court. Delay of 5 years
53.	CP-4/194	RC-188-B/94	28 December 1994	503823	Award not made rule of the court. Delay of 5 years



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Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
54.	CP3/355	RC-11-B/95	31 May 1995	75988	Award not made rule of the court. Delay of 4 years
55.	CP-3/123	RC-189-B/94	27 March 1995	247115	Award not made rule of the court. Delay of 4 years
56.	214/0792/0489 /BTX-2/0489/ COAC Dt. 6 July 89	RB-21-B/97	20 June 1997	194600 (Interest @ 24% from 30 March 92 to September 1999)	Award filed in the lower court on 26 September 1997 Ministry of Law requested on 10 March 1999 for transfer of case to High Court.
57.	0614/(90)/RP/ COAD/0595 dated 27 May 1992	80-B/97-B	20 February 1998	97500	Demand notice issued on 21 April 1998. Award filed in Delhi High Court on 28 May 1998.
58.	107/1165/5:2.83/ T-6/045/COAD dated 22 August 1993	RB-83-B/92	9 May 1995	91321	Award accepted and filed in Civil Court on 12 December 1995. Demand notice issued on 18 July 1995.
59.	BTX-4/319/124 (82)/RP/COAD/ 111 dated 6 August 1983	RB-32-B/93	9 May 1995	265671	Award filed in City Court on 12 December 1995. Demand notice issued on 18 July 1995.
60.	PM-5/749/COAM dated 25 January 1998 against RC No. PM-5/RC-1855/Cream Wave / 697 dated 7 January 1998.	248-B/91	14 May 1993	3061721	Award not yet made Rule of the Court.
61.	HW-4/225/355/2290/44 / COAD dated 20 March 1990	RN-15-B/93	19 January 1994	133568	Award not yet made Rule of the Court.
62.	303/K-3/371/COAD dated 11 March 1985	RN-23-B/94	29 April 1994	22851	Award not yet made Rule of the Court.
63.	BTX-3/191/(88)/ RP/COAD/0399 dated 15 June 1989	RB-14-3197	16 June 1997	19169	Award accepted on 31 July 1997. Award was filed in the court on 22 October 1997 and not yet made Rule of the Court.
64.	BTX-3/0293/88/ RP/COAC/0421 dated 14 August 1989	68-B/97	26 February 1998	19913	Demand notice issued on 25 May 1998. Award filed in the court on 3 January 1998 but not yet made Rule of the Court.
		<b>Total</b>		<b>53278733</b>	

**7.2 Recovery at the instance of Audit**

**At the instance of Audit in June and September 1998, Controller of Accounts, Department of Supply, Calcutta recovered Rs 29.82 lakh overpaid to suppliers.**

In terms of Production Control Order issued by DGSD<sup>1</sup> in June 1993 under the Jute (Licensing and Control) Order 1961 the price payable for B. Twill bags should be lower of the price payable in the month in which supply was originally due or price payable in the month in which supplies were actually made.

**Failure to apply correct rate led to overpayment of Rs 29.82 lakh.**

Sample check of the paid vouchers for the month of January/February 1998 relating to the purchase of B. Twill bags revealed that in 29 cases, Controller of Accounts, Calcutta paid the suppliers at the December 1997 rate of Rs 2012.73 per 100 bags for deliveries made in January 1998 instead at the rate of Rs 1911.16 applicable in January 1998. This resulted in overpayment of Rs 29.82 lakh to the suppliers.

On being pointed by Audit in June and September 1998, Controller of Accounts, Department of Supply, Calcutta recovered Rs 29.82 lakh during July-December 1998 by adjustment from future claims of the suppliers.

It calls for strengthening of internal control system and a comprehensive check of payments made by that office. It is recommended that the Ministry may carry out a special internal audit and strengthen the system upon the findings of the internal audit.

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<sup>1</sup> Director General of Supplies and Disposals

## CHAPTER VIII : MINISTRY OF EXTERNAL AFFAIRS

### 8.1 Indecisiveness of MEA in renewal of lease

**Ministries of External Affairs and Urban Development have not finalised the renewal of lease of the residence of British High commissioner at New Delhi for about 10 years resulting in interest effect of over Rs 120 crore to the Government exchequer despite paying for the residence of Indian High Commissioner in London provided under reciprocal arrangement at commercial rates.**

**Indecisiveness of MEA has led to non-revision of the lease agreement with the British High Commission for ten years**

This Paragraph underscores the lackadaisical attitude in the Ministries of External Affairs and Urban Development due to which the Government of India has not been able to revise the rent of residential accommodation 2, Rajaji Marg New Delhi, which has been leased to the British High Commissioner to India under reciprocal arrangement. The Crown Estate Commissioner on behalf of the Queen of United Kingdom has also leased an accommodation for the residence of the Indian High Commissioner to United Kingdom at 9 KPG<sup>1</sup> London. While the Crown Estate Commissioner has already revised the premium and ground rent for the residence of the Indian High Commissioner in London in 1994 on commercial principles, the Government of India has failed to revise premium and ground rent for the last ten years. Government of India continues to charge a very low amount of rent from the British High Commission, while having paid Rs 69.48 crore towards premium of 9 KPG London and annual ground rent of Rs 4.96 lakh from 1990. It is noteworthy that the size of the land of 2, Rajaji Marg, New Delhi is about 3.6 acres compared to only one acre of 9 KPG London.

**Even earlier, the failure of MEA to revise the lease rent in time had led to non-recovery of Rs 64.35 lakh**

The Government of India provided residential accommodation at 2, Rajaji Marg New Delhi to the British High Commissioner on lease in 1960 for a period of 30 years at a monthly rent of Rs 2750 and a provision for the first revision after 20 years i.e. from 1980. The Director of Estates, Ministry of Urban Development did not revise the rent in 1980 and instead communicated the revised rent of Rs 63,174 per month in December 1988 effective from January 1980. Since no formal notice was served in 1980 for the revised rent, the British High Commission did not pay the arrears of Rs 64.35 lakh for the period January 1980 to November 1988.

**The British Government revised the lease rent of the property in London given to India High Commission on reciprocal basis on commercial principles**

Meanwhile, the existing 41 years' lease of 9 KPG London taken in 1949 at £ 60000 towards lease and £ 525 per annum towards ground rent became due for renewal from 1990. The Crown Estate Commissioner decided to charge commercial rent for the premises. The Government of India renewed the lease of 9 KPG London for 65 years in November 1994, effective from April 1990

<sup>1</sup> Kensington Palace Gardens

at a premium of £ 14 million equivalent to Rs 69.48 crore and annual ground rent of £ 10,000 for the first 21 years, £ 20000 from 22nd to 41st year and £ 40000 from 42nd to 65th year.

The time for renewal of lease of 2, Rajaji Marg New Delhi i.e. 1990 coincided with that of 9 KPG London. In view of the lease rent and ground rent of 9 KPG London being fixed at commercial rates by the Commissioner of Crown Estates London, the Ministries of External Affairs and Urban Development determined the commercial value of premium of 2, Rajaji Marg at Rs 118.40 crore and Rs 59.20 crore towards commuted value of the ground rent over a period of 50 years, on the principle of doubling of the ground rent every 10 years.

However, the Ministry of External Affairs and the Ministry of Urban Development between them have delayed finalisation of lease agreement with the British High Commission for about ten years since the revision became due in 1990 and for about five years after it was decided in March 1994 that the premium and ground rent should be charged at market rate. In between March 1994 and June 1999, the officers of the Ministry of External Affairs have held at least nine meetings on the modalities of application of the lease terms. But the net result has been that while Government of India has already paid the enhanced premium and continues to pay the ground rent for 9 KPG London at the commercial rate, it is charging Rs 6.00 lakh per month from January 1990. Meanwhile, NPV<sup>1</sup> calculation based on which the commuted value of the ground rent of Rs 59.20 crore spread over 50 years was determined, has also been upset. Assuming that the Ministry could have claimed the premium of Rs 118.40 crore and commuted value of ground rent of Rs 59.20 crore at least in January 1995, the Government has already lost the interest value of over Rs 120 crore on the total amount of Rs 177.60 crore at the maximum Government borrowing rate of 14 per cent after allowing for the rent of Rs 6.00 lakh per month being charged from January 1995 to December 1999. Despite the past experience of 1988, when the British High Commission refused to pay arrears of rent due to retrospective revision, MEA did not obtain any undertaking from them that they would accept the revised rent with effect from 1990, even if it is determined later.

The MEA stated in March 2000 that:

- (i) the properties located in the 9 KPG area are managed by the Crown Estate and are being leased, rented etc. on commercial principles, unlike those managed by the Directorate of Estates in New Delhi area, which includes 2, Rajaji Marg.
- (ii) the Directorate of Estates in India was yet to evolve the principles of valuation in respect of the property situated in the area where 2, Rajaji Marg is located.

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<sup>1</sup> Net Present Value

**While Government of India has already paid enhanced premium/rent for 9 KPG London, it did not revise the rent of 2, Rajaji Marg due for revision in 1990**

**The delay has an interest cost of at least Rs 120 crore to the Government of India**

(iii) the linking of the finalisation of renewed lease agreement in respect of 2, Rajaji Marg, New Delhi and 9 KPG, London would be unrealistic. The finalisation of the two lease agreements had to take necessarily different routes. When the time of renewal of lease of 9 KPG, London arose, the commercial principles concerning that were already in position. Therefore, it was comparatively easier for British to quote a price.

(iv) Ministry of Urban Development was in the process of working out new rates for this property, which could form the basis for negotiations with the British High Commission.

(v) The delay occurred not because of any tendency not to reach decisions but because of the anxiety that before any negotiations are entered in to, the basis on which the terms of the lease were being quoted was clear.

The contention of the Ministry with reference to the points at serial numbers (i), (ii) and (iii) does not hold in view of the following:

(i) Since the provision of residential accommodation of the High Commissioners is governed by reciprocity, the question of commercial principles for Crown Estate properties and hitherto non-commercial principles for 2, Rajaji Marg are irrelevant. The Ministry ought to have applied the principle of reciprocity in determination of premium and ground rent, irrespective of ownership of the property in London and in New Delhi.

(ii) The Ministry of External Affairs had already worked out the premium value of Rs 118.40 crore and commuted value of ground rent of Rs 59.20 crore as early as February/June 1995 on the basis of market rates determined by Appropriate Authority. Therefore, it is not correct to state that the principles for valuation of this property were not established.

(iii) It is unacceptable that because the property at 2, Rajaji Marg is controlled and managed by a Government Department, it should necessarily be slow in arriving at a decision.

This calls into question the system of decision-making and accountability in the Ministries of External Affairs and Urban Development. The Ministry should work out the current value of the premium of Rs 118.40 crore fixed for 1990 and the net present commuted value of the annual ground rent to be charged for 2, Rajaji Marg, revise the lease agreement and realise the amount due from the British High Commission.



## 8.2 Deficient internal control in Missions/Posts abroad: loss of revenue of Rs 5.14 crore

**Deficient internal control to ensure compliance to the instructions of MEA for realisation of fees for visa and consular services in the missions in Europe and CIS countries and inefficient monitoring system resulted in foregoing of revenue of Rs 5.14 crore.**

Indian missions abroad provide visa and consular services in accordance with the orders issued by MEA<sup>1</sup> from time to time. Sample checks of the records of the missions/posts in Europe and CIS<sup>2</sup> countries disclosed non-recovery/short recovery of Rs 5.14 crore towards visa fee/consular fee in 18 missions/posts due to their failure to follow the instructions of MEA.

### *Failure to revise visa fee*

The visa fee fixed in US dollar was to be converted into local currency at the commercial rate of exchange and rounded off to the next higher integer.

MEA prescribed visa fees in US dollars from January 1995 and advised the missions abroad to fix the visa fee in the local currency at the commercial rate of exchange. After converting the prescribed fee into local currencies, the missions were to round the amount to next higher integer. Further the missions were required to revise the visa fee in local currency every time the local currency devalued against US dollar by 10 per cent or more. The visa fee in the local currency was not to be revised downward in cases where the local currency appreciated against the dollar.

Non adherence to the instructions by 12 missions/post resulted in a loss of revenue of Rs 2.16 crore.

The missions at **Bishkek in Kyrgyzstan, Prague, Madrid, Bonn, Berlin Frankfurt, Vienna, Rome** and the post at **Milan** did not revise the visa fee when the local currencies devalued by 10 per cent or more against US dollar. This resulted in lower recovery of visa fee of Rs 1.51 crore during July 1996 to February 1999.

In another case, failure of the **HCI London and Embassy of India Copenhagen** to fix visa fee in local currency by rounding off to the next integer led to under recovery of visa fee of Rs 47.90 lakh.

**Embassy of India Moscow** revised the visa fee downward during May 1995 to July 1996 and in November 1997, when the local currency gained against the US dollar, in contravention of the instructions of MEA and caused a loss of Rs 17.44 lakh.

### *Issue of visas for different durations*

Issue of short term visas at incorrect rates by the Indian Embassies at Paris, Copenhagen, Berne, Almaty, Bishkek, Minsk and Kiev resulted in a loss of Rs 1.89 crore.

When the new visa fee regime was introduced from 1 January 1995, the visa fee was linked to the duration of the visas irrespective of the category of the visa, with the exception of transit and student visas. However, in June 1997,

<sup>1</sup> Ministry of External Affairs

<sup>2</sup> Commonwealth of Independent States

while reviewing the tourist visa policy, MHA<sup>3</sup> decided to do away with three months tourist visa and accordingly MEA decided that from June 1997 only six months tourist visas would be issued and the fee for the same was initially charged at US\$ 40, revised to US\$ 30 from 15 October 1997. However in March 1999 and May 1999 MEA advised the missions that the practice of issuing three months visas had been done away with and though visas other than tourist visas could be issued for shorter duration viz., 1 month/3 months, the fee to be charged would be the same as that prescribed for a six months visa i.e. US\$ 30. Under the new visa regime the visa fee was linked to the duration of the visas and not the category of the visa and therefore these instructions should have been brought into effect from June 1997 when the decision was taken to abolish three months tourist visas. But due to lack of precise instructions and deficient monitoring by MEA, many of the missions continued to charge US\$ 20 for 3 months business visas from July 1997 and also even after the latest instructions in May 1999 were issued, resulting in substantial loss of revenue as detailed below:

**Embassy of India Paris** continued to issue three months business visas at US\$ 20 even after the issue of the abovesaid instructions in May 1999 and incurred a total loss of revenue amounting to Rs 1.58 crore during the period between July 1997 and October 1999.

**Embassies of India at Copenhagen and Berne** issued three months business visas from July 1997 at the rate of US \$ 20 and lost revenue to the tune of Rs 20.23 lakh till April/June 1999.

**Embassies of India at Almaty in Khazakisthan, Bishkek in Kyrkyzthan and Minsk in Belarus** continued to issue visas with validity of three months by charging visa fee of US \$ 20 during July 1997 to July 1998 and lost revenue of 7.17 lakh.

In other case, **Embassy of India at Kiev in Ukraine** continued to issue visas with 30 days validity at US\$ 5 even after discontinuance of 30 days visa and its replacement by a three months visa at US \$ 20 from January 1995 resulting in a loss of revenue of Rs 3.99 lakh during January 1995 to June 1995.

#### *Delay in application of reciprocity in visa fee*

**Belated charging of visa fee on reciprocal basis by EI Denmark resulted in a loss of Rs 1.06 crore.**

The visa fees are charged on the basis of reciprocity. Government of Denmark did not charge visa fee from Indian citizens. As a result, **Indian Mission at Copenhagen** did not charge any visa fee from Danish nationals. From 21 June 1996, Government of Denmark unilaterally started charging visa fee from Indian nationals. The **Indian Mission at Copenhagen** and MEA responded to this decision of the Danish Government quite belatedly and started levying visa fee from the Danish nationals only from 11 March 1997. The action by the mission at **Denmark** in responding to the unilateral action by the Danish

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<sup>3</sup> Ministry of Home Affairs



Government after a lapse of more than eight months, resulted in loss of visa fee of Rs 1.06 crore.

#### *Levy of lower consular fee*

**Charging of lower consular fee resulted in a loss of Rs 3 lakh in EI Stockholm.**

**Embassy of India Stockholm** charged consular fee of only Rs 325 for attestation of both property and commercial documents against the prescribed fee of Rs 650 and Rs 1625 respectively and caused a loss of Rs 3.07 lakh during January 1996 to October 1998.

The above deficiencies point towards shortcomings in the internal control system in the missions. MEA should take concrete steps to strengthen the internal control system in missions to ensure that its instructions are complied with by them uniformly without any exception.

The matter was referred to the Ministry in April 1999. The Ministry stated in June 1999 that the missions while accepting the lapse on their part had clarified that the irregularity in realising the visa fees had taken place primarily either due to oversight in implementing the revised instructions or due to incorrect application of the same. In respect of the missions in Central Asia, the Ministry stated that since the missions were opened recently, they were not in possession of all the instructions and hence the irregularity occurred in visa collection. Ministry further stated that taking into account the mistakes and oversights committed by the missions they had issued a revised and updated circular incorporating all the changes and instructions.

The recent audit scrutiny, however, revealed that MEA's latest instructions, issued in May 1999 were not implemented in some of the Missions, as in the case of **Embassy of India Paris**, lending support to the observation of audit that the internal controls, the absence of which led to the loss of revenue, are still not in place and the Ministry has still not put in place a system of feedback from the missions to monitor and prevent recurrence of the mistakes noticed in audit.

### **8.3 Loss of revenue due to issue of visa exemption certificates**

**Issue of certificates to minor foreigners indicating non-requirement of visa for entry into India by the HCI London, Consulate General of India, Birmingham and Consulate General of India, Glasgow in violation of the Passport (Entry into India) Act, 1920 resulted in loss of atleast Rs 4.11 crore.**

**Every foreigner entering into India needs a passport and a visa issued by Indian Representative abroad.**

Under the provisions of the Passport (Entry into India) Act, 1920, every foreigner entering into India must be in possession of a valid passport establishing his identity and a valid visa for India granted by an Indian representative abroad. Children below the age of 15 years travelling to India on joint passports of their parents/guardians are not required to obtain separate

visas, provided it is made explicit in the visa endorsement that the visa is valid for the parent/guardian and children indicating their number and name. Children of or above the age of 15 years travelling on the joint passports of their parents/guardians or on separate passports are required to obtain separate visas on payment of appropriate visa fee.

**MHA clarified that foreigners up to the age of 16 years are exempt from registration in India.**

**HCI, London, CGI, Birmingham and CGI, Glasgow issued certificates to foreigners up to the age of 16 years that they did not require a visa for entry into India**

**MEA clarified that all foreigners holding independent passports need a visa for entry into India.**

**HCI, London, CGI Birmingham and CGI Glasgow issued such certificates to 30,552 foreigners resulting in loss of revenue of Rs 4.11 crore.**

Ministry of Home Affairs informed the State Governments and the missions abroad in February 1996 that children up to the age of 16 years are exempt from registration on arrival in India and may be granted landing permits on arrival in India for upto 90 days. The liability to obtain visa on payment of requisite visa fee, however, remained unchanged.

Sample check of the records of the HCI,<sup>1</sup> London, the CGI,<sup>2</sup> Birmingham and the CGI, Glasgow disclosed that they issued certificates free of cost to British nationals of Indian origin aged below 16 years, who held independent passports, that they did not require a visa for entry into India. The date from which the practice of issuing these certificates started, was not available from the documents of the Mission/Consulate.

On a reference from the Consul General of India, Birmingham about the correctness of issue of such certificates, MEA<sup>3</sup> held in January 1997 that all children holding independent passports require a separate visa for entry into India to be stamped on their passports after payment of normal visa fee. MEA had, however, informed the Consulate that the matter would be referred to MHA<sup>4</sup> and further instructions would be issued. MEA did not issue any further guidelines and the Consulate continued to issue such certificates free of cost.

While the HCI, London issued such letters to 6528 persons under the age 16 years who held independent passports during the period March 1998 to July 1998, the Consul General of India, Birmingham issued such letters to 23,591 British passport holders during the period 7 June 1996 to 28 February 1999. The Consul General of India, Glasgow issued 433 such certificates during the period from February 1998 to June 1999. Number of such letters issued by them outside these periods was not available with the Mission/Posts, since no registers or records of such letters issued by them were maintained by them. In the absence of records, these figures were compiled by Audit from the photocopies of the visa exemption letters available with the Mission/Posts. Issue of such letters in known cases, by the HCI and the Consulates in violation of the Passport (Entry into India) Act, 1920 resulted in loss of revenue of £ 580488 equivalent to Rs 4.11 crore<sup>5</sup> in the form of visa fee that could have been collected for tourist visa at the lowest rate of visa fee. The

<sup>1</sup> High Commission of India

<sup>2</sup> Consulate General of India

<sup>3</sup> Ministry of External Affairs

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

<sup>5</sup> Rupees equivalent at the official rate of exchange of 1 GBP=Rs 70.76 as of February 1999



loss of revenue would be much more, if records of all such cases were also available for scrutiny.

The matter was referred to the **HCI, London**, the **CGI, Birmingham** in April 1999 and to the **CGI, Glasgow** in June 1999. While the **HCI, London** and the **CGI, Birmingham** did not furnish any reply, the **CGI, Glasgow** stated that they had been issuing such exemption letters based on the practice followed by the **HCI, London**.

Upon being pointed out by audit, **HCI, London** discontinued issue of such free of cost certificates and advised both the Consulates in their fax dated 24 June 1999 that they had discontinued issuing of visa letters to children with effect from 28 June 1999 and that visas would be issued on their passports on payment of requisite fees.

The Ministry admitted in October 1999 that it was a lapse by the Mission/Posts and stated that the irregularity was committed on account of the ambiguity in the existing instructions on the issue of landing permits. The Ministry further stated that to avoid any confusion in future, it had been decided in consultation with the MHA to introduce visa for all minor foreign children and withdraw the facility of landing permit.

#### **8.4 Fraudulent drawal due to transfer of funds by fax**

**Imprudent action by officers of Embassy of India, Kiev in authorising the State Bank of India, New York by fax to transfer funds to third party accounts in violation of the terms of agreement with the bank and in disregard of risk involved, led to fraudulent drawal of Rs 34.27 lakh.**

The HOC<sup>1</sup> of **Embassy of India, Kiev** entered into an agreement with SBI<sup>2</sup> New York in August 1995 authorising the bank to act on the Mission's instructions sent through fax or telephone for transfer of funds from Mission's Account in SBI New York to their specified account in the Export Import Bank of Ukraine, Kiev only.

##### ***Fraudulent drawal on forged fax message***

On receipt of the bank statement from SBI, New York in April 1998, the Mission learnt about fraudulent transfer of US \$ 86300 equivalent to Rs 34.27 lakh<sup>3</sup> by SBI, New York to a third party account in Pravex, a private bank in Ukraine. The fraudulent transfer was made on a forged fax instruction of 6 April 1998 to the SBI, New York for transfer of US \$ 86300. On investigation, it was disclosed that the amount was credited into an anonymous bank

**Indiscretion by Embassy in fax advice for third party transfers prompted a fraudulent fax advice.**

<sup>1</sup> Head of the Chancery

<sup>2</sup> State Bank of India

<sup>3</sup> @ 1 US \$=Rs 39.71 prevailing in April 1998



account, from which someone had withdrawn the entire amount on 8 April 1998.

On receipt of the bank statement from SBI New York on 13 April 1998, the Attache (Administration & Accounts) addressed a fax message on 15 April 1998 to the SBI New York stating that the fax message dated 6 April was sent by mistake. On 16 April, the very next day, the Attache again sent a fax message to SBI New York to confirm that the fax message of 6 April was not sent by them. This was in contradiction to the message sent on 15 April wherein he had stated that the message was sent by mistake.

***Negligent and unauthorised action of the Attache (Administration & Accounts) and HOC***

**Resort to fax advice for third party transfers was imprudent and against the agreement.**

So long as the fax advice was limited to transfer to Mission's specified account in terms of the agreement with SBI, New York, there could be no chance of fraudulent drawal from the Mission's New York account. The fraudulent drawal was made possible solely due to the imprudent and unauthorised action of the HOC and Attache (Administration & Accounts) in issuing fax advices for transfer to third party accounts on the Mission's letter head in disregard of the terms of agreement with SBI, New York. In doing so, they ignored the serious risk of fraudulent use of this facility, which the Government money was exposed to, since anyone could sent such a fax for fraudulent transfer to third party accounts.

**The officers advised third party transfers by fax on 11 occasions.**

Scrutiny of documents in the Mission disclosed that the officers in the Mission issued fax advice on 11 other occasions during the period between 2 September 1996 and 13 April 1998 to transfer amounts varying between US \$ 250 and US \$ 35400 from Mission's account at New York to the bank accounts of third parties in and outside Kiev, without taking into consideration the risk involved. All the payments for which third party transfers were advised could have been made by cheque through the Mission's US \$ account in the local bank in Kiev. The SBI, New York was also at fault in honouring the fax instructions of the Mission in contravention of the agreement which permitted transfers through fax advice only to the Mission's account. It, however refused to accept any liability for the transfer of US\$ 86300 on the fraudulent fax advice of 6 April 1998 on the plea that by continuing the fax advice for transfer to third party accounts for two years and ratifying such previous transactions, the Mission had brought about modifications in the agreement.

**SBI, New York disowned any liability on the plea of de facto modification of the agreement.**

***No action to fix responsibility***

**MEA and the mission did not fix any responsibility for the loss.**

While as a follow up to the fraudulent drawal of the amount, the Mission scrapped the agreement authorising SBI, New York for transfer of funds through fax advice in May 1998, the MEA/Mission did not initiate any action to fix responsibility of the officers accountable for unauthorisedly resorting to fax advices for third party transfers. It is recommended that accountability should be established for negligent action leading to the fraudulent drawal.

The matter was referred to the Ministry in March 1999; their reply was awaited as of December 1999.

### **8.5 Mismanagement of accommodation of the Embassy of India, Kiev**

**Embassy of India, Kiev mismanaged acquisition of property and consequent leasing by failing to take possession of the plot allotted by the Government of Ukraine and delayed repairs/renovation to the alternate property purchased at Rs 2.53 crore for four years. The HOM incurred avoidable expenditure of Rs 3.34 crore on rent without proper authority.**

This paragraph deals with mismanagement in acquisition of the plot of land, purchase of building and leasing of accommodation for accommodating the Indian Mission by the Embassy of India in Kiev, Ukraine. The Mission failed to take possession of the plot under reciprocal arrangement for seven years after the Inter-Government agreement, opted for outright purchase of accommodation in September 1995 as an alternative but failed to get it repaired/renovated for four years. As a result, it had to lease another accommodation at a monthly rent of US\$ 15000. In leasing the accommodation also the HOM<sup>1</sup> flouted Government instructions and committed unauthorised expenditure.

#### ***Failure to complete the formality for the transfer of the plot of land***

**Mission failed to get the land allotted to them resulting in its withdrawal by the local Government.**

Under reciprocal arrangement between the Governments of India and of Ukraine, the Ukrainian Government allotted a plot of land measuring 5000 sq. metre to the Mission in October 1992. As the Mission did not complete the formality of transferring the title to plot of land, the local Government withdrew its allotment to the Indian Mission in December 1996.

#### ***Idle investment in purchased building***

**Mission purchased a built up property in September 1995 but was yet to get the property repaired/renovated even after a lapse of four years.**

Since the Mission was not able to obtain possession of the plot of land allotted by the local authority, it purchased a property comprising three built up structures with total built up area of 725 sq. metres for US\$ 800,000 equivalent to Rs 2.53 crore<sup>2</sup> in September 1995 with a right to use the land attached to the building with the approval of MEA. MEA approved renovation/repairs to the purchased building at a cost of US\$ 400,000 in May 1995, which was revised to US\$ 552,268 in February 1998. The initial assessment of time required for repair/renovation was a mere four months. The Mission was yet to get the renovation/repair completed as of December 1999 and the property remains unutilised.

