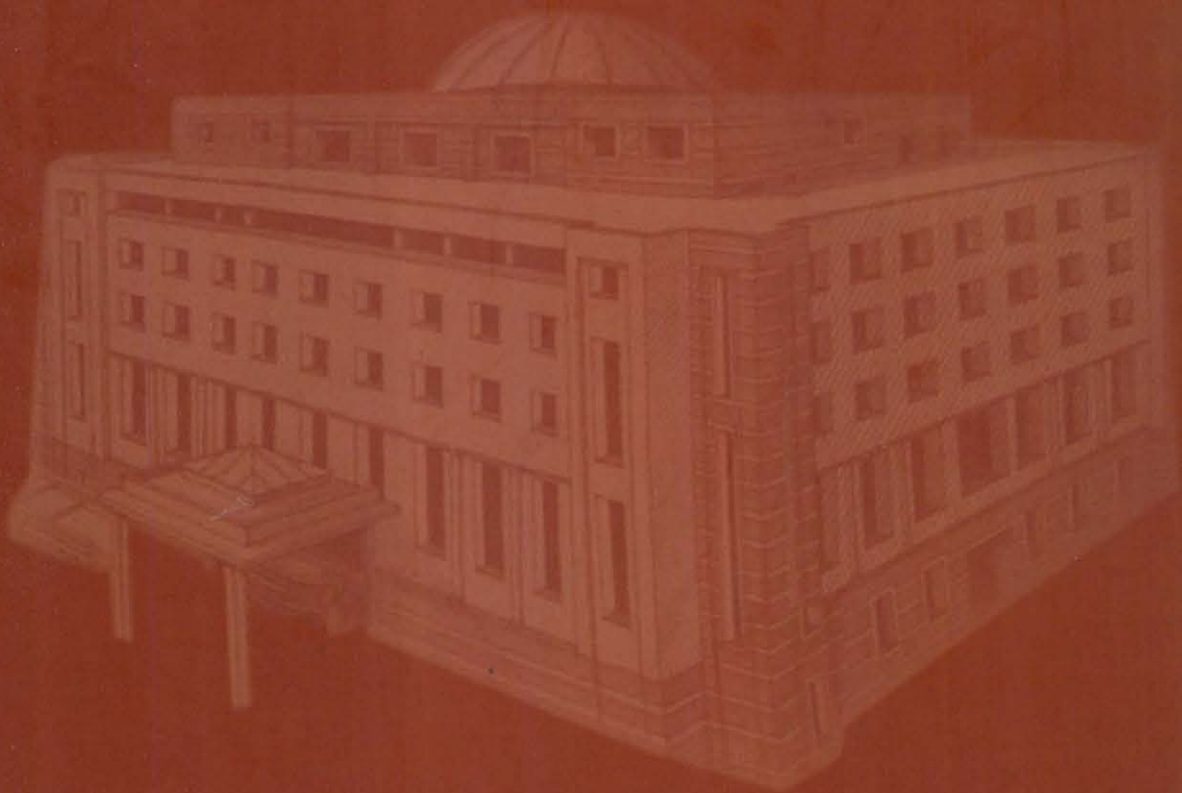




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# Report of the Comptroller and Auditor General of India



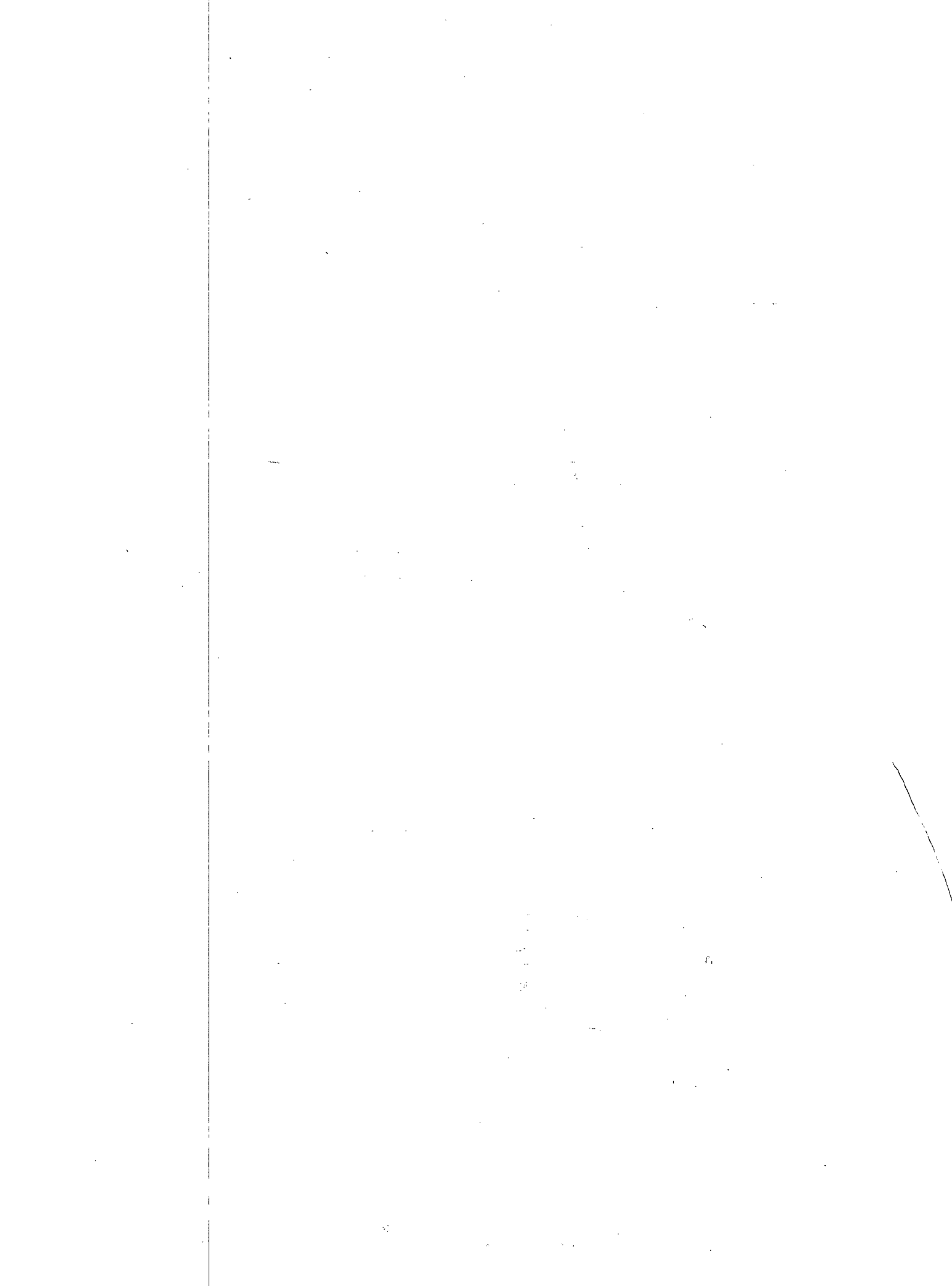
Union Government (Civil)  
Compliance Audit Observations  
No. 16 of 2011-12

Presented to Lok Sabha  
and Rajya Sabha on  
Dated . 5 SEP 2011

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

**for the year ended March 2010**

**Union Government (Civil)  
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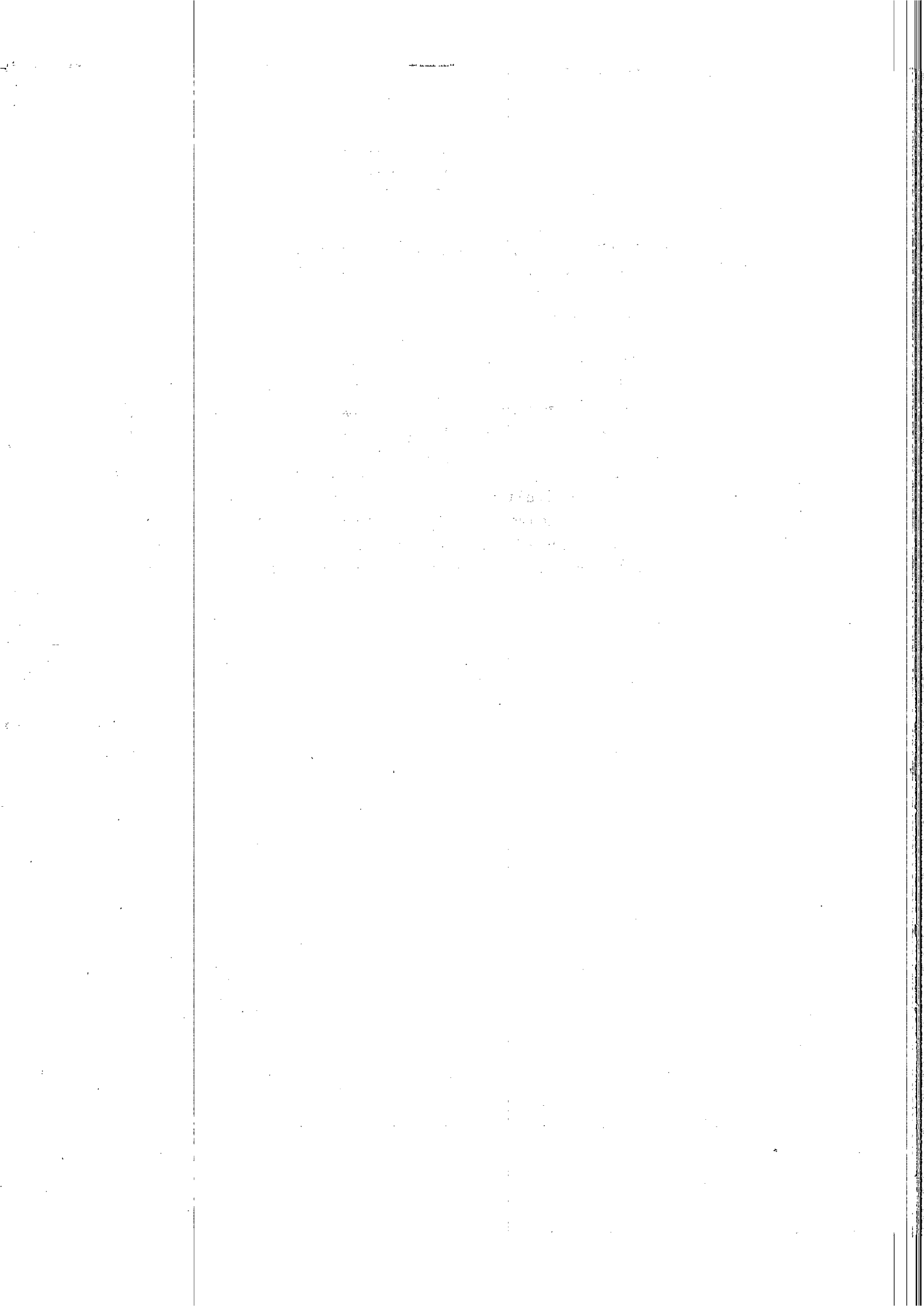
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## PREFACE

This Report for the year ended March 2010 has been prepared for submission to the President under Article 151 of the Constitution.

This Audit Report contains findings emerging out of the compliance audit in the Civil Ministries including Scientific Departments, Department of Posts, Department of Telecommunications and their field offices. This Report also includes audit findings relating to Autonomous Bodies under Scientific Departments. The audit findings on the accounts of the Union Government are included in Report No. 1 for the year 2010-11.

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2009-10. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to March 2010 in a few cases have also been mentioned, wherever available and relevant.



**OVERVIEW**

This Report contains the audit findings of significant nature which arose from the compliance audit in Civil Ministries including Scientific Departments of the Union Government, Departments of Posts and Telecommunications and their field offices. The report contains 20 chapters. Chapter I explains the audit methodology and auditee profile. Chapter II to XIII present detailed findings/ observations arising out of the compliance audit in these Ministries/Departments. Chapter XX presents summarised position of the remedial/corrective Action Taken Notes furnished by the Ministries.

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

**Ministry of Agriculture**

**Indian Council of Agricultural Research**

**Injudicious release of funds**

Work services entrusted to the Central Public Works Department for construction of residential quarters and office-cum-laboratory building for National Bureau of Soil Survey and Land Use Planning, a constituent of Indian Council of Agricultural Research, could not commence even after 10 years resulting in blocking of ₹ 1.01 crore, as the land in question did not have municipal clearance.

*Paragraph 2.1*

**Ministry of Commerce and Industry**

**Department of Commerce**

**Recovery at the instance of Audit**

Failure of the Deputy Controller of Accounts (supply), Mumbai to follow up the amendment letters relevant to the Rate Contract led to overpayment of ₹ 1.31 crore. Out of this, an amount of ₹ 1.09 crore was recovered from the suppliers at the instance of audit.

*Paragraph 3.1*

**Ministry of Communications and Information Technology**

**Department of Posts**

**Non deduction of commission on purchase of revenue stamps**

Failure of the Chief Postmasters General, Gujarat, Maharashtra, North East and West Bengal Postal Circles to deduct commission in advance on purchase

of revenue stamps from State Governments led to short realisation of revenue to the extent of ₹ 2.45 crore.

*Paragraph 4.1*

**Non-realisation of pension/family pension dues from other departments**

The Director of Accounts, Postal (DAP), Patna failed to obtain payment vouchers/schedules from 5 Post Offices under Bihar and Jharkhand Circle which resulted in non-raising debits of ₹ 2.44 crore against Coal Mines Provident Fund and Industrial Employees Provident Fund. In addition, commission of ₹ 0.47 crore was not realised from Department of Telecommunications.

*Paragraph 4.2*

**Idling of Generator sets**

Delay on the part of Chief Postmaster General, Bihar and West Bengal Postal circles in installation of Generator sets procured during March 2006-March 2009 resulted in idling of Gensets worth ₹ 1.86 crore.

*Paragraph 4.3*

**Irregular payment of EPF pension/Family pension**

CPMG, Tamil Nadu Postal Circle failed to stop payment of EPF pension/family pension through post offices in Chennai Region despite clear orders from Head Office, EPFO, New Delhi. This resulted in irregular payment of pension/family pension of ₹ 1.59 crore.

*Paragraph 4.4*

**Recovery at the instance of Audit**

An amount of ₹ 83.10 lakh was recovered at the instance of Audit out of ₹ 2.08 crore excess paid by the West Bengal and Bihar Postal Circles towards Central Government Health Scheme (CGHS) contribution during 2005-06 to 2008-09.

*Paragraph 4.5*

**Non-levy of Service Tax**

Omission on the part of 39 Post Offices in Gujarat and Tamil Nadu Postal circles resulted in short collection of service tax and education cess amounting to ₹ 39.25 lakh.

*Paragraph 4.6*

**Avoidable payment of electricity charges**

Failure of Automatic Mail Processing Centre, Mumbai to change the power distribution licensee from Reliance Energy to Tata Power Company resulted in avoidable extra payment of ₹ 22.64 lakh.

*Paragraph 4.7*

**Centre for Development of Telematics**

**Wasteful expenditure of ₹ 16.10 crore due to non-commercialisation of technology**

Despite shift in worldwide market trends towards Dense Wavelength Division Multiplexing technology in 2004, C-DOT continued the execution of a project to develop the Coarse Division Multiplexing technology. As a result, an obsolete technology was developed in 2006, which had no takers rendering the entire expenditure of ₹ 16.10 crore wasteful.

*Paragraph 4.8*

**Ministry of Earth Sciences**

**Wasteful expenditure on refurbishment of a vessel**

National Centre for Antarctic and Ocean Research did not effectively plan its requirements for hiring of a ship for its Antarctica expedition. As a result, it spent ₹ 43.68 lakh for refurbishment of a vessel which was ultimately not hired, rendering the entire expenditure wasteful. Ineffective planning also resulted in curtailment of objectives envisaged for the 27<sup>th</sup> Antarctica expedition.

*Paragraph 5.1*

**Ministry of External Affairs**

**Delay in renovation of Indian chancery in Paris**

Delay in implementation of project of renovation of Indian Chancery in Paris has blocked the capital of ₹ 18 crore on purchase of new building which has been lying unused since 2006. This led to the Mission having to incur a recurring liability of ₹ 26 lakh *per annum* on rent of the Space Wing which was envisaged to be relocated in the new building after its renovation.

*Paragraph 6.1*

**Inordinate delay in construction/ disposal of Government of India owned property**

Despite assurances to the PAC, the Mission/Ministry displayed extraordinary indecision in disposing/ constructing Government of India owned property in Bangkok and Warsaw. This led to continued idling of the plots for over 35 and 22 years respectively. The delay has resulted in avoidable annual rental

expenditure of ₹ 2.15 crore and ₹ 1.28 crore in Bangkok and Warsaw respectively.

*Paragraph 6.3*

**Irregular expenditure under the head Publicity**

Despite Ministry's instructions and earlier audit observations, the Six Indian Missions/Posts incorrectly classified expenditure of ₹ 93.06 lakh under the head 'Publicity' during 2008-2010 which resulted in the Missions understating the expenditure under the head Office Expenses besides violating the government's instructions on economy in expenditure.

*Paragraph 6.5*

**Irregular expenditure due to non-adherence to sanctions and scales**

28 Missions/Posts incurred an irregular expenditure of ₹ 1.22 crore on visiting delegations by extending various facilities, such as, hotel accommodation, hired transport, cash allowance, VIP Lounge etc, which were beyond the scope of sanction/without the sanction of the Competent Financial Authority. In addition, Embassy of India, Suriname constructed a Swimming Pool at Embassy Residence at a cost of ₹ 64.15 lakh not covered under the laid down scale.

*Paragraph 6.6*

**Avoidable extra expenditure on hiring of excess space for chancery building**

The Indian Mission in Minsk hired a significantly large property in excess of the prescribed norms for its chancery without the prior approval of the Ministry. This would result in an avoidable extra expenditure of at least ₹ 42.12 lakh.

*Paragraph 6.7*

**Systemic failure of internal controls leading to embezzlement of government money**

Failure to follow good practices in handling and accounting of receipts coupled with ineffective monitoring led to embezzlement of government money amounting to ₹ 26.23 lakh in Embassy of India, Rome.

*Paragraph 6.9*

**Unauthorised expenditure due to non-adherence to prescribed rental ceiling in hiring residential accommodation**

The Missions at Singapore, Tokyo and Port Moresby paid rent for residential accommodation in excess of the prescribed rental ceiling resulting in unauthorised expenditure of ₹ 21.20 lakh during 2009-10.

*Paragraph 6.10*

**Ministry of Finance**

**Securities and Exchange Board of India (SEBI)**

**Irregular expenditure**

SEBI failed to check the status of land proposed to be acquired for setting up of NISM before making payment to MIDC. The land was encroached upon by the locals for seasonal cultivation. This led to irregular payment of compensation of ₹ 90 lakh to MIDC for settlement with the illegal occupants. The possession of land was yet to be received even after making payment of ₹ 11.85 crore to MIDC.

*Paragraph 7.2*

**Insurance Regulatory and Development Authority(IRDA)**

**Loss of interest**

IRDA invested ₹ 58.80 crore in two banks as term deposits at an interest rate of 7.5 per cent ignoring the option of multiple deposits at a higher interest rate of 8 per cent offered by these banks. Consequently it sustained a loss of interest of ₹ 31.14 lakh.

*Paragraph 7.3*

**Irregular award of work**

Awarding the work of web portal development to a firm without ensuring competitiveness of rates and without safeguarding its interest resulted in an irregular and avoidable expenditure of ₹ 59.48 lakh.

*Paragraph 7.4*

**Ministry of Health and Family Welfare**

**Safdarjung Hospital and VMCC**

**Unfruitful expenditure**

Inordinate delays and lackadaisical approach of the Ministry and the Hospital led to non-commencement of the work of construction of staff quarters for the nurses depriving them of the intended facility. The expenditure of ₹ 1.80 crore incurred by the Ministry on acquisition of land has been rendered unfruitful.

*Paragraph 8.1*



**Directorate General of Health Services**

**Central Government Health Scheme**

**Avoidable payment**

Non compliance with the terms of agreement, which provided for deduction of VAT from the bills of chemists, resulted in avoidable payment of VAT of ₹ 8.92 crore by CGHS, New Delhi.

*Paragraph 8.2*

**Indian Council of Medical Research**

**Inordinate delay in creation of a national facility for breeding of primates**

A breeding centre for primates such as apes and monkeys to meet the needs of biomedical research could not be established even after 11 years due to inability of National Institute for Research in Reproductive Health (NIRRH) to ensure that the designs for the facility were prepared timely by the architect and that the building was constructed in time by the executing agency. NIRRH also failed to effectively monitor and coordinate with different agencies implementing the project. Failure on part of NIRRH led not only to non-achievement of the objectives of establishing the facility but also blockade of funds of ₹ 14.15 crore and unfruitful expenditure of ₹ 8.90 crore already incurred on the project.

*Paragraph 8.4*

**Delay in commissioning of equipment**

Delay by National Institute of Occupational Health in placement of the purchase order and poor planning in execution of construction of instrumentation room led to non-commissioning of an equipment costing ₹ 2.20 crore to address the existence of pesticides and other contamination in soft drinks which adversely impact on the health of consumers.

*Paragraph 8.5*

**Ministry of Home Affairs**

**Unauthorised expenditure**

Ministry of Home Affairs diverted an amount of ₹ 2.53 crore out of funds allotted for a different purpose by the Parliament under capital section for meeting revenue expenditure.

*Paragraph 9.1*

## **Border Security Force**

### **Procurement without planning**

Six MI 17 helicopters purchased by the Ministry of Home Affairs at a cost of ₹ 125.29 crore were parked at Safdarjung Airport, New Delhi. These were intended to be utilised for meeting its operational requirement in North East and Jammu and Kashmir areas. Necessary infrastructure in the form of hangars for parking the helicopters had not been created even after seven years of the sanction of ₹ 7 crore for the purpose. BSF also incurred an avoidable expenditure of ₹ 9.18 crore on sorties from Delhi to these areas.

*Paragraph 9.2*

### **Central Reserve Police Force**

#### **Blocking of funds of ₹ 1.32 crore**

Non-acceptance of refund of excess amount by the CRPF in January 1999 and lack of focused pursuance led to the blocking of ₹ 1.32 crore for a period of 10 years.

*Paragraph 9.3*

### **Directorate of Co-ordination Police Wireless**

#### **Unfruitful expenditure**

The Ministry embarked on the project of setting up a police network (POLNET) which aimed to provide a reliable National police communication system without studying the appropriateness of the technology adopted. This coupled with its failure to obtain co-operation from State Governments resulted in non-achievement of objectives despite incurring expenditure of ₹ 94.57 crore. The Ministry also incurred avoidable expenditure of ₹ 13.08 crore towards payment of Spectrum charges to DoT for unused/un-installed Multi Access Radio Telephones (MARTs).

*Paragraph 9.4*

### **National Disaster Management Authority**

#### **Irregularities in execution of renovation and interior work of its new building by NDMA**

Secretary NDMA accorded separate split sanctions aggregating to ₹ 4.48 crore in violation of the provisions of GFR. Further, failure of NDMA in assessing its requirements for renovation and interior work in the allotted building at the initial stage necessitated continuous change in the scope and quantum of the work. This resulted in overall delay in completion of the project and avoidable

payment of rent amounting to ₹ 3.77 crore on account of its extended stay in the rented accomodation.

*Paragraph 9.5*

**Ministry of Information and Broadcasting**

**Directorate of Film Festival**

**Loss of Revenue**

Failure of the Directorate to initiate timely action for award of canteen facility contract resulted in loss of revenue of ₹ 33.77 lakh.

*Paragraph 11.1*

**Ministry of Mines**

**Geological Survey of India**

**Avoidable expenditure due to non-recovery of Service Tax**

Geological Survey of India (GSI) failed to recover an amount of ₹ 4.62 crore from outside agencies on account of Service tax. As a result, it had to pay ₹ 4.62 crore from its resources. Due to non-payment of Service tax in time, GSI is also liable to pay penal interest of ₹ 1.05 crore. Further, Coal wing of GSI again failed to follow the provisions of the Finance Act, 1994 as well as instructions of its headquarters issued in November 2004 and did not recover Service tax amounting to ₹ 68.91 lakh thereby making it liable to pay the Service tax and interest thereon in the future.

*Paragraph 12.1*

**Ministry of New and Renewable Energy**

**Infructuous expenditure due to non-utilisation of software**

Failure of Ministry of New and Renewable Energy to utilise the software for automation of the functions of the Ministry resulted in infructuous expenditure of ₹ 45.82 lakh besides non-achievement of envisaged objectives of having a paperless office.

*Paragraph 13.1*

**Ministry of Science and Technology**

**Department of Scientific and Industrial Research**

**Deficient implementation of projects for generation of power through safe disposal of waste**

Central Leather Research Institute, Chennai (CLRI) initiated three projects for setting up of plants for power generation and reduction in green house gas

emission by utilising biological waste. However, these projects were taken up without ensuring the capability of beneficiaries to supply required quantity and quality of wastes to feed the plants. CLRI also failed to enforce contractual obligations and effectively monitor/supervise execution of these projects. This led to non-achievement of objective of generation of power and reduction in green house gas emission through safe disposal of waste, despite incurring an expenditure of ₹ 8.76 crore.

*Paragraph 15.2*

**Non-realisation of objectives of a project**

Central Leather Research Institute, Chennai failed to ensure achievement of the objectives of a project intended for upliftment of families below the poverty line due to deficiencies in implementation of the project and inadequate monitoring even after spending ₹ 59.69 lakh.

*Paragraph 15.3*

**Ministry of Social Justice and Empowerment**

**Recovery at the instance of Audit**

The Ministry failed to exercise adequate control over release of grant to Ambedkar Foundation for acquisition of land for setting up of Ambedkar Memorial. This led to blocking of ₹ 9.77 crore for over six years. On it being pointed out, the Foundation refunded the amount together with interest to the Ministry.

*Paragraph 16.1*

**Union Territories**

**Andaman and Nicobar Administration**

**Andaman Public Works Department**

**Abnormal delay in execution of a scheme work**

Abnormal delay in execution of work with the link road remaining incomplete under PMGSY Scheme resulted in non-achieving of desired socio-economic benefit. The interest, penalty and other recoveries amounting to ₹ 74.20 lakh due from the contractor remained unrecovered.

*Paragraph 17.1*

**Directorate of Fisheries**

**Non-utilization of ₹ 2.40 crore of Rajiv Gandhi rehabilitation package**

Failure to assess the technical capability of ANIIDCO resulted in ₹ 2.40 crore meant for creating infrastructure for fisheries sector remaining unutilized for last four years.

*Paragraph 17.2*

**Directorate of Shipping Services**

**Overpayment of ₹ 41.95 lakh to a private firm**

Ignoring the conditions provided in the Service Support Agreement, the Directorate of Shipping Services made an over payment of ₹ 41.95 lakh as margin to a private firm.

*Paragraph 17.3*

**Zilla Parishad**

**Unfruitful expenditure - ₹ 5.77 crore**

Failure of the Zilla Parishad to replace the damaged sluice gates rendered the expenditure of ₹ 5.77 crore on restoration and strengthening of sea bunds for reclamation of paddy land unfruitful.

*Paragraph 17.4*

**Chandigarh Administration**

**Avoidable expenditure on purchase of uniform**

Failure of District Education Officer (DEO) U T Chandigarh (2006-07) in assessing the correct requirement of uniform cloth and jersey, resulted in excess quantity of cloth and jersey worth ₹ 90.71 lakh being purchased. To deplete the stock of excess uniform held, the department also distributed the uniforms among the students of ineligible schools.

*Paragraph 17.5*

**Chandigarh Transport Undertaking**

**Imprudent decision in awarding contract**

Imprudent decision in awarding the contract for display of advertisements on the buses of Chandigarh Transport Undertaking resulted in loss of ₹ 1.15 crore.

*Paragraph 17.6*

**Chandigarh Administration - Engineering Department**

**Irregular advance payment for works**

Without obtaining details of the utilization of ₹ 4.24 crore already advanced, the Chandigarh administration made further payment of ₹ 11 crore to Power Grid Corporation of India to prevent lapse of the budget grants.

*Paragraph 17.8*

**Embezzlement due to non-reconciliation of remittances in the Treasury**

Non compliance with the provisions/instructions issued from time to time regarding timely reconciliation of remittances in the treasury led to ₹ 1.83 crore being embezzled by the cashier.

*Paragraph 17.9*

**Ministry of Women and Child Development**

**Blocking of funds**

Release of grant amounting to ₹ one crore during 2002-03 and 2007-08 to the state Government in violation of the provisions of the Swadhar Scheme remained unfruitful. The targeted beneficiaries of the State were deprived of the facilities for about six years.

*Paragraph 18.1*

**Department of Space**

**Idle investment on development of a Linac tube**

A Linac tube was developed for Solid Propellant Space Booster Plant of Satish Dhawan Space Centre, Sriharikota in March 2002 to improve performance of the existing 15 MeV Linear Accelerator system. Despite availability of idle time of the main system, the Linac tube was not installed for eight years, leading to idle investment of ₹ 1.80 crore and additional maintenance cost of ₹ 32 lakh. Non replacement of the old Linac tube with the new one led to a two fold increase in the time taken for inspection of rocket motors.

*Paragraph 19.1*

**Avoidable payment of electricity duty and cess**

Failure of two units of Department of Space to claim the available exemption of electricity duty and cess resulted in additional expenditure of ₹ 1.49 crore which was avoidable. An amount of ₹ 1.05 crore was refunded/adjusted at the instance of Audit.

*Paragraph 19.2*



## CHAPTER I : INTRODUCTION

### 1.1 About this Report

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

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

This chapter provides a profile of some of the major auditee Ministries and Departments, explains the planning and extent of audit, and also refers to significant audit observations included in this report.

### 1.2 Auditee profile

There are about 50 Ministries/independent Departments of the Union Government excluding Ministries of Railways and Defence. The gross expenditure of these 50 Ministries and departments of the Government during the last three years is given below:

Year	Expenditure (₹ in crore)
2007-08	₹ 23,45,457
2008-09	₹ 31,59,075
2009-10	₹ 41,31,321

<sup>1</sup> [www.cag.gov.in/html/auditing\\_standards.htm](http://www.cag.gov.in/html/auditing_standards.htm)



This Report relates to the Civil Ministries/Departments including Department of Posts and Scientific Ministries/Departments. The significant audit findings relating to 17<sup>2</sup> Ministries have been included in this Report in different chapters. A brief profile of some of the important Civil Ministries/Departments of the Government of India under our audit jurisdiction is detailed in **Appendix-I**.

### **1.3 Authority for Audit**

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13<sup>3</sup> and 17<sup>4</sup> of the C&AG's (DPC) Act<sup>5</sup>. CAG is the sole auditor in respect of autonomous bodies under the Civil Ministries/Departments which are audited under sections 19(2)<sup>6</sup> and 20(1)<sup>7</sup> of the C&AG's (DPC) Act. In addition, C&AG also conducts supplementary/ superimposed audit of other autonomous bodies under sections 14<sup>8</sup> and 15<sup>9</sup> of C&AG's (DPC) Act, whose primary audit is conducted by Chartered Accountants. The principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the Comptroller and Auditor General of India.

### **1.4 Planning and conduct of Audit**

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

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<sup>2</sup> Includes Department of Space

<sup>3</sup> Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets and other subsidiary accounts.

<sup>4</sup> Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

<sup>5</sup> Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

<sup>6</sup> Audit of the accounts of corporations (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations.

<sup>7</sup> Audit of accounts of any body or authority on the request of the President, on such terms & conditions as may be agreed upon between the C&AG and Government.

<sup>8</sup> Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of India and (ii) all receipts and expenditure of any body or authority where the grant or loan to such body or authority from the Consolidated Fund of India in a financial year is not less than rupees one crore.

<sup>9</sup> Audit of grants or loans given for any specific purpose from the Consolidated Fund of India to any authority or body, to scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which the grants or loans were given.

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

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

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

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

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

## CHAPTER II : MINISTRY OF AGRICULTURE

### Indian Council of Agricultural Research

#### 2.1 Injudicious release of funds

**Work services entrusted to the Central Public Works Department for construction of residential quarters and office-cum-laboratory building for National Bureau of Soil Survey and Land Use Planning, a constituent of Indian Council of Agricultural Research, could not commence even after 10 years resulting in blocking of ₹ 1.01 crore, as the land in question did not have municipal clearance.**

The Central Public Works Department's (CPWD) instructions for deposit works stipulate that the client department needs to deposit 33.33 *per cent* of the estimated cost of the work as an advance to CPWD, which is to be retained by CPWD for adjustment against the last portion of the estimated expenditure. Thereafter, expenditure incurred is to be reimbursed based on progress of the works.

Indian Agricultural Research Institute (IARI), a constituent unit of ICAR, allotted and transferred three acres of land in January 1995 for the regional center in New Delhi of National Bureau of Soil Survey and Land Use Planning (NBSS&LUP), Nagpur for construction of residential quarters (1.5 acres) and office-cum-laboratory building (1.5 acres) in its campus at New Delhi. ICAR accorded two administrative approvals; one in February 2000 for construction of 18 residential quarters at an estimated cost of ₹ 78.40 lakh; and another in February 2001 for construction of office-cum-laboratory building at an estimated cost of ₹ 1.46 crore. Both the works were entrusted to the CPWD as deposit work. Audit scrutiny revealed the following:

- In contravention to the instructions issued by ICAR in March 1996, NBSS&LUP deposited two installment of ₹ 26.13 lakh each on 6 March 2000 and 22 March 2000 as against required deposit of only ₹ 26.13 lakh for residential quarters.
- CPWD observed in August 2000 that the site survey plan for construction of residential quarters at IARI campus was not clear as there was variance in earmarking of the land for NBSS&LUP and for IARI. Hence, CPWD requested its unit at IARI campus for submission of a revised site survey. Subsequently, Municipal Corporation of Delhi (MCD) did not grant clearance for commencement of construction, pending approval of the master

plan of the entire IARI campus. As a result, construction of quarters could not commence even as of February 2011.

- Even though NBSS&LUP was aware as early as in August 2000 that the land allotted by IARI for staff quarters was not cleared for construction activities, yet it released the first installment of ₹ 48.60 lakh to CPWD in February 2001 for construction of office-cum-laboratory.

- The layout plan was submitted to MCD only in January 2006 which was resubmitted in May 2007 after revision. Though MCD did not approve the layout plan, NBSS&LUP did not request CPWD to refund the amount. NBSS&LUP confirmed in December 2009 that the centre has been functioning from the existing old building provided by ICAR, Pusa, New Delhi for last 30 years and the demand for staff quarters still exists as employees have been staying in rented accommodation or in their own houses.

The case highlights absence of an effective internal control mechanism in the department, leading to excess release of installment and blocking of public funds amounting to ₹ 1.01 crore for over 10 years, apart from hardship to the staff due to delay in construction of residential quarters. Revised cost estimates could not be worked out as the layout plan had not been approved by MCD. As a result, the cost escalation could not be ascertained.

ICAR stated in November 2008 that:

- as it was fast end of the financial year and the funds were available with the Institute, second installment of ₹ 26.13 lakh was also deposited on 22 March 2000 with the hope that work could be started immediately;
- co-ordination of all the units housed in IARI campus and assessment of their present and future requirement delayed the preparation of the master plan; and
- master plan of IARI had been submitted to MCD which, in turn, had demanded a fee of ₹ 1.20 crore for approving the master plan of IARI. This matter was taken up with MCD at the highest level and the fee was reduced to ₹ 1.20 lakh.

Reply of ICAR is not acceptable as:

- (i) it did not ensure that the site survey plan and master plan were approved by the town planning authorities before according financial approval and releasing funds;

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(ii) it did not ensure that release of funds to the executing agency was in consonance with General Financial Rules and instructions issued by Ministry of Finance in February 2000 which laid down that rush of expenditure in the closing months of financial year should be avoided; and

(iii) Though IARI requested Department of Urban Development in August 2007 to issue notification for reduction of fees, requisite notification was not issued even as of February 2011.

Thus, faulty planning on part of NBSS&LUP led to injudicious release of ₹ 74.73 lakh to CPWD as it could not finalise the site survey plan and also could not get the requisite approval from MCD. This had resulted in blocking of the entire amount of ₹ 1.01 crore released to CPWD for more than 10 years, apart from notional loss on account of HRA/licence fee due to delayed construction of residential quarters and increase in cost of construction, apart from hardship to the staff due to delay in construction of residential quarters.

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

**Department of Commerce**

**3.1 Recovery at the instance of Audit**

Failure to follow up the amendment letters relevant to the Rate Contract led to overpayment of ₹ 1.31 crore out of which an amount of ₹ 1.09 crore was recovered from the suppliers at the instance of audit.

The Directorate General of Supplies and Disposals (DGS&D) is the Central Purchase Organization of the Government of India working under the aegis of the Department of Commerce (Supply Division), Ministry of Commerce and Industry. DGS&D has been assigned the task of concluding Rate Contracts (RCs) for common user items consumed by various Central Government Departments.

The Chief Controller of Accounts (Supply) (CCA) maintains the income and expenditure accounts of DGS&D. Payment of the supplier's bills preferred against contracts concluded by the DGS&D and its Regional Offices and raising of claims against the Accounts Officers of the consignees concerned is done by CCA. The CCA has its Headquarters at New Delhi and its regional offices are located at Mumbai, Kolkata and Chennai.

DGS&D awarded three Rate Contracts to two firms for supply of indigenous spare parts for heavy earthmoving machineries as per rates mentioned in the Clause 5 of Schedule A of the Rate Contracts, as detailed below:

Name of the firm	Rate Contract and Date	Validity Period
M/s Weldon Spares Corporation, Mumbai	ST-3/RC-13189803/0110/Indig. Wilfit Spares-I/Komatsu/23/Weldon/COAB/ 379 dated 23 May 2008	23 May 2008 to 31 May 2010
M/s Evershine Traders, Mumbai	ST-3/RC-13189803/0110/Indig. Wilfit Spares-I/Komatsu/23/Evershine/COAB/380 dated 23 May 2008	23 May 2008 to 31 May 2010
	ST-3/RC-13189806/0709/Indig. Wilfit Spares-II/23/Evershine/COAB/356 dated 29 August 2007	10 August 2007 to 31 August 2009

Subsequently during March/April 2009, DGS&D issued amendments to all the three Rate Contracts reducing the rates by 4 per cent with effect from 8 December 2008 and by further 2 per cent with effect from 24 February 2009.

During the audit of the office of Deputy Controller of Accounts (Supply), Mumbai in February 2010, it was noted that payments were made to these suppliers at the original rates instead of reduced rates, resulting in over payment of ₹ 1.31 crore during the period from December 2008 to March 2009 as detailed below: -

Name of the firm	Rate Contract and Date	Amount of Overpayment (in ₹)
M/s Weldon Spares Corporation, Mumbai	ST-3/RC-13189803/0110/Indig. Wilfit Spares-I/Komatsu/23/Weldon/COAB/379 dated 23 May 2008	91,20,358
M/s Evershine Traders, Mumbai	ST-3/RC-13189803/0110/Indig. Wilfit Spares-I/Komatsu/23/Evershine/COAB/380 dated 23 May 2008	32,95,883
	ST-3/RC-13189806/0709/Indig. Wilfit Spares-II/23/Evershine/COAB/356 dated 29 August 2007	6,90,176
Total :		1,31,06,417

The above excess payments were brought to the notice of the Deputy Controller of Accounts (Supply) by Audit on 22 February 2010. The Deputy Controller of Accounts, Department of Commerce (Supply Division), Mumbai in their reply of May 2010 stated that these were not overpayments and that they had recovered an amount of ₹ 1,09,21,094 well before the audit report was finalized. Considering that the recoveries were effected on 25 February 2010, 2 March 2010 and 31 March 2010 after being pointed out by audit on 22 February 2010, the reply is not factually correct. The balance amount of ₹ 21,85,323 was yet to be recovered.

