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Report of the Comptroller and Auditor General of India

for the year ended March 2000

Union Government (**Civil**)

Transaction Audit Observations

No.2 of 2001

PRICE: INLAND : **Rs 65.00**
FOREIGN: US$ 5
(Including postage/air mail)

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PREFACE

This Report for the year ended March 2000 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 1999-2000 have been included in Report No. 1 of 2001. This Report includes matters arising from test audit of the transactions and accounts of Union Ministries and of Union Territories and under mentioned five reviews:

(i) Transport Subsidy Scheme.

(ii) Marketing Development Assistance.

(iii) Management of Commercial Time by Doordarshan.

(iv) Infrastructure Development in Mega Cities.

(v) System of Arbitration in CPWD.

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 2001.

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

The cases mentioned in this Report are among those which came to notice in the course of audit during 1999-2000. For the sake of completeness, matters which relate to earlier years but were not covered in the previous reports are also included. Similarly, results of audit of transactions subsequent to 1 April 2000 in a few cases have also been mentioned, wherever available and relevant.

OVERVIEW

This volume of the Audit Report contains audit observations emerging out of the audit of some schemes and transactions in the civil ministries and their field offices. The audit observations on the accounts of the Union Government (Civil): 1999-2000 have been incorporated in Report No.1 of 2001.

An overview of some important paragraphs included in this report is given below:

Transport Subsidy Scheme

The Transport Subsidy Scheme implemented by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, was launched in the year 1971 to promote industrialisation in remote, hilly and inaccessible areas. Under the scheme, subsidy ranging between 50 to 90 per cent is admissible on the transport cost incurred on movement of raw material and finished goods. The scheme works on disbursement/reimbursement basis.

Review of the scheme revealed the following:

- There was no detailed scrutiny of the claims resulting in irregular, inadmissible and excess payment of transport subsidy of Rs.8.21 crore
- The Department made direct payment of Rs.85.13 crore to industrial units without any scrutiny in violation of laid down procedure.
- Reimbursement of transport subsidy of Rs.31.05 crore was made even beyond the prescribed period of five years.
- Rs.11.70 crore was paid to certain industrial units who had violated the Forest Conservation Act and also the orders of the Hon'ble Supreme Court.
- The Department paid an advance of Rs.37.35 crore to the State Governments of Assam, Arunachal Pradesh and an Industrial unit. Claims against these advance payments and utilisation certificates were awaited.
- District/State Level Committee meetings were held at unduly long intervals ranging between one to five years leading to numerous legal cases.
- The Ministry or any of concerned State Governments did not assess the impact of subsidy disbursed to industrial units on industrial growth.

(Paragraph 1.1)

Marketing Development Assistance

Ministry of Commerce and Industry, Department of Commerce introduced Marketing Development Assistance to stimulate and diversify exports, trade and to market Indian products and commodities in foreign countries. MDA grants are utilised through 19 Export Promotion Councils (EPC) and other approved organisations. The failure of the Ministry in exercising financial scrutiny resulted in questionable payment of MDA grants of Rs.64.66 crore.

Review of the implementation of the scheme by the Department of Commerce disclosed the following:

- The Ministry had no information about the impact of the assistance given to the Councils, institutions, organisations, etc. and achievement of the programme.
- The Ministry released grants to ineligible 17 EPC's amounting to Rs 36.89 crore. Non-observance of prescribed norms resulted in release of excess grants of Rs 7.37 crore.
- Inadmissible grants of Rs 1.17 crore were released to four EPCs.
- Rs 4.75 crore was released to meet establishment cost of surplus staff of Export Inspection Agency, Calcutta.

(Paragraph 1.2)

Management of Commercial Time by Doordarshan

A review of management of commercial time by Doordarshan brought out serious deficiencies in acquisition of telecast rights, marketing arrangements, tariff setting and revenue sharing. Errors in accounting and billing of commercial time were also noticed in audit. In an ill-conceived ad-hoc arrangement, Doordarshan entered into an agreement with a Consortium in February 1998 for acquiring the telecast rights of international sports events and for marketing the events. Audit scrutiny of the operation of the Consortium brought out that the arrangement was flawed in as much as it failed to safeguard the interests of Doordarshan. The arrangement entailed a loss of Rs 140.88 crore due to underselling of commercial time, non-recovery of opportunity cost, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds.

Review of the system and procedures of management of commercial time revealed the following:

- Doordarshan gave undue benefit of Rs 12.08 crore to the sponsors of the programme 'Ankhon Dekhi', 'Dopahar Ankhon Dekhi' and 'India the Awakening' by deviating from the norms.
- Doordarshan allowed higher commercial time than permissible to the sponsor of `Super Hit Muqabla' and in the process incurred a loss of Rs 4.51 crore
- Doordarshan Kendra, Kolkata allowed unauthorised concessions like utilisation of excess free commercial time, undercharging of sponsorship fee and spot buy rate and in the process gave undue benefit of Rs 3.02 crore to the sponsor.
- In a case of mismatch between telecast requirement and availability of satellite time Doordarshan lost Rs 9.44 crore due to late booking of satellite.
- Doordarshan suffered a loss of Rs 8.93 crore on account of short accounting of commercial time and non-billing of uplinking and space segment charges from airtime selling agencies.

- Doordarshan allowed additional free commercial time with banking facility for repeat programmes on international channel. This resulted in a loss of Rs 1.94 crore.
- Absence of proper billing procedure and collection system resulted in outstanding dues of Rs 16.98 crore. Penal interest on delayed payments was not charged leading to a loss of Rs 81.92 lakh.

(Paragraph 2)

Infrastructure Development in Mega Cities

The Ministry of Urban Affairs and Employment sponsored the scheme for infrastructure development in mega cities of Mumbai, Kolkata, Chennai, Bangalore and Hyderabad as a participative effort of the central and state governments along with financial institutions. It was envisaged that over time, the scheme would be self-sustaining with nodal agencies setting up revolving funds. The physical progress was tardy. Out of 442 projects sanctioned, 72 projects were dropped, 115 projects were completed and 62 projects were yet to start.

- A total outlay of Rs 1200 crore was provided in the Eighth and Ninth plan periods. The release of funds did not keep pace with the overall plan allocations.
- None of the nodal agencies, excepting at Mumbai, set up the revolving fund, which was a critical requirement for creation and development of infrastructure assets on a continuing and sustainable basis. The Ministry sanctioned and released funds to the nodal agencies without ensuring that the nodal agencies had duly set up the revolving funds.
- Large sums of money were lying unspent with the nodal agencies at the end of the year 1999-2000.
- In Kolkata, Chennai and Mumbai, the central funds released for the preparation of mega city development plans, feasibility studies, and research remained unspent.
- Monitoring of the scheme at all levels was poor. The Ministry did not hold six monthly review meetings. The Steering Committee set up by the Ministry in April 1999 for appraisal of the projects never met. The nodal agencies did not maintain separate project wise accounts.
- Inefficiencies in implementation were also noticed i.e. incorrect sanctions to ineligible projects, projects sanctioned without any project report, city master plan and fixation of prioritisation criteria, incorrect charging of administrative expenses, late start and change of plans resulting in cost escalation in 31 projects etc.

(Paragraph 3.1)

System of Arbitration in CPWD

CPWD, being the principal agency of the Government of India, for construction as well as maintenance of Government buildings and projects enters into agreements with contractors. Unresolved questions and disputes relating to matters in connection with or arising out of contracts or carrying out of the work are settled through arbitration. CPWD appoints arbitrators, whose award has the effect of a rule of the court.

Review of system of arbitration cases in CPWD disclosed deficiencies in the system of monitoring and management of arbitration cases, which led to delays in follow up action and rejection of 94 *per cent* of the claims.

- The Public Accounts Committee while examining the management of contracts in CPWD included in Report No.2 of 1992 of the Comptroller and Auditor General of India had desired that the Ministry should keep a close and continuous watch on the implementation of the measures it proposed to take to ensure efficient management of contracts and to avoid additional payments to the contractors. However, the Ministry had actually not initiated the promised measures, resulting in continuance of avoidable payments to the contractors.
- Out of 402 awards made between 1994-95 and 1999-2000, only 22 awards, including 14 nil awards went in favour of CPWD involving payment of Rs 50.09 lakh to it.
- In 380 cases, the awards went against the CPWD. It accepted 287 awards and challenged 64 awards. It is yet to take action on the balance 29 awards. The CPWD paid Rs 874.86 lakh inclusive of interest amounting to Rs 284.20 lakh to the contractors in the cases accepted. The arbitrators also disallowed counter claims of CPWD amounting to Rs 212.96 lakh.
- CPWD did not fix responsibility on its officials when arbitration awards had gone against it because of their default.
- The other substantial shortcomings were delayed supply of drawings, design materials, communication of decisions to the contractor, which resulted in payment of compensation of damages of Rs 2.63 crore, forfeiture of rebate offered by contractors for timely payment and non-adherence to contractual obligations resulting in refund of Rs 2.86 crore with consequential loss of interest.

(Paragraph 3.2)

Prime land lying vacant

Government of Brazil gifted a plot of 25,000 sq-metres land in 1965 to the Indian Embassy in Brasilia for the construction of an Embassy Complex. MEA did not take any decision for more than three decades on constructing the Embassy complex on the gifted plot. The Embassy continues to hire accommodation to house the Chancery, Embassy residence and residences for its officers and staff, involving an outgo of around Rs 11.23 crore between 1983-84 to November 1999 towards rents, intermittent shifting of Embassy premises, visits of property teams to Brasilia, fencing of the plot and payment of local taxes etc.

(Paragraph 8.2)

Procurement of Training Armaments: payment without receipt of supply

BSF's requirement of training armament (SLRs) could not be met by the Central Ordnance Depot (COD) although Rs.12.71 crore was advanced by BSF to COD for this purpose and COD was ready to supply as per requirement. However, the SLRs offered by COD were old, unmarked, cannibalised and sub-standard, which were not acceptable to BSF. The entire amount of advance to COD remains un-recouped even after a lapse of eight years as of April 2001.

(Paragraph 11.1)

Avoidable expenditure due to delay in decision making

MEA's indecisiveness in finalising the proposals submitted by the missions at Beijing, Doha, Muscat and Gaborone for the construction of chancery-cum-Embassy residences and other buildings on the plots acquired by the Government resulted in avoidable expenditure of Rs 26.27 crore on hiring of accommodation.

(Paragraph 8.1)

Wasteful expenditure on rent

Despite reduction in staff strength of India Trade Centre, Brussels, MEA continued the lease during June 1997 to December 2000 resulting in wasteful expenditure of Rs 88.22 lakh towards rent.

(Paragraph 7.1)

Avoidable loss of revenue

Avoidable administrative delays in making arrangement for toll collection by National Highways Division, Visakhapatnam and Ministry of Surface and Transport resulted in loss of revenue of Rs 4.49 crore.

(Paragraph 13.2)

Mis-investment of Welfare Funds

CRPF made an unsound investment of the welfare funds of Rs 1.05 crore in a loss making PSU. Given the sickness of the PSU, recovery of matured value of Rs 1.62 crore inclusive of interest of Rs 56.82 lakh is doubtful.

(Paragraph 11.2)

Loss due to gross negligence

Due to negligence in deputing a Khalasi for booking two Sony Betacam SP Recorders costing Rs 24.90 lakh they were under invoiced at Rs 50,000 through Indian Airlines and the freighter's liability got circumscribed. CE (NZ), Akashvani and Doordarshan did not fix responsibility for the casual handling of valuable goods.

(Paragraph 12.3)

Payment of inadmissible interest differential subsidy

The action of the Ministry of Surface Transport in providing the benefit of interest differential subsidy to Shipping Corporation of India, on orders placed on M/s. Hindustan Shipyard Ltd. after the expiry of the scheme in September 1995, resulted in undue benefit to SCI of Rs. 6.18 crore.

(Paragraph 13.1)

Loss of Government stores

Negligence of the Sub-divisional Officer to take timely action to physically verify the stores and stock resulted in irrecoverable loss of Rs 13.12 lakh.

(Paragraph 15.4)

Payment of overtime allowance beyond the permissible norm

Overtime allowance beyond the permissible limit of 50 hours per quarter paid to the staff during the period 1995-2000 by India Security Press, Nashik amounted to Rs 99.43 crore.

(Paragraph 9.2)

Irregular payment of pension

Failure of Public Sector Banks to apply and interpret rules and orders of pension payments coupled with inadequate checks resulted in irregularities in payment of pension of Rs.27.65 lakh.

(Paragraph 9.5)

Injudicious payment of working capital loan

The Andaman and Nicobar Islands Administration unauthorisedly sanctioned working capital loan of Rs three crore to ANIIDCO for development of infrastructure to set up a shipping division. The Planning Commission and the Ministry of Surface Transport subsequently annulled the sanction. Resultantly, financial resources of Rs 6.06 crore including Rs 3.06 crore of interest remained blocked with ANIIDCO.

(Paragraph 15.2)

Delay in completion of work

The Executive Engineer, CPWD failed to exercise technical and administrative control over the execution of a project. This resulted in inordinate delay in its completion with a consequent revenue loss of Rs 78.35 lakh and enhancement of Rs 2.61 crore in project cost.

(Paragraph 14.1)

Denial of facility of anti-pollution incinerator

The Director NICD decided in August 1985 to install a new incinerator costing Rs 4.5 lakh and placed an order on M/s. Thermax Ltd. through DGSD in October 1990 without providing specifications to DGSD. This led to cancellation of the order. Thereafter, NICD requested CPWD in December 1993 to procure and install the incinerator and deposited with them its estimated cost of Rs 34.38 lakh in advance. CPWD purchased the incinerator in March 1996 but the site for installation was not ready. NICD initiated the process for construction of building only after purchase of incinerator. While clearances from different agencies were obtained by August 1998, NICD could not commission the incinerator as the approval/clearance from Delhi Pollution Control Board was still awaited.

(Paragraph 10.2)

Idle investment

Against the six sanctioned posts in the office of Animal Quarantine and Certification Service Station, Mumbai, 14 residential quarters at a cost of Rs.58.41 lakh were taken possession of in January 1995. Eight staff quarters have always remained vacant. The lack of coordination between the Ministry of Agriculture and the Directorate of Estates resulted in government accommodation in Mumbai remaining vacant depriving other eligible employees of the facility in Mumbai where it is so dear.

(Paragraph 4.2)

Injudicious retention of redundant system

MEA set up Zonal Telex Centres in Indian Missions at Tokyo and Bahrain in August 1984 and July 1988 respectively. As the maintenance of Zonal Centres was becoming expensive, the Foreign Service Inspectors team suggested in 1989 that the utility and organisation of Zonal Centres would be reviewed in the light of reliable and cheaper alternative of fax available with the missions. Despite the availability of the latest communication systems like fax, e-mail etc. in every connected Mission, the old telex system has been functioning till now. The Missions at Tokyo and Bahrain thus incurred avoidable expenditure of Rs10.83 crore on the redundant system during 1996-97 to 1999-2000.

(Paragraph 8.3)

Unauthorised expenditure on staff costs

The missions at Berne and Bonn continued to operate three and two posts respectively without sanction incurring unauthorised expenditure of Rs 48.76 lakh on staff cost.

(Paragraph 7.2)

Unfruitful expenditure on Lift Irrigation Project

Ministry of Agriculture spent Rs 58.69 lakh during 1992-96 on a Lift Irrigation Project in order to irrigate a fodder and fodder seed farm at Central Cattle Breeding Farm Dhamrod. Even as of December 1999, the project could not be commissioned and the intended purpose was not served.

(Paragraph 4.1)

Non-deployment of surplus staff

Failure of Director, BCG Vaccine Laboratory, Chennai to take up the matter with Director General of Health Services for deployment of surplus staff, resulted in unfruitful expenditure of Rs 38.97 lakh on salaries.

(Paragraph 10.1)

Undue financial benefit and acceptance of sub-standard cloth for Assam Rifles

Acceptance of sub-standard uniform cloth by Assam Rifles constituted undue financial aid of Rs 50.55 lakh to the supplier.

(Paragraph 11.3)

Non-recovery of advertising dues

Despite mention in the Audit Reports for 1994-95 and 1997-98, the Station Directors, Commercial Broadcasting Services, AIR, Kanpur, Chennai and Kolkata neither took effective action for prompt recovery of advertising charges from the accredited agencies nor cancelled the accreditation of the defaulting agencies as per agreements, which resulted in non-realisation of advertising charges of Rs.66.10 lakh and interest of Rs.40.51 lakh.

(Paragraph 12.2)

Under-utilisation of the capacity of Mint

The India Government Mint, Noida which became operational in 1988 failed to establish blanking line leading to import of readymade coin blanks and to a loss of foreign exchange of the equivalent of Rs 38.39 crore. The capacity of the Mint was grossly under-utilised as the percentage of actual production to capacity ranged between 17 and 45 during 1991-92 to 1999-2000. In four out of seven cases of import of coin blanks, the mint failed to claim liquidated damages amounting to Rs 12.37 crore while in the remaining three cases liquidated damages claimed by the Mint were either not recovered (Rs 10.41 crore) or recovered only partially. Re-imbursement of inspection charges were not claimed in two cases while in six other cases claims were processed after considerable delay.

(Paragraph 9.1)

Unfruitful expenditure

Doordarshan purchased a 5-Channel Video Compression System in March 1995 and released Rs 3.07 crore being 90 *per cent* of cost before installation. As per supply order, the system was to be upgraded within six months at no extra cost. The upgradation of the system was done by R&D Wing of Doordarshan as the firm did not abide by its contractual obligations. This attracted the levy of liquidated damages amounting to Rs 16.52 lakh, but Doordarshan failed to enforce the application of penal provision. Further the benefits of the upgraded system are not available despite the claim of Doordarshan that it had carried out the upgradation at its own cost.

(Paragraph 12.1)

Follow up on Audit Reports-Summarised Position

Despite repeated instruction by government, consequent upon recommendations of the PAC, ministries/departments did not send remedial Action Taken Notes on 145 Audit Paragraphs included in the Reports relating to civil ministries, Other Autonomous Bodies and Scientific Departments. Of these 42 were relatively older paragraphs, which were included in the Audit Reports of 1990-1996.

(Paragraph 16.1)

Section A - Reviews

Ministry of Commerce and Industry

Transport Subsidy Scheme

CHAPTER I: MINISTRY OF COMMERCE AND INDUSTRY

Department of Industrial Policy and Promotion

1.1 Transport Subsidy Scheme

The Transport subsidy scheme was launched in the year 1971 to promote industry in remote hilly and inaccessible areas. Under the scheme subsidy ranging between 50 to 90 per cent is admissible on transport cost incurred on movement of raw material and finished goods. The failure of the Ministry in exercising diligent financial scrutiny/sanction resulted in questionable payment of Transport Subsidy amounting to Rs 177.68 crore. In states like Assam (Rs 110.60 crore) and Arunachal Pradesh (Rs 17.93 crore) these were 83 per cent and 73 per cent respectively of the total expenditure. The claims of industrial units were admitted without verifying the relevant documents. District/State Level Committee meetings were held at unduly long intervals ranging between one to five years leading to numerous legal cases. The Ministry or any of concerned State Governments did not assess the impact of subsidy disbursed to industrial units on industrial growth.

Highlights

The scheme was applicable for a period of five years from the date of commencement of commercial production. However, reimbursement of transport subsidy of Rs 31.05 crore was made even beyond the prescribed period of five years.

Payment of transport subsidy of Rs 11.70 crore was made to certain industrial units who had violated the "Forest Conservation Act" and also the orders of the Hon'ble Supreme Court.

The functioning of the scheme entailed due diligence in scrutiny of claims preferred by industrial undertakings. However, there was no detailed scrutiny of the claims. As a result irregular, inadmissible and excess payment of transport subsidy amounting to Rs 8.21 crore was made.

Direct payment of Rs 85.13 crore was made by the Ministry to Industrial units as well as the disbursing authorities without any scrutiny in violation of the laid down procedure. Compliance reports from the disbursing authorities about the actual payment and utilisation certificates were awaited.

Advance payment of subsidy to the extent of Rs 37.35 crore was made irregularly to the State Governments of Assam, Arunachal Pradesh and an Industrial Unit. Claims against these advance payments and utilisation certificates were awaited.

Reimbursement of transport subsidy amounting to Rs 2.03 crore without the approval of the competent authority was made to State Government of Himachal Pradesh.

Payment of transport subsidy of Rs 2.21 crore was made for time barred claims.

Delay in payment of TS ranging from one to 61 months and two to 17 months by State/Central Government.

The Scheme was not monitored by the DIPP. The DIPP or any of the concerned State Governments did not assess the impact of subsidy disbursed by them on the basic objective of promoting industrialisation of the hilly, remote and inaccessible areas.

1.1.1 Introduction

The centrally sponsored Transport Subsidy Scheme (TSS) was introduced in 1971 to promote industrialisation of hilly, remote and inaccessible areas. The Department of Industrial Policy and Promotion (DIPP) of the Ministry of Commerce and Industry of the Government of India administers the scheme. It applies to Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Jammu and Kashmir, Himachal Pradesh, Sikkim, Darjeeling District of West Bengal, eight districts of Uttaranchal viz. Almora, Chamoli, Dehradun, Nainital, Pauri Garhwal, Pithoragarh, Tehri Garhwal and Uttar Kashi and the Union Territories of Andaman and Nicobar Islands and Lakshadweep. The concerned States and Union Territories implement it. The present extended TSS commenced from 1 April 2000 and would last up to 31 March 2007.

1.1.2 Operational profile

The scheme is applicable to all industrial units, both private and public sector barring plantation, refineries and power generating units irrespective of size.

Under the scheme, subsidy ranging between 50 to 90 *per cent* is admissible on the transport cost incurred on movement of raw material and finished goods from the designated rail heads/ports up to the location of the industrial units and vice-versa for a period of five years from the date of commencement of commercial production.

To operate the scheme, the State Government/Union Territory Administration should constitute a State Level Committee (SLC) consisting of Director of Industries, a representative each of the State Industries Department and the State Finance Department etc. A representative of the DIPP would also be nominated. In October 1978, the DIPP delegated the powers to District Level Committee (DLC) for sanctioning transport subsidy up to Rs 20,000 per quarter per unit in selected backward districts covered under the TSS (revised to Rs 50,000 in July 1987).

1.1.3 Financial arrangements

The Government of India has spent Rs 530.77 crore on the TSS till 31 March 2000. Of this Rs 144.46 crore was expended up to March 1994 and Rs 386.31 crore during the last 5 years.

The scheme works on disbursement/reimbursement basis i.e. subsidy claims are first scrutinised and disbursed by the State Government to the eligible units and reimbursement claimed thereafter from the Central Government. The Development of Backward Area (DBA) Division of DIPP coordinates the administration of TSS. The reimbursement claims received in DIPP are first scrutinised by the DBA Division, which thereafter obtains the approval of the competent financial authority with the concurrence of Integrated Finance.

1.1.4 Scope of Audit

The audit review seeks to evaluate the administration of the TSS by the DIPP with reference to its implementation in the States and Union Territories during the period from 1994-95 to 1999-2000. For this purpose, the audit examined records in the DIPP and the concerned nodal departments in the State Government. The examination involved scrutiny of over 5000 cases of reimbursement of Rs 386.31 crore of transport subsidy sanctioned by DIPP during this period as detailed in **Annex - I.**

1.1.5 Implementation of the scheme

The scheme provides that TS claims of industrial units will be scrutinised by a State/Union Territory Level Committee with a nominee of the DIPP. It was, however, observed that the meetings of SLC finalising the claims of industrial units were not attended by the representative of the DIPP. Resultantly the State Governments, on several occasions did not follow the provisions of the scheme while finalising the subsidy claims. Further there was no detailed scrutiny of the claims at the DIPP including the Integrated Finance. The position in this regard worsened due to the fact that the scrutiny of these claims at the state level was glaringly deficient in many respects. For example, the claims of the industrial units were admitted by SLC for disbursement without verifying the relevant documents such as goods receipts and consignment notes, documents for the purchase of raw materials and sale of finished goods, check-post entry, electricity consumption *vis-à-vis* actual productions, central sales tax/excise payment certificate, etc. The Audit examination revealed questionable reimbursements totalling Rs 177.68 crore i.e. about 46 *per cent* of the total payments as detailed below:

Rs in crore

Name of the State/UT	Expenditure	Questionable reimbursement
Assam	131.35	110.60
Manipur	1.76	0.07
Tripura	3.20	0.06
Arunachal Pradesh	24.42	17.93
Meghalaya	19.75	3.24
Nagaland	28.56	9.49
Mizoram	11.28	4.03
Sikkim	2.90	--
Himachal Pradesh	131.09	32.25
Jammu and Kashmir	18.14	0.01
Uttar Pradesh	7.32	--
Andaman and Nicobar	5.74	--
Lakshadweep	--	--
W. Bengal (Darjeeling)	0.80	--
Total	**386.31**	**177.68**

Succeeding paragraphs detail some of these cases:

1.1.6 Reimbursement of subsidy beyond the prescribed limit of five years period

Reimbursement of Rs 31.05 crore beyond the prescribed period of five years.

As per the amendment made to the Scheme in July 1993, effective from 1 April 995 the scheme was applicable for a period of five years from the date of commencement of commercial production. i.e. all those units, which had completed five years of production as on 31 March 1995, were ineligible for further benefits under the scheme. Units, which had commenced commercial production within a period of five years prior or after 1 April 1995 would cease to be eligible once the five year period had elapsed or the expiry of the scheme whichever was earlier. The DIPP further clarified in August 1996 that the Transport Subsidy on original capacity and expansion effected would be admissible for a total period of five years reckoned from the date of production of the original unit. Scrutiny of records, however, revealed that subsidy amounting to Rs 31.05 crore was reimbursed to the State Governments of Himachal Pradesh, Mizoram and Meghalaya in respect of five industrial units as per details given below although these units ceased to be eligible for the transport subsidy with effect from 1 April 1995:

Rs in crore

Name of the State	Name of the Industrial Unit	Amount reimbursed	Date of reimbursement
Himachal Pradesh	M/s. Associated Cement Company Ltd., Gagal	30.22	8/98 to 9/99
Mizoram	M/s. J.R. Brother Offset Printers and Paper Works	0.09	5/98 and 6/99
Meghalaya	M/s. Jaintia Cements	0.62	3/99
Meghalaya	M/s. Mullum Saw Mills	0.01	3/99
Meghalaya	M/s.Marsyiemlimu Works	0.11	3/99
	Total	**31.05**	

The above payment of Rs 31.05 crore made to the said units was incorrect and needs recovery immediately.

The DIPP stated (November 2000) that M/s. Associated Cement Company Ltd. (ACC) had set up two separate units at Gagal, Himachal Pradesh i.e. Gagal I unit and Gagal II unit. The DIPP added that Gagal II unit was commissioned in 1993 and went into commercial production on 15 September 1994. Gagal II unit was a separate entity distinct from Gagal I unit and was, therefore, eligible for transport subsidy for the period from 15 September 1994 to 14 September 1999. It was, however, noticed that although Gagal II unit went into commercial production on 15 September 1994, it got itself registered with the State Government for the grant of subsidy under Transport Subsidy Scheme only on 25 April 1997. But even prior to this M/s. ACC continued claiming Transport Subsidy in respect of Unit I and Unit II in a consolidated form upto 31 March 1995; and the State Government of Himachal Pradesh continued to claim reimbursement even after 1 April 1995 (the day from which Gagal I unit ceased to be eligible for the subsidy). The DIPP's argument that Gagal II was a separate legal entity distinct from Gagal I unit was also not found to be correct. The Gagal II unit, on the other hand, was a case of substantial expansion of Gagal Unit I on account of the following:

- Gagal Unit I and II are located at the same place and use the same infrastructure and office facilities. It is not possible to identify or segregate the raw materials being brought in and the finished goods exported.

- Gagal II unit belongs to the same company and was doing exactly the same business of Unit I and functioning from the same premises.

- The ownership of both the units is the same and only one consolidated balance sheet is prepared taking Gagal I and II units together.

- The Sales Tax registration and Pollution Control certificate issued by the State Authorities do not distinguish between the two units.

- It was also noticed that in January 1993, M/s. ACC had filed an Industrial Entrepreneur Memorandum (IEM) for effecting substantial expansion of the unit at Gagal from 7.60 lakh TPA to 10 lakh TPA. The commercial production was stated to commence from 31 October, 1993. M/s. ACC withdrew this IEM subsequently and a fresh IEM in March 1993 was filed to set up Gagal II unit with a capacity of 10 lakh TPA. It was stated that Gagal II was a new unit. However, the date from which commercial production was to start remained the same viz. 31 October 1993. It would appear that M/s. ACC was seeking to take advantage of the Transport Subsidy Scheme for an extended period, as a proposal to restrict the subsidy to a maximum period of five years was under consideration of the Ministry at that time.

- The minimum gestation period for a new cement plant to commence production normally is not less than two to three years. It is not clear how Gagal II, which is stated to be a new unit, could commence production within a period of 18 months. This can be achieved only when it is a case of substantial expansion.

Audit also observed that a meeting was convened on 26 June 2000 by the DIPP to consider whether Gagal II unit was to be treated as a separate unit or a case of substantial expansion. The meeting was also attended by officials of Himachal Pradesh Government and representatives of M/s. ACC. The issue relating to the payment of T.S. was to be sorted out between the DIPP and the State Government of Himachal Pradesh. In such circumstances, the propriety of M/s. ACC participating in the meeting was questionable.

