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

for the year ended March 2006

**Union Government (Civil)
Transaction Audit Observations
No. 2 of 2007**

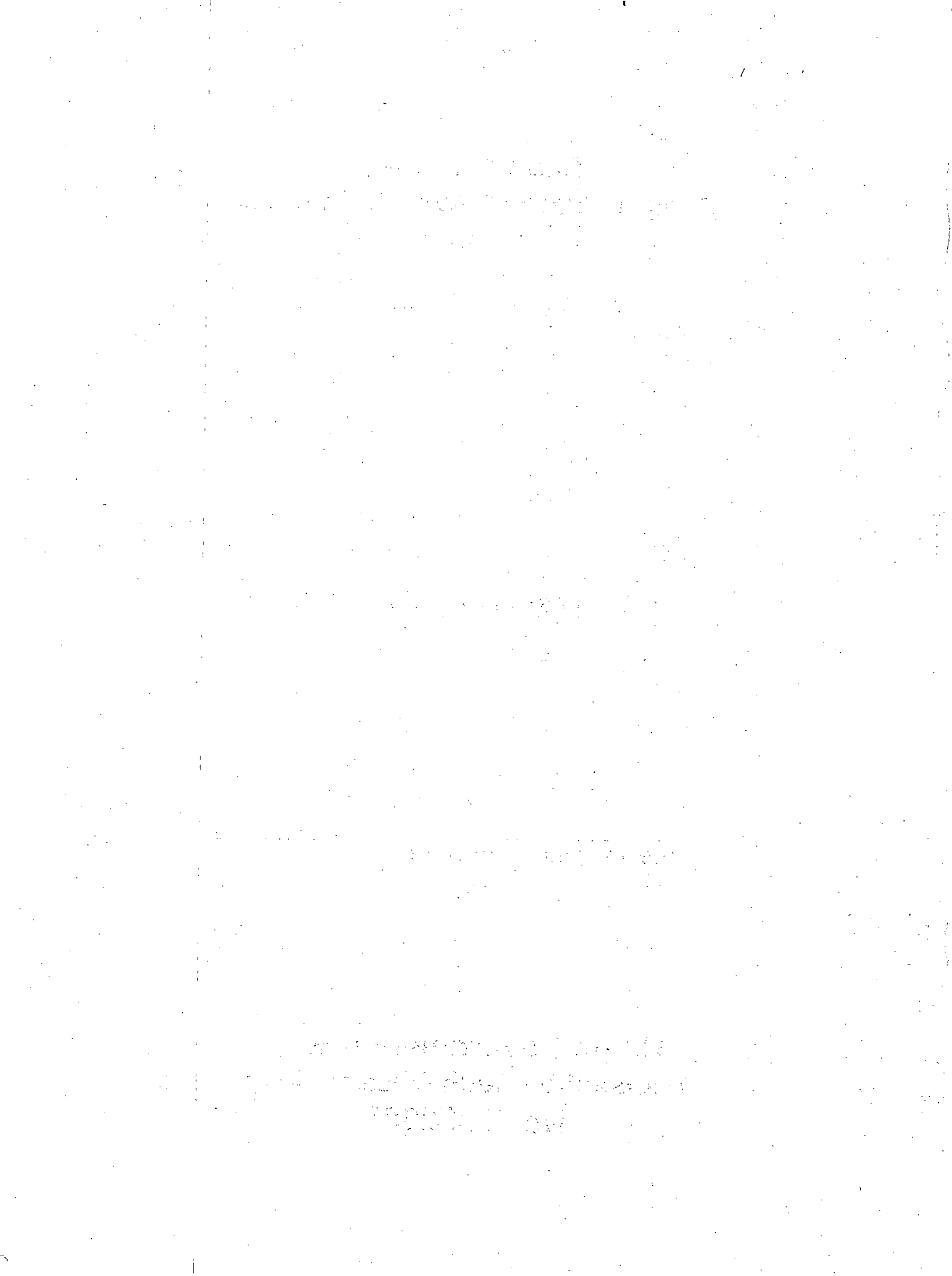
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GENERAL OF INDIA
2007

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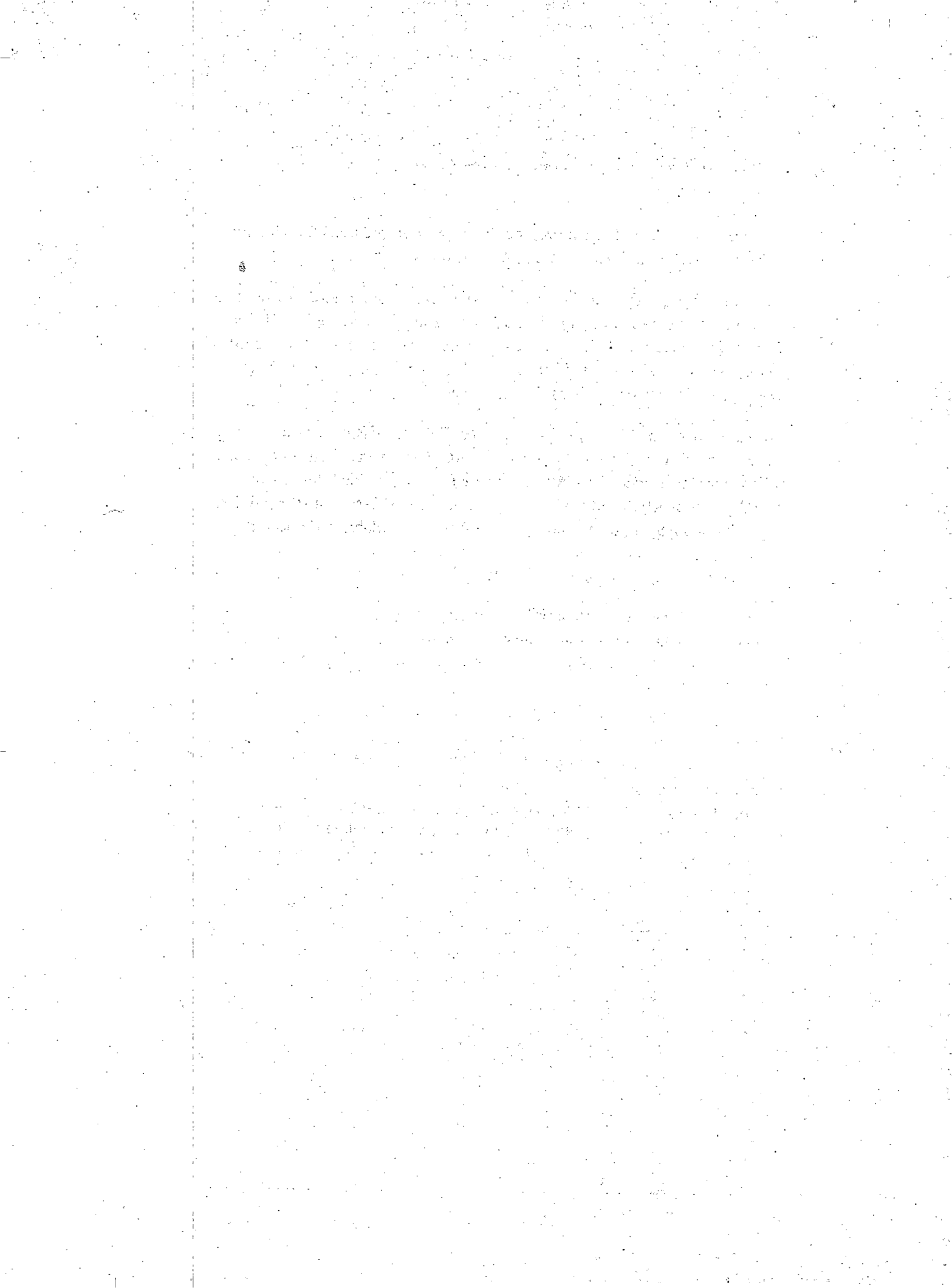
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PREFACE

This Report for the year ended March 2006 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 2005-06 have been included in Report No. 1 of 2007. This Report includes matters arising from test audit of the transactions of Civil Ministries including the Department of Posts and Telecommunications and Scientific Departments.

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2005-06. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to April 2006 in a few cases have also been mentioned, wherever available and relevant.



OVERVIEW

This Audit Report contains observations emerging out of the transaction audit in the Civil Ministries including the Department of Posts, Department of Telecommunications, Scientific Departments and their field offices. The audit observations on the accounts of the Union Government (excluding Railways) are incorporated in Report No. 1 of 2007.

Ministry of Agriculture

Unfruitful expenditure

Due to lack of effective system of documentation and follow up of the research findings in National Institute of Research on Jute and Allied Fibre Technology, Kolkata, the technology on development of yarn and a machine developed after incurring an expenditure of Rs. 21.08 lakh remained unpatented and was not commercialised even after more than five years of development.

Paragraph No.1.1

Ministry of Communication and Information Technology

Non-deduction of Income Tax at source

Non-observation of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles led to non-deduction of income tax at source amounting to Rs. 9.21 crore on payments of interest under the Senior Citizens Savings Scheme.

Paragraph No.2.2

Short realisation of postage charges

Senior Superintendent of Post Offices, City Division, Ahmedabad under the Gujarat Postal Circle and Chief Postmaster General, Maharashtra Postal Circle authorised concessional tariffs to ineligible publications resulting in short realisation of postage charges of Rs. 3.23 crore.

Paragraph No.2.3

Irregular payment of interest on Kisan Vikas Patras

Issue of Kisan Vikas Patras worth Rs. 1.05 crore by the Postmaster, Gulbarga Head Post Office under Karnataka Circle in contravention of rules resulted in irregular payment of interest of Rs. 1.05 crore.

Paragraph No.2.4

Overpayment of pensionary benefits

Controllers of Communication Accounts, Chennai and Hyderabad circles irregularly allowed weightage in the qualifying service to Bharat Sanchar Nigam Limited officials who had retired voluntarily and this resulted in overpayment of pensionary benefits of Rs. 1.01 crore.

Paragraph No.2.8

Department of Information Technology

Non-transfer of technology

An expenditure of Rs. 60 lakh including Government grant of Rs. 25 lakh incurred on the development of a technology for Ferrite Radio Frequency Absorber Tiles did not yield the desired benefits as the technology was not transferred for commercial exploitation.

Paragraph No.2.11

Ministry of Company Affairs

Retention of public funds outside government accounts

Failure of the Official Liquidators of Delhi, Kolkata, Mumbai, Bangalore, Allahabad and Jaipur to credit to the government account fees realised from the liquidated companies, resulted in keeping Rs. 6.13 crore of government money outside government account for 1 month to 5 years and consequential loss of interest of Rs. 66.53 lakh at the average borrowing rate of the Union Government.

Paragraph No.3.1

Ministry of Culture

National Museum

Lack of control leading to overpayment

National Museum failed to enter into specific agreements with the Fine Art Handling Agent (FAHA) for transporting art objects to the places of exhibition and back. Bills raised by FAHA were also not properly verified resulting in overpayment of Rs. 50.48 lakh to FAHA which the Museum attributed to collusion between its officials and the Handling Agent.

Paragraph No.4.1

Injudicious action leading to wasteful expenditure

Injudicious action of the National Museum (NM) in placing, without the approval of the Ministry, a work order for fabrication of wooden boxes for an exhibition proposed to be held in Brazil in March 2005 even before signing of the Memorandum of Understanding and in transporting art objects in June 2003 from the Assam State Museum for display in the proposed Assam Gallery of the NM which was ultimately not set up, resulted in wasteful expenditure of Rs. 33.45 lakh.

Paragraph No.4.2

Ministry of External Affairs

Non-adherence to norms for purchase, hiring, repair and maintenance of buildings and residential accommodation

Disregard of the existing instructions and norms by the Ministry/Missions for purchase, hiring, repair and maintenance of properties abroad resulted in irregular expenditure of Rs. 6.85 crore.

Paragraph 7.1

Unauthorised expenditure on engagement of contingency paid staff

The Missions and Posts abroad continued to employ staff paid from contingencies and local staff in disregard of the rules and instructions of the Ministry governing the employment of locally recruited staff resulting in unauthorised expenditure of Rs. 4.67 crore.

Paragraph 7.2

Unauthorised expenditure on purchase of stationery

Violation of the limits placed on delegated powers by 17 Missions resulted in unauthorised expenditure of Rs. 1.57 crore on purchase of stationery.

Paragraph 7.3

Unrealised VAT refunds

Inadequate monitoring and pursuance of claims for VAT refunds in five Missions/ Posts led to Rs. 0.97 crore remaining unrealised.

Paragraph 7.6

Deficient internal control mechanism

In two cases noticed in Audit, the Ministry released excess assistance of Rs. 6.57 crore to the Royal Government of Bhutan for a power project, and made double remittance of Rs. 90.98 crore to the Indian Mission at Thimpu. These instances indicated deficient internal controls in the Ministry.

Paragraph 7.8

Ministry of Finance

Department of Economic Affairs

Premature release of funds resulting in their non-utilisation

The Ministry released Rs. 100 crore to National Bank for Agriculture and Rural Development (NABARD) in March 2003 under the scheme "revitalisation of co-operative credit structure" in anticipation of the passage of Banking Regulation (Amendment) Bill in the Parliament. The scheme could not take off since the Bill was not passed, which led to the funds remaining unutilised for three years resulting in loss of interest of Rs. 25.30 crore.

Paragraph 8.2

Ministry of Health and Family Welfare

Department of Health

Deficient internal control resulting in wasteful expenditure

Failure of the Ministry to monitor the procurement of mosquito nets by the Hospital Services Consultancy Corporation (India) Limited under the Malaria Eradication Programme resulted in purchase of sub-standard nets. Consequently, expenditure of Rs. 2.54 crore incurred on this account so far has been wasteful. Additionally, Rs. 1.83 crore has remained blocked with HSCC for five years resulting in loss of interest of Rs. 89.69 lakh computed at the borrowing rate of the Union Government. Further, expenditure of Rs. 51.68 lakh has been incurred upto November 2005 and recurring monthly expenditure of Rs. 0.89 lakh continues on payment of rent of the godown where the sub-standard nets are stored. No action was taken against the officials responsible for procurement of substandard mosquito nets.

Paragraph 9.1

Ministry of Home Affairs

Indo Tibetan Border Police

Irregular attachment of Indo Tibetan Border Police Personnel

The Director General, Indo-Tibetan Border Police irregularly attached a large number of officials withdrawn from various field formations/units and deployed them in the Directorate in excess of the sanctioned strength and in disregard of instructions of the Ministry of Home Affairs in this respect. The expenditure on pay and allowances of the attached staff over and above the sanctioned strength for the period 2003-2004 to 2004-2005 alone was Rs. 5.19 crore.

Paragraph 10.1

Border Security Force

Irregular attachment of vehicles

The Director General, Border Security Force (BSF), in violation of scales laid down by the Ministry of Home Affairs, withdrew 158 vehicles from various field formations/units and deployed them at the BSF Headquarters in addition to its 100 authorised vehicles. The expenditure of Rs. 1.76 crore on petrol, oil and lubricants (POL) and repair and maintenance of these attached vehicles for the period 2004 to 2006 was thus irregular. The action also affected operational effectiveness of the field units.

Paragraph 10.2

Ministry of Human Resource Development

Department of Elementary Education and Literacy

Inadequate monitoring leading to idling of funds/non-recovery of unspent grant

Failure of the Ministry in monitoring utilisation of grants released to the Government of Maharashtra for establishing/upgrading District Institutes of Education Training resulted in idling of Rs. 4.84 crore for nine years. Further, it also failed to recover unspent grant of Rs. 20.41 lakh being retained by the Zilla Saksharta Samiti, Karimganj, Assam for periods ranging from two to four years.

Paragraph 11.1

Excess release of grant

Inadequate scrutiny by the Ministry resulted in excess release of grant of Rs. 0.62 crore to the Government of Karnataka under 'Improvement in Science Education in Schools' scheme. Moreover, an amount of Rs. 2.01 crore remained to be recovered

towards unutilised portion of grant. On being pointed out in audit the Ministry recovered Rs. 0.91 crore and Rs. 1.72 crore was yet to be recovered.

Paragraph 11.2

Lack of monitoring leading to idling of funds

Failure of the Ministry to monitor and recover unspent grant of Rs. 3.94 crore under 'Improvement in Science Education in Schools' released to Government of Gujarat resulted in its idling for about four years.

Paragraph 11.3

Ministry of Mines and Minerals

Non-recovery of outstanding dues

Geological Survey of India, Nagpur failed to evolve a mechanism to recover outstanding dues from client departments resulting in loss of revenue of Rs. 75.74 lakh and consequential loss of interest of Rs. 24.81 lakh.

Paragraph 12.2

Ministry of Science and Technology

Council of Scientific & Industrial Research

Non-recovery of Service Tax

National Institute of Oceanography, Goa failed to recover Service Tax from the clients in respect of the sponsored projects which resulted in loss of Rs. 82.70 lakh as it had to make the payment to the tax authorities from its own funds.

Paragraph 13.1

Ministry of Shipping, Road Transport and Highways

Revenue loss due to delay in levy of toll fee

The Ministry's failure to specify the time limit within which the notifications for levy of toll fees should be issued after the completion of national highways sections and bridges resulted in delay in issue of notification causing revenue loss of Rs. 85.90 crore.

Paragraph No.14.1

Undue benefit of Rs. 1.00 crore to Hindustan Shipyards Ltd (HSL)

The Ministry released subsidy based on the foreign exchange rates prevailing on the due dates of stage payment indicated in the agreement instead of calculating the same at the rate prevailing on the date of actual payment, in contravention of its own

guidelines. The US\$/ Rupees foreign exchange rates on the dates of actual payments were generally lower than the rates on the due dates, which resulted in undue benefit of Rs. 1.00 crore to HSL.

Paragraph No.14.2

Ministry of Tourism

Excess release of grants-in-aid

The Ministry sanctioned Rs. 5 crore under the scheme of Development of Tourist Centres where Central Financial Assistance (CFA) could have been only upto Rs. 2 crore and released Rs. 2.39 crore in excess to the Government of Andhra Pradesh, which was neither recovered nor adjusted.

Paragraph No.15.1

Injudicious Release of Funds

Injudicious release of funds by the Ministry of Tourism without ascertaining the availability of land for the project "Yamuna River Front- Development of Great Green Tourist complex, Delhi" resulted in wasteful expenditure of Rs. 31.31 lakh.

Paragraph No.15.2

Ministry of Urban Development

Extra liability due to non-recovery of Sales Tax on materials issued to contractors

Non-recovery of Sales Tax on departmental materials issued to contractors by three Divisions in Kerala State for execution of works resulted in extra liability of Rs 3.29 crore to the department.

Paragraph No.16.2

CHAPTER I: MINISTRY OF AGRICULTURE

Indian Council of Agricultural Research

1.1 Unfruitful expenditure

Due to lack of effective system for documentation and follow up of the research findings in National Institute of Research on Jute and Allied Fibre Technology, Kolkata, the technology and machine developed for manufacture of ratine yarn after incurring an expenditure of Rs. 21.08 lakh remained unpatented and was not commercialised even after more than five years of development.

National Institute of Research on Jute and Allied Fibre Technology (NIRJAFT), Kolkata, a unit of Indian Council of Agricultural Research (ICAR) undertook a project titled "Development of jute based ratine yarn, a fancy yarn, for making heavier type of upholstery and furnishing fabrics" in April 1996 at a cost of Rs. 10.86 lakh for a period of four years. The project was successfully completed in March 2000 after developing the ratine yarn. On the recommendations of the Research Advisory Committee (RAC), NIRJAFT undertook another project titled "Development of 10-spindle Jute based ratine yarn machine" in April 2000 for a period of one year. The objective of the second project was to design, develop and fabricate a machine for manufacturing jute based ratine yarn in large scale and also commercialise it. The project was declared complete in September 2001 after developing a 10-spindle machine with an expenditure of Rs. 10.22 lakh. As per the completion report of the project, the standardisation of process variables for preparation of jute based fancy yarn on the developed machine was required to be taken up. In the meantime, NIRJAFT in January 2002 initiated the process for filing of patent on the technology developed and undertook the work of its standardisation.

Audit examination disclosed that the patenting and standardization had not been done even as of October 2006. The process of patenting and standardization did not progress after November 2002 after the death of the concerned project investigator. The attempts of NIRJAFT towards patenting and standardisation of the technology developed for commercialisation did not succeed as it failed to trace the documents maintained by the deceased project investigator. Thus, the technology developed at a cost of Rs. 21.08 lakh could not be patented and commercialised.

This lapse indicates absence of an effective institutional mechanism for documentation and follow-up of the research projects in NIRJAFT. These

Research papers and documents are the intellectual properties of the Institute and should be available for consultation and review as and when required by the scientists working under ICAR/monitoring agency.

ICAR accepted (September 2006) that the patenting process was initiated by the deceased project investigator but further correspondence in this regard was not traceable. ICAR further stated that an effective system exists at the institute for follow-up of the research findings through technology transfer division. Reply of ICAR is not tenable as the technology developed in September 2001 was not followed up for patenting and commercialisation as of 2006 simply because the project investigator passed away.

Thus due to defective system of documentation and follow-up of the research findings, the technology and the machines developed for manufacturing ratine yarn at the total cost of Rs. 21.08 lakh on the project remained unpatented and could not be commercialised even after five years.

CHAPTER II: MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

2.1 Organisational set-up and financial management

2.1.1 Functions of the Department

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

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

2.1.2 Organisational set-up

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

The department has 22 Postal Circles which are divided into 37 Regional offices, controlling 441 Postal Divisions and 69 Railway Mail Service Divisions. There is also a Base circle to cater to the postal communication needs of the Armed Forces. The staff strength of the department as on 31

March 2006 was 5.20 lakh with 2.34 lakh departmental employees and 2.86 lakh extra departmental employees.