<sup>1</sup> Head of the Mission

<sup>2</sup> At the rate of 1 US \$=Rs 31.65

### ***Hiring of accommodation***

**Mission leased office accommodation at a monthly rent of US\$ 15000 in July 1995.**

Having failed to take possession of the plot of land and construct its own building as also in the alternate solution of purchase and renovation of another building, the HOM leased an office accommodation in July 1995 initially for a period of six months at a monthly rent of US\$ 15000. The lease was subsequently extended from time to time on the same terms and conditions up to June 2000.

### ***Unauthorised action***

**Mission has so far spent a sum of Rs 3.34 crore, which was unauthorised.**

As per the Delegation of Financial Powers to the Government of India's Representatives abroad, HOMs are not delegated with powers for renting of office accommodation initially. Thus, the initial leasing of office accommodation by HOM Kiev in July 1995 was in disregard of limitation on his financial powers. The Ministry was yet to accord approval to leasing of accommodation for which the HOM sent the proposal in July 1995 for post facto approval of the MEA after the accommodation was taken on lease. Thus, the total expenditure of US\$ 765000 equivalent to Rs 3.34 crore<sup>3</sup> on lease rent upto December 1999 was unauthorised.

**HOM paid agent's commission in excess of the permissible limit and incurred an unauthorised expenditure of Rs 10.79 lakh.**

Not only did the HOM exceed his authority by leasing the accommodation without approval of MEA, he infringed another limit on his delegated powers by paying excess commission to the agent. As per the delegated powers, HOM can pay agent's commission not exceeding one month's rent subject to a ceiling of 2.5 per cent of the total rent payable during the period of lease. Thus, not more than US\$ 2250 was payable towards agent's commission for the entire period of lease of six months. Against this, the HOM made payment of US\$ 27000 towards agent's commission: US\$ 18000 in June 1995 at the time of signing the lease and further payment of US\$ 9000 in May 1996 at the time of renewal of lease. Excess payment of US\$ 24,750 equivalent to Rs 10.79 lakh<sup>4</sup> for which he did not possess the delegated authority was also an unauthorised expenditure.

The matter was referred to the Ministry in October 1999; their reply was awaited as of December 1999.

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<sup>3</sup> At the rate of 1 US \$=Rs 43.63

<sup>4</sup> At the rate of 1 US \$=Rs 43.63

## 8.6 Appointment/retention of personnel and inadmissible payments

**Operation of unsanctioned local posts and posts paid from contingencies in the High Commission of India London and CGI,<sup>1</sup> Birmingham resulted in unauthorised expenditure of Rs 3.51 crore during 1989 to 1999. In another case included as paragraph 13.2, Embassy of India, Bonn spent Rs 2.36 crore unauthorisedly on unsanctioned posts.**

As per Rule 6 of General Financial Rules, no authority may incur any expenditure or enter into any liability involving expenditure from Government account unless such expenditure has been sanctioned by general or special orders of Government or by any authority to which power has been delegated on its behalf. Thus, no authority can incur expenditure on payment of salary without the specific sanction of the authority competent to sanction the post. Further item 12 of Schedule 1 of Financial Powers of Government of India's Representatives Abroad provides that the Head of Mission may employ only Class IV staff paid from contingency subject to the condition that the staff so employed is not for work of a regular nature or against vacant posts.

**HCI, London operated three local posts unauthorisedly on which it incurred an expenditure of Rs 1.47 crore.**

HCI,<sup>2</sup> London operated three posts of locally recruited direct data entry operators for which sanction for continuance existed only upto 31 March 1989. The Mission's request in August 1990 to include these posts in the sanctioned strength of the Mission was not accepted by MEA<sup>3</sup> who, in September 1993, directed the Mission to take immediate steps to effect necessary changes in the actual deployment of the local staff so that it was not in excess of the sanctioned strength. The Mission, instead of making the requisite changes, unauthorisedly continued to operate three posts upto November 1998 and two posts upto September 1999. The unauthorised expenditure on account of the continued operation of these posts amounted to £ 288599 equivalent to Rs 1.47 crore during 1989-1999 and HCI continues to incur a recurring expenditure of £ 2461 equivalent to Rs 1.70 lakh per month on the continued operation of the posts.

**HCI, London engaged clerks paid from contingencies without MEA's approval resulting in unauthorised expenditure of Rs 78.70 lakh.**

HCI, London employed two to 14 clerks paid from contingencies in various wings during August 1994 to June 1998 for the performance of work of a regular nature without the specific approval of MEA. The unauthorised expenditure on account of such appointments was £ 132702 equivalent to Rs 78.70 lakh<sup>4</sup> during August 1994 and June 1998.

**CGI, Birmingham engaged contingency paid clerks without MEA's approval and incurred unauthorised expenditure of Rs 1.25 crore.**

CGI,<sup>5</sup> Birmingham employed between five and 17 clerks paid from contingencies in addition to the sanctioned posts for the visa and passport

<sup>1</sup> Consulate General of India

<sup>2</sup> High Commission of India

<sup>3</sup> Ministry of External Affairs

<sup>4</sup> At the corresponding official rates of exchange notified for each month by MEA

<sup>5</sup> Consulate General of India

work during April 1994 to February 1999. The operation of the additional posts was unauthorised since there was no sanction for the posts and the work being of a regular nature the engagement could not be made without the specific approval of MEA. This resulted in unauthorised expenditure of £ 210543 equivalent to Rs 1.25 crore<sup>6</sup> during April 1994 to February 1999.

The HOC,<sup>7</sup> Birmingham stated in November 1997 that they had been engaging contingency paid clerks due to workload in the visa and the passport wings and though they had taken up the matter with MEA in 1994 they had been asked to submit the proposals again which they were yet to do. No sanction has been received from MEA as of September 1999.

In another case included in this Report as paragraph 13.2, Embassy of India, Bonn incurred unauthorised expenditure of Rs 2.36 crore on unsanctioned post.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

It is recommended that MEA should take immediate measures to discontinue the local posts and the contingency paid posts operated unauthorisedly by the HCI, London and CGI, Birmingham and also fix responsibility for non-compliance with MEA's orders of September 1993 to limit local employment to the sanctioned strength.

### **8.7 Unauthorised engagement of computer consultant**

**Engagement of a computer consultant in violation of the delegated powers to the High Commission of India London and without approval of the Ministry of External Affairs resulted in unauthorised payment of Rs 83.27 lakh.**

**HCI engaged the services of a computer consultant at the rate of £ 2350 per month without the approval of MEA.**

HCI,<sup>1</sup> London engaged the services of M/s. K. Narain & Company, in February 1994 for in-house computerised preparation of monthly cash accounts. The proposal as approved by the HOC<sup>2</sup> initially envisaged a service of 28 hours per week for two months at a monthly fee of £ 2350 including VAT<sup>3</sup>. After the programme was ready, the consultant was required to test the same for a couple of months and train the staff for which the consultant was to charge a fee of £ 587.50 per month including VAT. However, the agreement signed with the consultant by the HOC on 7 February 1994 specified that the

<sup>6</sup> At the corresponding official rates of exchange notified for each month by MEA

<sup>7</sup> Head of the Chancery

<sup>1</sup> High Commission of India

<sup>2</sup> Head of Chancery

<sup>3</sup> Value Added Tax



consultant would work for 28 hours per week at the rate of £ 2350 per month including VAT without specifying any time limit up to which this arrangement was to continue contrary to the earlier proposal of engaging the consultant for only two months at this rate. The engagement of the consultant was approved only by the DHC<sup>4</sup> post-facto on 2 December 1996, after 33 months of continued engagement of the consultant.

Scrutiny of the records revealed that

- (i) Though the HOC was not delegated with powers either to approve the first proposal or to accept the so called contract, the consultant was engaged for 33 months before obtaining DHC's approval post-facto on 2 December 1996. Though neither the DHC nor the HOC was delegated with powers to enter open ended contract, MEA's approval was not sought for.
- (ii) Even though computerisation of accounts wing was completed in June 1995, the consultant continued to be engaged at the same rate which was meant for initial computerisation of accounts instead of the lower rate meant to oversee the running of the system by rendering service for 21 hours in a month at a fee of £ 587.50 per month. Further, no time frame had been built into the contract as to the period up to which the overseeing of the system would continue.
- (iii) The objective of engaging the consultant to effect economy in the preparation of accounts by HCI ended up spending £ 28200 annually as against annual fee of £ 20000 paid to the earlier firm for preparation of the accounts.
- (iv) The HCI paid a total of £ 145700 equivalent to Rs 83.27 lakh during the period between February 1994 and March 1999 to the consultant

Thus, the engagement of the consultant in disregard of delegated power has resulted in an unauthorised expenditure of Rs 83.27 lakh. The engagement of the consultant continues at the monthly expenditure of £ 2350. The release of payment against the unsanctioned work is also indicative of lack of internal control.

It is recommended that the HCI should discontinue the unauthorised engagement of computer consultant immediately. MEA may investigate and strengthen its internal control to ensure that the Missions abroad do not exceed their delegated powers in future.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

Although the computerisation of accounts wing was completed in June 1995, HCI continuously engaged the consultant without the approval of MEA.

Engagement of consultant without approval of MEA resulted in unauthorised expenditure of Rs 83.27 lakh.

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<sup>4</sup> Deputy High Commissioner

## 8.8 Expenditure without sanction

**High Commission of India, London unauthorisedly spent Rs 59.81 lakh in excess of the amount approved by the Property Team to renovate its visa hall without sanction from the Ministry.**

High Commission of India, London carried out major renovation work in the visa wing at a cost of £ 242206 including VAT.

HCI spent an excess expenditure of £ 95360 equivalent to Rs 59.81 lakh over and above the approved amount, which was unauthorized.

The HCI,<sup>1</sup> London carried out major renovation in the Visa Wing of India House, London during July 1996 to December 1997 and spent £ 242206 including VAT<sup>2</sup>. Scrutiny of the documents in HCI London disclosed the following: -

- (i) HCI, London undertook the renovation work on the approval by a property team of MEA<sup>3</sup> consisting of Additional Secretary (AD) and Additional Secretary (FA) in July 1996 for £ 146846 including VAT. Since the powers for sanction to major works vested with the Ministry, it was incumbent upon it to be expressed in the form of a formal sanction in the name of the President of India. The property team's approval on the spot was not sufficient for incurring the expenditure.
- (ii) Even if HCI, London treated 'on the spot approval by the property team' as sanction of MEA, it ought to have obtained sanction for expenditure exceeding the approved amount. However they spent £ 242206 against the approval of the property team for £ 146846 only. The excess expenditure of £ 95360 including VAT equivalent to Rs 59.81 lakh<sup>4</sup> was unauthorized. Upon being pointed out by audit, HCI requested the MEA in May 1999 to approve the expenditure post-facto. MEA's response was awaited as of November 1999.
- (iii) The payment by any cheque drawing authority should be made on the basis of appropriate sanction. The cheque drawing authority at HCI, London made payments beyond the amount approved by the property team. This is indicative of the deficient internal control in the HCI.

The matter was referred to the Ministry in April 1999; their reply was awaited as of December 1999.

<sup>1</sup> High Commission of India

<sup>2</sup> Value Added Tax

<sup>3</sup> Ministry of External Affairs

<sup>4</sup> at the official exchange rate of £ I=Rs 62.72 as of December 1997.

### 8.9 Irregular payments in US dollars instead of local currency

Failure of HCI,<sup>1</sup> Guyana to meet its local commitments in local currency out of blocked profits of Bank of Baroda upto the maximum limit allowed by MEA<sup>2</sup> resulted in a potential loss of US \$ 202873 to the Bank

Examination of the accounts of High Commission of India in Georgetown, Guyana and the status of the local Bank of Baroda's blocked funds with the Bank of Guyana as on March 1999 disclosed that the Bank of Baroda was likely to lose about US\$ 202873 due to the ban by the Bank of Guyana on repatriation of the money. Bank of Guyana had imposed restrictions on repatriation of profit in hard currency due to its policy to conserve foreign exchange. To a large extent, this loss was attributable to a non-challant attitude of the High Commission of India.

As Government of Guyana did not allow the local branch of Bank of Baroda to repatriate its profit, kept with the Bank of Guyana, MEA directed the Mission at Georgetown in March 1986 to draw at least 50 *per cent* of their total monthly requirement of cash in local currency from the blocked fund of Bank of Baroda retained by the Bank of Guyana. The Mission was to reimburse the Bank of Baroda the rupee equivalent of the Guyana dollar utilised by the Mission. This arrangement ensured that on one hand, the Bank of Baroda, Georgetown was able to retrieve its blocked funds representing profits from its operations, which it had deposited with the Bank of Guyana for repatriation and on the other, it could save the Government of India outgo of the equivalent amount of the foreign exchange.

MEA reiterated to the Mission in May 1994 to meet its local currency requirement from the blocked bank account rather than convert hard currency into local currency. The Mission, however, ignored the direction of the MEA and met local payments in hard currency, some of which included the rents of leased buildings for residential accommodations and for security services. During January 1995 to March 1999, the Mission paid US \$ 688690 in hard currency towards rent and charges for providing security services. Sample checks further disclosed cases where the Mission made payments to local suppliers also in hard currency.

Due to its deteriorating external debt position, Government of Guyana prohibited the repatriation of the profits of Bank of Baroda from 1 March 1999 and offered to settle the dues of the Bank at the rate of 9 cents per dollar on the profits of US\$ 222937 of the Bank left with the Bank of Guyana as on *that* date. The Mission's failure to make payments in local currency could result in a potential loss of US\$ 202873 to the Bank of Baroda.

The Ministry merely forwarded the reply of the Mission to the draft audit paragraph. It contended that (i) the Mission had been drawing US\$ 20000

<sup>1</sup> High Commission of India

<sup>2</sup> Ministry of External Affairs

Mission was allowed to meet its local payments in local currency out of the blocked profits of Bank of Baroda.

Mission continued to meet local payments in US dollar instead of local currency in disregard of the directions of MEA.

every month, the maximum amount that the Government of Guyana had permitted to draw in hard currency out of the blocked funds, (ii) the house owners insisted payment of rent in US dollar and (iii) if the rents were paid in local currency, the Mission would have had to incur higher expenditure on account of difference in the buying and selling rates and by way of taxes.

The Mission and MEA did not produce any evidence in support of their contention that the house owners demanded rent in US dollars. Further the reply of the Mission endorsed by MEA is factually incorrect with reference to items no (i) and (iii) above. Scrutiny disclosed that the Mission did not utilise the maximum amount of US\$ 20000 per month that the Government of Guyana had allowed to draw in hard currency from out of the blocked fund. Its drawal during the period was less by US\$ 906211 than the maximum amount it could have drawn. The reply of the Ministry at (iii) in the preceding paragraph shows lack of appreciation of the issue since drawal in local currency for local payments can not involve any loss in buying and selling rates, as the question of buying the hard currency did not arise.

#### **8.10 Unauthorised expenditure due to retention of car**

**Embassy of India at Oslo spent Rs 16.07 lakh on additional car retained by them unauthorisedly in disregard of the specific orders of MEA<sup>1</sup>**

Embassy of India at Oslo retained a car for 11 years unauthorisedly in defiance of specific orders of MEA.

The Mission purchased a Mercedes Benz car in April 1986 with a view to disposing off the old car. The Mission was authorised to hold only one car. After eight months of purchase of the new car, the Mission requested MEA to permit them to hold two cars on its strength. MEA did not agree to the proposal of the Mission and took adverse note of unauthorised retention of the car for eight months.

The Mission did not pay heed to the orders of the Ministry and retained two vehicles against authorisation of only one car until February 1998. Between 1986 and 1998, the Mission purchased two new cars, against which it disposed off the older of the two vehicles on both occasions and thus retained two cars on its strength. MEA failed to notice disregard of its orders by the Mission. In response to another request of the Mission in January 1997, for post-facto approval to retention of two cars, MEA directed the Mission to dispose off the second car in February 1998.

During April 1986 to February 1998, the Mission spent Rs 16.07 lakh on overtime allowance to the messenger who was used for driving the car, maintenance, insurance etc., which was unauthorised.

**Mission retained an additional car against the sanction for one car.**

**The unauthorised retention continued for more than 11 years and the additional car was disposed off in only February 1998.**

**Mission incurred an unauthorised expenditure of Rs 16.07 lakh on the additional car.**

<sup>1</sup> Ministry of External Affairs

Mission's action undermined MEA's authority.

More importantly, the action of the Mission undermined the authority of MEA, whose orders were flouted by the Head of the Mission.

The matter was referred to the Ministry in June 1999; their reply was awaited as of November 1999.

### 8.11 Incorrect drawal of 50<sup>th</sup> anniversary celebration funds

Rs 16.26 lakh, sanctioned for celebration of 50<sup>th</sup> anniversary of India's independence were spent by Indian missions abroad without acceptable evidence of expenditure

Expenditure towards celebration of the 50<sup>th</sup> year of India's independence was to be supported by proper receipts/sub-vouchers.

With the objective of celebrating the 50<sup>th</sup> anniversary of India's independence, MEA<sup>1</sup> allotted separate funds to all Indian missions and posts abroad during 1997-98. As per the orders allotting the funds to the missions/posts, the expenditure was to be booked under a separate head of account opened for this purpose and the expenditure was to be supported by proper receipts/sub-vouchers, which were required to be produced to audit for scrutiny. The missions/posts were also required to maintain a separate expenditure register for this purpose.

Seven missions/posts spent Rs 16.26 lakh without any proof of expenditure.

Sample checks disclosed that in seven missions/posts, grants aggregating to a sum of Rs 16.26 lakh, were either drawn by HOM<sup>2</sup>/HOP<sup>3</sup> as advances, which remained unadjusted or were paid to them as reimbursement of expenditure without acceptable proof of expenditure such as receipts or sub-vouchers. The missions/posts did not render detailed accounts to the Ministry as per its instructions and sent only statements showing the expenditure incurred on various activities to the Ministry. Having laid down a system for expenditure from the grants and accounting of the expenditure, Ministry did not ensure that the systems were in place and the instructions issued by them in this regard were being followed by the missions/posts.

The details of expenditure of Rs 16.26 lakh held by Audit "under objection" for want of acceptable evidence of expenditure are as under:

- o EI<sup>4</sup>, Vienna booked Rs 6.28 lakh against 50<sup>th</sup> anniversary celebrations. Scrutiny disclosed that HOC<sup>5</sup> made payment of advances and reimbursements of the expenditure to the Ambassador for hosting reception/dinner, cost of Indian snacks, closing ceremony etc. on the basis of notes and certificates from the Ambassador. While the advances paid remained unadjusted for want of details and supporting vouchers, the reimbursements were made merely on the certificate by Ambassador

<sup>1</sup> Ministry of External Affairs

<sup>2</sup> Head of Mission

<sup>3</sup> Head of Post

<sup>4</sup> Embassy of India

<sup>5</sup> Head of Chancery



without any evidence of expenditure in the form of vouchers/bills/sub-vouchers.

- ⊙ EI, Bucharest paid a sum of Rs 4.98 lakh as advances and reimbursements to the Ambassador. There was no proof of expenditure except a certificate from the Ambassador for the expenditure incurred.
- ⊙ CGI,<sup>6</sup> Birmingham paid advances of Rs 1.80 lakh to Consul General without any evidence of expenditure.
- ⊙ EI, Belgrade paid advance of Rs 50,000 to the Ambassador. The Mission did not render any account for this expenditure to the MEA as required.
- ⊙ CGI, Hamburg paid advance of Rs 40,000 to the Consul General for reception and closing ceremonies which was not adjusted on the basis of vouchers in support of the expenditure.
- ⊙ CGI, Glasgow paid Rs 1.80 lakh as advances/reimbursements to the Consul General. There was no proof of expenditure except a note from the Consul General that Rs 1.80 lakh was spent.
- ⊙ EI, Helsinki spent Rs 50,000 for hosting a reception on 15 August 1997, for which the Mission did not intimate any voucher number and date to the MEA and submitted only a statement of expenditure.

None of these missions/posts could produce the details of expenditure incurred.

Upon being pointed out by Audit, the respective missions/posts stated that they incurred expenditure on the basis of certificates/notes of HOM/HOP, but failed to produce any evidence.

Since the expenditure on 50<sup>th</sup> anniversary celebrations of India's independence was not to be admitted on the basis of certificate as in the case of Representational Grant, but on the basis of acceptable evidence, the expenditure of Rs 16.26 lakh is held as 'objected to' by Audit

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

#### **8.12 Extra expenditure due to payment of higher air fare**

HCI<sup>1</sup> Guyana, Georgetown spent an extra Rs 13.58 lakh by providing Air India's full fare economy tickets to the trainees instead of tourist/excursion fares and also made an avoidable payment of tax of Rs 3.77 lakh to the local airline.

As per the sanction issued by MEA on 28 May 1997, the nominees of foreign Government coming to India for training under ITEC<sup>2</sup> programme are to be

<sup>6</sup> Consul General of India

<sup>1</sup> High Commission of India

<sup>2</sup> Indian Technical and Economic Co-operation

provided two way air tickets by the tourist/economy class in Air India/Indian Airlines. **HCI, Guyana, Georgetown** sponsored 73 candidates of Guyana, St. Lucia, St. Vincent and Dominica to attend various courses in India during 1 January 1995 to 31 March 1999. **HCI, Guyana** allowed Air India's full fare economy tickets to 18 candidates out of 73 who attended training programmes under ITEC between July 1995 and October 1996, even though cheaper excursion fares were available in Air-India flights. Thus, by allowing higher air fare to these 18 candidates, **HCI, Guyana** incurred excess expenditure of Rs 13.58 lakh.

Scrutiny further disclosed that in the case of 15 candidates flying from Guyana/St. Lucia to India on ITEC training during July 1995 and October 1996, the Mission made an avoidable payment of local taxes in Guyana dollars equivalent to Rs 3.77 lakh to the local air line BWIA International Airways Limited, even though the Mission was exempt from payment of such tax.

The Ministry stated, in November 1999, that:

- (i) Under the ITEC guidelines passages could be booked by the missions by tourist or economy class and therefore, the **HCI, Guyana** had the option to book the ITEC passages either by tourist class or by economy class.
- (ii) The difficulties like halt at intermediate station involving expenditure on accommodation and boarding of the nominees, getting confirmed seats for candidates to travel on the desired date by tourist class etc. which could be faced by the candidates prohibited the Mission from booking their passages by tourist class.
- (iii) The diplomatic missions and International Organisations holding diplomatic/official passports are exempted from paying air travel tax. As the ITEC trainees are local nationals holding ordinary passports, the Mission was required to pay air-travel tax.

The Ministry's reply is unacceptable in view of the following:

- The Government of India guidelines did not provide for full-fare economy class tickets for ITEC candidates. The term 'economy class' is an omnibus term which encompasses different types of fares like three months excursion fare, six months excursion fare, full-fare economy etc. Where cheaper class tickets were available, as an economy measure it was incumbent on the missions to have chosen that fare, as is the practice in respect of all such aided programmes, In fact, the Mission was buying cheapest fare tickets available prior to July 1995 and after October 1996.
- The difficulties expressed by the Ministry were not unique as to have cropped up only during the period in question.
- The Mission did not pay any such tax for ITEC candidates before July 1995 and after October 1996.

- ◉ In its reply, the Ministry did not cite any case where the decision to book full fare economy ticket by the Mission was compelled by one or more reasons advanced by it. The reply of the Ministry only stated the possibilities generally, without substantiating them.

### **8.13 Avoidable payment of bank charges: CGI New York**

**Consul General of India, New York did not explore alternate competitive banking options and made avoidable payment of Rs 9.59 lakh towards bank charges during March 1997 to May 1999. Upon being pointed out by Audit CGI shifted its account to another bank.**

CGI,<sup>1</sup> New York maintained a Checking account<sup>2</sup> and a CD account<sup>3</sup> with a branch of Chase Manhattan Bank, New York situated on the 64<sup>th</sup> street Madison Avenue. The bank levied an 'Analysis Fee' every month for the service rendered by it in the maintenance of Checking account. The 'Analysis Fee' is the total of bank charges like charges for cheques paid, cheques deposited, cash deposited etc. minus earnings credit which is a notional credit the bank computes on the average monthly balances maintained by the client in their checking account.

Analysis of month-wise bank statements for the period March 1997 to May 1999 disclosed that the CGI paid US \$ 23,801 equivalent to Rs 9.59 lakh towards 'Analysis Fee' to the Bank on various transactions handled by it for CGI. The payment of 'Analysis Fee' by the CGI would be much more if the amounts for the period prior to April 1997 were also reckoned. The CGI did not ascertain from other banks to examine the feasibility of keeping their account with them at lower costs.

Inquiries with Citibank in New York in the same locality on the 65<sup>th</sup> street revealed that based on the same banking profile and operations, there would have been no 'Analysis Fee'/banking charges payable at all in case the Chancery account was maintained with them.

The Consul General stated in November 1999 that upon being pointed out by Audit, they had shifted the account to the Citibank on 65<sup>th</sup> street Madison Avenue.

<sup>1</sup> Consul General of India

<sup>2</sup> Balance in Checking account do not earn interest

<sup>3</sup> Certificate of deposit account which is similar to a term deposit account



#### **8.14 Deficient cash management and loss of interest**

**Deficient financial control in the Consulate General of India, Birmingham resulted in holding of excess cash with consequential loss of interest of at least Rs 31.00 lakh.**

In terms of the standing instructions issued twice every year by the MEA<sup>1</sup>, closing balance of cash during any month in any Mission/Post should not exceed six weeks' requirements. Request for special remittances are to be made in terms of these instructions, in case any authorised expenditure is anticipated.

Cases of flouting of these instructions and holding of monthly cash balances in excess of six weeks' requirement by various missions/posts abroad leading to a loss of interest of Rs 30.75 lakh and Rs 22.62 lakh were included in Report No.2 of 1997 and Report No.2 of 1998, Union Government (Civil) respectively.

**Holding of cash in excess of requirement by CGI, Birmingham resulted in loss of interest of Rs 31.00 lakh.**

Further scrutiny in CGI,<sup>2</sup> Birmingham disclosed that the monthly cash balance exceeded the above norms by up to Rs 2.53 crore which represented up to 412 *per cent* of their six weeks' requirements during June 1995 to January 1999. Although CGI consistently held cash balance in excess of its six weeks' requirement, it did not remit the excess cash held in its accounts. Head of Chancery of the CGI stated in November 1997 that the bank with whom the account was being maintained wanted them to maintain a clear credit balance of £ 100000 at any point of time. The CGI could not produce any evidence in support of their contention about insistence of the banks in United Kingdom for the minimum credit balance. Holding of cash in excess of the minimum credit balance and six weeks' requirement resulted in loss of interest of Rs 31.00 lakh at the maximum borrowing rate of 14 *per cent* by the Government during June 1995 to January 1999. Reckoning the total excess cash balance during this period including £ 100000 claimed by CGI, the loss of interest would be Rs 60.52 lakh.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

<sup>1</sup> Ministry of External Affairs

<sup>2</sup> Consulate General of India

## CHAPTER IX : MINISTRY OF FINANCE

### Department of Economic Affairs

#### 9.1 Payment of overtime allowance beyond the permissible norm

General Manager, Currency Note Press made overtime payment of about 480 hours per quarter to almost all staff members during 1995-99 against the permissible limit of only 50 hours per quarter. Overtime allowance beyond the permissible limit for the aforesaid period aggregated to Rs 64.19 crore.

Scrutiny of overtime expenditure in CNP<sup>1</sup>, Nashik during the years 1995-96 to 1998-99 disclosed that the GM<sup>2</sup> paid overtime allowance of about 160 hours every month to almost all of its 4600 supervisory and non-supervisory staff and workers. The expenditure on overtime payments during 1995-99 were as under:-

Year	Expenditure on overtime payment (Rs in crore)
1995-96	12.95
1996-97	14.27
1997-98	19.62
1998-99	25.03
Total	71.87

At this rate, each staff worker should have worked for more than about 14 hours a day continuously on all days, including on all holidays and Sundays. The comparison of overtime payments with the total salary bills for the years 1996-98 disclosed that the overtime payments were about 56 per cent of the expenditure on pay and allowances and wages of the employees.

