

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

for the year ended March 2002

**Union Government
Transaction Audit Observations
No.2 of 2003**

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PREFACE

This Report for the year ended March 2002 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts of the Union Government for the financial year 2001-02 have been included in Report No. 1 of 2003. This Report includes matters arising from test audit of the transactions of Civil Ministries including the Department of Posts and the following reviews:

- (i) National Crime-Criminal Information System
- (ii) Functioning of Mail Motor Service

Matters arising from performance audit of some of the Centrally Sponsored/ Funded Schemes of the ministries and departments are dealt with in Report No. 3 of 2003.

Separate Reports are also presented to Parliament for Union Government: Autonomous Bodies (No. 4), Scientific Departments (No. 5), Defence - Army and Ordnance Factories (No. 6), Air Force and Navy (No. 7), Railways (No. 8 and 9), Indirect Taxes: Customs (No. 10), Indirect Taxes: Central Excise and Service Tax (No. 11) and Direct Taxes (No. 12 and 13).

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2001-02. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to April 2002 in a few cases have also been mentioned, wherever available and relevant.

OVERVIEW

This Audit Report contains audit observations emerging out of the transaction audit in the Civil Ministries including the Department of Posts and their field offices. The audit observations on the accounts of the Union Government are incorporated in Report No.1 of 2003.

Idle investment on vacant shops and accumulation of arrears of licence fee

Failure to provide the basic amenities in a shopping centre constructed in the upmarket Vasant Vihar in Delhi in August 1993 resulted in non-payment of the licence fee even by those allotted shops, avoidable litigation, accumulation of arrears, cancellation of allotments and eviction proceedings that are likely to be prolonged. Various omissions and lapses on the part of the departmental functionaries enabled the allotment of shops, that too only partially, only after the lapse of more than five years with no return on the investment and an estimated loss of revenue of Rs 1.60 crore during the period that the shops were not allotted or remained vacant.

(Paragraph 12.3)

Non-realisation of objectives of irrigation scheme

Owing to the Andaman Public Works Department's failure to complete anti-seepage measures, benefits envisaged by implementation of the Ramakrishnapur Irrigation Scheme continued to remain unrealised even after the lapse of nine years and investments aggregating to Rs 4.45 crore.

(Paragraph 14.2)

Avoidable additional expenditure on property purchase

Failure of the Ministry of External Affairs, notwithstanding the assurance given earlier to the Public Accounts Committee, to exercise restraint in approving the purchase of a residential property in Budapest, having an area more than twice the entitlement of the officer for whom it was intended, resulted in avoidable additional expenditure of Rs 1.21 crore apart from recurring expenditure on unnecessary and ostentatious facilities, such as a heated swimming pool with jacuzzi, sauna, satellite dish, electric frost prevention device, etc.

(Paragraph 4.3)

Infructuous expenditure on erection of Ready Mixed Concrete Batching Plant

Procurement of an automatic mechanised cement concrete manufacturing plant without settling the feasibility of its erection on the selected site after obtaining the necessary clearances, compounded by the non-rectification of the deficiencies noticed on erection even after the lapse of over seven years, resulted in the investment of Rs 3.14 crore incurred on the scheme being rendered infructuous. The objectives of establishment of a "state of the art" facility had also been defeated.

(Paragraph 12.2)

Irregularities in hiring of Embassy residence and avoidable expenditure on rent

Contrary to the specific provisions in the Rules prohibiting any private understanding with landlords that might subsequently cause embarrassment to Government and to the instructions in regard to payments by cheque, the Indian Mission in Algiers entered into two lease deeds with the landlord stipulating payment of rent at different rates in respect of a residence leased for the Ambassador and paid the advance equivalent to seven months' rent in cash.

(Paragraph 4.6)

Unfruitful expenditure

Expenditure of Rs 1.26 crore incurred by the Andaman Public Works Department on leasing of a plot of land at Kolkata, construction of transit accommodation for passengers travelling by sea had remained unfruitful as the construction had not commenced even after nine years.

(Paragraph 14.1)

Omissions in deducting tax at source

Revenue aggregating to Rs 2.43 crore was not realised on account of non-adherence to the provisions of the Income Tax Act relating to deduction of tax at source on payments of commission to authorised agents and levy of surcharge on the income tax deducted on withdrawals made from deposits under the National Savings Scheme.

(Paragraph 3.10)

Unauthorised expenditure on engagement of locally recruited and contingency paid personnel

Notwithstanding repeated audit observations and instructions issued in pursuance thereof, the Missions/Posts at Athens, Belgrade, Birmingham, Brussels, Moscow, Paris and Rome continued to disregard the rules and regulations governing the employment of locally recruited personnel and staff paid from contingencies resulting in unauthorised expenditure aggregating to Rs 5.39 crore.

(Paragraph 4.1)

Failure to safeguard Government's interest

Inaction on the part of the Income Tax Department to execute a formal lease deed with the State Bank of India resulted in non-realisation of rent amounting to Rs 1.76 crore during the period from December 1997 to June 2002 alone and the Bank continuing to occupy part of the premises acquired by the Department without valid and legally sustainable basis.

(Paragraph 5.1)

Non-realisation of costs and infructuous expenditure attributable to deficient monitoring

The Temple Street Unit of the Government of India Press failed to monitor the progress and status of printing jobs entrusted to it. Absence of effective follow-up action, attributable primarily to the non-maintenance of the prescribed records, resulted in completed printing jobs not being delivered promptly to the clients and related costs amounting to Rs 1.55 crore not being realised.

(Paragraph 12.4)

Non-realisation of commission on Telegraph charges

Three Postal Accounts Offices failed to deduct the commission on telegraph charges realised by the combined posts and telegraph offices at the prescribed rate, resulting in non-realisation of Rs 4.09 crore.

(Paragraph 3.2)

Non-recovery of rent

Rent aggregating to Rs 2.56 crore in respect of a Postal building partly occupied by the District Telecom Training Centre of Mahanagar Telephone Nigam Limited remained unrealised because of failure to raise the relevant claims after bifurcation of the Postal and Telecom Units in April 1986 and consequential termination of the reciprocal arrangements earlier in force.

(Paragraph 3.9)

Delay in determination of rental liability

The Films Division, Mumbai provided alternative accommodation to the Children's Film Society, India, in February 1994 without entering into any agreement. On account of delay in fixing and intimating the revised rent to the occupant and failure in entering into any agreement stipulating the terms and conditions, no rent had been recovered for more than eight years. The arrears on this account aggregated to Rs 2.83 crore as of March 2002.

(Paragraph 9.1)

Delay in utilisation of leased land

On account of the delays that occurred at different stages, the Chief Postmaster General, Maharashtra Circle, failed to utilise the land taken on a 30-year lease in May 1987 even after the expiry of half of the lease period, which led to avoidable payment of lease rent of Rs 0.32 crore from May 1987 to January 2002 besides avoidable recurring expenditure on rent of hired accommodation, which aggregated to Rs 3.27 crore during the period from April 1980 to July 2002.

(Paragraph 3.3)

Deficiencies in implementation of an essential scheme and maintenance arrangements

The Farakka Barrage Project's failure to synchronise the civil and electrical works resulted in expenditure of Rs 39.79 lakh incurred on construction of a control tower to facilitate remote operation of the barrage gates being rendered unfruitful and in non-realisation of the intended objective.

Further, delays in completion of special repairs to the gates of the main barrage and absence of adequate preventive maintenance necessitated replacement of a gate that was washed away, involving avoidable expenditure of Rs 22.05 lakh.

(Paragraph 13.1)

Accumulation of unsold stocks of a Hindi magazine

Failure of the Ministry of Human Resource Development to take adequate measures to ensure timely publication of the Hindi version of a magazine "UNESCO DOOT" resulted in 69 *per cent* of the issues printed between 1996 and 2001 and valued at Rs 57.67 lakh remaining unsold or without being distributed to the targeted readership.

(Paragraph 8.2)

Inadmissible payment of Patient Care Allowance

The All India Institute of Hygiene and Public Health, Kolkata, paid Patient Care Allowance to ineligible employees in contravention of Ministry's orders resulting in inadmissible payment of Rs 54.90 lakh.

(Paragraph 6.1)

Avoidable expenditure on premature leasing of a temporary residence

Failure of the Indian Embassy in Madrid to synchronise the leasing of a temporary residence for the Ambassador with the renovation of the Embassy Residence resulted in avoidable expenditure of Rs 36.49 lakh on the rent for the alternative residence and warehousing charges.

(Paragraph 4.4)

National Crime-Criminal Information System

The National Crime-Criminal Information System was conceived as a part of the Police Computerisation Plan with the objective of managing the large volume of Crime and Criminal related information geographically dispersed all over the country and facilitating the real time, on-line sharing of the information through integrated networking. Under the scheme, computers were to be installed at all the district headquarters, state capitals and at the national level in the National Crime Records Bureau. A review by Audit of the implementation of the scheme, revealed the following:

- The scheme, to be implemented in a three-year period from 1990-91 to 1992-93, commenced only in 1994-95. Pace of implementation was tardy and the project was yet to be fully commissioned and operationalised even as of March 2002.
- Substantial investments notwithstanding, project implementation, as scheduled, was adversely affected due to delays in installation of computers attributable to failure to establish District and State Crime Records bureaux, non-availability of the necessary infrastructure, poor utilisation of the computers installed and utilisation for purposes other than those intended, non-functioning of computers, etc. In the circumstances, in 6 States and Kolkata alone, where the computers were not utilised at all or were only partially utilised, expenditure aggregating to Rs 12.99 crore remained unfruitful.
- Non-establishment, even as of March 2002, of the dedicated, satellite based police communication network (POLNET) and its activation to facilitate the interlinking of the Crime Records Bureaux across the country to enable the real-time sharing of information and data between all the computers in the System necessitated the provision, as an interim measure, of dial up connectivity through Modems at a cost of Rs 48.86 lakh, which themselves were not fully utilised in the absence of dedicated telephone lines, STD facilities and internet connectivity.
- The expectation that police personnel engaged in the manual maintenance of crime records in the States would be relieved from this task following implementation of the Project and become available for investigation of crimes and law and order duties was not fulfilled.

(Paragraph 7.1)

Functioning of Mail Motor Service

The Mail Motor Service introduced in 1944 in some selected cities had progressively expanded and the Service was operating in 94 cities at the end of 2002, with a total fleet strength of 1,135 mail motor vehicles and 486 staff cars and inspection vehicles. Review in audit of its functioning revealed instances of poor utilisation of vehicles, non-adherence to norms prescribed for their optimum utilisation, avoidable expenditure on their empty deployment, failure to achieve prescribed targets of fuel consumption resulting in higher consumption and consequential additional expenditure, etc.

- Of the Vehicles available in 33 Mail Motor Service units, only 13 units utilised the fleet fully during 1997-98, 1998-99 and 2000-01.
- The norm of daily coverage of 100 kms for optimum utilisation of the vehicles was adhered to in respect of only eight to eleven *per cent* of the vehicles in the units test-checked.
- Empty deployment of vehicles in Mumbai and Kolkata resulted in avoidable expenditure of Rs 4.53 crore during 1997-2002.

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- The Department incurred avoidable expenditure of Rs 1.19 crore in seven Circles during 1997-2002 on account of excess consumption of fuel.
- Operation of 31 vehicles in Delhi and Tamil Nadu Circles was rendered uneconomical because expenditure incurred on their repairs had exceeded their acquisition cost.
- Failure to synchronise award of contracts for fabrication of bodies with the scheduled receipt of chassis led to delays of 3 to 12 months in the award of contracts in 10 units.
- In 6 Circles 24 vehicles condemned between 1983 and 1989 had not been disposed of finally as of June 2002, though condemned vehicles should not have been retained beyond a period of 3 months.
- Cost of operation of MMS vehicles varied widely in 26 units, the records of which were test-checked, and ranged between Rs 4.84 and Rs 22 per Km. This was particularly high in the units at Bangalore (Rs 16.17 to Rs 19.68 per Km), Hyderabad (Rs 14.96 to Rs 15.45 per Km), Mumbai (Rs 17 to Rs 22 per Km) and Pune (Rs 14 to Rs 18 per Km). Some units utilised private contractors for carriage of mail at a considerably lower cost.
- In 10 units in 5 Circles, staff in different categories were employed in excess of the prescribed norms which resulted in additional expenditure of Rs 212.48 lakh on pay and allowances during 1997-02. Expenditure of Rs 181.64 lakh was accounted for by the Maharashtra Circle alone.
- Avoidable payment of Rs 34.86 lakh towards Motor Vehicle Tax was made by units in Bihar, Delhi, Gujarat and West Bengal Circles due to the department's failure to claim the applicable exemption.

(Paragraph 3.1)

CHAPTER I: MINISTRY OF AGRICULTURE

Department of Animal Husbandry and Dairying

Delhi Milk Scheme

1.1 Distribution and processing losses

Quantity of milk in polypacks returned unsold to the Delhi Milk Scheme constituted 7.68 per cent and 8.97 per cent during 2000-01 and 2001-02 respectively, as against the tentative norm of two per cent necessitating additional expenditure of Rs 65.39 lakh on its reprocessing as raw milk based on variable costs alone. Besides, the scheme also incurred fat and SNF losses in excess of the prescribed norms during 1999-2002 in processing of milk and milk products in the Central Dairy, the monetary value of such losses in excess of the norms aggregating to Rs 554.07 lakh.

The Delhi Milk Scheme was established in 1959 with the primary objective of supplying wholesome milk and milk products to the citizens of Delhi at reasonable prices and of ensuring a steady and remunerative market for its products around the capital. The scheme distributes milk through a network of booths, concessionaires and institutions. Milk in loose form and in packets returned unsold by these outlets is tested for its quality, fat and solid non-fat (SNF) contents, reprocessed and dispatched again to various outlets.

Mention was made in paragraph 67.11.3(D) of the Report of the Comptroller and Auditor General of India for the year ended March 1987, Union Government (Civil) (Report No 1 of 1988) and in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1994, Union Government (Civil) (Report No 1 of 1995) of the additional expenditure of Rs 88.22 lakh and Rs 231.23 lakh incurred by the scheme on reprocessing the unsold milk returned by the outlets during 1986-87 and 1988-94 respectively. In their Action Taken Notes furnished in February 1989 and January 1996, the Ministry had stated that there had been a progressive decline in the quantity of returned milk because of the efforts of the Milk scheme, which compared favourably with the tentative norms of one per cent for milk returned by the outlets in bottles and two per cent in polypacks fixed by the scheme.

Test-check in audit of the Monthly Progress Reports and returned Milk Registers for the period 2000-02 maintained by the scheme, however, revealed that the quantity of milk returned in polypacks constituted 7.68 per cent and 8.97 per cent of the milk distributed during 2000-01 and 2001-02

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respectively, as against the tentative norms of two *per cent*. The polypacks so returned were broken manually and the milk contained therein was reprocessed afresh as raw milk. Based only on the variable costs, the scheme incurred additional expenditure of Rs 65.39 lakh on reprocessing the milk returned in polypacks casting an additional burden on an organisation that was already incurring recurring losses. While loose and curdled milk was also returned through tankers during this period, this was either not fit for or did not require reprocessing.

The distribution losses were reported to the Milk Scheme in May 2002. The scheme initially stated (June 2002) as follows :

- (i) Whereas all the returned milk was being reprocessed prior to March 2000, following the increase in the price of milk, large quantities of unsold milk were returned by the outlets.
- (ii) Instead of reprocessing the returned milk, the practice of recycling a large portion of such milk was adopted on the instructions of the General Manager and this practice continued till February 2002.

However, subsequently in August 2002, the Scheme admitted that the returned milk was not recycled as stated earlier during the period in question and the system of reprocessing the milk continued to prevail even during this period.

Further, test-check of the Monthly Progress Reports for the period 1999-2002 revealed that the Scheme incurred Fat and SNF losses in excess of the prescribed norms of two *per cent* and one *per cent* respectively during this period in processing of milk and milk products in the Central Dairy, such losses ranging from 2.81 *per cent* to 5.03 *per cent* in respect of the Fat content and from 1.84 *per cent* to 3.07 *per cent* in respect of the SNF content. The monetary value of these losses in excess of the norms aggregated to Rs 554.07 lakh.

The Milk Scheme contended (August 2002) that the increase in the Fat and SNF losses was attributable mainly to product diversification and multiplicity of types of milk, such as full cream milk, toned milk, flavoured milk, etc. that these losses did not pertain to the Central Dairy alone but related to the Scheme as a whole and that these also included handling losses of one *per cent* in transit. The Scheme added that sales of milk and milk products had decreased because of an increase in prices and that the operational losses being more or less constant, the percentage of Fat and SNF losses had increased because of less handling.

The contention that product diversification was responsible for increased losses would not, however, appear to be factually correct because 85 to 100 *per cent* of the total fat and 89 to 100 *per cent* of the total SNF were actually consumed during this period in milk and milk products that were being produced and distributed even prior to diversification. The argument that the losses related to the Scheme as a whole was also contrary to the position reflected in the Monthly Progress Reports that pertained only to the Central Dairy Division. In fact, the Department also confirmed this in August 2002. Besides, the losses during 1999-2002 were higher in relation to 1997-99, when the consumption of Fat and SNF was higher.

The matter was referred to the Ministry in July 2002; their reply was awaited as of December 2002.

CHAPTER II: MINISTRY OF COMMERCE

2.1 Accumulation of unrecovered arrears of lease rent

Due to many of the promoters of Export Units in the Noida Export Promotion Zone being untraceable, protracted legal proceedings and the inadequacy of the assets of many of the units, lease rentals aggregating to Rs 6.31 crore in arrears from 72 defaulting could become irrecoverable.

The Noida Export Promotion Zone was established in 1985 to provide the necessary infrastructure, such as developed land for construction of factory sheds, factory buildings of standard design, roads, power and water supply, etc. for creating a competitive, duty-free environment to facilitate production for exports at low cost. The Government of India invested Rs 66 crore on its development.

Export Units allotted plots and buildings were required to pay the applicable rent quarterly in advance. Till November 1997, such rent remaining unpaid in arrears attracted penal interest of 12 *per cent* during the first 12 months of default, 18 *per cent* after 12 months and up to 24 months and at the rate of 24 *per cent* in cases of default of more than 24 months. From 3 November 1997, however, interest on rent in arrears was to be uniformly levied at the revised rate of 12 *per cent per annum* and units that were declared sick or had been closed were exempted from payment of interest. The Development Commissioner of the Export Promotion Zone could take steps to recover the arrears of rent as arrears of land revenue under Sections 6 and 14 of the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. He was also empowered to treat allottees of plots and buildings who had defaulted in payment of rent as unauthorised occupants and have them evicted from the premises under Sections 4 and 5 *ibid*.

As of March 2001, of the 254 Export Units that had been allotted plots or factory buildings in the Export Promotion Zone till then, only 151 were functional. Of the remaining, 60 units were not functioning, the plots allotted to 24 units were vacant and the allotments in respect of 19 units had been cancelled.

Test check of records of the Development Commissioner revealed that lease rent and penal interest aggregating to Rs 4.96 crore pertaining to the period from January 1989 to March 2001 remained unrealised from 71 Export Units as of May 2002. The adequacy of the action taken in terms of the enabling

provisions to recover the accumulated arrears from the defaulting units was not readily ascertainable. Further, lease rent of Rs 10.25 lakh outstanding since June 1991 from one unit, the allotment in respect of which had been cancelled, was omitted from the list of outstanding dues because of failure to carry forward the relevant details from the old lease rent register to the current one.

The office of the Development Commissioner stated (October 2002) as follows:

- Action for recovery of outstanding lease rentals and eviction from the premises had been taken from time to time under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971, particularly against almost all the major defaulters.
- Based on the action taken, a number of premises had been got vacated and either allotted to new projects or utilised for export purposes by granting sharing permission to the working units.
- Eviction from premises and realisation of outstanding dues from some of the units that had been closed and had not vacated the premises had not been possible in spite of initiating action under the Act mainly because (i) the whereabouts of the promoters were not known in many of these cases; (ii) promoters had resorted to litigation in some of these cases; (iii) the units also owed monies to other agencies such as banks and financial institutions, Customs, Sales Tax and Labour Departments, Uttar Pradesh Power Corporation, etc. and the liabilities in respect of many of the units were more than the value of the assets and buildings in their possession in the Export Promotion Zone.
- The unit from which lease rent of Rs 10.25 lakh was outstanding had been evicted from its premises and the premises was allotted to a new unit, entry in respect of which was made in the current lease rent register. The outstanding lease rental from the evicted unit could not be realised because its promoters were not traceable. This had, however, since been included in the current register.

While endorsing the reply of the office of the Development Commissioner, the Ministry stated (November 2002) that all possible steps were being taken by the zone for recovery of the outstanding lease rentals and eviction of the units declared sick or closed.

Audit scrutiny, however, revealed that, notwithstanding the action stated to

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have been initiated against the defaulting units, the outstanding up to September 2002 had, in fact, increased as of October 2002 from Rs 4.96 crore in respect of 71 units (including Rs 10.25 lakh due from one unit omitted to be included in the current register) to Rs 6.31 crore in respect of 72 units. Of these, only 14 units were functional (Rs 0.33 crore), while 40 of the units from whom arrears of Rs 2.97 crore were due were not functioning and the allotments in respect of the remaining 18 units (Rs 3.01 crore), had been cancelled.

Admittedly, the whereabouts of many of the promoters are not known, the litigation resorted to by some of the units could be protracted and the assets of many of the units are also inadequate to enable them discharge their committed liabilities. In the circumstances, the outstanding dues could conceivably become irrecoverable unless special efforts are made for their expeditious realisation.

CHAPTER III: MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

3.1 Functioning of Mail Motor Service

The Mail Motor Service introduced in 1944 in some selected cities had progressively expanded and the Service was operating in 94 cities at the end of 2002, with a total fleet strength of 1,135 mail motor vehicles and 486 staff cars and inspection vehicles. Review in audit of its functioning revealed instances of poor utilisation of vehicles, non-adherence to norms prescribed for their optimum utilisation, avoidable expenditure on their empty deployment, failure to achieve prescribed targets of fuel consumption resulting in higher consumption and consequential additional expenditure, absence of norms to enable effective control over the consumption of fuel, tyres and tubes, spares, etc. Cost of operations of the Mail Motor Service vehicles was also considerably higher than the cost at which some units transported mail utilising services of private contractors and was disproportionately high in some of the units. Staff in different categories were employed in excess of the prescribed norms in 10 units in 5 Circles.

Highlights

Of the vehicles available in 33 Mail Motor Service units, only those in 13 units were fully utilised during 1997-1998, 1998-99 and 2000-01, the corresponding position in 1999-2000 and 2001-02 being 15 units and 14 units respectively. Utilisation in the Rourkela unit during 1998-99, Dharwad unit during 1997-98 and the Surat unit during 1998-2002 were, however, poor being 50 per cent, 54 per cent and 75 per cent respectively!

The norm of daily coverage of 100 kilometres prescribed for optimum utilisation of the vehicles was adhered to only in respect of 8 per cent to 11 per cent of the vehicles in the units test-checked!

Empty deployment of vehicles in Mumbai and Kolkata, attributable to their being parked far away from the designated collection and delivery points resulted in avoidable additional expenditure of Rs 4.53 crore!

Kilometers travelled per litre of petrol/diesel consumed by vehicles in units in 7 Circles were lower than the targets fixed, resulting in higher consumption of fuel and avoidable additional expenditure aggregating to Rs 1.19 crore!

Expenditure incurred by 28 Mail Motor Service units on petrol, diesel, lubricants, tyres and tubes, batteries, spares, etc. per kilometre of operation varied widely between units and even among units in the same Circle. No

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norms had been prescribed to enable effective control over the consumption of these items.

Expenditure incurred on repairs to vehicles in the Delhi and Tamil Nadu Circles far exceeded their original cost of purchase, rendering operations with these vehicles uneconomical.

Failure to synchronize award of contracts for fabrication of bodies with the scheduled receipt of the chassis resulted in the contracts being awarded after delays ranging from 3 to 12 months in 10 units, while the contract was yet to be awarded in one unit even after the lapse of 6 months, resulting in expenditure amounting to Rs 3.04 lakh incurred on procurement of the chassis remaining unproductive and necessitating deployment of condemned vehicles involving higher operating costs.

Contrary to departmental instructions that condemned vehicles should not be retained beyond a period of three months, 24 vehicles in 6 Circles, condemned between 1983 and 1989 had not been finally disposed of as of June 2002.

Cost of operations of Mail Motor Service vehicles in 26 units test-checked varied widely and ranged from Rs 4.84 to Rs 22 per kilometre. The cost was also considerably higher than the cost at which some units transported mail utilising services of private contractors. Cost of operations was particularly high in the units at Bangalore (Rs 16.17 to Rs 19.68 per kilometre), Hyderabad (Rs 14.96 to Rs 15.45 per kilometre), Mumbai (Rs 17 to Rs 22 per kilometre) and Pune (Rs 14 to Rs 16 per kilometre).

In 10 units in 5 Circles, Staff in different categories were employed in excess of the prescribed norms. Expenditure on their pay and allowances aggregated to Rs 212.48 lakh, of which Rs 181.64 lakh was accounted for by the Maharashtra Circle alone.

Failure to claim exemption from payment of Motor Vehicle Tax from the State Governments concerned resulted in Bihar, Delhi, Gujarat and West Bengal Circles making payments aggregating to Rs 34.86 lakh on this account.

3.1.1. Introduction

The Department of Posts introduced the Mail Motor Service in the year 1944 in some selected cities. Following progressive expansion, the Service was operating in 94 cities at the end of 2002, with a total fleet strength of 1,135 mail motor vehicles and 486 staff cars and inspection vehicles. The Service has been assigned multifarious responsibilities, such as conveyance of mail between post offices and to and from railway stations, airports and ports, of cash between post offices, clearance of letter boxes, running of mobile post offices, conveyance of departmental staff and stationary, etc. It is also responsible for the purchase and maintenance and repairs of its fleet of

vehicles. Full-fledged workshop facilities for major maintenance and repairs are available at 17 stations.

3.1.2. Scope of Audit

Functioning of the Service during the five-year period from 1997-98 to 2001-02 was reviewed in audit from April to July 2002, based on test-check of records in 51 Mail Motor Service units in 16 Circles (Andhra Pradesh, Bihar, Delhi, Gujarat, Haryana, Jammu & Kashmir, Kerala, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh (East) and West Bengal). The review contains, *inter alia*, the findings relating to utilisation of funds, operation and maintenance of vehicles, cost of operations, manpower resources, etc.

3.1.3. Organisational arrangements

Each major unit of the Service is headed by a technically qualified Group 'A' Senior Manager or Group 'B' Manager, while smaller units function under the control of the Senior Superintendents and Superintendents of Post Offices, as the case may be, under the supervision of the Regional Post Masters General or Chief Post Masters General at the Circle level. At the Directorate level, the Director (Motor Vehicles) under the Deputy Director General (MM and TS) exercises overall supervision.

3.1.4. Budget allotments and actual expenditure

Budget proposals are prepared annually on the basis of the previous year's expenditure and the anticipated expenditure on new units to be established and augmentation of existing units. The Heads of the Circles concerned allot funds under each head of operation to each Mail Motor Service unit. Details of the Budget provision and expenditure there against in respect of all the units during the five-year period ending 31 March 2002 are presented in the following table:

(Rupees in crore)

Year	Budget Provision (Revised Estimates)	Actual Expenditure
1997-98	27.50	26.32
1998-99	27.48	29.49
1999-00	33.40	31.52
2000-01	33.50	34.53
2001-02	37.43	Detailed Appropriation Accounts under finalisation

3.1.5 Operation and maintenance of vehicles

3.1.5.1 Fleet utilisation

Vehicles in the fleet fully utilised only in a few units. Prescribed norms of daily coverage and deployment not adhered to

Review in audit of the utilisation of the vehicles available in the fleet of 33 of the 51 units, the records of which were subjected to test-check, revealed that the available vehicles were fully utilised only in 13 of these units during 1997-1998, 1998-99 and 2000-01, in 14 units during 2001-02 and in 15 units in 1999-2000. Vehicles in the other units were utilised to the extent of 80 per cent and above, with the exception of the Rourkela unit during 1998-99 (50 per cent), Dharwad unit during 1997-98 (54 per cent) and the Surat unit during 1998-2002 (75 per cent).

Departmental instructions issued in September 1979 provide that each vehicle should cover, on an average, a distance of 100 kilometres daily so as to ensure their utilisation to the maximum extent. The vehicles were to be deployed preferably in two shifts providing a break of two hours between shifts for their checking. Where this was not feasible, the vehicles were to be deployed based on a daily schedule of 8 hours.

However, the prescribed norm of daily coverage of 100 kilometres was adhered to only in respect of 8 per cent to 11 per cent of the vehicles in the fleet of the units test-checked. The units did not also ensure that the vehicles were deployed at least for 8 hours daily as prescribed. While 3,535 schedules in all were operated during 1997-2002 utilising the vehicles of these units, only 1,057 of these schedules involved deployment for 8 hours or more. The year-wise analysis of the position in this regard is presented in the table below:

Year	Total Schedules	Actual Deployment			
		Up to 4 hours	4 to 6 hours	6 to 8 hours	Above 8 hours
1997-98	695	47	70	337	241
1998-99	720	37	77	363	243
1999-00	710	34	88	338	250
2000-01	742	26	89	441	186
2001-02	668	22	91	418	137

The Department attributed (June 2002) the non-adherence to the prescribed norms to congestion on and condition of the roads, heavy traffic, belated collection of mail, adoption of split-duty operations, long distances involved in different directions, etc.

However, these inhibiting factors ought to have been known to the Department and it should have been possible to ensure that the vehicles followed the shortest approaches to the destinations based on a scientific study of the routes

and their rationalisation. No efforts also appeared to have been made to prepare schedules after taking into account the routes involved and the time factor.

3.1.5.2 Empty deployment of vehicles

In order to optimize the utilisation of vehicles, it will be necessary to minimise their being run empty which results in dead mileage. For this purpose, the parking of the vehicles as near the collection or delivery points assumes importance. Two instances of empty deployment of vehicles, involving avoidable additional expenditure are mentioned below:

Empty deployment of vehicles resulted in avoidable additional expenditure of Rs 4.53 crore

(a) As a result of shifting of the Airport Depot in Mumbai, which earlier functioned in the vicinity of the Airport Sorting Office, to Sion-Koliwada, vehicles serving the Sorting Office had to be operated empty over a distance of 11 kilometres daily. Based on the 43 schedules operated annually by the Mumbai unit during 1997-2002, the empty deployment of the vehicles resulted in avoidable expenditure of Rs 2.92 crore.

On this being pointed out by Audit, the Chief Post Master General accepted the observation and directed, in June 2002, the shifting of the Airport Depot to the Airport Sorting Office complex. Further developments were awaited.