Thus, recovery of ₹ 1.09 crore was made at the instance of Audit and ₹ 21.85 lakh was yet to be recovered which may be done.

The matter was referred to the Ministry in September 2010; their reply was awaited as of March 2011.

**CHAPTER IV : MINISTRY OF COMMUNICATIONS AND  
INFORMATION TECHNOLOGY**

**Department of Posts**

**4.1 Non deduction of commission on purchase of revenue stamps**

**Failure of the Chief Postmasters General, Gujarat, Maharashtra, North East and West Bengal Postal Circles to deduct commission in advance on purchase of revenue stamps from State Governments led to short realisation of revenue to the extent of ₹ 2.45 crore.**

The Department of Posts (DoP) issued instructions in February 2004 to all Heads of Postal Circles to deduct commission in advance at the rate of 3 *per cent* with effect from 1 October 2003, 6 *per cent* with effect from 1 October 2004 and 10 *per cent* with effect from 1 October 2005, while purchasing revenue stamps from State treasuries. The Heads of Circles were also instructed to take up the matter with the State Governments to ensure immediate implementation of the scheme including calculation of commission due to DoP for the sale of revenue stamps. The instructions further emphasized that it was up to the State Governments to choose to either use or not to use the facility extended on these terms by the DoP for sale of revenue stamps.

Scrutiny of records in Gujarat, Maharashtra, North East and West Bengal Postal circles revealed that commission amounting to ₹ 2.45 crore was not deducted in advance while purchasing revenue stamps for sale from State treasuries for the period 2003-04 to October 2010, as shown in the table below.

S.No.	Name of Circle	Amount of commission of outstanding (₹ in crore)
1.	Gujarat	1.41
2.	Maharashtra	0.48
3.	North East	0.07
4.	West Bengal	0.49
	<b>Total</b>	<b>2.45</b>



On this being pointed out by Audit in (March 2007), CPMG North East Circle, recovered the entire amount of ₹ 0.07 crore in February 2010. Replies from other circles were awaited as of November 2010.

The CPMGs of Gujarat, Maharashtra, North East and West Bengal Postal circles failed to scrupulously follow the instructions issued by Department of Posts and this led to short realisation of commission to extent of ₹ 2.45 crore.

DoP may review the position in other circles to ensure that the instructions are being followed.

#### **4.2 Non-realisation of pension/family pension dues from other departments**

The Director of Accounts, Postal (DAP), Patna failed to obtain payment vouchers/schedules from 5 Post Offices under Bihar and Jharkhand Circle which resulted in non-raising debits of ₹ 2.44 crore against Coal Mines Provident Fund and Industrial Employees Provident Fund. In addition, commission of ₹ 0.47 crore was not realised from Department of Telecommunications.

The Department of Posts (DoP) discharges agency function of disbursement of pension/family pension on behalf of other departments viz. Railways, Department of Telecom, Coal Mines Provident Fund (CMPF) and Commissioner, Industrial Employees Provident Fund (IEPF) and in return receives commission at rates fixed by DoP from time to time. The payment of pension/family pension is made through Head Post Offices (HPOs) which are required to send monthly cash account along with relevant payment vouchers/schedules by 2nd of the following month to the Circle Account Office to effect recovery from the concerned Department/Undertakings.

A mention was made in paragraph no. 52 of Report No. 6 of 2001 (Post and Telecommunications) regarding non recovery of pension and family pension amounting to ₹ 15.04 crore on behalf of other departments. Ministry in their ATN stated that suitable instructions had been issued for recovery of outstanding amount. It was also stated in ATN that after receipt of Audit Observations, the position was regularly reviewed in the monthly meeting of Monitoring Committee under the Chairmanship of Secretary (P) and strict instructions from the level of DDG (Postal Accounts and Finance) and Secretary (P) were issued from time to time. It was further stated that lapses for not realising Government dues from other organisations may be investigated and action initiated to fix responsibility.

Scrutiny of records of Director of Accounts, Postal, (DAP) Patna (March 2010) revealed that payment vouchers/schedules were not received by the DAP office from five HPOs<sup>1</sup> by the scheduled date. This resulted in failure to raise debits of ₹ 2.44 crore as indicated in **Annexe-I** during the period April 2004 to March 2009 against CMPF and IEPF on account of pension payments made by the Department. It was also noticed that a total commission to the extent of ₹ 80 lakh was due from DoT for the period from April 2007 to December 2009 out of which only an amount of ₹ 33 lakh was realised by DoP (May 2010) leaving a balance of ₹ 47 lakh unrecovered.

On this being pointed out by Audit, Accounts Officer, Office of Director of Accounts, Postal (DAP) stated (April 2011) that efforts were made to obtain the wanting vouchers from the HOs but there was no positive response from them. However, on ascertaining the reasons for non submission of wanting vouchers, while Postmasters of HPO Begusarai, Jamshedpur and Bokaro Steel City attributed reasons to inadvertence/oversight, the Postmaster of HPO Munger and Dhanbad attributed to shortage of manpower in HPOs.

Hence, due to the systemic failure in defaulting HPOs and non adherence to the instructions issued by the Ministry from time to time despite regular monitoring at Postal Directorate, debits to the extent of ₹ 2.44 crore against CMPF and IEPF could not be raised due to non receipt of vouchers.

DoP may take concrete steps to ensure that the issues raised by the HPOs are addressed and the dues relating to payment of pension/family pension on behalf of other departments are realised in time.

#### **4.3 Idling of Generator sets**

**Delay on the part of Chief Postmaster General, Bihar and West Bengal Postal circles in installation of Generator sets procured during March 2006-March 2009 resulted in idling of Gensets worth ₹ 1.86 crore.**

With a view to prevent interruption of work due to power failures, Department of Posts (DoP) decided (March 2004) to provide generators of appropriate capacity to the Post Offices. DoP further issued instructions in March 2008 for procurement and installation of generator sets in remaining Computerised Sub Post Offices where hardware was supplied under the 10<sup>th</sup> Plan Scheme of Computerisation of Post Offices.

<sup>1</sup> HPOs Bokaro Steel City, Jamshedpur and Dhanbad under Jharkhand Postal Circle and HPOs Munger and Begusarai under Bihar Postal Circle.

The Chief Postmaster General (CPMG), West Bengal Postal Circle placed purchase orders for procurement of 227 generator sets of various capacities amounting to ₹ 4.20 crore on DGS&D rate contract during March 2006 to March 2009 with a warranty period of one year from the date of supply. These gensets were supplied/installed during November 2006-June 2010

Audit scrutiny of records (June 2010) revealed that CPMG, West Bengal Postal Circle did not assess the pre-requisites required for installation of 40 generator sets such as site readiness, electrical wiring and other infrastructural facilities at the time of installation. It was also noticed that 11 gensets though installed were not functioning due to technical problems. This omission on the part of CPMG resulted in idling of 51 gensets worth ₹ 1.24 crore.

On this being pointed out by Audit, it was stated that for generator sets not installed, repeated instructions had been issued to the SSPOs/SPOs for immediate installation and also for diversion of sets to required locations.

In Bihar Postal Circle, it was noticed that DoP had allotted (20 March 2008) funds of ₹ 2.70 crore for procurement and installation of 101 generator sets of various capacities in Bihar Postal Circle and instructed CPMG to complete the procurement and installation by 31 March 2008. CPMG Bihar Postal Circle received the fund allotment letter on 24 March 2008 and placed a supply order for 101 generator sets costing ₹ 2.42 crore on DGS&D Rate contract on 28 March 2008. Supplies of generator sets were completed between January – March 2009.

Audit scrutiny of records (May 2010) revealed that out of total 101 generator sets supplied at the place of installation during February-March 2009, 26 generator sets valuing ₹ 62.27 lakh remained uninstalled for over one year (as on June 2010) at different locations since their receipt due to paucity of space, non-readiness of infrastructure required for installation of gensets, objections from landlord for carrying out the installation work in rented building etc.

On this being pointed out by Audit, CPMG Bihar Postal Circle (June 2010) stated that owing to instructions of Directorate (March 2008) supply order was issued immediately on 28 March 2008 without evaluating the hindrances in installation. It was further stated that Head of Circles have been directed to install these generator sets.

Thus, failure on the part of DoP to allocate the funds for installation of gensets without providing adequate time to the Circles for infrastructure readiness resulted in non-evaluation of hindrances in installation of generator sets and

should have foreseen the pre-requisites required for installation of gensets to avoid idling of gensets worth ₹ 1.86 crore. The position should be reviewed in all Circles to ensure that Gensets are not idling there too due to infrastructure not being ready.

#### **4.4 Irregular payment of EPF pension/Family pension**

**Failure of CPMG, Tamil Nadu Postal Circle to stop payment of EPF pension/family pension through post offices in Chennai Region despite clear orders from Head Office, EPFO, New Delhi resulted in irregular payment of pension/family pension of ₹ 1.59 crore.**

The Department of Posts (DoP) discharges agency function for disbursement of pension/family pension on behalf of Employees Provident Fund Organisation (EPFO) through various Head Post Offices (HPOs) on payment of commission fixed by DoP from time to time. A scheme for disbursement of Family Pension under Employees Family Pension Scheme 1971 through Post offices was introduced by EPFO with effect from 1 July 1973. EPF authorities pay 75 per cent of the amount of pension in advance every month for disbursement of pension to the concerned Director of Accounts, Postal (DAP). Subsequently, vouchers received from the Postal Department are verified, reconciled and the balance amount for that month is released by EPFO. Every month the schedules of payment of family pensions are prepared by the Head Post Offices and submitted to the concerned DAP.

Regional Provident Fund Commissioner, Chennai during April 2007 had intimated Director of Accounts (Postal) Tamil Nadu Circle that as per the directions received from their Head Office, EPFO, New Delhi payment of Pension through Post Offices had been dispensed with effect from 1 April 2007 and the procedure of paying advance/reimbursement of pension stopped in toto. Further, it was stated that only pension paid/payable up to March 2007 would be honoured and no pension should be paid by the Post offices from April 2007 onwards.

Audit scrutiny of the records of GM, PAF, Tamil Nadu Postal Circle during November 2009 revealed that pension continued to be disbursed on behalf of EPF organization even after 1 April 2007 in respect of four Head Post Offices under Chennai region viz. Chennai, Ambattur, Tambaram and Vellore from April 2007 to September 2008 without getting 75 per cent of the advance from EPFO. This resulted in irregular payment of pension/family pension of ₹ 1.59 crore. Further, since the payment of pension/family pension was made without the approval of EPFO, the postal authorities would find it difficult to claim commission of ₹ 0.30 crore on the above amount.

On this being pointed out by Audit (June 2010), General Manager Postal Accounts & Finance, Tamil Nadu Postal Circle replied (July 2010) that due to non receipt of clarification from Postal Directorate, pension/family pension on behalf of EPF continued to be paid up to September 2008 (accounted in October 2008) and subsequently stopped.

The reply of GM (PAF) is not tenable as the payments for pension/family pension were continued only in Chennai region whereas the same was completely stopped in Coimbatore and Madurai regions with effect from 1 April 2007. This is also substantiated by the fact that Sr. Accounts Officer, Railway Pension Section, O/o GM (PAF) Chennai had addressed to all the HPOs in May 2007 to stop payment of EPF pension with effect from April 2007.

Thus omission on the part of General Manager, Postal Accounts and Finance (GM, PAF), Tamil Nadu Circle to stop the payment of pension/family pension to EPFO employees in all regions not only resulted in irregular payment of pension/family pension of ₹ 1.59 crore but also created outstanding dues to the extent of ₹ 1.89 crore (₹ 1.59 crore as pension and ₹ 0.30 crore as commission) that are fraught with the risk of non-recovery.

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

**An amount of ₹ 83.10 lakh was recovered at the instance of Audit out of ₹ 2.08 crore excess paid by the West Bengal and Bihar Postal Circles towards Central Government Health Scheme (CGHS) contribution during 2005-06 to 2008-09.**

Directorate of Health Services (DHS) recovers contribution every year from the departments whose employees avail medical facilities under Central Government Health Scheme (CGHS). The rules provide that the beneficiary department should send the number of employees covered by the scheme as on 30<sup>th</sup> September every year. A provisional payment is generally claimed by the DHS on the basis of per capita (per family) cost and the number of employees of the paying Department.

Scrutiny of records of Chief Postmasters General (CPMG), Bihar and West Bengal Postal Circles (July 2009-January 2011) revealed that these Circles continued to make payment to CGHS without ascertaining the actual number of beneficiaries who were availing the facility of CGHS. It was noticed that the Circle Offices had furnished 3929 excess number of CGHS beneficiaries than the actual number of beneficiaries which resulted in excess payment of ₹ 2.08 crore to the CGHS as shown in the table below.

(Rupees in lakh)

Year	Bihar Postal Circle			West Bengal Postal Circle			Grand Total
	Actual no. of beneficiaries	No. of beneficiaries billed	Excess payment	Actual no. of beneficiaries	No. of beneficiaries billed	Excess payment	
2005-06	2371	3116	32.40	1772	2167	17.23	49.63
2006-07	2358	3083	35.76	1726	2361	30.32	66.08
2007-08	2331	3074	56.26	1691	2124	22.44	78.70
2008-09	-	-	-	1676	1929	13.11	13.11
	7060	9273	124.42	6865	8581	83.10	207.52

On this being pointed out by Audit, the postal authorities in West Bengal Circle recovered the entire amount of ₹ 83.10 lakh by adjustment against the subsequent payments made to CGHS. The Assistant Director (Welfare), O/o CPMG, Bihar Circle, Patna stated (January 2011) that the excess paid amount would be adjusted from the subsequent bills of CGHS.

Thus, inadequate verification of records/data relating to number of CGHS beneficiaries by CPMsG West Bengal and Bihar Postal Circles resulted in excess payment of ₹ 2.08 crore to CGHS over the years from 2005-06 to 2008-09 of which an amount of ₹ 83.10 lakh was recovered at the instance of audit. There is a need for immediate recovery of entire amount of excess payment in all other circles, wherever detected. Also, the necessary internal controls for timely detection of such overpayments should be strengthened.

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

Omission on the part of 39 Post Offices in Gujarat and Tamil Nadu Postal circles resulted in short collection of service tax and education cess amounting to ₹ 39.25 lakh.

Finance Act, 2004 defines Business Auxiliary Service as any service in relation to provision of service on behalf of a client or incidental or auxiliary service such as billing, issue or collection or recovery of cheques, payments etc. Finance Act, 2006 stipulates that "taxable service" means any service provided or to be provided to a client, by any person in relation to business auxiliary service. Accordingly, the Department of Posts (DoP) issued instructions (December 2006) to all heads of circles which reiterated service tax rules regarding imposition of service tax on commission earned for agency services rendered on behalf of another organisation or body.

A mention was made in paragraph 3.5 of the report of the Comptroller and Auditor General of India for the year ended 31 March 2007, Union Government, Compliance Audit Observations, on the non-levy of service tax by DoP. The Ministry, in their Action Taken Notes submitted in December 2010, admitted that

the failure of HPOs to take necessary action in compliance with the Finance Act, 2006 resulted in non-realisation of service tax and educational cess.

However, scrutiny of records of 3 HPOs<sup>2</sup> in Gujarat Postal Circle (December 2008/June 2009) revealed that service tax and educational cess amounting to ₹ 22.17 lakh was not collected (May 2006 to June 2009) on the commission received by these Post Offices from Gujarat Urja Vikas Nigam Limited (GUVNL) for collection of electricity bills. On this being pointed out by audit, the Head Postmasters Valsad and Gondal recovered an amount of ₹ 6.79 lakh during June 2009 and June 2010 respectively.

Further, in 36 post offices under Tamil Nadu Circle it was noticed (April 2008 to January 2010) that service tax amounting to ₹ 17.08 lakh was not collected from Bharat Sanchar Nigam Limited (BSNL) on the commission earned during the period June 2006 to February 2007 towards collection of telephone bills. On this being pointed out by Audit, an amount of ₹ 4.14 lakh was recovered during January 2009 to July 2010.

Thus, omission on the part of the concerned Postmasters to scrupulously follow the statutory rules relating to levy of service tax resulted in short collection of service tax and education cess amounting to ₹ 39.25 lakh.

The DoP may take effective steps to ensure that service tax is levied and recovered in all the circles as per the prevalent rules on the agency services rendered by the Department.

#### **4.7 Avoidable payment of electricity charges**

**Failure of Automatic Mail Processing Centre, Mumbai to change the power distribution licensee from Reliance Energy to Tata Power Company resulted in avoidable extra payment of ₹ 22.64 lakh.**

The Maharashtra Electricity Regulatory Commission (MERC) passed an order in October 2009 which allowed the consumers of Reliance Energy to switch over to TATA Power Company (TPC) for power supply. The power tariff (June 2009) of Reliance Energy for HT II connection (HT Commercial) was ₹ 8.41 per kilo watt hour (p/kWh) whereas the power tariff of TPC was ₹ 4.35 p/kWh. TPC revised power tariff to ₹ 5.20 p/kWh from September 2010.

Audit scrutiny (April 2010) of records of Automatic Mail Processing Centre (AMPC), Mumbai of Department of Posts revealed that AMPC continued to avail power supply from Reliance Energy at higher rates despite lower rates

<sup>2</sup> Valsad, Bharuch and Gondal HPOs

being offered by TPC. This lapse on the part of the Manager AMPC Mumbai resulted in avoidable payment of electricity charges to the extent of ₹ 22.64 lakh for the period from December 2009 to September 2010.

On this being pointed out by Audit, Manager, AMPC, Mumbai, Department of Posts stated (November 2010) that the electricity supply to AMPC had been switched over from Reliance Energy to TPC w.e.f. 23 September 2010. The change over from Reliance Energy to TPC was done at the instance of Audit.

Thus, failure on the part of the Manager, AMPC, Mumbai to keep himself abreast of orders issued by MERC resulted in excess avoidable expenditure of ₹ 22.64 lakh for payment of power tariffs at higher rates. The CPMG, Maharashtra Circle also failed to issue directions to AMPC Mumbai for switching over to TPC for power supply at lower rates.

#### **Department of Telecommunications**

#### **Centre for Development of Telematics**

#### **4.8 Wasteful expenditure of ₹ 16.10 crore due to non-commercialisation of technology**

Despite shift in worldwide market trends towards Dense Wavelength Division Multiplexing technology in 2004, C-DOT continued the execution of a project to develop the Coarse Division Multiplexing technology. As a result, an obsolete technology was developed in 2006, which had no takers rendering the entire expenditure of ₹ 16.10 crore wasteful.

A project entitled "Development of Coarse Wavelength Division Multiplexing (CWDM)<sup>3</sup>" was undertaken by the Centre for Development of Telematics (C-DOT) in 2003-04 as a low cost alternative to the currently used telecommunications technology called "Dense Wavelength Division Multiplexing (DWDM)<sup>4</sup>". C-DOT was to develop an eight channel CWDM system in accordance with the Generic Requirement (GR) specifications of Telecommunication Engineering Centre (TEC).

C-DOT estimated that the market potential of CWDM technology would be US\$ 1 billion in the next three years with growth of market @ 28 per cent annually. A demand for the system was anticipated from BSNL<sup>5</sup> and MTNL<sup>6</sup>.

<sup>3</sup> It is a method of combining multiple signals on laser beams at various wave lengths for transmission along fiber optic cable.

<sup>4</sup> Use to increase band width over existing fiber optic back bone.

<sup>5</sup> Bharat Sanchar Nigam Limited.

<sup>6</sup> Mahanagar Telephone Nigam Limited



The project was initiated with an allocated budget of ₹ 5.50 crore with final deliverable of CWDM linear chain including one Optical Add Drop Multiplexer (OADM) and two Terminals Exchanges (TE). To meet the requirements of TEC, C-DOT further revised the cost of project to ₹ 10 crore in 2005-06 with revised target to develop four OADMs and two TEs. The cost was revised as there were number of features that required considerable changes in design leading to requirement of more manpower, longer time frame and higher cost. Though the system was finally developed in May 2006 at a cost of ₹ 16.10 crore, it has not been commercialised as of April 2011.

In this regard, the following deficiencies in planning and implementation of the project were observed in audit:

**(i) Failure to estimate market potential and cost of the technology**

C-DoT had neither conducted any analysis for estimating market potential nor analysed the cost of final product/service and relied on magazines and journals for assessing market potential. The comparative cost analysis of product/service by CWDM technology against presently used DWDM technology and cost comparison report were not available with C-DOT. It was observed that neither BSNL/MTNL nor any other operator approached C-DOT for introduction/implementation of the CWDM system despite successful testing of the system. The Decision Analysis and Resolution (DAR) Committee, in its report of November 2007, recommended closure of the CWDM project due to lack of significant market projections for this technology. The efforts of C-DOT to market the technology to the defence sector for the designing of a secured network also have not yielded any results so far.

**(ii) Failure to complete projects within estimated cost and time**

Though the field trials and technology approval including type approval of the project were to be completed by July 2005, C-DOT developed the CWDM system only in May 2006. The technology approval certificate for the system was obtained from TEC in November 2007 i.e. after a delay of 28 months from the scheduled date.

Thus, the system developed at a total cost of ₹ 16.10 crore could not be commercialized/implemented due to failure of C-DOT to plan and implement the project effectively and realistically estimate market potential in this field.

In reply<sup>7</sup> C-DOT stated that:

- i. MTNL had come out with CWDM tender in 2004 which was subsequently cancelled due to shift in worldwide market trend towards DWDM.
- ii. Since the prices of components used in DWDM systems were reduced considerably owing to economies of scale, DAR committee had recommended closure of the CWDM project as DWDM had emerged as a cheaper alternative to CWDM.
- iii. CWDM would now find a role in the designing of the secured network for defence project, if undertaken by the C-DOT. The knowledge gained in the development of the system would be put to use in the development of ongoing GPON<sup>8</sup> project and WDM-PON<sup>9</sup>, if undertaken.

The reply of C-DOT may be viewed in the light of the fact that:

- i. Despite cancellation of MTNL tender in 2004 due to shift in technology worldwide, C-DOT continued with the project knowing fully well that there would be no market for the technology.
- ii. According to C-DOT's admission, CWDM system was not as cost effective as the DWDM system which had a wider range, more number of wavelengths and was now available at a much lower cost. In the environment of rapidly changing technologies, the progress/evaluation/ usefulness of an electronic system should have been monitored continuously and the viability of the project should have been reassessed periodically to assess whether the CWDM system continued to be a low cost alternative to the DWDM system.
- iii. Further, the presumption of C-DOT that CWDM may find a role in the designing of the secured network for defence projects and development of WDM-PON is hypothetical as C-DOT itself stated that there were no plans to utilize the system in near future.

Thus, the technology developed in May 2006 could not be transferred till April 2011 as C-DOT failed to plan/implement the project effectively and realistically estimate the cost of the project and its market potential. It also did

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<sup>7</sup> In their replies of April 2008, July 2008 and November 2009.

<sup>8</sup> Gigabit passive optical network (GPON) is a point-to-multiple fiber to premises network architecture. It is used to enable a single optical fiber to serve multiple premises

<sup>9</sup> Wavelength Division Multiplying (WDM) Passive Optical Network (PON) enable highly efficient point to point optical connectivity to multiple remote locations throw a single feeder fiber

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not cancel the project in 2004 after worldwide shift in market trends towards DWDM technology. This resulted in infructuous expenditure of ₹ 16.10 crore.

## CHAPTER V : MINISTRY OF EARTH SCIENCES

### 5.1 Wasteful expenditure on refurbishment of a vessel

**National Centre for Antarctic and Ocean Research did not effectively plan its requirements for hiring of a ship for its Antarctica expedition. As a result, it spent ₹ 43.68 lakh for refurbishment of a vessel which was ultimately not hired, rendering the entire expenditure wasteful. Ineffective planning also resulted in curtailment of objectives envisaged for the 27<sup>th</sup> Antarctica expedition.**

National Centre for Antarctic and Ocean Research Goa (NCAOR), an autonomous unit under Ministry of Earth Sciences (MoES), had hired a vessel 'MV Emerald Sea' in October 2006 for Antarctica expeditions in 2006-07 and 2007-08. In June 2007, NCAOR decided to charter another vessel called 'MV Ivan Papanin' through Norwegian Polar Institute (NPI) from 20 January 2008 for another expedition to Antarctica. MV Ivan Papanin was to travel from Cape Town to Maitri (27<sup>th</sup> expedition) and was thus, in addition to MV Emerald which was hired exclusively for travel from Goa to Larsemann Hill<sup>1</sup> and back. The National Committee for Antarctic Programme (NCAP) for the 27<sup>th</sup> Indian Scientific Expedition to Antarctica, while according approval to the programmes in its meeting held in July 2007, also decided that the expedition to Maitri be totally delinked with the expedition planned to Larsemann Hills in order to provide sufficient working time to the members of both expeditions. The envisaged objective of expedition to Maitri was to continue important scientific assignments at Maitri, undertake glaciological research that has direct bearing on global warming and climate change studies as well as carry out ongoing scientific programs related to atmospheric science, meteorology and mapping biological diversity etc.

It was observed in audit that:

- (i) NCAOR went ahead and hired MV Ivan Papanin without ensuring that adequate budgetary provision was available with it.
- (ii) NCAOR directed NPI in August 2007 to execute refurbishing work on MV Ivan Papanin related to modification of seven additional cabins, upgradation for helicopter operations, etc., at an estimated cost of US \$

<sup>1</sup> The Larsemann Hills is an ice-free area of 40 square km, located approximately halfway between the Vestfold Hills and the Amery Ice Shelf on the south-eastern coast of Prydz Bay, Princess Elizabeth Land, East Antarctica.

1.45 lakh<sup>2</sup>. Subsequently, in October 2007, NCAOR intimated NPI that as MV Ivan Papanin was capable of providing only limited helicopter operations from the deck, the expedition objectives would not be met and as such, it had decided not to hire MV Ivan Papanin. NCAOR, however, released payment of ₹ 43.68 lakh in December 2007 towards expenditure on refurbishing of the vessel.

- (iii) Though NCAOR cited the limited operations of helicopters from the deck of the vessel as a reason for not hiring MV Ivan Papanin, the reason cited in the records of NCAOR was 'budgetary constraints'.

NCAOR, thus spent ₹ 43.68 lakh without ascertaining whether MV Ivan Papanin matched its requirement and also whether it had sufficient funds at its disposal for undertaking this expedition. This pointed to failure on part of NCAOR to plan its expedition effectively and its failure in ensuring adequacy of funds before undertaking the expedition. Ineffective planning also resulted in curtailment of objectives envisaged for the 27<sup>th</sup> Antarctica expedition.

NCAOR stated in May 2009 that MV Ivan Papanin vessel was engaged only to avoid hardships of the kind experienced during the earlier charter season for 2006-07, when MV Emerald reported outside of laycan<sup>3</sup> period and was also unprepared for the Antarctic voyage. NCAOR also stated that if the response from MV Emerald had been negative at the last moment, NCAOR would have been left with no time for arranging an alternative means of transporting the life sustaining cargo to Antarctica and consequences would have been disastrous and far-reaching, compromising the survival of men at Maitri. NCAOR further stated in June 2009 that by not going ahead with engaging MV Ivan Papanin, it saved an amount of ₹ 9.45 crore on charter fees.

The reply of NCAOR that MV Ivan Papanin vessel was engaged only to avoid hardships of the kind experienced during the earlier charter season for 2006-07 was incorrect. The scrutiny of documents relating to hiring of MV Ivan Papanin indicated that in case MV Emerald did not respond positively, another vessel i.e. Boris Petrav was to be kept as the standby vessel and not MV Ivan Papanin.

MoES stated in November 2009 that as the required funds were made available on earlier occasions at revised estimate stage, it planned to arrange

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<sup>2</sup> ₹ 57.56 lakh at the conversion rate of ₹ 39.695 for 1 USD.

<sup>3</sup> An abbreviation of "layday cancelling date" and is used in a voyage charter party, referring to a designated period of time, or window, reserved for the execution of a specific operation.

another suitable expedition vessel to save time. It also agreed that as fund arrangements and planning did not match properly, it had to incur ₹ 43.68 lakh for refurbishing of the vessel and agreed that no savings of ₹ 9.45 crore was made by not hiring M V Ivan Papanin, as claimed by NCAOR earlier. It, however, assured that the corrective measures had already been taken to improve planning with regard to launching of various scientific expeditions to southern high latitude regions including Antarctica, to avoid any repetition of such situation in future.

## CHAPTER VI : MINISTRY OF EXTERNAL AFFAIRS

### 6.1 Delay in renovation of Indian chancery in Paris

**Delay in implementation of project has blocked the capital of ₹ 18 crore on purchase of new building which has been lying unused since 2006, the Mission has also been forced to incur a recurring liability of ₹ 26 lakh *per annum* on rent of the Space Wing which was envisaged to be relocated in the new building after its renovation.**

Reports of the Comptroller and Auditor General of India have highlighted<sup>1</sup> delay on the part of the Mission/Ministry in renovating properties within a reasonable time frame leading to avoidable expenditure on rent. Despite audit findings reported earlier and assurance given by the Ministry to PAC, it was noticed during audit of the Mission at Paris that it took more than 4 years to complete the formalities in awarding the contract for renovation work. This resulted in blockage of capital of ₹ 18 crore on purchase of new building and the Mission had to incur recurring liabilities of ₹ 26 lakh *per annum* on account of rent for the Space Wing, which was to be relocated in the new building.

The Indian Mission in Paris is functioning from a Government owned property<sup>2</sup> which was acquired in August 1951. In February 2006, the Mission purchased another property<sup>3</sup> adjacent to the existing building at a cost of Euro 3.10 million (₹ 18 crore)<sup>4</sup>. Since the old chancery building was in bad condition and the new property acquired in 2006 was initially designed for residential purpose, the Mission forwarded a proposal to the Ministry in February 2006 for comprehensive renovation and integration of the old chancery building with the adjacent new building. In addition, the Space Wing of the Mission, which had been functioning from a rented accommodation since 1995, was also proposed to be relocated in the new building to save on rent.

With the approval of the Ministry, the Mission engaged M/s Jacques Provenchere as consultant to the project in February 2007 (After 11 Months) whose cost estimates of Euro 1.49 million<sup>5</sup> (including a fee of 10 *per cent* i. e. Euro 0.127 million) for renovation and integration of both the buildings was not the lowest among the proposals submitted by rest of the three competing consultants. The renovation and

<sup>1</sup> Para 5.6 of CA No. 1 of 2008

<sup>2</sup> 15 Rue Alfred Dehodencq

<sup>3</sup> 13 Rue Alfred Dehodencq

<sup>4</sup> Euro 1 = ₹ 58.16 (Source : Oanda currency converter ; refer to historical exchange rates)

<sup>5</sup> Temporary cost of work = Euro 1.27million

Payment to control department = Euro 0.091million

Payment to consultant (10 *per cent* of the project cost) = Euro 0.127 million

Total estimated cost of project = Euro 1.49 million

integration of both the buildings was initially committed to be commenced in June 2007 and completed by June 2008. The works, however, could not commence by the target date as the structured scope of work was not drawn up by then. It was only in June 2007 that the consultant submitted the detailed scope outlining the itemized works to be executed in both the buildings and assessed the total cost of the project at Euro 3.63 million, including his fee of Euro 0.274 million. Incidentally, the new cost estimates were more than twice the estimates initially submitted by the consultant which formed the basis of his selection in February 2007. Thus, the selection of consultant, on the basis of sketchy estimates initially submitted by him, was ab initio faulty. The financial sanction to the project was accorded by the Ministry after a further delay of nine months in March 2008 at an estimated cost of Euro 3.45 million (₹ 19.90 crore) which included a fee of Euro 0.261 million (₹ 1.51 crore) to the consultant.

The Mission drew up (May 2008) a revised schedule which envisaged commencement of project by October 2008. However, the revised schedule could also not be adhered to as the Mission/consultant and the Ministry took eight months to short-list 42 firms for tendering from the date of issue of Expression of Interest (April 2008) till their final pre-qualification in November 2008. The delay was largely due to delay in devising the criteria for pre-qualification and preparation of pre-qualification documents as well as resolving the issue of engagement of a single contractor or multiple contractors for 14 different lots of renovation works such as masonry, plumbing, heating, joinery, electricity, security, fire alarm system, painting, carpeting, lifts etc. as determined by the consultant.

After nearly five months, (April 2009) three member property team comprising the Principal Advisor (Finance), Joint Secretary (Projects) and Superintending Engineer visited Paris and held detailed discussions with the consultant on administrative and technical aspects of tender provisions and recommended that the works be commenced by September 2009.

The Mission submitted (May 2009) the standard tender documents applicable in France along with detailed drawings and specifications to the Ministry for its approval. The Ministry approved the tender documents in August 2009 and the Mission indicated its readiness to float the tenders in October 2009. However, the tenders could not be issued to the short-listed firms until May 2010 due to delay in appointment of a Technical Control Agency for the project. As per French laws, it is mandatory to engage a Technical Control Agency for inspection, technical control and certification of the project at all stages, before undertaking any major renovation/construction project. For this purpose, it was necessary to sign a contract between the Technical Agency and the employer (Mission in this case) before



opening of tender bid documents. The Ministry, however, approved the appointment of the Technical Control Agency<sup>6</sup> only in March 2010 at a total cost of Euro 54,150 (₹ 34.74 lakh) which was, incidentally, more than three times the estimates of Euro 18,000 (₹ 10.38 lakh) sanctioned in March 2008. The contract with Technical Control Agency was signed by the Mission in April 2010. It is pertinent to mention that the mandate of the Technical Control Agency and its inevitable intervention/involvement in the project were known to the Mission and the Ministry as early as October 2007.

Another property team of the Ministry headed by Additional Secretary (FA), Joint Secretary (Projects) and a Senior Architect visited Paris in April 2010 to take stock of the situation. The team advised immediate tendering of the works and pressed that the construction phase should commence by 02 November 2010.

Tenders for the project were finally floated in May 2010 and the sealed bids were received directly both by the Mission as well as by the consultant. The sealed bids were opened in June 2010 by a Tender Evaluation Committee (TEC) of the Mission and the bids were evaluated in consultation with the consultant. Audit observed that while the final tendered cost of the project (comprising 14 different lots of works) increased from the sanctioned amount of Euro 3.45 million (₹ 19.90 crore) to Euro 3.89 million (₹ 23.60 crore)<sup>7</sup>, the fee finally payable to the consultant also increased from Euro 0.261 million (₹ 1.51 crore) to Euro 0.291 million (₹ 1.77 crore). Incidentally, seven<sup>8</sup> out of 42 firms, which did not figure in the initial pre-qualification and short-listing process, were allowed to bid for seven<sup>9</sup> out of 14 lots of works. Of the seven firms, two firms<sup>10</sup> were subsequently declared L 1 by the consultant/TEC for two lots of works viz., millwork/suspended ceilings and painting and one partial work for flooring carpets totaling Euro 0.498 million, thereby seriously jeopardizing the process of pre-qualification and short-listing of the firms undertaken by the Ministry following a protracted exercise of eight months. Further, while two firms (M/s FRADELIZI and DAO THOLOZAN) were initially short-listed by the Ministry for plumbing/heating ventilation work, they quoted for a different work relating to roofing/sheet metal and one of them (M/s FRADELIZI) was declared L 1. The Mission submitted a detailed report to the Ministry on the outcome of tendering in September 2010. Some discrepancies were pointed out to the Mission by the Ministry, who had clarified the same. As of December 2010, the proposal has

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<sup>6</sup> M/s SOCOTEC

<sup>7</sup> Euro 1 = ₹ 60.66 (Official rate of exchange of September 2010)

<sup>8</sup> M/s Fiducia, Roussiere, Les Charpentiers, DE PARIS ROUFF, SEEI eqip indust, MAES and BRIATTE

<sup>9</sup> Structural works, Plumbing/heating ventilation, Millwork/suspended ceilings, Electric, Painting, Flooring carpets/flooring parquets and Façade renovation,

<sup>10</sup> M/s ROUFF and MAES

since been submitted for approval of competent authority. A payment of Euro 53,258 (₹ 30.23 lakh) has been made to the consultant as of June 2010.

While four target dates of June 2007, October 2008, September 2009 and November 2010 have already passed by without any work being commenced on ground, the total project cost and the fee payable to the consultant has shot up by ₹ 3.70 crore and ₹ 0.26 crore respectively, if seen in the context of the sanctioned estimates *vis-a-vis* final tendered cost, due to delays. Delay in implementation of project has not only blocked the capital of ₹ 18 crore on purchase of new building which is lying unused since 2006, the Mission is also forced to incur a recurring liability of ₹ 26 lakh *per annum* on rent of the Space Wing which was envisaged to be relocated in the new building after its renovation.

The Ministry (December 2010) stated that the delay occurred due to the cumbersome processes and the relatively slow pace at which each of the processes move in France. However, the chronology of event detailed in preceding paras establish that there were avoidable delays in short listings of firms, in floating tender, appointment of Technical Control Agency most of which could have managed by better planning, coordination and monitoring.

## 6.2 Delay in construction of chancery-annexe project in Budapest

**The chancery-annexe project in Budapest conceived in 1996 took 14 years to materialise. Tenders for the work were initially invited in February 2001 based on erroneous floor area requirement leading to abandonment of the project. Due to shortcomings in planning and inappropriate handling of regulatory and contractual issues by the Mission and the consultant the project was finally awarded in October 2008 and completed in October 2010 at cost of HUF 347.46 million after a year's delay. In particular, failure to firm up the floor area of the project in 2001 itself ultimately placed an additional financial burden of HUF 164.02 million (₹ 3.62 crore) on the exchequer.**

The Ministry sanctioned (November 2007) construction of an annexe to the chancery building at Budapest at a total cost of Hungarian Forint (HUF) 348.82 million<sup>11</sup> (₹ 7.64 crore) including consultant's fee. The annexe was conceived way back in October 1996 to remedy the inadequacy of existing office space besides accommodating a multi purpose hall, a library, a committee room and additional office space. The project was awarded in October 2008 and scheduled for completion by September 2009.

Audit scrutiny of the annexe project revealed extraordinary delays and considerable cost overruns arising out of shortcomings in planning and inappropriate handling of regulatory and contractual issues. The audit findings are enumerated below.

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<sup>11</sup> Excluding VAT

***Inadequacy in planning leading to increase in project cost***

A property team of the Ministry visited Budapest in July 1999 and approved construction of an annexe with 688 square meters (sqm) of space at an estimated cost of HUF 110.08 million<sup>11</sup> (₹ 2.46 crore). A consultant<sup>12</sup> was appointed in May 2000 at a lump sum fee of HUF 7.50 million<sup>11</sup> and preparatory work was undertaken for inviting tenders for the work. Initial tenders for the project were called for in February 2001 and the lowest bid was HUF 206.84 million<sup>11</sup> (₹ 3.40 crore). However, the project had to be abandoned as the lowest recommended bid was for a higher net area of 939 sqm. Failure to plan the project within the floor area approved by the property team not only delayed the commencement of the project but also rendered infructuous payments made to the consultant (HUF 10.95 million<sup>11</sup>) for work done up to 2001. Thereafter, it took more than three years (March 2001 to June 2004) for the Ministry and the Mission to arrive at the final floor area (832.77sqm) of the project. For the scaled down planned area the consultant worked out (September 2005) a revised cost estimate of HUF 230.09 million<sup>11</sup>. The revised cost estimates sent for approval of the Ministry in October 2005 were not received by it and had to be resent in December 2006 showing inadequate follow up and monitoring by the Mission and the Ministry respectively. This avoidable delay of more than one year led to estimates for the works (excluding consultant's fee) again being revised upwards in February 2007 to HUF 326.35<sup>11</sup> million.