2.1.3 Postal traffic

The projected traffic for unregistered mail was calculated by the department on the basis of assessed traffic for the last two years. The assessed traffic was based on the revenue earned. According to information furnished by the Department, the volume of traffic projected and assessed during the years 2003-2006 in respect of traditional services such as sale of post cards, letter cards (inland), money orders, insurance etc. is in the table below:

(A) Unregistered mail

(Numbers in lakh)

Sl. No.	Item	2003-04		2004-2005		2005-2006	
		Projected	Assessed*	Projected	Assessed*	Projected	Assessed*
1.	Post cards	2551.11	2706.81	2989.32	2451.07	2574.96	1991.54
2.	Printed Post cards	468.49	816.08	901.26	830.04	871.99	879.19
3.	Letter cards (Inland)	3274.69	2809.93	3103.20	2610.35	2742.31	2333.79
4.	Newspapers						
	Single	592.50	811.83	896.56	860.86	904.37	968.68
	Bundle	359.16	82.84	91.49	150.82	158.44	162.81
5.	Parcels	534.10	409.92	452.70	408.75	429.41	397.08
6.	Letters	4869.23	3720.97	4109.33	7678.81	8066.95	7100.01
7.	Book packets	669.17	747.50	825.52	753.82	791.92	875.17
8.	Printed books	253.85	175.76	194.10	353.02	370.86	469.27
9.	Other periodicals	260.41	199.95	220.82	269.27	282.88	372.37
10.	Acknowledgement	311.48	637.45	703.98	741.07	778.53	716.83

* Based on revenue collection

(B) Registered mail and others

(Numbers in lakh)

Sl. No.	Item	2003-2004		2004-2005		2005-2006	
11.	Money Orders (MOs)	1165.01	1136.55	1100.45	1222.91	1197.13	1229.31
12.	Insurance	97.12	95.59	105.57	90.86	95.45	86.65
13.	Value payable letters and parcels	189.87	100.43	110.91	93.72	98.46	80.44
14.	Registered letters and parcels	2233.00	1923.61	2124.38	1900.84	1996.92	1844.32

2.1.4 Revenue realisation and Revenue expenditure**(A) Revenue realisation**

The four major revenue earning groups of services viz., sale of stamps, commission on MOs/IPOs, postage in cash and other receipts generated a revenue of Rs. 5023.49 crore during the year 2005-06 after adjusting the loss of Rs. 43.97 crore from other postal administration and registered an increase of 13.3 per cent over the previous year. Source-wise share of postal revenue for the year 2004-05 and 2005-06 is shown in the table below:

(Rupees in crore)

Name of the Service	2004-05	2005-06	Percentage increase/ decrease over previous year
Sale of stamps	798.66	758.56	-5.0
Postage in cash	1297.11	1469.99	13.3
Commission on MOs/IPOs	2216.84	2696.38	21.6
Other receipts	124.75	142.53	14.3
Net receipts from other postal administrations	-5.51	-43.97	698
Gross Revenue	4431.85	5023.49	13.35

(B) Revenue expenditure

The revenue expenditure during 2005-06 was Rs. 6429.15 crore which showed an increase of 7.8 per cent over the preceding year. The revenue expenditure on pay and allowances, conveyance of mails, printing of stamps, post cards and stationary during 2004-05 and 2005-06 is shown in the table below:

Revenue expenditure*(Rupees in crore)*

Category	2004-05	2005-06	Percentage increase/ decrease over previous year
(a) Pay and allowances, contingencies, interim relief, etc.	4390.40	4712.71	7.3
(b) Pensionary charges	1208.03	1351.02	11.8
(c) Stamps, post cards etc.	21.35	16.43	-23.0
(d) Stationery and forms printing etc.	33.88	33.96	0.2
(e) Conveyance of mails (payments to railways and air mail carriers)	123.64	126.31	2.2
(f) Other expenditure	187.24	188.72	0.8
Total	5964.54	6429.15	7.8

The net revenue budgetary support of Rs. 1209.88 crore was worked out by deducting receipts of Rs. 5023.49 crore and recoveries of Rs. 195.78 crore from the gross revenue expenditure of Rs. 6429.15 crore in 2005-06. The deficit was mainly due to decrease in revenue receipt under sale of stamps and increase in expenditure under the head pay and allowances and pensionary charges. The Department's net overall loss of Rs. 1209.88 crore on postal services during 2005-2006 was lower by Rs. 171.96 crore (12.44 per cent) as compared to the net loss suffered during 2004-2005. The comparative position of the net losses incurred by the Department on various postal services including Speed Post during the period 2001-2006 was as under:



The net loss on postal services decreased by 12.44 per cent as compared to 2004-05 and by 14.28 per cent as compared to 2001-02.

2.2 Non-deduction of Income Tax at source

Non-observance of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles led to non-deduction of income tax at source to the tune of Rs. 9.21 crore on payments of interest under the Senior Citizens Savings Scheme.

Senior Citizens Saving Scheme Rules, 2004 came into effect from August 2004 with the introduction of Senior Citizens Saving Scheme (SCSS). These rules stipulated that an individual who had attained the age of 60 years or more on the date of opening the account or who had attained the age of 55 years or more but less than 60 years and who had retired under a voluntary retirement scheme could open account under SCSS within three months from the date of his/her retirement. The deposits made under these rules carried interest at the rate of 9 per cent per annum from the date of deposit payable quarterly. It further envisaged that the applicant, while applying for the scheme, had to furnish his/her Permanent Account Number or a self declaration to the effect

that his/her income from all sources including interest income from the account to be opened vide this application did not exceed the exemption limit. Section 194 A of the Income Tax Act, 1962 specified that tax deduction at source (TDS) was recoverable from the income by way of interest, if the interest exceeds Rs. 5,000 in a financial year. Further (DoP) issued instruction to all field offices (January 2004) that TDS and surcharge should be deducted as per the provisions of the Finance Act without waiting for separate instructions from the Directorate.

Ministry of Finance reiterated these provisions in March 2006 and June 2006 and stated that the facility of furnishing Form 15-H under Income Tax Act, 1962 was available only to persons aged 65 years or above and resident in India, whereas declaration in Form 15-G could be furnished by a depositor of less than 65 years of age with the additional condition that the aggregate amount of interest credited/ paid or likely to be credited/ paid during the financial year was not more than the maximum amount¹ which was not chargeable to tax. Ministry of Finance again in June 2006 clarified that TDS would be applicable from the very first day the SCSS was made operational.

Audit scrutiny of the records of the Post Offices under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles during June to October 2006 disclosed that TDS at the prescribed rates had not been deducted from the interest payments made under the SCSS during the years 2004-05, 2005-06 and 2006-07 from those depositors who had not furnished Form 15-H or 15-G and in whose cases the interest exceeded Rs. 5000 in a financial year. This resulted in non-deduction of income tax and educational cess at source amounting to Rs. 9.21 crore in these post offices as detail shown in the table below:

(Rupees in crore)

Sl No	Name of the Circle	TDS recoverable
1	Andhra Pradesh	1.91
2	Chhattisgarh	0.25
3	Delhi	3.31
4	Kerala	1.83
5	Madhya Pradesh	0.54
6	Orissa	0.32
7	Rajasthan	1.05
Total		9.21

¹ Rs one lakh in case of male and Rs. 1.35 lakh in case of female tax payers

On being pointed out in audit, the postmasters under Andhra Pradesh, Chhattisgarh, Delhi, Kerala, Madhya Pradesh, Orissa and Rajasthan Postal Circles replied that income tax and educational cess were not deducted due to delay in receipt of instructions regarding TDS and further action would be taken after verification of the cases. The Deputy Director General (Financial Services), (DoP) stated (October 2006) that there was no mention of income tax being deducted at source on payment of interest to the investors when the scheme was launched, and when the Ministry of Finance clarified in June 2006 that TDS would be applicable from the very first day of the introduction of SCSS, there was no mention about collecting TDS with the retrospective effect.

The reply is not tenable as instructions were already issued by DoP in January 2004 to all field offices that TDS and surcharge should be deducted as per the provisions of the Finance Act without waiting for any separate instructions from the Directorate.

To sum up, Post offices failed to comply with the statutory provisions of the Finance Act and allowed interest to the depositors without deducting income tax and educational cess of Rs. 9.21 crore at source.

The matter was referred to the Ministry in August 2006; their reply was awaited as of December 2006.

2.3 Short realisation of postage charges

Senior Superintendent of Post Offices, City Division, Ahmedabad under the Gujarat Postal Circle and Chief Postmaster General, Maharashtra Postal Circle authorised concessional tariffs to ineligible publications, resulting in short realisation of postage charges of Rs. 3.23 crore.

The Indian Post Office (IPO) Act, 1898 stipulated that a publication should be deemed a newspaper subject to the condition that it had a bona fide list of subscribers. It was further stipulated in IPO Rules, 1933 that the newspaper sought to be registered should have at least 50 bona fide subscribers, who had paid their subscriptions. All such registered newspapers would be entitled to transmission at concessional tariffs during the currency of their registration. If any newspaper failed to comply with any of the above specified conditions, it should be transmitted at the higher rates and under the conditions applicable to book packets containing periodicals. DoP issued a clarification in October 2002 that unpriced periodicals would be classified as book packets and transmitted at the rates prescribed for 'Book, pattern and sample packets' with

effect from 1 June 2002. These provisions were reiterated by DoP in December 2002.

Audit scrutiny of the records of the Senior Superintendent of Post Offices (SSPO), City Division, Ahmedabad under the Gujarat Postal Circle and Chief Postmaster General, Maharashtra Circle in December 2005 and January 2006 respectively revealed that 65 newspapers in the Postal City Division, Ahmedabad and 27 newspapers in the Mumbai region did not satisfy the condition of having bona fide subscribers. These newspapers, circulated free of cost to subscribers, were registered and transmitted at concessional tariffs instead of at the rates applicable to book packets containing periodicals (prior to 1 June 2002) and at the rates prescribed for 'Book, pattern and sample packets' with effect from 1 June 2002. This resulted in short realization of postage charges of Rs. 3.23 crore in respect of these newspapers for the period January 2002 to September 2005.

On this being pointed out in audit, SSPO, City Division, Ahmedabad, while confirming the facts and figures, replied (June 2006) that out of 65 publications, the postal registration of 35 publications had been cancelled on 7 September 2005, while that of the remaining 30 publications was continued as they had fixed their prices and fulfilled the condition relating to bonafide subscribers. As regards recovery, SSPO stated that the instructions issued by DoP in December 2002 had been held in abeyance vide further instructions issued in June 2003. The Chief Postmaster General, Maharashtra Postal Circle replied (June 2006) that nothing specific regarding the cost of newspaper had been mentioned in Section 9 of the IPO Act or Rule 30 of IPO Rules 1933.

The reply was not tenable as the statutory provisions for registration of newspapers were already in existence in the IPO Act, 1898 and the IPO Rules, 1933. The instructions issued by DoP in December 2002 were kept temporarily in abeyance vide letter of June 2003 for seeking clarification from the Ministry of law. DoP after obtaining the clarification from the Ministry of Law had clarified (December 2003) that a bonafide subscriber was one who paid the face value printed on the newspaper and any publication indicating no price and sent free to the public could not avail of the privilege under the Indian Post Office Act and Rules. Despite the above clarification issued by DoP in December 2003, the post offices continued to grant concessional tariff to ineligible publications till September 2005.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.4 Irregular payment of interest on Kisan Vikas Patras

Issue of Kisan Vikas Patras worth Rs. 1.05 crore by the Postmaster, Gulbarga Head Post Office under Karnataka Circle in contravention of rules resulted in irregular payment of interest of Rs. 1.05 crore.

Rules¹ stipulate that on or after 1 April 1995, Kisan Vikas Patras (KVPs) could be purchased by an individual or by a trust registered under any law for the time being in force. Unregistered trusts are not authorized to invest in KVPs. These Rules envisage that the provisions of Post Office Savings Certificate Rules, 1960 shall apply in relation to any matter for which no provision has been made in the KVP Rules and post offices shall ensure that any KVP purchased in contravention of these rules is encashed by the holder as soon as the fact is discovered and no interest shall be paid on any such holding.

Audit scrutiny of the records of the Postmaster, Gulbarga Head Post Office under the Karnataka Postal Circle in November 2004 disclosed that the Postmaster issued KVPs worth Rs. 1.05 crore in the names of unregistered trusts, viz. the Vyasya Bank, the Bank of Maharashtra and the State Bank of Mysore during 1995-1996 and 1996-1997 in contravention of rules. Subsequently, these KVPs were discharged during 2001-02 and 2002-03 by making payments of Rs. 2.10 crore, inclusive of interest. This resulted in irregular payment of interest of Rs. 1.05 crore as detailed below:

(Rupees in crore)

Name of the investor	Amount invested	Irregular interest paid
Vysya Bank	0.50	0.50
Bank of Maharashtra	0.45	0.45
State Bank of Mysore	0.10	0.10
Total		1.05

On this being pointed out in audit, the Deputy Director General (Financial Service), Department of Posts replied (August 2006) that as these trusts belonged to scheduled banks, they could not be equated with any other trust formed by private persons for whom registration under any law might be warranted to ensure the genuineness of the purpose of the trusts.

The reply is not tenable as KVPs could be purchased only by individuals and registered trusts under the provisions of KVP Rules.

¹ Post Office Kisan Vikas Patras Rules, 1988

The above pointed towards failure of the post office to scrupulously examine the application of rules to ensure that KVPs were issued to only eligible investors.

The matter was referred to the Ministry in July 2006; their reply was awaited as of December 2006.

2.5 Irregular payment of interest

Failure of one Head Post Office under the Karnataka Postal Circle, five Head Post Offices, one General Post Office under the Rajasthan Postal Circle, two Head Post Offices and two General Post Offices under the Orissa Postal Circle to ensure the prescribed monetary limit of subscription in respect of the Public Provident Fund (PPF) Scheme resulted in irregular payment of interest of Rs. 73.11 lakh.

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

Audit scrutiny of the records of the Senior Postmaster, Mysore Head Post Office under the Karnataka Postal Circle in January 2006 revealed that HPO had allowed one subscriber to open three PPF accounts, one on his own behalf and two on behalf of his minor daughters, without obtaining the necessary declarations at the time of opening of the accounts. He had also accepted Rs. 21.20 lakh as deposits in excess of the prescribed limit at the end of April 2005, which resulted in excess payment of interest of Rs. 29.80 lakh. It was further observed that excess amounts were deposited in all the three accounts on the same day on 14 occasions but the Senior Postmaster failed to detect the excess deposits. Ultimately, these accounts were transferred to the State Bank of India, Mysore during September/October 2005.

Similarly, audit scrutiny of the records of one General Post Office (GPO) and five HPOs under the Rajasthan Postal Circle in April 2006 and two GPOs and two HPOs under the Orissa Postal Circles during July- August 2006 revealed

that they had accepted deposits in excess of the permissible limits in 140 accounts and credited an amount of Rs. 43.31 lakh during the period 1997-98 to 2005-06 irregularly as interest.

DoP had issued orders in May 2004 for early detection of such cases and also instructed that stringent action should be taken against erring postal officials who failed to detect such irregularities. In spite of this, these post offices failed to detect excess deposits and allowed interest thereon to the tune of Rs. 73.11 lakh.

On this being pointed out in audit, the Chief Postmaster General, Karnataka Circle accepted the facts and figures and stated (June 2006) that the case was being pursued for recovery of the amount of excess interest. The Postmasters under the Rajasthan Postal Circle replied that the excess interest paid would be recovered while the Postmasters under the Orissa Circle replied that the action would be taken to recover/regularise such cases. The recovery particulars were, however, awaited as of October 2006.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.6 Irregular payment of interest and commission

Post Offices in Kerala, Maharashtra and Uttar Pradesh failed to ensure the prescribed monetary ceiling in the accounts opened under the Monthly Income Scheme. This resulted in irregular payment of interest and commission amounting to Rs. 29.59 lakh.

Departmental rules provided that an individual depositor might open more than one account under the Monthly Income Scheme (MIS) subject to the condition that deposits in all accounts taken together should not exceed Rs. 2.04 lakh (Rs. 3 lakh from 1 February 2000) in a single account and Rs. 4.08 lakh (Rs. 6 lakh from 1 February 2000) in a joint account.

Rules further provided that at the time of investment in an MIS Account, the depositor should give a declaration to the effect that his/her deposits in all the accounts taken together did not exceed the prescribed limit. In the case of excess deposits made beyond the prescribed limit, the Head Postmaster should refund the excess irregular deposits without interest to the depositor. The interest paid, if any, on the excess deposits should be deducted and commission paid to the agents on the excess investments should be recovered. However, in January 2002, the Ministry of Finance decided to refund to the depositors the excess deposits along with interest at the Post Office Savings

Bank rate, from the date of deposit till the end of the month preceding the month in which the subscriber was to withdraw the excess deposit from the MIS account. The Department of Posts communicated this decision to all circles in April 2002.

Mention was made in paragraphs 1.12 and 3.5 of the reports of the Comptroller and Auditor General of India, Union Government, Transaction Audit Observations for the year ended 31 March 2003 and 31 March 2005 respectively, of instances of irregular payment of interest on accounts opened in various post offices under MIS in contravention of the rules.

The Ministry, in their Action Taken Note submitted in December 2004, admitted that the postal staff failed to follow the rules of the scheme and stated that all Heads of Circles had been directed in September 2004 to ensure that the officers entrusted with inspection duties of post offices were also assigned the work of initiating checks on accounts opened in the post offices, besides ensuring that the rules regarding all post office accounts were available in the office to avoid recurrence of such irregularities in future.

Audit scrutiny of the records in the Kerala, Maharashtra and Uttar Pradesh Postal circles conducted during April 2004 to June 2006 revealed that 14 Head Post Offices (HPOs) under the Kerala Postal Circle, one HPO and two Sub Post Offices (SPOs) under the Maharashtra Postal Circle and four HPOs and three SPOs under the Uttar Pradesh Circle paid interest on MIS deposits made beyond the prescribed limit, at MIS rates instead of at Savings Bank rates, besides paying commission. This resulted in irregular payment of Rs. 29.59 lakh.

On this being pointed out by Audit, the Postmaster, Kalyan City HPO under the Maharashtra Circle, while accepting the audit contention, replied that an amount of Rs. 1.68 lakh had been recovered and the remaining amount would be verified and recovered, whereas the postmasters under the Kerala and Uttar Pradesh circles replied that the interest and commission paid in excess would be verified and recovered. These instances clearly indicated that DoP had not been able to stop the irregular practices and the mechanism for monitoring compliance of their orders remained weak.

The matter was referred to the Ministry in August 2006; their reply was awaited as of December 2006.

Department of Telecommunications

2.7 Background

In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02 per hundred population. Since then, the number of telephone connections has risen to 142.09 million with a telephone density of 12.74 telephones per hundred population by 31 March 2006.

2.7.1 Administration and Control

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

2.7.2 Development in the telecom sector

The process of entry of private operators in providing telecommunication services in India commenced in 1992. Apart from privatising basic telephone services, Government also decided to introduce a number of value added services through private operators, such as cellular mobile telephones, radio paging, e-mail, internet, closed user groups (CUG) and broad-band service which added to the value of the existing basic telephone services. The share of the private sector in the total number of telephones increased from 47 per cent as of March 2005 to 57 per cent as of March 2006.

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

2.8 Overpayment of pensionary benefits

Controllers of Communication Accounts, Chennai and Hyderabad circles irregularly allowed weightage in the qualifying service to Bharat Sanchar Nigam Limited officials who had retired voluntarily, which resulted in overpayment of pensionary benefits of Rs. 1.01 crore.

Rule 37 A (11A) of CCS (Pension) Rules, introduced in December 2002 stipulated that a permanent Government servant absorbed in a public sector undertaking (PSU)/autonomous body or a temporary/quasi permanent Government servant who had been confirmed in the PSU /autonomous body subsequent to absorption therein, would be eligible to seek voluntary retirement after completion of 10 years of qualifying service with the Government and the PSU/autonomous body taken together, and he/she would be eligible for pro rata pensionary benefits on the basis of the combined qualifying service.

Bharat Sanchar Nigam Limited (BSNL) in consultation with Department of Telecom (DoT) also clarified in October 2004 that with the introduction of sub-rule 37A(11A), the provisions of the Rules 48 and 48 A of CCS(Pension) Rules were no more applicable to the Government employees absorbed in the BSNL and consequently all voluntary retirement requests of such employees were to be covered under provisions of sub-rule 37A(11A) of the same Rules. It was further clarified that the benefit of additional qualifying service as available under Rule 48-B were not available to the employees retiring under sub-rule 37A(11A) of CCS(Pension) Rules.

Audit scrutiny of the records of Controllers of Communication Accounts of Chennai and Hyderabad during January to March 2006 and July 2006 respectively revealed that weightage in qualifying service was allowed to 157 BSNL officials who had retired voluntarily between January 2003 to July 2004 under Rule 37 A (11A) of the CCS (Pension) Rules, which was irregular. This resulted in overpayment of pensionary benefits amounting to Rs. 1.01 crore till December 2005.

The Ministry in their reply stated (September 2006) that the provision in sub rule 11A of Rule 37 A. of CCS (Pension) Rules did not bar the Ex DoT/DTS/DTO employees absorbed in the BSNL from seeking voluntary retirement on completion of twenty years of qualifying service under Rule 48 A and 48 B *ibid*. Further, the absorption process in the Group B cadre was stretched up to 19 July 2004 and during the intervening period many voluntary retirements had taken place. In these circumstances there was no way but to

treat these voluntary retirement cases under Rule 37(A) of CCS (Pension) Rules. They further added that Ex DOT/DTS/DTO employees absorbed in BSNL had been given a special dispensation in regard to pensionary benefits which would be payable by the Government and in respect of such employees pension contribution was also being received from BSNL as per FR 116 and 117 unlike other Central Government employees absorbed in PSU/Autonomous bodies.

The reply is not tenable as after introduction of sub-rule 37A(11A), the Rule 48 B which allowed weightage in qualifying service, was made inapplicable to the Government employees absorbed in BSNL. These instructions were issued by the BSNL in consultation with DoT.

2.9 Non recovery of interest on delayed payment of pension contribution

The Controllers of Communication Accounts, Assam, Jharkhand and Madhya Pradesh circles failed to claim interest of Rs. 99 lakh on delayed payments of pension contribution from Bharat Sanchar Nigam Limited.

The Department of Telecommunications (DoT) issued instructions in July 2002, according to which pension contribution was payable to the Controller of Communication Accounts (CCA) by Bharat Sanchar Nigam Limited (BSNL) in respect of the employees of DoT, who were either on deemed deputation or permanently absorbed in BSNL. According to Supplementary Rule 307(1), the pension contribution was required to be paid annually within 15 days from the end of each financial year. In case the payment was not made within the said period, interest was to be paid on the unpaid contribution at the rate of two paise per day per Rs 100 from the date of expiry of the aforesaid period up to the date on which the contribution was finally paid.

PAC in their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997 had desired that submission of ATN for the year ended March 1996 onwards be submitted to them duly vetted by Audit within four months from the laying of the Reports in the Parliament. Despite the fact that two paras viz para 4.11 and para 3.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 and 31 March 2005, Union Government, Transaction Audit Observations, on the subject were included in Audit Report, Ministry submitted ATN only in respect of para 3.8 of Report No. 2 of 2006 in November 2006 admitting that DoT had failed to claim the interest on delayed payment of pension contribution and stated that BSNL had been asked to settle the interest payments. However no

ATN was submitted by the Ministry in respect of para 4.11 of the Report No. 2 of 2005.

Audit scrutiny of the records of CCAs, Assam, Jharkhand and Madhya Pradesh circles during July 2003 to May 2006 revealed that the pension contributions of the employees absorbed in BSNL in 2001-02, 2002-03, 2003-04 and 2004-05 were received from BSNL after delays of 27 to 836 days. The delayed payment attracted interest of Rs. 99 lakh, which the CCAs failed to recover.

On this being pointed out in audit, the Deputy Director General (Accounts), DoT stated (August 2006) that the matter of recovery of interest had been taken up with the BSNL authorities. Recovery particulars were, however, awaited as of October 2006 while the CCAs of Jharkhand and Assam circles replied in November 2005 and May 2006 respectively that matter would be taken with BSNL authorities.