(b) Similarly, four Mail Motor Service vehicles were parked in the Kalighat unit in Kolkata, 7 kilometres away from the General Post Office, the originating point of their daily schedules. This necessitated the operation of these vehicles between the Post Office and Kalighat without any mail being carried by them. Had the vehicles been parked instead at Beliaghata, only 3 kilometres away from the Post Office, empty operation of the vehicles could have been reduced to the extent of 32 kilometres per day and the additional expenditure of Rs 1.61 crore incurred on this account during 1997-2002 thereby avoided.

3.1.5.3 Fuel consumption

Distances travelled by vehicle per litre of fuel were lower than targets leading to higher fuel consumption

In order to assess the fuel efficiency of vehicles and to guard against the possibility of pilferage/leakage of petrol and diesel, the Heads of each Mail Motor Service unit are required to prescribe targets in terms of kilometre per litre. The targets are to be determined based on a quarterly check of the fuel consumption of each vehicle. The actual performance of the vehicles is also required to be assessed weekly with reference to the targets so fixed.

Test-check of the related records in the Bihar (all units), Karnataka (all units),

Maharashtra (1 unit), Punjab (4 units), Rajasthan (1 unit), Uttar Pradesh (2 units), and West Bengal (8 units) Circles, however, revealed that the kilometers travelled by the vehicles per litre of petrol/diesel consumed were lower than the targets fixed during the period covered by the review. This resulted in higher consumption of fuel and avoidable additional expenditure aggregating to Rs 1.19 crore in these units. The reasons for such higher consumption in relation to the targets were not investigated to facilitate appropriate remedial measures and ensure better control over fuel consumption.

3.1.5.4 Expenditure on fuel, lubricants and other consumables

Absence of norms to control consumption

Analysis of the expenditure incurred by 28 Mail Motor Service units on petrol, diesel, lubricants, tyres and tubes, batteries, spares, etc. per kilometre of operation revealed that this varied widely between units and even among units in the same Circle. The Heads of units or the Circles concerned had not, however, prescribed any norms in this regard to enable effective control over the consumption of these items.

3.1.5.5 Excessive expenditure on repairs

Expenditure on repairs to vehicles in two circles exceeded their original cost

Expenditure aggregating to Rs 70.91 lakh incurred on repairs to 27 Mail Motor Service vehicles purchased during 1989-90 by the Delhi Circle far exceeded their original cost of Rs 55.04 lakh. Similarly, expenditure on repairs to 4 vehicles purchased by the Tamil Nadu Circle in October 1982, June 1989 and January 1991 (2 vehicles) at a total cost of Rs 6.58 lakh amounted to Rs 9.87 lakh. The desirability of condemning and disposing of these uneconomical vehicles so as to avoid recurring maintenance expenditure did not appear to have been examined.

3.1.5.6 Fabrication of vehicles

Belated award of contracts for fabrication of bodies led to non-availability of vehicles for operation

Between May 1997 and December 2001, 11 units in Bihar (2 units), Gujarat (1 unit), Punjab (2 units), Tamil Nadu (1 unit) and West Bengal (5 units) had received chassis of vehicles on which bodies were to be fabricated. The contracts relating to fabrication of bodies were, however, awarded by 10 of these units after delays ranging from 3 to 12 months. The contract in respect of the remaining unit that received the chassis in December 2001 had not been awarded as of July 2002. This resulted in non-availability of the vehicle for deployment during the corresponding periods and the expenditure amounting to Rs 3.04 lakh incurred on procurement of the chassis remaining unproductive, apart from necessitating the continued deployment of vehicles

that had been condemned involving higher operating costs. This could have been avoided had the award of the contracts for fabrication of bodies been synchronized with the scheduled receipt of the chassis.

3.1.5.7 Disposal of condemned vehicles

The Department of Posts issued instructions in August 1999 that vehicles that had been condemned should not be retained beyond a period of three months because this would result in their further deterioration and reduction in their realisable value, apart from occupation of space.

Audit scrutiny, however, revealed that 24 vehicles in 6 of the Circles (Delhi: 4 vehicles; Karnataka: 4 vehicles; Orissa: 2 vehicles; Rajasthan: 3 vehicles; Tamil Nadu: 8 vehicles; and Uttar Pradesh: 3 vehicles) that had been condemned had not been finally disposed of at the time of the review. Of the three vehicles awaiting disposal in the Rajasthan Circle, two had been condemned as far back as in 1983 and the third in 1987. The vehicles retained in the Delhi, Orissa and Uttar Pradesh Circles had also been condemned between January 1996 and October 1999, while the periods for which the condemned vehicles had been retained in the Karnataka and Tamil Nadu Circles were not ascertainable in the absence of the necessary details.

3.1.5.8 Cost of operations

Cost of operations varied widely between different units and was higher in relation to cost of conveyance by private contractors in some units

The cost of operations of Mail Motor Service vehicles in 26 units test-checked varied widely during the period covered by the review and ranged from Rs 4.84 to Rs 22 per kilometer. The cost was particularly high in the units at Bangalore (Rs 16.17 to Rs 19.68 per kilometer), Hyderabad (Rs 14.96 to Rs 15.45 per kilometer), Mumbai (Rs 17 to Rs 22 per kilometer) and Pune (Rs 14 to Rs 18 per kilometre).

The per kilometre cost of operations in the Udaipur unit progressively increased from Rs 4.84 in 1997-98 to Rs 8.54 in 2000-01. Similarly, the per kilometre cost in the Jabalpur unit increased from Rs 7.21 in 1997-98 to Rs 13.86 in 2001-02, representing an increase of 92 *per cent* over the five-year period.

The Department attributed (June 2002) the increase in the cost of operations to increase in pay and allowances and in the prices of petrol and diesel, lubricants, tyres, tubes and spares. Audit scrutiny, however, revealed that the major factor responsible for the increase was the non-apportionment of the expenditure relating to Speed Post operations, which amounted to

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Rs 17.24 crore during 1997-2002, and that amounting to Rs 1.90 crore on repairs of vehicles of other postal wings during the same period. An instance of the former omission is mentioned in the following paragraph.

Failure to exclude expenditure on speed post operations resulted in cost of operations being inflated

The distance covered by the Mail Motor Service vehicles of the Bangalore unit in Karnataka Circle as accounted for in the mileage register was inclusive of the distance covered by them while deployed exclusively in connection with the Speed Post service. The per kilometre cost of operations as consequently reflected in the *proforma* accounts ranged between Rs 16.17 and Rs 19.68 during 1997-2001. If, however, the cost attributable to the Speed Post operations were to be excluded, as they rightly should have been, the per kilometre cost would range only from Rs 15.48 to Rs 18.02. The following table contains the year-wise details in this regard:

Year	Gross Km as per mileage register	Actual Km After Excluding Speed Post operations	Cost per Km as reflected in proforma accounts (in Rupees)	Cost per Km after excluding deployment on Speed Post operations (in Rupees)
1997-98	8,84,681	7,53,756	17.62	16.91
1998-99	8,59,311	7,47,572	16.17	15.48
1999-00	9,03,450	7,89,209	17.63	16.54
2000-01	8,85,018	7,65,763	19.68	18.02

Besides, some of the units had also resorted to the hiring, on contract, of private vehicles for carriage of mail. The cost at which this was done was considerably lower than the cost of operations utilising the captive vehicles of the Mail Motor Service. These instances are mentioned below.

(a) Whereas the cost of operation of Service vehicles in the Pune unit during the period from January 2001 to March 2002 was Rs 16 per kilometre, the unit operated one schedule using private vehicles on contract during the same period at rates ranging from Rs 4.90 to Rs 5.15 per kilometre only.

(b) Mail in three areas outside Kolkata city in West Bengal Circle was carried through private contractors during 1997-2002. The rates paid to them varied between Rs 4.30 and Rs 5.60 per kilometre only, as against the average cost of operations of the Service vehicles ranging between Rs 22.60 and Rs 28.26 in respect of all the units in the Circle taken together.

3.1.5.9 Manpower resources

Certain points relating to manpower resources noticed in the course of test-

check are mentioned in the following paragraphs.

(a) Deployment of staff in excess of norms

Staff were employed in excess of prescribed norms in five circles

Staff in different categories (drivers, workshop staff such as mechanics, welders, blacksmith, painters, etc., and Clerks/Postal Assistants) deployed in 10 Mail Motor Service units in 5 Circles (Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu) were in excess of the prescribed norms. In particular, the Mumbai unit in Maharashtra Circle had employed as many as 20 drivers in excess of the norms, while 10 drivers were in excess of the norms in the Ahmedabad unit in Gujarat Circle. Expenditure on the pay and allowances staff employed in excess in these units aggregated to Rs 212.48 lakh, of which Maharashtra Circle alone accounted for an expenditure of Rs 181.64 lakh.

(b) Diversion of staff

During 1997-2002, staff had been diverted to other wings of the Department by the units in Chennai, Coimbatore, Delhi, Vadodara and Varanasi. Expenditure on their pay and allowances totalling Rs 1.69 crore was, however, debited to the Mail Motor Service operations, instead of raising debits against the wings concerned.

3.1.5.10 Proforma Accounts

In terms of the accounting procedure prescribed for the Mail Motor Service, individual units are required to prepare, every month, proforma accounts for submission to the Head of the Circle by the 10th of the following month. Further, at the end of the year, annual proforma accounts are required to be prepared and submitted to the Directorate through the Head of the Circle by 31 May each year.

The accounting procedure further provides that debits in respect of services rendered on behalf of postal units other than those of the Mail Motor Service should include the (i) cost of stores, materials and labour utilised on the provision of the services; (ii) the apportionable share of establishment costs; (iii) overhead charges; and (iv) proportionate charges attributable to unproductive labour.

Omission/deficiencies in maintenance of proforma accounts

Certain deficiencies and omissions noticed in the course of test-check in the preparation and submission of the proforma accounts are mentioned in the following paragraphs.

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- (a) Non-submission or belated submission of the monthly accounts will not facilitate timely corrective measures. However, none of the units, other than Mumbai and Surat, the records of which were test-checked, had prepared the monthly proforma accounts during 1997-2002. Even the Mumbai and Surat units submitted these accounts to the Heads of the Circles only belatedly, the extent of delay ranging from 6 to 12 months. This was attributed by them to the shortage of manpower resources and the time necessary for compiling the accounts under different heads.
- (b) The Annual proforma accounts of all the five years (1997-2002) were not at all prepared and submitted to the Directorate by the Ahmedabad, Raipur, Vijayawada and Visakhapatnam units. Delays in submission of these accounts with reference to the prescribed schedule by the units at Hyderabad in Andhra Pradesh Circle, Bangalore and Mysore in Karnataka Circle and Bhubaneshwar, Cuttack and Rourkela in Orissa Circle and the units in Delhi and West Bengal Circles also ranged between one and five months.
- (c) Certain omissions noticed in the preparation of the proforma accounts by different units are briefly mentioned below:
- (i) Whereas the units at Bhubaneshwar and Cuttack in Orissa Circle calculated the direct labour cost during 1997-2002 by taking into account only a percentage of the salary of the drivers instead of their entire salary, which in itself was incorrect, the Rourkela unit did not take into account this element of cost. Further, in calculating the cost of operations, the unit did not also take into account the indirect charges. This resulted in understatement of the cost of operations of these units.
- (ii) The cost of operations during 1997-2002 was incorrectly worked out by the Mail Motor Service units at Ahmedabad, Ambala, Amritsar, Chandigarh, Chennai, Coimbatore, Delhi, Jalandhar, Jammu, Ludhiana, Mumbai, Mysore and Vadodara. This was attributable *inter alia* to the exclusion of certain essential elements of cost and expenditure, overstatement or understatement of certain items, omission to take into account revenue realisations, etc.
- (iii) Mail Motor Service Units at Ahmedabad, Bangalore, Beliaghata, Delhi, Howrah, Kalighat and Patna failed to raise the Advices for Transfer Debits for an aggregate amount of Rs 26.79 lakh in respect of the services rendered by them in connection with Speed Post

operations and on behalf of other postal units. Further, while working out the cost of operations apportionable to the Speed Post services, the Bangalore unit did not take into account the cost of labour, share of establishment, overhead charges and proportionate charges attributable to unproductive labour.

3.1.5.11 Other points of interest

(a) Avoidable payment of Motor Vehicle Tax

Failure to claim exemption from payment of Motor vehicle tax resulted in tax of Rs 34.86 lakh being paid incorrectly in four circles

Under Article 285 (1) of the Constitution, the properties of the Union shall be exempt from all taxes imposed by a State or by any authority within a State. Vehicles belonging to the commercial departments, such as the Railways, Posts and Telecommunications, etc. shall also be treated as properties of the Union for the purpose of Article 285.

However, Instead of claiming exemptions from the State Governments concerned, Mail Motor Service units in the Bihar, Delhi, Gujarat and West Bengal Circles made payments aggregating to Rs 34.86 lakh between 1997-98 and 2001-02 on account of Motor Vehicle Tax (Gujarat: Rs 17.78 lakh during 1999-2002; West Bengal: Rs 15.96 lakh during 1997-2002; Delhi: Rs 1.06 lakh during 1999-2000; and Bihar: Rs 0.06 lakh during 2001-02). The action taken for obtaining refund of the tax incorrectly paid and exemption from future payments and its adequacy was not readily ascertainable.

The Department stated (April 2002) that the Gujarat Government had been requested to issue suitable instructions to the Regional Transport Authority for exempting the Mail Motor Service vehicles from payment of the tax and that their response had not been received as yet. Details of the action taken in the other three Circles were awaited.

(b) Payment of compensation under the Motor Vehicles Act

Between 1997-98 and 2001-02, compensation aggregating to Rs 38.70 lakh under the Motor Vehicles Act was paid on account of claims relating to 32 accidents involving the Mail Motor Service vehicles in six Circles (Andhra Pradesh: 1 case; Rs 25.23 lakh; Delhi: 5 cases; Rs 2.09 lakh; Maharashtra: 16 cases; Rs 7.38 lakh; Punjab: 3 cases; Rs 1.04 lakh; Uttar Pradesh: 1 case; 0.15 lakh; and West Bengal: 6 cases; Rs 2.81 lakh). The action, if any, taken to investigate these cases with a view to fixing responsibility and effecting recovery of the amounts involved from those found to have been responsible was, however, not ascertainable.

The matter was referred to Ministry in September 2002, their reply was awaited as of January 2003.

3.2 Non-realisation of commission on Telegraph charges

Failure of Postal Accounts Offices at Jalandhar, Kapurthala and Sunder Nagar to deduct the commission due before remitting the telegraph charges collected by the combined Post and Telegraph Offices to the Telecom Circles resulted in non-realisation of commission aggregating to Rs 4.09 crore.

Departmental rules provide *inter alia* that the Postal Accounts Offices shall pay the telegraph charges realised by the combined Post and Telegraph offices once in a quarter to the Telecom Circle Accounts Office concerned after deducting the commission at the prescribed rates and other charges and payments due to the Department on this account. An inter-departmental committee constituted for the purpose determines the rates of commission from time to time.

The Department of Posts revised the rates of commission in respect of the telegraph messages handled by the combined offices during the four year period from 1992-93 to 1995-96 only in March 1996 and these rates ranged from Rs 10.90 to Rs 14.40 per message. However, since the Department of Telecommunications did not agree to these rates, the Department issued instructions in July 1999 to the effect that the inter-departmental adjustments may continue to be made from the year 1992-93 onwards after deduction of the commission at the pre-revised rate of Rs 6.95 per message pending finalisation of the rates by the inter-departmental Committee.

Scrutiny in audit of the records of the Himachal Pradesh, Jammu and Kashmir and Punjab Postal Circles, however revealed that, contrary to these instructions, the Postal Accounts Offices at Jalandhar, Kapurthala and Sunder Nagar, failed to deduct the commission at the provisional rate. This resulted in non-realisation of commission aggregating to Rs 4.09 crore (Himachal Pradesh : Rs 1.81 crore; Jammu and Kashmir : Rs 0.16 crore; and Punjab : Rs 2.12 crore) for the period from 1992-93 to 2002-03 (up to June 2002).

While accepting the facts, the Ministry stated (November 2002) that, of the amount of Rs 4.09 crore, a sum of Rs 1.84 crore had been recovered/adjusted (Himachal Pradesh : Rs 1.08 crore; Jammu and Kashmir : Rs 0.01 crore; and Punjab : Rs 0.75 crore) and that the Postal Accounts offices had been addressed to adjust, in consultation with the authorities concerned of Bharat Sanchar Nigam Limited the outstanding amount against the telephone revenue collections in case the telegraph charges collected were less than the commission outstanding.

3.3 Delay in utilisation of leased land

On account of the delays that had occurred at different stages, a plot of land taken on lease had not been utilised for the intended purpose even after the lapse of more than 15 years, when half the lease period had already expired resulting in an estimated avoidable expenditure of Rs 3.27 crore on continued payment of rent for hired premises, in addition to payment of lease rent aggregating to Rs 0.32 crore.

In order to minimise recurring expenditure on rent of hired accommodation and to overcome the space constraints in the Airmail Postal Sorting Office (APSO), Mumbai, the Chief Postmaster General (CPMG), Maharashtra Circle, took possession of a plot of land measuring 5,800 square metres on lease from the Airports Authority of India in May 1987. The lease was to be valid for a period of 30 years on payment of an annual licence fee of Rs 40 per square metre. The land was to be utilised for construction of a multi-storeyed building for the Airmail Postal Sorting Office, to which five of the postal units then functioning in hired accommodation were to be shifted. Construction of the building had not, however, commenced even as of July 2002.

Audit scrutiny of the related records of the Chief Postmaster General revealed the following:

- Though the possession of the land was taken in May 1987, the Mumbai Municipal Corporation was approached only in 1992, after a lapse of five years, for permission to construct a temporary shed on the land to accommodate the Mail Agency of 'A' zone. A discrepancy in the area of the land was then noticed and pointed out by the Municipal Corporation. This was resolved only during 1999 after a further delay of seven years and revised property documents were obtained in June 1999.
- In the meantime, the Department of Posts had approved the schedule of accommodation for the proposed building in October 1998. However, before the plans and project estimates could be finalised by the Chief Postmaster General, the Department revised the schedule of accommodation in December 2001.
- Notwithstanding the fact that the land was taken over in May 1987, the Chief Postmaster General had not entered into a formal lease agreement with the Airports Authority of India. This had not been possible because of the latter's insistence that the Department should settle, in the first instance, the outstanding lease rent of Rs 1.13 crore in respect of certain other accommodation also occupied by the Department in Mumbai. This

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had not been done to facilitate the conclusion of the lease agreement in respect of the land in question.

In the circumstances, and on account of the delays that had occurred at different stages, the plot of land had not been utilised for the intended purpose even after the lapse of more than 15 years, when half the lease period had already expired, involving the payment of lease rent aggregating to Rs 0.32 crore up to January 2002. The five postal units that were to be shifted to the new building also continued to function from hired premises. Assuming that the building could have been constructed within a period of three years reckoned from May 1987, an estimated expenditure of Rs 3.27 crore incurred on payment of rent for the hired premises during the period from April 1990 to July 2002 could have been avoided.

The Chief Postmaster General stated (March 2002) as follows:

- (a) The proposal for construction of the temporary shed was processed in 1992 and the Municipal Corporation also gave its approval for its construction notwithstanding the discrepancy noticed in the area of the land and the shed had been constructed in 1992. The discrepancy in land records had not, however, resulted in delay in development of the plot.
- (b) The project for construction of the building for the Airmail Sorting Office on the plot in question was under active consideration but a ban had been imposed in July 1994 on new projects, which was relaxed only in September 1998.
- (c) The schedule of accommodation having been subsequently approved and the drawings also having been received from the Architect, the project has now been taken up on priority basis.
- (d) Though the draft lease agreement was referred to the Department in March 1996, the Ministry of Law had suggested certain amendments thereto, which were not acceptable to the Airports Authority. A revised draft prepared on the basis of the lease agreement executed by the Delhi circle with the Authority was therefore, sent to them in May 2000. However, the Authority had been insisting on settlement of the outstanding dues of Rs 1.13 crore before execution of the agreement, which were yet to be paid.

The Circle has not disputed the delays that had occurred at various stages. Besides, the ban on new projects having been imposed only seven years after

possession of the land was taken, sufficient time was available to ensure that it was utilised for the intended purpose and not merely for construction of a temporary shed. A formal lease agreement had not been executed even after the lapse of more than fifteen years. It would appear *prima facie* that the project was not pursued with the seriousness and urgency that it deserved. More importantly, the delay of more than 15 years would have an inevitable adverse impact on the project cost, necessitating additional investments.

The matter was referred to the Ministry in September 2002; their reply was awaited as of December 2002.

3.4 Irregular payment of commission

Failure to adhere to codal provisions resulted in avoidable payment of bank charges amounting to Rs 59.02 lakh for obtaining bank drafts from associated and nationalised banks.

Departmental rules stipulate that when remittances are to be made for bonafide public purposes by a Government official, Government drafts payable at par would be issued to him. No commission is required to be charged ordinarily by banks on such drafts except in respect of occasional remittances of funds to or from Post Offices when specifically sanctioned by heads of circles. The Reserve Bank of India had issued instructions from time to time, which were also endorsed by the Ministry of Finance, that no commission should be levied by the State Bank of India, its associated banks and nationalised banks on the purchase of demand drafts by the post offices for remittance of funds between post offices.

Test-check of the relevant records of 18 Head Post Offices in Maharashtra Circle (13) and West Bengal Circle (5) revealed that, in contravention of the departmental instructions issued from time to time, expenditure aggregating to Rs 59.02 lakh was incurred during the period from September 1998 to September 2002 towards bank commission on purchase of demand drafts.

On this being pointed out, the postmasters of one Head Post Office in West Bengal Circle and eight Head Post Offices in Maharashtra circle stated that the matter would be taken up with the higher authorities for clarification.

Thus, failure of the department to strictly follow the instructions of the Ministry of Finance led to an avoidable expenditure of Rs 59.02 lakh towards payment of commission on purchase of demand drafts.

The matter was referred to the Ministry in November 2002; their reply was awaited as of December 2002.

3.5 Excess payment of service charges

Failure, contrary to the instructions on the subject to adopt the correctly applicable capital value of the staff quarters in Lucknow for the purpose of payment of service charges to the Lucknow Nagar Nigam and the Jai Sansthan resulted in overpayments aggregating to Rs 54.11 lakh, which were yet to be recovered.

In terms of the provisions contained in Article 285 of the Constitution, properties of the Central Government are exempt from all taxes imposed by local authorities in the States. However, on receipt of representations that Government should at least agree to the payment of charges for services rendered by the local authorities, the Ministry of Finance (Department of Economic Affairs) decided in May 1954 that payment should be made with effect from 1 April 1954 on account of Service Charges in respect of Central Government properties and issued instructions in regard to the basis of payment of these charges.

On further examination of the procedure for determining the quantum of Service Charges payable to the local authorities, the Ministry of Finance clarified in March 1967 that, in respect of isolated Central Government properties that avail of all services provided by local authorities in the same manner as in respect of private properties, Service Charges equivalent to 75 per cent of the property tax realised from private individuals shall be payable. It was further clarified that the net rateable value/annual value forming the basis of levy of property tax shall be nine per cent of the capital value of the property concerned, which shall include the cost of acquisition or construction of the property including the cost of site, its preparation and any other capital expenditure incurred after acquisition or construction. In cases where these details were not known, the present value of the property including the site as borne on the records of the Central Public Works Department or those of the department concerned was to be adopted as the capital value.

Test check by Audit of the records of the Civil Wing of the Department at Lucknow revealed that the Wing had certified the capital value of the staff quarters in the Postal Colony located in Sector 'K', Aliganj, to be Rs 0.88 crore only. The Lucknow Nagar Nigam had, however, assessed the capital

value of the property as Rs 8.06 crore. Contrary to the stipulation that the value of the property as borne on the records of the department concerned alone should be adopted as the capital value for the purpose of payment of service charges, the department accepted the assessment of the Nagar Nigam and paid Service charges accordingly to the local authority and to the Jal Sansthan, Lucknow. The amount so paid during the period from October 1991 to March 2000 aggregated to Rs 70.08 lakh (Lucknow Nagar Nigam: Rs 34.26 lakh; Jal Sansthan, Lucknow: Rs 35.82 lakh). Had the capital value certified by the Civil Wing instead been adopted, Service Charges aggregating to Rs 15.38 lakh only would have been payable during this period. Failure to do so resulted in overpayment aggregating to Rs Rs 54.70 lakh to the two local authorities (Lucknow Nagar Nigam: Rs 26.69 lakh; Jal Sansthan, Lucknow: Rs 28.01 lakh).

On this being pointed out, the department stated (October 2002) as follows:-

- (i) The capital value of the property based on the records of the Chief Postmaster General, U.P Circle, was Rs 91.24 lakh and the question of refund of the excess paid amount of Rs 30.77 lakh based on this capital value (instead of Rs 26.69 lakh computed by Audit) had been taken up with the Lucknow Nagar Nigam;
- (ii) the question of refund of Service Charges paid to the Jal Sansthan, Lucknow, for water supply would be taken up with the local authority once the issue of payment of the Service Charges was accepted by the Nagar Nigam, as this will form the basis of payment to the Jal Sansthan; and
- (iii) necessary action was being taken to fix responsibility for effecting payment without ascertaining and verifying the actual cost of the quarters.

While further developments were awaited, examination by Audit, however, revealed that an amount of Rs 26.40 lakh only would be refundable by the Lucknow Nagar Nigam, should the authority finally accept the capital value of Rs 91.24 lakh as borne on the books of the Department. The difference is attributable to the fact that, whereas the Department has computed the annual Service Charges at 33 1/3 *per cent* of the property tax realisable from private individuals, these would actually be payable at the higher rate of 75 *per cent* of the property tax having due regard to the services provided by the Nagar Nigam. Similarly, the refund due from the Jal Sansthan, based on the capital value of Rs 91.24 lakh, would work out to Rs 27.71 lakh.

3.6 Irregular payment of interest

Failure of Posts Offices in Rajasthan circle to adhere to the rules relating to the opening of 'official capacity' accounts and of those in the Jharkhand and West Bengal Circles to ensure that amounts deposited in accounts opened under the Monthly Income Scheme did not exceed the prescribed monetary ceiling resulted in irregular payment of interest aggregating to Rs 52.28 lakh. At the instance of Audit, the department recovered an amount of Rs 24.07 lakh.

(a) Mention was made in paragraph 56 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999, Union Government (Post and Telecommunications)¹ and also in paragraph 56 of the Report for the year ended 31 March 2001² of certain instances of irregular payment of interest on Savings Bank and Time Deposit Accounts in post offices opened by officials of various departments in their official capacity (known as 'Official Capacity' accounts) that were not in conformity with the relevant rules and were not closed, as prescribed, by the Head Post Masters concerned.

In their Action Taken Note on the former paragraph submitted in July 2000, the Department of Posts had informed the Public Accounts Committee that all cases of a similar nature were to be reviewed.

Audit scrutiny of the records in six Head Post Offices in Rajasthan circle³ undertaken between October 2001 and January 2002, however, revealed that instances of irregular payment of interest on 'Official Capacity' Savings Bank Accounts opened by officials of different Agencies⁴ between 1970 and 2001 in contravention of the rules on the subject continued to persist. The interest so paid aggregated to Rs 25.63 lakh.

(b) Mention was made in paragraph 58 of the Report of Comptroller and Auditor General of India for the year ended 31 March 1998, Union Government (Post and Telecommunication)⁵ of instances of irregular payment of interest on accounts opened in various Head Post offices under the Monthly Income Scheme in contravention of the rules.

¹ Report No. 6 of 2000

² Report No. 6 of 2002

³ Banswara, Gangapur City, Hindaun, Nasirabad, Shshpura and Sikar

⁴ District Education Offices, Block Development Offices, District Rural Development Agencies, Municipal Boards, Gram Panchayats and Krishi Upaj Mandis

⁵ Report No. 6 of 1999

Admitting in their Action Take Note submitted in January 2000, that the postal staff had failed to follow the procedure prescribed in this regard, the Department of Posts had informed the Public Accounts Committee that the irregular payments involved in these cases had been recovered.

Between May 1993 and June 2002, the Ranchi Head Post Office in Jharkhand Circle and the Barabazar Head Post Office in West Bengal Circle also permitted the opening of a number of accounts under the Monthly Income Scheme without ensuring that the amounts deposited in these accounts did not exceed the prescribed monetary ceiling. Their action, which was in contravention of the regulations governing the scheme, resulted in payment of interest aggregating to Rs 26.65 lakh (Jharkhand Circle : Rs 8.41 lakh; West Bengal Circle : Rs 18.24 lakh), in addition to the commission and bonus of Rs 0.76 lakh (Jharkhand Circle Rs 0.43 lakh; West Bengal Circle : Rs 0.23 lakh) paid to the small savings agents who had mobilized these accounts.

The Ministry stated (September 2002) that 13 accounts in Rajasthan Circle involving irregular payment of interest of Rs 4.21 lakh were regularised as per codal provisions and Rs 5.50 lakh of the remaining amount of Rs 21.42 lakh, had also been recovered and that the recovery of the balance amount was in progress. The Ministry added that the entire amount of interest irregularly paid and commission/bonus amounting to Rs 18.24 lakh and Rs 0.33 lakh respectively had also been recovered in West Bengal Circle. Developments in regard to the cases pertaining to Jharkhand Circle were awaited as of November 2002.

3.7-2 Idle investment on acquisition of land

Acceptance by the Department of a plot of land that was admittedly unsuitable for the intended purpose resulted in the land not being utilised for over a decade involving unfruitful investments aggregating to Rs 49.95 lakh.

In April 1989, the State Government of Gujarat allotted a plot of land measuring 48,174 square feet in the Behrampura area of Ahmedabad to the Department of Posts for the construction of a building for the Mail Motor Service. The Senior Manager, Mail Motor Service, Ahmedabad, took possession of the land in May 1989 on payment of its cost of Rs 45.07 lakh. Further expenditure of Rs 4.88 lakh was also incurred on the construction of a boundary wall in 1993. The land, however, had not been utilised for the intended purpose even as of July 2002.

Audit scrutiny of the related records revealed that representative of the Civil Wing of the Department who had inspected the land in December 1988 prior to its purchase had opined that it was not suitable for construction because it was 5 to 6 feet below the existing road level and would require filling. The Manager of the Mail Motor service had also then expressed the view that the plot was unsuitable for the user's requirements because of the long distances that the vehicles would have to travel and of the fact that it was located in a riot-prone area.

Given the fact that the land was admittedly unsuitable for the intended purpose, its acceptance by the Department notwithstanding the reservations expressed by its own representative would not appear to have been prudent. In the process, investments aggregating to Rs 49.95 lakh on its acquisition and construction of the boundary wall had been rendered unfruitful for over a decade. In the absence of any decision in regard to the alternative use of the land or its disposal, the investments could also prove infructuous in the final analysis.