The TSS seeks to promote the development of industry in remote and inaccessible areas. The intention of the Scheme is to grant subsidy for a period of five years whereafter the unit becomes self-sufficient to meet its transportation costs in full. Units can not undertake substantial expansion and claim to be new units for the purpose of claiming Transport Subsidy.

The payment of Rs 30.22 crore made to M/s. ACC was incorrect and needs recovery immediately

1.1.7 Incorrect reimbursement of subsidy to units who had violated the provisions of Forest Conservation Act

Reimbursement of Rs 11.70 crore in violation of 'Forest Conservation Act'.

The DIPP sanctioned during the period from January 1997 to March 1999 reimbursements of transport subsidy totalling Rs 9.84 crore to the Governments of Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya and Nagaland in respect of 60 units, as detailed in **Annex-II**, even though these units were engaged in illegal wood based industries within the forest land thereby violating the Forest Conservation Act, 1980. The DIPP did so even though the Supreme Court of India, acting on a public interest petition, had directed in December 1996 stoppage of all non-forest (industrial) activity within the forests in any state without prior approval of the Central Government in affirmation of the said Act, and despite the Departmental orders that no transport subsidy should be paid/reimbursed to industries who violated the law and said orders of the Supreme Court. Two amongst the said units in Arunachal Pradesh, in respect of whom the DIPP reimbursed the claim totalling Rs 1.86 crore in June 1999 had been penalised for violation of the law by the High Powered Committee set up by the Supreme Court. The Principal Chief Conservator of Forest, Arunachal Pradesh had also made a specific request to his State Government for not paying these units the transport subsidy.

The DIPP stated (November 2000) that the reimbursement claims pertained to the period prior to the orders of the Hon'ble Supreme Court dated December 1996. The reply is not tenable since the Apex Court had only reiterated the provisions of the Forest Conservation Act, 1980.

1.1.8 Reimbursement of irregular, inadmissible and excess Transport Subsidy

Payment of Rs 6.38 lakh on product not covered under the scheme.

1.1.8.1 Plantations are not covered under the TSS. However, the DIPP reimbursed claims of Rs 6.38 lakh submitted by the Government of Tripura in respect of Tea Estates for exporting black tea produced by them. The DIPP stated (November 2000) that they made the reimbursement based on a clarification from the Department of Commerce to the effect that tea processing/manufacturing is not a plantation activity. The contention of the DIPP is not correct as they, in fact, later over ruled the clarification given by the Department of Commerce and decided not to make reimbursement in respect of claims relating to tea estates. Since plantation is not covered under the scheme, the payment amounting to Rs 6.38 lakh to Tripura Government was irregular and needs to be recovered.

Irregular payment of Rs 1.85 crore for inadmissible raw materials.

1.1.8.2 The DIPP clarified in March 1987 that claim of transport subsidy for movement of coal is inadmissible if coal is used exclusively as a fuel. DIPP reimbursed Rs 1.26 crore to Assam Government towards the claim of a cement company, M/s. Vinay Cement at Umramgshu knowing fully well that the unit utilised coal as fuel. The reply of DIPP that comments have been sought from state government is not relevant because DIPP decided to pay. The payment is inadmissible and should be recovered from M/s Vinay Cement.

1.1.8.3 Six industrial units engaged in manufacturing of industrial lime, in Meghalaya State during 1994-95 to 1998-99, imported coal from outside North Eastern Region and used it as fuel for burning out lime stone to make it fit for the paper units as its raw material. These units claimed subsidy of Rs 58.79 lakh, which was disbursed by the State Government on the recommendation of SLC. DIPP reimbursed the subsidy claim although it was not admissible under the scheme. This was irregular and needs recovery immediately.

Reimbursement of Rs 1.10 crore for inadmissible transport cost.

1.1.8.4 As per the Scheme, only the cost of transportation of raw-material into the State and transportation of finished products outside the State by road/rail is to be subsidised. Scrutiny of records revealed that the State Governments of Meghalaya and Arunachal Pradesh during 1994-96 and 1998-99 disbursed a sum of Rs 38.39 lakh and Rs 71.70 lakh respectively to six industrial units as transport subsidy for transportation of their finished products through Railways outside the North Eastern Region (NER). Examination of records viz Railway Receipts (RRs) submitted by these industrial units in support of their claims, however, revealed that the cost of transportation of finished products outside NER through Railways was not borne by these industrial units since the finished products were sent through Railway on 'freight to pay' basis i.e. the transportation cost was borne by consignees themselves. Thus the payment of transport subsidy amounting to Rs 1.10 crore was incorrect and should be recovered. The DIPP stated (November 2000) that the State Governments had been asked to furnish their comments in the matter. The DIPP's reply is indicative of lack of diligence in scrutiny of claims.

1.1.8.5 TS amounting to Rs 4.34 crore was paid to M/s. Mahabir Coke Industries, Guwahati on 8 January, 1999 and 29 April, 1999 for transportation

Payment of Rs 39.06 lakh on utilisation of raw material in excess of prescribed norms.

of 12,96,151.35 M.T. of raw material viz. coal. Out of this, the unit manufactured 7,96,650.53 M.T. of LAM Coke as finished product which works out to 61 *per cent* of the raw material as against the prescribed conversion norms of 70 *per cent.* This resulted in overpayment of TS amounting to Rs 39.06 lakh (nine *per cent* of Rs 4.34 crore) as the subsidy on raw material is allowed only to the extent of its actual utilisation in making the finished product.

Irregular payment of Rs 3.47 crore without fulfillment of the provisions of the scheme.

1.1.8.6 The DIPP reimbursed to the Mizoram Government Rs 3.47 crore under the scheme in June and October 1999 for subsidy claims pertaining to 1996 on import of raw materials by 181 industrial units. This was wrong as the State Government had paid the claimants without the units producing the certificate of a registered Chartered Accountant as proof of raw materials 'imported' into the NER, as prescribed in the scheme. Even the accounts of any of these units were not certified by Chartered Accountants or any other authorised agency.

Inadmissible payment of Rs 1.34 crore in excess of the approved manufacturing capacity

1.1.8.7 According to the provisions of TSS, both existing as well as new industrial units are entitled to receive transport subsidy on raw materials/finished products imported/exported by them. Quantum of subsidy payable to the units is to be based on the input/output as per their manufacturing capacity fixed at the time of registration of such units by the Director of Industries. Scrutiny of records, however, revealed that the State Governments of Meghalaya and Mizoram made an inadmissible payment of subsidy amounting to Rs 90.70 lakh and Rs 43.05 lakh respectively to seven industrial units on the transportation of raw materials and finished products imported/ exported in excess of their approved manufacturing capacity. The DIPP reimbursed the same. The inadmissible amount of Rs 1.34 crore reimbursed by the DIPP needs recovery immediately.

1.1.9 Direct payment of subsidy to industrial unit/disbursing authorities in contravention of the Scheme

Direct payment of Rs 76.16 lakh to an industrial unit in contravention of the scheme.

1.1.9.1 There was no provision for direct payment of subsidy by the Central Government under the scheme to the industrial units till September 1995. Yet the DIPP made direct payment of Transport Subsidy amounting to Rs 76.16 lakh to M/s Nagaland Pulp and Paper Corporation Limited, Kohima in March 1994.

Direct payment of Rs 35.09 crore to nine industrial units in violation of the provision of the scheme.

The DIPP (in September 1995) issued a notification allowing direct payment by the Central Government to the units prospectively from 1 April 1995. The notification provided that the direct payment to the units should be made only after a single stage scrutiny in association with the Central Government representative especially from the Department of Expenditure. Yet the DIPP made direct payment of subsidy of Rs 35.09 crore between January 1996 and February 1997 to nine units in Assam based on recommendations of the SLC without any association of the Central Government representative as prescribed.

Direct payment of Rs 49.28 crore to disbursing authorities against the provision of the scheme.

1.1.9.2 The DIPP also paid subsidy of Rs 49.28 crore in 26 cases directly to the disbursing authorities of State Governments of Arunachal Pradesh, Assam and Nagaland between March 1996 and February 1999.The Scheme, however, does not allow any direct payment to the disbursing authority. While releasing the payment to the disbursing authorities, the DIPP stipulated that the State Director of Industries shall ensure the payment to the industrial unit and furnish a compliance report and utilisation certificate to the Central Government. No such compliance reports as well as the utilisation certificates from the State Director of Industries were, however, found on record in respect of Rs 45.65 crore (92.5 *per cent*). The DIPP also failed to pursue the matter with the concerned State Governments to obtain the requisite certificates. The DIPP stated (November 2000) that because of the unduly long time taken by the State Governments in disbursement of the subsidy even from the advance made available, the responsibility of disbursement has since been passed on to the North Eastern Development Finance Corporation (NEDFC). The NEDFC became operational in May 2000.

Non-disbursement of transport subsidy amounting to Rs 93.55 lakh to the deponent industrial units.

1.1.9.3 Industrial Development Corporation (disbursing authority) of Assam State received Rs 35.40 crore directly from the Central Government during 1996-97 to 1998-99 on the directives of Guwahati High Court for further disbursement to the deponent industrial units. Out of this, a sum of Rs 93.55 lakh was still (September 2000) pending for disbursement but the DIPP had not taken any action to get the undisbursed amount refunded.

1.1.10 Advance payment of subsidies

1.1.10.1 The Transport Subsidy Scheme works on reimbursement basis and no provisions exist for the payment of subsidy in advance or any financial assistance for settling the pending transport subsidy claims to any State Government/Industrial Unit. The DIPP, however, made the following advance payments/financial assistance to the Government of Assam.

Rs in crore

Date of Sanction	Amount sanctioned
25.6.1997	4.00
15.1.1998	1.71
16.1.1998	2.91
9.2.1998	4.06
25.8.1998	3.63
25.8.1998	4.04
25.8.1998	0.65
Total	**21.00**

Advance payment of Rs 17 crore to Assam Government without the approval of the competent authority.

The advance payment of Rs 4 crore in June 1997 was made with the approval of Industry Minister and the concurrence of Department of Expenditure with the condition that the State Government would submit the utilisation certificate as well as the claims paid out of it. While considering the proposal for advance payment of Rs 4 crore, it was decided that in sanctioning further advance to the State Governments in exceptional circumstances when they are unable to entertain subsidy claims on account of resource crunch, the request may be considered on merits of each case with the approval and concurrence of the Industry Minister and Department of Expenditure respectively. The DIPP in violation of this decision released further advances amounting to Rs 17 crore during the period from January 1998 to August 1998, without the approval of Industry Minister and the concurrence of the Department of Expenditure. No claims have been received in respect of these releases and their utilisation certificates except for Rs 0.29 crore (November 2000). Against the advance of Rs 4 crore released in June 1997, the Assam Government submitted adjustment bills for Rs 3.63 crore in August 1998 without furnishing the details of raw materials and finished products for which the subsidy was claimed as well as utilisation certificates. The DIPP admitted these claims without proper scrutiny.

Decisions of the DIPP for sanctioning advance payment/financial assistance to Assam Government frequently in violation of direction of Department of Expenditure was unjustified and requires fixing responsibility for those accountable for these decisions. There are no records in the DIPP to satisfy itself that the Assam Government was making timely reimbursement to the eligible claimants from the advance payments released to them.

Advance payment of rupees one crore without the concurrence of Department of Expenditure.

1.1.10.2 Audit also found that an advance of rupees one crore was sanctioned and paid to the State Government of Arunachal Pradesh in December 1998 to settle pending claims without the concurrence of the Department of Expenditure.

Advance payment of subsidy of Rs 15.35 crore to M/s. HPC Ltd. against the provision of the scheme.

1.1.10.3 An advance payment of Rs 12.35 crore was directly made to M/s. Hindustan Paper Corporation Limited in March 1995 by the Ministry but the file leading to the issue of the sanction for this advance was not available with the DIPP. The DIPP did not scrutinise the claims received against this advance. The claim papers were filed without verifying their correctness. It was also noticed that Ministry on two earlier occasions i.e. March 1992 and October 1994 released advance payment of Rs 3 crore directly to M/s. Hindustan Paper Corporation Limited. The DIPP could not produce the claim papers received against these advances.

1.1.11 Reimbursement of subsidy claims without the approval of the competent authority

Reimbursement of Rs 2.03 crore without the approval of the competent authority.

The DIPP made reimbursement of Rs 2.03 crore to Himachal Pradesh in August 1998 without obtaining the approval of the Secretary as prescribed by an internal delegation of the powers of sanction in the Department. The DIPP admitted (November 2000) that the approval of the Secretary (IPP) could not be obtained inadvertently.

1.1.12 Payment of Time barred claims

Reimbursement of Rs 2.21 crore for time barred claims.

The DIPP in a circular issued in May 1993 advised all the State Governments/Union Territories not to accept the claims of transport subsidy filed one year after the date of incurring the expenditure. Despite the reiteration of this order in May 1994, the State Governments of Arunachal Pradesh and Mizoram disbursed an amount of Rs 2.17 crore and Rs 0.04 crore in June 1997 to March 1999 and March 1999 respectively to nine industrial units who submitted their claims after expiry of the stipulated period of one year. The same was reimbursed by the DIPP to the respective State Governments between August 1998 and July 1999. The reimbursement of time barred claims amounting to Rs 2.21 crore to the State Government of Arunachal Pradesh and Mizoram was thus irregular.

1.1.13 Payment of subsidy to Cattle/Poultry feed units

A number of units engaged in production of Cattle/Poultry feed were claiming subsidy for transportation of wheat-bran, Rice-bran, Oil-cakes and maize etc. from designated rail head to the location of the respective units. A sum of Rs 8.23 crore on this account was reimbursed to the State Governments of Himachal Pradesh, Jammu and Kashmir, Meghalaya and Tripura as detailed in **Annex - III** between March 1995 and September 1999. These units, however, were not claiming subsidy on finished products. Interestingly, the DIPP in another scheme viz., 'Central Investment Subsidy' which also had the same objective as that of 'Transport Subsidy Scheme' had in September 1988 treated Cattle/Poultry feed production as non-manufacturing activity. The DIPP, however, did not issue a similar amendment to the Transport Subsidy Scheme. On this being pointed out in Audit, the DIPP stated (November 2000) that Cattle/Poultry feed industry has been defined as a manufacturing activity under the National Industrial Classification of All Economic Activities 1987 and, therefore, had been rightly allowing reimbursement to the State Governments. The DIPP's reply is not convincing as it had in September 1988 i.e. after the publication of National Industrial Classification of All Economic Activities treated Cattle/Poultry feed production as a non-manufacturing activity in the case of Central Investment Subsidy Scheme, which had the same objective. The DIPP, therefore, needs to review the payment of transport subsidy to units engaged in production of cattle and poultry feed in the light of its earlier decision in the context of Central Investment Subsidy Scheme.

1.1.14 Delay in payment of transport subsidy

The TSS is an important instrument for promoting industrialisation in the inaccessible and remote locations of backward regions. The scheme's principal beneficiaries are mostly Small Scale Industries. Therefore, there was a need for timely disbursal of transport subsidy especially in the initial years as this would have helped these Small Scale Industries to reinvest these payments into their business.

It was, however, noticed that the State/DIPP considerably delayed the payment of transport subsidy. A test check of claims of over 600 units revealed that in 370 units covering claims worth Rs 44.43 crore, the delays ranged from one to 61 months on the part of State Governments and two to 17 months on the part of DIPP as detailed in **Annex - IV**. Such delays had defeated the purpose of rendering substantial incentives to these Industrial Units as stipulated in the scheme.

1.1.15 Non-maintenance of subsidy payment records

The DIPP reimburses transport subsidy only on the basis of a certificate issued by the Director of Industries of the respective State Government stating that the subsidy now claimed relates to the period for which subsidy has not yet been reimbursed by the Government of India. The DIPP, however, does not maintain any record regarding industrial unit-wise transport subsidy paid, the period for which the subsidy relates and the advance payment made, if any. In the absence of such record, it is not possible to verify whether the claims to be paid had already been paid earlier leading to possible double payments.

1.1.16 Conclusion

The scheme seems to be serving the interests of a few without any particular effect on growth of Industry. Disbursements were modest for the first 21 years (Rs 6 crore per year) and jumped ten fold (Rs 64 crore) during the last six years when all pretense to scrutinise/supervise was given up by DIPP. This review shows that during this time large amounts and numerous cases of sanctions by DIPP were highly questionable. There is evidence of the scheme being not needed because some units were able to recover the transport cost from purchasers thus rendering its rationale suspect.

1.1.17 Recommendations

There is a strong case for immediate review and closure of the scheme.

Annex - I
(Refers to paragraphs 1.1.3 and 1.1.4)

Statement indicating the year-wise and state-wise reimbursement made under Transport Subsidy Scheme

Rs in lakh

Sl. No.	Name of the State/UT	Upto 1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	Total
1.	Assam	5229.97	2217.90	3861.10	2061.89	2548.61	1250.53	1195.24	18365.24
2.	Manipur	147.43	128.70	.....	.....	18.96	24.41	4.01	323.51
3.	Tripura	186.19	132.99	2.60	28.50	78.19	51.40	26.19	506.06
4.	Arunachal Pradesh	444.22	47.66	....	267.42	1243.55	277.21	606.46	2886.52
5.	Meghalaya	296.42	250.10	195.88	190.66	506.55	127.45	703.96	2271.02
6.	Nagaland	792.51	67.80	....	....	970.01	1169.19	649.02	3648.53
7.	Mizoram	372.06	272.32	405.30	...	...	103.29	347.22	1500.19
8.	Sikkim	346.96	...	123.24	36.43	129.82	...	...	636.45
9.	Himachal Pradesh	3298.57	1809.57	36.88	973.19	824.77	4814.06	4650.79	16407.83
10.	Jammu and Kashmir	774.21	334.79	...	466.30	138.62	594.51	280.23	2588.66
11.	Uttar Pradesh	850.08	85.35	...	600.95	0.92	45.13	...	1582.43
12.	Andaman and Nicobar	1707.24	1.49	375.00	197.48	...	...	...	2281.21
13.	Laksha-Dweep	...	...	...	..	...	...	....	....
14.	W. Bengal (Darjeeling)	...	...	...	....	....	42.82	36.88	79.70
	Total	**14445.86**	**5348.67**	**5000.00**	**4822.82**	**6460.00**	**8500.00**	**8500.00**	**53077.35**

Annex - II
(Refers to paragraph 1.1.7)

Details showing the reimbursement made in respect of the wood based industries

Sl. No.	Name of the State	Sanction No. and date	No. of Units	Amount reimbursed (Rupees)
1	Arunachal Pradesh	13/55/97/DBA-II dated 17.8.1998	5	1596667
2	Assam	13/39/96/DBA-II dated 30.1.1997	6	21127280
3	Himachal Pradesh	13/32/97/DBA-II dated 9.9.1997	1	6418
4	Jammu and Kashmir	13/32/96/DBA-II dated 4.1.1997	1	33734
5	Jammu and Kashmir	13/47/DBA-II dated 14.8.1998	1	22403
6	Jammu and Kashmir	13/40/DBA-II dated 23.10.1998	1	59886
7	Manipur	13/23/98/DBA-II dated 7.8.1998	1	579538
8	Manipur	13/23/98/DBA-II dated 13.10.1999	1	103855
9	Meghalaya	13/9/97/DBA-II dated 14.8.1998	2	6233031
10	Nagaland	13/11/97/DBA-II dated 18.5.1998	4	8955000
11	Nagaland	13/37/97/DBA-II dated 8.5.1998	9	15562000
12	Nagaland	13/41/97/DBA-II dated 12.8.1998	3	11369000
13	Nagaland	13/2/98/DBA-II dated 27.8.1998	13	10992000
14	Nagaland	13/3/98/DBA-II dated 28.8.1998	8	2820000
15	Nagaland	13/6/98/DBA-II dated 28.8.1998	4	18908000
		Total	**60**	**98368812**

Annex - III
(Refers to paragraph 1.1.13)

Details showing the reimbursement made to the units engaged in the Cattle/Poultry Feed Production

Sl. No.	Name of the State	Sanction No. and date	No. of Units	Amount reimbursed (Rupees)
1.	Himachal Pradesh	13/34/96/DBA.II dated 2.1.1997	1	63891
2.	Himachal Pradesh	13/26/98 /DBA.II dated 21.10.1998	1	47701
3.	Himachal Pradesh	13/2/99 /DBA.II dated 30.3.1999	1	62359
		Total	**3**	**173951**
4.	Jammu and Kashmir	13/3/93/DBA.II dated 31.3.1995	5	2127665
5.	Jammu and Kashmir	13/31/93/DBA.II dated 31.3.1995	15	3870342
6.	Jammu and Kashmir	13/21/91/DBA.II dated 16.6.1995	1	1874652
7.	Jammu and Kashmir	13/14/95/DBA.II dated 5.8.1996	17	1393393
8.	Jammu and Kashmir	13/16/95/DBA.II dated 5.8.1996	6	1015184
9.	Jammu and Kashmir	13/21/94/DBA.II dated 28.11.1996	8	1843000
10.	Jammu and Kashmir	13/31/96/DBA.II dated 2.1.1997	19	5051126
11.	Jammu and Kashmir	13/32/96/DBA.II dated 2.1.1997	4	1360000
12.	Jammu and Kashmir	13/34/95/DBA.II dated 2.1.1997	19	3989775
13.	Jammu and Kashmir	13/34/95/DBA.II dated 2.1.1997	16	3473775
14.	Jammu and Kashmir	13/4/97/DBA.II dated 9.7.1997	22	5670365
15.	Jammu and Kashmir	13/3/97/DBA.II dated 9.8.1997	11	1547921
16.	Jammu and Kashmir	13/45/97/DBA.II dated 18.5.1998	27	11502508
17.	Jammu and Kashmir	13/3/97/DBA.II dated 1.6.1998	7	1082548
18.	Jammu and Kashmir	13/47/97/DBA.II dated 14.8.1998	1	214029
19.	Jammu and Kashmir	13/40/97/DBA.II dated 18/23.8.1998	35	30264300
20.	Jammu and Kashmir	13/21/98/DBA.II dated 7.9.1998	1	1556000
		Total	**214**	**77836583**
21.	Meghalaya	13/3/95/DBA.II dated 31.3.1995	1	125874
22.	Meghalaya	13/3/95/DBA.II dated 19.2.1996	-	114081
23.	Meghalaya	13/36/96/DBA.II dated 4.8.1997	1	796203
24.	Meghalaya	13/36/96/DBA.II dated 26.9.1997	-	99006
25.	Meghalaya	13/36/96/DBA.II dated 26.9.1997	-	240963
26.	Meghalaya	13/6/99/DBA.II dated 15.6.1999	-	328661
27.	Meghalaya	13/6/99/DBA.II dated 6.9.1999	-	974915
		Total	**2**	**2679703**
28.	Tripura	13/4/96/7DBA.II dated 14.1.199	1	275859
29.	Tripura	13/23/97/DBA.II dated 9.7.1997	1	520590
30.	Tripura	13/29/98/DBA.II dated 11.11.1998	2	822231
		Total	**4**	**1618680**
		Grand Total	**223**	**82308917**

Annex IV
(Refers to paragraph 1.1.14)

Statement showing the delay in payment of transport subsidy by the State Government/DIPP

Sl. No.	State	No. of units	Period of claim	Amount of subsidy (Rs in lakh)	Delay on the part of State Govt. from the date of SLC meeting (Months)	Delay on the part of DIPP from the date of receipt of claim (Months)
1.	Assam	44	1/88 to 6/95	1167.70	9 to 61	2 to 16
2.	Himachal Pradesh	150	3/91 to 12/96	2473.17	3 to 48	6 to 12
3.	Jammu and Kashmir	157	4/91 to 6/96	482.15	5 to 32	7 to 17
4	Manipur	2	9/93 to 5/95	18.97	3	8
5.	Nagaland	10	4/90 to 3/93	171.62	1	10
6	Sikkim	7	4/93 to 3/95	129.82	3	5
Total		**370**		**4443.43**		

Ministry of Commerce and Industry

Marketing Development Assistance

Department of Commerce

1.2 Marketing Development Assistance

Marketing Development Fund was introduced in the year 1963 (renamed as Marketing Development Assistance (MDA) in October 1975) to stimulate and diversify exports, trade and to market Indian products in foreign countries. The MDA grants are utilised through 19 Export Promotion Councils and other approved organisations on the basis of specific project proposals submitted by them. The failure of the Ministry in exercising astute financial scrutiny resulted in questionable payment of MDA grants amounting to Rs 64.66 crore. The Ministry has no information about the impact of the assistance given to the councils/institutions etc. on export promotion and also the impact on export promotion as a result of participation in fairs/exhibitions sales cum study tours etc.

Highlights

Rs 36.89 crore was released to 17 EPC`s though they were not eligible to get the grant.

Non-observance of the prescribed norms resulted in release of excess grants of Rs 7.37 crore.

Grant of Rs 1.17 crore released to four EPC`s during 1994-95 to 1998-99 was not admissible.

Excess grant of Rs 1.71 crore was released to two Councils without considering the income received from the traders.

Non deduction of revenue received on account of publication had resulted in excess release of grant of Rs 0.33 crore to GEJEPC and CHEMEXCIL.

Irregular payment of grant of Rs 0.97 crore to CHEMEXCIL, Mumbai on non-code activities during the years 1995-96 to 1998 -99.

Rs 4.75 crore was released irregularly to meet the establishment cost of surplus staff of Export Inspection Agency, Calcutta.

Irregular/unjustified release of grants amounting to Rs 11.47 crore to ITPO.

The Ministry had no information about the impact of the assistance given to the Councils, institutions, organisations, etc and achievement of the programme.

Introduction

1.2.1 With a view to stimulate and diversify exports, trade and to market Indian products and commodities in foreign countries, the Ministry of Commerce and Industry, Department of Commerce introduced "Marketing Development Fund" in the year 1963 (renamed as Marketing Development Assistance' (MDA) in October 1975). MDA grants are utilised through 19 Export Promotion Councils (EPC), Grantee Institutions/approved organisations such as Indian Institute of Foreign Trade (IIFT), Indian Institute of Packaging (IIP), Indian Diamond Institute (IDI), India Trade Promotion Organisation (ITPO) and Federation of Indian Export Organisations (FIEO) for :

- market research, commodity research, area survey and research programmes,
- export publicity and dissemination of trade related information;
- participation in trade fairs and exhibitions;
- sponsoring trade delegations and study teams;
- establishment of offices and branches in countries abroad;
- Grants-in-aid to Export Promotion Councils and other approved organisations for the development of exports and the promotion of foreign trade;
- any other schemes which are generally considered to promote the development of markets for Indian products and services abroad.

Procedure for release of grants

1.2.2 MDA allocation/budgets including specific special development and promotion projects submitted by the Export Promotion Councils and approved organisations are finalised in annual meetings with the respective EPC and grantee institutions, chaired by Additional Secretary and Financial Advisor of the Department of Commerce. Proposals for adhoc grants for export promotion activities to promote exports of Indian products and commodities are examined by the MDA division and decided with the approval of Additional Secretary in charge of the MDA in the Ministry. According to the Scheme, effective from 1 April 1998 MDA Committee under the chairmanship of Director (MDA) with Deputy Secretary (Finance), Deputy Secretary from one commodity division on annual rotation basis as Member Secretary, also approves the proposals of the reimbursement of MDA to individual exporters on receipt of specific recommendations from FIEO, EPC`s etc.

Scope of Audit

1.2.3 The records of the Department of Commerce, 12 Export Promotion Councils (out of 19) and Federation of Indian Export Organisation for the period 1994-2000 were test checked in audit during May – August 2000 with a view to studying the programme objectives, appraisal and selection procedures, monitoring the performance of grant recipients and programme achievements.

Financial outlay

1.2.4 MDA grants of Rs 127 crore were released to Export Promotion Councils and other grantee Institutions during 1994-95 to 1999-2000. The MDA grants released during 1994-95 to 1999-2000 (yearwise) to each EPC and grantee institution are detailed in **Annex –I.**

Release of Grant beyond the stipulated period

1.2.5 The MDA grants were released by the Department as per quantum and pattern prescribed in "Code of grants-in-aid for export efforts". In order to curtail the government expenditure and to make the Export Promotion Councils self supporting and industry run professional bodies, it was decided in February 1992 to withdraw the grants-in-aid in a phased manner from the financial year 1992-93. As per this decision, the grants-in-aid were to be phased out completely in five years at the rate of 20 *per cent* per year, in the case of EPC's which are more than 10 years old. In the case of EPC's which are less than ten years old, they have to be phased out completely in seven years (first six years at the rate of 15 percent and balance of 10 *per cent* in the seventh year). This order was made effective from 1 April 1992. However, this was implemented only for the years 1992-93 and 1993-94. During 1994-95, it was decided to stop giving grant for non-code activities (administration) and to allocate the entire MDA grants for code activity. The quantum of grant admissible to each EPC however, was to be worked out in keeping with the phasing out arrangement and accordingly the admissible grant to each EPC was to be worked out on the basis of Budget Estimate 1991-92. The Ministry however, did not issue any formal order to this effect.

Grants of Rs 36.89 crores paid to 17 EPCs in violation of instructions of the Ministry.