The matter was referred to the Ministry in June 2006; their reply was awaited as of December 2006.

2.10 Short realisation of pension contribution

The Controllers of Accounts of Bihar, Jharkhand, Rajasthan and Orissa circles failed to implement orders regarding payment of pension contribution, resulting in short recovery of pension contribution of Rs. 57.53 lakh from Bharat Sanchar Nigam Limited.

Ministry of Finance orders of February 1984 stipulated that the pension contribution payable in respect of a Government servant should be based on the maximum of the pay as defined in FR 9(21) (a) (i) plus dearness pay and interim relief appropriate to such maximum of the post held at the time of proceeding on foreign service or to which he may receive proforma promotion while on foreign service. Further, Ministry of Finance decided in March 2004 that dearness allowance equal to 50 per cent of the existing basic pay would be merged with the basic pay and shown distinctly as dearness pay, which would be counted for purposes like payment of allowances, transfer grant, retirement benefits, etc with effect from April 2004. Accordingly, Bharat Sanchar Nigam Limited (BSNL) was required to pay pension contribution to the DoT in respect of the deemed deputationists from DoT to BSNL on the basis of maximum of pay plus dearness pay to their respective CCAs.

Audit scrutiny of the records of Controllers of Accounts (CCAs) of Bihar, Jharkhand, Rajasthan and Orissa circles during October 2005 to October 2006

revealed that these CCAs continued to accept pension contribution from BSNL in respect of deemed deputationists from DoT to BSNL without taking into account the merger of 50 per cent of dearness allowance with the maximum of pay drawn with effect from April 2004. This resulted in short recovery of pension contribution of Rs. 57.53 lakh from April 2004 to July 2006 as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Circle	Amount
1	Bihar	25.02
2	Jharkhand	4.91
3	Rajasthan	18.86
4	Orissa	8.74
	Total	57.53

The Ministry in their reply stated (October 2006) that Rs. 23.45 lakh has been realised in respect of Jharkhand and Rajasthan circles from the BSNL authorities by the respective CCAs and the matter has been taken up with the BSNL authorities by CCA, Bihar to recover the short payment of pension contribution, while the CCA Orissa circle has recovered Rs. 0.61 lakh from the BSNL authorities in August and September 2006.

To sum up, out of Rs. 57.53 lakh, Rs. 24.06 lakh had been recovered, while recovery particulars in respect of Rs. 33.47 lakh were awaited as of December 2006.

Department of Information Technology

2.11 Non transfer of technology

An expenditure of Rs. 60 lakh including Government grant of Rs. 25 lakh incurred on the development of a technology for Ferrite Radio Frequency Absorber Tiles did not yield the desired benefits as the technology was not transferred for commercial exploitation.

Ferrite Radio Frequency (RF) Absorber Tiles are used as absorbing lining material for shielded anechoic chamber used for Electromagnetic Compatibility (EMC) measurements. Keeping in view the future requirement and high price involved in its import, the Department of Electronics now Department of Information Technology (DIT), approved (December 1998) a collaborative project on 'Technology Development for Ferrite Absorber Tiles for Electromagnetic Interference (EMI) Measurements'. The project was to be taken up by the Society for Applied Microwave Electronics Engineering and Research (SAMEER), an autonomous body under DIT, in collaboration with Associated Cement Companies Limited (ACC), a public limited company and was targeted to be completed by 30 June 2000.

The objective of the project was to develop indigenous technology for Ferrite RF absorber tiles for shielded chambers to be used for all EMC, Antenna and Microwave measurements. The project proposal envisaged that ACC, being the manufacturer itself for similar materials, would translate the developed product into commercial product by transfer of technology. The total cost of the project was Rs. 48.80 lakh to be shared among DIT (Rs. 25 lakh), SAMEER (Rs. 11.90 lakh) and ACC (Rs. 11.90 lakh).

Audit examination disclosed that the project was completed in April 2002 at a total cost of Rs. 60 lakh. The Project Review and Steering Group in its meeting held in September 2002 suggested that SAMEER and ACC should take necessary steps to transfer the technology. However, ACC did not show any interest in commercial production of the product. DIT also could not pursue ACC to commercialise the technology as no Memorandum of Understanding (MOU) was signed by DIT with ACC and SAMEER before releasing the grants. Thus, the technology developed at a cost of Rs. 60 lakh, including Government grant of Rs. 25 lakh, could not be used for intended purpose resulting in unfruitful expenditure. The purpose of research was defeated as Ferrite Radio Frequency Absorber Tiles continue to be imported due to non-commercialisation of technology.

Ministry accepted the fact in September 2006.

Ministry may consider the desirability of signing MOU in respect of industry relevant projects with the concerned agencies to ensure that technology developed through research after incurring substantial expenditure from public funds are finally commercialised and used.

CHAPTER III : MINISTRY OF COMPANY AFFAIRS

3.1 Retention of public funds outside government accounts

Failure of the Official Liquidators of Delhi, Kolkata, Mumbai, Bangalore, Allahabad and Jaipur to credit to the government account fees realised from the liquidated companies, resulted in keeping Rs. 6.13 crore of government money outside government account for 1 month to 5 years and consequential loss of interest of Rs. 66.53 lakh.

The Official Liquidators functioning in various States and Union Territories of the country are officers appointed by the Union Government under Section 448 of the Companies Act 1956 and are attached to the various High Courts. According to Rule 291 of the Companies (Court) Rules, 1959, in every winding up process of a company where the Official Liquidator becomes or acts as Liquidator, fees out of the assets of the company in liquidation as determined under the said Court Rules are required to be credited by 31 March every year to the Public Account of India in the Reserve Bank of India. Rule 6 of the Receipts and Payments Rules also lays down that all moneys received by or tendered to government officers on account of revenues or receipts of the government shall, without undue delay, be paid in full into the accredited bank for inclusion in government account.

Audit scrutiny of records of the Official Liquidator, Delhi revealed (December 2005) that in contravention of the Companies (Court) Rules and Receipts and Payments Rules, the fees totalling Rs. 1.94 crore for the period 2001-05 was kept in a current account in a bank and was not credited to government accounts. On this being pointed out by Audit, the Official Liquidator deposited (March 2006) Rs. 1.94 crore in the government account. Not crediting the fees to the government account in time resulted in loss of interest of Rs. 43.48 lakh at the average rate of borrowing of 8.9 *per cent* of the Union Government. Audit also noticed that Official Liquidators attached to the High Courts of Kolkata, Mumbai, Bangalore, Allahabad and Jaipur instead of crediting fees totalling Rs. 4.19 crore (Kolkata: Rs. 1.31 crore, Mumbai: Rs. 1.54 crore, Bangalore: Rs. 0.80 crore, Allahabad: Rs. 0.34 crore and Jaipur: Rs. 0.20 crore) for the period 1994-2006 to the government account, kept it in the current account in the banks and deposited the amount after a delay of 1 month to 4 ½ years. Not crediting the fees to the government account in time resulted in loss of interest of Rs. 23.05 lakh.

Thus, inadequate monitoring of the functions of the Official Liquidator by the concerned Regional Director/Ministry resulted in keeping Rs. 6.13 crore (Rs. 1.94 crore + Rs. 4.19 crore) of government money outside government accounts for long periods of 1 month to 5 years and consequential loss of interest of Rs. 66.53 lakh (Rs. 43.48 lakh + Rs. 23.05 lakh).

The Ministry stated (May 2006) that the Regional Director (Northern Region) had been directed to conduct an inquiry into the lapses pointed out by audit and instructions had been issued to all the Regional Directors/Official Liquidators to ensure that the prescribed procedure was duly followed. It added that the results of the inquiry would be communicated to audit. No further report has been received from the Ministry as of December 2006.

CHAPTER IV : MINISTRY OF CULTURE

National Museum

4.1 Lack of control leading to overpayment

National Museum neither entered into specific agreements with the Fine Art Handling Agent (FAHA) nor verified the bills raised by it. This resulted in inflated claims of FAHA being cleared for payment leading to overpayment of Rs. 50.48 lakh which the Museum attributed to suspected collusion between its officials and FAHA.

National Museum (Museum) organises exhibitions of art objects within and outside India. For transporting art objects to the places of exhibition and back, it engages a Fine Art Handling Agent (FAHA). According to General Financial Rules (GFR), the terms of a contract must be precise and definite and there must be no room for ambiguity or misconstruction therein. The GFR further require that in case open tenders are not invited, specific reasons for doing so should be recorded and approval of the competent authority obtained.

Audit observed (June 2005) that the Museum did not follow the codal provisions resulting in the following irregularities:

- During 2002-03 to 2004-05, the Museum organised various exhibitions within and outside India and awarded the work on the basis of quotations/limited tenders for which no specific reasons were recorded. The same agencies were asked to quote every time and the work was awarded to M/s Packwell & Co. being the lowest in all cases. M/s Packwell & Co. was engaged as FAHA for a further period of two years in February 2004 without entering into a formal agreement.
- While inviting quotations, the services required were not specified clearly by the Museum. Only broad heads like handling, agency, packaging charges etc. were mentioned. All such charges were to be paid on actual basis.
- Test check of bills raised by FAHA revealed that the Museum made payments to the former without proper verification of bills. Though packing material charges and agency charges were not admissible being already included in the handling charges, yet such charges amounting to Rs. 11.40 lakh were paid separately.

On the matter being pointed out by Audit (June 2005 and April 2006), the Museum agreed (April 2006) that it had made overpayments and stated that there could be collusion between the FAHA and the officials of the Museum. It conducted an inquiry (August 2005 and November 2005) on the financial irregularities in connection with the jobs awarded to M/s Packwell & Co. which revealed that the firm had raised inflated claims and charged for services not quoted or for items which formed part of the service quoted. The overpayments involved were in the nature of extra handling charges, packing material and agency charges. FAHA had taken advantage of the lack of proper specifications and clarity, absence of formal agreement containing terms and conditions including penalty clause and non-verification of rates quoted by the firm with prevailing market rates. The inquiry committee confirmed the financial irregularities as pointed out by audit (June 2005) and found that overpayment amounting to Rs. 50.48 lakh were made to FAHA.

The Director General, Museum while forwarding the findings of the inquiry committee to the Ministry, recommended (August 2005 and January 2006) that recoveries be affected from the FAHA and the agency be black listed after obtaining advice from the Ministry of Law.

In response to the audit observation, the Ministry stated (September 2006) that on the basis of preliminary investigation, action had been initiated against the erring officers. As regards overpayments made to FAHA, Ministry stated that action would be taken against it in consultation with the Ministry of Law.

4.2 Injudicious action leading to wasteful expenditure

Injudicious action of the National Museum (NM) in placing a work order for fabrication of wooden boxes for an exhibition proposed to be held in Brazil in March 2005 even before signing of the Memorandum of Understanding and in transporting art objects in June 2003 from the Assam State Museum for display in the proposed Assam Gallery of the NM which was ultimately not set up, resulted in wasteful expenditure of Rs. 33.45 lakh.

The National Museum (NM), New Delhi has been functioning as a subordinate office under the Ministry of Tourism and Culture (Ministry) since 1960. One of the main activities of the NM is to organise exhibitions of art objects in and outside India.

Audit scrutiny (June 2005) of the records of the NM revealed wasteful expenditure of Rs. 33.45 lakh in the following two cases:

(a) Fabrication of boxes for the Exhibition in Brazil

On the suggestion of the Ambassador of India in Brazil (April 2003), the Government of India, Department of Culture (now Ministry of Tourism and Culture) agreed (March 2004) to organise an exhibition titled 'Eternal India' in March 2005 in collaboration with 'BRASILCONNECT', a private non-profit organisation of Brazil. The NM was designated (June 2004) as the nodal agency for the proposed exhibition. Before the Memorandum of Understanding (MOU) could be signed, the Ambassador of India in Brazil intimated on 17 November 2004 that since the President of 'BRASILCONNECT' was involved in a banking scam, it was no longer a desirable partner for the exhibition. Accordingly the Ministry called off the exhibition in December 2004. Meanwhile, the Museum placed a work order on 17 November 2004 for fabrication of 165 wooden boxes of various sizes at a cost of Rs. 19.15 lakh. The boxes were received in February 2005 and the full cost of boxes (excluding the cost of inside packing material) amounting to Rs. 18.62 lakh was paid in March 2005. These had not been used so far in any other exhibition.

Thus, placing of work order prematurely for fabrication of boxes even before the MOU was signed with the 'BRASILCONNECT' resulted in wasteful expenditure of Rs. 18.62 lakh. There was a delay of almost a month on the part of the Ministry in calling off the exhibition. The NM even after knowing on the 27 December 2004 that the exhibition had been called off, took no measures to stop fabrication of boxes.

On the matter being pointed out in Audit in June 2005, the NM constituted a committee in the same month to examine the issues. The committee concluded that

- At the time of placing the work order, there were no compelling reasons or exigencies that demanded such urgency.
- The file had been altered and a reasonable doubt arose that the work order was placed at a time when it was amply clear that the Brazil exhibition was not on, or at least it would not be held in March 2005.
- Initial action for processing bills for payment was started even before receipt of the boxes in NM. Appropriate amounts had not been deducted from the bills towards the cost of packing material and packing services.

- The boxes supplied were not of the required specification and quality. There was also uncertainty about the quantity of boxes received.

In response to audit observation the Ministry stated (September 2006) that show cause notice had been issued against the concerned officials and further action would be taken on receipt of their explanations.

(b) Transportation of art objects from Assam

On a request (May 2000) from the Union Minister of State for Water Resources for establishing a gallery in the NM for displaying the art and culture of the North-Eastern region, the Ministry agreed in principle and requested the NM to prepare a concept note for this gallery. Subsequently, in June 2001, the Ministry in consultation with the NM decided to drop the idea of establishing the North-East gallery due to space constraints. Audit revealed that the NM without any fresh proposal and approval of the Ministry, requested (April 2003) the Directorate of Museum, Assam Government to send a list of selected objects for display in the proposed Assam gallery in NM. In all, 80 objects were transported in June 2003 at a cost of Rs. 14.83 lakh to the NM. These objects have not been displayed as of April 2006 and are lying in the store since their receipt.

Thus, NM incurred wasteful expenditure of Rs. 14.83 lakh on transporting the art objects from Assam. There is also a risk of the objects getting damaged due to prolonged storage for around three years without proper display.

On the matter being pointed out in audit in June 2005, the NM while admitting (April 2006) that there was no proposal under consideration for establishing region-wise galleries, confirmed that the objects had not been displayed.

Injudicious action of the NM thus resulted in wasteful expenditure of Rs. 33.45 lakh (Rs. 18.62 lakh + Rs. 14.83 lakh) in the above two cases.

The matter was referred to the Ministry in July 2006; their reply was awaited as of December 2006 despite a reminder.

CHAPTER V: MINISTRY OF EARTH SCIENCES

India Meteorology Department

5.1 Wasteful expenditure

Director General Meteorology procured low expansion alloy 43 PH against their requirement of precision-C (Ni-span). The alloy was found unsuitable for the intended purpose and was lying unused since May 2002 resulting in wasteful expenditure of Rs. 33.08 lakh.

On the basis of an indent placed by Deputy Director General of Meteorology (Upper Air Instruments) New Delhi, Director General Meteorological (DG) invited tenders from five firms in March 2001 for supply of 400 kg of precision-C (Ni span). Out of three quotations received, M/s. Knight Strips Metals Limited, England (firm) was the lowest tenderer and, therefore, DG placed the order on the firm for supply of 500 kg Ni-span sheets at the rate of GBP 71.9 per kg.

After the order was placed, the indenter informed DG in April 2001 that the firm on whom the order was placed was neither the manufacturer of the item nor had supplied it in the past and requested that the firm be asked to produce an authorisation certificate for supply of Precision-C alloy from the manufacturer before opening the letter of credit. DG requested the firm in April 2001 to produce the certificate, in reply to which the firm intimated in May 2001 that they could supply low expansion alloy 43 PH which was equivalent to Precision-C in cold rolled annealed condition. It further stated that the requisite certificate regarding composition of the alloy would be supplied along with the material. Instead of cancelling the purchase order, DG opened a letter of credit for GBP¹ 35950 equivalent to Rs. 25.16 lakh, in August 2001 in favour of the firm.

The firm supplied 379 kg of alloy 43 PH in May 2002 for which an amount of Rs. 18.99 lakh, being 90 per cent of the cost of material, was paid to the firm through the letter of credit. In addition, Rs. 14.09 lakh was also paid towards custom duty. The material was tested by the indenter in July 2002 who found that the material was not conforming to the specifications and therefore, rejected the supplies. DG took up the matter with the firm in September 2002 for replacement of the rejected material. The firm refused (November 2002) to

¹ Great Britain Pound

replace the material stating that it had supplied the material as per the specifications indicated in their quotation.

Thus, despite reservations expressed by the indenter and clear intimation of the firm that they could supply only low expansion alloy 43 PH, DG failed to verify whether the material offered by the firm was suitable for the user requirement, with the result that the material was lying unused since its purchase and no action could be taken against the firm.

Department stated (August 2005) that it was pursuing the matter for getting the replacement of the defective stock. It also stated that Defence Metallurgical Research Laboratory (DMRL), Hyderabad would be conducting further studies on the material to explore the feasibility of its use for the intended application. Later the Department intimated (June 2006) that DMRL had concluded that the material could not be used for intended purpose and a departmental enquiry had been started in February 2006 and the report was awaited.

The reply of the Department confirms the audit contention that the material was accepted without prior verification of its suitability for the intended purpose. Thus, DG failed to assess the suitability of technical specification of the material resulting in wasteful expenditure of Rs. 33.08 lakh.

The matter was referred to Ministry in July 2006; their reply was awaited as of December 2006.

CHAPTER VI : MINISTRY OF ENVIRONMENT AND FOREST

6.1 Excess expenditure on power consumption

Failure of Tropical Forest Research Institute to take corrective action to reduce the demand for power not actually required by them resulted in excess expenditure of Rs. 20.39 lakh (March 1997 to May 2006) on the power consumption.

Tropical Forest Research Institute (TFRI), Jabalpur (erstwhile Institute of Deciduous Forests), an autonomous body under the Ministry of Environment and Forests, entered into an agreement with Madhya Pradesh Electricity Board (MPEB) in September 1992 for supply of 250 KVA electricity for the office-cum-laboratory building for a period of two years and on continued basis thereafter unless terminated by giving a three months notice. As per MPEB tariff schedule, the billing demand for a month was to be the actual maximum demand recorded during the month or 75 per cent of the contract demand whichever was higher.

Audit examination disclosed (March 2005) that though the monthly consumption of electricity from March 1997 to December 1998 ranged between 62.4 KVA and 169.6 KVA and never reached the contracted demand, TFRI requested MPEB in January 1999 to enhance the contract demand from 250 KVA to 400 KVA in view of construction of new buildings. The contract demand was accordingly revised upwards to 400 KVA with effect from July 2000. Review of consumption of electricity from July 2000 to November 2005 by Audit revealed that TFRI registered a maximum demand between 106.03 KVA and 220 KVA against the contract demand of 400 KVA. Though TFRI was registering less demand, it was paying for 188 KVA from March 1997 to June 2000 (except in May 2000) and 300 KVA from July 2000 to February 2005 being 75 per cent of the contract demand.

On this being pointed out by Audit in March 2005, TFRI requested MPEB in July 2005 to reduce the contract demand from 400 KVA to 250 KVA and MPEB accordingly reduced the contract demand to 250 KVA from June 2006. In the meantime, TFRI incurred excess expenditure of Rs. 20.39 lakh¹ on account of demand not actually utilised.

¹ Rs. 3.07 lakh for the period March 1997 to June 2000 and Rs. 17.32 lakh for the period July 2000 to June 2006.

The Ministry stated in September 2006 that enhancement of contract demand from 250 KVA to 400 KVA was as per the estimates of MPEB and therefore, it would not be appropriate to fault TFRI on this count. The reply of the Ministry was not tenable as the actual demand was always much less than the contracted demand and therefore, TFRI should have reviewed and approached MPEB in time for downward revision of the contract demand. The contract demand was reduced only at the instance of Audit in June 2006 i.e. after a lapse of six years from the enhancement of the contract demand.

Thus failure of TFRI to take timely corrective action to reduce the demand for power resulted in excess expenditure of Rs. 20.39 lakh on power consumption during March 1997 to May 2006.

CHAPTER VII: MINISTRY OF EXTERNAL AFFAIRS

7.1 Non-adherence to norms for purchase, hiring, repair and maintenance of buildings and residential accommodation

Slackness of the Ministry/Mission at Chicago in acquiring property for residential purpose led to an avoidable expenditure of Rs. 2.48 crore during October 1999 to February 2004. In disregard of the rules, Missions at Bangkok, Beijing, Ho Chi Minh City, Kathmandu and Mahe hired residential accommodation for their officers/staff far in excess of the prescribed plinth area norms resulting in irregular expenditure of Rs. 2.67 crore during 2001-05. Indian Missions at Johannesburg and Pretoria in disregard of Ministry's rules and delegated powers paid rent of residential accommodation in excess of the prescribed ceiling without the approval of the Ministry resulting in unauthorised expenditure of Rs. 31.21 lakh during September 2002 to March 2006. Indian Missions at Mahe, Riyadh and Colombo incurred expenditure on repairs/renovation and maintenance of Government owned buildings/residences of staff in violation of the delegation of financial powers resulting in unauthorised expenditure of Rs. 1.39 crore during 2002-06.

Audit examination of the records of the Ministry and Missions revealed various deficiencies in the purchase, hiring, repair and maintenance of properties for Indian Missions abroad which are discussed in the succeeding paragraphs:

7.1.1 Consulate General of India, Chicago

The Consul General (CG) in the Embassy of India at Chicago had been staying in a rented accommodation since the opening of the Mission in 1976. In view of high rentals and space constraints in the rented accommodations, the Ministry had been considering purchase of accommodation for CG's residence since December 1996. A property team led by senior officers from Ministry of Finance and Ministry of External Affairs visited Chicago in February 1999 and recommended purchase of a property at a price of US\$ 1.5 million. Although the Committee on Non-Plan Expenditure (CNE) approved purchase of the said property in April 1999, yet the purchase could not materialise as the vendor backed out of the deal stating that the deadline for closing the transaction had lapsed. Subsequently, CNE approved (June 2002) purchase of the property which was being used as the CG's residence since October 1999 at a price of US\$ 1.7 million including the cost of renovation. The Ministry/Mission, however, took more than 1½ years in settling the issues like sale deed, purchase agreement and re-modeling of kitchen etc. and the

property could be finally purchased in February 2004 at a cost of US\$1.65 million (Rs. 7.26 crore), excluding the cost of renovation.

Had the Ministry taken timely action to purchase the property identified in February 1999 it could have saved US\$ 0.15 million (Rs. 0.66 crore), besides rent liabilities of US\$ 0.41 million (Rs. 1.82 crore) for the period from October 1999 to February 2004.