On this being pointed out in audit, the Ministry stated (December 2002) as follows:

- (a) The site which was certified as unsuitable by the Civil Wing earlier was different from the one proposed to be purchased and the Executive Engineer of the Postal Civil Division had visited the site and had issued the Site Suitability Certificate in January 1989.
- (b) Though action for construction of the building for the Mail Motor Service was initiated in August 1990 by issuing administrative approval and expenditure sanction for conducting soil test at the site at an estimated cost of Rs 0.25 lakh, limited resources forced the Department to impose a ban in July 1994 on new projects. The ban in respect of this project having been relaxed subsequently in November 2000 and based on a decision of the Gujarat circle to accommodate another office in the same building, the Schedule of Accommodation for the entire project was approved in January 2002.
- (c) However, following prolonged civil disturbances in Ahmedabad and in consideration of the fact that the plot was located in the most sensitive and communally disturbed area of the city, the proposal for construction of the departmental building thereon was dropped in October 2002 on the suggestion of the Staff side.

- (d) The Gujarat circle was now taking up the matter with the State Government with a view to either obtaining refund of the payment already made for the land along with interest or securing the allotment of another suitable plot of equal market value.

The Department's contention that the site certified as unsuitable by the Civil Wing earlier was different from that which was proposed to be purchased is, however, not borne out by facts. As mentioned earlier and as verified from the records, the representatives of the Civil Wing who had inspected the land in December 1988 prior to its purchase had in fact opined unanimously that it was not suitable for construction because it was 5 to 6 feet below the existing road level and would require filling. The opinion also referred only to Plot No. 89/TPS-13 in respect of which the Postmaster General, Gujarat Circle, had deposited the amount of Rs 45.07 lakh in the treasury in April 1989. The suitability certificate issued in January 1989 would also appear to have been only conditional since it clearly mentioned that the existing level of the plot would need to be raised above the road level. Besides, the Manager of the Mail Motor Service had also pointed out that the plot was located in a riot-prone area in December 1988 itself. That the Department itself decided finally in October 2002 not to construct the departmental building on this plot of land also only serves to reinforce the audit conclusion that its acceptance by the Department notwithstanding the reservations expressed by its own representatives in regard to its suitability would not appear to have been prudent.

3.8 Unproductive investment on acquisition of land

Failure to ensure that the documentation in respect of a plot of land acquired in May 1990 was correct and complete in all respects, compounded by delays in observance of prescribed formalities, resulted in the drawings for the construction of a Postal Colony not being approved to enable commencement of construction and in investments aggregating to Rs 21.95 lakh consequently remaining unproductive. In the meantime, houses had also been illegally constructed on part of the land that had been encroached upon.

Departmental instructions provide that before purchasing any land or building, all formalities prescribed for the purpose should be meticulously observed and the terms and conditions governing the purchase should be ascertained in advance without fail.

In May 1990, the Senior Superintendent of Post Offices, Gorakhpur Division, took possession of 65,340 square feet of land from the Gorakhpur

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Development Authority on payment of Rs 19.60 lakh. The land was intended for construction of a Postal Colony. Subsequently in April 1991, the Development Authority asked the Division to pay Rs 1.96 lakh as lease rent. The payment not having been made even till February 1995, the Division was again requested to do so. The lease rent was paid thereafter in May 1995, after a delay of four years. Subsequently, in March 1999, the Authority raised a demand for interest on the belated payment of the lease rent and also requested a further payment of Rs 0.39 lakh as freehold charges within a month. Payments aggregating to Rs 2.99 lakh, representing the freehold charges and the interest due on the belated payment of the lease rent and freehold charges (Rs 2.60 lakh) were accordingly made during July-August 1999.

In the meantime, the Department had also submitted the drawings in respect of the Postal Colony in July 1994 and the map of the plot of land in October 1995 to the Development Authority. These were, however, not approved by the Authority because of certain discrepancies noticed in regard to the extent of the land as mentioned in the sale deed and that reflected in the freehold documents, which returned the map with its objections only in June 2001. It was only in January 2002 that the Civil Wing initiated action to reconcile these discrepancies in consultation with the Authority. The reconciliation had not, however, been completed as of August 2002. In the meantime, encroachers had occupied a portion of the land and had also constructed houses thereon.

In this milieu, construction of the Postal Colony as envisaged had not commenced even more than 12 years after the acquisition of the land. Apart from the avoidable payment of interest of Rs 2.60 lakh attributable to delays in settling the claims preferred by the Development Authority, the investments aggregating to Rs 21.95 lakh (cost of land: Rs 19.60 lakh; Lease rent: Rs 1.96 lakh; and freehold charges: Rs 0.39 lakh) had remained unproductive. The delay in commencement of construction will also have an inevitable impact on the project cost. Besides, part of the land having been encroached upon in the meantime and houses also having been constructed thereon, eviction of the illegal occupants could be a long-drawn process.

The Ministry stated (January 2003) as follows:

- (a) The Department had initially held that payment of lease rent did not arise because the land had been purchased only after making the necessary payment. However, since the Authority persisted with their demand according to its byelaws, the Department finally had to pay the lease rent

in May 1995.

- (b) The Department also had to pay interest amounting to Rs 3 lakh for the belated payment of the lease rent, which was deposited in July 1990 (Rs 2.95 lakh) and August 1990 (Rs 0.05 lakh), on payment of which the land became freehold and no payment was made on account of freehold charges.
- (c) Subsequently, a clerical error on account of which there was a discrepancy in regard to the measurement of the land between the *Bainama* document made available in June 1995 and the Freehold document provided in June 2000 had come to notice. The error had been rectified through a *Titimma Bainama* in October 2002 and the Development Authority was being requested to approve the drawings.
- (d) Funds allocated by the Planning Commission for building activities in the VIII, IX and X Plans had been considerably less than the demands projected by the Department. Therefore, even if the drawings had been approved by the Authority earlier, the construction of the staff quarters could not have commenced due to paucity of funds and the imposition of a ban by the Department in July 1994 on new building projects.

Apart from the fact that payments aggregating to Rs 3.00 lakh were made only during July-August 1999 and not during July-August 1990, as mentioned by the Department, these included also the payment of Rs 0.39 lakh on account of freehold charges. The statement that no payment was made on account of freehold charges is, therefore, not factually correct. The plea of paucity of funds would not also appear to be correct in view of the fact that even the funds allocated by the Planning Commission from time to time were not utilised fully by the Department resulting in significant savings in capital expenditure in relation to the provisions as brought out in successive Reports of the Comptroller & Auditor General of India. The delay in commencement of the construction would also appear to be primarily attributable to the non-approval of the drawings by the Development Authority, which in turn was because of the failure of the Division to ensure that the documentation in respect of the land was correct and complete in all respects. Further verification by Audit also revealed that, based on measurements taken subsequently in January 2002, the extent of land actually available for construction of the colony would be less than that initially purchased on account of the encroachments that had taken place during the interim period, which could be difficult to remove because houses have already been constructed on the land. In the circumstances, review and revision of the original plans and drawings may also be necessary.

3.9 Non-recovery of rent

Failure to prefer claims in time on account of rent for the premises occupied by the District Telecom Training Centre resulted in non-realisation of rent of Rs 2.56 crore.

Departmental rules stipulate that when non-residential accommodation belonging to the Posts and Telecommunications Department is let out to other government departments, standard rent is chargeable at eight *per cent* of the capital cost of the land and building, including the cost of sanitary, water supply and electric installations, in the proportion of the floor area occupied by the other government departments.

The District Telecom Training Centre under the Mahanagar Telephone Nigam Limited (MTNL) Delhi had been functioning in the building belonging to the Director of Postal Accounts even prior to April 1986, when the rent for the premises occupied by the Centre was realised by book adjustment. Consequent upon the bifurcation of the Postal and Telecom Units in April 1986, the Ministry of Communications issued orders in April 1987 prescribing the procedure for settlement of debits relating to Delhi Telephones booked in the accounts after 1 April 1986. The order explicitly stated that the expenditure incurred by various units on behalf of the erstwhile Delhi Telephones or the Mahanagar Telephone Nigam Limited and accounted for in the accounts after 1 April 1986 might directly be taken up with the Nigam's authorities for settlement in cash, by preferring claims for reimbursement of the amount.

Though space measuring 9,274 square feet in the Postal building continued to be occupied by the Telecom Training Centre even after April 1986, neither did the Nigam pay the monthly rent of Rs 59,203 determined by the Assistant Engineer (Civil) nor did the Postal Accounts authorities ever ask the Nigam to pay the rent. Instead, electricity and water charges alone continued to be paid by the Nigam.

It was only in January 2001 that the Postal Accounts authorities took up the matter with the Nigam for realisation of rent that had fallen into arrears since April 1986. The rent due however, was not paid by the Nigam even thereafter. In the result, the arrears of rent had accumulated to Rs 2.56 crore as of October 2002.

While admitting the non-realisation of rent for the portion occupied by the District Telecom Training Centre, the Department of Posts stated (October

2002) that on raising of demands in respect of rent amounting to Rs 2.56 crore for the period from April 1986 to September 2002 as assessed by the Fair Rent Assessment Committee, Mahanagar Telephone Nigam Limited had disputed the ownership of the premises occupied by it stating that the buildings were in the possession of the Department of Telecommunications prior to 1974 and that these had eventually become the assets of that department and the Nigam. The Department of Posts added that the matter was being pursued earnestly for early resolution.

Had the question of realisation of rent been taken up promptly on termination of the reciprocal arrangements between the two Departments in April 1986 or at least after the issue of the orders in April 1987, the dispute in regard to the ownership of the building could conceivably have been resolved earlier, facilitating the regular recovery of the rent due. Now that more than 15 years have elapsed, the dispute may not be capable of easy resolution.

3.10 Omissions in deducting tax at source

Failure to deduct Income Tax at source from the commission payments made to the authorised agents in terms of the provision inserted in the Income Tax Act and omission to levy surcharge at the applicable rates on the Income Tax deducted at source on amounts withdrawn from National Savings Scheme accounts resulted in non-realisation of revenue aggregating to Rs 2.43 crore.

Two instances of failure to correctly deduct Income Tax at source after taking into account provisions incorporated in the Finance Acts resulting in Government having to forego revenue are mentioned in the following paragraphs.

(a) Section 194H was inserted in the Income Tax Act, 1961, with effect from 1 June 2001 by the Finance Act, 2001, in terms of which any person not being an individual or a Hindu Undivided Family responsible for paying to a resident any income in the form of commission or brokerage is required to deduct tax at the rate of 10 *per cent* on such income for the period from 1 June 2001 to 31 May 2002. The deduction is to be made either at the time of credit of such income to the account of the payee or at the time of payment of such income, whichever is earlier. However, tax is not required to be deducted if the aggregate amount of such income paid to the person during the financial year does not exceed Rs 2,500.

Scrutiny by Audit of the records of 13 Head Post Offices⁶ in the Uttar Pradesh Circle revealed that commission aggregating to Rs 1358.44 lakh was paid by them to various agents with effect from 1 June 2001 and the commission paid to individual agents during the financial year 2001-02 was also more than Rs 2,500. However, the Post Masters concerned failed to deduct income tax at the prescribed rate at source as envisaged in Section 194H. This resulted in non-recovery of tax aggregating to Rs 135.84 lakh.

On the omission being pointed out, the Heads of 6 of the 13 Post Offices⁷ stated that they had not received any instructions in regard to deduction of tax at source. On the other hand, the Post Master of the Head Post Office at Gonda stated that since there were thousands of authorized agents spread all over the district, it was not possible to deduct the tax at the time of payment of the commission. He added that the Department had referred the matter to the Ministry of Finance, which, in turn, had referred it to the Central Board of Direct Taxes and a decision was awaited.

(b) The Finance Acts, 1999, 2000 and 2001 provided, *inter alia*, for the levy of a surcharge at the rates of 10 *per cent*, 12 *per cent* and 2 *per cent* respectively on the amount of Income Tax deducted at source on withdrawals made by depositors from the accounts opened by them in post offices under the National Savings Scheme, 1987.

Scrutiny by Audit of the records of 2 General Post Offices⁸ and 7 Head Post Offices⁹ in Delhi Circle between August 2001 and April 2002 revealed that they failed to levy the surcharge at the applicable rates while deducting Income Tax at source on withdrawals made by depositors from their National Savings Scheme accounts during the period from April 1999 to June 2001. The omission resulted in non-realisation of revenue aggregating to Rs 1.07 crore.

The Heads of the Post Offices concerned informed Audit between August 2001 and April 2002 that they had not received any orders in regard to the levy of the surcharge during 1999-2001 and that these were received for the

⁶ Auraiya, Ballia, Basti, Faizabad, Fatehpur, Gonda, Gorakhpur, Kanpur, Lalitpur, Mau, Meerut City, Nainital and Unnao

⁷ Auraiya, Basti, Faizabad, Kanpur, Meerut and Unnao

⁸ Delhi and New Delhi

⁹ Ashok vihar, Indraprastha, Krishna Nagar, Lodhi Road, Ramesh Nagar, Sansad Marg and Sarojini Nagar

year 2001-02 only in August 2001 from the Chief Post Master General and that the surcharge was being levied thereafter.

The Ministry stated (September 2002) as follows:

- The levy of surcharge on Income Tax deducted at source having been withdrawn from April 1994, no deductions on this account were made till March 2000 in the absence of any information or directions in this regard from the Ministry of Finance.
- Subsequently, references were received from the Post Masters in Agra and Aligarh about enquiries made by the Income Tax authorities in regard to the levy of surcharge on the tax deducted at source, following which a reference was made to the Department of Economic Affairs, which was the administrative department for small savings schemes. The Department had never issued in the past in respect of any deduction from amounts due to depositors without express orders from the Department of Economic Affairs.
- The Department was informed in December 2000 that the Central Board of Direct Taxes had advised that the surcharge on Income Tax deducted at source from withdrawals from the National Savings Scheme was leviable at 10 *per cent*
- The Department of Economic Affairs was then requested to indicate the date from which the surcharge was to be levied since deduction retrospectively in respect of withdrawals made during 1999-2000 was not possible. The Department was also requested in May 2001 to confirm whether the surcharge which had been reduced to 2 *per cent* in the Finance Bill 2001 was to be levied. While the question of retrospective deduction was referred to the Central Board of Direct Taxes in June 2001, instructions were also issued in July 2001 to all Circles for the deduction of surcharge at 2 *per cent* in terms of the Finance Bill 2001.
- The question of condonation of the omission to deduct the surcharge at source during the interim period between April 1999 and June 2001 had also been referred to the Central Board of Direct Taxes, whose decision was awaited.
- While further developments in regard to these cases were awaited in audit, the following will be of relevance with reference to the replies furnished:

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The mere fact that instructions were not issued in regard to the deduction of tax at source does not by itself absolve the field officers concerned of their responsibility in this regard. On the contrary, it was mandatory, on their part, to have commenced deduction of tax at source from the commission paid to the agents and also levied the applicable surcharge once the relevant Finance Bills had been passed by both Houses of Parliament to give effect to various taxation proposals.

Authorities responsible for deduction of tax at source are not vested with any discretionary powers and specific instructions to enable the appropriate deductions in terms of the Finance Acts were also not necessary. Even if, as stated, instructions for the levy of surcharge on the Income Tax deducted on withdrawals from the National Savings Scheme were, in fact, necessary from the Department of Economic Affairs, it is then fairly obvious that there had been a lapse on the part of that Department in not notifying the restoration of the surcharge on Income Tax with effect from April 1999.

It is also not unlikely that similar omissions may have occurred in other Circles as well. The revenue implications, in the circumstances, will be substantially more than what has been highlighted by Audit in the preceding paragraphs based only on a test-check. In fact, the Department themselves had assessed that the financial implications of not having deducted Income Tax on the commission paid to the agents during 2001-02 were of the order of magnitude of Rs 86.66 crore.

CHAPTER IV: MINISTRY OF EXTERNAL AFFAIRS

4.1 Unauthorised expenditure on engagement of locally recruited and contingency-paid personnel

Notwithstanding repeated audit observations and instructions issued in pursuance thereof, Missions and Posts abroad continued to violate the rules and regulations governing the employment of locally recruited personnel and staff paid from contingencies resulting in unauthorised expenditure aggregating to Rs 5.99 crore.

Extant rules provide that Heads of Missions and Posts abroad can employ locally recruited personnel only against posts specifically sanctioned by the Ministry. They are consequently not vested with powers to create any permanent or temporary post for the appointment of personnel locally recruited.

Powers delegated to the Heads of Missions and Posts for engagement of staff paid from contingencies are subject to the following conditions:

- The powers should be exercised only for the engagement of Group 'D' (Class IV) personnel.
- Work for which they are employed should not be of a regular nature.
- They should not be employed against vacant posts.

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

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

Mention was made in earlier Reports of the Comptroller and Auditor General of India¹ of certain instances of unauthorised engagement of locally recruited personnel and staff paid from contingencies by various Missions and Posts,

¹ Paragraph 4.1.1 of the Report for the year ended March 1998, Union Government (Civil) (Report 2 of 1999) and paragraph 8.6 of the Report for the year ended March 1999, Union Government (Civil) (Report No. 2 of 2000)

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including the Indian Embassies in Athens and Paris and the Consulate General of India (CGI), Birmingham, in disregard of these rules and orders. In its Action Taken Notes furnished in January 2001 and May 2002, the Ministry had stated that instructions had been issued to all the Missions and Posts emphasizing the need to adhere to the rules and regulations, failing which responsibility would be fixed on the errant officers.

The earlier audit observations and the resultant instructions notwithstanding, the Embassies in Athens and Paris and CGI, Birmingham, continued to disregard the rules and instructions even thereafter. It was further noticed in the course of local audit of the Embassies in Belgrade, Brussels, Moscow and Rome that these Missions also employed staff paid from contingencies unauthorisedly for work of a regular nature for prolonged periods in violation of these rules and instructions. These irregularities resulted in these Missions and Posts incurring expenditure aggregating to Rs 599.38 lakh unauthorisedly. Relevant details in this regard are presented in the following table :

Mission/ Post	Nature of Irregularity	Period	Amount of unauthorized expenditure (Rs in lakh)
Athens	Engagement of contingency - paid staff as Clerks and for work of a regular nature (A)	April 1998 to June 2002 (B)	24.41
CGI, Birmingham	Engagement of Group 'C' Clerks and Cleaners	March 1999 to August 2002	177.11
Paris	Employment of one locally-recruited clerk in excess of sanctioned strength and contingency - paid staff for regular work of cleaning and payment of higher than admissible wages	April 1998 to July 2001	115.57
Belgrade	Employment of contingency paid staff as part-time gardener being work of a regular nature (C)	December 1996 to May 2000	3.68
Brussels	Engagement of contingency - paid staff as cleaner being work of a regular nature	March 1984 to August 2002	66.13
Moscow	Engagement of contingency - paid staff for work of a regular nature (D)	May 1993 to September 2001	178.00
Rome	Engagement of contingency-paid staff for cleaning being work of a regular nature (E)	April 1995 to August 2002	34.48
Total			599.38

- (A) The Mission also paid remuneration at rates higher than prescribed as well as bonus to which they were not entitled.
- (B) The Clerks paid from contingencies were engaged during the period from June 2001 to June 2002.
- (C) A proposal submitted by the Mission for employment of the part-time gardener was rejected by the Ministry in November 1996. The Ministry had also held in January 1999 that the continued employment of the gardener paid out of contingencies was illegal. The Mission nevertheless continued to engage his services.
- (D) The irregular engagement of contingency-paid personnel for work of a regular nature was repeatedly pointed out in the course of local audit of the Mission during 1995-96, 1997-98 and 1999-2000. Further, expenditure on the wages of these personnel was incorrectly misclassified under the head "Salaries".
- (E) The Mission also paid these personnel wages at rates higher than admissible as well as bonus to which they were not entitled.

The matter was referred to the Ministry in August 2002; their reply was awaited as of December 2002.

4.2 Avoidable additional expenditure

Non-adherence by the Indian Missions at Bratislava, Bucharest, Minsk, Moscow, Prague and Warsaw to the Ministry's specific instructions in regard to provision of air tickets to trainees nominated under the ITEC Programme resulted in an estimated additional expenditure of Rs 1.70 crore.

Government of India provides training in various institutions to candidates from countries in Africa, Asia, East Europe and Latin America under the Indian Technical and Economic Co-operation (ITEC) Programme. The general terms and conditions prescribed in this regard by the Ministry of External Affairs envisage, *inter alia*, that the Indian Missions concerned should provide to the nominees sponsored for such training return air tickets only by Tourist/Economy class between the last port of embarkation in their country and the places of training in India. This implies that the cheapest available Excursion fares offered almost by all the airlines in a highly competitive environment should be availed of by the Missions.

Mention was made in paragraph 8.12 of the Report of the Comptroller and Auditor General of India for the year ended March 1999, Union Government (Civil), (Report No.2 of 2000) about the avoidable additional expenditure of

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Rs 13.58 lakh incurred by the Indian High Commission in Guyana, Georgetown, in providing to such trainees Full Fare Economy class air tickets instead of availing of the cheaper Excursion fares in the Tourist/Economy Class.

Contrary to the Ministry's specific instructions governing travel of foreign nationals nominated for training under the ITEC Programme and specific provision for travel by only Tourist/Economy Class in the relevant sanctions by the Ministry, the following Indian Missions provided Full Fare Economy class air tickets to 223 trainees sponsored for training in various Indian Institutions between July 1999 and March 2002:

(Rupees in crore)

Name of the Mission	No. of trainees	Excess Fare paid
Moscow	175	1.23
Bucharest	23	0.18
Minsk	16	0.21
Prague	4	0.03
Bratislava	4	0.04
Warsaw	1	0.01
Total	223	1.70

Audit scrutiny further revealed the following:

- (a) While the Indian Mission at Bucharest had contravened the Ministry's instructions in respect of 23 trainees, it had nevertheless provided only Tourist/Economy class air tickets to six other trainees nominated during the period in question.
- (b) In addition to 223 cases where the Mission provided Full Fare Economy tickets against the sanction for Tourist/Economy Class ticket, the Ministry itself had sanctioned travel by Full Fare Economy class in respect of five trainees (Minsk: two; Warsaw: two and Prague: one) inconsistent with the ITEC guidelines.

In the absence of all relevant and complete details in regard to the fare structure applicable when these trainees performed their journeys, a precise quantification of the additional expenditure involved in providing them Full Fare Economy Class tickets has not been possible. However, it is estimated that non-adherence to the Ministry's instructions resulted in an avoidable expenditure of Rs 1.70 crore computed as indicated below:

- (a) The estimate in respect of the Mission in Bucharest is based on the difference between the average cost (Rs 50,431) of the

Tourist/Economy class air tickets and the average cost (Rs 1,29,871) of Full Fare Economy class air tickets.

- (b) The difference so arrived at has been extended on a proportionate basis to the tickets provided by the Missions at Bratislava, Minsk and Prague.
- (c) The additional expenditure incurred in respect of Missions at Moscow and Warsaw has been estimated pro-rata based on the difference between the current actual fares of Full Fare Economy Class ticket and Excursion/Tourist Class ticket.

The actual additional expenditure could also conceivably be more if it were to be computed with reference to the cheapest excursion fares available by Tourist/Economy class at the relevant times.

The Mission at Bucharest stated (April 2002) that there appeared to be a genuine misunderstanding about the type of tickets to be issued to the ITEC trainees and that the term "Full Fare Economy Class" was not normally mentioned in its authority letters. The Mission added that it had noted the requirement of purchasing only Excursion fare Tourist/Economy class tickets for these trainees. No replies were furnished by the remaining Missions.

It was, however, observed that, in several cases, the Mission at Bucharest had specifically authorised Air India Limited to issue only Full Fare Economy class return air tickets. Besides, the Mission could have detected the fact of Full Fare tickets having been provided by Air India on receipt of invoices from the airline.

These cases were referred to the Ministry in May and November 2002; their reply was awaited as of December 2002.

4.3. Avoidable additional expenditure on property purchase

Contrary to its own norms and the assurance given to the Public Accounts Committee, the Ministry approved, without adequate justification, the purchase of a residential property in Budapest far in excess of the entitlement of the officer for whom it was intended and containing inessential and ostentatious facilities involving substantial additional investment and recurring expenditure on maintenance.

Mention was made in paragraph 4.3 of the Report of the Comptroller and Auditor General of India for the year ended March 1996, Union Government (Civil) (No. 2 of 1997) about purchase of residential property for the Consul General in Frankfurt with unnecessary appurtenances. In their Action Taken

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Note furnished in September 1997, the Ministry had stated, *inter alia*, that the audit observations would be kept in view in future so as to avoid purchases of property with inessential and expensive appurtenances involving recurring expenditure. The Ministry had also informed the Public Accounts Committee (PAC) that Missions had been instructed to exercise restraint in this regard.

Dealing with this case in their Twenty-seventh Report (Thirteenth Lok Sabha), PAC (2001-02) had been of the considered view that prescribing norms for the residences of all diplomatic officials posted abroad was both desirable and feasible. The Committee had accordingly recommended that the Ministry should devise clear norms with a certain degree of built-in flexibility to allow for local variations, if so warranted.

Mention was also made in paragraph 4.2.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998, Union Government (Civil) (No. 2 of 1999) about purchase of residential accommodation for a Counsellor in the Embassy of India at The Hague in excess of the officer's prescribed entitlement.

In yet another instance, based on the recommendations of the Property Team, the Ministry approved, in July 1999, the purchase of a residential property in Budapest intended for Counsellor level officers at a cost of Hungarian Francs (HUF) 121.77 million, inclusive of lawyers fees and other charges, equivalent to Rs 2.17 crore. Audit scrutiny, in December 2001, of the related records in the Mission revealed the following:

- (a) The plinth area of the property located on a plot of 1,189 square metres was 386 square metres as against the entitlement of only 170 square metres prescribed by the Ministry themselves for Counsellor level officers.
- (b) Notwithstanding the assurance given to PAC in September 1997 that purchases of property with inessential and expensive appurtenances involving recurring expenditure would be avoided in future, the property contained a number of appurtenances and facilities, such as a heated swimming pool with jacuzzi, sauna, automated sprinklers, stairs equipped with electric frost prevention device, satellite dish, etc., which can only be termed inessential and even ostentatious.
- (c) The Mission had also surveyed several other properties conforming to the prescribed plinth area norm. In its final selection, however, it had confined itself to alternatives that exceeded the norm. The Ministry also approved the recommendation of the Property Team without

ensuring that the prescribed norm and the assurance given to PAC were adhered to.

In the circumstances, the Ministry would not appear to have exercised the necessary restraint in approving the purchase of the property having an area more than twice the entitlement of the officers for whom it was intended and containing inessential appurtenances and facilities. Had this been done, substantial additional investments on purchase of a much larger and ostentatious accommodation and recurring expenditure on the maintenance of the inessential facilities, electricity and heating charges, etc. could have been avoided. While it has not been possible to quantify precisely the additional expenditure attributable to the Ministry's failure to adhere to its own norm, computed, however, on a *pro rata* basis with reference to the prescribed plinth area norm of 170 square metres, expenditure of at least Rs 1.21 crore would appear to have been unjustified and avoidable.

The matter was referred to the Ministry in July 2002; their reply was awaited as of December 2002.

4.4 Avoidable expenditure on premature leasing of a temporary residence

Failure, in contravention of the Ministry's specific instructions, to synchronize the leasing of a temporary residence for the Ambassador to Spain with the renovation of the Government owned Embassy Residence resulted in avoidable expenditure of Rs 36.49 lakh.

In January 1998, the Indian Embassy in Madrid initiated a proposal for the renovation of the Government owned Embassy residence occupied by the Ambassador to Spain. Subsequently, in November 2000, the Ministry of External Affairs approved a proposal of the Embassy to hire an alternative accommodation for the Ambassador at a monthly rent of US Dollars 5000. At the relevant time, various issues of relevance to the renovation, such as its scope, costs, etc. had not been satisfactorily resolved and firmed up to facilitate the award of the contract. Therefore, the Ministry had rightly stipulated that the period of the lease should to the extent possible, synchronize with the actual renovation works being carried out in the Embassy Residence.

This specific stipulation notwithstanding, the Mission leased, initially for a period of one year, a temporary residence for the Ambassador with effect from 1 December 2000 itself on a monthly rent of Spanish Pesetas 825,000

equivalent to Rs 1.99 lakh¹ at the then prevailing official rate of exchange. However, the Ministry had not accorded by then the requisite administrative approval and expenditure sanction in respect of the renovation works; nor had a firm contract been awarded for the execution of these works. Simultaneously, the Mission also hired space in a warehouse for storing part of the government owned furniture on a monthly rent of 66597 Spanish Pesetas equivalent to Rs 0.16 lakh. Issues relating to the renovation of the Embassy Residence not having been resolved even till November 2001, when the lease for the temporary residence was due to expire, the Mission extended the lease by another year in November 2001 at enhanced monthly rent of Spanish Pesetas 850,000 equivalent to Rs 2.18 lakh².

Subsequently, in February 2002, the Ministry accorded administrative approval to the renovation of the Embassy Residence. The related contract was also approved in April 2002 and the contractor selected for the purpose commenced the works only in June 2002.

Considering the fact that the Ministry's approval to the hiring of the temporary residence was conditional and the issues relating to the renovation of the Embassy Residence were still fluid in November 2000, the leasing of the alternative accommodation with effect from December 2000 itself was premature. This was also contrary to the Ministry's specific stipulation that the period of the lease should synchronize with the actual renovation works being carried out in the Embassy Residence. The contract in respect of the renovation works having been awarded only as late as in April 2002, the alternative accommodation could have been leased not earlier than April 2002. Failure to synchronize the leasing of the temporary residence with the renovation of the Embassy Residence resulted in avoidable expenditure of Rs 36.49 lakh³ on the rent for the alternative residence and warehousing charges in respect of part of the furniture during the period from December 2000 to March 2002.

Justifying the leasing of the temporary residence from December 2000, the Mission stated in April 2002 that the Ambassador had to move out of the Embassy Residence because of its dilapidated condition and that it had expected that the Ministry's sanction for the commencement of the renovation would be available early. However, it was implicit in the Ministry's approval

¹ Re 1=4.147 Spanish Pesetas (official exchange rate in December 2000)

² Re 1=3.900 Spanish Pesetas (official exchange rate in December 2001).

