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**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 1990  
NO. 1 OF 1991**

**UNION GOVERNMENT—CIVIL**





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## PREFATORY REMARKS

This Report for the year ended 31 March 1990 has been prepared for submission to the President under Article 151 of the Constitution.

2. It relates mainly to matters arising from the Appropriation Accounts of the Union Government (Civil) for 1989-90 together with other points arising from the test audit of the financial transactions of some of the Civil Departments of the Union Government except those relating to Scientific Departments, Delhi Administration and Central Autonomous Bodies.

3. Certain points of interest arising from the Union Government Finance Accounts for 1989-90 are included in Chapter I of this Report.

4. This Report includes, among others, the following reviews:-

- (a) Technology Mission on Drinking Water
- (b) External Publicity Division
- (c) Consular services rendered by some Indian Missions abroad
- (d) Purchase operations of the Supply Wing, Washington
- (e) Supply Wing of High Commission of India, London
- (f) National AIDS Control Programme

5. The cases mentioned in this Report are among those which came to notice in the course of audit during 1989-90 as well as those which came to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1989-90 have also been included, wherever considered necessary.





## OVERVIEW

The Audit Report for the year ended 31 March 1990 contains 41 paragraphs including 6 reviews. The points highlighted in the Report are given below:-

### I. Accounts of the Union Government

The Union Government has been running into revenue deficit since 1979-80. The revenue deficit more than doubled during the Seventh Five Year Plan period. It was Rs.11914 crores in 1989-90 against the budget estimates of Rs.7012 crores. The revenue deficit has to be viewed in the light of transfer of Rs.2300 crores from the pool account of Oil Coordination Committee lodged in Public Account to revenue receipts.

The overall deficit during 1989-90 was Rs.10592 crores against the budget estimates of Rs.7337 crores and actual deficit of Rs.5642 crores in 1988-89.

Non-plan revenue expenditure increased by 87 per cent during 1985-86 to 1989-90. Subsidies had increased from Rs.4643 crores in 1985-86 to Rs.9701 crores in 1989-90. The interest payments increased from Rs.5902 crores in 1985-86 to Rs.14490 crores in 1989-90 registering an increase of 146 per cent.

Although capital expenditure increased from Rs.8576 crores to Rs.13400 crores between 1985-86 and 1989-90, expressed as a percentage of total expenditure, it declined from 17.4 to 15.1.

The revenue receipts during 1989-90 were Rs.63277 crores comprising direct taxes (Rs.6087 crores), indirect taxes (Rs.41627 crores) and non-tax receipts

(Rs.15563 crores). As a percentage of GDP at current prices, tax revenue was 12 per cent in 1989-90. Nearly 50 per cent of non-tax receipts were on account of interest.

A total amount of Rs.18024 crores was transferred to the States during 1989-90 on account of States' share of Union Excise Duties and Grants. While the States' share of Union Excise Duties and Grants increased by 42 per cent during the period 1985-86 to 1989-90, as a percentage of total revenue expenditure and tax revenues, it declined from 31 to 24 and from 47 to 38 respectively.

The dividend received from public sector enterprises (other than those under construction and financial institutions) was Rs.296 crores against the investment of Rs.34584 crores representing less than one per cent return on investment. No dividend was received from as many as 189 enterprises with a total investment of Rs.29595 crores. The share of profits from the nationalised banks, Reserve Bank of India, Industrial Development Bank of India, Life Insurance Corporation of India and General Insurance Corporation was Rs.393 crores on a total investment of Rs.2803 crores.

Public debt which stood at Rs.161536 crores at the end of March 1990, as per the Finance Accounts, had increased by 81 per cent between 1985-86 and 1989-90. Of this, external debt had increased from Rs.18153 crores to Rs.28343 crores. The amortisation of external debt including interest accounted for 75 per cent of external loan receipts affecting the net inflow to 25 per cent during 1989-90.



Against the amount of guarantees of Rs.60917 crores, for which government have entered into agreements, the guarantees outstanding as on 31st March 1990 were Rs.54537 crores.

During the period 1984-85 to 1988-89, foreign assistance of Rs.8858 crores only could be utilised against the authorisation of Rs.20736 crores. Utilisation had declined from 76 per cent at the end of 1984-85 to 66 per cent at the end of 1988-89.

(Paragraph 1)

## II. Appropriation Audit and control over expenditure

The actual expenditure during 1989-90 fell short of the budget provisions in 214 cases; the entire provisions remained unutilized in 4 grants while in 8 grants, the savings exceeded 50 per cent of the provisions. In 19 cases, supplementary provisions proved unnecessary as the expenditure was less than even the original provisions.

The savings were not surrendered in time as prescribed in the financial rules; 81 per cent of the savings were surrendered on the last day of the financial year. In 14 cases, the amount surrendered exceeded the savings; in 5 cases amounts were surrendered even though no savings were available.

In 10 cases, the expenditure exceeded the budget provisions; the excess requires regularisation by Parliament. Five cases were noticed in Audit in which expenditure was incurred on 'New Service' or 'New Instrument of Service' without the prior approval of Parliament or without obtaining advance from the Contingency Fund.

(Paragraphs 2 and 3)

## III. Ministry of Agriculture

*Technology Mission on Drinking Water.*-Technology Mission on drinking water, set up in 1986 for four years upto March 1990 was later on extended to 31st March 1991. The Mission was to assist in accelerating the progress of on going rural water supply schemes so as to achieve the Seventh Plan target of covering all the 1,37,155 residual problem villages by supplying potable water of 40 litres per capita per day. The Mission was also to undertake conservation measures for sustained water supply. For this, 55 Mini-Mission (pilot projects) were taken up. Five Sub-Missions under different nodal agencies were also set up to deal with the problems of source finding and quality of water, control of fluorosis, removal of excess iron, eradication of guineaworm and control of brackishness.

The Mission was to assure supply of required quantity of potable water within a reasonable distance of say 1.6 Km and within a depth of 15 metres in 1,37,155 problem villages. Though 1,28,823 problem villages were covered during the period 1986-90 against 1,37,155 problem villages as envisaged to be covered, reported coverage included partially covered villages also. At the end of March 1990, there were 1,18,163 partially covered villages including those pertaining to the pre-Mission period. The Mission had no information about the quantity of potable water per capita per day being supplied and percentage achievement in case of installation of hand pumps as against the norms of 40 litres per capita per day or one hand pump for every 250 persons.

Quality monitoring of water supply did not receive the intended emphasis. For testing quality of water, only 33 laboratories could be



set up against the target of 100 to be operational by November 1989.

Against the target of 1,825 villages, to be tackled for excess fluoride in 9 States, only 796 villages were covered. Likewise 6 defluoridation plants were commissioned even though 130 plants were targetted.

For eradication of guineaworm in affected villages, 6,754 villages were covered till December 1989 against 9,283 villages identified for the purpose in six States for alternative source of water or conversion of step wells into sanitary wells. Out of 5,578 step wells to be converted into sanitary wells, only 2,576 wells were converted.

Problem of excess iron was to be tackled by providing alternative sources of quality water and by setting up excess iron removal plants in 1,131 problem vilages in 15 States. Against this, 316 problem villages (28 per cent) could be covered. Against the target of 11,780 iron removal plants, only 2,267 plants were installed by March 1990. The shortfall in achievement of the target was attributed to change in nodal agencies, delay in selection of sites by the States and delay in identification of suppliers, etc.

Sub-Mission for tackling excess salinity identified, tentatively, 17,500 villages in 14 States facing problem of salinity. 1,467 villages were targetted for coverage by setting up desalination plants. By April 1990, only 240 villages were covered and 42 plants installed in seven States against the target of 130 plants in ten States.

For Rural Water Supply Schemes during the Seventh Plan, period, expenditure totalling Rs.4,385.30

crores was incurred by the States/ Union Territories.

The Mission approved schemes for Rs.210.18 crores and released about Rs.120 crores against which the expenditure incurred was Rs.111 crores during 1986-90. In addition, Rs.26.86 crores were released for activities of the Sub-Missions; details of expenditure were not available with the Mission.

There was significant shortfall in implementation of schemes for water conservation. Against the outlay of Rs.75 crores, Rs 17.66 crores were released and the actual expenditure was Rs.6.15 crores only. Utilisation was less than 50 per cent of the release in several districts of seven States. No funds were released for water conservation works in nine States.

Funds to the extent of Rs.300 lakhs were diverted for works outside the purview of the Mission.

Monitoring of the programme at district level and State level was deficient. The monthly progress reports received from the State Project Coordinators depicted financial and physical targets only. As such the Mission could not carry out the intended detailed monitoring.

The agencies for evaluating the progress of the individual project annually and to suggest methodology and approach for rectifying deficiencies were not identified as envisaged. As a result, evaluation of the implementation of the Mini-Mission projects and activities of Sub-Missions had not been done.

(Paragraph 4)

*Avoidable expenditure on payment of a judgement debt.- The vessel*



CONSTANTIA carrying inter alia diammonium phosphate for the Department of Fertilisers, which caught fire on the high seas, was towed to a port in India by a salvage tug in September 1984. According to the agreement, the remuneration to the owners of the salvage tug (salvors) would be fixed by arbitration in London.

As per the award published in January 1986, both the owners of the cargo and vessel were to pay Dfls (Dutch Florins) 58,50,000 alongwith interest at the rate of 7.5 per cent per annum from March 1985 to the date of award. The amount payable was reduced to Dfls 40,00,000 (including interest) in April 1986 as a result of an appeal filed in January 1986. However, the payment was delayed by the owner of the cargo till December 1986 resulting in avoidable payment of penal interest amounting to Rs.13.01 lakhs.

(Paragraph 5)

*Regional Feed Analytical Laboratories.*-In December 1981, the Ministry of Agriculture approved setting up of three feed analytical laboratories at Bhubaneswar, Bombay and Chandigarh for analysing poultry feed samples. The construction of the laboratory building at Bombay sanctioned in June 1983 was completed in February 1989 and the building at Bhubaneswar sanctioned in January 1982 was under construction till October 1990 and its cost was expected to escalate from Rs.9.16 lakhs to Rs.13 lakhs.

Though the laboratory at Bombay had started functioning from June 1989, the facility for toxic analysis was not available; machinery and equipment valuing Rs.4 lakhs were also lying un-utilised. The posts of Nutritionist provided in the scheme in December 1981 were

filled up only in December 1988 (Chandigarh) and May 1989 (Bombay). Against the initial target of testing 500 samples per year for each laboratory, the annual average of the samples tested by the laboratories at Bhubaneswar and Bombay was 198 and 68.5 respectively. The samples were also not tested for all the prescribed criteria essential for manufacture of poultry feed.

(Paragraph 6)

#### IV. Ministry of Commerce

*Unjustified payment of cash assistance.*- Unjustified payment of cash assistance totalling Rs.21.63 lakhs was made to five exporters in the Santacruz Electronic Export Processing Zone, Bombay during 1989-90 as f.o.b. value of exports, reckoned for determining entitlement to the cash assistance, included notional value of raw material obtained by the exporters free of cost.

(Paragraph 8)

*Overpayment of cash assistance.*- Inadmissible cash assistance at the rate of additional five per cent was paid by the Joint Chief Controller of Imports and Exports, New Delhi on the export of synthetic blended yarn and viscose staple fibre spun yarn during November 1989 to April 1990 resulting in an overpayment of Rs.15.32 lakhs to an exporter.

(Paragraph 9)

*Cash assistance for the export of cardamom (small).*-Air freight subsidy of Rs.7 per Kg. was sanctioned from September 1988 to March 1989 for exporting cardamom (small) in consumer packs of two Kg. and below to Gulf and Middle East Countries in order to neutralise the cost of excess freight by air as



compared to sea. Against a target of 1500 tonnes for exports by air, only 128 tonnes were exported during this period. Additional cash assistance of five per cent was also sanctioned in October 1988 to enable achievement of export target of 2500 tonnes during 1988-89 to fetch foreign exchange worth Rs.30 crores. Against this, 776 tonnes valued at Rs.10.29 crores only were exported.

Out of total export valuing Rs.6.02 crores made during November 1988 to February 1989 attracting additional cash assistance of Rs.30.10 lakhs, exports valued at Rs.3.23 crores, attracting additional cash assistance of Rs.16.15 lakhs were made to rupee payment areas.

(Paragraph 10)

*Cash assistance on the export of spices.*-Exports of spices in consumer packs of one kilogram or less under specified brand names were entitled to Cash Compensatory Support at the rate of 10 per cent of f.o.b. value while only five per cent of f.o.b. value was admissible to exports in other consumer packs. Three exporters were irregularly paid at the higher rates of 10 per cent for their exports in other consumer packs resulting in overpayment of Rs.15.34 lakhs.

(Paragraph 11)

#### V. Ministry of Commerce (Department of Supply)

*Delay in the processing of tenders.*- As a result of delay in the processing of tenders by the Directorate General of Supplies and Disposals, in two cases relating to the purchase of aerial masts and helmets lower offers could not be availed of within the validity period of the offers. This resulted

in extra expenditure totalling Rs.20.31 lakhs.

(Paragraph 13)

*Purchase of Ledermycin capsules.*- Non-acceptance of an offer of fixed price from a firm for supply of Ledermycin capsules and subsequent acceptance of the offer with a price variation clause from the same firm resulted in extra payment of Rs.14 lakhs.

(Paragraph 14)

*Purchase of tubular trusses.*- A contract for supply was cancelled at the risk and cost of the supplier for non-supply of part quantity. Repurchase of the balance quantity, six months after the date of breach, frustrated a valid risk purchase resulting in additional expenditure of Rs.6.80 lakhs (exclusive of taxes) which could not be enforced. General damages recoverable from the firm had also not been assessed till November 1990.

(Paragraph 15)

*Purchase of bolts and nuts.*- An Acceptance of Tender for the supply of bolts and nuts issued by the Director, Supplies and Disposals, Bombay on a firm on the last date of validity of their offer was not accepted by the firm as the same was not in accordance with the terms and conditions offered by them in their tender. As a result the purchase of stores had to be made from five other firms at a higher cost which involved extra expenditure of Rs.5.45 lakhs.

(Paragraph 16)

#### VI. Ministry of Defence/Finance

*Procurement of defective meteorological equipment.*-The Coast Guard



Headquarters (CGHQ) placed, in January 1986, supply orders on firms 'A' and 'B' for supply of various meteorology equipment costing Rs.22.54 lakhs and Rs.18.98 lakhs respectively required for setting up a 24 hours meteorological watch office at Daman airfield. Equipment worth Rs.30.58 lakhs installed between November 1987 and March 1988 by the two firms became unserviceable between January 1988 and October 1988. The equipments were warranted for a period of 12 months, but instead of insisting on the firms to rectify the defects under warranty clause, the CGHQ requested firm 'A' to forward the cost estimates for undertaking repair of all unserviceable equipment. Estimates for Rs.5.30 lakhs submitted by the firm were under finalisation. Thus, apart from purchasing defective equipment worth Rs.30.58 lakhs, the CGHQ had not succeeded in getting the defects rectified under warranty clause. The weather reporting to aircrew also remained deficient.

(Paragraph 23)

#### VII. Ministry of Energy (Department of Power)

*Retention of money outside Government account.*- The Department of Power conveyed its decision in February 1989 to transfer the Salal Hydroelectric Project to the National Hydroelectric Power Corporation on ownership basis with retrospective effect from November 1987. Formal sanction has not yet been obtained to transfer Government property to a public sector corporation. Meantime, the Corporation has been allowed to retain Rs.145 crores received by it on sale of energy till March 1990 as an agent of Central Government which was irregular.

(Paragraph 24)

#### VIII. Ministry of External Affairs

*External Publicity Division.*- The External Publicity Division of the Ministry of External Affairs incurred an expenditure of Rs.14.44 crores during 1985-90. This included Rs.1.43 crores on procurement of 449 prints of 40 feature films for publicity purposes. As many as 181 prints out of 232 sent to National Film Development Corporation Limited (NFDC) during December 1988 to September 1989 for subtitling were yet to be subtitled. Forty prints retained at headquarters during the course of the last five years had not been put to use. In addition, 42 sets (1176 cassettes) of popular films purchased in March 1989 at a cost of Rs.2.15 lakhs were also lying unused.

Out of 18 video films, the production of which was entrusted by the Ministry to private producers during 1986-90, eleven films had been completed at a cost of Rs.59.40 lakhs; remaining seven films had not been completed though Rs.13.04 lakhs had been advanced during December 1987 to March 1990. The advice of NFDC or Doordarshan had not been obtained as to the quality and reasonableness of the cost of production and distribution except in two cases, where the costs were brought down from Rs.17 lakhs to Rs.12.70 lakhs.

Records to watch regular receipt of journals and feature services subscribed at an expenditure of Rs.122.85 lakhs during 1985-90, and details of photographs valuing Rs.24.62 lakhs purchased from time to time had not been maintained. The Ministry also failed to secure newstand discount of Rs.3.18 lakhs from a publisher during 1985-90.

Expenditure of Rs.403.72 lakhs was incurred on publication of



publicity material during 1985-90. Record of publications brought out from time to time, number of copies printed and utilised etc. had not been maintained. Requirement of material for a reasonable period had not been assessed properly. A large number of copies had been destroyed without their cost being ascertained and written off.

Record of distribution of books valuing Rs.54.66 lakhs purchased during 1985-90 had not been maintained. No physical verification of books in stock had ever been conducted. The Ministry authorised a mission to purchase 1000 copies of a book at Rs.420 per copy although it was available in India at Rs.300 per copy. This resulted in avoidable expenditure of Rs.1.20 lakhs.

No evaluation of the publicity material made available to missions had been done by the the Ministry to ascertain whether the same was appropriate to the objectives.

(Paragraph 25)

*Consular services rendered by some Indian Missions abroad.-* Revenue realised through consular services by the Missions in USA, Canada and Central and South America had increased from Rs.148.37 lakhs in 1985 to Rs.496.07 lakhs in 1989. A test check of the accounts of the Missions at Washington, New York, Chicago and San Francisco revealed short realisation of revenue to the tune of US dollars 2.66 lakhs (Rs.36.10 lakhs). Many instances of abnormal delays in depositing the consular revenue and its credit into Government accounts had also been noticed.

A large number of cases for issue of duplicate passports had been pending for considerable lengths of time. Except for issue

of tourist visas, the Ministry had not prescribed any time limit for providing the consular services. The four Missions in the USA had fixed different time limits; even these time limits had not been adhered to. Proper account of blank passport booklets had not been maintained, and their physical verification had not been done periodically. The Register of Passports issued was not properly maintained by the Embassy at Washington. The decision to introduce 'More Secured Passport' system from July 1989 to reduce incidence of forgeries in passports had not been implemented till November 1990.

Though the Ministry had decided in June 1984 to introduce computerisation in all the Missions in North America, nothing tangible had been done in the matter even six years later. Even simple innovation like introduction of visa-stamping machine had not been adopted in the Embassy at Washington and the Consulates at Chicago and San Francisco.

(Paragraph 26)

*Purchase operations of the Supply Wing, Washington.-* There was no time limit fixed either by the Ministry or Supply Wing for processing of indents or finalisation of contracts. At the close of March 1990, 165 indents, which constituted 77 per cent of the total indents received during the year were pending for placement of purchase order; of this 81 indents were pending for over six months.

Only in 9 per cent cases delivery of stores within the dates stipulated by indentors was adhered to and in 30 per cent cases, the stores were shipped within the delivery schedule stipulated in the purchase orders. There was no system of monitoring the supplies after



issue of contracts. Though delays in shipment were noticed in a large number of cases, there was nothing in the related contract files to show if extensions were asked for and actually granted. Even in the limited number of cases where extensions were formally granted, it was done without any reference to the indenter and without considering the adverse impact of such extensions on the end-user's requirements.

The requirement of production of proof of shipment before authorising payment was not strictly enforced.

The instructions issued by the Ministry of Defence regulating the agency commission to Indian agents, were disregarded on the plea that it was not governed by the instructions issued by the Ministry of Defence. Such payments amounted to Rs.42.49 lakhs. Majority of the indentors, who were under the administrative control of Ministry of Defence also did not object to such payments.

High value indents (exceeding \$50,000) which were required to be processed by open tender enquiries were finalised on limited tender basis in disregard of prescribed procedures. Equipment procured in 1986/1987 at a cost of Rs.8.71 lakhs in one case was not installed by the supplying firm till June 1990 due to failure of the Supply Wing to incorporate necessary provisions in the terms of contract to safeguard Government interest. Procurement of medicines was being made without ensuring provision of foreign exchange and import certificate though the value exceeded the stipulated amount.

(Paragraph 27)

*Supply Wing of High Commission of India, London.*- The Supply Wing had

finalised 56 high value contracts for procurement of material worth £ 97.79 lakhs (Rs.2640.48 lakhs) on the basis of limited tender enquiries in contravention of the rules requiring issue of open tender enquiry. In 208 contracts for £68.46 lakhs (Rs.1848.31 lakhs), the delay in finalising them ranged from six months to two years and above. Adjustment of debits amounting to Rs.1203.33 lakhs and credits amounting to Rs.34.22 lakhs with indentors was pending for want of complete details. Three purchase cells were continued even though these did not fulfil the prescribed norms.

(Paragraph 28)

*Repair/construction of a lease hold building at London:-* The Ministry of External Affairs sanctioned repair works on a lease hold property in London in November 1987 at a cost of £ 8.91 lakhs. Against this, the Mission had spent £ 28.05 lakhs upto November 1990 by incurring expenditure on new items of major and original works without obtaining a proper sanction from the Ministry. The Mission met the additional expenditure largely by diverting funds from Store Accounts, meant for purchase of stores, to the Chancery Account which was in violation of Government's instructions. Although the Ministry was aware that the scope of the work had gone beyond the sanctioned items of repairs, it had not taken any timely action in the matter.

The works were practically completed in November 1989; however a plan towards the utilisation of the renovated property had not been finalised even one year later till November 1990. The cultural centre could not be utilised as a land mark for the Nehru Centenary Celebrations in November 1989. Although the existing rooms were converted into



an auditorium at a cost of ₹ 2.04 lakhs (Rs.55.19 lakhs), essential facilities such as stage, fittings, furnishing, etc. were not provided thereby rendering the expenditure unfruitful.

The annexe to the leased building was demolished at a cost of ₹ 0.45 lakh (Rs.12.05 lakhs) without obtaining financial sanction of the Government for its demolition and erection of a new building in its place. As the leased property has to be handed over to the owners after reinstating the demolished premises at the end of the lease after 58 years, Government has incurred a contingent liability which is not quantifiable.

The Mission did not publicise tenders for the repair/construction work in the newspapers to obtain the most competitive rates. While the Ministry had approved a firm as Quantity Surveyor, the Mission, without the Ministry's approval, appointed another firm as it had agreed to carry out the job at a slightly lower rate.

(Paragraph 29)

*Overpayment of arrears of foreign allowance.*- In the Embassy at Washington and Consulates at New York and San Francisco, overpayment of foreign allowance totalling Rs.2.91 lakhs was made to 23 officers due to wrong application of Government orders. The Consulate at New York also made further overpayment of arrears of foreign allowance amounting to Rs.1.28 lakhs to 12 staff members due to wrong calculations. The total overpayment of arrears of foreign allowance amounted to Rs.4.19 lakhs in these cases.

(Paragraph 30)

#### **IX. Ministry of Finance (Department of Economic Affairs)**

*Irregular release of funds .-* To avoid lapse of budget provision, the Ministry of Finance withdrew, on 30th March 1990, the amount of Rs.1 crore provided in the revised budget estimates for 1989-90, for relief to the victims of 1984 riots, even before the scheme of relief was approved by Cabinet Committee on Political Affairs. The amount was deposited with the Reserve Bank of India in April 1990. Its unauthorised retention outside government accounts was irregular and against financial rules.

(Paragraph 36)

*Delay in claiming refund of excess customs duty .-* Claim for refund of excess customs duty of Rs.78 lakhs charged by Customs Department on the import of 6 out of 17 consignments of printing paper imported during October to December 1984 was not made by Currency Note Press, Nashik Road, within the prescribed period of six months. In another case, inclusion of ad hoc insurance charges at 1<sup>1</sup>/<sub>8</sub> per cent instead of actual insurance premium paid, in the assessable value of 16 shipments of printing machines, imported by the Press, during October 1984 to June 1985 resulted in excess payment of customs duty amounting to Rs.13.97 lakhs.

(Paragraph 37)

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

*National AIDS Control Programme .-* The National AIDS Control Programme was initiated in May 1986 as a central sector scheme. Since there is no known cure or treatment available for AIDS, the three main components of the programme are surveillance, health and community



education and screening of blood and blood products. Very little had been done towards development of infrastructure or implementation of the three components.

In addition to the 35 surveillance centres established by Indian Council of Medical Research in 1986, only 6 more centres could be established by 1989-90. Most of the centres were also not functioning efficiently. Only 4.01 lakh cases were screened for Human Immuno Deficiency Virus (HIV) against the target of 13 lakhs. The sero positive rate which was 3.3 per 1000 in October 1985 had risen to 11.2 per 1000 in October 1990.

Despite payment of grants aggregating Rs.110 lakhs to 11 States in March 1989 for establishment of AIDS units in identified hospitals, not a single unit has been established.

Against the amount of Rs.30 lakhs released for health education/publicity, the expenditure incurred was a meagre amount of Rs.2.89 lakhs. A pilot survey conducted in 1988 by the Christian Medical College, Vellore showed wide-spread ignorance of the disease.

An action plan for screening of blood donors was launched only in December 1988. As against 37 identified blood testing centres to be established in 29 cities, only 11 centres were functional between May and July 1990. The mandatory screening of donated blood for HIV was not started in Calcutta till March 1990 and no sample of blood collection was screened during 1989-90 in Bhubaneswar, Hyderabad, Indore, Jaipur and Varanasi. In Delhi, a few blood banks issued blood in a few emergency cases without HIV screening.

An all India study, made at the instance of the Ministry in July 1990, showed that 85 per cent of the total collection of blood was not tested for AIDS.

Despite the allocation of Rs.15 lakhs in 1988-89, for training of different categories of personnel for management of the disease, no amount was released to the States for training.

AIDS Cells, which were envisaged to be a vital component of the programme, were not established at the Central and the State levels.

(Paragraph 38)

*Delay in disposal of medicine and stores.-* Medicines and stores costing Rs.145.19 lakhs were reported damaged by the Government Medical Stores Depot, Bombay during unprecedented rains in June 1985. Out of these, medicines and stores worth Rs.31.66 lakhs were reported reprocessible, Rs.6.88 lakhs as auctionable and Rs.106.65 lakhs as destroyable. A private firm had indicated, in December 1985, that medicines worth Rs.20.58 lakhs could be recovered at a cost of Rs.8.80 lakhs out of reprocessible medicines. However, no final decision was taken even though the medicines were due for expiry in June 1990. The offer of Rs.2.14 lakhs by another firm for damaged stock of medicines worth Rs.6.88 lakhs was not accepted during the period of its validity and no further action was taken to invite fresh bids for disposal of these medicines. Non-drug items like copper 'T' worth Rs.25.31 lakhs could not be disposed of as instructions for their disposal were awaited from Family Welfare Department.

(Paragraph 39)





Liabilities	Assets		
		Cash balance at year end-	
		General Cash Balance	1464.86
		Cash with Departmental Offices	1270.81
		Permanent Cash Imprest	36.94
	2544.30		-----
			2772.61
		Deficit :	
		Revenue deficit for the year	11914.18
		Less-Capital receipts	0.48
		Less-Miscellaneous receipts (net)	0.13
		Add-prior period adjustments	-6.81
		Add-Deficit as on 31st March 1989	41212.73
	41212.73		-----
			53119.49
238686.09	278980.38	238686.09	278980.38

Note :- Proforma corrections have been made by the Controller General of Accounts in the closing balance as on 31st March 1989 under Public Debt, Loans and Advances, Small Savings, Provident Funds etc., Reserve Funds, Deposits and Advances, Suspense and Miscellaneous etc, resulting in net increase of Rs.324.91 crores in credit balance. In addition, proforma correction has been made in progressive capital expenditure as on that date by Rs.331.72 crores leading to a net prior period adjustment of Rs.-6.81 crores. For details, please refer to statements of Union Government Finance Accounts for 1989-90.

#### Explanatory Notes

(a) The summarised financial statement is subject to notes and explanations contained in the Appropriation Accounts and Finance Accounts.

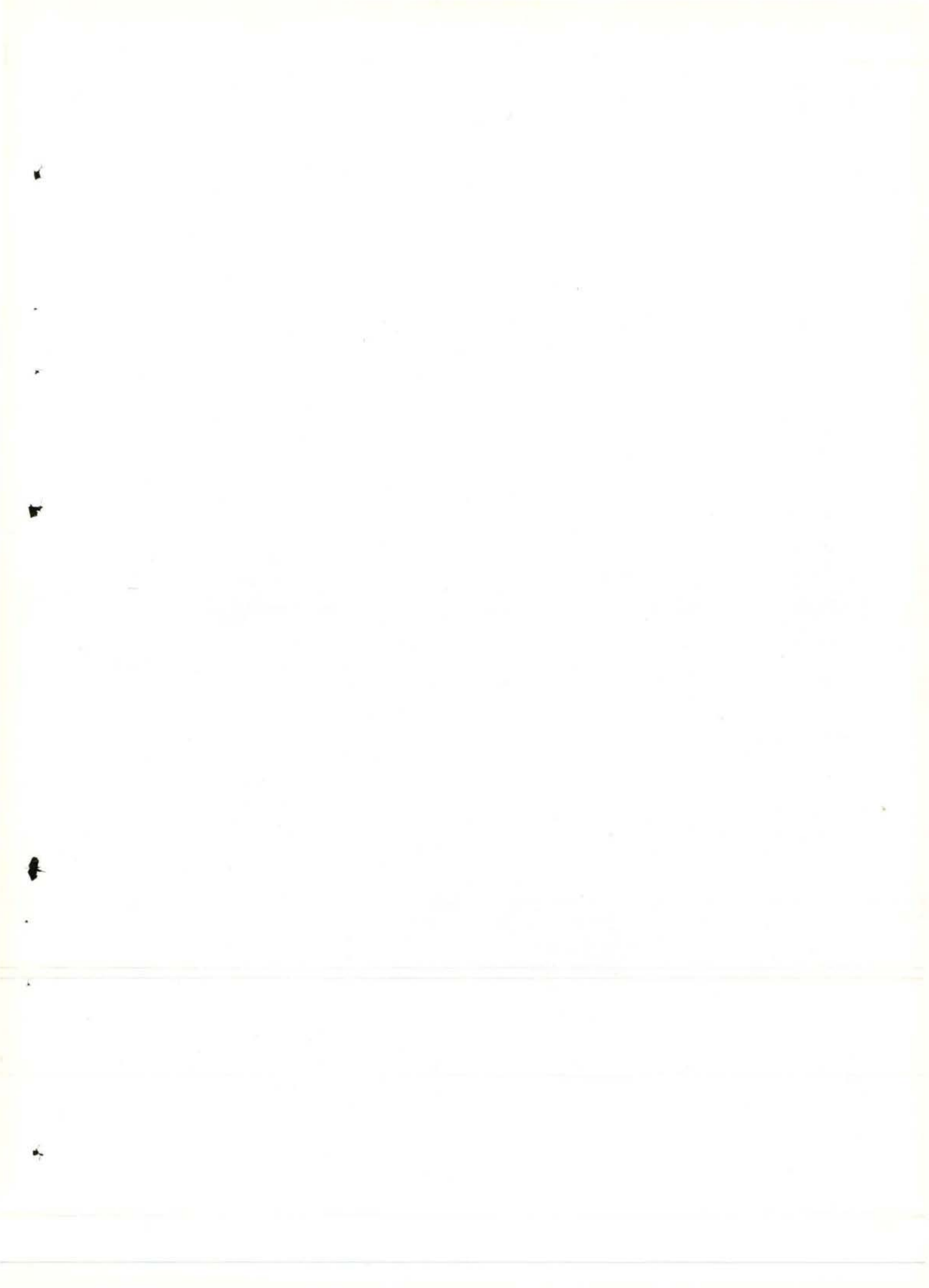
(b) Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock, fixtures do not figure in the accounts.

(c) The capital outlay represents capital expenditure booked in the accounts except adjustment made for

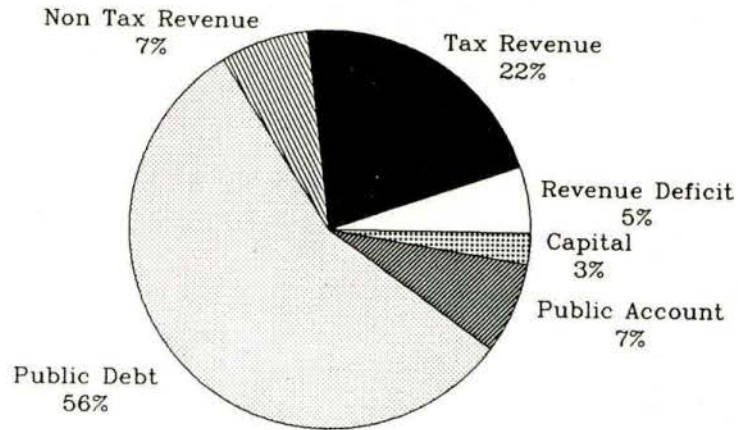
subsidy on imported fertilizers and that met from the internal resources of Railways, Posts and Telecommunications.

(d) Although a part of revenue expenditure (grants) and loans are used for capital formation by the recipients, its classification in the Union Government accounts remains unaffected by end use.

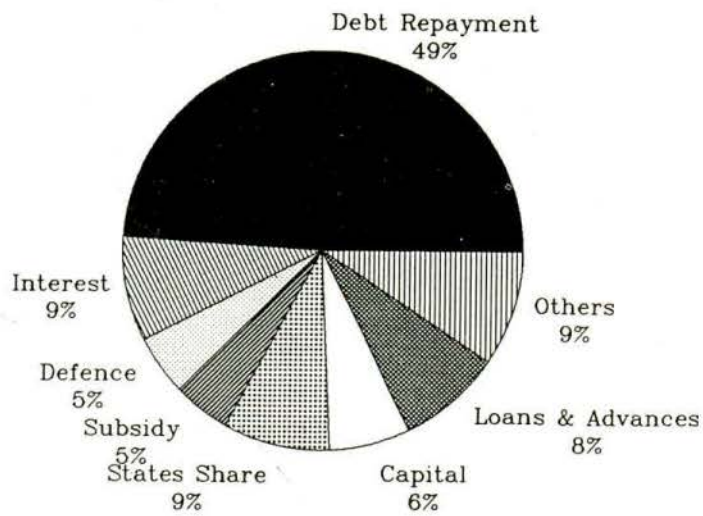
(e) Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account. The balancing figure of Rs.408.35 crores as on 31st March 1982 was treated as cumulative surplus for drawing up



## Receipts



## Disbursements





the first statement for 1982-83.

(f) Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of State Governments and others pending settlement, amount collected by public sector banks awaiting credit to Government, coinage balances, etc.

(g) The closing cash balance as per Reserve Bank of India was Rs.1344.64 crores, against the general cash balance of Rs.1464.86 crores shown in the accounts. The difference had not been reconciled.

(h) Adverse balances appearing against some of the Debt, Deposits and Remittance Heads are mainly due to misclassifications or allocation of old balances due to

rationalisation of Heads of Accounts. These are under investigation by the concerned authorities. As on 31st March 1989, there were adverse balances in 57 heads. Balances against 14 heads were cleared during 1989-90. Against 9 heads, adverse balances had appeared during the year. The reasons for adverse balances, to the extent these were available with the accounting authorities, have been explained by way of footnotes in the relevant statements of Finance Accounts.

#### 1.2 Abstract of Receipts and Disbursements

The figures of receipts and disbursements for the year 1989-90 are given below :

#### SECTION - A - REVENUE

(Rupees in crores)

Receipts		Disbursements			
I. Revenue Receipts		I- Revenue Expenditure	Plan	Non-Plan	Total
Tax Revenue	47714.11				
Interest Receipts	7691.01	Grants to State Governments (under Article 275 of the Constitution)	225.00	1498.74	1723.74
Dividends from public sector undertakings and other investments	316.14	Other Grants to State/ Union Territory Governments	6125.69	864.07	6989.76
Share of profits from Reserve Bank of India, Life Insurance Corporation, nationalised banks and Industrial Development Bank of India	373.27	States' share of Union Excise Duties	-	9310.11	9310.11
		Interest and debt service obligations:			
		Interest on Treasury Bills and Treasury Bills converted into securities	-	2870.39	2870.39
		Interest on External Debt	-	1493.77	1493.77
		Interest on other obligations	-	13392.78	13392.78
Other dividends and profits	808.82	Pensions and Miscellaneous General Services (including Swatantrata Sainik Samman Pension)	-	3176.92	3176.92
Other Non-Tax Revenue	5619.08				
Aid materials and equipment	89.31				

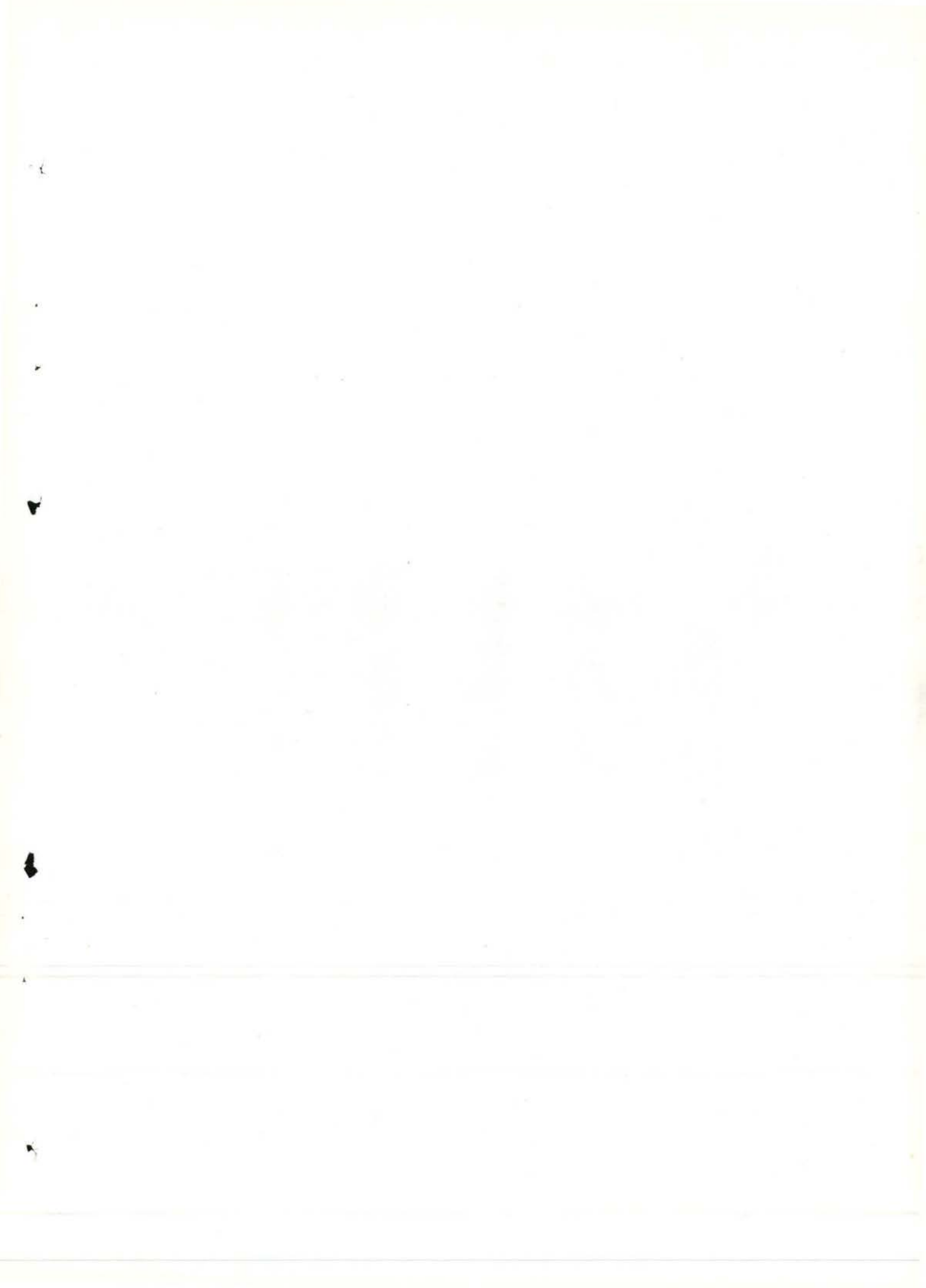
Receipts		Disbursements			
External Grant Assistance	664.87	Food Subsidy	-	2476.00	2476.00
	63276.61	Subsidy on indigenous fertilizers	-	3771.00	3771.00
II. Revenue deficit c/o to Section-B	11914.18	Subsidy on imported fertilizers	-	771.10	771.10
		Assistance for export promotion and market development	-	2014.34	2014.34
		Interest subsidy	-	435.79	435.79
		Other grants and contributions	0.30	177.76	178.06
		Postal Expenditure	3.32	259.67	262.99
		Defence Expenditure	-	10194.41	10194.41
		Subsidy to Railways towards dividends, relief, etc.	-	232.60	232.60
		Other Expenditure	5621.02	10276.01	15897.03
Total	75190.79		11975.33	63215.46	75190.79

SECTION - B - OTHERS

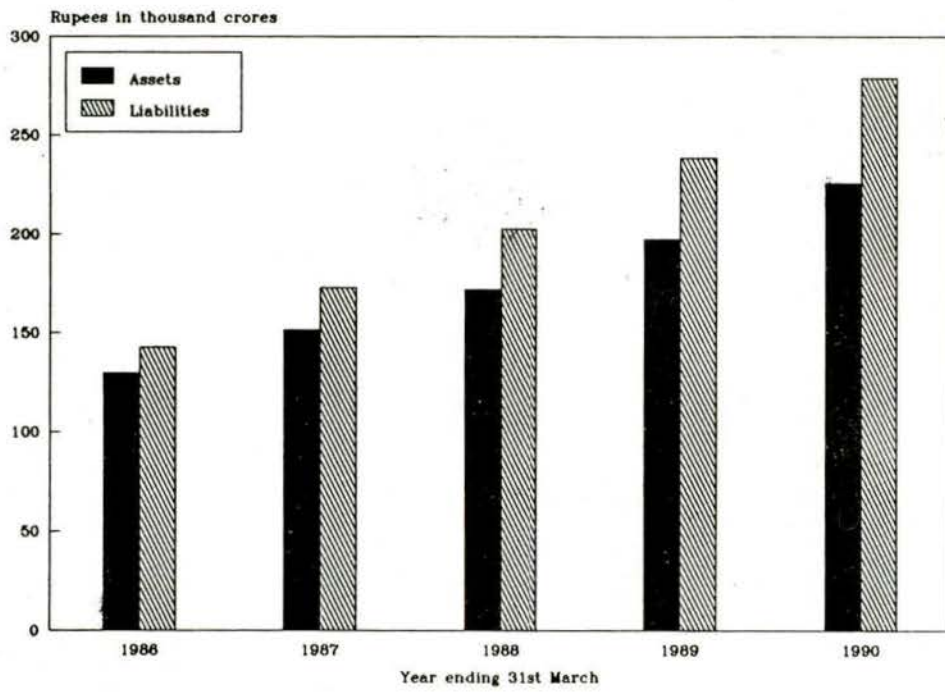
(Rupees in crores)

	Amount		Amount
III Opening Cash Balance including Departmental Cash Balances and Permanent Advance	2544.30	II. Gross Capital Expenditure as booked in accounts	13399.79
IV. Contributions of Railways and Posts and Telecommunications for Capital Expenditure as per contra	2276.99	Add Capital Expenditure financed from internal resources of Posts and Telecommunications and Railways as per contra	2276.99
V. Recoveries of Loans and Advances from			15676.78
a. State and Union Territory Governments	3355.98	III. Loans and Advances by Union Government to	
b. Government servants	85.15	a. State and Union Territory Governments	11310.70
c. Foreign Governments	88.86	b. Other Development Loans	5098.08
d. Others	1929.96	c. Government servants	184.73
	5459.95	d. Foreign Governments	776.39
VI. Miscellaneous Capital Receipts	0.48		17369.90
VII. Public Debt Receipts	123202.66	IV. Repayment of Debt	101912.43





## Assets and Liabilities



Amount	Amount
VIII. Public Account Receipts	16161.52
V. Cash Balance at year end	
a. General Cash Balance	1464.86
b. Cash with Departmental Offices	1270.81
c. Permanent Cash Imprest	36.94
	2772.61
VI. Revenue Deficit b/f from Section A	11914.18
<b>Total</b>	<b>149645.90</b>
	<b>149645.90</b>

- Notes:- (1) Excludes the accounts of March 1990 of Jammu and Kashmir circle.  
(2) Does not include revenue receipts and expenditure of Railways and Telecommunications.  
(3) Defence expenditure and Postal expenditure are net of receipts.  
(4) In accordance with Articles 269 and 270 of the Constitution of India, the States' share of taxes levied and collected by the Union but assigned to the States or distributed between the Union and States does not form part of the Consolidated Fund of India. Receipts are net of States' share of Income Tax and Estate Duty and Union Territories' share of Estate Duty on agricultural land (Rs.3921.15 crores).  
(5) Under Article 272 of the Constitution of India, Union duties of excise are levied and collected by the Union and if Parliament by law so provides, they may be paid out of the Consolidated Fund of India to the States.

### 1.3 Assets and Liabilities of the Union

The total assets comprising capital investments and loans and

advances etc. and the total liabilities of the Union Government as at the end of the last five years were as follows:-

Year ending 31st March	(Rupees in crores)				Total	Liabilities
	Assets			Total		
	Capital outlay	Loans and advances	Others			
1986	65048	61766	2641	129455	142775	
1987	76568	71019	3855	151442	172605	
1988	88349	79237	4189	171775	202472	
1989	101565	89390	6518	197473	238686	
1990	117574	100976	7311	225861	278980	

The excess of liabilities over assets at the end of 1989-90 was Rs.53119 crores. While the assets have grown by 74.47 percent during the five years, the liabilities have grown by 95.4 percent. The growing gap between assets and liabilities is on account of the continuing revenue deficit.

#### 1.4 Deficit

**1.4.1 Overall deficit:** The overall deficit during 1988-89 was Rs.5642 crores. The overall deficit for 1989-90 was estimated at Budget stage at Rs.7337 crores and at Revised Estimates stage at Rs.11750 crores against which the actual deficit was Rs.10592 crores. The increase in deficit by Rs.3255

crores with reference to Budget Estimates was mainly due to increased revenue expenditure (Rs.4985 crores), capital expenditure (Rs.1078 crores), more disbursement of loans and advances (Rs.695 crores) and shortfall in public debt receipts (Rs.484 crores). These were partly offset by increased Public Account receipts (Rs.3868 crores), increased revenue receipts (Rs.82 crores) together with more recoveries under loans and advances (Rs.36 crores).

**1.4.2 Revenue deficit:** Revenue expenditure of the Union Government has been growing faster than revenue receipts as may be seen from the following table :

(Rupees in crores)

Year	Revenue receipts	Increase over the previous year	Revenue expenditure	Increase over the previous year	Revenue deficit
1985-86	34833	5924	40721	7587	5888
1986-87	40560	5727	48336	7615	7776
1987-88	45405	4845	54542	6206	9137
1988-89	52971	7566	63485	8943	10514
1989-90	63277	10306	75191	11706	11914

Notes: Does not include revenue receipts and expenditure of Railways and Telecommunications.

Defence expenditure and Postal expenditure are net of receipts.

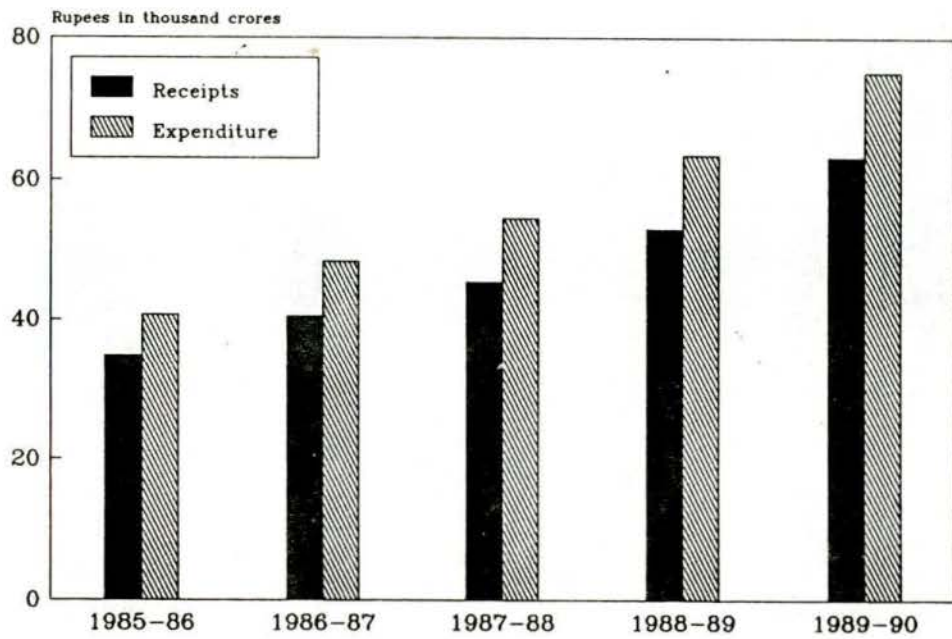
Receipts are net of States' share of Income Tax and Estate Duty and Union Territories' share of Estate Duty on agricultural land.