As per Ministry's decision of February 1992, grants to EPCs more than ten years old were to be discontinued from the year 1996-97 and to those less than ten years old from 1998-99. Despite this, the Department released grants of Rs 29.49 crore to 11 EPCs during 1996-97 to 1999-2000 as shown in **Annex-II**, which were more than 10 years old. Rs 7.40 crore was released to 6 EPCs during 1998- 1999 to 1999-2000 which were less than 10 years old (**Annex–III**). This resulted in avoidable payment of grant amounting to Rs 36.89 crore. Ministry stated in February 2001 that funds available were more than required to continue grant to EPCs. It was, therefore, decided with the approval of Commerce Minister to allocate the funds on the relative merits of the export promotion activities submitted by the EPCs. The Ministry's statement that the funds were released merely on the ground that the funds available with them were more than the requirement is irrelevant and not tenable as this is against the decision of the Government to withdraw the grant-in-aid in a phased manner. This also defeated the objective of making the EPCs self-supporting and industry run professional bodies and to bring the government expenditure of these councils to zero.

Excess release of grant

Excess grant of Rs 7.37 crore was paid to 9 EPC's against the directions of the Ministry.

1.2.6 Department decided in January 1996 to release the grant at the rate of 0.01 percent of the export performance of the previous year for code activities, subject to maximum of Rs 1 crore and minimum of Rs 15 lakh from 1996-97. It was, however, noticed that this decision was not implemented in the case of CAPEXIL, EEPC, PLEXCONCIL, CLE, Gems and Jewelry EPC, Sports goods EPC, Carpet EPC, Handicraft EPC and Cashew EPC. This had resulted in excess release of grant of Rs 7.37 crore during 1996-97 to 1999-2000 (**Annex-IV**). The Ministry stated (February 2001) that the quantum of grants-in-aid was within the limit of 0.01 *per cent* of the total exports of that year. The Ministry's reply is not tenable as the exports performance is to be reckoned on each Export Promotion Council wise and not on total exports of the country during the year.

Release of inadmissible grant of Rs 1.17 crore

1.2.7 As per the MDA Code, 60 percent of the expenditure on approved code activities was to be borne by the Department and the balance 40 *per cent* to be met by the Export Council. This was, however, not observed while finalising on account grants to Electronic and Computer Software EPC, IIP, Gem and Jewellery EPC and EEPC resulting in excess release of grants of Rs 1.17 crore during 1994-95 to 1998-99 (**Annex-V**).

Excess Release of Grant of Rs 1.71 crore to GEJEPC and CHEMEXCIL

Excess grant of Rs 1.71 crore was released ignoring the laid down procedure.

1.2.8 According to the "code of Grant-in-aid for Export Efforts", 60 *per cent* of the expenditure incurred, for participation in or organising exhibitions/fairs in India and abroad relating to export efforts by approved organizations, is admissible as grant. The balance is to be met from contribution from Council/trade. Scrutiny of records for the years 1994-95 to 1999-2000 of Gem and Jewellery Export Promotion Council (GEJEPC) and Basic Chemicals, Pharmaceutical and Cosmetics Export Promotion Council (CHEMEXCIL) revealed that they had received more than 40 percent contribution from the exporters for organising exhibitions and trade fairs abroad. In some cases the contribution received from the traders was more than the total expenditure for organising these exhibitions/fairs. Clearly, therefore, these councils should have restricted their claims to actual expenditure minus the contributions received from trade. These Councils however, ignored the contributions received from the traders while claiming grant from Department of Commerce. As a result, grant of Rs 1.71 crore was released in excess to the councils as detailed below:

GEJEPC, Mumbai

Rs in lakh

Year	Details of activity	Total expenditure	Contribution from traders	Grant required (3-4)	Grant claimed and released	Excess grant claimed/released (6-5)
1996-97	Exhibition Abroad	51.39	39.77	11.62	30.84	19.22
1997-98	"	127.13	134.08	Nil	76.28	76.28
1998-99	"	40.78	36.28	4.50	24.47	19.97
					Total	115.47

CHEMEXCIL

Rs in lakh

1995-96	--"--	215.48	216.30	Nil	4.00	4.00
1996-97	--"--	135.52	118.14	17.38	22.20	4.82
1997-98	--"--	66.10	64.26	1.84	20.00	18.16
1998-99	--"--	49.02	32.87	16.15	45.00	28.85
					Total	55.83
GRAND TOTAL						171.30

1.2.9 Release of excess grant of Rs 0.33 crore

The "Code of Grant-in aid for export effort" provided that only 60 *per cent* of the net expenditure, after taking into account the revenue received from advertisements, for bringing out publications for issue within the country or abroad was admissible as grant. Scrutiny of accounts for the year 1996-97 in respect of Gem and Jewellery Export Promotion Council, Mumbai and CHEMEXCIL revealed that they were paid grants at 60 *per cent* of the expenditure without taking into account the revenue earned from advertisements and sale of publications. This had resulted in release of excess grant of Rs 0.33 crore as detailed below:

GEJEPC, MUMBAI

Rs in lakh

Year	Expenditure	Revenue	Net expenditure	Grant in aid	Grant in aid admissible	Excess grant claimed
1996-97	33.41	17.86	15.55	20.04	9.33	10.71
1997-98	33.78	11.46	20.32	19.06	12.19	6.87
1998-99	28.80	9.82	18.98	17.28	11.39	5.89
					Total	23.47

CHEMEXCIL

Rs in lakh

1996-97	11.80	1.65	10.15	7.80	6.09	1.71
1997-98	16.21	3.86	12.35	15.00	7.41	7.59
1998-99	26.37	1.41	24.96	15,00	14.98	0.02
					Total	9.32
GRAND TOTAL:						32.79

Diversion of grant

1.2.10 The MDA Committee decided in February 1994 that from 1994-95 onwards the grant-in-aid to an Export Promotion Council would be limited to export promotion activities and not for administrative expenditure. The administrative expenditure i.e. expenditure on non code activities was to be met from their own resources. Contrary to these instructions CHEMEXCIL Mumbai was paid grant of Rs 0.97 crore on non-code activities during the years 1995-96 to 1998-99.

Release of Rs 4.75 crore to meet the establishment cost of surplus staff

Rs 4.75 crore was paid for establishment cost not covered under the scheme.

1.2.11 The MDA code does not allow the release of grant for meeting establishment cost and other activities not relating to export promotions. However, contrary to these instructions the establishment cost of 256 employees of Export Inspection Agency, Calcutta declared as surplus in 1979 amounting to Rs 4.75 crore for the period 1985-86 to 1994-95 was met through MDA grants.

Irregular release of grant to India Trade Promotion Organisation

Release of grant of Rs 11.47 crore to ITPO in violation of instructions of Ministry of Finance.

1.2.12 The Department of Commerce had been providing budgetary support to India Trade Promotion Organisation (ITPO) upto 1993-94 under the plan head for reimbursement of its losses. Provisions made for financial support to ITPO during the years 1994-95 and 1995-96 were not agreed to by Ministry of Finance, in view of the reserves and surpluses of ITPO. They also maintained that no further release would be considered unless the funds already available with it were spent. Department Of Expenditure, Ministry of Finance decided in January 1997 that concerned Department on whose behalf the fair/exhibition was organised by ITPO would bear the loss on that fair. The losses on fairs amounting to Rs 11.47 crore during 1996-97 to 1999-2000 were however, met through MDA grants (Non Plan) instead of from the unutilized surplus funds of Rs 154.17 crore as on 31st March, 1999 with ITPO. As there is no provision in MDA code for meeting the expenditure on losses suffered in ITPO fairs the release of Rs 11.47 crore to ITPO was irregular. The Ministry stated (February 2001) that they had not released any MDA grant to ITPO except the deficit amount on the organisation of various fairs/exhibitions, which ITPO had organised on specific behest of the Ministry of Commerce. It is relevant to mention in this connection that as per Finance Ministry's decision of January 1997 any losses on fairs/exhibitions organised by ITPO was to be borne by the concerned Ministry on whose behalf the fairs/exhibitions was organised. This decision is equally applicable to Ministry of Commerce. Clearly, therefore, losses suffered by ITPO in respects of fairs/exhibitions organised on behalf of Ministry of Commerce was to be borne from that Ministry's budget and not from MDA grant.

Decline in Exports

Non achievement of export targets by 11 EPC's.

1.2.13 The Ministry of Commerce released grants-in-aid to various EPCs to boost the export of the products and commodities, Rs 27.48 crore as MDA grants-in-aid to 11 EPCs during 1996-97 to 1998-99 was released as indicated in **Annex-VI,** the export of these EPCs declined during 1996-97 to 1998-99. The shortfall in exports target was upto 30.15 *per cent* for these EPCs as indicated in **Annex-VII**.

Delay in finalisation of "on account" grants

1.2.14 The accounts of grants sanctioned and released by the Ministry were required to be finalised at the end of each year taking into account the expenditure/utilisation so that recoveries/adjustments are carried out in the grants of subsequent year. However, it was seen that in the case of following EPCs grants amounting to Rs 563.81 lakh relating to the years 1996-97 to 1998-99 had not been finalised till August 2000.

Rs in lakh

Sl. No	Name of EPC	Year for which grants not finalised	Grants released
1.	Carpet EPC	1996-97 1997-98 1998-99	21.25 51.00 48.00
2.	EPC for Handicrafts	1996-97 1997-98	23.40 150.00
3.	Powerloom Development EPC	1997-98 1998-99	36.00 45.00
4.	Indian Council of Arbitration	1997-98 1998-99	8.00 19.56
5.	Wool and Woolen EPC	1998-99	61.60
6.	CHEMEXCIL	1998-99	100.00
		Total	**563.81**

Due to the delays in finalisation of accounts of MDA grants, exact amount of grant admissible to these EPC's could not be ascertained.

Monitoring

1.2.15 The grants-in-aid from MDA were released to the Councils for export promotion. The Ministry had, however, no information about the impact of the assistance given to the Councils for export promotion as it did not call for any information regarding the extent to which participation in fairs/exhibitions had helped in securing orders from the foreign market or in capturing new markets. The Councils also did not submit any reports regarding the impact on export promotion as a result of sales-cum-study tour etc. for examination and further dissemination in order to benefit the industry.

Non-maintenance of subsidiary accounts of the grants received

1.2.16 In terms of General Financial Rules, the institutions or bodies receiving Govt. grants, irrespective of amount involved are required to maintain subsidiary accounts of such grants. All the EPCs/grantee Institutions test checked in Audit did not, however, maintain such subsidiary accounts for the grants received from the Govt. The Ministry stated (February 2001) that all the EPCs were being directed to maintain subsidiary accounts from this year onwards.

Annex – I
(Refers to paragraph 1.2. 4)

Statement showing MDA grants released to EPC

Rs in lakh

Sl. No.	Name of EPC	1994-95		1995-96	
		General on A/c grants	Final grants	General on A/c grants	Final grants
1.	Cashew EPC, Cochin (CEPC)	9.81	-	13.95	1.56
2.	Carpet EPC, New Delhi	35.05	0.50	--	--
3.	Chemicals & Allied Products EPC, Calcutta (CAPEXIL)	31.50	--	22.66	--
4.	Basic Chemicals, Pharma, Conmetics EPC, Mumbai (CHEMEXCIL)	31.50	11.09	13.50	--
5.	Engineering EPC,Calcutta (EEPC)	182.70	76.46	247.25	--
6.	Electronics & Computer Software, EPC, New Delhi, (ECSEPC)	34.65	32.46	61.41	--
7.	EPC for Handicrafts, New Delhi	15.14	--	--	--
8.	Gem & Jewellery EPC, Mumbai (G&JEPC)	48.70	--	19.30	1.67
9.	Handloom EPC, Chennai (HEPC)	27.00	--	23.00	--
10.	Indian Silk, EPC, Mumbai (ISEPC)	--	--	9.00	22.41
11.	Council for Leather Exports, Chennai (CLE)	61.86	--	305.26	6.07
12.	Overseas Construction Council of India, Mumbai (OCC)	10.69	--	26.41	1.33
13.	The Plastics EPC, Mumbai (PLEXCONCIL)	18.90	--	15.75	--
14.	Sports Goods, EPC, New Delhi	9.50	--	10.22	--
15.	Synthetic & Rayon Textiles EPC, Mumbai	8.95	--	9.00	30.49
16.	Shellac EPC, Calcutta (SEPC)	8.14	--	8.50	--
17.	Wool & Woolen EPC, New Delhi	--	--	7.00	--
18.	Indian Council of Arbitration	1.75	1.81	1.75	--
19.	Powerloom Development EPC, Mumbai				
	Total	**535.84**	**122.32**	**793.96**	**63.53**

Rs in lakh

S.No.	1996-97			1997-98			1998-99			1999-2000		
	General on A/c grants	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**
1	24.00	30.25	10.04	22.50	3.19	--	15.00	10.00	2.46	40.50	14.50	--
2	16.20	--	5.05	27.00	24.00	--	21.00	27.00	7.85	30.00	9.00	--
3	56.70	--	--	67.50	--	17.99	75.60	--	6.24	111.91	10.00	8.40
4	54.00	--	--	68.50	--	--	100.00	--	--	--	--	--
5	292.42	--	57.90	337.46	--	--	250.00	59.00	27.05	270.00	18.00	10.12
6	36.10	19.14	9.84	90.00	23.00	6.19	90.00	4.00	--	114.44	--	12.67
7	23.40	--	0.49	150.00	--	--	-	--	3.02	--	--	--
8	90.00	--	4.75	90.00	--	--	100.00	--	12.20	120.00	--	10.00
9	10.00	--	--	8.00	--	--	19.00	22.50	8.10	25.18	6.04	--
10	--	--	--	28.37	--	--	15.00	--	21.26	12.27	--	--
11	44.10	18.50	8.86	90.00	--	4.86	55.00	139.30	--	194.00	--	10.00
12	13.50	--	--	18.50	--	2.15	15.00	--	--	13.45	--	--
13	12.50	--	7.13	14.40	8.75	1.00	20.00	15.26	4.10	60.00	20.59	--
14	13.50	27.78	--	22.50	--	0.68	15.00	22.40	1.50	30.00	--	--
15	22.50	12.71	--	29.00	--	--	37.00	--	--	40.00	10.00	--
16	--	--	--	10.00	1.64	2.90	--	13.06	--	10.00	--	--
17	5.50	8.88	--	--	--	--	15.00	14.40	32.20	15.00	--	--
18	2.00	5.30	0.19	8.00	--	--	2.00	17.56	--	--	--	--
19	--	--	--	36.00	--	--	45.00	--	--	49.00	--	--
	716.42	**122.56**	**104.25**	**1117.73**	**60.58**	**35.77**	**889.60**	**344.48**	**125.98**	**1135.75**	**88.13**	**51.19**

Statement showing MDA grants released to grantee Institutions

Rs in lakh

Sl. No.	Name of EPC	1994-95		1995-96	
		On A/c grants	Final grants	On A/c grants	Final grants
1.	Indian Institute of Packaging, Mumbai (IIP)	46.03	4.73	30.00	
2.	Indian Dimond Institute, Surat (IID)	27.00	0.24	25.92	
3.	Indian Institute of Foreign Trade, New Delhi (IIFT)	236.00	--	310.00	
4.	Federation of Indian Export Organisation, New Delhi (FIEO)	76.87		65.00	
5.	Indian Trade Promotion Organisation, New Delhi (ITPO)	163.92		128.00	
6.	Other/Pvt. Firms 9TCIL, L&T)	85.76		183.52	
TOTAL		**635.58**	**4.97**	**742.44**	

1996-97			1997-98			1998-99			1999-2000		
General on A/c grants	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**	**General on A/c grants**	**Special grants**	**Final grants**
11.25			32.50	--	----	50.00	44.00	11.49	60.00		13.68
21.27	31.63		16.88	31.66	0.22	13.10	27.76	1.74	6.46		
350.00	0.50		315.00	64.89	3.12	350.0	132.12	22.72	269.94	14.62	10.51
100.00	40.00		250.00	--	--	400.00	--	--	450.00		
416.38			67.00	---	--	367.41	--	--	265.65	31.00	
76.97			98.89	---	--	234.82	--	--	302.76		
975.87	**72.13**		**780.27**	**96.55**	**3.34**	**1415.33**	**203.88**	**35.95**	**1354.81**	**45.62**	**24.19**

Abstract of Releases
(Refers to paragraph 1.2.4)

Export Promotion Councils

Rs in lakh

Sl. No.	Year	General on A/c. grants	Special grants	Final grants	Total
1	1994-95	535.84	-	122.32	658.16
2	1995-96	793.96	-	63.53	857.49
3	1996-97	716.42	122.56	104.25	943.23
4	1997-98	1117.73	60.58	35.77	1214.08
5	1998-99	889.60	344.48	125.98	1360.06
6	1999-2000	1135.75	88.13	51.19	1275.07
Total		**5189.30**	**615.75**	**503.04**	**6308.09**

Grantee Institutions/Approved Organisations

Rs in lakh

Sl. No.	Year	General on A/c. grants	Special grants	Final grants	Total
1	1994-95	635.58	-	4.97	640.55
2	1995-96	742.44	-	-	742.44
3	1996-97	975.87	72.13	-	1048.00
4	1997-98	780.27	96.55	3.34	880.16
5	1998-99	1415.33	203.88	35.95	1655.16
6	1999-2000	1354.81	45.62	24.19	1424.62
Total		**5904.30**	**418.18**	**68.45**	**6390.93**

Grand Total = 6308.09+6390.93=12699.02

Annex-II
(Refers to paragraph 1.2.5)

Grants released to EPCs which are more than 10 years old as on 1.4.92

Rs. in lakh

Sl No	Name of EPC	Total grants			
		1996-97	1997-98	1998-99	1999-2000
1	Plastic & Linaeon Export Promotion Council	12.50	23.15	35.26	80.59
2	Chemical & Allied Products EPC	56.70	67.50	75.60	121.91
3	Basic Chemicals Parmacuticals & Cosmetics EPC	54.00	68.50	100.00	-
4	Sports Goods EPC	41.28	22.50	37.40	30.00
5	Engineering EPC	292.42	337.46	309.00	288.00
6	Handloom EPC	10.00	8.00	41.50	31.22
7	Synthetic & Rayon Textile EPC	35.21	29.00	37.00	50.00
8	Shellac EPC	-	11.64	13.06	10.00
9	Cashew EPC	54.25	25.69	25.00	55.00
10	Gem & Jewellery EPC	90.00	90.00	100.00	120.00
11	Wool & Woolen EPC	14.38	-	29.40	15.00
Total		**660.74**	**683.44**	**803.22**	**801.72**

Grand total 1996-97,1997-98, 1998-99 and 1999-2000 = 2949.12 lakh

Annex-III
(Refers to paragraph 1.2.5)

Grants released to EPCs which are less than 10 years old as on 1.4.92

Rs in lakh

Sl. No.	Name of EPC	1998-1999			1999-2000		
		On a/c grants	Special grants	Total	On a/c grants	Special grants	Total grants
1	Electronic and Computer Software EPC	90.00	4.00	94.00	114.44	-	114.44
2	Export Promotion Council for Handicrafts	-	-	-	-	-	-
3	Leather EPC	55.00	139.30	194.30	194.30	-	194.30
4	Carpet EPC	21.00	27.00	48.00	30.00	9.00	39.00
5	Indian Silk EPC	15.00	-	15.00	12.27	-	12.27
6	Overseas Construction Council of India	15.00	-	15.00	13.45	-	13.45
Total		**196.00**	**170.30**	**366.30**	**364.46**	**9.00**	**373.46**

Total for 1998-99 and 1999-2000 = Rs.739.76 lakh(366.30+373.46)

Annex – IV
(Refers to paragraph 1.2.6)

Excess release of grants-in-aid

Rs in Lakh

Year	Export of previous year	Grants released	Grants due i.e. 0.01% of export of previous year	Excess grants
PLEXCONCIL				
1999-2000	214121 (98-990	60.00	21.41	**38.59**
EEPC				
1996-97	-	114.60	100.00	14.60
1997-98	-	168.74	100.00	68.74
1998-99	-	120.00	100.00 (Maximum)	20.00
1999-2000	-	150.00	100.00 (Maximum)	50.00
			Total	**153.34**
Gem & Jewellery EPC				
1999-2000	-	120.00	100.00 (Maximum)	**20.00**
Council for Leather Exports				
1997-98	55308 (approx)(96-97)	90.00	55.31	34.69
1999-2000	EPC	194.00	100.00	94.00
			Total	**128.69**
Sports Goods EPC				
1997-98	21751	25.00	15.00 (Maximum)	10.00
1999-2000	24071	30.00	15.00 (Maximum)	15.00
			Total	**25.00**

Rs in Lakh

Carpet EPC				
1996-97	136492 (95-96)	18.00	15.00 (Maximum)	3.00
1997-98	158479 (96-97)	30.00	15.85	14.15
1998-99	166158 (97-98)	21.00	16.62	4.38
1999-2000	201394	30.00	20.14	9.86
			Total	**31.39**
Handicraft E.P.C.				
1997-98	35067.70	150.00	35.07	**114.93**
ESC EPC				
1999-200	-	114.44	100.00 (Maximum)	**14.44**
Cashew EPC				
1996-97	1285.50	24.00	15.00	9.00
1997-98	1396.10	22.50	15.00	7.50
1998-99	1609.90	15.00	15.00	-
1999-2000	-	40.50	16.10	24.40
			Total	**40.90**
CAPEXIL				
1996-97	319022 (1995-96)	56.70	31.91	24.79
1997-98	357000 (1996-97)	67.50	35.70	31.80
1998-99	362000 (1997-98)	75.60	36.20	39.40
1999-2000	385319 (1998-99)	111.91	38.53	73.38
			Total	**169.37**
			Grand total	**736.65**

Annex –V
(Refers to paragraph 1.2.7)

Release of inadmissible grants

Rs in lakh

Sl. No	Activities	Grants released	Actual expenditure	Grants admissible i.e 60% of actual expenditure	Grants recoverable
Electronic & Computer Software EPC					
1994-95					
1.	Wescon 94	8.00	8.81	5.29	2.71
2	Electronic 94	11.40	16.20	9.72	1.68
3.	Computer Elect. Delegation	7.30	2.71	1.63	5.67
4.	Consumer Elect. Delegation	3.00	3.39	2.03	0.97
5.	Hardwara Delegation	7.50	6.13	3.68	3.82
Total		**37.20**	**37.24**	**22.35**	**14.85**
1995-96					
1.	Electronics	2.45	2.12	1.27	1.18
2.	Computer Software Business	2.75	1.38	0.83	1.92
3.	Consumer Electronic Business Delegation to Middle East Countries	2.75	0.88	0.53	2.22
4.	Electronic 95 show Paris France	10.10	12.97	7.78	2.32
5.	Wescon '95 show USA	9.00	9.82	5.89	3.11
Total		**27.05**	**27.17**	**16.30**	**10.75**
1997-98					
1.	Publication in trade fairs/exhibitions	46.47 (60%) 2.38(100 %)	77.45 2.38	46.47 1.43	- 0.95
2.	Market survey/ delegation	11.86 (60%) 3.39(100 %)	19.77	11.86 2.03	1.36
3.	Publication & Publicity	30.61 (100%)	30.61	18.37	12.24
Total		**94.71**	**130.21**	**80.16**	**14.55**

Rs in lakh

Sl. No	Activities	Grants released	Actual expenditure	Grants admissible i.e 60% of actual expenditure	Grants recoverable
Indian Institute of Packaging					
1994-95					
1.	National & International Inhabitation	16.54	16.54	9.920	6.62
2.	Deputation over-seas	1.50	1.54	0.924	0.58
3.	Book Journals Technical papers etc.	4.71	4.71	2.826	1.88
4.	Other essential inputs Promotional activities	2.40	2.41	1.446	0.96
5.	Packaging Development Project	0.075	0.075	0.045	0.03
	Total	**25.225**	**25.275**	**15.161**	**10.07**
1994-95					
1.	Library books	2.00	2.77	1.66	0.34
2.	Periodical subscription	2.60	3.23	1.94	0.66
3.	Deputation at APF/APO meetings	1.81	1.81	1.09	0.72
4.	National Exhibition	26.00	35.56	21.34	4.66
5.	Participation in other exhibition	0.25	0.30	0.18	0.07
	Total	**32.66**	**43.67**	**26.21**	**6.45**
Gem & Jewellery EPC					
1994-95					
1.	Adv. Publicity & Export Promotion abroad	20.00	19.14	11.484	7.66
2.	Promotional publication	12.00	13.77	8.262	3.74
3.	Exhibition abroad	5.00	20.44	5.000	
4.	Research & Development	6.00	2.01	1.206	0.80
	Total	**43.00**	**55.36**	**25.95**	**12.20**

Rs in lakh

Sl. No	Activities	Grants released	Actual expenditure	Grants admissible i.e 60% of actual expenditure	Grants recoverable
1995-96					
1.	Adv. Publicity & Export Promotion abroad	10.00	10.26	6.16	3.84
2.	Promotional publication	7.00	10.66	6.396	0.60
3.	Exhibition	4.50	13.10	4.50	0.00
	Total	**21.50**	**34.02**	**17.056**	**4.44**
Engineering EPC					
1994-95					
1.	Publication	25.00	27.30	16.38	8.62
2.	Brand Publicity	20.00	61.21	20.00	0.00
3.	Market survey/ Research	20.00	39.53	20.00	0.00
	Total	**65.00**	**128.04**	**56.38**	**8.62**
1995-96					
1.	Export Promotion & Publicity Programme	35.00	52.65	31.59 (12.50 approved grants)	22.50
2.	Brand Publicity	10.00	83.14	49.88 (10.00 approved grants)	0.00
3.	Market survey/ Research	22.50	36.35	21.78 (10.15 approved grants)	12.35
	Total	**67.50**	**172.14**	**32.65**	**34.85**

Grant Total = 116.78

Annex VI
(Refers to paragraph 1.2.13)
Statement showing the release of funds to the EPCs whose export targets could not be achieved

Rs in lakh

Sl. No.	Name of the EPC	96-97	97-98	98-99	Total
1.	Carpet EPC	21.25	51.00	55.85	128.10
2.	CAPEXIL	56.70	85.49	81.84	224.03
3.	CHEMEXCIL	54.00	68.50	100.00	222.50
4.	EEPC	350.32	337.46	336.05	1023.83
5.	EPC for Handicrafts	23.89	150.00	3.02	176.91
6.	Gem & Jewellery EPC	94.75	90.00	112.20	296.95
7.	Leather EPC	71.46	94.86	194.30	360.62
8.	PLEXCOUNCIL	19.63	24.15	39.36	83.14
9.	Sports Goods EPC	41.28	23.18	38.90	103.36
10.	Synthetic & Rayon EPC	35.21	29.00	37.00	101.21
11.	Shellac EPC	-	14.54	13.06	27.60
				Total	**2748.25**

Annex VII
(Refer to paragraph 1.2.13)

Export target and achievement in respect of Export Promotion Councils

1. Basic Chemicals, Pharma, Cosmetics EPC (CHEMEXCIL) *Rs in crore*

Sl. No.	Year	Target	Achievement		
				Short fall	%age
1.	1994-95	5504.60	5942.20	-	-
2.	1995-96	6742.60	7970.30	-	-
3.	1996-97	10004.70	9498.30	506.40	5.06
4.	1997-98	-	11015.90	-	-
5.	1998-99	14000.00	11797.00	2203.00	15.74

2. Chemicals and Allied Product EPC, Calcutta (CAPEXIL) *Rs in crore*

1.	1994-95	2679.20	2771.66	-	-
2.	1995-96	3300.00	3190.68	109.32	3.32
3.	1996-97	4045.00	3570.22	474.78	11.74
4.	1997-98	4451.00	3620.00	831.00	18.67
5.	1998-99	4131.00	3853.19	277.81	6.73

3. Plastic EPC, Mumbai, (PLEX COUNCIL) *Rs in crore*

1.	1994-95	-	1185.00	-	-
2.	1995-96	1424.00	1622.40	-	-
3.	1996-97	2030.00	2024.13	5.87	0.29
4.	1997-98	2592.00	2338.75	253.25	9.77
5.	1998-99	2952.00	2141.21	810.79	27.47

4. Engineering Export Promotion Council (EEPC) *Rs in lakh*

1.	1994-95	10,000,00	10,04200	-	-
2.	1995-96	12000,00	12,578,00	-	-
3.	1996-97	15,59,000	14,975,00	61500	3.95
4.	1997-98	17,21,000	17,102,00	10800	0.63
5.	1998-99	19,450,00	17,350,00	210000	10.80

5. Shellac Export Promotion Council *Rs in lakh*

1.	1994-95	4400.00
2.	1995-96	5895.00
3.	1996-97	5138.00
4.	1997-98	3015.00
5.	1998-99	3714.00

6. Export Promotion Council for Handicrafts

Sl. No.	Year	Target	Achievement	*Rs in lakh*	
				Short fall	%age
1	95-96	290000	299024	-	-
2	96-97	350000	350677	-	-
3	97-98	430000	417439	12561	2.92
4	98-99	524880	505840	19040	3.63
5	1999-2000	605000	592360	12640	2.09

7. Carpet Export Promotion Council

Sl. No.	Year	Target	Achievement	*Rs in lakh*	
				Short fall	%age
1	95-96	195000	136492	58508	30.00
2	96-97	216000	158479	57521	26.63
3	97-98	220000	166158	53842	24.47
4	98-99	252720	201394	51326	20.31

8. Sports goods E.P.C.

Sl. No.	Year	Target	Achievement	*Rs in lakh*	
				Short fall	%age
1	1994-95	16500	17991	-	-
2	1995-96	20500	20750	-	-
3	1996-97	23500	21751	1749	7.44
4	1997-98	27500	24071	3429	12.47
5	1998-99	28200	24780	3420	12.13
6.	1999-2000	32500	22700	9800	30.15

9. Synthetic and Rayon Textiles EPC

Sl. No.	Year	Target	Achievement	*US $ Million*	
				Short fall	%age
1	1994-95	650	792.19	-	-
2	1995-96	850	939.77	-	-
3	1996-97	1150	911.47	238.53	20.74
4	1997-98	1150	1.13.17	136.83	11.90
5.	1998-99	1200	968.38	231.62	19.30

10. Gem & Jewellery EPC

Sl. No.	Year	Target	Achievement	*US $ Million*	
				Short fall	**%age**
1	1994-95	5200	4500	700	13.46
2	1995-96	5420	5275	145	2.68
3	1996-97	6300	4754	1546	24.54
4	1997-98	6300	5093	1207	19.16
5.	1998-99	-	-	-	-

11. Leather Export EPC

Sl. No.	Year	Target	Achievement	*US $ Million*	
				Short fall	**%age**
1	1994-95	1545.00	1612.00	-	-
2	1995-96	1780.00	1752.00	28.00	1.57
3	1996-97	2000.00	1558.00	442.00	22.1
4	1997-98	1780.00	1470.00	310.00	17.42
5.	1998-99	-	-	-	-

Ministry of Information and Broadcasting

Management of Commercial Time by Doordarshan

CHAPTER II: MINISTRY OF INFORMATION AND BROADCASTING

2. Management of Commercial Time by Doordarshan

Doordarshan is one of the largest terrestrial public service networks in the world. Its viewership increased from 296 million in 1997 to 403 million in 2000. It opened to commercial service in 1976 by trading in commercial time. Audit scrutiny of the system and procedures of management of commercial time revealed serious deficiencies in its managerial practices coupled with administrative negligence and economic imprudence in tariff setting and faulty billing. The decision making process was faulty and failed to protect the best interests of the organisation. The Sports Marketing Consortium set up in 1998 was a flawed arrangement resulting in loss in recovery of opportunity cost, under selling of commercial time, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds, errors in accounting of commercial time, non-levy of penal interest on delayed payments and absence of proper billing procedure and collection system. Test checked cases revealed loss of Rs 186.85 crore besides non-recovery of outstanding dues of Rs 16.98 crore.