³ Based on the official exchange rate prevailing in the respective months.

conveyed in November 2000 that the alternative accommodation for the Ambassador should be hired as close to the commencement of the renovation as possible. The Mission also ought to have been aware in November 2000 that there was no reasonable prospect of all the formalities relating to the renovation of the Embassy Residence being completed by December 2000 when a lease for the alternative accommodation was concluded. In fact, while conveying, in February 2001, what was only an ex-post facto formal approval to the hiring of the alternative accommodation on a monthly rental of Spanish Pesetas 825,000 the Ministry itself had taken exception to the Mission having deviated from the approved parameters.

The matter was referred to the Ministry in August 2002; their reply was awaited as of December 2002.

4.5 . Avoidable additional expenditure

Failure, *prima facie* without adequate justification, of the Indian Mission at Warsaw to entrust the painting of the exterior of the Embassy Residence to the lowest bidder resulted in avoidable additional expenditure of Rs 14.50 lakh.

In October 1997, the Embassy of India, Warsaw, invited quotations for painting of the Embassy Residence. The work involved *inter alia* (i) interior distemper and painting; and (ii) external painting, including painting of the fence and grills. Of the four quotations received in response that of Uslugi Remontowo-Budowlane was the lowest at Polish Zloty 43,122 and Polish Zloty 34,306 respectively for the internal painting and external painting.

Notwithstanding the fact that the offer of the lowest bidder for both these works should normally have been accepted, the Mission, however, approached the Ministry for approval to the award of the interior painting alone to the lowest bidder. While the scope of the work appeared to have been restricted at the instance of the Ambassador, the specific considerations on which this was done was, however, not ascertainable from the records made available to Audit. On receipt of the Ministry's approval, the Mission entrusted the interior painting of the residence alone to the lowest bidder. The work was completed in February 1998.

After obtaining confirmation, in June 1998, that the earlier quotations of all the four bidders were still valid, the Mission sought the Ministry's approval to entrust the external painting of the residence to Uslugi Remontowo-Budowlane at the quoted price of Polish Zloty 34,306. Though the Ministry

approved the proposal in June 1998, the Mission did not award the work to the lowest bidder.

It was only almost a year later that the Mission invited fresh quotations in April 1999 from three entirely different firms for external painting of the Embassy Residence. Interestingly enough, all the four firms that had submitted their offers on the earlier occasion in October 1997 were ignored. Acceptance of the lowest offer of Polish Zloty 1,93,113.48 received on this occasion from Diwal, which was 5.63 times higher than the lowest quotation of Usługi Remontowo-Budowlane received earlier, was recommended by the Mission to the Ministry in May 1999. While doing so, the Mission informed the Ministry that the external painting could not be entrusted on the earlier occasion because the firm refused to sign the contract. The Mission also cited the onset of the rainy season followed by severe winter, in the meantime, as a reason for the work being postponed till the summer of 1999. The Mission further stated that subsequent detailed inquiries had revealed that Usługi Remontowo-Budowlane did not have the ability to execute external facade work of appropriate enough quality. Justifying the five fold increase in cost, the Mission had also stated that all the three firms had agreed to provide a guarantee for five years and that it had to consider the minimum qualitative requirements for the Embassy Residence, which was an archeologically protected Building.

In January 2000, the Ministry requested the Mission to furnish further justification for the five-fold increase in the rates within a period of one year. While no reply appeared to have been furnished by the Mission, the Ministry nevertheless approved, in January 2000 itself, the award of work to Diwal at the quoted rate of Polish Zloty 1,93,113.48. The firm completed the work thereafter in November 2000. The expenditure incurred on the work amounted to Polish Zloty 1,80,677.47 (Rs 18.63 lakh) after taking into account the refund obtained by the Mission from the Polish Tax Office of the seven *per cent* VAT included in the bills of the firm and paid for.

Computed with reference to the initial offer of Usługi Remontowo-Budowlane and the then prevailing official rate of exchange, award of the work of external painting of the Embassy Residence at a substantially higher cost resulted in additional expenditure of Rs 14.50 lakh, which was *prima facie* avoidable.

In its reply furnished to Audit in July 2001, the Mission reiterated the historical and archaeological importance of the Embassy Residence, the five year guarantee provided by Diwal that was not forthcoming from Usługi

Remontowo-Budowlane and other factors brought to the notice of the Ministry in May 1999. The Mission also stated that the latter did not even possess the scaffolding necessary for executing the work on the Residence comprising three floors. It further added that the firms that had responded to the initial inquiry had misunderstood the nature of the work and had submitted quotations only for ordinary whitewashing of the exterior of the Residence and were therefore disinclined to sign the contract and guarantee the paint.

The following would, however, be of relevance in this context:

- (a) As mentioned earlier, the specific consideration on which the scope of the work was restricted earlier in October 1997 were not ascertainable from the records made available to Audit. There was also no recorded evidence in support of the justification furnished by the Mission to the Ministry.
- (b) The detailed specifications involved in the painting of the exterior of the Residence were never stipulated while inviting the quotations initially in October 1997 nor were these conveyed subsequently.
- (c) No efforts were made by the Mission to ascertain from any of the respondents to the initial inquiry, the extent to which the quality of the work would be guaranteed by them. In any event, the five fold increase in cost for a five year guarantee would appear *prima facie* to be excessive.
- (d) If, as stated, Usługi Remontowo-Budowlane was not capable of executing the external façade work of appropriate enough quality, the circumstances in which the Mission decided to recommend its offer for acceptance in June 1998 are not very clear. In any event, the Mission would not appear to have established *ab initio* the capabilities of the firm to execute the work satisfactorily as dictated by prudence.
- (e) It was also the responsibility of the successful bidder to provide the wherewithal, including scaffolding, for executing the work to the Mission's satisfaction.
- (f) It is also not very clear why the Ministry failed to pursue further the justification for the five-fold increase in the rates within a period of one year after having specifically raised this issue in January 2000.

In the circumstances, the Mission's reply can at best be considered only as an after-thought and it would appear *prima facie* that the invitation of fresh quotations in April 1999 to the detriment of Government's financial interests

lacked adequate justification

The matter was referred to the Ministry in May 2002; their reply was awaited as of December 2002.

4.6 Irregularities in hiring of Embassy residence and avoidable expenditure on rent

Contrary to the specific stipulation prohibiting any private understanding with landlords and in transgression of the dictates of propriety, the Mission in Algiers entered into two separate lease deeds prescribing different rents in respect of the Embassy Residence in compliance with the landlord's wishes.

According to the Indian Foreign Service (Pay, Leave, Compensatory Allowances and Other Conditions of Service) Rules, all the terms and conditions of the lease deed should invariably be stated in the lease deed and there should be no private understanding between the landlord and the occupant on any account. The Rules further prescribe that verbal assurances to the landlords or agents which might cause embarrassment later to the Government or the Mission should be avoided.

Instructions issued by the Ministry in April 1998 further envisage that payments of rent in cash should not be resorted to unless required by local regulations. Even in such a situation, specific approval of the Ministry is required to be obtained well in advance.

Prior to the expiry, in September 1999, of the lease of the Embassy Residence in Algiers, the Ministry approved, in May 1999, the leasing of a new accommodation. Based on this approval, the Mission entered into a lease in respect of an accommodation at 7, Chemin Mackley, Benakhoun, Algiers, effective from 1 October 1999 and valid for a period of two years.

Scrutiny by Audit of the related records in January 2002 revealed that contrary to the specific provisions in the Rules prohibiting any private understanding with landlords that might subsequently cause embarrassment, the Mission had executed two lease deeds with the landlord, one in French and the other in Arabic, in August 1999. While the former provided for payment of a monthly rent of French Francs 43,000 equivalent to Rs 2,90,541, the latter envisaged payment of a monthly rent of Algerian Dinars 43,000 equivalent to Rs 27,129. It appeared from the Mission's records, that the second lease deed in Arabic was entered into in compliance with the wishes of the landlord who had required it ostensibly for "tax purposes". The Mission did not also inform the Ministry that two lease deeds specifying different rents had been entered into

with the landlord.

Further, in violation of the Ministry's April 1998 instructions, the Mission paid the advance rent for seven months (French Francs 3,01,000 equivalent to Rs 21,19,718) in cash instead of by cheque.

On the somewhat unusual, and even peculiar arrangement, which raises important questions of propriety, being pointed out, the Mission stated (January 2002) that the officers and staff presently in the Mission were in no position to offer any comments and that explanations may be sought directly from the officer(s) involved in the transaction.

Further, in terms of the lease deed, notice for its termination was to be given three months prior to its expiry, failing which the lease would be treated as having been automatically renewed on the original terms and conditions.

However, though the Ambassador had received his transfer orders in May 2001 and his successor had also not been appointed, the Mission did not give the stipulated three months' notice to the landlord by 30 June 2001. It was only in August 2001 that the Mission took up the question of retention of the accommodation for the new incumbent with the Ministry. It advised the Mission in October 2001 to dehire the accommodation because the new incumbent was yet to be appointed.

The Mission issued the notice to the landlord thereafter on 24 October 2001 and the house was vacated on 24 January 2002.

Had prompt action been taken, in consultation with the Ministry, for the termination of the lease on its expiry on 30 September 2001, the retention of the accommodation for a period of about four months after the Ambassador handed over the charge in September 2001, could have been avoided. Failure to do so resulted in avoidable payment of rent aggregating to French Francs 1,72,000 (Rs 10.54 lakh).

The matter was referred to the Ministry in July and August 2002; their reply was awaited as of December 2002.

4.7 Recurring loss of interest attributable to deficiencies in resource management

Repeated audit observations notwithstanding, cash management by overseas Missions continued to be deficient resulting in retention of cash balances in excess of actual requirements and consequential recurring loss of interest.

Cash requirement of Indian Missions and Posts abroad are met through monthly or periodical remittances, in foreign currency, by the Ministry of External Affairs. Such remittances as are received by the Missions and Posts from time to time are usually retained by them in bank accounts that do not yield any returns in the form of interest. In addition to the periodical cash remittances, Missions and Posts also generate revenue through the provision of consular services, which is also deposited in a similar manner.

Audit observations on a number of occasions in the past¹ had highlighted instances of retention of cash balances in excess of the prescribed requirements by various Missions and Posts abroad resulting in avoidable loss of interest to the detriment of Government's financial interest. In pursuance of these observations, the Ministry has also been repeatedly emphasising that Missions and Posts abroad should make a realistic assessment every month of their cash requirements covering a period of six weeks and ensure that any cash balances held in excess of these requirements were either repatriated or adjusted against future remittances by advising the Ministry to reduce or suspend its monthly remittances. Further, the Ministry had also specifically advised the Missions and Posts in December 2000 that it was not mandatory to maintain always cash balances to meet six weeks requirements and that it should be possible to manage even by retaining only a month's requirements.

Audit of various Missions and Posts conducted between March 2001 and July 2002, however, revealed that repeated audit observations and the Ministry's instructions had not had any perceptible impact in bringing about improvements in cash management. Between April 1995 and June 2002, as many as 27 Missions and Posts² had retained cash balances in excess of their six weeks requirements for varying periods ranging from 6 to 36 months. Of these, 8 Missions and Posts³ had retained such excess balances in the past as

¹ Refer Paras Nos. 4.4, 4.5, 8.14, 8.7 and 9.4 of Report No.2 of the Comptroller and Auditor General of India for the years ended March 1996, March 1997, March 1999, March 2000 and March 2001 respectively.

² Ashgabat, Athens, Bangkok, Berlin, Bonn, Brussels, Dhaka, Dushanbe, Edinburgh, Frankfurt, The Hague, Hamburg, Hanoi, Helsinki, Jeddah, Khartoum, Kyiv, Lusaka, Madrid, Oslo, Paris, Rome, Shanghai, Singapore, Stockholm, Tunis, Vientiane

³ Ashgabat, Berlin, Bonn, Frankfurt, The Hague, Hamburg, Madrid, Stockholm.

well and this had been brought to their notice and to that of the Ministry through Inspection Reports and/or the Reports of the Comptroller and Auditor General of India. Computed with reference to the maximum cash balance held in excess during the relevant period by these 27 Missions and Posts and the maximum rate of interest of 11.70 *per cent per annum* applicable on Government borrowings, the estimated loss of interest on this account would work out to Rs 3.46 crore. Relevant details in this regard are contained in the Annex.

That the Missions and Posts abroad should persistently retain cash balances in excess of actual requirements appears to indicate that the Ministry's instructions and periodical assurances have been honoured more in breach than in their observance. The control exercised by the Ministry would also appear to have been inadequate, if not lax. Persistent disregard of the Ministry's instructions leading to recurring loss of interest only underscores the imperative need for addressing the issue with greatest seriousness and enforcing accountability.

The matter was referred to the Ministry in August 2002; their reply was awaited as of December 2002.

Annex
**Statement showing the loss of interest due to retention of excess cash
balances by the Missions/Posts**

(Rupees in lakh)

Missions/ Posts at	Period examined in Audit	No. of months during which excess cash held	Amount of maximum excess cash holding	Loss of interest @ 11.70 per cent per annum
Ashgabat	October 1999 to June 2000	18	34.04	1.92
Athens	April 2001 to May 2002	12	243.08	9.25
Bangkok	March 2001 to November 2001	6	221.62	8.10
Berlin	January 2000 to November 2001	16	1849.07	75.64
Bonn	March 2001 to February 2002	12	174.48	8.83
Brussels	May 2000 to August 2001	12	147.12	6.58
Dhaka	August 2000 to March 2001	6	57.60	1.95
Dushanbe	February 2000 to June 2002	15	110.53	4.84
Edinburgh	April 2001 to March 2002	9	72.11	2.68
Frankfurt	December 2000 to September 2001	9	187.44	6.64
The Hague	February 2000 to February 2002	24	101.73	15.71
Hamburg	April 1999 to March 2002	28	61.84	6.41
Hanoi	February 1999 to December 2001	26	177.44	12.32
Helsinki	July 1999 to February 2001	20	90.64	9.06
Jeddah	August 2000 to November 2001	16	814.73	47.26
Kyiv	September 2000 to November 2001	15	359.33	30.60
Lusaka	March 1999 to April 2000	12	53.86	4.69
Madrid	September 2000 to August 2001	12	137.39	10.54
Oslo	November 2000 to July 2001	9	33.33	0.88
Paris	January 2001 to July 2001	7	303.05	12.39
Rome	February 2000 to October 2001	20	300.40	22.78
Shanghai	May 2000 to March 2001	10	35.36	1.63
Singapore	May 1999 to March 2001	14	610.55	22.87
Stockholm	November 2000 to December 2001	14	169.18	12.96
Sudan, Khartoum	August 1998 to March 2001	30	29.55	4.44
Tunis	April 1995 to November 2000	36	24.61	3.40
Vientiane	April 1998 to November 2000	26	24.81	1.99
Total				346.36

CHAPTER V: MINISTRY OF FINANCE

Department of Revenue

Central Board of Direct Taxes

5.1 Failure to safeguard Government's interest

Inaction on the part of the Income Tax Department to execute a formal lease deed providing for periodical revision of rent in respect of the accommodation occupied by the State Bank of India in a building acquired by the Department resulted in Government's interest not being adequately safeguarded and the bank continuing to occupy the premises without a legally sustainable basis.

In June 1971 the Income Tax Department purchased a portion of a building in Kolkata from a private limited company. At the time of its purchase, 14,615 sq.ft of space was already in the possession of the State Bank of India which had rented the space from the vendor in December 1970 on payment of a monthly rent of Rupee one per sq. ft.

Despite the fact that the continued occupation of space by the State Bank of India on transfer of title to the Department had to be formalized expeditiously so as to adequately safeguard Government's interests, a draft lease deed was forwarded to the Ministry of Law only in May 1976 after a lapse of five years. While the reasons for the delay were not on record, the Ministry of Law returned the draft lease deed in August, 1976 pointing out that certain clauses provided therein were not conducive to Government's interests. The Ministry also suggested that certain provisions relating to the sub-letting of the premises by the bank, periodical renewal of the lease, arbitration in the event of disputes, etc. proposed therein may be examined before finalizing the lease.

Audit scrutiny revealed that no action was taken by the Department thereafter and even till November 1999 to finalize the lease deed after taking into account the Law Ministry's observations. Consequently, the rent of the space in possession of the State Bank of India could not be reviewed to facilitate its periodical revision in conformity with market trends; nor could the Department obtain unencumbered possession for its own use. It was only in December 1999 that the Department sought the opinion of the Ministry of Law again, this time on the question of evicting the State Bank of India from the premises. While the opinion of the Law Ministry, if any, was not made

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available to audit, subsequent efforts to persuade the bank to vacate the premises also yielded no results.

During the intervening period of over two decades, rents in the area had increased substantially. In fact, in December 1997, the Central Public Works Department (CPWD) had assessed the rent of another building in the vicinity, proposed to be leased for the Income Tax Settlement Commission, at Rs 22.95 per sq. ft.

The inaction on the part of the Income Tax Department to execute a formal lease deed with the State Bank of India resulted in Government's interests as the owner of the property not being adequately safeguarded and the occupation by the bank not having a valid and legally sustainable basis. Had the Department formalized the arrangements with the State Bank of India, it would have enabled the realisation of additional rent that bore relation to prevailing market trends. Computed with reference to the rent determined by CPWD in December 1997, the revenue foregone during the period from December 1997 to June 2002 alone would amount to Rs 1.76 crore. Besides, the Department has also been deprived of valuable space for its own use necessitating the leasing of alternative accommodation in Kolkata involving recurring liabilities on account of rent.

The Department stated (August 2002) that they permitted the State Bank of India to continue as a tenant because of the reciprocal benefit accruing to them by way of collection of income tax by the Bank. However, the mere fact that the bank is also engaged in the collection of income tax on behalf of the Department does not obviate the need for formalizing the arrangements with a view to safeguarding Government's interests. Besides, the Bank is also entitled to a commission on transactions undertaken by it on behalf of Government. The reply does not also explain the inaction on the part of the Department for over 20 years.

The matter was referred to the Ministry in June 2002; and their reply was awaited as of December 2002.

CHAPTER VI: MINISTRY OF HEALTH AND FAMILY WELFARE

All India Institute of Hygiene and Public Health, Kolkata

6.1 Inadmissible payment of Patient Care Allowance

Payment by the All India Institute of Hygiene and Public Health, Kolkata of Patient Care Allowance to ineligible employees in contravention of Ministry's orders resulted in inadmissible payment of Rs 54.90 lakh.

The All India Institute of Hygiene and Public Health, Kolkata, is primarily engaged in training and research activities. Only two Health Centres at Singur and Chetla which function under the Institute provide patient care services. In March 1993, the Ministry of Health and Family Welfare sanctioned payment of Patient Care Allowance at the prescribed rates to the non-ministerial Group 'C' and 'D' employees of these two Health Centres. The Ministry's orders clearly stipulated that the allowance was payable only to those employees who were directly engaged in providing patient care services; employees working in research organizations or wings were not entitled to the allowance.

In contravention of the Ministry's orders, the Institute, however extended the Patient Care Allowance retrospectively from April 1987 to the Lower Division Clerks, Upper Division Clerks, Stenographers, Carpenters, etc. employed at its Head Office in Kolkata and not directly involved in the provision of patient care services. The Ministry revised the rates of the allowance admissible to employees working in CGHS Dispensaries with effect from 1 August 1997 and 29 December 1998. The Institute extended such revised rates to the ministerial employees posted at the Head Office also with effect from August 1997 and January 1999 respectively.

Complete details of the payments made on this account by the Institute to the ineligible employees during the period prior to January 1999 were not available. However, based on such information as was furnished by the Institute for the prior periods, and test-check of payments made during the period from January 1999 to March 2002, non adherence to the Ministry's specific orders resulted in inadmissible payments aggregating to Rs 54.90 lakh.

The matter was referred to the Ministry in May 2002; their reply was awaited as of December 2002.

CHAPTER VII: MINISTRY OF HOME AFFAIRS

7.1 National Crime - Criminal Information System

The National Crime—Criminal Information System was conceived as part of the Police Computerisation Plan approved as far back as in August 1987 with the objective of managing the large volume of crime and criminal related information geographically dispersed all over the country and facilitating the real-time, on-line sharing of the information through integrated networking. Its implementation has, however, been tardy because of delays in installation of computers on account of non-availability of the necessary infrastructure, poor utilization of the computers installed, failure to establish District and State Crime Records Bureaux as envisaged, problems encountered in the creation of complete and comprehensive data banks, non-availability of source documents for creation of the related data bases, delay in establishment of a satellite-based communication network to facilitate the real-time and on-line retrieval of crime and criminal related information, etc. Project implementation also appeared to have been largely left to the initiatives of the State Governments. The tardy pace of implementation of some of the vital components of this integrated Project necessitated interim and ad hoc alternate arrangements. In the circumstances, even after the lapse of nearly a decade, the Project is yet to be commissioned and operationalised in its entirety, notwithstanding expenditure aggregating to nearly Rs 56 crore, resulting in its primary objectives not being achieved.

Highlights

Implementation of the Project, initially scheduled to commence in 1990-91 and be completed during 1992-93, commenced only in 1994-95. Pace of implementation was, however, tardy and, consequently, the Project was yet to be fully commissioned and operationalised even as of March 2002.

Substantial investments made on the implementation of the Project remained unfruitful for prolonged periods in many States on account of delays in installation of computers attributable to failure to establish District and State Crime Records Bureaux as envisaged and non-availability of the necessary infrastructure, poor utilization of the computers installed and utilization for purposes other than those intended, non-functioning of the computers, etc. In the process, project implementation, as scheduled, was also adversely affected. In 6 States and Kolkata, where the computers were not utilised at all or were only partially utilised, such unfruitful expenditure aggregated to Rs 12.99 crore.

Though a number of computers were either not installed or installed only

belatedly or even remained unutilised, expenditure continued to be incurred on their maintenance in terms of the contracts with the vendors.

Belated installation of computers also resulted in some of the States having to forego the benefit of warranty for rectification of defects arising subsequent to their installation.

Non-establishment even as of March 2002 of the dedicated satellite-based police communication network (POLNET) and its activation to facilitate the interlinking of the Crime Records Bureaux across the country to enable the real-time sharing of information and data between all the computers in the System necessitated the provision as an interim measure of dial-up connectivity through Modems at a cost of Rs 48.86 lakh which themselves were not fully utilised in the absence of dedicated telephone lines, STD facilities and internet connectivity.

While the requisite infrastructure facilities had not been provided in some States, airconditioners purchased out of funds provided for infrastructure creation had not been utilised for the intended purpose but were instead installed in chambers of Police officers.

Though a period of more than seven years had elapsed since the launch of the Project, a complete and comprehensive data bank had not become functional either at the National Bureau or in the States. The objective of providing computerised data bases to facilitate the availability of timely information to assist law enforcement agencies in dealing effectively with crime in all its aspects was consequently not fully realised.

The expectation that police personnel engaged in the manual maintenance of crime records in the States would be relieved from this task following implementation of the Project and become available for investigation of crimes and law and order duties was not realised.

7.1.1. Introduction

The increase in population coupled with rapid urbanization and mounting social and political tensions have given new dimensions to organised crime which has been on the increase and has been assuming newer forms. Modern transport and communication facilities enable criminals to cut across geographical boundaries and to operate in a much wider area. Recognizing that the existing system of maintenance of crime records was ill-equipped to cope with the changing needs and demands, the National Police Commission recommended the establishment of a National Crime Records Bureau at the Centre and State Crime Record Bureaux and district level bureaux to collect and disseminate information on crimes and criminals. These bureaux were to form the bedrock of a new information system for the entire country and their

success was to depend largely on the effective spread of a computer network.

In pursuance of these recommendations, the National Crime Records Bureau was established by the Government of India in March 1986 by merging the Directorate of Co-ordination Police Computers, Inter-State Crime Records Section of the Central Bureau of Investigation, Statistical Division of the Bureau of Police Research and Development and the Central Finger Print Bureau.

In order to manage the vast volume of information, geographically dispersed all over the country, it was decided that the data on crimes and criminals should be stored on computers at the national level in the National Bureau as well as in the State Bureaux. Accordingly, a detailed Police Computerisation plan that envisaged the establishment of a National Crime-Criminal Information System on a 'need to know' basis was approved by the Ministry of Home Affairs in August 1987. This envisaged the installation of computers at all the State capitals, district headquarters and one at the national level. These computers were to be inter-linked through reliable communication channels.

7.1.2. Objectives

The main objective of the integrated System was to facilitate on-line retrieval of crime and criminal related information of an operational and statistical nature, which was to be made available to various law-enforcement agencies and other associated organisations for more efficient control, investigation and prevention of crimes, treatment and rehabilitation of offenders and for utilisation in studies and research on criminology and crimogenic factors.

7.1.3. Arrangements for Implementation

The Project was to be implemented with the participation of the States under the coordination of the National Bureau. Computers were to be installed at all the State and District Headquarters according to priorities determined by the State Governments on the basis of actual operational requirements. Project, which was sanctioned in August 1991 at a cost of Rs.29.12 crore, was to be implemented in the following three phases:

Phase:1 System Analysis, Design Programme and installation of computers at the national level at New Delhi, to be spread over from the latter half of 1990-91 to the first half of 1991-92.

Phase:2 Implementation of Pilot Projects in selected States and their

integration with the national computer between the latter half of 1991-92 and the first half of 1992-93.

Phase:3 Implementation of the scheme in all the other States, expected to be completed during 1992-93.

However, having regard to the cost factor, and to the fact that networking of the computers was mandatory for implementation of the project, the Ministry of Home Affairs decided not to install computers at New Delhi during 1990-91. After introducing certain modifications, implementation of project also commenced only in 1994-95.

While the project was under implementation in the states, the National Bureau submitted a fresh proposal to the Ministry in March 1999 involving upgradation of the hardware, operating system and Relational Data Base Management System. This was approved in February 2000 at a cost of Rs 25.52 crore.

7.1.4. Organisational Arrangements

The Project was implemented by the Ministry of Home Affairs through the National Bureau headed by a Director. At the State level, the State Crime Records Bureau headed by the Director General (Police)/ Additional Director General (Police)/ Inspector General (Police)/ Deputy Inspector General (Police)/ Commissioner of Police etc. as the case may be, were responsible for its implementation, while the Superintendents of Police were entrusted with the responsibility in the districts.

7.1.5. Scope of Review

Implementation of the project in 26 States and 6 Union Territories covering the period from 1994-95 to 2001-02 was reviewed by Audit during 2002-03 based on test-check of the records maintained by the National Bureau, and the State and District Bureaux. The objective was to assess the extent to which the intended objectives had been achieved. The results of the review are set out in the succeeding paragraphs.

7.1.6. Funding of the Project

The project was funded entirely by the Central Government, and included assistance for creation of infrastructure and meeting expenditure on Annual Maintenance Contracts. As against budget provisions aggregating to Rs. 5604 lakh, expenditure totalling Rs 5591 lakh was incurred on the scheme during the period from 1993-94 to 2001-02, year-wise details of which are presented in the following table:

(Rupees in lakh)

Year	Expenditure		Year	Expenditure
1993-94	560		1998-99	145
1994-95	942		1999-00	791
1995-96	805		2000-01	1531
1996-97	466		2001-02	237
1997-98	114		Total	5591

7.1.7 Installation and utilization of computers

Contracts for the supply of computers based on the 486 Processor Technology to the States and Union Territories were awarded in April 1994 to two vendors (HCL-HP Limited and Fujitsu ICIM). These were to be supplied in three phases.

The two vendors supplied 605 of these computers at a total cost of Rs 1876.69 lakh. In addition, expenditure aggregating to Rs 1247.13 lakh was also incurred on provision of the related infrastructure facilities (Rs 412.38 lakh); training (Rs 24.19 lakh); procurement of software (Rs 457.94 lakh); Annual Maintenance Contracts (Rs 289.30 lakh); and software maintenance (Rs 63.32 lakh).

The contract for upgradation of the System, based on the Pentium III Processor, the proposal for which was approved in February 2000, was awarded to HCL Infosystems Limited in March 2000. The vendor supplied 743 of these computers and accessories at an aggregate cost of Rs 2552.23 lakh to the National Bureau and the Bureaux in 32 States and Union Territories between September 2000 and February 2001.

State-wise details of the supplies of the 486 and Pentium III computers are contained in **Annex-A**.

Audit scrutiny revealed instances of State and District Crime Records Bureaux not having been established, belated installation or non-installation of the computers, their utilization for purposes other than those intended, etc. These are briefly mentioned below:

- Notwithstanding an aggregate expenditure of Rs 98.29 lakh (including Rs 76.67 lakh on the supply of 486 and Pentium III computers, neither the State Bureau nor the District Bureaux had been created in **Arunachal Pradesh** as of March 2002. None of the District Bureaux had also been established in **Bihar** (total expenditure incurred on the project: Rs 455.97 lakh, of which Rs 358.57 lakh related to the

provision of 486 and Pentium III computers), as a result of which the State Bureau, though set up, was non-functional. In **Goa**, where expenditure aggregating to Rs 23.02 lakh was incurred on implementation of the Project, the State Bureau, creation of which was approved in July 1995, was established only in September 1997. However, the District Bureaux at Panaji and Margao had not been set up as of July 2002 to facilitate the creation of crime and criminal related records, utilising the 486 and Pentium III computers procured at an aggregate cost of Rs 19.90 lakh. Though funds aggregating to Rs 575.16 lakh, inclusive of Rs 460.55 lakh on provision of the 486 and Pentium III computers, was spent in **Uttar Pradesh**, work on the Project had not even commenced as of March 2002. Further, a Bureau proposed to be created exclusively for the Kolkata Police Commissionerate in **West Bengal** (expenditure incurred: Rs 43.39 lakh) was yet to be set up as of July 2002. In the circumstances, crime and criminal related data were not being entered and processed at the district level in these five States ever since the installation of the computers. Instead, the computers were being utilised for preparation of payrolls of employees, nominal rolls, monthly reports, etc.

- Computers supplied between October 1994 and January 1999 at a total cost of Rs 23.60 lakh to the District Bureaux in East Godavari, Hyderabad and Rangareddy in **Andhra Pradesh** were installed only between April 1996 and August 1997, after delays ranging from 15 to 34 months. Further, the computers supplied to the Bureaux in Hyderabad and Rangareddy were not functioning since the year 2000. Similarly, computers supplied to the District Bureaux in Kurnool, Vijayawada and Warangal were not functioning since 1999, while that supplied to the Guntur District Bureau was not functioning since 2000.
- Of the three 486 computers to be supplied to the **Andaman and Nicobar Islands**, one was received in January 1995, but was installed only four years later in February 1999. While the second computer was received in July 2000, the third had not been received as of March 2002. In the meantime, two Pentium III computers were also installed in November 2000, which could, however, be utilised for data entry only from May 2001 on account of software problems that were encountered.
- In **Assam**, computers in 4 District Bureaux were not utilised between April 1997 and July 2000 because of factors such as non-rectification

of defects, absence of trained personnel and power failures. Further, a computer installed at Karbi Anglong in June 1995 was utilised only from February 1999.