The Ministry stated (May 2011) that the tenders had been called for an increased area of 939 sqm in view of the higher FAR<sup>13</sup> (Floor Area Ratio) permitted by the local authorities and for meeting the long-term requirements of the Mission. However, it added that the space requirements were examined in detail later and scaled down necessitating the development of the project afresh. On the matter of lack of follow up the Ministry stated that while priority projects are processed expeditiously other proposals are examined with a view to making progress on all fronts to the extent possible within the resources available with it. The Ministry's reply is silent on the fact that the Mission unilaterally went ahead and planned and tendered for a higher than approved built up area which had to be reduced on detailed examination. The Ministry has also not explained why it took almost six years (1999 to 2004) to firm up the floor area requirement of the project as also its failure to follow upon the project during 2005-2006.

***Inappropriate handling of regulatory and contractual issues***

The first building permission for the project became effective in April 2001 which was repeatedly extended thereafter due to delays in commencing the project. The last such extension was granted up to 27 April 2008. The Mission, however, opted to seek further extension and when this was denied beyond April 2008, it decided to go ahead

<sup>12</sup> M/s Banati + Hartvig Architects Ltd

<sup>13</sup> The ratio of the total floor area of buildings on a certain location to the size of the land of that location

with the project without a valid permit merely on the basis of submission of 'a note for intention to construct' to the local authorities. Subsequently, when the tenders for the work were opened in March 2008 the consultant and the pre-qualified contractors pointed out that modified European Union (EU) regulations had not been incorporated into the building plan. As a result, the building plan had to be revised in May 2008 involving extensive re-planning of several systems. Fresh bids were then invited from the same contractors in June 2008 and the work was awarded in October 2008 at a cost of HUF 320 million. However, when construction started in November 2008 complaints were made by neighbours and the contractor declined to proceed until a valid permit was obtained. When the Mission belatedly approached the local authorities for a fresh building permission in January 2009 it became aware of several other mandatory regulatory issues (such as modified fire safety system, security system, fire hydrants etc.) that needed to be complied with. Incorporation of the same and approval of the building plan took six more months (January 2009 to July 2009). The work was finally completed in October 2010 at a cost of HUF 347.46 million<sup>1</sup>.

The Ministry attributed the repeated changes and modification to the scope of work to changes in EU norms for building construction. The Ministry's reply, however, does not address the question of failure of the Mission and the consultant to submit in time a proposal for fresh building permissions even though it was aware that the project size had changed. It also does not explain the rationale for revision of building plan twice in quick succession despite a categorical assurance given by the consultant that all the changed EU norms had been considered while incorporating the first set of changes in May 2008.

The Mission and the consultant also failed to resolve promptly the contractual issue of installation of an appropriate brand of elevator in the annexe building which delayed the project by 10 months. While the building contractor indicated his intentions (June 2009) to install the 'Miskolc' brand elevator against the tendered specification of 'Schindler' elevator, the Mission and the consultant did not take cognizance of this significant deviation until September 2009. The matter was finally resolved in April 2010 by assigning the task of installation of elevator directly to M/s Schindler Hungaria Kft. Payments were also made directly to the firm which were subsequently adjusted from the net amount payable to the building contractor.

The Ministry stated that the contractor proceeded to procure 'Miskolc' make elevator without the knowledge of client and that it was due to its timely intervention that specified lifts were installed. This is not accurate as the contractor had sent a proposal to the consultant as well as the Mission on 03 June 2009 for installation of 'Miskolc' brand elevator of which adequate and timely cognizance was not taken. Resultantly it took over 10 months for the matter to be resolved.

To sum up, the Ministry and the Mission failed to manage the Budapest annexe project efficiently and effectively. As a result, the project took an abnormally long period of 14 years to materialise (1996 to 2010) within which time the project construction cost rose from HUF 110.08 million (₹ 2.46 crore) to HUF 347.46 million (₹ 7.68 crore)<sup>14</sup>. In particular, as a result of failure of the Mission and the Ministry to timely firm up the floor area requirement of the project, an opportunity to award the work in 2001 at a cost of HUF 183.44 million<sup>15</sup> was lost ultimately placing an additional financial burden of HUF 164.02 million<sup>16</sup> (₹ 3.62 crore)<sup>4</sup> on the exchequer. The project consultant failed to safeguard the interests of the Mission in timely management of regulatory and contractual issues though his fees increased in the intervening period from a 'lump sum' amount of HUF 7.50 million to HUF 27.43 million. (i.e. an increase of ₹ 44 lakh).

### 6.3 Inordinate delay in construction/ disposal of Government of India owned property

Despite assurances to the PAC, the Mission/Ministry displayed extraordinary indecision in disposing/ constructing Government of India owned property in Bangkok and Warsaw resulting in continued idling of the plots for over 35 and 22 years respectively. This has resulted in avoidable annual rental expenditure of ₹ 2.15 crore and ₹ 1.28 crore in Bangkok and Warsaw respectively.

Audit Report No. 17 of 2005 on Performance audit of Property Management by Ministry of External Affairs (MEA) *inter alia* revealed the following two instances:

#### A. Disposal of GOI owned properties: EOI Bangkok<sup>17</sup>

Brief of para	Action taken Note submitted by MEA in October 2006	PAC's views on the matter a) PAC's 51 <sup>st</sup> Report <sup>18</sup>
MEA purchased a plot of land (1974) measuring 4524 sq.mt. at a cost of ₹ 25.40 lakh in Bangkok for construction of Embassy Residence(ER) and accommodating Mission staff. In 1988 MEA concluded that the plot was not suitable for constructing residences as it was hemmed in by other buildings. Investment of ₹ 25.40 lakh remained idle for 30 years.	MEA's property team had recommended retention of plot for constructing the Embassy Residence and a Cultural Centre and the selection of a consultant was under-process.	The Committee took a serious note of the inaction resulting in idling of capital. It recommended that the Ministry should list out all the properties lying vacant for long periods and prioritize the same for prompt disposal.

<sup>14</sup> HUF 1 = ₹ 0.221 (Official rate of exchange of March 2010)

<sup>15</sup> (HUF 206.84 million ÷ 939 sqm) \* 832.77 sqm

<sup>16</sup> HUF 347.46 million – HUF 183.44 million

<sup>17</sup> Paragraph no. 5.7.1 of the Report No. 17 of 2005

<sup>18</sup> 2007-08- 14<sup>th</sup> Lok Sabha presented to parliament in August 2007

**Assurance to PAC by Ministry:**

MEA stated that the property would be utilized for construction of ER and a cultural centre. The consultancy agreement had been signed and the scope of the project was being finalized in consultation with an architect, local authorities and the Mission.

**b) PAC's 75<sup>th</sup> Report<sup>19</sup>**

PAC reiterated that MEA should not dither any further in the matter and formulate an action plan forthwith for timely disposal of vacant properties.

**B. Delay in construction on acquired land: EOI Warsaw<sup>20</sup>**

Brief of para	Action taken Note submitted by MEA in October 2006	PAC's views on the matter PAC's 51 <sup>st</sup> Report <sup>22</sup>
<p>MEA acquired (1988) a plot of land at a cost of ₹ 1.21 crore on perpetual lease for construction of chancery and residences for India based officials. MEA/ Mission did not take any action on the project, except appointing an India based consultant in April 1989. Even after almost 15 years of acquisition of land, construction had not commenced.</p>	<p>A consultant<sup>21</sup> had been appointed to start the process for construction. However, due to non-availability of funds as a result of Gulf war, further progress got delayed. The project was revived for implementation only in 1998 after financial crunch eased out. A formal agreement with the consultant was signed in April 2003. The drawings for local body approvals had been submitted and clearance was awaited. Further action for inviting tenders for civil and</p>	<p>The Committee noted that the Ministry was not able to commence construction and stressed the need for expediting all the pre-construction activities such as finalisation of design brief, appointment of consultants etc. to ensure execution of these projects within the targeted time-frame through a specific monitoring plan for each project.</p>

<sup>19</sup> 2008-09- 14<sup>th</sup> Lok Sabha presented to Parliament in August 2008

<sup>20</sup> Paragraph 5.5.4 of the Report No. 17 of 2005

<sup>21</sup> M/s Sachdev Eggleston

<sup>22</sup> 2007-08- 14<sup>th</sup> Lok Sabha presented to parliament in August 2007

other works would be taken once these clearances are in place.

**Audit analysis brought out the following:**

**A. EOI Bangkok**

Audit noted that 12 property teams comprising of the senior officials of MEA had visited Bangkok during 1982 to 2011. The details of the visit, composition and recommendations of the property teams are given in **Annexe-II**. Analysis of the recommendations of these teams revealed divergent views on the matter of disposal/ use of the plot of land. The table below depicts the various views on disposal/use of plot of land.

**EOI Bangkok**

Audit noted (July 2010) that not less than 12 property teams had visited Bangkok since 1982 to inspect and plan for disposal/use of plot.

**Table 1: Recommendations of the various property teams visiting Bangkok**

Sl. No.	Recommendation made by the property team	Number of recommendations	Recommendation made by
1.	Selling of the plot of land	3	1 <sup>st</sup> , 3 <sup>rd</sup> and 9 <sup>th</sup> team
2.	Construction of flat for India based officers	3	2 <sup>nd</sup> , 4 <sup>th</sup> and 12 <sup>th</sup> team
3.	No specific view expressed	1	5 <sup>th</sup> team
4.	Developing of the plot of land	1	6 <sup>th</sup> team
5.	Mixed use selling/development by the local developer for apartments	2	7 <sup>th</sup> and 8 <sup>th</sup> team
6.	Construction of the Embassy residence	1	10 <sup>th</sup> team
7.	Construction of DCM residence	1	11 <sup>th</sup> team

**A. EOI Warsaw**

Security of the progress of the construction work of chancery and residences for India based officials was conducted in July 2010. Audit noted the following failures on the part of the Ministry/ Mission:

- **Unrealistic planning and projections -**

None of the four target dates<sup>23</sup> set by the Ministry (between April 2000 and April 2007) to complete the project were attained. These targets were highly unrealistic and framed without any well-founded assessment of the situation on ground. For instance, against the target date of 82 weeks (21 months) projected by the property team in April 2000, it took three years to merely engage the consultant in April 2003. Again in April 2007, the Ministry contemplated all local body approvals to be secured

**EOI Warsaw**

Audit noted (July 2010) that even after 22 years of acquisition of land the project had not even reached the tendering stage.

by July 2007 followed by completion of project by June 2009. However the local body approvals could only be obtained in April 2008. The Indian consultant along with his local associate completed the pre-qualification process in April 2010 and recommended (May 2010) the names of four pre-qualified contractors to the Ministry for issue of tender documents, which was not approved as of March 2011. In the meantime, the building permit, which was valid for two years, had expired in April 2010. The Mission stated (March 2011) that the building permit from local authorities for construction activity on the embassy plot is still valid.

- **Infructuous expenditure incurred on the plot of land**

MEA had incurred a capital expenditure of ₹ 1.21 crore on the purchase of the plot 22 years ago (1988). Analysis of the expenditure on the maintenance, up-keep of the plot and other indirect expenses related to the pre-tendering work of the construction revealed that total expenditure of ₹ 15.07 crore were incurred on the project during the period July 1989 to July 2010.

**Table 2: Expenditure incurred on the project**

Sl. No.	Item of expenditure	Amount (₹ in crore)
1.	Cleaning and maintenance of the plot	0.83
2.	Payment made to the Indian consultant	0.23
3.	Opportunity cost incurred on rentals on hiring of chancery building and staff residences	13.86
4.	Expenses on local approvals, surveys, advertisement etc.	0.15

<sup>23</sup> 82 weeks (By property team of Ministry in April 2000); June 2007 (As committed to the CNE in June 2004); July 2008 (Worked out in consultation with the Indian consultant in August 2006); June 2009 (Worked out in consultation with the Indian consultant in April 2007)



## Audit conclusion

### EOI Bangkok

Over the last 35 years, extraordinary indecision had been displayed by the Ministry and Mission in utilising the plot. Further, contrary stands with regard to utilization/disposal of the land had also been taken by the Ministry and the Mission. Meanwhile, the Mission continued to incur annual expenditure of ₹ 2.15 crore towards rent for residential accommodation for its officers and staff.

### EOI Warsaw

The Mission/Ministry neglected the property since its acquisition in August 1988. A time period of 22 years has elapsed since its acquisition; however the project has not reached the tendering stage. Mission incurred avoidable expenditure of ₹ 14.69 crore on account of maintenance and upkeep of the plot and rent for the hired chancery premises and staff residences, which continues at the rate of ₹ 1.28 crore *per annum*.

The matter was referred to the Ministry in November 2010; their reply was awaited as of March 2011.

### 6.4 Flaws in renovation of Embassy Residence in Brussels and avoidable extra expenditure on lease rent

The project for renovation of government owned Embassy Residence in Brussels could not be completed within the stipulated cost and time frame due to continuous additions/modifications in the scope of work. The final tendered cost worked out to Euro 2.096 million *vis-à-vis* Euro 1.4 million estimated earlier and the project completion date had to be rescheduled from September 2009 to November 2010. Pending renovation an expenditure of ₹ 1.49 crore was incurred on hiring of an alternative accommodation for the Ambassador, of which, an expenditure of ₹ 66.40 lakh was largely avoidable on account of extended stay of the Ambassador in the rented property. Even after the award of work the Mission/consultant carried out large scale additions/modifications amounting to ₹ 1.57 crore which were beyond the tendered scope and only added to the project cost and led to further delay in completion of the project.

The Embassy Residence property in Brussels built in 1938, was purchased by the Government of India in 1956. As the property was in a considerable state of disrepair, the Standing Finance Committee (SFC) of the Ministry and the Ministry approved (September 2008) its comprehensive renovation at a total estimated cost of Euro 1.618 million (₹ 10.41 crore). The total approved amount comprised, besides the estimated cost of renovation works of Euro 1.4 million, consultant's professional fee of Euro 0.112 million and lease rent for the alternative accommodation for the

Ambassador of Euro 0.096 million. The Ministry also approved a timeline of maximum one year for completion of the project *i.e.*, September 2009.

Audit scrutiny of the implementation of the renovation project revealed the following inadequacies:

***Enlargement in scope of work leading to cost and time overruns***

The scope of the renovation project was assessed by a property team of the Ministry led by Joint Secretary (Establishment) in July 2008. Based on the inputs of the team and thereafter of the consultant<sup>24</sup> the SFC froze the scope of the work in broad terms at a maximum financial limit of Euro 1.4 million. However, it was seen that between September 2008 and till April 2009, a number of additions and changes, several of them being sweeping and significant, were incorporated in the scope of the renovation work by the Mission/consultant. As a result, the cost estimates for the work had to be revised upward from Euro 1.4 million in September 2008 to Euro 2.133 million in May 2009 (eight months). Meanwhile, another property team of the Ministry visited Brussels in April 2009 but its report was totally silent on the issue of enlarged scope of work, thus, raising doubts whether the team had deliberated on this critical aspect at all. The Ministry, in fact, obtained an *ex post facto* justification for the change in scope and cost enhancement from the Mission only in October 2009 prior to submitting the revised proposal for the consideration of the SFC. The final tendered cost of the project eventually came to be Euro 2.096 million and the Ministry accorded (January 2010) revised sanction to the project at a total cost of Euro 2.564 million.

Audit scrutiny of the modifications and changes made to the scope of the project revealed that several of these subsume additions in the interior and the exterior of the property which go beyond essential renovation to embellishment and beautification of the property. For instance, in the interior part of the house significant changes were made in the room lay outs and terraces in the first floor, extensive changes were made in lighting and luminaires, provision of wooden floors was made throughout the house instead in the limited areas initially envisaged, provision of new marble floor was made in the main entrance, provision of floor heating was made in almost all portions of the house combined with new fireplaces in the dining/living/family room, kitchen and bathrooms were completely overhauled and new false ceiling was added. In so far as the exteriors were concerned, the paths were completely redone using prefabricated concrete borders/blue stone borders/wooden borders, a water feature was added while landscaping and plantations with lighting were undertaken afresh. While all these additions/modifications significantly added to the project cost, it had an adverse

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<sup>24</sup> M/s Beauvoir s.a.

impact on the project completion date as well. The renovation project, in fact, took 30 months to complete from the date of approval (September 2008) as against originally envisaged period of 12 months. Of the 30 months, six months each were taken to finalize the tender documents and award of contract after opening of financial bids.

The Ministry stated (October 2010) that the modified scope of the work was arrived at after detailed investigations of the property and that the initial target date of September 2009 was tentative as it was decided before signing of the agreement with the consultant. However, consultant's engagement had effectively commenced much earlier than his formal appointment (October 2008). It is also not correct on the part of the Ministry to *post facto* portray the initial scope of work and related cost and time estimates as tentative as the consultant had provided cost estimates of Euro 1.4 million in 2008 based on several visits to the property with various contractors/experts. Besides, the consultant had categorically affirmed that the project would be achieved within his initial estimates both with regard to cost and time. It is also pertinent to highlight that the first SFC approval was clear in its stipulation that both the scope of work and the cost estimates would remain firm.

The approach of the Mission and the Ministry was also in distinct contrast to the renovation of Embassy Residence in Dublin. In the case of Dublin, the tendered cost of the work at Euro 1.599 million remained within the project cost estimates at Euro 1.60 million given by the consultant and approved by the SFC (July 2008). This was despite the fact that tenders for the project was invited more than a year later in September 2009. The tenders were also finalised and awarded within 18 days of the opening of the financial bids, as against 183 days taken to complete the same process in Brussels.

***Continued additions/modifications to the tendered scope of work***

Audit scrutiny of the project showed that changes and modifications continued to be made even after the award of the work (February 2010). The consultant and the Mission carried out as many as 22 additions/modifications to the tendered scope at an estimated cost of Euro 0.244 million (₹ 1.57 crore)<sup>25</sup>. The total payments made to the building contractor and other vendors along with pending payments for post-tender modifications amounted to Euro 2.279 million<sup>26</sup> (₹ 14.69 crore)<sup>2</sup> as of May 2011, against the tendered cost of Euro 2.096 million (₹ 13.51 crore)<sup>2</sup>. The Mission justified (January 2011) the additions/modifications on the grounds that these could not be foreseen by it and the consultant before finalising the tender documents. However, the

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<sup>25</sup> Euro 1= ₹ 64.47 (Official rate of exchange for May 2011)

<sup>26</sup> Euro 2.035 million (paid up to May 2011 including pending bill of Euro 11,419.05) + Euro 0.244 million (total post-tender additions/modifications)

number, magnitude and nature of the deviations and additions carried do not support this. The failure on the part of the consultant to plan the project comprehensively and the inability of the Mission/Ministry to control the same is also evident from the post-tender changes. These changes were made despite the consultant having given a certificate (November 2009) that the drawings, BOQ<sup>27</sup> and technical specifications prepared by him fully covered the intended scope of work. It was also seen that the Mission sought approval of the Ministry for the changes barely a month prior to the project completion date (November 2010), though it had sufficiently advance information on the need for several of the changes, such as, replacement of fencing with planting of hedges, replacement of fountain with construction of storage facility for rainwater harvesting, installation of electricity meters etc. In effect, the changes were presented to the Ministry as a *fait accompli*. As a result, while the Ministry had granted administrative clearance for some of the changes, financial sanction for the deviations were still due even though all the additional works have been executed.

#### ***Additional rent liability***

Total project cost (Euro 2.564 million) included an element of hiring of an alternative accommodation for the ambassador during the duration of the renovation. The period of rental which was originally approved for 12 months (February 2009 to January 2010) at a cost of Euro 10,000 per month by the competent authority stood finally extended up to 22 months (November 2010) at an enhanced rent of Euro 10,350. From February 2009 till November 2010, the Mission incurred total expenditure of ₹ 1.49 crore<sup>28</sup> on lease rent for the hired Embassy Residence. The expenditure on rent (₹ 66.40 lakh) for the later part of 10 months (February 2010 to November 2010), could be avoided if planning for the project had been done scrupulously and the work awarded expeditiously. The Ministry justified the extended stay due to an increase in the time frame for project completion on account of the need to observe required procedures even though the preceding paragraphs have clearly established that inordinate delays had occurred in achieving the key milestones *viz.*, formulation of scope, finalisation of tenders, award of work etc.

Thus, failure to formulate a definitive scope for renovation project in Brussels led to large scale additions/modifications in the scope of work, post-approval and even following the award of work. As a result, both the initial time and cost estimates of the project approved by the Ministry in September 2008 had to be revised upwards which also entailed additional expenditure on hiring of an alternative accommodation

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<sup>27</sup> Bill of quantities

<sup>28</sup> ₹ 82.21 lakh from February 2009 to January 2010+ ₹ 66.40 lakh from February 2010 to November 2010= ₹ 1.49 crore

for the Ambassador. This clearly revealed failure on the part of both the Mission and the Ministry to control and supervise the project efficiently and effectively.

#### 6.5 Irregular expenditure under the head Publicity

**Despite Ministry's instruction and earlier audit observations, the Six Indian Missions/Posts incorrectly classified expenditure of ₹ 93.06 lakh under the head 'Publicity' during 2008-2010 which resulted in the Missions understating the expenditure under the head Office Expenses besides violating the government's instructions on economy in expenditure.**

Expenditure on Publicity head of account is intended for furthering the image of India either directly or indirectly. Financial Powers of Government of India's Representatives Abroad (FPGOIRA) regulates the type of expenditure to be classified under Publicity. Instruction issued by the Ministry (March 1997) further elaborate the items qualifying for booking under the publicity head. Despite these instructions and the mention in the previous reports of the Comptroller and Auditor General, six Missions/Posts wrongly classified expenditure worth ₹ 93.06 lakh under the Publicity head of account, which was incurred on items not qualifying under the same.

S. No	Mission/Post	Month/year	Nature of expenditure	Amount (₹)	Items booked under Publicity
1	EOI Washington	April 2008 to Nov. 2009	OE booked in Publicity	8856000	Vouchers of PIC wing erroneously debited
2	HCI Kingston	April 2009 to March 2010	Minor work booked in Publicity	83984	Tiles for swimming pool, Purchase of Garden tools, Repair main gate
3	EOI Mexico	May 2008 to March 2009	OE booked in Publicity	119033	Annual subscription for magazine, newspaper, cable charges and purchase of plants and fertilizer
4	EOI Brazil	July 2008 to Oct 2009	---do---	80239	Purchase of books, cartridges, toner, wages of hiring of two messengers, subscriptions and cable TV etc.
5	EOI Columbia	April 2008 to July 2009	---do---	19039	Renewal of subscription, cable TV subscription, magazine etc.
6	CGI New York	April 2008 to Sept. 2009	---do---	148094	Purchase of books, honorarium, hiring of labour, hiring of car etc.
				<b>9306389</b>	

EI Washington alone had incorrectly booked an amount of ₹ 88.56 lakh between April 2008 and November 2009. In their reply (June 2010) EI Washington accepted the audit finding and requested not to insist on regularization of expenditure under the correct head of account keeping in view the financial account for the year 2009-2010

has been closed. After appropriation accounts are passed by the Parliament, any change in heads of accounts by way of regularization is not possible. Mission also stated that they had put in place procedures to correctly classify the items of expenditure indicated, in future.

The fact remains the same that the items authorized under Office Expenses were booked under publicity, which resulted in understatement of actual expenditure on other items especially under the head OE and therefore violated the laid down regulations. To ensure that such lapses do not recur and that financial discipline as embodied in sanctions and appropriations is enforced, MEA needs to strengthen the internal controls in the Missions/Posts.

#### **6.6 Irregular expenditure due to non-adherence to sanctions and scales**

28 Missions/Posts incurred an irregular expenditure of ₹ 1.22 crore on visiting delegations by extending various facilities, such as, hotel accommodation, hired transport, cash allowance, VIP Lounge etc, which were beyond the scope of sanction/without the sanction of the Competent Financial Authority. In addition, Embassy of India, Suriname constructed a Swimming Pool at Embassy Residence at a cost of ₹ 64.15 lakh not covered under the laid down scale.

The Missions/Posts abroad receive a large number of delegations from India which include Ministers, government officials/officers from the Armed Forces, artists, cultural troupes etc. The Missions/Posts are responsible for overseeing all logistical arrangements relating to their stay and travel in the foreign country as well as for payment of cash allowance. For making payments to visiting delegations on behalf of other Ministers/Departments, the Missions/Posts act as a multi departmental pay and accounts offices, and the expenditure is subsequently debited to the respective Ministries/Departments. While incurring such expenditure the Missions/Posts are expected to ensure that the expenditure so incurred is based on valid sanctions issued in advance by the competent authority of the sponsoring Ministries/Departments, indicating the items/services or facilities the delegation members are permitted to avail themselves of. Canons of Financial propriety necessitates that there is strict adherence to the laid down scales while authorizing the expenditure.

Audit however, observed that 28 Missions/Posts incurred an irregular expenditure of ₹ 1.22 crore during the period April 2008 to March 2011 on visiting delegations which did not conform to the provision of the sanctions issued by the Competent Financial Authority (CFA). The Missions/Posts extended various facilities to the visiting delegations, such as, hotel accommodation, hired transport, cash allowance, VIP lounge etc. even though the purpose of visits, period of stay, adherence to approved route, payment of cash/daily allowance etc. were inconsistent with the

provisions of the sanctions. In addition, the Embassy of India, Paramaribo, Suriname had constructed a swimming pool at the Embassy Residence at a cost of 0.1 Million Euro (₹ 64.15 lakh) in violation of the laid down norms. The Mission/Post-wise details indicating such omissions and extent of irregular expenditure amounting to ₹ 1.86 crore are detailed in Annexe III. These omissions/irregularities are discussed below:

**Expenditure on visiting delegations without sanction**

The Missions/Posts extended various facilities to the visiting delegations as discussed above. A total 99 cases were noticed in 16 Missions/Posts under which amount of ₹ 69.62 lakh were incurred without the sanction of the CFA. In eight cases ex-post approval was received after being pointed out by Audit. Some of the significant findings are highlighted below:

- The Minister of Petroleum and Natural Gas along with his Personal Secretary (PS) transited through Paris for both inward and outbound journeys while on official tour to Venezuela during May 2010. The transit stay in Paris was for four nights while the stay at the final destination was two days. The Mission in Paris incurred an expenditure of ₹ 6.75 lakh on hotel accommodation and a chauffeur driven car though transit through Paris was not provided for in the sanction accorded by the Ministry of Petroleum & Natural Gas. The Mission did not furnish any reply with regard to the deviation from the sanction.
- Ministry of Commerce & Industry accorded sanction for the visit of Commerce & Industry Minister to attend and address United States India Business Council's 34<sup>th</sup> anniversary "Synergies Summit" at Washington DC and New York during June 17-22, 2009. Test check of the records of CGI, Chicago revealed that the Post incurred expenditure of US \$ 5121.68 (₹ 2.47 lakh) towards hotel accommodation and transportation of the Minister in Chicago. CGI, Chicago replied that a proposal has been sent to the Ministry of Commerce for issuance of appropriate sanction. Similarly during four conferences<sup>29</sup> and bilateral meetings abroad, the Minister of Commerce and Industry along with his PS made routine halts in London though the sanctions did not provide for such halts and were also not part of the approved route fixed for travel by the Ministry of External Affairs. The Mission in London had to bear an expenditure of ₹ 10.40 lakh to meet the expenses towards hotel accommodation, hiring of cars, mobile phones, cash allowance etc. The Mission stated (March 2010) that the concerned Ministry was being requested

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<sup>29</sup> Geneva, Senegal, France-Finland and Paris

for their comments/issue of *ex post facto* sanction for regularization of expenditure.

- Ministry of Youth Affairs and Sports sanctioned the visit of Secretary, Sports for making a presentation on Commonwealth 2010 at "Sports Breakfast at CHOGM retreat" at Port of Spain from 27 November to 29 November 2009. Audit found that three more members from the Organizing Committee of Commonwealth Games-2010(CWG), including its Chairman also accompanied the Sports Secretary. The Mission incurred an expenditure equivalent to ₹ 3.18 lakh on the members of CWG for a stay of three nights by the Chairman and one member and five nights by the third member. The visit was however not covered under the sanction issued by the Ministry. HCI Port of Spain, Trinidad and Tobago pursued the case with the Ministry of Youth Affairs and Sports for regularization and justification for a four member delegation for just one breakfast presentation.
- Lt. Governor, Delhi accorded sanction for the extra jurisdictional journey outside India by Hon'ble Speaker Delhi Legislative Assembly to attend the 54<sup>th</sup> Commonwealth Parliamentary Association Conference to be held in Kuala Lumpur and pre/post conference study tour to USA, Italy and France. Sanction provided to make necessary arrangements for stay of Hon'ble Speaker. Audit observed that based on the directives of the Delhi Legislative Assembly (DLA) Secretariat, two suites, including one for the stay of son and daughter in law of the Speaker were booked in a hotel at New York resulting in payment of inadmissible amount of US\$960 (₹ 0.43 Lakh). CGI New York informed that a proposal had been sent to Delhi Legislative Assembly Secretariat for recovery of US \$ 960, since it was not covered in the sanction.
- In another case the sanction issued by the Government was flouted by a pre-planned diversion in travel route by a delegation headed by the then Army Chief visiting Chile. Though the sanction for the visit specifically stated that the journey be performed on the approved route i.e. via New York, the delegation adopted the return route via Sao Paulo and Rio which had been planned and arranged by the Army Headquarters a month in advance of issue of sanction. The diversion, in defiance of the sanction, caused an extra expenditure of ₹ 1.59 lakh on the stay and local conveyance of the delegation at Rio and ₹ 1.83 lakh on the team deputed from Brasilia for organizing the visit.
- The Minister of State (MoS) for External Affairs and her PS visited New York during October 2010 to attend the 65<sup>th</sup> Session of UN General Assembly. The



travel to New York was performed from Delhi via London which was not covered by the sanction issued by the Ministry in September 2010. The Mission incurred an expenditure of ₹ 4.80 lakh for arranging hotel accommodation, cash allowance, hiring of transport etc.

#### **Expenditure in-violation of laid down scales**

Heads of the Mission are authorized a furnished residential accommodation, when serving outside India. The scales, however, do not provide for construction of swimming pool in the Embassy Residences (ER). Audit found that in violation of the laid down norms, the Embassy of India Paramaribo at Suriname had constructed a swimming pool at the Embassy Residence at a cost of Euro one lakh (₹ 64.15 lakh). The pool was constructed after acquisition of an existing property in March 2010 for the ER. Embassy of India, Paramaribo stated that the Mission had signed an agreement with the seller for construction of a water body and not a swimming pool. The fact however, remains that the Embassy had constructed a swimming pool at the Embassy Residence, which is not covered under the laid down scales.

#### **Expenditure on VIP Lounge without sanction**

Six Missions/Posts hired VIP lounges at airports for visiting Ministers and special dignitaries on 88 occasions and incurred an expenditure of ₹ 40.47 lakh. Incidentally, no provision for VIP lounge facilities existed in the sanctions accorded by the CFA. The extent of breach was highest in London at ₹ 23.43 lakh in respect of 47 visiting delegations, followed by Munich where an irregular expenditure of ₹ 8.61 lakh was incurred on 21 visiting delegations. The Mission in London stated (March 2011) that it would be very difficult to secure regularization of expenditure incurred on VIP lounges in the past from different Ministries. However, in future, it would request all Ministries for specific sanction and ensure that each booking of VIP lounge is approved by competent authority.

#### **Expenditure on ICCR sponsored troupes without sanction**

Ministry's circular of January 2004 authorize only 33 Missions to utilize their 'publicity' budget for one ICCR sponsored troupe per financial year on:

- (i) Hiring of auditorium and technical facilities; and
- (ii) Printing of publicity material related to cultural events. However, the Missions in Milan, Bratislava and Prague spent ₹ 3.17 lakh from their publicity budget to meet the expenses on ICCR sponsored troupes towards hiring of halls, payment to musicians, printing of leaflets etc. though these Missions did not feature in the list of Missions communicated by the Ministry in August 2004 to incur such expenditure. Further, the Mission in Vienna and the Cultural Centre in

London incurred an expenditure of ₹ 6.87 lakh on local transportation of dance troupes while the sanction did not provide for the same.

#### **Non-deduction of daily allowance**

The IFS (PLCA) Rules stipulate that the daily/cash allowance shall be reduced by 10 *per cent* if hotel charges include breakfast charges. It was observed that 12 Missions/Posts in 132 cases did not reduce the daily allowance payable to delegation members though the hotel tariffs were inclusive of breakfast charges, thus, leading to excess payment of ₹ 2.04 lakh.

The instances of incurring of unauthorized expenditure by the Missions point at inadequate internal controls in the Missions. Government funds are required to be spent in accordance with the sanctions and scales and any expenditure not so authorized in accordance with rules is violative of the laid down financial regimen and indicative of circumvention of the Government orders. Post-facto regularization obtained in response to audit objections can in no way be accepted as substitute for adherence to proper authorization and approvals. There is a definite need to put in place effective financial controls to prevent such irregular expenditure by the Missions and Posts.

The matter was referred to the Ministry in December 2010 ; their reply was awaited.

#### **6.7 Avoidable extra expenditure on hiring of excess space for chancery building**

**The Indian Mission in Minsk hired a significantly large property for its chancery without the prior approval of the Ministry. The hired premises consisting of three floors including large basement area was 344 sq m more than the space norms prescribed by the Ministry and would result in an avoidable extra expenditure of atleast ₹ 42.12 lakh.**

The Ministry of External Affairs (Ministry) issued comprehensive guidelines in August 1986 for purchase of built up properties by the Missions/Posts abroad. The guidelines, inter alia, laid down the authorized space entitlements for a medium size Mission for the purpose of purchase or renting. Further, in December 1994, the Ministry also issued detailed instructions regarding renting of accommodation by the Mission/Posts abroad. The Ministry emphasized that all proposals for initial/continued/alternate hiring should be sent by the Missions/Posts well in advance along with all relevant documents/information, which included the following:

- Proposal in the prescribed rent proforma for hiring of chancery/office premises duly recommended by Head of Mission/Head of Post and signed by the Head of Chancery; and

- Details of staff strength and space required as per norms fixed by the Ministry, in case additional space is proposed to be rented for the chancery.

The Indian Mission in Minsk had been functioning from a rented building<sup>30</sup> since November 1992, leased from the government of Belarus. Initially, an area of 906 sq m was hired which was subsequently reduced to 638.60 sq m in June 1997 due to withdrawal of certain posts from the Mission. The Mission paid a monthly rent of USD 8,934 for the property (which included a refundable VAT of USD 1,363 @ 18 per cent) till December 2007. The effective rent of the chancery building (excluding VAT) was USD 7,571 per month.

As the existing property was not considered suitable from the point of view of location and poor physical condition, the Mission subsequently shifted to a new property<sup>31</sup> in January 2008 at a monthly rent of USD 8,000. The Mission paid the rent partly by bank transfer (USD 3,000) and partly in cash (USD 5,000). However, no specific prior approval of the Ministry was obtained before resorting to payment of rent in cash. The lease agreement for the new chancery building was initially signed (November 2007) for a period of three years from January 2008 to December 2010, which was subsequently renewed (June 2010) for a further period of three years up to December 2013, without any escalation in the rent.

Audit scrutiny of documents related to hiring of new chancery building revealed the following:

- i. In accordance with the Ministry's guidelines of August 1986, the space entitlement for a Mission like Minsk should not be more than 774 sq m even after factoring in the area required for circulation and provision for future expansion as indicated in **Annexe-IV**. However, the new chancery building hired by the Mission had a total area of 1,118 sq m, which was not only 344 sq m (44 per cent) more than the space norms prescribed by the Ministry but also appeared to be extravagant considering the small size<sup>32</sup> of the Mission. The area of the new chancery building (comprising three floors including a large basement) was on the higher side further stems from the fact that one post of security guard was transferred to PMI, New York way back in March 2006 which, in fact, reduced the requirement of space in the chancery by at least 40 sq m<sup>33</sup>.

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<sup>30</sup> 4, Koltsova Street, Building 5, Minsk

<sup>31</sup> 63 Sobinova Street, Minsk

<sup>32</sup> The Mission has only 08 India based officials and 09 locally recruited staff

<sup>33</sup> Area of quarter for one security guard in the Mission

- ii. The Mission also did not adhere to the instructions issued by the Ministry in December 1994 regarding renting of accommodation by the Missions/Posts abroad. The prescribed rent proforma for hiring of chancery premises, duly recommended by the HOM and signed by the HOC, along with requisite details of staff strength and space required as per the approved norms were not furnished to the Ministry. These were vital management information system data which could have facilitated decision-making at the apex level. The Mission, however, informed the Ministry about the hiring of new chancery building only in December 2007, after signing the initial lease deed.

While doing so, the Mission also misinformed the Ministry that the monthly rent of the new chancery (USD 8,000) was less than the rent being paid for the old premises (USD 8,934). In fact, the effective monthly rent of the old chancery premises was USD 7,571 only (excluding VAT). Whereas, the rent of the new chancery premises was fixed at USD 8,000 per month and did not entail any payment of VAT or its reclamation by the Mission (the property belonged to a private person). The rent of the new chancery premises, thus, exceeded the sanctioned rent of the old premises by USD 429. Consequently, the Mission should have referred the case to the Ministry for its approval before hiring the new premises at an enhanced rent, in terms of item no. 20 (I) (3) of Financial Powers of Government of India's Representatives Abroad. However, this pre-requisite was also by-passed by the Mission.

- iii. The Mission did not consider any alternative property (other than the one which was finally hired) for the chancery building. In fact, there was no evidence on record to indicate that the Mission had explored other properties which were smaller in area and within the space entitlement prescribed by the Ministry. Incidentally, the rented chancery building and the rented India House (the official residence of the Indian Ambassador) in Minsk belonged to the same person.

The Mission stated (August 2010) that the excess space in the new chancery building was being used for cultural and entertainment activities. The Mission added that it has written to the Ministry seeking its *ex post facto* sanction for all deviations pointed out by audit. The letter was sent on 19 August 2010. The Ministry accorded its *ex post facto* sanction in April 2011 (after a time lag of more than three years) for hiring of new chancery premises at a rent of USD 8,000 per month (USD 5,000 in cash and USD 3,000 by bank transfer) for the entire period of lease from January 2008 to December 2013.

Evidently, the Mission took Ministry's approval for granted and posed a *fait accompli*, which was not appropriate. The Mission's argument for usage of excess

space also does not justify its non-adherence to the prescribed norms which were determined by the Ministry after taking into account all relevant factors. Moreover, there was abundant space available in the big hall (where a small library is located) to conduct cultural and entertainment activities.

Thus, hiring of space for the chancery building in excess of the norms prescribed by the Ministry has resulted in extra expenditure of ₹ 42.12 lakh up to December 2010. The avoidable extra expenditure, by the time the lease agreement for the chancery expires in December 2013 would be at least ₹ 84.24 lakh<sup>34</sup>.

The matter was referred to the Ministry in October 2010; their reply was awaited as of March 2011.

#### **6.8 Unauthorised expenditure on purchase of stationery**

**Despite assurance given to PAC by the Ministry, Missions continued to incur excess expenditure on purchase of stationery. Ten test checked Missions during 2009-10 exceeded the permissible limit by ₹ 41.04 lakh without prior approval of Ministry.**

Paragraph No. 7.3 printed in Audit Report No. 2 of 2007 pointed out violation of financial limits<sup>35</sup> by 17 Missions in purchase of stationery items. The Ministry in its Action Taken Note in January 2009 gave the following assurances to the Public Accounts Committee.