In response, the Ministry stated (February 2007) that the transaction could not be completed within the stipulated period due to procedural steps needed to finalise the terms of the sale deed with the owner. The reply is not tenable because following due procedure for purchase was part of the job and the Ministry should have monitored the purchase effectively to minimise the procedural delays.

7.1.2 Indian Foreign Service PLCA) Rules prescribe plinth area norms for construction of residential buildings for India-based officers and staff abroad. The said rule also provides that the Missions should make efforts to ensure that the plinth area of the rented property does not vary significantly from the norms prescribed for construction.

Audit, however, noticed (June-August 2004 and May-July 2005) that the Missions at Bangkok, Beijing, Ho Chi Min City, Kathmandu and Mahe hired residential accommodation for officers/staff which exceeded the prescribed norms significantly ranging between 20 and 141 *per cent* resulting in irregular expenditure of Rs. 2.67 crore (worked out on a proportionate basis for the extra space) during 2001-2005.

On the matter being pointed out in audit, the Ministry on the one hand stated (April 2006) that the plinth area norms had been prescribed only for construction purposes and not for rented property and on the other admitted that Missions/Posts had to ensure that the plinth area of rented property did not vary significantly with the norms prescribed for construction. The first part of the reply is not tenable as the rule clearly states that the accommodation hired by the Missions should not exceed the prescribed norms for construction as also admitted by the Ministry in the second part of its reply. Further, the Ministry had itself advised (October 1998) all the Missions/Posts that the plinth area norms fixed by it should be treated as maximum beyond which no accommodation should be leased by the Mission even on the grounds of non-availability of adequate area for representational obligations, since this aspect had already been taken into account while revising the norms.

7.1.3 Audit noticed (June 2005) that Indian Missions at Johannesburg and Pretoria in disregard of rules and delegated powers, paid rent of residential

accommodation at rates higher than the prescribed ceiling without approval of the Ministry resulting in unauthorized expenditure of Rs. 31.21 lakh during September 2002 to March 2006.

On the matter being pointed out in audit, while the Mission at Johannesburg admitted (February 2006) that it had committed the irregularity due to misinterpretation of rules, the Mission at Pretoria stated that since rental ceilings had not been fixed by the Ministry, it had been following the same rental ceiling as applicable in the case of Johannesburg. It further stated that the matter regarding revision of rental ceiling for all the four stations of South Africa (including Johannesburg) had been referred to the Ministry. The reply is not tenable as in cases where rental ceiling had not been fixed by the Ministry, the Head of Mission could incur expenditure upto US \$ 920 per month only as per delegation of powers.

The matter was referred to the Ministry in May 2006; its reply was awaited as of December 2006 despite reminders.

7.1.4 The Heads of Missions have been delegated powers vide item no. 4(a) of the Schedule of Financial Powers of Government of India Representatives Abroad to incur expenditure on repairs and maintenance of government owned buildings/property. According to this delegation, the Heads of Missions can incur expenditure upto a maximum of US \$ 19270 *per annum* on this account for Chancery, US \$ 11560 *per annum* for Embassy residence, US \$ 4620 *per annum* for independent villas of Representational Grade Officers (RGOs) and US \$ 2310 *per annum* for residences of staff members. According to the note below item no. 4, proposals relating to major structural repairs and renovation have to be referred to the Ministry for prior approval.

Audit examination of the records of three Missions revealed (May–June 2006) that they had violated their delegated financial powers and incurred an unauthorised expenditure of Rs. 1.39 crore on repairs and maintenance of buildings /residences as indicated below:

Mission at Mahe

The Mission awarded (March 2005) the work of renovation and repairs of office building and residential complex involving major structural changes to a contractor at the cost of US \$ 0.252 million equivalent to Rs. 1.11 crore without obtaining the approval of the Ministry. It approached the Ministry in March 2005 for ex-post-facto approval which had not been accorded as of June 2006. In the meantime, the Mission had made payment of US \$ 0.192 million equivalent to Rs. 84.22 lakh to the contractor upto August 2005 and 90 *per cent* of the work had been completed. Thereafter, work had been stopped

on the request of the Government of Seychelles as they were looking into the complaint of a neighbour filed against the Mission on account of right of way.

Thus, violation of the delegated financial powers by the Mission resulted in incurring of unauthorised expenditure of Rs. 84.22 lakh during 2004-06.

Mission at Riyadh

According to the delegated financial powers the Mission could incur total expenditure of US \$ 146330 *per annum* equivalent to Rs. 70.31 lakh and Rs. 66.54 lakh during 2002-03 and 2003-04 respectively on repairs and maintenance of the entire property (including 9 villas of RGOs and 32 residences of staff). In addition to this, the Ministry had approved expenditure of Rs. 50 lakh and Rs. 47.56 lakh on account of cleaning contract, landscape contract and electro-mechanical contract during 2002-03 and 2003-04 respectively. As such, the Mission could incur total expenditure of Rs. 1.20 crore and Rs. 1.14 crore during 2002-03 and 2003-04 against which it had spent Rs. 1.36 crore and Rs. 1.28 crore respectively. By not restricting the expenditure within its delegated financial powers, the Mission incurred unauthorised expenditure of Rs. 30.00 lakh during 2002-04.

Mission at Colombo

The Mission without obtaining the approval of the Ministry for undertaking renovation of the Chancery building and staff quarters involving major structural changes (waterproofing of RCC slab areas and protective coating of the exterior walls etc.) allotted (March 2005) the work to a contractor at a cost of SL Rs. 58.22 lakh equivalent to Rs. 25.34 lakh. The work was completed in January 2006 and total payment of Rs. 24.89 lakh was made to the contractor upto January 2006. It was only after incurring expenditure of Rs. 19.27 lakh that the Mission approached (August 2005) the Ministry for according of ex-post-facto approval. In response, the Ministry observed (November 2005) that exceeding the delegated financial powers without its formal sanction was objectionable. The Ministry's approval was awaited as of October 2006.

Thus, violation of the delegated financial powers by the Mission resulted in incurring of unauthorised expenditure of Rs. 24.89 lakh.

Ministry stated (December 2006) that it was ascertaining full details from the concerned Missions and after receiving further clarification, the possibility of regularising the unauthorised expenditure would be examined.

The above cases indicate weak and ineffective expenditure control and monitoring in the Missions abroad. The Ministry needs to fix responsibility for violation of its instructions by the above Missions.

7.2 Unauthorised expenditure on engagement of contingency paid staff

The Missions and Posts abroad continued to employ staff paid from contingencies and local staff in disregard of the rules and instructions of the Ministry governing the employment of locally recruited staff resulting in unauthorised expenditure of Rs. 4.67 crore.

In terms of rule 6 of General Financial Rules, no authority may incur any expenditure or enter into any liability involving expenditure on government account unless such expenditure has been sanctioned by general or special orders of the government or by any authority to which power has been delegated in this 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 No. 12 of Schedule I of the Financial Powers of the Government of India's Representatives Abroad provides that the Heads of Missions and Posts (HOM/HOP) may employ only (Class IV) staff paid from contingencies for work of casual nature. It forbids employing staff paid from contingencies for work of a regular nature or against vacant posts borne on the regular establishment.

Orders issued from time to time by the Ministry place the following further restrictions on their employment:

- they should not be employed for over six months;
- they should be paid wages equal to one-thirtieth of the minimum of the scale of pay prescribed for the corresponding local posts for each day of their engagement; and
- they shall not be entitled to any earned leave, bonus, increments and adjustments based on the cost of living index.

Successive Reports¹ of the Comptroller and Auditor General of India have highlighted disregard of Schedule I of Financial Powers and Ministry's instructions by various Mission and Posts. In its Action Taken Notes furnished in January 2001, May 2002 and December 2004, the Ministry stated

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

that instructions had been issued to the Missions and Posts emphasising the need to adhere to the rules and regulations, failing which responsibility would be fixed on errant officers.

Audit scrutiny, however, revealed that despite earlier audit observations and the instructions issued by the Ministry, the Missions at Riyadh, Dubai, Johannesburg, Bahrain, Tunis, Luanda, Jeddah, Lagos, Gaborone, Pretoria, Lusaka and Manila, Kyiv, Athens, Birmingham, Belgrade and The Hague continued to disregard the rules and instructions and employed staff paid from contingencies unauthorisedly for work of a regular nature for prolonged periods and paid them higher wages without the approval of the Ministry. This resulted in unauthorised expenditure of Rs. 4.67 crore as detailed in Annexure- A.

Ministry stated (August 2006) that the Missions at Dubai, Johannesburg, Tunis, Jeddah and Lagos had been asked to submit the details of expenditure incurred by them in order to regularise the expenditure and the Mission at Luanda had been reminded to expedite its reply. In respect of the Mission at Bahrain, Pretoria and Lusaka, Ministry stated that its Property-I Section had been requested to take necessary action. It added that the expenditure in respect of Gaborone was being regularised and Consular, Passport and Visa (CPV) Section and Creation and Continuation of Posts (CCP) Division of the Ministry had been requested to take necessary action in respect of the Missions at Riyadh and Manila respectively. Ministry further stated (November 2006) that the Missions at Kyiv, Birmingham, Belgrade and The Hague (except Athens) have brought the matter to its notice and sought its permission for sanction of additional staff. It also added that the matter has been taken up with different divisions/sections of the Ministry.

The Ministry may fix responsibility for violation of its orders. Granting post-facto approval by the Ministry in a routine manner will only promote unauthorised action by the Missions.

7.3 Unauthorised expenditure on purchase of stationery

Violation of the limits placed on delegated powers by 17 Missions resulted in unauthorised expenditure of Rs. 1.57 crore on purchase of stationery.

According to item no. 26 of Schedule I of the Financial Powers of the Government of India's Representatives Abroad, Heads of Missions other than in USA and UK were permitted to incur expenditure on purchase of stationery,

stores and printing articles upto a maximum of US\$ 3850* with effect from 2001-02.

Test check of records in 17 missions revealed that during 2002-03 to 2005-06 these missions had incurred an unauthorised expenditure of Rs. 1.57 crore on stationery in excess of the delegated powers as detailed in the Annexure-B. The excess expenditure was abnormally high in EI Riyadh, HCI Colombo and HCI Dhaka in comparison to other missions. EI Riyadh incurred expenditure on purchase of stationery ranging between Rs. 10.26 lakh to Rs. 23.50 lakh as against the delegated powers of Rs. 1.72 lakh to Rs. 1.85 lakh during last four years (2002-06).

In response to the audit observation the Ministry stated (November 2006) that the excess expenditure incurred by the Missions at Male and Bangkok had been regularised. It further stated that the requisite information/clarification was awaited from the remaining 15 Missions who had been asked to expedite their response. The cases indicate the need for the Ministry to control extravagant use of stationery, fix appropriate limits and enforce them strictly. Regularisation of excess expenditure in a routine manner only would encourage financial profligacy.

7.4 Non-recovery of inadmissible items under Children Education Allowance

The Missions at Islamabad, Yangon and Bangkok failed to recover Capital Fee/English as Second Language Fee included in the tuition fee charged by the schools and borne by the government resulting in Rs. 57.68 lakh remaining outstanding against 30 officials of these Missions for 2 to 3 years.

According to Annexure VII of Indian Foreign Service (Pay, Leave, Compensatory Allowances) [IFS (PLCA)] Rules, the Government of India is liable to pay school/tuition fee, admission fee, registration fee, examination fee, lab/science fee and computer fee for the education of the children of India-based officials posted in missions/posts abroad. The reimbursement of capital fee or payment to building fund and English as Second Language (ESL) Fee is admissible only with the prior approval of the Ministry.

* Equivalent to Rs. 1,84,993 in 2002-03, Rs. 1,75,060 in 2003-04, Rs. 1,69,554 in 2004-05, Rs. 1,71,787 in 2005-06 taking exchange rates of March 2003, 2004, 2005 and 2006 respectively.

Audit, however, noticed (May-June 2006) that three Missions did not recover Rs. 57.68 lakh from 30 officials on account of Capital Fee/ESL Fee included in the tuition fee borne by the government as detailed below:

(Rupees in lakh)

Sl. No	Name of the Mission/ Post	Period	Total recoverable amount		No. of officials
			Local currency	Indian Rupees	
1.	EI, Islamabad	April 2004 to March 2006	US\$ 74580*	32.85	19
2.	EI, Yangon	September 2004 to September 2005	US\$ 24000*	10.57	4
3.	EI, Bangkok	April 2003 to March 2006	Baht 1252260 [®]	14.26	7
			Total	57.68	30

Ministry stated (October 2006) that it had regularised the Capital Assessment Fee in respect of Embassy of India, Yangon. It further stated that the case of Embassy of India, Bangkok was under the process of regularisation and the Embassy of India, Islamabad had been advised to send a detailed proposal for regularizing the expenditure. It added that all the three Missions had been strongly advised not to incur expenditure without proper approval from the Ministry in respect of inadmissible items under Children Education Allowance. The action of the Ministry in 'regularising' the irregularity instead of recovering the amounts from the concerned officers in terms of the extant rules would only encourage financial indiscipline among the Missions. The Ministry may effect the necessary recoveries and fix responsibility for such lapses to avoid recurrence of such cases.

7.5 Irregular expenditure on cellular phones

Seven Indian Missions purchased cellular phones for use by the non-entitled officials and incurred recurring expenditure on rentals, call charges etc. in violation of the instructions of the Ministry resulting in irregular expenditure of Rs. 1.22 crore during 2000-06.

The Government of India (Ministry of Finance) allowed the facility of cellular phones to the Secretaries in January 2003 and to Joint Secretaries in January 2004 subject to a monthly ceiling of expenditure of Rs. 1500 and Rs. 500 respectively on rental and call charges.

Audit noticed that the following seven Missions either provided cellular phones to non-entitled officials or purchased the phones without approval of

* At the official exchange rate of 1 US\$ = Rs. 44.04 prevailing in March 2005.

[®] Equivalent to average rate of 1 Re = 0.878 Bhat.

the Ministry. The irregular expenditure on the purchase of such phones and on the rentals and call charges are detailed below:

(Rupees in lakh)

Sl. no.	Name of the Mission	Expenditure	Period	Nature of irregularity
1.	Dhaka	2.21	2004-06	17 cell phones (including 9 for chauffeurs) were provided to non-entitled officials.
2.	Islamabad	5.80	2004-06	Against 12 cell phones sanctioned by the Ministry, the Mission was operating 26 cell phones.
3.	Kobe	5.15	2001-06	One cell phone was purchased without the approval of the Ministry.
4.	Riyadh	17.22	2001-05	12 cell phones were provided to non-entitled officials.
5.	Tokyo	2.42	2005-06	5 cell phones were provided to non-entitled officials
6.	London	83.93	2000-05	Call charges and rentals on 38 cell phones obtained free of cost from the service providers without approval of the Ministry.
7.	Paris	5.21	2004-05	Call charges and rentals on 11 cell phones purchased without approval of the Ministry.
	Total	121.94		

Non-observance of the Ministry's clear instructions on cell phones resulted in irregular expenditure of Rs. 1.22 crore during 2000-06.

Ministry stated (October 2006) that though in most of the cases highlighted by audit, the concerned Missions/Posts had approached it for ex-post facto regularisation, but the proposals could not be processed as the Ministry of Finance had advised (December 2003) to keep the proposals for ex-post facto sanction on hold till the Ministry formulated a policy on providing of cell phones to the Missions/Posts abroad. It added that it was virtually impossible for the officers to function smoothly and efficiently without the facility of cell phones in the present day work culture all over the world. The fact, however, remains that the Ministry has failed to formulate a policy even after three years of having been advised by the Ministry of Finance which resulted in continued violation of its instructions by the Missions/Posts abroad. Ex-post facto regularisation of expenditure on use of cellular phones by non-entitled officials or beyond the limits prescribed by the Ministry for entitled officials would only further erode financial discipline.

7.6 Unrealised VAT refunds

Inadequate monitoring and pursuance of claims for VAT refunds in five Missions/ Posts led to Rs. 0.97 crore remaining unrealised.

Diplomatic Missions/Posts abroad are entitled to refund of Value Added Tax (VAT) paid on expenditure incurred on running and maintenance of the Missions/Posts. The Missions/Posts were required to maintain records to

identify the amounts of VAT paid that were eligible for refund, file claims in time, pursue rejected claims and match the refunds received with the claim filed.

Audit examination of five Missions/Posts for the period April 2001 to April 2006 revealed that improper filing, inadequate monitoring and pursuance of VAT refund claims led to non-realisation of Rs. 0.97 crore, as detailed in the Table below:-

(Rupees in crore)

Sl. No	Mission/Post	Period	Amount	Remarks
1.	Embassy of India, Kathmandu	April 2004 to April 2006	0.37	Claim was filed but not pursued.
2.	Consulate General of India, Chiangmai, Thailand	April 2003 to March 2006	0.01	Claim was not filed
3.	High Commission of India, Dar-es-Salaam	April 2004 to March 2006	0.06	Claim was filed but not pursued.
4.	Consulate General of India, Durban	April 2001 to November 2005	0.52	Claim was filed but not pursued.
5.	Embassy of India, Algiers	November 2005 to February 2006	0.01	Claim was not filed
		Total	0.97	

On the matter being pointed out in audit, the Mission at Dar-es-Salaam stated (May 2006) that efforts were being made for expeditious refund of VAT. The Mission at Algiers stated that it had noted the audit observation and had started claiming refund of VAT.

The matter was referred to the Ministry in July 2006; its reply was awaited as of December 2006 despite reminders.

7.7 Irregular payment of Composite Transfer Grant

In contravention of Government of India orders and its own rules, the Ministry paid Composite Transfer Grant equivalent to one month's basic pay to the officials selected on temporary deputation of 2 to 3 months during the annual Haj pilgrimage resulting in irregular payment of Rs. 93.61 lakh during 2003-05. Further, the Ministry instead of recovering the overpaid amount accorded ex-post-facto sanction to incurring of expenditure which was also highly irregular.

According to the Travelling Allowance (TA) Rules as amended from 1 October 1997 and incorporated by the Ministry as Annexure XV of the Indian Foreign Service (PLCA) Rules 1961, Composite Transfer Grant equivalent to one month's basic pay plus dearness pay is payable to a government servant for incurring expenditure among other things on the breaking up of his/her establishment at the station from which he/she is transferred and on setting up a household at the station to which he/she has been transferred.

Audit noticed (June 2005) that the Ministry selects Doctors/Assistants, Haj Officers, Haj Assistants etc. for "temporary deputation" of 2-3 months to the Consulate General of India, Jeddah every year during annual Haj pilgrimage. The selected officials are not allowed to take with them any of their family members including spouse even at their own cost. Thus, there is no change of residence or breaking up of establishment involved and, therefore, the selected officials in these cases are not entitled to payment of any Composite Transfer Grant under TA Rules. It was, however, observed that contrary to the rules, the Ministry paid Composite Transfer Grant equivalent to one month's basic pay to these officials which resulted in irregular payment of Rs. 93.61 lakh during 2003-05.

On the matter being pointed out in audit, the Ministry has discontinued (March 2006) the payment of Composite Transfer Grant to the medical and other deputationists sent to Jeddah for Haj from the year 2006. The Ministry should take immediate steps to recover the composite grant that was irregularly paid in the earlier years including the period mentioned above.

The Ministry further stated (November 2006 and January 2007) that the competent authority Additional Secretary (Financial Advisor) has accorded ex-post facto approval to incurring of expenditure on payment of Composite Transfer Grant to the officials selected for Haj during 2003-05. The reply is not tenable as according to Government of India's Decision no. 1 below Rule 17 of the Delegation of Financial Powers Rules, every overpayment of money to a public servant has to be regarded as a debt owed to the public and all possible action has to be taken to recover it. In exceptional cases only where recovery is not possible, the overpayments can be waived of by the appropriate authority. In the present case, however, no such action was taken by the Ministry. On the contrary the Ministry stated (January 2007) that the personnel involved are spread all over the country and belong to different organisations. It also stated that no data base exists to show present deployment of those persons who were on deputation during those years. It is difficult to accept the argument that records of the personnel selected for deputation are not available or that they cannot be reconstructed. The action of the Ministry to accord ex-post facto approval in this case needs to be reversed.

7.8 Deficient internal control mechanism

Non-institution of effective internal control mechanism in the Ministry/Mission of Thimpu resulted in excess release of Rs. 6.57 crore to the Royal Government of Bhutan for a power project. The Ministry also made double remittance of Rs. 67.99 crore to the Mission for the same purpose and excess release of Rs. 22.99 crore for another purpose. These instances resulted in loss of interest of Rs. 58.00 lakh computed at the borrowing rate of the Union Government.

Government of India has been providing financial assistance to the Royal Government of Bhutan (RGOB) in various developmental sectors including power. In order to meet the growing demand of power in Lhuentse dzongkhag and improve reliability of the electric supply, construction of 132 KV Single Circuit Transmission Line from Kilikhar to Lhuentse was taken up in November 2000 at an estimated cost of NU 225.367 million equivalent to Rs. 22.54 crore. The Ministry released the funds for the project through its Mission at Thimpu. While releasing the funds, the Ministry directed the Mission to release the funds to RGOB only after obtaining utilisation certificate for earlier releases.

Audit noticed (July 2005) that RGOB had completed the project in December 2003 at a total cost of Rs. 15.96 crore against which the Mission had released Rs. 13.37 crore upto October 2003. Thus, balance assistance of Rs. 2.59 crore was payable to RGOB. However, the Ministry released (January 2004) Rs. 9.16 crore to the Mission which released it to the RGOB on 10 February 2004 resulting in excess release of Rs. 6.57 crore. This fund remained outside the government account for a period of over one year with consequential loss of interest of Rs. 58.00 lakh computed at the borrowing rate of 8.8 (during 2003-04) and 8.4 *per cent* (during 2004-05) of the Union Government. It was then decided to utilise the excess amount for any of the approved Ninth Plan Government of India assisted projects in the power sector where initially agreed funds were not sufficient. Finally, it was only in March 2005 that the First Project Monitoring Committee in its meeting approved diversion of the excess released funds of Rs. 6.57 crore to three other power projects financed by the Government of India.

On the matter being pointed out in audit, the Mission admitted (November 2005) that though the project was completed in December 2003, excess release of funds came to notice only in December 2004 during the Plan talks. This confirms that the funds were released by the Ministry/Mission without keeping any watch over the physical/financial progress of the project.

Audit also noticed that there was no effective control mechanism in the Ministry to ensure that there was no double remittance to the mission or that funds were not released in excess of actual requirement. A test check of records revealed that on three occasions (16 November 2004, 31 December 2004 and 1 April 2005) the Ministry released Rs. 25.09 crore, Rs. 64.12 crore and Rs. 3.87 crore to the Mission second time for the same purpose. While the Mission refunded the entire double remittance of Rs. 64.12 crore and Rs. 3.87 crore on 11 January 2005 and 11 May 2005 respectively, it retained Rs. 2.10 crore out of double remittance of Rs. 25.09 crore for its urgent needs and refunded the balance excess amount of Rs. 22.99 crore to the Ministry on 3 December 2004. On the matter being pointed out in audit, the Mission stated (November 2005) that it had not asked for the remittances and these were made by the Ministry without any demand.