- In **Bihar** (including the present **Jharkhand** State), computers supplied at an aggregate cost of Rs 16.31 lakh in 7 Districts (Garhwa, Giridih, Motihari, Nawada, Nawgachia, Pakur and Rail Jamalpur) had not been installed as of June 2002, because the District Crime Records Bureaux had not been established, as mentioned earlier.
- In **Jammu & Kashmir**, computers supplied during 1994-95 were not functioning till February 1999.
- Of the twenty-five 486 computers supplied to **Karnataka** during 1995, those in 12 districts procured at an aggregate cost of Rs 73.25 lakh, inclusive of Rs 21.54 lakh attributable to the Annual Maintenance Contracts, could not be utilised on account of failure of the operating system, hardware problems, non-availability of sites, etc. These were replaced by the Pentium III computers in July 2000.
- Computers intended for the District Bureaux in Bhopal, Gwalior, Morena and Shivpuri in **Madhya Pradesh** were belatedly installed between November 1994 and October 1999, the delay being attributable to the non-availability of land for construction of computer rooms.
- Though the hardware for the **Maharashtra** State Crime Records Bureau, located at Pune, was received between January 1995 and March 1996, data entry was taken up only in January 1998. The computers were also replaced by the Pentium III computers in July 2000.
- A computer and accessories installed in April 1995 in the Bishnupur District Bureau in **Manipur** was not operational since installation because of erratic power supply. Another computer also installed in April 1995 in the Churachandpur Bureau was kept in the custody of the wireless staff till July 1999. It was transferred only thereafter to the Office of the Superintendent of Police, resulting in its non-utilization for over four years.
- The computer provided for the South Garo Hills Bureau in **Meghalaya** remained unutilised for nearly 30 months because of non-availability of site for the computer room.
- In **Orissa**, 25 computers were installed by the vendor after delays

ranging from 3 to 40 months reckoned from the date(s) of their testing and acceptance. Five other computers procured at a cost of Rs 11.53 lakh for 5 District Bureaux were not installed on account of non-availability of sites and separate computer rooms. Besides, computers installed in 8 other District Bureaux between September 1996 and September 1999 at a cost of Rs 18.38 lakh were not utilised at all and were replaced by the Pentium III computers in September 2000. One of these intended for the Jagatsinghpur Bureaux had also not been installed as of March 2002 because a suitable site had not been located even till then.

- In **Rajasthan**, two Pentium III computers provided to the Jodhpur (Rural) and Kota City Bureaux remained unutilised due to non-availability of computer rooms. Similarly, a Pentium III computer in the Jaipur District Bureau could not be utilised till September 2001, while two other computers provided to the Ajmer and GRP Ajmer Bureaux was not utilised till November 2001. This was attributable to the encountering of software problems and non-transfer of data stored in the 486 computers to the upgraded ones.
- In April 1995, a HP Server with 24 terminals, a 486 computer, printers and other peripherals were provided to the State Bureau in **Tamil Nadu** at a total cost of Rs 17.65 lakh. These were, however, installed only in March 1996 after almost a year had elapsed. The terminals, along with four other terminals provided to the Chennai District Bureau, also remained unutilised.
- In **West Bengal**, seven 486 computers supplied in November 1994 were not functioning from October 1996 to July 2001. Another computer provided to the North 24 Parganas Bureau was out of order since July 1999. The computer provided to the Siliguri Bureau that was not functioning since August 1996 had not been repaired. Further, the 27 Pentium III computers supplied to the State in August 2000 remained unutilised as of March 2002.

The adverse implications of these instances for the successful implementation of the Project may be briefly summed up as follows:

- (a) Substantial investments made on the implementation of the Project remained unfruitful for prolonged periods and did not result in value for money. In the process, project implementation, as scheduled, was also adversely affected. In the absence of complete details in all these cases, a precise quantification of the unproductive expenditure has not

been possible. However, such unfruitful expenditure in the States of **Arunachal Pradesh, Bihar, Goa, Karnataka, Orissa and Uttar Pradesh and Kolkata City**, where the computers were not utilised at all or were only partially utilised and in respect of which relevant information was available, aggregated to Rs 1298.99 lakh.

- (b) Though a number of computers were either not installed or only belatedly installed or even remained unutilised, expenditure on annual maintenance at 10 *per cent* of the hardware cost continued to be incurred in terms of the contracts with the vendors.
- (c) The computer hardware was covered by warranty for a period of one year from the date of supply or 15 months from the date of installation, whichever was earlier. On account, however, of the delays in installation, the benefit of the warranty could not be availed of for rectification of defects arising subsequent to the installation.

More importantly, that the System had to be upgraded by the replacement of the 486 computers, procured at an aggregate cost of Rs 1876.69 lakh, within a short period raises serious questions about the manner in which the design of the System and its adequacy for the intended applications was initially determined.

The Ministry stated (January 2003) as follows:

- (a) The Project, which was to be implemented in three phases, was commissioned within the stipulated time and there was no delay in the commissioning of computers in any State.
- (b) On account of the non-availability of sites, some computers were installed at alternate sites shown by the District Superintendents of Police. These computers, which functioned as part of the Crime-Criminal Information System, were moved to their locations as soon as the sites were ready.
- (c) The non-functioning of the System could be due to defects in hardware, Operating System, the Relational Database Management System (RDBMS) or malfunctioning of the application software. Elaborate feedback and monitoring guidelines have been prescribed procedures to ensure timely and proper rectification of defects. However, despite the monitoring guidelines, some States performed better than the others and some were lagging behind.
- (d) The delivery of the equipment by the vendors having been completed in March 1995, the common cut-off date for completion of the 15-month warranty period was fixed as 30 June 1996. Therefore, most of the State

Governments could avail of the benefit of warranty for at least one year.

- (e) Considering the Y2K problem, the slow pace of processing of a large volume of data, hard disk space problems, the obsolescence factor and the overall performance of the older system based on the 486 Processor, the decision to upgrade the system at a cost of Rs 25.52 crore was taken in the year 2000.

While the Ministry's contention that there was no delay in the commissioning of computers in any State is not borne out by the facts as they emerge from the test-check of the records in different States, that there were delays in installation on account of non-availability of the necessary infrastructure has not been disputed by them. That some of the States lagged behind in implementing the Project has also been accepted by the Ministry. The alternate arrangements stated to have been made for the utilization of the computers had also been necessitated only on account of the tardy pace of implementation of some of the components of the integrated project, which, in any case, can at best be considered only as ad hoc, interim solutions, particularly in the context of the status of creation of data banks that has been discussed later in this review. The contention that most of the State Governments could avail of the benefit of warranty for at least one year does not also detract from the sustainability of the audit observation since the fact remains that the benefit was lost to some of the State Governments. The limitations of the computers based on the 486 Processor and the fact that the problem of obsolescence is pronounced in the sphere of Information Technology also ought to have been foreseen in arriving at decisions in regard to the system requirements and design.

7.1.8. Development of software

In order to realise the objectives of the Project, the National Bureau was to ensure the creation of a data base after the System became operational. The development of the application software for the purpose to facilitate data entry, data retrieval and report generation was entrusted to Tata Consultancy Services Limited.

The software for data entry (Data Entry 2.0), which was an important requirement for data creation in the districts was to be supplied during 1993-94. This was, however, supplied only in February 1996, which also had an inevitable impact on project implementation.

The Ministry stated (January 2003) that the data entry module of the

application software was developed and implemented along with the first phase of installation of computers and that three more versions were subsequently released after incorporating the feedback received from the State Police and different branches of the National Bureau. The Ministry added that some delay was, however, attributable to the time taken in preparation of the addenda to the Installation Manual and training the personnel of the National and State Bureaux for implementing the System in the States and districts.

7.1.9 Unfruitful expenditure on provision of Modems

Pending the establishment of a dedicated, satellite-based police communication network (POLNET) and its activation to facilitate the interlinking all the computers in the Crime-Criminal Information System, Modems were purchased for providing dial-up connectivity between these computers. Initially in the year 1994-95, the National Bureau provided 262 Modems, purchased at a total cost of Rs 21.37 lakh, to various State and District Bureaux. Subsequently, during the year 2000, 743 more Modems were purchased at a cost of Rs 27.49 lakh and these were supplied to all the State and District Bureaux in the country.

While the POLNET is yet to be established and activated, as brought out later in the review, the interim arrangement of providing connectivity through Modems did not also entirely serve the intended purpose of providing on-line information to the State and National Bureaux because STD facilities were not available in many of the District Bureaux and some of them had only a single telephone connection that could not be spared for utilising the Modems. Further, in order to minimize expenditure on STD charges, the National Bureau was receiving crime and criminal related data in cartridges through messengers or by post. In the circumstances, much of the expenditure incurred on the provision of Modems had remained unfruitful and the requirements of expediency and urgency had not been catered to by this interim arrangement.

While admitting that the Modems were purchased for providing dial-up connectivity till the POLNET was activated, the Ministry, however, stated (January 2003) that bulk data transfer using these Modems was not envisaged, the intention was to enable Investigation Officers to access the data base of the National Bureau or of their neighbouring district or State, as the case may be, using existing telephone lines, and that even after the activation of POLNET, they will continue to be used for other dial-up connectivity requirements and as standby arrangements in the event of breakdown of the System. The Ministry added that the responsibility for providing telephone lines and

internet connections vested with the respective State Governments in terms of the Memoranda of Understanding entered into between them and the National Bureau and that all the State Governments and Union Territories had been asked to provide exclusive telephone connections at the State and District Bureaux.

Apart from the fact that the Ministry's reply is somewhat contradictory and does not specifically address the issue sought to be highlighted by Audit, it will be evident that the intended objectives of ensuring on-line connectivity and real-time retrieval of information have not been fully realised in the absence of dedicated telephone connections and STD facilities. Besides, the 262 Modems initially provided to the District Bureaux, involving expenditure of Rs 21.37 lakh, would also appear to have become redundant following the provision of Modems to all the State and District Bureaux, including those that had been provided these during 1994-95.

7.1.10 Infrastructure facilities

Central assistance was also provided under the Project for providing the necessary infrastructure facilities, such as computer rooms, airconditioning, etc. in the State and District Bureaux. In August 1996, the Ministry sanctioned funds totalling Rs 419.32 lakh for the purpose to 26 States and 6 Union Territories, details of which are contained in **Annex-B**. These funds were to be utilised based on the criteria specified for the purpose and subject to the approved financial ceilings.

Scrutiny in audit of the utilization of these funds revealed the following:

- None of the District Bureaux having been established in **Bihar**, 40 airconditioners purchased for them were utilised by the District Superintendents of Police, instead of being installed in the computer centres/rooms.
- In **Gujarat**, an amount of Rs 1.53 lakh provided for infrastructure facilities was unauthorizedly spent on purchase of generators, printers and payment of telephone bills. Further, 2 airconditioners purchased at a cost of Rs 0.60 lakh were installed in the chambers of the Deputy Superintendents of Police.
- In most cases in **Karnataka**, either the sites for installation of the computers procured for implementation of the Project were not ready or airconditioners were not provided. In many cases, even after receipt of funds, the District Bureaux concerned were yet to finalize the locations for

providing the infrastructure facilities.

- Of the 25 airconditioners purchased at a cost of Rs 6.59 lakh during 1998-99 in Kerala, only 4 were provided to the Bureaux at Kochi, Kollam, Kozhikode and Thiruvananthapuram. The manner in which the remaining 21 airconditioners were distributed or utilised was not ascertainable from the records produced.
- Though computers were received in Meghalaya in January 1995, tenders for supply of infrastructural items were invited only a year later in February 1996. Items costing Rs 5.64 lakh, received during March 1996, were distributed to the State and District Bureaux November-December 1996, nearly two years after receipt of the computers.
- In Tamil Nadu, installation, in the District Bureaux, of computers provided by the National Bureau suffered on account of non-availability of the required infrastructure. Though funds totalling Rs 23.98 lakh were released by the Central Government in March 1996, the State Government sanctioned these only in September 1996. The task of providing the infrastructure in the District Bureaux was entrusted to the State Public Works Department only in February 1997. The actual dates of completion and of handing over possession to the Bureaux concerned were not on record. Further, while computers and peripherals for 15 new Police districts formed in the State in January 1996 were supplied by the National Bureau in August 2000, funds for providing the related infrastructure facilities were not made available either by State Government or the National Bureau.

The Ministry stated (January 2003) that though the National Bureau had circulated elaborate and specific Site Preparation guidelines to all the States in 1994-95, the State Governments had, however, delayed the necessary administrative clearances.

7.1.11 Creation of Data Bank

The main thrust of the Project was to provide computerised data bases to facilitate the availability of timely information to assist law enforcement agencies in dealing effectively with crime in all its aspects. However, though a period of more than seven years had elapsed since its launch, a complete and comprehensive data bank had not become functional either at the National Bureau or in the States. While the former had informed Audit in June 2002 that it had received relevant data from 24 States and 6 Union Territories, audit scrutiny of the status of computerisation of crime and criminal related

records in some of the States and Union Territories, however, revealed that the progress made in this regard was not very satisfactory and the records stored in the State Bureaux concerned constituted only about 4 to 71 per cent of the records available for storage. Only in four of the States (**Haryana, Himachal Pradesh, Madhya Pradesh and Maharashtra**), more than 50 per cent of the available records had been computerised and stored in the State Bureaux. Relevant details are tabulated below:

State./UT	No. of records available for storage	No. of records actually stored at the StateBureau	Percentage
A&N Islands	26145	1149	4.39
Assam	539064	173214	32.13
Gujarat	1126660	513708	45.59
Himachal Pradesh	36000	19897	55.27
Haryana	516655	363401	70.33
Karnataka	1857279	273725	14.73
Kerala	647953	206710	31.90
Madhya Pradesh	305132	170579	55.90
Maharashtra	1309198	930764	71.09
Meghalaya	15968	2286	14.32
Orissa	2655975	317827	11.96
Rajasthan	705305	302974	42.95
Sikkim	40700	9314	22.88
Tamilnadu	3817000	1642000	43.01
Uttar Pradesh	114638	7255	6.32

Further, crime records entered and stored in the older 486 computers were required to be transferred to the newer Pentium III computers by what is commonly termed as "Data Porting". Certain points noticed in test-check are mentioned below:

- Transfer of data to the new computers had not been undertaken in **Jammu and Kashmir** because of technical problems and data had also been lost in the process. The problems had not been resolved in consultation with the National Bureau as of June 2002.
- In **Kerala**, Data Porting had not been done in 11 of the 19 Bureaux due to problems relating to the hard disk, software and the UPS.
- In **Maharashtra**, only 8,59,366 of the 12,01,045 records stored in the 486 System could be transferred to the Pentium III System, which was attributable to certain technical problems in the old database.
- Data Porting could not be completed as of July 2002 in five districts

(Erode, Pudukottai, Nagapattinam, Salem and Theni) in Tamil Nadu due to technical defects in the software package.

The Ministry stated (January 2003) that the Data Porting had not been successful in a few States because of (a) Hard Disk Drive problems as a result of which data backup was rendered difficult; (b) cartridges used as backup media becoming unreadable on account of media error; (c) data stored in the hard disk not being retrievable or getting corrupted; (d) presence of illegal characters in the data; (e) wrong entry of data; and (f) provision locally of user codes by the State and District Bureaux due to their not being allotted by the National Bureau.

7.1.12 Establishment of connectivity through POLNET

The Project envisaged the establishment of a dedicated, satellite-based police communication network (POLNET) and its activation to facilitate the interlinking of the District Bureaux with their respective State Bureaux and the latter with the National Bureau to enable the real-time sharing of information and data between all the computers in the Crime-Criminal Information System.

The responsibility for commissioning the POLNET was entrusted by the Ministry to the Directorate of Coordination, Police Wireless. However, this had not been done even as of March 2002. The delay in providing unhindered connectivity necessitated the provision, as an interim measure, of dial-up connectivity through Modems which themselves were not fully utilised, as brought out earlier. In the circumstances, perhaps the most important objective of the Project was yet to be achieved even after more than seven years.

The Ministry stated (January 2003) that a Memorandum of Understanding had been signed for the purpose between the Directorate of Coordination, Police Wireless, and the vendor, Bharat Electronics Limited and that the latter had been asked to demonstrate the working of a representative network in C-Band covering about 3 to 4 stations at a distance of about 20 kilometres from each other, which would be arranged some time in February 2003. The Ministry added that if this demonstration and the functioning of the Network was found to be satisfactory, other testing would be undertaken.

7.1.13 Utilisation of manpower resources

It was envisaged that, following implementation of the Project, police personnel presently engaged in the manual maintenance of crime records in

the States would be relieved from this task over a period of time and become available to be more usefully engaged in the investigation of crimes and law and order duties.

Test-check by Audit of the records, however, revealed the anticipated savings in manpower resources were not realised. For instance, in **Goa**, the number of police personnel deployed on the maintenance of crime records actually increased from 27 to 36 after implementation of the Project. As many as 229 personnel engaged, as of July 1996, in the manual maintenance of crime records in **Gujarat** continued to be only so engaged. In fact, 66 police personnel in the sample districts, initially deployed on law and order duties, were diverted for data entry. The number of personnel engaged in the maintenance of crime records in **Himachal Pradesh** also increased from 227 during 1995-96 to 284 in 2000-01. Similarly, the number of personnel deployed for the purpose in **Madhya Pradesh** and in the 9 test-checked districts of **Rajasthan** had increased respectively from 105 to 161 and by 26 after computerisation. The manual system had not been phased out in **Maharashtra** and there was no reduction in the deployment of police personnel.

The Ministry stated (January 2003) that computers were introduced to enable fast accessibility of information and as an aid to investigating officers and an effective tool for the senior officers to monitor the performance of the personnel under them and the Project may not, therefore, have helped in reduction of staff and that with the introduction of computers, staff efficiency would definitely improve thereby enabling their utilization for additional duties.

However, availability of the police personnel engaged in the manual maintenance of crime records in the States for more important duties was one of the benefits specifically anticipated by implementation of the Project, which are yet to accrue.

7.1.14 Introduction of Integrated Investigation Forms

In January 1996, the National Bureau prescribed the introduction of seven Integrated Investigation Forms for providing information emanating from the police stations. These forms were to constitute the source documents based on which the District Bureaux were to capture the information in the computers through various entry screens provided in the System Package. The District Bureaux were required to send the data so captured to their State Bureaux

every month in forms prescribed for the purpose. Similar data were also to be transmitted monthly to the National Bureau by the State Bureaux. By collating and combining the data available at the district, State and National Bureaux, a number of reports were proposed to be generated using the Crime-Criminal Information System package to aid criminal investigations and the tracking down of criminals.

Audit scrutiny revealed the following:

- Data entry in the prescribed forms commenced in **Goa** only in January 1997.
- In **Gujarat**, the requisite number of Forms were made available to the police stations one and a half years after their specimens were ready.
- The Forms had not been adopted and introduced in **Jammu and Kashmir and Punjab**.
- In Pondicherry, the printed Forms were received only in February 1997, while the first consignment of these Forms were supplied only in March 1997 in **Tamil Nadu**.
- The Integrated Forms were not available in the districts of **Uttar Pradesh** because of confusion in regard to agency responsible for providing them. Whereas the Deputy Director of the State Police Computer Training Centre informed Audit in May 2001 that these Forms were to be printed and made available by the State Police Headquarters at Allahabad, the latter, however, stated that it could not print these Forms because their specimens had been provided by the National Bureau directly to the Senior Superintendents and Superintendents of Police in the districts.
- Though the Integrated Forms were approved by the State Home (Police) Department in **West Bengal** in August 1996, only two of the seven Forms had been introduced as of July 2002.

The Ministry stated (January 2003) that the samples of these Forms had been sent and notified by the National Bureau to the Controlling Officers in all the States and Union Territories and that it was their responsibility to distribute them to the police stations.

7.1.13. Conclusion

It will be evident from the foregoing paragraphs that the implementation of the Police Computerisation Plan considered essential and approved as far back as

in August 1987 has been tardy notwithstanding expenditure aggregating to nearly Rs 56 crore, attributable to delays in installation of computers on account of non-availability of the necessary infrastructure, poor utilization of the computers installed, failure to establish District and State Crime Records Bureaux as envisaged, problems encountered in the creation of complete and comprehensive data bank, non-availability of source documents for creation of the related data bases, delay in establishment of a satellite-based communication network to facilitate the real-time and on-line retrieval of crime and criminal related information. It would appear that implementation of the Project had been largely left to the initiatives of the State Governments, whereas more effective monitoring and better coordination might have ensured better results. The tardy pace of implementation of some of the vital components of this integrated Project necessitated interim alternate arrangements that can at best be considered only as ad hoc solutions. In this milieu, even after the lapse of nearly a decade, the Project is yet to be commissioned and operationalised in its entirety resulting in all the objectives envisaged not being realised. More importantly, that the System had to be upgraded within a very short span of time raises serious questions about the manner in which the design of the System and its adequacy for the intended applications was initially determined.

Annex A
States/UTs details of Cost of Old and New Computers
 (Refers to Paragraph 7.1.7)

(Rupees in lakh)

Sl No	State/ UT	No of computers		Amount	
		Old	New	Old	New
1.	Andhra Pradesh	29	29	118.38	106.41
2.	Arunachal Pradesh	13	14	31.67	45.00
3.	Assam	26	28	62.38	93.72
4.	Bihar	59	65	146.46	212.11
5.	Delhi	1	12	23.13	41.89
6.	Goa	3	3	9.84	10.06
7.	Gujarat	27	40	98.79	134.02
8.	Haryana	18	21	44.47	69.11
9.	Himachal Pradesh	14	15	35.18	48.16
10.	Jammu & Kashmir	16	21	39.53	69.11
11.	Karnataka	25	37	114.16	130.50
12.	Kerala	20	21	53.32	75.22
13.	Madhya pradesh	51	66	137.61	225.77
14.	Maharashtra	39	50	130.72	176.05
15.	Manipur	9	10	23.35	32.40
16.	Meghalaya	8	8	20.14	26.10
17.	Mizoram	4	9	10.92	29.25
18.	Nagaland	10	11	24.76	35.55
19.	Orissa	32	35	83.16	114.65
20.	Punjab	22	25	53.24	83.51
21.	Rajasthan	34	37	94.74	135.29
22.	Sikkim	5	5	13.48	16.65
23.	Tamil Nadu	29	44	144.66	155.27
24.	Tripura	4	5	10.92	16.65
25.	Uttar Pradesh	68	89	167.63	292.92
26.	West Bengal	22	27	72.27	95.93
27.	A & N Islands	2	2	6.80	6.30
28.	Chandigarh	1	1	4.99	3.15
29.	Dadar & Nagar Haveli	1	1	4.34	3.15
30.	Daman & Diu	2	2	7.10	6.30
31.	Lakshdweep	--	1	--	3.15
32.	Pondicherry	1	4	6.98	12.88
33.	N.C.R.B.	10	5	35.57	46.00
34.	Sales tax and other expenses			46.00	--
	Total	605	743	1876.69	2552.23

Annex-B
Infrastructure Development
 (Refers to Paragraph 7.1.10)

(Rupees in lakh)

State/UT	Category-I (D1/D2)		Category-II (D3/D4)		Category-III (D5/D6)				Total Rs
	No. of m/c	Amt.	No. of m/c	Amt.	No. of m/c	Amt.	No. of m/c (S1/S5)	Amt.	
Andhra Pradesh	7	4.55	19	14.25	2	2.28	1	1.14	22.22
Arunachal Pradesh	12	7.80	-	-	-	-	1	1.14	8.94
Assam	26	16.90	-	-	-	-	1	1.14	18.04
Bihar	58	37.70	-	-	-	-	1	1.14	38.84
Gujarat	12	7.80	13	9.75	1	1.14	1	1.14	19.83
Goa	2	1.30	-	-	-	-	1	1.14	2.44
Haryana	17	11.05	-	-	-	-	1	1.14	12.19
Himachal Pradesh	13	8.45	-	-	-	-	1	1.14	9.59
J&K	15	9.75	-	-	-	-	1	1.14	10.89
Karnataka	6	3.90	17	12.75	1	1.14	1	1.14	18.93
Kerala	19	12.35	-	-	-	-	1	1.14	13.49
Madhya Pradesh	41	26.65	9	6.75	-	-	1	1.14	34.54
Maharashtra	30	19.50	7	5.25	1	1.14	1	1.14	27.03
Manipur	8	5.20	-	-	-	-	1	1.14	6.34
Meghalaya	7	4.55	-	-	-	-	1	1.14	5.69
Mizoram	3	1.95	-	-	-	-	1	1.14	3.09
Nagaland	10	6.50	-	-	-	-	1	1.14	7.64
Orissa	34	22.10	-	-	-	-	1	1.14	23.24
Punjab	21	13.65	-	-	-	-	1	1.14	14.79
Rajasthan	31	20.15	3	2.25	-	-	1	1.14	23.54
Sikkim	4	2.60	-	-	-	-	1	1.14	3.74
Tamil Nadu	5	3.25	17	12.75	6	6.84	1	1.14	23.98
Tripura	3	1.95	-	-	-	-	1	1.14	3.09
Uttar Pradesh	66	42.90	1	0.75	-	-	1	1.14	44.79
West Bengal	18	11.70	2	1.50	1	1.14	1	1.14	15.48
A & N Islands	1	0.65	-	-	-	-	1	0.75	1.40
Chandigarh	-	-	-	-	-	-	1	0.75	0.75
Daman & Diu	1	0.65	-	-	-	-	1	0.75	1.40
Delhi	--	--	-	-	-	-	1	1.14	1.14
D & N Haveli	--	--	-	-	-	-	1	0.75	0.75
Lakshdweep	--	--	-	-	-	-	1	0.75	0.75
Pondicherry	-	--	-	-	-	-	1	0.75	0.75
Total	470	305.50	88	66.00	12	13.68	32	34.14	419.32

CHAPTER VIII: HUMAN RESOURCE DEVELOPMENT

Department of Secondary and Higher Education

8.1 Administrative failure resulting in unauthorised creation of posts

Department's failure to promptly convey Finance Ministry's decisions in regard to powers of autonomous bodies for creation of posts resulted in the unauthorised creation of 15 posts by the All India Council for Technical Education, involving recurring expenditure which aggregated to Rs 62.25 lakh up to March 2002.

In December 1993, the Ministry of Human Resource Development (Department of Secondary and Higher Education) delegated powers to the All India Council for Technical Education, an autonomous body under its administrative control, to create posts in Groups 'B', 'C' and 'D' in approved scales of pay, the maximum of which did not exceed Rs 4,500 subject to the expenditure on such posts being met from within the available budget. Subsequently, in the context of the introduction of the Block Grant Scheme for certain autonomous bodies and the need to ensure stricter control over expenditure in autonomous bodies, the Ministry of Finance (Department of Expenditure) decided in April 1994 that creation of posts equivalent to those in Groups 'B', 'C' and 'D' in autonomous bodies not covered by the Block Grant Scheme would henceforth be allowed only after obtaining the approval of the Administrative Ministry. This implied that the powers delegated to such autonomous bodies for creation of posts would no longer be available after April 1994.

Contrary to this specific stipulation, the All India Council for Technical Education, not covered by the Block Grant Scheme, created between September 1994 and June 1996, 15 posts in Group 'B' (10 posts) and Group 'C' (5 posts) without obtaining the approval of the Department of Secondary and Higher Education. Audit scrutiny revealed that this was attributable to the fact that the April 1994 decision of the Finance Ministry was not conveyed to the Council by the Department. This was done only in June 1999 after the lapse of more than five years. It was only on receipt of the Department's letter of June 1999 that the Council was now considering to approach the administrative Ministry for regularisation of the posts created without its specific approval. The Council had, however, not approached the Ministry as of November 2002.

The Department's failure to convey the Finance Ministry's decision to the Council for over five years resulted in the unauthorised creation of posts in excess of its delegated powers. Expenditure incurred on the pay and allowances of the incumbents of these posts aggregated to Rs 62.25 lakh up to March 2002. Besides, the objective of enforcing stricter control over the expenditure of the autonomous body was also defeated in the process.

The matter was referred to the Ministry in July 2002; their reply was awaited as of December 2002.

8.2. Accumulation of unsold stocks of a Hindi magazine

Failure to take adequate measures to ensure timely publication of the Hindi version of a magazine of high educational and cultural value resulted in 69 per cent of the issues printed between 1996 and 2001 with financial assistance from UNESCO and valued at Rs 57.67 lakh remaining unsold or undistributed to the targeted readership.

Based on an agreement entered into, in 1966, between the Indian National Commission for Co-operation and the United Nations Educational, Scientific and Cultural Organisation (UNESCO), the former accepted the responsibility for publishing Hindi and Tamil versions of the monthly magazine titled "UNESCO Courier" from the year 1967 onwards. The Hindi version, titled "UNESCO Doot" was published through the Central Hindi Directorate, while the Southern Language Book Trust, a non-government organization based in Chennai brought out the Tamil version. The agreement with UNESCO was renewed biennially up to the year 1998 and annually thereafter.

In terms of the agreement, UNESCO provided annual financial assistance of US Dollars 18,420 for publication of the two versions. Additional expenditure on printing and publishing the magazines, including the pay and allowances of the staff engaged for the purpose, was to be borne by the Government of India. Since the publication was aimed at benefiting the student community, the price of single copy and the annual subscription were fixed at Rs 4 and Rs 40 respectively, as against the printing cost of Rs 60 per copy. The Central Hindi Directorate printed 33,000 copies of the Hindi version every year.

Audit scrutiny revealed that the number of copies of "UNESCO Doot" sold or subscribed for during the six-year period from 1996 to 2001 ranged between 707 and 2,729 only. In the context of the accumulation of unsold stocks of the magazine, its free distribution was also resorted to, which did not, however,

result in any significant reduction in the unsold stocks. In fact, the number of copies so distributed declined after the year 2000 with only 3,820 and 1,749 copies being distributed free of cost, as against 12,295 copies in the year 1996 and 10,048 copies in the year 1999. It was only in the year 1998 that as many as 2,729 copies were sold and 16,392 copies distributed free of cost. The higher off-take during this year was primarily attributable to advertisements being placed in the national newspapers urging schools and libraries to lift the stock of unsold copies. In this milieu, stocks of unsold copies of "UNESCO Doot" continued to accumulate every year and as many as 1,36,897 copies, representing 69 *per cent* of the total number of copies printed during the six-year period and valued at Rs 57.67 lakh, were held in stock as at the end of 2001.

Of the total expenditure of Rs 85.17 lakh (including Rs 19.05 lakh on the pay and allowances of the personnel deployed for the purpose) incurred by the Central Hindi Directorate on the printing and publication of "UNESCO Doot" during this period, contributions aggregating to Rs 25.39 lakh had been made available by UNESCO.