In granting overtime allowance for as high as 480 hours in each quarter, the GM infringed the provisions of Factories Act 1948. Section 64 of the Act prescribes that total number of hours of overtime in a quarter shall not exceed 50 for any quarter and that total number of hours of work in a week, including overtime, shall not exceed 60 hours a week. The statutory limit on total working hours including overtime was infringed continuously by GM, CNP by allowing the workers to work for about 98 hours a week, including the

<sup>1</sup> Currency Note Press

<sup>2</sup> General Manager



overtime continuously against the ceiling of 60 hours. Similarly, quarterly ceiling of 50 hours of overtime was overrun by 9.6 times and almost all employees were shown as putting overtime work of 480 hours during every quarter.

For one quarter, October-December 1996, the GM obtained relaxation of the competent authority under Section 65 of the Act to allow workers to work overtime for up to 75 hours. The special permission for relaxation of the provision of the Act was made irrelevant by allowing the workers overtime of work for 480 hours even during this quarter.

The value of overtime payment beyond the maximum limit prescribed in the Factories Act was Rs 64.19 crore out of the total payment of overtime of Rs 71.87 crore.

The GM, CNP attributed the overtime payment to tremendous pressure for supply of notes. Pressure of work cannot be a ground for flouting of statutory provisions. Besides, the GM did not explain how all these employees worked continuously for over 14 hours a day for so many years.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December 1999.

## **9.2 Failure to deduct Sales Tax from customers**

**Ignorance of the General Manager of India Government Mint, Mumbai about Sales Tax liability on commercial productions resulted in payment of Rs 1.95 crore to Government of Maharashtra, which was never recovered.**

IGM<sup>1</sup>, Mumbai whose primary function is to mint coins, also undertakes production and sale of commercial products like weights and measures, medals, tokens and commemorative coins. While it is exempted from the purview of State Sales Tax Act for production and supply of legal tenders viz. coins, being a sovereign function, it is liable to recover and pay Sales Tax on other commercial productions and supply.

IGM did not recover Sales Tax on supply of commercial items to the Government Departments and private indentors due to its ignorance of the liability.

Sales Tax Commissioner of Maharashtra served notices from June 1996 onwards on IGM for recovery of Sales Tax of Rs 2.07 crore on supply of commercial items during 1983-95 aggregating Rs 9.79 crore and adjusted Rs 1.58 crore towards its dues by debiting IGM's accounts with the Reserve

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<sup>1</sup> India Government Mint

Bank of India under Section 39 of Bombay Sales Tax Act 1959 in February 1998.

Later, IGM deposited Rs 48.86 lakh towards Sales Tax with the Sales Tax Commissioner Maharashtra by March 1999, being the liability for 1993-95 which it never collected. The assessment of demand for 1996-98 was yet to be made by the Sales Tax Commissioner. IGM has started recovering Sales Tax from April 1998.

Out of Rs 1.58 crore recovered by the Sales Tax Department, the General Manager, IGM issued demand notices for Rs 70.95 lakh to Government departments and bodies. Out of this demand, it could recover Rs 11.51 lakh. Sales Tax of Rs 86.77 lakh on items sold to private parties have become irrecoverable.

In addition, the Sales Tax Commissioner has also levied a penalty of Rs 2.12 crore for default in deposit of sales tax for 1983-95, against which, General Manager, IGM has appealed to the Sales Tax Tribunal.

Thus, ignorance of IGM of its liability to recover and deposit Sales Tax on commercial products resulted in payment of Rs 1.95 crore towards Sales Tax which it never recovered besides an undetermined amount for 1996-98. This was an entirely avoidable outgo from the Consolidated Fund of India. Besides, IGM has also become liable to pay penalty of Rs 2.12 crore.

The matter was referred to the Ministry in September 1999; their reply was awaited as of December 1999.

### **9.3 Failure to invoke penal provision**

Upon being pointed out by Audit, General Manager ISP Nashik assured procurement of the balance quantity of 169.72 tonne of paper short supplied by the vendor against the contracted quantity at the original contract rate. This quantity had been procured from another firm at an extra expenditure of Rs 27.16 lakh.

The General Manager ISP<sup>1</sup> Nashik placed a supply order in January 1995 on Shreyans Industries Ltd., New Delhi for supply of 3400 tonne of Blue Wove Paper at Rs 23000 per tonne for printing of inland letter cards. The contract stipulated that in case of default by the supplier to maintain the delivery schedule, ISP would be authorised to cancel the contract and purchase the material from another firm at the risk and cost of the supplier firm.

Shreyans Industries Ltd supplied 3230.28 tonne against the supply order for 3400 tonne up to the extended period of delivery. Instead of invoking the risk and cost purchase clause, the General Manager ISP procured the balance

<sup>1</sup> India Security Press

quantity of 169.72 tonne paper against a supply order for 200 tonne from another firm, Shree Vindhya Paper Mills Ltd., Bhusawal at Rs 39000 per tonne in August 1996 on which an extra Rs 27.16 lakh was spent with reference to the rate of the former, which was recoverable from the defaulting firm as per the terms and conditions of the supply order.

Upon being pointed out by Audit, the Chief Purchase and Store Officer, ISP stated in July 1999 that the matter was discussed with the firm and they were prepared to supply the balance quantity of 169.72 tonne of paper during 1999-2000 at the rate at which the supply order was given in 1995. The actual supply was yet to take place as of September 1999.

The matter was referred to the Ministry in May 1999; their reply was awaited as of December 1999.

#### 9.4 Excess purchase of security paper

**Irresponsible purchase of security paper by General Manager, ISP<sup>1</sup> Nashik resulted in excess stock of 409.70 tonne of paper valued at Rs 2.45 crore for many years. The unnecessary purchases cost the exchequer interest damage of Rs 2.13 crore up to March 1999.**

Audit of stock of various items held by ISP Nashik in April 1999 disclosed that the closing stock of sensitised Hundi Stamp grey colour paper at the end of March 1999 was 409.70 tonne valued at Rs 2.45 crore.

Examination of purchase and utilisation of this paper disclosed that General Manager, ISP Nashik purchased 101.83 tonne of security paper for Rs 1.87 crore from Security Paper Mill, Hoshangabad in August 1994, though the ISP was already holding the stock of 324.82 tonne of this paper purchased for Rs 78.83 lakh in 1987-88. During 1987-99 ISP utilised only 16.95 tonne of the paper leaving a balance of 409.70 tonne valued at Rs 2.45 crore, which established that purchases on both occasions i.e. 1987-88 and more so in 1994, were made without assessing the requirement and stock. This points towards deficiency in store and purchase management in ISP Nashik which had led to unnecessary expenditure of Rs 2.45 crore.

It should be viewed in the background that a large portion of expenditure of the Union Government was met out of borrowed funds during all these years, since the Union Government had an annual fiscal deficit of Rs 30923 crore to Rs 88937 crore during 1988-99. The unnecessary purchase by GM, Nashik had cost the exchequer Rs 2.13 crore by way of interest for four and 11 years, respectively on the cost of the unutilised stock up to March 1999, calculated at the maximum borrowing rate of interest of 14 per cent per annum.

**GM,ISP had purchased in August 1994 additional quantity of 101.83 tonne of paper worth Rs 1.87 crore despite huge stock.**

<sup>1</sup> India Security Press

Financial Adviser and Chief Accounts Officer, ISP Nashik stated in April and May 1999 that due to less demand for Hundi Stamps, the consumption of paper was less. He added that due to its grey colour, the paper cannot be used for other security jobs,

The reply of FA & CAO, ISP establishes the imprudent action in purchase of paper, even while there was practically no demand of Hundi Stamps.

The matter was referred to the Ministry in June 1999; their reply was awaited as of December, 1999.

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

**Upon being pointed out by Audit, the State Bank of India, Calcutta deposited the penal interest of Rs 13.72 lakh in Government Account for delay in credit of the amounts under the Special Deposit Scheme.**

The State Bank of India, Calcutta Main Branch functions as coordinator in respect of Special Deposit Scheme for the benefit of Non-government Provident, Superannuation and Gratuity Funds and remits the deposits received in the branch and other receiving branches to the Bank's Central Office at Mumbai for credit to Government Account.

The deposits received by bank branches under the scheme have to be credited to Government Account within five days and nine days of receipt in respect of local and outstation branches respectively. Failure to credit the deposits within the stipulated time attract penal interest at the rate of 12 *per cent per annum* for the entire period of delay including the grace period.

Sample check of records of the Bank in November 1998 revealed that during March 1997 to March 1998, out of the total deposits aggregating Rs 52.10 crore, the Deputy General Manager of the bank delayed the remittance aggregating Rs 34.40 crore for credit to Government Account by six to eighteen days. Yet, the Bank did not credit penal interest for the period of delays to Government Account. There was, thus, a loss of Rs 13.72 lakh to the exchequer, as the Government had to pay interest to the subscribers from the actual date of receipt of the deposits at the banks.

The Ministry stated, in September 1999, that upon being pointed out by Audit the State Bank of India, Calcutta deposited the penal interest of Rs 13.72 lakh in July 1999 in the Government Account. The Ministry added that the State Bank of India has started looking into the cause of delay and fix staff accountability.

**Delay in forwarding of deposits received by bank resulted in loss of Rs 13.72 lakh to Government.**

## Department of Revenue

### 9.6 Excess payment of night duty allowance

**Failure of Pay and Accounts Officer, Customs House Kochi to detect the error in claim of night duty allowance by the staff of the customs house resulted in excess payment of about Rs 28 lakh.**

Government of India issued order in October 1989 prescribing a uniform night weightage of ten minutes for every hour of night duty attended to between 22 hours and 06 hours effective from January 1986. Prior to these orders, night duty weightage was at the rate of ten minutes for every hour of night duty between 20 and 22 hours and thereafter at the rate of twenty minutes per hour till 06 hours.

Sample check of vouchers of four categories of staff viz. Preventive Officers/Superintendent, Sepoys, Havildars and marine staff for the month of July 1996, paid in September 1996 revealed that the Pay and Accounts Officer, Customs House, Kochi passed the bills of OTA claims on the basis of orders applicable prior to January 1986. This disclosed excess payment of Rs 22470 to the staff of Customs House. Based on these figures, the excess payment made during January 1986-July 1996 would work out to approximately Rs 28 lakh. Excess payment made to other categories like Examiners and Appraisers could not be checked in audit due to non-production of the concerned bills.

The Pay and Accounts Officer, Customs House, Kochi stated in June 1999 that the particulars of actual excess payment made due to incorrect reckoning of night weightage were being compiled from the vouchers/connected records for the periods from April 1991 onwards and on its completion, the details prior to April 1991 would be worked out.

It is recommended that the Administration should work out the total excess payment and recover it from the concerned employees.

The matter was referred to Ministry in October 1999; their reply was awaited as of December 1999.

### 9.7 Loss due to failure to revise rates of licence fee

**Failure of the Commissioner of Customs (Administration), Calcutta to revise rates of licence fee for accommodation provided to clearing agents resulted in loss of Rs 52.83 lakh during 1993-99.**

The Commissioner of Customs (Administration), Customs House Calcutta provide table space measuring 30 sq ft each on licence to clearing agents for their business in the Customs House Building. During the years 1993 to 1999,



115 table spaces had been occupied by clearing agents. The Commissioner continued to charge licence fee at Rupee one per sq ft from the clearing agents without reference to the prevailing market rate. This rate had been fixed by the Commissioner of Customs (Administration) as far back as in the year 1973.

Rates of licence fee had not been revised for a very long time.

Although the prevailing standard rate of rent determined by the Central Public Works Department during the period 1993 to 1999 ranged between Rs 15 and Rs 24 per sq ft per month, the Commissioner of Customs (Administration) did not revise the rate on the basis of the prevailing market rate, which resulted in undue benefit to the agents at the cost of public revenue.

Non-revision of rates of licence fee resulted in loss of Rs 52.83 lakh.

Failure of the Commissioner of Customs (Administration), Calcutta to revise the rates of licence fee resulted in a loss of Rs 52.83 lakh during 1993-99 only. He was requested to furnish reasons for non-revision of the licence fee. He did not furnish any reason nor any remedial measures were taken by him.

It is recommended that Ministry may investigate the failure of the Customs House Calcutta to revise the rent periodically and take action to revise it without further delay.

The matter was referred to the Ministry in July 1999; their reply was awaited as of December 1999.

### 9.8 Follow up on Audit Reports

**Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs<sup>1</sup> on four Audit Paragraphs.**

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of four Paragraphs included in the Audit Reports up to the year ended March 1997 as detailed below:

Audit Report for the year ended March <sup>®</sup>	Paragraph number	Department	Subject
1994 (1 of 1995)	8.8	Revenue	Idle engines purchased for prototype patrol boat.
1994 (1 of 1995)	8.9	Revenue	Unfruitful expenditure due to non-operational vessel.
1995 (1 of 1996)	7.7	Revenue	Loss due to short recovery of rent
1997 (2 of 1998)	5.7	Revenue	Non-realisation of penalties

<sup>®</sup>The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs which was referred to the Ministry in December 1999 has been confirmed by the Ministry on 22 December 1999.

<sup>1</sup> Action Taken Notes

## CHAPTER X : MINISTRY OF FOOD PROCESSING INDUSTRIES

### 10 Unfruitful expenditure due to negligence

The Ministry spent Rs 1.24 crore during 1994-95 to 1998-99 on production of 45 films for telecast to create awareness among the masses without cost analysis and at higher rates. None of the films was telecast as of June 1999, rendering the entire expenditure unfruitful.

With a view to creating awareness for food processing among the masses through short films telecast during Krishi Darashan and other similar slots, the Ministry paid Rs 1.24 crore to private producers during March 1995 to February 1999 for making 45 video films of 10 - 15 minutes duration.

Examination of the project disclosed negligence in planning and extra expenditure due to higher rates paid to the private producers. Besides, the entire expenditure has been rendered wasteful due to failure of the Ministry to utilise the video films.

The preparation of the video films consisted entirely of the indoor shooting without the need for preparation of special sets or costumes. For a commissioned programme of duration of about 30 minutes with considerable outstation location shooting and/or special sets and costumes, Doordarshan paid about Rs 2.50 lakh to the producers. The Deputy Controller of Programmes, Doordarshan, who was on the Committee constituted by the Ministry of Food Processing Industries, advised the Ministry in February, 1995 that Doordarshan paid about Rs 1.20 lakh for a film of 10 - 15 minutes duration with two locations shooting. He intimated that the cost of dubbing in 10 regional languages was Rs 2.10 lakh.

Based on these considerations, he advised that the producers be paid at Rs 3.30 lakh per film of 10 - 15 minutes' duration with dubbing in ten regional languages.

The advice of the Deputy Controller of Programmes provided unintended benefit to the private producers in as much as the programme duration was left to the choice of the producers in a range of 10 to 15 minutes and the rate recommended did not take into account that no location shooting and payment to actors were involved.

#### *Delay and failure to complete the films*

Ministry allotted the work for 45 films to 16 producers between the period March 1995 to February 1999 and made total payment of Rs 1.24 crore to them during this period. The payments were regulated as under:

Suggested cost resulted in higher rates paid to the private producers.

- ⊙ 40 per cent of the cost on approval of the script and signing of contract;
- ⊙ 30 per cent of the cost on approval of rough cuts;
- ⊙ 20 per cent of the cost on approval and delivery of final prints;
- ⊙ 10 per cent on completion of all formalities.

**Advance payment on dubbing provided unintended interest free capital to the private producers**

Since dubbing in regional language is at the end of the sequence of events, making advance payment of the total cost including the dubbing cost provided unintended benefit of interest free capital to the producers.

The agreement with the producers did not provide any time frame for completion of the various stages of the film.

**The production agreement did not provide time frame for completion.**

Of the 45 films entrusted to the producers, only 27 had been completed and recorded cassettes handed over to the Ministry between January 1997 and March 1999. Time taken for completion of the completed films was about seven to 38 months.

**18 films were incomplete as of March 1999.**

18 films entrusted to nine private producers between March 1995 and July 1997 for which stage payments aggregating Rs 36.63 lakh were made during 1994-1997, were incomplete as of March 1999.

#### ***Non utilisation of the completed films***

None of the 27 completed films had been telecast as of June 1999. Doordarshan had expressed inability in their telecast due to the following reasons:

**27 completed films have not been telecast as of June 1999.**

- ⊙ The duration of the films longer than 10 minutes would not sustain viewers interest;
- ⊙ Commercial banners in the films render them unfit for telecast as commissioned programme;
- ⊙ The commentary in the films did not have smooth flow and the films required re-editing with no repeat shots.

**The Ministry failed to object to unauthorised commercial banners in the films before releasing payments.**

The above position establishes that the Deputy Controller of programmes, Doordarshan did not give proper advice in relation to the duration of the programmes. This also calls into question the 'due care' expected by the officers of the Ministry, who were responsible for preview and clearance of the final print. They failed to object to the unauthorised commercial banners, set them right and to insist on proper quality of editing before releasing the last two instalments of 20 per cent and 10 per cent of the cost and to take corrective measures.

Doordarshan intimated the reasons for their inability as early as in April 1996. Yet, the Ministry did not take measures to ensure that the producers did not put commercial banners in the films, the prints of which were handed over for approval or for which the works were entrusted after April 1996. 36 films approved or in which payments were made after April 1996 contained commercial banners. For the other 18 incomplete films also, the Ministry has not taken any steps to stop insertion of commercial banners in them.

**The Ministry did not take measures to get the films modified as suggested by Doordarshan in April 1996 for 36 films.**

Thus, due to negligence in planning and quality control by the Ministry, the objective of creating awareness for food processing through telecast remained elusive, besides rendering the entire expenditure of Rs 1.24 crore as wasteful. Incorrect advice by the representative of Doordarshan resulted in payment at higher rates to the producers. The officers of the Ministry were also responsible for payment of advance to the producers and for their failure to take penal action on the delay by the producers and more importantly, for unauthorised insertion of commercial banners.

The matter was referred to the Ministry in July 1999; their reply was awaited as of December 1999.

## CHAPTER XI : MINISTRY OF HEALTH AND FAMILY WELFARE

### 11.1 Performance of pharmaceutical factories in Medical Stores Depots at Chennai and Mumbai

Pharmaceutical Factories at Mumbai and Chennai were established in 1893 and 1947 respectively with the objective of manufacturing about 75 and 100 common drug formulations, ointments and other material like bandages etc., for supply to government hospitals/dispensaries on a no-loss and no-profit basis. A factory manager under the control of Assistant Director General and Deputy Assistant Director General heads each factory.

The factory at Chennai has a sanctioned staff strength of 87 as of March 1998 comprising Assistant Factory Manager, Senior/Junior Scientific Assistants, Group C and Group D staff while the sanctioned strength of Mumbai factory was 94 as of March 1999.

Sample checks of the accounts and performance of the factories at Chennai and Mumbai disclosed the following:

**Expenditure on establishment was 86 to 92 per cent.**

**The machinery installed at both the factories had outlived their life. Out of 17, six tablet making machines were non functional since 1994.**

**Capacity utilisation was less than 12 per cent during 1992-99.**

**No production in tablet section during 1991-95.**

- ⊙ The total expenditure of factory at Chennai during 1991-98 was Rs 2.85 crore and while that for Mumbai Rs 2.28 crore. Out of the total expenditure, establishment expenditure accounted for 86 to 92 per cent.
- ⊙ The machinery installed in Chennai and Mumbai units had out-lived their useful life. Two out of the three tablet making equipment in Chennai unit were non-operational since 1989. The third one functioned for only 25 days in 1996 and three days in 1997. Six out of seventeen tablet-making machines in Mumbai unit were also non-operational since 1994.
- ⊙ The factory at Chennai produced only 12 drug formulations during 1993-98 and the factory at Mumbai produced 19 drugs during the same period. The capacity utilisation in all other sections except 'Steam' and 'ORS' sections in Chennai and bandage Section in Mumbai was less than 12 per cent in all the seven years except during 1991-92 in Mumbai when it was between 7 and 19.8 per cent.
- ⊙ In the Tablet sections of Chennai and Mumbai, against the installed capacity of 5.76 crore and 7.65 crore tables per annum respectively, there was no production during 1991-95 and it was less than two per cent during 1995-98 in Chennai. In Mumbai, it was less than three per cent during 1992-93 and 1994-97 and less than seven per cent in 1997-99.



The capacity utilisation in the steam section was down to nil.

Continuous steep decline in production from 1991-92 onwards.

The percentage of utilisation of labour was only 9 to 33 per cent in Chennai, while in Mumbai it was between 1.6 and 11.5 per cent.

The factory manufactured items were much costlier than the market rate.

TCS observed existence of these factories non-justifiable.

Despite recommendation by TCS in April 1996, DGHS and Ministry did not initiate any action for closure of factories.

- ⊙ In Steam Section, there was steep decline in capacity utilisation from 26.4 per cent in 1991-92 to 0.6 per cent during 1997-98 in Chennai and from 14.52 per cent in 1991-92 to three per cent during 1993-94 and further to 'nil' up to 1998-99 in Mumbai. There was no production of ointment and powder in all the eight years in Mumbai while in Chennai, the production ranged between nil and seven per cent during 1991-98.
- ⊙ There was continuous decline in production from 1991-92 onwards and it touched the lowest level in 1997-98 in almost all the sections. The production finally stopped altogether in October 1997 in Chennai while in Mumbai; it stopped from 1994-95 in almost all sections except bandage and tablet sections.
- ⊙ Since the production in both the factories had been negligible, the percentage of stated utilisation of labour ranged between 9 and 33 per cent in Chennai and between 1.6 and 11.5 per cent in Mumbai.
- ⊙ The cost of the factory-manufactured items was exorbitant as compared to the market price. In some cases, it was up to 2.2 times the market price. Thus, Medical Depots had to resort to local purchase.
- ⊙ Tata Consultancy Services, which studied the functioning of the Medical Stores Depots, observed in April 1996 that the factories in Chennai and Mumbai were hardly productive and, therefore, be hived off. The study observed the existence of these factories in its set up was not justifiable.
- ⊙ Despite the fact of no relevance for the factories with passage of time and near nil production, Director general of Health Services and Ministry did not initiate any action for its closure. Even after the recommendation by the Tata Consultancy Services for its closure, the Government was yet to undertake effective action for its closure.

It is recommended that the Ministry may take immediate action to critically examine the justification for continued existence of these factories and close them with appropriate re-deployment of the personnel, if necessary.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 2000.

## **11.2 Loss on account of expired medicines**

**Arbitrary procurement of medicines without ascertaining the requirement from the user dispensaries by Additional Director, CGHS, Pune resulted in life expiry of medicines worth Rs 48.40 lakh.**

Additional Director CGHS<sup>1</sup> Pune is required to purchase medicines for the seven CGHS dispensaries in Pune by placing an indent on GMSD<sup>2</sup> Mumbai. The quantity of medicines for purchase from GMSD is to be worked out on the basis of requirement projected by the seven CGHS dispensaries.

The Joint Director CGHS Pune, who was holding the charge of the Additional Director during April 1996 to December 1997 procured medicines worth Rs 73.47 lakh and Rs 1.53 crore during 1996-97 and 1997-98 respectively from GMSD Mumbai without ascertaining the requirement from the user dispensaries.

Examination of stock of medicines disclosed that out of the medicines procured during 1996-98, 35 items valued at Rs 48.40 lakh became time-expired as of June 1999. Of these, 20 items valued at Rs 40.41 lakh were purchased without even there being any demand from the user dispensaries. Besides, the Additional Director CGHS Pune had to divert medicines valued at Rs 14.51 lakh to CGHS dispensaries at other locations and a Government Hospital to avoid their time expiry.

Since arbitrary indent by the Joint Director CGHS resulted in a loss of Rs 48.40 lakh on the expired medicines, it calls for an investigation to fix responsibility.

The matter was referred to the Ministry in November 1999; their reply was awaited as of January 2000.

<sup>1</sup> Central Government Health Scheme

<sup>2</sup> Government Medical Stores Depot

**11.3 Follow up on Audit Reports**

**Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs<sup>1</sup> on two Audit Paragraphs.**

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of two paragraphs included in the Audit Report for the year ended March 1997 as detailed below:

Audit Report for the year ended March <sup>@</sup>	Paragraph number	Subject
1997 (2 of 1998)	7.2	Loss due to expired medicines
1997 (2 of 1998)	7.3	Loss due to time expired anti-leprosy drugs

<sup>@</sup> The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs was referred to the Ministry in December 1999; their reply was awaited as of January 2000.

<sup>1</sup> Action Taken Notes

## CHAPTER XII : MINISTRY OF HOME AFFAIRS

## 12.1 Unintended standing subsidy to the States/PSUs

Ministry's inability to recover the cost of deployment of Central Paramilitary Forces from the state governments and PSUs<sup>1</sup> has provided an unintended standing subsidy to them. At the end of March 1999 the total amount recoverable stood at Rs 1151 crore.

*Outstanding against state governments*

On requisition from States, MHA deploy CPMFs.

On account of deployment of CPMFs, Rs 796.24 crore were recoverable from states.

On receipt of the requisition from the Government of States, MHA<sup>2</sup> deploy CRPF<sup>3</sup>, BSF<sup>4</sup> and CISF<sup>5</sup> in those states for maintaining the internal security. The states of Jammu and Kashmir, Nagaland, Sikkim, Tripura, Himachal Pradesh, Manipur, Mizoram, Arunachal Pradesh and Meghalaya are exempt from making payment against deployment of CPMFs/RAF<sup>6</sup>. In respect of Assam, separate rates for deployment of CPMFs/RAF are applicable.

Scrutiny of the records of these paramilitary forces revealed that Rs 796.24 crore as detailed below were recoverable from the state governments on account of their deployment for the period 1992-99.

(Rs in crore)

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	Total
BSF*							36.97	36.97
CISF		8.88	10.10	19.09	31.97	21.77	24.96	116.77
CRPF	89.61	59.79	42.57	81.99	91.50	126.18	150.86	642.50
Total	89.61	68.67	52.67	101.08	123.47	147.95	212.79	796.24

\* Year-wise details of Rs 36.97 crore outstanding as at the end of March 1999 are not available with BSF.

State-wise break-up of outstanding amount is given in Annex 'A'. Rs 239.87 crore, being 30 per cent of the total outstanding amount are outstanding against Punjab alone. This has to be viewed in the background that the Union Government advanced a special term loan of Rs 5799.92 crore during 1984-94 to the Government of Punjab for liquidating its arrears to the MHA for deployment of security forces. Besides, as pointed out in Chapter X of the Report of the Comptroller and Auditor General of India for the year ended March 1998, No.1 (Civil) of 1999, Government of India waived recovery of

<sup>1</sup> Public Sector Undertakings

<sup>2</sup> Ministry of Home Affairs

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

<sup>4</sup> Border Security Force

<sup>5</sup> Central Industrial Security Force

<sup>6</sup> Central Para Military Forces/Rapid Action Force

loan and interest aggregating Rs 2917.89 crore against the Government of Punjab. Yet the outstanding amount has not been liquidated.

Ministry stated, in November 1998, that CPMFs are deployed against the payment but Government of India, in the national interest cannot insist on advance payments or on clearance of previous dues as a pre-condition for providing the services of CPMFs. The reply of the Ministry is to be viewed in the context of unintended rolling subsidy provided to the State Governments. Besides, a rule is made for compliance and any sign of accepting the tendency of the State Governments not to clear the dues might encourage others to delay or refuse re-imburement.

### *CISF security for PSUs*

**CISF provides security to Industrial Undertakings.**

**The undertakings are required to reimburse the expenditure on deployment of CISF.**

**Rs 354.88 crore were outstanding from PSUs.**

CISF provides security to Industrial undertakings owned by the Central Government and the Undertakings owned, controlled or managed by a Government company of which the Central Government is not a member and corporations established by or under Provincial or States Act, provided a request is made with the consent of Government of State in which the Undertaking is situated. The expenditure of CISF is initially met from the budget grant of MHA and is recovered from the Undertakings where the CISF is deployed. The expenditure for a running month is to be got reimbursed from the management in the following month, failing which interest at the rate of 18 *per cent* is chargeable from the defaulting undertaking.

Examination of records revealed that Rs 354.88 crore were recoverable from 226 PSUs at the end of March 1999. The year wise position of outstanding is as follows:

Year	Amount (Rs in crore)
Upto March 1995	15.29
1995-96	10.80
1996-97	37.79
1997-98	69.00
1998-99	222.00
<b>Total</b>	<b>354.88</b>

Out of the total outstanding of Rs 354.88 crore, Rs 190.39 crore (54 *per cent*) were recoverable from 21 PSUs who were sick/under reference to BIFR<sup>7</sup>.