While the revenue receipts had gone up by 82 per cent between 1985-86 and 1989-90, the revenue expenditure had gone up by 85 per cent.

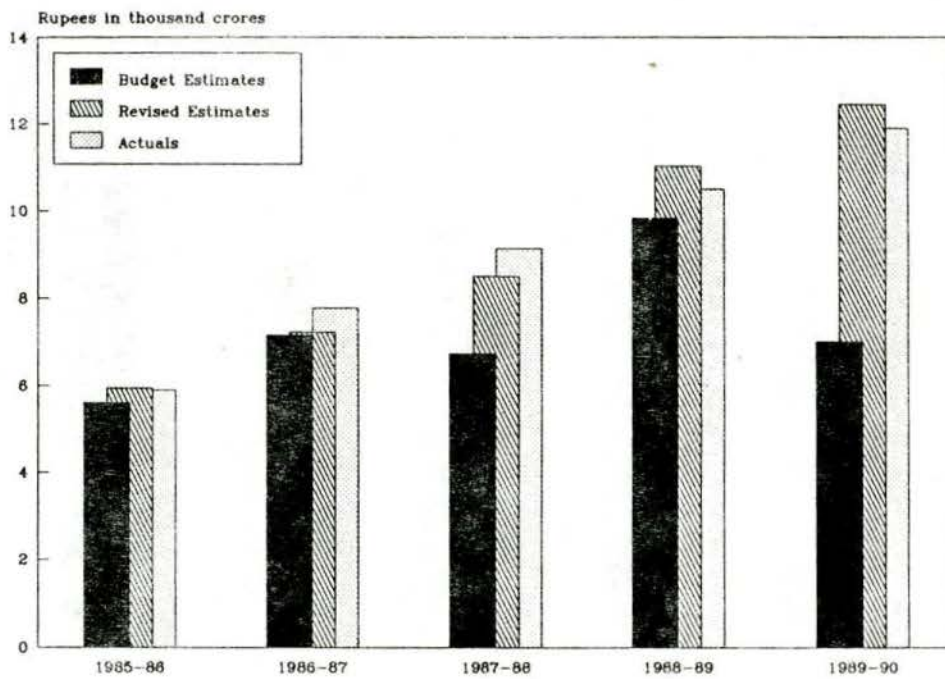
The 'Long Term Fiscal Policy' (LTFP), announced in December 1985, had indicated as an objective the attainment of surplus in the revenue budget from 1988-89 onwards chiefly by achieving a better alignment



## Revenue Receipts and Revenue Expenditure



## Revenue Deficit



between receipt and expenditure. This has not been achieved.

The Economic Advisory Council in its 'Report on the current economic situation and priority areas for action', which was presented to Parliament, in December 1989, had pointed out "a sustainable fiscal system requires that revenue receipts should cover

not just all revenue expenditure but also have a sufficient surplus atleast to cover non-remunerative types of capital expenditure".

The revenue deficit as envisaged in the budget estimates and revised estimates vis-a-vis the actuals during 1985-86 to 1989-90 are given below :

(Rupees in crores)

Year	R e v e n u e d e f i c i t			Percentage of actual deficit to revenue receipts	Percentage of actual deficit to GDP at current prices
	Budget Estimates	Revised Estimates	Actual		
1985-86	5601	5940	5888	16.90	2.51
1986-87	7155	7233	7776	19.17	2.99
1987-88	6742	8497	9137	20.12	3.10
1988-89	9842	11030	10514	19.85	2.99
1989-90	7012	12436	11914	18.83	3.02

The revenue deficit had more than doubled during the five year period.

The revenue deficit for 1989-90 has to be viewed in the light of transfer of Rs.2300 crores from the pool account of the Oil Coordination Committee lodged in Public Account to revenue receipt as mentioned in para 1.10 infra.

The Ninth Finance Commission had pointed out (December 1989) that the revenue deficits on a large scale, year after year, implies an infraction of one of the fundamental principles of sound public finance in any economy, particularly in a developing economy. An important principle of fiscal policy enunciated at the very beginning of planning era was

that there should be positive and rising savings on government account. This principle has been gradually eroded by allowing revenue expenditure to grow faster than revenue receipts.

The Union Government has been running into revenue deficit in all the years since 1979-80.

### 1.5 Revenue Expenditure

The revenue expenditure (Plan) during 1989-90 was Rs.11975.33 crores against the budget estimates of Rs.13018.22 crores (including supplementary), disclosing a shortfall in expenditure of Rs.1042.89 crores. The non-Plan revenue expenditure during the year was Rs.63215.46 crores (Rs.52370.38 crores during

the previous year) against the estimates of Rs.60584.60 crores (including supplementary) disclosing an excess in expenditure of Rs.2630.86 crores. The reasons for variations are given in Chapter II of this Report; further details are available in the Union Government Appropriation Accounts (Civil) for 1989-90.

was Rs.75190.79 crores as against Rs.63485.70 crores during 1988-89. The detailed reasons for variations are given in Statement No. I of the Union Government Finance Accounts for 1989-90.

The growth of revenue expenditure (both Plan and non-Plan) in the last five years was as follows :

The revenue expenditure (both Plan and non-Plan) during 1989-90

Year	Revenue expenditure			Revenue deficit	Percentage of deficit to non-Plan expenditure
	Plan	Non-Plan	Total		
1985-86	6909	33812	40721	5888	17.41
1986-87	8216	40120	48336	7776	19.38
1987-88	9905	44637	54542	9137	20.47
1988-89	11115	52370	63485	10514	20.08
1989-90	11975	63216	75191	11914	18.85

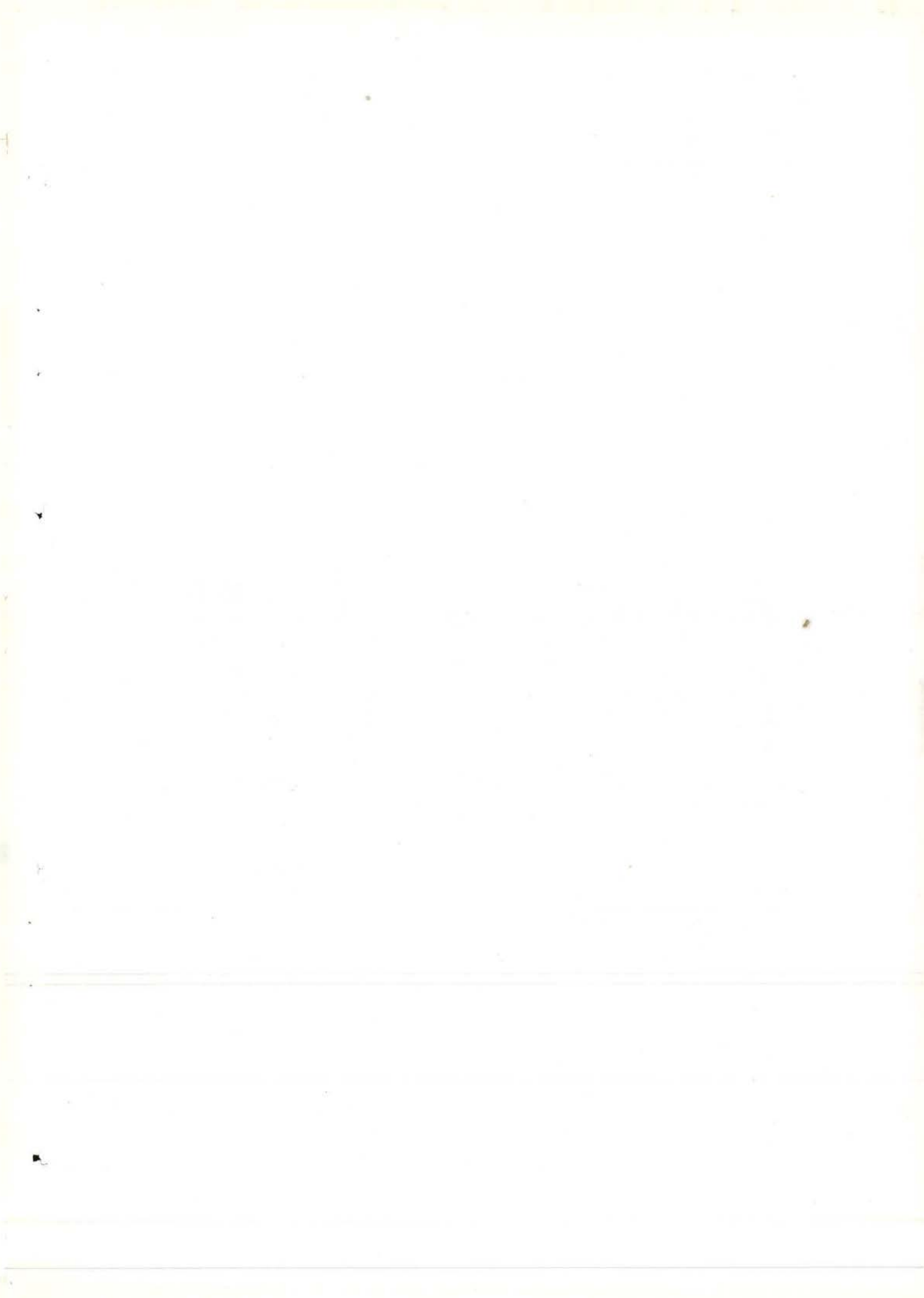
The non-Plan revenue expenditure exceeded the Seventh Plan targets by significant margins. The targets were annualised in the Long Term Fiscal Policy (LTFP) and

were expressed as ratios of respective years' Gross Domestic Product (GDP). These, compared with the actuals, were as follows :

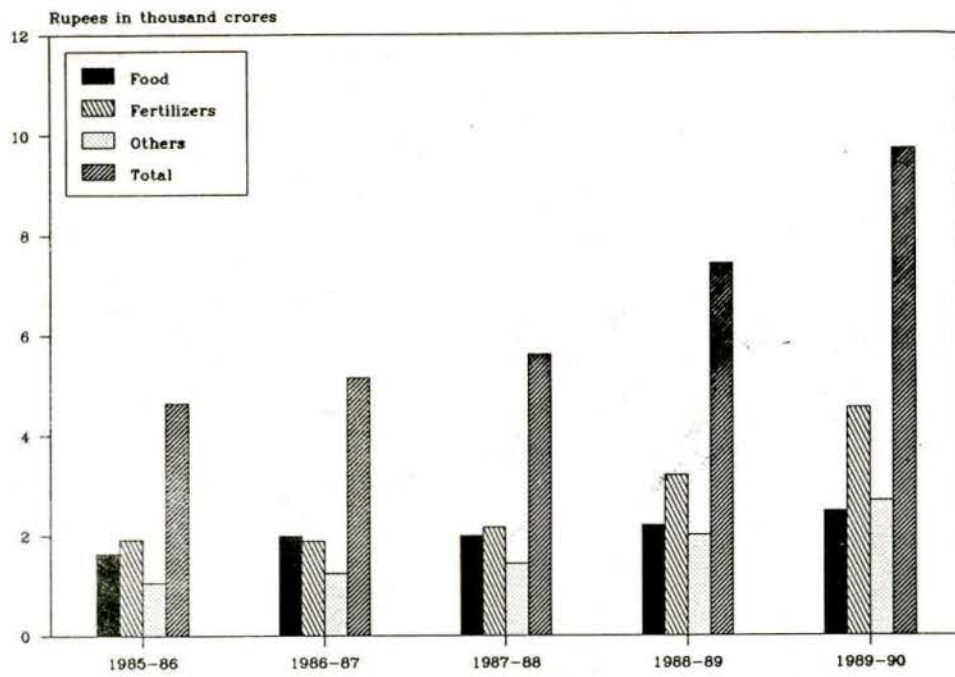
	1985-86	1986-87	1987-88	1988-89	1989-90
LTFP	11.1	11.3	11.5	11.6	11.9
Actuals	11.9	12.8	13.3	13.3	Not available

Source: Economic Survey 1989-90.





## Subsidies



## 1.6 Subsidies

The amount spent on subsidies in the last five years is given below :-

	(Rupees in crores)				
	1985-86	1986-87	1987-88	1988-89	1989-90
Food subsidy	1650.47	1999.74	2000.00	2200.00	2476.00
Subsidy on indigenous fertilizers	1600.00	1700.00	2050.00	3000.00	3771.00
Interest subsidy	337.44	322.77	311.26	419.83	435.79
Assistance for export promotion and market development	602.81	785.33	962.11	1385.80	2014.34
Subsidy to Railways towards dividends, relief etc.	128.14	143.90	173.56	207.40	232.60
Subsidy on imported fertilizers	323.71	197.12	113.84	200.70	771.10
<b>Total</b>	<b>4642.57</b>	<b>5148.86</b>	<b>5610.77</b>	<b>7413.73</b>	<b>9700.83</b>
Percentage growth over the previous year	10.88	10.91	8.97	32.13	30.85
Revenue Receipts (Tax and non-tax)	34833	40560	45405	52971	63277
Percentage of subsidies to revenue receipts	13.33	12.69	12.36	14.00	15.33
Non-plan revenue expenditure	33812	40120	44637	52370	63216
Percentage of subsidies to non-plan revenue expenditure	13.73	12.83	12.57	14.16	15.35

(Rupees in crores)

	1985-86	1986-87	1987-88	1988-89	1989-90
GDP at factor cost at current prices	234159	260442	294408	351724	395143
Percentage of subsidies to GDP	1.98	1.97	1.91	2.11	2.46

(Source for GDP at factor cost at current prices: Economic Survey 1989-90 and CSO press release, February 1991)

Thus, it will be seen that the expenditure on subsidies had more than doubled (109 per cent) between 1985-86 and 1989-90.

Although the LTFP had stated that a measure of restraint in respect of subsidies was unavoidable, such restraint is not perceptible. The increase in expenditure on subsidies was particularly sharp during 1988-89 and 1989-90.

The Ninth Finance Commission had stated that the annual growth rate of non-plan revenue expenditure for subsidies (food, fertilizers and exports) should be contained within 8 per cent.

#### 1.7 Interest Payments

The quantum of interest payments (gross) in the last five years had been rising as indicated below :

(Rupees in crores)

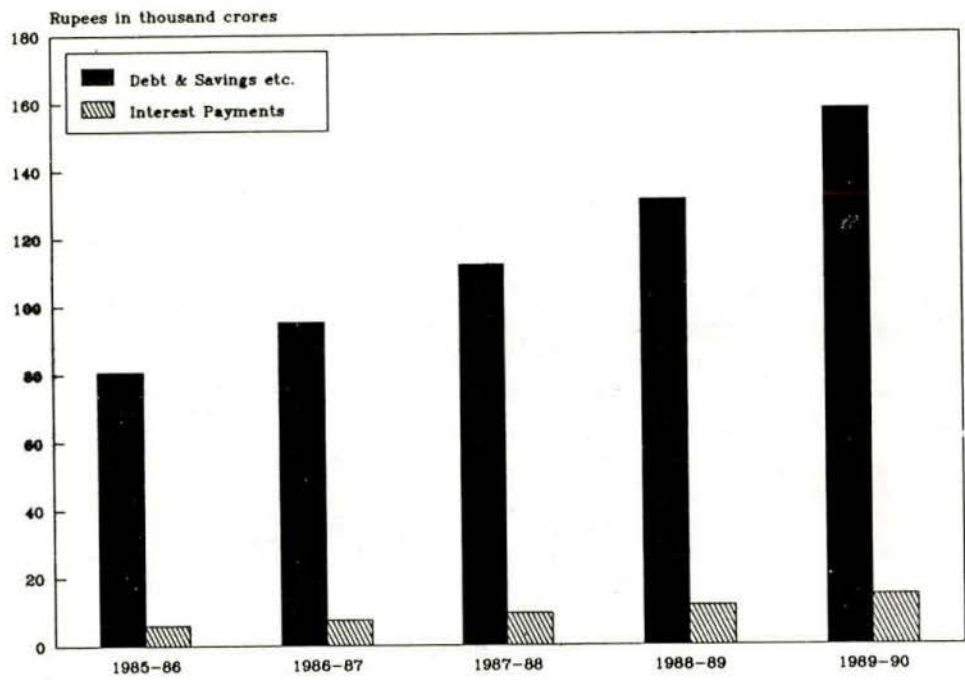
Year	Interest payments	Opening balance of			Total	Percentage of interest to total
		internal debt	small savings etc.	external debt		
1985-86	5902	34435	29705	16637	80777	7.31
1986-87	7384	40375	36859	18153	95387	7.74
1987-88	9179	46686	44928	20299	111913	8.20
1988-89	11582	53335	54528	23223	131086	8.84
1989-90	14490	63659	68536	25746	157941	9.17

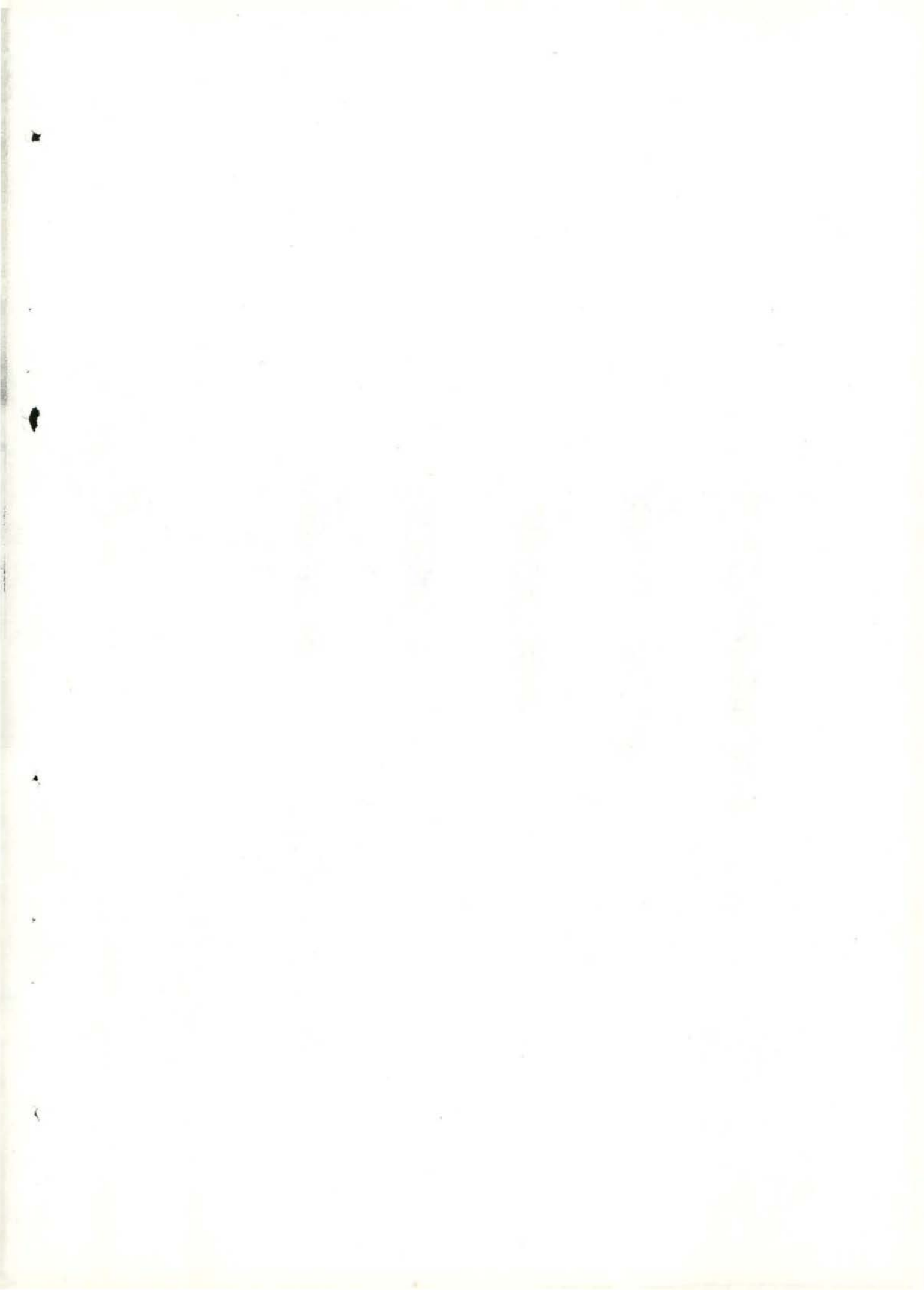
Note: Internal debt excludes treasury bills and treasury bills converted into securities.

The interest payments increased by 146 per cent between 1985-86 and 1989-90. While the average borrowing rate of Union Government for 1989-90 was 11.50 per cent per annum; the dividend



## Interest Payments







received, during the year, was Rs.295.93 crores on investment of Rs.34583.51 crores (as on 31st March 1990) on statutory corporations, Government companies, other joint stock companies etc. representing a return of 0.86 percent.

According to the LTFP, "non-inflationary financing will require progressively more reliance on surpluses generated by the budget and public sector undertakings and

correspondingly diminished recourse to borrowed funds".

### 1.8 Other Non-Plan Expenditure

Non-Plan expenditure except those on defence, interest payments, food and fertilizers (including imported fertilizers) subsidies and its relation with reference to the Gross Domestic Product at factor cost (at current prices) for the last five years are as under:

(Rupees in crores)

Year	Residual category of non-Plan expenditure	GDP at current prices	Percentage of GDP
1985-86	15706	234159	6.71
1986-87	17798	260442	6.83
1987-88	20362	294408	6.92
1988-89	23133	351724	6.58
1989-90	28246	395143	7.15

The expenditure on Police increased from Rs.705 crores, in 1985-86 to Rs.1403 crores in 1989-90. Likewise, the expenditure on Pensions which was Rs.728 crores in 1985-86 increased to Rs.2324 crores in 1989-90. The increase under these heads was 99 and 219 per cent

respectively between 1985-86 and 1989-90.

### 1.9 Capital Expenditure

The capital expenditure in the last five years and its percentage to the total expenditure and the GDP was as under:

(Rupees in crores)

Year	Capital expenditure	Total expenditure	GDP at current prices	Capital expenditure as a per cent of total expenditure	Capital expenditure as a per cent of GDP
1985-86	8576	49297	234159	17.40	3.66
1986-87	10794	59130	260442	18.25	4.14
1987-88	10523	65066	294408	16.17	3.57
1988-89	11340	74826	351724	15.16	3.22
1989-90	13400	88590	395143	15.13	3.39

Although capital expenditure increased from Rs.8576 crores in

1985-86 to Rs.13,400 crores in 1989-90, it declined both as a proportion

of total expenditure and as a percentage of Gross Domestic Product during the period. The capital expenditure during 1989-90 was Rs.13400 crores against the budget estimates (including supplementary) of Rs.12944 crores disclosing an excess in expenditure of Rs.456 crores. The main reasons for excess are given in Chapter II of this Report; further details are available in Union Government

Appropriation Accounts (Civil) for 1989-90.

#### 1.10 Revenue Receipts

The revenue receipts excluding States' share of Income Tax and Estate Duty and Union Territories' share of Estate Duty on agricultural land during the five years ending 1989-90 are given below :-

(Rupees in crores)

Year	Budget estimates	Revised estimates	Actual		
			Amount	Percentage growth over the previous year	Percentage of revenue receipts to GDP
1985-86	32486.63	34646.86	34833.19	20	15
1986-87	37537.86	41491.90	40559.81	16	16
1987-88	45220.01	46609.03	45405.25	12	15
1988-89	51913.06	52535.86	52971.28	17	15
1989-90	63578.33	63221.84	63276.61	19	16

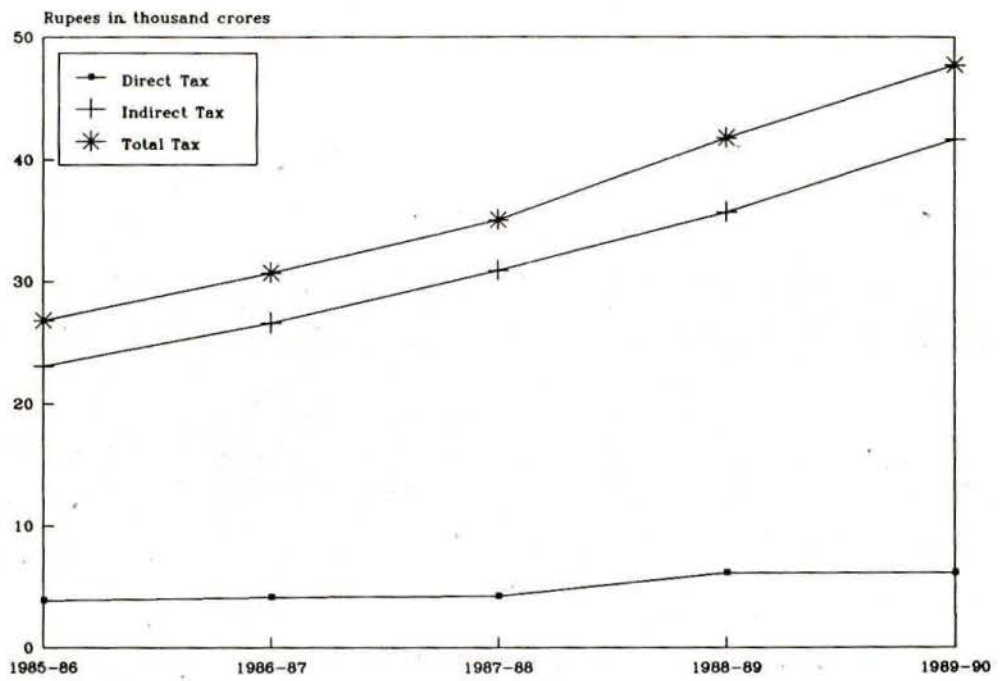
Tax Revenue: The growth of tax revenue in the last five years was as indicated below :

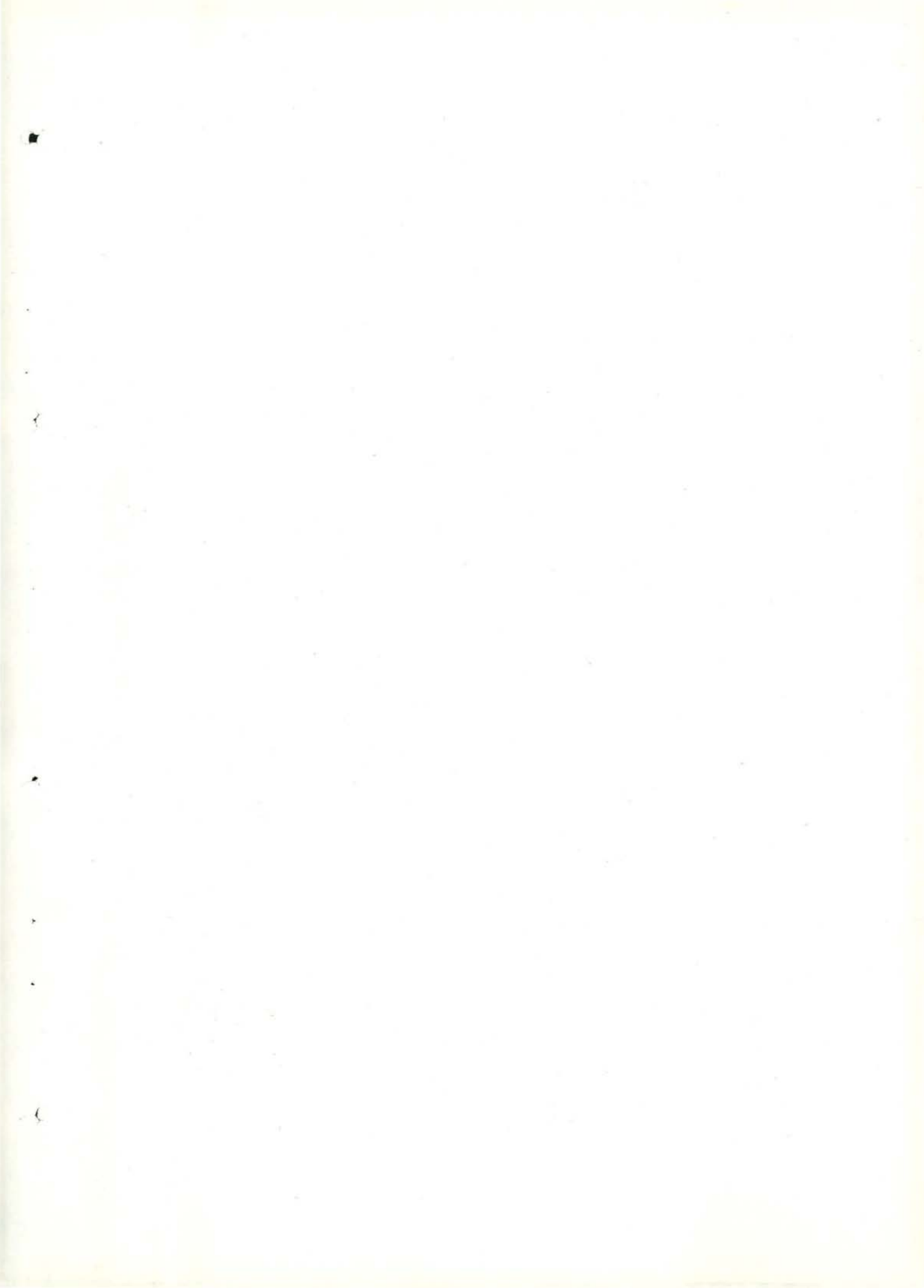
(Rupees in crores)

Year	Tax revenue	Percentage growth over previous year	GDP	Percentage of tax revenue over GDP	Percentage growth of GDP over previous year
1985-86	26805	20.64	234159	11.45	12.65
1986-87	30668	14.41	260442	11.78	11.22
1987-88	35070	14.35	294408	11.91	13.04
1988-89	41724	18.97	351724	11.86	19.47
1989-90	47714	14.36	395143	12.08	12.34



## Tax Revenue







While the total revenue receipts of Government increased by 17 and 19 per cent during 1988-89 and 1989-90 respectively, the tax revenue grew at 19 and 14 per cent over the previous years.

The position regarding collection of direct taxes (Income Tax, Corporation Tax, Wealth Tax etc.) and indirect taxes (Customs Duties, Union Excise Duties etc.) in the last five years was as follows:-

(Rupees in crores)

Year	Direct taxes	Percentage growth over the previous year	Indirect taxes	Percentage growth over the previous year	Total tax revenue
1985-86	3757	5.95	23048	23.43	26805
1986-87	4066	8.22	26602	15.42	30668
1987-88	4161	2.34	30909	16.19	35070
1988-89	6079	46.09	35645	15.32	41724
1989-90	6087	0.13	41627	16.78	47714

Between 1985-86 and 1989-90, indirect tax registered an increase of 81 per cent while direct tax increased by 62 per cent during the same period.

The total direct tax revenue to the Union remained almost

stationary in 1989-90 because of a larger amount assigned to the States as their share of net proceeds.

Non-tax Revenue: The growth of non-tax revenue in the last five years is indicated below :

(Rupees in crores)

Year	Non-tax revenue	Percentage growth over the previous year
1985-86	8028.16	20.00
1986-87	9891.52	23.21
1987-88	10334.81	4.48
1988-89	11247.20	8.83
1989-90	15562.50	38.37

Interest receipts have all along accounted for over 50 per cent of non-tax revenue.

The percentage growth of non-tax revenue which declined sharply in 1987-88 and 1988-89 increased significantly during 1989-90. The increase occurred, mainly under the head "Petroleum" due to inclusion of a contribution of Rs.2300 crores from the pool account of the Oil Co-ordination Committee lodged in Public Account.

Receipts of grants including aid material from foreign countries and international organisations was Rs.754.18 crores during 1989-90 as against the budget estimates of Rs.734.53 crores. The

cumulative deficit of Rs.53119.49 crores as on 31st March 1990 has to be viewed in the context of external grant assistance of Rs.8944.26 crores received so far.

#### 1.11 States' share of Union Excise Duties

The aggregate of States' share of Union Excise Duties and Grants to States and Union Territories was Rs.18023.61 crores representing slightly less than 24 per cent of the total revenue expenditure and slightly less than 38 per cent of the total tax revenue of the Union Government. The share in the last five years was as follows:

(Rupees in crores)

Year	Duties	Grants	Total	Percentage of total to	
				revenue expenditure	tax revenues
1985-86	5625.47	7066.57	12692.04	31	47
1986-87	6305.74	7744.19	14049.93	29	46
1987-88	7002.37	9210.13	16212.50	30	46
1988-89	7918.77	10076.54	17995.31	28	43
1989-90	9310.11	8713.50	18023.61	24	38

The aggregate of States' share of Union Excise Duties and Grants to States and Union Territories had increased by 42 percent over a period of five years. However, as a percentage of total revenue expenditure and tax revenues, it had declined from 31 and 47 percent in 1985-86 to 24 and 38 per cent respectively in 1989-90.

#### 1.12 Investments and Returns

The total investments of Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, international bodies etc. as on 31st March 1990 were Rs.42444.88 crores as against Rs.37757.76 crores as on 31st March



1989. No dividend was receivable on investment of Rs.470.28 crores in international bodies and on Rs.4588.17 crores invested in enterprises under construction. The share of profits from the Reserve Bank of India, Industrial

Development Bank of India, Life Insurance Corporation of India, General Insurance Corporation and nationalised banks was Rs.393.48 crores as per details given below on a total investment of Rs.2802.92 crores.

(Rupees in crores)

	1985-86	1986-87	1987-88	1988-89	1989-90
Reserve Bank of India	210.00	210.00	210.04	210.11	210.13
Nationalised banks	7.08	34.84	45.65	0.62	55.47
Life Insurance Corporation of India	52.77	29.18	39.46	48.03	59.82
General Insurance Corporation	10.78	16.16	16.13	16.17	20.21
Industrial Development Bank of India	32.40	..	44.17	48.84	47.85

Thus, it will be seen that the share of dividends and profits had remained largely static except in the case of nationalised banks and Life Insurance Corporation of India. The profit of Rs.55.47 crores from nationalised banks represented return of 2.65 per cent on investment of Rs.2090.60 crores at the end of March 1990.

The share of profits and dividends from Industrial Development Bank of India (IDBI) and other

financial institutions was Rs.47.85 crores in 1989-90 as against the budgetary estimates of Rs.47.72 crores and Rs.57.33 crores at the revised estimates stage.

Despite a significant increase in absolute terms between 1988-89 and 1989-90, the position continues to be critical in the case of dividend received on account of investments in public sector enterprises as indicated below :

(Rupees in crores)

	1985-86	1986-87	1987-88	1988-89	1989-90
Dividend received	177.51	191.31	223.85	124.88	295.93
Investments at the end of the year	21393.53	24889.24	28008.50	30685.05	34583.51
Percentage	0.83	0.77	0.80	0.41	0.86

The dividend received during the year from others, on investment of Rs.34583.51 crores,

was Rs.295.93 crores representing only 0.86 per cent return on investments.

The contribution of public sector enterprises fell short of LTFP projections by significant amount.

At the time of presentation of budget for 1989-90, it was envisaged that the public sector enterprises etc. would generate Rs.752.62 crores. The actuals were less than even 40 per cent of the anticipated receipts. No dividend was received from as many as 189

enterprises with a total investment of Rs.29595.28 crores.

#### 1.13 Loans and Advances to Government Corporations, other Non-Government Institutions etc.

Details of loans advanced by the Union Government to Government corporations, non-Government institutions, Local Funds, cultivators etc. during the last three years are given below:

(Rupees in crores)

Year	Opening balance	Amount advanced during the year	Amount repaid during the year	Closing balance
1987-88	25875.71	4117.49	1205.43	28787.77
1988-89	28787.68*	4920.91	1549.84	32158.75
1989-90	31834.98*	5098.08	1929.96	35003.10

\* includes prior period adjustments

The terms and conditions of loans aggregating Rs.1369.34 crores advanced to Government owned companies/corporations, non-Government institutions, local funds have not yet been settled.

At the end of 1989-90, the recovery of principal amount of loan (Rs.4627.56 crores) and of interest (Rs. 4732.73 crores) totalling Rs.9360.29 crores remained in arrears. The total arrears increased from Rs.6315.72 crores to Rs.9360.29 crores during the three year period.

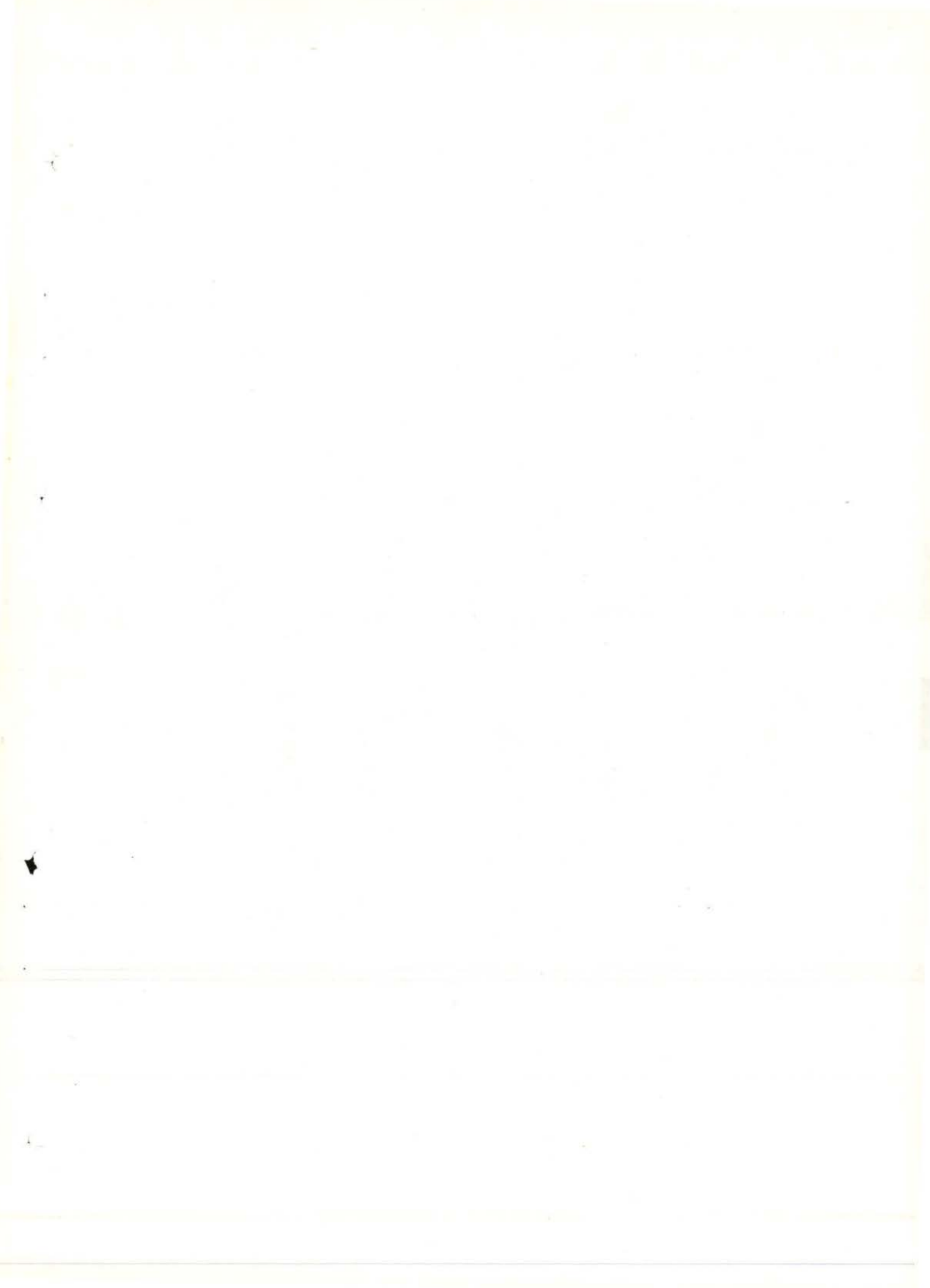
During 1989-90, fresh loans of Rs.160.94 crores were sanctioned to various public sector enterprises to enable them to make repayment of principal and payment of interest. Further, loans aggregating Rs.323.77 crores were converted into equity.

#### 1.14 Public Debt

Under Article 292 of the Constitution of India, the executive powers of the Union extend to borrowing upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law and to the giving of guarantees within such limits, if any, as may be so fixed. No ceiling has been prescribed so far.

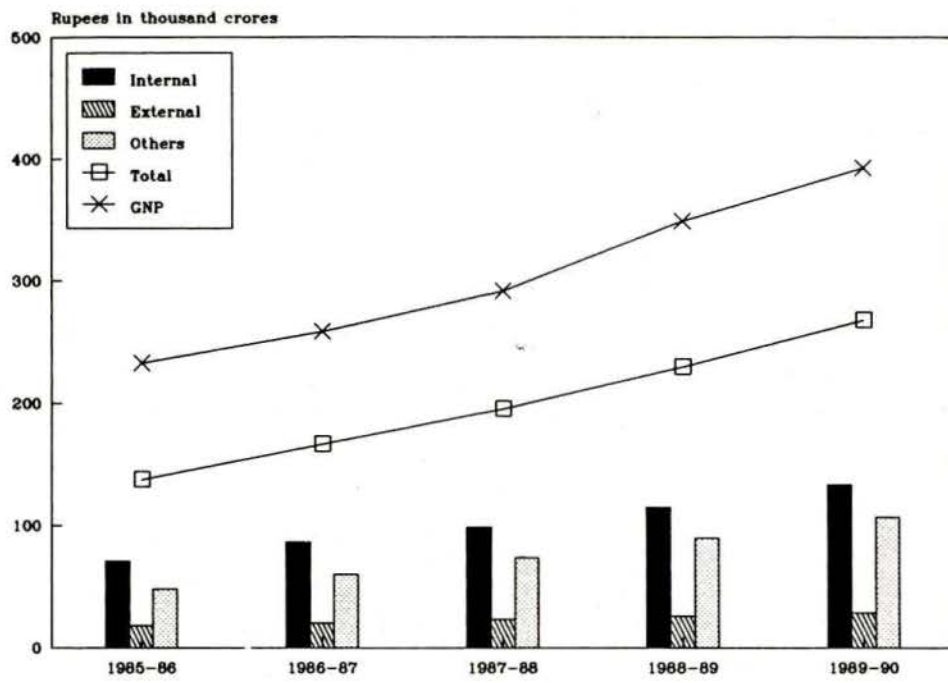
Mention was made about the rising trend in Public Debt and other liabilities of the Union Government in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1989 (No. 13 of 1990).

The details of the total liabilities of the Union Government





## Public Debt



during the five years ending March 1990 are given below:-

(Rupees in crores)

Year	Internal Debt	External Debt	Public Debt (2+3)	Other Liabilities	Total Liabilities (4+5)	Gross National Product (GNP) at current prices	Percentage of total liabilities to GNP
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1985-86	71039	18153	89192	48292	137484	232730	59.1
1986-87	86312	20299	106611	59935	166546	258637	64.4
1987-88	98646	23223	121869	73692	195561	291789	67.0
1988-89	114498	25746	140244	89528	229772	349105	65.8
1989-90	133193	28343*	161536	106657	268193	392524	68.3

\* includes the effect of prior period adjustments

(Source for GNP at factor cost at current prices: Economic Survey 1989-90 and Central Statistical Organisation, Department of Statistics, Ministry of Planning, press release February 1991)

Thus, it will be seen that Public Debt had increased from Rs.89192 crores in 1985-86 to Rs.161536 crores at the end of 1989-90 registering an increase of 81 per cent whereas the total liabilities had increased from Rs.137484 crores in 1985-86 to Rs.268193 crores in 1989-90 registering an increase of 95 per cent. The interest paid on external debt during the year was Rs.1493.77 crores constituting 8 per cent of total interest payments.

The net outgo on interest and debt service obligations, after deducting interest receipts of Rs.7691.01 crores, was Rs.10065.93 crores, as compared to Rs.7296.73 crores during 1988-89.

Treasury Bills: The treasury bills

are financial instruments issued by Reserve Bank of India for raising short term loans with maturity of 91/182 days to fill in resources gap temporarily. The total gross receipts from treasury bills including treasury bills converted into securities were Rs.108935.58 crores during 1989-90 while the gross discharges were Rs.97816.46 crores resulting in a net increase in borrowings of Rs.11119.12 crores at the end of 1989-90. The cumulative balance worked out to Rs.61958.49 crores at the end of 1989-90.

The growth in the cumulative balances of treasury bills over the

last five years is detailed below :-

(Rupees in crores)

At the end of financial year	Cumulative balance
1985-86	30664.28
1986-87	39626.41
1987-88	45310.99
1988-89	50839.37
1989-90	61958.49

The cumulative balance of treasury bills had more than doubled during the four years ended 31st March 1990. Amortisation of External Debt: The amortisation payment on external debt constituted 54.4 to 75.2 per cent of the external loans received during the years as indicated below :

(Rupees in crores)

Year	Repayments		Total	Loans received during the year	Percentage of repayments to loans received	Net inflow
	Principal	Interest				
1985-86	629.72	537.61	1167.33	2144.96	54.4	977.63
1986-87	894.88	765.96	1660.84	3040.27	54.6	1379.43
1987-88	1145.96	976.93	2122.89	4069.16	52.2	1946.27
1988-89	1494.59	1242.08	2736.67	4015.97	68.2	1279.30
1989-90	1847.85	1493.77	3341.62	4443.22	75.2	1101.60

The budget estimates for 1989-90 had provided for net assistance (loan less repayment of principal) of Rs.3722 crores; the central net assistance was only Rs.2595 crores.

The amortisation of external debt including interest accounted for 75 per cent of external loans received during 1989-90. The net inflow had declined from 46 to 25 per cent of loans received during the year between 1985-86 and 1989-90.

The interest on external debt increased by 178 per cent from Rs.537.61 crores in 1985-86 to Rs 1493.77 crores in 1989-90.

Although the amount of loans received during the year increased

from Rs.4069.16 crores in 1987-88 to Rs.4443.22 crores in 1989-90 (9 per cent), the net inflow actually declined by 43 per cent from Rs.1946.27 crores to Rs.1101.60 crores during the same period.

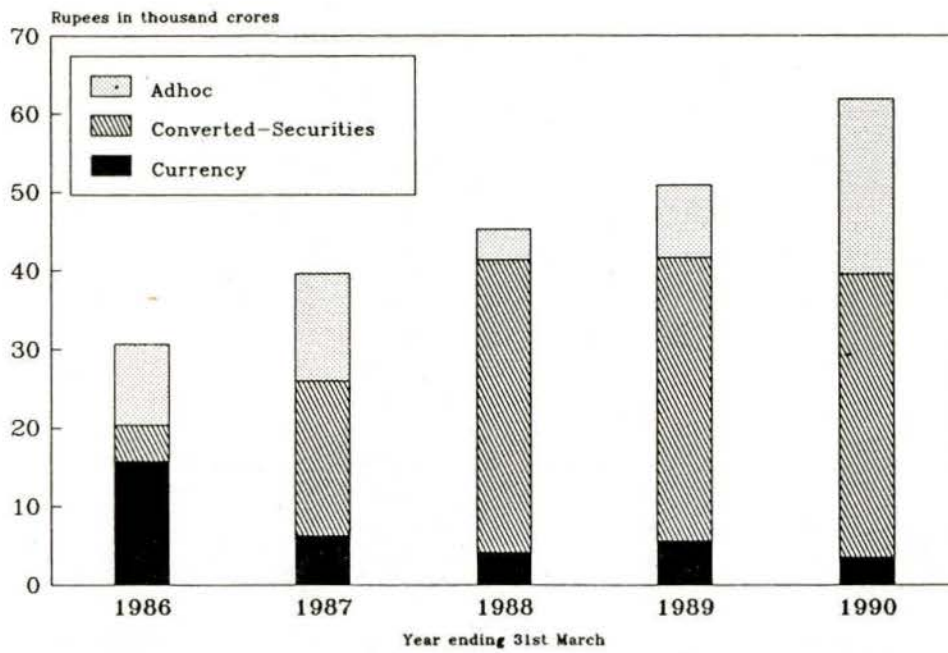
Debt Service Ratio: According to the Economic Survey, 1989-90, the debt service on external debts on Government account, non-Government account, International Monetary Fund drawals, and commercial borrowings (including suppliers' credits) was 23 per cent of current receipts in 1988-89.