Audit scrutiny further revealed that though UNESCO had discontinued publication of the "UNESCO Courier" with effect from December 2001, the Central Hindi Directorate nevertheless continued to deploy personnel for proof reading and packing of the "UNESCO Doot" even as of July 2002.

While confirming the facts, the Department of Secondary and Higher Education stated (November 2002) as follows:

- Both the Tamil and Hindi editions were doing well till the year 1994, when the circulation of "UNESCO Doot" started decreasing.
- Though the Department was fully aware of the decline in the number of subscribers, a conscious decision was taken not to reduce the print run and to continue to make efforts to increase the circulation of the magazine because of its utility for students.
- Apart from persuading educational institutions to subscribe to the magazine, the Central Hindi Directorate had also been placing advertisements in newspapers from time to time and distributing old, unsold issues during education exhibitions.
- The main reason for the decrease in the number of subscribers was the time gap, ranging from 6 to 10 months, between the publication of the

"UNESCO Courier" and that of the "UNESCO Doot" attributable to the printing having been entrusted to the Government of India Press at Nasik by the Directorate of Printing, which had not agreed to a proposal for having it printed at some other press in Delhi.

- Though the printing was subsequently entrusted to the Government of India Press at Faridabad, a substantial time gap continued to persist,
- The publication of the Hindi version was not intended as a commercial venture and the motive was to make the magazine available to educational institutions on account of its high value from the educational and cultural perspective.
- Free distribution of the copies was still continuing and that the Central Hindi Directorate was hopeful of distributing the unsold copies.

The Ministry's reply did not, however, clarify the reasons for the continued deployment of personnel for proof reading when UNESCO itself had discontinued the publication of the English version.

Having recognized the value and utility of bringing out the "UNESCO Doot", the Ministry ought to have taken adequate measures to ensure that the publication was brought out promptly so as to reach the targeted audience in time. In the context of the known limitations of the Government Presses and the necessity to ensure timely publication, it should also have been possible to have persuaded the Directorate of Printing to entrust the printing to an outside agency. In any event, free distribution of issues dating back even to the year 1996 and later is unlikely to serve any useful purpose because these would no longer be topical and sustain readers' interest.

CHAPTER IX: MINISTRY OF INFORMATION AND BROADCASTING

9.1 Delay in determination of rental liability

Delay in arriving at decisions on the rent payable by an autonomous body resulted in non-recovery of any rent for over eight years and accumulation of arrears of rent aggregating to Rs 2.83 crore based on the fair rent assessed by the agency authorised for the purpose.

Between January 1983 and September 1989, the Films Division, Mumbai provided office accommodation in its complex to the Children's Film Society, India (CFSI) an autonomous body under the Ministry of Information and Broadcasting. The accommodation provided in three separate premises covered a total area of 440.15 square metres. While no formal lease agreement was executed with CFSI, monthly rent of Rs 7210 assessed in May 1986 and April 1991 by the Civil Construction Wing of All India Radio was being recovered, payments on this account being made by CFSI till December 1993.

Following approval of a proposal to construct a building in the complex for retrieval of film archives, the premises allotted to CFSI were demolished. With the approval of the Ministry in March 1993 equivalent alternative accommodation measuring 440 square metres was, however, provided to CFSI in February 1994 partially in a newly constructed building and partially in a renovated building. CFSI assumed possession of these premises on 11 February 1994 and occupied them in March 1994.

The Ministry approved the earlier proposal of providing the repaired and renovated accommodation to CFSI in July and August 1985 and December 1988 subject to the condition of payment of lease rent to be assessed by the Civil Construction Wing. On the same analogy, the Films Division provided new accommodation to CFSI in March 1993 subject to payment of the revised lease rent to be assessed by the Civil Construction Wing. However, neither a formal agreement stipulating the terms and conditions governing the allotment of these premises was entered into with CFSI nor the condition to recover the revised lease rent to be assessed by Civil Construction Wing communicated to CFSI while providing alternate accommodation in February 1994.

The Films Division requested the Civil Construction Wing in July 1994 to determine the rent recoverable. It was only in May 1998, after the lapse of

more than four years, that the latter determined the standard rent of the premises based on cost of construction and the then prevailing market rents as Rs 2 lakh per month and Rs 3.79 lakh per month respectively. Normally the prevailing market rent or the standard rent based on cost of construction, whichever was higher, should have been adopted as the fair rent. However, in consideration of the fact that CFSI had been occupying premises in the Films Division complex since long the Civil Construction Wing recommended that recovery of a monthly rent of Rs 2.89 lakh, representing the average of the standard rent and the prevailing market rent, would be fair. The Films Division intimated CFSI about revision of rent, only in July 1998.

Though CFSI was liable to pay rent as assessed by the Civil Construction Wing with effect from 11 February 1994, it did not do so.

On the non-recovery of rent from CFSI being pointed out in the course of audit in December 2001, the Films Division informed Audit that CFSI had taken up the question of recovery of rent with its Executive Council as well as the Ministry. It stated subsequently (April 2002) that the Ministry had been requested by the Society in November 1998 to recover an annual rent of only Rupee one for these premises. The Films Division added that while the Ministry had not issued any further instructions, the Civil Construction Wing had been requested by it to make a fresh assessment of the rent payable and that no rent had been recovered, in the meantime, from CFSI from January 1994 onwards.

CFSI was required to pay rent as assessed by the Civil Construction Wing. However, on account of delay in intimating the condition about revision of rent to CFSI and failure to enter into a formal agreement stipulating the terms and conditions of allotment compounded by the delay of nearly four years in arriving at decisions on the request of CFSI, no rent had been recovered for over eight years. In the event, arrears of rent aggregating to Rs 2.83 crore had accumulated as of March 2002 computed with reference to the fair rent assessed in May 1998 by the agency specifically authorized for the purpose.

The matter was referred to the Ministry in June and December 2002, their reply was awaited as of December 2002.

CHAPTER X: MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

10.1 Irregular continuance of a lease for collection of toll

Failure to cancel a lease for collection of toll despite persistent default in monthly payments by the lessee resulted in extension of an undue benefit, enabling him to continue collecting toll from road users, while the Government dues remained unrealised.

The Executive Engineer (Roads and Buildings), National Highways Division, Gudur, (later shifted to Nellore) awarded, in March 1998, the leasehold rights to collect toll on three bridges on the Chennai-Vijayawada Section of National Highway 5 to 'S'. In terms of the lease deed concluded for the purpose, which was valid from April 1998 to March 2000, the lessee was to pay a total consideration of Rs 3.60 crore in equated monthly instalments of Rs 15 lakh before the 5th of each succeeding month, the last four instalments being recovered by adjustment against the security deposit of Rs 60.03 lakh paid by him. The lease deed further provided for levy of interest at the rate of 12 *per cent per annum* on instalments paid after the fifth of the month and cancellation of the lease to facilitate the re-auction of the rights in the event of the instalment not being paid by the 25th of the month.

Audit scrutiny of the related records of the Division in October 2000 revealed that the lessee had persistently defaulted in the payment of the monthly instalments as indicated below:

- As against payments aggregating to Rs 75.00 lakh due for the months of November 1998 to January 1999 and September and October 1999, only part payments totaling Rs 54.71 lakh were made by him for these five months.
- The instalments aggregating to Rs 75.00 lakhs due for the remaining five months of the lease period commencing from November 1999 were not paid by him at all.

The persistent default in the monthly payments notwithstanding, the Executive Engineer did not cancel the lease in terms of the specific provisions in this regard and instead allowed the lease to continue till its expiry. This enabled the lessee to continue to collect the toll from the users of the bridges, while payment of the dues to Government continued to remain in default. In the

result, exclusive of the last four instalments adjustable against the available security deposit but inclusive of the interest payable till then on the unpaid instalments, an amount of Rs 38.68 lakh was due from the lessee at the time of expiry of the lease in March 2000.

Continuance of the lease by the Executive Engineer in disregard of its terms and conditions was irregular and amounted to the extension of an undue benefit to the lessee, while monies owing to the Government remained unrealised.

The Ministry stated (October 2001) that the Executive Engineer hesitated to cancel the lease because there had been several instances in the past of burning of the toll booth and looting by anti-social elements but the lessee had managed to collect the toll even in such circumstances and that it was not possible to run the toll booths departmentally owing to insufficient manpower. The Ministry also added that the Executive Engineer had made a reference to the Collector in June 2001 to recover Rs 46.41 lakh inclusive of the interest due up to June 2001 under the Revenue Recovery Act.

However, the instances of burning of the toll booth, rioting, etc. had occurred way back in May 1995. These incidents notwithstanding, the bids obtained for the lease periods 1998-2000 and 2000-02 had, in fact, increased to Rs 3.60 crore and Rs 4.95 crore respectively from Rs 85.00 lakh only for the period 1996-98. Even the low realisation of Rs 85.00 lakh during 1996-98 was primarily attributable to the extension of the then existing lease without inviting tenders, mention about which was made in paragraph 16.4 of the Report of the Comptroller and Auditor General of India, Union Government (Civil) for the year ended 31 March 1999. Even if it was not possible to operate the toll booths departmentally, the leasehold rights could have been auctioned afresh after cancellation of the lease as was in fact done for the subsequent lease period commencing from April 2000. Besides, the Ministry's reply does not explain why action was not taken to promptly recover the Government dues from the lessee on his defaulting in the payment of the instalments. In fact, the outstanding on this account had not been recovered even as of June 2002.

The matter was again referred to the Ministry in October 2002; their reply was awaited as of December 2002 .

CHAPTER XI: MINISTRY OF TOURISM

11.1. Unauthorised operation of posts

Operation of posts by the Tourist Office at Frankfurt without the competent authority's formal sanction resulted in irregular expenditure of Rs 1.74 crore.

The Ministry of Tourism can post India-based personnel to its overseas Tourist Offices only against posts sanctioned by the competent authority. Similarly, Heads of Government of India Tourist Offices abroad can employ locally-recruited personnel only against posts specifically sanctioned by the Ministry. Certain instances of unauthorised operation of posts noticed in the course of audit of the Tourist Offices at Frankfurt are mentioned in the following paragraphs.

(a) Accounts Manager

Prior to April 1996, expenditure of the Tourist Offices in the United States of America, United Kingdom and Europe was routed through Air India Limited under the "Operation Schemes" specifically formulated for the promotion of tourism to the country with the Company's active collaboration and participation. Air India Limited also shared the cost of maintaining the Tourist Offices. In terms of the arrangements then in force, posts of Accounts Manager in the Tourist Offices were held by officers of Air India Limited.

The arrangements with Air India, however, ceased in April 1996 following a decision that funds for meeting the expenditure of the overseas Tourist Offices would be remitted directly by the Department of Tourism through the State Bank of India instead of through Air India Limited. The Ministry of Tourism informed the Company subsequently in December 1996 that the services of its official as Accounts Manager in the Tourist Office at Frankfurt would no longer be required. The related sanction for this post was also withdrawn after June 1997.

Notwithstanding the Ministry's specific orders in regard to the discontinuance of the arrangements with Air India Limited and of the post of Accounts Manager, the Additional Director General of Tourism requested the Company in June 1998 to post one of its officials as Accounts Manager in the Tourist

Office. Based on this request, the Company posted an officer in July 1998.

The Ministry had also not finalised and approved the terms and conditions of deputation of the officer. The Tourist Office nevertheless authorised pay and allowances and other benefits and perquisites (special compensatory allowance, entertainment allowance, transport allowance, education allowance, productivity allowance, out of pocket expenses etc.) to the officer on the scales and at the rates applicable to personnel of Air India Limited. Payments made to the officer up to August 2002 without the competent authority's sanction aggregated to Rs 80.50 lakh.

(b) Assistant Director

The Tourist Office had only one sanctioned post of Assistant Director. However, the Ministry posted two Assistant Directors to this office during the period from March 1998 to June 2000 and again from March 2001 onwards. The Tourist Office incurred expenditure aggregating to Rs 84.93 lakh on the pay and allowances and provision of other amenities to the incumbent of the second post during the period from March 1998 to June 2000 and from March 2001 up to August 2002. In the absence of sanction to the second post, the expenditure was unauthorised and irregular.

(c) Local post of Secretary

The Ministry had sanctioned only one post of Secretary to be recruited and appointed locally, for the Tourist Office. In March 1998, however, the Regional Director operated a second post without sanction of the competent authority and authorised pay and allowances to the incumbent of the post recruited locally. The circumstances in which this was done and the justification for the second post were not ascertainable from the records made available to Audit. The arrangement was, however, discontinued in December 1998. In the absence of sanction of the competent authority, expenditure aggregating to DM 0.37 lakh equivalent to Rs 8.21 lakh incurred on her pay and allowances was unauthorised and irregular.

Prima facie, there were no extenuating circumstances justifying the post of (a) an Air India official as Accounts Manager a year after sanction to the post expired and revised funding arrangements had been introduced; and (b) the second Assistant Director not sanctioned specifically by the competent authority. Even the terms and conditions of appointment of the Air India official had not been approved. The Tourist Office had also acted in excess of its delegated powers in operating the second local post of Secretary. The

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unauthorised operation of these posts resulted in irregular expenditure aggregating to Rs 1.74 crore up to August 2002 in respect of the post of Accounts Manager and Assistant Director and during the period from March to November 1998 in respect of the Secretary appointed locally.

The irregular operation of these posts was referred to the Ministry in May 2002; their reply was awaited as of December 2002.

**CHAPTER XII: MINISTRY OF URBAN
DEVELOPMENT AND POVERTY ALLEVIATION**

Central Public Works Department

**12.1 Non-adherence to codal provisions in respect of Deposit
Works**

Contrary to codal provisions, Central Public Works Divisions incurred expenditure aggregating to Rs 7.01 crore on Deposit Works in excess of the contributions received from clients, of which expenditure of Rs 0.82 crore was irregularly accounted for as that of the Department.

The term "Deposit Works" is applied to those relating to constructions or repairs, the cost of which is not met out of Government funds but is financed from non-Government sources. The Central Public Works Department (CPWD) occasionally undertakes such works at the discretion of the Ministry, subject to the powers delegated in this regard to the officers of the Department.

In terms of the provisions contained in CPWD Code¹ the contribution towards the cost of Deposit Works should be realised from the organization concerned before incurring any liability on them. Such contribution should, therefore, be deposited in advance either in cash or otherwise placed at the disposal of the Divisional Officer. However, in cases where the Ministry is satisfied that the contribution will be forthcoming when required, it may authorise its recovery from the organisation concerned in suitable instalments according to pre-determined schedule. No interest is payable on sums so deposited in advance.

Records relating to Deposit Works in 91 Divisional Offices of the Department in Delhi, the Pay and Accounts Offices concerned and the Ministry's Principal Accounts Office were examined in audit to assess the extent to which the codal provisions had been observed by the agencies executing Deposit Works. The examination revealed that 14 of these Divisional Offices had incurred expenditure aggregating to Rs 6.19 crore on 42 works in excess of the deposits received from 35 clients during the period from 1985-86 to 2000-01 contrary

¹ Para 118 of the CPWD code

to the specific codal provisions. This was done by diversion of the deposits received from other clients without obtaining their concurrence or approval. The recovery of the amounts spent in excess of the deposits received from the clients concerned could not be effected (March 2002).

Further, between July 1965 and March 1994, five other Divisional Offices had also incurred expenditure aggregating to Rs 0.82 crore in excess of the deposits received from the clients concerned. Instead of initiating action for the recovery of the amounts so spent from these clients, such excess expenditure was irregularly accounted for as the Department's own expenditure.

Deposits received from clients should have been expended on their own works for which the contributions were received. In respect of completed works, the Divisions should have promptly refunded unspent balances to the clients, particularly since no interest was payable on sums deposited in advance. Further, in terms of the codal provisions, the Divisions ought to have obtained additional contributions before incurring further liabilities on the works for which the deposits received proved inadequate. These instances of non-adherence to the codal provisions underscore the need for a review of the existing practices followed by the Divisions and appropriate remedial measures.

The matter was referred to the Ministry in August 2002, their reply had not been received as of December 2002.

12.2 Infructuous expenditure on erection of Ready Mixed Concrete Batching Plant

Procurement of an automatic mechanised cement concrete manufacturing plant without settling the feasibility of its erection on the selected sites, combined with deficiencies noticed on erection that had not been rectified, resulted in expenditure of Rs 3.14 crore incurred on its procurement and creation of the related infrastructure being rendered infructuous.

Cement concrete is one of the major inputs in the construction industry and the strength and durability of structures are influenced by its quality. The Ministry accorded administrative approval and expenditure sanction in January 1989, for the establishment, by the Central Public Works Department, of an automatic mechanised cement concrete manufacturing plant [commonly known as ready mixed concrete batching plant] at an estimated cost of Rs 1.43

crore. It was initially proposed to establish the plant, with a capacity to produce 30 cubic meters of concrete per hour, on Purana Quila Road, New Delhi, adjacent to an existing Hot Mix Asphalt Plant (HMAP) of the Department. Though it was estimated that the concrete obtained from the plant would cost more than that mixed at site, it was nevertheless expected that the following other advantages of adopting this "state of the art" technology would more than offset the marginal increase in cost:

- Assured quality of concrete resulting in construction of more durable structures.
- Economy in the use of cement through proper mix design.
- Reduced incidence of theft or pilferage of cement from the construction sites.
- Reduction of congestion at sites that might eventually lead to more timely completion of projects.
- Improvements in environmental conditions.

The plant was to be installed within a period of two years.

Though approval to the allotment of the selected site had not been obtained from the Delhi Development Authority (DDA) and the Ministry; the Department placed an indent in April 1989, on the Directorate General of Supplies and Disposals (DGS&D) for the procurement of the plant. The Department requested the Land and Development Office only in March 1990 for allotment of the land identified for its installation, which, in turn, forwarded the case to the Ministry in August 1990.

The Ministry's Lands Division did not, however, accede to the request in August 1991 on the ground that the suggested site was in the vicinity of a monument and was therefore not suitable for the purpose. In September 1991, DDA also informed the Department that such plant could not be located in the Union Territory and suggested that the land for the plant could instead be obtained in the National Capital Region or the towns in the Delhi Municipal Area. The Department, however, was of the view that the plant would not be technically viable if it was located at far away places because it could only service work sites within a maximum radius of 40 Kms. In the meantime, DGS&D had finalised the tenders for procurement of the plant and the relevant order was also placed on a Delhi-based firm in December 1991. In the circumstances and on the ground that the land belonged to it, the Department justified its installation on a plot of land at Ghatomi, to the south of Vasant Kunj. It was also envisaged that the plant could cater to the construction of

General Pool houses being planned at Ghatorni and other construction sites in South Delhi. No records were, however, made available to Audit to establish that construction of General Pool houses was in fact being planned at Ghatorni.

Various components of the plant were brought to the site by the supplier firm, in four lots, between October 1992 and November 1993. Its erection could not, however, commence immediately thereafter because of the inability of the Department to provide power and water connections and remove extra earth from the site.

The decision to relocate the plant at Ghatorni also necessitated revision of the estimates to cater to cost increases during the intervening period, creation of additional civil and electrical infrastructure facilities at the site and the acquisition of transit mixers and trucks instead of tippers originally planned. The revised sanction for Rs 3.17 crore, including Rs 65.12 lakh towards the cost of the plant, was issued in August 1994, when the Department had reported that erection of the plant had been almost completed.

Erection of the plant was completed thereafter in January 1995 on the Department providing a generator at site and a dry trial run of the plant was also undertaken. A joint inspection of the plant undertaken in May 1995 had, however, revealed a number of deficiencies. Nevertheless, and notwithstanding the fact that the deficiencies had not been rectified, the Department certified, in June 1995, that the erection had been completed. Payments aggregating to Rs 58.24 lakh representing 90 *per cent* of the cost of the plant and 80 *per cent* of the erection charges of Rs 1.50 lakh was also made to the supplier of the plant between November 1992 and July 1996. Besides, expenditure aggregating to Rs 2.56 crore was also incurred on mechanical and electrical installation, electrical works and civil works.

The plant had been erected even in the absence of the necessary power connection from the Delhi Vidyut Board and the formal approval of DDA for change of the land use from rural to manufacturing (extensive). The approval of the DDA was also a pre-requisite for issue of the necessary licence for the operation of the plant by the Municipal Corporation of Delhi. The issue of licence was, in turn, contingent upon the issue of a No objection Certificate by the Delhi Pollution Control Committee and the availability of electricity connection. Consequently, the plant could not be made operational.

On being approached for approval to the change in the land use of the plot at

Ghatorni, DDA held in December 1996 that this was not possible. (In fact, the Authority had not permitted erection of the plant on this plot even earlier in March 1992).

Utilising the generator provided at site, a trial run of the plant was arranged in December 1997. The Department then observed a number of technical faults and deficiencies, which were brought to the notice of DGS&D for being taken up with the supplier firm.

The Department also pursued the question of change of the land use with DDA. In June 1998, the Authority's Technical Committee recommended that permission to operate the plant at Ghatorni for a maximum period of ten years may be accorded, subject to necessary clearances being obtained from the Delhi Pollution Control Committee and other bodies concerned. This was, however, not acceptable to Committee which insisted on a clear approval of DDA for change in the land-use. In the absence of the requisite No Objection Certificate from the Committee, the Delhi Vidyut Board also refused to provide the power connection. In the result, the plant had not been made operational even thereafter.

Further, though DGS&D had been addressed periodically to request the supplier firm to rectify the deficiencies pointed out, this was not done by the latter. In January 2001, the Department informed DGS&D that it was clear from the observations made after the trial run that the functioning of the plant was quite unsatisfactory and it was not likely to serve the intended purpose. In March 2001, the supplier firm, however, attributed the deficiencies to the Department not operating the plant for four years after the trial run. It also pointed out that, that if the plant was run continuously, it would provide the rated capacity and that it would also require complete servicing and replacement of several parts. The firm further drew attention to the fact that the second and third lots of components despatched by it to the site during November-December 1992 had been lying on the ground at a lower level in the open resulting in collection of rain water.

Earlier in April 1999, the Assistant Engineer (Electrical), HMAP Sub-division, had also brought to the notice of the Executive Engineer (Electrical) that, because of ageing and non-operation and non-maintenance of various equipment, such as transit mixers with chassis, loaders, etc. had started deteriorating and becoming rusty. He had also stated that the batteries of the mixers and vehicles and various parts, such as hosepipes, air pipes, battery leads, etc. had already become unserviceable and that this had also been

brought to notice on several occasions.

Audit scrutiny further revealed that the Department had incurred expenditure of Rs 10.47 lakh on the maintenance of the transit mixers and on watch and ward arrangements for the plant during 1999-2002 and that the plant had not been made operational even as of October 2002. As against the payments aggregating to Rs 58.24 lakh made to the supplier firm, DGS&D had in its possession a bank guarantee of Rupees one lakh only, valid up to 23 December 2002, furnished by the firm, which had also not been invoked as of October 2002.

Procurement of the automatic mechanised cement concrete manufacturing plant without settling the feasibility of its erection on the selected site after obtaining the necessary clearances compounded by the non-rectification of the deficiencies noticed on erection even after the lapse of over seven years resulted in the investment of Rs 3.14 crore incurred on the scheme being rendered infructuous. The objectives of establishing a "state of the art" facility had also been defeated. This was indicative of deficiencies in the processes of planning and implementation of a scheme that had been considered cost-effective. Had the question of clearances been settled *a priori* and the plant erected at an appropriate location, more tangible benefits might have resulted from the investment of this magnitude.

The matter was reported to the Ministry in July 2002; their reply had not been received as of December 2002.

Directorate of Estates

12.3 Idle investment on vacant shops and accumulation of arrears of licence fee

Failure to provide the basic amenities in a shopping centre constructed in the upmarket Vasant Vihar, compounded by various acts of omission and lapses by departmental functionaries resulted in belated and only partial allotment of the shops, non-payment of the licence fee due even by those allotted shops, avoidable litigation, accumulation of arrears aggregating to Rs 79.70 lakh, cancellation of allotments and eviction proceedings that are likely to be prolonged, besides an estimated loss of revenue of at least Rs 1.60 crore.

Upto March 1979, the Directorate of Estates was responsible for allotment of shops in local shopping centres constructed in Government colonies. The erstwhile Ministry of Works and Housing then decided that such shops should

henceforth be disposed of by open auction by the Land and Development Office so that these could be sold at the earliest in order to avoid the shops remaining vacant after the shopping centres are completed.

In August 1993, Construction Division No XIV of the Central Public Works Department (CPWD) had constructed a shopping centre, comprising of 46 shops, in Vasant Vihar, New Delhi, at a cost of Rs 51.89 lakh. However, the Department had not provided the basic facilities of water and electricity connections; nor had the Department completed the prescribed formalities precedent to the laying of electrical service cables by the Delhi Vidyut Board. In fact, the Electrical Division concerned had only got the works relating to the provision of conduits completed but had failed to include the provision of internal electrical wiring in the relevant agreement.

Nevertheless, the Department asked the Land and Development Office to take over the shops in April 1994 to facilitate their auction and allotment. No action was, however, taken in this regard by that office necessitating security arrangements being made at the centre. It was decided thereafter in February 1995 that the physical possession of the shops would remain with CPWD till such time as they were allotted by the Land and Development Office in terms of the existing procedure and that the successful allottees would take possession of the shops from the Department.

Subsequently, in pursuance of the judgement of the Supreme Court in Writ Petition No. 585 of 1994 (Shivsagar Tiwari vs. Union of India and Others) delivered on 11 October 1996, and in the context of the fact that a number of shops placed at the disposal of the Land and Development Office could not be auctioned in the absence of adequate response, a policy decision was taken in December 1996 that all vacant shops/stalls in government colonies would be allotted by the Directorate of Estates on leave and licence basis by adopting the open tender system and on recovery of licence fee from the allottees. All vacant shops in various shopping centres that were yet to be auctioned were accordingly to be transferred to the Directorate for disposal in terms of the revised policy.

While forwarding the list of vacant shops to the Directorate of Estates, the Land and Development Office did not, however, include the Vasant Vihar shopping centre therein. It was only after a question was raised in the Rajya Sabha in July 1997 about the non-allotment of shops in this complex that the Directorate called for the relevant details from CPWD. Though the 'S' Division of the Department forwarded details of the cost of construction of the

shopping centre to the Executive Engineer (Licence fee) thereafter in November 1997 for fixation of the licence fee of the shops, other necessary details to facilitate this exercise were, however, not furnished.

On these details being made available in May 1998, action was taken by the Directorate to fix the minimum reserve price of the shops, preparation of tender documents, etc. The Directorate thereafter invited tenders in July and September 1998 for allotment of these shops. 23 of the 46 shops were allotted based on the offers received in response to these tenders.

The terms and conditions of allotment provided, inter alia, that the allottees shall deposit the licence fee in advance before the 10th day of the month to which it relates. The allottees did not, however, pay the licence fee on the ground that the basic amenities of electricity and water connections had not been provided and demanded, in November 1998, that they may be exempted from payment of licence fee till such time as these amenities were made available. Their demand was not accepted and the Directorate filed cases for recovery of the dues outstanding from all the 23 allottees in August and September 1999. Aggrieved by this decision, 22 of the allottees filed a writ petition in the Delhi High Court, which stayed, in February 2000, recovery of the licence fee. The water and electricity connections were thereafter provided in April 2000 and it was decided to allow a rebate of six *per cent* in the monthly licence fee for the period the shops were not provided these amenities.

In its order of November 2000, the High Court directed the allottees to deposit, within two months, 50 *per cent* of the licence fee from the date of allotment up to February 2000 and the entire licence fee due in terms of the licence deed effective from March 2000. The allottees not having complied with this order, their writ petition was dismissed in January 2001.

The allotment of the shops was thereafter cancelled and 14 of the 23 allottees vacated their shops between July 2000 and July 2001. Eviction proceedings under the Public Premises Act were initiated against the remaining nine allottees in July and October 2001. While one of them was evicted in January 2002, the remaining allottees continued to occupy their shop premises pending completion of the proceedings. In the result, the arrears of licence fee due from all the 23 allottees had accumulated to Rs 79.70 lakh as of June 2002. As many as 38 of the 46 shops (including 23 shops that were never allotted since completion of construction of the shopping centre) also consequently remained vacant.

Failure to provide the basic amenities in the shopping centre resulted in non-payment of the licence fee even by those allotted shops, avoidable litigation, accumulation of arrears, cancellation of allotments and eviction proceedings that are likely to be prolonged. Further, on account of various omissions and lapses on the part of the departmental functionaries, shops in the centre constructed in an upmarket area in August 1993 could be allotted, that too only partially, only after the lapse of more than five years with no return on the investment. Apart from the accumulated arrears of licence fee due from the allottees, the initial delay in the allotment of all the 46 shops attributable to the departmental lapses, the non-allotment of 50 per cent of the shops ever since their construction as well as of the 14 shops that were vacated between July 2000 and July 2001 following cancellation of the allotments is estimated to have resulted in loss of revenue of at least Rs 1.60 crore¹.

In their reply, issued with the approval of the Ministry, the Directorate of Estates, stated (August 2002) as follows:

- (a) Attempts were made between August 1993 and December 1996 to dispose of all the vacant shops placed at the disposal of the Land and Development Office by auction and the Directorate came into the picture only after the new policy was framed in pursuance of the October 1996 order of the Supreme Court. It was only thereafter that the Land and Development Office was requested to place the shops under their control in Government colonies at its disposal and the formal placement was effected only in 1997.
- (b) The Directorate initiated action for allotment of the shops in July and September 1998 after CPWD furnished details regarding the minimum reserve licence fee in February 1998. There was, therefore, no delay on the part of the Directorate or the Ministry.
- (c) Further, electrical wiring, cables etc were provided by that Department only on 17 April 2000 and the loss of revenue should therefore be computed only with effect from that date.

¹ While a precise quantification of the revenue foregone has not been possible. This has, however, been estimated on the basis of the minimum reserve price determined during 1998 and for the period from 1 April 1997 to 30 June 1998 in respect of all the 46 shops that had not been allotted till then and from June 2000 to April 2002 in respect of 23 of the shops that continued to remain vacant even after the basic amenities were provided in April 2000 after allowing a reasonable time for completion of the pre-requisite formalities. The estimate further includes the revenue foregone in respect of the 14 shops that were subsequently vacated and continue to remain vacant.

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- d) While the minimum reserve price had been fixed for tender purposes at five times the economic licence fee determined by CPWD, the actual licence fee fixed for these shops was only one-fifth of the minimum reserve price. Computation of the revenue loss based on the minimum reserve price may not consequently be justified.
- (e) The eviction cases of the eight allottees who continued to occupy the shops were pending before the Estates Officer. Two of them had, however, filed a petition in the Delhi High Court for restoration of the Civil Writ Petition earlier filed by them in 1999.
- (f) In the meantime, a decision was taken at the Minister's level to reserve the vacant shops in the Vasant Vihar complex for allotment to the squatters running fuel and coal depots on government land from periods prior to the Sixties which was being processed by the Land and Development Office. In addition, it had also been decided in April 2002 to consider allotment of these vacant shops to the traders operating on platforms in the Ring Road Market falling in the alignment of the flyover at I-Avenue, which were proposed to be removed by the Delhi Government and this was being processed in consultation with the Ring Road Market Association and the Public Works Department of the Delhi Government.
- (g) Of the outstanding dues, a sum of Rs 27.75 lakh had been recovered between September 2000 and June 2002.