The Ministry stated (July 2006) that it had released funds with the approval of its Internal Finance Division keeping in view the total cost of the project. Regarding double remittances the Ministry stated that it had noted the audit observation to further streamline the control mechanism to avoid recurrence of double remittances. The fact, therefore, remains that non-existence of any control mechanism to monitor the physical/financial progress of the project and deficient internal control mechanism led to excess release of funds to RGOB and double remittances to the Mission.

7.9 Recovery at the instance of audit

Failure of the Missions/Posts abroad to observe rules and procedures regarding payments of pay and allowances etc. to their employees resulted in overpayment of Rs. 36.14 lakh by 42 Missions in 104 cases which was recovered at the instance of audit during 2004-06.

Audit examination of the records of various Indian Missions/Posts abroad revealed that the Missions violated the prescribed rules and procedures resulting in overpayment of pay and allowances, children education allowance, travelling allowance and other miscellaneous payments to their employees. At the instance of audit 42 Missions/Posts recovered the overpayment of Rs. 36.14 lakh in 104 cases during 2004-06.

The Ministry stated (October 2006) that it had instructed all the Missions/Posts abroad to strictly observe the prescribed rules and procedures in financial matters and not to make overpayments to their officials. The Missions were also asked to guard against overpayments of any kind and follow the rules and procedures in letter and spirit. The fact, however, remains that the Missions/Posts abroad persistently violate prescribed rules and

procedures despite earlier audit observations. The Ministry may fix responsibility to act as a deterrent against recurrence of such overpayments.

7.10 Irregular expenditure

The Ministry violated the ceiling fixed by the Government of India for providing furniture, furnishings and electrical appliances at the office and residence of the Union Minister of State and incurred irregular expenditure of Rs. 30.84 lakh during 2002-04.

The Government of India (Ministry of Finance) enhanced (June 1997) the existing ceiling of Rs. 0.45 lakh on expenditure on providing furniture and furnishings at the offices of the Union Ministers (all categories) and office portion of their residences during their entire tenure or for a period of five years to Rs. 1.00 lakh each. Further, the Government of India (Ministry of Home Affairs) prescribed (May 2004) a ceiling of Rs. 2.00 lakh for providing rent-free furniture and electrical appliances in the residence of a Union Minister of State. Thus, taking the two orders together, a Union Minister of State is entitled to furniture, furnishings and electrical appliances upto the value of Rs. 4.00 lakh only.

Audit examination of the records revealed (January 2006) that while providing furniture, furnishings and electrical appliances to two Union Ministers of State at their offices and residences, the Ministry incurred total expenditure of Rs. 38.84 lakh (Rs. 24.12 lakh and Rs. 14.72 lakh) on these items during 2002-04 against the permissible limit of Rs. 8.00 lakh. Consequently, the expenditure of Rs. 30.84 lakh incurred by the Ministry over and above the prescribed ceiling was irregular.

On the matter being pointed out in audit, the Ministry stated (April 2006) that the expenditure had been incurred over the prescribed limits in view of the functional requirement of the post taking into account the official responsibilities of receiving and entertaining diplomats and foreign dignitaries at the Ministers' offices as well as their residences. It also stated that the items of furniture/equipment supplied to the Ministers also included items supplied to their personal staff. It added that since the expenditure incurred was on movable items of furniture, which were subsequently used by their successors or relocated to other offices, these items should be treated as assets of the Ministry rather than being personal to the Ministers concerned. The reply overlooks the fact that while prescribing the ceiling, the Government of India had taken into account the functional obligations of the Ministers and the Ministry cannot violate the orders on the ground of creating assets. Also, audit has not included the cost of furniture/equipment issued to the personal staff of the respective Ministers while calculating the expenditure incurred by

the Ministry. The Ministry further stated (September 2006) that it proposed to seek approval of the Ministry of Finance for regularisation of the excess expenditure and decision of the latter would be conveyed to audit. It added that the Ministry would endeavour to adhere to the prescribed monetary ceilings fixed by the Government of India for refurbishment of office/residence of the Union Ministers. The fact, therefore, remains that the Ministry violated the Government of India's orders and incurred irregular expenditure of Rs. 30.84 lakh.

Annexure- A
(Refers to in paragraph 7.2)
Details of unauthorised expenditure incurred by the Missions and Posts on account of engagement of contingency paid staff

(Rupees in lakh)

Mission/ Post	Post	Period	Amount	Nature of irregularity
Riyadh	Clerks (Five)	2002-05	48.02	Contingency paid staff were engaged for regular work without the approval of the Ministry.
Dubai	Clerks	2003-04 to June 2005	54.76	- do -
Johannesburg	Clerks and Social Secretary	2003-05	9.70	- do -
Bahrain	Gardener	December 1996 to July 2005	9.36	- do -
Tunis	Gardener and Maid	2001-05	8.28	- do -
Luanda	Receptionist-cum-Typist, Interpreter and Chauffeur	August 2002 to June 2005	6.36	- do -
Jeddah	Clerks and Chauffeurs (Six)	2003-05	3.87	- do -
Lagos	Clerk, Typist and Messenger	August 2001 to June 2005	3.06	- do -
Gaborone	Clerk and Receptionist	May 2002 to August 2002 and December 2004 to May 2005	0.71	- do -
Pretoria	Cleaners	2002-03 to May 2005	10.68	The Mission had a regular local post of cleaner which was lying vacant. It continuously hired services of cleaners paid from contingencies without the approval of the Ministry.
Lusaka	Gardeners (Six)	April 2001 to May 2005	5.25	In addition to one sanctioned post of gardener, the Mission has engaged 6 (six) gardeners on contingent basis regularly without the approval of the Ministry.
Manila	Clerk and Cleaner	2003-05	3.56	The Mission engaged contingency paid staff for regular nature of work without the approval of the Ministry.
Kyiv	Caretakers	October 2002 to January 2006	5.18	Two caretakers were employed on contingency basis without approval of the Ministry.

(Rupees in lakh)

Mission/ Post	Post	Period	Amount	Nature of irregularity
Athens	Clerk	June 2004 to December 2004	2.35	Contingency paid cleaner and clerk was hired without approval.
	Cleaner	April 2004 to October 2005	7.44	
Birmingham	Contingency paid staff	April 2003 to March 2006	277.98	11 to 19 contingency paid staff was hired for consular services.
Belgrade	Gardener	April 2003 to March 2006	5.34	Gardener on contingency was employed without approval.
The Hague	Clerk	February 2005 to January 2006	5.30	Clerk was appointed on contingency basis.
		Total	467.20	

Annexure- B
(Refers to in paragraph No. 7.3)
Details of expenditure incurred by the Mission on purchase of stationery
in excess of delegated powers

(Rupees in lakh)

Sl. No.	Name of the Mission	Year	Expenditure incurred	Permissible limit	Excess expenditure
1.	EI, Abu Dhabi	2004-05	5.00	1.70	3.30
		2005-06	3.27	1.72	1.55
2.	HCI, Colombo	2004-05	10.11	1.70	8.41
		2005-06	8.36	1.72	6.64
3.	HCI, Dhaka	2004-05	8.16	1.70	6.46
		2005-06	7.54	1.72	5.82
4.	EI, Doha	2005-06	2.80	1.72	1.08
5.	CGI, Durban	2002-03	2.69	1.85	0.84
		2003-04	4.68	1.75	2.93
		2004-05	6.09	1.70	4.39
		2005-06	3.36	1.72	1.64
6.	HCI, Kuala Lumpur	2004-05	5.89	1.70	4.19
		2005-06	3.22	1.72	1.50
7.	EI, Muscat	2004-05	3.81	1.70	2.11
		2005-06	3.73	1.72	2.01
8.	HCI, Nairobi	2003-04	2.77	1.75	1.02
		2004-05	3.98	1.70	2.28
		2005-06	3.06	1.72	1.34
9.	EI, Riyadh	2002-03	23.50	1.85	21.65
		2003-04	21.14	1.75	19.39
		2004-05	12.70	1.70	11.00
		2005-06	10.26	1.72	8.54
10.	HCI, Singapore	2004-05	3.39	1.70	1.69
11.	CGI, Sydney	2002-03	5.88	1.85	4.03
		2003-04	8.21	1.75	6.46
		2004-05	4.79	1.70	3.09
		2005-06	5.00	1.72	3.28
12.	EI, Tripoli	2004-05	2.16	1.70	0.46
		2005-06	1.76	1.72	0.04
13.	HCI, Islamabad	2004-05	5.51	1.70	3.81
		2005-06	5.52	1.72	3.80
14.	EI, Algiers	2004-05	1.99	1.70	0.29
15.	HCI, Male	2004-05	2.16	1.70	0.46
16.	EI, Kabul	2004-05	3.51	1.70	1.81
		2005-06	5.00	1.72	3.28
17.	EI, Bangkok	2002-03	3.97	1.85	2.12
		2003-04	3.37	1.75	1.62
		2004-05	3.27	1.70	1.57
		2005-06	3.09	1.72	1.37
		Total	224.70	67.43	157.27

CHAPTER VIII : MINISTRY OF FINANCE

Reserve Bank of India

8.1 Incorrect issue of Relief Bond-2002 in excess of prescribed limit

Absence of validation checks led to acceptance of investments in excess of prescribed limit in respect of 8 per cent Relief Bonds 2002 by Rs. 127.70 crore and liability of Rs. 51.08 crore towards interest on the excess investment.

A deposit Scheme of 9 per cent Relief Bonds was introduced by the Ministry of Finance in the year 1999. The rate of interest was reduced to 8.5 per cent in 2001. The Ministry of Finance (Ministry) vide notification dated 28th February 2002 further reduced the rate of interest to 8 per cent and restricted the maximum limit of investment to Rs. two lakh per investor per annum with effect from March 2002. The Ministry vide notification dated 22 April 2002 relaxed the maximum limit to investments made by retiring employees subject to the following conditions:

- Investment was made within three months from the date of full & final settlement with supporting document from the employer indicating that investment was made out of retirement/terminal benefit.
- Affidavit to the effect from the investor indicating that funds initially invested in relief bonds were out of retirement/terminal benefits in case of reinvestments.

The Reserve Bank of India (RBI) acts as the nodal agency for monitoring Public Debt and the Public Debt Offices (PDO) in various states of India and monitors transactions of 8 per cent Relief Bonds 2002. In May 2002, the RBI clarified that an individual could invest Rs. 2 lakh in addition to Rs. 2 lakh as Karta of HUF. Various PDOs, Public Sector Banks and private banks across the country were authorised to collect amounts of the said bond. The RBI had inter alia advised (May 2002) the banks to obtain a declaration from investors (both individual and karta) to the effect that aggregate investments in the bond did not exceed Rs. two lakh during 2002-03 and no interest would be payable on the amount of investments found in excess of ceiling limit.

An analysis of data pertaining to RBI/Agency Banks in 10 States using Computer Aided Audit Tools (CAAT), however, revealed:

- Absence of proper validation checks in the system regarding investment ceiling and failure/non-existence of compensatory manual

checks resulted in acceptance of excess investment in 2573 cases amounting to Rs. 127.70 crore.

- Liability of Rs. 51.08 crore was incurred as interest at the rate of 8 per cent per annum on excess investments in violation of RBI guidelines.
- The RBI/Agency banks had accepted the excess investment of Rs. 5.31 crore in 322 cases and refunded Rs. 1.46 crore relating to 108 cases (August 2006) thereby avoiding potential loss of Rs. 0.41 crore on account of interest.

The matter was brought to the notice of the Ministry in September 2006; reply was awaited as of December 2006.

Department of Economic Affairs

(Banking Division)

8.2 Premature release of funds resulting in their non-utilisation

The Ministry released Rs. 100 crore to National Bank for Agriculture and Rural Development (NABARD) on 31 March 2003 under the scheme "revitalisation of co-operative credit structure" in anticipation of the passage of Banking Regulation (Amendment) Bill in the Parliament. Consequently, the amount remained unutilised for three years resulting in loss of interest of Rs. 25.30 crore.

The Government of India constituted (April 1999) a Task Force Committee under the Chairmanship of the then Deputy Governor, Reserve Bank of India for studying the functioning of the rural credit system and suggest measures for its strengthening. The Committee submitted its report in July 2000 which was again considered by the Joint Committee on 'Revitalisation Support to Co-operative Credit Structure' under the Chairmanship of the then Minister of State for Finance. Based on the recommendations of these two committees, the National Bank for Agriculture and Rural Development (NABARD) formulated (July 2002) a scheme for revitalisation of co-operative credit structure which envisaged financial assistance of about Rs. 14500 crore to be shared between the Union and State Governments in the ratio of 60:40 (90:10 in the case of states of North East and Jammu and Kashmir). The assistance was subject to the condition that the State Governments would carry out legal reforms in the co-operative system and grant financial autonomy to the co-operative credit institutions in their governance and permit them to function strictly according to banking laws. Accordingly the Banking Regulation (Amendment) and Miscellaneous Provision Bill, 2003 was introduced in the Lok Sabha in August 2003 which was subsequently referred to the

Parliamentary Standing Committee on Finance for examination. Since the Committee could not submit its report before dissolution of the Lok Sabha in March 2004, the said bill could not be passed by the Parliament. The scheme had, however, already been announced in the Budget for the year 2002-03 with a token provision of Rs.100 crore.

Audit noticed (March 2006) that in anticipation of the passage of Banking Regulation (Amendment) Bill in the Parliament and without circulating the conditions attached to the scheme, the Ministry released interest-free loan of Rs.100 crore to NABARD on 31 March 2003 merely to avoid lapsing of funds. It was also observed that the funds were released on the last date of the financial year in violation of General Financial Rules according to which rush of expenditure particularly in the closing months of the financial year is to be regarded as a breach of financial propriety. Since the said Banking Regulation Bill had not been passed by the Parliament, the scheme could not take off with the result that NABARD could not utilise these funds. NABARD instead of investing the funds in saving/short term deposit, kept the amount in its Suspense Account. It was only in February 2006 that the Ministry asked NABARD to refund the unutilised amount though according to the terms and conditions governing grant of loan, the latter had to submit utilisation certificate within two months from the date of drawal of the amount. Thereafter, NABARD refunded the amount on 11 March 2006.

Thus, premature release of funds without necessary amendment in the Banking Regulation Act which was necessary for the scheme to take off, resulted in non-utilisation of Rs. 100 crore for three years. While the substantial amount that could have been fruitfully utilised elsewhere remained blocked in NABARD, the government lost Rs. 25.30 crore as interest computed at the borrowing rate of the Union Government.

In response to the audit observation, the Ministry stated (June 2006) that interest-free loan of Rs. 100 crore released to NABARD remained unutilised due to non-formulation of the scheme for revitalisation of the Co-operation Credit Structure.

CHAPTER IX : MINISTRY OF HEALTH AND FAMILY WELFARE

Department of Health

9.1 Deficient internal control resulting in wasteful expenditure

Failure of the Ministry to monitor the procurement of mosquito nets by the Hospital Services Consultancy Corporation (India) Limited under the Malaria Eradication Programme, resulted in purchase of sub-standard nets. Consequently, expenditure of Rs. 2.54 crore incurred on this account so far has been wasteful. Additionally, Rs. 1.83 crore has remained blocked with HSCC for 5 years. Further, expenditure of Rs. 51.68 lakh has been incurred upto November 2005 and recurring monthly expenditure of Rs. 0.89 lakh continues on payment of rent of the godown where the sub-standard nets are stored.

In order to protect an estimated population of 20 lakh persons from the high risk of severe malaria in the remote areas of north-eastern states, the Ministry placed (July-August 2000) an indent with the Directorate of National Anti Malaria Programme (NAMP) for procurement of 10 lakh nylon mosquito nets [nets] (8 lakh single size and 2 lakh double size) through Hospital Services Consultancy Corporation (India) Limited (HSCC) at a total cost of Rs. 18.16 crore. According to the contract executed (August 1999) by the Ministry with HSCC, the latter was responsible for inspection of goods by duly qualified officers. The Ministry accorded (December 2000) expenditure sanction for Rs. 18.16 crore and released advance payment of Rs. 4.31 crore to HSCC which included consultancy fee of Rs. 5.12 lakh. The latter in turn procured 7.18 lakh nets (6.43 lakh single size and 0.75 lakh double size) valuing Rs. 12.75 crore during February-April 2001 from three firms 'X', 'Y' and 'Z' for which it released part payment of Rs. 2.49 crore to firm 'Y' in March 2001. These nets were despatched to the north-eastern states for distribution among the public.

Audit noticed (November-December 2005) that the firms supplied sub-standard nets and the Ministry came to know of it only when it received (February 2001) a complaint through the Central Vigilance Commission. Following this, the Ministry got the samples of nets supplied by the firms tested at the Indian Institute of Technology (IIT) Delhi which were evaluated by an expert committee

comprising officials from various departments¹ who opined (June 2003) that in view of huge variation in the quality of nets particularly with regard to important parameters such as bursting strength, size and number of holes etc. with the Bureau of Indian Standards (BIS) specifications, these nets were unfit for use. Thereafter, the Ministry advised (April 2001) the State Governments/HSCC to immediately stop distribution of the nets. By that time, 1.83 lakh nets (1.23 lakh single size and 0.60 lakh double size) valuing Rs. 3.42 crore had already been distributed by the Governments of Nagaland (0.10 lakh each of single and double size), Mizoram (0.63 lakh single size and 0.50 lakh double size) and Manipur (0.50 lakh single size). HSCC issued (March 2003) notices to all the three firms for taking back the sub-standard nets lying in the godown at Guwahati. The firms refused and filed writ petitions in the High Court of Delhi. While the petition of firm 'Z' was dismissed, firms 'X' and 'Y' withdrew their petitions and invoked arbitration. The arbitration proceedings had not been finalised as of September 2006. In the meantime, 5.35 lakh nets (5.20 lakh single size and 0.15 lakh double size) valuing Rs. 9.34 crore were lying in a hired godown for which rent of Rs. 51.68 lakh had been paid during February 2001 to November 2005 at the monthly rate of Rs. 0.89 lakh which is continuing on recurring basis.

Failure of HSCC to conduct inspection of the goods and the Ministry in exercising effective oversight, led to procurement of sub-standard nets thereby defeating the objective of providing relief to a vast population from severe malaria in high risk areas. The expenditure of Rs. 2.54 crore incurred on procurement of nets and consultancy fee to HSCC has also been wasteful. Further, Rs. 1.83 crore has remained blocked with HSCC for 5 years. A loss of interest of Rs. 89.69 lakh worked out at the borrowing rate of the Union Government is also attributable to this. Additionally, Rs. 51.68 lakh has so far been spent on storage of sub-standard nets in hired godown. The procurement process leading to supply of defective nets to some areas and no supply to the others, adversely affected the objectives as well as the credibility of the Malaria Eradication Programme.

In response to the audit observation, the Ministry on the one hand stated (August 2006) that a joint pre-despatch physical inspection of the nets conducted by HSCC during January - March 2001 had revealed that the nets supplied were of

¹ Textile Department (IIT), Armed Forces Medical Services, National Institute of Communicable Diseases, Regional office of the Textile Ministry (NOIDA) and National Anti-Malaria Programme.

the requisite quality, but on the other hand admitted that the government had suffered substantial loss due to procurement of sub-standard nets. It added that the case regarding supply of sub-standard nets was entrusted to the Central Bureau of Investigation (CBI) for investigation in April 2001 who advised (September 2003) the Ministry to close the case. The Ministry has not intimated the reasons for closure of the case by CBI. However, the fact that the samples of nets were initially certified to be of the requisite quality but later complaints were received about the quality and IIT, Delhi reported that the nets supplied did not conform to the specifications, raises serious concerns about quality testing of goods supplied and their acceptance. The chain of events above indicates that accountability and institutional probity which are key to procurement credibility were lacking in this case. The officials involved in conduct of procurement were not held responsible for the actions and decisions taken by them and for causing such loss and its adverse impact on the implementation of Malaria Eradication Programme.

Safdarjung Hospital

9.2 Short recovery of rent

Safdarjung Hospital, New Delhi had failed to recover licence fee at the rates prescribed by the government for the space provided to the Bank of Baroda resulting in short recovery of rent of Rs. 29.54 lakh for the period from March 1999 to November 2006 which was recovered at the instance of audit.

Audit noticed (January 2006) that Safdarjung Hospital, New Delhi, had provided (July 1986) office space measuring 138 square metre to the Bank of Baroda within its premises at a 'provisional' licence fee of Rs. 3108 per month as assessed by CPWD. The agreement executed with the Bank in July 1986 did not contain any clause about its validity, periodical increase in the rates of licence fee or termination/extension of the lease period. The Bank which started as an Extension Counter under the Safdarjung Enclave Branch, New Delhi, for providing banking facilities to the Hospital, its employees and patients had been upgraded (October 1998) to a full fledged branch. It was also observed that despite audit's suggestion in 1995 for re-assessment of the licence fee, the Hospital did not take any action in the matter. Audit noted that the licence fee charged by the Hospital was far less than the rate of Rs. 220 and Rs. 249 per square metre per month prescribed by the government as chargeable from banks with effect from 16 March 1999 and 1 April 2002, respectively. The licence fee

recoverable at this rate worked out to Rs. 0.30 lakh and Rs. 0.34 lakh per month respectively as against Rs. 3108 charged to the bank. Consequently, against the total rent of Rs. 30.32 lakh recoverable by the Hospital it had recovered Rs. 2.87 lakh only resulting in short recovery of licence fee by Rs. 27.45 lakh during the period from 16 March 1999 to 30 November 2006.

Further, at the request of the Bank, the Hospital allotted (February 2002) additional space of 15 square metre to it for opening of Automatic Teller Machine (ATM) at a token licence fee of Rs. 100 per month. Again the Hospital failed to recover licence fee at the government prescribed rate from the date of allotment upto November 2006. The licence fee for the additional space recoverable at this rate worked out to Rs. 2.15 lakh against which the Hospital had recovered Rs. 0.06 lakh only resulting in short recovery of Rs. 2.09 lakh.

Thus, failure of the Hospital to charge rent prescribed by the government resulted in short recovery of licence fee of Rs. 29.54 lakh (Rs. 27.45 lakh and Rs. 2.09 lakh) for the period from 16 March 1999 to 30 November 2006.

On the matter being pointed out in audit, the Ministry stated (January 2007) that the Hospital had recovered total arrears of Rs. 29.54 lakh from the Bank.

All India Institute of Hygiene and Public health, Kolkata

9.3 Unfruitful expenditure

Incorrect decision of the Institute to procure an "Ion-Analyser" without any requirement and also without proper planning and infrastructure resulted in an idle and unfruitful expenditure of Rs. 20 lakh.

In June 2000, the Sanitary Engineering Department of the All India Institute of Hygiene and Public Health (AIHPH), Kolkata submitted a proposal to the Director of the Institute for purchase of an 'Atomic Absorption Spectrophotometer' to be utilised for the propose of analysis of heavy metals, required for research programme of the Institute. The Director, AIHPH, however, favored the purchase of an 'Ion-Analyser', as he considered the equipment better than the 'Atomic Absorption Spectrophotometer' and sent back the proposal to the department with his recommendation. The 'Ion-Analyser' was to be used for analysis of various heavy metals and transitional elements in sample of water, waste paper, soil, biological materials and matrices, etc. required for the various activities of the Institute.