#### 1.15 Authorisation and utilisation of external assistance

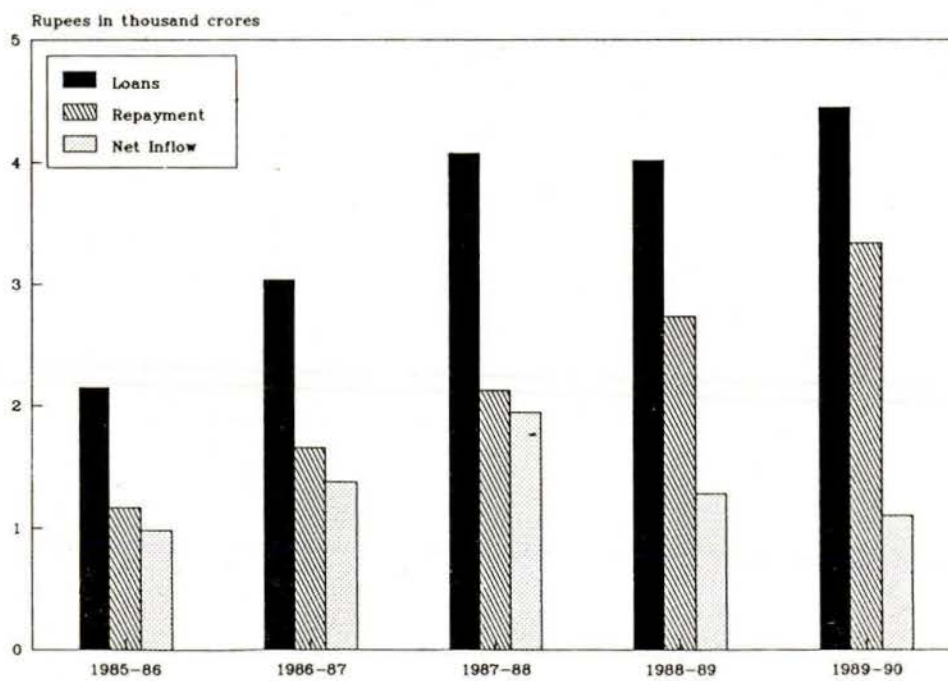
The table below indicates the position of external assistance of



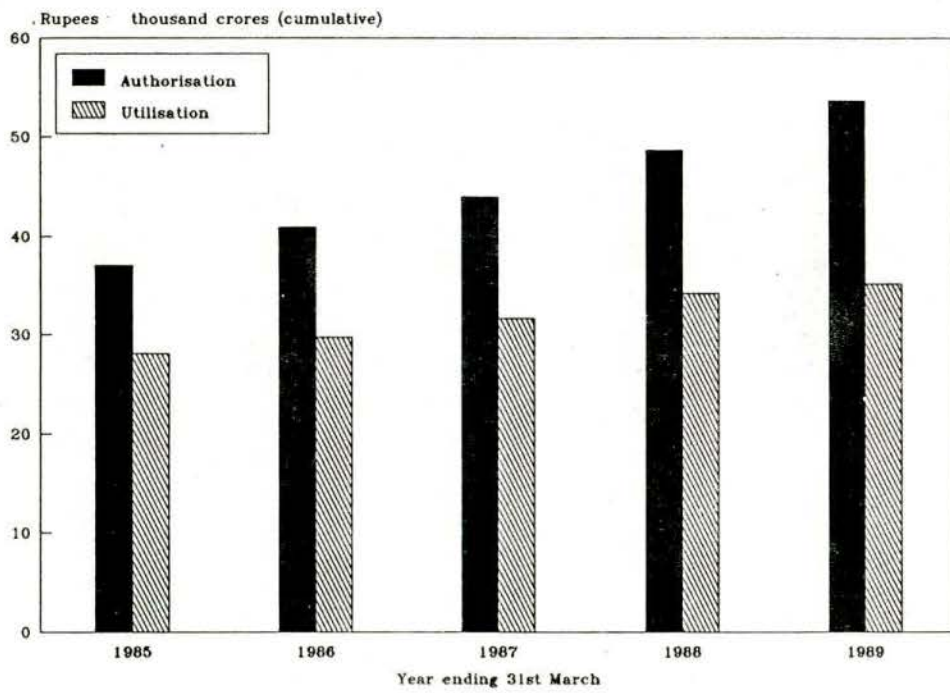
## Cumulative Balances of Treasury Bills



## External Debt



## External Assistance



all kinds authorised and utilised during the last five years as well

as the cumulative figures upto the end of March 1989:-

(Rupees in crores at ex-IMF parity rate)

	Authorisation		Utilisation		Percentage utilisation at the end of the year
	Opening balance	During the year	Opening balance	During the year	
1984-85	34343.78	2827.09	26464.56	1663.20	76
1985-86	37033.18*	4004.94	28089.19*	1671.51	73
1986-87	40938.05*	4236.92	29748.28*	2014.99	70
1987-88	44005.78*	4693.77	31681.00*	2531.43	70
1988-89	48699.55	4973.45	34212.43	977.18	66

(Source : External Assistance published by Ministry of Finance, Department of Economic Affairs for the relevant years)

\* The opening balance differs due to corrections carried out in previous years' accounts.

During the five year period, external assistance amounting to Rs.20736.17 crores was authorised. However, utilisation in the same period was Rs.8858.31 crores (43 percent). Utilisation of external assistance slowed down considerably during 1988-89, with only Rs.977.18 crores being utilised in 1988-89 as against Rs.2531.43 crores in the previous year. Utilisation had declined from 76 percent at the end of 1984-85 to 66 percent at the end of 1988-89. Against the authorisation of Rs.48699.55 crores upto 1987-88, utilisation even at the end of 1988-89 was Rs.35189.61 (72 percent). A similar comparison of authorisation at the end of the previous year with utilisation at the end of the present year, during the preceding five years reveals that utilisation has declined from 82 per cent to the present 72 per cent.

The component-wise authorisation of external assistance during

the period 1984-85 to 1988-89 is detailed below:-

(Rupees in crores)

Year	Grants	Government Account	Non-Government Account	Total
1984-85	521.26	2183.36	122.47	2827.09
1985-86	261.94	3591.62	151.38	4004.94
1986-87	307.12	3730.57	199.23	4236.92
1987-88	799.85	3813.30	80.62	4693.77
1988-89	134.61	4576.74	262.10	4973.45

The authorisation of external assistance in any particular year has been steadily rising. The amount authorised during 1988-89, registered an increase of 76 percent on the amount authorised in 1984-85. The increase is primarily attributable to loans taken on Government account which registered



a 110 per cent increase during the same period.

#### 1.16 Guarantees

The maximum amount of guarantees for which Government have entered into agreements and sums guaranteed outstanding (including Railways) were as follows:

(Rupees in crores)

As on 31st March	Maximum amount	Outstanding
1986	23905.62	20419.68
1987	32357.79	26645.94
1988	34014.17	27943.88
1989	40743.41	33240.41
1990	60916.79	54536.60

The outstanding amount of guarantees for external loans given in pursuance of agreements entered into by Government of India with international financial institutions, foreign lending agencies, foreign Governments, contractors, consultants, etc. towards repayment of principal, payment of interest/commitment charges, on loans etc. by them and payment against agreements on supplies of material and equipment on credit basis to the companies, corporations/Port Trusts, etc. as well as performance guarantees given for fulfilment of contracts projects awarded to Indian companies in foreign countries as on 31st March for the last five years (excluding

Railways) were as under:

(Rupees in crores)

Year	Amount
1985-86	4056.69
1986-87	3338.99
1987-88	6780.53
1988-89	10138.88
1989-90	13478.23

There has been an increase of 232 per cent in the amount of guarantees outstanding for external loans during the last five years.

The details of guarantees involved during 1989-90 and payments made by Government was as under:-

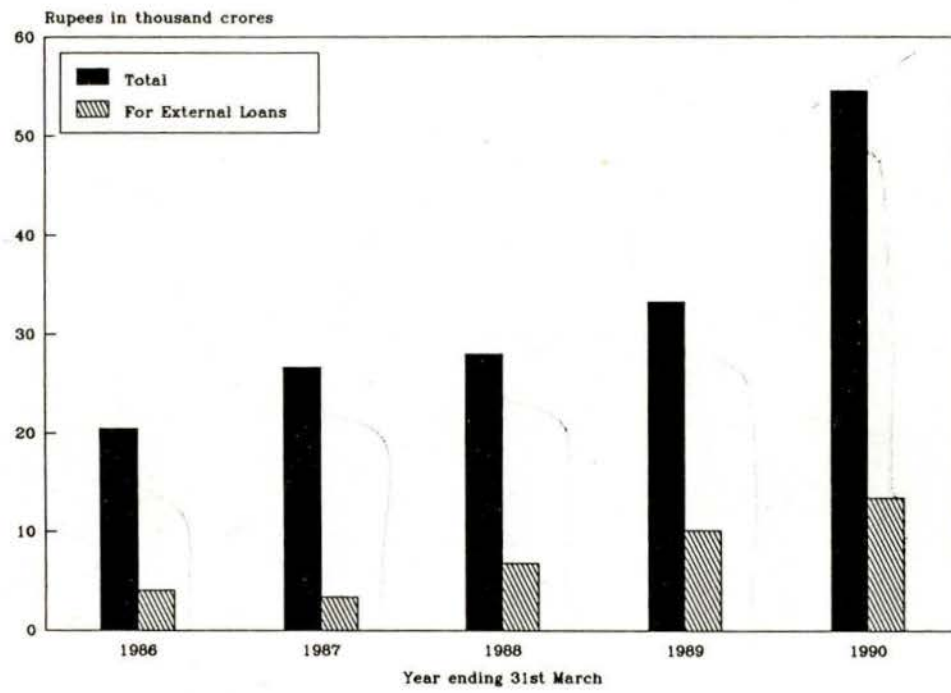
(i) Government had guaranteed a net return of 3 to 3.5 per cent/5 per cent per annum on the paid up share capital of private railway companies. The guarantee was invoked during 1989-90 in the case of two companies and Rs.1.79 lakhs were paid by Government.

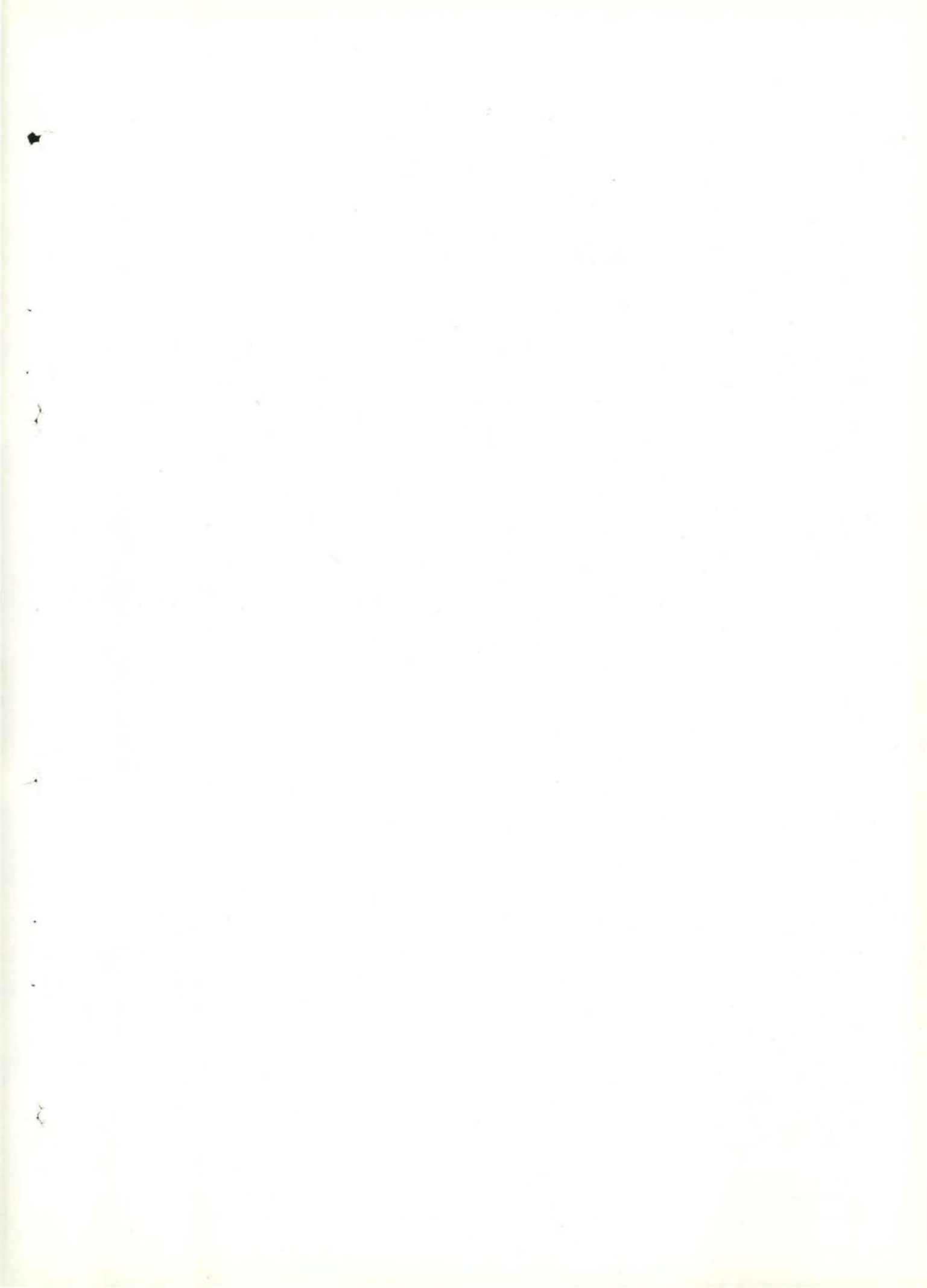
(ii) In 2956 cases, Rs.696 lakhs were paid by Government as a result of invoking guarantees given under Credit Guarantee Scheme for small scale industries.

#### 1.17 Loans and Advances to State and Union Territory Governments

The Union Government have been

## Guarantees Outstanding







advancing loans to State and Union Territory Governments for developmental and non-developmental activities. The details for the last three years are given below:

	(Rupees in crores)		
	1987-88	1988-89	1989-90
Opening balance	43706.38	49557.82	56287.55
Amount advanced during the year	9414.06	10045.92	11310.70
Total	53120.44	59603.74	67598.25
Amounts repaid during the year	3562.62	3316.19	3355.98
Balance	49557.82	56287.55	64242.27
Net increase on the previous year's balance (percentage)	13.39	13.58	14.13
Interest received and credited to revenue	3157.72	3770.45	4424.24

The net loans and advances disbursed to State and Union Territory Governments during 1987-88, 1988-89 and 1989-90 were Rs.5851.44 crores, Rs.6729.73 crores and Rs.7954.72 crores constituting more than 38, 37 and 37 per cent respectively of the net receipts from the long term borrowings of the Union Government.

The recovery of principal amounts of loans (Rs.101.65 crores)

and of interest (Rs.117.26 crores) totalling Rs.218.91 crores, remained in arrears from the State and Union Territory Governments.

The total arrears had increased from Rs.31.64 crores at the end of 1987-88 to Rs.218.91 crores as at the close of 1989-90.

#### 1.18 Assistance to various countries

Union Government has been giving assistance to various countries. The details for the last three years are given below:

	(Rupees in crores)		
	1987-88	1988-89	1989-90
Opening balance	733.46	525.18	495.87
Amount advanced during the year	136.40	81.71	776.39
Total	869.86	606.89	1272.26
Amount repaid during the year	344.68	111.02	88.86
Balance	525.18	495.87	1183.40

An advance of Rs.733.87 crores to the Government of U.S.S.R during 1989-90 is largely responsible for the sudden spurt. Union Government has been rendering assistance to various countries under the Colombo Plan. The assistance rendered to Governments of Nepal and Bhutan, who are major recipients under the Colombo Plan during 1989-90 was Rs.11.87 crores and Rs.54.70 crores respectively.

#### 1.19 Contribution to International Bodies

The total amount of contribution to international bodies made during 1989-90 was

Rs.43.88 crores, major contribution being to the United Nations Development Programmes (Rs.8.12 crores), United Nations Organisation (Rs.5.20 crores), World Food Programme (Rs.1.32 crores), United

Nations Industrial Development Organisation (Rs.1.76 crores), Food and Agricultural Organisation (Rs.1.61 crores), and United Nations Educational Scientific and Cultural Organisation (Rs.1.21 crores).

**SCHEDULE-A**

(Annexed to statement of financial position as on 31st March 1990)

(Rupees in crores)

**I. Details of Capital Outlay**

as on 31st March 1989		as on 31st March 1990
94915.67	Gross capital outlay as per accounts	108647.18*
	Less revenue expenditure charged to capital (subsidy on imported fertilizers)	
2963.84		2963.84
91951.83		105683.34
	Add Capital expenditure of Railways and Posts and telecommunications financed from their internal resources and contributions from others.	
9613.43		11890.42
101565.26	<b>Total Capital Outlay</b>	<b>117573.76</b>

(\*) Difference is due to rounding off

**(II) Sector-wise Capital Outlay**

(Rupees in crores)

Sector	Capital Outlay during 1989-90	Capital Outlay at the end of March 1990
Civil	7116.65	67158.20**
Defence	4221.77	19474.48
Railways	2623.30	20596.79*
Posts	33.80	390.57
Telecommunications	1681.26	9953.72
<b>Total</b>	<b>15676.78</b>	<b>117573.76</b>

\* Includes Rs.8.30 crores omitted in earlier years for want of details.

\*\* Includes Rs.323.42 crores which represents prior period adjustment account; for details, refer statement no. 10 of Union Government Finance Accounts.



III. Contributions from Railways, Posts and Telecommunications and others for financing capital expenditure

(Rupees in crores)

	Railways	Others*	Posts	Telecommunications	Total
Till end of 1988-89	4251.90	8.30	66.14	5287.09	9613.43
During 1989-90	849.94	-	5.25	1421.8	2276.99
<b>Total</b>	<b>5101.84</b>	<b>8.30</b>	<b>71.39</b>	<b>6708.89</b>	<b>11890.42</b>

\* State, District Boards etc.

IV. Sources and application of funds

(Rupees in crores)

Sources		Application	
1. Revenue Receipts	63276.61	1. Revenue Expenditure	75190.79
2. Increase in Public Debt	21290.23	2. Lending for development and other purposes	17369.90
3. Net Receipts from Public Account	16161.52	3. Capital Expenditure	15676.78
4. Recoveries from Loans and Advances	5459.95	4. Increase in Cash Balance	228.31
5. Internal Resource of Railways and Posts and Telecommunications used for Capital	2276.99		
6. Miscellaneous Capital Receipts	0.48		
<b>Total</b>	<b>108465.78</b>		<b>108465.78</b>

**CHAPTER II**

**APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE**

**2. Budget and expenditure**

actual expenditure during 1989-90 against grants/appropriations is as follows:-

The summarised position of					
Original grant/appropriation	Supplementary	Total	Actual expenditure	Variation Saving	
1	2.	3.	4.	5.	
(Rupees in crores)					
<b>I. Revenue:</b>					
Voted	34165.61	5938.72	40104.33	37613.08	2491.25
Charged	28089.26	828.71	28917.97	28900.94	17.03
<b>II. Capital:</b>					
Voted	7103.18	1237.01	8340.19	7886.28	453.91
Charged	53.68	0.53	54.21	35.18	19.03
<b>III. Public Debt:</b>					
Charged	134113.61	..	134113.61	101912.98	32200.63
<b>IV. Loans and Advances:</b>					
Voted	5605.76	730.59	6336.35	6168.27	168.08
Charged	11220.46	1600.90	12821.36	11278.96	1542.40
<b>V. Other-Inter-State Settlement</b>					
..	..	..	*		..
**					
Grand total	220351.56	10336.46	230688.02	193795.69	36892.33

\* A sum of Rs.2000 was paid to Government of Andhra Pradesh under Inter-State Settlement though there was no provision.

\*\* Excludes the accounts of March 1990 of Jammu and Kashmir circle.

**3. Results of Appropriation Audit**

The overall saving was the net result of saving in 214 cases and excess in 10 cases as shown below:-

**3.1 Saving in grants/ appropriations**

	Savings		Excesses		Net Saving	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
	(Rupees in crores)					
Voted	2797.45 (In 77 grants)	1032.82 (In 66 grants)	306.20 (In 4 grants)	410.83 (In 2 grants)	2491.25	621.99
Charged Appropriations	65.15 (In 43 appropriations)	33762.07 (In 28 appropriations)	48.12 (In 3 appropriations)	0.01 (In 1 appropriation)	17.03	33762.06

The overall supplementary grants and appropriations obtained during 1989-90 constituted 4.69 per cent of the original grants and appropriations.

In 19 cases, the supplementary provision of Rs.115.84 crores was unnecessary as the saving in all these cases exceeded the supplementary provision obtained. Details are given in Appendix I.

The entire provisions remained unutilised in 4 grants ; the savings exceeded 50 per cent of the provisions in 8 grants and 20 per

cent of the provisions in 10 grants. Details of grants where savings exceeded 20 per cent of the total grant and Rs.5 lakhs are given in Appendix II.

Out of the final savings of Rs.3830.27 crores under voted grants and Rs.33827.22 crores under charged appropriations, savings in 32 grants and 6 appropriations which accounted for Rs.3314.65 and 33765.23 crores respectively (saving in each case not less than Rs.20 crores) are detailed below:-

Sl. No.	Grant	Amount of savings (percentage of savings)	Main reasons
1	2	3	4

(Rupees in crores)

**Voted Grants**

**Revenue**  
1. 1-Agriculture

83.18  
(16.4)

Release of less grants-in-aid to National Seeds Corporation owing to delay in appointment of consultants and non-receipt of utilisation certificates for grants released previously, non-implementation of programmes of market support operations for oil seeds by National Agricultural Co-operative Marketing Federation of India



1	2	3	4
			Limited, non-receipt of demands for grants from State Governments and non-establishment of regional offices under National project on development and use of bio-fertilizers.
2.	8-Department of Commerce	78.36 (3.5)	Slow pace of expenditure on export credit development, non release of grant owing to non-receipt of demands from grantee institutions, non-receipt of re-imbursable claims from State Trading Corporation and delay in decision to reimburse losses on account of import of urea by Minerals and Metals Trading Corporation.
3.	24-Ministry of External Affairs	43.20 (9.6)	Procedural constraints in purchase of computers and telecommunications systems, non-payment of rent for office accommodation in Akbar Bhawan, non-release of aid to foreign Governments pending finalisation of bilateral agreements and non-receipt of debits pertaining to certain supplies.
	25-Department of Economic Affairs	21.02 (4.6)	Release of less subsidy to beneficiaries under the scheme for self-employment programme for urban poor, less payment of interest on deposits under Compulsory Deposit (Income Tax Payers) Scheme 1974 owing to less drawals by the depositors and release of less amount to General/Life Insurance Corporations due to less coverage than anticipated.
5.	26-Currency, Coinage and Stamps	36.26 (12.3)	Less import of security paper, printing exemption from payment customs and excise duties on above import, less payment of railway freight/entry tax than anticipated and change in the delivery schedule for the supply of paper from foreign supplier.

1	2	3	4
6.	28-Pensions	81.35 (15.3)	Receipt of lesser number of claims for pensions and gratuities than anticipated.
7.	30-Transfers to State Governments	490.13 (13.05)	Non-receipt of claims from State Governments, shortfall in expenditure owing to extension granted to State Governments, less release of additional Central assistance for externally aided projects and cut in Central assistance.
8.	33-Department of Expenditure	1299.71 (99.53)	Non-utilisation of lump-sum provision (Rs.1000 crores) made for payment of dearness allowance to Central Government employees due to inclusion of corresponding provision by various Ministries and Departments in their respective grants and post budget decision to meet the expenditure on Jawahar Rozgar Yojana through the Department of Rural Development.
9.	37-Indirect Taxes	25.58 (8.29)	Non-finalisation of final configuration for extension of computerisation, less expenditure on administration of minor ports and land customs than anticipated and non-receipt of equipment indented through Directorate General of Supplies and Disposals.
10.	41-Department of Health	20.52 (4.64)	Non-receipt of foreign assistance owing to procedural constraints, less expenditure on modernisation of blood bank and transfusion services and publicity/publications, release of less grants-in-aid to State Governments owing to less demands, slow progress of National Leprosy Control Programme and economy measures.
11.	46-Other Expenditure of the Ministry of Home Affairs	36.21 (12.9)	Finalisation of lesser number of Swatantrata Sainik Samman Pension cases than anticipated and less sanction of arrears to Swatantrata Sainiks owing to economy measures.

1	2	3	4
12.	48-Department of Education	72.26 (4.56)	Non-release of grants to Indian Institute of Science, Bangalore owing to non-purchase of main frame super computer system. Less demands for grants by State and Union Territory Governments/ Administrations, less release of assistance to the Kendriya Vidyalaya Sangathan owing to curtailment of construction programmes and economy measures.
13.	58-Ministry of Labour	24.28 (8.07)	Non-receipt of expected aid equipment from foreign donors, non-procurement of computers, machinery and equipments, non-implementation/ commencement/materialisation of certain projects/construction works, non-sanctioning of certain dispensaries, less release of grants-in-aid to State Governments owing to less demands and economy measures.
14.	73-Ports, Lighthouses and Shipping	29.47 (23.22)	Deferment of payment of additional subsidy to Cochin Shipyard for a ship, non/late sanctioning of projects/schemes, less payment of subsidy to private sector shipyards for construction of fishing trawlers and Calcutta Port Trust for maintenance of river dredging owing to less claims from them and economy measures.
15.	74-Ministry of Textiles	84.14 (14.8)	Non-payment of subsidy towards losses on indigenous procurement of cotton following non-execution of price support, non-implementation of open tender system scheme owing to Delhi High Court judgement in a pending case, release of less grants to Central Silk Board owing to delay in commencement of National Sericulture Project, less release of grants and interest subsidy to National Textiles Corporation following adjustment of loans written off, less production of controlled cloth, less transfers to Jute Special Development Fund, less release of grants to State



1	2	3	4
			Governments for payment of subsidy on Janta cloth following non-achievement of production targets.
16.	80-Atomic Energy	22.06 (5.83)	Postponement of procurement of raw material, less expenditure on machinery and equipments owing to revision of delivery schedule, delay in commissioning of Fuel Processing Plant, Kalpakkam owing to technical constraints, release of less grants-in-aid owing to adjustment of unspent balances of previous years with grantee institutions and cancellation of certain purchase orders.
17.	81-Nuclear Power Schemes	38.29 (17.8)	Less operational cost following prolonged shut down of Rajasthan Atomic Power Station, postponement of procurement of machinery and equipment, less recoupment of inventory following less requirement of fuel by the Rajasthan and Madras Atomic Power Stations and reduction in capital at charge and less adjustment of interest thereon following reassessment of fuel inventory.
<b>Capital</b>			
18.	21-Department of Power	26.89 (1.21)	Slow progress of works in Nathpa/Jhakri Power Corporation and Tehri Hydro Development Corporation, deferment of expenditure on some projects and less release of loans to Power Corporations.
19.	24-Ministry of External Affairs	37.15 (57.68)	Non-finalisation of purchase deals of properties abroad and slippage in time schedules of some projects, release of less loans to Governments of Bangladesh and Bhutan owing to non-finalisation of bilateral agreements.
20.	25-Department of Economic Affairs	94.62 (52.82)	Non-release of interest free loans to weak industrial units following non-receipt of demands, non/less

1	2	3	4
			payment of loans, short drawals of credits by certain foreign countries and less release of loans to Railways Development Fund owing to adjustment of surplus loans released earlier.
21.	26-Currency, Coinage and Stamps	43.94 (23.73)	Non-finalisation of purchase proposals for land/building and line machineries, non-clearance of modernisation projects of Currency Note Press and for construction of prototype wagon, delay in procurement of machinery owing to procedural constraints, non-receipt of certain plants and slow progress of work.
22.	27-Payments to Financial Institutions	85.50 (3.48)	Non-payment of loans to National Housing Board due to non-finalisation of credit agreements and lesser demand for loans from National Bank for Agriculture and Rural Development.
23.	36-Direct Taxes	82.15 (68.46)	Imposition of stay orders by High Courts against acquisition of immovable property under Income Tax Act, 1961, by concerned authorities.
24.	38-Department of Food	29.64 (16.79)	Slow progress of building work of National Sugar Institutes and finalisation of lesser loan applications for rehabilitation/modernisation of sugar mills and sugar mills for cane development following non-fulfilment of prescribed conditions, non-execution of agreements and non-receipt of utilisation certificates.
25.	50-Art and Culture	20.50 (100)	Non-materialisation of purchase deal of Nizam Jewellery for National Museum.
26.	55-Department of Public Enterprises	69.04 (16.46)	Slow implementation of Yerrangutla Project of Cement Corporation of India, non-approval of revised cost estimates of certain projects of

1	2	3	4
			Bharat Bhari Udyog Ltd. and Hindustan Paper Corporation and less payment of loans to Engineering Projects (India) Ltd. following less foreign exchange required for liquidation of certain overdrafts.
27.	71-Ministry of Surface Transport	22.41 (15.31)	Late sanctioning of modernisation scheme of Royo Bazar Dockyard and slow progress of works by Central Inland Water Transport Corporation and shortfall in release of loan to State Road Transport Corporation due to change in criteria for Central contribution to the Corporation.
28.	72-Roads	47.75 (8.03)	Imposition of economy measures for Road works and restricting the releases of loan to Indian Roads Construction Corporation Ltd. to actual expenditure.
29.	73-Ports, Lighthouses and Shipping	41.69 (11.38)	Non-implementation of some scheme of Calcutta-Jiggar Khali Flat, non/late-approval of the scheme of construction and development of lighthouses, slow progress of works and delay in implementation of schemes of Hooghly Rivers.
30.	75-Urban Development and Housing	26.46 (20.56)	Non-release of loans to Housing Development Finance Corporation owing to non-receipt of matching foreign aid, less demand for loans from housing agencies for financing Housing Scheme of Central Government employees owing to poor response from housing societies.
31.	80-Atomic Energy	172.50 (29.84)	Delay in receipt of certain machinery and equipment, slow progress of construction works, delay in awarding construction contract, delay in finalising purchase contract for raw materials, consumables and other utilities, less investments in Uranium Corporation of India



1	2	3	4
			Limited following slow progress of its plan scheme and shortfall in acquisition/building up of feed stock material.
32.	84-Department of Space	28.39 (21.39)	Postponement of launching of INSAT-ID, less functioning of INSAT-IC, delay in performance payment owing to partial commencement of certain schemes, postponement of procurement of equipment, slow progress/deferment of works and delay in financial sanction for construction work.
<b>Charged Appropriations</b>			
<b>Revenue</b>			
33.	30-Transfers to State Governments	55.30 (0.51)	Release of less grants-in-aid to State Governments following slow progress of expenditure on upgradation of services and special problems and less reimbursable claims received from them for natural calamities.
<b>Capital</b>			
34.	1-Agriculture	23.22 (7.6)	Less payment of loans to State Governments due to curtailment in the purchase of fertilisers and non-receipt of demands for loans.
35.	30-Transfers to State Governments	1256.79 (10.41)	Receipt of less demands from State Governments for other Ways and Means advances, release of less loans for externally aided projects, curtailment of Central assistance and less expenditure incurred on natural calamities.
36.	32-Repayment of Debt	32200.63 (24)	Less discharge of Treasury Bills following lower investment than anticipated.

1	2	3	4
37.	33--Department of Expenditure	200.00 (100)	Post budget decision to meet the expenditure on Jawahar Rozgar Yojana through the Department of Rural Development.
38.	72-Roads	29.29 (50.47)	Release of less loans and advances to State Governments due to slow progress of works on bridges of national importance owing to technical constraints and economy measures.

### 3.2 Persistent savings

In the following cases, the

actual expenditure was substantially less than the total provision each year during 1987-90:-

#### Saving as percentage of total grants

Grants	1987-88	1988-89	1989-90
<b>A. Revenue</b>			
1. Department of Expenditure	98.7	99.4	99.5
2. Department of Revenue	26	22	18
3. Ports, Lighthouses and Shipping	38	18	23
<b>B. Capital</b>			
1. Ministry of External Affairs	59	46	58
2. Ministry of Labour	71	91	78
3. Department of Company Affairs	100	100	100
4. Department of Revenue	85	81	84
5. Department of Rural Development	95	99.6	100
6. Art and Culture	99	94.7	100
7. Direct Taxes	83	72	68

### 3.3 Surrender of funds

Savings in a grant or appropriation are to be surrendered to the Government immediately after these are foreseen, without waiting till the end of the year, unless the same are required to meet excesses under some other units. However, no savings should be held in reserve for possible future excesses.

In the Accounts for 1989-90, it was noticed that against final saving of Rs.3830.27 crores under voted grants, the amount surrendered was Rs.3467.81 crores out of which 81 per cent (Rs.3109.69 crores) were surrendered on the last day of the

financial year.

In 23 voted grants and 27 charged appropriations, the entire saving amounting to Rs.32.57 crores and Rs.2.46 crores respectively were not surrendered.

In 13 voted grants and one charged appropriation, the amount surrendered exceeded the overall savings. Further in case of four voted grants and one charged appropriation, Rs.13.27 crores were surrendered although the expenditure exceeded the grant/appropriation and no savings were available for surrender.

#### (A) Surrender of funds larger than available savings :

Sl. No.	Grant	Amount of savings	Amount surrendered
1	2.	3.	4.
<b>Revenue-Voted</b>		<b>(Rupees in lakhs)</b>	
1.	8-Department of Commerce	7836.23	7934.64
2.	13-Ministry of Defence	157.56	302.39
3.	24-Ministry of External Affairs	4319.58	4781.95
4.	27-Payment to Financial Institutions	46.48	47.26
5.	42-Department of Family Welfare	636.98	842.90
6.	69-Department of Steel	963.18	977.00
<b>Capital-Voted</b>			
7.	21-Department of Power	2689.49	2704.00
8.	27-Payment to Financial Institutions	8549.63	8789.30
9.	45-Police	715.55	979.06



1	2.	3.	4.
10.	76-Public Works	1398.46	1650.00
11.	91-Andaman and Nicobar Islands	1483.08	1500.00
12.	93-Lakshadweep	136.53	199.12
13.	94-Chandigarh	720.42	760.00
	<b>Revenue-Charged</b>		
14.	30-Transfers to State Governments	5529.57	5979.54

Except in the case of Grant No.93-Lakshadweep (Capital) the amounts were surrendered on the last day of the year. This shows that there was no effective control and monitoring of expenditure.

(B) Surrender of funds inspite of overall excess expenditure

Sl. No.	Grant	Amount of excess expenditure	Amount surrendered
	<b>Revenue-Voted</b>	(Rupees in lakhs)	
1.	45-Police	1698.19	173.62
2.	62-Ministry of Petroleum and Natural Gas	214.07	1054.00
3.	94-Chandigarh	814.92	44.00
	<b>Capital-Voted</b>		
4.	90-Delhi	16.41	55.28
	<b>Revenue-Charged</b>		
5.	72-Road	2.45	0.15

Except in the case of Grant No.45-Police (Revenue), the amounts were surrendered on the last day of the year. The surrenders when the actual expenditure exceeded the grant/appropriation shows that there was no proper control and monitoring of expenditure.

Savings were partly surrendered in many cases. Details of major variations where savings were greater than 20 per cent and amounted to more than Rs. 1.00 crore but were not surrendered are given in Appendix III.

### 3.4 Excess over grant/appropriation

In the revenue section, there was total excess of Rs.306,19,90,567 in 4 grants and Rs.48,11,94,529 in 3 appropriations, while excesses in

capital section amounted to Rs.410,82,87,259 in 2 grants and Rs.1,10,372 in one appropriation. These excesses require regularisation under Article 115 of the Constitution.

The details of excesses are given below:-

Sl. No.	Grant	Total grant or appropriation	Actual expenditure	Amount of excess (percentage of excess)	Main reasons
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
<b>Voted Grants Revenue</b>					
1.	14-Defence Pensions	1599,57,00,000	1878,49,72,919	278,92,72,919 (17.44)	Drawal of pensionary benefits by more pensioners than anticipated.
2.	45-Police	1286,28,00,000	1303,26,18,673	16,98,18,673 (1.32)	Payment of instalments of dearness allowance, bonus, special duty allowance, purchase of machinery and equipment, arms and ammunition, clothing, tentage stores and receipt of more reimbursable claims from Ministry of Defence for cost of arms and ammunition
3.	62-Ministry of Petroleum and Natural Gas	111,33,00,000	113,47,06,691	2,14,06,691 (1.92)	Payment of more subsidy to shipyard for construction of multipurpose support vessels etc. and discharge of contractual obligatory payments to foreign suppliers for import of material for Bombay Offshore project through Ministry of Defence.
4.	94-Chandigarh	156,61,00,000	164,75,92,284	8,14,92,284 (5.2)	Creation of more posts for District Police, etc. to maintain law and order, payment of additional dearness allowance sanctioned during the year and arrears of house rent/city compensatory allowances,

1	2	3	4	5	6
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revision of pay scales of lecturers/librarian, increase in costs of material and more expenditure on repairs and maintenance owing to accelerated pace of work.

**Capital**

5.	8-Department of Commerce	369,92,00,000	780,58,46,482	410,66,46,482 (111)	More payment of loans to Government of USSR owing to sudden spurt in exports and shortfall in imports.
6.	90-Delhi	552,97,00,000	553,13,40,777	16,40,777 (0.03)	Accelerated progress of works on setting up of a combined food and drug laboratory, secondary education under General Education and transport buildings, purchase of ready built flats for General Pool Accommodation from Delhi Development Authority, release of more loans to Municipal Corporation of Delhi for implementing plan schemes and execution of more drainage works than anticipated.

**Charged Appropriations**

**Revenue**

7.	29-Interest Payments	17710,00,00,000	17756,93,66,224	46,93,66,224 (0.27)	Payment of more interest on Market Loans than anticipated due to adjustment of payments pertaining to previous years, more auction of Treasury Bills and greater investment and deposits, more drawal of loans under External Debt and fluctuation in rate of exchange.
8.	72-Roads	4,00,000	6,45,106	2,45,106 (61.28)	Release of more grants-in-aid to State Governments owing to more than anticipated decretal award.
9.	94-Chandigarh	3,93,00,000	5,08,83,199	1,15,83,199 (29.47)	Revision of pay scales of High Court officers/officials from January 1986, payment of arrears of house rent/city compensatory allowances, prof-



1	2	3	4	5	6
					iciency stepups of pay and grant of double special pay.
<b>Capital</b>					
10.	76-Public Works	24,00,000	25,10,372	1,10,372 (4.6)	Payment of arbitration award as per judgement of Supreme Court.

### 3.5 Recoveries in reduction of expenditure

The demands for grants are for the gross amount of expenditure to be incurred in a particular year and show recoveries to be taken in reduction of expenditure separately by way of foot note thereunder. Similarly, in the Appropriation Accounts the recoveries are also shown separately in an Annexure thereto. A scrutiny of the Accounts for 1989-90, revealed that in the revenue section against the budget estimates of Rs.1378.72 crores, actual recoveries were Rs.1807.62 crores. In the capital section against the budget estimates of Rs.815.47 crores, actual recoveries were Rs.928.16 crores.

In the revenue section, recoveries in reduction of expenditure were underestimated by Rs.555.45 crores in 16 grants whereas in 25 grants there were short recoveries to the extent of Rs.126.54 crores. Similarly, in the capital section there was short budgeting in case of 11 grants/appropriations involving Rs.263.33 crores and less recoveries in 15 grants involving Rs.150.64 crores. Details of major variations involving 20 per cent of the original estimates and not less than Rs.5.00 crores are given in Appendix-IV.

### 3.6 Injudicious re-appropriation

A grant or appropriation for charged

expenditure is distributed by sub-heads or standard objects (called primary units) under which it shall be accounted. Re-appropriation of funds can take place between primary units of appropriation within a grant or appropriation before the close of financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation from the unit for which funds are to be transferred will not be utilised in full or that savings can be effected in the appropriation of the said unit.

During test check of the Accounts for 1989-90, it was observed that in the case of 43 sub-heads in 27 grants/appropriations, re-appropriation amounting to Rs.11158.22 lakhs was injudicious in-as-much as (i) the original provision under the sub-head to which funds were transferred by re-appropriation was more than adequate and consequently final saving under the sub-head was greater than the amount reappropriated to that sub-head ; or (ii) the original provision from which funds were transferred was inadequate and the final excess under that sub-head was greater than the amount re-appropriated. Of the 43 instances, in 38 cases, the reappropriation was made on 30th and 31st March 1990. This was indicative of lack of adequate control over expenditure. Details are given in Appendix V.



### 3.7 Reserve Funds

There are 18 reserve funds created by different Ministries/Departments for different purposes. These are being exhibited in the Union Government Appropriation Accounts (Civil) under the grants concerned.

The consolidated summarised position of 18 fund accounts for the year 1989-90 was as under:-

	(Rupees in crores)
Opening balance	199.57
Receipts	254.32
Payments	204.22
Closing balance	249.67

There were no transactions from/to in three cases viz. 'Civil Aviation Development Fund', 'Personal Injuries (Compensation Insurance) Fund 1965' and 'Central Coal Mines Rescue Station Fund' since March 1976, 1977 and 1986 respectively. In case of 'Depreciation Reserve Fund for Government Medical Stores Depot', no expenditure has been incurred out of the fund since its creation.

### 3.8 Expenditure on "New Service/New Instrument of Service"

On the recommendations of the Public Accounts Committee, Government has inter alia, prescribed certain financial limits for different categories of expenditure beyond which the expenditure constituted "New Service" or "New Instrument of Service". During test check of the Accounts for 1989-90, the following cases were noticed in which prescribed limits were exceeded and the expenditure constituted "New Service" or "New Instrument of Service" but neither advance from the Contingency Fund was obtained nor was prior approval of Parliament taken.

(i) Ministry of Agriculture (Grant No.2- Other Services of Department of Agriculture and Co-operation).

(a) Ministry had paid Rs. 961.37 lakhs towards grants to Mother Dairy, Delhi against the budget provision of Rs.410.00 lakhs. A token provision of Rs.0.50 lakh was obtained through fourth batch of Supplementary Demands in March 1990 and it was reported that the additional requirement of subsidy of Rs.138 lakhs was to be met from the saving available within the Grant. However, against Rs.138 lakhs, the actual additional payment of Rs. 550.87 lakhs was made by reappropriation within the Grant. Thus, the payment of Rs.412.87 lakhs over and above the reported amount of Rs.138 lakhs was in excess of the prescribed limit.

Ministry stated, in February 1991, that the additional requirement was inadvertently reported as Rs.138 lakhs.

(b) Ministry had also paid Rs.4511.60 lakhs towards loans to Land Development Banks against the budget provision of Rs.2500 lakhs. The additional payment of Rs. 2011.60 lakhs was in excess of prescribed limit of Rs. 2 crores and was met by reappropriation within the Grant.

Ministry stated, in February 1991, that the expenditure "already stands reported to Parliament in the Demand Book for 1990-91". The Ministry's contention is not tenable as the guidelines for "New Service/New Instrument of Service" are very clear and the Ministry should have obtained the prior approval of Parliament by a token provision in 1989-90.

(ii) Ministry of Commerce  
(Grant No.8-Department of  
Commerce)

Ministry had paid Rs. 148.50 lakhs towards subsidy for replantation to Tea Board against the budget provision of Rs. 135 lakhs. The additional payment of Rs.13.50 lakhs was in excess of the prescribed limit of Rs.10 lakhs and was met by re-appropriation within the Grant.

Ministry accepted the facts in November 1990.

(iii) Ministry of Petroleum and  
Natural Gas  
(Grant No.62-Ministry of  
Petroleum and Natural Gas)

Ministry had paid Rs. 894 lakhs towards subsidy to shipyards for construction of multipurpose support vessels etc. against the budget provision of Rs.222 lakhs.

The additional payment of Rs. 672 lakhs was in excess of prescribed limit of Rs. 10 lakhs and was met by re-appropriation within the Grant.

Ministry accepted the facts in January 1991.

(iv) Ministry of Home Affairs  
(Grant No. 94-Chandigarh)

Chandigarh Administration had paid Rs.268 lakhs towards investment in share capital contribution to Chandigarh Industrial and General Development Corporation against the budget provision of Rs.40 lakhs. The additional payment of Rs. 228 lakhs was in excess of the prescribed limit of Rs. 20 lakhs and was met by reappropriation within the Grant.

The case was referred to Ministry in April 1991; reply has not been received.



## CHAPTER III

### Ministry of Agriculture

#### (Department of Rural Development)

#### 4. Technology Mission on Drinking Water

##### 4.1 Introduction

The Seventh Five Year Plan envisaged providing safe drinking water facilities to the entire rural population. The activities necessary for achieving this objective involved development of water sources on the basis of norms in the rural areas taking care of the needs of individual hamlets and habitations. In certain areas specific problems such as difficult terrain, water contamination due to excess salinity, fluorides, iron contents etc. were to be tackled by use of suitable technologies. This required extending to all villages the scope of rural water supply under Minimum Needs Programme (MNP) in the State Sector and a Central Plan Scheme under Accelerated Rural Water Supply Programme (ARWSP) to accelerate the efforts of the State Governments. To further assist this process and effectively coordinate the functions of different agencies involved, the 'Technology Mission on Drinking Water' was set up in 1986, initially, for four year period upto 31st March 1990. Subsequently its term was extended upto March 1991.

The objectives of Technology Mission on Drinking Water are to:

- cover all the residual problem villages (PVs) numbering 1,37,155 by March 1990. (A village is reckoned as problem village if it does not have an assured source of drinking water within a reasonable distance of say 1.6 Km or

within a depth of 15 metres, where the water is contaminated due to excessive salinity, iron, fluorides or other toxic element and/or is endemic to diseases like cholera, guineaworms, etc.);

- supply potable water of 40 litres per capita per day (LPCD) for human beings in all area and in addition 30 LPCD for cattle in desert areas;
- evolve cost effective technology mix to achieve these objectives within the constraints of plan resources;
- take conservation measures for sustained supply of water.

##### 4.2 Scope of Audit

The review covers the activities of the Technology Mission on drinking water during 1986-87 to 1989-90. The records of the Technology Mission in the Department of Rural Development and those of the implementing agencies in 23 States and 3 Union Territories as also the records of the nodal agencies responsible for carrying out the activities of the Sub-Missions were test checked by Audit during April to September 1990.

A copy of the draft review was sent to the Ministry in November 1990. The Ministry replied in January 1991 that the draft review has brought out certain facts which remained unattended at their end. It stated further that shortfalls in achievement are not unusual/abnormal in gigantic programme of the size



which the Mission had to take. Nevertheless, the Mission was successful in covering about 95 per cent of the problem villages/rural population with safe drinking water facilities leaving only 8332 hardcore difficult problem villages in hill areas, etc. The reply of the Ministry had been kept in view while finalising this review.

#### 4.3 Organisational set up

Department of Rural Development in the Ministry of Agriculture is the nodal agency for Technology Mission with ten collaborating agencies as indicated in Appendix VI.

An Empowered Committee comprising seven members with the Secretary, Department of Rural Development as Chairman and the Mission Director as Member Secretary was constituted in August 1986 at the national level. The Empowered Committee is to be assisted by four Technology Advisory Groups (TAGs) who provide science and technology inputs. This Committee is to deal with matters pertaining to the Mission and to review the financial, technical and physical progress of the projects and take necessary steps for timely implementation of the projects. The Mission Director is responsible for the clearance of the projects, according financial sanctions and releasing funds to the implementing agencies.

At the State level, the Secretary incharge of Rural Water Supply functions as the State project coordinator. The Project Approval Board constituted for Rural Landless Employment Guarantee Programme (RLEGP) was to act as an advisory body at the State level.

At the project level, the District Rural Development Agency (DRDA) is responsible for implementation of the project

through the Executive Director of the project. He is responsible for preparing detailed project reports, obtaining assistance of scientific research institutions where necessary and effective implementation of the project through the various executing agencies. He is to submit monthly progress reports to the State Project Coordinator and the Mission Director.

Funds for the project are released direct to DRDAs by the Mission Director. The Project Coordination Committee at the district level, headed by the Collector, is to review and monitor progress of the project and provide overall guidance in implementation of the project.

#### 4.4 Highlights

- Technology Mission on drinking water was set up in 1986 initially for four years upto March 1990. The term of the Mission has been extended upto March 1991. The Mission was to assist in accelerating the progress of rural water supply schemes under the on-going Minimum Needs Programme and Accelerated Rural Water Supply Scheme so as to achieve the Seventh Plan target of covering all the 1,37,155 residual problem villages. For achieving the objective, 55 Mini-Missions (pilot projects) were taken up. The Mini-Mission projects were to cover 15,714 problem villages (information for 50 Mini-Missions was made available).
- Five Sub-Missions under different nodal agencies were also set up to deal with the problems of source finding, quality of water, control of fluorosis, removal of excess iron, eradication of



guineaworm and control of brackishness.