Highlights

- **Doordarshan suffered a loss of Rs 140.88 crore in the marketing of international sports events through the consortium due to under selling of commercial time, loss of opportunity cost, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds.**

- **Doordarshan did not charge pro-rata rates for telecast fee and Free Commercial Time for five minutes news based programme of 'Ankhon Dekhi', 'Dopahar Ankhon Dekhi' and 'India the Awakening'. This resulted in undue benefit of Rs 12.08 crore to the sponsors of the programmes.**

- **Doordarshan allowed commercial time of 655 seconds per episode against admissible commercial time of 560 seconds to the sponsor of the programme 'Super Hit Muqabla' which resulted in giving undue benefit of Rs 8.05 lakh per episode for 56 episodes telecast during September 1995 to October 1996. The total undue benefit to the sponsor on this account works out to Rs 4.51 crore.**

- **Director, Doordarshan Kendra Kolkata allowed the sponsor Rainbow Productions Private Limited unauthorised concessions like utilisation of excess Free Commercial Time, undercharging of sponsorship fee and spot buy rate in contravention of the extant rules. This resulted in undue benefit of Rs 3.02 crore to the sponsor.**

- **Doordarshan lost Rs 9.44 crore due to late booking of satellites and non-billing of commercials in the telecast of India-Sri Lanka cricket series and Wimbledon 1997.**

- **Doordarshan failed to raise a claim of Rs 8.93 crore on account of short accountal of commercial time utilised and non-billing of uplinking and space segment charges from airtime selling agencies engaged for Bangladesh Independence Cup 1998 and French Open Tennis Tournament 1997.**

- **The additional facility of 30 seconds for the repeat programmes telecast on international channel to be utilised within seven days on other national channels where the monetary value of commercial time was higher resulted in loss of Rs 1.94 crore to Doordarshan. On re-consideration this facility was withdrawn by Doordarshan in August 1996.**

- **Outstanding dues from the advertising agencies of Doordarshan Kendra Mumbai inclusive of interest as of July 2000 was Rs 16.98 crore. Despite non-payment of fees of Rs 85.87 lakh for the telecast of three Tamil serials during December 1997 to March 1999, Director Doordarshan Kendra Chennai did not take any action for cancelling the accreditation of the sponsors.**

2.1 Introduction

Doordarshan (DD), the national television service of India, devoted to public service broadcasting, is one of the largest terrestrial networks in the world. DD opened itself to commercial service in 1976 with the object of earning revenue from trading in commercial time. The operation began with modest revenue of Rs. 0.7 crore in 1976-77 and went up to the level of Rs 572.7 crore in 1996-97. During the subsequent two years i.e. 1997-98 and 1998-99 gross revenue fell by 14 to 30 *per cent* in comparison to the year 1996-97. The figures for 1999-2000 showed that the gross revenue earned by DD again registered an increase. However, the increase in revenue during 1999-2000 has been barely Rs 37.6 crore over the last peak year, 1996-97. This has to be seen in the background of the fact that the media share in terms of value of advertising has almost doubled during the corresponding period, and DD's viewership increased from 296 million in 1997 to 403 million in 2000. Evidently, the systems and procedures of management of commercial time by DD would need to be looked at with the object of identifying why the full commercial potential could not be realized. One specific area is the trading methods by which commercial time was sold to the programme producers to market their programmes to the advertisers and the revenue sharing arrangement with the producers. With this end in view, a clutch of programmes relating to popular prime time segment were test checked in audit to examine the manner in which commercial time was marketed during the period 1997-99 that showed negative growth. For establishing context some programmes of the earlier period as well as few programmes telecast through regional kendras were also examined. The most important aspect of scrutiny by audit related to the marketing of international sports events through a consortium of airtime selling agents, an arrangement that proved counterproductive, landing DD in huge losses. The reasons for large-scale losses and commercial failures of DD were found rooted in its own managerial practices, which have ranged from administrative negligence and economic imprudence to incorrect tariff setting and faulty billing. The entire process has allowed itself to be exploited at the expense of the Government.

The findings of audit are brought out in the succeeding paragraphs.

2.2 Working of the Sports Marketing Consortium

2.2.1 Chief Executive Officer (CEO), Prasar Bharati in December 1997 placed before the first meeting of the Prasar Bharati Board, a proposal to authorise him to finalise arrangements for the telecast of international sports events in the background of his perception that only private channels are able to secure the transmission rights and the bulk of the population are deprived of viewing opportunity. Though the proposal did not define the scope of the arrangements the Board authorised the CEO to finalise the arrangements. In January 1998, in the second meeting of the Board the CEO disclosed the shape of the arrangement. He informed the Board that he had in the meantime persuaded a group of airtime selling agencies to form a Consortium to bid for these sports events collectively, while DD would provide the carrier and share the commercial revenues on a mutually agreed basis. The Board approved the proposal without asking for or ascertaining the basis for revenue sharing. The idea was to make DD capable of acquiring the telecast rights of the international sports events without staking its own financial resources and yet reap the revenue generated by the operation. Providing the carrier however meant trading in time, and hence the balance of advantage for DD had to be reckoned with reference to the loss of opportunity cost of the time traded.

In February 1998, three marketing agencies, namely M/s. Stracon India Private Ltd. (Stracon), M/s. Nimbus Communications Ltd. (Nimbus) and M/s. Creative Eye Ltd. (Creative) formed a Consortium by entering into an agreement for cooperation and joint collaboration for acquisition of rights and marketing of international sports events live for DD. In March 1998 they entered into an agreement with DD for obtaining exclusive marketing rights. In late March 1998 M/s. UTV Software Communications Ltd. was inducted into the Consortium. Operation of the Consortium was discontinued from July 1999.

Operation of the Consortium arrangement for the acquisition of telecast rights and marketing of the international sports events, was examined in audit with a view to evaluating the strategic advantages and the commercial results accruing to DD during the currency of the arrangement.

During the period of operation of the Consortium, 13 live international sports events and highlights of one event were telecast on DD network between April 1998 and June 1999 (**Annex–I**). Audit scrutiny of the records and transactions relating to the operation of the Consortium and telecast of the events, involved examination of the payment of the rights fee, calculation of opportunity cost and management of commercial time.

2.2.2 Flaws in the agreement

By giving retrospective effect to the agreement DD lost US$ 3 million (Rs 12.75 crore).

The agreement of the Consortium with DD was signed on 24 March 1998 but was made retrospectively operational from 1 February 1998. Examination of the rationale of retrospective application showed that while there was no advantage for DD, it favoured Stracon by assigning the overseas rights of ICC Knockout without deciding any cost on 20 February 1998 whereas DD had submitted its bid on 24 February 1998. Subsequently, Stracon got these rights at a cost of US$ 3 million, which DD had bought at US$ 6 million.

The terms and conditions of the agreement constituting the Consortium did not have the approval of the Prasar Bharati Board. No reasons were recorded for departing from the normal procedure of inviting open tenders.

The members of the Consortium were hand picked without pre-qualifications, and their financial capabilities were not ascertained. The Consortium was a cartel dominated by Stracon, a novice in the field, who was registered with DD on 28 May 1997 and was accredited on 5 June 1997, barely eight months before it formed and led the Consortium.

The agreement did not provide specific commercial terms, not even the minimum guarantee (MG), normally insisted upon in airtime transactions.

The agreement neither contemplated any capping of rights fee, nor did it leave scope for DD to reject a non-viable transaction. The passive role of DD was apparently worked out on the premise that DD was gaining without any investment of its own. It was forgotten that in terms of time invested, it was the stake of DD that was both critical and substantial. Further, it was not as if DD's own resources were not used at all. In the cricketing events DD staked as much as Rs 2134.90 lakh of its resources in five events, whereas Consortium (Stracon) spent nothing from its own resources but kept funds generated from the events. Evidently the premise of resource constraint was a convenient stratagem to allow the private air-time agencies to benefit at the expense of DD. Creation of the Consortium in the manner detailed proved a flawed and irregular decision which benefited a cartel of airtime selling agents at the expense of the government.

2.2.3 Manipulations in the acquisition of rights

Audit examined the process of acquisition of telecast rights of the major events in the background of the consideration that profit was to be shared between DD and the Consortium after deduction of the TV rights fee and other expenses from the advertisement revenue (**Annex–II**). In other words, any economy in acquiring the rights would automatically increase the profitability of the venture, and conversely higher rights fees would necessarily cut into the profit. Thus, telecast of an event would be profitable if the rights fees were not excessive, and if the advertisement revenues generated were not lower than the cost of the event and the DD's revenues sacrificed.

During the period April 1998 and June 1999, ten major events in cricket and three major events in Tennis were staged. In the acquisition of the rights of four out of the ten major events in cricket DD was involved, even though under the Consortium arrangement it was not required. Further, it was seen that there was no basis to cap, even estimate, the justification of the rights fee demanded by the holder of the rights and actually paid by the bidder. This led to wide fluctuations in the cost of rights fee per match of the cricket varying from Rs 30 lakh to Rs 425 lakh. Incidentally, DD's own procurement cost was the highest at Rs 425 lakh per match. In tennis, the rights were acquired by the Consortium for the three events (Wimbledon, French Open and Australian Open). Comparison of the Rights Fee paid by the Consortium with the Rights fee paid by DD prior to the creation of the Consortium brought out that the rights fee paid by the Consortium was higher by 45 percent (from US$ 1.90 lakh to US$2.75 lakh) for Wimbledon and 122 percent for French Open (from US$ 90,000 to US$ 2,00,000). A reference to the details of revenue generated by the agency showed that for these events the revenue generated became less than the rights fee paid and DD earned no revenue for the events. Evidently, exorbitantly high rights fee wiped off the revenue and made the event unprofitable. While it is true that the Consortium and not DD paid the higher rights fee, the abnormal increase in the fee which deprived the DD of revenue could be indicative of some undercutting to profit at the expense of DD. Audit apprehension is based on the fact that in earlier years when DD bought the rights and there was no Consortium arrangement in place, the events were always revenue surplus.

The rights for Cricket and Tennis events were acquired without any estimation or justification, which led to wide fluctuations in the cost of rights fee per match.

In one event Coca Cola Cup May 1998 even though the rights had been acquired by the Consortium (Stracon) for Rs 120 lakh for four One day international matches, DD paid Rs 30 lakh directly to holder of rights ESPN when one more match was taken by DD. Since this match was out of the agreement with the Consortium (Straon) and its cost was borne by DD, the marketing of it should have been done on MG basis in order to recover cost of the match. However, the revenue was credited to Consortium and this caused a net loss of Rs 30 lakh to DD.

While rights fee for one match of Coca-Cola Cup Series (May 1998) was paid by DD, revenue generated was kept by Stracon.

In Sri Lanka Independence Cup, June-July 1998 DD allowed the Consortium (Stracon) to sell the simultaneous telecast rights to ESPN (for the first six matches) without assigning any cost on the face of the provisions of the Consortium agreement that dealing with competing channel was prohibited, thereby losing the exclusivity, viewership and consequent revenue. DD bore the loss to the extent of pro-rata rights fee of US$ 0.9 million (Rs 3.83 crore), while Consortium profited from the sale and ESPN from the telecast.

Rights of Sri Lanka Independence Cup were sold to a competing channel in violation of Consortium agreement.

In February 1998 DD bid for acquiring the telecast rights of ICC knockout tournament involving 9 major cricketing nations, scheduled to be held at Dhaka during October-November 1998. DD made a bid for US$ 8 million. ICC Development International Ltd. (IDI) who had the rights fixed a bid guarantee of 10 *per cent* of the bid amount. DD sought the assistance of Stracon, a private air-time selling agent, to arrange payment of the bid guarantee on the assurance that Stracon would be allowed to acquire the overseas rights. Stracon arranged the payment through WorldTel (WT), an international rights marketing company, by offering in turn the overseas rights of the event at a consideration of US$ 3.5 million. Minutes of the proceedings of the negotiations were not put on record by DD. It was however found from notings in the related files that negotiations were held with IDI on 3-5 March 1998 in Calcutta. Stracon was also present at the negotiations even though until that time the Consortium arrangement had not materialised. The retrospective application of the Consortium was an after thought to regularise the entry of the private agent into the commercial world of DD. During negotiations, DD, it appears was left with no option but to raise its bid to US$ 10 million (plus US$ one million-production cost) which comprised US$ 6 million for overseas rights and US$ 4 million for India rights. An examination of the notings and the bid papers revealed that Stracon had, on 3 March 1998 clearly informed DD that it would raise US$ 11 million by the use of India rights for US$ 8 million and by the use of overseas rights for US$ 3 million. Thus DD was aware prior to the closing of bid that overseas rights would not fetch more than US$ 3 million. Even then, the very next day DD went ahead offering US$ 6 million for the overseas rights in the bid. This implied that DD, in disregard of the ordinary standards of economic prudence, committed itself to a lost deal. As it turned out Stracon covered the bid in the manner undertaken and DD was presented with the fait accompli of reduced revenues to the extent of US$ 3 million (rupee equivalent Rs 12.75 crore). The manner in which the Consortium agreement signed on 24 March 1998 was retrospectively made applicable with effect from 1 February 1998 was questionable.

DD bid high for the rights fee of ICC Knockout Tournament without ascertaining its revenue generation potential.

DD accepted an inadmissible claim of Rs 2.13 crore towards refund of rights fee in ICC Knockout Tournament 1998.

DD bought the overseas rights and the India rights of the ICC Knockout Tournament in May 1998 from the ICC Development (International) Limited (IDI) at a cost of US$ 10 million. DD arranged the payment by entering into prospective commercial agreements with a few air-time selling agents who were at that point of time in the process of forming a Consortium for marketing international sports events at the instance of DD. As it turned out all other parties backed out and only Stracon remained in the field. Two agreements were executed by DD with Stracon, one for overseas rights and the other for domestic rights to raise the funds and for marketing. The overseas rights were sold to Stracon by DD at a MG of US$ 3 million. Stracon in turn raised the funds by selling the overseas rights to WorldTel for a sum of US$ 3.5 million with the instructions that the amount should be paid directly to IDI. As per agreement WorldTel made the payment of US$ 3.5 million directly to IDI. In November 1998, Stracon realised that it had made excess payment of US$ 0.5 million to IDI (calculated with reference to MG of US$ 3 million, which was incorrect) and made a claim for the refund of the amount from DD. The claim was rejected on initial scrutiny (July 1999) as the excess payment was made to IDI and not to DD and DD had no liability in this regard. But the CEO, Prasar Bharati accepted the claim in August 1999 without assigning any reason and authorised Stracon to adjust the amount against pending dues. This resulted in a loss of Rs 2.13 crore to DD.

DD's negligence in quoting its offer for the rights of World Cup Cricket 1999 led to acquiring of lesser number of matches at a substantially higher cost.

DD had shown its interest in telecast rights of all 42 matches of World Cup Cricket 1999 to Test & County Cricket Board (TCCB) London in September 1996 and again in July and August 1997. As DD failed to quote its offer by April, 1997 the TCCB assigned telecast rights to ESPN in August 1997. DD ultimately settled for simulcast with ESPN for US$ 6 million for live telecast of 11 matches only. DD had entered into an agreement with Stracon in September 1998 for marketing and financial participation. Nimbus challenged that agreement in the Bombay High Court and the Hon'ble High Court allowed open bidding by Stracon and Nimbus under its supervision and accepted the terms offered by Stracon as the best offer. As Stracon failed in furnishing the Bank Guarantees, DD awarded the marketing rights to Nimbus. DD entered into an agreement with Nimbus on 13 May 1999. It was observed in audit that DD acquired the simulcast rights for only 11 matches at a considerably high cost of US$ 6 million. Due to negligence of DD, it failed to quote its offer to TCCB even after lapse of seven months' time from September 1996 to April 1997. If DD had quoted offer of US$ 6 million as rights fee in April 1997, DD would have got exclusive terrestrial rights for all the 42 matches and revenue generation would have been approximately four times more. Interestingly, the cost of rights fee paid for 11 matches simulcast for the World Cup Cricket 1999 was much higher as compared to rights fee of US$ 4.75 million paid for 32 out of 37 matches of World Cup Cricket 1996.

2.2.4 Loss of Opportunity Cost

DD failed to develop a rational basis for calculation of opportunity cost which led to widespread losses.

When a new programme replaces the existing programme, Opportunity Cost is realised by way of telecast fee from the sponsors of the new programme. Even though introduction of new programmes by replacement has been a regular feature of programme management, DD had not developed any rational basis for the realisation of Opportunity Cost. It was only in November 1997 that the Ministry of Information and Broadcasting decided that the full Opportunity Cost should be recovered, putting an end to the practice of charging only two third of the telecast fee as Opportunity Cost. It was however, noticed in audit that DD persisted with the calculation of Opportunity Cost at a reduced rate on the grounds that telecast of international sports events was mandatory for DD and this resulted in a loss of at least Rs 10.84 crore in the events covered by the Consortium, as detailed in the table below:

Rs in lakh

Sl. No.	Name of the event	No. of Matches		Opportunity cost calculated on the basis of telecast fee	Opportunity cost recovered as per agreement.	Loss
		Day & Night matches	Day matches			
1.	Pepsi Triangular Series April 1998	-	7	174.00	100.00	74.00
2.	Coca Cola Cup May 1998	4	---	46.20	27.00	19.20
3.	French Open 1998	14 matches in 6 days Q.F. onwards		50.60	29.00	21.60
4.	World Cup Soccer 1998	64 matches in 27 days		258.00 (213 for live matches and 45 for highlights	62.00	196.00
5.	Sri Lanka Independence Cup June-July 1998	4	6	38.35 (D/N) 36.38 (D) (74.73)	50.00	24.73
6.	Wimbledon 1998	14 matches in 6 days Q.F. onwards		49.05	33.00	16.05
7.	Hero Cup Sept. Oct 1998	3 & test highlights	---	45.60	Nil	45.60
8.	ICC Knock out Oct. November 1998	8	---	124.00	Nil	124.00
9.	Coca Cola Cup Sharjah 1998	7		183.75	104.55	79.20
10.	Coca Cola Cup Sharjah 1999	7	--	523.00 (on actual basis)	88.67	434.33
11.	Pepsi Triangular Series March-April 1999	2	3	49.00 (D/N) 42.10 (D) (91.10)	51.62	39.48
12.	Australian Open 1999	Q.F. onwards		23.01	13.04	9.97
13.	Indo-Pak Test Series	10 highlights of one hour		Not available	Not available	Could not be ascertained
			Total	**1643.04**	**558.88**	**1084.16**

It will be seen from the table that in respect of item No.10 of the table Rs 523 lakh has been calculated as the Opportunity Cost based on the actuals. This calculation was made at the instance of the CEO of Prasar Bharati in April 1999. The CEO in his orders dated 12 April 1999 had categorically recorded that Opportunity Cost should be properly calculated to protect the commercial interests of DD by taking the actual telecast fee for the existing programmes which are replaced by the telecast of the event or as per the DD's rate card for the air-time, whichever might be higher. The CEO also recorded that audit had objected to the fixing of lower Opportunity Cost for realisation from the sponsors in replacement programmes. As an indication of magnitude of the difference, it was observed by audit that the Opportunity Cost calculated by DD by taking two third of telecast fee was Rs 88.67 lakh while the Opportunity Cost calculated on actual basis as mentioned worked out to Rs 523 lakh. It may also be seen from item No.6 of the table that Rs 49.05 lakh was calculated as the full Opportunity Cost for Wimbledon 1998. For Wimbledon 1997 however, the Opportunity Cost was calculated as Rs 2.06 crore when there was no Consortium arrangement.

2.2.5 Mismanagement of Commercial Time

Management of Commercial Time involves fixing the sale price per 10 seconds of Commercial Time (Spot Buy Rate or SBR), actual sale of Commercial Time and realisation of revenue as per agreement on the basis of telecast certificates. Thus management of Commercial time necessarily includes the availability of SBR determined on a rational basis, an agreement giving the conditions of sales with the marketing agency and proper maintenance of telecast records

DD abandoned its responsibility of fixing the SBRs and allowed the Consortium, the buyer, to fix the rate.

The SBR is governed by the DD's rate card, which categorises events taking into account various factors such as participating teams, timing (Day, Day-Night, weekdays, weekends etc.) and the exclusivity or non-exclusivity of the telecast rights. As per DD's rate card all the international live sports events and highlights thereof are generally categorised as 'A Special' with SBR of Rs.70, 000 (gross). Some special events and highlights thereof, to be intimated in advance, are categorised as 'Super A' with SBR of Rs.80, 000 (gross). DD awarded the marketing rights of all the live sports events covered under Consortium arrangement without categorisation or fixation of SBR.

The agency fixed SBRs arbitrarily without consulting DD, nor did DD question the actions of the agency. The agreement facilitated indiscriminate exploitation of the commercial opportunity by the agency, by providing for flexible rates which precluded reference to the norms. SBRs fixed for 'A-Special' category events, were found to be lower than 'A' and 'B' categories. This resulted in a loss of revenue of Rs 46.05 crore as detailed in the following table:

(Time in seconds) (Rs in lakh)

Sl. No.	Name of the Event	Commercial Time		Net Revenue		Surplus/Deficit		DD's share if any	
		consumed	accounted for	as per Consortium Statement	as per Rate Card & actual CT*	as per Consortium Statement	as per Rate Card & actual CT	as per Consortium Statement	as per Rate Card & actual CT
1.	Pepsi Triangular Series April 1998	42705	33910	815.51	2540.95	65.51	1790.95	45.86	1253.66
2.	Coca Cola Cup May 1998	16380	12155	158.46	974.61	6.54 (-)	809.61	Nil	566.73
3.	French Open 1998	6710	5315	67.17	399.24	59.93 (-)	272.14	Nil	190.50
4.	World Cup soccer 1998	40225	36805	391.06	2393.39	236.23	2117.34	165.36	1482.14
5.	Sri Lanka Independence Cup 1998	34405	26055	897.87	2047.10	618.37 (-)	530.85	Nil	371.59
6.	Wimbledon 1998	8840	6710	113.82	525.98	54.88 (-)	357.28	Nil	250.09
7.	Hero Cup 1998	16275	13585	478.72	968.36	136.59	626.23	Nil	436.36
8.	ICC Knock Out 1998	52446	42120	2007.49	3120.54	1127.30(-)	14.25(-)	Nil	Nil
9.	Coca Cola Cup 1998 (Sharjah)	41201	33865	1290.50	2451.46	815.80 (-)	345.16	Nil	[illegible]
10.	Coca Cola Cup 1999 (Sharjah)	46820	37430	2775.65	2785.79	160.09	206.62	80.04	[illegible]
	Total	**306007**	**247950**	**8996.26**	**18207.42**	**2084.40(-)**	**7041.93**	**291.26**	**4895.99**
11.	Pepsi Triangular Series March – April 1999	21745	Not available	Not available	1293.83	Not available	1293.83	Not available	Not available
12.	Australian Open 1999		The agency had not submitted the revenue generation statements						
13.	Indo-Pak Test Series (Highlights only)								

* *Commercial Time*

It will be seen from the table above that in ten events DD earned Rs 291.26 lakh against the rightful share of Rs 4895.99 lakh calculated on the basis of the rate card stipulation for 'A-Special' category events. It will also be seen that in seven out of ten events DD's share of revenue was nil and for three events (11,12 and 13) neither were details recorded nor were the revenue generation statements were available.

In ten events, the Consortium accounted for only 2,47,950 seconds of commercial time while actual consumption worked out to 3,06,007 seconds. Non-accountal of 58,057 seconds knocked off Rs 40.64 crore from ambit of revenue sharing arrangements.

DD acquired the rights for the event but revenue was retained by Stracon in the absence of any agreement or revenue sharing arrangement.

In respect of the Pepsi Triangular series (item 11) the telecast rights were granted to the Consortium without an agreement and the Consortium did not submit any details of time consumed or revenue earned. Audit calculated the time consumed and found that the Consortium had consumed 21,745 seconds valued at the 'A-Special' category rate that worked out to Rs 12.94 crore. It is interesting to observe that in this case the rights were obtained by DD at a cost of US$ one million, in deviation from the Consortium arrangement without assigning/recording any reason for the deviation. The beneficiary, however continued to be the Consortium (Stracon) and DD never claimed its share of revenue which calculated in the 70:30 ratio, would have worked out to at least Rs 8.69 crore after adjusting Rs 51.62 lakh but without taking into account the recovery of the rights fee. Interest up to June 2000 alone works out to

Rs 156.42 lakh. DD, when it acquired the rights outside the Consortium arrangement, should have gone for open bid for marketing. By deviating from the Consortium arrangement for acquisition of rights with the sole purpose of making the marketing rights available to the Consortium, DD endangered its own revenue earning potential and eventually bore the loss. The fact that the agency used the commercial time without explicit authorisation from DD on its own terms and DD promoted the violation of settled norms indicates that private airtime selling agents were benefited at the expense of government.

Highlights of various events were telecast without fixation of any commercial terms.

In addition to live matches there was provision of highlights in some of the events. However, opportunity cost was not worked out for such highlights nor were any separate bills raised against the agency. In the accounts submitted by the agency (Stracon) the commercial time aired during the highlight was not accounted for. The scrutiny of log books maintained at DD's Studio revealed that though the highlights had been telecast in some events no commercial time telecast was logged. In a few cases where the details of commercial time telecast were available 3005 seconds were telecast in three one hourly and one half hourly highlights in two events valuing Rs 210.35 lakh taking the highlights in "A Special" category. The agency had neither accounted for the commercial time in its revenue generation statement nor had DD raised the bills for Rs 1.47 crore (gross) being its 70 percent share.

DD suffered a loss due to non-accountal of actual commercial time consumed during World Cup Cricket 1999 in terms of the agreement.

This was noticed in audit with reference to the marketing of the World Cup Cricket 1999 which was kept out of the Consortium arrangements by the orders of the High Court of Bombay (refer Para 2.2.3), Nimbus had undertaken that it would generate a minimum revenue of Rs 77 crore (Gross) from which it would pay a minimum profit of Rs 14.25 crore and carriage fee of Rs 12.31 crore to DD. Surplus revenue beyond Rs 66.50 crore would be shared between DD and Nimbus in the ratio of 70:30. Nimbus however paid nothing on the plea that the revenue generated fell below Rs 66.50 crore and was hence not sharable. This was not disputed by DD. The plea of Nimbus however was examined in audit and it was found that Nimbus showed a gross revenue generation figure of Rs 71.17 crore against the minimum revenue of Rs 77 crore it had undertaken to generate. Nimbus deliberately furnished depressed figures of time consumption, which went unchecked by DD. Audit calculated from the logbooks of DD that Nimbus had actually used 1,01,416 seconds while it had accounted for only 71,855 seconds. Thus it had depressed its revenue generation figure by Rs 29.28 crore calculated on the basis of average SBR of Rs 99,040 per 10 seconds. Had the correct calculation been shown, then the gross revenue generated by Nimbus would have worked out to Rs 100.45 crore. On the basis of the undertaking given to the court net revenue in excess of Rs 66.50 crore was sharable and hence the net surplus revenue of Rs 33.95 crore should have been available for sharing between DD and Nimbus in the ratio of 70:30. On this basis, DD's share would have been worked out to Rs 23.77 crore. Instead of claiming this share DD allowed Nimbus to violate its commitment and allowed itself to be put to loss.