**The follow up action for recovery was not effective.**

**Ministry issued instructions in August 1993 to reduce outstanding amount.**

The follow up action for recovery by CISF and MHA has not been effective in reducing the outstanding amount. Non-recovery of outstanding dues from these PUSs had not only put unintended liability on the budget of MHA but also failed to secure that CISF worked on 'no loss no profit' basis.

With a view to reducing the outstanding amount against PSUs for CISF deployment, Ministry issued instructions in August 1993 that PSUs will

<sup>7</sup> Board for Industrial and Financial Reconstruction



deposit an amount equal to three months of their monthly billing as security and they would make advance payment on monthly basis instead of reimbursing it at the end of the month. In case of default, interest at the rate of 18 *per cent per annum* is payable by the defaulting PSUs.

**In case of default interest is also not being charged.**

The Ministry, however, made these instructions applicable to only new inductions and to those where the existing strength was augmented and not to PSUs who were provided with CISF cover prior to this order. Even for new inductions CISF/MHA did not enforce the conditions prescribed in MHA's instructions. In case of default, interest at the rate of 18 *per cent* is also not being charged by the CISF. The amount of interest foregone was not ascertainable against the PSUs. Thus, MHA is not complying with the rule made by it which is not a satisfactory situation.

Ministry stated, in August 1998, that 35 PSUs where CISF was deployed, were loss making out of which 21 were under reference to BIFR. It added that because of their poor financial health, the PSUs were not in position to make any payment.

**The laxity in recovery of dues is unintended subsidy to PSUs.**

Reply of the Ministry underscores a situation which may promote non-compliance to the rules/orders by the PSUs in the matter of reimbursement of cost incurred by the Union Government on their behalf. The approval of Parliament to the provisions in the grant of MHA for CISF is on the condition that the cost of deployment will be recovered in accordance with the extant rules. Thus, any laxity in recovery of the dues amounts to unintended subsidy, without specific approval of the Parliament. Besides, CISF cover to BIFR referred PSUs at the existing scale is likely to increase their liability further making the revival package much difficult. In view of this, the Ministry should review the policy and scale of security to such PSUs.

## Annex - A

(Refers to paragraph 12.1)

Statement showing the amounts of outstanding dues for deployment of  
Central Para Military Forces in different States

(Rupees in lakh)

Sr. No	Name of State	Amount outstanding as on March 1999			
		C.R.P.F	B.S.F	C.I.S.F	Total
1.	Andhra Pradesh	8112.97	521.06	-	8634.03
2.	Assam	2819.75	182.16	-	3001.91
3.	Bihar	3849.58	0.46	50.48	3900.52
4.	Delhi	10955.33	-	11367.53	22322.86
5.	Gujarat	11.21	-	-	11.21
6.	Haryana	191.05	5.46	-	196.51
7.	Karnataka	181.87	-	1.05	182.92
8.	Kerala	12.71	-	-	12.71
9.	Madhya Pradesh	19.99	-	6.98	26.97
10.	Maharashtra	-	-	9.71	9.71
11.	Orissa	33.33	-	-	33.33
12.	Pondicherry	106.45	-	-	106.45
13.	Punjab	20988.76	2983.44	14.62	23986.82
14.	Rajasthan	3.23	-	-	3.23
15.	Tamil Nadu	6234.13	-	142.52	6376.65
16.	Uttar Pradesh	10727.42	3.99	84.96	10816.37
17.	West Bengal	2.00	-	-	2.00
	<b>Total</b>	<b>64249.78</b>	<b>3696.57</b>	<b>11677.85</b>	<b>79624.20</b>

## **12.2 Idle investment on procurement of Power Hammer**

**Commandant, Central Workshop and Stores, BSF Tekanpur did not install the 'Pneumatic Power Hammer' needed for mutilation of unserviceable weapons for 17 years. Meanwhile, unserviceable weapons have been piling up.**

The Commandant, Central Workshop and Stores, Border Security Force, Tekanpur has failed to install the much needed 'Pneumatic Power Hammer' purchased for Rs 14.16 lakh in 1982 for over 16 years as of October 1999. The Border Security Force had purchased the 'Pneumatic Power Hammer' for mutilation of unserviceable weapons and their parts for easy disposal as metal scrap.

14 years after the purchase of the equipment, the Ministry of Home Affairs issued sanction in October 1996 for construction of building for its installation. About three years have since elapsed after the belated sanction for construction of the building yet, the Executive Engineer, Central Division CPWD, Gwalior and Superintending Engineer, Central Circle, CPWD, Bhopal have not taken up the construction of the building as of October 1999.

Meanwhile, the objective of mutilation of unserviceable weapons and their parts remains a non-starter for the last 17 years and the unserviceable arms have piled up. Only small quantities of unserviceable weapons and components could be mutilated by making use of other existing workshops machines.

This, on one hand, underscores the absence of concern among the officers responsible towards realisation of value for public money spent on equipment, on the other, also raises a doubt on the accountability relationships in the organisation. They have not been able to address the issue of mutilation of unserviceable weapons for 17 years when it was felt necessary. Besides, the interest cost of the value of the equipment calculated at the maximum borrowing rate of interest at 14 *per cent per annum* would be Rs 33.00 lakh.

The matter was referred to the Ministry in December 1998; their reply was awaited as of December 1999.

### 12.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs<sup>1</sup> on five Audit Paragraphs which included Paragraphs relating to UTs<sup>2</sup>.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of five Paragraphs included in the Audit Reports up to and for the year ended March 1997 as detailed below:

Audit Report for the year ended March <sup>@</sup>	Paragraph number	Functional Ministry/ Department	Subject
1996 (2 of 1997)	17.2 *	Water Resources	Variation in execution of work
1996 (3 of 1997)	1	Home Affairs	Modernisation of Prison Administration.
1997 (2 of 1998)	16.1 *	Civil Aviation	Extra expenditure on extension of runway.
1997 (2 of 1998)	16.5 *	Labour	Unfruitful expenditure on a centre.
1997 (2 of 1998)	16.10 *	Urban Affairs & Employment	Under-realisation of fee.

\* pertains to Union Territories for which Action Taken Note is to be submitted by Ministry other than Ministry of Home Affairs but since the Ministry of Home Affairs is the nodal Ministry, the progress of submission of ATNs is to be monitored by this Ministry.

@ The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs was referred to the Ministry in December 1999; their reply was awaited as of January 2000.

<sup>1</sup> Action taken Notes

<sup>2</sup> Union Territories

## CHAPTER XIII : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

### Department of Culture

#### 13.1 Unprocessed books

**Failure of the Director to take effective steps to process the books purchased resulted in idle expenditure of Rs 74.63 lakh for three to nine years apart from frustrating the objective for which the books were purchased and deprived the readers of the books.**

The Professional Divisions of the National Library select, receive, access and process books and publications obtained through purchase, Delivery of Books Act, gift and exchange. On receipt of the books, the Acquisition Unit under the Professional Division allots an accession number to each book and sends the books to the Processing Unit. The Processing Unit after descriptive cataloguing, subject cataloguing, classifying, shelf-listing, labelling, relabelling, typing of catalogue, entry cards including duplication of cards and final checking of fully processed books issues them to the readers as per requisition.

**The Director failed to ensure complete processing of 4394 books valuing Rs 69.49 lakh.**

The Director, National Library could not ensure complete processing of all books for accession within a reasonable time. Test check of 14061 books, out of a total 18536 books accessioned during 1991-98 revealed that 4394 books representing 31 *per cent* valuing Rs 69.49 lakh were not sent for processing as of August 1999.

The Processing Unit did not maintain any records of books received from the Acquisition Unit, books actually processed by it and made ready for issue to the readers, books not processed and period of pendency. A random sampling of books from the shelves of the Processing Division revealed that 265 books purchased during the years 1989 to 1996 valuing Rs 5.14 lakh received from the Acquisition Unit between June 1996 and June 1997 were yet to be made ready for issue to the readers as of April 1999.

The Library also receives books published in India in accordance with Delivery of Books (Public Libraries) Act 1954 which are accessioned and processed in the respective language divisions. Sample check of 49881 books of Indian languages received under the provisions of the Act during the period 1991-98 revealed that 38771 books representing 78 *per cent* had not been processed.



**Non-processing of books purchased resulted in idle expenditure of Rs 74.63 lakh for three to nine years.**

Thus, failure of the Director to take effective steps to process the books even after three to nine years of their purchase resulted in idle expenditure of Rs 74.63 lakh apart from depriving the readers of the library from using the books. As no records are maintained in the processing division there is no assurance that the books purchased actually reach the readers within a reasonable time.

The Ministry stated, in August 1999, that the acquisitioned books could not be processed due to lack of qualified personnel and administrative problems like staff unrest and shortage of space in the stock division and processing division. It added that action to clear the backlog for processing of the books was being taken by the National Library.

## **Department of Education**

### **13.2 Unauthorised expenditure on the operation of local posts**

**Operation of five local posts by the Embassy of India, Bonn without any sanction of the Government since March 1994 resulted in unauthorised expenditure of Rs 2.36 crore.**

**While Department of Education sanctioned five local posts up to March 1994, the Mission continued to operate the posts beyond March 1994.**

With a view to promoting Indo-German ties in the field of education, the Government of India, Ministry of Human Resource Development, Department of Education sanctioned five local temporary posts of Junior Translator, Stenographer, Clerk, typist and Messenger for the Education Wing of Embassy of India, Bonn. These posts were operated on the budget grant of the Education Wing of the Mission provided by the Ministry of Human Resource Development every year. In terms of the last sanction from the Ministry available on record, the posts were to continue upto 28 February 1994. Scrutiny of records in audit revealed that the Mission continued to operate all the five posts as of December 1999.

**Three of the five posts were being operated in other wings of the Mission.**

While the posts of Junior Translator and the Stenographer were assigned the work of Education Wing, the posts of the Clerk, Typist and Messenger were being operated in the Accounts wing, Reception and the Ambassadors' office respectively. Since the expenditure on all these posts was being met out of the budget being provided by the Ministry of Human Resource Development, utilization of these posts in other wings of the Mission defeated the very purpose of their creation. Besides, this establishes that not only the Mission continued to incur expenditure on these posts without sanction of the competent authority, these were not required for the tasks for which the Ministry had sanctioned it earlier. The continuation of these posts after February 1994 without the sanction of the Government was also unauthorised.

**Operation of the posts without sanction resulted in unauthorised expenditure of Rs 2.36 crore.**

The operation of five local posts by the Mission since 1 March 1994 without any authority resulted in unauthorised expenditure of Rs 2.36 crore upto October 1999. The unauthorised operation of posts was continuing as of December 1999.

The HOC<sup>1</sup> of the Mission stated in April 1999 that the Department of Education did not renew the sanction due to oversight and renewal of sanction of the post has now been requested. He further stated that the Mission had been sending annual returns for their continuance regularly through Ministry of External Affairs and also been projecting the expenditure under salaries for these posts under the budgetary allocation provided by the Department of Education. Regarding the deployment of staff to other wings, the Mission stated that the same has been done under the administrative powers vested with the HOM<sup>2</sup>.

The reply of the HOC is not tenable because sending of annual returns and proposals for budget do not substitute for the basic requirement of sanction of competent authority. His contention for diversion of posts is also not acceptable since the HOM did not have any administrative powers vested in him for deploying the posts for purposes other than for which they were sanctioned on a regular basis.

It is recommended that the Department of Education may review the actual requirement of posts in the Mission and take action to stop the avoidable expenditure.

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

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<sup>1</sup> Head of the Chancery

<sup>2</sup> Head of the Mission

## CHAPTER XIV : MINISTRY OF INFORMATION AND BROADCASTING

### 14.1 Non-recovery of outstanding dues

**Failure of Director, Doordarshan Kendra, Thiruvananthapuram, in not realising the advertisement charges and interest of Rs 5.77 crore in time resulted in undue financial benefit to the accredited agencies.**

Mention was made in paragraph 11.12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997; No. 2 of 1998-Union Government (Civil) about deficiency in the system of billing and monitoring of the collection of dues for advertisements telecast by the accredited agencies and negligence of three Doordarshan Kendras in realising the interest on delayed payment and penal action against defaulters.

Further test check of the accounts of Doordarshan Kendra, Thiruvananthapuram, pertaining to the period April 1995 to October 1999 disclosed that 54 accredited agencies delayed payment of dues ranging from 19 days to 54 months. The amount of default including interest of Rs 18.79 lakh stood at Rs 5.77 crore as of October 1999.

Of the above defaulters, 22 accredited agencies defaulted in payment of dues on more than three occasions in a year. Yet the Director, Doordarshan Kendra, Thiruvananthapuram did not cancel their accreditation in terms of the agreement. Some of the major agencies from whom dues with interest were outstanding were Prime-time-IP Media Services (Rs 162.58 lakh), Innovation Advertising and Marketing (Rs 73.46 lakh), Rediffusion (Rs 40.12 lakh), Mc Cann Erickson (I) Pvt. Ltd. (Rs 33.38 lakh), R.K.Swamy/BBDO Advertising Mumbai (Rs 24.94 lakh) and Hansa Vision (Rs 14.83 lakh).

Thus, failure of Director, Doordarshan Kendra, Thiruvananthapuram, to realise the advertisement charges and interest of Rs 5.77 crore in time and to cancel the accreditation for default in payment of dues resulted in financial benefit to agencies. As recommended earlier, the system for realisation of dues and action for default needs strengthening and streamlining.

The matter was referred to Ministry in September 1999; their reply was awaited as of December 1999.



**14.2 Undue benefit to sponsor of the programme 'Yug'**

**Decision of DG<sup>1</sup> Doordarshan to allow FCT<sup>2</sup> to the sponsor of programme Yug treating 40 minutes programme as a 60 minutes programme resulted in an undue benefit of Rs 4.18 crore to the sponsor with a corresponding loss to Doordarshan.**

Doordarshan charges sponsorship fee and provides FCT to the sponsors in accordance with its Rate Card. The sponsors sell the free commercial time for commercials to recover their cost of production, pay sponsorship fee to Doordarshan and the balance is retained as their profit. The Rate Card approved from time to time prescribes the amount of sponsorship fee to be levied by Doordarshan and FCT to be provided to the sponsors for different types and time slots of programmes. The rates are generally prescribed with reference to a programme of 30 minutes duration.

**Inappropriate principle in application of Rate Card for odd duration programmes led to benefit to sponsors.**

Cases of undue benefit of Rs 21.82 crore to sponsors and equivalent loss of opportunity cost to Doordarshan due to arbitrary application of Rate Card in odd duration programmes, not explicitly mentioned in the Rate Card, were pointed out in Audit Reports for the years ended March 1996, March 1997 and March 1998 (No. 2 of 1997, No.2 of 1998 and No. 2 of 1999) as under :

S. No.	Name of the Programme	Duration (Minutes)	Period	FCT per episode (Seconds)		Value of excess FCT (Rs in lakh)	Reference to paragraph to Audit Report
				Actually given	Admissible pro-rated		
1.	News Tonight	20	February 95 to March 95	210	120	62.53	11.1 (No.2 of 1997)
			April 95 to June 95	210	140	37.33	
2.	Aaj Tak	20	July 95 to October 96	210	140	537.90	11.2 (No.2 of 1997)
3.	Nazaare	05	March 95 to September 95	90	30	198.87	11.4 (No.2 of 1997)
4.	Sri Krishna	45	September 95 to January 96	240	180	54.88	11.6 (No.2 of 1997)
5.	Entertainment Now	05	325 episodes from June 96 to October 97 and 65 episodes thereafter	110	35	686.00	11.6 (No.2 of 1998)
6.	Metro Club	20	August 95 to June 96	210	140	253.00	11.9 No.2 of 1998)
7.	Hello Bombay	20	July 95 to February 96	210	140	42.38	11.9 (No.2 of 1998)
8.	Main Dilli Hoon	45	August 97 to November 98	210	135	309.30	9.1 (No.2 of 1999)
<b>Total value of excess FCT</b>						<b>2182.19</b>	

<sup>1</sup> Director General

<sup>2</sup> Free Commercial Time

The incorrect application of the rules was brought to the notice of DG Doordarshan in the past.

In all these cases, DG Doordarshan treated the programmes of odd durations of 20 and 5 minutes as programmes of 30 minutes and 15 minutes respectively for the purposes of charging sponsorship fee and grant of FCT rather than pro-rating them. This resulted in disproportionately higher FCT to the sponsors with only a marginal gain in the sponsorship fee. Yet DG Doordarshan continued to follow the incorrect procedure despite having been pointed out by Audit.

DG Doordarshan approved a non-film based Hindi serial titled 'Yug' of 40 minutes duration for telecast on National Network of Doordarshan at 2.50 p.m., a 'B'- category slot, for three days a week from September 1996 and five days a week from November 1996. As per Doordarshan's Rate Card, the sponsorship fee for 'B' category programme of 30 minutes duration on National Network of Doordarshan was Rs 25,000 with FCT of 150 seconds per episode. The *pro-rata* sponsorship fee for 40 minutes programme would be Rs 33,000 with FCT of 200 seconds.

With the revision of Rate Card from 15 November 1996, wherein the sponsorship fee was raised to Rs 75,000 with 150 seconds of FCT, the *pro-rata* sponsorship fee for 40 minutes programme became Rs one lakh with FCT of 200 seconds.

Doordarshan treated the serial 'Yug' of 40 minutes duration as of one hour duration

DG Doordarshan charged sponsorship fee at the rate of Rs 50,000 per episode for 21 episodes telecast up to 14 November 1996 and Rs 1.50 lakh per episode for 195 episodes telecast from 15 November 1996 to August 1997 and allowed FCT of 300 seconds, treating the 40 minutes programme as of one hour duration.

By this DG Doordarshan provided undue benefit of Rs 4.18 crore to the sponsor

Under this arrangement, by paying additional sponsorship fee of Rs 17,000 and Rs 50,000 over and above the pro-rated amount, the producer got the benefit of Rs 1.50 lakh, being the value of extra FCT at Doordarshan spot buy rate per episode up to 14 November 1996 and Rs 2.50 lakh per episode after the revision of the Rate Card from 15 November 1996. DG Doordarshan, thus allowed undue benefit of Rs 4.18 crore to the sponsor TNE Asia Television, News Entertainment for 216 episodes telecast up to August 1997 as per the details given below :



**Value of excess FCT provided to the sponsor**

Period	No. of Episodes	FCT per episode in seconds				Total value of excess FCT (Rs in lakh)
		Admissible	Allowed	Excess	Value <sup>3</sup> of excess FCT per episode (Rs in lakh)	
Sept. 96 to 14 Nov. 96	21	200	300	100	1.50	31.50
15 Nov. 96 to Aug 97	195	200	300	100	2.50	487.50
<b>Total value of excess FCT given to the sponsor (A)</b>						<b>519.00</b>

Additional sponsorship fee obtained						
Period	No. of Episodes	Sponsorship Fee (per episode) (Rs in lakh)			Total Additional sponsorship fee. (Rs in lakh)	
		Chargeable	Charged	Excess		
Sept. 96 to 14 Nov. 96	21	0.33	0.50	0.17	3.57	
15 Nov. 96 to Aug 97	195	1.00	1.50	0.50	97.50	
<b>Additional sponsorship fee recovered from the sponsor (B)</b>					<b>101.07</b>	

<b>Undue benefit to the sponsor with commercial loss of opportunity cost to Doordarshan (A) - (B)</b>	<b>417.93</b>
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Controller of Sales, Doordarshan repeated the same justification in January 1999 as in the past, that as per the practice, programme up to 15 minutes are charged sponsorship fee applicable for 15 minutes and programmes exceeding 15 minutes and up to 30 minutes are charged sponsorship fee for 30 minutes. It had already been communicated to DG Doordarshan in the past that the position explained by them was not acceptable. But this arbitrary interpretation permits the sponsors/producers undue benefit in the form of extra FCT against a payment of only marginally increased sponsorship fee without involvement of any extra expenditure towards cost of production required for the full slot.

The Ministry stated in November 1999 that *pro-rata* charging was not in practice nor was it as per the provisions of Rate Card. It added that the vacuum if any, created by FCT is not automatically filled by 'spot buys'. It further added that mere availability of commercial time does not bring any revenue unless it is consumed, and with the increase in sponsored programmes, a large inventory of FCT is available in the market and this is the major reason for decrease in sale of spot buys.

The reply of the Ministry is not tenable. The undue benefit derived by the sponsors for odd duration programmes by not pro-rating them was discovered

<sup>3</sup> Value of FCT – Rs 15,000 per 10 seconds upto 14 November 1996 and Rs 25,000 per 10 seconds thereafter.

by Doordarshan in January 1996. Consequently, they revised the telecast fee and FCT on *pro-rata* basis in the case of serial 'Sri Krishna' Moreover, as per the Rate Card Doordarshan reserves the right to charge telecast fee on proportionate basis with proportionate FCT. As such, justification advanced by the Ministry that this was neither in practice nor provided in the Rate Card is not valid.

Ministry's reply that revenue would not be generated unless FCT is consumed is also not tenable since it has been observed from FCT consumption statement supplied by the Ministry for 208 episodes of this serial telecast that only in 47 episodes FCT consumed was less than and equal to 200 seconds, and in 161 episodes the consumption of commercial time was above 200 seconds with consumption of commercial time in some episodes as high as above 800 seconds. Thus, the commercial time availed in 161 episodes telecast was much in excess of proportionate/admissible FCT of 200 seconds.

Thus, Doordarshan and Ministry have justified their inappropriate action on the basis of incorrect facts.

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

**Upon being pointed out by Audit, the Chief Engineer, All India Radio and Doordarshan recovered Rs 76.25 lakh from BEL<sup>1</sup>.**

**DG Doordarshan placed order for TV transmitters in March 1992.**

In March 1992, the Director General, Doordarshan placed an order for two Solid State TV Transmitters of 10 K.W. with Single valve Band-III Mark-IV with dual amplification and station items on BEL, Bangalore at a total cost of Rs 2.86 crore. These were meant for Mussoorie and Jalandhar Doordarshan Kendras. Under clause VIII of the supply order, 40 *per cent* of the value of order was to be released on placement of the order. Accordingly, Rs 1.14 crore was paid as advance to supplier firm.

**DG Doordarshan amended supply order and imposed condition to recover interest on advance.**

Subsequently, the Director General, Doordarshan amended the description/specification of transmitters and issued a revised supply order in February 1995 conveying revised description as 10 KW Band-III TV Transmitter (NEC Model No. PCU 1610 SSPH/1-Dual Exciter, Dual Blower) plus station items. As per terms of the revised order, the advance of Rs 1.14 crore was to be recovered with commercial interest while releasing 90 *per cent* payment of the equipment against inspection and despatch certificate.

**Rs 76.25 lakh being interest has been recovered at the instance of Audit.**

This was pointed out by Audit in November 1995 and again in April 1998, that interest amounting to Rs 76.25 lakh was not recovered. The Chief Engineer (North Zone) AIR and Doordarshan stated in October 1999 that full recovery of Rs 76.25 lakh as pointed out by Audit has been made from BEL.

<sup>1</sup> Bharat Electronics Ltd.

#### 14.4 Follow up on Audit Reports

**Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs<sup>1</sup> on six Audit Paragraphs.**

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of six Paragraphs included in the Audit Reports up to and for the year ended March 1997 as detailed below:

Audit Report for the year ended March <sup>@</sup>	Paragraph number	Subject
1995 (2 of 1996)	3.11	Non-recovery of outstanding dues.
1996 (2 of 1997)	11.1	Undue benefit to the producer of programme 'News Tonight'.
1997 (2 of 1998)	11.6	Undue benefit of Rs 6.86 crore: 'Entertainment Now'.
1997 (2 of 1998)	11.9	Loss due to excess FCT in programmes 'Metro Club' and 'Hello Bombay'
1997 (2 of 1998)	11.10	Undue benefit to sponsors
1997 (2 of 1998)	11.12	Non recovery of outstanding dues

<sup>@</sup> The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs was referred to the Ministry in December 1999; their reply was awaited as of January 2000.

<sup>1</sup> Action Taken Notes

## CHAPTER XV : MINISTRY OF RURAL AREA AND EMPLOYMENT

### Department of Land Resources

#### 15 Grants-in-aid against its own guidelines

Ministry provided grants of Rs 4.40 crore to two organisations for wasteland development against its own guidelines on the eligibility of the registered societies, sharing of usufructs with participation of the beneficiaries. This led to sub-optimal achievement of objectives besides unrefunded balance amount of Rs 48.85 lakh.

Pre-sanction checks were lax. AFEC had no past experience and AFF was not directly involved in wasteland development.

Sample check of records of the National Wasteland Development Board under the Ministry of Rural Areas and Employment revealed that in violation of its own guidelines formulated for assistance for wasteland development, the Ministry sanctioned Rs 4.09 crore to AFF<sup>1</sup>, Nasik and Rs 1.68 crore to AFEC<sup>2</sup>, New Delhi for development of wasteland between March 1993 and October 1994 respectively. Out of Rs 4.09 crore disbursed to AFF, Nasik, it had spent Rs 3.66 crore and an unspent balance of Rs 43.47 lakh was lying with them as of March 1999. In the case of AFEC, New Delhi, out of the sanctioned project cost of Rs 1.68 crore, Ministry released only Rs 30.69 lakh out of which Rs 5.38 lakh was lying unspent with AFEC as of March 1999.

These sanctions were in disregard of the guidelines and did not fulfill the objectives as under:

Pre-sanction checks, essential for project approval were lax. The AFEC was registered as a society only in February 1994 and had no past experience in wasteland development. Despite this, the Ministry sanctioned a project costing Rs 1.68 crore to them and released the first installment of Rs 30.69 lakh in October 1994 just after eight months of its registration. Similarly, AFF, Nasik was only an Apex Federation of Tree Growers' Cooperatives in Maharashtra and was not directly involved in wasteland development. The Federation executed the project through another cooperative and acted only as an intermediary. Even the certificate of registration with the Registrar of Cooperative Societies in respect of AFF, Nasik was not furnished.

<sup>1</sup> Agro Forestry Federation

<sup>2</sup> Army Foundation for Environment Conservation

**Pre-conditions of involvement of local community and sharing of usufructs by local people were negated due to planting on the Army land.**

**The overall survival rate of plantation was poor in the project of AFF and survival rate in project implementation by AFEC varied from five to 15 per cent.**

In both of these projects, planting was taken up on the exclusive property of army land, where access to public and village community was prohibited. In respect of AFF, Nasik, the planting was undertaken within the restricted area of firing ranges. This negated two significant pre-conditions for grants-in-aid for wasteland development, which sought to involve the local community and deprived the local people sharing of usufructs from plantation. The benefits of usufructs from AFF project were only to flow to School of Artillery, Deolali, Nasik.

Impact assessment carried out by the Agricultural Finance Corporation Limited, Mumbai underlined the absence of people's participation, non-sharing of usufructs and dismal performance of the AFF project in June 1998. Besides, the physical achievement of the projects were also insignificant. In respect of AFF, Nasik the overall survival rate of plantation was reported to be poor. For AFEC project, the survival percentage of plantation varied between 5 per cent and 15 per cent only. This reflected poorly on the decision to deviate from the basic approach of integrated wasteland development project, which purported to cover panchayats and government land in rural areas.

In response to the draft Audit Paragraph, Ministry defended its decision to provide grants-in-aid to these organisations on the following grounds:

- (i) There was no pre-condition that a society should be registered for longer time to be eligible for grant.
- (ii) The AFF and Maharashtra Sahakari Vriksha Utpadan Sangh are the same.
- (iii) There was no restriction on development of Army wastelands.
- (iv) There is no such statutory requirement to ensure benefits of usufructs to the local population.

The reply of the Ministry is not acceptable since none of the grounds advanced by it justifying its action to provide grants-in-aid were valid as under:

- (i) The intention of guidelines and the relevant provisions in General Financial Rules regarding past performance and audited accounts are clear that the organisation should have standing of a few years before grants can be given.
- (ii) Intermediary organisation cannot substitute for another registered organisation.
- (iii) While there was no restriction on development of army land, the scheme guidelines provided that the land selected for development should be such that benefits by way of usufructs should be available to the community, especially to the weaker section.