- Against 1,37,155 villages to be covered during 1986-90, 1,28,823 villages (94 per cent) were covered leaving a spill-over of 8332 villages. The coverage of problem villages included partially covered villages. In these villages potable water was not being supplied in full quantity as per the norms.
- There were 1,18,163 partially covered villages including those pertaining to the pre-Mission period at the end of March 1990. The Mission had no information about the extent of coverage in the partially covered villages.
- Satellite imageries and ground water potential maps were either prepared late by the nodal agencies or were not made use of in some cases. Only conventional methods for source finding and assessing availability of water were adopted.
- Quality monitoring of water supply did not receive the intended emphasis. For testing quality of water, 100 laboratories were sanctioned to become operational by November 1989. Upto June 1990, only 33 laboratories could be set up.
- The progress in tackling problems of chemical and bacteriological contamination of drinking water in the villages was tardy.
- Problem of excess fluoride was to be tackled in 1825 villages in nine States. Only 796 villages (43 per cent)

were covered. Against the target of setting up 130 defluoridation plants, six plants had been commissioned.

- Eradication of guineaworm was to be taken up in 9283 villages in six States. Only 6754 villages (73 per cent) were covered till December 1989. Against 5578 stepwells to be converted into sanitary wells, only 2576 wells (45 per cent) were converted. Awareness programme was an important component. Mission had no information about the progress made in this regard.
- Of 1131 villages, in 15 States, identified as having excess iron in drinking water only 316 villages (28 per cent) were covered; against the target of 11,780 iron removal plants only 2267 plants were installed by March 1990. The shortfall in achievement of targets was attributed to change in nodal agencies, delay in selection of sites by the States, delay in identification of suppliers, etc.
- Mission identified tentatively 17,500 villages in 14 States facing problem of salinity, 1467 villages were identified for coverage by setting up desalination plants; by April 1990, only 240 villages were covered. 42 desalination plants in seven States were installed against the target of 130 plants in ten States.
- During the Seventh Plan period, total expenditure of Rs.4,385.30 crores was incurred by the States/Union Territories for Rural Water Supply Schemes; out of this, Rs.2479.18 crores were under



Minimum Needs Programme and Rs.1,906.12 crores under Accelerated Rural Water Supply Programme.

- Against the approved outlay of Rs.75 crores for water supply schemes under Mini-Mission projects, the Mission approved schemes for Rs.210.18 crores. Against release of about Rs.120 crores, the expenditure incurred was Rs.111 crores during 1986-90. In addition, Rs.26.86 crores were released for activities of Sub-Missions during 1986-90 against which the details of expenditure were not available with the Mission.

- In 15 Mini-Mission districts, the expenditure exceeded releases by Rs.9.63 crores. In 38 Mini-Missions, unspent balance amounted to Rs.17.95 crores of which the utilisation of funds was less than 50 per cent in seven cases. Release of funds did not thus match the requirement of the projects.

- Against the outlay of Rs.75 crores envisaged for conservation measures to meet the cost of schemes for enriching and replenishing the water sources, projects costing Rs.26.23 crores only were approved. Funds released and expenditure thereagainst were Rs.17.66 crores and Rs.6.15 crores respectively. There was significant shortfall in implementation of schemes for water conservation. No funds were released for water harvesting structures in nine States. Utilisation was less than 50 per cent of the releases in several Mini-Missions district of Andhra Pradesh, Gujarat,

Haryana, Karnataka, Madhya Pradesh, Uttar Pradesh and West Bengal.

- Deficiencies noticed in implementation of Mini-Mission projects included delay in commencement of the projects at various stages namely, preparation and approval of detailed project reports, release of funds and positioning of staff. Diversion of funds to the tune of Rs.300.14 lakhs for works outside the purview of Mission was also noticed.

- Monitoring and review of each project focussing on analysis of achievements, removal of bottlenecks and need to modify targets as envisaged in the mission document was not carried out. Monthly progress reports received from the State Project Coordinators related to financial and physical targets only which did not help in the intended detailed monitoring.

- Monitoring of the programme at district level and State level was also deficient in several respects.

- The agencies to be identified for evaluating the progress of the individual project annually and to suggest methodology and approach necessary to rectify deficiencies, were not identified and no such evaluation was done.

#### 4.5 Implementation strategy

The Mission was to adopt an integrated and inter disciplinary approach so that conservation and augmentation of water sources might be inter-related with rural water

supply schemes with a view to ensuring continued availability of safe water for drinking purpose. With this objective in view at least one pilot project was to be taken up in each State/Union Territory during Seventh Plan. Drinking water problems in the project areas were to be tackled with the coordinated efforts of various departments/agencies and use of technologies and low cost and replicable solutions evolved. The period for individual pilot projects would normally be two

years. Fifty five Mini-Missions (pilot projects) covering 57 districts in 25 States and three Union Territories were set up during 1986-89. Fifty Mini-Missions out of 55 (for which information was made available) were to cover 15714 problem villages by March 1990.

Following five Sub-Missions under specified nodal agencies were also set up to deal with the problems relating to supply of potable water:-

Sl.no	Sub-Mission	Nodal agencies
(i)	Scientific source finding, water quality, quantity, monitoring and assessment and conservation of water	Central Ground Water Board/State Ground Water Board/National Geophysical Research Institute, Hyderabad.
(ii)	Control of fluorosis	National Industrial Development Corporation Limited, New Delhi (Initially National Environmental Engineering Research Institute, Nagpur).
(iii)	Removal of excess iron	----- do -----
(iv)	Eradiction of guineaworm	National Institute of Communicable Diseases, Delhi
(v)	Control of brackishness	Central Salt and Marine Chemicals Research Institute, Bhavnagar. Council for Scientific and Industrial Research (Hqrs) and Central Mechanical Engg. Research Institute, Durgapur.



#### 4.6 Physical targets and achievements

4.6.1 One of the objectives of the Technology Mission was to cover all the residual problem villages by March 1990. At the commencement of Seventh Plan there were 1,61,722 problem villages (40,676 spilled over from Sixth Plan out of 1980 list and 1,21,046 freshly identified - 1985 list). Out of these 24,567 problem villages were covered during the first year (1985-86) of the Seventh Plan before launching of the Technology Mission. The Mission was to ensure

coverage of the residual 1,37,155 problem villages under MNP/ARWSP/Mini-Missions of the Technology Mission during four years commencing from 1986-87. Mini-Mission projects were to cover 15714 (information for 50 Mini Missions made available) villages and remaining villages were to be covered under MNP/ARWSP. The targets fixed for 1986-87 to 1989-90 and achievements there- against under MNP/ARWSP/Mini-Mission projects (separate targets not fixed) were as under:

Year	Target	Achievement
1986-87	35,930	44,102
1987-88	50,570	46,465
1988-89	25,665	25,722
1989-90	16,671	12,534
	-----	-----
	1,28,836	1,28,823

Against 1,37,155 villages to be covered during four years 1986-87 to 1989-90, 1,28,823 villages were covered as per information furnished by Mission leaving a spill-over of 8,332 villages. The coverage was 94 per cent of the target. However, the coverage given above included villages which were covered partially and deleted from the list of problem villages. In the partially covered villages, the potable water was not being supplied as per norms viz. 40 litres per capita per day or one hand pump for every 250 persons. The Mission had no information as to the quantity of potable water per capita per day being supplied and percentage achievement in case of installation of hand pumps as against the norms.

According to the information furnished by the Mission, the number

of partially covered villages as on 1st April 1990 was 1,18,163 which included villages covered partially during 1986-87 to 1989-90 and for the period prior to setting up of the Mission. As regards the actual extent of coverage in the partially covered villages the Mission stated in January 1991 that information was not made available by the States except Kerala. Clearly the Mission had no information as regards the extent of coverage in the partially covered villages.

Out of 15,714 villages to be covered under 50 Mini-Mission projects, (for which information was made available) 9,496 villages were covered upto March 1990.

4.6.2 The Mission was to ensure supply of potable water at 40 litres per capita per day (LPCD) for human



beings in all areas and in addition 30 LPCD for cattle in desert areas. At the end of March 1990 there were 1,18,163 partially covered villages where potable water was not being supplied as per above norms.

4.6.3 Technology Mission was to evolve cost effective technology mix for the scheme for coverage of problem villages and supply of potable water as per norms. Information regarding specific achievement made in this regard was not furnished. Test check of records in the States revealed instances where cost effective measures were not ensured in implementing rural water supply projects. Illustrative instances are given below:

(a) According to the instructions of the Department, poly ethelene venyle chloride/high density poly ethelene (PVC/HDPE) pipes were to be used to keep down the cost of the scheme. It was noticed in audit that usage of asbestos cement, reinforced cement concrete and galvanised iron (GI) pipes resulted in extra expenditure of Rs.22.07 lakhs in Andhra Pradesh (Kurnool: Rs.15.12 lakhs, East Godavari: Rs.2.10 lakhs and Mahboobnagar: Rs.4.85 lakhs). In Mizoram, Mini Mission, Aizwal Pilot Project procured 34,810 running metre of GI pipes of different specifications for Rs.25.17 lakhs and issued to various piped water supply schemes taken up under the Technology Mission during 1989-90. Use of GI pipes instead of HDPE pipes as advised by the Mission in the nine piped water supply schemes resulted in extra expenditure of Rs.15.67 lakhs.

(b) State Ground Water Department of Kerala used higher capacity drilling rigs for drilling borewells of 110mm dia in 15 cases for which higher rate of Rs.285 per metre was charged as against the rate of

Rs.117 per metre for such wells. This resulted in excess expenditure of Rs.2.52 lakhs (approximately).

4.6.4 The Mission was also to take conservation measures for sustained supply of water. Schemes for enriching and replenishing the water sources such as afforestation, well conservation, construction of ponds, recharging etc. were to be taken up. Against provision of Rs.75 crores an amount of Rs.26.23 crores only were sanctioned against which expenditure of Rs.6.15 crores only was incurred upto March 1990. The poor performance was attributed by the Mission (June 1990) to non-allocation of funds in 1986-87, inadequate response from the States, and slow pace of implementation by the implementing agencies even after sanctioning of the project.

Some instances of non-achievement of physical/ financial targets relating to water harvesting structures noticed during test check of records of implementing agencies are given below:

(a) In Karnataka, the water harvesting structures constructed in 1989-90 in Raichur and Gulbarga districts covered only 16 and 7 villages as against the target of 206 and 358 villages resulting in a coverage of 8 and 2 per cent respectively.

(b) In Lakshadweep, against the release of Rs.21.78 lakhs (March 1988), expenditure incurred on construction of water harvesting structures was only Rs.5.26 lakhs upto February 1990. Against a target of 950 rain water collection tanks only 114 tanks (12 per cent) were completed.

(c) In Orissa, as per the plan sanctioned by the Mission, 30 water harvesting structures were to be constructed at an approved cost of



Rs.35 lakhs in three Mini-Mission districts during 1989-90. No funds were released to Soil Conservation Officers till the end of 1989-90 in Phulbani, Ganjam, Koraput and Mayurbhanj districts and as such the works were not taken up.

(d) In Tamil Nadu, the Mission approved in August 1988 construction of rain water harvesting structures for improving traditional sources of drinking water in 28 villages of Ramanathapuram Mini-Mission area at an estimated cost of Rs.29.44 lakhs. Rain harvesting structures were not constructed till March 1990.

#### 4.7 Activities of Sub-Missions

##### 4.7.1 Sub-Mission for scientific source finding and water quality

The Sub-Mission was entrusted with the task of source finding of safe drinking water in villages referred to it by the States by using science and technology inputs and to ensure adequate water quality. Central Ground Water Board (CGWB), and National Geophysical Research Institute (NGRI), were the nodal agencies for this Sub-Mission.

According to progress report of CGWB for February 1990, out of 10,154 villages of Mini-Mission districts referred by the States to CGWB during 1986-87 to 1989-90 for source finding, the work of source finding was completed in 9,465 villages up to February 1990 (654 villages deleted from the list being uninhabited or unapproachable) leaving 35 villages where sources were to be located. In respect of districts other than Mini-Mission districts, 1202 villages were referred for source finding out of which source was located in 901 villages.

The NGRI, Hyderabad furnished recommendations based on geophysical

surveys upto February 1990 in respect of 902 villages out of 1,228 problem villages referred to it by the States in respect of 14 Mini-Mission districts. In those villages, 1,346 sites were recommended. Drilling was done by the State agencies on 580 sites only.

In conformity with its strategy of applying science and technology methods for tackling drinking water problems, the Mini-missions were exhorted to utilise the satellite imagery maps for source finding as the success rate by this method was reported to be high. Satellite imageries/ground water potential maps were to be prepared by Space Application Centre to which funds amounting to Rs 85.51 lakhs were released by the Technology Mission till May 1989.

According to Action Plan (1989-90) of the Technology Mission, the satellite imageries and ground water potential maps were prepared for all the 55 Mini-Mission districts.

On enquiry in audit as to whether these maps were made available to the Mini-Missions prior to preparation of detailed project reports, the Mission stated (September 1990) that the ground water potential maps and satellite imageries were prepared in some cases after the preparation of detailed project reports. Thus scientific methods for location of source, assessing availability of water and recharging requirements could not be availed of for preparation of project reports in these cases. Test check in audit revealed instances where the satellite imageries were either prepared late or were not made use of illustrative instances are given below:



In Andhra Pradesh, for Mahboobnagar district, 21 satellite imageries were to be supplied by National Remote Sensing Agency, at a cost of Rs.1.26 lakhs. Although the full payment was made, 16 imageries were received (May 1990). In East Godavari district, satellite imageries were taken on 1:250000 instead of 1:50000 scale and could be put to limited use only.

In Karnataka, the maps were made available by Executive Director Raichur District to the Department of Mines and Geology only in August 1989. They were used only in 52 villages out of 201 villages; even in these cases they were of limited utility.

National Remote Sensing Agency, Hyderabad prepared (April 1988) the satellite imagery interpreted map of Cachar district of Assam on the basis of which CGWB conducted geo-physical and hydrological survey and identified sources in 50 villages. Spot source of water had not been installed in any of the villages till March 1990.

The Mission stated (January 1991) that with the launching of the Mission in 1986, activities relating to source finding and source development were started. Simultaneously, a project was entrusted to SAC for satellite imageries/ ground water potential maps. Pending availability of such maps, work of source finding was continued.

For testing quality of water 100 testing laboratories (85 stationary and 15 mobile) were sanctioned at a cost of Rs.248.52 lakhs non-recurring and Rs.158.40 lakhs recurring for one year by Technology Mission in January 1989 and they were to become operational by November 1989. Till June 1990 only 33 stationary laboratories

could be set up. Quality monitoring for water supply did not thus receive the intended emphasis.

Test check in the States revealed the following:

Andaman and Nicobar Administration received an amount of Rs.2.50 lakhs for setting up a water testing laboratory in July 1987 but the same was not set up. Even selection of site for building had not been done (July 1990).

In Assam, Technology Mission sanctioned (February 1990) Rs.2.80 lakhs for creating infrastructure for water testing laboratories at Cachar/Darang districts. The laboratories were to be commissioned by December 1989, but till May 1990 the laboratories had not been set up as the required equipments had not been received from the suppliers.

In Bihar, though Rs.1.86 lakhs were spent in Palamau district between December 1989 and January 1990 on purchase of laboratory equipments, chemicals and construction of building, the laboratory could not function for want of qualified staff.

In Haryana, no water testing laboratory was set up under the programme till March 1990 though four laboratories had been sanctioned in January 1989 to be set up at Gurgaon, Bhiwani, Hissar and Sonapat.

In Madhya Pradesh, none of the six laboratories sanctioned by the Mission in February 1989 to commence functioning by December 1989, had started functioning till May 1990.

In Manipur, against the approval of the Mission (August 1988) for Rs.2.50 lakhs for establishment of a district level laboratory in the Mini-Mission



district, Rs.2.64 lakhs were incurred towards purchase of 50 water testing field kits for use in the State Level laboratory at Imphal. Out of the 50 kits, 32 kits costing Rs.1.68 lakhs remained unutilised.

One stationary and one mobile laboratory were sanctioned (March 1989) for Meghalaya; the laboratories were not established till May 1990.

In Mizoram, the Mission accorded sanction (September 1989) for two district level laboratories (one mobile). No laboratory was established till June 1990.

Water quality testing laboratory was not established in Nagaland under Mini-Mission Project till July 1990 though the setting up of a laboratory was sanctioned in November 1988 and an amount of Rs.2 lakhs was released by the Mission during 1988-89.

In Orissa, six district level stationary laboratories and one mobile laboratory were to be set up for which an amount of Rs.7.06 lakhs was released to the State as first instalment in February 1989 stipulating that the laboratories should commence functioning by December 1989. An amount of Rs.6.91 lakhs was also released in February 1990. The laboratories, however, could not be set up (March 1990) due to delay in procurement of equipments and materials.

In Uttar Pradesh, three laboratories (two stationary and one mobile) at Mirzapur, Unnao and

Sultanpur were sanctioned and partially commissioned upto March 1990 but adequate arrangements for regular testing of water had not been made.

The Mission stated (January 1991) that the delay was due to the completion of formalities for procurement of materials/ equipment, location of building, creation of posts by the States in consultation with their Finance Department which were resisting such creation due to ban/economy instruction etc. Water quality surveillance programme is now being given adequate importance.

#### 4.7.2 Sub-Mission for control of fluorosis

The objective of this Sub-Mission was to tackle the problem of excess fluoride in water by developing alternative sources of safe drinking water or by setting up defluoridation plants. In all, 1825 villages which faced the problem of excess fluoride were identified in nine States. National Industrial Development Corporation (NIDC) is the nodal agency for this Sub-Mission. According to the information furnished by the Mission Directorate, by the end of April 1990, 796 villages (43 per cent) could be covered and only six fill and draw type plants (five per cent) were commissioned against the target of 130 plants. However, a test check of the records of NIDC revealed that against the target of 130 plants, the achievement upto March 1990 was 25 plants. State-wise break up of targets and achievements reported by the Technology Mission and NIDC are given below:

Sl. No.	State	Target	Achievement		
			upto April 1990 as per Technology Mission	upto March 1990 as per records of NIDC	
			Instal- led	Commis- sioned	
1.	Andhra Pradesh	30	5	-	5
2.	Gujarat	11	--	3	3
3.	Harayana	5	2	3	5
4.	Karnataka	10	--	--	--
5.	Madhya Pradesh	10	2	--	2
6.	Maharashtra	4	--	--	2
7.	Rajasthan	40	8	--	8
8.	Tamil Nadu	10	--	--	--
9.	Uttar Pradesh	10	--	--	--
		130	17	6	25

Reasons for the poor progress as analysed by the NIDC in consultation with the Department of Rural Development (DRD) were:

- (i) non-development of sources by the State Governments;
- (ii) delay in issuing letters of intent to the contractors/manufacturers by the State Governments;
- (iii) delay in handing over clear sites to contractors;
- (iv) delay in releasing advance payments to contractors;
- (v) delay in arranging power supply;
- (vi) difficulties encountered by contractors in

mobilising suitable manpower; and

- (vii) lack of enthusiasm in State level senior officers for regular supervision.

#### 4.7.3 Sub-Mission for eradication of guineaworm

National Institute of Communicable Diseases is the nodal agency for the Sub Mission for eradication of guineaworm. It was to cover 9283 villages in six States either by providing alternative sources of water or by conversion of stepwells into sanitary wells. Training for health education was also to be imparted to the villagers. By the end of December 1989, only 6754 villages (73 per cent) could be covered and against 5578 stepwells approved for conversion, only 2576 wells (45 per cent) were reported to have been converted.



State-wise targets and achievements were as under:

State	No. of affected villages as in January 1985	No. of villages remaining to be covered as in January 1990	No. of stepwells to be converted	No. of wells converted
Andhra Pradesh	906	36	300	93
Gujarat	227	2	349	349
Karnataka	731	204	250	52
Madhya Pradesh	2198	327	2400	1525
Maharashtra	899	103	250	105
Rajasthan	4322	1857	2029	452
	9283	2529	5578	2576

The Mission stated (January 1991) that action was being taken to expedite the completion of the remaining step wells. All the affected villages had already been covered by providing safe sources of drinking water. The villages still having guineaworm cases were to be kept under a surveillance programme for a period of two years before declaring them free from the guineaworm. A specific project for eradicating the problem in difficult districts in Rajasthan and Madhya Pradesh was under finalisation with the assistance from UNICEF.

An amount of Rs.25.51 lakhs was approved by the Mission (May-June 1989) and released as Central assistance for training, awareness camps and exhibitions in Madhya Pradesh and Rajasthan. The Mission did not have any information regarding activities undertaken in the States in this regard. As regard holding of awareness camps and exhibitions the Mission stated (June 1990) that no specific targets were fixed and such activities were mostly undertaken by the department of health in the concerned States.

The main responsibility of Rural Water Department in the State was for provision of safe sources and conversion of step wells into sanitary wells.

The Mission stated in January 1991 that funds for awareness programme were released to Rajasthan and Madhya Pradesh. The progress report of guineaworm was being reviewed by independent organisation like National Institute of Communicable Diseases.

#### 4.7.4 Sub-Mission for removal of excess iron

Problem of excess iron in drinking water was present in 1131 villages. The Mission was to provide alternative sources of water and to set up 11,780 iron removal plants in 15 States. Upto the end of March 1990 only 316 villages (28 per cent) were covered and only 2267 (20 per cent) iron removal plants were commissioned.

A test check of the records of the National Industrial Development Corporation Limited, the nodal



agency nominated to carry out the activities of this Sub-Mission, however, revealed that the achievement was only 1224 plants

(10.4 per cent). The Statewise position of targets and achievements is given below:

Sl. No.	State	Iron removal plants		
		Targets	Achievements as in March 1990	
			As per Technology Mission	As per records of NIDC
1	2	3	4	5
1.	Arunachal Pradesh	65	--	--
2.	Assam	1897	1490	690
3.	Bihar	2500	--	--
4.	Madhya Pradesh	1010	130	99
5.	Maharashtra	74	6	3
6.	Manipur	175	80	70
7.	Meghalaya	200	--	--
8.	Mizoram	100	--	--
9.	Nagaland	174	--	--
10.	Orissa	3780	400	238
11.	Pondicherry	20	--	--
12.	Tamil Nadu	25	--	--
13.	Tripura	500	55	40
14.	Uttar Pradesh	260	88	76
15.	West Bengal	1000	18	8
		11780	2267	1224

The Technology Mission stated in June 1990 that the programme was to be initially implemented by National Environmental Engineering and Research Institute, Nagpur.

However, for certain reasons they agreed to set up only 240 iron removal plants in Assam. They did not agree to continue the programme in other States with the result that

the Mission had to leave the programme either to be taken up directly by the State's Public Health Engineering Department with their local model of the plant or select other agencies like Central Mechanical Engineering Research Institute, Durgapur and National Industrial Development Corporation.

The Mission stated in January 1991 that the main reason for slow progress in setting up of plants was the identification of the sites, identification of suppliers, award of contract etc. and subsequent action on the part of the State Government for giving ready sites with change in handpumps, platform etc. The Mission also admitted that there was considerable shortfall in achievement and all the plants were likely to be set up only by the end of September 1991.

#### *4.7.5 Sub-Mission for desalination of water*

The Technology Mission set up a Sub-Mission to tackle the problem of excess salinity in drinking water. Nodal responsibility for the activities of this Sub-Mission was entrusted to Central Mechanical Engineering Research Institute (CMERI), Durgapur. According to tentative assessment, made in February 1987, 17,500 villages in 14 States faced the problem of salinity. The problem was to be tackled by setting up desalination plants. In reply to audit query concerning progress in setting up the plants, the Mission stated (June 1990) that desalination plants were to be set up as a last resort if there was no other alternative method for supply of safe drinking water at an economical cost as the cost of supply after desalination was very high.

For the purpose of setting up desalination plants, 1467 villages

were identified. Out of these, only 240 villages were covered till April 1990.

As per the Action Plan (1989-90), 130 desalination plants were to be set up in 10 States during 1989-90. Upto April 1990 only 42 plants were set up in seven States.

Reasons for shortfall in achievement of targets were not furnished.

Working of desalination plants was not satisfactory as seen during test check of records in the States. Instances are given below:-

In Gujarat, 12 Reverse Osmosis Plants were to be installed in Jamnagar district at an estimated cost of Rs.230.27 lakhs by CMERI, Durgapur. By June 1990, only eight were commissioned. The plants were not running regularly due to effects, absence of operators etc.

In Rajasthan, in Barmer district, desalination plant was commissioned in December 1988 to cater to the needs of inhabitants of Boli village at 10 litres per capita per day at a cost of Rs.6.11 lakhs. The average output of treated water was only 1.42 litres per capita per day. The quality of water did not also conform to specifications assumed. Thus the plant did not solve the problem of salinity in the village. A review of the performance of eight other plants in Barmer district revealed that supply of treated water varied from 0.5 LPCD to 2 LPCD. Short supply was attributed to power failures and non-installation of plants of designed capacity in six cases.

In Tamil Nadu, out of 11 plants approved for Ramanathapuram Mini-Mission, only two plants were commissioned upto February 1990. These were operated only for one or



two hours daily serving less than ten per cent of the population intended to be covered by the plants. In South Arcot, seven plants were commissioned during February to April 1990. Test check of records of one of the plants disclosed that, against requirement of 8600 litres per day, only 3000 litres were produced on an average. The cost of desalinated water by this plant excluding depreciation worked out to Rs.216 per 1000 litres as against the reported average cost of Rs.50 per 1000 litres.

In Lakshadweep, against the approval for setting up ten desalination plants in September 1989, only one plant was installed till January 1990. The plant was not

operated.

#### 4.8 Financial outlay

During the Seventh Plan, total expenditure of Rs.4385.30 crores was incurred for Rural Water Supply Schemes; under Accelerated Rural Water Supply Programme expenditure was Rs.1906.12 crores (including Technology Mission Rs.146.60 crores) and it was Rs.2479.18 crores under Minimum Needs Programme.

An outlay of Rs.150 crores was envisaged while setting up the Technology Mission for four years commencing from 1986-87. This was to be met from provisions under ARWSP and Rural Landless Employment Guarantee Programme as under:-

(Rupees in crores)

Year	ARWSP	RLEGP	Total
1986-87	7.50	7.50	15.00
1987-88	16.50	16.50	33.00
1988-89	30.00	30.00	60.00
1989-90	21.00	21.00	42.00
	75.00	75.00	150.00

The project components which were to be funded through ARWSP were as under:-

(a) establishment charges of the Mission Directorate, the Executive Director and supporting staff;

(b) expenditure on works directly related to water supply system from the source to the consumer point including the development of the source and treatment of water;

(c) engagement of consultants for project and the funding for science and technology inputs by the research organisations;

(d) evaluation of the project by independent organisation;

(e) training personnel and users, specially women;

(f) operation and maintenance upto 1990;

(g) extension work relating to public health education.

The cost of all measures to be adopted to enrich and replenish the water sources, such as afforestation, well conservation, construction of ponds, recharging etc. (called as harvesting

structures) were to be met from RLEGP funds.

4.8.1 Financial progress of Mini-Mission water supply schemes

Against the provision of Rs.75

crores for water supply schemes to be met from ARWSP, schemes under 55 Mini Mission projects for total estimated cost of Rs.210.18 crores were approved for execution till March 1990. Yearwise details are as under:

(Rupees in crores)

Year	Proposed expenditure as per scheme	Approved cost of the projects	Funds released as per scheme	Expenditure reported
1986-87	7.50	6.40	28.26	--
1987-88	16.50	14.71	7.15	--
1988-89	30.00	110.39	34.45	44.84*
1989-90	21.00	78.68	49.88	66.59
Total	75.00	210.18	119.74	111.43

\* The expenditure of Rs.44.84 crores represents expenditure upto 31st March 1989; year-wise details of expenditure prior to 1988-89 were not made available by the Mission.

In addition, Rs.26.86 crores were released during 1986-90 for activities of Sub-Missions. The Mission Directorate did not have the details of expenditure incurred against these releases.

The Mission approved schemes for Rs.210.18 crores and released an amount of Rs.146.60 crores against the provision of Rs.75 crores as approved by Expenditure Finance Committee during the period 1986-87 to 1989-90. Necessary approval for the regularisation of excess expenditure was obtained in September 1990.

The Mission released Rs.19.52 crores to 18 Mini-Mission districts during 1986-87, even though detailed project reports had not been approved for these districts.

Analysis of release of funds to Mini-Missions vis-a-vis expenditure reported by them during 1986-87 to 1989-90 revealed that 15 Mini-Missions incurred expenditure in excess of amounts released to them, by Rs.9.63 crores. Of these in three Mini-Missions excess expenditure was more than 50 per cent of releases. In four Missions viz., Midnapur (West Bengal), Kachchh (Gujarat), Jhabua (Madhya Pradesh) and Pondicherry, the expenditure had exceeded the total approved cost of the projects. Further, there was unspent balance totalling Rs.17.95 crores with 38 Mini-Missions as at the end of March 1990. In seven cases, the utilisation of funds was less than 50 per cent. Thus funding of the projects did not match the requirements in these cases.



The Mission stated (January 1991) that under utilisation of funds from time to time was due to a number of factors like the pace of implementation of the activities, placement of funds by DRDA at the disposal of the implementing agency etc. Wherever there were substantial unutilised funds, interest earned on the same had been accounted for and taken into account while releasing further funds.

As regards, the expenditure in excess of the amount released to the Executive Directors, the Mission stated (January 1991) that in most of the cases, funds were provided by

the Central Government to the DRDA. There was not much excess expenditure beyond what had been released by the Central Government.

#### 4.8.2 Financial progress of schemes of water harvesting structures

Schemes of water harvesting structures for Rs.26.23 crores only were approved upto March 1990 for Mini-Missions as well as non-Mini-Mission districts in the States against the approved provision of Rs.75 crores to be met from RLEGP provisions. Year-wise details of funds released and expenditure incurred are given below:-

(Rupees in crores)

Year	Proposed expenditure as per scheme	Total cost of approved projects	Budget provision	Amount released	Expenditure
1986-87	7.50		-	-	-
1987-88	16.50		15.00	1.72	
1988-89	30.00		15.00	7.66	
1989-90	21.00		12.15	8.28	6.15*
	75.00	26.23	42.15	17.66	6.15

\* Year-wise details of expenditure were not available with the Mission Directorate

Scrutiny of the State-wise release and expenditure revealed that no funds under this programme were released to Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Nagaland and Orissa. Despite release of funds, no expenditure was incurred in the districts of East Godavari, Mahboobnagar, Prakasam and Caddaph in Andhra Pradesh, Palamau in Bihar, Palghat in Kerala, Shahdol in Madhya Pradesh, Satara and Latur

in Maharashtra, Amritsar and Ferozepur in Punjab, Churu, Barmer and Nagaur in Rajasthan, Ramanathapuram in Tamil Nadu, North Tripura, Agra and Banda in Uttar Pradesh, Midnapore and Purulia in West Bengal and Pondicherry.

The Mission stated (January 1991) that funds were not released as no specific proposals were received from the States.

#### 4.9 Deficiencies in the implementation of projects

##### 4.9.1 Delay in commencement of projects

The project document issued by the Technology Mission in August 1986 detailing the guidelines for implementation of the programme envisaged tentative time schedule for the different activities as given below:

- Placement of staff - 2 months
- Investigation and preparation of the project reports - 4 months
- Approval of detailed project reports (DPR) by Mission Director - 1 month.
- Implementation - 2 years

Test check in audit revealed instances of delay at various stages viz. in preparation and approval of detailed project reports, release of funds and positioning of staff as indicated below:

##### 4.9.2 Delay in preparation and approval of detailed project reports

In Bihar, the time taken in preparation of the DPRs and approval thereto varied from 7 to 15 months against the prescribed period of 5 months. Even after approval of DPRs, the requisite technical and non-technical staff were not provided for the projects. Out of 45 technical and non-technical posts sanctioned, 24 posts were left unfilled.

In Gujarat, the time taken in preparation of DPRs and approval thereto by the Mission varied from 18 to 24 months against the prescribed period of five months

resulting in delay in commencement and completion of project activities.

In Nagaland, though an amount of Rs.50 lakhs was released by the Mission Director in March 1987 for the Mini-Mission in Kohima, the project was taken up only in November 1988 due to State Government's delay in taking decision regarding the department which would implement the project and in processing and obtaining approval to the DPRs.

##### 4.9.3 Delay in release of funds

In Bihar, release of funds by DRDAs to Executive Directors of Mini-Missions was delayed; the delay ranging from 3 to 24 months with consequent delay in execution of the project.

In Madhya Pradesh, against sanctioned amount of Rs.2110.83 lakhs for three Mini-Missions, the Technology Mission released Rs.1428.02 lakhs till March 1990. However, the total releases by DRDAs to the executing agencies amounted to Rs.1083.67 lakhs. The expenditure incurred by these Mini-Missions upto March 1990 was Rs.1113.24 lakhs.

In Manipur, the first instalment of Rs.50 lakhs was released by the Mission Director to the DRDA for the South Manipur Project in March 1987 which was released in March 1989 to the Executive Director who was positioned only in February 1989. Thus the commencement of the project was delayed by about two years.

##### 4.9.4 Delay in positioning of staff

In Gujarat, there was delay ranging between 4 to 30 months in posting the staff for Mini-Mission. Against 15 technical and 12 non-technical posts for all the three



districts 2 and 8 posts respectively were lying vacant.

In Himachal Pradesh, the implementation of the programme was taken up only in September 1988 due to delay in posting of staff.

In Karnataka, the projects for Gulbarga and Raichur were sanctioned in November 1986 and July 1987 respectively. However, the Executive Directors were positioned after a delay of 7 and 14 months respectively. Posting of technical staff was made after a delay of about 17 months.

#### *4.9.5 Diversion of funds/excess debit to Technology Mission works*

The sanctions for release of funds for Mission projects stipulated that funds released be utilised only for the projects schemes approved by Technology Mission and should not be diverted for any other purpose.

During test check in audit cases of diversion of funds/excess debit to Technology Mission works amounting to Rs.300.14 lakhs were noticed in Gujarat, Haryana, Himachal Pradesh, Karnataka, Mizoram, Pondicherry, Punjab, Uttar Pradesh and West Bengal.

In Gujarat, funds to the extent of Rs.30.97 lakhs were diverted and spent on installation of five reverse osmosis plants and purchase of instruments, trapaulins, doors and windows not covered under the programme.

In Haryana, in Public Health Division, Yamunanagar expenditure of Rs.10.50 lakhs was incurred on works not covered under the Mission project. In three villages of Ambala district, expenditure of Rs.17.74 lakhs was incurred without approval of the Mission.

In order to show utilisation of funds under Technology Mission, the works under execution or already executed under other schemes such as MNP/ ARWSP/ World Bank Drought Relief and Mewat Development Board were shown under Technology Mission projects. Expenditure of Rs.112.07 lakhs (Ambala: Rs.100.68 lakhs and Gurgaon: Rs.11.39 lakhs) incurred for these works was wrongly debited to Technology Mission.

In Himachal Pradesh, in two Public Health Divisions (Dharamsala and Narpur) funds amounting to Rs.3.48 lakhs were diverted during 1989-90 and utilised on works not covered by the programme.

In Karnataka, in Gulbarga district, expenditure of Rs.42.66 lakhs incurred on works not approved for Mini-Mission project was wrongly debited to Technology Mission funds. Five of these works involving Rs.7.74 lakhs related to urban water supply.

In Mizoram, Technology Mission released (March 1988) a sum of Rs.20.00 lakhs to be utilised in connection with measures for enriching and replenishing the water sources. The funds were, however, utilised by the Executive Director for purposes not clearly specified in records.

In Pondicherry, DRDA diverted Rs.23.39 lakhs during September 1989 to April 1990 to three other schemes not connected with Technology Mission.

In Punjab, funds amounting to Rs.24.31 lakhs were diverted during 1989-90 for meeting expenditure on works in the State sector.

In Uttar Pradesh, Mirzapur division of Uttar Pradesh Jal Nigam, advanced Rs.22.01 lakhs out of Technology Mission funds to the Awas and Vikas Parishad, Mirzapur for



purchase of 17 residential quarters- a purpose not approved by Technology Mission.

In West Bengal, expenditure of Rs.10.75 lakhs was incurred in 125 villages/mouzas in Bankura and Midnapur districts not identified in the approved DPR as problem villages.

#### 4.10 Other points of interest

##### 4.10.1 Purchase of water tanks in excess of requirements

In Nagaland, 90 water tanks worth Rs.10.37 lakhs were procured in excess of requirements. 170 pressed steel tanks each of 1950 litres capacity were required for execution of works as per provision of the sanctioned estimates of the schemes under the Mini-Mission for supply of water to 14 villages against which 260 tanks (236 Pressed steel tanks of 1950 litres at the rate of Rs.8900 each and 24 Sintex tanks of 2500 litres at Rs.7.50 per litre) were purchased by the Mini-Mission. The procurement of 66 pressed steel tanks and 24 Sintex tanks (Value: Rs.10.37 lakhs) was unnecessary.

##### 4.10.2 Extra expenditure

In West Bengal, in Midnapur district, 825 India Mark II pump sets were purchased during September 1988 and February 1989 at Rs.3140 each by obtaining single quotation incurring a total expenditure of Rs.25.90 lakhs. Subsequently, in June 1989, 1069 pumps of the same make were purchased at Rs.2251 each on negotiated rates. Purchase of pumps at the higher rate of Rs.3140 each on single quotation resulted in extra expenditure of Rs.7.33 lakhs.

#### 4.11 Monitoring

Mission Directorate was to carry out base line studies for each project to analyse achievement of targets, impact of programme, removal of bottlenecks and solutions to constraints, need to modify targets and use of new techniques.

A test check of the records of the Mission Directorate revealed that no such studies were being carried out by the Mission. The monthly progress reports received from the State Project Coordinator contained information relating to financial and physical achievements only. These reports were used mainly for compilation of data for overall review.

Project document envisaged detailed procedure for monitoring of the programme at district and State level also. Test check of the records of the States revealed the following deficiencies in monitoring the programme:-

The prescribed fortnightly progress reports were not being regularly submitted by the executing agencies to the Executive Directors in Andaman and Nicobar Islands, Andhra Pradesh, Bihar, Gujarat, Karnataka, Madhya Pradesh, Manipur, Mizoram, Orissa and Tripura.

The reports of financial and physical progress were not being submitted regularly to the Project Coordination Committee, State Project Coordinator and Mission Director by the Executive Directors in Andaman and Nicobar Islands, Assam, Bihar, Gujarat, Manipur, Mizoram, Nagaland and Tripura.



The review reports of achievement and shortfall were also not being placed regularly before the RLEGP Approval Board in Andaman and Nicobar Islands, Andhra Pradesh, Karnataka, Madhya Pradesh, Manipur and Tripura. Field visits by the State Project Coordinator and the Technical Head of the Rural Water Supply to assess the progress of implementation were not undertaken in Andaman and Nicobar Islands, Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Manipur, Rajasthan and Tripura.

The review reports with the comments and decisions of the State RLEGP Project Approval Board were not being submitted to the Mission Director by the States of Andaman and Nicobar Islands, Andhra Pradesh, Karnataka, Madhya Pradesh, Manipur and Tripura.

Monitoring of the projects by the Mission Directorate and by the State and district level agencies lacked effectiveness.

The Mission stated (January 1991) that the monitoring in terms of analysis of achievements, removal of bottlenecks etc. was carried out through periodical meetings with the concerned States in which action was taken based on the various suggestions given by the States.

#### 4.12 Evaluation

As per project document the Mission Directorate was to identify the agencies for evaluating the progress of the individual projects. These agencies were to conduct annual evaluation to assess the progress, deficiencies if any, and suggest changes in the methodology and approach wherever necessary.

The projects were also to be covered under concurrent evaluation of the Rural Water Supply Scheme

undertaken by the Department of Rural Development. One to two project districts were to be taken up for concurrent evaluation every month.

The Mission Directorate had not identified any agency (September 1990) to evaluate the progress of the individual projects. The Mission stated that the evaluation of the progress of the individual project was carried out through scrutiny of progress reports received from the Executive Directors, meetings with the Secretaries and Chief Engineers-in-charge of rural water supply and Executive Director of Mini-Mission held from time to time.

In January 1991, the Mission informed that the concurrent evaluation was continued till February 1987 and the Department of Science and Technology had been requested to conduct evaluation through an independent committee of experts for desalination plants, iron removal plants and defluoridation plants.

#### 5. Avoidable expenditure on payment of a judgement debt

On its voyage to an Indian port, the vessel 'CONSTANTIA', carrying, inter alia, a cargo of 21940 tonnes of diammonium phosphate for the Department of Fertilizers, caught fire on 18th July 1984 while on the high seas in the Gulf of Aden, incapacitating it from proceeding further. A salvage tug offered her services to rescue the carrier from the fire on the terms of the Lloyds Standard Form of Salvage Agreement, which was eventually accepted by the owner of the vessel. The vessel was towed to a port in India in September 1984.

According to the agreement, the remuneration to the owners of



the salvage tug (salvors) would be fixed by arbitration in London. An arbitrator was appointed in September 1984. As per the award published by the arbitrator on 15th January 1986, a sum of Dutch Florins (Dfls.) 58,50,000 together with interest at 8 per cent per annum from 16th March 1985 until the date of publication of the award, towards remuneration to the salvors, was jointly payable by both the owners of the vessel and the cargo, in proportion to their respective salvaged values, viz., Dfls. 19,34,520 of the vessel and Dfls. 1,57,87,665 of the cargo. The award also fixed a rate of 7.5 per cent per annum for the interest payable to salvors in terms of the Lloyds Standard Form of Salvage Agreement.

The solicitors for the Government of India informed the Ministry in January 1986 that they were exploring the possibility of appealing against the award but in the meanwhile, the award should be paid to the salvors to avoid payment of interest. The Ministry did not, however, make the payment.

On the solicitors of Government of India filing an appeal in January 1986 against the award before the Committee of Lloyds, the latter appointed in February 1986 another arbitrator to resolve the dispute. The arbitrator published a fresh award in April 1986 reducing the remuneration payable to the salvors from Dfls. 58.50 lakhs to 40 lakhs but retaining the provisions regarding the payment of interest, etc. The salvage amount payable by the cargo owner was worked out at Dfls. 38,08,614 (including interest of Dfls. 2,45,237). The solicitors, while informing the Ministry of the salvage amount payable by the cargo owner to the salvors, again impressed upon them in April 1986 that the payment towards cargo's

portion should be paid immediately to avoid accrual of interest. Even at this stage, the Ministry did not make arrangement to pay the judgement debt.

The solicitors of the salvors also, while requesting the Government of India's solicitors in May 1986 for payment of the awarded sum, mentioned that if the sum awarded was not paid by 6th June 1986, they would represent to the guarantors for payment under the terms of their letter of undertaking. Thereupon, the High Commission of India, London, asked the Ministry on 5th June 1986 for transfer of funds to its credit for making immediate payment of the judgement debt. The Ministry accorded sanction on 18th June 1986 for payment of the salvage amount and interest accrued thereon till May 1986. As the payment of interest on the salvage amount awarded should have covered the period until the date of actual payment, the Mission approached the Ministry on 3rd July 1986 to amend the sanction accordingly. The Ministry was further reminded by the Mission in September 1986 to expedite transfer of necessary funds to satisfy the judgement debt. Eventually, the Ministry of External Affairs authorised the Mission in December 1986 to make the payment, which was ultimately settled.

The Ministry stated in January 1990 that a revised sanction directing the State Bank of Patiala/ Reserve Bank of India to credit the decretal amount to the salvor's notified account was issued in September 1986 but production of certain documents called for by the banks entailed delay. Subsequently the Ministry approached the Ministry of Finance/ Ministry of External Affairs to direct the Mission to make the payment.



Had such an arrangement been made in April 1986 itself, when the solicitors impressed upon the Ministry to make the payment forthwith to avoid accrual of penal interest under the salvage agreement, the delay in paying the decretal amount could have been avoided, thereby avoiding the extra expenditure of Rs.13.01 lakhs towards penal interest.

#### 6. Regional Feed Analytical Laboratories

In December 1981, the Ministry of Agriculture approved setting up of three feed analytical laboratories at Bhubaneswar, Bombay and Chandigarh with the objective of analysing poultry feed samples

received from various public and private sector organisations engaged in the manufacture of poultry feed, carrying out analysis of the samples and helping the Central Poultry Breeding Farms to formulate economical rations with the advice of their nutritionist.

Each laboratory was expected to analyse initially about 500 feed samples for testing 21 aspects under four types of parameters viz., proximate principles, minerals, toxic principles and miscellaneous.

Construction works: The position of construction of the laboratory buildings at the end of October 1990 was as under:

Place	Date of Administrative approval	Date of award of work to CPWD	Cost (Rupees in lakhs)	Expenditure incurred	Expected date of completion	Date of completion of the work
Bhubaneswar	January 1982	January 1984	9.16	3.92	July 1990	Not completed
Bombay	June 1983	September 1984	19.39	13.59	May 1987	February 1989
Chandigarh (additions and alterations)	1985	1986	1.87	1.87	Not available	Completed but completion certificate awaited

The laboratory at Bhubaneswar started functioning in the campus of the Central Poultry Breeding Farm from September 1982. The construction work in regard to the proposed building was reported to have been delayed due to long formalities by CPWD. The senior architect reported in March 1987 that cost of the construction would

go upto Rs.13 lakhs due to escalation in the cost of building material and the change in the requirements.

In regard to the laboratory at Bombay the electricity works had not been completed even though the building was handed over in February 1989. The facility for toxic

analysis was not available in this laboratory though the laboratory had started functioning since June 1989.

Machinery and equipments valuing Rs.4 lakhs were lying unutilised in the laboratory at Bombay. The Nutritionist stated in November 1990 that with two employees against the sanction of four posts it was not possible to make use of the costly equipments procured.

The post of one Nutritionist

Place	Annual average of the samples tested	Annual average of the revenue earned (Rs. in lakhs)
Bhubaneswar	198	0.05
Bombay	68.5*	NIL
Chandigarh	514	0.20

(\*Average for four years only as records for 1986-87 reported misplaced)

The samples were also not tested for all the prescribed criteria which were essential for manufacturing poultry feed. The laboratory at Bhubaneswar analysed only toxins like aflatoxin. The laboratory at Bombay analysed samples for proximate principles only from July 1989 onwards prior to which the samples were sent to Chandigarh for testing. The Chandigarh laboratory tested samples for eight aspects only under three parameters.

To sum up:

- The testing of samples by the three laboratories was affected due to the delays in construction of laboratory buildings, non-filling of the posts of the Nutritionists in the laboratories at Bombay and Chandigarh.

for each laboratory was sanctioned for the scheme in December 1981. The posts of the Nutritionist and the Laboratory Assistant were filled in May and June 1989 in the laboratory at Bombay. The post of Nutritionist for the laboratory at Chandigarh was filled only in December 1988.

Against the initial target of 500 samples per year per laboratory with a revenue of Rs.0.45 lakh each, the average as worked out for the years from 1985-86 to 1989-90 was as follows:

- Testing of samples was not done for all the prescribed criteria which were essential for manufacturing of poultry feed.

- Machinery and equipment costing Rs.4 lakhs were lying unutilised in the laboratory at Bombay.

The matter was referred to the Ministry in July 1990; reply has not been received (February 1991).

#### Department of Agriculture and Cooperation

#### 7. Blocking of funds

In May 1986, Central Biological Control Station, Burdwan purchased one 50 KVA/40 KW diesel generating set with accessories at a cost of Rs.1.05 lakhs from a firm through Director General of Supplies



and Disposals (DGSD). The reason for the purchase was huge power cut in the area; supply of power was essential for use of the sophisticated equipments purchased by the station for latest technique of pest management. A sum of Rs.1.04 lakhs representing 98 per cent of the total cost was paid to the firm directly by DGSD. Relevant clause of the accepted tender for erection and commissioning of the set at a cost of Rs.0.08 lakh by the supplying firm was deleted in September 1989 by DGSD as desired by the Directorate of Plant Protection, Quarantine and Storage, Faridabad so that the set could be installed departmentally.

As there was no civil engineer in the Directorate the work could not be taken up departmentally. The CPWD, which was approached in April 1987 for construction of the foundation and shed, did not respond till September 1989. As a result of delay by CPWD, tenders were invited direct in August 1987 and

thereafter; lowest quotation received in December 1987 at Rs.0.23 lakh was beyond the competence of the departmental head (Plant Protection Adviser). As a consequence, sanction was sought for from the Ministry (Department of Agriculture and Cooperation) which was received finally in March 1990 and could not be acted upon due to inadequate time for completion of the formalities. Fresh sanction was, however, received in May 1990. The amount was finally deposited with CPWD as the Ministry directed that the work be done through them at Rs.0.23 lakh. Construction work by CPWD was yet to be started (November 1990).

Thus failure to instal the set led to blocking of Rs.1.04 lakhs for more than four years.

The Ministry stated in December 1990 that due to delay in the issue of sanction, the work to instal the generating set was delayed.

## CHAPTER IV

### Ministry of Commerce

#### 8. Unjustified payment of cash assistance

Unjustified payment of Cash Compensatory Support (CCS) totalling Rs.21.63 lakhs was made to five exporters in the Santacruz Electronics Export Processing Zone, Bombay, (SEEPZ) during 1989-90.