2.2.6 Non-recovery of dues

In the absence of any stipulated time limit for payment of DD's dues, in the MOUs, Stracon did not make the payments within the stipulated period as per DD's manual i.e. even after availing a credit period of 60 days succeeding the month in which the event was telecast. For eleven out of the thirteen events held during April 1998 to April 1999, an amount of Rs.964.62 lakh was payable by Stracon. Stracon submitted the revenue generation statements in March 1999 for 9 events and for one event, Sharjah, 1999 in June 1999. For the remaining 3 events no revenue generation statement was submitted as of June 2000. The agency paid Rs.623.55 lakh during May 98, September 98, December 98, February 99, August 99 and February 2000. An amount of Rs 331.00 lakh was adjusted against rebate for Sharjah 99 and refund of ICC Knockout. Balance amount of Rs.10.07 lakh is still outstanding against the agency. The interest for the period of outstanding payments works out to Rs.54.13 lakh @ 18 percent per annum up to June 2000.

Stracon did not repay the rights fee paid by DD in respect of Coca Cola Cup, Sharjah 1999.

The rights fee of Rs. 7.25 crore for Coca Cola Cup Sharjah 1999 was paid from the Canara Bank Account by diversion of Government money. Stracon deducted the amount from the revenue generated from the event but did not remit it to DD. Interest on this amount at the rate of 18% works out to Rs 1.49 crore up to June 2000.

Stracon adjusted Rs. 3.22 crore as the cost of withholding taxes from the revenue generated from the Coca Cola Cup Sharjah 1999 but the same is still to be paid to the Income Tax Authorities. Interest on this amount at the rate of 18% works out to Rs 0.58 crore up to June 2000.

2.2.7 Loss due to lack of insurance cover

As per clause 6 of the Consortium agreement each member was responsible for payment of right fee inclusive of insurance cost, production cost, satellite feed cost and any tax for the event they acquire. However it was seen from the records that no provision of insurance was provided in the MOUs to safeguard DD's interests in case of abandonment of matches due to bad weather or otherwise. This was a serious failure on the part of DD.

In Sri Lanka Independence Cup three matches were abandoned but the full right fee of US$ 3 million had to be paid as the same were not insured. WorldTel had provided in its agreement with Stracon that Stracon would be responsible for getting proper insurance against abandonment of matches. No such provision was made by DD in its agreement with Stracon which resulted in a loss of Rs 3.83 crore (US$ 0.9 million) as the ultimate outgo was from DD's revenues.

2.2.8 Unauthorised operation of Bank Account

Though not authorised, Prasar Bharati opened a current account in Canara Bank in May 1998 for ICC Knockout Tournament. All revenues from sale of airtime were to be credited to this account for making payments towards rights fee. No amount was however credited into this account.

During June 1998 to January 1999 DD unauthorisedly diverted Rs 8.5 crore from its revenue receipts to this account. From this corpus, Rs 5.12 crore was paid towards withholding tax and Rs 0.07 crore was spent on travel expenses of DD functionaries. In March 1999, the account was squared by recouping the amounts so spent by crediting Rs 8.5 crore into revenue. It is significant to note that revenue of Rs 5.19 crore was recouped through an expenditure sanction. Effectively Rs 5.12 crore of revenue was utilised for providing unauthorised financial accommodation to the private agent who was responsible for paying the withholding tax. The unauthorised bank account was operated to facilitate this unauthorised financial deal. Once the deal was through, Rs 8.5 crore was credited back to revenue, but the account remained open.

Though it was the responsibility of Consortium (Stracon), the rights fee of Coca Cola Cup, Sharjah 1999 was paid from this account by diverting government funds.

The Consortium (Stracon) deposited Rs 26.75 crore received from advertisers for World Cup Cricket 1999 into this account during February to April 1999. Out of this, payment of Rs 12.75 crore was made to England and Wales Cricket Board (ECB) towards 50 percent of the rights fee of World Cup Cricket 1999 (US$2.55 million) and taxes thereon in March 1999. In April 1999 a Letter of Credit (LC) for US$ 2.5 million was opened in favour of WorldTel through this account for payment of 50 percent of rights fee of Coca Cola Cup Sharjah 1999. Remaining 50 percent rights fee of Rs 10.70 crore (US$ 2.5 million) was also paid from this account during April 1999 even though it was the sole responsibility of the Consortium (Stracon) to pay rights fee and taxes thereon. For making payment against the LC the balance in the account fell short by Rs 7.55 crore. As such a sum of Rs 13 crore was withdrawn from government account ostensibly for the payment of balance 50 percent rights fee of the World Cup Cricket 1999. The deficit was met actually out of these funds. As ECB was pressing hard for balance rights fee amount of Rs 13 crore (US$ 3 million), another sum of Rs 8 crore was withdrawn from government account and payment of Rs 16.70 crore including taxes was paid to ECB in May-June 1999. In the meanwhile, marketing rights of the World Cup Cricket 1999 were awarded to Nimbus as per orders of the Hon'ble Bombay High Court. Consequently Nimbus had to pay DD Rs 30 crore on account of rights fee and taxes thereon. In the changed scenario only two advertising agencies agreed to continue with Nimbus for telecast of their commercials. Thus Rs 26.75 crore originally collected by Stracon from advertisers on account of World Cup was reduced to Rs 12.48 crore. Nimbus deposited remaining Rs 17.52 crore in three instalments during May June 1999 fulfilling contract agreement of Rs 30 crore. Balance Rs 14.28 crore left in the Canara Bank account at the credit of Stracon was used against payment of Rs 21.53 crore for rights fee of Coca Cola Cup Sharjah 1999. The shortfall of Rs 7.25 crore was made good from the money withdrawn from government account which is still outstanding against Stracon. DD paid into government account Rs 14.25 crore by August 1999. Rs. 6.75 crore is yet to be reimbursed to government account as of January 2001.

It will be seen from the manner in which the account was used that the sole purpose of the account was to facilitate unauthorised transactions. Prasar Bharati during the relevant period was within the government budgetary system and it had not been authorised by the government to open a Letter of Credit.

2.2.9 Loss Due to Irregular payment of withholding taxes

DD paid an amount of Rs 5.12 crore as withholding tax on rights fee and production cost even though as per its agreement with the Consortium, the Consortium was liable to pay taxes incidental to the acquisition of the right and cost of production of ICC Knockout Tournament 1998. This amounted to giving a direct pecuniary benefit to a private party at the expense of Government.

2.2.10 Loss due to irregular payment of promotional expenses

Against Stracon's bills of Rs 44.26 lakh for press publicity expenses of ICC Knockout Tournament 1998, DD paid Rs 23.26 lakh (as per available records), which was incorrect as publicity was the responsibility of marketing agency and in any case that expenditure should have been recovered from revenues of the event. This resulted in a loss of Rs 23.26 lakh to DD

2.2.11 Loss due to payment of irregular compensation

Stracon acquired the exclusive live telecast rights of Coca Cola Cup Sharjah 1999 held in April, 1999 at a cost of US$ 5.11 million (net of taxes) inclusive of cost of production and up linking cost from WorldTel for telecast on DD network. As per agreement of January 1999, Stracon was given exclusive marketing rights of the event

DD allowed a compensation of Rs 1.18 crore against admissible compensation of Rs 7.91 lakh.

The final match played on 16 April 1999 was telecast only on DD-II Metro Channel due to live telecast of a Parliament debate on DD-I National Channel and during the news hour the match was telecast only on DD Sports Channel. Stracon filed a claim of Rs 3.25 crore for cost of the event of one day on the ground that DD failed to fulfil its obligation of showing the match on National Channel which resulted in loss of revenue. DD, in August 1999 allowed a compensation of Rs 1.18 crore against the admissible compensation of Rs 7.91 lakh calculated by DD on the basis of opportunity cost. Higher compensation paid resulted in a loss of Rs 1.10 crore to DD.

2.2.12 Admission of irregular refund of Rs.5.87 crore

DD admitted incorrect refund of Rs 5.87 crore as production cost.

Observations regarding acquisition of rights, loss of revenue etc. relating to the World Cup Cricket 1999 event have already been made in para 2.2.3. A case of admission of irregular refund of Rs 5.87 crore was also noticed in audit. Prior to the award of the telecast rights to Nimbus, Stracon on the assumption that it would enjoy the right, had prepared some programme software and promotional material on its own without having been commissioned by DD. After the court awarded the marketing rights to Nimbus and Stracon was removed from the field, Stracon filed a claim in June 1999 for the reimbursement of expenditure incurred on these items. This was inadmissible but in August 1999 DD decided to admit the claims by interpreting these items as commissioned programmes. Although the amount is yet to be paid, the liability stands accepted. Investigation by audit revealed that payment of cost of production of live matches and highlights of World Cup Cricket 1999 did not arise as the telecast rights were awarded to Nimbus. In regard to payment of the cost of production of "Runup to World Cup 1999", the programme was never telecast hence there was no basis for the claim. In regard to the payment of cost of production of promos for World Cup Cricket 1999 these were telecast under the sponsored category wherein DD would have no liability towards cost of production. Thus by admitting the claims DD had allowed the irregular refund of Rs 5.87 crore.

2.2.13 Marketing without contract

DD allowed Stracon to market the highlights of Indo Pak Test Matches 1999 without any agreement.

In deviation from the Consortium arrangement DD procured rights of 10 daily Highlights of one-hour duration from ESPN for Indo Pak Test Matches held during January-February 1999 at a cost of US$ 95,000. Only eight highlights were telecast by DD and the prorata cost was worked out to US$ 76000. Stracon was allowed to market the event without any agreement or contract and without any SBR for the time used. Rs 12 lakh was realised from Stracon by adjustment against refunds allowed. Examination by audit however, brought out that DD was not in a position to furnish either telecast certificates or log book readings. It transpired that commercial time was not logged in. Thus while DD paid US$ 76,000 (excluding tax) equivalent to Rs 33.44 lakh to acquire the rights and Rs 4.85 lakh towards tax, it realised a revenue of only Rs 12 lakh from the agency resulting in a loss of Rs 26.29 lakh including the liability for tax.

2.2.14 Conclusion

It would be seen from the audit observations contained in the preceding paragraphs that the Consortium arrangement for both acquiring the rights and marketing the events was a failure. As has already been brought out in the preceding paragraphs the conceptual framework itself was flawed, the event specific agreements were deviant, the acquisition processes were manipulated, huge opportunity cost was foregone, dues remained unsettled and irregular payments were admitted. DD let itself be put to loss and failed to protect the best interest of the government. A summary of the magnitude of financial losses incurred by DD due to the reasons explained in the preceding paragraphs is as follows:

Rs in crore

1.	Mismanagement of commercial time (Para2.2.5)	46.05
2.	Mismanagement of commercial time (Unclaimed share of DD-World Cup Cricket 1999) (Para 2.2.5)	23.77
3.	Manipulations in acquisition of rights (Overseas rights acquired at a cost of US$ 6 million but sold for US$ 3 million – ICC Knockout Tournament 1998) (Para 2.2.3)	12.75
4.	Loss of opportunity cost (Para 2.2.4)	10.84
5.	Mismanagement of commercial time (Grant of telecast rights without an agreement-Pepsi Triangular Series-1999) (Para 2.2.5) Loss of Interest	8.69 1.56
6.	Non-payment of Rs 7.25 crore to DD (rights fee of Coca Cola Cup Sharjah-1999) (Para 2.2.6) Loss of Interest	7.25 1.49
7.	Admission of irregular refund of Rs 5.87 crore (cost of promotional material in respect of World Cup Cricket 1999) (Para 2.2.12)	5.87
8.	Loss due to irregular payment of withholding taxes (ICC Knockout Tournament 1998) (Para 2.2.9)	5.12
9.	Manipulations in acquisition of rights (Non recovery of rights fee from ESPN-Sri Lanka Independence Cup-1998) (Para 2.2.3)	3.83
10.	Loss due to lack of insurance cover (Sri Lanka Independence Cup 1998) (Para 2.2.7)	3.83
11.	Non Payment of Rs 3.22 crore towards income tax (Coca Cola Cup Sharjah 1999) (Para 2.2.6) Loss of interest	3.22 0.58
12.	Manipulations in acquisition of rights (Irregular refund in ICC Knockout Tournament 1998) (Para 2.2.3)	2.13
13.	Mismanagement of commercial time (Loss due to non-accountal of commercial time utilised during highlights) (Para 2.2.5)	1.47
14.	Loss due to payment of irregular compensation (Coca Cola Cup Sharjah 1999) (Para 2.2.11)	1.10
15.	Loss of interest (Para 2.2.6)	0.54
16.	Manipulations in acquisition of rights (Payment of rights fee by DD for additional match-Coca Cola Cup-1998) (Para 2.2.3)	0.30
17.	Marketing without contract (Highlights of Indo Pak Test Series 1999) (Para 2.2.3)	0.26
18.	Loss due to irregular payment of promotional expenses (ICC Knockout Tournament 1998) (Para 2.2.10)	0.23
	Total	**140.88**

2.3. Loss of Rs 25.44 crore due to undue benefit to the sponsors

2.3.1 Undue benefit to the sponsor of a news-based programme

DD allotted a five minutes programme on news from remote areas titled 'Ankhon Dekhi' to M/s Nalini Singh Associates in September 1996. It was scheduled to be telecast from October 1996 for six days a week from Saturday to Thursday at 8.55 p.m. to 9.00 p.m. on Metro Channel of DD under Super-A category.

In October 1996; Director General (DG), DD fixed its telecast fee at Rs 7,500/- with Free Commercial Time (FCT) of 50 seconds per episode on provisional basis on the grounds that Doordarshan Commercial Service (DCS) was in the process of revising rates of all channels and the agency was informed that regular charges would be intimated after three months. The programme went on air from 18 November 1996.

DD introduced its revised rates from 15 November 1996. According to these rates, telecast fee for half an hour programme of this slot was Rs 1.50 lakh with FCT of 150 seconds. Therefore, prorata fee and FCT for five minutes would be Rs 25,000/- and 25 seconds respectively. From 8 May 1997; the Daily News and Current Affairs programmes were allowed additional FCT of 30 seconds. Accordingly, additional prorata FCT for five minutes programme worked out to five seconds making total prorata FCT as 30 seconds. But the DG, DD continued to allow the low rates for one year on the ground that this would provide the time for building up the slot.

After one year DG, DD revised the rates and fixed the telecast fee as Rs 37,500/- and FCT as 40 seconds per episode from November 1997. Even this offered 10 seconds per episode extra beyond the prorata FCT of 30 seconds. The inadmissible extra time is valued at Rs 30,000 against extra telecast fee of Rs 12,500 per episode. Thus, an undue benefit of Rs 3.87 crore accrued to the sponsor up to May 2000 as follows:

Period		No. of episodes	FCT per episode (In seconds)			Value of excess FCT per episode @ Rs. 30,000 per 10 seconds	Undue benefit
From	To		Due	Allowed	Excess	Rs.	(Rs in lakh)
18.11.96	7.5.97	147	25	50	25	75000	110.25
8.5.97	17.11.97	147	25+5	50	20	60000	88.20
18.11.97	31.5.2000	782	25+5	40	10	30000	234.60
						Total 'A'	**433.05**

Telecast Fee

Period		**No. of episodes**	**Telecast fee per episode**			**Undue benefit**
From	**To**		**Due**	**Charged**	**Excess(+) Short(-)**	
			Rs.	**Rs.**	**Rs.**	**(Rs in lakh)**
18.11.96	17.11.97	294	25000	7500	(-)17500	(-)51.45
18.11.97	31.5.2000	782	25000	37500	(+)12500	(+)97.75
					Total 'B'	**(+)46.30**
Total undue benefit		**A-B**	**=Rs 433.05 lakh minus Rs 46.30 lakh =386.75 lakh**			

Further, the Controller of Sales, DD in February 1998 had observed that the programme was not sticking to the approved five minutes duration and had already utilised 4350 seconds extra beyond its five minutes duration between August 1997 to February 1998. The value of 4350 seconds utilised extra worked out to Rs 130.50 lakh at SBR of Rs 30,000/-per 10 seconds but DD raised bills in April 1998 only for Rs 112.72 lakh. The producer represented against it. Although, DG, DD did not find merits in the sponsor's arguments, yet he reduced the amount to 20 *per cent* i.e. Rs 22.54 lakh treating it as penalty. Even before this could be implemented, DD arbitrarily reduced the claim further down to Rs 1.87 lakh treating the excess time as five slots of 15 minutes each. The loss on this count worked out to Rs 1.29 crore.

DD also allotted another slot of 5 minutes at 1.25 p.m. to 1.30 p.m. to the producer for another news based programme 'Dopahar Ankhon Dekhi'. Its telecast started from 8 September 1998 for five days a week from Monday to Friday on National Channel of DD.

As per the rate card, the slot falls under 'B-category' with telecast fee of Rs 25,000 and FCT of 180 seconds for 30 minutes per episode with SBR of Rs 20,000/-. Accordingly, prorata fee and FCT worked out to Rs 4167/- and 30 seconds respectively per episode. But DD charged the telecast fee of Rs 12,500/- and allowed FCT of 90 seconds per episode. Thus DD sold the commercial time of 60 seconds (90 seconds – 30 seconds) at Rs 8,333/- (Rs 12,500 – Rs 4,167) against its commercial value of Rs 1,20,000/- at SBR of Rs 20,000 and sustained a loss of Rs 1,11,667/-(1,20,000-8,333) per episode. Thus in this programme DD suffered a loss of Rs 4.80 crore on 430 episodes run till 31 May 2000, while bringing in inadmissible benefits to the producer.

DD gave undue benefit of Rs 9.96

Overall total undue benefit of Rs 9.96 crore (Rs 3.87 crore plus Rs 1.29 crore plus Rs 4.80 crore) accrued to the producer up to May 2000 on both the programmes, and correspondingly the DD lost as much. Neither has any investigation into the matter been carried out by DD, nor has the DD replied to the observations of Audit as of February 2001.

2.3.2 Loss of revenue – India Sri Lanka One-day International Cricket series

Stracon India Pvt. Ltd, (Stracon), proposed to DD in October 1997 to market the live telecast of India-Sri Lanka One-day International Cricket Series (3 matches) scheduled on 22, 25 and 28 December 1997. The agency asked for FCT of 6000 seconds per match and agreed to pay licence fee, production cost and carriage fee equivalent to opportunity cost calculated as per norms of DD. This worked out to Rs 3.56 crore including Rs 1.56 crore opportunity cost, Rs 1.50 crore Rights Fee and Rs 0.5 crore production cost. Considering the revenue normally generated by telecast of live one-day cricket series, MG should be more than Rs 3.56 crore. As such DD considered levying MG of Rs 5 crore with FCT of 5000 seconds per match at spot-buy rates for the first innings and the second innings as Rs 90,000 and Rs 1,12,500 respectively.

However, after discussion among officers of Directorate General, MG was reduced to Rs 3 crore, taking opportunity cost as Rs 0.75 crore being 50 *per cent* of the actual opportunity cost. The ground for reduction in opportunity cost was that DD had to cover the event for its viewers and to make the proposal financially viable for the sponsor. Additional Secretary and Financial Advisor (Ministry of Information & Broadcasting) (AS&FA (MIB)) did not agree for reduction in opportunity cost and the Ministry also approved for recovery of entire amount of opportunity cost and for laying down conditions with regard to limitations on FCT and other conditions.

DD awarded the marketing rights for the series to the agency on MG of Rs 3 crore.

The file containing the approval of the Minister was withdrawn on the plea that with the formation of Prasar Bharati, it was Prasar Bharati alone, which had to decide the matter. The matter was discussed by Director General (DG) with Chief Executive Officer (CEO) in the presence of Deputy Director General (DDG)s and DD awarded the marketing rights for the series to the agency on MG of Rs 3 crore (net) and instead of limiting the commercial time to 5000 seconds, maximum time was made available for commercial purposes subject to the condition that the live telecast should not be affected in any manner. Five minutes of commercial time was also allowed before and after each innings. DD's share of revenue was to be calculated @ Rs 60,000/- per 10 seconds instead of Rs 90,000 and Rs 1,12,500 respectively for the first and the second innings as was proposed. The revenues generated in excess of MG amount was to be shared between DD and the agency in the ratio of 70:30 on net basis. Only two out of the three matches were telecast while the match scheduled for 25 December 1997 was abandoned after bowling of five overs.

The *pro rata* MG for the two matches telecast works out to Rs 2 crore on the basis of MG of Rs 3 crore for which the rights were awarded. DD incurred expenditure of Rs 3.20 crore in telecasting these matches. This resulted in a loss of Rs 1.20 crore due to the fixing of lower MG.

Further, there was a loss in revenue sharing. As per DD Rate Card, live telecast of International Sports events/highlights fall under 'A- Special' category and attract spot-buy rate of Rs 70,000/- per ten seconds. The gross value of commercial time of 12655 seconds, excluding branding charges and the commercial time utilised during highlights, works out to Rs 885.85 lakh and DD's net share of Rs 587.08 lakh (inclusive of MG amount) against which the agency paid only MG amount of Rs 2 crore (net) resulting in a loss of Rs 3.87 crore on the telecast of 2 matches.

Total loss to DD on account of lower MG and reduced share of revenue worked out to Rs 5.07 crore (Rs 1.20 crore plus Rs 3.87 crore).

The losses would even be more if revenue generation statements and details of commercial time consumed are analysed further. Such analysis could not be undertaken by audit as revenue generation statements and the details of total commercial time consumed by the agency in one hourly highlights were neither submitted by the agency nor called for by DD although a period of more than two years had already elapsed since the event was held. On being pointed out by Audit, DD has now called for the same.

2.3.3 Loss of revenue due to undue benefit to the sponsor

Nimbus Communications sponsored a film-based programme, 'Super Hit Muqabla' from 1993 at the Sunday 9.00-10.00 PM slot on Metro Channel of DD. The sponsor submitted in March 1995, a proposal to DD for availing the facility of the Minimum Guarantee Scheme introduced by DD. The proposal sought 655 seconds of commercial time including 180 seconds of FCT, against a MG of Rs 40 lakh per episode to DD. While accepting the MG offer of Rs 40 lakh (including telecast fee), the DD agreed for only 560 seconds of commercial time including 180 seconds of FCT. DD maintained that commercial time was valued at premium for calculating the MG. (Calculated at premium the value of Additional Spots of 380 seconds (560-180) of commercial time worked out to Rs 32.94 lakh and by adding the sponsorship fee of Rs 6.80 lakh the total would come to Rs 39.74 lakh. So DD accepted the MG at Rs 40 lakh by providing 560 seconds of commercial time). As the agency did not agree for 560 seconds, DD re-examined the request of the agency for the grant of 655 seconds and made it clear in July 1995 that it would get only 560 seconds of commercial time per episode against the MG of Rs. 40 lakh.

DD allowed commercial time of 655 seconds per episode against the admissible 560 seconds to sponsor of the programme.

The sponsor, in turn, persisted with its own calculation of commercial time at the flat rate of Rs 70,000 per 10 seconds and arrived at a figure of Rs 33.25 lakh for 475 seconds (655-180) to which it added the sponsorship fee of Rs 6.80 lakh to offer the all inclusive MG of Rs 40 lakh per episode. The calculation of sponsor was not in conformity with the prevalent rate structure and any relaxation in favour of the sponsor would result in benefiting the sponsor at the expense of DD's revenue. In fact DD had already charged these rates (premium rates) for another super 'A' category serial 'Junoon' and thus there was no case for relaxation of the norm in this case. But still DD accepted in September 1995 to allow 655 seconds against MG of Rs 40 lakh. Evidently by using flat rate basis the sponsor adopted a tactic to extract more benefit than the scheme contemplated. The valuation of 655 seconds as per the rate structure computes to Rs 53.85 lakh. Even by excluding the FCT of 180 seconds the value of 475 seconds (655-180) of commercial time comes to

Rs 41.25 lakh and by adding the sponsorship fee of Rs 6.80 lakh the total comes to Rs 48.05 lakh against a MG of Rs 40 lakh charged in this case. The sponsor thereby gained Rs 8.05 lakh per episode.

The decision of allowing the sponsor Nimbus Communications, the use of 95 seconds of additional commercial time per episode resulted in giving undue benefit of Rs 8.05 lakh per episode for 56 episodes telecast during September 1995 to October 1996. The total undue benefit to the sponsor on this account works out to Rs 4.51 crore. DD revised the MG amount and spot buy rates upwards from November 1996, and the sponsor continued with the serial till 30 November 1997, when the programme finally ended. Examination of records of outstanding bills for the period from January 1997 onwards revealed that the sponsor was yet to pay Rs 5.50 crore out of Rs 23.16 crore billed by DD for 47 episodes run during 1997. Interest on this outstanding amount worked out to Rs 3.04 crore as of September 2000

Audit reported the matter to the Ministry in January' 1997. The Ministry in their reply of March 1997 had not contested the facts and figures mentioned in the observation.

2.3.4 Undue benefit to a sponsor

The DG, DD approved telecast of 'Janmabhoomi' a non-film based serial produced by Rainbow Productions Private Limited from 14 January 1997. The DG, DD further approved telecast of 'Khaskhabar' a news and current affairs programme produced by the same sponsor from 5 October 1998. DD telecast the programmes on both DD-1 and DD-7 channels. The Director, DDK extended undue financial benefit of Rs 3.02 crore to the sponsor in these two programmes as detailed in the succeeding paragraphs.

(i) Undue benefit of Rs 1.78 crore to the sponsor by excess grant of FCT

Director, DDK allowed the sponsor to utilise banked FCT in excess of admissible limits.

(a) As per rate card, for a daily serial, five telecast days per week is considered as one episode and a sponsor can utilise upto 100 seconds of banked FCT per episode. The DG, DD enhanced the duration of the serial 'Janmabhoomi' from 30 minutes to 45 minutes with effect from 19 January 1998 in DD-1. Due to increase in duration the Controller of Sales, Prasar Bharati enhanced the banked FCT utilisation limit to 150 seconds in April 1998. But the Director, DDK allowed the sponsor to utilise banked FCT in excess of the admissible 100 and 150 seconds in 36 episodes of Janmabhoomi consisting of five days of telecasts in contravention of the rate card resulting in undue benefit of Rs 1.25 crore to the sponsor as detailed below:

Channel/time	Period	No. of episodes	Admissible FCT (Seconds)	FCT utilised (Seconds)	Excess FCT utilised (Seconds)	Rate per 10 seconds (in Rs)	Total amount (Rs in lakh)
DD-1 6.20 p.m	24.2.97 to 19.11.99	30	87705	102175	14470	7500	108.53
DD-7 8.30 p.m	24.2.97 to 18.9.98	6	6060	9695	3635	4500	16.36
					Total		124.89

(b) The news and current affairs programme Khaskhabar started telecast on the DD-1 and DD-7 channels from 5 October 1998. As per commercial terms approved by Doordarshan Commercial Service (DCS) in August 1998, the programme would have continuous banking of unutilised FCT with a proviso that no single telecast would go beyond the admissible FCT plus 50 seconds of banked FCT.

The Director, DDK did not maintain any register of Banking of FCT in respect of Khaskhabar. However, it was noticed from the logbook that during December 1998 to March 2000 the sponsor in 208 episodes enjoyed the benefit of excess utilisation of banked FCT ranging from 5 seconds to 245 seconds in contravention of norms approved by the DCS.

Director, DDK did not charge additional fees at prescribed rate for the use of excess commercial time.

But the Director did not charge the sponsor additional fees at prescribed rate for the use of excess commercial time. This resulted in undue benefit of Rs 52.70 lakh to the sponsor during December 1998 to March 2000 in DD-1 and DD-7 calculated on the basis of the spot buy rate approved by DCS in August 1998 as shown below:

Channel	Period	FCT admissible (Seconds)	FCT utilised (Seconds)	Excess FCT utilised (Seconds)	Rate per 10 seconds (in Rs)	Value of excess FCT (Rs in lakh)
DD 1	19.3.99 to 30.3.2000	23920	27445	3525	5000	17.62
DD 7	11.12.98 to 21.11.99	20930	28725	7795	4500	35.08
				Total		52.70

(ii) Short levy of Rs 80.15 lakh in sponsorship fee in a repeat programme

Director, DDK did not charge 50 *per cent* premium on sponsorship fee for repeat telecast on DD-I.

(a) As per rate card if any programme is repeated from DD-7 to DD-1 50 *per cent* premium will be added to sponsorship fees of the slot for DD-1 with no change in FCT. The daily serial, Janmabhoomi was first telecast on DD-7 on 14 January 1997 and repeated on DD-1 from 15 January 1997.

The Director did not charge premium for repeat telecast of this serial on DD-1 from the very first episode. This resulted in short levy and consequential loss of revenue to the tune of Rs 72.12 lakh as shown below:

Period	Duration	No. of telecasts	Sponsorship fees per day of telecast		Short-levy (Rs)	Total short levy (Rs in lakh)
			Chargeable (Rs)	Charged (Rs)		
1st to 52nd Episode (15.1.97-16.1.98)	30 minutes	213	15000+7500 =22500	15000	7500	15.98
53rd Episode onwards (19.1.98-31.3.2000)	45 minutes	499	22500+11250 =33750	22500	11250	56.14
					Total	**72.12**

Director, DDK did not charge 25 *per cent* premium on sponsorship fee for repeat telecast on DD-7.

(b) As per provisions of the rate card, if a programme is repeated from DD-1 to DD-7 a premium of 25 *per cent* is to be paid in addition to the sponsorship fee of Rs 5000 for 10 minutes programme and Rs 10000 for 20 minutes programme on DD-7 with no change in FCT. The news-based programme, Khaskhabar, which began to be telecast on 5 October 1998 is first telecast on DD-1 and subsequently repeated on DD-7 on the same day.