In September 2002, after a lapse of more than two years, the Sanitary Engineering Department accordingly forwarded a proposal for purchase of an Ion-Analyser. The Director approved the proposal and decided to procure two sets of Ion-Analysers. The second set was to be installed at the Biochemistry & Nutrition Department, even though the Department did not place any indent for the same. No justification for the procurement of the second analyser, in absence of any indent, was produced to audit.

After inviting open tender AIHPH decided to purchase the two sets of 'Ion-Analysers' at a total cost of Rs. 39.94 lakh (Rs. 19.97 lakh each), and placed the supply order in March 2003. The two Ion-Analysers were delivered within March 2003 and were installed in April 2003. Total payment of Rs. 39.94 lakh was released to the supplier in March 2003. The second Ion-Analyser, however, was installed at the Occupational Health Department instead of at the Biochemistry and Nutrition as proposed initially, while neither of these two departments had placed any indent for the equipment. Audit examination disclosed that the Ion Analyser installed at the Occupational Health Department was never utilised. The equipment was thus lying idle and unutilised since its installation at the department, as of April 2006 i.e. for more than three years. The Institute had so far not entered into any contract for the maintenance of the equipment.

Thus, decision of the Institute to procure the second Analyser without any specific indent from the user resulted in unfruitful expenditure of Rs. 20 lakh.

The matter was referred to the Ministry in July 2006. The Ministry replied (October 2006) that an Inquiry Committee had been set up to look into the details and reasons as to why the machine was still lying non-functional. The Inquiry Committee was asked to submit their report within 15 days. The final reply of the Ministry was awaited as of December 2006.

CHAPTER X: MINISTRY OF HOME AFFAIRS

Indo Tibetan Border Police

10.1 Irregular attachment of Indo Tibetan Border Police Personnel

The Director General, Indo-Tibetan Border Police attached a large number of officials, withdrawn from various field formations/units and deployed them in the Directorate in excess of the sanctioned strength and violating instructions of the Ministry of Home Affairs in this regard. The expenditure on pay and allowances of the attached staff over and above the sanctioned strength for the period 2003-2004 to 2004-2005 alone was Rs. 5.19 crore.

The Indo-Tibetan Border Police (ITBP) is headed by a Director General under the Ministry of Home Affairs. Its headquarters is located at New Delhi. Its sanctioned strength is determined by the Ministry of Home Affairs (Ministry). The Ministry issued instructions (May 2005) to all heads of paramilitary forces to detach the personnel attached in excess of the sanctioned strength. Only in exceptional and unavoidable cases, attachments could be regularised by the competent authority in individual cases and that too for very short periods.

Audit examination revealed (June 2005) that as against the sanctioned strength of 283 officials, 264 officials were in position in the Directorate. Against this shortage of 19 officials, the Directorate had withdrawn 262 officials from its field formations/units and attached them to its different wings without the approval of the Ministry. Of the total attached officials, 110 were from general duty cadres who were supposed to be fighters at the borders, 19 cooks, 45 drivers and 88 from other cadres such as instructors, safai karamcharis, washermen etc. Some of the officials were found attached from periods as far back as 1990. The expenditure on pay and allowances of officials attached over and above the sanctioned strength for the period 2003-2004 to 2004-2005 alone was Rs. 5.19 crore. Attachment of large number of officials at the Directorate for such long period was irregular and also contravened the directions of the Ministry issued in May 2005.

In response to the audit observation, the Ministry intimated (July 2006) that ITBP after receiving the Ministry's above cited instructions reviewed the whole attachment with Directorate General and brought it down from 262 to 170 and an exercise was on to reduce the attachment to the barest minimum. It also stated that the attachment of personnel over and above the sanctioned strength had been resorted to due to compelling circumstances for attending work relating to procurement of stores for equipping disaster management

battalion, creation of procurement cell, functioning of control room on round the clock basis and also to attend unforeseen circumstances. It also stated that DG ITBP was authorised to attach personnel from one unit to another, keeping in view functional and operational requirements. The reply is not tenable as the Directorate had been resorting to attachment of large number of personnel since 1990. The procurement of stores/equipment and attending to the control room etc. were regular functions of the Directorate and ITBP cannot ignore the instructions of the Ministry by attaching officials from field formations/units and in excess of the valid sanctioned strength of its Directorate for prolonged periods. Moreover, attachment of large number of cooks, drivers, instructors, safai karamcharis etc. can not have much to do with procurement of stores or attending to control room. Further, attachment of personnel from various field formations/units depletes their men-in-position at operational level.

Border Security Force

10.2 Irregular attachment of vehicles

The Director General, Border Security Force (BSF), in violation of scales laid down by the Ministry of Home Affairs, withdrew 158 vehicles from various field formations/units and deployed them at the BSF Headquarters in addition to its 100 authorised vehicles. The expenditure of Rs. 1.76 crore on petrol, oil and lubricants (POL) and repair and maintenance of these attached vehicles for the period 2004 to 2006 was thus irregular. The action also affected operational effectiveness of the field units.

The Border Security Force (BSF) is headed by a Director General under the Ministry of Home Affairs and its Headquarters is located at New Delhi with more than 150 battalions and training institutions located in different parts of the country. In September 2001, the Ministry had laid down scales of motor transport for Headquarters and various units of BSF and authorised 10,928 vehicles of different categories to BSF including 100 vehicles for its Headquarters.

Audit noticed (April 2006) that in addition to its authorised 100 vehicles, the Directorate of BSF had withdrawn 158 additional vehicles from the field formations/units and deployed them in its Headquarters at New Delhi. These additional vehicles had been deployed without the approval of the Ministry. The expenditure on POL, repair and maintenance of these vehicles for the period 2004-05 to 2005-06 alone amounted to Rs. 1.76 crore. Retention of such large number of vehicles on regular basis violated the authorisation of the Ministry issued in September 2001.

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In response to the audit observation, the Ministry stated (October 2006) that the number of surplus vehicles had been reduced to 125 and admitted that the concerned field formations from where the vehicles had been withdrawn were put to inconvenience. It further stated that though there was expansion of force and increase in its workload but the proposal for additional vehicles for the force could not be taken up due to ban on purchase of new vehicles.

The reply is not tenable as the Government of India's orders of November 2005 regarding ban on purchase of new vehicles is not applicable to Defence Forces and Central Para Military Forces. The action of the BSF of unauthorised retention of excess vehicles at Headquarters without the approval of the Ministry was irregular and it affected the operational effectiveness of the field units from where these vehicles were withdrawn.

**CHAPTER XI : MINISTRY OF HUMAN RESOURCE
DEVELOPMENT .**

Department of Elementary Education and Literacy

11.1 Inadequate monitoring leading to idling of funds/non-recovery of unspent grant

Failure of the Ministry in monitoring utilisation of grants released to the Government of Maharashtra for establishing/upgrading District Institutes of Education Training resulted in idling of Rs. 4.84 crore for nine years. Further, it also failed to recover unspent grant of Rs. 20.41 lakh being retained by the Zilla Saksharta Samiti, Karimganj, Assam for periods ranging from two to four years.

Audit scrutiny (October 2005) of the records of the Ministry revealed that it had not been adequately monitoring the utilisation of grants released to the State Government and Zilla Saksharta Samiti, and the unspent grants had been lying with them for considerable periods as detailed below.

a) Idling of funds with Government of Maharashtra

The Ministry of Human Resource Development (Ministry) launched a centrally sponsored scheme of teacher education in 1987-88. The scheme, inter alia, included establishment of District Institutes of Education and Training (DIET) by upgradation of existing Elementary Teacher Education Institutions (EIEI) wherever possible and establishment of new DIETs where necessary. Under the scheme, recurring and non-recurring central assistance was being released to the State/Union Territories Government.

Audit examination revealed (October 2005) that the Ministry had released non-recurring grant (for civil works and equipment) of Rs. 6.05 crore during 1995-96 & 1996-97 to the Government of Maharashtra for establishment of 15¹ DIETs. Audit noticed that the State Government had utilised Rs. 1.21 crore on upgradation of three DIETs and the balance Rs. 4.84 crore had remained unutilised. The Ministry allowed the unspent grant to be carried forward by the State Government year after year despite the fact that the land for construction of building was not available with the State Government. The release of grant of Rs. 3.37 crore in 1996-97 and permission to carry forward unspent grant of previous year was against the provision in the Ministry's sanction releasing the grant of Rs. 2.68 crore for the year 1995-96 stipulating that further grant would be released on receipt of report from the State

¹ Ahmednagar, Satara, Ratnagiri, Nagpur, Bhandara, Wardha, Nasik, Thana, Jalna, Jalgaon, Yeotmal, Solapur, Gadchiroli, Sindhurg and Sangli

Government of the utilisation of assistance for civil works and equipment to the extent of 75 per cent and corresponding physical progress of work. The State Government could manage land for 8 DIETs during 2003-04 and for 3 DIETs during 2004-05. Land for one DIET was yet to be acquired. The construction work of these 11 DIETs where the land had been acquired had also not commenced. Consequently, failure of the Ministry to monitor utilisation of grants resulted in idling of Rs. 4.84 crore with the Government of Maharashtra for 9 years.

In response to audit observation, Ministry furnished (November 2006) latest position of unutilised grant lying with the DIETs which works out to Rs. 2.21 crore.

b) Non-recovery of unspent grant from Zilla Saksharta Samithi, Karimganj, Assam

The Ministry of Human Resource Development (Ministry), Department of Elementary Education and Literacy under its programme of Nation Literacy Mission approved the budget proposal of Rs. 149.47 lakh for imparting literacy to 1.69 lakh persons in the State of Assam. As per the prescribed norms, Union Government was to give financial assistance to the extent of 2/3rd of the cost of the project and 1/3rd was to be borne by the State Government. Accordingly, the Ministry sanctioned (March 2001) central assistance of Rs. 99.65 lakh being 2/3rd of the project cost and released first instalment of Rs. 49.82 lakh to Zilla Saksharta Samithi (ZSS), Karimganj, Assam which is a society registered under the Registration of Society Act, 1860 and headed by the Deputy Commissioner, Karimganj. Audit noticed that ZSS commenced the project in June 2001 and completed it in December 2003 imparting literacy to 1.15 lakh learners. It incurred total expenditure of Rs. 62.99 lakh out of which Union Government's share (2/3rd) worked out to Rs. 41.99 lakh and the balance unspent grant of Rs. 7.83 lakh was to be refunded. Further, ZSS had also not refunded the unspent grant of Rs. 12.58 lakh to the Ministry pertaining to another programme relating to total literacy campaign lying with it since 2000-2001. Thus, failure of the Ministry to monitor recovery of unspent grant resulted in various amounts totaling Rs. 20.41 lakh being retained by the ZSS for periods ranging from two to four years. In response, Ministry stated (September 2006) that unspent balance of Rs. 20.41 lakh is only a notional figure as the ZSS did not actually get this amount since State Government did not release its share. It also informed that matter regarding release of matching state share for these projects had been taken up at the level of Chief Minister. The reply was not tenable as out of Rs. 20.41 lakh refundable by the ZSS, Rs. 12.58 lakh had been lying with it

since 2001-2002. Ministry could have ensured refund of this unspent balance before release of fresh grant.

Thus, inability of the Ministry in monitoring utilisation of grant and also releasing fresh grant in violation of its own instructions resulted in idling of grant of Rs. 4.84 crore for nine years. The Ministry also failed to monitor recovery of Rs. 20.41 lakh being retained by ZSS for periods ranging from two to four years.

11.2 Excess release of grant

Inadequate scrutiny by the Ministry resulted in excess release of grant of Rs. 0.62 crore to the Government of Karnataka under 'Improvement in Science Education in Schools' scheme. Also Rs. 2.01 crore remained to be recovered towards unutilised portion of the grant. On the matter being pointed out in audit, the Ministry recovered Rs. 0.91 crore (October 2005). The balance Rs. 1.72 crore including the excess release of Rs. 0.62 crore is yet to be recovered.

The Ministry of Human Resource Development (Ministry) formulated a centrally sponsored scheme called 'Improvement of Science Education in School' (ISES) with a view to improving the quality of science education and promoting scientific temper as envisaged in the National Policy of Education. Under the scheme, 100 *per cent* financial assistance was provided to the State Government/UTs by the Ministry for specified purpose subject to the States undertaking the responsibility for maintenance and refurbishment of laboratories and libraries after these were brought to the desired standard with the central assistance. The approved purposes were: providing scientific kits, setting up new laboratories, upgradation of laboratories, library books and training of teachers in the government as well as aided schools.

In September 1999, the Government of Karnataka sent a proposal to the Ministry for grant of financial assistance of Rs. 7.00 crore for setting up new laboratories and science libraries and providing laboratory equipment and science kits. Ministry sanctioned (February 2002) Rs. 7.00 crore and released Rs. 5.28 crore by July 2002 after adjusting Rs. 1.59 crore on account of excess grant released and Rs. 0.13 crore being the unspent balance of earlier years.

Audit noted (May 2004) that the Ministry did not scrutinise the proposal of the State Government properly and sanctioned the funds on the basis of information supplied by the latter about the number of schools to be covered without checking the accuracy of the data. On the matter being pointed out by audit, the Ministry reviewed the position and admitted (August 2005) that the State Government had covered 316 schools twice for providing science library

books, which resulted in release of excess grant to the extent of Rs. 0.62 crore as shown in the table.

Table A

(Rupees in lakh)

Sl. No.	Item	Grant sanctioned			Actual utilisation			Excess Grant released
		No. of schools for which grant sanctioned	Rate per school	Amount	No. of schools covered	Rate per school	Amount	
1.	Library Books	820	0.18	147.60	504	0.17	85.68	61.92

The Ministry also informed that the state Government had covered 190 schools under 'setting up new laboratories' and 314 schools under 'up gradation of existing science laboratories' against the funds released for 310 and 510 schools under these categories respectively. It added that the refundable excess grant had been determined as Rs. 0.91 crore on the basis of actual expenditure of Rs. 4.37 crore incurred by the State Government out of Rs. 5.28 crore released. The Ministry also informed in October 2005 that the State Government had refunded Rs. 0.91 crore.

Audit, however, noticed that the Ministry had erroneously worked out the refundable amount as Rs. 0.91 crore instead of Rs. 2.63 crore (Rs. 2.01 crore + Rs. 0.62 crore towards excess release of grant) as indicated in Table A and B.

Table B

(Rupees in lakh)

Sl. No.	Item	Grant sanctioned			Actual utilisation			Excess Grant released
		No. of schools for which grant sanctioned	Rate per school	Amount	No. of schools covered	Rate per school	Amount	
1.	Setting up of new lab.	310	0.90	279.00	190	0.77	146.30	132.70
2.	Upgradation of lab.	510	0.30	153.00	314	0.27	84.78	68.22
	Total	820		432.00	504		231.08	200.92

Thus, while sanctioning the grant of Rs. 7.00 crore, the Ministry failed to scrutinise the proposal of the State Government properly with reference to the number of schools already covered and released excess grant of Rs. 0.62 crore. An amount of Rs. 2.01 crore was to be recovered towards unutilised portion of grant. Hence, out of the total recoverable amount of Rs. 2.63 crore, only Rs. 0.91 crore was actually recovered and balance of Rs. 1.72 crore had not been recovered as of September 2006.

In response to audit observation, the Ministry while admitting the facts stated (September 2006) that the Government of Karnataka had been asked to refund the balance amount of Rs. 1.72 crore. It further added that in case of delay on the part of the State Government, the Ministry would also make efforts to adjust the same from the future releases of grants to be made to it under other centrally sponsored schemes.

11.3 Lack of monitoring leading to idling of funds

Failure of the Ministry to monitor and recover unspent grant of Rs. 3.94 crore under 'Improvement in Science Education in Schools' released to Government of Gujarat resulted in its idling for about four years

In November 1999, the Government of Gujarat sent a proposal to the Ministry for grant of financial assistance of Rs. 3.94 crore under Improvement of Science Education in Schools (ISES) scheme for the supply of science kits to 16424 upper primary schools. Accordingly, the Ministry after adjusting the unspent grant of Rs. 1.13 lakh relating to this scheme lying with the State Government for the year 1989-90, released Rs. 3.93 crore in February 2002.

Audit noticed (October 2005) that the State Government intimated the Ministry (October 2004) after a lapse of more than two years of receipt of the grant, that it could not utilise the grant as the scheme was not communicated to the Director, Primary Education, Gujarat and proposed to surrender the grant. Ministry, even after knowing that the grant of Rs. 3.94 crore had been lying unspent, failed to recover it as of December 2005. As the State Government had already agreed to refund the unspent grant, Ministry should have adjusted the amount against the subsequent grant of Rs. 5.12 crore released in December 2004 to the State Government under another centrally sponsored scheme of Integrated Education for Disabled Children. Thus, the Ministry failed to monitor the refund of the grants which resulted in blocking Rs. 3.94 crore.

In response, the Ministry stated (June 2006) that the scheme of Integrated Education for Disabled Children was a separate scheme with a different purpose and in view of the State Governments' commitment to surrender the unspent grant, any adjustment of funds across the schemes was not considered. It further added that the State Government had been asked to refund the unspent balance. Reply of the Ministry was not tenable as it neither obtained refund nor adjusted the amount remaining unspent with the State Government.

CHAPTER XII : MINISTRY OF MINES AND MINERALS

12.1 Avoidable expenditure towards payment of rent

Failure of the Ministry to ensure occupation of the allotted space in government building by the CAO resulted in avoidable expenditure of Rs. 25.15 lakh towards payment of rent for private accommodation.

The Central Accounts Office, Geological Survey of India (CAO, GSI) was operating from a rented building at Brabourne Road, Kolkata and was paying Rs 1.19 lakh per month towards rent of 7,044 square feet (sq.ft.) occupied by it since November 1998. The erstwhile Ministry of Steel and Mines instructed (July 1999) the Director General, GSI to vacate the hired buildings and shift its different offices to government owned buildings. GSI, therefore, shifted to its own buildings and allotted (September 2002) space to its CAO on the 6th and 7th floor of its Dharitri building.

Audit examination (August 2005) disclosed that the CAO did not shift to the Dharitri building on the ground that the allotted space of 6,343 sq.ft. was insufficient, and requested GSI, for providing alternate space. GSI therefore, approached (March 2003) the Estate Manager, Kolkata for allotting suitable space to the CAO. On not receiving any favorable response from the Estate Manager, GSI constituted a Committee to identify space for CAO at Dharitri building. About a year later, the Committee identified (April 2005) 12,343 sq. ft. of space on various floors of Dharitri building for the CAO. Accordingly, the availability of space was intimated to the CAO in the same month, but the CAO did not vacate the rented accommodation and continued to incur avoidable expenditure towards payment of rent as of September 2006.

On this being pointed out in Audit (August 2005), the Ministry in September 2005 expressed inability to vacate the rented accommodation at least upto June 2006 due to lack of infrastructure at Dharitri building as also because of the ongoing computerization work in CAO wing.

Subsequent audit examination further revealed that even as of June 2006, CAO had not shifted from the rented accommodation on the stated grounds of unsuitability of the space allotted although GSI found Dharitri building suitable for occupation. The action of CAO was irregular and violates the orders of competent authority with impunity. The changing stand of CAO from insufficient space to unsuitability of space (when allowed excess space) would indicate that grounds adduced are not bonafide. The action of CAO to ignore continuously the directions of the Ministry for shifting to Government

buildings, issued as late as 1999, is also indicative of its disregard for economy in public expenditure.

The matter was referred to the Ministry in August 2006. In their response (January 2007), the Ministry stated that in view of the launch of the COMPACT integrated application using a Local Area Network (LAN), it was not found feasible to work in a location which was not found compact but spread over different floors. Further, the CAO would be shifted as soon as a suitable accommodation was provided by the Estate Manager, Kolkata.

The reply of the Ministry is not tenable since applications running on Local Area Networks (LANs) are not restricted to being run on a single floor or a compact space, and only confirms the unwillingness of the CAO to shift out of hired premises.

Thus, failure of the Ministry to ensure that the CAO vacates the private accommodation and shift to allotted space in the Government building resulted in avoidable expenditure of Rs. 25.15¹ lakh towards payment of rent for private accommodation.

Geological Survey of India,

Central Region, Nagpur

12.2 Non-recovery of outstanding dues

Failure to evolve a mechanism by Geological Survey of India, Nagpur to recover outstanding dues resulted in loss of revenue of Rs. 75.74 lakh and consequential loss of interest of Rs. 24.81 lakh.

The Geological Survey of India, Central Region, Nagpur (GSI) undertakes exploratory works like survey, investigations drilling etc., on behalf of Central/State Government departments, autonomous bodies and private parties and collects fees for the same from its clients.

Audit observed that out of the total fee of Rs. 87.40 lakh due from its client departments, an amount of Rs. 11.66 lakh only was realised up to March 2006. The balance fee of Rs. 75.74 lakh (Rs. 9.38 lakh pertaining to the period upto 1997-98 and Rs. 66.36 lakh from 1997-98 to 2005-06) was outstanding for the works executed from its client departments involving six State Governments (Maharashtra, Andhra Pradesh, Madhya Pradesh, Haryana, Karnataka and Chhatisgarh) and some departments of the Union Government. The department had not yet evolved any mechanism for collection of fees in

¹ Calculated from April 2005, the month in which the Committee identified sufficient space in Dharitri building up to December 2006.

advance for prompt recovery of fees on completion of work or to charge penalty for delay etc. Failure to take action at Ministry level for recovery of outstanding dues other than issue of reminders to defaulters resulted in accumulation of arrears and loss of interest of Rs. 24.81 lakh upto March 2006 calculated at the average borrowing rate of the Union Government.

Department replied (April/October 2006) that final bills were preferred only after completion of work and periodical reminders were issued at higher levels to all defaulters for speedy recovery of outstanding dues. Some old bills were stated to have been recovered whenever work for the same project was repeated. It was also stated that there was no procedure to write off outstanding dues.

Department's reply was not tenable as the clients were largely Government departments wherein entrustment of jobs is preceded by approvals of competent authorities and there should have been no reasons for such defaults. Failure to devise an effective procedure for speedy recovery of dues led to accumulation of arrears of Rs. 75.74 lakh and consequential loss of interest of Rs. 24.81 lakh approximately as on 31 March 2006.

The matter was referred to the Ministry in August 2006. Their reply was awaited as of September 2006.

CHAPTER XIII: MINISTRY OF SCIENCE AND TECHNOLOGY

Council of Scientific and Industrial Research

13.1 Non recovery of Service Tax

Failure of National Institute of Oceanography, Goa to recover Service Tax from its clients in respect of the sponsored projects resulted in loss of Rs. 82.70 lakh as it had to ultimately make the payment of Service Tax to the tax authorities from its own funds.