CCS is allowed at a fixed percentage of f.o.b. value of exports. During the test check it was seen that the Development Commissioner, Export Processing Zone, while admitting the CCS claims of the exporters reckoned f.o.b. value of exports which included the notional value of the raw material obtained by them free of cost. The five exporters had exported goods showing notional f.o.b. value of Rs.4.86 crores during 1989-90 for which CCS amounting to Rs.32.93 lakhs was paid to them. The f.o.b. value of exports included notional value of raw material amounting to Rs.3.35 crores which were imported by them free of cost. Payment of CCS of Rs.21.63 lakhs on the notional cost to raw material was not justified.

The Ministry stated in May 1990 that it was equitable that notional f.o.b. value, inclusive of notional cost of material, be taken for purpose of CCS calculations in the case of units in the Zone receiving materials free of cost, as otherwise a unit producing the same product after paying for the raw materials would get more CCS as compared to the unit not paying for the raw material.

The contention of the Ministry is not tenable as by reckoning notional f.o.b. value for purpose of computing CCS, an anomalous situation arises where an exporter who does not incur expenditure on import of raw material is allowed the same extent of CCS as is given to an exporter who pays for import of raw material.

The matter was reported to the Ministry in September 1990; reply has not been received (January 1991).

#### 9. Overpayment of cash assistance

Cash compensatory support (CCS) on export of synthetic blended yarn and viscose staple fibre spun yarn was introduced at eight per cent of f.o.b. value effective from 22nd September 1988 and 1st April 1989 respectively valid till 31st March 1992.

A test check in Audit of the payments made by Joint Chief Controller of Imports and Exports (JCCIE), New Delhi in May 1990 revealed that a firm which exported the above items during December 1989 was paid CCS at the rate of 13 per cent of the f.o.b. value instead of eight per cent resulting in over payment of Rs.1.72 lakhs. JCCIE adjusted Rs.1.72 lakhs from the firm's subsequent claims in May 1990.

Overpayment of a further sum of Rs. 15.32 lakhs to the same exporter for the export of the same items made during November 1989 to



April 1990 was noticed in Audit in July 1990 and pointed out to the JCCIE. JCCIE justified in August 1990 the payment of CCS at higher rate of 13 per cent on the ground that additional CCS of five per cent of f.o.b. value had been allowed for export of specified textile items to non-quota General Currency Area countries and non-quota textile items to quota countries in the circulars issued by the Ministry in September 1988.

The contention of the JCCIE is not tenable as synthetic blended yarn and viscose staple fibre spun yarn were not included in the specified items; further it was clarified by the Ministry in January 1989 that additional CCS would be available only on those items which enjoyed CCS on 21st September 1988.

The matter was referred to Ministry in July 1990. The Chief Controller of Imports and Exports intimated in December 1990 that they were actively pursuing the matter with the Ministry and a further communication would follow soon.

**10. Cash assistance for export of cardamom (small)**

Cash Compensatory Support (CCS) for the export of cardamom (small) in consumer packs of 2 kgs. and below was introduced from October 1982, at seven per cent of f.o.b. value which was increased to 10 per cent from August 1984 and was valid till March 1989.

After considering the proposal of the Spices Board, the Ministry sanctioned an air-freight subsidy of Rs. seven per kg. for the exports in consumer pack of two Kgs. and less to Gulf and Middle East markets for the period September to December

1988 in order to neutralise the cost of excess freight by air as compared to sea and the need to reach that market quickly before the arrival of the crop in that region from a competitor. The Ministry also laid down that the scheme would be stopped once 1500 tonnes of exports by air were achieved. As the crop from the competitor was reported to have been delayed by one month and since much of the cardamom (small) had not been air-lifted from the country by December 1988, the admissibility of air freight subsidy was extended till March 1989. During September 1988 to March 1989, only 128 tonnes of cardamom (small) were exported by air.

The Spices Board conveyed to the Ministry in September 1988 that higher rate of CCS, if offered, would enable export of 2500 tonnes during 1988-89 earning Rs.30 crores in foreign exchange.

Although the cost data did not justify grant of any additional CCS for the export of cardamom (small), the Ministry, sanctioned an additional CCS of five per cent of f.o.b. value from 24th October 1988 to February 1989 for special marketing thrust in the expectation that 2500 tonnes would be exported during 1988-89.

Exports of cardamom (small) during 1988-89 were, however, only 776 tonnes valued at Rs.10.29 crores. This included exports valuing Rs.5.55 crores (54 per cent) to rupee payment area countries. Out of total export valuing Rs.6.02 crores made during November 1988 to February 1989 attracting additional CCS of Rs.30.10 lakhs, the exports valued at Rs.3.23 crores, attracting additional CCS of Rs.16.15 lakhs



were made to rupee payment area countries, which did not result in earning of foreign exchange.

Ministry stated in October 1990 that the decision to grant additional CCS on export of cardamóm (small) was taken by CARC, a high powered competent authority set up to take decision in such cases, after taking into account all aspects of the proposal including good crop during the year and prices offered by buyers in the Middle East.

#### 11. Cash assistance on export of spices

Cash Compensatory Support (CCS) on the export of spices in consumer packs of one Kg or less was 10 per cent of the f.o.b. value for packs exported under specified brand names and five per cent for others packs effective from 1st July 1986. Responding to representation from the trade, Government decided in February 1987, to grant CCS at seven per cent for export of spices in consumer packs under brand names pending specification of brand names, with retrospective effect from 1st July 1986. This CCS rate was valid till such time the brand names were specified by the Government or 31st March 1989, whichever was earlier. In July 1987, Spices Board, Cochin was authorised to register brand names of spices for the category "specified brand names" for purpose of grant of CCS at the rate of 10 per cent; exports in other consumer packs including consumer packs under unspecified brand names would carry CCS at 5 per cent effective from 16th July 1987.

Joint Chief Controller of Imports and Exports (JCCIE), Bombay

circulated the specified brand names approved by the Spices Board, Cochin indicating the effective dates as 19th October 1988 and 14th December 1988.

A test check in Audit revealed that three exporters were overpaid to the extent of Rs.15.34 lakhs as CCS was paid at 10 per cent instead of at five per cent for the export made prior to the approval of brand names.

Ministry stated in December 1990 that out of Rs.15.34 lakhs a sum of Rs.1.72 lakhs had since been recovered, another amount of Rs.8.66 lakhs was in the process of recovery and regarding the balance amount of Rs.4.96 lakhs, due to Court's verdict, recovery process was held up.

#### 12. Cash assistance on export of leather goods

A test check by Audit of payments made by Joint Chief Controller of Imports and Exports (JCCIE), New Delhi during November 1988 and July 1989 revealed that in 55 cases payment of compensation for air freight disadvantage to the exporters of leather goods was higher than the actual freight paid by them by Rs.3.83 lakhs. The excess payment over actual air freight ranged from 50 to 100 per cent in 23 cases and 101 to 248 per cent in six cases.

Prior to July 1986, exports of leather goods both by air and by other means enjoyed cash compensatory support (CCS) at the same rate. Export by air was compensated for the air freight disadvantage by a subsidy. From July 1986, two rates of CCS, a higher rate for export by air and a lower



rate for export by other means were introduced. These rates were applicable upto 31st March 1989. During the course of audit in August 1987 it was observed that the element of compensation for air freight, included in the higher rate of CCS, exceeded the actual air freight paid by the exporters and this adventitious gain to the exporters was commented upon in paragraph 12 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1987- No.1 of 1988 - Union Government (Civil).

The guidelines issued by the Ministry in this regard provide that only the freight disadvantage as compared to other competing countries be taken into account in fixation of rates of CCS. The Council for Leather Exports had also suggested during 1987-88 that the element of air freight subsidy in CCS should not exceed the actual air freight paid by the exporters.

When the CCS rates became due for revision from April 1989, Cash Assistance Review Committee (CARC) examined the data with reference to

the point made by Audit in the earlier Audit Report (1986-87) and recommended in March 1989 that the practice of fixing the same rate of CCS irrespective of the mode of carriage as prevalent before July 1986, and granting in addition a subsidy to compensate for the air freight disadvantage, be reverted to. The Market Development Assistance (MDA) Main Committee, however, ignored the recommendation of CARC and decided to continue the practice of payment of differential rates of CCS for exports by air and by other means from April 1989. While the MDA Main Committee reduced the air freight compensation in respect of footwear and leather harness and saddlery from seven per cent to five and four per cent of f.o.b. value respectively from April 1989, no reduction was made in other cases. Compensation for air freight disadvantage paid to some of the exporters of leather goods continued to be higher by Rs.3.83 lakhs than the actual freight paid by them.

The matter was referred to the Ministry in August 1990; reply has not been received (November 1990).

## CHAPTER V

### Ministry of Commerce

#### (Department of Supply)

#### 13. Delay in processing of tenders

Delay in the processing of tenders by the Directorate General of Supplies and Disposals (DGSD) in the purchase of aerial masts and helmets resulted in extra expenditure totalling Rs.20.31 lakhs ; the two cases are discussed below:-

##### (a) Purchase of aerial masts

DGSD issued an advertised tender enquiry (TE) in October 1984 for the purchase of 176 aerial masts required by the Border Security Force. Tenders were to remain open for acceptance for a period of three months, from the date of opening. Twelve tenders, valid for three months were received and opened on 18th December 1984. Four firms 'A', 'B', 'C' and 'D' which were not registered for the items, quoted lower rates ranging from Rs.3110 to Rs.7071 per mast. Firm 'E', whose registration was expiring on 31st December 1984, quoted Rs.7800 per mast. The quotations from the other firms were higher.

The capacity reports of the unregistered firms were called for from the concerned Directors of Inspection on 2nd March 1985. The firms were also addressed on 18th March 1985 (the last day up to which the offers were valid) to extend their offers by one month. Firm 'A' expressed its inability to furnish the information required for assessing its capacity. The capacity of firms 'B', 'C' and 'D' were favourably reported. Firm 'B', while

agreeing to extend its offer, revised its rates from Rs.4560 to Rs.5177.50 per unit in view of the increase in cost of steel. This offer was ignored being post-tender revision. Firm 'C' did not agree to extend the validity of its offer due to increase in the market rate of steel and zinc.

Acceptance of Tender (A/T) on firm 'D' was placed at the rate of Rs.7071.30 per mast for supply of the 132 masts (75 per cent of the total requirement) being the permissible limit up to which the A/T could be placed on an unregistered firm with favourable capacity report. The remaining quantity of 44 masts was covered on firm 'E' at Rs.7800 per mast plus sales tax. The supplies by firms 'D' and 'E' were completed respectively in July 1986 and April 1987. As the lower offers could not be availed of within the validity period there was an extra expenditure of Rs.3.31 lakhs.

The matter was referred to the Department in August 1990; their reply had not been received (February 1991).

##### (b) Purchase of helmets

DGSD advertised two TEs in February and March 1987 to cover the demands of Director General, Ordnance Services (DGOS) Army HQ and Border Security Force (BSF) for helmet combat fibre glass of olive green/sand colours. The tenders in both the cases were to be opened on 29th April 1987 and were to remain



open for acceptance up to June 1987/July 1987 in the case of DGOS/BSF respectively.

Fifteen tenders were received in response to the TE for the purchase of 39,700 helmets of olive green colour and 4,100 helmets of sand colour for the DGOS, quoting slab rates ranging from Rs.110.03 to Rs.145.60 (including sales tax) per helmet.

The tenders were considered by the Tender Purchase Committee (TPC) on 4th June 1987 when it was decided to obtain clarification from the Controllerate of Inspection General Stores, Kanpur (CIGS) to ascertain whether the firm which had supplied stores conforming to another specification earlier could be treated as past supplier. TPC also decided that inconvenient terms and conditions of the firms might be sorted out. After receipt of requisite clarification from CIGS, TPC in its meeting held on 27th July 1987 desired that, as some of the firms had quoted different rates for different slabs, opinion of the contract officer be obtained in regard to specific rate applicable to additional supplies under tolerance clause. In the TPC meeting held on 31st July 1987, the contract officer indicated that unless the orders were placed for the entire quoted quantity, the tolerance could not be availed of. As the validity of offers was expiring on that day, TPC felt that it was not possible to cover the indent and decided that while seeking clarification/confirmation, the firms might be asked to keep their offers open up to 31st August 1987. Most of the firms, whose offers were lower did not extend their offers. Four firms did not give the desired

clarification/confirmation and a number of firms indicated that they could not extend the offers due to increase in prices of raw material. The DGSD scrapped the tenders.

For BSF sixteen tenders were received for 32,756 helmets of OG colour and 5,632 helmets of sand colour which were opened in April 1987. These tenders were examined by DGSD and the TPC observed (September 1987) that the firms were more or less the same as had quoted against the demand of DGOS. TPC decided on 24th September 1987 that this tender should also be scrapped for similar reasons and a limited TE be issued clubbing with the indents of DGOS including his subsequent indent for purchase of 47,500 helmets.

In response to the limited TE, orders were placed for 1,09,956 helmets of OG colour and 14,224 helmets of sand colour on eight firms at rates ranging from Rs.121 to Rs.130 per helmet. Under the tolerance clause of another A/T, 5,508 helmets were covered. As a result 76,680 helmets had to be procured at higher rates resulting in extra expenditure of Rs.17.00 lakhs.

The Department stated in January 1991 that this particular item was being dealt with by the DGSD office at Kanpur earlier but because of the value of supplies exceeding powers delegated to the Director and the urgency involved, the indents had to be dealt with at New Delhi. Besides the lower offers received from firms were found vague in respect of slab rates quoted and the commercial terms offered were not in conformity with the standard terms. The fact, however, remains that DGSD did not finalise purchase



on the bids within the validity period of offers expiring on 31st July 1987.

#### 14. Purchase of Ledermycin capsules

Action of the Directorate General Supplies and Disposals in not accepting a firm and fixed price for supply of medicine led subsequently to acceptance of a tender with a price variation clause resulting in an extra payment of Rs.14 lakhs to the same firm. The details are as follows.

In response to a limited tender inquiry issued by the Director General, Supplies and Disposals (DGSD) for the supply of democlocycline hydrochloride capsules on a Rate Contract (R/C) to be operative from July 1989, a firm quoted in March 1989 a rate of Rs.71.30 per 100 Ledermycin capsules (exclusive of excise duty of Rs.7.30) with a price variation clause.

The rate of the basic drug required for the production of these capsules was increased by Government from Rs.1361.26 to Rs.1951 per Kg from 6th April 1988. According to the reckoning of the DGSD this accounted for an increase of Rs.8.84 over the earlier rate of Rs.54.96 per 100 capsules as against the increase of Rs.16.34 (exclusive of excise duty) quoted by the firm. The rates quoted by the firm were, therefore, not considered justified. Negotiations were held by the DGSD with the firm in June 1989 for accepting the rates after allowing for the increase in cost of raw material subject to price variation in raw material on weight to weight basis. Alternatively, it was asked to agree to a firm price up to 20

per cent higher than the last purchase price (LPP). According to the minutes of the Price Negotiation Meeting, the firm 'agreed to accept R/C on firm and fixed price basis at their quoted rates'. It declined to lower their price on the ground that, apart from increase in price of raw material, charges on account of wages, electricity and freight had also increased, and that an upward revision of price of basic drug was already under the consideration of Government for which Bureau of Industrial Costs and Prices (BICP) was stationed at their works examining the costing of the drug. As per the minutes ibid, the offer of the firm to accept R/C on firm and fixed price at their quoted rates was not accepted by DGSD. After reconsideration, the firm agreed to revise its quotation to Rs.68.70 per 100 capsules, exclusive of excise duty but subject to price variation due to increase in the price of basic drug by Government during the validity of the R/C.

In July 1989, DGSD placed R/C on the firm for the supply of these capsules during the period from July 1989 to June 1991 at the rate of Rs.68.70 per 100 capsules with excise duty and sales tax payable on the rates applicable at the time of supply. This price was based on the cost of the basic drug at Rs.1951 per Kg and for every increase/decrease of one rupee per Kg the price of capsules was variable by 15 paise per 1000 capsules. Consequent upon the increase in the price of basic drug from Rs.1951 to Rs.2382 per Kg from October 1989 the R/C prices were revised to Rs.75.17 per 100 capsules in February 1990. The firm supplied 57.61 lakh capsules during December 1989. Besides, as per the drawals during March 1990 to June 1990 the



supply would work out to 304.50 lakh capsules; there were no drawals for January 1990 and February 1990. The total supply from December 1989 to June 1990 would thus work out to 362.11 lakh capsules at Rs.75.17 per 100 capsules. Compared with the firm and fixed rate of Rs.71.30 per 100 capsules offered by the firm during negotiation the revised rate resulted in an extra payment of Rs.14 lakhs (approximately) for the supplies till June 1990.

The case revealed that although DGSD was aware that the proposal for revising the price of basic drug was under consideration of the Government, it did not work out the likely impact of revision on the cost of Ledermycine capsules in consultation with BICP. Action of DGSD in agreeing to revised rate of Rs.68.70 (25 per cent over the LPP) with the liability for payment at increased rates due to price variation on account of increase in the prices of basic drug in preference to a fixed rate of Rs.71.30 offered by the firm was not justified.

Department of Supply stated in September 1990 that the price of Rs.71.30 per 100 capsules in the firms' quotation was subject to the stipulation that in the event of any price revision by the Government under the Drugs (Price Control) Order 1987, the prices applicable at the time of supply would be charged. The fact, however, remains that in a negotiation meeting held in June 1989, the firm had agreed to a "firm and fixed price" of Rs.71.30 per 100 capsules; which offer was not accepted by the Department.

#### 15. Purchase of tubular trusses

The Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) in November/December 1982 on firm 'A' for fabrication and supply of 37 sets of tubular trusses to various consignees of Food Corporation of India at a total cost of Rs.33.22 lakhs, which was inclusive of excise duty but exclusive of sales tax. The supplies were to be completed by December 1983. The firm was required to furnish security deposit of Rs.0.75 lakh.

Without consent of the firm, the DGSD issued an amendment in December 1982 incorporating a clause (tolerance clause) in the A/T to the effect that the purchaser reserved the right to place order for additional quantity up to 25 per cent of the quantity ordered. The A/T was further amended in January 1983 increasing the quantity to 45 sets of tubular trusses. As a sequel to this, the total cost was increased to Rs.40.78 lakhs and the delivery period was extended to April 1984. The firm refused to accept the tolerance clause and both the amendment letters were withdrawn by the DGSD in April 1983. The firm contended that the amendments had delayed commencement of execution of the contract by four months and on its request the date of delivery was extended up to 30th April 1984. The firm supplied only 12 sets by April 1984.

A performance-cum-extension notice extending the date of delivery up to February 1985 was issued to the firm in January 1985.



The firm replied in February 1985 that it had already treated the A/T for the unsupplied quantity cancelled on account of the delays, breaches of contract by various consignees and the deliberate hurdles created by the consignees and in inspection.

The case was referred to the Ministry of Law and Justice by DGSD in April and May 1985 for advice whether the A/T for the unsupplied quantity could be cancelled at the risk and cost of the firm. Ministry of Law and Justice opined in May 1985 that the A/T could be cancelled at the risk and cost of the defaulting firm if the DGSD had not prevented the firm from performing its part of the contract, treating 30th April 1984 as the date of breach.

The order for unsupplied quantity of 25 sets was accordingly cancelled at the risk and cost of firm 'A'. The indenter could not provide additional funds required for the procurement of the entire balance quantity. The DGSD with the originally provided funds placed a risk purchase A/T on 30th December 1985 on firm 'B' for 10 sets only against the cancelled quantity of 25 sets. The supply of 10 sets against the risk purchase A/T was completed in April 1987. This involved an extra cost of Rs.6.80 lakhs plus taxes.

Since the risk purchase was not made within the prescribed period of six months from the date of breach, only general damages, instead of the entire extra expenditure, were recoverable from the defaulting firm.

The bank guarantee for Rs.0.75 lakh furnished by firm 'A' which was valid up to 30th June 1984, was not got encashed/renewed and was allowed to lapse.

The case revealed that the DGSD increased the quantity of stores to be supplied by firm 'A' unilaterally, which was not accepted by the latter and it delayed the commencement of execution of contract. Cancellation of the A/T was delayed and valid risk purchase frustrated. The DGSD did not encash bank guarantee and allowed it to lapse.

Department of Supply stated in November 1990 that in the absence of response from the trade to the enquiry of the department for ascertaining market rates on or about the date of breach the amount of general damages recoverable from the firm could not be assessed; the file pertaining to this case was reconstructed after the loss of file in September 1984 and the matter was being examined separately by vigilance.

#### 16. Purchase of bolts and nuts

The Director, Supplies and Disposals, Bombay (DSD) obtained tenders in April 1984 for the supply of bolts and nuts of varied specifications to Western Railway. After scrutiny of tenders, decision to place an Acceptance of Tender (A/T) on a firm was taken on 11th June 1984, up to which date the offer of the firm was valid. Advance A/T on the firm on that date was not issued. As a result the A/T issued on 5th July 1984 was not accepted by the firm who stated that the A/T was



not also in accordance with the terms and conditions offered by them in their tender.

The Ministry of Law to whom the case was referred opined in September 1986 that since the A/T was placed after the expiry of date up to which the tender was open for acceptance, the question of cancellation of a non-existing contract at the risk and cost of the firm did not arise.

The purchase of the stores was made from five firms during December 1986- August 1987 at a total cost of Rs.18.79 lakhs. Compared to the cost of the stores as per the A/T of July 1984, the re-purchase involved extra expenditure of Rs.5.45 lakhs.

Thus, failure on the part of DSD in issuing an A/T within the validity period of firm's offer resulted in an extra expenditure of Rs.5.45 lakhs.

The Department stated in August 1990 that the case was under examination for fixation of responsibility for non despatch of the advance A/T on time and consequential loss.

#### 17. Purchase of jerseys woollen

Director General, Supplies and Disposals (DGSD), issued an advertised tender enquiry (TE) in September 1988 for procurement of 82,700 woollen jerseys of different sizes to cover an indent received from Directorate General, Border Security Force. Against the TE, 29 offers were received and opened in November 1988. Since the rates quoted were considered to be very high by the Tender Purchase Committee (TPC), negotiations were held twice in December 1988 and

January 1989. No major reduction in rates was achieved during negotiation and the final offers received were considered by the TPC. The lowest offer being found technically unsuitable was ignored. The second lowest offer was not considered in view of load of supply orders already on them. As the capacity of the third lowest firm was only 750 pairs per month, their offer was availed of only for a small quantity of 4700 pairs. In respect of the fourth lowest offer of firm 'A', it was noted that the firm initially did not restrict the quantity whereas in the revised offer (December 1988) the quantity offered was restricted to 20,000 numbers. In the second revised offer (January 1989) the firm had increased the quantity to 30,000 numbers but with a special condition that order would be required to be placed by DGSD in all sizes in the ratio of requirement shown in the TE. The TPC noted that as per their revised offer of December 1988 firm 'A' had quoted lesser by Rs.8, Rs.9, Rs.12 and Rs.16 per Jersey respectively for sizes of 85,90, 95, and 100 cms compared to the offer of the pool firms. Since there was no restriction in the offer of December 1988 that the Advance Tender (A/T) would be required to be placed in proportionate sizes, it was possible to utilize the offer of firm 'A' for full quantity in 100 cm. size so as to get the maximum advantage to the extent of Rs.3.20 lakhs. The TPC also noted that the total benefit to Government over rates of pool firms could be Rs.3.50 lakhs if the order for 30,000 numbers was placed on firm 'A' proportionately in all sizes. However, the offer of firm 'A' was ignored on the ground that the savings by utilising the revised offer of this firm for 20,000 numbers would be only Rs.2.34



lakhs when compared to the savings as per their original offer wherein the condition of supplies in all sizes proportionately did not exist. DGSD contended that this amounted to withdrawal of the lower slab rate and as such, revision of their offer was not to the advantage of the purchaser. As such offer of firm 'A' at lower rates was ignored and the A/T placed in March 1989 on pool firms.

In regard to propriety of the decision, the Department stated in March 1990 that during negotiation, firm 'A', while revising the quantity offered for supply had added a condition that the A/T would be required to be placed in all sizes proportionately. The condition if accepted, would amount to loss to the purchaser and financial benefit to firm 'A'.

The decision of the DGSD in ignoring the lower offer was not tenable as even by their own admission there would have been a saving of Rs.3.50 lakhs if the A/T had been placed on firm 'A' for 30,000 numbers in all sizes and an advantage of Rs.3.20 lakhs if the A/T had been placed for 20,000 numbers as per the revised offer made by the firm in December 1988.

The decision to ignore the lower offer was not in the best interest of Government.

Accepting the facts, the Department stated, in January 1991, that the decision in the case would be examined with reference to the extant instructions and the final position intimated to Audit in due course.

#### 18. Delay in placement of supply order

The Directorate General, Armed Forces Medical Services (DGAFMS), a Direct Demanding Officer did not place orders for meeting the requirement of 1.24 crore tablets of Sulphamethoxazole and Trimethoprine on the firms holding Rate Contracts (R/C) with the Directorate General, Supplies and Disposals (DGSD). Instead, an indent was placed by DGAFMS on the DGSD in January 1988 for the supply by March 1988 against the Rate Contracts operative upto March 1988 on the apprehension that complications might arise due to repeated price escalation in raw materials if orders were placed direct. The DGSD returned the indent in February 1988 for arranging direct procurement since the indenter's name appeared in the list of Direct Demanding Officers.

DGAFMS again approached DGSD in February 1988 for coverage of his demand in view of the difficulties explained by him earlier. DGSD decided on 22nd March 1988 to cover the demand of 1.20 crore tablets on two R/C holding firms 'C' and 'G' at the rate of Rs.24.60 per 100 tablets each and a firm 'B' at the rate of Rs.24.40 per 100 tablets. The balance four lakh tablets were proposed to be covered on a trial R/C holder 'A' at the rate of Rs.25.75 per 100 tablets. Letters were, however, received from firms 'C' and 'G' on 23rd March 1988, requesting for the short closure of their R/Cs. Advance supply orders for the supply were issued telegraphically on 23rd March 1988 on firm 'E'. Firm 'E' returned the supply order on 31st March 1988



stating that they had already short closed their R/C in January 1988.

The demand was subsequently covered on firm 'K' at the rate of Rs.28 per 100 tablets under the new R/C operative from April 1988 and the supplies were completed in July 1989. Though the DGAFMS specifically mentioned about possible complications due to higher price trend, DGSD initially returned the indent in contravention of the departmental instruction enjoining that indent received in DGSD for placement of order under R/C items should not be returned. This resulted in an extra expenditure of Rs.2.72 lakhs.

The Department stated in October 1990 that the Direct Demanding Officer was expected to utilise the purchase powers delegated to him in terms of the R/C and since he was expected to place the order himself, the indent was returned to him for placement of supply order against the R/C. The Department's contention is not convincing as the instructions of the Department provide that indents received should not be returned.

Thus the reluctance on the part of DGAFMS and the DGSD in placement of supply order for supply of the drug formulations had led to an extra expenditure of Rs.2.72 lakhs from the exchequer.

#### **19. Deficiency in processing of a contract**

In the case discussed below, deficiencies in the processing of a supply contract by the Directorate General of Supplies and Disposals, (DGSD) frustrated the chances of valid risk purchase within six months of the date of breach of

contract for supply of roof-trough type-splinter proof. As a result, out of the extra expenditure of Rs.2.30 lakhs incurred on repurchase only Rs.0.10 lakh could be recovered.

The DGSD issued an Acceptance of Tender (A/T) on firm 'A' in September 1983 for the supply of 120 sets of roof trough type-splinter proof for Rs.4.63 lakhs to the Commandant, Central Ordnance Depot, Agra by 15th May 1984. The delivery was to commence within four to six weeks after the receipt of the report on the advance sample i.e., by 18th October 1983.

While acknowledging the A/T, the firm stated that according to their quotation, the period of the submission of a advance sample was four to six weeks from the date of receipt of technically and commercially clear order. Since the A/T was received by them on 26th September 1983, the date of submission of advance sample and the date of delivery should respectively be as 11th November 1983 and 15th June 1984. They also requested for the provision for essentiality certificate for procurement of steel material.

DGSD issued the amendment in October 1983 in respect of the specified dates stipulating completion of the supplies by 15th June 1984. In January 1984 the quantity was increased to 150 sets with the revised cost at Rs.5.78 lakhs. Essentiality certificate was also issued on Steel Authority of India in favour of the firm in March 1984.

DGSD extended the date of delivery of the original and the enhanced quantity of supplies from



time to time to the end of April 1985 on a representation by the firm.

In June 1985, advice of the Ministry of Law was sought for cancellation of the A/T since the firm had not started supplying the stores by that time. They advised DGSD in July 1985 that the contract might be cancelled treating 15th June 1984 as the date of breach as the firm had not acknowledged the letter giving extension beyond 15th June 1984.

The A/T on firm 'A' was cancelled in August 1985 at the firm's risk and cost and the stores were purchased from firm 'B' at a cost of Rs.8.08 lakhs in January 1986 at an additional expenditure of Rs.2.30 lakhs. DGSD, however, worked out general damages at Rs.0.58 lakh and issued a demand notice for recovery of the same on firm 'A'. Firm 'A' requested for arbitration. The arbitrator awarded Rs.0.10 lakh only as general damages in favour of the Government which was adjusted from the pending bills of the firm 'A'.

The matter was referred to the Department of Supply who have verified the facts and figures (August 1990).

#### 20. Purchase of pick digging heads

The Directorate of Supplies and Disposals, Kanpur (DSD-K) placed in December 1984 an Acceptance of Tender (A/T) with a firm for the supply of 34,830 numbers of pick digging head, of IS: 273-1961 specification to the commandant Central Ordnance Depot, Kanpur at Rs.30 per unit plus sales tax. The supplies were to be completed by 30th June 1985 at 5000 numbers per

month. The quantity was increased to 43,530 numbers under tolerance clause of the A/T with the date of delivery of additional quantity as 31st August 1985.

At the instance of the firm, DSD-K issued an amendment letter on 5th February 1985 changing the specification to IS: 273-1983 apparently without consulting the indenter or the inspecting authority. This amendment letter was not endorsed to the Controllorate of Inspection General Stores (CIGS), Kanpur, the inspecting authority specified in the A/T.

The firm offered 5000 numbers of pick digging heads on 25th April 1985 to the Inspector at Delhi who rejected the stores on 14th June 1985 on the ground "hardness found very less". The CIGS, Kanpur to whom the firm approached for inspection of supplies with reference to the changed specification desired on 22nd June 1985 that the amendment letter changing the specification should be withdrawn as the specification stipulated in the original A/T governing the supply was in order and the changed specification omitted the essential parameter of hardness determining the quality of stores.

After the rejection of the first lot on 14th June 1985, the firm did not offer any further lot. DSD-K referred the matter in November 1985 to the Ministry of Law and Justice seeking advice on whether the contract could be cancelled. The Ministry of Law and Justice advised in February 1986 that the contract could be cancelled at the risk and cost of the defaulting firm taking the date of breach as 31st July 1985/31st August 1985 for the original/ additional



quantity and the repurchase be effected within the prescribed period.

The contract was cancelled in March 1986 by which time the period of six months for making valid risk purchase had expired. The indenter reduced his requirement by 15000 numbers and the balance quantity of 28,530 numbers was re-purchased by DSD-K at Rs.38 per unit from another firm. The re-purchase resulted in extra expenditure of Rs.1.98 lakhs on the supply which could not be enforced on the defaulting firm as due to delay valid risk purchase was not made. The DSD-K had not assessed the general damages recoverable from the firm (November 1990).

Department stated in October 1990 that although the market-rate enquiries were issued in May 1987, October 1987 and February 1988, there was no response from the trade/indenter etc. and hence, the general damages could not be assessed.

#### 21. Printing of forms

The Director General, National Test House (NTH), Calcutta, conveyed in September 1985, its approval to NTH Madras for the printing of 5,000 numbers each of the test certificate forms NTH 5,6,7, and 7(I). NTH Madras sent an indent to the Director of Printing, New Delhi in October 1985 for the printing of 20,000 pads of 100 forms each instead of 20,000 forms, which was passed on to the Government of India Press, Coimbatore for arranging printing of forms.

On receipt of five lakh forms of NTH- 7(I) in July 1986, NTH Madras informed the Press that its requirement was for 20,000 forms

only in 200 pads of 100 forms each. The Press, however, maintained that the printing work had been done according to the instructions given in the indent and that five lakh more forms had been despatched in July 1986. Besides, 7.40 lakh more forms had also been printed. Thus, the Press printed and supplied 17.40 lakh forms against the requirement of 20,000 forms for which three bills totalling Rs.1.79 lakhs were preferred in November, December 1986 and February 1987.

Thus, due to inadequate care in the preparation of indent for the printing of forms required, NTH Madras incurred the liability for payment of Rs.1.79 lakhs representing the cost of printing of the forms almost 100 times of the requirement. Besides, NTH was faced with the problem of managing the stocks.

The Department stated in October 1990 that Directorate General, NTH has been advised to examine the case with a view to finding out if there has been any omission or lapse on the part of any official concerned and fix the responsibility therefor. Directorate General, NTH has also been instructed to distribute the excess forms to other laboratories of the NTH for their use.

#### 22. Purchase of solder resin core

The instructions issued by the Director General, Supplies and Disposals (DGSD) lay down that whenever a lower trend in prices is noticed, the purchase officers are to instruct the inspecting authority concerned not to inspect the stores after the expiry of the delivery date so that the advantage of downward trend in prices is taken



either by arranging alternative supply or by negotiating with the supplying firm for price reduction. Non-observance of these instructions by the DGSD resulted in a loss of Rs.1.51 lakhs in a case discussed below.

The DGSD placed an Acceptance of Tender (A/T) in May 1985 on a firm for supply of 25 tonnes of solder resin core at Rs.193.30 per Kg less 0.5 per cent discount (exclusive of sales tax). At the firm's request, the DGSD extended the dates of delivery up to 31st July 1985 and 15th February 1986.

The main constituent of solder resin core is tin, price of which was reduced by Minerals and Metals Trading Corporation of India Limited, in January 1986. The DGSD, thereupon, observed a downward trend in the prices of solder resin core as per an A/T concluded in January 1986. After the receipt of the firm's request in February 1986 for a further extension in the delivery period by two months, the DGSD intimated the inspecting authority in March 1986 about the lower trend in prices and also enquired about the inspection and supply position of the stores as on or after 15th February 1986. The inspecting authority informed the DGSD in April 1986 that as on 15th February 1986, 13.85 tonnes of stores had been supplied, and 5.65 tonnes were under inspection, of which 5.55 tonnes were inspected later and that fag end notices were issued in respect of two tonnes of stores.

The DGSD referred the case to the Ministry of Law and Justice in April 1986. It opined that, if there was lower price trend, there was no legal objection to counter-offer the same to the firm to see its

reaction. It also advised that before cancelling the un-supplied quantity at the risk and cost of the firm, a performance-cum-extension notice should be issued to the firm as the A/T had been kept alive by issuing inspection notes after the expiry of the delivery period on 15th February 1986.

For the balance un-supplied quantity of 5.60 tonnes, the DGSD counter-offered to the firm in May 1986 the lower rate of Rs.166.14 per Kg with price variation clause. The firm did not agree to a reduction in the price on the ground that it had quoted firm and fixed prices and requested for extension in delivery period. The DGSD on 19th June 1986 extended the delivery period for 5.60 tonnes of stores up to 31st July 1986 with reservation of rights to recover liquidated damages and with demial clause stipulating that the purchaser would be entitled to the benefit of any decrease in price taking place after the original dates of delivery.

The firm completed the supplies by 15th September 1986. The DGSD, in May 1987, regularised the delivery period up to 15th September 1986 with the stipulation of recovery of potential loss of Rs.4.89 lakhs (the difference between the market rate at the time of granting extension up to 31st July 1986 and the contracted rate) on account of lower price trend at the time of granting extension for 5.60 tonnes tendered for inspection and accepted after 19th June 1986. This included retendered quantity of 0.10 tonne tendered for inspection before 15th February 1986 but rejected. Simultaneously, the DGSD asked the Controller of Accounts, Department of Supply, to deduct a sum of Rs.6.29 lakhs, which included



the potential loss of Rs.4.89 lakhs from the firm's bills.

The Controller of Accounts withheld an amount of Rs.5.60 lakhs due to the firm. The firm disputed the withholding of its dues and filed a suit in the court. The court held in July 1988 that the withheld amount be released to the firm and the matter be referred to arbitration.

The case was not referred to the arbitration by the DGSD till August 1990.

The case revealed that opportunity to effect purchase of 5.55 tonnes of solder resin core inspected up to 1st April 1986 after

the stipulated date of delivery of 15th February 1986 at the reduced rate was not availed. This resulted in a loss of Rs.1.51 lakhs. Part of this loss, on the purchase of two tonnes before inspection of which fag end notices were issued, was recoverable as liquidated damages. No action for recovery of the same was taken till August 1990.

The Department stated in July 1990 that till such time the issue was decided in arbitration it would not be correct to say that the Government had suffered any loss; the case would be referred to arbitration if necessary, after obtaining certified copy of the court order dated 28th July 1988.

## CHAPTER VI

### Ministry of Defence/Finance

#### (Coast Guard)

#### 23. Procurement of defective meteorological equipment

In March 1985, Coast Guard Headquarters (CGHQ) proposed procurement of certain meteorological equipment required for setting up a 24 hours meteorological watch office at Daman airfield which was being developed as an all weather Coast Guard air station. Sanction was accorded in December 1985 by the Ministry of Defence for procurement of meteorological equipment and spares at an estimated cost of Rs.89.30 lakhs, plus installation charges not exceeding 10 per cent of the cost of equipment.

In January 1986, CGHQ placed supply orders on firms 'A' and 'B' for supply of various meteorological equipment costing Rs.22.54 lakhs and Rs.18.98 lakhs respectively. In addition, installation/commissioning charges at eight and two per cent respectively, were payable on acceptance of the equipment. The supply orders provided for a warranty period of 12 months from the date of satisfactory completion of performance tests/ acceptance and extension of the same by a period equal to the time taken by the supplier to rectify the defects/failures. All the equipment ordered were supplied by the firms and installed in November 1987 and March and October 1988, except two equipment which were yet to be supplied by firm 'B' (October 1990).

Meanwhile, Satellite Ground Receiving Station supplied by firm 'A' and installed in November 1987 at a cost of Rs.6.70 lakhs and

'scopograph' supplied by firm 'B' and installed in March 1988 at a cost of Rs.10.97 lakhs became unserviceable in January 1988 and July 1988 respectively. Further, six more equipment costing Rs.12.91 lakhs installed between November 1987 and March 1988 also went out of order and became unserviceable between March and October 1988. Although, firm 'A' was asked in July 1988 to rectify the defects, it refused in November 1988 to attend to the defects as the warranty had run out long time back and insisted on conclusion of maintenance contract to undertake repairs. Firm 'B' was never asked to rectify the defects in respect of equipment supplied by it which had also developed defects. The Ministry stated in October 1990 that firm 'B' was a sister concern of firm 'A' and as such all cases of defects were taken up only with firm 'A'.

Instead of insisting on the firms to rectify the defects under warranty clause, CGHQ requested firm 'A' in May 1989 to inspect all the meteorological equipment fitted at the station and forward the cost estimate for undertaking repair of all the unserviceable equipment as a one time measure. Firm 'A' submitted in July 1989 its quotation for Rs.5.30 lakhs for undertaking repair and recalibration of all the eight unserviceable equipment. The Ministry stated in October 1990 that the firm was asked (September 1990) to carry out the repair of equipment free of cost and extend the warranty so as to complete a total period of 12 months' warranty for each equipment. The defective equipment had not been repaired. Ministry



informed in October 1990 that the validity of the quotation had expired and the firm was asked to further extend the validity date and the process of finalising the quotation was stated to be in hand. Although the unserviceability of certain equipment was stated to have not affected weather reporting to the air station, the relevant information on the prevailing upper

winds and upper air temperatures could not be given to aircrew.

To sum up, the case reveals procurement of defective meteorological equipment costing Rs.30.58 lakhs and the failure to get the defects rectified under warranty. Further, the weather reporting to aircrew was also deficient.

## CHAPTER VII

### Ministry of Energy

#### (Department of Power)

#### 24. Retention of money outside Government account

The Department of Power conveyed its decision in February 1989 to transfer the Salal Hydroelectric Project to the National Hydroelectric Power Corporation on ownership basis with retrospective effect from November 1987. Formal sanction has not yet been obtained to transfer Government property to a public sector corporation. Meantime the Corporation was allowed to retain Rs.145 crores received till March 1990 on sale of energy as an agent of Central Government which was irregular.

The Department of Power entered into an agreement with National Hydroelectric Power Corporation Limited in May 1978 appointing the Corporation as their agent for the purpose of construction and commissioning of Salal Hydroelectric Project and, after commissioning, for operating and maintaining the project efficiently. The agreement, inter alia, provided that funds would be released to the Corporation in advance on the basis of quarterly estimates of cash requirement furnished by the Corporation. Further, the terms and conditions that shall apply in relation to the operation and maintenance of the project and sale of actual energy generated thereat, shall be such as may be mutually agreed upon. The agreement was envisaged to be finalised in advance of the date of

commissioning of the project.

The project was commissioned in November 1987. The agreement setting out terms and conditions regarding operation and maintenance of the project envisaged to be finalised before commissioning of the project, was not executed.

During the period from November 1987 to March 1990 cheques amounting to Rs.145 crores were received by the Corporation on account of sale of energy as an agent of Government of India. The realisations were not remitted to Government.

In a letter addressed to the Corporation in February 1989, the Department of Power conveyed its decision to transfer the Salal Hydroelectric Project (Stage-I) to the Corporation on ownership basis with retrospective effect from 1st November 1987 stating that necessary legal documents to give effect to this decision would be executed by the Government in due course.

The terms and conditions of transfer were not finalised and financial sanction to give effect to the decision after obtaining approval of Parliament was not issued (March 1990).

In the absence of financial sanction and completion of legal formalities for transfer of the project, retention of Rs.145 crores received by the Corporation by sale



of energy as an agent of Central Government was irregular.

The Department stated, in May 1990, that the realisation made by the Corporation was to meet the revenue expenditure on the operation and maintenance of the project. As per the details furnished by the Department, revenue expenditure on the operation and maintenance of the project from November 1987 to March 1989 (17 months) amounted to Rs.16.36 crores excluding provision for interest and depreciation. Reckoned at this rate, expenditure on operation and maintenance of project during November 1987 to March 1990 would work out to only Rs.29 crores.

Allowing the Corporation to retain the amount realised by sale of energy for meeting the revenue

expenditure on the operation and maintenance of the project tantamounts to making payment without a proper voted grant.

The Department stated, in November 1990, that completion of legal formalities of transfer of project was taking time and revised cost estimates prepared by the Corporation on the basis of actual expenditure were still under scrutiny. As a result figures of investment, equity and loans to be indicated in the sale deed would be possible only after approval of the final revised project cost by the Public Investment Board/Cabinet Committee on Economic Affairs; formal sanction converting total investment on the project into equity and loan had not been issued due to the same reason.

## CHAPTER VIII

### Ministry of External Affairs

#### 25. External Publicity Division

##### 25.1 Introduction

Ministry of External Affairs is inter alia responsible to project the various dimensions of India's foreign policy, promote a better understanding of economic achievements, industrial and technological potential, cultural heritage and democratic institutions and also to counter anti-India propoganda by hostile elements.

To achieve these objectives, the External Publicity Division of the Ministry has been mainly entrusted with the following activities :-

- (a) to brief foreign press in Delhi regularly about India's policy on various issues;
- (b) to keep Indian missions abroad in regular touch with the foreign media, to brief them about current developments in India and provide them with factual material on the problems being faced in India;
- (c) to provide information bulletins to the missions ;
- (d) to undertake the printing and publication of publicity literature on India ;
- (e) to purchase books, newspapers, periodicals for missions abroad;
- (f) to acquire Indian films including documentary films

and send them to missions abroad; and

- (g) to hold exhibitions abroad on different aspects.

##### 25.2. Scope of Audit

A test check of records of audio visual, material supply, press relation and transmission branches relating to the period 1985-86 to 1989-90 in the External Publicity Division of the Ministry of External Affairs was conducted during March to May 1990. The draft review was issued to the Ministry who had furnished their comments in March 1991. This review has been finalised after giving due consideration to the Ministry's comments.

##### 25.3 Organisational set-up

The External Publicity Division executes its functions through its various branches viz. material supply, press relation, transmission, policy and spokesman and audio visual and is headed by a Joint Secretary (External Publicity).

##### 25.4 Highlights

- The expenditure, incurred on External Publicity during 1985-86 to 1989-90, was Rs.1443.99 lakhs.
- Seven films valuing Rs.16.21 lakhs were not delivered by the producers within the stipulated period of two months. No deduction was made although deductions to the



extent of Rs.1.62 lakhs could have been made.

Formal agreement for timely completion of subtitling of films was not entered into with the National Film Development Corporation Limited (NFDC). 181 prints sent to the NFDC during December 1988 to September 1989 were yet to be subtitled. Of the 40 prints retained in the Headquarters during the last five years, no print appeared to have been utilised.

Ministry had not maintained any record indicating the number of films purchased, subtitled and circulated to the missions and their timely return to External Publicity Division.

Of the 138 sets (3864 cassettes) of 28 popular films purchased in March 1989 for Rs.7.07 lakhs, 96 sets (2688 cassettes) were sent to the missions and remaining 42 sets (1176 cassettes) valuing Rs.2.15 lakhs were lying unused.

Out of 18 video films, the production of which was entrusted by the Ministry to private producers during 1986-90, eleven films had been completed at a cost of Rs.59.40 lakhs and the remaining seven films had not been completed though advances amounting to Rs.13.04 lakhs had been paid during December 1987 to March 1990.

The advice of NFDC or Doordarshan had not been

obtained as to the quality and reasonableness of the cost of production and distribution except in two cases. In a case where Doordarshan was consulted the cost of the film was brought down to Rs.1.50 lakhs after negotiations with the producer against the quoted price of Rs.2.40 lakhs. In another case where help of NFDC was taken the cost of a part of the film was brought down to Rs.11.20 lakhs against the amount of Rs.14.60 lakhs quoted by the producer.

- The information as to the actual telecast of the films on the network abroad or utilisation of the U-matic and VHS copies of the films sent to the missions was not available with the Ministry.
- No records of photographs valuing Rs.24.62 lakhs on different topics purchased by the Ministry from time to time had been maintained.
- Records to watch regular receipt of journals and feature services subscribed at an expenditure of Rs.122.85 lakhs during 1985-90 had not been maintained. There were complaints from the missions of the supplies being erratic.
- Ministry failed to secure newstand discount of Rs.3.18 lakhs from a publisher during 1985-90.
- An expenditure of Rs.403.72 lakhs was incurred in publication of publicity material during 1985-86 to 1989-90. Record of publications brought out from time to time, number of copies

printed, number of copies sent to missions, etc. had not been maintained. The requirement of material for a reasonable period had not been assessed properly. No physical verification of publications lying in stock had ever been undertaken. A large number of copies had been destroyed without their cost being ascertained and written off.

Record of distribution of books valuing Rs.54.66 lakhs purchased during 1985-90 had not been maintained. No physical verification of books in stock had ever been conducted. In one case Ministry authorised a mission to purchase 1000 copies of a book at Rs.420 per copy although the book was available in India at Rs.300

per copy resulting in avoidable expenditure of Rs.1.20 lakhs. The decision taken in November 1989 to airfreight 700 copies of the book to India had not been conveyed to the mission with the result the books had been lying with the mission.

- Evaluation of the publicity material made available to the missions had not been done by the Ministry to ascertain whether the same was appropriate to the objectives.

25.5 Budget provision and expenditure

The expenditure incurred by the External Publicity Division during 1985-86 to 1989-90 was as under :-

(In lakhs of rupees)

Year	Budget Estimates	Revised Estimates	Actual expenditure	Excess/Saving with reference to revised estimates	Percentage
1985-86	251.45	242.99	212.65	(-) 30.34	12
1986-87	259.89	264.20	235.66	(-) 28.54	11
1987-88	272.65	273.00	280.30	(+) 7.30	3
1988-89	280.00	350.00	327.38	(-) 22.62	6
1989-90	380.00	432.00	388.00	(-) 44.00	10

It will be seen that the requirement of funds was not correctly assessed leading to variation between estimates and actuals ranging from 3 to 12 per cent.

25.6 Audio-visual publicity

25.6.1 Feature films:- Ministry was making purchases of feature films

for publicity purposes for non-commercial screening. These films are circulated to the missions after getting them sub-titled in Arabic, English, French and Spanish languages. As per the information furnished by the Ministry 449 prints (16mm-380 and 35 mm-69) of 40 feature films were procured by the Ministry during 1985-86 to 1989-90 for Rs.143.28 lakhs.