The Director did not charge premium for repeat telecast of Khaskhabar on DD-7 resulting in short levy or sponsorship fees of Rs 8.03 lakh as shown below:

Period	Duration	No. of telecasts	Sponsorship fees per day of telecast		Short-levy (Rs)	Total short levy (Rs in lakh)
			Chargeable (Rs)	Charged (Rs)		
5.10.98 to 19.12.99	10 minutes	436	5000+1250 =6250	5000	1250	5.45
20.12.99 to 31.3.2000	20 minutes	103	10000+2500 =12500	10000	2500	2.58
					Total	**8.03**

(iii) Grant of excess concession in Minimum Guarantee Scheme resulted in loss of Rs 44.44 lakh

In minimum guarantee scheme, the sponsor can avail of concession on the rate of additional spot buy time at the rate of 35 *per cent* from first episode, at the rate of 30 *per cent* from 14th episode and at the rate of 25 *per cent* from 27th episode. Thereafter the rate is fixed at the discretion of DD.

Khaskhabar, which was telecast from 5 October 1998 on DD-7, came under this scheme from 20 September 1999. But the Director, DDK allowed the sponsor 35 *per cent* concession on the rate of additional spot buy time though by that time more than 40 episodes had already been telecast. Further, though the programme was telecast in prime time slot, the Director charged the rate of additional spot buy time for non prime time slot. This resulted in loss of Rs 44.44 lakh as detailed below:

Period	Duration	No. of days	Cost of Additional Commercial Time		Short levy	Total short levy
			Chargeable (Rs)	Charged (Rs)	(Rs)	(Rs in lakh)
20.9.99 to 19.12.99	10 minutes	91	35438	20475	14963	13.62
20.12.99 to 31.3.2000	20 minutes	103	70875	40950	29925	30.82
					Total	44.44

Thus, the total undue benefit given to the sponsor amounted to Rs 3.02 crore as detailed in table below:

Particulars	Amount (Rs in Crore)
Excess grant of FCT	1.78
Short levy of sponsorship fee in a repeat programme	0.80
Grant of excess concession in Minimum Guarantee Scheme	0.44
Total	3.02

2.3.5 Undue benefit allowed to the sponsor of the programme 'India the Awakening'

DD telecast a sponsored programme titled 'India the Awakening' of 5 minutes duration from 18 August 1997 for five days a week at 9.20 p.m. on its National Channel in 'News and Current Affairs' section.

DD did not charge prorata for a five minutes programme.

The 9.20 p.m. slot falls under 'Super-A' category for which the telecast fee was Rs 3.00 lakh per episode with FCT of 90 seconds and additional FCT of 30 seconds for a 30 minutes programme. Therefore, pro-rata telecast fee and FCT for a five minutes programme worked out to Rs 0.50 lakh and 20 seconds respectively per episode.

DD charged telecast fee of Rs 37,500 and allowed FCT of 45 seconds instead of following *pro rata* rates. The basis for charging lower telecast fee was not on record. It was an arbitrary executive decision taken on the face of the fact that the *pro rata* option was very much available. Thus, an undue benefit of Rs 2.125 lakh was granted to the sponsor in each episode by charging lower telecast fee and allowing higher FCT. 98 episodes were telecast upto January 1998 and the undue benefit amounted to Rs 2.08 crore.

Besides, bills amounting to Rs 3.38 lakh were not raised against the agency for 9 episodes telecast in August-September 1997.

The department stated in September 2000 that DD had considered charging pro-rata fees for such programmes and a structured Rate Card had been developed and was being implemented. It also stated that bills for 9 episodes would be raised on obtaining confirmation of telecast from the Kendra.

On verification it was noticed that the *pro rata* rate card was issued only in September 2000 even though the need for the rationalisation of rates on *pro rata* basis was emphasised repeatedly in audit. Delay in the introduction of *pro rata* rates, resulted in allowing undue benefit of Rs 2.08 crore to the sponsor at the expense of the Government.

2.3.6 Undue benefit to a feature film sponsor

DG Doordarshan entered into an agreement on 16 January 1997 with Multi-channel (India) Limited for telecast of a Hindi feature film 'Sadma' on Channel–I of DD on 25 January 1997 at 9.30 PM. As per terms and conditions of the contract Multi-channel was entitled for 2100 seconds of commercial time subject to the condition that Multi-channel would not market the same below the following rates :

(i) 700 seconds during the first hour of feature film at the rate of Rs 1.20 lakh per ten seconds.

(ii) 700 seconds during the second hour of feature film at the rate of Rs 0.75 lakh per ten seconds.

(iii) 700 seconds during the third hour of feature film at the rate of Rs 0.50 lakh per ten seconds.

The agreement also provided that agency would adhere to the commercial time as above; and in case it exceeded in any slot the rate would be charged at three times the rate for first hour slot i.e. Rs 3.60 lakh per 10 seconds. The agreement further laid that total revenue would be shared between DD and Multi-channel in ratio of 70:30 subject to a MG amount of Rs 100 lakh (net) of the agency commission irrespective of the total revenue.

The agency utilised excess commercial time of 205 seconds.

The film was telecast on Channel–I of DD on 25 January 1997 at 9.30 PM to 12.30 AM and Multi-channel utilised 700, 905 and 700 seconds of commercial time during the first, second and third hour respectively i.e. it exceeded the limit by 205 seconds in second hour. The gross value of permissible commercial time of 2100 seconds worked out to Rs 171.50 lakh and those of 205 seconds consumed extra worked out to Rs 73.80 lakh at higher rate of

DD's share worked out to Rs 175.95 lakh but it billed the agency only Rs 100 lakh.

Rs 3.60 lakh per 10 seconds. Thus the gross revenue was Rs 245.30 lakh (171.50 + 73.80). Out of this, DD's share at 70 *per cent* of the amount arrived after allowing 15 *per cent* agency commission worked out to Rs 175.95 lakh including M.G. Against this, DD raised bills only for Rs 122.96 lakh in two instalments, one for Rs 100 lakh against the permissible commercial time of 2100 seconds and the other for Rs 22.96 lakh for 205 seconds utilised in excess of permissible commercial time.

However, the sponsor approached Deputy Director General (DDG) and obtained a letter from him for lenient view. In view of this, DD allowed extra commercial time of 205 seconds to be adjusted against its short utilisation in an earlier film 'Karz' by the agency and cancelled the bill of Rs 22.96 lakh. The reason of allowing this adjustment was given that the film 'Karz' was telecast on 10 November 1996 just at two day's notice.

The adjustment of extra commercial time utilised in film 'Sadma' against its short utilisation during telecast of earlier film 'Karz' was not justified as the commercial terms for telecast of 'Karz' were already relaxed on the ground of short notice. For this film, the MG was lowered to Rs 50 lakh against the usual charges of Rs 100 lakh and the requirement of 25 *per cent* of its payment in advance was also waived. Not only this, but a concession of 20 *per cent* on the spot buy rate was also allowed. In addition, the sharing of revenue between DD and agency was also reduced to 60:40. When the matter was referred to DD, it reiterated its stand and added that agency might have not been able to sell the commercial at the rates at which Audit made calculations. The reply of DD is not tenable because as per provisions of DD manual, no agency can sell commercial at a rate lower than those of DD's rates and with such an exorbitant relaxation, the agency in fact got 43.28 *per cent* of the revenue of Rs 1.26 crore generated from the film as per practice for commercials of 1615 seconds.

Thus, against its share of Rs 175.95 lakh, DD billed Multi-channel for Rs 100 lakh only entailing an undue benefit of Rs 75.95 lakh to the agency.

2.4 Loss of Rs 9.44 crore due to late booking of satellite

2.4.1 Loss of revenue in the telecast of India-Sri Lanka cricket series

DD acquired exclusive terrestrial telecast rights for the territory of India and the exclusive cable and satellite rights for the entire territory of Asia from World Tel Inc. USA for telecast of India-Sri Lanka cricket series held in Sri Lanka from 2 to 24 August 1997. These rights covered live telecast of two test matches, three one day Internationals and one hourly highlights of both the events for a license fee of US$ 1.4 million (net) equivalent to Rs 5.04 crore at Rs 36/- a US dollar. While the test matches were to be televised on DD-II, the one-day international matches were to be televised on both DD-I and DD-II.

DD gave exclusive marketing rights to World Tel Sports India Pvt. Ltd, an Indian affiliate of World Tel. Inc. This agency awarded it further to UTV.

DD awarded exclusive marketing rights to World Tel Sports India Pvt Ltd on a minimum guarantee of Rs 6.75 crore.

The World Tel. Sports India Pvt. Ltd. was to pay a MG of Rs 6.75 crore to DD which covered the rights fee, production cost and the opportunity cost. DD's agreement with the agency also stipulated that it would share revenue in excess of Rs 6.75 crore on 50:50 basis. The MG of Rs 6.75 crore was firm and not subject to any refund if the event matches were cancelled due to inclement weather etc. World Tel or their assigned marketing agency was to furnish to DD an irrevocable bank guarantee of Rs 6.75 crore on or before 9 August 1997. The bank guarantee was to remain valid for a period of six months.

DD incurred an expenditure of Rs 6.32 crore on acquiring the signals the breakup of which was Rs 5.04 crore on license fee, Rs 75.60 lakh as 15 *per cent* tax on license fee and Rs 52 lakh as cost of up linking the signal at Sri Lanka and down linking it at Delhi. It excluded the cost of bringing the signal from site to uplink station in Sri Lanka. Besides this, DD worked out an opportunity cost of Rs three crore for the event.

A scrutiny of the case revealed the following:

(a) Rights fee of Rs 5.04 crore (net) paid for live telecast of two test matches and three one day Internationals was very high particularly in view of the facts that DD had felt that the five day long test matches might not attract much viewer-ship interest, besides very limited commercial potential and it had initially offered rights fee of Rs 1.5 crore for three one day International matches and highlights thereof.

(b) DD worked out opportunity cost as Rs three crore for the events to be telecast, but took into account as Rs 1.75 crore only while fixing the MG. No reason was recorded for doing so. Further, technical charges amounting to Rs 52 lakh (excluding cost of bringing the signal from site to the uplink station in Sri Lanka) and income tax component of Rs 75.60 lakh were also not taken into account while fixing the MG.

(c) While no revenue was generated from live telecast of two test matches of five days and high lights thereof as well as high lights of one day matches, Rs 7.16 crore (net after 15 *per cent* agency commission) were generated from live telecast of three one day International matches.

DD missed telecast of commercials worth Rs 4.16 crore due to late booking of satellite.

(d) Commercials of 4770 seconds worth Rs 4.16 crore were missed because of non-telecast for which DD allowed a rebate of Rs 2.08 crore to the marketing agency. The reason of non-telecast was indicated as "due to DD's exigencies". But the examination of records showed that the commercials could not be televised due to non-availability of satellite. This happened because of delay in finalising the proposal as the decision to take the satellite up-linking was taken at a very late stage. Since INTELSAT bookings are done on first come first served basis, booking was required to be done sufficiently in advance for getting an assured time slot for covering events like cricket matches. For the three one-day matches booking of satellite was done only on 4 August 1997. As such some of the time slots requested were not available due to prior commitments. After allowing above rebate DD share worked out to be Rs 4.87 crore against the MG of Rs 6.75 crore, but it claimed only Rs 4.67 crore.

(e) The third one-day match played on 23 August 1997 was abandoned after 41st over of second innings and was replayed the next day. A total of 2200 seconds of commercials worth Rs 2.27 crore telecast on 23 August before abandonment of the match was not billed since DD was of the view that same commercials were repeated on 24 August 1997, so commercials which were run during full match on 24 August 1997 only were accounted. This reply is not tenable because commercials run on earlier day i.e. 23 August 1997 had served the purpose of "Commercial" even if these were repeated next day.

Thus, DD could get only Rs 4.67 crore against the expenditure of Rs 9.32 crore (Rs 6.32 crore on acquiring signals and the opportunity cost of Rs 3 crore). This resulted in a loss of Rs 4.65 crore excluding loss of Rs 1.14 crore due to non-billing of DD's share of commercials telecast on 23 August 1997. Thus a total loss to DD amounted to Rs 5.79 crore.

2.4.2 Wimbledon 1997 – Loss due to negligence

DD awarded the marketing rights to M/s Stracon India Ltd at MG of Rs 3.03 crore.

DD acquired telecast rights for Wimbledon tennis tournament held in July 1997 at US $ 2.47 lakh (including component of income tax at 30 *per cent*) equivalent to Rs 0.89 crore at Rs 36 per US dollar. After calling bids, DD awarded exclusive marketing rights to the highest bidder M/s Stracon India Ltd. at MG of Rs 3.03 crore (gross).

DD delayed the booking of satellite time and allowed a reduction of Rs 1.64 crore in MG to the agency.

DD was to telecast the match from 1 to 6 July 1997 but they telecast it only from 3 to 6 July 1997. Accordingly, the agency sought reduction of Rs 1.01 crore in the MG amount to compensate the loss of revenue due to loss of opportunity. DD allowed a reduction of Rs 1.64 crore in MG based on the value of commercials booked for 1 and 2 July 1997 due to non-availability of satellite on these days. However, from the records it was observed that Director General, Doordarshan (DG) had decided on 15 May 1997 that the matches would be telecast on 1 to 6 July 1997 and accordingly DDK was required to book satellite time which is provided on first come – first served basis. DDK delayed the process and sought satellite time only on 24 June, 1997. By that time the required satellite time slot was not available and the earliest slots were available from 3 July 1997. DD, therefore, could not carry the live telecast on 1 and 2 July. Had prompt action been taken on the orders of DG, occasion for loss due to reduced MG would not have arisen. Further, DD allowed a relief of Rs 0.13 crore to the party on account of missed spots and without verification with reference to logbook which did not corroborate the missing spots.

The cue sheets which show the use of commercial time showed that the agency utilised a total of 10360 seconds of commercial time in the matches telecast from 3 to 6 July 1997 and paid only Rs 1.07 crore. The value of 10360 seconds on the basis of slot wise spot buy rates worked out to Rs 4.87 crore.

Thus, the gross revenue due was Rs 6.64 crore and DD's net share inclusive of MG was Rs 4.72 crore, against which the agency paid only Rs 1.07 crore. When pointed out by Audit, DD revised the gross revenue to Rs 3.85 crore and raised a further claim of Rs 1.54 crore but did not confirm its receipt. This leaves Rs 2.11 crore still unclaimed. The basis on which gross revenue was calculated as Rs 3.85 crore instead of Rs 6.64 crore is not apparent as no records could be produced.

Thus, DD has so far lost Rs 3.65 crore in this case due to negligence in booking satellite time and errors in verification of log books and cue sheets.

2.5 Loss due to short-accounting of commercial time

2.5.1 Bangladesh Independence Cup

DD entered into a tripartite agreement for the telecast of Bangladesh Independence Cup.

DD decided to telecast live on its network Bangladesh Independence Cup (Coca Cola Cup-1998), a cricketing event, held at Dhaka during January 1998. DD procured telecast rights of the event by entering into a tripartite agreement on 3 December 1997 with M/s Stracon an Indian agency, and M/s World Tel Inc. West Part USA (M/s World Tel), the original holders of telecast rights on following terms:

(a) Stracon would pay the right fee of US$ 2.0 million to M/s World Tel (net of taxes).

(b) DD would pay £ 20,000 to M/s World Tel towards uplinking charges. DD would also pay space segment cost to PanAm Sat @ US$ 650 per hour for the usage of satellite.

(c) Stracon would become the sole marketing agent by paying the full rights fee solely by itself.

(d) Event would be deemed as a DD marketing event and commercial schedule would not interfere with live matches.

(e) Spot Buy Rate (SBR) was fixed at Rs 90,000 per ten seconds.

The agreement provided the sharing of revenue between DD and agency in the following manner :

(a) First Rs 111 lakh (net) was to be credited to DD towards opportunity cost.

(b) Next rupee equivalent of £20,000 and actual payment towards space segment cost was also to be credited to DD.

(c) Next rupee equivalent of US$2.0 million (net) was to be recovered by Stracon towards license fee.

(d) Balance revenue, if any, was to be shared between DD and Stracon in the ratio of 70:30 net.

Audit found that the Controller of Sales revised in January 1998 the fixed SBR of Rs 90,000 per ten seconds to three tier SBR at Rs 90,000, Rs 76,500 and

Rs 63,000 per ten seconds without the approval of Director General (DG), DD.

According to DD telecast certificates, the agency utilised commercial time of 27852 seconds whereas the agency accounted for only 13440 seconds.

According to DD telecast certificates, the agency utilised commercial time of 27852 seconds. DD also observed that due to too much commercials, first ball of most of the overs could not be shown in contravention of provision of the agreement that commercial schedule would not interfere with live matches. But the agency accounted for only 13440 seconds and exhibited revenue generated as Rs 10.66 crore (gross) on three tier SBR and showed deficit instead of surplus while gross revenue for 27852 seconds worked out to Rs 25.07 crore at Rs 90,000 per ten seconds. Accordingly, though the agency worked out DD's 70 *per cent* share of surplus revenue as NIL, it actually worked out to Rs 8.34 crore.

Audit further observed that as per Memorandum of Undertaking (MOU) the agency was to credit (i) Opportunity cost (Rs 1.11 crore), (ii) Uplinking charges (Rupee equivalent of British £ 20,000) and (iii) Space segment cost for using satellite PAS-4 (Rupee equivalent of US$ 37,375) to DD's account and pay the rights fee (Rs 8.00 crore) direct to M/s World Tel by charging these expenses to the revenue generated. But the agency did not make provision for recovery of space segment charges of US$ 37,375 (equivalent of Rs 0.15 crore at Rs 40/- per US$) and also did not credit DD by £ 20,000 (0.14 crore) for uplinking charges, while charging various expenses to revenue generated from the event.

DD intimated in January 2001 that it had received payment of Rs 111 lakh, Rs 1.91 lakh received on 07 September 1998 and Rs 109.09 lakh on 09 February 1999 from the agency. Out of its total share of Rs 9.74 crore being total of Rs 1.11 crore as opportunity cost, Rs 0.14 crore as uplinking charges, Rs 0.15 crore as space segment cost and Rs 8.34 crore as 70 *per cent* of share of surplus revenue. DD only got Rs 1.11 crore and suffered a loss of Rs 8.34 crore due to short accountal of commercial time and the agency had not made provision for space segment charges of Rs 0.15 crore and also had not credited to it by Rs 0.14 crore for uplinking charges. In sum, DD failed to raise the balance claim of Rs 8.63 crore even after a lapse of three years of telecast of an event.

2.5.2 Loss due to incorrect billing

Without executing an agreement, DGDD awarded the marketing rights for telecast of French Open Tennis Tournament 1997 from 5 June to 8 June 1997 to a party on payment of MG equivalent to telecast fee applicable as per slots allotted on DD-I and DD-II. As per award letter, DD and the agency were to share the revenue generated from commercials beyond admissible FCT at applicable spot-buy rates in the ratio of 70:30 after deducting 15 *per cent* agency commission. DD raised a net demand of Rs 45.99 lakh against the agency i.e. Rs 41.74 lakh as net MG and Rs 4.25 lakh (net) as DD share for utilising 90 seconds in excess of FCT. The agency paid it in four instalments during June 1997 to November 1997.

Log Book of DD for the said event, however, revealed that the agency actually utilised 725 seconds of extra commercial time and not 90 seconds as billed by DD. DD's share for the same worked out to Rs 32.13 lakh.

Besides, the MG with reference to actual time slots used for the event worked out to Rs 44.07 lakh (net).

Due to raising of the incorrect demand, DD had foregone Rs 30.21 lakh.

Thus total revenue due to DD was Rs 76.20 lakh (Rs 32.13 lakh for extra time utilised + Rs 44.07 lakh, the telecast fee). Against this, DD demanded and received only Rs 45.99 lakh forgoing Rs 30.21 lakh in the process.

DD stated in August 2000 that calculation of gross telecast fee was based on actual time slot on DD-1 and DD-2 indicated by telecast certificates issued by DDK and that agency had used 60 seconds of extra commercial time while DD charged for 90 seconds.

Reply of DD is not correct as the extra time compiled by Audit is based on the entries of the log book of DD and the figures have been cross checked and certified by the Duty Officer, DDK. Evidently the figures on the basis of which the claim was preferred are manipulated. An indication of the manipulation is apparent from the DD's reply itself, which advances the specious argument that DD actually claimed and got paid for 90 seconds, while the party had used only 60 seconds. Had the basis been the actual entries in the logbook no difference on this count would have arisen. The brazen manner in which manipulations are being defended, point at the possibility of existence of organised complicity.

2.6 Loss due to faulty decision

DD in May 1995, modified the rates for the marketing of commercial time on its international channel. Accordingly it fixed the sponsorship fee for repeat programmes telecast on international channel at Rs 5,000 per half an hour with FCT of 90 seconds. Additionally, it also provided FCT of 30 seconds to the sponsor which the sponsor could bank and utilise in other national channels within seven days, without considering the impact it would have in using up the higher-priced commercial time available for marketing in national channels. The additional facility was subsequently withdrawn in August 1996.

The impact of the decision of providing additional FCT with banking facility for the period May 1995 to August 1996 was worked out in audit. It was found that during this period the sponsors of 594 episodes of DD-produced programmes telecast on national channels had encashed 12950 seconds by invoking the banking facility. Valued at the spot buy rate of Rs 15000 per 10 seconds this amounts to Rs 1.94 crore. In comparison DD earned only Rs 29.37 lakh. Low earning by DD was due to the reason that 12950 seconds of available commercial time was used up by the sponsors by encashment of

DD incurred a loss of Rs 1.94 crore due to encashment of accumulated unused time of international channel on national channels.

the accumulated unused time of international channel, taking advantage of the banking facility. Had this commercial time been marketed by DD, it would have earned Rs 1.94 crore at the spot buy rate of Rs 15000 per 10 seconds. Thus, due to the faulty decision, DD incurred a loss of Rs 1.94 crore. It was further observed that out of 12950 seconds of banked time encashed by the sponsors 2190 seconds valuing Rs 32.85 lakh should have been disallowed as these were used after seven days.

DD in reply to the audit observation accepted the facts but stated in September 1999 that since the international channel was likely to take time to establish itself, attractive package was offered to make the channel a success. The reply is not tenable in as much as the intention of the Government in the first place was not to stabilise the international channel at the expense of its revenue-earning national channels, and secondly the additional facility was eventually withdrawn after exposing the system to manipulation.

2.7 Loss of revenue in telecasting a commissioned programme on sponsorship

A 13 episode commissioned programme "Anugoonj" was telecast by DD on Channel I from 6 March 1997 on every Thursday in the 9.30 P.M. slot which falls under Super-A category. After running three episodes, DD telecast the remaining ten episodes on sponsorship basis from 27 March 1997. The last episode was telecast on 29 May 1997.

By lowering category of the programme, DD allowed undue benefit of Rs 22 lakh to the sponsor.

The Rate Card of DD provides for charging a telecast fee of Rs three lakh with FCT of 120 seconds per episode for commissioned programme run on sponsorship basis under Super-A category. But instead of charging that rate, DD lowered the category of the slot for this programme to 'A-special' and charged the rates for this category. The rates for this category are : telecast fee of Rs two lakh with FCT of 120 seconds per episode. Besides lowering the category, DD increased the FCT from 120 seconds per episode to 150 seconds per episode when five episodes had run on sponsorship. Thus, besides lower telecast fee; the sponsor enjoyed additional FCT of 30 seconds per episode for remaining five episodes without paying any additional fee for this. Therefore, the sponsor got an undue benefit of Rs 22 lakh as per details given below:

1.	Loss in telecast fee @ Rs One lakh per episode for 10 episodes	Rs 10 lakh
2.	Loss of value of FCT a) In five episodes additional FCT allowed = 5x30=150 seconds. b) Value of 150 seconds at Rs 80,000 per 10 seconds = $\frac{150}{10}$ x 80000	Rs 12 lakh
	Total	**Rs 22 lakh**

An examination of the records showed that DD had taken the plea for lowering the category of slot that the programme was pitted against a popular serial "Hindustani" at the same slot on DD-2. The record further showed that FCT was increased at the request of the agency due to the reason that it was a good thing if commissioned programmes were sponsored. These reasons are not tenable because it was DD who decided the slot for the telecast of the programme and they could have easily avoided pitting of slot against a popular serial.

While admitting the facts, the Ministry stated in February 2001 that in deciding the commercial rates of the programmes, the endeavour of DD is to recover the maximum revenue from the commissioned programmes by giving some concessions so that they may earn something rather than nothing. This argument is not tenable as the point at issue is grant of benefit beyond the commercial rates at the expense of DD.

2.8 Non-recovery of dues from advertising agencies

As per provisions contained in DD Manual and the Rate Card prescribed by Ministry, fees are collected by DD from accredited agencies for sponsored programmes and from advertising agencies for commercials, as listed below:

(a)	Sponsored programmes	Fees payable by accredited agencies
		(i) Sponsorship fee (ii) Fees for Additional Spot Buy under "Minimum Guarantee" (iii) Spot Buy Fee for extra commercial time (iv) Branding Fee
(b)	**Commercials**	**Fees payable by advertising agencies**
		(i) Sponsorship fee for films – Rs 2,00,000/- (with 60 Seconds Free Commercial time) (ii) Branding fee (iii) Spot Buy Fee for extra commercial time

The Directorate General, Doordarshan (DGD), New Delhi transferred the collection of commercial revenues from the advertising agencies to the regional Kendras effective from January 1995. The agencies had, however, the option to pay both at New Delhi and at the Kendra till December 1998. Afterwards, the DGD, New Delhi entrusted collection of revenues solely to the Kendras.

According to the Manual, DD is to submit monthly bills and payment is to be made by the accredited agencies within 60 days from the first of the month, following the date of telecast. If the accredited agencies fail to make payment of monthly bills by the due date on more than three occasions in a year or within 45 days after expiry of credit period, it shall automatically lose its accredition. DD is also entitled to charge interest at 18 *per cent per annum* on all such defaulted amounts.

2.8.1 Outstanding dues at Doordarshan Kendra, Mumbai

Audit found that the system of billing and collection at the DDK, Mumbai was deficient and outstanding dues from the agencies remained unreconciled for long. The outstanding dues up to March 2000 as audit could ascertain from the records of DDK, Mumbai, were Rs 16.98 crore inclusive of interest as of July 2000 and arrears of Rs 9.11 crore for period upto December 1998.

Absence of proper billing and collection system resulted in outstanding dues of Rs 16.98 crore as of March 2000.

Audit noticed that 15 out of 44 agencies having outstanding dues during January 1999 to March 2000 who defaulted in payment on more than three occasions in a year should have lost their registration on account of persistent default, per rules. Yet neither did the DDK Mumbai nor the DGD, New Delhi take any action for de-registration of persistent defaulters. They also did not take any action to levy interest on delayed payment of dues.

Earlier reports of the Comptroller and Auditor General of India, No. 2 of 1998 and No. 2 of 2000 had also mentioned about deficiencies in the system of billing and collection at DDKs of Chennai, Lucknow, Kolkata and Thiruvananthapuram, resulting into heavy outstanding dues from advertising agencies. The Ministry needs to take immediate corrective action, including fixation of direct and constructive responsibility for negligence leading to persistent heavy outstanding and possible loss of revenue to the public exchequer.

2.8.2 Non-payment of fees for the telecast of three Tamil serials and consequent undue benefit to the sponsor

The DDK, Chennai telecast on DD 1 (Regional) Chennai three Tamil Serials titled *"Innoru Seethai"*, *"Thiruvalluvar"* and *"Thirumathiyin Thirumanam"* on the days indicated below under sponsored category.

Sl. No.	Name of the Serial	Period of Telecast	Number of episodes	Time and day of telecast	Name of the sponsors
1.	Innoru Seethai	11.12.97 to 23.04.98	17	7:03 pm to 7:30 pm Thursday	Multi Channel (India) Limited for episode I Kinescope (India) Pvt. Ltd. For episodes 2 to 17
2.	Thiruvalluvar	05.12.97 to 15.05.98	21	7:03 pm to 7:30 pm Friday	Multi Channel (India) Limited for episode 1 and 2 Kinescope (India) Pvt. Limited for episodes 3 to 21
3.	Thirumathiyin Thirumanam	18.09.98 to 01.03.99	17	7:03 pm to 7:30 pm Friday	Kinescope (India) Pvt. Limited

The Kendra entered into a contract with the sponsors under "MG System". The MG is the sum total of telecast fee and value of additional spot buy. Under this system, the sponsors were entitled to utilise a FCT of 120 seconds per episode for commercial purpose. Also, the sponsor could utilise Additional Commercial Time (Additional Spot Buy - ASB) equivalent to normal FCT for commercial purpose by making a lump sum payment at the rates fixed by the Director General, Doordarshan.

The rate payable for the serials by the sponsor was as follows:

Sl. No.	Nature of Fee payable	Rate for the serial "Innoru Seethai"	Rate for the serial "Thiruvalluvar"	Rate for the serial "Thirumathiyin Thirumanam"
(i)	Sponsorship Fee/Telecast Fee	Rs 16,000 per episode for 17 episodes less 15 *per cent* commission	Rs 16,000 per episode less 15 *per cent* commission	Rs 16,000 for episode 1 to 13 Rs 10,000 for episode 14 less 15 *per cent* commission for both
(ii)	MG Fee for one Additional Spot Buy (ASB) for episode 1 to 17	Rs 2,16,000 per ASB for 17 episodes less 35 *per cent*. commission upto 3/98 & 30 *per cent* commission from 4/98	Rs 2,16,000 per ASB per episode less commission*	Rs 2,16,000 per ASB less 50 *per cent* commission for episodes 7 to 13
(iii)	MG Fee for second Additional Spot Buy	-	Rs 2,16,000 per ASB for 9 episodes less commission @ 15 *per cent* for episode 1 and @ 45 *per cent* For episodes 14 lo 21	Rs 2,16,000 per ASB for episodes 7 to 13 less commission @ 65 *per cent*
(iv)	Spot Buy rate for extra FCT	Rs 18,000 for 10 seconds less commission at 30 *per cent*	Rs 18,000 per 10 seconds less commission at 45 *per cent*	Branding Fee Rs 18,000 for 10 seconds for episode 3 to 10 less commission at 15 *per cent*

* Less 50 *per cent* commission for episode 1, 35 *per cent* commission for episodes 2 to 13 and 45 *per cent* commission for episodes 14 to 21

DDK, Chennai did not take action to cancel the accreditation of the sponsors.