## CHAPTER XVI: MINISTRY OF SURFACE TRANSPORT

### 16.1 Undue benefit to a toll contractor by Government of West Bengal

Government of West Bengal favoured a toll contractor by reducing the daily deposit of toll charges by 50 per cent for six months, permitting the arrear of Rs 1.99 crore to be deposited in ten equal weekly instalments without interest after one year, waiving of toll deposit of Rs 6.62 lakh, extending the contract unauthorisedly for collection of toll from one to 30 years and revising the formula of calculation of bid money in favour of toll contractor. Besides, it did not take any action for recovery of outstanding dues of Rs 8.17 crore towards toll charges and interest of Rs 1.08 crore and to terminate the contract as per provisions of agreement.

At the instance of the government of India, Ministry of Surface Transport, Government of West Bengal undertook construction of 65 km long six lanes Calcutta-Durgapur-Expressway to serve as link road of National Highway 2. On completion of construction of two lanes of the 48 km stretch of between Palsit end and the intersection with BTC road at Singur, Government of West Bengal with the consent of the Ministry of Surface Transport entered into an agreement with Shri M.R.Mondal in November 1997 for collection of toll for a period of one year from 13 December 1997 on the basis of open bidding.

#### *Terms of agreement*

As per the agreement with the contractor, he was to deposit Rs 2.21 lakh daily towards toll charges from 13 December 1997 with the stipulation that the amount equivalent to seven days' collection would be deposited in advance. Failure to deposit the amount equal to seven days' charges was to result in termination of the contract with forfeiture of security deposit, consisting of the amount equivalent to four days' toll charges of Rs 8.83 lakh and encashment of bank guarantee of Rs 50 lakh.

The toll contractor defaulted in depositing the amount as per the agreement. Until 5 January 1998, he deposited only Rs 19.86 lakh against Rs 52.97 lakh due by that date. Yet, the Superintending Engineer, Construction Circle, Durgapur Expressway did not invoke the terms of agreement to cancel the contract and forfeit the security deposit and encash the bank guarantee.

In terms of agreement, toll contractor was to pay Rs 2.21 lakh per day. Seven days collection was to be deposited in advance.

Toll contractor defaulted in depositing the amount of toll collection. Yet SE did not cancel the contract.

### ***Concessions to the contractor granted arbitrarily***

On an appeal by the contractor dated 5 January 1998 to the Minister for Public Works Department, the West Bengal Government, with the approval of the Ministers of Public Works and Finance granted the following concessions, among others, to the contractor on 11 March 1998:

Daily deposit of the toll amount of Rs 2.21 lakh per day was reduced to Rs 1.10 lakh for six months without interest liability on arrears.

Arrears of Rs 1.99 crore on account of difference for six months was allowed to be deposited in ten equal weekly instalments, without defining the time.

Toll charges of Rs 6.62 lakh for three days were waived.

Condition to deposit seven days bid money in advance was relaxed in favour of the contractor.

Government of West Bengal revised the formula of bid money in favour of toll contractor.

Government of West Bengal granted extension of the toll collection period to thirty years arbitrary and without approval of the MOST.

- ◉ Reduced the toll amount to be deposited by the contractor by about 50 per cent, from the contracted amount of Rs 2,20,701 per day to Rs 1,10,000 per day, for the first six months.
- ◉ The arrears aggregating Rs 1.99 crore on account of the difference of the revised amount of Rs 1,10,000 per day to be deposited by the toll contractor and the contracted amount of Rs 2,20,701 were to be deposited by him in 10 equal weekly instalments without any interest beginning from the first week of December 1998.
- ◉ Waived the toll charges of Rs 6.62 lakh due from the toll contractor for three days from 13 to 15 December 1997 on the basis of his contention that the toll road was closed for three days on 13, 14 and 15 December 1997 due to accident.
- ◉ Permitted him to deposit the reduced amount towards toll collection for seven days on the eighth day against the original provision of deposit of seven days' contracted amount in advance. Thus, the toll collector was not only given benefit of interest free deferment of payment of the 50 per cent of the contracted amount by six months to one year, but he was given a standing deferment of payment of Rs 7.70 lakh, being seven day's reduced amount of deposit for the first six months and Rs 15.40 lakh, thereafter.
- ◉ Revised the original formula in favour of the toll contractor for determining the bid money for daily deposit, upon opening of the remaining 17-Km expressway and consequent revision of toll charges to be levied upon the vehicles. The earlier formula for increase in the bid money by 75 per cent of the increase in the daily collection was revised to 60 per cent in an arbitrary and non-transparent manner. This provided a benefit of at least Rs 15,600 per day to the contractor, beginning from the day on which the remaining 17 km. of the expressway was to be opened to traffic.

### ***Unauthorised and arbitrary extension of contract period***

- ◉ More importantly, the Government extended the contract period from one year to an unprecedented 30 years. The examination of the papers in the Public Works Department (Roads) disclosed that the toll collector had not requested for any extension of the period of contract in his original representation dated 5 January 1998 to the Minister in-charge of PWD

(Roads), on which the Minister had recorded a note for the Principal Secretary, "May please see this and if necessary discuss".

However, the papers available in the Department included another application by the toll collector on the same date, which included a request for extension of the period of contract for toll collection for 40 years. The second application dated the same day as the first one, did not contain any initials of the Minister or any departmental stamp or initial of any officer in token of its receipt. Thus, the documents available with the Department failed to establish that this second application was actually received by the Minister/Department on the same date.

### ***Infringement of rules, procedure and propriety***

**Government of West Bengal violated the established procedure for bidding and gave undue benefit to toll contractor.**

The action of the Government of West Bengal was in disregard of the established procedure, vitiated the open bidding procedure for determining the toll contractor and the toll amount, calls into question the propriety of the decision and has favoured the toll contractor with at least Rs 30 lakh by remission of toll collection and interest-free deferment of the liability for payment of interest at the expense of the public exchequer, besides an unspecified amount of benefit by way of change of formula for determining the bid money and future increase in the volume of traffic and non-recovery of dues as under:

### ***Unauthorised extension of period of contract***

**Government of West Bengal extended the period of contract without approval of MOST.**

⊙ The Government of West Bengal was not authorised to extend the period of contract. Yet it did not obtain prior approval of MOST for extension of the toll collection period to 30 years nor for remission of three days' toll collection charges.

⊙ The Government of West Bengal accepted the contention of the toll contractor about disruption of the traffic due to accident, without verifying the facts independently in a transparent manner and waived Rs 6.62 lakh.

**Arbitrary deferment of toll charges gave an interest benefit of Rs 23.79 lakh to the contractor.**

⊙ By reducing the amount to be deposited to half of the bid money for the first six months and allowing the contractor to deposit the difference aggregating Rs 1.99 crore without interest in ten weekly instalments, one year after the commencement of the contract provided an interest benefit of Rs 23.79 lakh to the contractor at the maximum borrowing rate of 14 *per cent*. The Government left the time of payment of arrears for the first six months of the agreement due to reduction in the daily deposits open ended without any time schedule. It defined the time period for deposit of arrears as late as December 1998 i.e. more than one year after the commencement of contract.

⊙ There was no justification for change of the original condition of advance payment of seven day's bid money on the eighth day, particularly when

the bidders in the open tender had quoted their rates keeping the prescribed conditions in view.

- ◉ The extension of the contract period for 30 years bound the Government to the same toll contractor, without a chance for open competition attracting better returns on the basis of increased volume of traffic.
- ◉ The impropriety of the decision was apparent from the fact that the Government did not carry out any independent verification of the claims of the contractor and accepted whatever the contractor contended without transparent examination/verification. The government issued three amendments to original agreement accepting almost all demands of the toll contractor.
- ◉ Apart from causing financial loss to the Government and favour to the contractor, the action of the Government vitiated the tendering process, since most of the terms and conditions of the tender documents, based on which the bidders had offered their rates were changed to the advantage of the successful bidder, after his selection.
- ◉ Government of West Bengal, while reducing the amount to be deposited by the contractor due to financial hardship to him ignored the basic fact that at the same time he had requested for extension of the contract period from one to 40 years. A contractor, who was actually suffering loss, could not be expected to be asking for extension in the same breadth.
- ◉ As per traffic census conducted by department between June and July 1998, the daily collection towards toll charges was Rs 2.63 lakh. Thus, there was no ground to reduce the daily collection to half for the first six months.

Most of the contentions of the contractor were accepted without verification.

The post bid concessions to the successful bidder vitiated the bidding process.

Traffic census by the Government had established adequate toll collection by the contractor.

Despite continuous default with outstanding of over Rs 8.17 crore, the Government did not terminate the contract.

In the light of extension of period of contract to 30 years, the contractor obtained injunction against call for fresh bids.

#### ***Failure to terminate the contract despite continuous default in deposits***

Despite various concessions, the contractor continued to default in depositing the amounts due towards toll charges. The outstanding dues towards toll charges had increased to Rs 8.17 crore including the amount of arrear of Rs 1.99 crore for the first six months due to lowering of the amount of daily deposit as of September 1999. The interest leviable at 14 per cent for defaulted payment worked out to Rs 1.08 crore. The Government of West Bengal did not take any penal action either to recover the outstanding dues against the defaulting toll collector or to terminate the contract with forfeiture of security in terms of the agreement.

#### ***Injunction obtained by contractor against fresh bid***

MOST asked the State Government in March 1998 to refrain from entering into any long-term contract and asked them to invite fresh bids for toll collection after the original one-year period of the contract with the existing toll contractor expired. But citing the state Government's order of March

1998, extending the period of contract to 30 years, the contractor obtained injunction of the Court of Civil Judge, Burdwan in November 1998 against fresh bidding. MOST asked the Government of West Bengal in December 1998 to take steps for immediate vacation of the injunction and reiterated its earlier decision communicated in March 1998 that the State Government should not enter into any long term agreement with any toll agency as constructions of additional two lanes of the express way is to be undertaken and that prior permission of the MOST was necessary before levying/finalising any toll.

### **Recommendation**

The management of the toll contract by the Government of West Bengal after the representation by the contractor seeking various concessions, arbitrary non-transparent grant of concessions, unauthorised extension of the period of toll contract from one to 30 years and failure to take action for termination of the contract in terms of the agreement are suggestive of clear favour to the contractor in various ways. This calls for an investigation by an independent agency to fix accountability. This also throws up the issue of the effectiveness of authority and control of the Ministry of Surface Transport over the State Governments against such arbitrary and irregular decisions infringing the canons of propriety by them, who are only performing agency functions in respect of the National Highways.

The matter was referred to the Ministry in January 2000; their reply was awaited as of February 2000.

### **16.2 Undue benefit to a contractor**

**Change of original terms of agreement for dumping of excavated material on road side to a lead of up to one kilometer without transparent reasons by SE, R&B, NH Circle, Hyderabad, resulted in undue benefit of Rs 78.50 lakh to the contractor.**

Agreement with contractor envisaged excavation including stacking of excavated material on road side.

SE<sup>1</sup>, Roads and Buildings, NH<sup>2</sup> Circle, Hyderabad entrusted the work of widening of the existing single lane carriageway of Nagpur-Hyderabad section of NH 7 to double lane without strengthening, from Km 256/710 to Km 263/400 to a contractor in July 1997 for Rs 5.73 crore. The agreement envisaged, *inter alia*, excavation of 1,45,981 cubic metres consisting of 68,124 cubic meters of fissured and fractured rock and 77,857 cubic meters of hard rock and stacking of the excavated material on the road side for reuse. The tender conditions, as also the agreement, contained a conclusive presumption that the contractor had satisfied himself as to the nature of work, local

<sup>1</sup> Superintending Engineer

<sup>2</sup> National Highways



conditions, transport/handling of materials and disposal of spoil etc. and that the Department would bear no responsibility therefor.

**Superintending Engineer concluded supplemental agreement for dumping elsewhere the excavated material at extra cost.**

During execution, however, the SE concluded in February 1998 a supplemental agreement with the contractor for dumping 1,62,442 cubic metre of the excavated materials, inclusive of additional quantities estimated due to change in classification of soils met with during execution, over a lead of one kilometre at an extra cost of Rs 87.35 lakh, on the ground that stacking was not possible at high embankments in the stretch, situated in steep slopes and passing through reserve forest area. Dumping of 1,60,630 cubic metre had been completed for which Rs 86.37 lakh was paid to the contractor as of October 1999.

**This resulted in undue benefit of Rs 78.50 lakh to the contractor.**

Neither the Ministry of Surface Transport (MOST), which sanctioned in November 1997 a revised estimate for the work incorporating these changes, nor the Chief Engineer (NH) and the SE (NH), who prepared the revised estimates explained in a transparent manner as to how the original estimate envisaged stacking of material on road side, if suitable dumping area/site was not available. In any case, as per the tender/agreement conditions also, the contractor was deemed to have satisfied himself about suitability of the area and, therefore, the supplemental agreement providing for an additional payment had resulted in extending an undue benefit of atleast Rs 78.50 lakh paid towards lead, excluding the additional quantity, which was not envisaged in the original agreement.

Chief Engineer, MOST stated in December 1999 that the correct levels of the site were taken during execution of work at closer intervals, leading to increase in the earthwork quantities and consequent inadequacy of roadside area for stacking.

The reply is not tenable since stacking should have been possible at least for the quantity of 1,45,981 cubic metres agreed to by both the contractor and the Department in the original agreement itself, prior to the revision.

### **16.3 Non-recovery of extra cost from defaulting contractor**

**The Executive Engineer, R&B, NH Division, Gudur, did not recover risk and cost amount of Rs 25 lakh from the defaulting contractor and later incorrectly interpreted a government order to defend his inaction.**

**The work entrusted to a contractor in June 1995 for Rs 2.25 crore was rescinded in April 1996 at his risk and cost.**

Consequent upon the inability of the contractor Shri C.Babu Reddy to start the work of 'Strengthening of weak pavements from Km 200/0 to Km 213/0 of Madras-Vijayawada NH 5, entrusted to him in June 1995 at Rs 2.25 crore, the

Executive Engineer, Roads & Buildings, NH<sup>1</sup> Division, Gudur, rescinded the contract at his risk and cost in April 1996.

The work was awarded to another contractor in December 1996 for Rs 2.53 crore.

The Superintending Engineer, R&B<sup>2</sup>, NH Circle, Nellore, awarded this work to KMC constructions in December 1996 at his lowest bid of Rs 2.53 crore, which was Rs 28 lakh more than the value of the first contract. The work was in progress as of March 1999.

Executive engineer incorrectly interpreted a government order to defend his inaction in not recovering the extra expenditure of Rs 25 lakh from the first contractor.

As per the terms of agreement, the first contractor was liable to pay the extra cost as a result of award of the work to the second contractor at the risk and cost of the former. Yet, the Executive Engineer, R&B, NH Division, Gudur did not recover the extra expenditure of Rs 25 lakh, after adjusting Rs 3 lakh, being the earnest money deposit with the department. Upon being pointed out by Audit, he incorrectly interpreted a government order to defend his inaction.

The Executive Engineer cited in March 1999 a Government of Andhra Pradesh instruction of 1978, in which the Government had exhorted the engineers to ensure that the work to the second contractor should be awarded within six months of recession of contract at the risk and cost of the former, as his reason for not recovering the extra expenditure.

The contention of the Executive Engineer shows a negligent attitude towards public funds, since the Government order was only a direction to the departmental officers to conclude the contract for the balance work within six months and did not even remotely hint at non-recovery of the risk and cost amount, if the second contract was awarded beyond six months from the date of recession of the first contract. It is recommended that the responsibility for non-recovery of the risk and cost amount and pecuniary loss to the government should be established.

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

#### **16.4 Unauthorised aid to a lessee and loss of revenue**

**Award of the leasehold rights by Government of Andhra Pradesh for tolls for 1996-98 on three bridges on National Highway 5 to the existing lessee without public auction/in violation of the rules and without following the prescribed procedure resulted in undue financial aid of Rs 23 lakh to the lessee at the cost of the public exchequer.**

Leasehold rights to collect tolls are required to be sold by public auction.

As per A.P.Roads and Bridges Tolls Rules, read with the instructions issued by MOST, the rights to collect tolls on roads or bridges for every year are to be sold through public auction. The collection of toll is to be made at a single point for bridges located within 80 kilometres. The lease hold rights for

<sup>1</sup> National Highway

<sup>2</sup> Roads and Buildings

collection of toll charges on bridges at mile 48/2 and mile 48/5 of Sullurpet bypass on Chennai-Calcutta road of National Highways 5 for 1994-96 were held by Shri P.Narsimha Reddy at Rs 50.40 lakh.

Chief Engineer (R&B)<sup>1</sup>, National Highways, Hyderabad, issued notification on 11 December 1995 for sale of leasehold rights by auction to collect tolls during 1996-98 on the bridges at mile 48/2, mile 48/5 of Sullurpet bypass on Chennai-Calcutta National Highway 5 along with a third bridge at Km 110/6, also on this National Highway, which falls within 80 km of the other two bridges. The scheduled date of public auction was 19 January 1996, which was extended to 31 January 1996. 16 bidders obtained eligibility certificate after paying earnest money of Rupees six lakh each.

**Leasehold rights for three bridges were awarded to the present lessee for a further period of two years without public auction.**

On a representation by the then lessee, Shri P. Narsimha Reddy to the then Minister for Roads and Buildings to extend the existing lease period for a further period of two years at the lease rent of 1994-96 plus ten *per cent* on the ground that he had suffered heavy losses due to the disturbed conditions, the Chief Engineer (R&B), NH recommended on 27 December 1995 the award of leasehold rights in his favour for 1996-98 at a negotiated price of Rs 85 lakh. On the recommendation of the Chief Engineer (R&B), NH 5 the Government of Andhra Pradesh issued orders on 22 January 1996 in favour of present lessee at Rs 85 lakh without public auction. The public auction scheduled to be held on 31 January 1996 was never held.

**Arbitrary decision by Government/CE resulted in loss of Rs 23 lakh to Government.**

The amount of loss of revenue that would have occurred due to the action of the Government in awarding the leasehold rights to the then existing lessee for another two years at a nominated price is not determinable due to termination of the auction process. However, one of the 16 bidders, namely Shri N.S.Lakshmi Narayana Setty, who had obtained the eligibility certificate offered Rs 1.08 crore on 24 February 1996, even before the commencement of the lease agreement with the then existing lessee. With reference to this offer, the Government suffered a revenue loss of at least Rs 23 lakh.

The action to confer the leasehold rights to the then existing lessee without public auction was arbitrary and unjustified due to the following:-

- (i) The sudden disregard of the prescribed due process and abrupt premature termination of the auction was uncalled for.
- (ii) The representation of the then existing lessee was accepted on the basis of his own statement and no transparent evidence of verification of facts stated by him and analysis of the basis for the decision was available with the Chief Engineer.
- (iii) The recommendation of the Chief Engineer to the Government to award him the leasehold rights at Rs 85 lakh for 1996-98 was non-transparent also on the grounds that no basis existed to conclude that the amount offered by the existing lessee was the maximum that the

<sup>1</sup> Roads and Buildings

government could expect. Mere statement of arithmetical increase of 70 per cent over the previous lease amount did not lend any legitimacy to the price recommended by the Chief Engineer for the next lease period.

- (iv) The decision of the Chief Engineer and the Government of Andhra Pradesh to accept the contention of the lessee is not convincing, since a contractor, who had claimed to have suffered losses, could not be expected to request continuance of the lease.
- (v) Addition of the third bridge to the then existing two bridges for toll collection made it incumbent upon the Chief Engineer to fix the lease price through open bidding.

This calls for investigation into the circumstances under which the prescribed procedure was given a go-by.

The Ministry stated in December 1999 that Shri Lakshmi Narayana Setty had subsequently withdrawn his offer on 4 March 1996. The reply is not tenable since the offer of Shri Setty was mentioned only as an indication about the extent of loss suffered by Government. Further, the reply is silent about how the statutory rules prescribing auction were not followed and why the offer of Shri Setty had not been considered earlier, soon after its receipt.

#### **16.5 Delay in implementation of a project**

**Lack of adequate planning and co-ordination coupled with failure of the Regional Director, Lighthouses and Lightships to obtain lawful ownership of land resulted in delay in implementation of a project on which Rs 24.53 lakh had been spent.**

The existing lighthouse at Puri erected on top of the Circuit House was declared unsafe in December 1991. In September 1992, the Ministry accorded administrative approval and expenditure sanction for Rs 55.50 lakh for construction of a lighthouse at a separate site.

The Regional Director, Lighthouses and Lightships, Calcutta took over possession of land in April 1994 and paid Rs 9.09 lakh to the Puri Municipality. He spent Rs 1.34 lakh between April 1994 and September 1994 on the project.

The Regional Director placed the purchase order in June 1993 for the equipment for the lighthouse, even before start/finalisation of the contract for the construction of the lighthouse tower. The equipment costing Rs 14.10 lakh were received in October 1995. The warranty period of the equipment expired in January 1997.

The Regional Director invited tenders for construction of the lighthouse tower in March 1995. He had to cancel the tenders thrice due to procedural lapses and delays on his part.

The Puri Konark Development Authority conditionally permitted the Regional Director in December 1997 to construct the lighthouse tower pending issue of lease deed and lawful ownership of the land.

The Regional Director engaged in January 1999 two contractors, one for labour and one for material, for the construction of the lighthouse tower. The work commenced in May 1999. However, the lease deed of the land could not be executed due to legal dispute between the Puri Municipal Authority and the Revenue Authority.

Thus, the Regional Director's lack of planning, co-ordination and administrative indecision resulted in delay in implementation of the project on which Rs 24.53 lakh had been spent. The lighthouse continues to be accommodated in the unsafe building for the last eight years. The benefit of warranty coverage for the equipment has already been lost.

The Ministry stated, in November 1999, that the Director General of Lighthouses and Lightships had instituted a disciplinary case against the concerned Regional Director for the delay and the Department of Lighthouses and Lightships was also directed to procure the lighthouse equipment only after commencement of construction works on lighthouse tower henceforth.



## CHAPTER XVII : MINISTRY OF TEXTILES

### 17.1 Undermining of Parliamentary Financial Control

The decision of the Secretary, Ministry of Textiles to deposit the amounts forfeited as penalty for failure to fulfil the export quota of textiles/garments into the Public Account rather than the Consolidated Fund of India and release grants directly from it undermined Parliamentary Financial Control, and did not afford opportunity for audit by the CAG of India.

The unauthorised approval of Ministry of Textiles to credit the penalties recovered through Apparel Export Promotion Council (AEPC) on account of the failure of the exporters to fulfil their allotted quota for export of garments and textiles product, outside the Consolidated Fund of India has put the expenditure beyond the financial control of Parliament. This decision of the Ministry is against the provision of Article 266 of the Constitution of India, under which, all revenues received by the Government of India, all loans raised by the Government by the issue of treasury bills, loans or ways and means advances and all moneys received as repayment of loans shall form one Consolidated Fund of India.

Consequent upon introduction of the annual quantitative ceilings for export under textile agreements with different countries, the exporters were allotted specific quota for export by the Textile Commissioner. They were required to submit EMD<sup>1</sup>/bank guarantee to ensure that they fulfil their obligation to export the allotted quota. The EMD/bank guarantee was liable to be forfeited/encashed in case of failure to fulfil the allotted quota.

Prior to 1989, AEPC was keeping the forfeited amount. Ministry of Finance did not agree to the proposals of the Ministry of Textiles of May 1986 and February 1987 to retain the penalties recovered from the exporters outside the Consolidated Fund of India. Yet, the Secretary, Ministry of Textiles approved in 1989 that the forfeited amount of the EMD/bank guarantee would be credited to a deposit account specifically opened for this purpose in the Public Account. It was further approved that a committee constituted by the Secretary, Ministry of Textiles, which included among others, three members nominated by the Council of the Apparel Export Promotion, would sanction expenditure directly from the Personal Deposit Account for export promotion. The purposes for which this committee could sanction the expenditure included market surveys, sales-cum-study teams, exhibitions and infrastructure facilities.

Secretary approved in 1989 to credit the forfeited amount of EMD/ bank guarantee in a deposit account.

<sup>1</sup> Earnest Money Deposit

AEPC is a non-Government body consisting of members of Executive committee. It is entrusted with the functions of monitoring of grants/quota for export of readymade garments on behalf of Government of India. AEPC derives its income mainly from the membership subscriptions, council charges and interest received, etc. Chartered Accountants audit the accounts of the council.

**The committee constituted by the Secretary released Rs 35.08 crore out of forfeited amount of Rs 66.44 crore.**

During 1989-99 the AEPC forfeited a total of Rs 66.44 crore of the EMD and bank guarantee of the exporters on account of their failure to fulfil their export quota, which it deposited in the Public Account as per the direction of the Ministry. The committee constituted by the Secretary, Ministry of Textiles had released a total of Rs 35.08 crore out of it for expenditure on various activities up to January 1999. Of this, Rs 29.46 crore was released to AEPC, Rs 7.50 lakh to ICRIER<sup>2</sup>, Rs 5.00 lakh to ISEPC<sup>3</sup> and Rs 5.50 crore to NIFT<sup>4</sup>.

The decision of the Secretary, Ministry of Textiles was questionable on the following grounds:

**The revenue of the Government ought to be credited to the Consolidated Fund of India.**

(i) The forfeiture of penalty was in consequence of a statutory rule made by the Ministry and, therefore, it was revenue of the Government. As per Article 266 of the Constitution, it was required to be credited to the Consolidated Fund of India.

**Ministry by-passed the authority of the Parliament by spending Rs 35.08 crore without their approval.**

(ii) As per Article 114(3) of the Constitution of India, no money can be withdrawn from the Consolidated Fund of India except under appropriation made by law passed in accordance with this Article. Since, the amount forfeited as penalty ought to have been credited to the Consolidated Fund of India, in no way expenditure could be met against this, save with the authority of the Parliament. By an irregular decision to credit it to the Public Account and meet the expenditure by directly debiting the Public Account, the Ministry by-passed the authority of the Parliament, without whose approval, no money could be spent. This has rendered the entire expenditure of Rs 35.08 crore illegal.

**Ministry did not consult CAG/CCA for changing the accounting procedure/ opening the PD Account.**

(iii) For any change in the accounting procedure, Ministry is required to consult the Comptroller and Auditor General of India. The Ministry did not consult him before changing the accounting procedure. Even the Controller General of Accounts was not consulted as it was mandatory under Rule 191(2) of the Receipts and Payment Rules of the Government of India.

**The Ministry credited the amount to Public Account despite having prior knowledge of irregularity of such action.**

(iv) The Secretary, Ministry of Textiles approved crediting the amount to the Public Account rather than to the Consolidated Fund of India despite prior knowledge of the irregularity of such action and requirement for consultation with the Comptroller and Auditor General of India through such specific advice of the Ministry of Finance.

<sup>2</sup> Indian Council for Research on International Economic Relations

<sup>3</sup> Indian Silk Export Promotion Council

<sup>4</sup> National Institute of Fashion Technology

**Unauthorised release of grants directly from Public Account denied CAG's Audit over such expenditure.**

**Items of expenditure for which grants were provided from Public Account ought to have been met out of its own resources or from assistance provided by the Ministry.**

**Additional funding of Rs 5.50 crore to NIFT had the effect of denial of total picture to the Parliament.**

(v) Since, the accounts of the AEPC are not audited by the Comptroller and Auditor General of India, the expenditure by means of grants directly from the Public Account was unauthorisedly taken out of purview of his audit, though it is the duty of the Comptroller and Auditor General of India to audit all expenditure from the Consolidated Fund of India.

The decision to meet expenditure of different types from the Public Account was flawed as it provided an opportunity to by-pass the normal procedure of expenditure from the Consolidated Fund of India. The items of expenditure for which grants were provided from the Public Account are given in the Annex. While all items for which the grants were provided to the AEPC were such, which ought to have been met out of its own resources or out of the Market Development Assistance provided for in the grant of the Ministry, some of the important items were: Rs 8.77 crore for Apparel Training and Design Centre buildings at Mumbai, Tirupur, Jodhpur and at other places, Rs 1.50 crore for construction of exhibition complex at Tirupur, Rs 12.10 crore for land cost of Gurgaon plot for AIM<sup>1</sup>, Rs 1.13 crore for computerisation in AEPC, Rs 5.96 crore for various trade delegations, freight subsidy and fashion show/road-shows.