The following will, however, be of relevance in this context:

- (i) There was no evidence in the records scrutinised by Audit that the Land and Development Office had in fact made any attempts between August 1993 and December 1996 to auction the shops in the Vasant Vihar complex. On the contrary, no action was taken by that Office since April 1994 even to take over the shops leading to the February 1995 decision that the physical possession of the shops would continue to remain with CPWD.
- (ii) Though the Directorate of Estates was made responsible for allotment of shops in government colonies only in December 1996 after the new policy was framed in pursuance of the directions of the Supreme Court, action for allotment of the shops was initiated only nearly two years later, the delay being attributable to lapses on the part of other departmental functionaries.

- (iii) It will also be evident from the facts presented earlier, which have not been disputed by the Ministry, that there were various acts of omission on the part of functionaries of different wings under the same Ministry. In particular, the failure of CPWD to provide for internal electrical wiring in the complex *ab initio* was a costly omission that resulted in non-realisation of the licence fee from allottees. These and the consequential delays could have been avoided had there been better coordination among different wings and effective monitoring by the administrative Ministry. It cannot, therefore, absolve itself entirely of its responsibility in this regard.
- (iv) No doubt, the electrical connection for the complex was provided only in April 2000. The loss of revenue computed by Audit, however, relates only to those shops that continued to remain vacant ever since their construction, which, as brought out earlier, was not unavoidable and to those remaining vacant after their vacation by the allottees and has been restricted only to periods subsequent to 1996-97. In any event, the loss of revenue mentioned is only an estimate intended to highlight the likely magnitude of the financial implications of the acts of omission and commission and is based on certain assumptions. The fact also remains that the licence fee due from the allottees that had fallen into arrears could have been realised on allotment of the shops by the Directorate had the electrical connection been catered to initially, as it ought to have been done, by CPWD.
- (v) If, as stated, the minimum reserve price equal to at five times the economic licence fee had been fixed only for tender purposes, the obvious intention would have been that the offers in response to the invitation of tenders should be higher than this minimum, particularly given the fact that the shopping centre was located in an upmarket area of Delhi. In fact, the licence fees offered by the successful tenderers and accepted were higher than the minimum reserve price fixed by the Directorate. In the circumstances, it may not be inappropriate to adopt the minimum reserve price fixed by the Directorate itself as the basis for an estimation of the loss of revenue in respect of the vacant shops. Further, the revenue foregone by Government is likely to be higher than that estimated if this is computed with reference to the actual completion of construction of the shopping centre.
- (vi) In computing the accumulated arrears of licence fee as of June 2002, the recoveries amounting to Rs 27.75 lakh effected till then had also been duly taken into account.

Directorate of Printing

12.4 Non-realisation of costs and infructuous expenditure attributable to deficient monitoring

Non-maintenance of prescribed records by the Temple Street Unit of the Government of India Press led to failure to monitor printing jobs and ensure effective follow-up. Completed printing jobs were not delivered promptly to the clients and related costs were not realised.

Government of India Presses under the administrative control of the Directorate of Printing execute printing jobs for the Ministries and Departments and recover costs thereof based on the cost of materials and labour and overheads. Managers of the Presses are responsible for ensuring the timely completion of the printing jobs. In order to facilitate the monitoring of the progress of printing and delivery of the completed assignments to the clients, the Press Handbook provides for the maintenance of Work Dockets, Daily Work Progress Book and Lists of Monthly Arrears.

Scrutiny of records in audit revealed that the Temple Street Unit of the Press did not maintain the Daily Work Progress Books and Arrears Lists. On test check of 204 printing jobs received between 1983 and 1999 as recorded in the Planning and Progress Register it was seen that though the printing had been completed, the finished products had not been fully delivered in all the cases. While the Press during audit could not furnish records in respect of 120 of these jobs, in case of 49 of the remaining 84 jobs the following disquieting picture was revealed:

- (a) Out of the 84 jobs for which records was received, 49 jobs were lying in the Binding Section of the Press, after completion of the printing, either not delivered at all to the indentors or after partial delivery. An age-wise analysis of the periods that these jobs remained in the Press on completion of printing is presented in the following table:

Periods for which jobs remained in the Press	Number of jobs	Money Value (Rupees in lakh)
15 years and above	21	67.08
10 to 15 years	16	19.27
5 to 10 years	12	61.97

While details of the labour costs and overheads involved in these jobs were not available, the cost of paper issued for printing them alone amounted to Rs 148.32 lakh.

- (b) The Press, on its own initiative, had closed 18 of these 49 jobs even in the absence of any instructions in this regard from the indentors concerned. The printed forms, documents, etc. were consequently lying undespached in the Binding Section. Apart from not having fulfilled the orders received for these jobs to facilitate the recovery of costs, the paper costing Rs 36.99 lakh issued for them had been rendered entirely wasteful in the process.
- (c) Of the remaining 31 jobs, the entire quantity of finished products in respect of 20 jobs, for which paper costing Rs 85.72 lakh was issued, had not been despatched to the indentors as of March 2002, while those relating to 10 other jobs (cost of paper issued: Rs 63.75 lakh) had been only partially despatched till then, the cost of paper issued in respect of the undespached finished products retained in the Binding Section being Rs 15.35 lakh. The Press had also not ascertained from the indentors whether they still required these printed forms and documents.
- (d) The Directorate of Income Tax (RSP & PR), on whose behalf the remaining job had been undertaken, had informed the Directorate of Printing that the covers for the Revision Records of Commissioners of Income Tax (ITNS-64) indented by it had become obsolete and would therefore no longer be required. Paper costing Rs 10.26 lakh utilised for the printing of these covers had consequently been rendered wasteful.

Failure to monitor the progress and status of the printing jobs and absence of effective follow up action attributable primarily to the non-maintenance of the prescribed records resulted in completed printing jobs not being delivered promptly to the clients and related costs not being realised. Apart from the infructuous expenditure of Rs 47.25 lakh on paper issued for jobs that were either closed or had ceased to be of utility to the indentors, the cost of paper issued for jobs that were lying undelivered in the Binding Section alone aggregated to Rs 101.07 lakh. The financial implications would be substantially higher if the incidence of labour and other material costs and overheads that had not been worked out by the Press is also taken into account. Besides, the finished products that had either not been delivered at all to the indentors concerned or had been delivered only partially having been retained in the Binding Section for prolonged periods, the possibility of their having become obsolete or being damaged in the meantime cannot also be ruled out.

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The Directorate of Printing in reply stated (October 2002) that the proper maintenance of various registers and monitoring of work suffered badly due to shortage of staff and led to pendency of various jobs. It further stated that only 178 jobs were received in the Temple Street Press between 1983 and 1999 out of which the records in respect of 173 jobs are readily available at the Press.

The reply is not tenable as shortage of manpower does not justify inordinate delay in delivery of printed materials to the indentors, non-recovery of printing charges and non-maintenance of basic records. Further, the Press actually received 5833 jobs during 1983 to 1999 as evident from the records made available to audit and not 178 jobs as claimed. The Press could make available records, not previously furnished, only in respect of 13 jobs, scrutiny of which revealed that these jobs were lying in the Binding Section partially despatched and the cost of the paper issued for these undespached finished products was Rs 6.67 lakh.

The matter was referred to the Ministry in June 2002; their reply was awaited as of December 2002.

CHAPTER XIII: MINISTRY OF WATER RESOURCES

Farakka Barrage Project

13.1 Deficiencies in implementation of an essential scheme and maintenance arrangements

The primary function of the Farakka Barrage Project is to regulate the quantum of discharge into the Bhagirathi-Hooghly river system to improve its navigability, prevent flooding of the catchment area and regulate the effective sharing of water with Bangladesh. The Project authorities are responsible for the efficient maintenance of the barrage and ancillary works as well as for the execution of the related schemes. Two instances of unconscionable delay in completion of an essential improvement scheme and special repairs are highlighted in the succeeding paragraphs.

Failure to synchronise civil and electrical works resulted in a Control Tower not serving the intended purpose for over six years, rendering unfruitful expenditure of Rs 39.79 lakh incurred on the civil works.

(a) On the recommendation of the Review Committee of the Project, the Ministry of Water Resources approved, in June 1987, construction of a control tower to facilitate the remote operation of the gates of the Navigation Lock at Farakka. The scheme was considered necessary for the efficient and economical handling of the increasing volume of inland water traffic then envisaged. The work, in its entirety, was to be taken up during 1991-92 and completed by March 1993 at an estimated cost of Rs 32.45 lakh.

However, even the contract not having been awarded, the estimates and the completion schedule were subsequently revised in August 1993 to Rs 37.73 lakh and March 1995 respectively.

The civil works relating to the control tower were thereafter entrusted to a contractor in February 1994 at a cost of Rs 34.54 lakh. These were completed in June 1996 at a cost of Rs 39.79 lakh, the cost overrun being attributable to changes in design and execution of additional works not envisaged initially.

Though installation of the remote control system had become imperative due

to increase in the inland traffic through the Navigation Lock during 1999-2001, the estimate in respect of the related electrical works was, however, finalized only in January 2001, four and a half years later. These works could not commence even thereafter because the layout drawings were not prepared on the ground that the Division did not have personnel of the requisite experience. Consequently, the control tower could not be commissioned and the building was being used only as a site office and store. The lock gates were also being operated only manually and it had been estimated that the manual operation and maintenance would involve an annual expenditure of Rs 16 lakh approximately. The electrical works had not been completed even as of May 2002.

Failure to ensure that the electrical works were synchronised with the civil works and the delay of nearly six years resulted in the non-realisation of the objective of effecting improvements and economies in the handling of inland water traffic considered an imperative necessity. In the process, the expenditure of Rs 39.79 lakh incurred on the civil works had also remained unfruitful.

The General Manager of the Project stated (June 2002) that efforts were being made to execute these departmentally.

The Ministry stated (January 2003) that due to non-installation of the remote control system alternative arrangements were made to operate the gates manually. The manual operation of the gates of the Navigational Lock at Farakka was, however, not an alternative arrangement as stated because the gates were being operated only manually ever since the inauguration of the lock in September 1986 and the objective of installation of the remote control system was, in fact, to discontinue the manual operation.

Absence of adequate arrangements for preventive maintenance compounded by delays in completion of special repairs to the gates of the main barrage and failure to enforce contractual terms resulted in avoidable expenditure of Rs 22.05 lakh on replacement of one of the gates that was washed away.

(b) Further, the Project entrusted the special repairs to and rectification of all the gates of the main barrage including painting in February 1996 on 50 : 50 basis to Rashtriya Pariyojana Nirman Nigam and Jessop and Co. at an estimated cost of Rs 7.76 crore. The work orders, initially stipulating completion by April 1998, were amended in March 1997. The works were consequently to be completed in all respects by April 2000.

In April 1999, the Project reported that the progress of work was very slow and considerable reduction in the thickness of the skin plates of some of the gates. In pursuance of the report, the Technical Advisory Committee advised the Project in April 1999 to ensure speedy execution of the painting and repair works to avoid further deterioration of the gates. The Committee also recommended penal action against the contractors in terms of the contract in the event of execution being delayed further.

While the repairs to the gates were in progress, Gate No. 8 of the main barrage failed and was washed away in December 1999, necessitating its replacement in June 2000 at a cost of Rs 22.05 lakh.

In September 2000, a team of experts constituted to investigate the reasons for the failure of the gate attributed its deterioration and ultimate failure to the absence of preventive maintenance and unusual delay on the part of the contractors in executing the special repairs.

The team also recommended intensive inspection of the gates to determine their condition, termination of the existing contracts on account of the poor performance of the contractors and immediate repair of all the gates, priority being given to those that were in a highly distressed condition.

Audit scrutiny, however, revealed that no action was taken on these recommendations on the ground that the manpower resources were insufficient and the Project lacked the necessary technical expertise. Besides, instead of terminating the contracts as recommended and recovering the liquidated damages/ compensation due in terms of the contracts for delays in completion of the works, the Project provisionally extended the stipulated date of completion of the works by the contractors till November 2002. However, only 29 *per cent* of the work had been completed as of April 2002.

Delays in completion of special repairs of the gates considered essential as early as in 1996, which appear *prima-facie* unconscionable, necessitated replacement of a gate that was washed away, involving expenditure of Rs 22.05 lakh. This could have been avoided had effective steps been taken to enforce the terms of the contract.

The Ministry stated (January 2003) that question of levy of penalty for the delay did not arise as extension was granted to the contractors. It added that the Expert Committee presided over by the Chairman of the Central Water Commission could not arrive at a conclusion in regard to the reasons for failure of gate No.8.

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However, as brought out earlier, the Technical Advisory Committee, advised the Project in April 1999 to ensure speedy execution of the painting and repair of all the gates and recommended penal action against the contractors in terms of the contract in the event of execution being delayed further. Besides, the Expert Committee referred to in the reply which was constituted in January 2000 had specifically observed in September 2000 that the gates of the Barrage were in a state of neglect and represented a model example of drastic reduction in the life of a gate due to lack of maintenance. It also added that the contractors who were entrusted with the special repairs and painting of the gates had not been able to do their work as scheduled time and the unusual delay on their part had caused deterioration in the condition of the gates. The Committee had also concluded that the project had not taken any action in the past for preventive maintenance and actions seemed to have been initiated by the Project only after the problems developed. The Committee had, therefore, requested the Ministry to review their procedures and take steps to ensure that the Project was capable of taking quick decisions on award of works under emergent situations.

More importantly, these two instances are illustrative of the inadequacy of the existing arrangements for implementation of essential improvement schemes and for preventive maintenance. The recommendations of the expert committee entrusted with the investigation of the failure of the gate also underscored the need for effective remedial action to ensure that the efficient functioning of the Project and the realisation of its intended objectives are not jeopardized in the absence of arrangements for preventive maintenance, with all its attendant adverse consequences.

CHAPTER XIV: UNION TERRITORIES

Andaman and Nicobar Administration

Andaman Public Works Department

14.1 Unfruitful expenditure

Andaman and Nicobar Administration's objective of providing transit accommodation for ship passengers remained unrealised despite expenditure of Rs 1.26 crore.

Mention was made in Paragraph 17.4 of the Report of the Comptroller and Auditor General of India for the year ended March 1996, Union Government (Civil) (Report No 2 of 1997) about the failure of the Andaman Public Works Department to utilize a plot of land leased from the Kolkata Port Trust in March 1993 for construction of a transit accommodation at Kolkata for passengers travelling by sea to the Islands resulting in wasteful expenditure of Rs 21.27 lakh and idle investment of Rs 158 lakh.

Review in audit during November 2000 of further developments revealed that the Kolkata Central Division-III of the Central Public Works Department (CPWD) awarded the work relating to the pile foundation of the building to Premier Piles Limited in April 1997 at a cost of Rs 78.54 lakh. While doing so, approval to and sanction of the building plan from the Port Trust and Kolkata Municipal Corporation respectively were not obtained. The contractor could not commence the work, scheduled for completion in March 1998, because the Division did not provide the approved drawings and plans. As a result, the contract had to be foreclosed in March 1998.

In April 1998, the contractor, therefore, sought arbitration and lodged a claim of Rs 37.69 lakh on account of loss of profit, hire charges of machinery, interest etc. The Arbitrator awarded Rs 16.78 lakh plus interest at the rate of 18 per cent per annum to the contractor in December 2000 and the award was upheld by the High Court in February 2002. Accordingly, the Division paid Rs 27.43 lakh to the contractor in April 2002.

In the meantime, on approval of the building plan by the Port Trust in January 1999, the Chief Engineer, CPWD, accepted the lowest offer of Rs 75.76 lakh of the same contractor for the pile foundation work. The Department did not, however, award the work even on this occasion because the Municipal

Corporation had not approved the building plan submitted in June 1999.

Though the Corporation provisionally sanctioned the building plan in January 2000, the CPWD could not commence the work even till March 2002 in the absence of the necessary clearance from the Andaman and Nicobar Administration. Doubts had also been expressed by the Administration that the selected site was unsafe and inconvenient for the transit passengers.

In the circumstances, expenditure aggregating to Rs 1.26 crore incurred over the nine year period from March 1993 on payment of premium, land rent, watch and ward arrangements, construction of a boundary wall, payment of arbitration award, etc. had remained unfruitful. The objective of providing transit accommodation to the passengers travelling by sea also remained unrealised.

While the matter was referred to the Ministry in May 2002 and their reply was awaited as of October 2002, the Andaman Public Works Department stated (September 2002) that the work had been kept in abeyance in order to examine the possibility of shifting the operations from Kolkata to Haldia.

14.2 Non realisation of objectives of irrigation scheme

On account of delay in completing anti-seepage measures, benefits envisaged by implementation of the Ramakrishnapur Irrigation Scheme continued to remain unrealised even after the lapse of nine years and investments aggregating to Rs 444.61 lakh.

Mention was made in paragraph 17.2 of the Report of the Comptroller and Auditor General of India for the year ended March 1996 –Union Government (Civil) (Report No 2 of 1997) about the non-realisation of the objectives of the Ramakrishnapur Irrigation Scheme in the Andaman and Nicobar Islands attributable to deviations from the approved drawings and specifications and to the non-completion of the remedial measures undertaken to prevent seepage of water.

Review in audit of subsequent developments revealed that after visiting the dam site in March 1995, the Director, Central Water Commission recommended *inter alia* completion of clay blanketing for the entire length of the dam to control seepage of water. The Public Works Department, however provided only partial clay blanketing as an immediate measure to arrest the seepage so that work could be completed within the short working season available before the onset of the monsoon. The work taken up in October 1995 was completed

in June 1996 at a cost of Rs 50.77 lakh.

A decision in regard to clay blanketing of the entire stretch as recommended by the Central Water Commission was to be taken after the next storage. However, even in the absence of a final decision the Department released water for irrigation during January and February 1997. As wastage of water was observed to be almost 100 *per cent* during the dry season, no water was released in the subsequent years. Consequently, irrigation facilities could not be effectively provided to the farmers of Ramakrishnapur.

As the seepage of water continued, Director, Central Water Commission visited the site again in February 2000 and suggested clay blanketing of the remaining stretch of the dam. However, the Department conducted the necessary survey to facilitate preparation of estimates for the work only in February 2002. As a result, and pending further clarifications of the Central Water Commission, the Clay blanketing had not been taken up even as of May 2002. Meanwhile, the cropping pattern in the area to be irrigated under the scheme had also changed because most of the farmers had shifted from the cultivation field crops to plantation crops due to non-availability of irrigation facilities.

Remedial anti-seepage measures not having been completed to facilitate its commissioning, the objectives of the irrigation scheme continued to remain unfulfilled notwithstanding investments aggregating to Rs 444.61 lakh.

The Department stated (September 2002) that storage of water in the dam had raised the water table which had indirectly benefited the farmers. The fact, however remains that the scheme is yet to be commissioned even after nine years because of the delay in completion of the clay blanketing of the dam. Besides, the cropping pattern itself having changed in the meantime, the scheme may prove to be only of limited utility.

The matter was referred to the Ministry in July 2002, and again December 2002 their reply was awaited as of December 2002.

Directorate of Information/ Publicity and Tourism

14.3 First Sunrise of the Millennium at Katchal Island

On account of poor planning and inadequate publicity efforts, a unique, even once in a life-time, opportunity to promote the Andaman and Nicobar Islands in particular and the country in general as an attractive international tourist destination by celebrating the Millennium Sunrise was lost. A privileged few alone having witnessed the event from a vessel chartered for the purpose, apart from very few fare-paying passengers, expenditure of Rs 115.37 lakh incurred on celebration of the event can only be termed infructuous and entirely unjustified.

In March 1999, the Ministry of Tourism informed the Andaman and Nicobar Administration that the first sunrise of the Millennium would be visible from Katchal Island and suggested that the Administration could promote the event as an important attraction from the point of view of foreign tourists by working out the details and publicising them through the Indian Tourist Offices overseas. The National Hydrographic Office and the Geological Survey of India confirmed that the sunrise would occur at 0530 hours IST corresponding to 00.00 hours GMT on 1 January 2000 specifically at a point in the sea eight miles west of the Island.

A package of proposals for promoting the event was accordingly sent to the Ministry of Tourism in May 1999. In the absence of any response to the proposals, the Administration requested the Ministry of Home Affairs in August 1999 to have a decision expedited, while informing the Ministry that the package will have to be scaled down in view of the limited time remaining.

Based on a proposal submitted in this regard by the Ministry of Tourism, the Committee of Secretaries decided in August 1999 that (i) the event could be utilised to attract the attention of foreign tourists towards India; (ii) the celebration of the event would be sea-oriented by permitting cruise liners to anchor near Katchal without provision for landing on the Island; (iii) the Ministry of Tourism should urgently work out the number of additional ships required for the purpose and place the requisition in advance on the Shipping Corporation of India (SCI) for chartering them.

A proposal for the provision of additional funds of Rs 50 lakh intended for the purchase of tents, chartering of boats, publicity material, etc. was sent by the Administration to the Ministry of Home Affairs thereafter in October 1999. This was, however, approved only in December 1999. Concurrently, the Ministry of Tourism also sanctioned an amount of Rs 32.37 lakh for the purchase of tents to accommodate the VIPs expected to witness the event and

a generator set. The Ministry did not, however, fulfil their obligation to arrange chartered vessels through the SCI. It also turned down the Administration's proposal of bearing the entire chartering charges of their vessel on 16 December 1999. This forced the Administration to deploy one of its 1200-passenger capacity departmental vessels (M.V. Swarj Deep), the daily cost of chartering which was Rs 9.00 lakh. Consequently, whereas the event was scheduled to be celebrated from 30 December 1999 onwards, the arrangements could be finalized only barely two weeks earlier.

Audit scrutiny of the related records revealed the following:

- Though the original intention was to attract foreign cruise liners, details of the publicity efforts, if any, made for the purpose by the Ministry of Tourism both in India and abroad were not available with the Administration. No cruise liners also participated in the event.
- Publicity of the event was undertaken only on 20 December 1999, that too only locally and the sale of tickets for the cruise commenced on 22 December 1999. Subsequently on 24 December 1999, less than a week prior to the voyage, the availability of tickets for the cruise was publicized in Chennai and Kolkata.
- It was also decided that 60 *per cent* of the capacity of the vessel would be sold to the public, the remaining 40 *per cent* being reserved for the invitees and officials of the Administration and Ministry of Tourism. The fares, to be levied for different classes of accommodation, were also to be fixed in such a manner as to ensure that the revenue realised would be more than the chartering charges, provided all the tickets were sold. However, while determining the fares, personnel of the Administration were also reckoned as fare-paying passengers notwithstanding the fact that their fares would be paid by their respective departments with no real inflow or outgo and that this would, in effect, amount to the Administration itself bearing the liability on this account. Consequently, even if all the tickets were sold, the realisations therefrom would not have covered the cost of chartering the vessel.
- On account, however, of the belated and inadequate publicity effort, only one Bunk Class ticket costing Rs 3,000 was sold up to 28 December 1999. Though the cost of the Bunk Class tickets was consequently reduced to Rs 1,000, only 33 tickets in this Class and 37 Second Class tickets in all could be actually sold. As a result, there were only 70 fare-paying passengers on board when the vessel finally

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sailed on its voyage, in addition to 195 invitees and officials on duty of the Administration and the Ministry of Tourism.

- Four sorties were also flown by a naval helicopter to transport some of the invitees and senior officials from Katchal Island to the vessel on 1 January 2000.
- As against expenditure aggregating to Rs 131.21 lakh (chartering and port charges: Rs 48.22 lakh; provision of land-based temporary infrastructure on Katchal Island: Rs 76.51 lakh; and board and lodge of invitees: Rs 6.48 lakh) incurred by the Administration in connection with the event, the revenue realised from the fare paying passengers amounted to Rs 15.84 lakh only.

Generally, foreign tour operators plan and publicize unique events such as the Millennium Sunrise more than a year or two in advance and chartering of cruises will also need to be tied up sufficiently in advance. Foreign tourists also plan their visits overseas in advance so as to avail of attractive package deals offered by the tour operators. However, on account of poor planning and inadequate publicity efforts, a unique, even once in a life-time, opportunity to promote the Andaman and Nicobar Islands in particular and the country in general as an attractive international tourist destination was lost. Considering the limited time frame within which the event was sought to be promoted without taking into account the basic requirements of tourism promotion and the substantial lead-time necessary, it would appear that the proposals formulated in this regard were ambitious and the entire scheme itself was ill-conceived. In the circumstances, and considering the fact that a privileged few (officials of the Administration and the Ministry of Tourism along with certain invitees) alone witnessed the event, apart from very few fare-paying passengers, the net expenditure of Rs 115.37 lakh incurred on celebration of the event, after setting off the revenue realised, can only be termed infructuous and entirely unjustified without the accrual of any tangible benefits from the point of view of the avowed objective of promoting international tourism.

The matter was referred to the Ministry in June 2002; their reply was awaited as of December 2002.

Electricity Department

14.4. Idle investment on procurement of oil storage tanks

Procurement of tanks for storage of high speed diesel oil in excess of actual immediate requirements and delays in installation and commissioning of more than 50 per cent of the tanks dispatched to various power houses in the Andaman and Nicobar Islands resulted in investments aggregating to Rs 226.27 lakh remaining idle, thereby defeating the purpose of their procurement.

In order to meet the growing demand for power anticipated to arise in the Islands following rapid industrialisation and rural electrification, the Electricity Department had formulated a Plan scheme for augmentation of the generating capacity of different power houses using diesel for the generation of electricity. The scheme envisaged, *inter alia*, the installation of 27 diesel oil storage tanks, each of 203 kilolitre capacity, in 10 power houses with the objectives of eliminating pilferage of high speed diesel oil, avoiding expenditure on procurement of new empty drums for storage of oil and minimizing handling expenses. All the 27 tanks were to be installed and commissioned during the eighth Five Year Plan period (1992-97).

As against the requirement of 27 oil storage tanks projected initially, indents for the procurement of 33 tanks were placed on the Directorate General of Supplies and Disposals (DGS&D) in September 1993 (11 tanks) and June 1995 (22 tanks). Orders for the supply, installation and commissioning of these tanks were placed on a Kolkata firm by DGS&D in September 1994 and September 1995. The tanks were supplied by the firm between November 1995 and October 1996 at a total cost of Rs 364.76 lakh.

Following re-examination of the requirements projected initially, the Superintending Engineer, decided in December 1995 to install only 27 of the tanks in 12 power houses (Campbell Bay: 4; Car Nicobar: 2; Chowra: 1; Diglipur: 3; Havelock: 1; Kamorta: 3; Katchal : 2; Little Andaman: 3; Long Island: 1; Neil: 1; Rangat: 4; and Teresa: 2)

Audit scrutiny of the related records revealed the following:

- Of the 33 tanks, two were held as stand-by reserves and 25 tanks were dispatched to different power houses (Campbell Bay: 3; Car Nicobar: 3; Diglipur: 3; Havelock: 2; Kamorta: 2; Katchal: 2; Little Andaman : 2; Long Island: 1; Neil: 2; Rangat: 3 ; and Phoenix Bay: 2) between

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November 1995 and March 1997 for installation. This resulted in deviations from the original projections. While no tanks were sent, in the process, to the powerhouses in Chowra and Terssa, two of the tanks were sent to the Phoenix Bay Power House, a location that had not been envisaged originally.

- The remaining six tanks (proportionate cost: Rs 80.25 lakh) had been retained in the Central Stores as of November 2002.
- While the foundations for installation of 22 of the 25 tanks had been completed (Campbell Bay 3; Can Nicobar: 3; Diglipur: Nil; Havelock: 2; Kamorta: 2; Katchal: 2; Little Andaman: 2; Long Island: 1; Neil: 2; Rangat: 3; and Phoenix Bay: 2), only 15 of them had, however, been installed as of November 2002 (Campbell Bay: 3; Car Nicobar: 3; Havelock: 2; Kamorta: Nil; Katchal: Nil; Little Andaman: 2; Long Island: Nil; Neil: Nil; Rangat: 3; and Phoenix Bay: 2). Of these, only 12 tanks had been commissioned (Campbell Bay: 2; Car Nicobar: 3; Havelock: 2; Little Andaman: 2; Rangat: 3; and Phoenix Bay: Nil). The delay in installation and commissioning was attributable to the fact that the local agent of the supplier entrusted with the responsibility had backed out following a financial dispute with the supplier.
- Work relating to the foundations for installation of three of the 25 tanks intended for the Diglipur power house had not commenced even six years after their receipt in September 1996 on account of non-availability of suitable land

The Department informed Audit in July 2001 that the variations between the number of tanks envisaged initially and that sent for installation to different power houses were attributable to changes in actual requirements after taking into account the programme for augmentation of diesel generating sets as well as the remoteness of the power houses and that necessary action was being taken for installation and commissioning of the tanks in the Diglipur power house and at other locations.

The deviations from the original projections would appear to indicate that the assessment of the requirements was not realistic or reliable. Further six of the tanks having been retained unutilised in stock and as many as 13 of the 25 tanks dispatched to various power houses not having been either installed or commissioned even after the lapse of a considerable time, investments aggregating to Rs 226.27 lakh (cost of six tanks held in stock: Rs 80.25 lakh;

cost of 13 tanks yet to be installed/commissioned: Rs 146.02 lakh) have remained idle defeating the purpose of their procurement.

The Electricity Department of Andaman and Nicobar Administration stated (November 2002) as follows:

- a) The local agent having suspended installation and commissioning of the tanks on account of a dispute in regard to payment terms with the supplier, entrusting the work to another contractor was approved by the Administration. However, in view of the fact that the cost of erection of the tanks had already been included in the orders placed on the Kolkata firm, Directorate General of Supplies and Disposal had been requested to confirm that the additional expenditure involved in the installation and commissioning of the tanks by another contractor would be recovered from the original supplier and that further action in this regard would be taken on receipt of the clarification, which was awaited.
- b) Of the six tanks retained in the Central Stores, three tanks were proposed to be installed at Mus Jetty in Car Nicobar, while two tanks were proposed to be installed at Chowra and Teressa, the remaining tank being retained as an additional reserve.