1. To minimize such cases, the delegated financial powers for purchase of stationery has been enhanced from USD 7700 *per annum* to USD 11935 *per annum* in case of Missions/Posts in UK and USA and USD 3850 *per annum* to USD 5967 *per annum* in case of other Missions/Posts with effect from October 2006.
2. All Missions/ posts have been issued instructions in July 2007 that any purchases in excess of the delegated powers on stationery have to be approved by the Ministry in advance.

Subsequently, Audit noted (June–July 2010) that ten Missions/Posts had incurred excess expenditure on stationery amounting ₹ 41.04 lakh during 2009-10 as detailed in the **Annexe-V**. The excess expenditure in these Missions ranged between 36 *per cent* and 350 *per cent* of the delegated powers.

<sup>34</sup> (8000/1118) \*344\*72 months (USD 1 = Rs. 47.50 at official rate of exchange for the month of August 2010)

<sup>35</sup> Fixed as per item no. 26 of schedule I of the Financial powers of the Government of India's representatives abroad

In response, the Missions at Colombo and Kuwait stated (June-July 2010) that the Ministry would be requested to regularise the excess expenditure, while the Missions/Posts at Tokyo, Tehran and Abu Dhabi stated (June-July 2010) that the matter had already been taken up for regularisation. The Missions/Posts at Dubai and Dhaka stated (June-July 2010) that they had requested the Ministry for raising the admissible limit of expenditure on stationery.

Audit noted from the reply of the Missions that the assurances given to the PAC were not complied.

The matter was referred to the Ministry in September 2010; their reply was awaited as of March 2011.

#### **6.9 Systemic failure of internal controls leading to embezzlement of government money**

**Failure to follow good practices in handling and accounting of receipts coupled with ineffective monitoring and systemic failure of internal controls resulted in embezzlement of government money amounting to ₹ 26.23 lakh in Embassy of India, Rome.**

The Central Treasury Rules<sup>36</sup> lay down the general rules for receipt of Government money and payment of such money into the government account. The Consular Manual<sup>37</sup> also prescribes an elaborate procedure for receipt and accounting of consular fee to safeguard against leakage of government revenue. These are proven and generally accepted good practices in transacting government business while ensuring accountability commensurate with responsibility.

The Indian Mission in Rome entrusted the task of handling cash and writing the cash book to a local clerk. However, due to absence of effective monitoring and supervisory control over handling and accounting of receipts in the Mission an opportunity for fraud and manipulation was created which was exploited by the local clerk with impunity. Audit scrutiny of the accounts of the Mission (November 2009) revealed that the local clerk violated financial and administrative rules and practices and misappropriated Euro 38,78,95 (₹ 26.23 lakh) between June and July 2009. This included short-deposit of consular fee (Euro 22,876.25); unsettled advances (Euro 5,627.68); sale proceeds of official car (Euro 4,000); and over-drawn cash/net excess withdrawal (Euro 6,281.02). The local clerk tendered his resignation just a few days before the commencement of the annual audit of the Mission in November 2009.

<sup>36</sup> Rule 77 (ii) and (v) of CTR

<sup>37</sup> Paragraph 31 and 32 (Chapter-I)

Audit examination disclosed that the embezzlement was a consequence of a general environment of lax internal controls which enabled several infractions of financial and administrative rules and instructions. These were:

- utilisation of consular receipts for meeting day-to-day miscellaneous expenses, which otherwise should have been paid by cheques. The receipts so utilised were made good subsequently by issuing cash cheques;
- contrary to administrative instructions which mandated that consular receipts should be deposited on the same /next working day in the bank, these receipts were not deposited in the order in which they were received and entered in the cash book. In fact, cash was allowed to accumulate in the accounts section and used for defraying various regular expenditures. Only the balance was deposited with delays of varying periods. The overall laxity that prevailed in the handling of cash receipts facilitated misuse and embezzlement of government money by the local clerk;
- the then Head of Chancery (HOC) did not comply with instructions requiring him to ensure that there is no discrepancy between the cash reflected in the consular cash book and the monthly cash accounts. In fact, the embezzlement of consular receipts escaped detection as this check was not performed while preparing the cash accounts of June 2009;
- the consular fee shown as deposited in the bank account was not verified by the then HOC from the bank deposit slips before attesting the respective entries in the cash book, as prescribed in the rules. As a result, the local clerk could cover up the short deposit of cash in the bank by understating the totals of the bank receipt column in the cash book;
- the Mission failed to exercise normal checks to ensure that amounts shown in paid vouchers and amounts drawn through cheques tally and that cheques were drawn only against duly authorised vouchers. The HOC also failed to perform basic cross checking between paid vouchers and cash book/cash account entries before attesting and verifying them. As a result, the local clerk was able to overdraw significant sums of money;
- at the time of audit the key accounting task of bank reconciliation was in arrears in the Mission since July 2009. As a result, no cash accounts could be sent to the Ministry since July 2009; and

- advances were not drawn in a proper manner and were allowed to remain outstanding for unduly long periods. This enabled the local employee to hold and misappropriate unspent balances from the advances handled by him.

On the recommendations of Audit, the Mission appointed a three member committee to investigate the circumstances leading to misappropriation of government money by the local employee. This committee after a thorough investigation confirmed the fact of the embezzlement of government money by the local employee. It also corroborated audit findings with regard to gross violation of rules, regulations and administrative instructions and the complete subversion of supervisory control and monitoring in the Mission during the relevant time.

The Ministry accepted the facts and stated (August 2010) that the extent of embezzled Government money was, in fact, of the order of Euro 41,359.60 as some other advances that had not been adjusted had subsequently come to light. The Ministry further stated that the entire embezzled amount of Euro 41,359.60 had since been recovered<sup>38</sup> from the local clerk and credited into government account in April 2010. The Ministry added that a non-recordable warning had also been issued to the then Head of Chancery for his failure to keep an efficient and effective supervisory control over the Mission's accounts.

The stated adjustment of terminal benefits of the errant local employee to make good the loss due to embezzlement of government money is questionable as involvement in an act of fraud and cheating would normally disentitle any employee to any form of terminal benefits. Further, there is no evidence that the Ministry and the Mission has pursued any criminal action against the errant employee so as to establish a strong deterrent against similar fraudulent conduct on the part of its employees.

Thus, ineffective monitoring and supervisory control combined with a general dilution of internal controls in the Mission led to embezzlement of government money amounting to Euro 41,359.60 (₹ 26.23 lakh)<sup>39</sup>, by a local employee. Further, action taken to close the matter by adjusting the losses caused due to the embezzlement against the "terminal benefits" of the employee without pursuing criminal action, appears to be inadequate.

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<sup>38</sup> Euro 33,430.51 recovered from terminal benefits and other dues; and Euro 7,929.09 recovered in cash

<sup>39</sup> Euro 1 = ₹ 63.43 (Official rate of exchange of April 2010)



**6.10 Unauthorised expenditure due to non-adherence to prescribed rental ceiling in hiring residential accommodation**

**In disregard of Ministry's rules and delegated powers, Missions at Singapore, Tokyo and Port Moresby paid rent for residential accommodation in excess of the prescribed rental ceiling without the approval of the Ministry resulting in unauthorised expenditure of ₹ 21.20 lakh during 2009-10.**

As per item no. 4(18) (i) of Annexure-X of the IFS (PLCA) Rules, Missions for which rental ceilings have been prescribed should not exceed the rental ceilings without prior approval of the Ministry.

It was noticed during audit that Missions at Singapore, Tokyo and Port Moresby paid rent on residential accommodations at rates higher than the prescribed rental ceiling during the period 2009-2010, without approval of the Ministry. Consequently, the Missions had incurred an unauthorised expenditure of ₹ 21.20 lakh. The details are shown in **Annexe-VI**.

On it being pointed out Mission at Singapore stated (August 2010) that the concerned official was entitled for higher accommodation due to the increased scale of pay under the ACPS<sup>40</sup>. The reply is not acceptable as financial upgradation under ACPS does not entitle beneficiaries to claim a higher rate of Foreign Allowance and/or other compensatory allowances applicable while serving in Missions/Posts abroad<sup>41</sup>, who would continue to serve as non-representational officers. In the instant case the official continued under the category Gazetted non-representational and therefore was entitled for the maximum rental ceiling up to S\$3000 per month in terms of Ministry's orders.

The Ministry (February 2011) accepted the audit findings and clarified that accommodation norms in Missions/ posts abroad were rank based and not on the basis of pay/grade pay. Further, the Mission at Singapore has been asked to take remedial action.

The Mission at Tokyo stated (August 2010) that renting of houses for short periods were extremely difficult in Tokyo whereas, the Mission at Port Moresby stated (August 2010) that actual rentals prevailing in Port Moresby were much more than the rental ceiling fixed by the Ministry. The replies do not address non-compliance to government orders.

<sup>40</sup> Assured Career Progression Scheme

<sup>41</sup> As per Paragraph -6 of the Office Memorandum on the subject Financial upgradation of Section Officers under the ACPS issued by MEA

Thus, instances of Missions not adhering to the prescribed rental ceilings resulted in unauthorised expenditure. Such instances indicate the weak internal control mechanism in Missions and lack of oversight by the Ministry. The Ministry has failed to check the continued occurrence of such cases.

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

**Short recovery of penalty of ₹ 8.00 lakh from the service provider. This was subsequently recovered at the instance of audit.**

The Ministry of External Affairs entered into an agreement with M/s Tata Consultancy Services to launch Passport Seva Project in Bangalore by October 2009. In terms of the agreement delay in implementation of the project attracted a penalty of ₹ 2 lakh for each week of delay. Audit noted that the project was launched in March 2010 i.e. after a delay of 24 weeks. The Ministry, invoking the provisions of the agreement, erroneously calculated the period of delay as 20 weeks instead of 24 weeks. As a result, it recovered ₹ 40 lakh from the firm, instead of the correct sum of ₹ 48 lakh. There was short recovery of penalty of ₹ 8 lakh. Upon being pointed out by audit (May 2010), the Ministry recovered the balance amount of ₹ 8 lakh from the firm in June 2010.

The instance indicate the need for the Ministry to strengthen its internal controls to ensure that the terms of agreement complied with.

**CHAPTER VII : MINISTRY OF FINANCE**

**Chief Commissioner of Income Tax, Kolkata**

**7.1 Avoidable expenditure due to payment of inadmissible levies to the local municipal bodies**

**Chief Commissioner of Income Tax in disregard to Constitutional and manual provisions paid property tax and service tax to Bidhannagar Municipality and Kolkata Municipal Corporation to the tune of ₹ 28.18 lakh.**

In May 1954, the Government of India decided to pay "Service Charges" for specific services rendered to Central Government properties by the state local authorities. It was emphasized that specific services would include not only direct services such as water and electric supplies, scavenging, etc. but also general services such as street lighting, town drainage, connecting approach roads, etc. An Office Memorandum (OM) dated 25 August 1962 was issued by Government of India, wherein it was decided that service charges for Central Government properties constructed or acquired after 31 March 1937 were payable with effect from 1 April 1954. The OM also mentioned the method of calculation of service charges payable. The procedure for arriving at the quantum of service charges payable as mentioned above was revised as per letter dated 29 March 1967 read with OM dated 3 April 1968 issued by Government of India.

Test check of records as made available to audit revealed that Chief Commissioner of Income Tax (CCIT) had been paying service charges to the Kolkata Municipal Corporation (KMC) at the rate of 75 per cent of the property tax payable by private individuals (i.e. maximum admissible rate for availing all the services) for its four office premises and one residential property.

Further scrutiny revealed that in addition to service charges, CCIT had paid Water charges and Drainage & Sewerage charges in respect of two office premises. CCIT had also paid water charges for the Residential Complex. Since the service charges include services towards water supply and drainage, the payment of water charges and drainage separately by CCIT was irregular. The total of water charges and drainage charges irregularly paid in respect of the aforesaid premises between November 2004 and October 2009 amounted to ₹ 16.35 lakh and entirely constitutes inadmissible payment made to KMC.

It was further observed that the roads, lighting and water facilities inside the residential complex are built and maintained by the IT Department and only partial services are availed of from the municipality. Despite this CCIT was paying full service charges for the location. Thus, payment of service charges at full rate in respect of the residential complex resulted in inadmissible payment of ₹ 5.07 lakh for the period from 2004-2010.

Further as per the provisions contained under Article 285 of the Constitution of India, the properties of the Central Government are exempt from all taxes imposed by a state or by any other authorities within a state. It was observed in audit that CCIT paid ₹ 6.76 lakh to the Bidhannagar Municipality as Property Tax for the period 1 July 2005 to 31 March 2007 for another residential complex at Salt Lake, Kolkata which was inadmissible and irregular.

In reply CCIT stated in October 2010 that payments were made against bills raised by a State Government Body. Moreover the bills raised also contained provisions of penalty in case of non payment. CCIT also stated that clarifications have been sought from the local bodies concerned. The reply is not tenable as CCIT should have considered the rule provision in respect of taxation by civic bodies for properties of Central Government and discussed the matter with the Civic Bodies before making payment.

Thus CCIT had paid an amount of ₹ 28.18 lakh (₹ 16.35 lakh + ₹ 5.07 lakh + ₹ 6.76 lakh) to the municipal bodies towards inadmissible payment of property tax, water charges, drainage charges and service charges.

The matter was referred to the Ministry in July 2010; their reply was awaited as of December 2010.

## **Securities and Exchange Board of India**

### **7.2 Irregular expenditure**

**Failure of SEBI to check the status of land before making payment of its cost resulted in irregular payment of compensation of ₹ 90 lakh to MIDC for settlement with the illegal occupants. The possession of land was yet to be handed over to NISM, SEBI even after making payment of ₹ 11.85 crore to MIDC.**

SEBI decided (February 2006) to acquire a 70 acres plot of land from Maharashtra Industrial Development Corporation (MIDC)<sup>1</sup>, for setting up the

<sup>1</sup> A Maharashtra Government Undertaking

National Institute of Securities Market (NISM). NISM was envisaged to be an Institute for teaching and training intermediaries in the securities markets and promoting research.

MIDC allotted (March 2006) a plot of land measuring 60 acres to SEBI at a cost of ₹ 6.24 crore. It also allotted an additional plot of land measuring 10 acres to SEBI at a cost of ₹ 1.02 crore in November 2007.

Audit noted that ₹ 11.85 crore<sup>2</sup> had been paid to MIDC by NISM, SEBI between February 2006 to April 2010, for 70 acres of land without any formal agreement.

Possession of the plot of 60 acres was to be handed over to SEBI in June 2007. However, in June 2007, MIDC informed SEBI that handing over of possession was not possible due to various reasons including encroachment of a small area of the plot by locals for seasonal cultivation. MIDC should have given the land free from encroachment. They misled SEBI.

After protracted correspondence between SEBI and MIDC, it was mutually decided in February 2009, that SEBI would pay a compensation of ₹ 90 lakh to adivasi occupant families as demanded by them through an NGO<sup>3</sup>. SEBI in August 2009 had paid ₹ 90 lakh to MIDC as compensation to remove encroachment.

The decision of SEBI to pay compensation of ₹ 90 lakh to MIDC was irregular as the legal responsibility of providing land free from encroachment rested with MIDC. The fact that SEBI had made full payment to MIDC without entering into an agreement, denied it the opportunity to explore the legal options to safeguard its interest.

Further, inspite of the payment of the compensation amount the following irregularities were noted by Audit:

- No formal agreement was signed with MIDC for possession of land.
- The possession of the land was yet to be handed over to SEBI as of February 2011 even after a delay of 39 months.

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<sup>2</sup> ₹ 3.04 crore (14.2.2006) and ₹ 3.21 crore (5.5.2006) as Ist and IInd instalment towards 60 acres of plot, ₹ 20.60 lakh for fencing work (11.9.2007), ₹ 50.88 lakh (29.11.2007) for earnest money towards 10 acres of plot, ₹ 90 lakh (20.8.2009) for compensation amount and ₹ 3.99 crore (29.4.2010) towards construction of compound wall.

<sup>3</sup> Shram Kranti Sangathan

- Even after being aware of the encroachment of the plots, SEBI went ahead and made payment of ₹ 50.88 lakh to MIDC in November 2007 towards earnest money for the plot of 10 acres of land.
- There was an inordinate delay in setting up of NISM, which was envisaged by the Finance Minister in his budget speech of 2005.

SEBI forwarded the reply of NISM (June 2010) stating that since the land was allotted by MIDC, a Government of Maharashtra Undertaking no verification of the title was carried out. However, physical verification of the land was carried out by the officials of SEBI, NISM on a number of occasions and no adverse conditions were observed by any of these officials at plots of lands. Further, due to delay in handing over of possession of the plots by MIDC has resulted in non-execution of agreements. The Ministry while endorsing the views of SEBI stated (March 2011), that it had been mutually agreed between MIDC and NISM that the possession of the land would be handed over after completing the construction of compound wall. This was expected to be completed by February 2011. It also stated that the measures taken by NISM were not only most prudent but also inevitable in the circumstances to resolve the issue amicably.

The fact remains that SEBI failed to articulate the terms of agreement with MIDC before making payments. This allowed MIDC to be free of any obligation to provide the plot without any adverse possession to SEBI.

### **Insurance Regulatory and Development Authority**

#### **7.3 Loss of interest**

**IRDA invested ₹ 58.80 crore in two banks as term deposits under 'above one crore' category at an interest rate of 7.5 per cent rather than opting for multiple deposits at a higher interest rate of 8 per cent offered by these banks under 'below one crore' category. In the process it sustained a loss of interest of ₹ 31.14 lakh.**

Insurance Regulatory Development Authority (Authority) invited quotations (March 2009) from public and private sector banks for investment of ₹ 153.50 crore in term deposits for one year period commencing from 31 March 2009. Quotations were received from 12 banks, out of which five banks<sup>4</sup> qualified and were selected in accordance with the approved financial parameters<sup>5</sup> of the Authority. SBI being the main banker of the Authority was also selected.

<sup>4</sup> Andhra Bank, Bank of India, HDFC, Karur Vysya Bank, , Syndicate Bank

<sup>5</sup> 80 per cent to be invested in public sector banks and 20 per cent in private banks.

The banks offered rates of interest under two categories. Higher interest rates were offered by four banks for term deposits under 'below one crore' category than those offered under 'above one crore' category. The terms of the quotations did not impose any restriction on the number of deposits that could be made at a time under each category.

The Authority deposited an amount of ₹ 17.10 crore with Andhra Bank in 19 F.D's<sup>6</sup> of ₹ 90 lakh each on 31 March 2009 in order to avail higher interest rate under 'below one crore' category. Audit noted that the Authority did not follow the same pattern while investing funds with Bank of India and Syndicate Bank. It deposited ₹ 16.80 crore with Bank of India in 2 FD's<sup>7</sup> and ₹ 42 crore with Syndicate Bank in 3 FD's<sup>8</sup> under 'above one crore' category at interest rate of 7.5 per cent per annum. Thus the failure of the Authority to avail the benefit of higher interest rate of 8 per cent by investing the money in multiple deposits of amounts less than ₹ one crore resulted in loss of interest of ₹ 31.14 lakh.

The Authority stated (July 2010) that all banks do not agree to accept funds of more than one crore in multiple deposits of amounts less than one crore. It also stated RBI had imposed restriction on splitting of deposits on the same day for availing higher rate of interest.

The reply of the Authority is incorrect as the instructions imposing restriction on splitting of deposits were internal orders of Bank of India and were not attributable to RBI. Moreover, the reply is also contrary to the action of the Authority in investing multiple FDs of less than one crore with Andhra Bank and SBI on the same day i.e. 31 March 2009.

The matter was referred to the Ministry in October 2010; their reply was awaited as of March 2011.

#### **7.4 Irregular award of work**

**Awarding the work of web portal development to a firm without ensuring competitiveness of rates and without safeguarding its interest resulted in an irregular and avoidable expenditure of ₹ 59.48 lakh.**

In order to streamline the web based procedure for receipt of applications and grant of licenses to insurance agents the Insurance Regulatory and Development Authority (Authority) invited 'limited' quotations from four

<sup>6</sup> Fixed deposits

<sup>7</sup> ₹ 15.30 crore and ₹ 1.50 crore each

<sup>8</sup> ₹ 30 crore, ₹ 10 crore and ₹ 2 crore each

firms<sup>9</sup>. The Authority awarded the work (August 2000) to the lowest bidder at a cost of ₹ 9.00 lakh being one time expenditure including first year revenue expenditure. The recurring expenditure was ₹ 2.75 lakh from the second year onwards. The Information Technology based system was put in place in October 2000 at the firm's site and the Authority released payment of ₹ 9.00 lakh to the firm in three instalments by April 2001. Later, the Authority entered into an agreement (June 2003) with the same firm for web hosting and site care maintenance at a cost of ₹ 2.50 lakh *per annum* (with provision for annual increase of 10 *per cent*) and ₹ 4.20 lakh *per annum* respectively. In January 2009, the site care maintenance charges and web hosting charges were enhanced to ₹ 1.56 lakh per month and ₹ 61000 per month respectively. The services of the firm were discontinued with effect from August 2009.

Audit scrutiny (October 2005 and September 2010) brought out the following:

- The authority failed to provide specific reasons/justification for opting for limited tender enquiry. This was in violation of GFRs which provides that where agreements are made by negotiation or limited tenders, specific reasons for doing so should be provided.
- The Authority entered into formal agreement (June 2003) with the firm, however, it failed to clearly set the terms and conditions for execution of the work. Questions regarding ownership of the software and the source code<sup>10</sup> were left unaddressed.
- Until the date of entering into the contract in June 2003, the Authority had paid ₹ 30.88 lakh towards various services<sup>11</sup> as claimed by the firm against the dues of ₹ 14.50 lakh<sup>12</sup> payable to the firm as per the bid document.
- The Authority had to pay ₹ 33.71 lakh (January 2009) to the firm for acquiring the source code of the portal. Audit noted that there was no basis for arriving at this figure. Further, the terms for the source code ownership rights should have been part of the agreement and expressed prior to award of the work.

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<sup>9</sup> M/s Apex Technologies Pvt. Ltd., M/s Net Across, M/s India Mart and M/s Maruti IT

<sup>10</sup> Source Code is a collection of statements or declaration written in computer programming language to enable the programmers to specify the action to be performed by a computer

<sup>11</sup> Reconciliation work, back office maintenance, site care maintenance, portal development etc.

<sup>12</sup> ₹ 9 lakh being one time expenditure and ₹ 2.75 lakh *per annum* for the next two years)



- The financial terms were further altered in favour of the firm in January 2009. The authority accepted the enhancement of the charges for services without sufficient justification in terms of increase in scope of work. Between January 2009 and July 2009 the Authority had made a payment of ₹ 15.19 lakh towards site care maintenance and web hosting charges against the amount of ₹ 4.80 lakh due as per the terms of the contract. This resulted in avoidable excess payment of ₹ 10.39 lakh.

In response to the audit observation initially issued in December 2005, the Authority stated (October 2005 and July 2006) that the decision to award the work to the firm was taken by the then Chairman after discussing the scheme in detail with the firm. It also stated that since the technology was new and only a few firms had this capability, limited tender system had been followed. It further stated that it could not execute the agreement with the firm as the process was time consuming and the exigency of addressing the problem of Agent's Licensing was critical for the credibility of the Authority. The Ministry while endorsing the views of the Authority stated (January 2007) that no undue advantage had been given to the firm as the charges paid to it was for additional services rendered by it for the back office maintenance, site care and web hosting.

However, audit noted that the decision to adopt limited tendering was not supported by reasons on file. The grounds mentioned in the Authority's reply appear to be an after thought. The action of the Authority contravened the provisions of GFRs which stipulates that no work should commence without the execution of an agreement. Moreover, the recurring expenditure of ₹ 2.75 lakh initially offered by the firm in its initial quotation of July 2000 included recurring hosting, maintenance and support charges for the web portal and client server applications. Therefore the services could not be treated as additional services.

The manner of appointment of the firm without setting up the terms beforehand, subsequent payments for services not forming the part of contract; procurement of source code at a substantial cost are suggestive of undue benefit being extended to the firm.

The Statement of Facts was issued to IRDA in September 2010 and the matter was referred to the Ministry in February 2011; their reply was awaited as of March 2011.

CHAPTER VIII : MINISTRY OF HEALTH AND FAMILY  
WELFARE

**Safdarjung Hospital and VMCC**

**8.1 Unfruitful expenditure**

Inordinate delays and lackadaisical approach of the Ministry and the Hospital has led to non-commencement of the work of construction of staff quarters for the nurses depriving them of the intended facility. The expenditure of ₹ 1.80 crore incurred by the Ministry on acquisition of land alongwith an interest impact of ₹ 2.09 crore has been rendered unfruitful as the Hospital was looking for an alternate land nearer to the Hospital for the project.

The Ministry of Health and Family Welfare decided (March 1995) to acquire land from Delhi Development Authority (DDA) for constructing additional accommodation for the nursing staff of Safdarjung hospital (Hospital). DDA allotted 8000 sq. m. of land in Dwarka, Delhi to the Hospital in March 1995 at a cost of ₹ 1.85 crore including ground rent of ₹ 4.5 lakh *per annum*. As per the terms of allotment, the construction was to be completed within a period of two years from the date of possession of the land. The Ministry paid ₹ 1.85 crore to DDA in November 1995 and February 1996. DDA gave possession of the land to the Hospital in October 2000, after a time lag of five years.

Audit noted that the work of construction of the residential accommodation had not commenced even after more than ten years of land acquisition as the project was marred by inordinate delays at various stages. Analysis of the reasons for the delay, by audit, revealed that the Hospital had sent the request for preparing the preliminary construction plan to the Central Design Bureau (CDB), Directorate General Health Services (DGHS) in April 2002, i.e. 18 months after obtaining physical possession of the land. CDB, DGHS took more than 40 months in submitting the drawings to the Hospital/CPWD, in September 2005. The Hospital approached the CPWD, seeking preliminary estimates for construction, in March 2007, which is more than 18 months after the date of receipt of drawings from CDB, DGHS, CPWD submitted a preliminary estimate of ₹ 16.26 crore to the Hospital in May 2007, which was forwarded to DGHS for administrative approval and expenditure sanction in May 2007. However, the approval for construction of residential accommodation was still pending as of June 2010.

Meanwhile, the Department related Parliamentary Standing Committee on Health & Family Welfare on Demands for Grant (2010-11), in its 39<sup>th</sup> Report

of May 2010, viewed that provision of accommodation nearest to the Hospital was a basic requirement for all Hospital employees, especially for nurses rendering 24 hour services. The Committee recommended that provision of required accommodation facilities for nurses should be taken up on priority basis. The Hospital, in its Action Taken Report on the Parliamentary Committee Report, suggested to the Ministry (June 2010) to approach the Land and Development Office (L&DO), which had acquired 16 acre of land near the Hospital, to allot two acres of land in exchange of land allotted at Dwarka.

Thus, even 10 years after acquiring the land, construction had not commenced and the Hospital was now proposing to exchange this property.

Audit noted that poor coordination among the various stakeholders, involved in construction, led to inordinate delay in completion of the project. The objective of providing staff quarters to the nurses remains unfulfilled. This has effectively rendered the expenditure of ₹ 1.80 crore incurred on acquisition of land alongwith an interest impact of ₹ 2.09<sup>1</sup> crore unfruitful particularly in view of the proposal of the Hospital to acquire land at another location.

The matter was referred to the Ministry in September 2010; their reply was awaited as of March 2011.

#### **Directorate General of Health Services**

#### **Central Government Health Scheme**

#### **8.2 Avoidable payment**

**Non compliance with the terms of agreement by CGHS, New Delhi resulted in avoidable payment of VAT of ₹ 8.92 crore during 2006-09.**

In terms of the orders issued by the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilisers in September 2006, it became mandatory for all the drug manufacturers to print maximum retail prices of medicines inclusive of all taxes, including Excise duty/ VAT/Sales Tax with effect from 02 October 2006 (for drugs manufactured on or after 02 October 2006).

Central Government Health Scheme (CGHS) locally purchases drugs and medicines, from various local chemists selected through competitive bidding

<sup>1</sup> Worked out at the rate of 8 per cent Government of India borrowing rate

to meet the requirement of beneficiaries under the CGHS. The Ministry of Health and Family Welfare invited applications (November 2006) from local chemists in and around Delhi for empanelment for the supply of medicines under CGHS. In terms of the pricing clause of Instruction to Bidders forming part of the tender documents, the liability to pay any taxes/VAT/levy cess etc. leviable under the law was that of supplier. CGHS was required to pay only retail price printed on items minus the discount agreed upon.

Audit noted that the suppliers furnished the bills for the entire amount of the maximum retail price, which included VAT at the rate of four *per cent* (as per Delhi VAT Act), for medicines supplied by them during 2006-07 to 2008-09. CGHS, however did not deduct the prescribed VAT from the printed retail price while making payment on the bills of the local purchaser.

The CGHS, zone-wise payment, made to various chemists for purchase of medicines, which included VAT at the rate of four *per cent* is detailed below:

CGHS zone	Period	Payment made to chemists (₹ in crore)	Component of VAT (₹ in crore)
South	November 2006 to August 2008 <sup>2</sup>	123.17	3.79
North	April 2007 to August 2008	99.32	3.82
East	April 2007 to March 2008	33.94	1.31
<b>Total</b>		<b>256.43</b>	<b>8.92</b>

Failure of the CGHS to enforce the terms of agreement resulted in non-deduction of VAT from the bills of the chemists with a consequent extra payment and undue benefit of ₹ 8.92 crore. The PAO, CGHS also failed to ensure the compliance of the terms of tender agreement before releasing payments to the chemists.

On it being pointed out by Audit, Additional Director, CGHS –South zone directed (December 2010) the concerned empanelled chemists to deposit the VAT amount on the payment received by them during 2006 to 2009.

The Ministry stated (March 2011) that the agreement for empanelment for the supply of medicines under CGHS came into effect prior to October 2006. Therefore, the condition of deducting VAT from the supplier's bills was not

<sup>2</sup> For 2006-07 the amount of ₹ 42.03 crore paid to the chemists as furnished by CGHS pertains to the whole period. Accordingly the amount paid without deduction of VAT has been worked out proportionately from November 2006 to March 2007.

incorporated in the tender. As such, CGHS did not deduct VAT from the local purchase bills of chemists and only deducted discount as per clause 7 of the contract agreement.

The stand taken by the Ministry that only discount was deductible as per clause 7 of the agreement is not correct. The same clause specified explicitly that the liability for VAT would be of the supplier. Hence, CGHS, should have applied this provision before determining the amount payable to the suppliers. Moreover the action of the CGHS, South Zone to seek refund of the VAT paid to the chemists vindicates the audit view.

### **National AIDS Control Organisation**

#### **8.3 Excess payment**

**Inadequate monitoring by the Ministry resulted in non-recovery of excess payment of taxes and duties of ₹ 50.06 lakh.**

National AIDS Control Organization (NACO), with the approval of Ministry of Health & Family Welfare; decided to procure blood transfusion bags in January 2008 for supply to various State AIDS Control Societies in 2008-09 through United Nations Office for Project Services (UNOPS), an intergovernmental entity of the United Nations for procurement of various kinds of equipment under the World Bank assisted National AIDS Control Programme III.

Against demand raised by the UNOPS for procurement of blood bags, the Ministry released ₹ 6.21 crore and ₹ 24.15 crore (in March 2008 and July 2008 respectively) as advance for emergency and regular procurement of blood bags. The advance payment included ₹ 1.50 crore as taxes and duties computed at the rate of six *per cent* of the contract value.

Test check of agreement signed between the UNOPS with the suppliers of blood bags and payments made revealed that the former had paid taxes and duties at the rate of four *per cent* of the contract value, amounting to ₹ 1.00 crore. Thus, the lack of monitoring by the Ministry resulted in excess payment of advance of ₹ 50.06 lakh towards taxes and duties on procurement of blood bags.

Further Audit noted that NACO, contrary to the condition of sanction order, had booked the advance amount released to UNOPS as final expenditure. This was purportedly being done to depict better utilization of funds by NACO.

The Ministry accepted the audit finding and stated in March 2010 that it had asked UNOPS to refund the excess amount along with the accrued interest. NACO in January 2011 reiterated that UNOPS had not yet refunded the excess amount released and had sought refund of the excess amount.

### **Indian Council of Medical Research**

#### **8.4 Inordinate delay in creation of a national facility for breeding of primates**

A breeding centre for primates such as apes and monkeys to meet the needs of biomedical research could not be established even after 11 years due to inability of National Institute for Research in Reproductive Health (NIRRH) to ensure that the designs for the facility were prepared timely by the architect and that the building was constructed in time by the executing agency. NIRRH also failed to effectively monitor and coordinate with different agencies implementing the project. Failure on part of NIRRH led not only to non-achievement of the objectives of establishing the facility but also blockade of funds of ₹ 14.15 crore and unfruitful expenditure of ₹ 8.90 crore already incurred on the project.

National Institute for Research in Reproductive Health (NIRRH), Mumbai, an autonomous unit of Indian Council of Medical Research (ICMR), submitted a proposal in March 1999 for setting up of a 'Non-Human Primate<sup>3</sup> Breeding Centre' at an estimated cost of ₹ 3.90 crore at Sasunavghar, District Thane in Maharashtra. It was stated in the proposal that a Committee<sup>4</sup> had laid down regulations prohibiting trapping of monkeys from the wild, due to which many researchers were compelled to either suspend or curtail their ongoing research work involving use of non-human primates. The objective of setting up the Centre as a national facility was to provide disease free healthy animals of known pedigree for research programmes of NIRRH and a number of other institutes in the country. It was further stated that the Centre would be able to generate 60 per cent of its running cost on completion, by actively involving industrial units in various new projects and that technology transfer of the findings in this area would also add to the Centre's income.

An Expert Group of NIRRH, while reviewing the scope of the Centre, recommended in May 2000 that (i) the scope of the project be widened to meet the national research requirement of primates, (ii) the centre be named as "National Centre for Primate Breeding and Research" (NCPBR), (iii) revised

<sup>3</sup> Primates are the highest order of mammals which includes man, together with the apes and monkeys. Non-human primates includes mammals like apes and monkeys

<sup>4</sup> The Committee for the Purpose of Control and Supervision of Experiments on Animals prohibited trapping of monkeys from the wild for research purpose from December 1998.

proposal for establishing NCPBR be submitted and (iv) an architect for making the design, conceptual drawings and working out estimates for preparing the EFC<sup>5</sup> document be appointed.

Ministry of Health and Family Welfare (MHFW) accorded concurrence to the setting up of NCPBR in June 2002 and directed ICMR to release the grant-in-aid from 2002-03 for initiation of activity to avoid any delay in execution. MHFW further sanctioned an amount of ₹ 17.89 crore for NCPBR in July 2004 and directed NIRRH to complete the project by March 2007. The major equipment required by NCPBR were to be supplied by National Institute of Health (NIH), USA under an already existing Indo-US programme on Maternal and Child Health in the MHFW. The equipment valued upto \$ 6 million equivalent to ₹ 24 crore were to be provided only if NCPBR met the US health, safety and design standards and was accredited in accordance with international standards.

With regard to the creation of NCPBR, it was observed in audit that:

◦ There were frequent changes in the designs/drawings of the buildings submitted by the architect. The architect had to continuously revise the drawings due to failure to meet the US design standards. Frequent revisions were required despite the fact that NIRRH stated that they had chosen an architect who had experience in this field. Due to these frequent changes, NIRRH could finalise the revised EFC document for ₹ 68.24 crore only in September 2009. NIRRH stated in March 2011 that Architect has submitted design/drawings for Phase-I of NCPBR. However, sanction to the revised EFC for ₹ 68.24 crore was still awaited since it was in process with Department of Health Research.

◦ Phase-I of the project, which consisted of construction of a quarantine building etc., was incomplete as of March 2011 despite its completion date being March 2007. Against the total grant of ₹ 14.54 crore received between January 2003 and March 2007, ₹ 8.90 crore was spent on the incomplete construction and ₹ 5.64 crore remained blocked with NIRRH for over two to eight years. NIRRH stated in March 2011 that only structural work of the quarantine building is completed, finishing work like flooring, fixing of doors and windows were in progress, Electrical, air-conditioning, access control system, CCTV, fire fighting, DG sets, gas work services were to be installed,

<sup>5</sup> Expenditure Finance Committee: EFC document is a memorandum for Expenditure Finance Committee in a prescribed format for obtaining financial sanctions for the projects from Ministry of Finance. Main contents of the documents are (i) estimated budget outlay (ii) socio-economic benefit (iii) financial and physical part chart and (iv) details of equipment required etc.

the agencies/contractors for services works had been short-listed. It further stated that though the tenders were ready, the tendering process could not be initiated for want of revised sanction of EFC.

- Various equipment costing ₹ 1.35 crore received from NIH during June 2006 to September 2007, remained uninstalled for over two to three years. NIRRH stated in March 2009/March 2011 that all the stand alone equipments except cage washer had been installed in the institute and put to scientific use. The cage washer received from NIH USA was not installed since services such as electrical, gas work etc., were not completed till date. Thus, these equipment were not put to use for the purpose for which they were procured.

- Phase II of the project envisaged construction of experimental animal facilities, research and administrative block and an auditorium<sup>6</sup> for which funds were allotted by Department of Science and Technology (DST). However, work was yet to start (March 2011) despite the targeted date of completion being March 2010. DST had released a total sum of ₹ 8.51 crore during March 2007 and March 2008 which was, however, lying unutilised for over one to four years. NIRRH stated in March 2011 that Phase II works were under planning/designing. On completion of detailed planning and estimation, the EFC for these works will be submitted to Department of Health Research for approval and sanction.

Thus, the project which envisaged the establishment of a breeding centre for primates to meet the needs of biomedical research could not be established due to failure of NIRRH to ensure that the designs were submitted in time by the architect and consequent failure of the executing agency to get the building constructed in time. NIRRH also did not monitor the implementation of the project effectively, which resulted in lack of coordination between different agencies implementing the projects. Failure on part of NIRRH to implement the project timely led to:

- non-achievement of the objectives of establishing the facility i.e. to provide disease free healthy animals of known pedigree for research programmes of NIRRH and a number of other institutes in the country and to resume research work which was either suspended or curtailed;

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<sup>6</sup> With a capacity to seat 300 persons.



- blockade of funds of ₹ 14.15 crore lying unspent with NIRRH and unfruitful expenditure of ₹ 8.90 crore already spent on the project without any result, and
- non utilisation of the equipment worth ₹ 1.35 crore for the purpose for which these were procured.

NIRRH in July 2009 and ICMR in November 2009 justified the time overrun citing reasons like (i) considerable time taken for development of site which was located in forest land within dense forest and hilly terrain, (ii) time taken to convert the land which was under green zone to institutional zone (iii) prolonged heavy rainy season during the year 2007 (iv) suspension of work due to settlement of royalty payments (v) contractor abandoning the work since September 2008 due to labour problems and resuming at the same terms and conditions in July 2009 and (vi) delay in preparation of service design/plans.

The contentions of NIRRH and ICMR needed to be viewed in the light of the fact that NIRRH had taken up the issue of site development and conversion of green zone to institutional zone only in 2004 though a Committee under the chairmanship of Secretary MHFW decided to utilise the land at Sasunavghar for establishing the facility way back in October 1994. Other stated reasons underlined the failure of NIRRH to effectively co-ordinate and ensure prompt implementation of the project at all the stages.