Test check of the records of DDK, Chennai revealed that the sponsors for the above serials continuously defaulted in payment towards MG Fee. Yet, the Director, DDK, Chennai allowed the sponsors to enjoy the benefit of the credit facilities continuously. DD had not so far taken any action to cancel the accreditation of the sponsors in terms of the agreement. The amount towards MG fees for the three serials recoverable from the sponsors stood at Rs 85.87 lakh as of November 2000. DDK did not raise any demand for the interest on defaulted payments.

The sponsors of these three serials earned revenue of Rs 126.09 lakh by marketing the extra FCT of 7005 seconds for the three serials while defaulting on the fees due.

The Director of the Kendra replied in October 2000 that he allowed the credit facilities as per the directions of the Directorate General at New Delhi for accepting the booking on credit basis in respect of M/s. Kinescope (I) Pvt. Ltd., Mumbai with effect from 28 November 1997. This is not acceptable because the Chennai Kendra should have taken up the matter for cancellation of accreditation for this agency when it again defaulted on more than three occasions as per the terms of the contract.

2.8.3 Non-collection of interest on belated payment of fees by sponsors leading to loss of revenue

DDK, Chennai did not raise demand for penal interest on delayed payments.

Test check, in DDK of records pertaining to the period from January 1997 to November 1999 revealed that 56 accredited agencies delayed payment of dues ranging from three days to 365 days. Director, DDK, Chennai did not raise any demand for penal interest on such delayed payments. The interest so recoverable from the accredited agencies worked out to Rs 81.92 lakh as of November 1999. The following agencies were the major defaulters:

Name of agency	Interest on defaulted payment of dues (Rupees)
United Television	2718180
Hansavision	904425
HTA Fulecrum	1233995
Multi Channel	131249
ABCC	306000
Life Insurance Corporation of India	111080
MCCANN Erickson	153440
Prime Time	1296432
Vision Time	104461
RKS/BBDO	136171
RK Swamy	268927

As the bills pertaining to advertisements telecast from the station were raised by them, the demand for the interest from the defaulting agencies, in terms of agreement, ought to have been raised and realised by the Director, DDK, Chennai.

Matters arising out of the review were referred to the Ministry individually in respect of each observation during May to November 2000. Replies in respect of two observations were received which have been incorporated in the review at relevant places. Replies to remaining observations, which were referred to the Ministry were awaited as of February 2001.

Annex–I
(Refers to paragraph 2.2.1)

List of events covered under Consortium arrangement

Sl. No.	Name of the event	Month of the telecast
1.	Pepsi Triangular Series 1998	April 1998
2.	Coca Cola Cup1998	May 1998
3.	French Open 1998	June 1998
4.	World Cup Soccer 1998	June-July 1998
5.	Sri Lanka Independence Cup 1998	June-July 1998
6.	Wimbledon 1998	June-July 1998
7.	Hero Cup 1998	Sept. Oct 1998
8.	ICC Knock out 1998	Oct. November 1998
9.	Coca Cola Cup (Sharjah) 1998	November 1998
10.	Australian Open 1999	January 1999
11.	Indo-Pak Test Series 1999 *	January - February 1999
12.	Pepsi Triangular Series 1999	March-April 1999
13.	Coca Cola Cup (Sharjah) 1999	April 1999
14.	World Cup Cricket 1999	May-June 1999

*** Highlights only**

Annex – II
(Refers to paragraph 2.2.3)

Statement showing rights fee paid in respect of cricketing events

Rs in lakh

Sl. No.	Name of the event	No. of Matches		Exclusive or Non-exclusive	Rights procured from.	Rights procured by	Right fee cost	Cost per match.
		Day and Night matches	Day matches					
1.	Pepsi Triangular Series April 1998	-	7	Non exclusive	ESPN	Stracon	500.00	71.43
2.	Coca Cola Cup May 1998	4	-	Non exclusive	ESPN	Stracon	120.00	30.00
3.	Srilanka Independence Cup June-July 98	4	6	6 N/Exclusive 4-Exclusive	World Tel	Stracon	1275.00	127.50
4.	Hero Cup 1998 Sept - Oct 98	3	-	Exclusive	C.S.I Ltd.	Stracon	286.88	95.63
5.	I.C.C. knock out	8	-	Exclusive	I.C.C.	D.D.	3400.00	425.00
6.	Coca Cola Cup Nov.98 (Sharjah)	7	-	Exclusive	World Tel	Stracon	1700.00	242.86
7.	Coca Cola Cup April 99 (Sharjah)	7	-	Exclusive	World Tel	Stracon/ UTV	2148.04	306.86
8.	Pepsi Triangular Series March/April 99 (India, Pakistan, Sri Lanka)	2	3	Non-exclusive	ESPN STAR SPORTS	D.D.	425.00	85.00
9	World Cup cricket-99	11+31 highlights	-	Non-exclusive	ECB	D.D	2560.96	170.73 (Approx)
10.	Indo Pak Series Test Matches	Highlights only	-	Non-exclusive	ESPN STAR SPORTS	DD	33.44	-

Ministry of Urban Affairs and Employment

Infrastructure Development in Mega Cities

CHAPTER III: MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

3.1 Infrastructure Development in Mega Cities

In 1993-94, the Ministry of Urban Affairs and Employment, Government of India, sponsored the scheme for infrastructure development in mega cities of Mumbai, Calcutta, Chennai, Bangalore and Hyderabad as a participative effort of the Central and State Governments alongwith the financial institutions. The government envisaged that over time, the scheme would be self-sustaining with nodal agencies setting up revolving funds. The Ministry could not ensure that the nodal agencies met the basic requirement of setting up a revolving fund. There were shortfalls in release of government funds to the nodal agencies. The nodal agencies, too did not release funds to the implementing agencies. The State Level Sanctioning Committees sanctioned projects without adequate pre funding appraisals. The physical progress was tardy. Out of 442 projects sanctioned the SLSCs dropped 72 projects, 115 projects were completed and 62 projects were yet to start. Neither the Ministry nor the nodal agencies could offer data of revenue generation of the scheme. There was little evidence of effective monitoring at all levels.

Highlights

A total outlay of Rs 700 and Rs 500 crore was provided for it in the Eighth plan and the Ninth plan period, respectively. The Central release of funds for the Scheme fell much short of the approved Eighth Plan outlay. Release of funds in Ninth Plan so far, too, did not keep pace with the overall plan allocations.

None of the nodal agencies, excepting at Mumbai, set up the revolving fund, which was a critical requirement for creation and development of infrastructure assets on a continuing and sustainable basis. The State Level Sanctioning Committee acted to a contra purpose by sanctioning long-term loans out of the revolving fund, which the nodal agency had set up.

The Ministry sanctioned and released funds to the nodal agencies year after year without ensuring that the nodal agencies had duly set up the revolving funds and had operated it in the manner prescribed.

Nodal agencies did not pass on the Government funds to the implementing agencies with desired speed. Large sums of Government funds were lying unspent with the nodal agencies at the end of the year 1999-2000.

In Calcutta, Chennai, and Mumbai, the central funds released for the preparation of mega city development plan, feasibility studies, and research remained unspent.

The Ministry sanctioned and released large portions of funds only towards the end of the financial year, which indicated that the sanction of funds did

not follow due diligence, besides probably being distress releases to avoid lapse of budget allocations.

Excepting Hyderabad, the State Level Sanctioning Committees of all the mega cities widely deviated from the prescribed project mix in sanctioning projects. The project mixes adopted by them were skewed against the commercially viable projects, essential for sustaining the scheme on a long-term basis.

There were many cases of incorrect sanctions by the State Committees; e.g., sanction of outright grants to ineligible projects, sanction of soft loans to ineligible category, sanction to ongoing projects of the implementing agencies, sanction without any project report, city master plan, and fixation of prioritisation criteria.

There were major repayment defaults by the implementing agencies in Bangalore, at the end of the year 1999-2000.

Calcutta Metropolitan Development Authority, the nodal agency for Calcutta was also one of the implementing agencies. Contrary to the scheme prescription, it did not separate the scheme funds from its own, and released funds for various projects rather arbitrarily.

Chennai nodal agency incorrectly charged administrative expenses from the implementing agencies, and adjusted those charges from the loan amounts.

Hyderabad nodal agency incurred some expenditure on works not approved by the State Level Committee.

Implementing agencies dropped 72 projects, out of 442 sanctioned, due to a variety of reasons such as non feasibility, non-availability of land, delay in commencement, non-clearance of plans, site disputes, legal problems, non-release of funds by the nodal agencies, change in priority.

Late start and change of plans resulted in upward revision in cost in 86 projects in Chennai, Hyderabad and Mumbai.

A parallel bridge constructed at cost of Rs 2.04 crore in Hyderabad, is lying unused because of defective design.

Neither the nodal agencies nor the Ministry could provide to audit the data about targets and achievement of revenue generation by projects, as envisaged in the scheme.

Monitoring of the Scheme at all levels - the Ministry, the State, and the nodal agencies – was poor. The Ministry did not hold the six monthly review meetings. Steering Committee set up by the Ministry in April 1999 for appraisal of the projects never met. The State Level Sanctioning Committees met sparingly, primarily to sanction projects, rather than to review and monitor the projects sanctioned earlier. The nodal agencies did not maintain separate project-wise accounts.

Introduction

3.1.1 In response to the recommendations of the National Commission on Urbanisation and the persistent demands made by the State Governments, the Ministry of Urban Affairs and Employment initiated the centrally sponsored scheme for infrastructural development in mega cities in 1993-94. The scheme is applicable to five mega cities, *viz.* Bombay, Calcutta, Chennai, Bangalore and Hyderabad. The Ministry issued the guidelines to the State Governments in March 1995. The primary objective of this centrally sponsored scheme is to undertake infrastructure development projects in mega cities in association with the respective State Governments, and the financial institutions. These projects have to be of regional significance and cover a range of components like water supply and sewerage, roads and bridges, city transport, solid waste management, etc.

3.1.2 The Ministry of Urban Affairs and Employment administers and monitors the progress of the Mega City Scheme. The respective states have constituted the SLSCs[1], with three members of the State Government and one member each from the Planning Commission and the Ministry of Urban Affairs and Employment. The SLSCs sanction projects under the Scheme in accordance with the guidelines laid down by the Ministry. The scheme envisages identification of one nodal agency in every mega city to co-ordinate funding as well as to monitor physical progress of the projects. The implementing agencies prepare project reports. The Scheme permits only capital projects, which create new assets or remove bottlenecks in the utilisation of old assets, and does not allow maintenance works. The following are the nodal agencies in respective mega cities:

(a) Mumbai	Mumbai Metropolitan Region Development Authority (MMRDA)
(b) Calcutta	Calcutta Metropolitan Development Authority (CMDA)
(c) Chennai	Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO)
(d) Hyderabad	Andhra Pradesh Urban Infrastructure and Finance Development Corporation (APUIFDC)
(e) Bangalore	Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC)

3.1.3 It is the function of the nodal agencies to identify and appraise the mix of activities of all the categories of projects, and assess clearly the revenue generation capacity of the various project components proposed by the implementing agencies. The scheme envisages that the basket of projects should be viable on overall basis through restructuring/laying down of user-charges/tapping a portion of general incremental revenue accruing to the local authorities from the projects taken up under the scheme through suitable state/local policies. The State Governments are to issue specific

[1] State Level Sanctioning Committee

guidelines/instructions to Urban Local Bodies/implementing agencies in this regard, and to fix the coordinating and fund management role of the nodal agencies in relation to the implementing agencies. **Annex-I** gives the names of the implementing agencies in the respective mega cities.

Financial arrangements

3.1.4 The scheme provides for equal funding to the nodal agency by the Central and the State Governments of 25 *per cent* each as grants. The nodal agency has to meet the balance 50 *per cent* from institutional finance. The critical requirement of the scheme is the creation of a revolving fund by each nodal agency in respective states. The objective is to create and maintain a fund for the development of infrastructural assets on a continuing and sustainable basis.

3.1.5 The nodal agencies release the funds further to the implementing agency for projects; such releases are a mix of loans and grants. The scheme envisages that project based loans at variable rate of interest with a judicious mix of grant (subject to a maximum of 20 *per cent* of Central and States shares) will be given by the nodal agency to various implementing institutions. This will be done in such a manner that after accounting for interest on borrowed capital, appraisal/processing/servicing and related costs, minimum of 75 *per cent* remains in the corpus of the each nodal agency at the end of 9^{th} Plan.

3.1.6 The Scheme envisages funding by the nodal agencies of a mix of three categories of projects in the ratio of 40:30:30; i.e., (A) remunerative, (B) user charge-based and (C) basic services projects. Category A projects do not involve any concessional finance. Category B projects get financed at below market rate of interest. Category C projects are of two types. Those relating to basic services not directly related to poverty alleviation get funding as soft loan with nominal three to five *per cent* interest. The second type, i.e. those directly related to urban poverty alleviation get grants-in-aid, although such grants may not exceed 20 *per cent* of total grants-in-aid allocations received by the nodal agency from the Government.

3.1.7 The State Government and the nodal agency are to bear the staff and administrative cost. The nodal agency is to open and maintain a separate bank account in a commercial bank for the receipt and expenditure of all money to be received and spent under this Scheme. They are also to maintain accounts separately for each implementing agency and for every project under the Scheme.

3.1.8 During the period covered in Audit, *i.e.*, from 1993 to 2000, the SLSCs sanctioned a total of 442 projects involving a total estimated cost of Rs 3342.51 crore. Table in paragraph No.3.1.38 below shows further breakup of these projects. However, the sanctions issued by the SLSCs are not reflective of actual resource availability, given the shortfalls in releases of funds as also the fact that institutional finance could not be raised to the level contemplated by the scheme. There was thus no realistic assessment, while sanctioning projects, of the available resources and infrastructure.

Scope of Audit

3.1.9 Audit reviewed the records relating to the implementation of the scheme during the period 1993- 2000 at the Ministry and at the nodal agencies in the five-mega cities to evaluate the planning and administration of the Scheme, regulation of expenditure and management of the revolving fund. Important findings are discussed in the succeeding paragraphs.

Financial outlay and expenditure

3.1.10 The following table - compiled from the budget, sanctions issued by the Ministry, quarterly progress reports of nodal agencies, and replies of nodal agencies - shows the details of Central and State assistance released, total funds available and expenditure incurred under the scheme during 1993-2000. **Annex-II** gives further details for respective mega cities.

Rs in crore

Year	Central share			State share	*Expenditure
	B.E.	Actual Release	Shortfall		
1993-94	Nil	70.50	-	52.58	47.90
1994-95	74.50	74.50	-	106.37	188.44
1995-96	83.90	83.90	-	136.66	135.43
1996-97	83.90	60.90	23.00	125.77	236.07
Total of Eighth Plan	**242.30**	**289.80**	**23.00**	**421.38**	**607.84**
1997-98	80-90	68.90	12.00	91.86	164.92
1998-99	86.40	74.85	11.55	58.79	266.14
1999-2000	86.37	79.90	6.47	67.96	284.78
Total of three years of Ninth Plan	**253.67**	**223.65**	**30.02**	**218.61**	**715.84**
Total		**513.45**		**639.99**	**1323.68**

* *Out of central/state/institutional finance funds.*

3.1.11 In view of the fact that the institutional finance of Rs 560.73 crore was raised by nodal agencies during the period, it is apparent that the state held back its share to a large extent. The Central Government release of funds fell short of approved Eighth plan outlays of Rs 700 crore by 59 *per cent.* The flow of central grants during the first three years of the Ninth Plan period did not keep pace with the overall approved plan outlays of Rs 500 crore; on a pro-rata basis, there was a shortfall of 26 *per cent* till March 2000.

3.1.12 The nodal agencies, too, did not pass on the funds available with them fully to the implementing agencies. The following table shows unspent balances out of government releases with the nodal agencies in the Mega Cities on 31 March 2000.

Nodal agencies kept Rs 462.91 crore with themselves instead of releasing it to implementing agencies

Rs in crore

Mega city	Central Share	State Share	Total	Amount released to implementing agencies	Unspent balance with the nodal agencies
Bangalore	84.54	82.38	166.92	93.92	73.00
Calcutta	115.76	234.65	350.41	*169.08	181.33
Chennai	96.00	133.11	229.11	149.93	79.18
Hyderabad	95.27	79.51	174.78	134.75	40.03
Mumbai	121.88	110.34	232.22	142.85	89.37
Total	**513.45**	**639.99**	**1153.44**	**690.53**	**462.91**

**unconfirmed figure*

Non-incurrence of expenditure on development planning/feasibility studies and research

3.1.13 The central release included a sum of Rs 2.95 crore towards preparation of mega city development plan/feasibility studies and research, etc. In Bangalore and Hyderabad, the nodal agencies spent Rs 0.34 crore and Rs 0.21 crore on feasibility studies, etc. respectively. In Calcutta, Chennai and Mumbai the amount released for preparation of Mega city development plan/feasibility studies and research, totalling Rs 2.40 crore, was lying unspent with the nodal agencies. This led to projects being approved without preparation of proper feasibility report, and subsequent dropping of projects.

Revolving Fund

The objective of creating and maintaining a fund for the development of Urban infrastructure on a continuous basis was not achieved.

3.1.14 Audit did not find any of the nodal agencies, other than in Mumbai, maintaining the revolving fund for the scheme. The Bangalore nodal agency credited the central grant to its own account and the state grant in Personal Deposit Account. The Calcutta nodal agency kept the central grant in a separate Bank account and the State grant in Personal Deposit Account. Further, it used state releases kept in Personal Deposit Account to meet its own requirements. It kept the receipts from land development for housing under the Mega City Projects in various banks. The Hyderabad nodal agency kept the funds in short terms deposit in various banks and also asked the implementing agencies to do so. There was little merit in this, as the implementing agencies ought to have received and spent the funds as the works progressed rather than maintain any fund at their level. The Chennai nodal agency did not give the information about the formation of revolving fund and the amount lying therein.

3.1.15 The Mumbai nodal agency did create a revolving fund, which had a corpus of Rs 212.12 crore as of March 2000. That corpus did not include Rs 20 crore released by the central government during 1993-94 to the State Government for eventual release to Mumbai Municipal Corporation. The scheme guidelines had provided for giving loans of such duration by the nodal agencies as would enable recovery of 75 *per cent* of the government releases back to the revolving fund by the end of the Ninth five year plan. The Mumbai nodal agency transgressed those guidelines by giving out loans of 10 years duration. Resultantly, the nodal agency could get back only Rs 25 crore from the implementing agencies in repayment credits to the revolving fund as compared to the government releases of Rs 232.22 crore up to March 2000.

3.1.16 Non-creation of the revolving fund by the nodal agencies as envisaged interfered with the objective of the development of urban infrastructure on a continuing and self-sustaining basis. The Ministry ought to investigate how it released funds year after year to the nodal agencies without ensuring the basic requirement of creation of the revolving fund.

Short release of matching state share

State matching share released were short by Rs 29.46 core.

3.1.17 The state governments of Andhra Pradesh, Karnataka and Maharashtra short released Rs 29.46 crore towards their matching share.

Rs in crore

Mega city	Central share released	State share released	State share short released
Bangalore	84.54	82.38	2.16
Calcutta	115.76	234.65	-
Chennai	96.00	133.11	-
Hyderabad	95.27	79.51	15.76
Mumbai	121.88	110.34	11.54
Total	513.45	639.99	29.46

3.1.18 In Calcutta, the nodal agency obtained a loan of Rs 95.22 crore from State Government but misreported it as the matching share from the State Government.

Release of Central grants at the end of financial year

3.1.19 The following table shows the manner of release of central funds under the scheme.

Rs in crore

Year	Amount released during the year	Funds released during March		Funds released during last quarter	
		Amount	Percentage	Amount	Percentage
1993-94	0.50	0.50	100	0.50	100
1994-95	74.50	74.50	100	74.50	100
1995-96	83.90	42.15	50.2	83.90	100
1996-97	60.90	10.77	17.7	26.65	43.7
1997-98	68.90	30.00	43.5	30.00	43.5
1998-99	74.85	-	-	31.87	42.6
1999-2000	79.90	-	-	36.90	46.2

3.1.20 During the first two years of the scheme, the Ministry released all its grants in the month of March. Generally it released a large chunk of its share in the last quarter of the year. Coupled with the observation that the Ministry released funds year after year without even ensuring that the nodal agencies except at Mumbai, had met the basic requirement of setting up a revolving fund, the release of funds towards the end of the financial year is suggestive of lack of due diligence at the level of sanctioning authority, besides probably being in the nature of distress release of grants to avoid lapse of budget allocation.

Non-adherence to the prescribed project mix

3.1.21 The SLSCs did not adhere to the project mix ratio of 40:30:30 among category A, category B and category C as shown in the following table. The mix adopted by them was, with the exception of Hyderabad, skewed against the commercially viable projects, *viz.* Category A projects, essential for sustaining the scheme on a long term basis.

Norms	**A (40 *per cent*)**	**B (30 *per cent*)**	**C (30 *per cent*)**
Bangalore	25.3	15.8	58.9
Chennai	6.5	45.5	48.0
Calcutta	20.2	74.2	5.6
Hyderabad	46.8	29.2	24.0
Mumbai	19.4	44.8	35.8

Sanction of grants to ineligible projects by the SLSCs

Rs 71.42 crore were sanctioned as grants instead of loan.

3.1.22 There were 155 projects in Category C relating to 'basic services' involving total approved project cost of Rs 1216 crore. Audit found that in three mega cities, as detailed below, the respective SLSCs sanctioned Rs 71.42 crore in grants, as detailed below, for 68 ineligible projects which did not relate to poverty alleviation and therefore did not qualify for outright grants.

Rs in crore

Name of city	**Number of projects in which grant sanctioned**	**Amount**
Bangalore	6	7.55
Mumbai	25	55.56
Chennai	37	8.31
Total	**68**	**71.42**

3.1.23 The Maharashtra SLSC erroneously sanctioned, and the nodal agency duly released, outright grant of Rs 11.43 crore for one B category project of street lighting and two projects of water supply.

Irregular sanction of soft loan

Incorrect sanction of soft loan of Rs 31.21 crore.

3.1.24 The Maharashtra SLSC erroneously sanctioned Rs 31.21 crore for seven projects of Category B as soft loan projects, carrying three *per cent* rate of interest applicable for category C projects.

3.1.25 The Maharashtra SLSC also sanctioned project of street lighting to BEST, NMMC and TMC at an estimated cost of Rs 70.74 crore, though these works were part of the normal activities of those agencies. The nodal agency had released Rs 46 crore on those ineligible projects till March 2000.

Irregular sanction of ongoing projects

Ongoing projects taken up under the scheme in violation of the guidelines.

3.1.26 14 *per cent* of the projects, detailed in **Annex-III**, were ongoing projects involving a total expenditure of Rs 496.02 crore on which Rs 117.90 crore had already been incurred by the implementing agencies before the SLSC adopted them as projects within the scheme. This was incorrect as it violated the Ministry's instructions of June and October 1995 prohibiting taking up of ongoing projects. The following table gives the position for respective mega cities.

Rs in crore

Mega city	Total number of projects approved	Number of ongoing projects sanctioned	Expenditure incurred on ongoing projects upto date of sanctioning	Total expenditure on ongoing projects incurred upto March 2000
Bangalore	31	--	--	--
Calcutta	87	33	45.87	132.19
Chennai	121	14	15.68	110.17
Hyderabad	148	7	8.57	46.37
Mumbai	55	10	47.78	207.29
Total	**442**	**64**	**117.90**	**496.02**

Source: Quarterly progress report of the implementing agencies to the nodal agencies, and other details collected by audit from the nodal agencies.

3.1.27 In Chennai, the SLSC sanctioned a completed project under the scheme. The nodal agency charged Rs 0.23 crore incurred on it to the scheme.

Other cases of incorrect sanction of projects by SLSC

3.1.28 In Bangalore, the SLSC sanctioned the projects without any project reports, city master plan, and without fixing any prioritisation criteria.

3.1.29 In Bangalore, SLSC sanctioned a project in March 1996 for construction of a flyover between Town Hall and Sirsi Circle at an estimated cost of Rs 94 crore overlooking the apprehension expressed by RITES Ltd. in August 1991 that the flyover would shut out the options for a Metro Railway System.

3.1.30 In Calcutta and Chennai, the SLSC sanctioned 11 projects for construction of Middle Income Group flats and houses at an estimated cost of Rs 113.06 crore though the guidelines contemplated construction of houses for urban poor only. An expenditure of Rs 34.49 crore had been incurred as of March 2000.

3.1.31 In Mumbai, the SLSC approved in September 1999 two projects at estimated cost of Rs 26.81 crore relating to health sector, which were not to be taken up under the scheme.

3.1.32 In Calcutta, the SLSC approved in February 1996 conversions of latrines in Municipal areas relating to low cost sanitations scheme at an estimated cost of Rs 6.55 crore against which Rs 6.51 crore were spent as of March 2000.

Default in repayment of loan

Default in repayment of loan and interest of Rs 23.03 crore.

3.1.33 The Bangalore nodal agency sanctioned Rs 93.92 crore to its three implementing agencies under various schemes. Together with interest, Rs 38.17 crore was due to be repaid to the nodal agency by 31 March 2000. The amount remaining unpaid on the due date from the implementing agencies was Rs 23.03 crore.

Non-separation of the Scheme funds from own funds by the Calcutta nodal agency

CMDA performed the function of Nodal agency as well as implementing agency.

3.1.34 The Scheme envisages that if a nodal agency performs the coordinating and fund management as well as planning and development roles, the two types of roles should be clearly distinguished to prevent any conflict of interest. The Calcutta nodal agency, *viz.* CMDA also acted as the implementing agency. It did not insulate the scheme activities from its normal activities. It kept central releases in its own account, and released the funds for all categories of projects without deciding the rates of interest, recovery schedule and component of loan and grant.

3.1.35 In Hyderabad, the nodal agency released the loans to implementing agencies without deciding the recovery schedule of loan and the rate of interest.

Unauthorised charge of administrative expenses

Administrative expense of Rs 2.03 crore charged to scheme though not admissible.

3.1.36 The Chennai nodal agency unauthorisedly charged a total sum of Rs 2.03 crore till March 2000 as administrative expenses from the implementing agencies at the rate of one *per cent* of the total amount of loans released, as administrative expenses; and, adjusted those charges against the loan amounts.

Expenditure incurred on unapproved works

Diversion of Rs 9.80 crore to activities not connected with the scheme.

3.1.37 In Hyderabad, the nodal agency released funds of Rs 9.80 crore to three agencies, viz. Quli Qutubsha Urban Development Authority, Meat and Poultry Development Corporation, and Collector, Hyderabad (Nandanavanam Project) without approval of the SLSC. The Hyderabad nodal agency also incurred Rs 1.12 crore, Rs 5.80 and Rs 1.75 crore during the years 1993-94, 1994-95 and 1995-96, respectively on six projects of Sites and Services, Jetties and Parks not approved by the SLSC.

Physical progress

Of 442 projects only 115 were completed.

3.1.38 The audit compiled the following table on the physical progress of the approved projects from various documents such as minutes of SLSCs' meetings, quarterly progress reports of the implementing agencies to the nodal agencies, and quarterly status reports of the nodal agencies to the Ministry till March 2000. The following paragraphs give audit observations on the physical progress. **Annex-IV** gives further details.

City↓	Approved			Dropped			Completed			In progress			Yet to start		
Category→	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**
Bangalore	4	9	18	1	6	7			2	3	3	9	-	-	-
Chennai	35	21	65	13	4	9	11	6	26	5	8	26	6	3	4
Calcutta	12	55	20	-	-	-	1	22	14	6	29	6	5	4	-
Hyderabad	82	43	23	4	16	2	12	6	7	50	19	10	16	2	4
Mumbai	12	14	29	3	3	4	-	3	5	5	4	10	4	4	10
Total	145	142	155	21	29	22	24	37	54	69	63	61	31	13	18
Percentage of approved projects				14	21	14	17	26	35	48	44	39	21	9	12
Grand Total	**442**			**72 (*16*)**			**115 (*26*)**			**193 (*44*)**			**62 (*14*)**		

Figure in brackets represents overall percentage

Dropped projects

72 projects were dropped subsequently after sanction. 15 projects in Hyderabad were abandoned midway after spending Rs 4.05 crore.

3.1.39 The Tamil Nadu SLSC dropped 26 projects in Chennai due to non-feasibility, non-availability of land, delay in commencement of the project and non-clearance of plan from the competent authority. The Andhra SLSC dropped 22 projects in Hyderabad, which included 15 projects abandoned by the implementing agencies after incurring an expenditure of Rs 4.05 crore reportedly due to wrong selection of site, site disputes/legal problems, non-release of adequate funds by nodal agencies, etc.