Audit scrutiny, however, revealed that installation of the oil storage tanks at Chowra and Teressa was not envisaged in the Plan Scheme as originally formulated. Further, though it was decided in December 1995 to provide two tanks at Teressa and one at Chowra, none of the 33 tanks ordered were dispatched to these two locations, presumably based on a re-assessment of the requirements. It would also be of relevance to mention that the average monthly consumption of high-speed diesel oil by the powerhouses at Chowra and Teressa is only 7 kilolitre and 10 kilolitre and installation of 203-kilolitre capacity would consequently appear to lack adequate justification. Installation of storage tanks at Mus Jetty was also not envisaged in the original Plan Scheme. The reply can therefore at best be considered only an afterthought. The fact also remains that number of tanks procured was in excess of actual immediate requirements.

The matter was referred to the Ministry in July 2002; their reply was awaited as of December 2002.

Directorate of Industries

14.5 Unfruitful expenditure on infrastructure development

Injudicious construction of sheds at Bakultala in the Middle Andaman without a detailed assessment of the likely demand from prospective entrepreneurs and contrary to the recommendations of an Expert Group resulted in expenditure aggregating to Rs 85.03 lakh incurred on the completed sheds being rendered largely unfruitful. It is also not unlikely that further investments on the construction of additional sheds, on which expenditure of Rs 41.54 lakh has already been incurred, may prove to be infructuous.

The Planning Commission had constituted an Expert Group in 1993 to examine the prospects of rubber, coir and boat building industries in the Andaman & Nicobar and Lakshadweep groups of islands. In its report of November 1993, the Group had noted that, while no organized industrial sheds, areas or estates had been developed in the former group of islands, the Administration had, however, identified certain places for development of industries and that apart from 10 sheds existing in Garacharma near Port Blair, 18 more sheds at Campbell Bay in Great Nicobar (5 sheds), Dollygunj in South Andaman (8 sheds) and Bakultala in Middle Andaman (5 sheds) would be completed by March 1995. The Group suggested the following:

- a. provision of at least 20 built-up sheds in South Andaman and another 20 in the Nicobar and Katchal Islands;
- b. provision be made for 100 sheds for organized small units in the next three to five years; and
- c. review of the progress of the promotional and other programmes undertaken in the Islands for development of industries.

Based on the Expert Group's recommendations, the Directorate of Industries included the scheme for setting up of Industrial Estates in the Eighth Five Year Plan in substitution of the scheme for the Development of Infrastructure Facilities in identified growth centres for Industrial Development, which was under implementation in the Seventh Five Year Plan. The scheme envisaged provision of infrastructural assistance by construction of sheds and leasing them to prospective entrepreneurs for self-employment.

As the construction of five sheds at Bakultala was envisaged under the eighth Plan scheme, the Administration accorded administrative approval and

expenditure sanction in December 1993 for the construction of these sheds at an estimated cost of Rs 27.96 lakh. In addition, the Department decided to construct 10 more sheds, in two phases, at Bakultala during the eighth Five year Plan.

Construction of the first five sheds, which commenced in February 1994, was completed in June 1995 (expenditure incurred: Rs 25.32 lakh). These were taken over by the Directorate of Industries in December 1995. Construction of the remaining ten sheds also commenced in January 1996 (5 sheds) and January 1998 (5 sheds). On completion in January 2000, involving expenditure of Rs 59.71 lakh, the former were taken over by the Directorate in January 2000 (2 sheds) and January 2002 (3 sheds). The remaining five sheds were yet to be completed as of June 2002 and expenditure of Rs 41.54 lakh had been incurred till then.

Audit scrutiny revealed the following:

- One of the five sheds completed in June 1995 and taken over in December 1995 was kept reserved by the Directorate to be utilized as a departmental training centre.
- The remaining four sheds were allotted, on sharing basis, in February 1996 to seven prospective entrepreneurs selected by the Directorate. However, none of them even paid the earnest money and security deposits to facilitate the conclusion of formal agreements. As a result, the allotments were cancelled in January 2002.
- Consequently, of the nine sheds available for allotment, only one shed could be leased to an entrepreneur in July 2000. A nominal rent of Rs 694 only had been realised from him as of November 2001.
- In response to a Press Note issued in March 2002 for leasing the vacant sheds, only one application was received which was being processed.
- The recommendation of the Expert Group that built-up sheds may be provided in the Nicobar and Katchal Islands was not acted upon due to "administrative reasons".
- The Directorate had not undertaken any periodical assessment or even a mid-term review of the results of the scheme.

In the context of the poor response from entrepreneurs and the inability of the Directorate to ensure fuller utilisation of the sheds already constructed, it

would appear *prima facie* that the decision in regard to the location of the sheds was not preceded by a detailed assessment of the demand. Construction of ten additional sheds at Bakultala when the Expert Group constituted by the Planning Commission had not made any specific recommendations in this regard would appear to have been injudicious. A mid-term review of the results of the scheme would have facilitated appropriate decisions on the advisability of going ahead with the implementation of its third phase involving the construction of five more sheds. In the result, the expenditure aggregating to Rs 85.03 lakh incurred on the first two phases has been rendered largely unfruitful. Further, even the sheds constructed till January 2000 not having been allotted entirely, it is unlikely that there will in fact be any response for the leasing of the additional five sheds under construction, on which expenditure of Rs 41.54 lakh has already been incurred. In the final analysis, this investment could well prove to have been infructuous,

The matter was referred to the Ministry in June 2002; their reply was awaited as of December 2002.

Lakshadweep Administration

14.6 Avoidable loss of interest on advance deposit

Failure of the Lakshadweep Administration to ensure that the advance paid to its consultants towards cost of construction of a vessel was not retained by the latter in unremunerative instruments pending actual utilisation resulted in avoidable loss of interest of Rs 177 lakh.

In December 1994, the Government of India (Ministry of Surface Transport, Department of Shipping) accorded sanction for the acquisition, by the Lakshadweep Administration, of a passenger-cum-cargo vessel with capacity to carry 700 passengers and 160 tonnes of cargo from a Chinese shipbuilding company at a cost of Rs 41.22 crore. The vessel was intended as replacement for an existing passenger-cum-cargo vessel (M.V. Bharat Seema) for the operation of shipping services between the Mainland and the Islands. Government also approved the placing of the order on the Chinese ship builders at their quoted price of US Dollars 11.85 million. Shipping Corporation of India Limited (SCIL) had been appointed as consultants for the purpose, the Company being responsible for invitation and evaluation of tenders, supervision of the construction of the vessel, making stage payments to the ship builders according to the schedule agreed upon, etc.

While all related formalities for the finalization of the contract with the

Chinese ship builders were yet to be completed, a provision of Rs 600 lakh had been made for the acquisition of the vessel in the Annual Plan, 1994-95. The Lakshadweep Administration therefore released this amount to the consultants as on-account payment in February 1995.

Though a Letter of Intent had been issued to the Chinese ship builders, they demanded upward revision of the price to US Dollars 21.80 million in February 1995. The demand being unacceptable, the Ministry decided in August 1995 that SCIL may invite fresh tenders. The offer of a Dutch Shipyard received in February 1996 in response to the global tender was recommended as being the best by the consultants. However, Government did not also approve its acceptance because of certain doubts expressed in regard to its validity, applicability of discount and rates of exchange, etc. After obtaining legal opinion and further consideration of various other available options, it was decided to close this tender as well and float only a limited tender for construction of the vessel confining the enquiry only to Indian shipyards. A fresh tender was accordingly floated in September 1998. Government accepted the offer of Hindustan Shipyard Limited (HSL) in June 2000 and the related agreement was also executed in August 2000.

During this period, the consultants had been raising debit notes, from time to time, against the Lakshadweep Administration for the services rendered by them against the on-account payment of Rs 600 lakh made in February 1995. The on-account payment was also stated to have been deposited by them in a current account with the Syndicate Bank. It was only in September 2000 that the consultants paid the balance amount of Rs 535.24 lakh towards first stage payment to HSL.

As mentioned earlier, the on-account payment had been made even before all formalities for the acquisition of the vessel had been completed. It would, therefore, have been to the financial advantage of the Lakshadweep Administration had it ensured that the amount was retained by the consultants only in an interest-bearing account instead of in a current account or invested appropriately till such time as payments were actually due to the successful bidder. Failure to do so resulted in the Administration having to forego the interest on this payment, which would work out to Rs 177 lakh computed based even on a conservative rate of return of 6 per cent per annum.

The Ministry stated (September 2002) as follows:

- (a) the agreement with SCIL did not provide for payment of interest on

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such amounts placed with them and no interest was therefore due to the Lakshadweep Administration;

- (b) the on-account payment was transferred to the consultants in good faith in the expectation that it would be immediately required for construction of the vessel; and
- (c) the amount, however, remained with the consultants till a final decision was taken by the Government in June 2000 in regard to the construction of the vessel and the Administration could not have foreseen the delay in awarding the contract.

The Ministry stated further that it had been decided in November 2001 that a suitable clause could be incorporated in future agreements stipulating the deposit of funds advanced by the Administration in an interest-bearing account so that the interest earned could be credited to its account in case the project was delayed beyond a specified period.

Audit scrutiny, however, revealed that the Administration had also sanctioned in March 1999 another on-account payment of Rs 10.12 crore to SCIL in connection with the acquisition of a second passenger-cum-cargo vessel. The sanction specifically stipulated that the amount should be deposited by the consultants in a separate interest-bearing account and details of the interest accrued from time to time be furnished by them and utilized on the basis of the instructions to be issued separately in this regard. Adoption of a similar course of action in respect of the on-account payment made in February 1995 would have been to the Administration's financial advantage, the interest earned being appropriated towards the acquisition cost of the vessel. HSL had also raised their demand in respect of the first stage payment only in September 2000. It would, therefore, appear *prima facie* that the advance payment of Rs 600 lakh in February 1995 had been resorted to solely with a view to avoiding the lapse of the budget provision without any realistic assessment of the liabilities likely to arise in the immediate future.

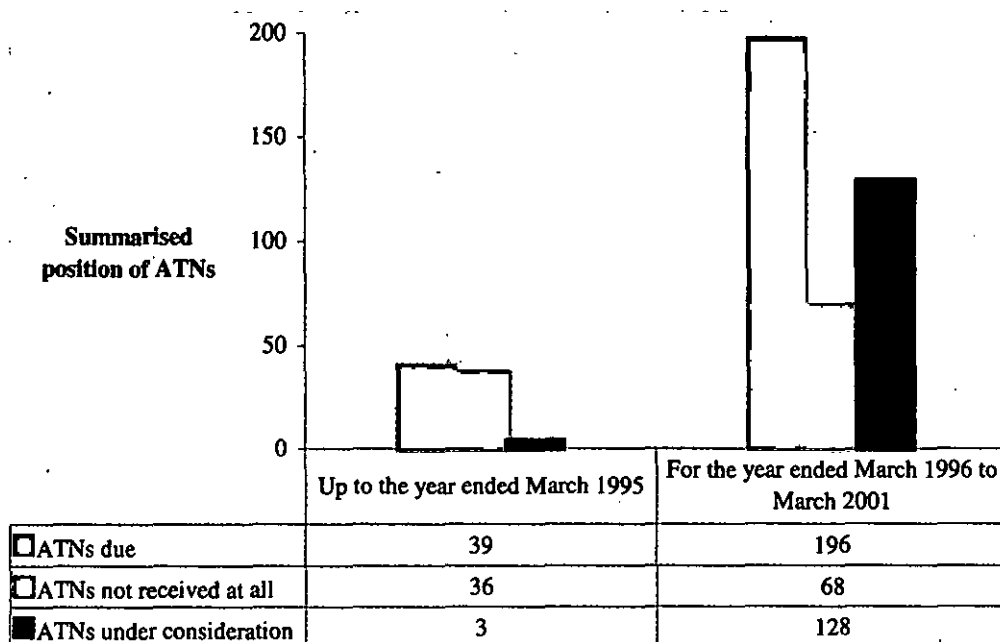
CHAPTER XV: GENERAL

15.1 Follow up on Audit Reports-Summarised Position

Despite repeated instructions/recommendations of the Public Accounts Committee various ministries/departments did not submit remedial/corrective Action Taken Notes on 104 Audit Paragraphs in time.

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

PAC took a serious view of the inordinate delays and persistent failures on the part of a large number of ministries/departments in furnishing the ATNs



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

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Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Autonomous Bodies and Scientific Departments) as of October 2002 disclosed that the Ministries/Departments had not submitted remedial ATNs on 104 Paragraphs.

Ministries/departments failed to submit ATNs in respect of 36 paragraphs included in the Audit Reports up to and for the year ended March 1995 within three months and till date as indicated in **Appendix-I**. The outstanding ATNs date back to as far as 1988-89.

Though, the Audit Reports for the year ended March 1996, March 1997, March 1998, March 1999, March 2000 and March 2001 were laid on the table of the Parliament in May 1997, June 1998, October 1999, December 1999, May 2000, August 2001 and March 2002 and the time limit of four months for furnishing the ATNs had elapsed in September 1997, October 1998, February 2000, April 2000, September 2000, December 2001 and July 2002 for the respective years, the ministries/departments did not submit ATNs on 196 paragraphs as indicated in **Appendix-II**. Out of these, while final ATNs in respect of 128 paragraphs were awaited, the remedial ATNs in 68 cases have not been furnished at all.

15.2 Departmentally Managed Government Undertakings
Position of Proforma Accounts

As per provisions of the General Financial Rules, departmentally managed government undertakings of commercial or quasi-commercial nature are required to maintain such subsidiary accounts and proforma accounts as may be prescribed by Government in consultation with the Comptroller and Auditor General of India.

There were 35 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 2002. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading, Profit and Loss Accounts and Balance Sheet. While the Government of India Presses prepare Proforma Accounts without Trading, Profit and Loss Account and Balance Sheet; the Department of Publications prepares only the Store Accounts.

It is necessary for each Ministry and Department to ensure that the audited accounts are prepared by the undertakings with their control within nine

months of the close of the financial year. The position of the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in the **Appendix III**

From the Appendix, it will be seen that the proforma accounts have not been prepared for periods ranging from one to 28 years as shown below:

Period from which lying in arrears		
No. of years	Period	No. of Undertakings
1-5	1996-97 to 2000-2001	22
6-10	1991-92 to 1995-1996	4
11-15	1986-87 to 1990-1991	1
16-20	1981-82 to 1985-1986	3
21-25	1977-1978	1
26-28	1973-1974	1
Total		32

The undertakings where proforma accounts were in arrears included Shipping Department of Andaman and Nicobar Island (28 years), All India Radio (18 years) and Doordarshan (18 years).

The Public Accounts Committee, in their 57th Report (Tenth Lok Sabha), had taken a serious view of the fact that the proforma accounts of Doordarshan had not been finalised since 1977-78. While deprecating the inordinate delay of more than 15 years in the finalisation of accounts, the Committee had recommended that the Ministry in consultation with the Comptroller and Auditor General of India find out ways and means of maintenance of upto date proforma accounts. In their Action Taken Report on the subject i.e. 106th Report (Tenth Lok Sabha), the Committee observed that no substantial headway had been made in the finalisation of process and expressed serious concern over this state of affairs. The Committee had recommended that the pending proforma accounts be finalised within a period of two years. But proforma accounts of Doordarshan are still in arrears since 1983-84.

In the absence of proforma accounts, the cost of services provided by these organisations, which are intended to be managed on commercial basis, could not be ascertained. It was also not possible to work out normal performance indicators like, return on investment, profitability etc. for their activities.

The delay in compilation of accounts in respect of departmentally managed undertaking was brought to the notice of Secretaries of the Ministries (i) Agriculture (ii) Defence (iii) Environment and Forests (iv) Finance (v) Health and Family Welfare (vi) Information and Broadcasting (vii) Power (viii) Road Transport and Highways (ix) Shipping (x) Urban Development and Poverty Alleviation in January 2003; for their replies/comments which were awaited as of

15.3. Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues, duties, advances written off/waived during 2001-02, is given in Appendix to this Report. It will be seen from **Appendix-IV** that in 221 cases, Rs 7.41 lakh representing losses mainly due to failure of system; Rs 12.85 lakh due to neglect, fraud etc. on the part of individual Government officials and for other reasons (Rs 329.13 lakh) were written off during 2001-02. In 47 cases, recovery and ex-gratia payment of Rs 22.14 lakh was waived/made during the year.

15.4. Response of the ministries/departments to draft Reviews/Paragraphs

Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 25 out of 38 draft Reviews/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 Reviews/Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft Reviews/Paragraphs are always forwarded by the respective Audit offices to the secretaries of the concerned ministries/departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such Review/Paragraph included in the Audit Report.

38 draft Reviews/Paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2002 were forwarded to the secretaries of the respective ministries/departments during May 2002-December 2002 through demi-official letters.

The secretaries of the ministries/departments did not send replies to 25 draft Reviews/Paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the **Appendix-V**. As a result these 25 Reviews/Paragraphs have been included in this Report without the response of the secretaries of the ministries/ departments.



(H.P. DAS)

**Director General of Audit
Central Revenues**

**New Delhi
Dated 21 March 2003**

Countersigned



(VIJAYENDRA N. KAUL)

**Comptroller and Auditor General
of India**

**New Delhi
Dated 21 March 2003**

Appendix-I
(Refers to Paragraph 15.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of October 2002.

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

Appendix-II
(Refers to Paragraph 15.1.)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 2001 as of October 2002.

Sl. No.	Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Agriculture	2000	1	1	--	--	--	--	--	--	--	1	1	--
2.	Communications and Information Technology (Department of Posts)	1996	1	-	1	--	--	--	--	--	--	1	-	1
		1998	2	-	2	--	--	--	--	--	--	2	-	2
		2000	3	-	3	--	--	--	--	--	--	3	-	3
		2001	3	-	3	--	--	--	--	--	--	3	-	3
3.	Commerce	2000	1	1	--	--	--	--	--	--	--	1	1	--
		2001	--	--	--	1	1	--	--	--	--	1	1	--
4.	Consumer Affairs and Public Distributions	2001	2	2	--	--	--	--	--	--	--	2	2	--
5.	Council of Scientific and Industrial Research (includes DSIR)	2000	-	-	-	-	-	-	2	-	2	2	-	2
		2001	-	-	-	-	-	-	5	5	-	5	5	-
6.	Environment and Forest	2001	-	-	-	-	-	-	2	--	2	2	--	2

Sl. No.	Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
7.	External Affairs	1998	2	--	2	--	--	--	--	--	--	2	--	2
		1999	6	--	6	--	--	--	--	--	--	6	--	6
		2000	9	--	9	--	--	--	--	--	--	9	--	9
		2001	7	--	7	--	--	--	--	--	--	7	--	7
8.	Finance (Department of Revenue)	1997	1	1	--	--	--	--	--	--	--	1	1	--
		1998	1	--	1	--	--	--	--	--	--	1	--	1
		1999	2	2	--	--	--	--	--	--	--	2	2	--
		2000	4	--	4	--	--	--	--	--	--	4	--	4
		2001				2	--	2				2	--	2
9.	Geological Survey of India	1998	--	--	--	--	--	--	1	1	--	1	1	--
10.	Health and Family Welfare	1997	1	--	1	--	--	--	--	--	--	1	--	1
		1999	1	1	--	2	2	--	--	--	--	3	3	--
		2000	4	3	1	1	--	1	--	--	--	5	3	2
		2001	2	1	1	1	--	1	--	--	--	3	1	2
11.	Home Affairs	1999	1	--	1	--	--	--	--	--	--	1	--	1
		2000	6	2	4	--	--	--	--	--	--	6	2	4
		2001	2	--	2	--	--	--	--	--	--	2	--	2

Sl. No.	Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
12.	Human Resource Development (Department of Culture)	1997	-	-	-	1	--	1	-	-	-	1	--	1
		1998	2	--	2	2	--	2	-	-	-	4	--	4
		1999	1	--	1	-	-	-	-	-	-	1	--	1
		2000	--	--	-	2	2	-	-	-	-	2	2	-
		2001	--	--	-	2	2	-	-	-	-	2	2	-
	Department of Elementary Education and Literacy	2000	1	--	1	--	--	-	-	-	-	1	--	1
		2001	1	1	--	1	--	1	-	-	-	2	1	1
	(Department of Secondary and Higher Education)	1997	1	-	1	2	-	2	-	-	-	3	-	3
		1999	2	-	2	1	--	1	-	-	-	3	--	3
		2000	-	-	-	8	--	8	-	-	-	8	--	8
		2001	1	--	1	11	3	8	-	-	-	12	3	9
	Department of Women and Child Development	1999	1	--	1	--	--	--	-	-	-	1	--	1
2000		--	--	-	1	--	1	-	-	-	1	--	1	
13.	Indian Council of Agricultural Research	2001	--	--	-	--	--	--	3	2	1	3	2	1

Sl. No.	Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
14.	Information and Broadcasting	1997	--	--	-	4	--	4	--	--	--	4	--	4
		1998	--	--	-	6	--	6	--	--	--	6	--	6
		1999	--	--	-	1	--	1	--	--	--	1	--	1
		2000	--	--	-	3	--	3	--	--	--	3	--	3
		2001	--	--	-	9	--	9	--	--	--	9	--	9
15.	Labour	1998	-	-	-	1	-	1	-	-	-	1	-	1
		1999	-	-	-	3	-	3	-	-	-	3	-	3
		2000	-	-	-	4	4	--	-	-	-	4	4	--
		2001	-	-	-	1	1	--	-	-	-	1	1	--
16.	Law Justice and Company Affairs	1997	1	-	1	-	-	-	-	-	-	1	-	1
		1998	-	-	-	1	-	1	-	-	-	1	-	1
17.	Rural Development	1999	1	1	-	--	--	-	--	-	-	1	1	--
		2000	--	--	-	1	1	-	--	-	-	1	1	--
		2001	2	2	-	--	--	-	--	-	-	2	2	--
18.	Science and Technology	2000	--	--	-	--	--	-	1	-	1	1	--	1
		2001	--	--	-	--	--	-	1	--	1	1	--	1
19.	Shipping	2001	--	--	-	5	5	-	--	--	-	5	5	--
20.	Small Scale Industries	2000	--	--	-	1	1	-	--	--	-	1	1	--

Sl. No.	Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
21.	Social Justice and Empowerment	1998	2	--	2	--	--	--	--	--	--	2	--	2
		1999	--	--	--	1	--	1	--	--	--	1	--	1
		2001	--	--	--	2	--	2	--	--	--	2	--	2
22.	Statistics and Programme Implementation	1997	1	--	1	--	--	--	--	--	--	1	--	1
		2000	1	--	1	--	--	--	--	--	--	1	--	1
23.	Textile	2000	--	--	--	1	1	--	--	--	--	1	1	--
		2001	1	1	--	--	--	--	--	--	--	1	1	--
24.	Tourism and Culture	2001	1	1	--	1	1	--	--	--	--	2	2	--
25.	Urban Development and Poverty Alleviation	2000	1	1	--	--	--	--	--	--	--	1	1	--
		2001	9	9	--	6	6	--	--	--	--	15	15	--
Total			92	30	62	89	30	59	15	8	7	196	68	128

Appendix-III
(Refers to Paragraph 15.2)

Summarised financial results of Departmentally Managed Government Undertakings

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	% age of total return to mean Capital	Remarks
MINISTRY OF AGRICULTURE										
1.	Delhi Milk Scheme	1996-97	2512.73	676.03	1512.33	(-)5388.80	728.63	(-) 4660.17	-	
2.	Ice-cum-Freezing Plant, Cochin	1999-00	150.01	99.13	12.65	(-)92.84	15.92	-	-	
Ministry of Defence										
3.	Canteen Stores Department	1999-2000	48.00	2029.84	1420.61	6833.92	5339.57	12173.49	31.65	
Ministry of Power										
4.	Electricity Department, Andaman and Nicobar Islands	1998-99	12796.11	9863.22	1315.69	(-)3400.65	1020.92	(-)2379.73	27.39	Negative Return
5.	Electricity Department, Lakshadweep	2000-2001	2572.51	1574.96	998.00	(-) 1718.10	301.75	528.88	20.55	
Ministry of Environment and Forests										
6.	Department of Environment and Forests, Andaman and Nicobar Islands	1995-96	669.81	669.81	871.02	1326.15	870.23	10744.52	113.28	
Ministry of Finance										
7.	India Security Press, Nasik Road	1996-97	20083.85	3621.71	2072.05	(-)5608.70	2575.66	(-)3033.04	(-)14.13	

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
8.	Security Printing Press, Hyderabad	1999-2000	1947.00	938.00	1031.00	(+) 24.00	304.00	328.00	-	Proforma accounts for the year 2000-01 and 2001-02 are awaited.
9.	Currency Note Press, Nasik Road	1997-98	12290.35	6310.76	5612.62	1572.57	3525.62	5098.18	17.50	
10.	Government Opium Factory, Ghazipur	1998-99	234.10	103.44	75.96	(+)5410.65	75.21	5485.86	875.34	
11.	Government Opium Factory, Neemuch	1992-93	219.93	191.27	27.16	(+) 2044.82	187.87	2232.69	124.78	
12.	Government Alkaloid Works, Neemuch	1996-97	437.28	545.36	216.31	(+)428.34	52.47	480.82	109.95	
13.	Government Alkaloid Works, Ghazipur	1998-99	137.82	24.50	39.35	(-)382.54	98.95	(-)283.59	-	
14.	India Government Mint, Mumbai	1995-96	27017.53	2699.75	788.12	20972.74	2811.40	23784.15	-	
15.	India Government Mint, Kolkata	1999-00	479.46	3594.15	548.71	(+)5353.69	559.78	(+)5913.47	-	
16.	India Government Mint, Hyderabad	1999-00	14390.29	360.80	542.68	(+) 1612.95	2070.04	3682.99	43.71	Proforma accounts for the year 2000-01 and 2001-02 are awaited.
17.	Bank Note Press, Dewas	1999-00	10084.06	1474.13	564.82	2913.24	3924.76	6838.00	21.08	
18.	Security Paper Mill, Hoshangabad	1996-97	6777.45	3124.83	3652.62	(-) 564.22	-	(-) 564.22	-	
Ministry of Health and Family Welfare										
19.	Central Research Institute, Kasauli	1999-00	542.05	67.31	49.86	(-) 46.87	142.53	473.64	40.21	
20.	Medical Stores Depot	1997-98	3124.36	121.82	58.20	(+)312.06	206.44	786.07	788.15	Does not contain figures of MSD, Delhi and MSD, Hyderabad.
21.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	2000-01	0.31	0.23	0.001	0.018	0.11	0.31	41.31	
Ministry of Information and Broadcasting										
22.	All India Radio	1982-83	8325.15	5227.06	3098.09	(-)3121.89	409.64	(-)2712.25	-	
23.	Radio Publication, All India Radio	1985-86	639.64	0.45	0.11	(-) 48.58	0.90	(-) 48.49	-	

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
24.	Director General Doordarshan, New Delhi	1976-77	2545.61	2026.43	519.18	(-) 575.45	117.88	(-) 457.57	-	Proforma accounts have been received up to 1982-83 but financial results are not made available.
25.	Commercial Sales Service, Doordarshan, New Delhi	1976-77		0.14	-	(+) 57.62	-	(+) 57.62	-	
26.	Films Division, Mumbai	1993-94	1395.50	1386.46	719.55	(-) 130.35	152.84	-	-	
27.	Commercial Broadcasting Service, All India Radio	1983-84	251.28	178.71	72.57	(+) 1071.47	-	(+) 1071.47	-	
Ministry of Shipping										
28.	Lighthouses and Lightships Department	1999-00.	15622.00	16291.00	4351.00	3000.00	768.00	3500.00	61.99	
29.	Shipping Department, (Dockyard) Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	
30.	Ferry Service, Andaman	1996-97	4582.03	4582.03	1843.04	(-) 1369.23	239.16	(-) 1130.07	55.52	
31.	Marine Department (Dockyard) Andaman and Nicobar Islands	1997-98	77.86	77.86	7.74	(-) 180.06	-	(-) 180.06	-	Mean capital for these years was negative. Hence the percentage of total return to mean capital have been left blank.
Ministry of Road Transport and Highways										
32.	Chandigarh Transport Undertaking	1997-98	4303.21	2159.13	262.34	(-) 837.94	231.08	(-) 606.86	(-)14.10	
33.	State Transport Service, Andaman and Nicobar Islands	1994-95	823.33	227.71	595.63	(-) 365.61	24.61	(-) 340.95	-	

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
Ministry of Urban Development and Poverty Alleviation										
34.	Department of Publications, New Delhi	1992-93								Instead of proforma accounts, publications department prepares store accounts and the store accounts have been audited upto 1992-93. The Ministry decided in November 2001 to change over the accounting system to commercial pattern of accounts, the Department had not initiated action in this regard.
35.	Government of India Presses	2000-01	805.26	-	54.87	-	46.50	-	-	Government of India Presses functions on "No Profit, No Loss" basis. The figures include results of Presses in Delhi only.

Appendix – IV
(Refers to Paragraph 15.3.)

Statement of losses and irrecoverable dues written off/waived during 2001-2002

(Rupees in lakh)

Name of Ministry/ Department	Write off of losses and irrecoverable dues due to									
	Failure of System		Neglect/fraud etc.		Other reasons		Waiver of recovery		Ex-gratia Payment	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Shipping					3	22.75	2	0.05		
Power					6	40.77	--	16.34*		
Space					11	6.52				
Road Transport and Highways	10	5.43	35	12.85	63	165.02				
Agriculture					6	0.60				
Post and Telecommunication	1	0.05			16	2.45	1	0.03	44	5.72
Home	1	1.93								
Information Technology					3	5.10				
Atomic Energy					32	57.28				
Economic Affairs					1	0.26				
Revenue					2	1.12				
Chemical & Fertilizer					11	19.68				
Water Resources					7	0.60				
Food Processing Industries					1	0.59				
Mines					12	6.39				
Total	12	7.41	35	12.85	174	329.13	3	16.42	44	5.72

* Amount partially waived in respect of cases shown under other reasons.

Appendix-V
(Refers to Paragraph 15.4)

Response of the ministries/departments to draft Reviews/Paragraphs

Sl. No	Ministry/ Department	Total No. of Reviews/ Paragraphs	No. of Reviews/ Paragraphs to which reply not received	Reference to Reviews/ Paragraphs of the Audit Report
1.	Agriculture	1	1	1.1
2.	Commerce	1	-	-
3.	Communications and Information Technology (Department of Posts)	10	3	3.1, 3.3 and 3.4
4.	External Affairs	7	7	4.1 to 4.7
5.	Finance	1	1	5.1
6.	Health and Family Welfare	1	1	6.1
7.	Home Affairs	1	-	-
8.	Human Resource Development	2	1	8.1
9.	Information and Broadcasting	1	1	9.1
10.	Road Transport and Highways	1	1	10.1
11.	Tourism	1	1	11.1
12.	Urban Development and Poverty Alleviations	4	3	12.1, 12.2 and 12.4
13.	Water Resources	1	-	-
14.	Union Territories	6	5	14.1, 14.2, 14.3, 14.4 and 14.5
Total		38	25	