In fact the Project Progress Review Committee in October 2008 had concluded that no time limit had been adhered to in finalisation of design/drawings and no accountability and responsibility was fixed. The Committee further emphasised that there was problem in implementation of the project and lack of co-ordination between the architects, NIH and NIRRH scientists in preparation of the design/plans. It also expressed its concern that coordinated efforts and commitment by those involved in the projects were lacking and required to be activated so that the project would not prove to be a white elephant for the country.

Thus, failure of NIRRH to effectively coordinate and monitor the implementation of setting up the national facility for primate research for furthering biomedical research resulted in the facility remaining incomplete, even after a lapse of 11 years. It also resulted in unfruitful expenditure of ₹ 8.90 crore already spent on the facility and blockade of funds of ₹ 14.15 crore which was lying unspent with NIRRH.

### **8.5 Delay in commissioning of equipment**

**Delay by National Institute of Occupational Health in placement of the purchase order and poor planning in execution of construction of instrumentation room led to non-commissioning of an equipment costing ₹ 2.20 crore to address the existence of pesticides and other contamination in soft drinks which adversely impact on the health of consumers.**

National Institute of Occupational Health, Ahmedabad (NIOH), an institute under Indian Council of Medical Research (ICMR), had been engaged in developing a database on the residues of pesticides which were persistent in the environment and in evaluating the health risk in subjects who were exposed occupationally to pesticides in an industrial setting.

NIOH had assessed that the presence of pesticides in general population in various urban centres was sizeable. DDT residues were found in 82 *per cent* of the 2205 samples of bovine milk collected from 12 states across the country. Further, in early 2004, one of the leading NGOs had focused attention on the fact that beverages like soft drinks contained sizeable amount of different pesticides. In this context, a Joint Parliamentary Committee was set up by Government of India to decide whether soft drinks contained pesticides/other contaminants which may affect the health of consumers.

In this context, in a meeting on Indo-US Collaboration on Environmental Epidemiology and Occupational Health, held at ICMR in January 2004, it was opined that there was a need to establish a national laboratory with a state-of-art facility for analysis of pesticides along with a strong and rigid quality assurance programme. The proposed national laboratory was to strengthen the network of laboratories in the country for obtaining reliable data and assessing risk relating to pesticide residues. The facility was also to conform to international standards. Accordingly, it was proposed that the said facility would be hosted by NIOH which would also act as a nodal reference centre to find remedial measures to redress problems at the national level. This, however, required NIOH to strengthen/upgrade its existing infrastructure. For this purpose, NIOH needed to acquire High Resolution spectrometers namely, LCMS/MS<sup>7</sup> and GCMS/MS<sup>8</sup>(systems).

<sup>7</sup> LCMS/MS – Liquid Chromatograph Mass Spectrometer. In LCMS/MS system, non volatile pesticides components can be analyzed.

<sup>8</sup> GCMS/MS – Gas Chromatograph Mass Spectrometer. In GCMS/MS system, volatile pesticides components can be analyzed.

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The Scientific Advisory Committee of NIOH and ICMR approved the procurement of these systems in December 2006 itself. Even though the Technical Committee of NIOH prepared the technical specifications in March 2007, due to delay in receipt of the financial sanction (January 2008) from ICMR, the purchase order at a total cost of ₹ 2.20 crore was placed only in March 2008. NIOH received the systems in November 2008 after incurring an expenditure of ₹ 1.93 crore. The systems had not, however, been commissioned so far (November 2009) due to non-readiness of the site.

NIOH stated in July 2009 that they had not anticipated that the weight of the systems would be of 4.5 tonnes against the weight of less than one tonne of similar system procured earlier. In view of the increased weight, NIOH decided to install the system in a new instrument room in the ground floor of the Main Building. NIOH also stated that the construction of the instrument room would be completed by end of August 2009. However, it was observed in audit that even as of November 2009, the construction work of instrument room was still in progress.

NIOH while intimating in May 2011 that LCMS/MS system has been installed and is fully functional, stated that GCMS/MS was installed but its hard disk was found defective which would be replaced and installation would be completed by first week of June 2011.

To an audit query as to why no parallel action was taken for ensuring readiness of the site, NIOH stated in November 2009 that it was initially decided to install the system on the second floor of the extension wing of the Institute along with the other similar systems. The Building Committee of NIOH, in its meeting held in May 2008, decided to undertake carbonization test for ascertaining the strength bearing capacity of the extension wing and learnt that the building in present condition did not have the reserve strength to withstand any natural disaster and, therefore, ruled out the site to be safe for use. The reply of NIOH indicated poor planning in identification of the suitable location for installation of the state-of-art equipment costing ₹ 2.20 crore and failure to ascertain as to whether the structure could withstand the load of the equipment.

ICMR stated in January 2010 that the equipment was recommended only to enhance existing capabilities in anticipation of future needs. The reply of ICMR needs to be viewed in light of the fact that objective of purchase of the equipment was to develop a referral laboratory on pesticides with adequate

instrumentation for reliable pesticide residue data generation which remained unachieved.

Thus, poor planning in identifying a suitable location for the installation of the equipment and consequent non-commissioning of the state-of-art equipment costing ₹ 2.20 crore affected the development of the referral laboratory on pesticides for reliable pesticide residue data generation meant to address the existence of pesticides and other contamination in the soft drinks which affects the health of consumers.

CHAPTER IX : MINISTRY OF HOME AFFAIRS

9.1 Unauthorised expenditure

Ministry of Home Affairs diverted an amount of ₹ 2.53 crore out of funds allotted for a different purpose by the Parliament under capital section for meeting revenue expenditure.

Delegation of Financial Power Rules<sup>1</sup> stipulates that in the same Demand for Grants, savings under the Revenue Section are not to be re-appropriated to meet additional requirements in the Capital Section or *vice versa*.

In June 2008, the Administration Division of MHA requested the Chief Controller of Accounts (CCA) to include an additional requirement of ₹ 2.7 crore in the revenue section under the sub-head 2052.03.99.52 – Machinery and Equipment (IT) in the first batch of supplementary demands for grants for procurement of computers, peripherals and software. The Ministry without receipt of additional grant went ahead and placed supply orders (September 2008) for computers and software worth ₹ 2.53 crore. Eventually, the additional funds as requested were not approved. The Ministry decided to apply unutilized funds allocated for the introduction of Electronic Access Control (Smart Card) system in North Block under Capital section. The Ministry met the expenditure towards purchase of computers and software from this allocation although the expenditure pertained to Revenue section. This was stated to be done with the concurrence of the CCA, whereas the CCA had simply clarified that if the Administrative Division certified that the proposal qualified to be funded under the Capital section then PAO would have no objection. Thus, the Ministry diverted funds allotted by the Parliament under capital section to meet revenue expenditure for a different purpose resulting in an unauthorized expenditure of ₹ 2.53 crore.

On being pointed out in audit, the Ministry stated (October 2009) that since the biometric system was meant for attendance control, the bulk computers were purchased for issue to all officers and staff to address this issue and therefore, were very much a capital expenditure for the purpose for which the budget provision was made. The Ministry further stated that biometric system had since been installed and all the computers were serving the intended purpose.

<sup>1</sup>GOI decision no. (4) below Rule 10 of Delegation of Financial Power Rules

The reply is not acceptable as the purchase of bulk computers did not qualify as capital expenditure under capital section as the Ministry initially preferred the bills as revenue expenditure. Further, the proposal seeking supplementary grant for purchase of computers did not refer to the biometric system. Audit also noted that the proposal for installation of biometric system which was initially mooted in 2003 and finally implemented in 2009 made no reference to computers that were purchased for issue, to the officers and staff of MHA. Therefore the two proposals for purchase of the biometric system and for the purchase of computers and software were separate and distinct.

The Ministry while accepting the audit finding stated (December 2010) that on deeper examination of papers it was noted that the observation of CCA had been construed as an approval for meeting the expenditure from 'Capital' which was not correct. The Ministry further stated that instructions had been issued to all DDOs of the Ministry to avoid such lapse in future.

#### **Border Security Force**

#### **9.2 Procurement without planning**

**Six MI-17 helicopters purchased by the Ministry of Home Affairs at a cost of ₹ 125.29 crore in 2003 were parked at Safdarjung Airport, New Delhi instead of being optimally utilised for meeting its operational requirement in North East and Jammu and Kashmir areas. Meanwhile necessary infrastructure in the form of hangars for parking the helicopters at designated places in these States had not been created even after seven years of the sanction of ₹ 7.00 crore for the purpose. Besides having to incur avoidable expenditure of ₹ 9.18 crore on sorties from Delhi to these areas, BSF also continued to depend on IAF for its operations.**

The Government of India, Ministry of Home affairs, in November 2002, approved procurement of 6 MI-17 helicopters for the BSF Air Wing along with other operational requirements of MHA based on the decision of the Cabinet Committee on Security (CCS) held during July 1999 and December 2001. The procurement of MI helicopters was to be made through the Ministry of Defence. These helicopters were meant for carrying troop's to meet counter insurgency situation, to check infiltration and for intelligence related operations in the North East and Jammu & Kashmir. GOI also approved the creation of required infrastructure at five places for maintaining the MI helicopters at an estimated cost of ₹ 7.00 crore in January 2003.

Ministry of Defence in December 2002 entered into an agreement with M/s Rosoboronexport (Russia) for the supply of 16 MI-17 helicopters including six

for BSF. The firm delivered the helicopters between September 2003 and December 2003. The helicopters were procured at a total cost of ₹ 125.29 crore.

GOI, MHA in January 2003 approved 35-additional posts for operation and maintenance of these MI-17 helicopters under J&K Action Plan. Meanwhile in August 2003 the Ministry decided to induct the trained flying and maintenance officers/staff (64 posts) from the Indian Air Force (IAF) on deputation/re-employment basis in BSF's Air Wing to operate these MI-17 helicopters which were planned to be deployed at five places i.e., Srinagar, Jammu, Bhubaneswar, Assam and Tripura. Against the Ministry's proposal of deputation/re-employment, only seven officers were willing to join BSF up to June 2004 which were increased to 43 in May 2010. Since the BSF did not possess the requisite expertise for the operation and maintenance of these helicopters, the Ministry requested the IAF to take custody of the helicopters in March 2004. Between July 2004 and March 2005, the helicopters were returned to the BSF and were positioned at Safdarjung Airport, New Delhi as of December 2010. The Airport Authority of India levied a sum of ₹ 9.32 crore on BSF towards licence fee and conservancy charges for parking the helicopters at Safdarjung Airport for the period 2004-05 to 2009-10.

(1) During 2004-05 to 2009-10, the helicopters had been utilized for 5787 flying hours against the projected utilization of 18900 flying hours. BSF had also spent ₹ 20.15 crore for hiring helicopters from IAF for airlifting and ration dropping to BSF in Jammu and Kashmir and North East area, which could have been minimized through optimal utilization of its own fleet of helicopters.

(2) The CCS had recommended construction of hangars at five places. An amount of ₹ 7.00 crore was sanctioned to create this infrastructure, however no expenditure had been incurred on this account and the construction of hangars had not even commenced as of December 2010. The reasons were attributed to non-availability of appropriate land, identifications of alternate land and proposal for acquiring land under consideration. As a result of the delay in construction of hangars, substantial avoidable expenditure had been incurred by BSF as 39 sorties had to be made to these areas from Delhi, using 542 flying hours in the process. This resulted in avoidable expenditure of ₹ 9.18 crore on account of additional operation cost of helicopters from Delhi.

(3) The Airports Authority of India levied a sum of ₹ 9.32 crore on BSF towards licence fee and conservancy charges for parking the helicopters at

Safdarjung Airport during the period from 2004-05 to 2009-10. Subsequently, as per the agreement between both the parties (June 2010) 50 *per cent* of the charges had been waived off. The delay in construction of hangars at the strategic locations has created avoidable liability on BSF towards payment of licence fee.

In their reply, the BSF stated (April 2010) that these helicopters were busy with all the central para military forces and in MHA commitments. It further stated that mostly ration droppings was being done in North East Frontiers and sending helicopters from Delhi to the far flung areas would cost more than hiring helicopters from IAF. The Ministry stated (April 2011) that though CCS had sanctioned five air bases, it was decided to have only three air bases operational, one each in Jammu, Guwahati, and Raipur. It was further decided by MHA to shift the proposed bases at Jammu and Guwahati to suitable locations at Srinagar and Silchar. This was done due to non availability of land at the designated places. Creating the required infrastructure being a time consuming affair, it was decided to gainfully utilise the available infrastructure at Safdarjung Airport. The Ministry also stated that BSF fleet being comparatively very small, with meagre manpower, spares and other resources could not have generated more hours than those actually achieved. Further the projected requirement of 18900 hours could not be achieved with the present available air assets. The Ministry also stated that hangar at Safdarjung Airport had been with the BSF on lease for operation of its fixed wing. The fixed wing fleet was shifted to Palam Airport. However the aviation stores and other inventory items of Air wing were held and maintained at Safdarjung Airport. With the induction of MI-17 IV helicopters, this facility at Safdarjung Airport was gainfully utilised and therefore the delay in construction of hangars had no impact towards licence fee.

The reply establishes the fact that the manpower and other resources were not sufficient to attain the projected flying hours. Further, the reply of BSF confirms that the helicopters were not being utilized for the intended objectives of the meeting counter insurgency requirements in the North East and Jammu and Kashmir areas in the absence of suitably located parking facilities and trained manpower. The contention of the Ministry that there was no additional financial implication on account of delay in construction of hangars is not convincing. The BSF (air wing) in response to a specific audit query had replied that the licence fee and conservancy charges pertained to six helicopters stationed at Safdarjung Airport. The helicopters would have been shifted to the designated bases had timely construction of hangars been ensured. Purchase of six helicopters for BSF without ensuring necessary



infrastructure to position them on desired locations, pilots to fly them and staff to handle its operations resulted in idling/sub-optimal use of these helicopters acquired seven years back at a cost of ₹ 125.29 crore in 2003, besides avoidable expenditure of ₹ 9.18 crore and continued dependence of BSF on IAF for its operations.

### **Central Reserve Police Force**

#### **9.3 Blocking of funds of ₹ 1.32 crore**

**Non-acceptance of refund of excess amount by the CRPF in January 1999 and lack of focused pursuance led to the blocking of ₹ 1.32 crore for a period of ten years.**

In August 1989, the Delhi Development Authority (DDA) allotted 20 acres of land in Pappankalan, New Delhi to the Central Reserve Police Force (CRPF) for the construction of a transit camp. CRPF remitted ₹ 3.84 crore to DDA in March 1991 towards provisional rates charged by them as the revision of rates of land was under consideration. DDA however handed over the possession of only 9.72 acres of land to CRPF in May 1991 on the grounds that the rates had been revised upwards.

Thereafter, the matter remained under correspondence and on the intervention by the Ministry of Urban Affairs and Employment, which is the administrative Ministry of the DDA (September 1998), the latter agreed for charging land rates on 'no profit no loss' basis and refunded the differential excess amount of ₹ 1.23 crore worked out on the basis of revised rates in January 1999. CRPF however returned the cheque to DDA in April 1999 on the plea that DDA had incorrectly deducted an amount of ₹ 0.87 lakh on account of ground rent plus interest in respect of CRPF Public School while requesting for allotment of additional land. In the meanwhile, DDA handed over the possession of the remaining 10.28 acre land (20 acre minus 9.72 acre) to the CRPF in May 1999. DDA again refunded the amount of ₹ 1.23 crore to the CRPF in November 1999, due to non availability of land.

CRPF resurveyed the land in July 2000, almost a year after its receipt. The total land allotted was found to be only 19.32 acres. Accordingly the refundable amount worked out to ₹ 1.32 crore.

In April 2000 and again in October 2001, DDA reiterated that no land was available for allotment.

Audit noted that CRPF wrote to DDA in March 2002, April 2004, August 2005 and May 2007 for the allotment of the additional land but did not seek

refund of its deposit made in 1991. On the other hand, it did not accept refunds made by DDA, on two occasions. It was only in July 2007 that CRPF sought refund of ₹ 1.32 crore along with interest. The matter remained unresolved as of October 2010.

The Ministry stated (December 2010) that delay was due to failure on the part of DDA to allot suitable additional land in lieu of the refundable amount. It also stated that CRPF had made vigorous efforts for allotment of alternate land at various locations. As this did not materialize, DDA was finally asked in July 2007 to refund the excess amount.

The fact remains that due to non-acceptance of the refunded amount coupled with inadequate action on the part of CRPF to claim the refund, led to blocking of ₹ 1.32 crore for 10 years with an interest impact of ₹ 1.05 crore calculated at the average borrowing rate of Government of India.

#### **Directorate of Co-ordination Police Wireless**

#### **9.4 Unfruitful expenditure**

**Launch of a project by the Ministry to provide a reliable national police communication system without studying the appropriateness of the technology adopted and failure to obtain co-operation from State Governments resulted in non-achievement of objectives despite incurring expenditure of ₹ 94.57 crore. Besides, the Ministry also incurred avoidable expenditure of ₹ 13.08 crore towards payment of Spectrum charges to DoT for unused/un-installed MARTs.**

The Cabinet Committee on Security (CCS) approved (September 1998) a proposal of the Ministry of Home Affairs, Directorate of Co-ordination Police Wireless (DCPW) for setting up of a Police Network (POLNET) based on Satellite Technology in order to modernise the police telecommunication in the Country. The project was intended to provide connectivity to all police stations in the Country with State Capitals, District Headquarters and the National Capital.

The Project consisted of two components i.e. Satellite and Radio. The Satellite component consisted of one Earth Station (HUB) in New Delhi and 852 V-SATs<sup>2</sup> to be installed at State/UT Capitals/District Headquarters/CPMFs<sup>3</sup> locations. The Radio component (MART)<sup>4</sup> consisted of

<sup>2</sup> Very Small Aperture Terminals

<sup>3</sup> Central Para Military Forces

<sup>4</sup> Multi Access Radio Telephones

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605 BSUs<sup>5</sup> to be installed at 35 State/UT capitals and Districts Headquarters and 11502 RSUs<sup>6</sup> at police stations to link them with the District Headquarters. V-SATs connect one District/State Capital to another District/State Capital through Satellite link and the MART extends the connectivity from District/State Headquarters to police stations in the Districts on terrestrial radio link.

MHA accorded administrative approval and expenditure sanction for implementation of the project with an outlay of ₹ 97 crore (later revised to ₹ 99.07 crore) in August 2002 and entered into a contract (November 2002) for supply, installation and commissioning of POLNET project with M/s Bharat Electronics Limited (BEL). The project was expected to be completed by September 2004. MHA released ₹ 94.57 crore to the firm between 2002 and 2010. The work remained incomplete as of December 2010. Significantly, the primary units, i.e. police stations could not be covered under the network. The position of equipment to be provided along with status of work and expenditure incurred as of December 2010 is given below:

(₹ in crore)

Equipment	No. of equipment to be procured & installed	Equipment actually installed	Shortfall	% of shortfall	Total cost	Funds released to M/S BEL
POLNET HUB	1	1	Nil	Nil	11.32	11.31
V-SATs	852	852	Nil	Nil	59.50	59.05
MART BSU	605	439	166	27.44	10.00	9.06
MART RSU	11502	4640	6862	59.66	18.25	15.15
Total					99.07	94.57

Audit scrutiny revealed the following:

(i) The project was approved by the CCS in September 1998, yet the work was awarded by the MHA only in November 2002 i.e. after a delay of four years. The status of the MART installations disclosed that in 4673 cases, the reasons for non-installation of the RSUs were that the BSUs and RSUs were not technologically-enabled to establish communication links if the distance between District Headquarters and police station was more than 35 kms and/or the transmitter antenna at District Headquarters and receiver antennae at police stations were not in the line of sight i.e. in straight line without any obstacles in between. Three States namely Andhra Pradesh, Uttar Pradesh and Kerala were not willing to install MART as they had better facilities and in the case of Bihar, Jammu and Kashmir, Orissa, Tamil Nadu and West Bengal, suitable

<sup>5</sup> Base Station Units

<sup>6</sup> Remote Station Units

masts for installation of MART BSU antenna were not ready. Govt. of Rajasthan expressed its dissatisfaction over MART due to link problems and lack of repair facilities.

(ii) No feasibility study was carried out by the Ministry to assess the suitability of the MART technology with reference to the existing locations of police stations. The Ministry did not provide for any backup plan to cover the risk of non-cooperation from states regarding non-provision of masts/towers. As a result, 60 per cent of RSUs and 27 per cent of BSUs could not be installed as of December 2010.

(iii) CCS while approving the Project in September 1998 also approved the creation of Nodal Agency consisting of 42 posts (27 Technical and 15 other categories) within the DCPW to implement the Project. Out of 42 sanctioned posts, only 21 posts (11 posts were created in June 1999 and 10 posts were created in April 2007) were created and filled up by the DCPW. The remaining posts were not created by the DCPW due to non-approval of these posts by Ministry of Home Affairs/Ministry of Finance. Due to shortage of manpower a dedicated project group/nodal agencies were not created in time which also contributed to poor implementation of the project.

(iv) Ministry of Communications, Department of Telecommunications (DoT) levied spectrum charges consisting of licence fee and royalty for VSATs and MARTs under POLNET with effect from 2004. Accordingly the Ministry was paying Annual Radio Spectrum charges to DoT for the POLNET MARTs, both BSUs and RSUs for 12107 stations at the rate of ₹ 3.81 crore for 2004-05 and ₹ 4.33 crore *per annum* from 2005-06 to 2009-10 to be paid in advance. Out of 12107, only 5079 BSUs and RSUs MART were installed by the DCPW in the States and 7028 (166 BSUs and 6862 RSUs) MARTs were left un-installed as of December 2010. As a result, expenditure of ₹ 13.08 crore<sup>7</sup> incurred by the Ministry on Spectrum charges for 7028 un-installed BSUs and RSUs MART from 2004-05 to 2009-10 was rendered unfruitful.

Audit also noted that the Bhaskaranarayana Committee and DCPW recommended (July 2009) surrender of the spectrum allotted for MART which was not in use. Ministry had not taken any decision on this issue as of December 2010. On being pointed out by audit, DCPW while confirming the facts and figures stated (December 2010) that spectrum charges were to be

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<sup>7</sup> This is an indicative figure. Royalty paid for the total MARTs in the States has been apportioned proportionately to the uninstalled MARTs.

paid in advance every year irrespective of its use. It further stated that piecemeal allocation and surrender of frequencies was not administratively feasible. However, it had taken up the frequency related issue of MART with higher authorities and the decision was awaited. Audit, however, noted that the reply of the Directorate was incorrect as the policy of DoT allow for surrender of frequencies in part. Further, the reply is also contrary to its earlier decision of July 2009 to accept the recommendations of the Bhaskaranarayana committee for surrendering unused MART.

(v) The Ministry had constituted a Committee under the Chairmanship of Director, ISRO in November 2008 to study and give recommendations on POLNET Project. The Committee had recommended that the unused MART units should be scrapped locally and disposed of accordingly. The Ministry, however, was of the opinion that if MART RSUs were locally scrapped, it would result in huge loss to the public exchequer. Thus, the expenditure incurred on the project has been largely rendered unfruitful.

The DCPW stated (May 2010) that delay in awarding the project was due to the time consumed in completing the licensing formalities with the related departments, interruptions in the tendering process and due to state variance nature of the project. It also stated that non-installation of 166 BSUs and 6862 RSUs was due to non provision of the sites and suitable Masts for installation of MART system by some States and non-availability of line of sight between BSUs and RSUs. It further added that the Review Committee had already examined the feasibility of the project and its recommendations were under consideration of the Ministry for necessary action. The Ministry while reiterating the views of the Directorate further stated (February 2011) that VSAT network which was a major part of the project was completed and was working satisfactorily. However, despite best efforts about 44 *per cent* of MART component could not be completed.

The reply confirms the audit conclusion of the failure of the Ministry to undertake feasibility study to assess the suitability of the MART technology with reference to the existing locations of police stations and embarking on the project without ensuring the availability of site readiness. The purpose of the project of achieving a national police network to provide connectivity to all police stations in the Country with State Capitals, District Headquarters and the National Capital was not fulfilled even after eight years of award of work and incurring expenditure of ₹ 94.57 crore. Further, the Ministry also incurred avoidable expenditure of ₹ 13.08 crore on account of spectrum charges for un-installed BSUs and RSUs MART.

**National Disaster Management Authority**

**9.5 Irregularities in execution of renovation and interior work of its new building by NDMA**

**Secretary NDMA accorded separate split sanctions aggregating to ₹ 4.48 crore in violation of the provisions of GFRs. Further, failure of NDMA in assessing its requirements for renovation and interior work in the allotted building at the initial stage necessitated continuous change in the scope and quantum of the work resulting in overall delay in completion of the project and avoidable payment of rent amounting to ₹ 3.77 crore.**

National Disaster Management Authority (NDMA) was set up by the Ministry of Home Affairs in May 2005. With a view to accommodate the officers and staff of NDMA, the Ministry in October 2005 decided to hire 46 rooms in Centaur Hotel, New Delhi at a monthly rent of about ₹ 50 lakh. The Directorate of Estates, Ministry of Urban Affairs and Employment (MUAE), meanwhile in December 2005 allotted a building at Safdarjung Enclave, New Delhi for housing the office of NDMA. Since the allotted building was in need of repairs and renovation, NDMA approached National Building Construction Corporation (NBCC), a Government of India Enterprise, for execution of repairs and renovation work. NBCC submitted the preliminary estimates for strengthening, repairs and interior works of the allotted building, which was approved by the Ministry in October 2006 at an estimated cost of ₹ 12.96 crore. NDMA awarded the work of 'Renovation and Interior Decoration work' to NBCC and entered into an agreement with the latter in December 2006. The work was on turnkey basis and was scheduled to be completed by January 2008. The work *inter-alia* consisted of civil and electrical work, furnishing and furniture.

Audit examination disclosed that the NDMA decided in February 2007 to award a separate work relating to procurement and fixing/placing the soft/loose<sup>8</sup> items for the proposed building with the expenditure to be charged against 'office expenses'. Accordingly, NDMA made a reduction of ₹ 1.56 crore on account of furniture and other items from the original estimate of the work which came down to ₹ 11.40 crore. The work relating to arranging furniture and furnishing was re-awarded to NBCC in March 2007 at an estimated cost of ₹ 2.82 crore. NDMA further decided in March 2007 to get additional work of conduiting and cabling for communication and IT equipment at an estimated cost of ₹ 1.66 crore and signed an agreement with NBCC in October 2007. The stipulated date of completion of all the works

<sup>8</sup> Soft furnishing such as sofas, carpets, blinds and office equipment

remained as that as of the main work i.e. by January 2008. NDMA did not obtain the approval of the Ministry for the revised work.

The work was originally scheduled for completion in January 2008 but was completed in December 2008 at a total cost of ₹ 15.85 crore. Meanwhile, NDMA shifted its office to the new building from hired accommodation in September 2008, as the building was fit for occupation.

The action of the NDMA in reducing the scope of the original work and re-awarding a modified part of this work without the approval of the Ministry was irregular and violated the provisions of General Financial Rules which provide that for the purpose of approval and sanctions a group of works which forms one project, shall be considered as one work. This was purportedly done to avoid seeking sanction of the Ministry for increase in cost. In the process NDMA transgressed its delegated powers, as Secretary NDMA had powers to accept advertised/limited tenders in respect of sanctioned works whether original or repair works valuing up to ₹ 10 lakh only. Further, the delay in construction also led to avoidable payment of rent of ₹ 3.77 crore for the period from February to September 2008.

The Ministry stated (November 2010) that no separate sanction for additional expenditure on furniture and furnishings had been obtained from the Ministry as this expenditure was covered under DFPRs wherein Secretary had full powers. The expenditure on furniture and furnishing was booked under Head "Office Expenses" in view of the fact that such expenditure was covered under the Head 'Office Expenses' for which Secretary NDMA had full powers.

It further stated that the conduiting and cabling for communication and IT was not a part of original work sanctioned by the Ministry, hence separate contracts were awarded to NBCC, which was in accordance with the DFPRs.

The delay in completion of project was attributed to delay in receipt of statutory clearances from different organisations, reduced working hours for civil work and absence of IT man power.

The argument advanced by the Ministry is not acceptable, on account of the following :

- (i) Rule 130 of the GFR states that the necessity for obtaining approval or sanction of higher authority to a project which consists of group of work forming a project should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such

approval or sanction of lower authority. In the instant case all the works formed a single project namely 'Renovation and interior work' and therefore constituted a single work. Further the argument is also contrary to the estimates drawn up by the NDMA and approved by the Ministry which included furniture and furnishings worth ₹ 1.55 crore. Thus, Secretary NDMA acted well beyond his delegated powers in issuing separate split sanctions for the same work which was purportedly done to avoid seeking sanction of the Ministry.

- (ii) Conduiting and cabling is directly related to the civil work in the building. This is further borne out by the Meeting of the Project Monitoring Group (PMG) held in November 2008 which admitted that certain items of civil work as well as furniture work were dependent upon cabling work. Thus, the conduiting and cabling work was very much a part of the main work and therefore required the approval of the competent authority.
- (iii) The statement showing the justification for extension of time submitted by the NBCC and later accepted by the Ministry clearly indicates that the delay was primarily due to delay in finalizing the IT works which was interlinked with furniture and other interior works. Moreover the IT works was finalised in May 2008 after more than 17 months from the date of initial agreement entered into between NDMA and NBCC. These points to poor planning as well as the execution of the project by NDMA which was marred by inordinate delays in finalising various associated works.

The failure of NDMA in assessing its requirements at the initial stage necessitated constant change in the scope and quantum of the work resulting in overall delay in completion of the project and led to avoidable payment of rent amounting to ₹ 3.77 crore. Besides NDMA also exceeded the delegated powers as it undertook work of ₹ 2.90 crore without the approval of the Ministry.

The Ministry also stated (November 2010) that the competent authority in the NDMA had reviewed the entire case and it had now been decided to refer the case to the Ministry for approval of the entire expenditure.



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

**Department of School Education and Literacy**

**10.1 Irregular payment**

**Failure of the Ministry to comply with the provisions of service tax Act resulted in injudicious payment of ₹ 26.45 lakh as service tax.**

The services relating to accommodation provided by hotels have not been notified by the Government of India, Ministry of Finance under the Service Tax Act.

Services on Event Management were brought under Service Tax net with effect from 16 August 2002 wherein Event Management meant any service provided in relation to planning, promotion, organizing or presentation of any art, entertainment, business, sports or any other event and includes any consultation provided in this regard.

The Ministry of Human Resource Development (HRD) organized National Awards functions for meritorious teachers on Teachers Day in 2007 and 2008. For making arrangements of boarding and lodging of invited teachers, the Ministry entrusted the work to M/s Ashok Reservations and Marketing Services (M/s ARMS), India Tourism Development Corporation (ITDC). The event was organized at Vigyan Bhawan, New Delhi.

Audit scrutiny revealed that the Ministry had made payments of ₹ 1.11 crore in 2007-08 and ₹ 1.29 crore in 2008-09 to M/s ARMS for making boarding and lodging arrangements of award winning teachers in ITDC hotels that included the payment of ₹ 12.24 lakh and ₹ 14.21 lakh respectively as Service Tax. The payment of Service Tax of ₹ 26.45 lakh was incorrect as M/s ARMS had provided only boarding and lodging facilities and did not manage the event.

The Ministry in its reply stated (February 2010) that service tax is not on the event but on the services provided on managing an event. Therefore, the accommodation provided by M/s ARMS clearly invite the imposition of service tax.

The Ministry, while reiterating its earlier stand stated (January 2011) that the ITDC (M/s ARMS) had already deposited the service tax to the Government of India. It was not possible to obtain the refund of the same.

However, in the instant case, the event was organized by the Ministry itself. The provision of accommodation by M/s ARMS was not related to event management as the firm was not event manager. Therefore, the provision of event management service, which stipulates that the service should be provided by an event manager, is not attracted in this case.

Failure of the Ministry to ensure compliance with the provisions of the Service Tax Act resulted in injudicious payment of ₹ 26.45 lakh.

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

**Directorate of Film Festival**

**11.1 Loss of Revenue**

**Failure of the Directorate to initiate action for timely award of canteen facility contract resulted in loss of revenue of ₹ 33.77 lakh.**

The Directorate of Film Festivals (Directorate) awarded a contract to M/s 'X' for operating a canteen at its Siri Fort Cultural Complex New Delhi. The contract was awarded for a period of two years commencing from 18 August 2006 at a licence fee of ₹ 2.61 lakh per month. According to the terms and conditions of the contract, the agreement could be extended for another period of one year with the mutual consent of both the parties.

Audit noted that the Directorate did not accept the request of M/s 'X' for extension of contract in August 2008. The Directorate had received various complaints against the contractor on the serving of unhygienic food and high prices. Despite these complaints the Directorate initiated the process for selecting a suitable agency for operating canteen facility only in June 2009, i.e. ten months after the lapse of the term of previous contract. Meanwhile, the Directorate consulted India Tourism Development Corporation (ITDC) and Indian Railway Catering and Tourism Corporation (IRCTC) to establish a permanent canteen in January 2009 and May 2009 respectively. No response was received from ITDC, while the proposal of IRCTC was not found feasible.

Finally, the Directorate entered into a contract with another firm on 15 September 2009, at a monthly rent of ₹ 3.35 lakh.

Audit noted that the inordinate delay in finalizing the tendering process resulted in a loss of at least ₹ 33.77 lakh to the Directorate (considering old rate of rental charges of ₹ 2.61 lakh per month) for the period from August 2008 to September 2009.

The Directorate stated (May 2010) that the delay in tendering process was due to court case filed by the contractor with Hon'ble High Court of Delhi. The Directorate further added that as it was busy with National Film Awards (NFA) and International Film Festival of India (IFFI), the new contractor could not be appointed. In such a situation the organisers who booked Sirifort

auditorium were allowed to bring their own caterer. A set of broad guidelines were issued by the Unit dealing with Sirifort auditorium.

However, Audit noted that the department had awarded the fresh contract in September 2009 while the case was still pending in court. Hence, the department's view cannot be accepted. Further, Audit noted that the delay actually occurred as the Directorate was engaged in organizing various events.

The matter was referred to the Ministry in September 2010; their reply was awaited as of March 2011.

## CHAPTER XII : MINISTRY OF MINES

### Geological Survey of India

#### 12.1 Avoidable expenditure due to non-recovery of Service Tax

**Geological Survey of India (GSI) failed to recover an amount of ₹ 4.62 crore from outside agencies on account of Service tax. As a result, it had to pay ₹ 4.62 crore from its resources. Due to non-payment of Service tax in time, GSI is also liable to pay penal interest of ₹ 1.05 crore. Further, Coal wing of GSI again failed to follow the provisions of the Finance Act, 1994 as well as instructions of its headquarters issued in November 2004 and did not recover Service tax amounting to ₹ 68.91 lakh thereby making it liable to pay the Service tax and interest thereon in the future.**

Geological Survey of India (GSI), a Government of India Department under Ministry of Mines having its Headquarters (CHQ) at Kolkata, provides scientific and technical consultancy services in various fields to its clients. Scientific and technical consultancy service is a taxable service as per clause 92 of Section 65 of the Finance Act, 1994.

It was observed in audit that during July 2001 to December 2005, GSI provided scientific and technical consultancy services to its clients and realised an amount of ₹ 53.14 crore towards consultancy charges. However, neither did GSI realise Service tax from the clients, nor deposit the same to the Director General of Central Excise Intelligence (DGCEI). Due to non-payment of Service tax, DGCEI, Kolkata issued notice to GSI in March 2006 for payment of Service tax amounting ₹ 4.62 crore (including education cess of ₹ 5.88 lakh). Subsequently, the Commissioner of Service Tax (CST) issued orders in October 2007 directing GSI to pay the amount of Service tax and education cess and interest on the defaulted amount till actual payment. GSI finally paid the Service tax of ₹ 4.62 crore in March 2008. Due to delayed payment of Service tax, GSI is further liable to pay interest of ₹ 1.05 crore. Of ₹ 4.62 crore, ₹ 1.74 crore pertained to services rendered specifically by the Coal wing of GSI.

In November 2004, GSI, CHQ had instructed all its wings and regional offices to charge Service tax and education cess on the total cost of the projects/services rendered to outside agencies. It was observed in audit that during the period from April 2007 to June 2008, Coal wing of GSI had rendered technical services (exploration work by drilling for coal and lignite) in 45 cases and realised an amount of ₹ 5.59 crore towards the services rendered. As such Coal wing should have collected ₹ 68.91 lakh from the

clients towards Service tax and education cess. However, neither the Coal wing realised any Service tax from the clients nor deposited the same with the CST making them further liable to pay the Service tax along with accrued interest and possible penalty in the future.

GSI, Coal wing stated in May 2009 that they were not engaged in any commercial activity and hence Service tax was not charged. Reply of GSI, Coal wing needs to be viewed in the light of the fact that GSI, CHQ had already paid an amount of ₹ 1.74 crore as Service tax for the services rendered by GSI, Coal wing during July 2001 to December 2005.

Thus, GSI failed to recover an amount of ₹ 4.62 crore from outside agencies on account of Service tax for the period July 2001 to December 2005. As a result, it had to pay ₹ 4.62 crore and was also liable to pay interest of ₹ 1.05 crore from its own resources. Further, Coal wing of GSI again failed to follow the provisions of the Finance Act, 1994 resulting in non-recovery of Service tax amounting to ₹ 68.91 lakh from its clients for the period April 2007 to June 2008.

## CHAPTER XIII : MINISTRY OF NEW AND RENEWABLE ENERGY

### 13.1 Infertuous expenditure due to non-utilisation of software

**Failure of Ministry of New and Renewable Energy to utilise the software for automation of the functions of the Ministry resulted in infertuous expenditure of ₹ 45.82 lakh besides non-achievement of envisaged objectives of having a paperless office.**

Ministry of New and Renewable Energy (MNRE) is the nodal Ministry of the Government of India for all matters relating to new and renewable energy. The broad aim of the Ministry is to develop and deploy new and renewable energy for supplementing the energy requirements of the country. MNRE has two regional offices and two specialised technical institutions i.e. Solar Energy Center (SEC) at Gurgaon and Centre for Wind Energy Technology (C-WET) at Chennai.

In view of its long term objective to set up a paperless office with an online electronic flow of data using office automation/information technology tools, MNRE decided in July 1999 to establish a web based software 'Renewable Energy Network' (RENET). The objectives of RENET project were:

- automated functioning of divisions of MNRE;
- online creation and updation of data;
- generation of various types of reports (division-wise, project-wise, plan-wise, year-wise and state-wise etc.);
- online availability and submission of forms;
- financial/budget monitoring; and
- online submission of feedback forms.

It was observed in audit that the Integrated Finance Division (IFD), MNRE, while clearing the RENET proposal, had remarked that the concept of having a paperless office in a ministry was more hypothetical and even the training programmes conducted for staff of MNRE relating to computerisation did not show satisfactory results, which were a cause of concern. However, MNRE went ahead and signed a MoU with CMC in November 2000 for ₹ 34.17 lakh for development and installation of RENET. This also included ₹ 7.92 lakh for

running and maintenance of the integrated RENET for two years<sup>1</sup> after the expiry of warranty period of three months. The associated expenditure for online connectivity, specific hardware procurement, licenses etc., to make the software functional was not available to Audit. MNRE stated that the relevant volume of the file was not traceable. CMC developed the software and submitted it to MNRE in June 2001. Audit however observed that RENET was non-functional as of March 2011 and the objectives of having a paperless office in MNRE could not be achieved rendering the whole investment of ₹ 45.82 lakh wasteful. The deficiencies noticed in the project implementation were:

- Although the software was to be tested under field conditions, the divisions of MNRE did not provide any input data for testing of the modules of the software due to which CMC tested the software using dummy data.
- Despite demonstration of the modules, the divisions did not submit any 'User Acceptance' or submit their feedback.
- As no division provided data, the database could not be populated to generate reports/queries. As a result, division-wise, project-wise, plan-wise, year-wise and state-wise reports etc., as envisaged could not be generated.
- Forms and project proposals were not being submitted online from regional offices or State Nodal Agencies through RENET.