Similarly, the committee released Rs 4.50 crore for the building project and an unusually large amount of Rs one crore for fashion show to the NIFT. This institute is provided grants-in-aid regularly from out of the grant of the Ministry and this arrangement of additional funding had the effect of denial of total picture to the Parliament.

The Ministry stated in October 1999 that it had taken approval of Ministry of Finance in May 1998 for arrangement to retain the money in PD Account.

The contention of the Ministry is not correct. A perusal of the submission note of the Ministry of Textiles in obtaining the approval of the Ministry of Finance (Department of Expenditure) establishes the fact that the Ministry had not sought explicit approval of the Ministry of Finance for keeping such forfeited funds in the PD Account since 1989 but only of the mechanism to approve categories of expenditure out of this fund. The earlier categorical denial by the Ministry of Finance in May 1986 and February 1987 was not brought out in the note. Neither was it disclosed that the approval of the Comptroller and Auditor General of India was required to keep this forfeited amount outside the Consolidated Fund of India.

It is recommended that the balance in the Public Account should be merged immediately with the Consolidated Fund of India and instructions for depositing the future forfeitures into the Consolidated Fund of India should be issued with immediate effect. The matter also calls for an investigation as to how the decision makers flouted the statutory requirements, despite clear knowledge that their decision was unauthorised.

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<sup>1</sup> Apparel International Mart

## Annex

**Statement of amount released from Public Deposit Account of the  
EMD/BG forfeited amount from the Ministry of Textiles Govt. of India to  
AEPC**

S.No	Date	Amount (Rs)	Description
1.	07.12.89	2200000	Overseas Publicity IV & V Garment Fair
2.	22.01.90	1116062	BSM for winter Garment Japan (Tokyo)
3.	30.01.90	620269	Trade Delegation to Latin America (7 Mom)
4.	24.01.90	1725500	Survey of Readymade Garments
5.	22.03.90	8000000	Computersation in AEPC
6.	07.12.89	12000000	ATDC Building at Bombay
7.	14.01.92	1040000	IDS Inc Washington EOI
8.	08.04.92	800000	Kimijama Fashion Show in May-92
9.	09.05.92	193980	Trade Delegation to Cyprus Oct-92
10.	17.06.92	547000	BSM in Panama, Brazil, & Mexico during Nov-92
11.	21.01.91	2500000	ATDC Building at Bombay
12.	02.07.92	647000	Trade Delegation to EEC (Poland, GDR) July -90
13.	27.07.92	5050000	ATDC Tirupur
14.	16.08.92	243000	Overseas Publicity during 90-91
15.	23.09.92	358354	Knitwear Delegation to Hungary, C2H-March 92
16.	21.10.92	3300000	Computersation in AEPC
17.	21.10.92	129938	Subsidy given to Exports Extralights-1989
18.	18.11.92	223397	BSM in Caracas & Curacao during Nov-90
19.	18.11.92	500000	ATDC Jodhpur
20.	12.03.93	583449	Sample subsidy given to Exporters
21.	13.12.93	7957084	Air Freight Subsidy for Latin American Countries
22.	14.01.94	1568500	IDS Inc Washington EOI
23.	Feb-94	95288	World Fashion Fair Osaka Japan
24.	17.02.94	220996	Delegation to Hong Kong & South Korea
25.	22.08.94	126521	Air Freight Subsidy for Non-Scheduled Flights
26.	19.04.95	42150000	ATDC Project at various places
27.	31.07.96	10000000	One Man Offices Abroad
28.	02.08.96	25500000	ATDC Project at various places
29.	07.04.97	981000	Prof Friedler Roessior
30.	17.03.98	889000	Upgration of AEPC-SITRA Knitwear, Tirupur
31.	22.04.98	15000000	Construction of Exhibition Complex of IKF at Tirpur
32.	28.04.98	5700000	IDS Inc Washington EOI
33.	28.04.98	1800000	IDS Inc Washington EOI
34.	28.04.98	1053000	Prof Friedler Roessior
35.	28.04.98	8400	Subsidy given to Exporters Extra Flights
36.	07.01.89	121000000	Land Cost of Gurgaon Plot -AIM
37.	07.01.99	18764000	Road show-Paris-USA-UK
	<b>Total (A)</b>	<b>294591738</b>	



**Statement of amount released from Public Deposit Account of the  
EMD/BG Forfeited Amount from the Ministry of Textiles Govt. of India  
to Other Offices**

S.No.	Date	Amount (Rs)	Description
1.	06.04.90	750000	ICRIER Prof Sri Ram Khanna
2.	29.09.90	500000	ISEPC Asia Silk Fair OCT-90
3.	07.11.91	18000000	NIFT-Campus Building New Delhi
4.	22.07.92	6400000	NIFT-Building Project
5.	25.01.93	6600000	NIFT-Building Project
6.	22.06.93	14000000	NIFT-Building Project
7.	25.01.96	10000000	NIFT-Fashion Rendezvous at New Delhi
	<b>Total (B)</b>	<b>56250000</b>	
	<b>Total A+B</b>	<b>350841738</b>	

### 17.2 Failure to recover the penalty

**Failure of the Textile Commissioner, Mumbai to enforce the conditions of agreement for export quota of cotton and to forfeit the bank guarantees resulted in non-recovery of penalty of Rs 3.82 crore for non-fulfilment of export obligations besides compensation of 24 per cent of the bank guarantees.**

The Government of India releases the export quota of staple cotton each year to Private Trade, Cotton Corporation of India, Cotton Growers Federation, etc.

The Textile Commissioner, Mumbai allotted in January 1996 an export quota of 1560 tonne of Indian raw cotton to four exporters for a combined total value of Rs 38.24 crore. The exporters were to fulfil the export obligations by 31 July 1996. As per the terms and conditions of allotment of export quota, the four exporters furnished bank guarantees aggregating Rs 3.82 crore valid up to 30 April 1997 as under:

Textile  
Commissioner,  
Mumbai allotted in  
January 1996 an  
export quota of 1560  
tonne of raw cotton  
to four exporters.

(Rs in crore)				
Sl.No	Name of the exporter	Quantity (tonne)	FOB Value	Bank guarantee
1.	M/s GPB Fibres Ltd., Mumbai	416.5	10.64	1.06
2.	M/s The Punjab Cotton Co., (Exp. Impt.) Ltd., Mumbai	416.5	9.98	1.00
3.	M/s Bhagwati Cottons Ltd., Mumbai	416.5	10.38	1.03
4.	M/s. U.L. Trading Corporation, Mumbai	310.25	7.24	0.73
<b>Total</b>		<b>1559.75</b>	<b>38.24</b>	<b>3.82</b>

In terms of the agreement between the Textile Commissioner, Mumbai and the exporters, in the event of failure of the exporters to fulfil their export



obligations, the bank guarantees furnished by them were liable to be forfeited. In addition, exporters were also liable to pay compensation in the form of interest at 24 *per cent per annum* on the amount of the bank guarantee with effect from 1 August 1996 till realisation thereof.

**Exporters failed to fulfil their export obligations.**

**Textile Commissioner, Mumbai failed to invoke bank guarantee and recover penalties from the four exporters.**

All four exporters failed to export any quantity against their allotted quota within the prescribed period up to 31 July 1996. On the representations of the exporters, the Textile Commissioner granted extension up to 28 February 1997. Despite this, the exporters did not fulfil the export obligations.

Despite their failure to fulfill the export obligations, the Textile Commissioner did not invoke the bank guarantees within their validity period up to 30 April 1997. Finally, when he invoked the bank guarantees on 15 May 1997, after the last date of their validity, the bank repudiated the claim. The Textile Commissioner did not take any action for recovery of the compensation at 24 *per cent* of the value of bank guarantee also.

The Ministry stated in September 1999 that it was a lapse on the part of officers not to invoke the bank guarantees within their validity period and added that an enquiry has been instituted to fix responsibility for lapse in encashing the bank guarantees.

The Ministry further added that summary suits had been filed in the High Court of judicature, Mumbai for recovery of the amount equivalent to the lapsed bank guarantee and compensation at 24 *per cent* on the bank guarantee. The actual recovery and the result of enquiry were awaited.

### **17.3 Inadmissible payment of subsidy of Rs 22.77 lakh under Janata Cloth Scheme**

**On a representation to the Ministry of Textiles, the Ministry released subsidy of Rs 22.77 lakh arbitrarily. None of the grounds on which claims were rejected twice in past had undergone any change.**

**DCH released inadmissible subsidy of Rs 22.77 lakh to the cooperative societies in Gujarat which was rejected earlier twice.**

Sample check of payment of subsidy<sup>1</sup> under the Janata Cloth Scheme by DCH<sup>2</sup>, a subordinate office of the Ministry of Textiles disclosed a case of release of inadmissible subsidy of Rs 22.77 lakh during 1997-98 through the State Government of Gujarat to the Cooperative Societies in Gujarat. The claim was earlier rejected twice; first by SLIC<sup>3</sup> in 1992 and then by DCH in 1993 on the ground that 24 cooperative societies who had claimed the subsidy did not fulfill any of the conditions for grant of the subsidy.

<sup>1</sup> Subsidy at the rate of Rs 3.40 per Sq. Mtr. of Janata cloth produced on handloom.

<sup>2</sup> Development Commissioner for Handloom (DCH)

<sup>3</sup> State Level Implementation Committee (SLIC)

The DCH reversed its earlier considered stand on admissibility of the subsidy on receipt of representations of implementing agency<sup>4</sup> and forwarded by some Members of Parliament to the then Minister of Textiles in July and August 1996. The fresh claims by the cooperative societies did not contain any material new evidence in support of the claims except the affidavits of the weavers/societies containing assertions about production of handloom cloth.

**DCH released the subsidy arbitrarily.**

The decision of the Ministry to release subsidy of Rs 22.77 lakh was arbitrary since none of the grounds on which the claims were rejected twice in the past had undergone any change. Some of the more important grounds on which SLIC and DCH had rejected the claims in 1992 and 1993 were as under:

- (i) In case of 24 cooperative societies who claimed the subsidy, there was no evidence of production of Janata Cloth.
- (ii) Subsidy was admissible on actual production and distribution and not on the basis of estimated production.
- (iii) In some cases it was also established that yarn issued was in form of cone, which is usable in power loom only.
- (iv) Production of cloth by derecognised societies was done on power looms.
- (v) Assessment made on the possible production in handloom was also not in order as there were no working looms in almost all the societies.

**Upon being pointed out by Audit, DCH took up the issue with the State government.**

DCH stated in October 1999 that the entire issue of release of Rs 22.77 lakh had been re-examined in the light of the audit observations and that they had taken up the issue with the State Government to reach at the facts of the claims. Further development in the matter was awaited as of December 1999.

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<sup>4</sup> Gujarat State Handloom and Industrial Cooperative Federation Ltd. (Implementing Agency)

## CHAPTER XVIII : MINISTRY OF TOURISM

### 18. Development of Tourism Infrastructure

Ministry's lackadaisical management and control of the scheme, 'Development of Tourism Infrastructure' led to almost no value for money from the major portion of Rs 15.82 crore granted to state governments. Only 39 of 158 projects were completed, that too, with substantial delays. Only 28 of the 39 completed projects were operational.

#### 18.1 Introduction

Ministry of Tourism has been implementing a scheme "Development of Tourism Infrastructure" with a view to promoting domestic tourism and to attract overseas tourists to India. The scheme aimed at ensuring comfortable and moderate accommodation to tourists at reasonable rates by way of constructing 'Yatri Niwas', 'Tourist Bungalows', 'Cottages', 'Complexes', 'Lodges', 'Reception Centers', 'Way-side Amenities', 'Tented Accommodation', etc. Under this scheme, central assistance was provided to state governments on a cost-sharing basis. The state governments generally met the cost of land identified for the project which should have electricity, water supply and approach road and its development while Ministry met the cost of construction, including internal electrification, water supply and sanitary fittings, etc.

During 1992-97, Ministry released assistance of Rs 15.82 crore to eight state governments for 158 projects – Punjab:28, Andhra Pradesh: 15, Gujarat: 07, J & K: 27, Maharashtra: 29, Uttar Pradesh: 22, Madhya Pradesh: 02 and West Bengal: 28. The state-wise/project-wise details are indicated in *Annex A*.

The process of approval, procedures, implementation, financial management and monitoring aspects were reviewed in the Ministry and from the records of eight state governments, which revealed several deficiencies in management of the scheme as follows.

#### 18.2 Injudicious sanction and release of central assistance

Ministry sanctioned 158 projects for Rs 31.68 crore and released Rs 15.82 crore to eight states indicated in the table that were ineligible to receive the assistance, as they did not meet the precondition laid down with respect of availability of land. State governments were required to submit the project proposals in the prescribed form along with a certificate to the effect that the developed piece of land was readily available and the same was in possession

Rs 15.82 crore were released for 158 projects that failed to meet precondition regarding availability of land.

of the Tourism Department of the state government and the land/title of the land will be transferred in favour of Government of India free of charge/cost. Sanction of these 158 projects was, thus, in disregard of the guidelines and indicated laxity in scrutiny of proposals. Besides, the Ministry had evolved no mechanism to verify the mandatory information indicated in the state governments' proposals on justification of the projects i.e. whether similar facility already existed, the then volume of tourist traffic and expected in future.

(Rs in crore)

S.No	State	No. of projects	Sanctioned amount	Central release
1.	Maharashtra	29	6.51	3.29
2.	West Bengal	28	6.95	2.92
3.	Uttar Pradesh	22	3.67	2.09
4.	Andhra Pradesh	15	2.71	1.76
5.	Punjab	28	4.81	2.26
6.	Gujarat	7	0.90	0.39
7.	Jammu & Kashmir	27	5.70	3.08
8.	Madhya Pradesh	2	0.43	0.03
	<b>Total</b>	<b>158</b>	<b>31.68</b>	<b>15.82</b>

119 projects costing Rs 25.02 crore remained incomplete.

### 18.3 Delay in implementation

119 of the 158 projects sanctioned at Rs 25.02 crore, for which the Ministry had released total financial assistance of Rs 10.72 crore, had not been completed till June 1999. State-wise details are as follows.

Sl. No	State	No. of incomplete projects	Sanctioned amount for 119 incomplete projects	Central release	Delay as of 6/99 (in months)	
					Minimum	Maximum
			(Rs in crore)			
1.	Maharashtra	22	5.53	2.36	14	62
2.	West Bengal	26	6.62	2.62	14	62
3.	Uttar Pradesh	16	2.72	1.35	16	64
4.	Andhra Pradesh	08	1.69	0.91	38	53
5.	Punjab	19	3.16	1.09	14	65
6.	Gujarat	07	0.90	0.39	15	53
7.	Jammu & Kashmir	19	3.97	1.97	26	63
8.	Madhya Pradesh	02	0.43	0.03	50	62
	<b>Total</b>	<b>119</b>	<b>25.02</b>	<b>10.72</b>	<b>14 to 65 months</b>	

Test checks revealed that in respect of 67 projects, delay in implementation of 14 months to 65 months was attributed to non-availability of land in 39 projects, change in the design/estimates in 12 projects, late award of the work in six projects, non-availability of clearance from the other organisations in six projects; project being commercially not viable in three projects, and dispute with executing agencies in one project, etc. There was no evidence of any monitoring/ stock taking by Ministry to ascertain factors, which contributed to this delay and initiate measures to accelerate progress of the projects.

67 incomplete projects pointed to lax monitoring.

#### **18.4 Delay in completed projects**

39 completed projects sanctioned at Rs 6.66 crore, could be completed after a delay of four to 51 months from the targeted dates of their completion due to reasons such as change in drawings in two projects, scarcity in the availability of water in one project, delayed execution in another and delay in finalisation of award in six projects. As brought out in paragraph 18.3, Ministry did not have any system to address these concerns and remove impediments for timely completion of the projects. As a result of delayed completion of the projects, the consequential benefits to the tourism sector, the main objective of the scheme, were also delayed/not achieved.

39 projects were completed after four to 51 months delay.

#### **18.5 Operational status of the completed projects**

Of the 39 completed projects, Ministry had no information about operationalisation of 11 projects: two in Punjab, three in Andhra Pradesh, two in Jammu & Kashmir and four in Uttar Pradesh. In Jammu & Kashmir, Tourist Bungalow at Leh is being used as Departmental Guest House for FAM tours by travel agents, travel writers and other tourists. In another case, Tourists Huts at Chashmeshahi, Srinagar are occupied by para-military forces, Raj Bhawan Staff, State Government Officers and Judge of the High Court.

28 out of 39 projects have only been commissioned.

#### **18.6 Dropped projects**

119 incomplete projects included 33 dropped projects, for which Rs 2.16 crore were released by the Ministry. Of these dropped projects central assistance aggregating Rs 1.92 crore in respect of 28 projects was adjusted against subsequent new projects belatedly with delays ranging from 11 to 69 months as under:

33 projects costing Rs 2.16 crore were dropped.



Sl. No.	State	No of projects	Amount released (Rs in crore)	Delay in adjustment of amount (in months)
1.	West Bengal	5	0.32	11 to 53
2.	Uttar Pradesh	6	0.31	33 to 69
3.	Maharashtra	7	0.45	11 to 59
4.	Andhra Pradesh	2	0.20	45 to 47
5.	Punjab	3	0.29	35 to 65
6.	Jammu & Kashmir	4	0.25	47 to 59
7.	Madhya Pradesh	---	---	---
8.	Gujarat	1	0.10	50
	<b>Total</b>	<b>28</b>	<b>1.92</b>	<b>11 to 69</b>

Central assistance of Rs 23 lakh in respect of remaining five projects i.e. in Punjab three (Island Restaurant Madhopur – Rs 9 lakh, Tourist Complex Rajpura - Rs 5 lakh, Wayside Amenities at Talwara – Rs 3 lakh) Uttar Pradesh one project (Tented accommodation at Vrindaban-Rs 50 lakh) and Madhya Pradesh one project (construction of Tourist Complex at Mandu Rs 1 lakh) was neither got refunded nor adjusted in the projects sanctioned afterwards.

### **18.7 Inconsistent approach and delay in release of grants**

Ministry did not follow its own guidelines for release of various instalments for the projects. Against the provision for release of 30 per cent of the approved cost as first instalment, the Ministry released 0.04 to 88.53 per cent as first instalment. The norm for the second instalment was also not followed in many cases.

Rs 5.05 crore of central assistance was passed on to the executing agency after a delay of three to 46 months.

In four states, central assistance of Rs 5.05 crore was passed on to the executing agency after a gap of three to 46 months (Maharashtra; from three to 46 months, West Bengal; from three to 23 months; Uttar Pradesh three to 41 months and Andhra Pradesh three to 24 months) from the dates of releases made by Ministry of Tourism. Ministry did not ensure that the assistance paid to states is passed on immediately to the executing agency.

### **18.8 Ownership of assets**

It was stipulated in the sanction that the assets created out of central grant would remain the property of the Central Government and the same would be leased out to the state governments on a nominal charge of Rupee one per annum/per property. In respect of 39 projects completed at Rs 6.66 crore, Ministry did not have any record of these properties.

### **18.9 Recommendation**

Ministry should review the incomplete projects to ensure their completion urgently and also review the working of the completed projects along with impact assessment on tourism.

The matter was reported to the Ministry in October 1999; their reply was awaited as of January 2000.

## Annex - A

(Refers to paragraph 18.1)

## Statement showing state wise details of projects as of June 1999

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
<b>Punjab</b>				
1.	Tourist Complex at Doraha	31.3.1993/ 30.3.1994	0.166/ 0.045	Incomplete, dropped and grant adjusted in other project
2.	Tourist Complex at Batala, Distt. Gurdaspur	9.1.1995/ 8.1.1996	0.212/ 0.100	Incomplete, dropped and grant adjusted in other project
3.	Tourist Complex at Sunam	13.3.1995/ 12.3.1996	0.212/ 0.050	Incomplete, dropped and grant adjusted in other project
4.	Tourist Complex at Rajpura	25.12.1992/ 24.12.1993	0.217/ 0.110	Incomplete, dropped and grant not adjusted in other project
5.	Island Restaurant at Madhopur	1.11.1993/ 31.10.1994	0.178/ 0.090	Incomplete, dropped and grant not adjusted in other project
6.	Wayside Amenities at Talwara	31.3.1995/ 30.3.1996	0.082/ 0.070	Incomplete, dropped and grant not adjusted in other project
7.	Tourist Complex at Gurdaspur	21.1.1993/ 20.1.1994	0.217/ 0.110	Incomplete
8.	Tourist Complex at Jalandher	31.3.1993/ 30.3.1994	0.218/ 0.030	Incomplete
9.	Fast Food Corner at Sirhind	21.1.1994/ 20.1.1995	0.203/ 0.100	Incomplete
10.	Tourist Complex at Mukerian	30.3.1994/ 29.3.1995	0.245/ 0.0001	Incomplete
11.	Tourist Complex at Dunera	30.3.1994/ 29.3.1995	0.245/ 0.0001	Incomplete
12.	Tourist Complex at Harike (wet land), Distt. Ferozepur	9.1.1995/ 8.1.1996	0.205/ 0.140	Incomplete
13.	Tourist Lodge at Sultanpur Lodhi	28.3.1995/ 27.3.1996	0.255/ 0.125	Incomplete
14.	Tourist Complex at Garshanker	30.3.1996/ 29.3.1997	0.289/ 0.040	Incomplete
15.	Toilet & Drinking Water Facilities at Tourist Complex, Kartarpur	28.3.1997/ 27.3.1998	0.028/ 0.010	Incomplete

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
16.	Toilet & Drinking Water Facilities at Tourist Complex, Moga	28.3.1997/ 27.3.1998	0.028/ 0.010	Incomplete
17.	Sulabh Mobile Toilet Vans at Ram Tirath, Amritsar	28.3.1997/ 27.3.1998	0.067/ 0.020	Incomplete
18.	Sulabh Mobile Toilet Vans at Fatehgarh Sahib	31.3.1997/ 30.3.1998	0.067/ 0.020	Incomplete
19.	Toilet & Drinking Water Facilities at Tourist Complex, Neelon	31.3.1997/ 30.3.1998	0.028/ 0.010	Incomplete
20.	Tourist Complex at Sanghol	30.3.1996/ 29.3.1997	0.287/ 0.200	Completed 12/1998
21.	Toilet Vans at Anandpur Sahib	24.12.1996/ 23.12.1997	0.067/ 0.033	Construction complete, but date not available
22.	Toilet & Drinking Water Facilities at Tourist Complex, Ropar	28.3.1997/ 27.3.1998	0.028/ 0.028	Construction completed in 8/1989, commissioning date not available
23.	Toilet & Drinking Water Facilities at Tourist Complex, Shambhu	28.3.1997/ 27.3.1998	0.028/ 0.010	Construction completed, commissioning date not available
24.	Fast Food Counter at Ropar	15.2.1994/ 14.2.1995	0.203/ 0.160	Construction completed in 8/1998, commissioning date not available
25.	Fast Food Counter at Madhopur	7.3.1994/ 6.3.1995	0.203/ 0.150	Construction completed in 10/1997, commissioning date not available
26.	Tourist Complex at Aamkhas Bagh	31.3.1994/ 30.3.1995	0.265/ 0.210	Construction completed in 1/1999, commissioning date not available
27.	Tourist Complex at Faridkot	30.3.1996/ 29.3.1997	0.297/ 0.190	Construction completed in 11/1998, commissioning date not available
28.	Yatri Niwas at Fatehgarh	29.3.1996/ 30.9.1997	0.265/ 0.200	Construction completed, commissioning date not available

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
<b>Andhra Pradesh</b>				
29.	Construction of Restaurant and toilets at Budh Purnima at Hussainsagar	29.3.1994/ 28.3.1995	0.197/ 0.005	Incomplete, dropped and grant adjusted in other project
30.	Construction of Yatri Niwas at Tirupati	27.3.1995/ 26.3.1996	0.399/ 0.200	Incomplete, dropped and grant adjusted in other project
31.	Construction of Tourist Complex at Manthralayam in Kurnool Distt.	15.12.1993/ 14.12.1994	0.247/ 0.200	Incomplete
32.	Construction of Restaurant at Golkunda Fort	15.12.1993/ 14.12.1994	0.074/ 0.040	Incomplete
33.	Public convenience at Golkunda Fort	15.3.1994/ 14.3.1995	0.025/ 0.013	Incomplete
34.	Construction of Restaurant at Bora Caves	20.12.1993/ 19.12.1994	0.049/ 0.025	Incomplete
35.	Construction of Yatri Niwas at Arakku, Virag Distt.	27.3.1995/ 26.3.1996	0.299/ 0.270	Incomplete
36.	Construction of Yatri Niwas at Yadagirigutta	27.3.1995/ 26.3.1996	0.398/ 0.150	Incomplete
37.	Wayside Facilities at Mallepalli, Nalgonda Distt.	24.1.1994/ 23.1.1995	0.080/ 0.055	Construction completed in 8/1998
38.	Construction of Tourist Complex at Nacharam, Medak Distt.	2.3.1994/ 1.3.1995	0.099/ 0.089	Construction completed in 3/1996
39.	Construction of Yatrikas at Basara, Adilabad Distt.	23.1.1995/ 22.1.1996	0.166/ 0.130	Construction completed in 12/1998
40.	Tented Accommodation at Horseley Hills	21.12.1992/ 20.12.1993	0.027/ 0.027	Construction completed in 7/1996, commissioning date not available
41.	Public convenience at Nagaarjunasagar	16.3.1994/ 15.3.1995	0.049/ 0.039	Construction completed in 6/1997, commissioning date not available
42.	Construction of Tourist Complex at Amaravati, Guntur Distt.	3.3.1994/ 2.3.1995	0.148/ 0.148	Construction completed in 3/1997, commissioning date not available
43.	Construction of Yatri Niwas at Vishakhapatnam	27.3.1995/ 26.3.1996	0.458/ 0.370	Construction completed in 12/1998, commissioning date not available



Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
<b>Gujarat</b>				
44.	Construction of Tourist Complex at Nalsarovar	22.12.1993/ 21.12.1994	0.197/ 0.100	Incomplete, dropped and grant adjusted in other project
45.	Cafeteria at Porbandar	5.1.1994/ 4.1.1995	0.146/ 0.075	Incomplete
46.	Construction of Tourist Lodge at Kuda-Bhavnagar	3.2.1995/ 2.2.1996	0.140/ 0.075	Incomplete
47.	Public convenience at Ambaji	7.1.1997/ 6.1.1998	0.088/ 0.030	Incomplete
48.	Construction of Tourist Reception – cum – Information Centre at Junagadh in Gujrat	12.2.1997/ 11.2.1998	0.122/ 0.041	Incomplete
49.	Construction of Tourist Reception – cum – Information Centre at Porbandar	13.2.1997/ 12.2.1998	0.121/ 0.040	Incomplete
50.	Construction of Public Conveniences at Tourist Centre at Uparkot in Junagadh	10.2.1997/ not indicated	0.088/ 0.030	Incomplete
<b>Jammu &amp; Kashmir</b>				
51.	Tourist Complex at Spang	31.3.1993/ 30.3.1994	0.201/ 0.050	Incomplete, dropped and grant adjusted in other project
52.	Tourist Complex at Devi Mai, Katra	26.3.1993/ 25.3.1994	0.159/ 0.080	Incomplete, dropped and grant adjusted in other project
53.	Tourist Banglow at Atholi, Poddar	7.2.1994/ 6.2.1995	0.193/ 0.095	Incomplete, dropped and grant adjusted in other project
54.	Tourist Huts at Soti Gondow, Bhalesa	24.3.1994/ 23.3.1995	0.065/ 0.030	Incomplete, dropped and grant adjusted in other project
55.	Yatri Niwas at Bhavan	11.2.1993/ 10.2.1994	0.450/ 0.200	Incomplete
56.	Pilgrims' Sheds at Katra	29.3.1993/ 28.3.1994	0.187/ 0.100	Incomplete
57.	Four Huts at Dera ki Gali	4.2.1994/ 3.2.1995	0.140/ 0.070	Incomplete
58.	Tourist Banglow at Bani	7.2.1994/ 6.2.1995	0.280/ 0.140	Incomplete
59.	Tourist Complex at Achimathang	22.3.1994/ 21.3.1995	0.179/ 0.140	Incomplete
60.	Tourist Banglow at Durbug Pongong Village	25.3.1994/ 24.3.1995	0.221/ 0.170	Incomplete
61.	Tourist Complex at Karsha, Zanskar	23.3.1994/ 22.3.1995	0.171/ 0.085	Incomplete
62.	Tourist Banglow at Tsomoriri Lake	24.3.1994/ 23.3.1995	0.207/ 0.050	Incomplete