A test check of the records relating to the purchase, subtitling and circulation of films revealed the following :-

(i) As per the guidelines issued by the Ministry in July 1984, the films proposed to be purchased were to be previewed by a committee of three officers including, as far as possible, an officer of the Ministry of Information and Broadcasting and their comments placed before Joint Secretary (External Publicity) for final approval. From a test check of the records made available for purchases made during February 1987 and March 1989 it could not be verified in Audit whether comments of the committee, if any, were made. Purchases worth Rs.128.53 lakhs were made during 1985-89. In February 1989 the Ministry revised their guidelines effective from December 1988 stating inter alia that the film(s) should be previewed by a committee of three officers of the Ministry.

(ii) As per the terms and conditions, the films were to be supplied by the suppliers within two months from the date of order. In the event of non-receipt of the prints within the specified period the Ministry shall deduct 10 per cent of the total cost of the prints. A test check in Audit revealed that the prints of seven films valuing Rs.16.21 lakhs were delivered after a delay ranging from 1 to 10 months and no deduction was made although deduction to the extent of Rs.1.62 lakhs could have been made from the firms.

Ministry stated in March 1991 that a clause for deducting 10 per cent of the cost of film in the event of delay was incorporated in the supply order. It added that it

was a unilateral decision to expedite delivery. It was indicated that where supply would be considerably delayed, the External Publicity Division would in future cancel the order if its efforts to get the films do not meet expeditious response.

(iii) Till 1987, subtitling of the prints of 16 mm feature films in Spanish was got done in Mexico and sub-titling in Arabic, French and English in Cairo. In 1988 it was decided to get the subtitling of 16 mm films done through National Film Development Corporation Limited (NFDC). Out of 449 prints of the 40 films purchased during 1985-86 to 1989-90, the subtitling of 102 prints was got done in Mexico and Cairo. Of the 263 prints of 24 films purchased at a cost of Rs.85.38 lakhs during March 1986 to March 1989, subtitling of 232 prints was entrusted to NFDC during December 1988 to September 1989 out of which only 51 prints were received back between August 1989 and January 1990. No formal agreement for timely completion of this work was entered into with the NFDC. An advance of Rs.2.00 lakhs was also paid to the NFDC in March 1989. Although none of the prints sent to the NFDC was subtitled a cheque for Rs.9.93 lakhs was also drawn in March 1989 in favour of the NFDC to avoid lapse of funds which was cancelled in March 1990. The payment of Rs.2.14 lakhs on account of cost of subtitling of 51 prints after adjustment of advance of Rs.2.00 lakhs was made to NFDC in March 1990. The remaining 181 prints were yet to be subtitled by the NFDC (May 1990).

Ministry stated in March 1991 that it would be ensured in future that there is a firm commitment on



the part of NFDC to do subtitling work within a stipulated time frame.

Of the 35 prints of three films purchased during April to July 1989, 27 prints were yet to be got subtitled (June 1990).

Out of 126 prints of 25 films purchased for Rs.41.55 lakhs during March 1986 to March 1987, 102 prints were sent to Cairo and Mexico for subtitling during December 1986 and February 1988 and were reported to have been subtitled during July 1987 and October 1988 only, i.e. after one and a half years of their purchase.

(iv) One print of each of the films purchased is usually retained at the Headquarters. Of the 40 prints retained at the Headquarters during the last five years, none of the prints appears to have been put to use.

(v) Ministry had not maintained any record indicating the number of films purchased, number subtitled, the number of prints circulated to the missions from time to time, number of prints received back, etc. As many as 166 prints (including 41 prints purchased prior to April 1985) of various films subtitled in different languages were reported to have been circulated to the missions. Ministry, however, failed to keep a track over the timely circulation of films from mission to mission and their return to the External Publicity Division. During stock taking of the films in April 1989, it was noticed by the Ministry that a number of prints had not been received back from the missions. They were directed in April 1989 to send a record of the films lying with them. No further action in

this matter had been taken by the Ministry (June 1990).

Ministry stated, in March 1991, that the format of stock registers was being computerised which would reflect all details.

25.6.2 *Video cassettes* :- Ministry purchased 138 sets (3864 cassettes) of 28 popular feature films in March 1989 for Rs.7.07 lakhs for distribution to missions abroad, for developing good relations and for building groups of people with interest in India. Out of these, 132 sets were for missions abroad and remaining 6 sets for Headquarters stock. It was observed in Audit (January 1990) that 96 sets (2688 cassettes) only were provided to missions. The remaining 42 sets (1176 cassettes) valuing Rs.2.15 lakhs were lying with the Ministry since their purchase in March 1989 and had not been put to use. The Ministry may consider circulating a list of cassettes lying unused for their possible utilisation in the missions.

Ministry stated, in March 1991, that it was trying to identify some more missions where these sets could be sent.

25.6.3 *Video films* :- To meet the specific requirements of external publicity to project India's point of view on specific issues etc., the Ministry is producing its own video films through private producers. The U-Matic and VHS copies of these films are sent to the missions for general viewing and arranging telecast of these films on television network. No record to indicate the films produced from time to time, amount spent thereon, number of U-Matic and



VHS copies of the films sent to missions etc. had been maintained. As per the information compiled at the instance of Audit, 18 films were taken up during 1986-87 to 1989-90, of which 11 films costing Rs.59.40 lakhs were completed. An expenditure of Rs.39.97 lakhs had been incurred on the telecast of three films in different countries.

It was observed in Audit that of the 18 films taken up, the production of 17 films was awarded after discussion with the single producer except in one case (India within India). Audit agrees with the Ministry that all producers are not equipped to make creative documentaries/films which can effectively compete for telecast time and attract foreign audiences. However the production cost of half an hour film ranged between Rs.1.20 lakhs and Rs.3.75 lakhs. The advice of the NFDC or Doordarshan had not been obtained as to the reasonableness of the cost of production and distribution except in one case (India-Sri Lanka Accord) where the cost of 30 minutes film was brought down to Rs.1.50 lakhs against the quoted price of Rs.2.40 lakhs. In another case, the producer had submitted estimates for Rs.6.30 lakhs for a two part film (Christianity). The NFDC approved the cost of Rs.2.43 lakhs of one part of the film in July 1989. An amount of Rs.2.52 lakhs was drawn in March 1990 without waiting for the approval of the other part. In the meantime NFDC concurred with the suggestion that the documentary should be made only in Hi-band or in 16 mm instead of in Hi-band/Lo-band. Against the revised budget estimates for Rs.14.60 lakhs submitted by the producer, the NFDC recommended Rs.11.20 lakhs and a cheque for Rs.2.52 lakhs drawn earlier in March

1990 was handed over to the producer in May 1990. A formal agreement was entered into on 6th July 1990.

Out of six cases where the producers were also entrusted with the distribution of films abroad, the distribution cost in three cases was included in the total cost of the films which varied from Rs.1.80 lakhs to Rs.3.50 lakhs for a half an hour part. Of the three other cases, in two cases the producers were paid Rs.13.50 lakhs and Rs.21.06 lakhs for 30 minute films and in the third case Rs.5.41 lakhs for four part film of 30 minutes each. The agreements entered into with the producer did not indicate any target date for the telecast of the films.

In seven cases the films were yet to be completed although advances of Rs.13.04 lakhs had been paid between December 1987 and March 1990.

Ministry stated in March 1991 that it is not unusual that films of the kind it produces take a long time to be completed. Since the documentaries are of archival value, these are produced with high standard of quality and expertise without unreasonably stressing on their early completion.

An expenditure of Rs.41.14 lakhs was also incurred during 1987-90 on U-Matic and VHS copies of the films sent to missions for arranging telecast and for general viewing. The information as to the actual telecast of the films and otherwise utilised for general viewing, etc. was not available with the Ministry.

25.6.4 *Photographs* :- Ministry was supplying to missions abroad photographs on different topics such



as art and culture, socio economic changes, science and technology, wildlife and the photographs of the Prime Minister, President and Ministers for display and use in magazines brought out or sponsored by them.

No record of the photographs purchased from time to time, photographs sent to missions, etc. had been kept. An expenditure of Rs.24.62 lakhs was reported to have been incurred during 1985-86 to 1989-90 on photo procurement and publicity. The photographs were being procured without assessing the actual requirement during a reasonable period resulting in huge accumulations. No stock taking of photographs had also been ever conducted. A stock taking of photographs done in February 1990 at the instance of Audit revealed that as many as 9105 photographs valuing Rs.2.09 lakhs were lying in stock. Ministry may consider issuing of guidelines to regulate the purchase of photographs to avoid unnecessary accumulation.

Ministry stated in March 1991 that it was not always found practicable to depend entirely on Photo Division for supply of photographs. It added that it was in the process of computerising the stock of photographs.

#### 25.7 Supply of publicity material

25.7.1 Supply of periodicals, journals and feature services to missions :- Ministry was subscribing to various journals and feature services for the libraries of the missions abroad, for presentation to selected dignitaries, libraries, schools, etc. by them. The expenditure incurred on this account during 1985-86 to 1989-90 amounted

to Rs.122.85 lakhs. No record to watch the regular receipt of these services, due date and actual date of receipt, number of copies subscribed and copies actually received, rate of subscription, amount paid, copies sent to missions, etc. had been maintained. There were complaints from missions that the supplies were erratic and that the periodicals either did not reach them at all or their supply was delayed considerably.

It was further observed that although the periodicals, etc., were being obtained directly from the publishers in bulk, the newstand discount had not been secured from the publisher of a weekly newspaper (National Herald) and a monthly journal (Farmers Journal) till December 1989. On the matter being taken up in December 1989, the publisher offered a discount of 15 per cent. The failure of the Ministry to secure the discount resulted in avoidable expenditure of Rs.3.18 lakhs during 1985-86 to 1989-90 (upto November 1989).

Ministry stated in March 1991 that all publication were now being purchased after ascertaining the discount.

25.7.2 *Publication of publicity material:-* The Ministry had also been undertaking printing and publication of publicity material on India in Arabic, English, French, German and Spanish languages for circulation to Indian missions abroad. Consolidated records of the various publications brought out from time to time, number of copies printed, copies sent to the missions, number of copies distributed, amount spent, etc., had not been maintained. During 1985-86 to 1989-90, 98 publications were



brought out at a total expenditure of Rs.403.72 lakhs. A test check of the records relating to publication of material revealed the following:-

(i) Ministry brought out 15000 copies of booklet "Prime Minister's bio-data" in October-November 1987 at a cost of Rs.1.59 lakhs for distribution by missions at the time of the dignitary's visit to different countries. The Ministry decided to bring out an updated version of the booklet in June 1989. As many as 15000 copies of the booklet, in five different languages were got printed in July 1989 at a cost of Rs.1.71 lakhs. Out of these only 400 copies were distributed to the missions during the visit of the dignitary.

Similarly, 2500 copies each of the booklet on bio-data of External Affairs Minister and Minister of States for External Affairs were got printed in June- September 1989 at a cost of Rs.0.36 lakh and were lying unused. Thus the requirement of publicity material had not been assessed properly before bringing out the publications. On this being pointed out in Audit, the Ministry stated, in February 1990, "the printing was done in June and September 1989 to meet our day to day requirements and it was never expected that there will be change of incumbency in the Government".

(ii) It was further observed that a large number of surplus copies of publication work were also destroyed by the Ministry from time to time. In September 1989, Ministry destroyed surplus copies of 13 publications. At no stage the number of copies and cost thereof was ascertained and written off by the Director (External Publicity) before the destruction was ordered.

25.7.3 *Supply of books and publications to missions:-* Ministry has been making purchases of books on various issues for the missions, libraries and for presentation to the dignitaries by the mission and the officers of the Ministry. During 1985-86 to 1989-90 books valuing Rs.54.66 lakhs were purchased by the Ministry. No consolidated record of the books purchased from time to time, books sent to missions and books in stock had been maintained. The acknowledgements of the missions had also not been watched. No physical verification of the books left undistributed had been conducted.

Ministry had also been making purchases of books published abroad through their missions. During 1989-90, 1350 copies of three books were reported to have been purchased at a cost of Rs.4.71 lakhs in foreign exchange. A test check by Audit revealed the following:-

Ministry sanctioned to a mission an amount of Rs.3.33 lakhs in July 1989 for the purchase of 1000 copies of a book. In October 1989, the mission informed that the book had been priced at ₹ 25 instead of ₹ 20 resulting in increase in the total cost of book by Rs.0.88 lakh. The Ministry sanctioned the additional sum in October 1989 although in September 1989 the Ministry purchased 25 copies of the book in India at Rs.300 each against the cost of Rs.420 per copy settled by the mission. This resulted in an avoidable expenditure of Rs.1.20 lakhs.

It was further decided by the Ministry in November 1989 that 300 copies of the book be retained by the mission for distribution to the



missions in Europe and remaining 700 copies airfreighted to India for distribution to other missions. The decision to airlift the books had, however, not been conveyed to the mission with the result that the books had been lying with the mission (June 1990).

#### *25.8 Evaluation and monitoring*

It was observed that no evaluation of the publicity material made available by the External Publicity Division to the missions had been done by the Ministry to ascertain whether it was appropriate for the objectives and whether it had an impact in countering the anti-India propoganda. A review of 'Publicity thrust in English speaking world' was, however, stated (May 1990) to be in progress. It was also reported (May 1990) that another review on publications and magazines produced by the missions abroad had been completed in March 1990 and the implementation of the recommendations would be started after obtaining the approval.

Regular feed back of the efforts even in case of 21 missions with separate publicity post was not being received; the prescribed quarterly publicity reports were not received from 14 missions during 1988 and 12 in 1989. Further two missions in 1988 and six in 1989 had not sent their reports completely. In respect of the missions having no separate publicity post, only 32 submitted the reports during 1988 and 28 during 1989. Thus after having prescribed detailed reports, the Ministry failed to obtain the reports in full and to make any timely analysis to assess the performance of the missions in publicity matters.

Ministry stated, in March 1991, that a detailed review of all publications abroad had been undertaken by the Division. A review of publicity effort in United Kingdom was already completed and specific measures to intensify the publicity effort based on the findings of the review were in the process of implementation. It added that quartely reports while useful were no guage of the continuing liasion with the missions. It further added that the number of reports were not as relevant as the overall effort of the mission during a particular year; the External Publicity Division was guiding, encouraging and occasionally pulling up the missions for not being effective enough to tasks assigned to them.

#### **26. Consular services rendered by some Indian Missions abroad**

##### *26.1 Introduction*

One of the major functions of the Indian Missions/posts abroad is to provide consular services. This includes the issuing of travel documents viz. passports, emergency certificate etc., renewal of passports, issuing visas to foreign nationals, registration of persons abroad, registration and certification of births, deaths and marriages, performance of notarial functions including authentication of official documents and administering of oaths, providing relief or financial assistance in time of extreme difficulty, repatriation of destitute Indian nationals, taking of evidence and service of documents abroad, extradition, settlement of estates of deceased Indian nationals, custody of funds and personal



effects of Indian citizens, war damages, pay, pension and provident fund claims of Indians against foreign governments, civil and criminal proceedings against Indians abroad, issue of 'no objection to return to India' (NORI) certificates and other miscellaneous service relating to merchant shipping, health, weapons etc.

The instructions on consular matters have been compiled in the Consular Manual. In the preface to the latest available edition (1983) of the Manual, the duties and responsibilities of consular officers have been described as under:

"While discharging their consular responsibility, our Missions have to always bear in mind that they are under constant public scrutiny and public has high expectations of our Missions. We, therefore, have to ensure that our Missions adopt high standards of courtesy and efficiency in performing their consular functions. Service to the public should not only become the motto of our consular sections but every effort should be made to satisfy the public which comes into contact with them."

#### 26.2 Scope of Audit

The review records the revenue realised for the services and its accountal, the adequacy of the system of internal control and monitoring, maintenance of necessary records and other miscellaneous aspects having a direct bearing on the quality of these services.

For collection of necessary statistics of various consular services rendered during the last five years starting 1985, a

questionnaire was issued in May 1990 to 20 Indian Missions located in USA, Canada, Central and South America and the Missions were requested to send the requisite information within a month. Replies from majority of them were received in July 1990, four Missions sent their replies in August 1990 and one Mission in September 1990.

Keeping in view the large number of consular services rendered by the four Missions in USA viz. Embassy of India at Washington D.C. and Consulates at New York, Chicago and San Francisco, these were also test audited. Most of the analysis given in this review as also the conclusions drawn are based on the data furnished by the Missions in USA and Canada.

#### 26.3 Organisational set up

Ministry of External Affairs has a separate passport and visa division headed by a Joint Secretary who is responsible for framing the policy, prescribing the procedure and other related instructions on various consular matters for the guidance of Missions abroad. While the political aspect of consular work is taken care of by the Ministry of External Affairs, the aspects having a security angle are decided upon by the Foreigner's Division of the Ministry of Home Affairs.

In Missions abroad, the consular wings function under the overall administrative control of the Head of the Mission.

#### 26.4 Highlights

- An analysis of the consular revenue realised by the Missions in USA and Canada

revealed that there was a steady increase in the total revenue realised by them over the years.

Short realisation of revenue to the tune of US dollars 2.66 lakhs (Rs. 36.10 lakhs) was noticed in the test check of accounts of the Missions at Washington, New York, Chicago and San Francisco.

There were many instances of abnormal delays in depositing the consular revenue and its credit into government accounts.

A large number of cases for issue of duplicate passports were pending for considerable lengths of time in the Missions in USA.

Except in case of tourist visa, no time limits for providing the services were prescribed by the Ministry. There was no uniformity in the time limits fixed by the four Missions in USA. There were numerous instances of delays in providing consular services even with reference to the time limits internally fixed by Missions.

- Irregularities in the maintenance of the Register of passports and travel documents reflecting certain deficiencies in the account of blank passport booklets were noticed. The register of passports issued was also not maintained properly.

- The decision to introduce 'More Secured Passport' from July 1989 to reduce incidence of forgeries in passports has not been implemented.

- Even after a lapse of six years after a policy decision was taken by the government to computerise the Missions in North America, nothing tangible has been done in this regard so far. Even simple innovation like introduction of visa stamping machine has not been adopted so far.

26.5 Revenue collected on various consular services

Total revenue collected on various consular services in USA, Canada and other countries in Central and South America during the last five years starting from 1985 was as under:

(In lakhs of Rupees)

Name of the country/ region	1985	1986	1987	1988	1989
U.S.A.	120.95	156.94	285.50	336.05	429.39
Canada	21.38	25.27	32.31	38.76	51.97
Central and South America	6.04	6.90	9.95	12.70	14.71
<b>Total</b>	<b>148.37</b>	<b>189.11</b>	<b>327.76</b>	<b>387.51</b>	<b>496.07</b>



As would be seen from the above table, bulk of the consular revenue was realised by the Missions in the United States of America. There had been a steady increase in the consular revenue collected by Missions in this region over the years. This was basically due to a consistent increase in the number of services rendered by Missions in USA and Canada and an upward revision of visa fees for US nationals in October 1986.

26.6 Short realisation of revenue

Fees for various consular services are levied under the

authority of the Diplomatic and Consular Officers (Oath and Fees) Act, 1948 and Diplomatic and Consular Officers (Fees) Rules, 1949 as amended from time to time.

A scrutiny of Annual Consular Reports and other statements of consular services rendered and revenue realised revealed that in the Embassy at Washington and in the Consulate at New York the total revenue realised was not commensurate with the number of services rendered resulting in short realisation of revenue as indicated below:

	Washington		New York	
	US dollars	Equivalent Rupees	US dollars	Equivalent Rupees
(In lakhs)				
1987	0.90	11.79	0.47	6.16
1988	0.32	4.17	0.35	4.59
1989	0.42	6.55	0.05	0.78

In the Consulate at Chicago, the total short realisation of revenue was \$ 0.08 lakh (Rs.1.14 lakhs) during the period 1985 to March 1990.

As per monthly consular reports of the Consulate at New York, visa fees amounting to \$ 2.12 lakhs (Rs.28.87 lakhs) were shown as realised for 14031 visas granted in October to December 1988. The above numbers of visas issued also tallied with the separately maintained record of visa numbers issued during these months. It was, however, seen from the visa fees registers that the visa fees realised pertained to only 12719 visas granted during the above mentioned three months. Details of visa fees realised from the persons to whom the remaining

1312 visas were granted were not found entered in the two visa registers shown to Audit. There was also no clue to the revenue relating to the remaining number of visas. This discrepancy was brought to the notice of the Consulate in June 1990, but no reply has been received (December 1990).

A sum of \$ 97,688.56 was deposited in February 1988, February 1989 and March 1989 with the Chancery cashier as against the actual realisation of revenue of \$ 97,959.56 by the Consulate at New York resulting in short deposit of \$ 271. It indicated that adequate check was not exercised by the concerned officers in the Consulate in verifying the entries made in the consular service registers with

reference to consular receipts as prescribed in the Consular Manual. This was brought to the notice of Consulate in June 1990, but no reply has been received (December 1990).

In 14 cases, out of 174 applications test checked at random in audit, it was noticed that either new passports were issued to the applicants or their passports renewed or visas granted to them without there being any indication of their applications having passed through the Electronic Cash Register and the passport/renewal/ visa fees having been realised from them.

Visa fee for US passport holders was raised from \$ 5 to \$ 15 in October 1986. The Consulate at San Francisco continued to charge pre-revised rate of \$ 5 till middle of May 1988 on the plea that the revised rates should be made effective only after a suitable gap of time during which efforts could be made to make the Indian and American community at large aware of the change. The services were provided by the Mission while requesting the applicants to pay/remit the difference of fee. The total amount short realised on this account was stated to be \$ 0.07 lakh (Rs. 0.92 lakh) in the Consulate's letter of May 1988 written to the Ministry.

There was no co-relation between the postal revenue realised and the postal expenditure incurred by the Consulate at Chicago. The figures furnished by the Consulate did not follow any logical pattern and the inconsistencies pointed out by Audit in August 1990 were not

reconciled/explained by the Mission.

#### 26.7 Delay in depositing consular fees

26.7.1 Rules require that on completion of each day's transaction, the Consular Accountant should deposit the day's collections with the Chancery cashier who in turn should deposit the consular fees realised into the bank on the same day or on the following day. It was, however, seen that consular receipts were not deposited with the cashier regularly but were delayed for a number of days. Records for the months of March to October 1985, February, August and September 1986 were test checked in the Embassy at Washington and for the months of February and March 1988 in respect of the Consulate at Toronto. The delay in depositing consular receipts with the cashier ranged from 4 to 27 days in the case of Embassy of India, Washington and from 15 to 26 days in the case of Consulate at Toronto. There were 57 instances of delay in the Embassy of India, Washington. Out of this, in 25 instances the delay was for a period of over 10 days. Similarly, in the Consulate at Toronto, there were 9 instances of delays of more than 14 days in all the cases.

The Embassy at Washington agreed (July 1990) that 'there had been delays in depositing consular receipts with the cashier of the Embassy'. It was further stated that 'while no reasons were recorded in the cash registers for such delays, heavy pressure of work in the Consular Wing, absence on leave of the India based Assistants handling



the cash registers etc. were possible reasons for such delays.'

A test check of the records of the Consulate at Chicago for the months of June to December 1989 and February 1990 revealed that delays in depositing consular fees with the cashier ranged from 2 to 42 days.

26.7.2 Apart from delays in depositing the consular receipts by the Consular Accountant with the Chancery cashier, there were also instances of delay in depositing the Consular receipts into the bank by the Chancery cashier.

In the Consulate at San

Name of the Mission	No. of cases pending	
	PIAs	MEA
Washington	87	134
New York	1108	2062
Chicago	68	231
San Francisco	972	2000
Total	2235	4427

The Embassy at Washington stated, in January 1991, that it has streamlined the work to cope with the increasing incidence of loss of passports and laid down procedure for examining/processing individual cases. It added that separate files are being maintained and decisions recorded on a progress sheet attached to the file.

In the Consulate at San Francisco, in 423 cases, clearance from the passport issuing authorities and Ministry of External Affairs had been obtained but duplicate passports were not issued on the plea that most of the

Francisco, there were delays from 2 to 11 days in depositing the consular receipts into the bank. A test check of the records of the Consulate at New York for December 1987, May 1988, December 1989 and February 1990 revealed that delays in depositing consular receipts into the bank ranged from 2 to 6 days.

#### 26.8 Issue of duplicate passports

As many as 6662 lost passport cases were pending with the passport issuing authorities (PIA) and Ministry of External Affairs (MEA) for clearance as on 1st May 1989 as per the details given below:

applicants to whom short validity passports have been issued, did not approach the Consulate for issue of full validity passports.

#### 26.9 Delay in rendering various consular services

No general orders prescribing the time limits for rendering various consular services were issued by the government except in July 1989 when the Missions were asked to issue tourist visas within 24 hours.

A scrutiny of replies received in response to the questionnaire and

annual consular reports of the Missions in USA and Canada revealed that there were wide differences in time limits fixed internally by various Missions for rendering consular services.

In the Consulate at New York, 92 applications received by mail and 41 applications received at the counter between January and February 1990 for issue of fresh passports were test checked. Even after providing for a period of three weeks for processing of the applications received by mail, there were delays in 24 cases ranging from 2 to 79 days. However, in almost all the cases received at the counter, services were rendered within the locally prescribed period of 7 days.

In the Consulate at San Francisco, a large number of applications for visa, renewal of passports, issue of new passports and miscellaneous services received during the period from February to June 1990 were picked up at random. Out of 93 applications, visa was given on the same day in 43 cases. Out of 44 applications for renewal of passports, 5 were renewed on the same day, 4 after a delay of 1 to 2 days and 29 after a delay of 3 to 25 days. In 6 such applications, the date of rendering the services was not given. Out of 22 applications of miscellaneous services, there were delays of 3 to 19 days in 12 cases. Out of 40 applications for new passports, only 16 were attended to within the prescribed time limit of 3 days. There were delays of 4 to 26 days in 20 cases and in 4 applications the date of rendering services was not mentioned.

In the Embassy at Washington, 186 applications for grant of visa received during February 1988,

October to December 1988 and December 1989 were picked up at random. Only in 27 cases the visa was granted within 2 working days. There were delays of 1 to 5 days in 31 cases and in 128 applications the date of rendering services was not mentioned. Applications for renewal and issue of fresh passports were not made available to Audit for scrutiny.

The Embassy at Washington stated in January 1991 that consular services are now being rendered on the same day if applications are presented at the counter (except for new passport which is issued in two days) and in two/three days in respect of applications received by mail. Delays were also due to the incomplete nature of applications.

In the Consulate at Chicago, 38 applications for new passports received during November and December 1989 were test checked. While new passports were issued within 4 to 7 days in 23 cases, there were delays of 1 to 15 days in 8 cases and in the remaining 7 cases the date of rendering the service was not mentioned.

The above delays have been calculated with reference to the time limits fixed internally by these Missions.

The Ministry stated, in November 1990, that the heads of Missions decide the time limit for providing specific consular services depending upon the local conditions.

#### 26.10 Complaints

Every Mission/Post was requested by the Ministry in February 1982 to maintain a visitors book with a remarks column wherein



visitors were free to record their complaints/suggestions/ comments. Head of Mission was also requested to go through the visitors book once or twice a month and take appropriate action on complaints/suggestions recorded therein. In May 1984, Ministry reminded Heads of Missions/Posts to ensure timely submission of half yearly return on complaints so that a consolidated statement could be compiled and sent to the Department of Personnel and Administrative Reforms. But no such return was seen to have been sent by the Embassy at Washington. The situation in other Missions in USA also appeared to be similar. This was also evident from the fact that most of the Missions had not given year-wise details of complaints in response to the questionnaire issued by Audit as no such records were maintained.

#### *26.11 Accountal of blank passport booklets*

As per para 211 of Passport Manual, it is necessary for Consular Wings to maintain a Register of passports and travel documents which should fully reflect the stock of blank passport booklets in hand. A test check of records relating to receipt and issue of passport booklets in the Mission at Washington revealed the following irregularities:

The Mission received 5000 passport booklets from February to March 1986. As against this, a total of 3402 booklets were utilised for issuing new passports in 1986. The balance at the end of 1986 was shown as "nil" as against the minimum number of 1598.

As against the actual balance of 1780 booklets as on 1st July

1987, Ministry was informed that the Mission had a stock balance of 3220 booklets. This implied that 1440 booklets received were not accounted for/taken on stock.

Passport booklets were shown as issued without there being any receipt or balance brought forward entries in the stock register. Balances at the end of each day were not worked out and sometimes the booklets were not issued in chronological order.

In the stock account 100 booklets were shown as issued to New York Mission on 7th June 1990 but their acknowledgement was not on record.

Periodical check of the stock in hand with the stock as reflected in the register was not done either in the Embassy at Washington or in the Consulate at New York.

The Embassy at Washington stated in January 1991 that the records were totally disorganised during the shifting of the Consular Section in 1986 and some of them have since been located. It added that the blank passport booklet stock register has been reconstructed.

#### *26.12 Register of passports issued*

As soon as a new passport is issued, it is required to be entered in a register wherein all the personal particulars of the applicant are required to be noted. Proper maintenance of this register is of utmost importance as this register serves as a permanent reference record for all cases of doubt, dispute or enquiries arising in future connected with the identity, renewal or issue of a

fresh passport to an individual who has been issued an Indian passport once. Scrutiny of passport issue register of the Mission at Washington revealed the following deficiencies:

For the period from 1983 to 1986, there was no entry in the registers regarding new passports issued. Most of the passport issue/renewal registers for the period 1987 to 1989 were not made available to Audit.

When the current registers were made available for test check in July 1990, it was seen that the passport issue register was also not written from 7th May 1990 onwards although a number of new passports had been issued beyond that date.

In 85 cases, between August 1987 to April 1990, only serial number of passport booklets used was noted in the register and all other columns viz. name, date of birth, address, period of validity of passport etc. were left blank.

Entries were not attested by an authorised official.

Instances were also noticed where entries in the register were simply scored out without any attestation or reasons recorded therefor.

The Mission at Washington stated in January 1991 that bulk of the entries which Audit found missing during test check had been made in the passport registers. It added that some more entries were still to be made for which the relevant application forms were being searched.

### 26.13 Introduction of new passport booklets

With a view to curb forgeries on Indian passport booklets and in consonance with recommendations of the International Civil Aviation Organisation (ICAO), the Ministry decided (March 1988), in principle, to introduce Machine Readable Passports (MRP) in a phased manner. It was also decided as a short term measure to streamline and standardise the materials used to improve the quality and security features in the passport booklets.

As the introduction of the MRP involved complete computerisation of passport offices in India as well as abroad, it was considered more practicable in short run to introduce as a first step a More Secured Passport (MSP) from July 1989 to reduce incidence of forgery in passports and MRP with effect from 1st January 1995. The Ministry decided in June 1990 to introduce MSP with effect from 16th August 1990 and directed all the Missions/Posts to telex their actual monthly requirements of MSPs to Government of India Security Press, Nasik. As the booklet requires a specific lamination, Ministry also advised the passport issuing authorities to obtain the laminators before August 1990.

Enquiries from the Embassy at Washington revealed that the MSP booklets had not been received (November 1990) by them.

Thus, the MSP booklets, which were initially planned to be introduced in July 1989, were not available in the Missions (November 1990).



The Embassy at Washington stated, in January 1991, that they were making arrangements for obtaining the required equipment.

#### 26.14 Computerisation of consular work

It was decided by the Ministry in June 1984, in principle, to introduce computerisation in all the Missions in the Gulf and North America. It was further decided that the Mission at Washington would become the nodal point and would be linked with other Missions in North America namely New York, Chicago, San Francisco, Ottawa, Toronto, Vancouver and Mexico. National Informatics Centre was entrusted with the responsibility of preparing a feasibility study to assist in establishing the link. Although the decision for computerisation had already been taken, the Ministry for a long time could not decide the modalities and practically no headway in this direction was made.

The Consulate at San Francisco has computerised a small portion of its consular work from April 1989. Apart from preparing returns of visas issued, the Consulate uses it for monitoring and pursuing the lost passport cases which are large in number. This also helps them in analysing the pendency of lost passport cases and issuing periodical reminders wherever necessary.

In the Embassy at Washington, a proposal for purchasing two personal computers - one for visa and the other for passport - was also approved by the Foreign Service Inspectors in January 1989 but no computer has been purchased so far (November 1990).

It will thus be seen that nothing tangible has been done so far for computerisation.

#### 26.15 Delay in introduction of visa stamping machines

At present, stamping of visa in the passport is done conventionally and atleast three different stamps, each showing the type of visa and visa number, seal of the Mission and name and designation of the signing officer, are affixed to complete a visa. The Consulate at New York has been using a multi-colour visa stamping machine since 1987 and it has proved to be labour saving device in-as-much as only one stamp is required to be affixed. The visa stamping machine was also found to be useful from the angle of security as it was difficult to alter or forge it. Based on the experience of New York, the Embassy at Washington requested the Ministry in April 1987 to authorise them to buy visa stamping machine for use in the Embassy and other Consulates in USA. However, since the format for visa was under revision by the Ministry of Home Affairs, the proposal for purchase of visa stamping machines was kept pending. The format was revised in November 1988.

On a proposal made by the Mission at Washington, the Foreign Service Inspectors approved, in January 1989, purchase of visa stamping machines of the type used in the Consulate at New York for the Embassy at Washington and the Consulates at Chicago and San Francisco. But the machines were not purchased till October 1990. In the meantime, it has been decided (February 1990) by the Ministry to use bilingual format for stamping



visas. But a final decision on this whole issue has still not been taken (October 1990) and the Embassy at Washington and the Consulates at Chicago and San Francisco are still continuing with the time consuming old method of affixing three different stamps, for grant of each and every visa.

The Ministry stated, in November 1990, that a new format was being devised by the Ministry of Home Affairs before the Missions can go ahead with the purchase of the visa stamping machine.

#### 26.16 Returns

Indian Missions abroad are required to send various returns to the Ministry of External Affairs regarding the consular work done by them. From replies to the questionnaire issued to all the Missions in this region, it was gathered that the following returns have been prescribed:

- (i) Annual Consular Report
- (ii) Registration of births and deaths
- (iii) Annual return of Registration of Indian nationals
- (iv) Half-yearly dual nationality report
- (v) Half-yearly return on complaints
- (vi) Quarterly report on passport, visa and consular work handled by the Mission
- (vii) Quarterly return on Repatriation charges
- (viii) Monthly Consular reports

- (ix) Fortnightly report on number of visas issued and their classification.

Out of 20 Missions which were asked to intimate whether all the prescribed returns were being submitted regularly, 12 reported that these were being sent on due dates. Three reported that most of the returns were either not being submitted or there were delays in submission due to constant pressure of work or shortage of staff. Others did not furnish any reply.

Test check of records of four Missions revealed that no calendar for watching the timely submission of prescribed return on due dates was kept.

Although the proforma of the Annual Consular Report was amended by the Ministry in May 1985 with a view to getting details of revenues earned on various consular services separately, the revised proforma was not being adopted by most of the Missions for furnishing the details of revenue under various heads. In fact, when the various Missions were asked to give details of revenues earned on various services rendered separately in the questionnaire, most of them showed their inability saying that separate details of revenue earned were not maintained.

Mission at Washington stated (August 1990) that most of the returns were not being submitted due to constant pressure of work and shortage of staff. Consular Wing was more engaged in disposal of daily work rather than maintaining backup records. Mission in Chicago also stated that they were not sending monthly or fortnightly returns of visas issued.



## 27. Purchase operations of the Supply Wing, Washington

### 27.1 Introduction

The Supply Wing of the Embassy of India, Washington (formerly India Supply Mission) functions under the administrative control of the Ministry of External Affairs and is entrusted with the work of procurement of equipments, machinery and maintenance spares primarily on behalf of Defence establishments and laboratories. In addition, some small purchases on behalf of certain civil departments are also made by the Supply Wing.

### 27.2 Scope of Audit

This review covers the system of procurement of stores and allied activities of the Supply Wing, Washington and generally includes the transactions during the period from 1985-86 to 1989-90. Out of 2481 contracts finalised during these years a total of 320 contracts pertaining to different months were selected at random for test check in audit for the purpose of this review.

### 27.3 Organisational set up

The Supply Wing is headed by Minister (Commerce and Supply), as the Ex-officio Director General. It has 4 officers and 27 other staff. The Chief Accounts Officer of the Embassy of India, Washington acts as the Deputy Financial Adviser of the Supply Wing.

### 27.4 Highlights

- At the close of March 1990, 165 indents, which constituted 77 per cent of the total indents received during the

year, were pending for placement of purchase order. Out of this, 81 indents were pending for over six months.

- There were delays in finalisation of contracts at all stages i.e. initial processing of indents, inviting tender enquiries, scrutiny of quotations and issuing purchase orders. There was no time limit fixed either by the Ministry or Supply Wing with a view to minimising delays at every stage.

- Delivery of stores within the dates stipulated by indentors was adhered to only in 9 per cent of cases.

- Consequent upon delay in processing of indents, the revised dates for delivery of stores by the suppliers were fixed in the contracts keeping in view the delivery schedules offered by them. In 30 per cent of the cases only, the suppliers shipped the stores within the committed delivery schedule.

- There was no system of monitoring the supplies after the issue of the contracts. Though delays in shipment were noticed in a large number of cases, there was nothing in the related contract files to show if extensions were asked for and actually granted. Even in the limited number of cases where extensions were formally granted, it was done without any reference to the indentors and without considering the adverse impact of such extensions on the end-user's requirements.

- The requirement of production of proof of shipment before authorising payments was not being strictly enforced. In one case, a supplier handed over the stores to the shipping company without obtaining export licence. The stores were lying in the warehouse for 15 months after release of payment.
- High value indents (exceeding \$50,000) which were required to be processed by open tender enquiry were finalised on limited tender basis in disregard of laid down procedure.
- Equipment procured in 1986/1987 at a cost of Rs.8.71 lakhs was not installed by the firm till June 1990.
- Procurement of medicines was being made without provision of foreign exchange and import certificates though the value exceeded the stipulated amount.
- Machinery worth Rs. 2.37 lakhs paid for in August 1988 was lying idle owing to incomplete preparation of indent and subsequent failure on the part of Supply Wing to verify

technical specifications.

- Though Ministry of Defence had issued instructions regarding regulation of agency commission to Indian agents, Supply Wing disregarded these on the plea that they were not governed by the instructions issued by Ministry of Defence. Such payments, amounted to Rs. 42.49 lakhs. Majority of the indentors, who were under the administrative control of Ministry of Defence also did not object to such payments.
- The Supply Wing far exceeded the sanctioned budget for its administrative expenditure during the years 1985-86, 1988-89 and 1989-90 on the plea that the Ministry's allotment of funds was not realistic.

#### 27.5 Purchase activities

For the purchase of stores, the Supply Wing follows the "Policy and Procedure Rules 1979" framed by the Government. The following table summarises the volume of indents received from India and contracts finalised thereagainst by the Supply Wing during 1985-86 to 1989-90 as also their value-wise analysis.

Sl. No.	Details	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6	7
1.	Number of indents received (May 1985 to March 1986)	528	339	512	480	215
2.a	Indents supported by proprietary article certificate (PAC)	345	200	216	109	65



1	2	3	4	5	6	7
b.	Percentage of PAC indents to total indents	65	59	42	23	30
3.	Number of contracts/ purchase orders finalised	596	565	466	573	281
4.	Value of purchase orders (dollars in millions)	19.86	17.21	12.75	13.80	4.28
5.a.	Number of contracts for \$10,000 and above	201	176	111	131	70
b.	Number of contracts value above \$5,000 but below \$10,000	114	95	57	78	37
c.	Number of small value (below \$5,000) contracts	281	294	298	364	174
6.	Percentage of small value contracts to total number of contracts	47	52	64	64	62

The statistical data given above includes contracts finalised by Special Procurement Teams which came to USA from India to finalise major contracts except purchase of foodgrains. During 1988-89 alone, 184 contracts valuing \$6.22 million were finalised by the Special Procurement Teams.

It would be seen from the above table that the number of indents received had sharply declined in 1989-90 to 41 per cent and the number of contracts to 47 per cent with reference to 1985-86. Accordingly the value of purchases in 1989-90 was even less and stood at 22 per cent of the value of procurement arranged in 1985-86.

It would also be seen from the above table that a major portion of indents during 1985-86 and 1986-87

were accompanied by proprietary article certificates. In some such cases purchase orders were straight away placed by the Supply Wing based on the quotation/rate obtained directly by the indentors and the Supply Wing did not even have to call for quotations before placement of orders. In the circumstances, the necessity for regular procurement of such proprietary items through the Supply Wing over the years was open to question as such items could be procured by indentors themselves direct from suppliers/ manufacturers. The percentage of such indents, however, had come down during 1988-89 and 1989-90.

#### 27.6 Coverage of indents

Stores/ equipments are procured on the basis of demands

(known as indents) raised by the indentors in India. With a view to enable the purchase officers to procure the stores according to their urgency/ priority of requirement, the indents are classified as 'ordinary', 'urgent', 'operational', 'top priority' and 'AOG' (aircraft on ground). However, such classification of priority was not meaningful in the absence of any time limit/schedule for processing and finalisation of indents. No mechanism to monitor this aspect was also devised by the Supply Wing.

As on 31st March 1990, 165 indents (77 per cent as compared to indents received in 1989-90) were outstanding out of which 81 indents (49 per cent) were pending over six months.

A review of these 320 selected contracts which had emanated from 259 indents revealed following delays at various stages of processing:-

**27.6.1 Delay in registration of indents:-** After registration of indents in the Cardex Section of the Supply Wing, these are required to be passed on to the Supply Section for initiating procurement action. Out of 259 indents test checked 135 indents were transferred on the same day and 90 indents were transferred the next day. In 28 indents it took 2-4 days and in 6 indents it took 5-9 days to merely transfer the indents to the concerned supply sections.

**27.6.2 Delay in issue of tender enquiries:-** In 212 contracts (out of 320), tender enquiries were issued within 15 days from the date of receipt of indents. In 76 cases, Supply Wing took 16-30 days and in

27 cases 1-3 months and in 5 cases more than 3 months.

It was seen that out of 137 cases, where the indent was supported by a proprietary article certificate, in 35 cases Supply Wing took more than 15 days to issue tender enquiries.

**27.6.3 Delay in issuing purchase orders:-** After receipt of quotations in response to the tender enquiries, the contracts should be finalised as early as possible by issuing purchase orders. The time taken by the Supply Wing in finalising 320 contracts was

- upto 3 months in 131 contracts
- 3-6 months in 135 contracts
- 6-12 months in 43 contracts and
- over one year in 11 contracts.

Apart from delay on the part of the Supply Wing, the other reasons for delay were one or more of the following:-

- (i) correspondence with the indentors for comparison of technical specifications of various sophisticated equipments/ machinery;
- (ii) supply of wanting proprietary article certificates or correct proprietary article certificate where necessary;
- (iii) correspondence with the indentors for review of new items suggested by the firms on account of development/ modernisation;
- (iv) correspondence with the indentors for release of additional



funds/foreign exchange due to wide variations between estimated price and quoted price;

(v) negotiations with the suppliers for lowering the prices;

(vi) correspondence with the suppliers for removing the unusual terms in the contracts;

(vii) extensions sought by the suppliers in submission of tender enquiries.

#### 27.7 Delivery schedule

Consequent upon delay in the processing of indents and placement of purchase orders, Supply Wing could not adhere to the delivery schedules as stipulated in the indents. Only in 9 per cent cases (i.e. 29 out of 320), the stores were shipped within the delivery schedule as shown in the indents and in 30 per cent cases (i.e. 95 out of 320) the stores were shipped within the delivery schedule stipulated in the purchase orders.

It was further seen that in 149 cases, there was delay beyond one month as compared to the stipulated date shown in the purchase orders.

Suppliers had delayed shipment in respect of 225 cases but as per details in the contract files, delivery schedules were extended in only 39 cases.

In eight cases, the delivery period was extended even after the shipment of stores with a view to enabling the accounts branch to release the payment. But in majority of cases payments were authorised either without looking into the aspect of delivery schedule or on the basis of informal endorsement

made on invoices/ copy of the purchase orders to the effect that delivery schedule had been extended without keeping any record in the relevant contract files. Delivery schedules were generally extended without any reference to the indentors and without considering the adverse impact of such extensions on the end user's requirement.

#### 27.8 Release of payments to suppliers without proof of shipment

Under the existing system, suppliers are required to transfer the stores to the authorised freight forwarder for onward shipment to the indentors in India.

A test check of 119 cases, however, revealed that the requirement of production of proof of shipment in the form of airway bills or evidence of shipment to the authorised freight forwarder was not enforced rigidly. In 71 cases (60 per cent), the suppliers did not furnish the proof of shipments along with the invoices but payments were released.

In respect of 48 cases, where details of shipments were available, it was seen that the freight forwarder took 30 days in despatch of stores in 33 cases, 1-3 months in 10 cases and in five cases the shipment was delayed even beyond three months.

In one case it was seen that payment for the stores worth Rs.0.33 lakh was made on 7th December 1987 to the firm against invoice dated 23rd June 1987 without insisting on the requirement of proof of shipment. The stores did not reach the consignee and were lost either



in the warehouse of the freight forwarder or on way to Air India cargo. Responsibility for the loss of goods worth Rs. 0.33 lakh had not been fixed (July 1990).

#### 27.9 *Departure from the prescribed procedure in procurement of stores*

According to the purchase procedure prescribed by the Ministry of External Affairs, processing of individual indents above the value of Rs. 50,000 is primarily the responsibility of the Director General of Supplies and Disposals (DGSD) in India. Such indents could be accepted by the Supply Wing only if these were cross-mendated by the DGSD with adequate reasons. Ministry of Defence, Railways and Communications could prefer indents directly on Supply Wing irrespective of value if they consider import as inescapable. In regard to cases relating to departments other than Defence, Railways and Communications, however, 14 indents of the value of Rs. 50,000 and above had been processed by the Supply Wing even in the absence of adequate justification from the indentors and/or cross-mendating by DGSD.

For the procurement of stores against indents exceeding \$50,000 the system of open tender enquiry or advertised enquiry is required to be adopted. In three cases in which values of indents were \$1,39,214, \$1,95,200, and \$ 61,068, Supply Wing issued limited tender enquiry and did not follow the correct procedure.

#### 27.10 *Some Interesting cases*

##### 27.10.1 *Blocking of funds on idle machinery:-* Against a

proprietary indent of January 1985 from Ministry of Defence, a purchase order was issued by Supply Wing in January 1986 subsequently amended in February and September 1986 to include spares, for a total value of \$ 83,442 (Rs. 10.10 lakhs) including 16 per cent agency commission of \$ 13,351 (Rs. 1.62 lakhs) against permissible ceiling of 5 per cent. The firm was responsible for installation of the system and providing necessary training in India. The equipment and spares were airlifted in June 1986 and March 1987 respectively. Payments of \$53,939 (Rs. 6.53 lakhs) and \$16,663 (Rs.2.18 lakhs) were authorised in July 1986 and April 1987 respectively which represented full value of stores less agency commission. In the meantime the firm informed its agent in August 1986 that it had been acquired by another firm and that the training be scheduled either before October 1986 or early 1987. As the equipment consigned to Delhi was wrongly unloaded at Bombay, the consignee received it in June 1987. The successor firm declined (February 1988) to own responsibility for installation and training. The user too could not commission the equipment as the software supplied with it had been damaged due to moisture. Efforts to get the equipment repaired by the successor firm did not materialise.

The Supply Wing had failed to incorporate necessary provision in the terms of contract to safeguard government interest by with-holding a part of the payment till installation and training. No effort was also made to get the warranty extended due to delay in receipt of equipment. No compensation from the airlines for belated delivery was also claimed.



Thus the equipment for which a payment of \$70,602 (Rs. 8.71 lakhs) had been made was lying uninstalled (June 1990).

**27.10.2 Procurement of unwanted stores:-** For the procurement of certain spares, Naval Headquarters sent an indent in November 1986. On 6th October 1988, the indenter decided to cancel the indent but revived it on 26th October 1988. Supply Wing placed a purchase order on 18th January 1989 for \$7612. Meanwhile, the indenter requested the Naval Attache on 22nd December 1988 to procure the spares after deleting ten items therefrom. The Naval Attache passed on the telex to Supply Wing on 19th January 1989. The Supply Wing requested the firm on 31st March 1989 to cancel the items which were not required by the indenter. But the firm declined to accept the request due to delay in communicating the decision. This resulted in procurement of unwanted stores worth \$4,504 (Rs. 0.74 lakh). No responsibility for this delay has been fixed.

**27.10.3 Irregular procurement of medicines:-** As per Purchase Policy and Procedure, 1979, the Purchase Officer of Supply Wing on receipt of indents will scrutinise the indents with regard to the availability of necessary funds, provision of foreign exchange, clearance from the import angle etc. Drug Controller, India had separately clarified in March 1989 that under the Liberalised Import Policy, import licence was not required under the Trade Control Regulations if the c.i.f. value involved does not exceed Rs. 2,000.

The Central Government Health Scheme (CGHS) Medical Stores Depot, New Delhi had sent various indents

to Supply Wing for procurement of life saving drugs. It was routinely indicated in each indent that the estimated value of the drugs was below Rs. 1,000. On the assumption that the indenter would have taken care of the requirement of provision of foreign exchange, import certificate etc., the Supply Wing arranged the procurement of medicines against all such indents without exercising any checks and ascertaining the position from the indenter. In a majority of such cases, the value exceeded the stipulated amount of Rs. 2,000 and in three cases it was nearing Rs. one lakh (US \$6,098) and above. The cases, where estimated value of indents far exceeded Rs.2,000, totalled US \$ 32,396 where medicines were procured contrary to Government instructions.