MNRE, in March 2004 further extended the Facility Management Services (FMS) to CMC from 2004 to 2006, incurring a further expenditure of ₹ 7.92 lakh and increased the scope of work of CMC to include Renewable Energy Electronic Processing System (REEPS) for integrating online receipt of project proposals from State Nodal Agencies through RENET and processing them electronically by various wings of MNRE. The FMS was further extended upto March 2007 at a cost of ₹ 1.98 lakh. However, it was seen that REEPS was also not utilised by MNRE and the State Nodal Agencies as of March 2011.

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<sup>1</sup> Facility Management Service period.



It was further observed that TIFAD<sup>2</sup>, the Information Technology implementing division had no information about utilisation of RENET in any division of MNRE. Non-utilisation of the software was confirmed from various sections like Budget, IFD, Biogas and Administration sections. Although TIFAD requested divisional heads in March 2008 to use the software available for automation and online processing, no feedback was received from the divisions. As of March 2011, the software was yet to be utilized.

The hyperlink of RENET/REEPS provided on the MNRE website which would have enabled users to access the software, was also not presently (March 2011) functional. Thus, the expenditure of ₹ 45.82 lakh<sup>3</sup> on development of the software was wasted.

In reply to Audit, TIFAD division of MNRE stated (May 2009) that work done in various division/regional offices through RENET was not available and that the software required updation and maintenance. MNRE confirmed in March 2011 that no updation and maintenance was undertaken as the Ministry considered this to be expensive and further there was no feedback from any user.

Thus, failure of MNRE to make efforts for utilisation of the software RENET for the last ten years resulted in non-achievement of the envisaged objectives of paperless office, online availability of renewable energy database and connectivity thereby rendering the expenditure of ₹ 45.82 lakh incurred thereon infructuous. With MNRE not considering maintenance and updation of the software, there was no possibility of its utilisation in future. The files relating to the expenditure on hardware, online connectivity and other associated expenditure on this project was not made available to Audit.

The matter was referred to MNRE in October 2009; their reply was awaited as of March 2011.

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<sup>2</sup> The Technology Information, Forecasting, Assessment and Databank division of MNRE was set up for utilisation of information technology and establishment of technology information system in the area of renewable energy.

<sup>3</sup> Inclusive of ₹.1.75 lakh on System Requirement Study by CMC.

**CHAPTER XIV : MINISTRY OF PERSONNEL, PUBLIC  
GRIEVANCES AND PENSIONS**

**Department of Personnel and Training**

**Central Bureau of Investigation**

**14.1 Unauthorised and irregular expenditure**

**The CBI incurred an unauthorized expenditure of ₹ 96.48 lakh on purchase of 17 Chevrolet Tavera vehicles in replacement of its condemned vehicles in violation of the orders of the DoPT.**

In pursuance of its decision for replacement of its condemned vehicles, the Central Bureau of Investigation (CBI) approached the Department of Personnel and Training for necessary sanction in March 2008.

The DoPT in concurrence with the Department of Expenditure, Ministry of Finance conveyed its approval (June 2008) for replacement of the condemned vehicles subject to the conditions that (i) condemned vehicle of certain type (Car, Jeep, Van) will be replaced by a vehicle of a similar type and (ii) brand/make to be purchased should be on the approved list of Ministry of Finance.

Audit noted that the CBI purchased 17 Chevrolet Tavera in August 2008 at a cost of ₹ 96.48 lakh in lieu of its condemned vehicles which consisted primarily of Ambassador and Maruti gypsy vehicles. Further Chevrolet Tavera vehicles are not included in the approved list of vehicles of the Ministry of Finance. Thus the action of CBI was in violation of specific orders of the DoPT which allowed replacement of condemned vehicles by the vehicles of similar type. The PAO (CBI) also allowed the payment without ensuring compliance to the specific orders of DoPT. In the process, CBI incurred an extra expenditure of at least ₹ 21.60 lakh worked out with reference to the amount that would have been spent, had the condemned vehicles been replaced with the similar type of vehicles.

The Department stated (January and October 2010) that Tavera was a new generation vehicle having more seating capacity and economical and these were procured on obtaining the approval from its administrative Ministry.

The reply is an incorrect rationalization of an unauthorized and irregular purchase of vehicles which was contrary to the specific orders of the DoPT as well as Ministry of Finance which did not permit purchase of Tavera vehicles.

## CHAPTER XV : MINISTRY OF SCIENCE AND TECHNOLOGY

### Department of Science and Technology

#### 15.1 Unfruitful expenditure and undue favour to a vendor

**Inadequate need assessment due to non identification of specific user requirements coupled with faulty implementation rendered the entire expenditure of US\$ 105,000 (₹ 43.17 lakh) on the PIOUS database unfruitful. There were also serious breaches of the General Financial Rules in selection of vendor, execution of contract and the canons of financial propriety indicating undue favour to the vendor.**

The Department of Science and Technology (DST), New Delhi sanctioned (October 2006) US\$90,000 for implementation of a project titled 'Development of Database and Networking of Professionals of Indian Origin in US (PIOUS)' for development of a multipurpose database and interactive network to strengthen Indo US partnership and bring efficacy in achieving desired goals by connecting individuals, institutions and industries in US and in India. The project was aimed at collecting data on 10,000 PIOUS and was to be implemented by the Science and Technology Wing of the Embassy of India (EOI), Washington DC with the technical and logistic support of M/s Phoenix Rose LLC, Columbia, Maryland, USA (Vendor) within six months from the actual start of the project.

The Vendor started the project in February 2007 and reported completion in November 2007. Payments were released in three instalments of US\$ 25,000, US\$ 26,200 and US\$ 38,800 on 13 February 2007, 13 August 2007 and 21 December 2007 respectively. The sanction for the phase-II was issued in March 2008 with completion date of 31 May 2009 at a cost of US\$ 30,000. The main objective of the phase-II was to roll over the shortfall of first phase to the second phase and create a database of 20,000 names. The Vendor was paid the first instalment of US\$15,000 in May 2008 and reported completion of the project in May 2009.

Following irregularities in implementing the said project were noticed by audit:

- The Vendor had been selected by the EOI while forwarding the project proposal to the Minister of Science & Technology in September 2006 even before the Government of India sanctioned the project in October 2006. There was no evidence of having observed the provisions prescribed in Rules 180, 181, 183 and 204 of the General Financial Rules (GFRs)

regarding tender enquiry, invitation of bids, evaluation of bids received and execution of a formal contract.

- There was no User Resource Specification or System Resource Specification to capture the requirements and the scope of work for the development of the PIOUS website by the Vendor. The absence of a formal document prescribing the essentials like user needs, metadata and database structure of the proposed website indicates that there was inadequate need assessment of the proposed website.
- The lack of focus in planning, absence of propriety in selection of the vendor was matched by adhocism and arbitrariness in execution of the project. Thus, there were incongruities in the estimated cost vis-à-vis sanctioned amounts and sanctioned amounts vis-à-vis deliverables. The cost under various heads was estimated at US\$157,850 in September 2006. As against this, DST sanction was accorded for US\$90,000 in October 2006 (later called phase I). Proposed cost of second phase was estimated to be US\$225,000 in January 2008 after adding outreach and other features whereas the DST sanction for phase II was accorded in March 2008 for US\$30,000 for collection of 20,000 PIOUS membership, development, enhancements, maintenance etc. As per corrigendum to the sanction, in May 2008, the task was restricted only to the collection of 20,000 PIOUS.
- Payments were not linked to the time and quantum of deliverables. DST sanction of October 2006 stipulated an expenditure of US\$90,000 for collecting data on 10,000 PIOUS within six months. As against this, the full payment of US\$ 90,000 was released to the Vendor despite the fact that there was delay of three months and the number of registered members fell short of 10,000. In fact US\$ 51,200 was released even before the stated completion in two advance instalments. Phase II of the project was entered for a fixed price of US\$ 30,000 for the delivery of 20,000 valid PIOUS entries. The corrigendum to the sanction dated May 2008 from DST permitted advance payment of 50%. Thus, an amount of US\$15,000 was paid to the vendor on 27 May 2008 without verification of the correctness of the database.

- The copy of the code of the software developed for hosting the database was handed over only on 30 August 2010. Analysis of the database by a third party indicated that 4000 records were unusable and more than 3000 were duplicate.
- The Vendor stopped hosting the PIOUS database from December 2009. As early as January 14, 2008 it had been recognized that DST could not fund this project on a long term basis and that a business model had to be developed to receive funding from private resources to add enhancements and maintain the portal. There is no evidence of any such business model, to ensure sustenance of the website. Thus, the expenditure of US\$ 90,000 made for the first phase of the project and US\$ 15,000 against second phase of the project has been rendered unfruitful.

The Ministry in its reply (April 2011) stated that proper procedure had been followed in planning and implementation of this project and that all relevant documents are available in the Embassy of India, Washington DC. It also stated that there was neither any adhocism nor arbitrariness in execution of the project nor any incongruity in the estimated cost. The reply may be viewed in light of the fact that no documentation in support of the Ministry's reply that proper procedure was followed in planning and implementation of the project were found on record in the Embassy of India. Further, neither any supply order was placed, nor any formal contract signed before awarding the contract. These facts were also highlighted by their own Evaluation Committee while reviewing the progress of the project. Ministry's reply that there was neither any adhocism nor arbitrariness in execution of the project nor any incongruity in the estimated cost was also not borne out by the sequence of the events as brought out in the para. The fact that the database developed is not complete and the department has not yet commenced the process of data validation also indicates that objectives of the project have not been fulfilled, which is a reflection of the manner in which it was designed and executed.

Thus, lack of focus and improper planning of the project by not visualizing the exact requirement, coupled with mismanaged implementation and maintenance of the PIOUS database resulted in non accomplishment of the objective of the project and wasteful expenditure of US\$ 105,000 (₹ 43.17 lakh). Besides, there were serious breach of the Government Financial Rules and procedures in selection of vendor and execution of the contract and of the canons of financial propriety, indicating undue favour to the Vendor.

**Department of Scientific and Industrial Research**

**15.2 Deficient implementation of projects for generation of power through safe disposal of waste**

Central Leather Research Institute, Chennai (CLRI) initiated three projects for setting up of plants for power generation and reduction in green house gas emission by utilising biological waste. However, these projects were taken up without ensuring the capability of beneficiaries to supply required quantity and quality of wastes to feed the plants. CLRI also failed to enforce contractual obligations and effectively monitor/supervise execution of these projects. This led to non-achievement of objective of generation of power and reduction in green house gas emission through safe disposal of waste, despite incurring an expenditure of ₹ 8.76 crore.

Central Leather Research Institute, Chennai (CLRI), a constituent unit of Council of Scientific and Industrial Research (CSIR), is engaged in basic and applied research in leather and allied sciences. It was observed in audit that objectives of energy recovery/power generation and safe disposal of waste thereby reducing green house gases emission in three projects implemented by CLRI were not realised despite substantial investment of ₹ 8.76 crore on them as detailed below:

(i) Project for energy recovery from tannery wastewater at Dindigul, Tamil Nadu

All 65 tanneries located in Dindigul in Tamil Nadu<sup>1</sup> were connected to a Common Effluent Treatment Plant (CETP) with a capacity of 2500 cubic meters per day. The waste generated by the tanneries resulted in emissions of green house gases like methane and hydrogen sulphide which produced bad odour thereby causing social discomfort to the community. To overcome this, CLRI proposed to undertake a project<sup>2</sup> in June 2002 in Dindigul. The expected outcome of the project was reduction in green house gas emissions and reduction in odour. Apart from this, the project envisaged recovery of 2000 cubic meters of biogas leading to generation of electricity of about 4500 Kwh<sup>3</sup> per day.

Ministry of Environment and Forests (MoEF) sanctioned the project in September 2002, at a total cost of ₹4.90 crore<sup>4</sup>. CLRI received the first

<sup>1</sup> Dindigul in Tamil Nadu is one of the important tanning centres with 65 tanneries.

<sup>2</sup> Based on a technology developed by CLRI on pilot plant scale in 1996-97.

<sup>3</sup> KiloWatt Hour

<sup>4</sup> MoEF (₹2.13 crore), Ministry of New and Renewable Energy (MNRE) (₹87 lakh), CSIR (₹65 lakh) and Industry (₹1.25 crore).

instalment of ₹87 lakh from MoEF in March 2003. It was observed in audit that the work order was issued only in March 2005<sup>5</sup> (two years after release of funds) on M/s.VA Tech Wabagh Ltd (Contractor) at a total cost of ₹4.87 crore for completion of work including integration of the system with the existing CETP unit on turnkey basis before January 2006. CLRI stated that delay in selecting the contractor was due to procedure involved in open tender system and more time taken for evaluation of tenders since the project was first of its kind.

An agreement was entered by CLRI with the contractor in September 2005 which stipulated that CLRI would extend its technical guidance for the successful implementation of the project and evaluate the performance. A certificate for operational performance of the plant was also required to be issued by CLRI after stabilisation of the plant.

The execution of the project, however, was inordinately delayed due to lack of effective supervision by CLRI. No monthly progress reports were received from the contractor despite the fact that the agreement provided for furnishing of such report. Initially, the project could not make any progress due to unexpected heavy rains during October to December 2005. The contract was, therefore, extended till December 2006. The work, however, was not completed even during the extended period due to failure of the contractor in ensuring availability of sufficient construction material and non-finalisation of certain supply order with its vendors. CLRI, without levying liquidated damages as required under the contract, again extended the duration of the contract till December 2007. There was a delay yet again in purchase of gas engine, gas balloon and construction of shelter for them. As per tender documents, contractor was to supply a dual fuel engine. The contractor, however, could not identify a suitable manufacturer and, therefore, requested CLRI for an alternative solution. CLRI advised the contractor in March 2007 to look for gas engine in place of dual fuel engine. Since capacity of gas engine required for the project was low, the contractor could get only one offer for the engine, at a cost higher than the tendered cost. The contractor, therefore, requested for increase in price for the supply of engine. This resulted in another extension of the contract upto November 2008.

CLRI inaugurated the plant in June 2008 but could not, however, evaluate it since the gas engine and sulphur recovery unit were not commissioned. CLRI

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<sup>5</sup> CLRI received pre-qualification bids from 10 firms in November 2003 and the technical committee completed its evaluation in June 2004. Price bids were considered in July 2004 and negotiations were held with the qualified bidder in September 2004.

incurred an expenditure of ₹4.49 crore on the project. Owing to incompleteness of the project, MNRE and MoEF, did not release balance funds of ₹12 lakh and ₹8 lakh to CLRI respectively. ₹15 lakh were also not received from the Industry as of March 2011. The contractor also did not commission the gas engine and sulphur recovery unit since his dues were not settled by CLRI for want of funds.

In October 2008, MNRE demanded performance details of biogas engine and sulphur recovery unit in terms of energy generation and sulphur extraction from the biogas produced for releasing the funds. In December 2008, MoEF agreed to release the balance amount only on receipt of completion report of the project and after technical review meeting. A joint technical review meeting though planned in February 2009 was not conducted as of March 2010. Contract duration was last extended up to March 2009.

Thus, the project sanctioned in September 2002 was not successfully completed as of March 2010 due to inordinate delay in issue of work order and ineffective contract management on the part of CLRI.

CSIR replied in January 2010 that inordinate delay was due to heavy rain and shortage of construction material. CSIR further stated that all civil works and installation of equipment had been completed and gas was generated from the reactor. CSIR also added that sulphur recovery unit and gas engine would be commissioned as and when funds are received from sponsors. CLRI added in February 2010 that CLRI was taking follow up action for early release of funds.

In March 2011, CLRI intimated that the supplier commissioned the gas engine but plant as a whole was not handed over to the beneficiary.

Thus due to non-completion of the project, environmental hazards in terms of emissions of green house gases which produced bad odour and caused social discomfort to the community could not be mitigated besides energy and sulphur from the waste generated by the cluster of tanneries could not be recovered as envisaged.

(ii) Project for biomethanation plant to treat waste at Koyambedu, Tamil Nadu.

A detailed study for establishment of a biomethanation plant to treat vegetable waste from Koyambedu wholesale market was conducted by MNRE in August 1998. The detailed project report (DPR) recommended long term monitoring



of waste to better characterise the variation in waste arising from the market and periodic assessment of composition. In May 2001, MNRE requested CLRI to revalidate the data on composition and characteristics of waste since analysis of waste was based on samples collected in January 1998. CLRI was also requested to finalise the detailed action plan and tender documents. CLRI requested MNRE sanction for engaging of foreign consultant for updation of DPR, which was rejected by MNRE on the plea that project activities were to be completed before March 2002. As a result, the data could not be updated and based on archaic data of 1998, a tender was floated and the lowest quote of M/s Enkeem Engineers Pvt Ltd (contractor) was selected. MNRE formally sanctioned the project in March 2003 for establishing the biomethanation plant at Koyambedu for generation of power utilising solid waste of vegetables<sup>6</sup> at a cost of ₹3.52 crore and US \$ 320000 (equivalent to ₹1.57 crore) which was to be shared<sup>7</sup> and CLRI was assigned the responsibility of being the implementing agency.

The work order was issued in June 2003 and an agreement was entered into, among CLRI, contractor and CMDA for completing the project before June 2004. The total capacity of the plant was 30 tonnes per day (TPD) and the minimum parameters agreed for successful operation of the plant stipulated in the contract were generation of biogas of 2375 cubic meters per day and electricity production of 5000 Kwh per day. CLRI, however, did not include any clause for a mandatory supply of 30 TPD waste by CMDA to the plant. Instead, a flexible clause stipulating that if CMDA was not able to deliver the designed capacity of solid waste, the performance of the plant would be evaluated based on general clauses that were included in the contract.

It was observed in audit that the contractor commissioned the plant only in April 2006 as there was delay in supply of imported equipment and commissioning thereof by the engineers from Germany. Also it was decided in June 2004 to export the generated electrical power to Tamil Nadu Electricity Board which warranted taking up additional works, leading to further delay. On evaluation of the plant upto September 2006, CLRI found that the average generation of gas was only between 340.65 to 1168 cubic meters per day and the average power generation was also only 603.75 to 2090.70 Kwh per day.

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<sup>6</sup> Under a United Nations Development Programme (UNDP)/ Global Environment facility (GEF) assisted project on development of High Rate biomethanation process for reducing green house gases emission.

<sup>7</sup> In the ratio of 75 per cent by MNRE and 25 per cent by Chennai Metropolitan Development Authority (CMDA). Accordingly, MNRE's share was ₹2.64 crore and US \$ 240000 (equivalent to ₹1.18 crore). The rupee payment was to be made by MNRE and the dollar payment was to be made by UNDP.

Further, the evaluation report indicated that for optimum generation of gas and electricity, the plant should be operated at the designed capacity of 30 TPD continuously and the waste was to be made available in a span of eight hours a day. Therefore, it was decided in April 2007 to further monitor the performance parameters as stipulated in the contract by operating the plant with designed capacity. However, CMDA could not supply the required quantity and quality of waste as stipulated in the contract due to seasonal variations and difficulties in segregation of the garbage. Therefore, CLRI decided in September 2007 that the performance parameters were deemed to have been achieved in terms of biogas yield and power generation, corresponding to the volatile solid actually fed to the digester. Even though the plant was not evaluated with the designed capacity of waste, CLRI also decided to relieve the contractor of all obligations in November 2007, despite the plant not achieving the minimum performance parameters. CLRI paid ₹ 2.64 crore to the contractor and the plant was handed over to CMDA in January 2008.

Thus, CLRI, which was entrusted with the responsibility of ensuring performances of the plant, failed to enforce contractual obligations on CMDA resulting in plant not being tested for achieving minimum prescribed performance, thereby, making its sustainability doubtful. CMDA also could not ensure supply of agreed quantity and quality of wastes even after taking over the plant resulting in failure of engine and non-operation of the plant since February 2008. The market wastes, therefore, were dumped around the city defeating the very purpose for which the plant was established.

In order to revive the Plant, the market management committee entrusted the work of operation and maintenance of the Plant as well as the work of collection of waste in the market complex to a private firm. The firm was still carrying out the rehabilitation plan for the entire plant as of February 2011.

Accepting that monitoring of wastes on long term basis should have been done prior to sanctioning of the project, CLRI stated in May 2009 that MNRE should have ensured supply of waste in quantity and quality from CMDA before approaching them. CLRI added that having obtained 75 per cent grant from MNRE, CMDA should have fulfilled their responsibilities on its own to realise the benefits from the project. CSIR replied in January 2010 that MNRE did not consider CLRI's request to update the data on market waste availability and its characteristic since the duration of assistance from United Nations Development Programme to the project was coming to a close and the project was to be implemented within the short duration. CSIR also stated that

role of CLRI was limited to providing technical expertise at the field level and contractual obligation of delivering the waste as per agreement laid with CMDA.

The reply needs to be viewed in the context of the fact that CMDA could not make available required quantity and quality of waste due to seasonal variations which could have emerged had the DPR been updated; therefore, project should have been initiated after re-assessment of quantity and quality of waste either by CLRI or MNRE. Further, CLRI's responsibilities, in addition to providing technical expertise, included supervision of execution, commissioning and performance monitoring. CLRI, therefore, should have enforced contractual obligations by including appropriate clauses in the contract. As a result, initiating project based on archaic data and ineffective contract management led to project not achieving the objective of safe disposal of vegetable waste.

(iii) Project for treatment of solid waste at Hind Agro Industries Limited, Aligarh (HAIL)

National Bio-energy Board (NBB) of MNRE sanctioned a project in July 2001 for turnkey execution of a demonstration high rate biomethanation plant for treatment of solid wastes from slaughter houses for generation of power<sup>8</sup> at the factory premises of HAIL<sup>9</sup>. The project was sanctioned at a total cost of ₹ 3.25 crore and US \$ 656000 (equivalent to ₹ 2.55 crore)<sup>10</sup> to be shared equally between HAIL and MNRE. The rupee payment was to be made by MNRE and the dollar payment was to be made by UNDP.

No assessment of exact availability of waste was made at HAIL prior to initiation of the project. Based on declaration made by HAIL that it generated waste of 50 TPD, NBB invited tenders and awarded the work to a Japanese firm (contractor) in October 2001. CLRI, being the implementing agency, entered into an agreement with the contractor and HAIL in November 2001 which provided for minimum process performance guarantee of biogas generation of 4800 cubic meters per day and electricity generation of 9800 Kwh per day. The envisaged completion of the project was before April 2003. The contractor had to furnish a composite bank guarantee of 15 *per cent* of total contract price in favour of CLRI.

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<sup>8</sup> Under a UNDP/GEF assisted project on development of High Rate biomethanation process for reducing green house gases emission.

<sup>9</sup> An export oriented modern integrated abattoir-cum-meat processing plant generating waste of about 50 TPD was set up by HAIL.

<sup>10</sup> To be paid by UNDP

It was observed in audit that the commissioning of the plant was, however, delayed due to slow progress of work by the contractor. The date of completion was, therefore, extended from time to time till July 2007. However, HAIL did not complete its scope of work which included upstream and downstream works involving construction of a buffer/storage tank for storing the digested slurry and dewatering equipment for separation of digested residue / sludge and waste water. Arrangement for transfer of the solid waste to the feed preparation tank was also not made by them. Further, HAIL could supply only 4-5 tonnes of waste per day due to fluctuating market demand of their export products against requirement of 52 tonnes of waste required for operation of plant to its designed capacity. Though the Steering Committee directed HAIL to complete its scope of work before February 2008, it failed to complete the work. The contractor, therefore, withdrew from the project without commissioning the plant and CLRI paid ₹ 1.63 crore released by MNRE to the contractor. Due to non-fulfillment of the contractual obligations by the contractor, CLRI encashed two bank guarantees amounting to ₹ 90.73 lakh furnished by contractor in July 2008.

To resolve the issues, a meeting was convened in April 2009 wherein CLRI was authorised to get the remaining work done through other contractors before August 2009. MNRE also spelt out the procedure and the manner in which remaining works were to be completed. CLRI, however, in June 2009 refused to engage a new contractor unless MNRE itself terminated the contract with the existing contractor since it was MNRE which floated the tenders, selected the contractor and issued letter of award of work. MNRE, again in July 2009 impressed upon CLRI to expedite commissioning of the plant, stating that no such communication was necessary. CLRI, however, reiterated its stand in September 2009 and requested MNRE to float a fresh tender and award the work to a new contractor. However, no action was taken by MNRE and the work of commissioning the plant remained incomplete as of March 2010 resulting in a stalemate.

While accepting the fact that HAIL did not complete installation of the facilities under their scope for commissioning of the plant and also did not make arrangement for supplying the quantity of wastes in terms of agreement within the stipulated time resulting in non-demonstration of the performance of plant by the contractor, CLRI stated in May 2009 that it still considered that the contractor was responsible for non-fulfillment of contractual obligations.

CSIR added in January 2010 that MNRE had not terminated the contract and also did not take any decision on further course of action and, therefore, CLRI

was not in a position to do anything in the project. CSIR further stated that CLRI could not be made responsible for the non-fulfillment of the objectives since HAIL failed to implement its scope of work and deliver the required quantity of waste.

The reply of CSIR needs to be viewed in the background that in the meeting held in April 2009, CLRI was authorised by MNRE to get the remaining work completed through other contractors before August 2009 and the manner in which the works were to be completed was also prescribed. CLRI, however, took a stand that it would not take any action unless MNRE itself terminated the contract. Thus, CLRI failed to effectively enforce contractual obligations and there was also lack of proper co-ordination with MNRE. As a result, the objective of generating power from treatment of solid waste from slaughter houses remained unachieved.

CLRI, while stating that commissioning of the plant has been completed but the power was not generated, intimated in March 2011 that on the advice of MNRE, it had refunded the unspent amount of ₹1.17 crore to MNRE in April 2010 and treated the project as closed.

Thus, CLRI failed to supervise and monitor these three projects which were aimed at energy recovery/power generation and safe disposal of waste, which would have reduced green house gas emission, despite substantial investment of ₹8.76 crore.

Audit observed that in projects involving multiple agencies, the project sanctioning authorities should define the roles and responsibilities clearly and in case of non-performance of obligations by any party, adequate penalties like getting the work done from other contractors at the costs of original contractor, levy of liquidated damages etc., should be prescribed to ensure that parties perform their allotted tasks. The agency entrusted with supervision and monitoring of project activities, should also be empowered to take decisions in best interests of the project. In this case MNRE had failed to do so.

### **15.3 Non-realisation of objectives of a project**

**Central Leather Research Institute, Chennai failed to ensure achievement of the objectives of a project intended for upliftment of families below the poverty line due to deficiencies in implementation of the project and inadequate monitoring even after spending ₹ 59.69 lakh.**

Central Leather Research Institute, (CLRI) Chennai, a constituent unit of Council of Scientific and Industrial Research (CSIR), in a survey conducted in

1987 for another project, found that about nine million fallen carcasses were not collected all over India, leading to loss of ₹ 600 crore worth of rural income for weaker sections of the society. CLRI also estimated that an economically gainful recovery of an additional 4.5 million raw hides and skins was feasible in India for creating an additional employment or income for nearly 45000 people in rural India. Therefore, CLRI in October 2001 submitted a proposal for strategic expansion of carcass utilisation for rural employment to Ministry of Rural Development (MoRD) seeking ₹ 2.80 crore for implementing the strategy in four districts at a cost of ₹ 70 lakh per district. The expected benefits out of the project were increase in gainful employment, untapped opportunity for marketing carcass by-products inclusive of hides and skins, improved flaying affording better quality leather for the industry, social upliftment of the community, economic benefits to the beneficiary through sale of by-products and clean environment through technology additions.

In March 2003, MoRD approved implementation of this project under Swarnajayanti Gram Swarozgar Yojna in Rajgarh district, Madhya Pradesh. The project was to be implemented by CLRI for duration of one year at a total cost of ₹ 70 lakh with the help of LUPIN, a Non Governmental Organisation. Accordingly, CLRI targeted more than 3000 families below poverty line for providing employment through implementation of this project. Between March 2003 and December 2004, MoRD released ₹ 56 lakh against the sanctioned amount of ₹ 70 lakh.

A Memorandum of Understanding (MoU) was signed between LUPIN and CLRI in March 2003. As per the MoU, LUPIN was required to manage the project at field level by undertaking networking of leather artisans, training of artisans, capacity/competence building of artisans, management/overall supervision of the units, proper maintenance of machinery and equipment, appointment of suitable technical/other personnel and marketing of by-products. The responsibilities of CLRI included development of unit specific technology package, constitution of project monitoring committees, ensuring periodic review of the project etc.

The implementation of the project, however, was delayed due to heavy monsoon and, therefore the project duration was extended till February 2005 against a completion date of March 2004. CLRI ultimately wound up the project in December 2008 without achieving the targeted objectives.

In this regard, it was observed in audit that:

- Only four Satellite Centres were commissioned even though five were established against the six targeted. An existing centre established under another project was upgraded as the mother centre. CLRI could not establish one centre due to non-availability of land and, therefore, machinery and equipment purchased for this centre were kept idle at the mother centre. Another centre could not be commissioned due to physical conflicts between the existing contractors who had rights to collect fallen carcasses and the employees of the societies of the beneficiaries under the project. Thus, all five centres were not handed over to the beneficiaries.
- The MoU entered into with LUPIN provided that the activity was deemed to have been completed successfully on submission of final report by LUPIN to CLRI. But LUPIN has not submitted the final report to CLRI even as of December 2009.
- LUPIN withdrew from the project due to non-availability of funds in April 2005 without obtaining permission from CLRI and without fulfilling its responsibilities including proper maintenance of machinery, equipment and marketing of by-products. It handed over all assets of the project to the Kendriya Carcass Samiti, though it was not authorised to do so by CLRI.
- CLRI also did not ensure receipt of final statement of expenditure from LUPIN, though the MoU stipulated this.

As such, the objectives of providing gainful employment to the targeted population by useful utilisation of the carcasses could not be achieved.

The reasons for non-achievement of objectives of the project were:

- CLRI did not ascertain the prevailing system of award of contracts in the state of Madhya Pradesh for gaining access to fallen carcasses. Under the existing system, the right to collect carcass was with certain contractors, who had vested interest in the system and were resisting any change. This resulted in physical conflicts and attempted damages to the mobile carcass recovery unit given to the societies, thereby seriously impacting performance of the project. Though MoRD had taken up the matter for a policy change, the State Government of Madhya Pradesh did not issue orders giving rights for carcass collection and recovery to these societies.
- Findings of the third party assessment conducted in April 2008 revealed that the mother centre was not working since June 2006 due to objections

raised by nearby communities over the foul smell and processing of dead animals. Sites were not selected after consultation with nearby communities as seen from the project proposal and other records made available to Audit. According to CLRI, efforts to relocate the mother centre could not be expedited due to manpower shortage and constraints of funds. The processing and operations of other centres were closed except at one centre. Even for this functional centre, CLRI could not furnish details of number of carcasses processed, revenue earned etc., after 2007. The collection process of dead animals and fallen carcass was not encouraging and societies were unable to stock their products and raw hides so as to sell them at more profitable price due to lack of working capital. There were serious problems of water resources and lack of electric power in satellite centres affecting operations.

- The District Level Committee and the Steering Committee, which were to be set up for better co-ordination at district level and to review the status of the project, did not meet even once during the tenure of the project. Regular monitoring by these Committees could have aided in resolving issues like non-allocation of land for construction of sixth centre and problems like collection of carcass etc., faced by the project implementation agency as stated above.

CLRI, while accepting the fact that mother centre and other centres were not functioning, stated in February 2009 that a meeting with district authorities was being considered for identification of sites away from residential area. On handing over of centres, CLRI stated that there had been a constant change of officials in the region and hence common date convenient to all was not possible, but a meeting was being planned shortly. Again in March 2011 CLRI confirmed that no meeting was held with the authorities and agencies concerned to solve the problems of the project. CLRI also stated that a committee was constituted to carry out physical verification of centres. The committee found in February 2010 that mother centre and three satellite centres were not functioning and equipment supplied to them were stolen. The committee also observed that two vehicles installed with flaying machine and supplied to centres were not in working condition. Though the committee observed that two centres were functioning, CLRI could not furnish details of number of carcasses processed and revenue earned etc.

CSIR admitted in December 2009 that access to carcasses proved a constraint to the individual flayer/societies and no action could be taken to change the system though the matter was brought to the notice of State Government.



CSIR, while accepting that socially oriented project of this nature needed close co-ordination and efforts, also stated that many more attempts were needed to be made in order to meet with success in solving complex problems of social and demographic issues and that for desired results, a few more attempts may be needed with better planning, keeping in view the reasons for the failure. Replies of CLRI and CSIR need to be viewed in the context of the fact that CLRI did not ascertain prevailing system of award of contract for gaining access to fallen carcasses before submitting the project proposal. Having learnt valuable lessons by implementing a similar project under Leather Technology Mission, as indicated in project proposal, CLRI should have anticipated and effectively addressed other social and demographic issues. Apart from allowing LUPIN to withdraw from the project without fulfilling its responsibilities, CLRI also did not ensure meetings of District Level Committee and Steering Committee chaired by Joint Secretary of Ministry of Rural Development were convened.

Thus, CLRI failed to ensure realisation of the objectives of the project intended for upliftment of families below poverty line due to inadequate monitoring and deficiencies in planning and implementation, leading to non-functioning of centres even after spending ₹ 59.69 lakh.

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

**16.1 Recovery at the instance of Audit**

**Failure of the Ministry to exercise adequate control over release of grant to Ambedkar Foundation for acquisition of land for setting up of Ambedkar Memorial resulted in blocking of ₹ 9.77 crore for over six years. On being pointed out, the Foundation refunded the amount together with interest to the Ministry.**

The Ministry of Welfare (now Social Justice and Empowerment) decided to acquire the property at 26 Alipur Road<sup>1</sup>, Delhi for setting up Dr. Ambedkar Memorial in October 1992. The memorial was to commemorate the national leader and to respect the sentiments of the public at large.

The Ministry requested the Delhi Administration (now Government of NCT Delhi) (October 1992) to acquire the land at 26 Alipur Road, Delhi from its private owners and place it at the disposal of Dr. Ambedkar Foundation<sup>2</sup>. The Ministry released ₹ 12.15 crore to the Foundation for acquisition of land for putting up the memorial between 1995-96 and 2003-04. The Foundation on the directions of the Ministry paid an amount of ₹ 15.46 crore during 1996-97 to 2001-02 to the Government of NCT of Delhi towards the cost of the said property. However, as the Government of Delhi provided an alternate land to the owners of the property, at Mall Road, Delhi, it refunded the entire amount of ₹ 15.46 crore to the Foundation during 2003-04.

The Ministry directed the Foundation (October 2003) to arrange for the payment of ₹ 2.09 crore to be made to the private owners towards the difference in value of structures existing on two plots of land to be exchanged and for execution of lease deed. Accordingly, Foundation paid ₹ 2.09 crore (October 2003) and ₹ 28.38 lakh (November 2003) towards the cost of the structures on the said land to the private owners and transfer duty on account of registration of 'Deed of Exchange' to the Municipal Corporation of Delhi respectively.

Thus, against the release of ₹ 12.15 crore by the Ministry (1995-96 to 2003-04) the Foundation actually incurred an expenditure of ₹ 2.38 crore only leaving an unspent amount of ₹ 9.77 crore. Audit noted that this amount

<sup>1</sup> Dr. B.R. Ambedkar had lived and attained parinirvan at 26, Alipur Road, Delhi

<sup>2</sup> Set up in March 1992 to acquire, preserve and protect places connected with Dr. Ambedkar's life and to construct Dr. Ambedkar Memorials

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should have been refunded by the Foundation. However, the foundation irregularly retained this amount and invested this sum in interest bearing deposits.

The inaction by the Ministry to seek refund of the unutilized grant resulted in blocking of ₹ 9.77 crore with the Foundation for more than six years.

Upon being pointed out by Audit, the Foundation refunded this amount together with interest of ₹ 5.47 crore to the Ministry in March 2011.

## CHAPTER XVII : UNION TERRITORIES

### Andaman and Nicobar Administration

### Andaman Public Works Department

#### 17.1 Abnormal delay in execution of a scheme work

Abnormal delay in execution of work with the link road remaining incomplete under PMGSY Scheme resulted in non-achieving of desired socio-economic benefit to be derived even after lapse of over ten years from the date of its sanction. Further, interest, penalty and other recoveries amounting to ₹ 74.20 lakh due from the contractor remained unrecovered.

With a view to promoting socio-economic development by providing a connection to Vijaynagar and Radhanagar villages in the Havelock Island in A&NI under the Pradhan Mantri Gram Sadak Yojana (PMGSY) Scheme, the Government of India, Ministry of Rural Development accorded administrative approval and expenditure sanction in March 2001 for ₹ 1.92 crore for construction of a rural road, including a link road for a total length of 3.65 kilometers, in the island. The scheme envisaged a period of 18 months for completion of road work to be executed by the Andaman Public Works Department (APWD).

As per revised guidelines, all procedural formalities and award of work were to be finalized within 120 days of clearance of the project otherwise it would be deemed to have been cancelled. After a lapse of one year, Executive Engineer, APWD, however, awarded the work in March 2002 to the contractor at a cost ₹ 2.01 crore with stipulation to commence and complete the work in April 2002 and October 2003 respectively. The delay was attributable to belated issue of NIT and verification of comparative statement etc. APWD, however, did neither seek the fresh approval for the project which, as per the scheme, was deemed to have been cancelled nor submit any revised estimate for sanction. It was also observed that on awarding the work, APWD could not ensure handing over of a clear land/site to the contractor for execution of work as per manualised provision till March 2003 though it was indicated at the time of preparation of detailed estimate that the land was available and there was no hindrance in taking up the work. The delay of one year from date of award in handing over the site, besides forest clearance and land dispute, was attributed to delayed departmental decision on various issues including

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demarcation of land, shifting of existing electric poles, laying of foundation stone, most of which could have been avoided.

Meanwhile, much before the actual start of work in May 2003 by the contractor, the Executive Engineer, APWD, had made a premature payment of secured advance of ₹ 53.67 lakh in August 2002 and October 2002 against the stone aggregates brought at site for future consumption on road metal works to be taken up after completion of earth work and other incidental works. Owing to abnormal delay in earth work coupled with stoppage of work by contractor and settlement of dispute of shortage of stone aggregates, the amount of advance paid remained blocked for over three and half years and APWD did not take any action to recover the interest of ₹ 54.12 lakh calculated @ 12 per cent per annum as per clause 7 of the Indenture signed for secured advance. Though APWD stated in February 2010 that the interest would be recovered from the final bill considering all aspects like escalation, penalty etc. the final bill was yet to be settled as of February 2011.

Moreover, the work progressed very slowly and completion was overly delayed due to delay in taking decision by APWD on making sea sand available, substitution for sand to be used in sub-base work, settlement of dispute on shortage of stone aggregates, non-supply of stipulated materials and other internal administrative lapses. Even after delayed start of work in May 2003, the slow execution of work, non-response to departmental directives and intermittent stoppage of work by the contractor continued which contributed to the delay to a large extent. For such abnormal delay, APWD, although, issued seven show cause notices to the contractor between August 2005 and June 2008, did not take any action for levying compensation of ₹ 20.08 lakh under Clause 2 of Contract for such non-performance. APWD, though proposed to rescind the contract in October 2005 and February 2007, no concrete action was taken to get the work restarted by defaulting contractor or executed through a separate agency. APWD, however, did not furnish any reasons for not taking action for slow progress as per conditions of contract.