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
63.	Tourist Banglow at Charar-I-Sharief	15.9.1994/ 14.9.1995	0.265/ 0.130	Incomplete
64.	Tourist Complex at Lama Yuru	11.1.1995/ 10.1.1996	0.171/ 0.137	Incomplete
65.	Tented Colonies with aquatic Sports by JKTDC	10.1.1995/ 9.1.1996	0.135/ 0.070	Incomplete
66.	Tented Colonies/accommodation at Nubra Valley	20.3.1995/ 19.3.1996	0.155/ 0.075	Incomplete
67.	Construction of Tourist Accommodation at Katra	12.3.1996/ 11.3.1997	0.280/ 0.100	Incomplete
68.	Tourist Complex at Nubra	22.2.1996/ 21.2.1997	0.250/ 0.120	Incomplete
69.	Yatrickas at Kher Bhawan	26.3.1996/ 25.3.1997	0.263/ 0.130	Incomplete
70.	Tourist Banglow at Leh	14.1.1994/ 13.1.1995	0.197/ 0.175	Construction completed, commissioning date not available
71.	Renovation of Tourist Huts at Chashmeshahi, Srinagar	31.3.1997/ 30.3.1998	0.440/ 0.140	Construction completed, commissioning date not available
72.	Tented Colony at Pangong Lake	20.3.1995/ 19.3.1996	0.155/ 0.070	Construction completed.
73.	Tented Accommodation at Katra and Bhawan	23.10.1992 Not indicated	0.104/ 0.104	Construction completed.
74.	Tented Accommodation at Sirchur, Gumri, Bani Bhadarwa.	17.12.1992/ 16.12.1993	0.098/ 0.075	Construction completed, commissioning date not available
75.	Four Huts at Batot	14.3.1994/ 13.3.1995	0.180/ 0.180	Construction completed, commissioning date not available
76.	Tourist Complex at Sanasar	6.1.1995/ 5.1.1996	0.281/ 0.250	Construction completed, commissioning date not available
77.	Tourist Complex at Patnitop	2.1.1995/ 1.1.1996	0.277/ 0.110	Construction completed, commissioning date not available

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
	<b>Maharashtra</b>			
78.	Construction of Tourist Complex at Gandhi Smarak, Ashram	31.3.1993/ 30.3.1994	0.256/ 0.001	Incomplete, dropped and grant adjusted in other project
79.	Construction of Visitors Reception Centre at Nagpur,	31.3.1993/ 30.3.1994	0.204/ 0.001	Incomplete, dropped and grant adjusted in other project
80.	Wayside facilities at Mahed, Raigad	8.3.1994/ 7.3.1995	0.073/ 0.035	Incomplete, dropped and grant adjusted in other project
81.	Wayside facilities at Kudal	24.3.1995/ 23.3.1996	0.068/ 0.030	Incomplete, dropped and grant adjusted in other project
82.	Construction of Tourist Complex at Panhala	27.3.1995/ 26.3.1996	0.250/ 0.120	Incomplete, dropped and grant adjusted in other project
83.	Construction of Tourist Complex at Vijaydurg	24.3.1995/ 23.3.1996	0.232/ 0.110	Incomplete, dropped and grant adjusted in other project
84.	Construction of guest house and wayside facilities at Lake Dhampur	12.3.1997/ 11.3.1998	0.353/ 0.150	Incomplete, dropped and grant adjusted in other project
85.	Construction of Tourist Complex at Lunar, Distt. Buldana	26.3.1993/ 25.3.1994	0.265/ 0.010	Incomplete
86.	Construction of Tourist Complex at Ganpati Pule, Distt. Ratnagiri (Konkan Circuit)	25.3.1994/ 24.3.1995	0.266/ 0.130	Incomplete
87.	Construction of Tourist Complex at Mahabaleshwar, District Satara	24.3.1994/ 23.3.1995	0.235/ 0.120	Incomplete
88.	Construction of Beach Cottage at Harihareshwar Srivardhan, Distt. Raigad	29.3.1994/ 28.3.1995	0.249/ 0.115	Incomplete
89.	Construction of Tourist Complex at Kunkeashwar, Talukdeogar, Sindhudurg Distt.	25.3.1994/ 24.3.1995	0.248/ 0.120	Incomplete
90.	Construction of Lodge & Visitors Reception Centre at Bhandandara Akola, Ahmednagar	25.3.1994/ 24.3.1995	0.248/ 0.120	Incomplete
91.	Upgradation of Golf Course, Bombay	15.11.1993/ 14.11.1995	0.358/ 0.300	Incomplete
92.	Upgradation of Golf Course, Pune	17.3.1994/ 16.3.1996	0.480/ 0.400	Incomplete
93.	Construction of Tourist Complex at Gaganbawda	28.3.1995/ 27.3.1996	0.250/ 0.080	Incomplete
94.	Construction of Tourist Complex at Tarkarli	31.3.1995/ 30.3.1996	0.232/ 0.040	Incomplete

Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
95.	Construction of Tourist Complex at Washim	17.1.1994/ 16.1.1995	0.237/ 0.080	Incomplete
96.	Construction of Konkani House, Harihareshwar	15.1.1997/ 14.1.1998	0.060/ 0.025	Incomplete
97.	Construction of Konkani House Ganpatipule, Distt. Ratnagiri	13.1.1997/ 12.1.1998	0.060/ 0.025	Incomplete
98.	Construction of Tourist Complex at Kunkeshwar	12.3.1997/ 11.3.1998	0.453/ 0.151	Incomplete
99.	Construction of Tourist Complex -cum-craft centre at Punguli	27.3.1997/ 26.3.1998	0.456/ 0.200	Incomplete
100.	Construction of Wayside Amenities at Dajipur, District Kolhapur	17.3.1993/ 16.3.1994	0.054/ 0.049	Construction completed in 1/1995, commissioning date not available
101.	Construction of Wayside Amenities at Balapur, District Akola	29.1.1993/ 28.1.1994	0.054/ 0.054	Construction completed in 3/1996, commissioning date not available
102.	Construction of Tourist Complex at Narsi, Parbhani	12.3.1993/ 11.3.1994	0.254/ 0.254	Construction completed in 9/1996, commissioning date not available
103.	Construction of Tourist Complex at Shikhar Shinganapur, District Satara	17.3.1993/ 16.3.1994	0.084/ 0.074	Construction completed in 6/1998, commissioning date not available
104.	Construction of Tourist Complex at Matheran Hill Station, Raigad	25.3.1994/ 24.3.1995	0.164/ 0.164	Construction completed in 4/1996, commissioning date not available
105.	Construction of Tourist Complex at Fardapur, Distt. Aurangabad	31.3.1994/ 30.3.1995	0.242/ 0.200	Construction completed in 9/1998, commissioning date not available
106.	Purchase of Self contained tents for Shiroda & Mathpur	29.3.1994/ 28.2.1995	0.127/ 0.127	Construction completed in 5/1995, commissioning date not available
<b>Uttar Pradesh</b>				
107.	Setting up of Nodal Centres at Helang (Site Shifted to Virahi)	22.1.1993/ 21.1.1994	0.104/ 0.050	Incomplete dropped and grant adjusted in other project

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Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
108.	Yatri Sheds at Haridwar including Public Conveniences	4.1.1993/ 3.1.1994	0.207/ 0.100	Incomplete dropped and grant adjusted in other project
109.	Wayside Amenities at Muradnagar	21.3.1994/ 20.3.1995	0.083/ 0.040	Incomplete dropped and grant adjusted in other project
110.	Wayside Amenities at Farenda	29.3.1993/ 28.3.1994	0.083/ 0.040	Incomplete dropped and grant adjusted in other project
111.	Wayside Amenities at Shahganj	15.3.1994/ 14.3.1995	0.083/ 0.040	Incomplete dropped and grant adjusted in other project
112.	Triveni Ghat at Rishikesh	23.3.1994 Not indicated	0.239/ 0.040	Incomplete dropped and grant adjusted in other project
113.	Tented accommodation at Vrindavan	4.3.1993/ 3.3.1994	0.100/ 0.050	Incomplete dropped and grant not adjusted in other project
114.	Improvement of Keshi Ghat at Vrindavan	31.3.1993/ Not indicated	0.180/ 0.135	Incomplete
115.	Improvements of ghats at Bateshwar	23.3.1994/ Not indicated	0.200/ 0.170	Incomplete
116.	Golf Course at Noida	29.10.1993/ 28.10.1995	0.375/ 0.100	Incomplete
117.	Expansion of existing tourists facilities at Sunauli	6.1.1997/ 5.1.1998	0.302/ 0.090	Incomplete
118.	Visitors Centre at Sarnath	7.3.1995/ 6.3.1996	0.282/ 0.250	Incomplete
119.	Development around Chakhundi	7.3.1995/ 6.3.1996	0.034/ 0.028	Incomplete
120.	Restaurant-cum-Waiting Hall at Saraswati	24.3.1995/ 23.3.1996	0.123/ 0.060	Incomplete
121.	Restaurant-cum-Waiting Hall at Khushinagar	22.3.1995/ 21.3.1996	0.122/ 0.060	Incomplete
122.	Reception Centre at Rishikesh	25.6.1996/ 24.6.1997	0.200/ 0.100	Incomplete
123.	Setting up of Nodal Centres at Augatsaya Muni (Site Shifted to Chand Nagar)	11.1.1993/ 10.1.1994	0.103/ 0.050	Construction completed in 10/1998
124.	Restaurant-cum-Waiting Hall at Pallia	30.3.1995/ 29.3.1996	0.124/ 0.060	Construction completed in 4/1997



Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
125.	Tourist Lodge at Sardhana, Distt. Meerut	25.5.1993/ 24.5.1994	0.135/ 0.110	Construction completed in 7/1998
126.	Tourist Lodge at Khandla	16.8.1993/ 15.8.1994	0.100/ 0.080	Construction completed in 12/1998
127.	Tourist Complex at Bateshwar	18.3.1994/ 17.3.1995	0.136/ 0.100	Construction completed and commissioned in 4/1999
128.	Yatri Niwas at Chitrakoot	30.3.1992/ 29.3.1993	0.357/ 0.340	Construction completed and commissioned in 12/1995
<b>Madhya Pradesh</b>				
129.	Construction of Tourist Complex at Mandu	26.3.1993/ 25.3.1994	0.214/ 0.012	Incomplete dropped and grant not adjusted
130.	Construction of Tourist Complex at Orchha	25.3.1994/ 24.3.1995	0.211/ 0.020	Incomplete
<b>West Bengal</b>				
131.	Tourist Lodge at Jayanti	23.03.1994/ 22.3.1995	0.234/ 0.115	Incomplete dropped and grant adjusted in other project
132.	Tourist Lodge at Jangal Mehal, Asansol	15.03.1994/ 14.3.1995	0.209/ 0.100	Incomplete dropped and grant adjusted in other project
133.	Tourist Lodge/Wayside Facility at Pashupati, Darjeeling	27.10.1993/ 26.10.1994	0.241/ 0.050	Incomplete dropped and grant adjusted in other project
134.	Wayside Facilities at Dalkhole	31.3.1995/ 30.3.1996	0.139/ 0.030	Incomplete dropped and grant adjusted in other project
135.	Yatri Niwas at New Jalpaiguri	31.3.1995/ 30.3.1996	0.449/ 0.020	Incomplete dropped and grant adjusted in other project
136.	Augmentation of Facilities at Maink Tourist Lodge, Siliguri (under equity pattern of funding).	29.3.1993/ 28.3.1994	0.290/ 0.110	Incomplete
137.	Tourist Lodge at Madarihut	31.3.1993/ 30.3.1994	0.173/ 0.086	Incomplete
138.	Tourist Lodge at Vishnupur	18.3.1994/ 17.3.1995	0.342/ 0.200	Incomplete
139.	Royal Calcutta Golf Club	16.3.1994/ 15.3.1996	0.317/ 0.100	Incomplete

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Sl. No.	Name of the project	Date of sanction/ Scheduled date of completion	Amount sanctioned/ released (Rs in crore)	Operationalisation status of the project/Actual date of completion.
140.	Tourist Complex at Maithan	31.3.1995/ 30.3.1996	0.267/ 0.050	Incomplete
141.	Wayside Facilities at Mangal-dweep	9.1.1995/ 8.1.1996	0.150/ 0.070	Incomplete
142.	Tourist Complex at Midnapur	7.3.1995/ 6.3.1996	0.273/ 0.240	Incomplete
143.	Cafeteria at Chandan Nagar	9.1.1995/ 8.1.1996	0.100/ 0.050	Incomplete
144.	Tourist Lodge at Jalpaiguri	28.2.1996/ 27.2.1997	0.302/ 0.145	Incomplete
145.	Tourist Lodge at Asansol	29.3.1996/ 28.3.1997	0.292/ 0.150	Incomplete
146.	Tourist Lodge at Tara Keshwar	29.3.1996/ 28.3.1997	0.250/ 0.125	Incomplete
147.	Wayside Amenities at Arambagh	29.3.1996/ 28.3.1997	0.250/ 0.120	Incomplete
148.	Construction of Wayside Facilities at Raigunge	15.3.1996/ 14.1.1997	0.139/ 0.060	Incomplete
149.	Tourist Lodge at Darjeeling	29.3.1996/ 28.3.1997	0.250/ 0.100	Incomplete
150.	Expansion of Malancho Tourist Complex , Barrackpur	26.2.1997/ 25.2.1998	0.350/ 0.105	Incomplete
151.	Improvement of Facilities of Trekkers' huts at Sandakphu Region	31.3.1997/ 30.3.1998	0.203/ 0.163	Incomplete
152.	Expansion of Tourist Lodge at Kalimpong	31.3.1997/ 30.3.1998	0.450/ 0.135	Incomplete
153.	Improvement of existing Tiger Hill Pavilion facilities at Tiger Hills	31.3.1997/ 30.3.1998	0.136/ 0.040	Incomplete
154.	Construction of Tourist Information Centre / Lounge at Bagdogra Airport	31.3.1997/ 30.3.1998	0.139/ 0.053	Incomplete
155.	Expansion of Motel at Durgpur	31.3.1997/ 30.3.1998	0.300/ 0.090	Incomplete
156.	Wayside Facilities at Chayabari/ Rangtong	31.3.1997/ 30.3.1998	0.377/ 0.110	Incomplete
157.	Restaurant at Gadiayara	12.11.1993/ 11.11.1994	0.109/ 0.098	Construction completed in 6/1998, commissioning date not available
158.	Tourist Lodge at Barhmpore	23.03.1994/ 22.3.1995	0.216/ 0.205	Construction completed in 9/1998, commissioning date not available
	<b>Total</b>		<b>31.68/ 15.82</b>	

## CHAPTER XIX : MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

### 19.1 Outstanding licence fee of Rs 4.05 crore from licensees of Janpath Bhawan.

Due to delay in revision of licence fee of shops of Janpath Bhawan by the Directorate of Estate, the licensees got a benefit of Rs 2.93 crore in interest at the cost of public exchequer. Besides Directorate of Estates has not been able to recover Rs 4.05 crore towards revised licence fee from them nor he has been able to cancel the lease due to default in payment of rent.

Directorate of Estate, Ministry of Urban Development revised the licence fee of 29 shops of Janpath Bhawan allotted in 1970, belatedly in August 1998 with retrospective effect from 1 April 1985, 1988, 1991, 1994 and 1997 respectively. On the basis of the retrospective revision of licence fee, Directorate of Estates, issued in September/October 1998 demand notices for Rs 3.87 crore to the 29 licensees. The demand for individual ranged between Rs 9.71 lakh and Rs 21.65 lakh towards arrears of licence fee pertaining to April 1985 to October 1998. The demand for arrears of licence fee from November 1998 to March 1999 of Rs 17.64 lakh has not been made. Thus, the total arrears of licence fee aggregating Rs 4.05 crore besides interest of Rs 24.30 lakh @ 12 per cent per annum for the period September/October 1998 to March 1999 were recoverable from the licensees as of March 1999.

Due to retrospective revision with delay of up to 13 years, the licensees have been benefited by the amount of interest on the overdue amounts for the periods when the licence fee became due and the date of demand of notice. The benefit to the licensees due to retrospective revision towards interest cost at the expense of public exchequer was Rs 2.93 crore as worked out by Audit up to December 1999.

The Ministry stated, in September 1999, that demand-cum-show cause notices had been issued to the licensees in August 1999 for the recovery of dues and cancellation orders of allotment of these shops due to non-payment of arrears of the revised licence fee are being issued. The confirmation of action was awaited as of December 1999.

## 19.2 Retention of rented premises beyond requirement

Retention of accommodation beyond requirement by Branch Secretariat of the Ministry of Law, Justice and Company Affairs, Calcutta for 12 years resulted in avoidable expenditure of Rs 1.89 crore on rent.

The Estate Manager, Calcutta allotted 7640 sq. ft. accommodation on 18<sup>th</sup> and 19<sup>th</sup> floors of Multi Storey Office Building at Nizam Palace in June 1986 to the Joint Secretary, Branch Secretariat, Ministry of Law, Justice and Company Affairs, Calcutta. At that time, his office was accommodated in a rented building at 4, K.S.Roy Road, Calcutta consisting of 8554 sq. ft. The allotment of accommodation in MSO Building Nizam Palace by the Estate Manager to the Branch Secretariat, was subject to the condition that the rented building would be vacated.

The Estate Manager, Calcutta assessed the requirement of accommodation of the Branch Secretariat, Calcutta at 8193 sq. ft. Yet the Joint Secretary, Branch Secretariat, Ministry of Law, Justice and Company Affairs, Calcutta has been holding accommodation of 16194 sq. ft.; 7640 sq. ft. in the MSO Building Nizam Palace and 8554 sq. ft. of lease accommodation at 4, K.S.Roy Road, Calcutta since March 1987.

The Joint Secretary, Branch Secretariat, Ministry of Law, Justice and Company Affairs, Calcutta did not vacate the additional accommodation held by him despite being categorically advised by the Estate Manager to vacate it. The Estate Manager compounded it by renewing the lease agreements for the rented building for five years from 1987, 1992 and 1997 respectively.

The accommodation occupied by the Joint Secretary, Branch Secretariat, Ministry of Law, Justice and Company Affairs, Calcutta in the MSO Building in March 1987 was quite close to the entitlement worked out by the Estate Manager. Thus, almost the entire rent of Rs 1.89 crore paid up to November 1999 was avoidable and infructuous. It calls for fixing responsibility by the Ministries of Law, Justice and Company Affairs and Urban Affairs and Employment. It is recommended that the Ministry should get the premises vacated immediately on which unnecessary expenditure of Rs 1.63 lakh is being incurred every month towards rent.

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

### **19.3 Failure to deduct income tax at source**

**Estate Manager, Calcutta failed to deduct income tax at source totalling Rs 1.39 crore from rent bills of Rs 6.95 crore for the period June 1994 to July 1997.**

As per Section 194-I of Income Tax Act 1961, inserted with effect from June 1994, any person not being an individual or a Hindu Undivided Family, is to deduct income tax at source at 15/20 *per cent* at the time of payment of rent to an individual or a Hindu Undivided Family/others, if the rent in such case exceeds one hundred and twenty thousand rupees in the financial year.

The Estate Manager, Calcutta made total payment of Rs 6.95 crore towards rent for hired buildings during June 1994 to July 1997, in which the payment of rent during one financial year was rupees one hundred and twenty thousand or more in each case.

Yet, he did not deduct income tax at source aggregating Rs 1.39 crore, on payments made upto July 1997, until pointed out by internal audit in 1997. As per the provisions of Income Tax Act, 1961, any person, who fails to deduct the whole or part of the tax at source is liable to pay by way of penalty, a sum equal to the amount of tax which he failed to deduct.

The Estate Manager stated, in March 1999 that he was not aware of this provision of the Act. The Ministry reiterated the same position in August 1999 and added that out of ten cases pointed out by Audit, verification by the Estate Manager from the copies of income tax returns filed by the landlords during the relevant period in eight cases, shows that the amount paid by the Estate Manager, Calcutta, to them as rental have been taken into account.

However, of the 11 cases pointed out by Audit further examination from the copies of documents relating to payment of income tax by landlords for the financial years 1994-98 furnished by Estate Manager Calcutta revealed that two assesseees had included the rent received from the Estate Manager in their returns of income tax and paid tax. In another two cases the payment of tax on rent received from the Estate Manager were ascertained by him on the basis of certificates furnished by the chartered accountants of the assesseees. In two cases, the rent component received from the Estate Manager could not be verified from the computation of income and in other three cases the verification of tax deducted from the rent received from the Estate Manager could not be verified as the properties rented to the Estate Manager had numerous co-owners. Of the remaining two cases, copies of documents in support of payment of income tax were not made available to Audit.

The Estate Manager's contention that payment of tax subsequently by the landlords was verified is, therefore, not acceptable. More importantly, the payment of tax at a later date by the landlord does not absolve a DDO of his statutory responsibility to deduct tax at source.



**19.4 Licence fee and damage charges not realised**

**Failure of the Estate Manager, Calcutta to effectively pursue eviction cases against unauthorised occupants resulted in Rs 34.37 lakh remaining unrecovered.**

Ineffective persuasion by Estate Manager and delay in eviction of unauthorised occupants upto 16 years resulted in non recovery of dues of Rs 34.37 lakh.

The Estate Manager, Calcutta is the 'Administering Officer' for the General Pool accommodation at Calcutta. Under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 he is empowered to obtain information regarding unauthorised occupation, to assess and recover damages and to pass and put into effect the order of eviction. Government servants are allowed to retain Government accommodation on retirement, death, transfer and cessation of service for periods as specified in SR 317-B-11 of 'FRs & SRs'<sup>1</sup> They are prohibited under SR 317-B-20 from subletting such accommodation and/or enjoying double occupation in case of change of residence.

Test check of records for the period 1993-99 revealed that the Estate Manager, Calcutta failed to effectively pursue eviction cases against unauthorised occupants of Government accommodation, which resulted in delay in eviction from two months to 16 years and consequently non-recovery of licence fee/damage rent of Rs 34.37 lakh as of November 1999, as detailed below: -

Category	Sub-category	No. of cases	Maximum and Minimum period of delay in eviction	Amount Outstanding (Rs in lakh)	
I.	Unauthorised retention	Retirement	23	Seven to 170 months	16.29
		Transfer & Others	3	56 to 194 months	4.54
		Death	6	13 to 56 months	2.19
II.	Subletting	29	Two to 84 months	11.35	
<b>Total</b>		<b>61</b>		<b>34.37</b>	

Sample check of 32 cases out of above 61 cases disclosed the following: -

The Estate Manager issued show cause notices two to 78 months after cancellation orders. In some cases he issued as many as seven to eight such notices and allowed repeated hearings which continued even upto three years. The gap between the last show cause notice and date of issue of eviction order stretched upto 13 months. In a number of cases, the Estate Manager evicted the occupants 44 to 46 months after issue of the order. The above delay do not take into account the time taken for processing eviction cases, where the allottees had sought legal intervention.

<sup>1</sup> 'Fundamental Rules & Supplementary Rules'

Of the 32 cases sample-checked, in two cases, eviction was effected three to ten months after the cancellation orders; in five cases, which were subjudice, eviction took three to 16 years; one more case is subjudice and eviction has not been effected yet. In the remaining 24 cases, the entire eviction process took between one to ten years to be completed even though there were no court cases.

The long drawn out eviction process and delays at every stage affected the availability of residential accommodation to the wait listed employees besides recovery of damage rent was also not made. In 19 out of 32 cases sample-checked no recovery of damage rent was made while in three cases only, the full amount of damage rent was recovered. In two cases, recovery stopped as the pensioners had expired. In the remaining eight cases recovery is continuing. Out of a total of 32 cases, in one case the Estate Manager sought the collector's help for recovery of the damage rent as arrears of land revenue.

Thus, ineffective monitoring of unauthorised occupation of Government residential accommodation led to denial of that accommodation to the wait-listed employees besides non-recovery of damage rent of Rs 34.37 lakh.

The matter was referred to the Ministry in August 1999; their reply was awaited as of December 1999.

## CHAPTER XX : MINISTRY OF WATER RESOURCES

### 20.1 Inordinately delayed calibration laboratory project

CWPRS<sup>1</sup> failed to complete the Calibration Laboratory Project in 13 years of its scheduled date of completion even after an expenditure of Rs 2.69 crore. As a result, the work of calibration/rating of flowmeters proposed to be undertaken in this laboratory has not been possible leading to practically no value for expenditure incurred on this project.

The Ministry sanctioned the Calibration Laboratory Project for CWPRS Pune in June 1984 at an estimated cost of Rs 1.90 crore. It was envisaged to be a state of the art facility and was targeted to be completed by 1987. The project was intended to cater to the demands of rating of flowmeters and orifice meters in closed conduits and for rating of small and medium capacity pumps of appropriate standards.

The Calibration Laboratory Project though funded by the Government of India was to be implemented as an offshoot of another project, namely the Hydromechanics Project funded by the UNDP<sup>2</sup>, which was to be completed by December 1984. The progress of Calibration Laboratory Project was dependent on the progress of the Hydromechanics Project in many ways including the building, equipment, staff and more importantly the finances, because both the schemes were implemented in an integrated manner. Due to cost and time overrun in completion of the Hydromechanics Project which was terminated in March 1990, after incurring an expenditure of Rs 1.10 crore, the progress of Calibration Laboratory Project too was affected.

There were further delays in the Calibration Laboratory Project due to revision of drawings and tender specifications, cancellation of all draft tender documents prepared for entire turn-key job of the project, separation of various items of work in package deal in number of contracts and then obtaining sanction of the Ministry, collapse of the pump house and the subsequent inquiry, repeated invitation of tenders for various individual items of work, non-availability of water in sump and splitting of one single turn-key contract in to 27 different contracts etc. This caused revision in the cost of the project to Rs 2.70 crore in January 1995.

The Department had incurred an expenditure of Rs 2.65 crore till June 1997 on the project for construction of the laboratory building and procurement and installation of equipment. The project was ready for trial run for commissioning and miscellaneous preparatory work thereof was going on. In June 1997, the Ministry, asked CWPRS at the instance of Ministry of Finance

<sup>1</sup> Central Water and Power Research Station

<sup>2</sup> United Nations Development Programme

to weed out the project from the Plan side and directed CWPRS to stop incurring further expenditure on the project. However, CWPRS further spent Rs 4.70 lakh after June 1997 from non-plan funds to meet the already committed contractual obligations so as to avoid litigation. The testing and commissioning of the project remained to be done as of December 1999.

The Ministry stated, in October 1999, that the project is technically useful and very much relevant to the needs of Indian flow meters, pumps, valves and flow elements industry and had got good potential to attract clientele from the industry and actual utility of the project to its full capacity would commence on its commissioning.

The reply of the Ministry fails to address the fact that the laudable objective of installing a state of the art facility was not achieved even after a period of 13 years and an expenditure of Rs 2.69 crore.

## **20.2 Speech and data communication facilities remain grossly under-utilised**

**Non-utilisation of about 78 per cent telecommunication facility by CWPRS for speech and entire data communication system rendered the major part of the expenditure of Rs 41.35 lakh unfruitful.**

The Ministry sanctioned the installation of 'Data Communication Facility with EPABX<sup>1</sup> in January 1992 at CWPRS<sup>2</sup>, Pune. The objective of installing the facility was to improve data communication through existing computer network in CWPRS between the various laboratories and the central computer. Telephonic voice communication amongst the laboratories as well as the staff colony was also included while assessing the requirement. A ten year perspective was adopted while arriving at the estimate for the capacity of the facility in terms of the number of data and voice extensions.