**27.10.4 Idle machinery due to incomplete indent:-**In November 1986, Ministry of Defence raised an indent for the procurement of "Atlas model carbon arc fadeometer with accessories". In April 1987, the Ministry decided that the procurement may be made on a competitive basis as financial concurrence to purchase the equipment on proprietary basis was not agreed to. In May 1987, the indenter intimated the technical requirements of the equipment and accordingly a limited tender enquiry was floated by Supply Wing in July 1987. Firms "A" and "B" furnished their quotations along with complete technical specifications. Firm "C" whose quotation was the lowest neither furnished any technical specification, model number/ part number of the equipment nor quoted the item-wise rates of the spares. But purchase order was issued in favour of firm "C" in January 1988 for the equipment "with accessories"



at \$18,125 without insisting on these pre-requisites. The equipment was airlifted in August 1988 and payment of Rs. 2.37 lakhs to the firm was also released.

The consignee pointed out in October 1989 that the equipment was received in an open condition and essential spares were not sent. The Supply Wing intimated the firm in January 1990 that in the absence of some spares, the equipment could not be installed and commissioned. The firm, however, stated that the items being demanded were not the accessories but were optional supply package for which separate purchase order would be required. It is thus evident that contract was finalised without verifying the technical specification of the equipments and without ascertaining the complete details of accessories and spares. Thus machinery worth \$18,125 (Rs. 2.37 lakhs) for which payment was made in August 1988 was lying idle (February 1990).

*27.10.5 Irregular release of payment:-* The Supply Wing had issued supply order in June 1988 on firm 'X' for spares valuing \$48,800 against an indent of Naval Headquarters. The payment to the firm was to be made on receipt of invoice and evidence of shipment in the form of air-way bill etc. Further, if export licence was required from US Government, the stores were not to be shipped before receipt of the same. The supplier despatched the stores to the shipping agent with invoice in September 1988 without obtaining the export licence and simply mentioning on the invoice itself that export licence was required. Supply Wing released the payment of \$48,800 (Rs. 6.39 lakhs) to the firm in November 1988 on the basis of the invoice

without verifying the proof of shipment. In March 1989, the shipping agent informed the Supply Wing that the goods were lying in their warehouse due to non-receipt of export licence. It was only after this that the Supply Wing furnished the import certificate to the supplier in July 1989. Export licence was issued by the US Government in February 1990 and the goods were finally shipped in March 1990.

The payment of \$48,800 which was to be made after the proof of shipment in March 1990 was authorised in November 1988. The failure was firstly on the part of the supplier in despatching the goods to the shipping agent without obtaining the export licence and secondly on the part of Supply Wing in releasing the payment without verifying the proof of shipment.

*27.10.6 Non-recovery of extra expenditure on risk purchase:-* A purchase order for the supply of 50,000 'integrated circuits' was issued in November 1986 on firm 'D' for a total cost of \$22,250 with delivery in July 1987. In December 1987 the firm requested for cancellation of the contract as their manufacturer had expressed his inability to manufacture the required stores due to shortage of raw material. Supply Wing cancelled the contract in August 1988 and intimated the firm that extra expenditure by the purchaser in risk purchase will have to be borne by them.

The stores were procured in December 1988 at enhanced rate from another firm at a total cost of \$26,000 involving additional expenditure of \$3,750 (Rs. 0.55 lakh). Despite the fact that the



firm is on the regular list of suppliers of the Supply Wing recovery of the extra expenditure incurred in the risk purchase has not been made from the firm (July 1990). In the meantime, while other orders have been placed on the same firm and a number of payments released, in this case the matter was referred to the legal counsel in December 1988 and no final decision has been taken (July 1990).

27.10.7 *Irregular procurement of Kodak films:-* Defence Research and Development Organisation placed an indent with proprietary article certificate in August 1987 for the procurement of Kodak films. A tender enquiry was issued by Supply Wing in September 1987. The proprietary firm, however, despatched the films valuing \$52,853 (Rs.6.92 lakhs) to the freight forwarders in August 1987 without receipt of any purchase order. The freight forwarders enquired from the Supply Wing in April 1988 whether any purchase order in this case was issued or not. A probe into the matter revealed that the firm had despatched the stores against an order placed orally by an Assistant of the Supply Wing. Later, the firm did not accept the proposal of the purchase officers to take back the goods. After ascertaining remaining shelf life of the films from the firm, the purchase was regularised by issuing a purchase order in October 1988 and stores were shipped in November 1988. The payment of Rs. 7.81 lakhs for films of sensitive nature whose shelf life was dependent on their storage in ideal temperature, had to be made under compelling circumstances. No responsibility was fixed for this lapse.

27.10.8 *Procurement of overhauled stores:-* Against an operational indent of October 1987 from the Naval Headquarters, Supply Wing invited quotations in November 1987 with tender opening date fixed on 14th January 1988. On a request made by one of the firms on 12th January 1988 to recheck the part number of amplifier assembly, Supply Wing intimated the necessary details to the firm on the tender due date and extended the date to 22nd January 1988 for submission of tenders. The other suppliers to whom tender enquiry was issued were not informed of this. Only the firm, which had requested for extension, submitted its quotation for 10 numbers amplifier assembly. The same firm had requested the Supply Wing on 21st January to return their old quotation on the plea that they would like to submit a fresh quotation. The old quotation was returned on the very same day under an acknowledgement obtained from the firm. In the superceeding quotation submitted, the firm quoted a price of \$4,700 for each amplifier assembly. The rate quoted by the firm was communicated to the indenter (February 1988) who in turn pointed out that the firm had quoted exorbitant rates as this item was purchased from the same firm at \$1,795.18 in 1985.

The Supply Wing informed the indenter in August 1988 that the amplifier assembly would be available in 'Overhauled condition'. The supplier also kept changing the place from where the indented store was to be supplied. Although the supplier had indicated that the stores would be available in overhauled condition, no effort was made by the Supply Wing to



reduce the price. The Supply Wing in its purchase order issued in September 1988 indicated the condition of stores as 'new manufacture'.

Thus the firm was allowed to take undue advantage of (i) extension in the date for submitting quotation and (ii) withdrawal of their original quotation without assigning any reason and furnishing another quotation. The stores were ultimately procured in 'overhauled' condition without any corresponding reduction in price.

#### *27.11 Payment of agency commission to Indian agents*

Ministry of Finance (Defence) issued instructions in September 1977 that the services of Indian agents should be dispensed with to the extent possible. In case of arms, ammunitions and equipment, the procurement was to be made direct from the manufacturers wherever possible and Indian agents were to be eliminated as a rule. In those cases, where Indian agents could not be eliminated, the agency commission was to be paid in Indian rupees, at 0.5 per cent for the contracts of large value but not exceeding 2 per cent in any case. In respect of those contracts where Indian agents were to render 'after-sales' service in the shape of warranty assistance in installation and commissioning etc., percentage of agency commission was fixed between 2 and 7.5 per cent.

Rates of agency commission were further revised from 2 to 10 per cent by the Ministry of Defence in March 1982.

Supply Wing was not following these guidelines on the plea that

they were governed by the 'Purchase Policy and Procedure' prescribed by the Ministry of External Affairs in 1979 which did not contain any provisions regarding agency commission. In the absence of any specific guidelines from the government, Supply Wing authorised agency commission without following any uniform procedure. On the other hand, the indentors, majority of whom were under Ministry of Defence, did not object to the payments of such commission paid by the Supply Wing though copies of purchase orders were invariably endorsed to them. In 22 contracts, agency commission ranging from 5 per cent to 20 per cent aggregating \$2,53,856 (Rs. 31.62 lakhs) was paid even though no after-sale service was contemplated in the quotations.

Supply Wing had allowed agency commission even in the cases where foreign firms had exclusively supplied spares. In 11 such cases, agency commission ranging upto 18 per cent aggregating \$ 51,007 (Rs. 6.31 lakhs) was paid.

In seven other cases, agency commission was allowed to Indian agents for rendering after-sales service at a rate exceeding the norms by 0.5 per cent to five per cent. Had the agency commission been restricted to norms prescribed by the Ministry of Defence in 1982, extra payment of \$32,324 (Rs. 4.05 lakhs) could have been avoided in these cases.

In one case, agency commission amounting to \$3,900 (Rs. 0.51 lakh) was paid to an Indian agent merely for representing interests of the manufacturer in India.

Thus due to lack of coordination amongst Supply Wing,



Ministries of Defence and External Affairs on payment of agency commission, Supply Wing had authorised heavy payments of agency commission of \$3,41,087 (Rs. 42.49 lakhs) in the contracts examined during the test check.

#### 27.12 Complaints from indentors

No centralised record is maintained by the Supply Wing to watch over the discrepancies pointed out by the indentors about the defective/damaged/short receipt of stores. Follow-up action in such cases is taken on the advice of indentors/consignees. Absence of timely action in the pursuance of matters with the suppliers results

in expiration of warranty period offered by them. Supply Wing has left it to the discretion of concerned purchase officers to devise their own means to keep watch over the discrepancies pointed out by the indentors/ consignees but no uniform procedure has been prescribed. In the absence of any such register, the details of pending cases of discrepancies were not ascertainable.

#### 27.13 Budget and expenditure

Year-wise details of budget vis-a-vis expenditure of Supply Wing during the past five years was as under:

Year	Budget	Actual Expenditure (Rs. in lakhs)	Percentage of excess over budget
1985-86	58.00	75.82	31
1986-87	Not available	77.94	-
1987-88	84.50	84.19	-
1988-89	79.50	97.91	23
1989-90	111.10	130.28	17

While the Supply Wing was unable to identify the reasons for increased quantum of expenditure in various areas, it was stated that revised estimates which were realistic were not accepted by the Ministry of External Affairs and consequently there was no alternative but to incur expenditure in excess of allotment.

#### 27.14 Monitoring and effectiveness

27.14.1 Neither the Ministry of External Affairs nor the Supply Wing had prescribed any norms or time limits with a view to minimise delays at every stage of processing

indentors and finalisation of contracts.

27.14.2 There was no system to keep track over the contracts after issuing the purchase orders. With a view to ensuring that stores are actually despatched by the firms within the stipulated delivery schedules, a control mechanism needs to be devised for taking follow-up action with the supplier after issue of purchase order.

27.14.3 To avoid unnecessary delays in submission of quotations by proprietary firms, a specific date/time limit should invariably be

mentioned in the tender enquiries issued to them.

27.14.4 There was no system to keep control over the discrepancies pointed out by the indentors. All discrepancies pointed out by them can be noted in a specified register which may be reviewed from time to time with a view to effectively taking them up with the suppliers for their early settlement.

27.14.5 There was no system of keeping a record of the prices paid in the past so that the reasonableness of prices quoted in future bids could be determined. In the case of proprietary articles, the rates furnished by the firms were generally accepted. If some index is maintained about the prices paid in the past for frequently indented items, it could give lever to Supply Wing to negotiate better prices in future.

## 28. Supply Wing of High Commission of India, London

### 28.1 Introduction

The main objective of the Supply Wing till its restructuring in 1984-85 was to make all purchases of stores/equipment for Government of India, State Governments, certain autonomous bodies, etc. from United Kingdom and West European countries. The guiding principle to be followed in the purchase of stores was timely procurement consistent with economy in expenditure. It was also responsible for the inspection of stores and their shipment. Pursuant to the Prime Minister's directive in 1984 that the Supply Wing, London should be wound up, the reorganisation of Supply Wing was considered by the Ministry of Defence in consultation with the

Ministry of External Affairs and Ministry of Supply. In view of the difficulties expressed by the service headquarters in taking over the entire work of import of stores from Supply Wing, it was decided in July 1985 that only the following items of work would be handled by Supply Wing:-

- (i) repair contracts;
- (ii) procurement against low valued indents (below Rs. 50,000) for new items;
- (iii) market survey and location of sources of supply; and
- (iv) assistance to the procurement agencies in India.

### 28.2 Scope of Audit

This review covers the system of procurement of stores through the Supply Wing as well as the working of Supply Wing keeping in view its objectives. The Supply Wing finalised 3721 contracts from April 1986 to March 1990 out of which 630 contracts were selected for concurrent audit and were simultaneously audited from procedural and financial angle. However, 145 contracts of value above £ 7500 and 63 contracts below £ 7500 were again analysed in detail for the purposes of this review.

A draft review was issued to the Ministry in August 1990. Due consideration has been given to the Ministry's reply furnished in February 1991 while finalising this review.

### 28.3 Organisational set up

The working of the Supply Wing was last reviewed by the Ministry of



External Affairs and the Ministry of Defence in 1984-85 and it was decided to re-organise the Supply Wing by reducing its staff strength from 85 to 24. Its overall charge is vested in the Minister (Supply) who is assisted by five purchase directors of Army, Navy and Air Force, Defence Production and Supplies and Research and Development. In addition, there is a Co-ordination Cell and Accounts Cell headed by an Attache and Director of Accounts respectively.

As against the sanctioned strength of 24, the actual staff strength of the Supply Wing during 1989-90 was 23.

#### 28.4 Highlights

- 56 high value contracts for procurement of material worth £ 97.79 lakhs (Rs. 2640.48 lakhs) were finalised on the basis of limited tender enquiries in contravention of the rules requiring issue of open tender enquiry for high value contracts.
- Time taken in finalising 208 contracts valued at £ 68.46 lakhs (Rs. 1848.31 lakhs) ranged from six months to two years and above due, mainly, to lack of prompt action by the Supply Wing in calling quotations and finalising the contracts and by the indentors in furnishing complete information of the indents and in arranging the requisite foreign exchange.
- Adjustment of debits and credits of Supply Wing amounting to Rs.1203.33 lakhs and Rs. 34.22 lakhs respectively was pending as

the same was not being accepted by the Pay and Accounts Officers of respective indenting authorities for want of complete details.

- Three purchase cells of the Supply Wing were continued even though these did not fulfil the prescribed norms.

#### 28.5 Issue of tender enquiry

As per policy and procedure laid down by the Ministry of Supply and Rehabilitation in March 1975 and modified from time to time, open tenders should ordinarily be invited in all cases in which the estimated value of an indent exceeds £ 25,000. This would enable the Supply Wing in getting most competitive prices and updated knowledge of the possible sources of supply. Review of 630 contracts above £ 25,000 each revealed that the Supply Wing had not issued an open tender enquiry.

The Minister (Supply) stated in May 1990 that on an average only 20 per cent of the contracts finalised by the Supply Wing were of high value. Many of these were repair indents or requests for machinery from proprietary firms. Further, open tenders would involve very high cost.

The reply is not tenable as the Supply Wing, as a matter of routine, resorted to limited tenders, irrespective of the value of the contract. Even if the view point of Supply Wing that open tenders in the case of all indents above £ 25,000 would have proved expensive is accepted, the Supply Wing could have invited open tenders at least in the case of very high value indents, say £ 50,000 each.

There were 56 such contracts (total value: £ 97.79 lakhs or Rs. 2640.48 lakhs) entered into by the Supply Wing on the basis of limited tenders instead of open tenders. Further, no reasons were recorded for not doing

so as required under the prescribed procedure. To illustrate, the Supply Wing, finalised the following contracts on the basis of limited tender enquiries:

Date	Value	Value in Rupees (lakhs)
August 1987	£ 1,896,472	377.40
August 1986	DM 1,611,840	135.40
February 1989	BF 117,950,000	487.40

The cost of open tenders would have been negligible as compared to the benefit that would have accrued in the form of competitive rates if the Supply Wing had invited open tenders in these cases.

checked in detail including 145 contracts of the value of £ 7500 or more. Out of the 208 contracts, 101 contracts (49 per cent) were placed on firms in the United Kingdom and 107 (51 per cent) on firms in other European countries mainly France, Switzerland and West Germany. 139 contracts (67 per cent) were finalised on the basis of single tender enquiry as the indenter had furnished a proprietary article certificate with the indent. Other contracts were finalised on the basis of limited tender enquiry and in no case open tenders were invited.

The Ministry stated in February 1991 that it was highly unlikely that an open tender would have given the benefits envisaged by Audit. It added that the Ministry of Defence do not invite open tenders and it would be advisable to follow the procedure of that Ministry for the high value contracts pertaining to that Ministry.

#### 28.6 Delays in finalisation of contracts

The Supply Wing had not framed any time schedule for processing the indents. There was also no mechanism to ensure proper monitoring of indents and timely finalisation of contracts. The following table indicates that there was a delay of over six months from the date of the indents to the date of finalisation of contracts in respect of 208 contracts test checked in audit for detailed review:

28.6.1 Of the 630 contracts reviewed in audit it was observed that 292 contracts (46 per cent) valuing £ 108.5 lakhs (Rs. 2929.60 lakhs) were finalised after a lapse of over six months from the date of the indents. Out of these, 208 contracts valued at £ 68.5 lakhs (Rs. 1848.31 lakhs) were test



**Time taken**

	Six months and above but less than one year	One year and above but less than two years	Two years and above	Total
Number of contracts	134	66	8	208
Percentage of of the total	64	32	4	100

The reasons for the delay are given below:-

(a) In five cases (all Aircraft on ground category), the Supply Wing did not take timely action in inviting quotations leading to five to twelve months in finalisation of the contract.

(b) The Supply Wing after a decision to place the order took two to four months in placing the formal order and total delay in finalisation of 38 contracts ranged from two to eight months due to delayed action on the part of the Supply Wing at different stages.

(c) 26 contracts were delayed for want of quotations from the proprietary firms which did not respond to the single tender enquiry for periods ranging from five to ten months. In certain cases there was inadequate follow up by the Supply Wing as the firms were not reminded to expedite the quotations.

(d) The finalisation of 39 contracts was delayed for periods ranging from two to twelve months due to protracted correspondence between the Supply Wing, the indenter and the supplier in

connection with price negotiations, agency commission and/or technical clarification.

(e) 25 contracts were delayed by three to ten months because either indentors did not convey their acceptance of the quotations or did not supply complete information to Supply Wing along with the indent.

(f) 32 contracts were delayed for periods ranging from two to ten months as the indenter could not arrange the availability of free foreign exchange and in the absence of which the Supply Wing could not conclude the contracts.

28.6.2 The delays in finalisation of contracts resulted in delayed supplies and in some cases extra expenditure also. A few cases are mentioned below:-

(i) *Procurement of Pivots complete with nuts*

Ordnance Factory Board, Calcutta, placed in April 1988, an indent on Supply Wing for procurement of 5000 pivots complete with nuts. The Supply Wing issued limited tender enquiry in June 1988 to four firms of which only one firm

of West Germany quoted a rate of £ 2.50 per unit. Two other firms desired to have drawings of the tendered item. After receipt from the indentors, the Supply Wing furnished the drawings to the two firms in July 1988. The firms informed in August 1988 that the items were not in their range of production. The offer of the only firm which was valid upto 30th September 1988 was not processed. The indentor reminded the Supply Wing in February 1989 of their urgent requirement of the stores but was informed in March 1989 that Supply Wing was unable to obtain any offer and the indent may be treated as cancelled and withdrawn.

The indentor enquired in March 1989 from Supply Wing whether any offer was received from a firm which was mentioned by them as the likely supplier. At this stage, the Supply Wing realised about the offer received by them earlier and approached the firm to know if their offer was still valid. The firm declined to hold the earlier offer as their prices had increased and quoted a rate of £ 2.91 per unit in March 1989. After obtaining the acceptance of the indentor, the contract was finalised in June 1989. Due to delay in processing, the unit price increased from £ 2.50 to £ 2.91 involving an extra expenditure of £ 2050 (Rs.0.55 lakh).

The Ministry stated, in February 1991, that administrative procedures for closer monitoring of pending cases have been instituted. It added that several instances of such delays had occurred during the period of report because of staff shortages and junior officers being put in charge of two directorates.

(ii) *Procurement of stainless steel coils*

In May 1988, the Director General, Ordnance Factory placed an indent on Supply Wing with a proprietary article certificate for procurement of three stainless steel coils from a firm in Sweden. The firm in response to Supply Wing's tender enquiry quoted (September 1988) SEK 2,20,000 for the three coils. The firm also stated that their telex would be followed by written quotation in a week's time. The Supply Wing after reminding the firm in October 1988 did not pursue the tender/offer till May 1989 in spite of indentor's telex reminders of March and May 1989 urging the Supply Wing to conclude the contract early as the spares were urgently required by the Ordnance Factory. In response to Supply Wing telex of May 1989, the firm stated that it had already sent a detailed offer on 18th October 1988 confirming its telex quotation of SEK 2,20,000. As the earlier offer of the firm was valid upto December 1988 it declined to hold the same owing to increase in prices and revised the quotation, in July 1989, to SEK 2,43,000 while the Supply Wing was still pursuing the firm to hold on to the earlier quotation. The indentor again urged the Supply Wing in January 1990 to procure the coils at the earliest as the ordnance factory's production was being hampered for want of spares. The contract was finally concluded in June 1990. The delay by the Supply Wing besides hampering the production resulted in extra expenditure of SEK 23,000 (Rs. 0.50 lakh).

The Ministry stated, in February 1991, that the main reason



for such a lapse appeared to be the vacancy in the post of Director Purchase (R&D) which was filled in only in September 1989.

*(iii) Procurement of T.A.H. chamber*

The Supply Wing placed a contract, in July 1987, for French Francs 831250 on a firm for supply of T.A.H. chamber for use at Defence Research and Development Laboratory, Hyderabad. The stores were despatched in January 1988 as scheduled.

After placing the order in July 1987, the indenter intimated the Supply Wing in November 1987 to include magnetic recorder as additional item in the contract. The matter was taken up with the firm in December 1987 who quoted the rates in February 1988 for magnetic recorder at FF 11,100. The additional items were despatched by air in April 1988.

The reasons for not including magnetic recorder- an essential part of the machine in the composite indent of April 1986 were not clear.

The indenter intimated the Supply Wing in November 1988 that during installation, it was found that feron 13 leaked out and the key of the programmer was not available. Further, it requested Supply Wing to airlift adequate quantity (30 Kg.) of feron and the key of the programmer in addition to 10 rolls of recording paper for recorder immediately. It was noted that after referring the matter to the firm in November 1988, Supply Wing had not taken any follow up action either with the firm or with the indenter. In the absence of any

indication to the contrary, the installation appeared to be still incomplete.

The Ministry stated, in February 1991, that both the indenter as well as the firm had been requested to intimate the present position regarding commissioning of the equipment.

*28.7 Financial settlement with the indentors*

The Supply Wing acts as an agency for procuring stores/equipment on behalf of various Ministries/ Departments of Central and State Governments in India and subsequently settles the bills of the suppliers either through letters of credit or through bank transactions against documents. As regards settlement of accounts of the indentors, debits/credits arising out of the transactions are passed on monthly to the Controller of Accounts of the Ministry of External Affairs through monthly abstracts of expenditure for financial adjustment with the Pay and Accounts Officers (PAO's) of the Ministry/Department concerned.

During the course of audit, it was noticed that huge debit balances (Rs. 1169.11 lakhs) were lying in the suspense account pertaining to the period from October 1976 to March 1983. These debits were not being accepted by the Pay and Accounts Officers of the indenting authority for want of complete details. As per Controller of Accounts, Ministry of External Affairs' letter of June 1989, a sum of Rs. 240.22 lakhs and Rs. 1207.82 lakhs were lying unadjusted in the credit and debit of the Suspense

Account respectively. The Supply Wing stated, in January 1990, that as a result of their efforts, the Controller of Accounts could clear the Suspense head amounting to nearly Rs. 4.49 lakhs (debits) and Rs. 206 lakhs (credits) leaving Rs.34.22 lakhs (credits) and Rs.1203.33 lakhs (debits) unadjusted. No further details were

supplied by the Supply Wing.

#### 28.8 Workload and manpower

During the period 1986-87 to 1989-90, the value of contracts finalised by the Supply Wing fell sharply as is shown in the table below:

Year	Number of indents received	Number of contracts finalised	Value of contracts finalised	
			Pounds (in lakhs)	Rupees (in lakhs)
1986-87	845	431	107.27	2896.29
1987-88	1559	1291	102.00	2754.00
1988-89	1172	1144	67.74	1828.98
1989-90	743	855	53.41	1442.07
<b>Total</b>	<b>4319</b>	<b>3721</b>	<b>330.42</b>	<b>8921.34</b>

Further, the output of Army, Navy and Air Force Directorates was

particularly low during 1986-87 as is evident from the following table:

Directorate	Number of indents received	Number of contracts finalised
Army	46	29
Navy	207	24
Air Force	307	76

During 1987-88 also, Naval Wing could finalise only 55 per cent contracts of 538 indents.

by Minister (Supply) a purchase unit was justified if it had to process 200 indents per annum. The following table shows the number of indents received during 1986-87 to 1989-90

According to the norms adopted



by three purchase cells:

Number of indents received					
S.No.	Unit	1986-87	1987-88	1988-89	1989-90
1.	Army Cell	46	44	46	38
2.	Research and Development Cell	81	88	152	34
3.	Defence Production and Civil Cell	196	186	86	142

Thus, these cells were continued eventhough these did not fulfil the prescribed norms.

28.9 Recoveries made at the instance of Audit

As a result of periodical audit, the Supply Wing took advantage of audit observations and could recover a sum of Rs. 4.34 lakhs from various suppliers during the period under review. The Supply Wing, however, had not furnished

(October 1990) any reply/satisfactory reply to 134 audit memos involving an amount of Rs.64.25 lakhs pertaining to the period from 1982-83 to 1989-90 pending as on 31st March 1990. In 24 of the outstanding audit memos, audit had pointed out recoveries from the suppliers to the extent of Rs. 15.27 lakhs on account of non-recovery/short recovery of liquidated damages and excess payments as detailed below:-

Year	Number of audit memos	Amount recoverable (Rupees in lakhs)		
		Liquidated damages	Excess payment	Total
1982-83	1	0.18	-	0.18
1985-86	2	-	2.24	2.24
1986-87	2	0.28	0.08	0.36
1987-88	3	4.43	-	4.43
1988-89	10	2.79	0.93	3.72
1989-90	6	4.15	0.19	4.34
<b>Total</b>	<b>24</b>	<b>11.83</b>	<b>3.44</b>	<b>15.27</b>

With reference to the outstanding memos the Ministry stated in February 1991 that efforts are continuing and as and when the cases are completed, they are brought to notice of Audit.

**29. Repair/Construction of a lease hold building at London**

29.1 High Commission of India, London had taken on lease a property at 8, South Audley Street, London, in January 1949, for a period of 99 years initially at a rent of £ 5500 per annum which was later revised to £5750 per annum. The property consisted of a four-storeyed main building and a double storeyed annexe with a total area of 28300 square feet. In terms of the lease, the Mission is liable to carry out proper upkeep and maintenance of the building.

The Property Team, which visited London in December 1983, recommended that the property, which was being partly used as offices of Indian public sector undertakings, may be converted into residential units for senior officers. In January 1984, the Ministry obtained the approval for the following line of action:

(a) utilisation of the annexe as a cultural centre to be administered by the Indian Council for Cultural Relations (ICCR) in collaboration with the Mission;

(b) conversion of the main building into residential units for senior officers of the level of Minister and Counsellor;

(c) giving of notice to the present occupants to find alternative premises; and

(d) pursuance by the High Commissioner of the proposal to purchase the property from the trustees.

The underutilisation of the property was commented upon in paragraph 21 of the Report of the Comptroller and Auditor General of India for the year 1984-85 Union Government (Civil) Volume I.

In January 1984, the cost of converting the property into residences and Fine Arts and Crafts Gallery was estimated at £ 5 lakhs.

The premises were vacated by the public sector undertakings in September 1984. The Mission advised the Ministry in February 1985 that no firm offer had been received for purchase of freehold rights. The Mission appointed an architect in May 1985 to prepare outline proposals, design, drawings and estimates and to obtain approval of local planning authorities, invite tenders and supervise the work, with the Ministry's approval. The dilapidated condition of the 'listed building' caused both the owners of the building (in June 1985) and the West Minister council (also in June 1985) to serve notices on the Mission. The construction plan was submitted by the architect to the local planning authorities in September 1986 but the planning authorities desired (January 1987) to have modifications made in the plans.

Modified plans were submitted in February 1987 and approved by the planning authorities in February 1988. In the meantime, the Mission submitted a proposal to the Ministry in May 1987 for carrying out essential repairs to the building



at an approximate cost of ₹ 8 lakhs (Rs. 159.20 lakhs). The Ministry approved the proposal in November 1987 and the award of the repair contract at ₹ 5.95 lakhs (Rs. 118.40 lakhs). The contract was awarded in December 1987 for the following items of work at a cost of ₹ 594504 :-

- (i) repair and refurbishment of roof;
- (ii) treatment of dry rot in walls;
- (iii) strengthening and levelling of floors;
- (iv) overhauling of drain pipes; and
- (v) protective painting of the building.

On further demand from the Mission, two additional items of work viz., (i) laying the electrical and heating system in the main building (₹ 251550) and (ii) replacement of wall due to structural cracks (₹ 45000) were sanctioned by the Ministry in July-August 1988 raising the total amount of the sanctions to ₹ 8.91 lakhs.

The repair work, commenced in January 1988, was scheduled to be completed in 32 weeks i.e. by September 1988. The scope of the work was, however, changed substantially reducing the original items of work awarded in the contract from ₹ 5.95 lakhs to 0.68 lakh and adding new items of major and original works costing ₹25.50 lakhs excluding Value Added Tax (VAT) in piece-meal during January 1988 to November 1989. The work was practically completed in November 1989. It was noticed that against the sanctioned amount of ₹ 8.91

lakhs (Rs. 189.28 lakhs) plus VAT, the actual expenditure incurred to the end of November 1990 was ₹ 28.05 lakhs (Rs. 723.06 lakhs) exclusive of VAT amounting to ₹ 3.01 lakhs (Rs. 76.24 lakhs). Besides, bills amounting to ₹ 1.08 lakhs (Rs.37.32 lakhs) were pending for payment (November 1990). The extra expenditure of ₹ 19.14 lakhs (Rs.533.78 lakhs) i.e. 215 per cent excess over the sanctioned amount mainly included additional works i.e. (a) construction of three residential flats for officers of the Mission and one flat for Director of proposed cultural centre (b) conversion of existing rooms into an auditorium (c) demolition of existing annexe and (d) remodelling of interior of the main building which were not sanctioned.

In reply to a query by Audit, the Mission intimated, in May 1990, that construction work beyond the sanctioned items of repairs was executed in view of a policy decision taken by the Ministry in January 1984 and further reiterated in January 1986, to completely remodel the main building and reconstruct the annexe for use by the Mission and ICCR. The Mission added, in February 1991, that the cultural centre was to be a landmark for the Nehru Centenary Celebrations in November 1989 and, therefore, the Mission had to take this deadline into consideration. The reply of the Mission is not consistent as the Ministry had asked the Mission in May 1989 to confirm that no work other than those specifically approved for ₹ 8.91 lakhs, had been undertaken particularly because the decision regarding use of the building by ICCR had not been finalised by the Government and as there was no financial sanction for any



additional work. Ministry, further enquired as to how additional construction work was being financed by the Mission in the absence of remittances for that purpose from India.

*29.2 Drawal of funds :-* From November 1982, the accounts of the Mission were bifurcated into Chancery Account and Store Account. Store Account is, mainly, meant for making payments for stores procured by the Supply Wing of the Mission on behalf of Government of India while the Chancery Account is operated for establishment expenses. Mission may, however, transfer funds from Store Account to Chancery Account to meet specific requirements provided the expenditure involved is covered by formal sanction. Disregarding these instructions, the Mission transferred a sum of ₹ 3.73 lakhs (Rs. 100.58 lakhs) from Store Account in May-June 1989 to meet the extra expenditure on construction/repairs.

The Mission admitted the irregularity and stated in February 1991 that instructions had since been issued so that the Chancery Account receives funds by direct remittances from India and the Chancery Account no longer draws on the Stores Account.

Although the Ministry was aware that the scope of the work had gone beyond the sanctioned items of repairs, it did not take any timely action to check the expenditure by the Mission on unspecified objects.

*29.3 Changes in the scope of utilisation of the property:-* Proposal regarding intended use of the property underwent several changes during January 1984 to September 1988 i.e. before and

during the construction phase. In January 1984, Ministry accorded approval for conversion of main building into residential units for officers of the rank of Ministers and Counsellors while the annexe was to be partly used as cultural centre by ICCR and partly by Handlooms and Handicrafts Export Corporation (HHEC). A revised utilisation plan was submitted by the Mission to the Ministry in May 1984 proposing use of first floor of the main building by ICCR/HHEC and remaining portion for residential flats and servants quarters. The first and second floor of the annexe were proposed to be used for residential flats and basement and ground floor for parking, shop and gallery of HHEC/ICCR. In February 1988, Mission proposed to the Ministry that the entire building may be given to ICCR for converting it into a cultural centre. In September 1988, Mission again changed its plans and proposed construction of six apartments in the annexe for the staff of the Mission. Main building was proposed to be used for servant quarters (basement), Nehru Cultural Centre (ground floor and first floor), Director's (Cultural Centre) residence on the second floor and three apartments for officers of the Mission on third and fourth floors. The Ministry had informed the Mission, in May 1989, that there was no financial or administrative approval to carry out the proposal of September 1988 and that utilisation of the building by ICCR had not been decided but the Mission continued incurring expenditure on construction work. A plan for the utilisation of the renovated property has not finally emerged (November 1990). The Cultural Centre could not be utilised as a land mark for the Nehru Centenary Celebrations in November 1989.



29.4 *Expenditure on auditorium :-* Although there was no sanction by Government to construct an auditorium, existing rooms in the main building were converted into an auditorium in November 1989 at £ 2.04 lakhs (Rs. 55.19 lakhs). However, essential facilities like furniture, fittings, stage, etc. had not been provided (November 1990) rendering the expenditure unfruitful. Further, since the completion of renovation work in November 1989 three flats in the main building were allotted to officers of the Mission during November 1989 to March 1990 but the remaining building had remained unutilised (November 1990).

The Mission stated in February 1991 that the Ministry had now decided that the facilities would be handed over to ICCR.

29.5 *Demolition of annexe:-* The Mission's plan to demolish the existing annexe and erection of a new building of basement, ground and five upper storeys to provide car parking at basement level and six self contained flats above was approved by the city planning authorities in London in February 1988. The owners of the property had granted their consent (July 1988) to the specifically itemised above stated proposal stipulating that the Mission would undertake to re-instate the premises at the end of the lease, unless released from doing so by the landlord, and to make good all consequential damage. The Mission got the annexe demolished at a cost of £ 0.45 lakh (Rs. 12.05 lakhs) and stopped construction work in November 1989. The annexe had been demolished by the Mission without obtaining financial sanction of the Government

to incur expenditure on its demolition and erection of the new building, thus, entailing a contingent liability (which is not quantifiable) at the time of return of the property to the landlord.

29.6 *Selection of contractor:-* Tenders for the repair/construction work were not publicised in the newspapers to obtain the most competitive rates. Instead, the Consulting Engineer engaged by the Mission had invited quotations from five construction companies of which three companies had responded. The lowest quotation of firm A for £ 5.95 lakhs (Rs. 118.40 lakhs), recommended (October 1987) by the Mission to the Ministry for acceptance, was approved in November 1987. Due to increase in the scope of work during the course of construction, payments amounting to £ 25.04 lakhs (Rs. 649.09 lakhs) excluding VAT had been made to firm 'A' during March 1988 to February 1990. In reply to a query by Audit regarding non-adherence to prescribed procedure in selection of contractor, the Mission intimated (May 1990) that the audit observation had been noted for compliance in future.

Subsequently, in February 1991, the Mission defended the procedure followed by it stating that on the basis of the advice given by the Consulting Engineer, whose name was recommended by the Royal Institute of British Architects and the Institute of Structural Engineers, the quotations were invited from five reputed construction companies. It added that the procedure followed by the Mission tantamounts to an open tender even though it may not follow the strict form.



29.7 *Appointment of Quantity Surveyor :-* The Ministry had directed the Mission in May 1985 to refer all appointments of architect, consultant and contractors for various repair and renovation works to the Ministry so that suitable examination of the proposal could be done by administrative and financial authorities. In disregard of the Ministry's approval for appointment of firm 'X' as Quantity Surveyor, the Mission appointed firm 'Y' for the job in January 1988 on the recommendations of the architect. In reply to a query by Audit, the Mission intimated in May 1990 that subsequent to approval of firm 'X', at the rate of 2.23 per cent of the cost of work by the Ministry in October 1986, firm 'Y' had agreed to do the job at 2.1 per cent. There was no need for the Mission to have approached firm 'Y' when the Ministry had approved firm 'X'. Hence, appointment of firm 'Y' in disregard of Ministry's direction was irregular and violative of the procedures.

29.8 *Inadmissible items at the residence of officers :-* The furniture and fittings to be provided at the residence of officers are clearly specified in the Indian Foreign Service (Pay, Leave and Compensatory Allowances) Rules. In violation of these Rules, the following inadmissible items viz., micro wave ovens, washing machines, dryers, deep freezers and refrigerators at a cost of £ 17,159 (Rs. 4.63 lakhs) had been provided at the residence of officers at the leased building.

The Mission stated, in February 1991, that the contractor was asked to provide kitchens as per the local standards and the contractor provided a fitted kitchen

and the items objected to were normally available in such kitchens. However, the Mission did not clarify why these inadmissible items could not have been excluded from the contract to bring down the cost.

29.9 *To sum up*

While the Ministry of External Affairs had sanctioned repair works for £ 8.91 lakhs on a lease-hold property, the Indian Mission in London had spent £ 28.05 lakhs by incurring expenditure on new items of major and original works without obtaining a proper sanction from the Ministry.

The additional expenditure was met largely by the Mission by diverting funds from Store Account, meant for purchase of stores, to the Chancery Account which was in violation of Government's instructions.

Although the Ministry was aware that the scope of the work had gone beyond the sanctioned items of repairs, it did not take any timely action.

Though the work had been practically completed in November 1989, yet a plan towards the utilisation of the renovated property has not finally emerged. The cultural centre could not be utilised as a land mark for the Nehru Centenary Celebrations in November 1989.

An auditorium built in November 1989 at £ 2.04 lakhs (Rs.55.19 lakhs) had not been provided with essential facilities such as stage, fittings, furnishing etc. thereby rendering the expenditure unfruitful.



The annexe to the leased building was demolished at a cost of ₹ 0.45 lakh (Rs. 12.05 lakhs) without obtaining financial sanction of the Government for its demolition and erection of a new building in its place. As the leased property has to be handed over to the owners after reinstating the demolished premises at the end of the lease after 58 years, the Government has incurred a contingent liability which is not quantifiable.

Tenders for the work were not publicised in the newspapers to obtain the most competitive rates.

While the Ministry had approved a firm as Quantity Surveyor, the Mission, without the Ministry's approval, appointed another firm as it had agreed to carry out the job at a lower rate. This was irregular.

The matter was referred to the Ministry in July 1990. The Ministry stated, in February 1991, that they have initiated action to regularise the unauthorised construction in this case with the Ministry of Finance. However it did not furnish any reply to the other observations of Audit.

### 30. Overpayment of arrears of foreign allowance

As per instructions issued by the Ministry of External Affairs in July 1980, servants' wages consequent upon revision of rates of foreign allowance are admissible on the basis of certificates already furnished to the Ministry. In case revised certificates indicating enhanced wages paid to the servants are furnished subsequent to the date of revision of foreign allowance, the enhanced servants' wages are

admissible from the date of rendition of such certificates.

Rates of foreign allowance for the Missions/Posts in USA were revised by the Government of India in August 1989 with retrospective effect from January 1989. The rate of exchange of drawal of net emoluments was also fixed at \$ one = Rs. 14.78.

Servants' wages included in the pre-revised foreign allowance were to be adjusted at the new rate of exchange made applicable with retrospective effect as per pay slips issued by the Ministry so that the officers were not put at a disadvantage for the amounts already paid in foreign exchange.

A scrutiny of records of the Embassy at Washington and Consulates at New York and San Francisco revealed that arrears of foreign allowance paid to the officers from 1st January 1989 included full element of enhanced servants' wages on the basis of revised certificates stating that higher amounts of servants' wages had been paid retrospectively from January 1989. In other cases, the payments were simply authorised as a matter of course. As a result there were overpayments of foreign allowance to 23 officers totalling Rs. 2.91 lakhs.

The new rate of exchange was required to be applied from January 1989 for calculating the arrears of foreign allowance. A scrutiny of records of staff of the Consulate at New York revealed that the arrears of foreign allowance from January to July 1989 were wrongly calculated by not adjusting the foreign allowance actually drawn by them at the pre-revised rate of exchange. This



resulted in overpayment of arrears to the tune of Rs. 1.28 lakhs to 12 staff members.

The overpayment of Rs. 4.19 lakhs was brought to the notice of the Missions/Posts in January-March 1990 and Ministry in March/June 1990. The Ministry stated (September 1990) that the Mission and Posts were being asked to effect the recovery immediately. While the Consulate at San Francisco had effected the recovery of overpayment, the other Post and the Mission were in the process of effecting recoveries.

### 31. Overpayment of pay and allowances

As per instructions of the Ministry of External Affairs issued in September 1982 and January 1983, the India-based officials of the Indian Mission at Bucharest were entitled to draw 50 per cent of their net emoluments for the period September 1982 to January 1983 in pound sterling and thereafter in US dollars at the official rates of exchange effective from time to time. On further reference from the Mission in March 1984 seeking clarifications on the point of application of revised rates of exchange, the Ministry confirmed, in February 1985, that the hard currency element of emoluments should be drawn only at the official rates of exchange fixed from time to time. In contravention of these instructions, the Mission continued to draw the hard currency element of the emoluments of its officials at the old official rate of exchange of a dollar to Rs. 9.30 upto August 1986 even after its revision on 1st May 1983, 1st January 1984 and 1st November 1984. This resulted in

total overpayment of Rs. 2.62 lakhs during the period May 1983 to August 1986.

Although the Ministry took serious view of non-compliance of the instructions of the Government and ordered in September 1986 recovery of overpayments forthwith, it pended the recovery in November 1986 on a representation of the Mission made in October 1986. No decision in the matter of recovery was taken by the Ministry for more than three years.

After this was pointed out in June 1989, the Ministry decided in February 1990 to recover the amount from the officials concerned. The report on recovery was awaited (October 1990).

A professor of an Indian University deputed by Indian Council for Cultural Relations to a University in Romania was entitled to draw pay and allowances as reduced by the monthly payment of Lei 4670.00 (Rs. 3723) receivable by him from the foreign University. While releasing his emoluments for the period March 1984 to February 1985, the Mission incorrectly deducted Rs.22,136 instead of Rs.44,685 actually received by him from the foreign University during the period leading to an overpayment of Rs. 22,549.

Further, 50 per cent of his net emoluments was paid for the period March 1984 to August 1986 in hard currency adopting incorrectly the old rate of exchange of a dollar to Rs. 9.30 instead of the revised rates of exchange operative during the period resulting in overpayment of Rs. 30,991.



In addition, a sum of Rs.12,751 was recoverable from him on account of electricity, condomonium and telephone charges which had been borne by the Mission in the process of releasing his net emoluments for the period April to June 1988 without effecting the said recovery making total recoverable amount to Rs. 66,291 from him.

Confirmation regarding recovery of an aggregate amount of Rs.3.28 lakhs in both the cases was awaited (October 1990).

These cases were referred to the Ministry in June 1990; their reply has not been received (October 1990).

### 32. Overpayment on procurement of stores

Based on an indent placed by Director General, Ordnance Factories (DGOF), Calcutta, the Supply Wing of an Indian Mission abroad concluded a contract with a firm in February 1982 for procurement of 50,000 fuzes at a total cost of French Francs (FF) 100 lakhs (Rs. 138.89 lakhs) for the use of an ammunition factory.

As against net amount of FF 55.20 lakhs payable, after adjustment of advance payments and liquidated damages levied by the Mission, on three invoices of delivery of 40,000 fuzes during November 1983 to April 1984, the Mission paid a sum of FF 55.82 lakhs in July 1984 leading to excess payment of FF 0.62 lakh (Rs. 1.55 lakhs).

On this being pointed out in January 1989, the Mission stated in March 1990 that the matter had been taken up (January 1989)

with the bank which had released the payment. Audit has not been intimated about the recovery of overpayment (July 1990).

The matter was referred to Ministry in July 1990; no reply has been received (September 1990).

### 33. Avoidable expenditure in leasing of telephone equipment

With the objective of upgrading the telephone instrumentation by providing additional facilities on the instruments as also to introduce digital system, different systems available with three telephone companies were examined by the Embassy of India, Washington. The system offered by one of the three firms was considered suitable as it was the only system which, besides being compatible with the existing centrex exchange, provided additional facilities.

The firm was ready to install the equipment including maintenance and labour for five years at a monthly cost of US \$ 2021. At the end of five years, the Mission had the option to buy the equipment for ten per cent or less of the purchase price.

On 9th April 1987, the firm reiterated its offer of US \$ 2021 per month for a five year lease period and made the offer valid upto 30th April 1987.

The proposal for installation of the new system was approved by the Ambassador on 29th April 1987 for a five year period from June 1987 and the lease signed on 28th May 1987 for 60 months at a monthly rent of US \$ 2205.61. The Mission's option to buy the system at 10 per

cent of purchase cost or less at the end of five year lease period was not incorporated in the lease agreement.

Failure to sign the contract within the validity period of the offer resulted in an extra expenditure of US \$ 11076 (Rs. 1.45 lakhs) as the benefit of concessional rate quoted by the firm could not be secured.

The matter was referred to the Ministry of External Affairs in July 1990; no reply has been received till January 1991.

#### **34. Failure to claim refund of Value Added Tax**

The Commonwealth diplomatic missions in the United Kingdom are exempt from levy of the Value Added Tax (VAT) on its purchases. According to the guidelines issued in February 1973 by the Protocol and Conference Department of the Foreign and Commonwealth Office for claiming refund of VAT paid on official purchases made by Commonwealth diplomatic missions, a refund of VAT could be claimed on official purchases of British goods whose total value exceeds £ 50. It was also stipulated that the claim should be made at regular intervals and should be restricted to purchases made not more than one year to the date of application for refund.

A test check of the records maintained by the High Commission of India, London, revealed that in 36 cases, claims for the refund of VAT amounting to £ 5047 (Rs.1.36 lakhs), relating to the purchases made during May 1985 to January 1988, were not preferred (August 1990), rendering them 'time barred'. The

omission was attributed by the Mission to oversight due to pressure of work.

The Ministry intimated (July 1990) that the High Commission was making efforts to persuade the Foreign and Commonwealth Office to entertain the time-barred claims.

#### **35. Avoidable expenditure on procurement of stores**

An equipment offered to Supply Wing, London at a cost of \$ 15,000 was finally procured at a cost of \$ 24,270 in September 1989 resulting in an extra expenditure of \$ 9,270 (Rs. 1.21 lakhs). Deficiency in performance of the equipment had not been set right till May 1990.

Research and Development Organisation, Ministry of Defence raised an indent in December 1986 on Supply Wing, London as well as Supply Wing, Washington for procurement of a satellite frequency converter. In response to tender enquiry floated by Supply Wing, London, only one firm in USA had quoted the rate of \$ 15,000 (March 1987). As the firm 'A' was located in USA, Supply Wing, London crossmandated the indent to Supply Wing, Washington in July 1987.

In pursuance of the initial indent placed by the indenter, Supply Wing, Washington also floated tender enquiry almost at the same time as Supply Wing, London in response to which two firms quoted (March 1987) at \$ 23,520 and \$ 29,000. Firm 'A' which had quoted \$ 15000 to Supply Wing, London also submitted their offer at \$ 16,500 on 6th March 1987 while the tender was due on 3rd March 1987. The late offer was not considered even though such tenders



could be considered if the competent authority was satisfied that the late offer was a bonafide one and no undue advantage would accrue to the tenderer. The offers of two firms were forwarded to the indenter. The indenter, however, did not accept either of the two offers since both the firms were agents and not the manufacturers and they did not like to enter into contracts with such firms. In September 1987, a 'proprietary article certificate' was issued by the indenter in favour of firm 'A' and the same was discussed by the Supply Wing in their file in December 1987. Firm 'A', when approached expressed in March 1988 its inability to supply the desired model due to business plan changes and suggested two other likely suppliers. On the basis of a fresh tender enquiry, the equipment was procured in October 1989 at a cost of \$ 24,270 from another source. In May 1990, the indenter intimated that only part payment of \$ 11,345 be released to the supplier

as the performance of part of the equipment was below the specification.

In reply to an audit query as to why the late tender of firm 'A' was not considered in March 1987, the Supply Wing stated in February 1990 that the offer of firm 'A' was not a bonafide one and that since there were already two regular offers the situation did not warrant the late offer being considered. It was, however, seen that out of the two offers sent to the indenter by the Supply Wing, one was technically unsuitable and the other did not give technical specifications. Also, the advantage of considering the late offer of the manufacturer was not taken into account even when the two other offers were lacking details.