As per the scheme, defective execution by the contractor was not acceptable and the roads to be constructed were expected to be of a very high standard requiring no major repairs for at least five years after completion of construction. Besides, the contractor was also responsible for setting up laboratory for testing of materials etc at his own cost. Contrary to the provision, certain items of work like earth work, cement concrete works, WBM sub-base work, sub-grade work, seal coat work etc executed by the contractor were not found conforming to the rigorous specification required

under PMGSY for which the department made payment to the contractor at reduced rate. APWD, however, used its own laboratory for testing of materials and testing charges alone were recovered from the contractor.

APWD stated in February 2011, that the three kilometres road work at Kalapathar village was completed and opened for traffic. The work for remaining 650 meters link road which still had a land dispute for 100 meters at the end was started by October 2009. Though APWD stated in February 2010 that work was likely to be completed shortly, the work remained incomplete as of February 2011 and department was of the view that the work should be closed. Analysis of items of work executed, however, indicated that the percentage of items yet to be executed and paid ranged from a minimum of 19.64 per cent to a maximum of 88.78 per cent. Till February 2011, i.e. more than seven years from scheduled date of completion, the value of work executed and paid for stood at ₹ 1.40 crore only as against the total cost of ₹ 2.01 crore. The interest and compensation amounting to ₹ 74.20 lakh due from contractor still remained unrecovered.

Thus, the abnormal delay in execution of work without the link road remained as such and the desired socio economic benefits to be derived from the construction of road under the PMGSY scheme remained illusive even after more than ten years from the date of its sanction. APWD is now preparing to close the work.

The matter was reported to the Ministry in June 2009 and August 2010; their reply was awaited as of March 2011.

#### **Directorate of Fisheries**

#### **17.2 Non-utilization of ₹ 2.40 crore of Rajiv Gandhi rehabilitation package**

**Failure to assess the technical capability of ANIIDCO resulted in ₹ 2.40 crore meant for creating infrastructure for fisheries sector remaining unutilized for last four years.**

In November 2005, the Andaman and Nicobar Administration (Administration) decided to transfer the civil works of Fisheries department to Andaman and Nicobar Islands Integrated Development Corporation (ANIIDCO). Thereafter, ANIIDCO submitted (March 2006) estimates for eight works valuing ₹ 2.40 crore. Before entrustment of work to ANIIDCO, no Memorandum of Understanding was signed as required under rules.

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As there was paucity of fund under plan, the department decided to utilize the fund provided under Rajiv Gandhi Rehabilitation Package. A special departmental advance of ₹ 2.40 crore was drawn and paid (March 2006) to ANIIDCO without the approval of the Government of India.

ANIIDCO however did not execute any work due to non-availability of technical manpower and in September 2007 expressed its inability to execute the works.

The Administration in November 2007 asked the department to execute the work through the Andaman Public Works Department (APWD).

In September 2008 Administration decided that APWD will execute the work and payment will be made by ANIIDCO. Three out of the eight works planned valuing ₹ 1.33 crore were dropped between November 2008 and March 2009. No amount was deposited by ANIIDCO to APWD as of April 2010 for execution of the civil works.

Thus failure on the part of Administration to assess the technical capability of ANIIDCO prior to release of advance resulted in non – utilization of fund of ₹ 2.40 crore since March 2006 and the objective of creating infrastructure for fisheries sector remained unaccomplished. Moreover, the department is not in a position of taking any penal action against ANIIDCO in the absence of any agreement prior to release of funds.

The matter was referred to the Ministry in June 2010; their reply was awaited as of March 2011.

**Directorate of Shipping Services**

**17.3 Over payment of ₹ 41.95 lakh to a private firm**

**Ignoring the conditions provided in the Service Support Agreement, the Directorate of Shipping Services made an over payment of ₹ 41.95 lakh as margin to a private firm.**

Andaman and Nicobar Administration entered into a Service Support Agreement (SSA) (July 1999) with M/s Ind Aust Marine Pvt. Ltd. (IAM), the sole authorized Indian representative for Yanmar Diesel Engine Company Limited, Japan (Yanmar).

The SSA was for engine maintenance and stocking of spares for a period of 20 years, for 18 vessels owned by Directorate of Shipping Services (DSS) and fitted with engine and other equipment manufactured by Yanmar.

Throughout the duration of the contract, IAM was required to maintain at Port Blair, an inventory of spare parts adequate for one year planned maintenance. As per the terms, the pricing of the spares to be stocked at Port Blair would take into account the Yanmar list price (FOB) and all other costs incurred to bring these spare parts to Port Blair, inclusive of transportation, insurance, clearing and forwarding, all Indian tariffs, duties and taxes levied.

Thus, as per the Agreement, all overheads / incidentals over and above the Yanmar (FOB) price list are payable provided they are supported with proper documents. There was however no provision for charging additional profit.

Against the supply of spares, IAM submitted the final invoice supported by bills and vouchers for all overheads / incidentals and claimed 10 *per cent* as margin on (FOB) value.

Test check of payments made to IAM for spares supplied revealed that during January 2005 to March 2008 IAM supplied spares against 53 purchase orders worth ₹ 419.48 lakh and was paid ₹ 41.95 lakh as margin which was contrary to the SSA.

On being pointed out by audit, a proposal to amend the SSA for payment of 10 *per cent* on (FOB) value was forwarded to the Administration (September 2008) which is yet to be approved.

The fact remains that, due to ignoring the conditions provided in the SSA, the DSS had made an over payment of ₹ 41.95 lakh to the firm.

The matter was referred to the Ministry in June 2010; their reply was awaited as of March 2011.

#### **Zilla Parishad**

#### **17.4 Unfruitful Expenditure - ₹ 5.77 crore**

**Failure to replace the damaged sluice gates has rendered the expenditure of ₹ 5.77 crore on restoration and strengthening of sea bunds for reclamation of paddy land unfruitful.**

Due to earthquake followed by Tsunami on 26 December 2004, the sea bunds and sluice gates at different places in South Andaman District were damaged causing the sea water to enter the paddy land. In order to reclaim 569.09



hectares of land in 9 villages of South Andaman, 17 estimates were prepared (February 2005) for restoration and strengthening of the damaged sea bunds. The estimates, however, did not contain provision for replacement of damaged sluice gates which were essential to prevent the sea water from entering the agricultural land.

The works were approved by the Zilla Parishad in February-March 2005 and completed between March 2005 and October 2006 at a cost of ₹ 5.77 crore. However, since the work of providing and laying of sluice gates was not taken up, sea water continues to enter the paddy fields. Execution Engineer, Zilla Parishad stated in October 2010 that estimate amounting to ₹ 1.66 crore for repair of sluice gates was yet to be sanctioned by the competent authority.

Therefore, failure to replace the damaged sluice gates resulted in unfruitful expenditure of ₹ 5.77 crore on restoration and strengthening of earthen bunds. Besides, the very purpose of the expenditure to reclaim the paddy land remained illusive even after more than five years.

The matter was referred to the Ministry in August 2010; their reply was awaited as of March 2011.

#### **Chandigarh Administration**

##### **17.5 Avoidable expenditure on purchase of uniform**

**Failure of District Education Officer (DEO) U T Chandigarh (2006-07) in assessing the correct requirement of uniform cloth and jersey, resulting in excess quantity of cloth and jersey worth ₹ 90.71 lakh was purchased. To deplete the stock of excess uniform held, the department also distributed the uniforms among the students of ineligible schools.**

As per the scheme of Union Territory Administration, Chandigarh, all the students studying in Government ordinary schools (non model schools) from I to VIII classes were to be provided free uniforms during the year 2006-07. The requirement of uniform cloth and jersey for 45730 students enrolled was worked out to 126508 meters and 45730 jerseys for the year 2006-07. Though the purchases were intended for the year 2006-07, due to slow pace of finalization of the process, purchase orders were placed only in December 2006 for 314816 meters of cloth and 52942 jerseys, leading to 188308 meters of cloth and 7212 jerseys in excess valuing ₹ 90.71 lakh.

Test check of records of the District Education Officer (DEO), Union Territory of Chandigarh, in February 2008 revealed that the reasons for excess procurement are as under:

- The excess purchase was due to counting of 7212 SC students twice in the enrolment valuing ₹ 19.15 lakh extra burden to the state.
- The purchase of double the quantity of cloth valuing ₹ 36.10 lakh for uniforms required for the girl students of classes I to VIII.
- The excess quantity of cloth valuing ₹ 35.46 lakh for the boys of the class I to II due to mistakes in calculation.

The lots of cloth were received between January 2007 and August 2007 and got stitched and distributed only during 2007-08, due to which children could not be supplied uniform during 2006-07.

Meanwhile in February 2008, the Education Department changed the colour of uniforms for the year 2008-09 and decided to purchase stitched uniforms without taking cognizance of the old stock. Accordingly, the DEO placed order (February 2008) with a firm in Mumbai for the purchase of stitched uniforms for the year 2008-09 which were received and distributed among the students of Class I to VIII in non model schools during 2008-09. Simultaneously, the department also distributed the old uniforms among the same students and students of ineligible schools merely to deplete the stock of excess uniform held.

On being pointed out in audit (February 2008), the DEO stated (February, 2008) that 7212 students were inadvertently included twice in the general enrolment and the excess purchase was made accordingly. The DEO further stated (November 2009) that the uniforms had been distributed among the students in various government schools leaving a balance of uniforms /cloth valuing ₹ 10.47 lakh in stock. The reply is not acceptable as the DEO, with a view to deplete the stock of uniforms had distributed, the uniforms made out of the excess cloth twice/thrice among the students of non model schools and to the students of ineligible model schools and schools run under Sarva Shiksha Abhiyan, deviating from the norms fixed by the UT Administration. Moreover, decision to change the colour of uniform in February 2008, was taken without taking into account stock in hand. The recent distribution of uniforms as also without any justification indicates a total disregard of the Cannons of financial propriety with regard to spending of

public money. This led to an avoidable expenditure of ₹ 90.71 lakh to the exchequer.

The matter was reported to the Education Secretary, Chandigarh Administration (November 2008 and November 2009), and Home Secretary, GOI (January 2010); their reply was awaited as of March 2011.

### **Chandigarh Transport Undertaking**

#### **17.6 Imprudent decision in awarding contract**

**Imprudent decision in awarding the contract for display of advertisements on the buses of Chandigarh Transport Undertaking resulted in loss of ₹ 1.15 crore.**

Tenders for display of advertisements on 412 buses of the Chandigarh Transport Undertaking (CTU) for two years were invited in July 2005 and opened in August 2005 as the previous contract @ ₹ 2055 per bus per month (PBPM) with M/s Pisces Communication (P) Limited, Delhi was to end on 16 October 2005. As per the terms and conditions of tender, the tenderers were to quote the rates for minimum group of 30 buses. Out of 5 bids received, M/s Ad Global offered the highest rate of ₹ 3402 per bus per month for 120 buses only, whereas M/s Excel Advertising, Chandigarh quoted the next highest rate of ₹ 2828 per bus per month for all the 412 buses. The other bidders were M/s Media Solutions, Chandigarh, M/s Pisces Communications (P) Limited and ESPN ADS who had quoted the rate of ₹ 2701, ₹ 2061 and ₹ 1818 PBPM respectively for all the 412 buses.

Scrutiny of the records revealed that when the tenders were opened on 24 August 2005, the department recorded two minutes signed by the Tender Committee consisting of the Assistant Controller (F&A), General Manager. (CTU-I) & General Manager (CTU-II). In one of the minutes, it was indicated that the rate of M/s Excel Advertising, Chandigarh at ₹ 2828 PBPM was the highest and the company be called to complete the formalities. In the other minutes, the Tender Committee recommended to make offer to M/s Ad Global for 120 buses at ₹ 3402 PBPM and for 292 buses at ₹ 2828 PBPM to M/s Excel Advertising. Reasons for recording the two minutes were not on record. The Tender Committee negotiated (2 September 2005) with both the firms to execute the agreement for the split offer which did not materialize and the tender was cancelled as M/s Ad Global did not agree to accept the offer for 292 buses at ₹ 2828 PBPM, in addition to their offer for 120 buses at ₹ 3402 PBPM and M/s Excel Advertising, Chandigarh declined to execute the agreement only for 292 buses at ₹ 2828 PBPM on the plea that it had quoted

the rate for the whole lot of 412 buses. In the tender notice it was stated that bids should be in minimum groups of 30. Therefore, denial of offer to M/s Ad Global for 120 buses only at ₹ 3402 PBPM was not appropriate. The department neither opted for the offer of the highest tenderer at the rate of ₹ 3402 PBPM for 120 buses and reinvite tenders for the remaining 292 buses, nor offered the contract to the second highest tenderer for all the 412 buses at ₹ 2828 PBPM. Records did not reveal as to why no offer was made to the next higher bidder i.e M/s Media Solutions (after the offers were declined by the above mentioned two firms), who had quoted for all the 412 buses at ₹ 2701 PBPM. The CTU chose to reinvite tenders in September 2005 without recorded reasons for not considering the available options.

It was noticed that out of the bids received in response to the second tenders (September 2005), the highest bid of M/s Media Solution at ₹ 2424 PBPM was recommended by the Departmental Committee and sent to the UT Administration (13 September 2005) for approval. The matter remained pending with the Chandigarh Administration for waiver of a condition regarding payment of advertisement fee to the Municipal Corporation of Chandigarh by the Contractors. The Home Secretary, Chandigarh Administration exempted in January 2006 the Contractors from payment of advertisement fee to the Municipal Corporation and directed the CTU to call fresh tenders on the plea that the department expected higher rates by floating fresh tenders after the decision to exempt payment of advertisement fee to the Municipal Corporation had been taken. The expectation to get higher revenue however as one of the conditions of the tender of September 2005 was liability to pay advertisement fee to the Municipal Corporation and the Administration's separate exercise to waive the said fee was nothing to do with the tender already finalized in September 2005. Thus, rejection of the tender by the Home Secretary by linking the two independent issues was not justified.

Tenders were invited for 3<sup>rd</sup> and 4<sup>th</sup> time in January 2006 and 15 February 2006, but these also did not materialize due to the reasons that on the 3<sup>rd</sup> time, the rates offered were lower than the rates obtained on the earlier occasions and on the 4<sup>th</sup> time no offer was received. The tenders were re-invited for the 5<sup>th</sup> time on 8 and 9 March and opened on 24 March 2006. This time, the highest bid at the rate of ₹ 1890 PBPM for 417 buses received from M/s Pisces Communication Private Ltd. was approved (4 April 2006) for a period of two years from 17 April 2006 to 16 April 2008. In the past, this firm had been awarded contract for 412 buses from 20 March 2001 to 19 March 2003 and from 17 October 2003 to 16 October 2005 at the rate of ₹ 2055 PBPM.

Thus, in 2005, when the tenders were invited for the first time, by not awarding the contract to M/S Ad Global for 120 buses at ₹ 3402 PBPM and reinvite tenders for the remaining 292 buses or by not awarding the contract to M/s Excel Advertising, Chandigarh who had offered the bid of ₹ 2828 PBPM for 412 buses, the department suffered a loss of ₹ 1.15 crore. The chronology of events as brought out above clearly establishes that M/S Pisces Communication Pvt. Ltd. gained by getting contract at a lower rate.

On being pointed out by Audit (January 2007/May 2007), the UT Administration replied (September 2007) that by harmonizing the rates of first two highest bidders i.e. M/s Ad Global and M/s Excel Advertising, Chandigarh, the offer of contract was made to both the parties at ₹ 3402 PBPM for 120 buses and at ₹ 2828 for 292 buses, but the parties declined the offer.

The reply of the Administration is not acceptable as there were options available for accepting offer as per the terms and conditions of tenders which did not bar the management from allotting the contract for 120 buses only at the rate of ₹ 3402 PBPM to M/s Ad Global and reinviting tender for the remaining 292 buses or accepting the offer of M/s Excel Advertising, Chandigarh at ₹ 2828 per bus per month for all the 412 buses. Failure to take a prudent decision resulted in loss of income of ₹ 1.15 crore to CTU. Incidentally, the contract from 17 April 2008 for two years has been awarded to M/s Adlabs Films Ltd, New Delhi at ₹ 5000 PBPM.

**17.7 Drawal of funds in advance of requirement**

**Drawal of funds of ₹ 3.17 crore in advance of requirement resulted in loss of interest of ₹ 20.42 lakh.**

Financial rules require that money should not be drawn from treasury unless the same is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grant.

In January 2007 and March 2008, the Chandigarh Transport Undertaking (CTU) placed three orders with two firms for purchasing chassis for buses. Audit scrutiny revealed that in the three purchase cases, CTU withdrew total amount of ₹ 3.17 crore in advance of requirement and kept the amount in the shape of bank drafts. The payments to the firms were actually made after a period ranging from three to twenty months from the date of drawal of funds.

The details are given below :-

S.No.	Date of Purchase order	Name of the firm	Number of chassis and cost	Date of supply/ Nos. of chassis	Date of payment	Date of Drawal of funds
1.	22.01.2007	M/s Tata Motors Limited, Chandigarh	16/₹ 1.26 crore	July 07-1 Aug. 07-8 Sept- 07-7	18.10.07 & 13.02.08	₹ 1.26 crore on 31.03.07
2.	31.03.2008	M/s Ashok Leyland Limited, Chandigarh	17/₹ 0.99 crore	21.06.08-10 24.06.08-07	02.07.08	₹ 0.99 crore on 31.03.08
3.	31.03.2008	M/s Ashok Leyland Limited, Chandigarh	5 Double decker/ ₹ 0.95 crore	17 Stag chassis: 13.11.09-16 16.12.09-01	28.12.09	₹ 0.92 crore on 31.03.08

In the first case, as per terms of the purchase order, 98 per cent payment was to be made on receipt of the chassis after pre delivery inspection by CTU at the premises of the dealer and the balance two per cent was to be made within 30 days from the date of receipt of final bill duly completed in all respects. The committee constituted for undertaking the pre delivery inspection submitted their reports on 21-9-07 and 98 per cent payment was released in October 2007 and the balance in February 2008 to M/s Tata Motors Limited. But CTU had withdrawn the amount of ₹ 1.26 crore from the treasury as early as on 31 March 2007, though payments were due only in October 2007.

In the second case, though CTU placed the purchase order on M/s Ashok Leyland Limited, Chandigarh on 31 March 2008 for supply of 17 chassis costing ₹ 0.99 crore, CTU withdrew ₹ 0.99 crore from the treasury on 31 March 2008 itself and kept the amount in the form of bank draft. As per terms of the purchase order, 100 per cent payment was to be made on receipt of the chassis after pre delivery inspection. A committee consisting of officers/officials to inspect the chassis at the dealer's premises submitted the reports in June 2008 and 100 per cent payment was released on 2 July 2008. Thus, drawal of money in March 2008 was unnecessary.

In the third case, CTU placed the purchase order on M/s Ashok Leyland Limited, Chandigarh on 31 March 2008 for supply of five number of double decker chassis. On the same day funds to the tune of ₹ 0.92 crore were drawn on this account from the treasury and kept in the form of bank draft. M/s Ashok Leyland produced the double decker chassis in May 2008. As CTU was finding it difficult to finalise the body builder for these chassis even after resorting to three tenders, it approached (August 2009) the Chandigarh Administration to allow purchase of 17 numbers of stag chassis (i.e. chassis for mini buses) in lieu of the five double decker chassis. The Administration

dropped the idea of double decker buses and accorded sanction (August 2009) to purchase the stag chassis at a cost of ₹ 0.95 crore from the same firm. These chassis were received in November - December 2009 and payment was made in December 2009.

The Director Transport stated (September 2010) that delivery of chassis was not taken in time as the body builders had requested not to supply the chassis in one lot, there was no space to park the chassis in the workshop of CTU and the tenders for fabrication of buses could not be finalised in time. He further added that funds were drawn as the chassis were readily available with the firms.

The reply is not acceptable as the reasons cited all the more warranted postponing of drawing money and drawal of fund on the same day/ time of placing the purchase orders for chassis without finalising the tenders for body building etc was not justified. Thus, the CTU in disregard to the financial rules and propriety withdrew ₹ 3.17 crore without any immediate requirement and retained the amount in the form of bank drafts for three to twenty months leading to loss of interest of ₹ 20.42 lakh.

The matter was referred to the Finance Department of the Chandigarh Administration in September 2010 and November 2010; their reply was awaited as of March 2011.

### **Chandigarh Administration – Engineering Department**

#### **17.8 Irregular advance payments for works**

**Without obtaining details of the utilization of ₹ 4.24 crore already advanced, the Chandigarh administration made further payment of ₹ 11 crore to Power Grid Corporation of India with a view to prevent lapse of the budget grants.**

General Financial Rules require that departments of the Central Government shall surrender to the Finance Ministry, all the anticipated savings noticed in the Grants or Appropriations controlled by them.

The Chief Engineer, Engineering Department of the Union Territory, Chandigarh entered (October 2008) into four agreements with Power Grid Corporation of India Ltd (PGCIL) for execution on cost plus basis of four works namely, providing of additional transformer, at the 66/11 KV Substation at Rajiv Gandhi I.T. Park, providing of automatic capacitor banks at various substations, upgradation of the existing 33 KV Sub-Station to 66

KV station in Sector-34, and upgradation of transformation capacity at 66 KV Grid Sub Station, IT Park. Justification, as required in Rule 204 of GFR, was not recorded for awarding the works on cost plus basis.

The total estimated cost of these four works excluding the consultancy fee and applicable taxes and duties was ₹ 24.66 crore. Three works were to be completed within 18 months and the fourth one was to be completed within 24 months from the date of release of first instalment of fund and signing of agreement, whichever was later.

The terms of payment as per the agreements, inter alia, provided for the following:

- (i) Consultancy fee payable to PGCIL was 13 *per cent* of the actual cost of the projects.
- (ii) 15 *per cent* of the estimated cost plus proportionate consultancy fee and applicable service tax on the consultancy fee was to be paid on acceptance of the offer of PGCIL or signing of the agreement whichever was later.
- (iii) The balance payment along with corresponding consultancy fee and applicable service tax was to be made in a phased manner as per the requirement of work. PGCIL was to submit the requirement of funds in advance along with justification and the department was required to release the funds promptly. While demanding further funds, PGCIL was to furnish maximum details of utilization of the funds already released by the department.

The offer of PGCIL was accepted on 7 July 2008. The department released 15 *per cent* advance payment of ₹ 4.24 crore in July 2008 for process of tendering work, design, Ground Logistics Operations and Miscellaneous expenditure during the tender and award of work.

PGCIL in November 2008 and February 2009 requested the Electricity Department, U.T, that the projects were under process for award of tender for which they have to make advance payment to the suppliers of various materials. Hence, advance payment of ₹ 10 crore may be released so that they do not face any financial problem during the execution of projects. The Executive Engineer without obtaining the details of utilizations of ₹ 4.24 crore already released, released further payments of ₹ 5.00 crore in January 2009 and ₹ 6 crore in March 2009 on the instruction of Superintending Engineer.



Audit scrutiny revealed that the tender documents were issued in October 2009, ten months after the advance was received. Accordingly PGCIL in June 2010 concluded two contracts with M/S AREVA T &D limited for execution of these projects. Since the agreement with PGCIL did not provide for payment of interest on the advance amounts placed with them (required as per CVC guidelines), there was undue financial aid of ₹ 11 crore to PGCIL and loss of interest of ₹ 1.09 crore (up to May 2010) to the Government (calculated at 7.69 per cent per annum at the borrowing rate of Central Government).

The Superintending Engineer, Electricity Operation Circle, Chandigarh in his reply stated (June 2009) that instructions to the EE for further release of funds were as per direction from the higher office that no surrender/saving should occur during the Financial Year 2008-09. Further, the Division stated (June 2010) that the expenditure/utilization certificate was being obtained.

The reply is not acceptable as Financial Rules do not permit drawal of money from the treasury with a view to prevent lapse of budget. Therefore, the action of the department to release funds to PGCIL in advance of requirements and disregard to the terms of agreements was irregular.

The matter was reported to the U.T. Administration (July 2009 and November 2009); their reply was awaited as of March 2011.

**17.9 Embezzlement due to non-reconciliation of remittances in the Treasury**

Due to non compliance of provisions/instructions issued from time to time regarding timely reconciliation of remittances in the treasury, a sum of ₹ 1.83 crore was embezzled by a cashier.

Codal provisions regarding receipt and maintenance of Government money provide that cash received by the official on behalf of the Government should invariably be deposited in the treasury/bank at the earliest. To ensure that all collection of the Government revenue stand remitted and accounted for, a certificate of total deposits should be obtained from the Treasury Officer in the Consolidated Treasury Remittances Register by the Divisional Officer (DO) at the end of each month. Any difference in remittances with the Treasury Office should immediately be investigated and reconciled by identifying each and every item. The DO can also obtain a copy of the scroll from the assigned bank to compare each entry of remittance into the bank and to clear the differences, if any depicted in the Schedule of Monthly Settlement with the Treasury. The Finance Department Chandigarh Administration issued

(July 1991) guidelines to reconcile the remittances with bank/treasury by 5<sup>th</sup> of the month following the month of remittance.

During test check of records of the Electricity Department, it was observed that there were huge differences in the remittances made by the Division and as credited in the Government accounts during the years 2004-2007 as under:

Name of Division	Year of I/R and Para No.	Difference in Form 26
Operation Dn. No. 3	2004-05 Para-4	₹ 5.98 crore
Operation Dn. No. 1	2004-05 Para-2	₹ 6.37 crore
Operation Dn. No. 3	2005-06 Para-8	₹5.91 crore
Operation Dn. No. 3	2006-07 Para-2	₹2.29 crore
Operation Dn. No. 1	2006-07 Para-3	₹ 6.79 crore

The fact had regularly been pointed out in the annual audits of the Divisions through Inspection Reports issued by the Audit, but no action in the matter was taken by the department.

In March-May 2008 it was detected by the department that a cashier of the department embezzled ₹ 1.83 crore during the months of April 2005 to February 2008 in 89 transactions by submitting fake receipt challans duly stamped with dated stamp of the bank, which were accounted for in the monthly accounts of the departments.

On being pointed out (May 2008 and June 2008), the Chief Engineer, Union Territory admitted (August 2008) the embezzlement of ₹ 1.83 crore, which was attributed to a systems failure and informed that two FIRs had been lodged against the Cashier and the matter was under police investigation. The plea of systems failure is not accepted as failure of the departmental officers to carry out the reconciliation in time facilitated the misappropriation and no accountability has been fixed against the departmental officers concerned. The cashier has since retired.

The matter was reported (December 2009) to the U.T. Administration and Government of India (January 2010); their reply was awaited as of March 2011.

**CHAPTER XVIII : MINISTRY OF WOMEN AND CHILD  
DEVELOPMENT**

**18.1 Blocking of funds**

**Release of grant amounting to ₹ one crore during 2002-03 and 2007-08 to the state Government in violation of the provisions of the Swadhar Scheme remained unfruitful as targeted beneficiaries of the State were deprived of the facilities for about six years.**

The Ministry of Women and Child Development launched a Swadhar Scheme in 2002 with the primary objective of providing shelter, food, clothing and care to the marginalized women/girls living in difficult circumstances and without any social and economic support. Under this scheme, the Ministry provides assistance to Women and Child Welfare Department of State Governments, Women Development Corporations, Urban Local Bodies, reputed Public/Private Trust or Voluntary organizations for various components like construction of building for the centre, rent for the shelter, management of the centre etc. For construction of shelter homes, the Ministry provides 75 per cent of the construction cost subject to the ceiling of ₹ 25,000 per inmate. It releases the approved grant in three instalments, 50 per cent of the approved assistance before starting the work, 40 per cent on completion of civil works and balance 10 per cent after construction is over. As per the conditions of scheme, construction of the building is to be completed within 18 months from the date of release of first instalment of the grant.

Government of Maharashtra (the State Government) submitted a proposal (June 2002) for a project costing ₹ 6.05 crore, which included construction of a 400 bedded shelter home at a cost of ₹ 4.75 crore and the remaining amount for other components<sup>1</sup> of the scheme. Before sanctioning the project, the Ministry had asked (October 2002) the State Government to confirm to bear the construction cost beyond ₹ 100 lakh permissible as per the schematic norms for 400 inmates. The Ministry accorded its approval (December 2002) for the project on the stipulation that the State Government would commence the project in a phased manner in accordance with the availability of funds and would commence the construction of shelter home for 100 girls within a period of six months as the first phase and complete the overall project within 18 months' time.

<sup>1</sup> Provision of furniture, beds, food, contingencies, cost of administration etc.

Examination in audit disclosed that the Ministry did not ensure hindrance free site before releasing the grant of ₹ 50 lakh as required under the scheme guidelines which stipulate that grants shall be released upon production of non-encumbrance certificate of the land. At the time of release of grant the requisite land was encroached and consequently, the State Government could not commence the construction of shelter homes till September 2005. As a result the ₹ 50.00 lakh released in January 2003 remained blocked with the State Government for more than two years. Again the Ministry released second instalment of ₹ 40.00 lakh in January 2007 without ensuring completion of civil works and similarly final instalment of ₹ 10.00 lakh was released (August 2007) without the completion of the construction of shelter homes in totality.

The Ministry while admitting the delay stated that the first phase of the project with a capacity of 200 women had been completed at a cost of ₹ 2.75 crore and the PWD, Maharashtra would be handing over the constructed building in July/August 2010.

The fact remains that the release of grant amounting to ₹ one crore in violation of the provisions of the scheme remained unfruitful for about six years as the targeted beneficiaries of the state were deprived of the facility which was to be provided by July 2004. Moreover, while the intended objectives had been only partially achieved, the Ministry had released the entire admissible grant for construction of building which targeted for providing home to 400 beneficiaries.

The matter was referred to the Ministry in August 2010; their reply was awaited as of March 2011.

## CHAPTER XIX : DEPARTMENT OF SPACE

### 19.1 Idle investment on development of a Linac tube

**A Linac tube was developed for Solid Propellant Space Booster Plant of Satish Dhawan Space Centre, Sriharikota in March 2002 to improve performance of the existing 15 MeV Linear Accelerator system. Despite availability of idle time of the main system, the Linac tube was not installed for eight years, leading to idle investment of ₹ 1.80 crore and additional maintenance cost of ₹ 32 lakh. Non replacement of the old Linac tube with the new one led to a two fold increase in the time taken for inspection of rocket motors.**

The Solid Propellant Space Booster Plant (SPROB), one of the divisions of Satish Dhawan Space Centre (SDSC), Sriharikota, a constituent unit of Department of Space, (DOS), had imported a 15 MeV Linear Accelerator system<sup>1</sup> from the United Kingdom in 1984 for meeting inspection requirement of Polar Satellite Launch Vehicle (PSLV) rocket motors. In 1999, this system started giving low X-ray output of about 1500 radiations per minute against a nominal output of 3000 radiations per minute. Though the reduced output was found to be sufficient for meeting the existing inspection demands, the time taken for inspection increased two fold. Experts indicated that the Linac tube might have decayed and needed replacement. Therefore, SPROB entered into a Memorandum of Understanding (MoU) in March 2001 with the Society for Applied Microwave Electronic Engineering Research (SAMEER), Mumbai, an autonomous body under Department of Information Technology, for development of a Linac tube which was a critical sub-system of the Linear Accelerator system. The duration of development, including commissioning of the Linac tube by SAMEER and acceptance by SDSC SHAR<sup>2</sup> was 20 months i.e. before October 2002. The total cost of development of the Linac tube was ₹ 1.80 crore which was payable in installments. The final installment of 10 per cent was payable after installation, commissioning and final acceptance of the tube with respect to its performance with the existing 15 MeV Linear Accelerator system of SPROB.

SAMEER completed development of the Linac tube and SPROB conducted the evaluation test at SAMEER and accepted the tube in March 2003. SAMEER required only 40 days for interfacing the Linac tube and final

<sup>1</sup> The system is a type of particle accelerator that greatly increases the velocity of charged subatomic particles or ions by subjecting the charged particles to a series of oscillating electric potentials along a linear beamline.

<sup>2</sup> as in MoU

evaluation tests. However, SPROB decided not to install and commission the tube due to heavy workload on the existing Linear Accelerator System. SPROB also decided to keep the Linac tube in the custody of SAMEER until its installation. After completion of all obligations of development, SPROB amended the financial terms of the MoU and released the final payment to SAMEER, without interfacing the tube with the main system and without ensuring satisfactory performance of the tube, duly integrated with the main system. SPROB, therefore, continued to carry out inspections with the available low output and with two fold increase in inspection time. Since the newly developed/acquired tube was not integrated with the main system, SDSC entrusted the work of maintenance of the tube to SAMEER till its installation and commissioning. The maintenance of the tube included high power activation of the tube twice a year for which SPROB paid ₹ 32 lakh to SAMEER as charges. Such activation of tube was carried out four times during April 2003 to 2007.

It was observed in audit that the tube had been lying idle since March 2003, even after incurring an expenditure of ₹ 32 lakh for activation of the tube. It was further observed that SPROB placed a separate order in March 2008 on SAMEER at a total cost of ₹ 5.10 crore for development of another 15 MeV Linear Accelerator System, which would serve as a standby to the existing 15 MeV Linear Accelerator system. SPROB also decided that the Linac tube already developed by SAMEER would be installed in the new 15 MeV Linear Accelerator system, which is slated to be completed by December 2011.

Thus, the decision of SDSC to not undertake installation, interfacing and commissioning of the Linac tube resulted in idling of the tube costing ₹ 1.80 crore for eight years. The tube has neither been put to any use nor proved that it would work with Linear Accelerator system.

SDSC replied in April 2009 that:

- The tube was developed as a general preventive measure policy to keep in stock and to facilitate replacement as and when need arises;
- The main system, being of a single point nature, was initially linked with all PSLV/GSLV launch activities and ISRO could not afford to keep the machine idle to facilitate replacement of old tube with the new one; and
- The development work helped organisations like SAMEER to master hi-tech Linac tube technology and become self-reliant in the production of Linac Machines.

In March 2011, SDSC again reiterated its stand by replying that Linac Tube was still in the custody of SAMEER and as decided earlier it would be installed in the new system which was due for delivery in December 2011.

DOS replied in December 2009 that:

- Originally the MoU with SAMEER was entered with the requirement of interfacing the tube with the machine but extensive efforts put in by engineers resulted in machine performing up to required standards and hence the tube was kept as standby option;
- Tube was fully tested by an expert team at the special lab of SAMEER and functionality of the system was proven. Hence, it was not essential to test it again after integration into the main system; and
- SAMEER had confirmed in April 2008 that the tube would deliver the required specifications and work satisfactorily.

The replies of DOS and SDSC may be viewed in light of the following facts:

- The main system was operated at low output even after intervention made by engineers and increased time taken for the inspection of motors.
- The tube had not been integrated with the main system and as such, the efficiency and functionality of the system developed by SAMEER remained to be proven.
- SAMEER required only 40 days for interfacing and evaluation tests and that the system was put into use only for 10 to 45 *per cent* of available working days in a year during September 2004 to October 2009. Therefore, the contention of SDSC that it could not afford to keep the machine idle to facilitate replacement of old tube with the new one is not acceptable.
- SDSC itself specified various evaluation tests and its final acceptance after integration of the tube with the main system in the MoU. Even the expert team, while accepting the tube after evaluation tests at SAMEER, had recommended commissioning of the tube along with associated interface within the warranty period.
- In the Design Review meeting held in February 2009, SDSC itself raised the issue of the performance of the tube as the tube was developed five

years back. To this SAMEER had indicated that it would undertake fabrication of new tube as a fall back option.

**19.2 Avoidable payment of electricity duty and cess**

**Failure of two units of Department of Space to claim the available exemption of electricity duty and cess resulted in additional expenditure of ₹ 1.49 crore which was avoidable. An amount of ₹ 1.05 crore was refunded/adjusted at the instance of Audit.**

Article 287 of the Constitution of India stipulates that no law of a State shall impose or authorise imposition of tax/duties on consumption or sale of electricity consumed by the Government of India or sold to the Government of India for consumption.

Audit test checked records relating to payment of electricity charges of two units of Department of Space, viz., Master Control Facility (MCF) Bhopal and Space Application Centre (SAC) Ahmedabad. It was observed by Audit in September 2008 that MCF Bhopal paid electricity duty and cess to Madhya Pradesh State Electricity Board/MP Madhya Kshetra Vidyut Vitaran Company Ltd., Bhopal, for the power drawn and consumed for its facilities, even though Government of India is exempt from payment of such duties according to Article 287 of the Constitution. MCF Bhopal paid an amount of ₹ 37.57 lakh as electricity duty and ₹ 6.44 lakh as cess during the period from January 2005 to October 2008. Audit similarly observed in March 2009 that SAC Ahmedabad paid electricity duty of ₹ 1.05 crore for the period from August 2002 to April 2009 to Uttar Gujarat Vij Company Ltd, Ahmedabad for the power drawn and consumed for its facilities. This resulted in additional expenditure of ₹ 1.49 crore which was avoidable.

MCF Hassan replied in January 2009 that the Electricity Company stopped charging electricity duty and cess from November 2008 onwards and the matter of reimbursement/ adjustment of excess duty and cess paid had been taken up with the Chief Engineer. SAC Ahmedabad replied in May 2009 that the exemption of electricity duty was likely to be effective from the next bill and refund of excess duty paid was under active consideration.

DOS stated in December 2009 that Madhya Kshetra Vidyut Vitaran Company Ltd. and Uttar Gujarat Vj Company Ltd. had stopped levy of electricity duty/cess in the case of MCF and SAC with effect from November 2008 and March 2009 respectively and matter was being pursued vigorously with senior state government authorities for refund of electricity duty/cess.



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SAC Ahmedabad further intimated in January 2010 that the entire amount has been adjusted/refunded by Uttar Gujarat Vij Company Ltd.

Thus, payment of electricity duty and cess aggregating ₹ 1.49 crore could have been avoided had the two units processed the bills more carefully in accordance with the provision of the Constitution. After being pointed out by Audit, ₹ 1.05 crore was adjusted/refunded by the Uttar Gujarat Vij Company Ltd.

CHAPTER XX : GENERAL

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

**Despite repeated instructions/recommendations of the Public Accounts Committee, initiatives taken by Committee of Secretaries, various Ministries/Departments did not submit remedial/corrective Action Taken Notes on 67 audit paragraphs even after the lapse of time limit prescribed by the Public Accounts Committee.**

In view of the gravity of the large pendency of ATNs with the Ministries/Departments, the PAC (2009-2010) selected the subject for detailed examination. Examination of the subject by PAC disclosed deficiencies in monitoring mechanism both at the Ministry/Department level as well as in the Department of Expenditure (Monitoring Cell), which is the nodal agency for monitoring the ATNs. The Committee in their Eleventh Report (Fifteenth Lok Sabha) presented to the Parliament on 29 April 2010, recommended that the Chief Accounting Authorities should be made personally accountable in all cases of abnormal delays in taking remedial action and submitting ATNs to PAC.

The Committee desired that:

- (i) The Ministry of Finance (Monitoring Cell) in coordination with Audit and the concerned Ministries/Departments should find a workable solution for submission of ATNs to the Committee within the stipulated time in accordance with the importance of adhering to standards of parliamentary accountability.
- (ii) The matter relating to delays in submission of ATNs should be brought before the Committee of Secretaries (CoS) periodically, preferably at quarterly intervals so as to expedite the submission of ATNs by all the defaulting Ministries/Departments.
- (iii) Figures of pending ATNs shown by Ministries/Department with that of Audit be invariably reconciled.
- (iv) The Department of Expenditure (Monitoring Cell) should facilitate conducting workshops with the participation of concerned C&AG's officials and the respective defaulting Ministries/Department with a view to expedite clearance of pending ATNs at regular intervals, at least once in three months.