Various scientific and technical institutions take up research and development projects for industry on payment of fee/charges. The Finance Act, 2001 brought rendering of science and technology (S&T) consultancy services under the purview of Service Tax. Consequently, Council of Scientific and Industrial Research (CSIR) issued instruction on 8 August 2001 requiring all the laboratories under its purview to collect Service Tax from their clients along with the consultancy charges and deposit the tax so collected with the Central Excise Authorities within 30 days.

Audit examination disclosed that notwithstanding the above provisions and circular issued by CSIR, National Institute of Oceanography, Goa (NIO), a unit of CSIR, failed to collect and pay the Service Tax on sponsored projects undertaken by it on behalf of various agencies on the ground that CSIR guidelines for technology transfer and utilisation of knowledgebase contemplated charging of Service Tax only in respect of consultancy services and there was no mention about the payment of such tax on the sponsored projects. The action of NIO was irregular as it should have obtained necessary clarification from CSIR if any doubt existed regarding levy and collection of Service Tax on sponsored projects undertaken by them.

Failure of NIO to collect and deposit tax timely led to the Commissioner of Customs and Central Excise, Panaji, Goa issuing a notice in August 2004 directing NIO to pay Service Tax along with interest in respect of all the projects undertaken by it. After receipt of the notice, CSIR directed NIO in January 2005 to recover the amount of Service Tax from the clients for whom the sponsored projects were executed, failing which, the amount be paid from the undistributed intellectual fee and/or unspent balance available from the projects for which Service Tax had to be paid. CSIR further advised that after exhausting these options, the Service Tax, if necessary, be paid from the laboratory reserve.

NIO accordingly paid Rs. 69.34 lakh in January 2005 towards Service Tax in respect of 165 sponsored projects undertaken during the period July 2001 to August 2004 and interest of Rs. 17.74 lakh towards delayed payment in January 2006. Out of this, NIO could recover only Rs. 4.38 lakh from 10 clients. While Rs. 27.74 lakh was paid from the undistributed intellectual fee and unspent balances of the projects, the remaining Rs. 54.96 lakh was paid from the laboratory reserve.

CSIR stated in January 2006 that the notice of payment of Service Tax on all the projects including sponsored projects was communicated only in August 2004 by Customs and Central Excise Department (CCED). Accordingly legal opinion was obtained which was in agreement with the views of CCED. Therefore, directions were issued to laboratory to settle the Service Tax dues.

Reply of the CSIR was not tenable as the notification dated 9 July 2001 clearly provided that Service Tax is payable on all scientific or technical consultancy services rendered in any manner to client and accordingly in August 2001 CSIR issued instructions to all the laboratories for collection of an additional component of Service Tax to and depositing the tax on collected in with central Excise Authorities within 30 days.

Thus, administrative lapse on the part of NIO led to non-recovery of Service Tax of Rs. 64.96 lakh from the concerned agencies. Consequently, NIO had to pay the amount of Rs. 64.96 lakh alongwith interest of Rs. 17.74 lakh from its laboratory reserve/undistributed intellectual fee and unspent project funds resulting in loss of Rs. 82.70 lakh.

**CHAPTER XIV : MINISTRY OF SHIPPING, ROAD TRANSPORT
AND HIGHWAYS**

Department of Road Transport And Highways

14.1 Revenue loss due to delay in levy of toll fee

The Ministry's failure to specify any time limit within which notifications for levy of toll fees should be issued after the completion of national highways sections and bridges resulted in delay in issue of notification causing revenue loss of Rs. 85.90 crore.

Under the National Highways Act, 1956 and the rules made thereunder, the Central Government is empowered to levy toll fee on mechanical vehicles for using national highways sections and permanent bridges costing more than the amount specified in the rules. The toll fee rates are to be notified by the Ministry of Shipping, Road Transport and Highways (the Ministry) and collected by the respective executing agencies i.e. NHAI¹/ State PWDs either departmentally or through private contractors, on behalf of the Central Government. The fee collected from the users is required to be remitted to the Government by the executing agencies. For timely collection of the revenue, it is essential that the notifications for levy of toll fee are issued as soon as the newly completed sections of the highways are opened to traffic.

Audit noted that though the Ministry framed rules governing levy of toll fees and issue of notification, it failed to specify the time limit within which such notifications should be issued after completion of the project. This led to issue of notifications for collection of toll fee with a delay ranging from five months to 23 months calculated from the dates of opening the highways/ bridges to traffic, in eight out of 28 cases test checked by audit, resulting in loss of revenue aggregating to Rs. 85.90 crore as indicated in Annexure- A.

The Ministry in their reply (November 2005) stated that there was no pecuniary gain caused to any individual or a private entity due to delay in issue of toll fee notification and the beneficiary was only the public at large and without any motive on the part of any one concerned. The contention of the Ministry is not acceptable as its failure to act promptly and issue notification timely caused substantial revenue loss to the Government.

¹ National Highways Authority of India (NHAI)

(Department of Shipping)

14.2 Undue benefit of Rs. 1.00 crore to Hindustan Shipyards Ltd (HSL)

Release of subsidy by the Ministry in contravention of its own guidelines resulted in undue benefit of Rs. 1.00 crore to HSL

As a measure to revive and improve poor order book position of Indian public sector shipyards, the Ministry of Shipping (the Ministry) announced (September 1993) 'shipbuilding subsidy scheme'. The scheme guidelines amended in March 2003 provided for a shipbuilding subsidy of 30 per cent of the price at which Indian shipyard won a global tender for shipbuilding. Further, fixation of price for domestic order was to be calculated in terms of relevant foreign currency and payment at each stage was to be made in instalments to the public sector shipyards at market determined parity rate of foreign exchange prevailing on the date of actual payment. The Ministry was to release subsidy as per stage payments agreed in the contract.

Audit scrutiny revealed that Hindustan Shipyards Ltd. (HSL) secured a domestic order (May 2004) for construction of two bulk carriers (Hull 11115 and 11116) at a total cost of US\$ 35 millions (each Hull costing US\$ 17,514,000) from a buyer based in Chennai. As per the agreement entered into with the buyer, HSL was to receive payment from the buyer in eight instalments. The stipulated date of delivery was August 2006 and February 2007 for hull 11115 and 11116 respectively.

As of April 2006, the Ministry released a total subsidy of Rs. 38.89 crore in three instalments² to HSL. Audit noted that the Ministry had released subsidy based on the foreign exchange rates prevailing on the due dates of stage payment indicated in the agreement instead of calculating the same at the rate prevailing on the date of actual payment in contravention of the Ministry's guidelines of March 2003. The US \$/Rupees foreign exchange rates on the dates of actual payments were generally lower than the rate on the due dates which resulted in undue benefit of Rs. 1.00 crore to HSL.

The matter was reported to the Ministry in August 2006, their reply was awaited (December 2006).

² First instalment of Rs. 27.70 crore on 10 September 2005, the second instalment of Rs. 10.24 crore on 17 January 2006 and the third instalment of Rs. 0.95 crore on 6 April 2006

Annexure- A

(Refers to in paragraph 14.1)

Loss of Revenue due to delay in issue of Notification for toll fee

Sl. No.	Name of NH/ Bridges/ stretches	Period of delay	Loss of Revenue (Rupees in crore)	Description of delay
1.	Chennai-bye pass Phase I connecting NH-45 to NH-4	July 2002 to May 2003 (11 months)	12.96	NHAI submitted (April 2002) a draft notification for levy of toll fee and opened the bye pass to traffic (June 2002). Actual toll collection commenced from June 2003, as the Ministry largely depended on NHAI for draft notification, clarification on rates of toll fee, location of toll plaza, which delayed issue of notification till May 2003.
2.	Yenegur bridge on NH-9 in Maharashtra (km 307/600- Solapur-Hyderabad Section)	November 2000 to September 2002 (23 months)	4.61	Bridge was opened to traffic in October 2000 but draft notification was received from PWD, Maharashtra in June 2001. The Ministry took no action till the PWD clarified (May 2002) that the bridge costing Rs.1.77 crore was opened to traffic prior to issue of amendment in the guidelines (December 2001). Notification was issued in October 2002.
3.	Samakhiali Gandhidham Road project on NH-8A in Gujarat	August 2002 to February 2003 (7 months)	7.07	NHAI submitted a draft notification in April 2002 for levy of toll fee. The Ministry sought revised proposal from NHAI based on whole sale price index and the notification was issued in March 2003.
4.	NH stretch (km.0.00 to 89.00) on Bangalore-Krishnagiri section of NH-7	April 2004 to April 2005 (13 months)	29.77	The stretch was completed in March 2004 and proposal for levy of toll fee was received in the Ministry in December 2003. The Ministry sought clarifications on levy of toll fees, exemptions from levy of toll fee from NHAI and issued the notification in May 2005.
5.	NH-8 km. 439 to km.502 on Manor-Dehisar section	October 2002 to April 2003 (7 months)	15.40	PWD, Maharashtra completed the work in May 2001. Draft notification was received from NHAI in February 2002. Ministry called for a background note on the status of completion of work and arrangements for fee collection, collection methodology, location of toll plaza etc. and the revised proposal. The notification was issued in May 2003.
6.	NH-76 on Delhi Mumbai Section (km 113.830 to 213.00)	March 2005 to July 2005 (5 months)	4.35	File of the Ministry dealing with the proposal received in April 2004 got misplaced and a copy of the proposal was obtained in April 2005, whereas work was completed in February 2005. Notification was issued in July 2005 and toll collection started in August 2005.
7.	Stretch from km. 725.00 to km. 722.00 of NH-4 on Satar-Khandala section in Maharashtra	August 2004 to February 2005 (7 months)	8.54	Proposal received in July 2004 was processed by the Ministry without consulting its Finance Wing; which led to delay in approval/ issue of notification till March 2005.
8.	Concrete Cable Stayed bridge across river Yamuna at Allahabad Naini on NH-27 in U.P.	September 2004 to January 2005 (5 months)	3.20	Proposal received in April 2004 was approved in September 2004 and sent to Ministry of Law for vetting without indicating name of the bridge, which was returned unvetted. This led to delay in issue of notification till February 2005.
		Total	85.90	

CHAPTER XV : MINISTRY OF TOURISM

15.1 Excess release of grants-in-aid

Ministry of Tourism's failure to scrutinise the project proposal of State Government properly resulted in excess release of Rs. 2.39 crore.

The Ministry of Tourism received a proposal (July 2002) from the State Government of Andhra Pradesh for setting up of a tourist facilitation Centre "Balayogi Paryatak Bhawan" at Hyderabad at a cost of Rs. 10.25 crore with a request for Central Financial Assistance (CFA) of Rs. 4 crore and the remaining amount was to be arranged by the State Government. In addition, land measuring 2.15 acres was to be arranged by the State Government free of cost for the project. After consideration, the Ministry approved the proposal under the scheme for Development of Tourist Centres.

The Ministry sanctioned (March 2003) Central Financial Assistance of Rs. 5 crore to the project against an assistance of Rs. 4 crore sought by the State Government by assuming the total cost of Rs. 22.25 crore after including Rs. 12 crore on account of the cost of land provided by the State Government for the project. No fresh proposal from the State Government was obtained. The sanction of Rs. 5 crore was justified on the ground that the Ministry had already agreed to sanction Rs. 5 crore for the project during 2001-02 itself.

The Ministry released the first instalment of Rs. 1.89 crores in March 2003 and the second instalment of Rs. 2.50 crore in April 2004 against the utilization certificate of Rs. 3.09 crore received from the State Government in March 2004. The project was actually completed (March 2005) at a lower cost of Rs. 7.20 crore against the initially projected cost of Rs. 10.25 crore (excluding the cost of land). Thereafter, the Ministry advised the State Government to adjust the excess release of Rs. 0.88 crore against some other project as the CFA of Rs. 3.51 crore was considered to be admissible against total release of Rs. 4.39 crore for the project costing Rs. 7.20 crore. The excess release of Rs. 0.88 crore was neither recovered nor adjusted as of October 2006.

Audit noted that as per the guidelines of the scheme of Development of Tourist Centers, CFA upto Rs. 2 crore only could have been provided, whereas under the scheme of large revenue generating projects, CFA at 25 per cent of project cost or Rs. 10 crore whichever was less, was admissible. As the Ministry had approved the project under the scheme of Development of

Tourist Centers, the eligible CFA for the project could have been only upto Rs. 2 crore and therefore, sanctioning Rs. 5 crore (after including Rs. 12 crore in the total cost of the project on account of the cost of the land) was irregular. Thus, the Ministry need to recover Rs. 2.39 crore instead of Rs. 0.88 crore as calculated by them on proportionate basis.

The Ministry in their reply (May 2006) stated that the amount of Rs. 0.88 crore would be adjusted against other project. It further stated (November 2006) that when the project was conceptualised the maximum ceiling of grants-in-aid under Tourist Centres was Rs. 2 crore but when the project was sanctioned, the revised guidelines were in place under which the upper ceiling for each destination was Rs. 5.00 crore.

The replies (May 2006 and November 2006) of the Ministry are not tenable because although the project was sanctioned after the new scheme guidelines were notified but it was sanctioned under the old scheme where the eligible CFA could have been only upto Rs. 2 crore. Besides, sanctioning Rs. 5 crore against the demand of Rs. 4 crore by State Government was irregular and not called for.

15.2 Injudicious Release of Funds

Injudicious release of funds without ascertaining the availability of land for the proposed project resulted in wasteful expenditure of Rs. 31.31 lakh.

The Ministry of Tourism (MOT) decided (January 2004) to develop "Yamuna River Front – Development of Great Green Tourist Complex, Delhi" in the area lying between Yamuna River Front, National Samadhis and Red Fort through the ITDC¹. Pending preparation of plans/drawings/blue prints, detailed estimates of the work and transfer of land to the project executing agency, the Ministry released an amount of Rs. 5.00 crore to the ITDC (February 2004) as an advance to start the work. As per the sanction, the ITDC was asked to furnish land availability certificate within six weeks from the date of the sanction as the land belonged to the Central Government. The work was required to be completed by 15 February 2005 i.e. within a period of one year from the date of issue of sanction. After completion of project, the assets created were to be handed over to the DDA² for maintenance and management.

¹ India Tourism Development Corporation Limited

² Delhi Development Authority

The ITDC requested (March 2004) the L&DO³ for permission to carry out the sanctioned work and also submitted a project proposal to MOT at an estimated cost of Rs. 787.33 lakh, including 3 per cent contingencies and 5 per cent centage charges. The L&DO, however, intimated MOT (December 2004) that the land was not available for the project as the same had already been transferred to the DDA for the purpose of integrated development of Yamuna River Front.

Thereafter, MOT directed the ITDC (December 2004) to refund the amount of Rs. 5.00 crore released in February 2004. The ITDC refunded (June 2005) Rs. 4.69 crore after deducting Rs. 31.31 lakh which included expenditure of Rs. 28.94 lakh incurred mainly on hiring a project consultant and security guards and contingencies and centage charges of the ITDC.

The release of Rs. 5.00 crore in anticipation of sanction of detailed estimates and handing over of land for the project to the ITDC resulted in idling of public funds for over fifteen months.

Thus, injudicious sanction and release of funds without ascertaining the availability of land for the proposed project resulted in wasteful expenditure of Rs. 31.31 lakh.

The matter was reported to the Ministry in January 2006; their reply was awaited as of December 2006.

³ Land and Development Office

CHAPTER XVI: MINISTRY OF URBAN DEVELOPMENT

Central Public Works Department

Indo-Bangladesh Border Zone

16.1 Unfruitful Expenditure

Inefficient project management led to abnormal delay of more than 10 years in construction of a bridge resulting unfruitful expenditure of Rs. 116.55 lakh, besides non-imposition of penalty of Rs. 10.04 lakh on the defaulting contractor.

With a view to providing round the year patrolling by the Border Security Force (BSF) along the Indo-Bangladesh Border (IBB) and also to facilitate uninterrupted movement of traffic, the Ministry of Urban Affairs and Employment (Ministry) accorded administrative approval and expenditure sanction for Rs. 91.95 lakh in August 1994, for construction of a steel trussed bridge over the river 'Punarhaba' on the alignment of IBB Road. Contrary to the provisions of the CPWD Manual i.e. before finalisation of structural drawings and designs, the Executive Engineer, Central Public Works Department (CPWD) awarded the work of construction of the bridge to a contractor in April 1995 at a cost of Rs. 104.00 lakh, with the stipulation to commence the work in May 1995 and complete it in November 1996.

Scrutiny of records in audit revealed that the contractor did not start the work at site till August 1995 and could complete only three *per cent* of work by the scheduled date of completion. The Executive Engineer, instead of imposing penalty amounting to Rs. 10.04 lakh being 10 *per cent* of the tendered amount as provided in the contract, granted provisional extension of time up to November 2002 to keep the contract alive. Audit scrutiny further revealed that till October 2002 i.e. after more than six years from the scheduled date of completion, 98 *per cent* of the work was executed and Rs. 116.55 lakh were paid to the contractor as running payment for value of work done till August 2001. No further work was executed since then and the bridge remained incomplete.

Though the Executive Engineer proposed (April 2003) to the Chief Engineer for rescission of contract in order to get the remaining work executed at the risk and cost of the defaulting contractor, yet no decision was taken as of September 2006. Reasons for non-rescission of work and non-imposition of penalty were not found on record.

Thus, abnormal delay in the execution of the work by the contractor, lack of close monitoring and poor contract management led to non-completion of the bridge resulting in an unfruitful expenditure of Rs. 116.55 lakh, besides non-imposition of penalty of Rs. 10.04 lakh. The partly constructed bridge, vulnerable on both the embankments, remained subject to wear and tear and the purpose of its construction could not also be achieved even after twelve years as of November 2006.

The case was reported to the Ministry in August 2006; their reply had not been received as of December 2006.

16.2 Extra liability due to non-recovery of sales tax on materials issued to contractors

Non-recovery of Sales Tax on departmental materials issued to contractors for execution of works resulted in extra liability of Rs. 3.29 crore to the department on account of Sales Tax and interest.

Central Public Works Department (CPWD) procures cement and steel and issues them to contractors for execution of public works. As per the judgment of the Hon' ble Supreme Court, supply of materials to the contractor amounts to sale of goods and attracts Sales Tax. Test check of the accounts of Central Public Works Divisions in Kerala revealed that the Divisions recovered only the cost of materials issued to contractors from their running account bills at the issue rate fixed from time to time and did not recover the Sales Tax due on the materials. The terms of contract provided that Sales Tax or any other tax on materials in respect of the contract was payable by the contractor and Government was liable to meet any claim in this respect. Omission to levy Sales Tax was pointed out in audit as early as March 2001 but the Division neither revised the issue rate including Sales Tax nor recovered the Sales Tax separately from the running account bills. Subsequently, Commercial Taxes Department of Government of Kerala finalised (between November 2005 and March 2006) the assessments of Sales Tax for the years 1997-98 to 2003-04 in the case of Kozhikode Division, 1997-98 to 2000-01 in the case of Thrissur Division and for 1997-98 to 2001-02 in the case of Kochi Division and fixed the liability of Sales Tax at Rs. 1.92 crore and interest on delayed payment as Rs. 1.37 crore. Thus, non-recovery of Sales Tax on the departmental materials issued to the contractors despite specific provision in the contract resulted in extra liability of Rs. 3.29 crore to the department for works taken up by the three Divisions.

The matter was referred to the Ministry in August 2006, who have not replied as of October 2006.

CHAPTER XVII: UNION TERRITORIES

Andaman and Nicobar Administration

Directorate of Shipping Services (DSS)

17.1 Unfruitful expenditure on construction of two passenger vessels

Lack of effective action by the Administration against a builder for non-fulfilment of contractual obligations and release of advance payment in violation of the contractual provisions resulted in an unfruitful expenditure of Rs. 13.42 crore. Besides, an amount of Rs. 2.35 crore remained recoverable from the firm on account of interest on advances and liquidated damages.

With a view to replace the outlived vessel MV Tapi, a 200 passenger vessel, the Andaman and Nicobar Administration (Administration) entered into two agreements in March 1999 with M/S. Shalimar Works (1980) Ltd, Calcutta (builder) for construction of two 100 passenger vessels M.V. Rani Laxmi and M.V. Rani Changa, at a cost of Rs. 7.12 crore each.

As per the agreement, the vessels were to be delivered within 15 months from the date of signing of the contracts or receipt of the first payment, whichever was later. The agreement further stipulated that in case the vessels were not delivered after six months from the specified time, the buyer would be entitled to terminate the agreement and claim refund of the amount paid to the supplier. The buyer could enter into fresh contracts with any other builder(s) to complete construction of the vessels. The date of delivery of both the vessels were July 2000.

Audit examination revealed that the firm completed the work upto 50 per cent hull stage (3rd stage) till February 2000 and was paid Rs. 9.26 crore by DSS on the basis of certificates issued by the technical consultants M/s. National Ship Design and Research Centre (NSDRC).

Though the construction of vessels did not progress beyond the third stage and the terms and conditions of the contract did not provide for payment of any advance, yet the Administration released a further sum of Rs. 4.14 crore as a special case till September 2002 and a further amount of Rs. 3.07 lakh in May 2004 in violation of conditions stipulated in the agreement.

Thus, a total amount of Rs. 13.42 crore being 94.26 per cent of the contractual cost of Rs. 14.24 crore had been paid to the builder though the work of construction of the vessels had not progressed beyond 50 per cent hull stage. Further, there was a time over run of six years from the stipulated date of

delivery (July 2000) of the vessels and the work was not yet completed. The Administration had also not taken any action to terminate the contract and have the balance work completed through another firm.

Thus, lack of effective action by the Administration against the builder for non-fulfilment of contractual obligations and release of advance payments in violation of the contractual provisions resulted in the construction of vessels getting inordinately delayed and the investment of Rs. 13.42 crore remaining unfruitful. Besides, an amount of Rs. 2.35 crore remained recoverable from the firm on account of interest on advances and liquidated damages (April 2006).

The matter was referred to the Ministry (July 2006). Reply was awaited (October 2006).

Electricity Department, Daman

17.2 Non-recovery of outstanding dues

Failure on the part of the Electricity Department to obtain security deposits, renew them and enhance their value as per the revised tariff led to accumulation of outstanding dues of Rs. 2.32 crore from consumers.

With a view to safeguarding revenues of Electricity Department, a clause imposing payment of security deposit amounting to three months average consumption of electricity or prescribed minimum amount which was higher, was required to be incorporated in agreements executed with consumers. The Electricity Department, Daman issued instructions in April 1979 for evolving a system in its billing section to watch recovery of arrears every month and disconnect the supply in the case of default. It was also stressed that in no case should arrears be allowed to accumulate beyond the amount of the security deposit.

Audit of the Electricity Department, Daman (February 02/ June 05) disclosed that an amount of Rs. 2.32 crore was outstanding on account of electricity charges against various consumers between February 1994 and March 2006. Scrutiny of the list of defaulting consumers revealed the following:

- (i) As against the outstanding amount of Rs. 1.86 crore in respect of 16 consumers, the security deposit, in the form of bank guarantee, available was only for Rs. 22.43 lakh.
- (ii) An amount of Rs. 8.21 lakh was outstanding in respect of six consumers against which bank guarantee for Rs. 3.62 lakh had already expired.