The matter was referred to the Ministry in January 1990 and again in July 1990; no reply has been received (October 1990).

## CHAPTER IX

### Ministry of Finance

#### (Department of Economic Affairs)

#### 36. Irregular release of funds

A token provision of Rs.1 crore was made in the revised budget estimates for 1989-90 and Rs.8 crores in the budget estimates for 1990-91 for providing relief to the victims of November 1984 riots, in the form of reduction of rate of interest to six per cent on the bank loans in deserving cases. The scheme of relief was approved by the Cabinet Committee on Political Affairs on 12th April 1990. On 9th April 1990 the Reserve Bank of India was requested to prepare a scheme for payment of subsidy to the banks due to reduction in the rate of interest on the bank loans.

Even before the proposal was approved by the Cabinet Committee on Political Affairs, and the scheme worked out by the Reserve Bank of India, Rs.1 crore provided in the revised budget estimates for 1989-90 was withdrawn on 30th March 1990 as the budget provision would have lapsed. The amount was deposited with the Reserve Bank of India in April 1990. Withdrawal of the amount not required for immediate disbursement at the fag end of the financial year and its retention outside Government account was irregular and against the financial rules.

The Ministry stated, in September 1990, that the withdrawal of Rs.1 crore and its deposit with the Reserve Bank of India had been done with the sole objective of providing expeditious relief to the riot affected borrowers and the

guidelines for the operation of the scheme were expected to be issued by the Reserve Bank of India very soon. The reply of the Ministry was not tenable as no relief could have been provided to the riot affected borrowers until the guidelines were promulgated.

#### 37. Delay in claiming refund of excess customs duty

Basic customs duty chargeable on the printing paper of the type used by the Currency Note Press, Nasik Road, was 60 per cent of the assessable value. It was, however, noticed in May 1987 that the Customs Department charged higher customs duty at 100 per cent on printing paper imported by the Press during October to December 1984. Out of the 17 consignments imported, the Press claimed refund of excess duty in respect of 11 consignments by February 1985. In respect of the remaining six consignments, the refund for Rs.78 lakhs was not claimed within the validity period of six months from the date of payment as provided in the Customs Act, 1972. The Press stated in July 1988 that the clearing agent had been asked to lodge the claim.

The Ministry stated, in December 1988, that the matter regarding refund was being pursued with the Assistant Director (Shipping) and with the clearing agent. Appeals to the Tribunal were filed by the Press in respect of five cases between January and March 1990 and in the sixth case with the Collector of Customs (Appeals),



Bombay in November, 1990.

In another case, the Press imported printing machines in 16 shipments during October 1984 to June 1985 with an insurance cover policy for Rs.1,752.04 lakhs on payment of insurance premium of Rs.4.69 lakhs. While assessing the value of these consignments for levy of customs duty, adhoc insurance charges at  $1\frac{1}{8}$  per cent. were taken into account by the Customs Department instead of the actual insurance premium paid as the Press did not furnish the details of the actual insurance charges to the Customs Department at the time of filing the customs document. This resulted in an excess payment of customs duty to the tune of Rs.13.97 lakhs, paid between October 1984 and June 1985.

The Ministry stated (December 1988) that the payment was made after it was passed as correct by the Assistant Director (Shipping) and it was not possible for the Press to check the correctness because of lack of expertise. It was contended that the payment was made to another department of the Government of India and there was no loss on the whole.

The Press informed in April 1990 that the matter was referred to the Ministry for obtaining the refund.

The Ministry's contention that the payment of incorrect customs duty by the Press was due to lack of expertise is not tenable particularly when they had a clearing agent.

## CHAPTER X

### Ministry of Health and Family Welfare

#### (Department of Health)

### 38. National AIDS Control Programme

#### 38.1 Introduction

AIDS (Acquired Immuno Deficiency Syndrome) is a fatal disease caused by a virus called HIV (Human Immuno-Deficiency Virus) which can break down the body's immune system and may lead to fatal infections and some form of cancer. AIDS has emerged as a great public health problem within a very short period after its detection in 1981.

The first case of AIDS was detected in India in May 1986; upto October 1990, 57 AIDS cases including 13 cases involving foreigners had been diagnosed and reported. The sero-positivity (found positive for HIV infection) rate which was found 3.3 per 1000 in October 1985-April 1986 reached 11.2 per 1000 in November 1989-October 1990.

AIDS is transmitted through sexual contact (homosexual, bisexual or heterosexual), sharing blood contaminated needles and syringes, multiple blood transfusion of infected person's blood, transmission from infected mother to child before, during or shortly after birth.

Following the detection of AIDS infection in the country, National AIDS Control Programme was initiated in May 1986 as a central sector scheme with 100 per cent central assistance by drawing funds from other health programmes as an

interim measure during the remaining period of Seventh Five Year Plan. Presently there is no cure for AIDS, consequently the three main components of the programme are surveillance, health and community education and screening of blood and blood products.

#### 38.2 Scope of Audit

The implementation of the programme during 1987-88 to 1989-90 was test checked by Audit in March to May 1990 with reference to records in the Ministry of Health and Family Welfare (Ministry), Director General of Health Services (DGHS), Indian Council of Medical Research (ICMR) and its reference/surveillance centres in Delhi, at the All India Institute of Medical Sciences, National Institute of Communicable Diseases (NICD), Institute of Pathology, Armed Forces Transfusion Centre, and Maulana Azad Medical College, New Delhi.

#### 38.3 Organisational set-up

The programme is implemented by the DGHS through the State health authorities. The DGHS is the nodal point for monitoring and reviewing the programme, coordinating with other departments of Government of India, international agencies, generating policy issues and assisting the Ministry in formulating policy decisions in all matters pertaining to AIDS control activities. The ICMR provides diagnostic support to the programme with particular reference to the establishment of virus isolation



capability, detailed epidemiological investigations leading to characterisation of the nature of AIDS infection in the country, standardising quality control methods and research. A National AIDS Advisory Committee was established in July 1987 headed by the Secretary, Ministry of Health and Family Welfare, to review and oversee the progress of the programme periodically.

#### 38.4 Highlights

- The three components of the programme are surveillance, health and community education and screening of blood and blood products. Very little had been done towards implementation of the three components or the development of infrastructure. The seropositivity rate which was 3.3 per 1000 in October 1985-April 1986 had risen to 11.2 per 1000 in November 1989-October 1990.
- In addition to the 35 surveillance centres established by ICMR in 1986, only 6 more centres could be established by 1989-90. Most of the existing 35 centres were also not functioning efficiently. Only 4.01 lakh cases had been screened for HIV against the target of 13 lakhs during 1987-90.
- The AIDS units had not been established in 11 States despite payments of grants aggregating Rs.110 lakhs by the Ministry in March 1989.
- A sum of Rs.30 lakhs was released in 1988-89 for health education. A meagre expendi-

ture of Rs.2.89 lakhs for publicity through radio and television on AIDS had been incurred. A pilot survey conducted in 1988 showed widespread ignorance of disease.

- Action plan for blood donor screening was initiated only in December 1988. Only 11 zonal blood testing centres were operational against the target of 37.
- The screening of blood had not started in Calcutta till March 1990. No sample of blood collection was screened in Bhubneswar, Hyderabad, Indore, Jaipur and Varanasi during 1989-90. In Delhi, a few blood banks issued blood in emergency cases without screening for HIV antibody. 85 per cent of the total blood collection in the country was not tested for AIDS and 616 out of 1018 blood banks were unlicensed.
- Funds were not released for training of personnel despite the availability of Rs.15 lakhs in 1988-89.
- AIDS Cells, which were envisaged to be a vital component of the infrastructure in the programme had not been established at the Central and the State levels.

#### 38.5 Approval of the programme

The AIDS control activities were initiated by the Ministry in May 1986. The memorandum for the Expenditure Finance Committee (EFC) prepared by the Ministry in November 1987 which envisaged expenditure of



Rs.899.20 lakhs during 1987-88 to 1989-90 was not approved by the EFC. Although the Ministry prepared, in February 1988, revised proposals involving an outlay of Rs.548.70 lakhs in addition to Rs.50 lakhs already allocated by the Planning Commission for 1987-88, the same were not submitted to the EFC. The Ministry stated, in April 1990, that as proposal for enactment of legislation on AIDS was also being processed simultaneously, it was decided that the policy approaches for implementation of the programme would be included in the draft note for approval of the Cabinet which was obtained in July 1989. It was, however, observed that the expenditure of Rs.481.50 lakhs already incurred on the programme upto 1988-89 was not reported in the note for the Cabinet.

#### 38.6 Financial outlay and expenditure

Against the budget provision of Rs.550 lakhs during the years 1987-90, expenditure of Rs.653.50 lakhs was incurred on the programme (1987-88:Rs.31.50 lakhs, 1988-89:Rs.450 lakhs and 1989-90:Rs.172 lakhs). In addition, expenditure of Rs.97.43 lakhs was incurred under a separate scheme of ensuring safety of blood and strengthening the blood bank system in the country.

During 1987-88 to 1989-90, the DGHS provided Rs.474.50 lakhs to ICMR for procurement of test-kits and ELISA readers from the World Health Organisation (WHO) for supply to the States for their surveillance centres. The ICMR paid Rs.429.03 lakhs to WHO from whom 12632 kits had been received upto March 1990. The Ministry stated, in March 1991, that WHO would provide

final accounts on completion of the supply.

#### 38.7 Surveillance

Since logical intervention strategies for prevention and control of AIDS require sound epidemiological data on the prevalence of infection and mode of its transmission, surveillance is an important component of the programme. It involves diagnostic screening among asymptomatic persons belonging to high risk groups viz- heterosexually promiscuous, homosexuals, blood donors and prostitutes.

In addition to 35 centres already established by ICMR in 1986, only 6 centres could be established upto 1989-90. Most of the 35 surveillance centres, already established were also not functioning efficiently because of non-availability of testing materials (viz- blood samples) from the high risk groups. Against the proposed screening of 13 lakh individuals, only 4.01 lakhs could be screened during 1987-90.

The Ministry stated, in March 1991, that due to paucity of funds and pending approval of the programme, the required number of surveillance centres as projected could not be established and as an alternative it was decided to open surveillance centres in such a manner as to cater to the high risk groups located in the regions with optimum facilities.

According to fortnightly reports received by ICMR from surveillance centres, 5.81 lakh persons had been screened from the inception of the programme till



October 1990 as per detail given below:-

	Number screened	Number sero- positive	Rate per 1000	Remarks
Phase I (October 1985- April 1986)	3027	10	3.3	
Phase II (May 1986- October 1987)	53907	135	2.5	* Blood donors screened after
Phase IIIA (November 1987- October 1988)	109632	387	3.5	April 1989 excluded
Phase IIIB (November 1988- October 1989*)	197711	1118	5.6	
(November 1989- October 1990*)	216547	2432	11.2	
<b>Total</b>	<b>580824</b>	<b>4082</b>	<b>7.0</b>	

The sero-positivity rate registered an increase from 3.3 per 1000 in October 1985 to 11.2 per 1000 in October 1990.

Because of delayed clinical manifestations of the disease, social stigma and lack of curative therapy, all sero-positive individuals require psychological support and counselling. Such counselling and clinical care were to be provided by AIDS units. Although the Ministry released Rs.110 lakhs to 11 States in March 1989 and Rs.20 lakhs to the AIIMS in March 1990 for establishment of the AIDS units, only AIIMS reported

establishment of the unit; information from State Governments was reportedly awaited. The Ministry stated, in March 1991, that the concerned State Governments had already initiated action to procure requisite equipment and fill up the posts for the AIDS units.

In December 1990 the National AIDS Review Committee stressed the urgent need for manpower so that research activities such as sentinel surveillance could be undertaken. It recommended activation of State AIDS cells for taking up tasks of sample collection,

follow-up and for becoming nodal points of AIDS/HIV data in the States.

### *38.8 Health and community education*

As no specific vaccine or treatment is available for AIDS, the disease can be controlled only through massive health and community education. A sum of Rs.30 lakhs was released for health education during 1988-89 to the Central Health Education Bureau (CHEB) for production and distribution of health education material to States/Union Territories. The CHEB, stated, in November 1990, that the Director of Advertising and Visual Publicity (DAVP) was requested to undertake publicity on AIDS programme but DAVP had made commitments for Rs.2.89 lakhs only for publicity through radio and television.

The Ministry stated, in March 1991, that from the widespread publicity undertaken by CHEB, it can be concluded that there has been good awareness about the disease amongst the general public. However, a survey carried out in 1988 by the Christian Medical College, Vellore showed over 58 per cent of those attending medical out-patients departments, 76 per cent of those attending STD clinics and 90 per cent of prostitutes had not heard of AIDS.

### *38.9 Screening of blood/blood products*

The probability of HIV infection spreading through blood and blood products has been

estimated at 90 per cent. This necessitates the screening of blood as well as blood products.

It was only in December 1988 that DGHS drew up an action plan in collaboration with the ICMR and State health authorities for blood donor screening. The plan envisaged screening of all the donated blood in a phased manner from January 1989 in four metropolitan cities (Bombay, Calcutta, Delhi and Madras) by linking all existing blood banks to selected surveillance centres (first phase), and identifying 37 zonal blood screening centres in 29 cities with population exceeding 5 lakhs (second phase). The Drugs and Cosmetics Rules, 1940 were amended in July 1989 making it mandatory for the blood banks to get all blood samples tested for freedom from HIV.

The Government approved the scheme for strengthening of blood banks in December 1989 with financial implication of Rs.1799.49 lakhs upto 1992-93. Grants aggregating Rs.97.43 lakhs were released to the States and training institutions Rs.9.25 lakhs to 37 zonal blood testing centres in 16 States; Rs.2.18 lakhs to 12 training institutions for training of technicians; Rs.36 lakhs to five States for development of 18 out of the targeted 146 blood banks to be strengthened and Rs.50 lakhs to 10 training institutions for manpower development. The grants were released in March 1990.

Only 11 centres against the identified 37 zonal blood testing centres had been made functional between May and July 1990. Training of the requisite number



of the technicians (74 at the rate of 2 per 37 zonal centres) was lagging behind by 44 in August 1990. Training of medical/paramedical personnel of 146 blood banks had started only in four centres till August 1990 and screening of blood in Calcutta had not commenced till March 1990. The Ministry stated, in March 1991, that in view of late release of funds, training was started around March and 11 centres were operationlised.

Despite instructions issued by the Drugs Controller of India in February 1989, for screening of all blood/blood products in the country, no sample of blood collection was screened during 1989-90 in Bhubneshwar, Calcutta, Hyderabad, Indore, Jaipur and Varanasi. The Ministry stated, in March 1991, that due to non-existence of infrastructure, blood screening could not be started during 1989-90. Test check of inspection reports of the blood banks in Delhi conducted by Drugs Controller, Delhi revealed that blood was issued in a few emergency cases without getting it screened for HIV antibody.

The sero-positive blood donors were to be directed to special clinics for further advice and counselling. It was noticed in Audit that out of 32 blood donors found sero-positive by the reference centres in Delhi, only 14 blood donors could be referred to the AIIMS; they also did not approach its clinic. The Ministry stated, in March 1991, that blood banks have only an advisory role to play in

this regard.

The State Directors of Health Services did not send the prescribed monthly returns on performance of the screening centres in their States to the ICMR, the DGHS and the Ministry. The Drugs Controller of India again instructed the States Drug Control authorities, in September 1990, to send inspection reports of all blood banks under their jurisdiction.

An all India study made at the instance of the Ministry in July 1990 revealed that

- 616 banks out of 1018 banks were unlicensed;
- 85 per cent of total collection of blood was not tested for AIDS;
- only 79,74 and 44 per cent of the total collection of blood was screened for HIV in Bombay, Delhi and Madras respectively; in Calcutta, no AIDS testing was done till July 1990;
- AIDS testing was negligible in Gujarat, Kerala and Orissa;
- no AIDS testing was done in Andhra Pradesh, Haryana, Jammu and Kashmir, Karnataka (except Bangalore) Madhya Pradesh, Punjab and Rajasthan;
- despite the high incidence of AIDS in the North Eastern region very few blood banks sent samples to



ICMR centres;

- there was no counselling or monitoring for HIV positive cases.

The National AIDS Committee in its meeting in December 1990 which reviewed the existing situation of blood transfusion services in the country expressed concern over the poor condition of blood banks viz. lack of space, trained manpower, equipment and inadequacy of facilities for testing of blood.

Consequent upon detection of AIDS in 1986, the Government of India made it mandatory for all imported blood products to carry AIDS-free certificate. In January 1989, following the detection of some of the blood products as positive for HIV antibodies, the Drugs Controller of India ordered cessation of production of all indigenously manufactured blood products and withdrawal of all blood products from the market.

According to the Drugs Controller (February 1991), blood products worth Rs.3.71 crores were withdrawn and destroyed by manufacturers in Maharashtra as per the information received from the State Commissioner, Food and Drugs Administration. The Drugs Controller, Tamil Nadu had also informed that the blood products recalled were destroyed, but no information had been received from the two other manufacturing States of Haryana and West Bengal. Despite specific inquiry by Audit, the Ministry/Drugs Controller of India, however, did

not confirm (February 1991) the withdrawal and destruction of all the blood products manufactured upto February 1989. The Drugs Controller of India stated, in February 1991, that it was the responsibility of the State Drugs Control Organisations to monitor the withdrawal of stocks for destruction and to ensure that no stocks were available for sale in the market.

#### 38.10 Test kits/laboratory equipments

For exploring the possibilities for indigenous manufacture of AIDS kits in the country, the ICMR undertook the evaluation (June 1988) of nine commercially available immuno-diagnostic tests referred by the Department of Bio-technology with the objective of selecting the suitable test kit for indigenous production. Though the ICMR found three of the kits suitable (June 1989) on the basis of sensitivity and specificity, the Department of Bio-technology was to explore the feasibility of indigenous production of test kits (May 1990). The Ministry stated, in March 1991, that a memorandum of understanding had been signed with a firm in India who would import kits from their parent organisation in Holland for a period of three years by which time manufacture of kits would be started by them in the country itself.

#### 38.11 Training of personnel

AIDS is a new disease and as such very few trained health personnel are available in India



for management of the disease. During 1988-89, an allocation of Rs.15 lakhs was made as cash assistance to States/Union Territories for training of different categories of personnel. The allocation included release of Rs.0.5 lakh to each surveillance centre for training of about 100 people every year. However, the amount was not released to the States/Union Territories. The Ministry stated, in May 1990, that the proposal did not materialise.

### 38.12 Miscellaneous

#### (a) National AIDS Cell

The Programme envisaged the establishment of a National AIDS Cell in the DGHS to function as a nodal point at the national level and interact with all State health authorities and other departments of Central Government. The work study for proposals of additional staff had not so far been conducted in the Ministry/DGHS and the Cell had not been established. The Ministry stated, in March 1991, that due to financial constraints, the proposed national AIDS Cell could not be established.

#### (b) State AIDS Cells

The State AIDS Cell, under a designated State AIDS Officer for identifying areas of high risk groups for sero-surveillance, collection of blood samples for surveillance centres and for monitoring the programme were not set up as envisaged in the programme as neither staff nor the cells were sanctioned.

#### (c) STD Dispensaries

The existing Sexually Transmitted Diseases clinics in the country were proposed to be strengthened in addition to opening of new STD clinics near the area of business of high risk groups and infrastructure provided to these dispensaries as per the recommendations of National AIDS Committee (February 1989). The Ministry stated, in May 1990, that the State Governments were identifying the areas where health clinics-cum-counselling centres were to be opened and funds would be released to the States as and when the areas were identified.

#### (d) Legislation on AIDS

A bill to provide for the prevention and control of the spread of HIV infection and to provide for specialised treatment and social support to, and rehabilitation of, persons suffering from AIDS and other incidental matters was introduced in the Rajya Sabha in August 1989. The Ministry stated that the Bill had been referred to a Joint Select Committee of Parliament in February 1991.

### 39. Delay in disposal of medicines and stores

In June 1985, medicines and stores purchased by Government Medical Stores Depot, Bombay (Depot) during August 1984 to June 1985 were damaged in unprecedented rains. The Depot reported the cost of the damaged stores as given below to the Director General of Health Services (DGHS), New Delhi in February 1986:

(Rupees in lakhs)

Name of the Programme/ Section	Purchase price of medicines and stores			
	Damaged	Repro- cessable	Auction- able	Destroy- able
Family Welfare Programme	48.30	-	-	48.30
National Leprosy Eradication Programme	34.94	-	-	34.94
Other Programmes	20.56	-	-	20.56
Factory Wing	32.43	31.66	0.68	0.09
Sundry and Other Sections	8.96	-	6.20	2.76
<b>Total</b>	<b>145.19</b>	<b>31.66</b>	<b>6.88</b>	<b>106.65</b>

The investigation team of the DGHS reported a net loss of Rs.106.15 lakhs though the details furnished by the Depot worked out to Rs.106.65 lakhs.

Report of the investigating team and its recommendations for minimising such losses in future were not intimated.

A firm which responded to the Depot's enquiry in December 1985 indicated that medicines worth Rs.20.58 lakhs could be recovered at a cost of Rs.8.80 lakhs out of reprocessible medicines. Final decision of the DGHS, New Delhi in the matter was awaited (June 1990) even though the medicines were due for expiry in June 1990. As a result, medicines worth Rs.11.78 lakhs after accounting for the reprocessing charges could not be salvaged.

The damaged stock included stock worth Rs.6.88 lakhs which developed fungus growth and was, therefore, to be auctioned

for non-medicinal purposes. Out of this stock, the highest offer of Rs.2.14 lakhs was received in January 1986. DGHS's approval was, however, received in June 1987 i.e. after a delay of one year and six months by which time the validity of the offer had expired. In reply to an Audit query seeking reasons for non-invitation of further tenders by the Depot which was competent to do so, it was stated in June 1990 that the decision on the disposal of the medicines was pending with DGHS, New Delhi.

The stores worth Rs.48.30 lakhs shown against the family welfare programme and earmarked for destruction included non-drug items like copper T worth Rs.25.31 lakhs. Instructions for their disposal were awaited from Family Welfare Department.

The matter was referred to the Ministry in May 1990; their reply has not been received (December 1990).



## CHAPTER XI

### General

#### 40. Losses and irrecoverable dues written off/ waived and ex-gratia payments

Statement of losses and irrecoverable revenues, duties, advances, etc. written off/ waived and ex-gratia payments made during 1989-90 is given in Appendix VII to this Report.

It will be seen from Appendix that in 111 cases Rs.29.01 lakhs representing losses mainly due to failure of system, neglect, fraud, etc. on the part of individual Government officials and for other reasons were written off during 1989-90. In three cases involving Rs.0.22 lakh, recovery was waived and in 1474 cases involving Rs.273.39 lakhs, ex-gratia payments were made during the year.

#### 41. Departmentally managed Government Undertakings -

##### Position of proforma accounts

On 31st March 1990, there were 38 departmentally managed government under-takings of commercial and quasi-commercial nature.

The financial results of these undertakings are ascertained annually by preparing proforma accounts outside the general accounts of Government. Trading,

Profit and Loss Accounts and Balance Sheet are not prepared by the undertaking viz., Department of Publications, Delhi and Government of India Presses; stores accounts were only prepared. In pursuance of the recommendation contained in paragraph 1.107 of the Public Accounts Committee in their Forty First Report (Fifth Lok Sabha - 1971-72), Government agreed to prepare the Manufacturing, Profit and Loss Accounts and Balance Sheet for the Government of India Presses. The format of accounts for this purpose effective from 1st April 1983 was accordingly approved.

Proforma accounts for the year 1989-90 had not been received in respect of any of the undertakings (February 1991). A synoptic statement showing the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in Appendix VIII. From the Appendix, it will be seen that in a number of cases, proforma accounts had been in arrears for a number of years ranging from 1 to 17 years. The reasons for delay in compilation of proforma accounts were not available. The delays in compilation of accounts in respect of departmentally managed government undertakings were also brought to the notice of the administrative

ministries concerned from time to time but no effective steps had been

taken to compile the accounts and bring them upto date.

New Delhi  
The

18 JUL 1991

*Dharam Vir*

(DHARAM VIR)  
Director General of Audit,  
Central Revenues-I

Countersigned

*C.G. Somiah*

New Delhi  
The

11 JUL 1991

(C.G.SOMIAH)  
Comptroller and Auditor General of India





**APPENDIX I**

(Refers to paragraph 3.1)

**Cases of unnecessary supplementary grants /appropriations**

Sl. No.	Grant/Appropriation	Amount of Grant/Appropriation			
		Original	Supple- mentary	Actual expenditure	Saving
1.	2.	3.	4.	5.	6.
		<b>Revenue-Voted</b>		<b>(Rupees in lakhs)</b>	
<b>Ministry of Agriculture</b>					
1.	2-Other Services of Department of Agriculture and Cooperation	340,62	3,30	331,82	12,10
<b>Ministry of Communications</b>					
2.	10-Ministry of Communications	6,50	93	4,08	3,35
<b>Ministry of Health and Family Welfare</b>					
3.	41-Department of Health	429,54	12,87	421,89	20,52
<b>Ministry of Human Resource Development</b>					
4.	48-Department of Education	1577,66	7,45	1512,85	72,26
5.	51-Department of Woman and Child Development	274,18	2,26	273,57	2,87



1.	2.	3.	4.	5.	6.
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**Ministry of Personnel, Public Grievances  
and Pensions**

6.	61-Ministry of Personnel, Public Grievances and Pensions	41,19	59	39,73	2,05
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**Ministry of Steel and Mines**

7.	70-Department of Mines	130,41	2,09	129,16	3,34
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**Ministry of Surface Transport**

8.	73-Ports, Lighthouses and Shipping	112,23	14,70	97,46	29,47
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**Ministry of Textiles**

9.	74-Ministry of Textiles	567,26	72	483,84	84,14
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**Department of Electronics**

10.	82-Department of Electronics	77,33	3,84	76,86	4,31
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**Capital-Voted**

**Ministry of Finance**

11.	25-Department of Economic Affairs	149,13	30,02	84,53	94,62
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**Ministry of Human Resource Development**

12.	48-Department of Education	76	50	50	76
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1.	2.	3.	4.	5.	6.
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**Ministry of Science and Technology**

13.	67-Department of Scientific and Industrial Research	5,30	35	4,90	75
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**Ministry of Surface Transport**

14.	73-Ports, Lighthouses and Shipping	366,29	4	324,64	41,69
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**Ministry of Urban Development**

15.	75-Urban Development and Housing	118,70	10,00	102,24	26,46
16.	76-Public Works	127,61	4	113,67	13,98

**Department of Space**

17.	84-Department of Space	107,69	25,01	104,31	28,39
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**Revenue-Charged**

**Ministry of Home Affairs**

(Union Territories without Legislature)

18.	90-Delhi	4,59	84	4,50	93
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**Capital-Charged**

**Ministry of Home Affairs**

(Union Territories without Legislature)

19.	90-Delhi	50,66	29	31,58	19,37
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## APPENDIX II

(Refers to paragraph 3.1)

### Savings under Voted Grants

Voted grants where the savings (more than Rs.5 lakhs in each case) exceeded 20 percent of the total grant are given below:-

Sl. No.	Grant	Total grant	Expenditure	Saving	Percentage of saving
1.	2.	3.	4.	5.	6.
		<i>Revenue</i>	(Rupees in lakhs)		
1.	33-Department of Expenditure	1305,78	6,07	1299,71	99.5
2.	39-Department of Civil Supplies	29,92	12,72	17,20	57.5
3.	40-Ministry of Food Processing Industries	16,04	8,78	7,26	45.3
4.	10-Ministry of Communications	7,43	4,08	3,35	45.1
5.	44-Cabinet	21,00	14,62	6,38	30.4
6.	73-Ports, Lighthouses and Shipping	126,93	97,46	29,47	23.2
7.	65-Ministry of Programme Implementation	85	66	19	22.3

1.	2.	3.	4.	5.	6.
<i>Capital</i>					
8.	4-Department of Rural Development	30	..	30	100
9.	43-Ministry of Home Affairs	8,00	..	8,00	100
10.	50-Art and Culture	20,50	..	20,50	100
11.	61-Ministry of Personnel, Public Grievances and Pensions	3,25	..	3,25	100
12.	35-Department of Revenue	3,05	50	2,55	83.6
13.	58-Ministry of Labour	1,27	28	99	77.95
14.	36-Direct Taxes	120,00	37,85	82,15	68.5
15.	48-Department of Education	1,26	50	76	60.3
16.	24-Ministry of External Affairs	64,41	27,26	37,15	57.7
17.	25-Department of Economic Affairs	179,15	84,53	94,62	52.8
18.	1-Agriculture	20,06	11,82	8,24	41
19.	80-Atomic Energy	578,05	405,55	172,50	29.8



1.	2.	3.	4.	5.	6.
20.	26-Currency, Coinage and Stamps	185, 15	141, 21	43, 94	23.7
21.	84-Department of Space	132, 70	104, 31	28, 39	21.4
22.	75-Urban Development and Housing	128, 70	102, 24	26, 46	20.6

**APPENDIX III**  
(Refers to paragraph 3.3)  
Surrender of funds

Details of major variations where savings were greater than 20 per cent and amounted to more than Rs.1.00 crore but were not surrendered are given below:-

Sl. No.	Grant	Total Savings	Amount surrendered	Amount not surrendered	Percentage
1.	2.	3.	4.	5.	6.
	<b>Revenue-Voted</b>	(Rupees in crores )			
1.	2-Other Services of the Department of Agriculture and Co-operation	12.10	5.41	6.69	55
2.	5-Department of Fertilizers	16.18	12.41	3.77	23
3.	10-Ministry of Communications	3.35	0.67	2.68	80
4.	21-Department of Power	10.59	6.21	4.38	41
5.	25-Department of Economic Affairs	21.02	4.12	16.90	80
6.	34-Audit	4.89	3.25	1.64	34
7.	35-Department of Revenue	12.11	9.24	2.87	24
8.	36-Direct Taxes	2.81	0.06	2.75	98
9.	37-Indirect Taxes	25.58	16.66	8.92	35
10.	38-Department of Food	9.33	4.97	4.36	47



1.	2.	3.	4.	5.	6.
11.	41-Department of Health	20.52	9.00	11.52	56
12.	43-Ministry of Home Affairs	12.27	7.36	4.91	40
13.	44-Cabinet	6.38	4.91	1.47	23
14.	46-Other Expenditure of the Ministry of Home Affairs	36.21	10.14	26.07	72
15.	50-Art and Culture	7.57	4.36	3.21	42
16.	58-Ministry of Labour	24.28	13.83	10.45	43
17.	61-Ministry of Personnel, Public Grievances and Pensions	2.05	0.18	1.87	91
18.	70-Department of Mines	3.34	0.72	2.62	78
19.	72-Roads	9.88	2.69	7.19	73
20.	79-Ministry of Welfare	2.88	1.57	1.31	45
21.	80-Atomic Energy	22.06	11.28	10.78	49
22.	81-Nuclear Power Schemes	38.29	7.90	30.39	79
23.	82-Department of Electronics	4.31	2.86	1.45	34
24.	84-Department of Space	2.12	0.81	1.31	62
25.	85-Lok Sabha	2.30	0.38	1.92	83
<b>Capital-Voted</b>					
26.	24-Ministry of External Affairs	37.15	19.80	17.35	47

1.	2.	3.	4.	5.	6.
27.	25-Department of Economic Affairs	94.62	42.82	51.80	55
28.	37-Indirect Taxes	12.70	8.48	4.22	33
29.	41-Department of Health	14.26	1.50	12.76	89
30.	43-Ministry of Home Affairs	8.00	5.90	2.10	26
31.	57-Broadcasting Services	9.38	1.28	8.10	86
32.	66-Department of Science and Technology	5.58	4.04	1.54	28
33.	75-Urban Development and Housing	26.46	20.79	5.67	21
34.	95-Daman and Diu	1.19	0.13	1.06	89
	<b>Revenue-Charged</b>				
35.	75-Urban Development and Housing	2.94	1.51	1.43	49
	<b>Capital-Charged</b>				
36.	90-Delhi	19.37	9.91	9.46	49



**APPENDIX IV**

(Refers to paragraph 3.5)

Major variations in recoveries

Details of major variations between budgeted recoveries and actuals adjusted in reduction of expenditure are given below :-

Sl. No.	Grant	Budget Estimates	Actual recoveries	Variation	
				Amount	Percentage
1.	2.	3.	4.	5.	6.

(Rupees in lakhs)

**Excess recoveries against budget estimates**  
**Revenue**

1.	5-Department of Fertilizers	748,00	1253,11	505,11	68
2.	90-Delhi	14,18	25,00	10,82	76

**Capital**

3.	26-Currency, Coinage and Stamps	71,89	114,29	42,40	59
4.	57-Broadcasting Services	115,80	140,04	24,24	21
5.	84-Department of Space	..	111,00	111,00	
6.	90-Delhi	106,79	177,32	70,53	66
7.	94-Chandigarh	12,08	25,75	13,67	113

1.	2.	3.	4.	5.	6.
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**Short recoveries against budget estimates  
Revenue**

1.	30-Transfers to State Governments	6,11	0,35	5,76	94
2.	38-Department of Food	8,67	2,18	6,49	75
3.	58-Ministry of Labour	30,40	14,20	16,20	53
4.	74-Ministry of Textiles	35,00	8,41	26,59	76
5.	77-Stationery and Printing	33,00	16,11	16,89	51
6.	92-Dadra and Nagar Haveli	12,42	0,66	11,76	95
7.	94-Chandigarh	40,14	16,59	23,55	59

**Capital**

8.	20-Department of Coal	13,00	..	13,00	100
9.	36-Direct Taxes	90,00	33,67	56,33	63
10.	73-Ports, Lighthouses and Shipping	20,20	12,38	7,82	39



**APPENDIX V**

(Refers to paragraph 3.6)

Cases of injudicious reappropriation

1. Cases of major re-appropriation which turned out injudicious on account of non-utilisation are given below:-

Sl. No.	Grant	Major Head	Sub-head	Amount of re-appropriation to the sub-head	Amount of final saving under the sub-head after re-appropriation
1.	2.	3.	4.	5.	6.
				(Rupees in lakhs)	
1.	2-Other Services of Department of Agriculture and Co-operation	'3606'-H.-Aid-Materials and Equipments	H.7(1) Value of Gift of Soyabean	493.00	493.00
2.	4-Department of Rural Development	'2215'-B.-Water Supply and Sanitation	B.1(1)(1)(3) Expenditure in Union Territories without Legislature	13.67	107.69
3.	24-Ministry of External Affairs	'2061'-C.- External Affairs	C.3(1) (1)- Other charges C.9(2)- Indian Council of Cultural Relations	46.00 93.67	188.92 110.40

1.	2.	3.	4.	5.	6.
4.	25-Department of Economic Affairs	'2047'-B.-Other Fiscal Services	B.3(1)-Interest on Deposits under Compulsory Deposit (Income Tax Payers)Scheme, 1974	1200.00	1840.67
		'7002'-AA-Loans to Railways	AA.1-Loans to Railway Development Fund	545.62	5170.10
5.	28-Pensions	'2071'-A-Pensions and other Retirement Benefits	A.1(4) (1)-Family Pensions	323.23	340.66
6.	29-Interest Payments (Charged)	'2049'-A.-Interest Payments	A.4-Interest on Reserve Funds	31.88	224.62
7.	36-Direct Taxes	'2020'-A.-Collection of Taxes on Income and Expenditure	A.2(1)-Commissioners and their offices	77.07	264.71
8.	37-Indirect Taxes	'4047'-AA.-Capital Outlay on Other Fiscal Services	AA.1(1) (2)-Acquisition of Ships and Vessels	279.75	391.39



1.	2.	3.	4.	5.	6.
9.	41-Department of Health	'2210'-C.- Medical and Public Health	C.3(4) (3) (3)- Cancer Research	304.53	313.10
			C.5(2)-International Co-operation	25.00	55.82
			D.2(4)(11)-Other Health Schemes	45.80	45.80
		'3606'-F.- Aid Materials and Equip-ments	F.3(3)-Material Assistance for Other Programmes	370.00	370.00
10.	45-Police	'3601'-C.- Grants-in-aid to State Governments	C.1(2)-Police Other Grants	70.00	137.40
11.	46-Other Expenditure of the Min- istry of Home Affairs	'2235'-B.- Social Security and Welfare	B.2(1)-Swatan- trata Sainik Samman Pension Schemes	222.00	2251.99
			F.1(3) (1)- Modernisation of Prison Administration	100.00	100.00
12.	57-Broadcast- ing Services	'4221'-AA.- Capital Outlay on Broadcasting	AA.2(5)-Other Expenditure	42.73	50.03
13.	72-Roads	'3054'-A.- Roads and Bridges	A.4(1) 2) (2)- Institute for Training of Highway Engineers	195.00	195.00

1.	2.	3.	4.	5.	6.
14.	75-Urban Development	'2216'-C.- Housing	C.C.1(2) (3) (1)- Ordinary Repairs (Charged)	55.20	74.22
		'4216'-BB.- Capital outlay on Housing	BB.2(1) (1)- Housing and Urban Development Corporation	100.00	123.00
15.	77-Station- ery and Printing	'2058'-A.- Stationery and Printing	A.3(2)-Printing Presses	77.69	136.69
16.	80-Atomic Energy	'2852'-B.- Industries	B.1(2) (1)-Nuclear Fuel Complex Hyderabad	173.44	667.84
		'4861'-CC.- Capital Outlay on Atomic Energy Industries	CC.6(1)-New Thorium Plant	57.00	65.00
			CC.6(6) (3)-Fuel Reprocessing of Fast Breeder Test Reactor	40.00	50.09
		'5401'-DD.- Capital Outlay on Atomic Energy Research	DD.1(52)-other Schemes	45.50	54.53
17.	90-Delhi	'2210'J.1- Medical and Public Health	J.1(1) (3) (6)- Din Dayal Upadhyay Hospital	32.00	58.81



11. Cases of major re-appropriation to other heads which turned out finally excess under the sub-heads are given below:-

Sl. No.	Grant	Major Head	Sub-head	Amount of re-appropriation	Amount of excess after re-appropriation
1.	2.	3.	4.	5.	6.
				(Rupees in lakhs)	
1.	14-Defence Pensions	'2071'-A-Pensions and other Retirement Benefits	A.1(1)(1)(5)-Gratuities	203.70	3403.50
			A.1(1)(2) Commuted value of Pensions	756.35	2718.40
			A.1(2)(1)(5)-Gratuities	54.00	159.47
			A.1(2)(2)-Commuted value of Pensions	71.00	195.62
2.	24-Ministry of External Affairs	'3605'-E-Technical and Economic co-operation with other countries.	E.I.(7)(2)-Other Programmes	181.00	309.22
3.	29-Interest Payments (Charged)	'2049'-A-Interest Payments	A.1(1)-Interest on Market Loans	4103.97	24759.78

1.	2.	3.	4.	5.	6.
4.	41-Department of Health	'3601'-D-Grants-in-aid to State Governments	D.2(4)(2)(1)(3)-Special Component Plan for Scheduled Castes.	71.61	73.96
5.	45-Police	'2055'-A.-Police	A.10(1)-Charges paid to other Governments/ Departments etc.	116.00	506.75
6.	49-Department of Youth Affairs and Sports.	'2204'-B.-Sports and Youth Affairs	B.4(3)-Grants to Sports Federations	21.00	102.09
7.	57-Broadcasting Services	'4221'-AA.-Capital Outlay on Broadcasting	AA.1(4)-Suspense	22.45	102.94
8.	72-Roads	'3054'-A.-Roads and Bridges	A.1(3)(1)-Maintenance by Roads Wing	95.00	199.82
		'5054'-AA.-Capital Outlay on Roads and Bridges	AA.2(1)(1)-Works under Border Roads Development Board	161.00	1176.48
9.	80-Atomic Energy	'5401'-DD.-Capital Outlay on Atomic Energy Research	DD.1(44)-Superconductivity DD.3(4)-Housing for Indira Gandhi Centre for Atomic Research	100.00 53.26	157.45 73.53



1.	2.	3.	4.	5.	6.
10.	81-Nuclear Power Schemes	'2801'-A- Power Projects	A.1(1)(4)-other Expenditure	46.10	89.03
			A.1(2)(1)-Tarapur Atomic Power Station	42.00	167.85

## APPENDIX VI

(Refers to paragraph 4.3)

List of collaborating agencies for Technology Mission on  
Drinking Water

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- (i) Council of Scientific and Industrial Research
- (ii) Ministry of Science and Technology
- (iii) Department of Environment and Forests
- (iv) Department of Defence Research and Development
- (v) Ministry of Health and Family Welfare
- (vi) Ministry of Water Resources
- (vii) Department of Space
- (viii) Department of Atomic Energy
- (ix) State Governments
- (x) Others



**APPENDIX VII**  
(Refers to paragraph 40)

Statement of irrecoverable revenues, duties, etc. written off/waived and ex-gratia payments made during 1989-90

(Amount in lakhs of rupees)

Name of Ministry/ Department	Write off of losses, irrecoverable revenues, duties, advances etc, due to									
	Failure of system		Neglect, fraud etc. on the part of individual Government officials		Other reasons		Waiver of recovery		Ex-gratia payment	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
1	2	3	4	5	6	7	8	9	10	
Agriculture					2	0.13				
Atomic Energy					6	0.46				
Commerce									1474	273.39
Energy	2	3.94			12	0.91				
External Affairs							1	0.09		
Finance					2	0.37				
Home (including Union Territory of Lakshadweep and Andaman and Nicobar Islands)					41	12.58				
Industries			1	0.30						
Information and Broadcasting	1	0.07			3	1.29				
Labour							1	0.04		
Planning					1	0.06				
Space					16	7.21				
Steel and Mines					11	1.10				
Tourism							1	0.09		
Urban Development					13	0.59				
	3	4.01	1	0.30	107	24.70	3	0.22	1474	273.39

APPENDIX VIII  
(Refers to paragraph 41)

Summarised financial results of departmentally managed Government Undertakings

(In lakhs of rupees)

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	Percentage of total return to mean capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Ministry of Agriculture										
1.	Delhi Milk Scheme	1983-84	1132.93	440.00	668.13	(-)1906.47	85.88	(-)820.59	-	-
2.	Ice-cum-Freezing Plant, Cochin	1986-87	41.17	40.67	32.08	(-)118.81	-	(-)118.91	-	-
Ministry of Defence										
3.	Canteen Stores Department	1986-87	48.00	271.39	283.79	(+)1767.13	525.51	2292.64	41.66	
Ministry of Energy										
4.	Electricity Department, Andaman,	1987-88	1762.07	1475.78	286.29	(-)790.03	134.89	(-)1655.14	-	
5.	Electricity Department, Lakshadweep	1982-83	185.80	110.57	36.76	(-) 64.04	8.11	(-)155.93	-	
Ministry of Environment and Forest										
6.	Forest Department, Andaman and Nicobar Islands	1982-83	196.75	196.75	50.91	(+)296.36	51.38	(+)1067.29	147.5	
Ministry of Finance										
7.	India Security Press, Nasik Road	1988-89	3921.35	3233.31	791.36	(-)718.45	802.55	84.10	0.99	
8.	Security Printing Press, Hyderabad	1988-89	710.87	544.53	157.69	(+)143.80	131.13	274.93	(+)38.68	Figures based on the unaudited accounts
9.	Currency Note Press, Nasik Road	1988-89	4724.01	4266.79	689.21	(+)1886.99	1253.04	3140.03	23.80	--do--



1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
10.	Government Opium Factory, Ghazipur	1985-86	114.19	25.35	20.63	(+) 80.54	305.45	385.99	10.11	Block assets exclude capital work in progres- ss of Rs.68.22 lakhs
11.	Government Opium Factory, Neemuch	1987-88	199.84	185.47	14.32	(-) 87.77	267.94	180.17	5.92	
12.	Government Alkaloid Works, Neemuch	1987-88	428.07	314.76	101.23	(+) 27.05	72.95	100.00	13.42	
13.	Government Alkaloid Works, Ghazipur	1985-86	114.89	12.47	14.76	(-) 72.86	29.13	(-) 143.73	-	Block assets ex- clude capital work in progress of Rs.84.93 lakhs
14.	India Government Mint, Bombay	1983-84	29.89	516.46	25.22	(+) 1561.18	193.32	(+) 1754.50	63.98	
15.	India Government Mint, Calcutta	1986-87	299.00	211.00	255.00	(+) 268.00	327.00	695.00	-	
16.	India Government Mint Hyderabad	1987-88	2017.4	436.5	159.45	(-) 117.29	162.1	144.81	(+) 7.18	Figure based on the unaudited accounts
17.	Assay Department, Bombay	1980-81	13.00	12.76	0.32	(+) 8.04	0.43	(+) 8.47	119.85	
18.	Assay Department, Calcutta	1985-86	0.74	0.24	0.03	(+) 2.00	-	2.00	-	
19.	Silver Refinery, Calcutta	1985-86	59.00	0.12	0.32	(-) 11.00	192.00	181.00	-	
20.	Bank Note Press, Dewas	1986-87	4936.58	4005.89	930.69	818.68	926.12	1744.80	35.34	

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
21. Security Paper Mill, Hoshangabad		1976-77	1144.99	580.33	564.66	2.94	48.54	51.48	4.50	
<b>Ministry of Health and Family Welfare</b>										
22. Central Research Institute, Kasauli		1988-89	254.41	14.21	19.43	(+)3.75	20.42	129.80	49.57	Interest on capital provided on provisional basis.
23. Medical Store Depots		1977-78	64.54	45.40	28.12	(+)43.45	\$ 93.87	(+)137.32	8.05	(*) This represents interest on Government capital, accounted for in the consolidated Profit and Loss Accounts of Medical Store Depots, Profit and Loss Account of Factories attached to the Medical Store Depots and Workshop Accounts.
24. Vegetable Garden of the Central Institute of Psychiatry Kanke, Ranchi		1984-85	0.31	0.27	0.04*	(-)10.11	0.02	(-)10.09		
<b>Ministry of Information and Broadcasting</b>										
Capital Assets										
25. All India Radio		1981-82	7294.57	4538.03	2756.54	(-)2589.92	327.18	(-)2262.74	-	
26. Radio Publication, All India Radio		1985-86	639.64**			(-)48.58	0.09	(-)48.49	-	**Figures based on Government current account as on



1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
										31.3.86
				Revenue Assets						
				0.44	0.11					
27.	Director General Doordarshan 1976-77 New Delhi		2545.61	2026.43	519.18	(-1575.45	117.88	(-1457.57	-	
28.	Commercial Sales Service Doordarshan New Delhi.	1976-77	-	0.14	-	(+157.62	-	(+157.62		
				Revenue Assets						
29.	Films Division, Bombay	1983-84	416.16	245.14	246.80	(-183.20	47.61	(-135.59	-	(i) Due to change in accounting method from 1983-84 net loss has been arrived at after taking into account revenue in respect of supply of prints made to Directorate of Field Publicity and national revenue (Rs. 19.81 lakhs) for free supply of prints to State Governments. (ii) net loss calculated after excluding adjustments relating to previous years. (iii) Compilation of proforma accounts for 1984-85 is in arrears.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
30. Commercial Broadcasting Service All India Radio		1982--83	167.21	86.17	81.04	(+)1074.70	-	(+)1074.70		
<b>Ministry of Surface Transport</b>										
31. Lighthouses and Lightships Department		1986-87	3746.42	3024.29	789.77	(+)860.30	350.00	1210.30	35.17	
32. Shipping Department, Andaman and Nicobar Islands		1972-73	43.58	56.80	7.89	(-180.15	4.47	(-175.68	-	
33. Ferry Service, Andaman		1982-83	195.85	113.46	82.39	(-154.16	7.35	(-146.81	-	
34. Marine Department (Dock-Yard) Andaman and Nicobar Islands		1982-83	6.11	4.05	2.06	(-140.24	14.63	(-125.61	-	
35. Chandigarh Transport Undertaking, Chandigarh		1988-89	1321.81	708.18	119.65	(-406.77	111.00	(-295.77	-	
36. State Transport Service, Andaman and Nicobar Islands		1977-78	35.87	16.05	50.05	(-121.03	1.64	(-119.39	-	
<b>Ministry of Urban Development</b>										
37. Department of Publications, New Delhi		1980-81**				** The new normative pricing policy has been introduced and the question of simplification of proforma accounts and the preparation of Manufacturing accounts, Profit and Loss accounts, Balance Sheet, etc., have been kept in abeyance by the Ministry				
38. Government of India Presses		1980-81 (a)				----- do -----				

(a) Proforma accounts have not been prepared according to the revised procedure prescribed in the Ministry of Finance Office Memorandum No. F.1(35)/B/71 dated 23.01.1974.  
Depreciation for the year only





E R R A T A

<u>Page</u>	<u>Column</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
(vi)	Prefatory remarks	11	includes	includes
67	2	20	effctive	effective
132	1	3	condomonium	condominium
132	2	11	insturmentation	instrumentation
144	2	3 from below	Directr	Director