In pursuance of their recommendations, a meeting was taken by CoS on 17<sup>th</sup> June 2010 in the Cabinet Secretariat in which following decisions were taken:

- (i) The Secretaries in the Ministries/Departments, being the Chief Accounting Officers, will be personally responsible for ensuring finalization of ATNs/ATRs on audit paras/PAC Reports within the prescribed timeframe.
- (ii) Standing Audit Committees (SAC), chaired by Secretary/Special Secretary including the Financial Adviser will be set up by each Ministry for monitoring the submission of ATNs on paras of C&AG's Reports and ATRs on the recommendations of PAC besides taking appropriate remedial measures. The SAC shall meet on monthly basis and its Terms of Reference (ToR) will include preventive action to be taken to avoid recurrence of irregularities pointed out in Audit paras/PAC's Reports.
- (iii) ATN Adalats/Workshops should be held regularly for speedy submission of ATNs.

The CoS, in its second meeting held on 2 November 2010, observed that considerable progress had been made by the Ministries/Departments in speeding up submission of ATNs. Almost all Ministries/Departments had already set up SACs and remaining ones were in the process of setting up SACs. CoS further observed that progress regarding ATN Adalats/Workshops was slow as only 14 Ministries/Departments had taken action in this regard. CoS, therefore, decided that by March 2011, current pendency should be reduced by 50 *per cent* and first response in all cases should be sent by December 2010.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil) as of December 2010 disclosed that though the ATNs on Audit Reports for the years ended upto March 2009 were presented to Parliament, the prescribed time limit of four months had elapsed in each case. Out of a total 283 ATNs due for submission, the Ministries/Departments had not submitted even first response/remedial ATNs at all in respect of 67 paragraphs. Besides, there were 216 paragraphs on which final ATNs were awaited out of which 40 paragraphs pertained to Audit Reports more than 10 years old as indicated in Appendix-II.

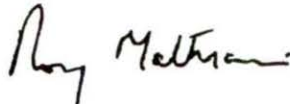
**20.2 Response of the Ministries/Departments to draft paragraphs**

**Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of Ministries/Departments did not send response to 21 of 57 draft paragraphs included in this Report.**

On the recommendation of the PAC, Ministry of Finance issued directions to all Ministries in June 1960 to send their response to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are always forwarded by the respective Audit offices to the Secretaries of the concerned Ministries/Departments drawing their attention to the audit findings and requesting them to send their response within six weeks. The status of receipt of replies from the Ministries are indicated in each paragraph included in the Audit Report.

In 21 out of the 57 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2010, replies from the Secretaries of the Ministries/Departments were awaited. The details are indicated in **Appendix-III**.

New Delhi  
Dated: 16 August 2011

  
(ROY MATHRANI)  
Director General of Audit  
Central Expenditure

Countersigned

New Delhi  
Dated: 16 August 2011

  
(VINOD RAI)  
Comptroller and Auditor General of India

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*Annexe*



## Annexe-I

(Referred to in paragraph No.4.2)

## Details of non-realisation of pension/family pension dues

(₹ in lakh)

Name of HPO	Period for which debits not raised	Amount for which debits not raised		Total
		IEPF	CMPF	
<b>Jharkhand Postal Circle</b>				
B.S. City	April 2006 to January 2009	5.39	3.98	9.37
Jamshedpur	August 2006 to September 2008	53.60	0.16	53.76
Dhanbad	April 2004 to August 2008	10.66	164.50	175.16
<b>Bihar Postal circle</b>				
Munger	May 2008 to March 2009	3.62	1.20	4.82
Begusarai	July 2006 to April 2008	0.60	0.50	1.10
<b>Total</b>		<b>73.87</b>	<b>170.34</b>	<b>244.21</b>



Annexe-II

(Referred to in paragraph No. 6.3)

Details of the property teams visiting EOI Bangkok

Sl. No.	Date of visit	Composition of the property team	Purpose of visit	Recommendations	Action taken by MEA/Mission
1.	1982	-	Inspection of site.	Decided against building ER due to very narrow approach road.	No action
2.	May 1987	AS (FA) and JS (Establishment)	Transit visit to Bangkok.	Agreed with the assessment of Mission to prepare a feasibility report for construction of apartments	<b>July 1988</b> -Ministry approved termination of building project and sale of the plot.
3.	May 1989	AS (FA) and DS (Project)	Examine offers for sale of plot.	Was of the view to wait further so as to command better price of the plot	No action
4.	January 1990	Director (Finance) and Director (Establishment)	Examine few offers received by Mission advertised for sale of plot in newspapers.	Favoured construction of some apartments for Assistants and Attaches.	No formal instructions were issued.
5.	May 1990	AS (FA) and JS (Establishment.)	Transit from Yangon to Delhi to inspect the plot.	No specific view was taken regarding the plot.	No action
6.	September 1992	Foreign Service Inspectors	To consider various options to make full use of the plot.	Were of the view that maximum advantage should be taken by developing this plot of land.	No action
7.	April 1994	AS (FA) and JS (Establishment)	To study various options.	Decided, with the approval of FS that a portion of the land may be retained for construction of around 3000 sq mts of residential space and the remaining land may be sold to highest bidder.	<b>March 1995</b> -It was decided to hire a consultant for preparation of Master Plan.
8.	December 1995	Foreign Service Inspectors	To examine options for utilisation/ disposal of plot.	Recommended two options (i) selling the plot (ii) invite local developer for construction of residence complex who in turn should offer certain fully furnished apartments for IB officials.	<b>June 1996</b> -Ministry conveyed its approval for consultant and asked for negotiation for selection of architect. Mission worked out economics of construction vs purchase of built up flats, and latter was found to be better option
9.	November 1996	JS (Establishment) and Director (Finance)	To study alternative and have discussions with real estate agents, property developers and financial institutions to assess the best course of action	Recommended the sale of plot.	<b>April 1997</b> - Ministry approved in principle the sale of plot. Process was initiated but due to crash in real estate prices, the sale was deferred. <b>March 2004</b> - Mission recommended immediate sale of plot. <b>May 2004</b> - sale of plot was advertised. Two Bids amounting to Baht 135

					million and Baht 120 million were received. An earlier open offer of Baht 85 million was also on table. However, no final decision was taken.
10.	February 2005	AS (AD), AS (FA) and Senior Architect	For disposal of Government owned plot of land and purchase of a plot of land adjacent to the chancery	Recommended that the best use of plot would be to construct an Embassy Residence and if feasible, a cultural centre.	On approval of FS, Mission approached and received host government's permission for construction of ER and Cultural Centre in <b>June 2005</b> . Mission short-listed four architects for the project and in <b>March 2006</b> four models submitted by them were sent to Ministry for consideration. An architectural consultancy and construction management agreement was signed with M/s SJA 3 D in October 2006. Conceptual drawings were worked out and sent to Ministry.
11.	April – May 2008	AS (FA), JS (Projects) and Sr. Architect	To examine the issues and have meeting with the architectural firms	Recommended that in view of traffic and circulation problem involved with a public building like a cultural centre, a residence of DCM in place of cultural centre may be constructed on the plot.	M/s SJA 3 D worked out changed design which was sent to Ministry in <b>July 2008</b>
12.	January 2011	AS (FA) and JS (Projects)	for on the spot assessment of the possible utilization of the GOI owned plot of land	Recommended getting a concept design developed by the architects/ consultant for construction of residences for India based officers and staff on the plot as per the revised residential area norms with adequate recreational facilities and parking. Secondly, to pursue the possibility of acquiring a property adjacent to the plot for construction of DCM's residence and for easy access from and exit to their other nearby plots <sup>1</sup>	No action

<sup>1</sup> Soi 23 and Soi 27

## Annexe-III

(Referred to in paragraph No. 6.6)

## Expenditure without sanction on visiting delegations during 2008-09 to 2010-11

Sl. No	Name of the Mission	Number of cases	Amount in ₹
1.	EI Paris	2	674870.00
2.	CGI Munich	13	787509.78
3.	EI Warsaw	1	20697.60
4.	EI Moscow	1	46392.00
5.	EI Bratislava	3	41919.00
6.	EI Rome	1	22580.00
7.	HCI London	67	3470772.40
8.	EI The Hague	1	112600.97
9.	CGI Milan	1	5685.12
10.	EI Berlin	1	6586.74
11.	EI Berne	2	28154.55
12.	HCI Port of Spain	1	318049.00
13.	CGI Chicago	1	247428.00
14.	CGI New York	2	747067.00
15.	EI Brasil	1	342365.00
16.	HCI Ottawa	1	89233.00
		<b>99</b>	<b>6961910.16</b>
<b>Expenditure in-violation of laid down scales</b>			
1.	EI Paramaribo	<b>1</b>	<b>6415000.00</b>
<b>Expenditure on ICCR sponsored troupe without sanction</b>			
1.	CGI Milan	2	156425.00
2.	EI Vienna	1	30659.30
3.	EI Bratislava	2	87441.58
4.	EI Prague	5	73228.00
5.	Nehru Centre London	1	655928.00
		<b>11</b>	<b>1003681.88</b>
<b>Non-deduction of 10 percent for breakfast from Daily Allowance</b>			
1.	EI Paris	14	25947.78
2.	CGI Milan	3	5431.08
3.	EI Brussels	2	1101.23
4.	EI Zagreb	4	8762.00
5.	EI Budapest	1	779.90
6.	EI Berne	3	6243.16
7.	EI Oslo	4	8446.95
8.	EI Lisbon	9	14386.09
9.	EI Helsinki	6	21476.00
10.	EI Prague	68	78965.07
11.	HCI London	10	18752.57

12.	CGI Hamburg	8	14177.74
		<b>132</b>	<b>204469.57</b>
<b>Expenditure on VIP lounge without sanction</b>			
1.	CGI Frankfurt	17	671986.16
2.	EI Sofia	1	17186.00
3.	CGI Munich	21	860960.07
4.	EI Warsaw	1	40373.00
5.	EI Vienna	1	113061.00
6.	HCI London	47	2343252.00
		<b>88</b>	<b>4046818.23</b>
		<b>Total</b>	<b>18631879.84</b>

Annexe-IV

(Referred to in paragraph No. 6.7)

Office Space required for Mission at Minsk

	Area in square meters
Head of Mission	35
Head of Chancery	25
Attache	16
Personnel Secretary	10
India-based Staff (3 No.)	12
Security Guard	4
Local-based staff (8 No.)	32
<b>Area for officials - A</b>	<b>134</b>
Reception Room for HOM	19
Conference Room	35
Visitor's Waiting Lobby	13
Main Lobby	45
Telex Room	5
Cipher Room	10
Shredding Room	5
Film Store	22
Library	43
Duplicating Room	10
Tele-printer Room	4
Switch Board for PBX	5
Pantry	15
Toilets	50
Stationery Store	16
Furniture Store	18
Machine Room	21
Maintenance Store for Gardeners	6
Quarter for Security Guard	40
Reception Room for Consular	13
<b>Area for other uses - B</b>	<b>395</b>
<b>Total Area C=A+B</b>	<b>529</b>
<b>Area for circulation (33 %) - D</b>	<b>174.57</b>
<b>Area for future expansion (10%) - E</b>	<b>70.36</b>
<b>Total area required for a Mission like Minsk = C+D+E</b>	<b>773.93</b>

## Annexe-V

(Referred to in paragraph No.6.8)

## Details of excess expenditure incurred by the Missions on purchase of stationery

(₹ in lakh)

Sl. No.	Name of the Mission	Year	Expenditure incurred	Permissible limit*	Excess expenditure	Percentage of excess expenditure
1.	CGI, Dubai	2009 - 2010	13.24	2.94	10.30	350
2.	EI, Abu Dhabi	2009 - 2010	8.34	2.94	5.40	184
3.	EI, Kuwait	2009 - 2010	7.81	2.94	4.87	166
4.	HCI, Dhaka	2009 - 2010	5.12	2.94	2.18	74
5.	EI, Tokyo	2009 - 2010	4.53	2.94	1.59	54
6.	HCI, Colombo	2009 - 2010	4.39	2.94	1.45	47
7.	EI, Tehran	2009 - 2010	3.99	2.94	1.05	36
8.	PMI, New York	2009-2010	15.74	5.86	9.88	169
9.	EI, Brasilia	2009-10	5.43	2.94	2.49	85
10.	EI, Panama	2009-10	4.77	2.94	1.83	62
<b>Total</b>			<b>73.36</b>	<b>32.32</b>	<b>41.04</b>	

\* US\$ 5967 = ₹ 293158 and US\$ 11935 = ₹ 586367 (for PMI New York) @ 1 US\$ = ₹ 49.13 for March'2009

Annexe-VI

(Referred to in paragraph No. 6.10)

Details of rent paid in excess of the prescribed ceiling

A- HCI-Singapore

Sl. No.	Name of the Officers/Officials	Designation	Monthly rental Ceiling	Actual Rent Paid	Excess Rent Paid per month	Months of retention	Total excess rent paid	Total excess rent paid in ₹ @ 1 ₹=S\$0.03 in March'2010
1.	Shri Mahendra Kumar	Attache	S\$3000	S\$4700	S\$1700	12	S\$20400	₹ 6,80,000
<b>Total</b>								<b>₹ 6,80,000</b>

B- EI-Tokyo

Sl. No.	Name of the Officers/Officials	Designation	Monthly rental Ceiling	Actual Rent Paid	Excess Rent Paid per month	Months of retention	Total excess rent paid	Total excess rent paid in ₹ @ 1 ₹=JPY1.914 in March'2010
1.	Shri Anil Kumar	P.A.	JPY275000	JPY280000	JPY 5000	9	JPY45000	₹ 23511
<b>Total</b>								<b>₹ 23,511</b>

C- HCI- Port Moresby

Table-I

Sl. No.	Name of the Officers/Officials	Designation	Monthly rental Ceiling	Actual Rent Paid	Excess Rent Paid per month	Months of retention	Total excess rent paid	Total excess rent paid in ₹ @ 1 ₹=Kina0.057 in March'2010
1.	Shri D.Tirkey	Attache	Kina 5000	Kina 6500	Kina 1500	9	Kina 13500	₹ 236842
2.	Shri D.N.Deswal	P.S.	Kina 5000	Kina 6500	Kina 1500	8	Kina 12000	₹ 210526
3.	Shri R.S.Palyal	Assistant	Kina 4500	Kina 6500	Kina 2000	9	Kina 18000	₹ 315789
<b>Total</b>								<b>₹ 7,63,157</b>

Table-II

Sl. No.	Name of the Officers/Officials	Designation	Monthly rental Ceiling	Actual Rent Paid	Excess Rent Paid per month	Months of retention	Total excess rent paid	Total excess rent paid in ₹ @ 1 ₹=Kina0.057 in March'2010
1.	Shri D.Tirkey	Attache	Kina 5000	Kina 7150	Kina 2150	5	Kina 10750	₹ 188596
2.	Shri R.S.Palyal	Assistant	Kina 4500	Kina 7150	Kina 2650	5	Kina 13250	₹ 232456
3.	Shri V.G.Joshy	P.A.	Kina 4500	Kina 7150	Kina 2650	5	Kina 13250	₹ 232456
<b>Total</b>								<b>₹ 6,53,508</b>
<b>Grand Total (A+B+C)</b>								<b>₹ 21,20,176</b>

## *Appendices*





## APPENDIX-I

(Referred to in Paragraph No. 1.2)

### Auditee Profile

#### **1. Ministry of Agriculture**

##### **1.1 Department of Agricultural Research and Education**

###### **1.1.1 Indian Council of Agricultural Research (ICAR)**

ICAR is an autonomous organisation under the Department of Agricultural Research and Education, Ministry of Agriculture. ICAR acts as a repository of information and provides consultancy on agriculture, horticulture, resource management, animal sciences, agricultural engineering, fisheries, agricultural extensions etc. It has the mandate to coordinate agricultural research & development programmes and develop linkages at national & international level with related organisations to enhance the quality of life of the farming community. The expenditure incurred by ICAR during 2009-10 was ₹ 3193.82 crore. The activities of ICAR are carried through agencies like Indian Agricultural Research Institute, Indian Veterinary Research Institute, National Dairy Research Institute, Indian Institute of Vegetable Research etc.

#### **2. Department of Atomic Energy (DAE)**

DAE aims to harness energy of the atom for a variety of applications, which contribute to development and welfare programmes of the country with emphasis on self-reliance. The main mandate of DAE is the production of safe and economical nuclear power, using indigenous uranium and thorium resources. The expenditure incurred by DAE during 2009-10 was ₹ 10777.70 crore. The activities of DAE are executed through its agencies like Bhabha Atomic Research Centre, Indira Gandhi Centre for Atomic Research, Heavy Water Board, Nuclear Fuel Complex, Atomic Minerals Directorate for Exploration & Research, Tata Memorial Centre, Tata Institute of Fundamental Research, Institute for Plasma Research etc.

#### **3. Ministry of Commerce and Industry**

##### **3.1 Department of Commerce**

The mandate of the Department of Commerce (DOC) is regulation, development and promotion of India's international trade and commerce through formulation and implementation of appropriate international trade &

commercial policies. The basic role of the Department is to facilitate the creation of an enabling environment and infrastructure for accelerated growth of international trade. The Department formulates implements, reviews and monitors the Foreign Trade Policy, which provides the basic framework of policy and strategy to be followed for promoting exports and trade. Besides, the Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special Economic Zones, state trading, export promotion & trade facilitation, and development and regulation of certain export oriented industries and commodities.

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

The Department of Industrial Policy & Promotion (DIPP) is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view national priorities and socio-economic objectives. While individual administrative ministries look after the production, distribution, development and planning aspects of specific industries allocated to them, the Department of Industrial Policy & Promotion is responsible for the overall industrial policy.

## **4. Ministry of Communications and Information Technology**

### **4.1 Department of Posts**

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

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

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

As part of its Universal Service Obligation, the postal system is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mails is the core traditional

business of the Postal Department. Over the years several value added services like bulk mail, business post, speed post etc have been introduced by DoP.

#### **4.2 Department of Telecommunications**

DoT is primarily responsible for policy formulation and grant of licences to operators for providing basic and value added services. The DoT also administers the Universal Service Obligation (USO) Fund, which was constituted in April 2002. The USO Fund is to be used primarily to provide subsidies for expansion of telecommunication facilities in rural/remote areas of the country.

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

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

#### **4.3. Centre for Development of Telematics (C-DOT)**

C-DOT is an autonomous body under Department of Telecommunication. The objectives of C-DOT are to work on telecom technology products & services and to provide solutions for current & future requirements of telecommunication/converged networks including those required for rural applications. C-DOT also seeks to provide market orientation to R&D activities, sustain itself as a centre of excellence and build partnerships/joint alliances with industry, solution providers, telecommunication companies and other development organisations. The expenditure incurred by C-DOT during 2009-10 was ₹ 108.50 crore.

#### **4.4 Department of Information Technology (DIT)**

DIT is committed to making India a global information technology super power and a front-runner in the age of information revolution. It also seeks to bring the benefits of electronics to every walk of life and to develop the Indian

electronics industry as a global player. The expenditure incurred by DIT during 2009-10 was ₹ 1697.06 crore. The activities of DIT are carried through agencies like National Informatics Centre, Standardisation, Testing & Quality Certification Directorate, Controller of Certifying Authority, Centre for Development of Advanced Computing, Society for Applied Microwave Electronics Engineering Research etc.

#### **5. Ministry of Earth Sciences (MoES)**

MoES is mandated to provide the nation with best possible services in forecasting the monsoons and other weather/climate parameters, ocean state, earthquakes, tsunamis and other phenomena related to earth systems through well integrated programmes. MoES also deals with science and technology for exploration and exploitation of ocean resources (living and non-living), and plays a nodal role for Antarctic/Arctic and Southern Ocean research. The expenditure incurred by MoES during 2009-10 was Rs.1080.54 crore. The activities of MoES are carried through agencies like India Meteorological Department, Indian National Centre for Ocean Information Services, National Centre for Antarctic & Ocean Research, National Institute of Ocean Technology, National Centre for Medium Range Weather Forecasting etc.

#### **6. Ministry of Environment and Forests (MoEF)**

MoEF is the nodal agency for the planning, promotion, co-ordination and overseeing the implementation of environmental and forestry programmes. The principal activities undertaken by MoEF consist of conservation & survey of flora, fauna, forests and wildlife, prevention & control of pollution and afforestation & regeneration of degraded areas. The expenditure incurred by MoEF during 2009-10 was Rs.2021.71 crore. The activities of MoEF are carried through agencies like Central Pollution Control Board, Botanical Survey of India, Zoological Survey of India, National Biodiversity Authority, Wildlife Institute of India, Indian Council of Forestry Research & Education, Central Zoo Authority etc.

#### **7. Ministry of External Affairs**

Ministry of External Affairs (MEA) is responsible for conducting relations with foreign and commonwealth countries. The main functions of the MEA include conducting all matters affecting foreign, diplomatic and consular offices and its specialist agencies in India, entering into political treaties, agreements and conventions with foreign and commonwealth countries, providing passport, visa and all consular services, carrying out external publicity, providing economic and technical assistance to neighbouring

countries etc. The activities of the MEA are carried out through its various organisations such as Indian Council of World Affairs, Foreign Service Institute, Indian Council of Cultural Relations etc. The representatives of the Ministry in the Missions/Posts abroad assist the Ministry in carrying out its mandated functions.

## **8. Ministry of Finance**

### **8.1 Department of Economic Affairs**

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

### **8.2 Department of Revenue**

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

### **8.3 Department of Expenditure**

The Department of Expenditure plays a cardinal role in governing the fiscal rules and regulations that include service status of all the employees in Central Government. The department deals with a number of issues that widely include deciding upon the salary structure and grades of the employees, policies regarding wages, revision of the pay scale system. Other areas of concern for the expenditure department encompasses house rent allowance, daily traveling allowance, many other allowances meant for the Central Government employees. Functions of the Department of Expenditure also include formulation of Financial Powers Rules, General Financial Rules, Staff Car Rules etc., formulation of terms and conditions while appointing members for different committees and commissions, scrutinizing various proposals

initiated by different ministries and departments pertaining to the non-plan schemes of expenditure. The department carries out its functions through its various units i.e. Office of Chief Controller of Accounts, Finance Commission Division, Controller General of Accounts, National Institute of Financial Management, Staff Inspection Unit etc.

#### **8.4 Department of Financial Services**

The Department of Financial Services was created on 28 June 2007 by merging the erstwhile Banking and Insurance Divisions. Broadly, the functions of the Department are split into those relating to banking, insurance and pension reforms.

The department fulfil vision through:

Policy support to the Public Sector Banks (PSBs), Public Sector Insurance Companies and Development Financial Institutions (DFIs) i.e. NABARD, SIDBI, IIFCL, EXIM Bank, IDFC, NHB and IWRFC, IIBI through policy guidelines, legislative and other administrative changes.

Monitoring the performance of the PSBs, Public Sector Insurance Companies and DFIs.

Policy formulation in respect of Non-Banking Financial Companies, Private banks and foreign banks.

Support to regulatory authorities i.e. RBI, IRDA, PFRDA, NHB and NABARD.

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

#### **9.1 Department of Health and Family Welfare**

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

## **9.2 Department of AYUSH**

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

## **9.3 Indian Council of Medical Research (ICMR)**

ICMR is an autonomous organisation under the Department of Health Research, Ministry of Health and Family Welfare. ICMR's research priorities coincide with the national health priorities such as control & management of communicable diseases, fertility control, maternal & child health and control of nutritional disorders. ICMR also conducts research on major non-communicable diseases like cancer, cardiovascular diseases, blindness, diabetes & other metabolic/hematological disorders. The expenditure incurred by ICMR during 2009-10 was Rs.583.50 crore. The activities of ICMR are carried through agencies like National Institute of Malaria Research, Institute of Cytology and Preventive Oncology, National Aids Research Institute, Tuberculosis Research Centre, National Institute of Nutrition etc.

## **10. Ministry of Home Affairs**

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

## **11. Ministry of Human Resource Development**

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



### **11.1 Department of School Education and Literacy**

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

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

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

### **12. Ministry of Information and Broadcasting**

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

### **13. Ministry of Mines**

#### **13.1 Geological Survey of India (GSI)**

GSI is a subordinate office under the Ministry of Mines. The objectives of GSI are to prepare/update geological, geophysical and geochemical maps to explore/assess mineral & energy resources of the country and its offshore areas. GSI also conducts research in earth sciences and promotes application of the new knowledge for effecting management of the earth system and its resources with an aim to reduce risk to life and property from geological hazards. The expenditure incurred by GSI during 2009-10 was Rs.510.72 crore.

### **14. Ministry of New and Renewable Energy (MNRE)**

The objectives of MNRE are to attain energy security by having lesser dependence on oil imports through development and deployment of alternate fuels like hydrogen, biofuels and synthetic fuels. MNRE also seeks to increase the share of clean power through renewable energy (bio, wind, hydro, solar, geothermal & tidal) to supplement fossil fuel based electricity generation. It also aims to supplement energy needs of cooking, heating, motive power and captive generation in rural, urban, industrial and commercial sectors and attain per-capita energy consumption at par with the global average level by 2050. The expenditure incurred by MNRE during 2009-10 was Rs.563.40 crore. The activities of MNRE are carried through agencies like Solar Energy Centre, Centre for Wind Energy Technology etc.

### **15. Ministry of Personnel, Public Grievances and Pensions**

The Ministry of Personnel, Public Grievances and Pensions is the coordinating agency of the Central Government in personnel matters specially issues concerning recruitment, training, career development, staff welfare as well as the post retirement dispensation. The Ministry is also concerned with the process of responsive people-oriented modern administration. Allocation of Business Rules defines the work allotted for the Ministry. The Ministry comprises three Department.

- I. Department of Personnel and Training
- II. Department of Pension and Pensioners' Welfare
- III. Department of Administrative Reforms and Public Grievances.

## **16. Ministry of Science and Technology**

The Ministry of Science and Technology has three Departments under its control.

### **16.1 Department of Science and Technology (DST)**

DST plays a pivotal role in promotion of science and technology in the country. DST has wide ranging activities ranging from promoting high end basic research and development of cutting edge technologies on one hand to servicing the technological requirements of the common man through development of appropriate skills and technologies on the other. The expenditure incurred by DST during 2009-10 was Rs.2043.03 crore. The activities of DST are carried out through agencies like Technology Development Board, Raman Research Institute, Bose Institute, Indian Association for the Cultivation of Science, Indian Institute of Astrophysics, Survey of India, etc.

### **16.2 Department of Scientific and Industrial Research (DSIR)**

The primary endeavor of DSIR is to promote Research & Development by the industries and support a large cross section of small/medium industrial units to develop state-of-the art globally competitive technologies of high commercial potential. It also provides a link between scientific laboratories and industrial establishments for transfer of technologies. The expenditure incurred by DSIR during 2009-10 was Rs.2697.31 crore. The Council of Scientific & Industrial Research, a major autonomous body being funded by DSIR comprises of 37 laboratories like National Aerospace Laboratories, National Chemical Laboratory, Central Drug Research Institute, Central Food Technological Research Institute, National Environmental Engineering Research Institute, National Institute of Oceanography etc.

### **16.3 Department of Biotechnology (DBT)**

Biotechnology is a frontline area of science with immense potential for the benefit of the human kind. DBT provides services in the areas of research, popularisation of biotechnology, promotion of industries etc. Bioinformatics, which is a major mission of DBT, seeks to establish an information network for the scientific community, nationally and internationally. The expenditure incurred by DBT during 2009-10 was Rs.906.56 crore. The activities of DBT are carried through agencies like National Institute of Immunology, National Centre for Cell Science, National Brain Research Centre etc.

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

The Ministry of Social Justice and Empowerment is entrusted with the empowerment of the disadvantaged and marginalized sections of the society. The target groups of the Ministry are:

- i. Scheduled Castes
- ii. Other Backward Classes
- iii. Persons with Disabilities
- iv. Senior Citizens and Victims of Substance Abuse.

The Ministry has been implementing various programmes/schemes for social, educational and economic development of the target groups. As a result there has been considerable improvement in the welfare of these groups.

### **18. Department of Space (DOS)**

DOS and its constituent units are responsible for planning and execution of national space activities. The main objectives of the space programme include development of satellites, launch vehicles, sounding rockets and associated ground systems. It also deals with matters relating to space science, space technology and space applications. The expenditure incurred by DOS during 2009-10 was Rs.4162.94 crore. The activities of DOS are executed through its agencies like Vikram Sarabhai Space Centre, Satish Dhawan Space Centre, Liquid Propulsion System Centre, National Remote Sensing Agency, Physical Research Laboratory etc.

### **19. Ministry of Women and Child Development**

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

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APPENDIX-II

(Referred to in Paragraph No. 20.1)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments up to the year ended March 2009 as of December 2010.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Agriculture Department of Agriculture and Cooperation	2009	3	-	3	-	-	-	3	-	3
	Department of Animal Husbandry, Dairying and Fisheries	2009	1	1	-	-	-	-	1	1	-
	Department of Agricultural Research and Education Indian Council of Agricultural Research (ICAR)	2007	-	-	-	2	-	2	2	-	2
		2003	-	-	-	1	-	1	1	-	1
		2000	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		1997	-	-	-	4	-	4	4	-	4
1995	-	-	-	1	-	1	1	-	1		

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
2.	Department of Atomic Energy	2009	-	-	-	1	1	-	1	1	-
		2008	-	-	-	3	-	3	3	-	3
		2007	-	-	-	4	-	4	4	-	4
		2005	-	-	-	2	-	2	2	-	2
		2004	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		2000	-	-	-	4	-	4	4	-	4
		1999	-	-	-	2	-	2	2	-	2
		1998	-	-	-	2	-	2	2	-	2
		1997	-	-	-	2	-	2	2	-	2
1996	-	-	-	1	-	1	1	-	1		
3.	Civil Aviation	2009	3	2	1	-	-	-	3	2	1

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
4.	Commerce and Industry	2005	2	-	2	-	-	-	2	-	2
	Department of Commerce	2009	2	2	-	-	-	-	2	2	-
	Department of Industrial Policy and Promotion	2008	1	-	1	-	-	-	1	-	1
		2009	2	-	2	-	-	-	2	-	2
5.	Culture	2003	1	1	-	-	-	-	1	1	-
		2004	1	-	1	-	-	-	1	-	1
		2006	2	2	-	-	-	-	2	2	-
		2007	2	2	-	-	-	-	2	2	-
		2008	1	1	-	-	-	-	1	1	-
6.	Communications and Information Technology Department of Posts	2003	1	-	1	-	-	-	1	-	1
		2006	3	-	3	-	-	-	3	-	3
		2007	2	-	2	-	-	-	2	-	2
		2008	3	1	2	-	-	-	3	1	2
		2009	1	-	1	-	-	-	1	-	1
	Department of	1997	1	-	1	-	-	-	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
	Telecommunications	1999	2	-	2	-	-	-	2	-	2
		2000	1	-	1	-	-	-	1	-	1
		2003	3	-	3	-	-	-	3	-	3
		2004	1	-	1	-	-	-	1	-	1
		2007	1	-	1	-	-	-	1	-	1
	Centre for Development of Telematics	2006	-	-	-	1	-	1	1	-	1
		2005	-	-	-	1	-	1	1	-	1
		2003	-	-	-	1	1	-	1	1	-
7. Department of Information Technology	2008	-	-	-	1	-	1	1	-	1	
	2007	-	-	-	1	-	1	1	-	1	
	2005	-	-	-	1	-	1	1	-	1	
	2004	-	-	-	1	-	1	1	-	1	



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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2002	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
8.	Development of North Eastern Region	2008	1	1	-	-	-	-	1	1	-
9.	Ministry of Earth Sciences	2008	-	-	-	1	-	1	1	-	1
		2007	-	-	-	2	-	2	2	-	2
		2006	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		1996	-	-	-	1	-	1	1	-	1
10.	Ministry of Environment and Forests	2008	-	-	-	2	-	2	2	-	2
		2007	-	-	-	1	-	1	1	-	1
		2005	-	-	-	1	-	1	1	-	1
		2002	-	-	-	1	-	1	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2001	-	-	-	1	-	1	1	-	1
		2000	-	-	-	1	-	1	1	-	1
		1997	-	-	-	1	-	1	1	-	1
11.	External Affairs	2002	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1
		2004	2	-	2	-	-	-	2	-	2
		2006	4	-	4	-	-	-	4	-	4
		2007	8	-	8	-	-	-	8	-	8
		2008	4	-	4	-	-	-	4	-	4
		2009	8	4	4	-	-	-	8	4	4
12.	Finance	1994	1	-	1	-	-	-	1	-	1
		1998	1	-	1	-	-	-	1	-	1
		1999	2	1	1	-	-	-	2	1	1
		2000	1	-	1	-	-	-	1	-	1
		2006	1	-	1	-	-	-	1	-	1
		2007	4	1	3	-	-	-	4	1	3
		2008	2	1	1	-	-	-	2	1	1

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
13.	Health and Family Welfare	1997	1	-	1	-	-	-	1	-	1
		2000	2	1	1	-	-	-	2	1	1
		2001	2	-	2	-	-	-	2	-	2
		2004	2	-	2	-	-	-	2	-	2
		2005	3	-	3	-	-	-	3	-	3
		2006	1	1	-	-	-	-	1	1	-
		2007	1	-	1	-	-	-	1	-	1
		2008	7	3	4	-	-	-	7	3	4
		2009	5	5	-	-	-	-	5	5	-
	Indian Council of Medical Research	2008	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	-	1	1	-	1
		2004	-	-	-	1	-	1	1	-	1
		2003	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		2000	-	-	-	2	-	2	2	-	2
1999		-	-	-	1	-	1	1	-	1	
1998		-	-	-	1	-	1	1	-	1	

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
14.	Home Affairs	2007	1	-	1	-	-	-	1	-	1
		2008	1	-	1	-	-	-	1	-	1
		2009	2	-	2	-	-	-	2	-	2
	Home Affairs (Union Territories)	2007	2	-	2	-	-	-	2	-	2
		2008	3	-	3	-	-	-	3	-	3
		2009	2	2	-	-	-	-	2	2	-
15.	Human Resource Development	1999	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1
		2008	1	1	-	-	-	-	1	1	-
16.	Information and Broadcasting	2000	1	-	1	-	-	-	1	-	1
		2004	1	-	1	-	-	-	1	-	1
		2008	1	-	1	-	-	-	1	-	1
17.	Labour & Employment	2006	1	-	1	-	-	-	1	-	1
18.	Law & Justice	2003	1	1	-	-	-	-	1	1	-
19.	Micro, Small and Medium Enterprises	2009	1	-	1	-	-	-	1	-	1
20.	Mines	2008	-	-	-	1	-	1	1	-	1

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Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
	Geological Survey of India	1998	-	-	-	1	-	1	1	-	1
21.	Ministry of New and Renewable Energy	2007	-	-	-	1	-	1	1	-	1
22.	Overseas Indian Affairs	2007	1	-	1	-	-	-	1	-	1
23.	Road Transport and Highways	2006	1	-	1	-	-	-	1	-	1
24.	Rural Development	2002	1	-	1	-	-	-	1	-	1
		2007	1	-	1	-	-	-	1	-	1
		2009	1	1	-	-	-	-	1	1	-
25.	Department of Science and Technology	2008	-	-	-	3	2	1	3	2	1
		2007	-	-	-	2	-	2	2	-	2
		2006	-	-	-	1	1	-	1	1	-
		2005	-	-	-	1	-	1	1	-	1
		2004	-	-	-	2	-	2	2	-	2
		2003	-	-	-	1	-	1	1	-	1
	Department of	2008	-	-	-	6	-	6	6	-	6

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
	Scientific and Industrial Research	2007	-	-	-	2	-	2	2	-	2
		2006	-	-	-	2	-	2	2	-	2
		2004	-	-	-	2	-	2	2	-	2
		2003	-	-	-	1	-	1	1	-	1
		2002	-	-	-	3	-	3	3	-	3
		2001	-	-	-	3	-	3	3	-	3
		2000	-	-	-	1	-	1	1	-	1
		1999	-	-	-	1	-	1	1	-	1
		1998	-	-	-	2	-	2	2	-	2
		1997	-	-	-	5	-	5	5	-	5
		1995	-	-	-	3	-	3	3	-	3
	Department of Biotechnology	2002	-	-	-	1	-	1	1	-	1
26.	Shipping	2009	2	2	-	-	-	2	2	-	
27.	Social Justice and Empowerment	1996	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1

Report No. 16 of 2011-12

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2006	1	-	1	-	-	-	1	-	1
28.	Department of Space	2007	-	-	-	1	-	1	1	-	1
		2003	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		1995	-	-	-	1	-	1	1	-	1
		2009	-	-	-	1	-	1	1	-	1
29.	Textiles	2003	1	1	-	-	-	-	1	1	-
		2007	3	3	-	-	-	-	3	3	-
		2009	7	7	-	-	-	-	7	7	-
30.	Tourism	2005	1	-	1	-	-	-	1	-	1
		2006	2	2	-	-	-	-	2	2	-
		2007	1	-	1	-	-	-	1	-	1
		2009	1	1	-	-	-	-	1	1	-
31.	Tribal Affairs	1998	1	-	1	-	-	-	1	-	1
		2004	1	-	1	-	-	-	1	-	1
		2006	1	1	-	-	-	-	1	1	-
		2008	1	-	1	-	-	-	1	-	1
32.	Urban Development	2008	1	-	1	-	-	-	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
		2009	5	5	-	-	-	-	5	5	-
33.	Housing and Urban Poverty Alleviation	2009	2	2	-	-	-	-	2	2	-
34.	Water Resources	2008	1	1	-	-	-	-	1	1	-
		2009	2	2	-	-	-	-	2	2	-
35.	Women and Child Development	1999	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1
		2008	1	-	1	-	-	-	1	-	1
<b>TOTAL</b>			<b>169</b>	<b>62</b>	<b>107</b>	<b>114</b>	<b>5</b>	<b>109</b>	<b>283</b>	<b>67</b>	<b>216*</b>

\* Out of 216, 40 paragraphs pertained to Audit Reports more than ten years old i.e. Audit Reports prior to year ended March 1999



APPENDIX - III

(Referred to in Paragraph No. 20.2)

Response of the Ministries/Departments to draft paragraphs

Sl. No	Ministry/ Department	Total No. of Paragraphs	No. of Paragraphs to which reply not received	Reference to Paragraphs of the Audit Report
1.	Agriculture	1	0	--
2.	Commerce and Industry	1	1	3.1
3.	Communications and Information Technology	8	1	4.1
4.	Earth Sciences	1	0	--
5.	External Affairs	11	4	6.3, 6.6, 6.7, 6.8
6.	Finance	4	3	7.1, 7.3, 7.4
7.	Health and Family Welfare	5	1	8.1
8.	Home Affairs	5	0	--
9.	Human Resource Development	1	0	--
10.	Information and Broadcasting	1	1	11.1
11.	Mines	1	0	--
12.	New and Renewable Energy	1	1	13.1
13.	Personnel, Public Grievances and Pensions	1	0	--
14.	Science and Technology	3	0	--
15.	Social Justice and Empowerment	1	0	--
16.	Union Territories	9	8	17.1, 17.2, 17.3, 17.4, 17.5, 17.7, 17.8, 17.9
17.	Women and Child Development	1	1	18.1
18.	Space	2	0	--
<b>Total</b>		<b>57</b>	<b>21</b>	

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