The telecommunication facility equipment comprising of EPABX: cost Rs 11.93 lakh, DMKT<sup>3</sup>: cost Rs 12 lakh and DTI<sup>4</sup>: cost 2.40 lakh was installed in September 1993. The civil works and installation charges for the equipment worked out to Rs 15.02 lakh. Besides this, the cost of maintenance for the period from September 1994 to March 1999 was Rs 6.96 lakh.

**Though the ultimate potential of EPABX was 1200 extensions, the hardware installed was for only 352 extensions of which only 260 extensions were being used.**

Scrutiny revealed that though the ultimate potential of the configuration of the EPABX was 1200 extensions, the hardware installed in the system was only for 352 extensions. Of these, only 260 extensions were being used even after six years of installation. Thus, only 22 per cent of the ultimate potential of

<sup>1</sup> Electronics Private Automatic Branch Exchange

<sup>2</sup> Central Water and Power Research Station

<sup>3</sup> Digital Multi Key Telephones

<sup>4</sup> Data Terminal Interfaces

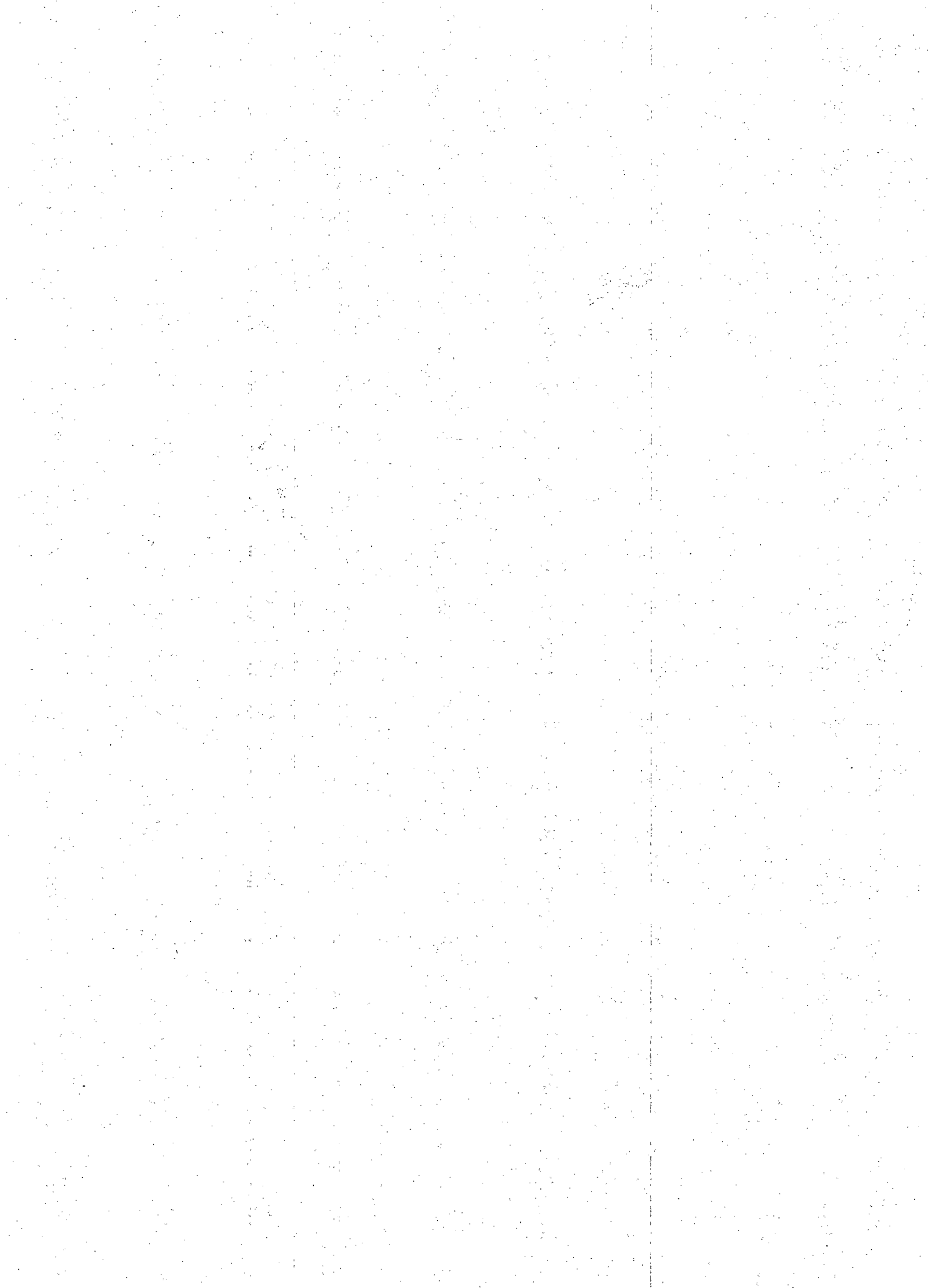
1200 extensions were utilised. Further, out of 40 DMKTs, only 11 DMKTs were being used for voice communications and none of the 24 DTIs was put to use as of August 1999. This resulted in gross under-utilisation of the capacity of the telecommunication facility rendering a major part of expenditure unfruitful.

**Due to decommissioning of cyber in 1996, the data communication facility could not be put to use.**

CWPRS stated, in May 1999, that data communication component of the facility, as envisaged in the project, could not be implemented as the cyber computer was decommissioned in 1996, but the voice communication system was fully achieved. This is untenable as less than 30 *per cent* of the speech facilities were being used. Also, the primary objective of data communication facility had failed and only the voice communication facility was being utilised, albeit partially.

The Ministry stated, in October 1999, that increase in extensions beyond 260 would require some additional instruments and DMKTs and DTIs were procured in view of the then available cyber computer. However, the essential components of the system, became dysfunctional due to decommissioning of cyber in 1996. The Ministry further, added that though the data communication did not materialise, the voice communication facility would easily be enhanced after installation of additional hardware.

The reply of the Ministry does not address the issue that the estimate of the capacity of telecom facility adopted with ten year perspective was grossly unrealistic and led to under-utilisation of the equipment capacity by about 78 *per cent* in case of voice communication and 100 *per cent* in case of data communication thereby rendering expenditure of Rs 14.22 lakh largely unfruitful.





## CHAPTER XXI : UNION TERRITORIES

### Andaman and Nicobar Administration

#### Ministry of Home Affairs

#### 21.1 Wasteful expenditure

Execution of the work disregarding the opinion of Central Water Commission on feasibility of this project resulted in wasteful expenditure of Rs 57.62 lakh.

Examination of documents in the office of the Executive Engineer, Andaman Public Works Department disclosed that the work on the suspended water supply project, namely 'Construction of Earthen Dam on Guptapara Nallah' was yet to be resumed as of October 1999. The work on this project was suspended in June 1996, by which time the Andaman Administration had spent Rs 1.03 crore on it.

Chief Engineer, Andaman Public Works Department undertook the work in May 1995 for construction of earthen dam on Guptapara Nallah under the 20 point programme, for supply of drinking water to three villages; namely Guptapara, Linedera and Manjuri with a total population of 4750. The work consisted of construction of 12 metre high earthen dam along with the spillway and network of pipes for supply of water.

Scrutiny disclosed that the Chief Engineer undertook the work even before the receipt of Geo-Technical Investigation Report from GSI<sup>1</sup>. Scrutiny of documents further disclosed that the Central Water Commission has stated in June 1990 that this scheme is not viable, as the proposed reservoir was likely to be filled up within a few years due to heavy siltation.

The work had to be suspended in June 1996 due to recurrent landslides during excavation on account of slope stability problems. By this time the Administration had already booked an expenditure of Rs 70.62 lakh on the dam and the spillway and Rs 32.46 lakh on laying of pipes. The Chief Engineer stated in October 1999 that out of the expenditure on earthen dam and spillway, Rs 13 lakh were spent for other works.

Thus, execution of work without proper Geo-technical survey and investigation in disregard of the advice of Central Water Commission and without geo-technical examination has led to wasteful expenditure of at least

<sup>1</sup> Geological Survey of India

Rs 57.62 lakh spent on the earthen dam and the spillway. Even the network of pipelines could be used only partially for supply of water by tapping water direct from the nallah, whenever water was available. Meanwhile, the main objective of water supply for drinking and irrigation under the 20-point programme remained illusive.

The matter was referred to the Ministry in November 1999; their reply was awaited as of December 1999.

## **21.2 Under-utilisation of a plant**

**The Chief Port Administrator operated the desalination plant at very low capacity which resulted in his inability to supply potable water to vessels calling at the Port**

With a view to meeting the demand of potable water of the vessels calling at Port Blair, Chief Port Administrator, Port Management Board installed a desalination plant in March 1996 at an expenditure of Rs 31.62 lakh. Working 20 hours a day in three shifts, the plant had a capacity to produce 3000 kilo litre potable water per month. The monthly demand of potable water by the ships calling at the port varied between 3000 and 7500 kilo litre during July 1996 to March 1999. The requirement of water over and above that produced by the Port Management Board, was to be drawn from the Port Blair Municipal Council.

The production of potable water in this plant started in July 1996. During the period July 1996 to March 1999, the plant was under repair for 11 months in two spells, which deprived Port Management Board of production of 33000 kilo litre potable water. The down time of 33 *per cent* due to repair of a new equipment was not desirable.

Allowing for the down time due to repairs and breakdown in electricity supply, the Port Management Board should have produced 64600 kilo litre potable water during July 1996 to March 1999 as per the installed capacity. However, against the actual capacity of 64600 kilo litre, the management produced only 15050 kilo litre potable water, which was mere 15 *per cent* with reference to the installed capacity excluding the down time due to power breakdown. Against total demand of 1.92 lakh kilo litre water from the vessels during this period, the Chief Port Administrator obtained 1.14 lakh kilo litre potable water from the Municipal Council and did not fulfill the demand for 63000 kilo litre water, which could have been largely met, if the capacity utilisation was assured.

The Chief Port Administrator attributed the shortfall in production to non-operation of the third shift on account of his inability to appoint staff for that shift. He, however, did not state why the staff could not be appointed. The

reasons for abysmally low production even with reference to the available capacity in two shifts operation was also not explained.

Thus, due to lackadaisical management of the desalination plant, the objective of fulfilling the demand for potable water of the vessels on one hand, and reducing the pressure on Port Blair Municipal Council, on the other, remained illusive.

The matter was referred to the Ministry in July 1999; their reply was awaited as of December 1999.

### **21.3 Double payment made for a consignment**

**Violation of payment procedure of Director General of Supplies and Disposals by the Director of Civil Supplies, Port Blair resulted in double payment of Rs 7.86 lakh for the consignment, which was recovered upon being pointed out by Audit.**

**Director of Civil Supplies, Port Blair placed a supply order with Swaraj Mazada Limited, Chandigarh for supply of two vans at a cost of Rs 7.89 lakh through DGSD.**

The Government of India, Ministry of Civil Supplies, Consumer Affairs and Public Distribution, New Delhi sanctioned on 30 March 1995 Rupees eight lakh for purchase of two vans for use as Mobile Fair Price Shops with the direction that the amount should be utilised within the same financial year. The Director of Civil Supplies, Port Blair drew the amount as departmental advance in March 1995 to be adjusted within one month. He placed a supply order with Swaraj Mazada Limited, Chandigarh through Director General of Supplies and Disposals in September 1995 for supply of two vans at a cost of Rs 7.89 lakh. The vans were received at Port Blair in December 1995.

Scrutiny of records revealed that the Director of Civil Supplies, Port Blair drew advance in March 1995 to avoid lapse of budget. As the amount could not be utilised the cheques were revalidated by the PAO, Port Blair in November 1996 and Rs 7.86 lakh was paid to the firm by Director of Civil Supplies, Port Blair in December 1996 after a lapse of 21 months.

**Director, Civil Supplies made direct payment to the firm, which resulted in double payment.**

Cross check with claims by DGSD against Andaman and Nicobar Administration disclosed that the payment had already been made to the firm by Director General Supplies and Disposals in November 1995, which was reimbursed by the PAO, Port Blair in March 1996.

The payment to the supplier was made by Director of Civil Supplies, Port Blair in violation of the procedure for purchase through Director General of Supplies and Disposals, which prescribed that no direct payment should be made to the supplying firm by the indenter or consignee himself for supplies made against the supply order.

Thus, violation of the procedure by Director of Civil Supplies, Port Blair and PAO, Port Blair resulted in double payment of Rs 7.86 lakh for the consignment.

The Director, Civil Supplies, Andaman and Nicobar Administration stated in October 1999 that upon being pointed out by Audit the excess payment had been recovered from the firm.

The Ministry stated, in September 1999, that Andaman and Nicobar Administration was being directed to investigate the matter and fix responsibility.

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

**Upon being pointed out by Audit, Director of Shipping Services assured recovery of Rs 26.91 lakh paid to Goa Shipyards Limited, which was not admissible under the terms of the agreement.**

Sample check of payments made by Director of Shipping Services, Andaman and Nicobar Administration disclosed that he paid Rs 14.28 crore to Goa Shipyard Limited upto March 1995 for construction of a passenger vessel. The bills admitted and paid by the Director included an element of attendance bonus in wage escalation in Goa Shipyard Limited. The claim by Goa Shipyard Ltd. towards attendance bonus for Rs 26.91 lakh was not admissible, since it was not included in the terms of agreement, under which wage escalation was permissible on 13 agreed items of wage.

Upon being pointed out by Audit, the Director of Shipping Services admitted in September 1999 that the payment was made due to oversight. He added that the excess payment would be recovered with the help of the administrative ministry failing which the matter will be referred for arbitration.

The matter was referred to the Ministry in July 1999; their reply was awaited as of December 1999.



**CHAPTER XXII : GENERAL**

**22.1 Follow up on Audit Reports – Summarised Position**

**Despite repeated instructions/recommendations of the PAC<sup>1</sup>, various ministries/departments did not submit remedial/ corrective ATN<sup>2</sup>s on 82 Audit Paragraphs in time.**

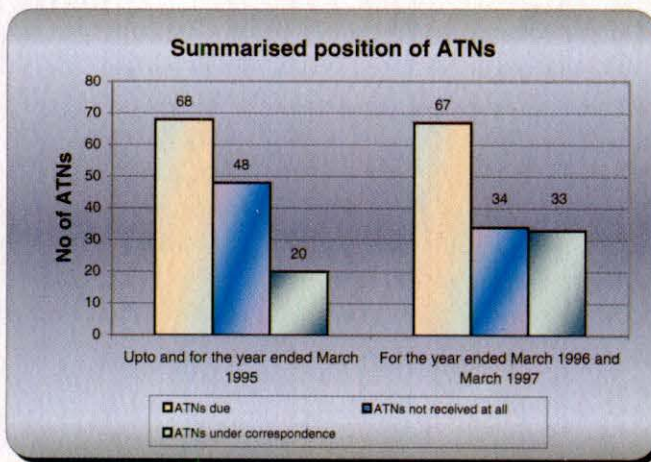
With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the PAC decided in 1982 that ministries/ departments should furnish remedial/corrective ATNs on all paragraphs contained therein.

PAC took a serious view of the inordinate delays and persistent failures on the part of large number of ministries/departments in furnishing the ATNs within the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, PAC desired that submission of pending ATNs pertaining to 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

**PAC recommended submission of all pending ATNs up to 1995 within three months.**

**From 1995-96, ATNs are to be submitted within four months of placing the Report on the table.**



Reports in Parliament.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Other Autonomous Bodies and Scientific Departments) as of November 1999 disclosed that the Ministries/Departments had not submitted remedial ATNs on 82 paragraphs.

- Ministries/departments failed to submit ATNs in respect of 68 Paragraphs included in the Audit Reports up to and for the year ended March 1995 within three months as indicated in Appendix I. Out of these, while the

<sup>1</sup> Public Account Committee

<sup>2</sup> Action Taken Notes



final ATNs in 20 Paragraphs are awaited, ATNs in respect of 48 Paragraphs had not been received at all. The outstanding ATNs date back to as far as 1988-89.

- Though, the Audit Reports for the year ended March 1996 and March 1997 were laid on the table of the Parliament in May 1997 and June 1998 and the time limit of four months for furnishing the ATNs had elapsed in September 1997 and October 1998, the ministries/departments did not submit ATNs on 67 Paragraphs as indicated in Appendix II. Out of these, while final ATNs in respect of 33 Paragraphs were awaited, the remedial ATNs in 34 cases have not been furnished at all.

## 22.2 Response of the ministries/departments to Draft Reviews/ Paragraphs

**Despite directions of Ministry of Finance issued at the instance of PAC<sup>1</sup>, secretaries of ministries/departments did not send response to 38 out of 65 Draft Reviews/Paragraphs included in this Report.**

**Draft Reviews/  
Paragraphs proposed in  
the Audit Report are  
forwarded Demi  
Officially to the  
secretaries of the  
ministries/departments.**

On the recommendation of the PAC, Ministry of Finance issued directions to all ministries in June 1960<sup>2</sup> to send their response to the Draft Reviews/Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Reviews/Paragraphs are always forwarded by the respective Audit offices to the secretaries of the concerned ministries/departments through Demi Official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such Review/Paragraph included in the Audit Report.

**Out of 65 Reviews/  
Paragraphs included in  
this Report, the  
secretaries of the  
respective ministries/  
departments did not  
send their response in  
case of 38 Reviews/  
Paragraphs.**

65 Draft Reviews/Paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 1999 were forwarded to the secretaries of the respective ministries/departments during April 1999-January 2000 through Demi Official letters.

<sup>1</sup> Public Accounts Committee.

<sup>2</sup> No.F.32(9)/EGI/60 dated 3 June 1960





The secretaries of the ministries/departments did not send replies to 38 Draft Reviews/Paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the Appendix III. As a result these 38 Reviews/Paragraphs have been included in this Report without the response of the secretaries of the ministries/ departments.

(H.P.DAS)

**Director General of Audit  
Central Revenues**

**New Delhi**

**Dated** 2 May 2000

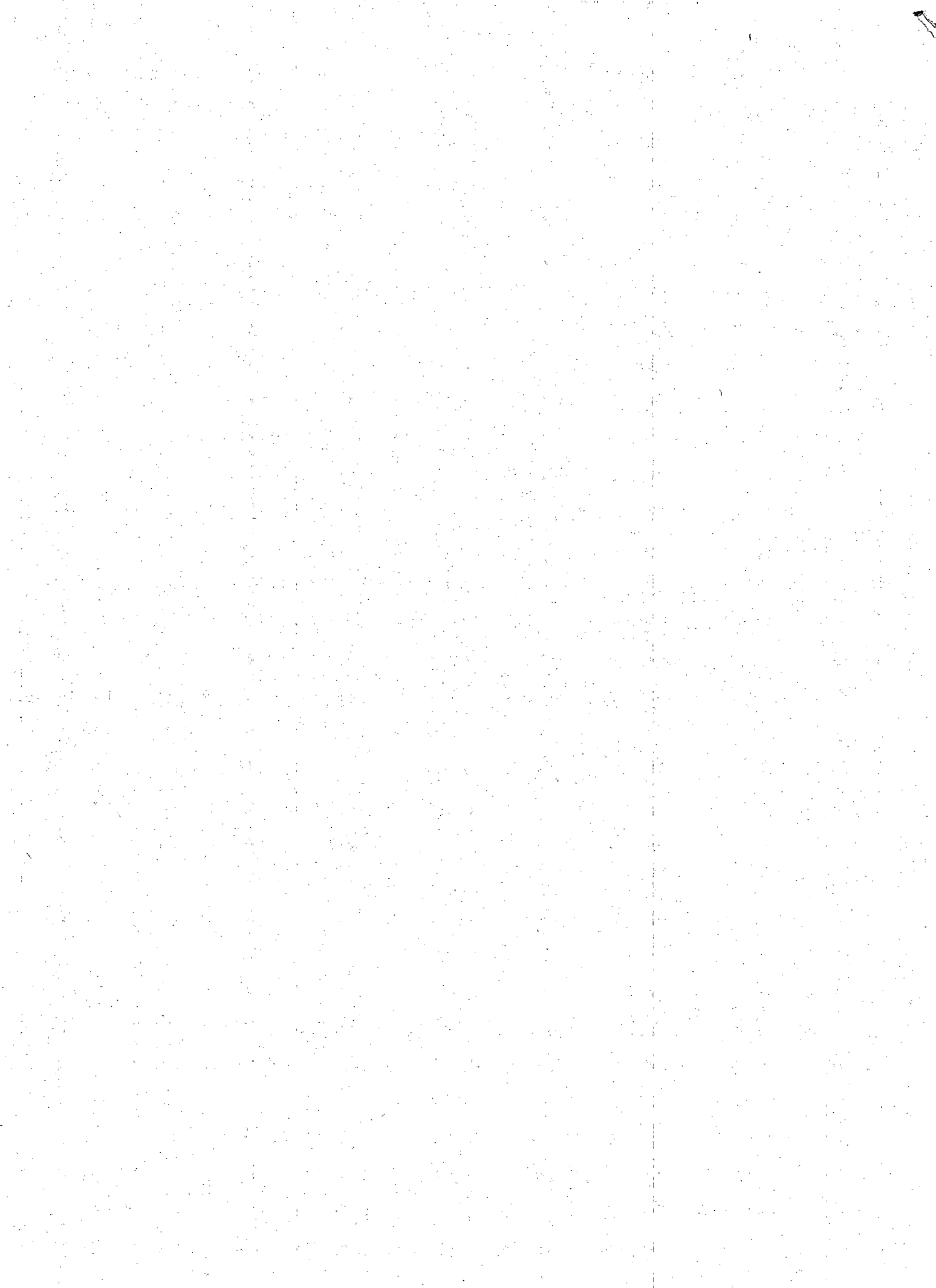
**Countersigned**

(V.K.SHUNGLU)

**New Delhi**

**Dated** 3 May 2000

**Comptroller and Auditor General of India**



APPENDIX I

(Refers to paragraph No. 22.1)

Summarised position of the Action Taken Notes awaited from various ministries/ departments up to the year ended March 1995 as of December 1999

Sl No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under Correspondence
1.	<b>Finance</b>													
	(Department of Economic Affairs)	1995	1	-	1	-	-	-	-	-	-	1	-	1
	(Department of Revenue)	1994	2	2	-	-	-	-	-	-	-	2	2	-
		1995	1	1	-	-	-	-	-	-	-	1	1	-
2.	<b>Health and Family Welfare</b>	1992	-	-	-	1	-	1	-	-	-	1	-	1
		1994	-	-	-	1	-	1	-	-	-	1	-	1
		1995	1	-	1	-	-	-	-	-	-	1	-	1
3	<b>Human Resource Development</b>													
	(Department of Education)	1990	-	-	-	1	-	1	-	-	-	1	-	1
		1991	-	-	-	1	-	1	-	-	-	1	-	1
		1993	2	-	2	2	-	2	-	-	-	4	-	4
		1994	2	-	2	1	-	1	-	-	-	3	-	3
		1995	-	-	-	1	-	1	-	-	-	1	-	1
	(Department of Women and Child Development)	1994	1	-	1	-	-	-	-	-	1	-	1	
	(Department of Youth Affairs and Sports)	1994	-	-	-	1	1	-	-	-	1	1	-	
4.	<b>Information and Broadcasting</b>	1994	1	-	1	-	-	-	-	-	-	1	-	1
		1995	5	1	4	-	-	-	-	-	-	5	1	4

Report No.2 of 2000 (Civil)

Sl No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under Correspondence
5.	Urban Affairs and Employment	1989	-	-	-	1	1	-	-	-	-	1	1	-
		1990	-	-	-	6	6	-	-	-	-	6	6	-
		1991	-	-	-	8	8	-	-	-	-	8	8	-
		1992	-	-	-	9	9	-	-	-	-	9	9	-
		1993	-	-	-	12	12	-	-	-	-	12	12	-
		1994	-	-	-	5	5	-	-	-	-	5	5	-
		1995	-	-	-	2	2	-	-	-	-	2	2	-
<b>Total</b>			<b>16</b>	<b>4</b>	<b>12</b>	<b>52</b>	<b>44</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>48</b>	<b>20</b>



**APPENDIX II**  
(Refers to paragraph No. 22.1)

**Summarised position of the Action Taken Notes awaited from various ministries/ departments for the years ended March 1996 and March 1997 as of December 1999**

SI No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
1.	CSIR	1997	-	-	-	-	-	-	2	1	1	2	1	1
2.	Election Commission of India	1997	1	-	1	-	-	-	-	-	-	1	-	1
3.	External Affairs	1997	2	-	2	-	-	-	-	-	-	2	-	2
4.	Finance (Department of Revenue)	1997	1	1	-	-	-	-	-	-	-	1	1	-
5.	Health & Family Welfare	1996	4	-	4	-	-	-	-	-	-	4	-	4
		1997	2	2	-	-	-	-	-	-	-	2	2	-
6.	Home Affairs	1996	3	2	1	-	-	-	-	-	-	3	2	1
		1997	4	3	1	-	-	-	-	-	-	4	3	1
7.	Human Resource Development (Department of Culture) (Department of Education)	1996	1	-	1	-	-	-	-	-	-	1	-	1
		1997	-	-	-	4	4	-	-	-	-	4	4	-
		1996	3	-	3	5	1	4	-	-	-	8	1	7
		1997	1	-	1	5	5	-	-	-	-	6	5	1
8.	Information and Broadcasting	1996	5	1	4	-	-	-	-	-	-	5	1	4
		1997	10	4	6	-	-	-	-	-	-	10	4	6
9.	Labour	1996	-	-	-	2	1	1	-	-	-	2	1	1
		1997	-	-	-	1	-	1	-	-	-	1	-	1
10.	Planning and Programme Implementation	1996	-	-	-	1	1	-	-	-	-	1	1	-
		1997	1	1	-	2	2	-	-	-	-	3	3	-
11.	Rural Area and Employment	1997	-	-	-	3	1	2	-	-	-	3	1	2
12.	Steel	1996	1	1	-	-	-	-	-	-	-	1	1	-
13.	Surface Transport	1997	1	1	-	-	-	-	-	-	-	1	1	-
14.	Welfare	1996	1	1	-	-	-	-	-	-	-	1	1	-
		1997	--	-	-	1	1	-	-	-	-	1	1	-
<b>Total</b>			<b>41</b>	<b>17</b>	<b>24</b>	<b>24</b>	<b>16</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>67</b>	<b>34</b>	<b>33</b>



**APPENDIX III**  
(Refers to paragraph 22.2)

**Response of the ministries/departments to Draft Reviews/Paragraphs**

Sl No	Ministry/Department	Total No. of Reviews/ Paragraphs	No of Reviews/ Paragraphs in which reply not received	Reference to Review/Paragraph of the Audit Report
1	2	3	4	5
1.	Chemicals & Fertilisers	3	-	
2.	Commerce	2	1	7.1
3.	External Affairs	14	9	8.4, 8.5, 8.6, 8.7, 8.8, 8.10, 8.11, 8.13, 8.14,
4.	Finance	9	7	Chapter II, 9.1, 9.2, 9.3, 9.4, 9.6, 9.7
5.	Food Processing Industries	1	1	10
6.	Health & Family Welfare	3	3	11.1, 11.2, 11.3
7.	Home Affairs	7	5	12.2, 12.3, 21.1, 21.2, 21.4
8.	Human Resource Development	2	1	13.2
9.	Industry	1	-	-
10.	Information and Broadcasting	4	3	14.1, 14.3, 14.4
11.	Petroleum & Natural Gas	1	1	Chapter IV
12.	Rural Areas and Employment	1	-	-
13.	Surface Transport	5	2	16.1, 16.3
14.	Textiles	3	1	17.3
15.	Tourism	1	1	18
16.	Urban Affairs and Employment	6	3	19.2, 19.3, 19.4
17.	Water Resources	2	-	-
	<b>Total</b>	<b>65</b>	<b>38</b>	