- (iii) In the case of 23 consumers, though outstanding dues had accumulated to Rs. 0.76 crore whereas bank guarantee was either not obtained or not received from the bank.

Hence, failure of the Department to raise the security deposit amounts commensurate with electricity consumed and non-pursuance of bank guarantee either for revalidation or for recovery, resulted in accumulation of arrears of electricity dues amounting to Rs. 2.32 crore as of March 2006.

In reply, Department stated (November 2005) that the clause imposing payment of security deposit was included in the tariff notification and the same would be included in the power supply agreement. The department also stated that at the time of release of connection, security deposit had been collected from the consumers at the rate applicable but security deposit remained to be enhanced due to hike in the tariff. Department further replied (October 2006) that subsequent to issue of audit observation, security deposit in the form of bank guarantee had been enhanced from Rs. 1000 to Rs. 1500 (July 2004) or three months average consumption whichever was higher, and to Rs. 2000 in October 2006. The security deposit at the revised rates would be collected from the new consumers and also from the existing consumers on expiry of present bank guarantee. The defaulting cases had already been referred to the Revenue Recovery Court (RRC) for recovery of outstanding dues after permanent disconnection.

The reply of the department confirms that arrears were allowed to accumulate beyond the security deposit amounts and prompt action was not taken by disconnecting the electric supplies to defaulting consumers.

Thus, due to lack of vigilance on the part of the Electricity Department, an amount of Rs. 2.32 crore remained outstanding for the period from February 1994 to March 2006 resulting in loss of interest of Rs. 0.79 crore calculated at a nominal rate of 6 per cent per annum.

The matter was referred to the Ministry in June 2006; their reply was awaited as of September 2006.

CHAPTER XVIII: GENERAL

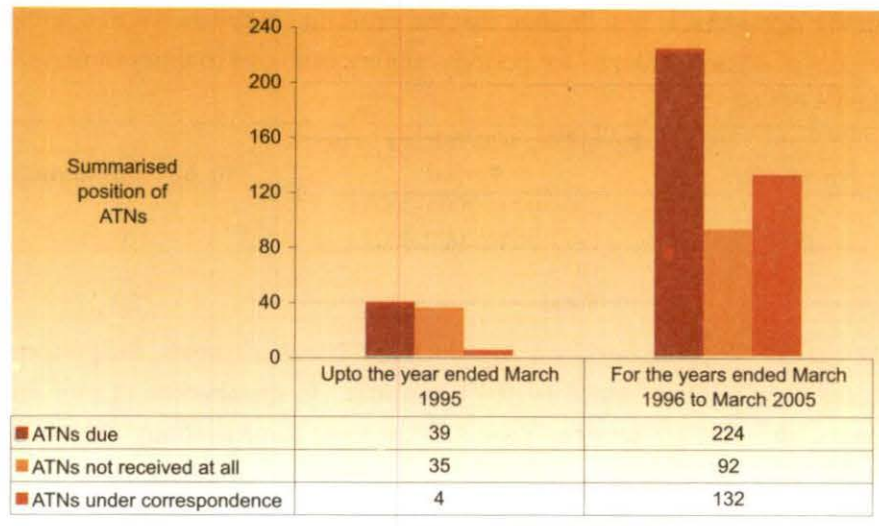
18.1 Follow up on Audit Reports - Summarised Position

Despite repeated instructions and recommendations of the Public Accounts Committee, various ministries and departments did not submit Action Taken Notes on 127 audit paragraphs even after the lapse of the time limit prescribed by the Public Accounts Committee.

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

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

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Other Autonomous Bodies and Scientific Departments) as of October 2006 disclosed that the Ministries/Departments had not submitted ATNs on 127 paragraphs. This included 35 paragraphs included in the Audit Reports upto and for the year ended March 1995 as indicated in Appendix-I. The outstanding ATNs date back to as far as 1988-89.



Though the Audit Reports for the years ended March 1996 to March 2005 were laid on the table of the Parliament each year between May 1997 and March 2006 and the prescribed time limit of four months had elapsed in each case, the ministries/departments were yet to submit ATNs on 92 paragraphs while final ATNs in respect of 132 paragraphs were awaited as of October 2006 as indicated in Appendix II.

18.2 Departmentally Managed Government Undertakings - Position of Proforma Accounts

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

There were 34 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 2006. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading Account, Profit and Loss Accounts and Balance Sheet. While the Government of India Presses prepare Proforma Accounts without Trading Account, Profit and Loss Account and Balance Sheet, the Department of Publications prepares only the Store Accounts.

It is necessary for each Ministry and Department to ensure that the audited accounts are prepared by the undertakings under their control within nine months of the close of the financial year. The position of the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in Appendix III.

From the Appendix, it will be seen that the proforma accounts were in arrears in respect of 29 undertakings for periods ranging from one to thirty three years as shown below:

No. of years	Period for which lying in arrears	
	Period	No. of Undertakings
1-5	2001-02 to 2005-2006	23
6-11	1995-96 to 2000-2001	5
33-34	1973-74	1
	Total	29

In the case of Shipping Services, Andaman and Nicobar Islands, the proforma accounts were in arrear since 1973-74 onwards. In the absence of proforma accounts, the cost of services provided by these organisations, which are intended to be managed on commercial basis, could not be ascertained. It was also not possible to work out normal performance indicators like return on investment, profitability etc. for their activities.

The delay in compilation of accounts in respect of departmentally managed undertaking was brought to the notice of Secretaries of the Ministries of (i) Agriculture (ii) Defence (iii) Environment and Forests (iv) Finance (v) Health and Family Welfare (vi) Information & Broadcasting (vii) Power (viii) Shipping, Road Transport and Highways (ix) Urban Development in December 2006. Their responses were awaited as of December 2006.

18.3 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues, duties, advances written off/waived during 2005-06, is given in Appendix- IV to this Report. It will be seen from Appendix that in 360 cases, Rs. 95.41 crore representing losses mainly due to failure of system, Rs. 1.72 crore due to neglect /fraud etc. on the part of individual Government officials and Rs. 5.18 crore for other reasons, were written off during 2005-06. During the year, recoveries waived and ex-gratia payment made in 588 cases totalled Rs. 15.27 crore.

18.4 Response of the ministries/departments to draft paragraphs

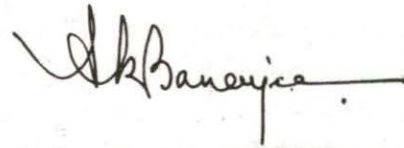
Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 24 of 50 draft paragraphs included in this Report.

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

50 draft paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2006 were forwarded to the Secretaries of the respective ministries/departments during April 2006-December 2006 through demi-official letters.

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The Secretaries of the ministries/departments did not send replies to 24 draft paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the Appendix-V. As a result these 24 paragraphs have been included in this Report without the response of the Secretaries of the ministries/departments.

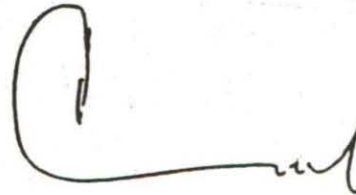


(Dr. A.K. BANERJEE)
Director General of Audit
Central Revenues

New Delhi

Dated 07th March, 2007

Countersigned



New Delhi

Dated 13th March, 2007 Comptroller and Auditor General of India

APPENDIX- I
(Refers to Paragraph No. 18.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of October 2006.

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

APPENDIX-II

(Refers to Paragraph No. 18.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 2005 as of October 2006.

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.	Department of Telecommunication	2003	-	-	-	-	-	-	1	1	-	1	1	-
		2005	-	-	-	-	-	-	1	1	-	1	1	-
2.	Commerce & Industries	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	3	3	-	-	-	-	-	-	-	3	3	-
3.	Department of Scientific and Industrial Research (DSIR)	2004	-	-	-	-	-	-	1	1	-	1	1	-
		2005	-	-	-	-	-	-	2	2	-	2	2	-
4.	Culture	1998	-	-	-	1	-	1	-	-	-	1	-	1
		2001	-	-	-	2	-	2	-	-	-	2	-	2
		2003	1	1	-	-	-	-	-	-	-	1	1	-
		2004	1	-	1	2	2	-	-	-	-	3	2	1
		2005	-	-	-	1	-	1	-	-	-	1	-	1
5.	External Affairs	1999	1	-	1	-	-	-	-	-	-	1	-	1
		2000	4	-	4	-	-	-	-	-	-	4	-	4

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
		2001	3	-	3	-	-	-	-	-	-	3	-	3
		2002	4	-	4	-	-	-	-	-	-	4	-	4
		2003	11	3	8	-	-	-	-	-	-	11	3	8
		2004	11	5	6	1	-	1	-	-	-	12	5	7
		2005	5	2	3	-	-	-	-	-	-	5	2	3
		1998	1	-	1	-	-	-	-	-	-	1	-	1
6.	Finance	1999	2	1	1	-	-	-	-	-	-	2	1	1
		2000	1	-	1	-	-	-	-	-	-	1	-	1
		2002	1	1	-	-	-	-	-	-	-	1	1	-
		2003	4	1	3	1	-	1	-	-	-	5	1	4
		2004	1	-	1	2	-	2	-	-	-	3	-	3
		2005	1	-	1	1	-	1	-	-	-	2	-	2
7.	Health and Family Welfare	1997	1	-	1	-	-	-	-	-	-	1	-	1
		1999	1	-	1	1	-	1	-	-	-	2	-	2
		2000	3	1	2	-	-	-	-	-	-	3	1	2
		2001	3	1	2	-	-	-	-	-	-	3	1	2
		2002	1	-	1	2	1	1	-	-	-	3	1	2
		2003	2	-	2	-	-	-	-	-	-	2	-	2
		2004	5	1	4	3	-	3	-	-	-	8	1	7

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Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2005	5	5	-	2	2	-	-	-	-	7	7	-
8.	Heavy Industries & Public Enterprises	2005	1	1	-	-	-	-	-	-	-	1	1	-
9.	Home Affairs	2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	1	1	-	-	-	-	-	-	-	1	1	-
10.	Human Resource Development	1999	2	-	2	-	-	-	-	-	-	2	-	2
		2000	1	-	1	-	-	-	-	-	-	1	-	1
		2001	1	-	1	3	-	3	-	-	-	4	-	4
		2002	-	-	-	3	3	-	-	-	-	3	3	-
	Department of Women and Child Development	2003	4	1	3	2	-	2	-	-	-	6	1	5
		2004	3	-	3	7	2	5	-	-	-	10	2	8
		2005	1	1	-	7	4	3	-	-	-	8	5	3
	11.	Information and Broadcasting	1997	2	-	2	-	-	-	-	-	-	2	-
1998			1	-	1	-	-	-	-	-	-	1	-	1
2000			3	-	3	-	-	-	-	-	-	3	-	3
2001			3	-	3	-	-	-	-	-	-	3	-	3

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2002	-	-	-	3	-	3	-	-	-	3	-	3
		2003	1	-	1	4	-	4	-	-	-	5	-	5
		2004	1	-	1	4	2	2	-	-	-	5	2	3
		2005	1	-	1	5	4	1	-	-	-	6	4	2
12.	Labour	2000	-	-	-	1	-	1	-	-	-	1	-	1
		2001	-	-	-	1	-	1	-	-	-	1	-	1
		2004	1	-	1	-	-	-	-	-	-	1	-	1
		2005	-	-	-	4	3	1	-	-	-	4	3	1
13.	Law & Justice	2003	1	1	-	-	-	-	-	-	-	1	1	-
14.	Planning Commission	2005	-	-	-	1	1	-	-	-	-	1	1	-
15.	Power	2005	2	1	1	-	-	-	-	-	-	2	1	1
16.	Shipping	2004	1	1	-	1	1	-	-	-	-	2	2	-
		2005	1	1	-	10	4	6	-	-	-	11	5	6
17.	Small Scale Industries and Agro Rural Industries	2004	1	-	1	-	-	-	-	-	-	1	-	1
18.	Social Justice and Empowerment	1998	1	-	1	-	-	-	-	-	-	1	-	1
		2001	-	-	-	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	-	-	-	1	-	1

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
19.	Statistics and Programme Implementation	2004	1	1	-	1	1	-	-	-	-	2	2	-
		1997	1	-	1	-	-	-	-	-	-	1	-	1
		2000	1	-	1	-	-	-	-	-	-	1	-	1
20.	Steel	2003	1	1	-	-	-	-	-	-	1	1	-	
21.	Textile	2003	1	1	-	-	-	-	-	-	1	1	-	
		2005	1	1	-	-	-	-	-	-	1	1	-	
22.	Tourism	2004	1	1	-	-	-	-	-	-	1	1	-	
		2005	2	2	-	-	-	-	-	-	2	2	-	
23.	Urban Development	2002	-	-	-	1	1	-	-	-	1	1	-	
		2003	1	1	-	-	-	-	-	-	1	1	-	
		2004	2	2	-	1	1	-	-	-	3	3	-	
		2005	3	3	-	4	4	-	-	-	7	7	-	
24.	Youth Affairs & Sport	2003	1	-	1	-	-	-	-	-	1	-	1	
		2004	1	1	-	-	-	-	-	-	1	1	-	
		2005	-	-	-	4	4	-	-	-	4	4	-	
TOTAL			131	47	84	88	40	48	5	5	-	224	92	132

APPENDIX-III
(Refers to paragraph 18.2)
Summarised financial results of Departmentally Managed Government Undertakings

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
MINISTRY OF AGRICULTURE										
1.	Delhi Milk Scheme	2005-06	3622.88	23399.07	2274.73	(-)1222.77	173.87	(-) 1048.30	--	Increase in gross block of assets is due to appreciation in value of land taken to the tune of Rs. 22343.40 lakh.
2.	Ice-cum-Freezing Plant, Kochi	2004-05	239.95	1226.39	82.58	81.89	28.79	44.22	--	
MINISTRY OF DEFENCE										
3.	Canteen Stores Department	2004-05	48.00	3369.56	2628.79	6421.81	9054.49	15476.30	21.19	
MINISTRY OF ENVIRONMENT AND FORESTS										
4.	Department of Environment and Forests, Andaman and Nicobar Islands	1999-00	1443.83	162.11	1281.72	(-) 993.99	*2147.31	(-)993.99	(-)4.20	*Interest on Government Capital as per the Proforma Accounts is Rs. 2147.31 lakh. But the correct figure if correct natured of calculation of interest is adopted it is Rs. 1164.45 lakh.
MINISTRY OF FINANCE										
5.	Bank Note Press, Dewas	2004-05	28901.11	11958.13	16942.98	1621.08	2043.22	3664.30	12.67	
6.	Currency Note Press, Nasik Road	2004-05	47357.01	26322.97	21123.94	(+)691.94	3010.38	8326.58	26.50	

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Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
7.	Government Alkaloid Works, Ghazipur	2003-04	508.25	404.89	99.15	76.79	164.79	241.58	15.04	1606.12*
8.	Government Alkaloid Works, Neemuch	2003-04	1412.42	1020.92	383.18	2921.36	4.19	2925.55	7168.71	40.81*
9.	Government Opium Factory, Ghazipur	2003-04	366.44	217.47	165.96	1305.72	1341.23	2646.95	20.25	13072.40*
10.	Government Opium Factory, Neemuch	2003-04	53234.00	404.99	124.89	7008.51	892.91	7901.41	90.79	8702.84*
11.	India Government Mint, Hyderabad	2004-05	67038.39	21455.80	3715.39	(-)7430.64	7910.53			
12.	India Government Mint, Kolkata	2002-03	479.46	5735.44	1127.60	(+)5545.55	58.21	5603.76	-	-
13.	India Government Mint, Mumbai	1999-2000	41415.96	4718.48	1637.18	10001.12	5269.22	36.87	Nil	
14.	India Security Press, Nasik Road	2004-05	80352.15	11641.97	5196.97	(-)3684.12	5291.47	1607.35	2.91	
15.	India Govt. Mint, Noida	1998-99	2629.24	1905.20	724.04	3809.92	211.98	3821.91	145.36	
16.	Security Paper Mill, Hoshangabad	2002-03	9448.39	4034.83	3461.09	(+)1582.94	Nil	1582.94	-	
17.	Security Printing Press, Hyderabad	2003-04	2325.00	814.00	1400.00	1.00	821.00	822.00	-	-
MINISTRY OF HEALTH AND FAMILY WELFARE										
18.	Central Research Institute, Kasauli	2004-05	906.87	251.03	99.81	(+)124.24	137.04	549.86	38.44	
19.	Medical Stores Depot	2001-02	3224.27	87.41	26.62	(-) 473.38	46.97	147.73	--	Does not contain figures of MSD Chennai & Guwahati as these were available only for the year 2000-01.
20.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	2005-06	0.31	0.23	0.00143	0.204	0.125	0.390	84.59	

*Mean capital for the year

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	% age of total return to mean Capital	Remarks
MINISTRY OF INFORMATION AND BROADCASTING										
21.	Films Division, Mumbai	1994-95	1641.87	1602.94	801.41	(-) 1418.89	167.87	-	-	Loss indicates loss for the year.
MINISTRY OF POWER										
22.	Badarpur Thermal Power Station, New Delhi	2005-06	42673	10445	35625	(+)3100	863	3963	9.29	
23.	Electricity Department, Andaman and Nicobar Islands	2001-02	17926.41	15464.33	2015.55	(-) 55167.01	1718.91	(-) 8694.07	(-) 61.40	
24.	Electricity Department, Lakshadweep	2004-05	4228.68	2654.59	1574.09	(-)2066.76	343.26	(-)1723.50	--	
25.	Deptt. of Atomic Energy, Nuclear Fuel Complex, Hyderabad	2004-05	41494.48	25733.13	15761.36	15053.47	5685.11	20738.58	48.94	
26.	Deptt. of Atomic Energy, Heavy Water Pool Management, Mumbai	2003-04	703617.81	0.00	0.00	(-) 39296.94	72191.19	32894.25	4.68	Figures are provisional.
MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS										
Department of Road Transport and Highways										
27.	Chandigarh Transport Undertaking	2004-05	7994.47	5128.94	745.21	(-) 721.55	334.24	(-) 387.31	(-) 3.84	
28.	State Transport Service, Andaman and Nicobar Islands, Port Blair	2004-05	1910.21	532.19	1084.46	(-)18653.37	1825.09	(-)16828.28	(-)111.94	
Department of Shipping										
29.	Andaman Ferry Service	2002-03	26092.38	3373.67	5486.23	(-) 32.74	(-) 2553.32	(-) 2586.06	(-) 9.91	

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Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
30.	Department of Lighthouses and Lightships	2003-04	14619.00	15288.00	6051.00	(+)4503.00	340.00	4843.00	66	
31.	Marine Department (Dockyard) Andaman and Nicobar Islands	2003-04	2884.55	205.10	61.60	(-) 4166.22	(-)289.41	(-) 4455.63	(-) 154.47	
32.	Shipping Services, Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	Accounts for the period 1972-73 to 1991-92 received but returned by Audit to the department for authentication.
MINISTRY OF URBAN DEVELOPMENT										
33.	Department of Publications, New Delhi	2000-01 & onwards	-	-	-	-	-	-	-	Instead of proforma accounts, the publication department prepares store accounts which have been audited upto 1999-2000. The Ministry decided in November 2001 to change over the accounting system to commercial pattern of accounts. The department has still not changed over.
34.	Government of India Press	2004-05	1191.63	-	60.44	-	55.99	-	-	Govt. of India Press works on "No Profit, No Loss" basis.

APPENDIX-IV
(Refers to Paragraph 18.3)

Statement of losses and irrecoverable dues written off/waived during 2005-2006

(Rupees in lakh)

Name of Ministry/ Department	Write off of losses and irrecoverable dues due to									
	Failure of system		Neglect/fraud etc.		Other reasons		Waiver of recovery		Ex-gratia Payment	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture	-	-	-	-	10	0.98	-	-	-	-
Atomic Energy	-	-	-	-	30	9.33	-	-	-	-
Central Excise	-	-	-	-	4	1.24	-	-	1	5.00
Customs	8	1.01	-	-	1	0.63	15	13.80	-	-
Defence	-	-	-	-	2	162.79	-	-	-	-
External Affairs	-	-	1	3.35	-	-	-	-	-	-
Finance (Economic Affairs and Revenue)	-	-	-	-	3	0.56	-	-	71	353.34*
Health and Family Welfare	29	9499.00	7	31.00	17	210.56*	-	-	-	-
Home	-	-	-	-	1	0.55	-	-	-	-
Information Technology	-	-	-	-	2	4.69°	-	-	-	-
Lok Sabha Secretariat	1	33.00	-	-	2	0.07	-	-	-	-
Mines	-	-	-	-	2	2.55	-	-	-	-
Power	-	-	-	-	-	-	1	0.04	-	-
Planning	-	-	-	-	1	0.09	-	-	-	-
Post and Telecommunication	-	-	128	127.55	29	2.87	3	0.19	47	0.11
Space	-	-	-	-	9	0.67	-	-	-	-
Science and Technology	-	-	-	-	8	7.84	1	0.07	-	-
Shipping, Road Transport and Highways	16	7.88	14	9.65	34	111.83	-	-	61	3.05*
Urban Development	-	-	-	-	-	-	-	-	387°	1151.57°
Water Resources	-	-	-	-	1	0.40	1	0.06	-	-
Total	54	9540.89	150	171.55	156	517.65	21	14.16	567	1513.07

* Payment made to employees of India Investment Centre who opted for special VRS.

* Book value Rs. 2,99,950

° Amount includes Rs. 3,36,074 of CCA item also

* Financial assistance to flood affected employees of JNPT at the rate of Rs. 5000 each

° Ex-gratia payments arising out of special VRS to Central Government employees declared as surplus made by PAOs under the accounting control of CCA, UD and HUPA.

APPENDIX - V
(Refers to in Paragraph 18.4)
Response of the ministries/departments to draft paragraphs

Sl. No	Ministry/ Department	Total No. of Paragraphs	No. of Paragraphs to which reply not received	Reference to Paragraphs of the Audit Report
1.	Agricultural	01	--	--
2.	Communication and Information Technology	09	06	2.2, 2.3, 2.4, 2.5, 2.6, 2.9
3.	Company Affairs	01	--	--
4.	Culture	02	01	4.2
5.	Ministry of Earth Sciences	01	01	5.1
6.	Ministry of Environment & Forest	01	-	
7.	External Affairs	13	07	7.1, 7.3, 7.6, 7.9, 7.12, 7.13, 7.14
8.	Finance	02	01	8.1
9.	Health and Family Welfare	03	--	--
10.	Home Affairs	02	--	--
11.	Human Resource Development	04	01	11.2
12.	Mines and Minerals	02	01	12.2
13.	Science and Technology	01	--	--
14.	Shipping, Road Transport and Highways	02	01	14.2
15.	Tourism	02	01	15.2
16.	Urban Development	02	02	16.1 and 16.2
17.	Union Territories	02	02	17.1 and 17.2
	Total	50	24	