3.1.40 The Mumbai nodal agency dropped 10 projects reportedly due to non-feasibility of projects, non-clearance of the Municipal Corporation, change in priority, non-acquisition of land, etc.

Projects yet to start

3.1.41 The implmenting agencies did not take up till March 2000, 10 projects due for completion by March 1997. They also did not take up 31 and 13 revenue generating projects of category A and B, respectively.

3.1.42 The quarterly progress reports and minutes of the review meetings indicated that the reasons for slow progress were delay in commencement, delay in preparation of detailed project reports/designs/plans/estimates, change in the original design, inclusion of additional components of work, lack of inter agency coordination, lack of capacity of implementing agencies in formulation of projects, acquisition of land, preparation of long term investment programme, prioritisation of investments, management of finances and monitoring of project implementation. This shows that the SLSC did not do proper and systematic appraisal before sanctioning of the projects.

3.1.43 Actual date of completion in respect of 115 completed projects were not made available. Time overrun could, therefore, not be worked out. 193 projects were in progress as on 31.3.2000 of which stipulated date of completion of 30 projects was not available with the nodal agencies. Thus out of 163 projects, 135 projects were due for completion by March 2000. There was significant time over run relating to these projects ranging from two to 63 months (upto March 2000) as shown in the following table compiled from proforma A and B of project proposals and quarterly progress reports.

Rs in crore

City	Total number of projects in progress	No. of projects involving time over run	Time overrun (months)
Bangalore	15	10	6 to 26
Calcutta	41	30	3 to 48
Chennai	39	13	3 to 42
Hyderabad	79	74	2 to 63
Mumbai	19	8	12 to 42
Total	**193**	**135**	

Significant time overrun besides cost overrun of Rs 32.52 crore.

3.1.44 There was cost overrun amounting to Rs 32.52 crore in 26 completed projects and five projects in progress as shown in the following table compiled from the quarterly progress reports of the implementing agencies.

Rs in crore

City	Number of completed projects involving cost over run	Cost over run	Number of projects in progress involving cost overrun	Cost over run
Bangalore	2	0.58	-	-
Calcutta	7	0.55	1	0.28
Chennai	16	21.75	1	0.05
Hyderabad	1	0.01	2	0.15
Mumbai	-	-	1	9.15
Total	**26**	**22.89**	**5**	**9.63**

Absence of completion certificates

3.1.45 Audit found that in 113 projects costing Rs 568.63 crore out of 115 projects reported as completed by the nodal agencies, there was no completion certificate.

3.1.46 The HUDA constructed a parallel bridge at Naya pull in Hyderabad at a cost of Rs 2.04 crore. The bridge was opened to traffic in September 1999 but was closed after three days due to wrong design. The bridge was lying closed as of May 2000.

Non-achievement of targets of Revenue generations

3.1.47 The scheme guidelines contemplated that the nodal agencies would assess clearly the revenue generation capacity of various projects keeping in view the overall basket of projects proposed by implementing agencies. The nodal agencies in all five cities failed in providing data of targets of revenue generation and actual revenue generated to audit.

Monitoring

Monitoring was inadequate and ineffective.

3.1.48 The monitoring at all levels was inadequate and ineffective because of the following:

(a) The Ministry did not hold six monthly Review meetings on rotation in different mega cities, as assured by the Ministry to the Standing Committee of the Parliament in June 1997.

(b) The Steering Committee, set up by the Ministry in April 1999 for appraisal of the projects every six month, has never met.

(c) The meetings of the SLSCs were very few, and were held primarily to sanction the projects rather than to monitor and review the projects sanctioned earlier.

(d) None of the nodal agencies maintained separate accounts for each project, as prescribed.

Recommendation

3.1.49 The Ministry needs to activate its coordinating and monitoring functions to promote the scheme on a more sound footing. It also needs to ensure that the nodal agencies meet all agreed prerequisites, especially that of the setting up of the revolving funds, before any funds are released to them.

Annex-I
(Refers to paragraph 3.1.3)

I. Mumbai City

Implementing Agencies:

1. Mumbai Municipal Corporation (MMC)
2. Bombay Electric Supply and Transport Undertaking (BEST)
3. City and Industrial Corporation of Maharashtra Ltd. (CIDCO)
4. Thane Municipal Corporation (TMC)
5. Kalyan Municipal Corporation (KMC)
6. Navi Mumbai Municipal Corporation (NMMC)

II. Calcutta City

Implementing Agencies:

1. Calcutta Metropolitan Development Authority (CMDA)
2. Calcutta Metropolitan Water Supply and Sewerage Authority (CMWSA) -a wing of CMDA
3. Calcutta Municipal Corporation (CMC)

III. Chennai City

Implementing Agencies:

1. Madras Metropolitan Development Authority (MMDA)
2. Madras Metropolitan Water Supply and Sewerage Board (MMWSSB)
3. Tamil Nadu Tourism Development Corporation (TTDC)
4. Madras Corporation

IV. Hyderabad City

Implementing Agencies:

1. Municipal Corporation of Hyderabad (MCH)
2. Hyderabad Urban Development Authority (HUDA)
3. Hyderabad Metro Water Supply and Sewerage Board (HMWS & SB)

V. Bangalore City

Implementing Agencies:

1. Bangalore Mahanagar Palika (BMP)
2. Karnataka Water Supply and Sewerage Board (KWS & SB)
3. Bangalore Development Authority (BDA)

Annex – II
(Refers to paragraph 3.1.10)

Year-wise break-up of Central and State share released and expenditure incurred by Nodal Agencies.

Year	CALCUTTA			BENGALORE			CHENNAI			HYDERABAD			MUMBAI			TOTAL		
	Central Share	State Share	Expend iture	Central Share	State Share	Expen-diture	Central Share	State Share	Expen-diture	Central Share	State Share	Expen-diture	Central Share	State Share	Expen-diture	Central Share	State Share	Expen-diture
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1993-94	20.10	22.48	42.48	0.10	--	--	15.10	15.10	--	15.10	15.00	--	20.10	--	5.42	70.50	52.58	47.90
1994-95	16.10	60.27	35.91	20.10	20.00	--	11.10	15.10	110.17	11.10	11.00	--	16.10	--	42.36	74.50	106.37	188.44
1995-96	8.08	45.90	36.22	15.08	15.18	0.02	17.08	20.08	21.12	15.58	15.50	14.81	18.08	40.00	63.26	83.90	136.66	135.43
1996-97	13.58	32.50	51.48	10.55	10.55	38.06	11.98	47.22	62.35	11.71	15.50	12.60	13.08	20.00	71.58	60.90	125.77	236.07
1997-98	14.89	28.50	58.26	11.25	11.25	23.60	12.81	19.50	34.97	12.22	8.61	25.85	17.73	24.00	22.24	68.90	91.86	164.92
1998-99	16.23	20.00	59.38	13.55	13.55	90.12	13.78	--	61.93	13.90	13.90	23.66	17.39	11.34	31.05	74.85	58.79	266.14
1999-00	16.78	25.00	54.42	13.91	11.85	38.84	14.15	16.11	34.09	15.66	--	107.27	19.40	15.00	49.86	79.90	67.96	284.78
TOTAL	**115.76**	**234.65**	**338.15**	**84.54**	**82.38**	**190.64**	**96.00**	**133.11**	**324.63**	**95.27**	**79.51**	**184.49**	**121.88**	**110.34**	**285.77**	**513.45**	**639.99**	**1323.68**

Source:

1. **Sanctions issued by the Ministry.**
2. **Quarterly Progress reports and replies to audit queries.**

Annex –III
(Refers to paragraph 3.1.26)

Statement showing ongoing projects approved by State Level Sanctioning Committee

Rs in crore

Name of Project	Approved cost	Date of sanction	Expenditure upto the date of sanction	Remarks
CALCUTTA				
Kannagar Rly.under pass	3.50	19.10.95	0.01 (3/95)	3.86
Uttadanga Rly.under pass	4.53	19.10.95	1.07 (3/95)	4.41
B.K. Express way	3.18	19.10.95	2012 (3/95)	3.19
R.B.Connector widening	5.09	19.10.95	0.45 (3/95)	4.99
Street lighting Phase I	0.65	19.10.95	0.16 (3/95)	0.64
Garia Bridge	2.18	19.10.95	0.10 (3/95)	2.44
Bangur Avenue Sewerage	1.24	19.10.95	0.60 (3/95)	1.24
WSS Madhyagram	2.44	19.10.95	0.27 (3/95)	2.44
WSS Nurgi Shyampur	0.88	19.10.95	0.18 (3/95)	0.76
WSS Rajarhat	6.70	19.10.95	0.51 (3/95)	2.11
Sewerage in CMC ward 111-112	10.16	2.12.95	0.03 (3/95)	7.68
Improvement of Channel in T.P.Basin	0.39	2.12.95	0.24 (3/95)	0.38
Drainage scheme for Bellelious Road	0.44	2.12.95	0.02 (3/95)	0.44
Strengthening of SEM in Calcutta	2.22	2.12.95	0.50 (3/95)	2.22
Serampore T.P. in tegraton	9.66	2.12.95	2.49 (3/95)	7.22
WSS, Uttarpara	1.98	2.12.95	0.17 (3/95)	1.45
WSS Bauria, Uluberia, Chengail	1.42	2.12.95	0.12 (3/95)	1.47
WSS Deulpara	1.28	2.12.95	0.18 (3.95)	1.03
WSS Jatia Gamipur and Nabapally	1.02	2.12.95	0.32 (3.95)	1.01
New Supply lines and sources for Stabilisation of Municipal Water supply Ph.I	15.62	2.12.95	10.43 (3.95)	13.76
UGR at Salt lake & lake town	14.13	23.2.96	10.08 (3.95)	13.91
Improvement of Water suply at Jadavpur and Behala	25.14	23.2.96	0.10 (3.95)	9.79
Augumentation and Extension of water supply at Nabagram	0.77	23.2.96	0.21 (3.95)	0.51
Augumentation and extension of WS at Bally Bankra, Sarenge and Belanagar, Abhoynagar	1.54	23.2.96	0.33 (3.95)	1.54
WSS Andual Moihary	0.59	23.2.96	0.01 (3.95)	0.49
Augumentation of sources FAWS	1.09	23.2.96	0.30 (3.95)	1.11
C/o Public conveniences	1.00	23.2.96	0.63 (3.95)	0.90
Improvement of branch channel of T.P Basin	0.62	23.2.96	0.14 (3.95)	0.62
Conversion of latrin on Municipal areas	6.55	23.2.96	1.00 (3.95)	6.51
Improvement of roads in Municipal towns	27.52	23.2.96	10.65 (3.95)	25.83
Salkia Fly over	4.85	23.2.96	1.00 (3.95)	4.13

Name of Project	Approved cost	Date of sanction	Expenditure upto the date of sanction	Remarks
Garia station road	0.69	23.2.96	0.20 (3.95)	0.61
Improvement of city roads in CMC	3.50	23.2.96	1.25 (3.95)	3.50
CHENNAI				
Common Amenity Building at Koyambedu wholesale Market	0.91	4.9.95	0.15 (3.95)	0.99
Widening of R.K. muh Road Bridge	0.44	4.9.95	0.36 (3.95)	0.50
Widening of Gandhi Irwin Bridge	0.23	4.9.95	0.23 (3.95)	0.23
FOB at Gengu Reddy Road	0.25	4.9.95	0.25 (3.95)	0.25
Shopping complex at Indira Nagar	0.84	4.9.95	0.82 (3.95)	0.91
Shopping Complex at Brewary Road	0.49	4.9.95	0.39 (3.95)	0.54
Shopping complex at EVR Salai	0.45	4.9.95	0.19 (3.95)	0.51
Shopping complex at Shenoy Nagar	0.40	4.9.95	0.25 (3.95)	0.45
Storage reservoir at vauuvarkottam	7.94	4.9.95	2.59 (3.95)	1.16
Storage reservoir at Triplicane	6.91	4.9.95	0.02 (3.95)	9.37
Storage reservoir at Kannapar Thidal	10.70	4.9.95	0.01 (3.95)	8.02
Clear water transmission from Redhill to porur	61.16	4.9.95	6.53 (3.95)	66.71
Sewar Mains in Kalathur	11.00	4.9.95	3.72 (3.95)	11.17
Shopping complex at Dr. Nair Road and T.Nagar	0.45	4.9.95	0.16 (3.95)	0.36
HYDERABAD				
Necklace Road Ph.I	20.00	6.11.95	6.37 (3.95)	19.27
Sahebnagar Sites and Services	10.00	6.11.95	0.82 (3.95)	2.82
Basheerbagh Fly over	6.00	27.2.98	0.12 (3.95)	3.40
Tarnaka Fly Over	6.00	27.2.98	0.14 (3.95)	4.40
Tegutalli Fly over	20.00	27.2.98	0.51 (3.95)	8.77
Masab Tank Fly over	12.00	27.2.98	0.36 (3.95)	5.11
Narayanguda Fly over	6.00	27.2.98	0.25 (3.95)	2.60
MUMBAI				
Land development at Kharghar	27.90	5.1.96	0.69 (3.95)	12.28
Sports complex	4.25	5.1.96	0.38 (3.95)	4.24
Steel lighting	60.00	5.1.96	4.77 (3.95)	41.75
Road Bridge at Airoli-Ph.I	49.46	5.1.96	16.30 (3.95)	49.46
Kalwa Bridge	24.00	5.1.96	8.64 (3.95)	23.18
Palm Beach Road Ph.I	53.89	5.1.96	13.75 (3.95)	63.04
Under pass at Vashi Node	3.15	5.1.96	0.03 (3.95)	3.15
ROB on Kalyan shill Road	4.00	5.1.96	0.05 (3.95)	3.12
Sanitation Programme	2.07	5.1.96	1.72 (3.95)	2.07
Road work	5.00	5.1.96	1.45 (3.95)	5.00
Total			**117.90**	**496.02**

Annex – IV
(Refers to paragraph 3.1.38)

List of projects approved by State Level Sanctioning Committee and expenditure as on 31.3.2000

Sl. No.	Project	Category	Date of Sanction	Approved cost	Expenditure
	COMPLETED PROJECT				
	Bangalore				
1.	Sirsi Circle Flyover	C	12.3.96	94.00	94.17
2.	Intermediate Ring Road	C	12.3.96	12.40	13.21
	Calcutta				
3.	Housing at Golf Green	A	2.12.95	7.82	7.47
4.	Water Supply Scheme, Madhyagram	B	19.10.95	2.44	2.44
5.	Water Supply Scheme (WSS) Nungi Shyampur	B	19.10.95	0.88	0.77
6.	WSS, Jatia, Ganipur, Nabapally	B	2.12.95	1.02	1.01
7.	WSS, Bally, Bankra, Sarenga & Belanapur, Abhoynagar	B	23.2.96	1.54	1.54
8.	WSS Andul Moihary	B	23.2.96	0.59	0.49
9.	WSS, Bauria, Uluberia, Chengail	B	2.12.95	1.42	1.47
10.	Augumentation of Sources	B	23.2.96	1.09	1.11
11.	UGR at Salt Lake and Lake Town	B	23.2.96	14.13	13.91
12.	Boosting Station at Md. Ali Park	B	2.12.95	7.88	7.29
13.	Ultadanga Railway Underpass	B	19.10.95	4.53	4.41
14.	Garia Station Road	B	23.2.96	0.69	0.61
15.	Strengthening of B.K. Expressway	B	19.10.95	3.18	3.19
16.	Improvement of Street Lighting-I	B	19.10.95	0.65	0.64
17.	R. B. Connector Widening	B	19.10.95	5.09	4.99
18.	Improvements of City Roads in CMC	B	23.2.96	3.50	3.50
19.	Improvement of Street Lighting-II	B	2.12.95	1.68	1.66
20.	Improvement of roads around Hawrah Maidan Area	B	2.12.95	1.59	1.33
21.	Widening of EMBP (Form PC Rotary to RB Rotary)	B	2.12.95	7.97	7.53
22.	Bridge over Fatesah Canal	B	23.2.96	0.42	0.43
23.	Public Conveniences	C	23.2.96	1.00	0.90
24.	Improvement of Lead Channel-I in TP Basin	C	2.12.95	0.39	0.38
25.	Improvement of Branch Channel of TP Basin	C	23.2.96	0.62	0.62
26.	Drainage Scheme for Bellelious Road	C	2.12.95	0.44	0.44
27.	Removal of drainage congestion in Behala IE.	C	2.12.95	0.10	0.05
28.	Removal of drainage congestion around Hawarah Maidan Area	C	2.12.95	0.62	0.52
29.	Improvement of Bagjola Khal (Upper) Ph.I	C	23.2.96	0.42	0.42
30.	Improvement of Bagjola Khal (Upper) Ph.II	C	23.2.96	0.66	0.66
31.	Re-excavation of Lower Bagjola	C	29.10.98	1.84	1.37
32.	Strengthening of SWM in Calcutta	C	2.12.95	2.22	2.22
33.	Madhyagram Water Supply (Ph-II)	B	9.2.98	2.70	2.58
34.	Baruipur Water Supply (Ph-I)	B	9.2.98	1.94	1.84
35.	Konagar Railway Underpass	B	19.10.95	3.50	3.87
36.	Renovation of Tapsia P.S.	C	2.12.95	0.88	0.91
37.	Removal of drainage congestion in Nandan Nagar	C	2.12.95	0.34	0.30
38.	Bustee improvement work at CMC Wards 103,104	C	2.12.95	3.43	3.17
39.	Calcutta Reverfront Beautification from Silver Jetty to Fairlie Jetty	C	15.2.2000	1.19	1.25

	Chennai				
40.	Shopping Complex-Indira Nagar	A	4.9.95	0.84	0.91
41.	Shopping Complex, Brewary Road	A	4.9.95	0.49	0.54
42.	Shopping Complex, EVR Salai	A	4.9.95	0.45	0.51
43.	Shopping Complex, Shenoy Nagar	A	4.9.95	0.40	0.45
44.	Shopping Complex, Dr. Nair Road	A	4.9.95	0.45	0.36
45.	Common Amenity Building at Koyambedu	A	4.9.95	0.91	0.99
46.	Storage Reservoir-Valluvarkottam	B	4.9.95	7.94	10.16
47.	Storage Reservoir Triplicane	B	4.9.95	6.91	9.37
48.	Storage Reservoir-Kannapur, Thidal	B	4.9.95	10.70	8.02
49.	Clear Water Transmission Main from Redhill to Porur	B	4.9.95	61.16	66.71
50.	Widening of Gandhi Irwin Bridve	C	4.9.95	0.23	0.23
51.	Widening of RK Mutt Road	C	4.9.95	0.44	0.50
52.	Sewarmains in Kolathur	C	4.9.95	41.00	11.17
53.	Office Complex at Pudu Street	A	8.1.96	0.30	0.31
54.	Office Complex-II Floor Super Bazar	A	8.1.96	0.48	0.48
55.	MMDA Tower-II	A	8.1.96	15.00	17.20
56.	Office Complex on MPL Office Premises	A	8.1.96	0.45	0.38
57.	Office Complex-II floor MPL Office	A	8.1.96	0.22	0.20
58.	Improvement to Thillai Nagar Road	C	8.1.96	0.06	0.06
59.	Improvement to Balaji Nagar Road	C	8.1.96	0.14	0.12
60.	Improvement to Erikarai Road	C	8.1.96	0.13	0.13
61.	Improvement to MGR Road	C	8.1.96	0.06	0.06
62.	C/o Sunkuwar Bridge-Buckingam Canal	C	8.1.96	0.45	0.45
63.	Widening of Gandhi Irwin Bridge	C	8.1.96	0.23	0.23
64.	Improvement to Durga Road	C	8.1.96	0.88	0.27
65.	Improvement to Radhanagar Main Road	C	8.1.96	0.68	0.34
66.	Improvement to Gandhi Road	C	8.1.96	0.47	0.39
67.	C/o Headworks Ekkattuthangal & Choolaimedu	B	1.11.96	21.00	29.53
68.	Widening of Napier Bridge	C	1.11.96	5.11	5.24
69.	Providing Sewarage facilitation-Sarathy Nagar, VOC Block etc.	C	1.11.96	2.89	2.98
70.	C/o Strom Water Drains	C	30.12.97	1.96	0.96
71.	C/o Storm Water Drains Porur TP	C	30.12.97	1.49	1.27
72.	C/o Strom Water Drains PH-I, Valasaravakkam TP	C	30.12.97	0.88	0.88
73.	Improvement to Roads	C	30.12.97	1.13	1.15
74.	Improvement of Water Supply, Madhavaram	B	4.1.99	0.74	0.73
75.	Improvement of Road & Provision of drains Avadi	C	4.1.99	0.81	0.70
76.	C/o Strom Water drain at Kamraj Nagar Main Raod	C	4.1.99	0.90	0.70
77.	C/o Strom Water drain Roads at Kamraj Nagar-IV Street	C	4.1.99	0.44	0.42
78.	Pedestrain Subway at Ezhilgam	C	3.8.98	1.50	0.75
79.	Sathyan Theatre Intersection with Peters Road	C	4.1.99	8.50	3.23
80.	Cancer Institute Intersection Gandhi Mandapam	C	4.1.99	7.00	4.42
81.	C/o Drains & Culverts-Madhavaram	C	3.8.98	0.47	0.47
82.	Storm Water drain PH.II	C	3.8.98	0.65	0.65
	Hyderabad				
83.	Construction of Pump House near the sump at Jagadgirigutta	A	6.11.95	0.06	0.07
84.	Construction of 900 KL capacity RCC ELSR at OUT in Kapra Municipality	A	6.11.95	0.42	0.39
85.	Construction of Pump House at Sump at Out colony.	A	6.11.95	0.05	0.05

86.	Construction of 5.0 ML Capacity GLSR near Yelugugutta	A	6.11.95	1.55	1.55
87.	Laying 600 mm dia PSC/MS Feeder main from the 1200 mm dia Sainikpuri-Saidabad main at Nacharam junction to the proposed reservoir near Yelugugutta.	A	6.11.95	1.38	1.20
88.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 450 mm dia MS feeder main to the existing 0.9 ML capacity ELSR at Beerappagadda from the 1000 mm dia PSC main from Sainikpuri to Auto Nagar in Uppal Municipality.	A	6.11.95	0.44	0.42
89.	Construction of pump room at Chankyapuri Sump	A	6.11.95	0.06	0.05
90.	Construction of 5.0 ML capacity GLSR on Madhapur Hillock	A	6.11.95	1.45	1.41
91.	Construction of 5.0 ML capacity GLSR at Vasavi Colony	A	6.11.95	1.16	1.13
92.	Laying 400 mm dia CI feeder main from Autonagar Reservoir to the proposed GLSR at Vasavi Colony.	A	6.11.95	0.44	0.37
93.	Construction of GLSR of 2.0 ML capacity at Budwel, Rajendranagar	A	6.11.95	0.65	0.58
94.	Laying pumping main from Lingampally Reservoir to proposed GLSR at Madhapur including trunk distribution main, pump house, pump sets etc. (700 mm dia - 4.03 km. , 600 mm dia MS - 2.91 Km, 350 m dia-3.99 Km.) for supplying water to developing localities at Madhapur/Gachibowli.	A	6.11.95	8.50	7.47
95.	Laying 250 mm dia CI Main from RTC cross roads to Chikkadpally bridge.	B	6.11.95	0.23	0.23
96.	Laying 900mm dia MS water supply distribution main from Ekminar Mosque to Gangaputra Colony under Chikalguda Zone.	B	6.11.95	0.66	0.64
97.	Laying 600 mm dia & 450 mm dia CI Water supply main from Gangaputra colony to Parsingutta Read Vikas Tee Point	B	6.11.95	0.77	0.71
98.	Laying 900 mm dia MS water supply main from Banjara Second stage outlet to Road No. 14.	B	6.11.95	0.34	0.32
99.	Inlet and outlet pipe connections at Thattikhana GLSR and Banjara 2nd Stage including MS inter connections at the pump house in Jubilee Sump, inter connection of the 600 mm dia MS outlet main from Thattikhana Reservoir to the existing distribution system Road No.1 4.	B	6.11.95	0.04	0.04
100.	Laying 200 mm dia CI service distribution main tapping from 900 mm diameter MS outlet main from Banjara 2nd Stage upto Nandinagar junction including road restoration and transfer of interconnections and PPCs	B	6.11.95	0.20	0.18
101.	Laying 200 mm dia SWG sewer from Surabhi Elcnave upto road junction beyond police station along Banjara Road No. 14 including restoration of the road.	C	6.11.95	0.05	0.04
102.	Necklace Road PH.I	C	6.11.95	20.00	19.27
103.	Flyover (Airport)	C	6.11.95	6.00	4.76
104.	Flyover HHK Bhawan	C	6.11.95	10.00	9.08
105.	Parallel Bridge at Naya Pool	C	6.11.95	8.00	2.04

106.	Basheerbagh Flyover	C	27.2.98	6.00	3.40
107.	Tarnaka Flyover	C	27.2.98	6.00	4.40
	Mumbai				
108.	Sanitation Programme	C	5.1.96	2.07	2.07
109.	Street Lighting	C	5.1.96	1.36	1.36
110.	Road Work	C	5.1.96	5.00	5.00
111.	Street Lighting	C	5.1.96	3.30	3.30
112.	C/o Continuous approach and ROB on Kalyan Badlapur Rd.	C	29.9.99	5.94	5.94
113.	Road Bridge at Airoli	B	5.1.96	49.46	49.46
114.	Kalwa Bridge	B	5.1.96	24.00	23.18
115.	Water Supply Scheme	B	26.2.98	31.05	31.05
	PROJECTS IN PROGRESS				
	Calcutta				
116.	MIG Housing at Baishnabghata Patuli	A	19.10.95	17.63	10.54
117.	Area Development in Kasba	A	2.12.95	10.12	3.38
118.	Barrackpur Housing	A	2.12.95	17.84	12.49
119.	CMDA Housing at Baghajatin	A	9.2.98	24.78	2.71
120.	WSS, Rajarhat	B	19.10.95	6.71	3.08
121.	WSS, Uttarpara	B	12.12.95	1.98	1.47
122.	WSS, Nabagram	B	23.2.96	0.77	0.52
123.	WSS, Deulpara	B	2.12.95	1.28	1.03
124.	Sarampore T.P. Integration-II	B	2.12.95	9.66	7.24
125.	Improvement of W.S. JDV Behala	B	27.2.96	25.14	10.03
126.	New Supply lines & Sources for Stabilisation of Municipal Water Supply-Ph.I	B	2.12.95	15.62	13.91
127.	Augumentation of Garden Reach T.P.	B	2.12.95	59.07	47.32
128.	Stabilisation of Hawrah W.W.	B	23.2.1996	2.11	1.60
129.	Balance Portion of 1500 MM Palta-Talla Main	B	2.12.98	18.53	12.42
130.	Augumentationof Padma-pukur W.T. Plant	B	9.2.98	67.00	8.85
131.	Piped W.S. within Maheshtala Municipality	B	9.2.98	5.34	2.98
132.	Augumentation of Chandan Nagar Water Treatment (WT) Plant	B	9.2.98	2.21	Nil
133.	Rajpur - Sonarpur WS (Ph.I)	B	29.10.98	3.29	2.35
134.	Salkia Flyover	B	23.2.96	4.85	4.13
135.	Improvement of roads in Municipal towns	B	23.2.96	27.52	25.83
136.	Garia Bridge	B	19.10.95	2.18	2.46
137.	Widening of EMBP (From CPTN. Bhery to PC Rotory & SL Ist entry to BM Road	B	2.12.95	5.77	3.96
138.	C/o P.A. Shah Road	B	2.12.95	15.13	6.88
139.	ROB at Lake Garden	B	9.2.98	20.82	3.70
140.	ROB at Bondel Gate	B	9.2.98	10.65	0.80
141.	BKP-DDM Expressway	B	9.2.98	20.85	0.77
142.	Chaulpatty Road	B	29.10.98	2.20	1.15
143.	Widening of EMBP (RB Rotary-Kamalgazi)	B	27.10.98	29.17	1.04
144.	Widening of EMBP (PC-RB Rotary) Ph.II	B	29.10.98	9.97	0.18
145.	Widening of Konagar Express Way	B	29.10.98	9.55	0.92
146.	Bangur Avenue Sewerage	C	19.10.95	1.24	1.24
147.	Conversion of Latrins in Municipal area	C	23.2.96	6.55	6.51
148.	Removal of brainage congestion in HMC Wards 3, 8, 50	C	2.12.95	1.03	0.74
149.	Storm drainage in HMC Works 1-16	C	9.2.98	3.35	2.39
150.	Trunck Sewar & Drains in CMC	C	29.10.98	2.00	0.50
151.	Sewarage in CMC Wards 111-112(P)	C	2.12.95	10.16	8.43
152.	Housing Complex at Kalyani	A	15.2.2000	10.00	0.80
153.	Housing Complex at ED Block, Salt Lake	A	15.2.2000	6.30	0.49

154.	Improvement & widening of New Chord Rd. within Bhatpara Municipality	B	15.2.2000	2.50	0.22
155.	3.5 MG Underground Reservoir at Garfa Sishu Udyan	B	15.2.2000	9.50	0.16
156.	ROB at Sonarpur	B	15.2.2000	10.73	0.31
	Bangalore				
157.	Iron & Steel Market	A	22.5.95	40.20	15.92
158.	Truck Terminal at Hosur Road	A	23.5.95	23.64	0.00
159.	Madiwala Shopping Complex	A	4.12.95	16.00	12.65
160.	Electric Crematoria-banashankari	B	4.12.95	2.20	0.55
161.	Electric Crematoria-Bomman Halli	B	4.12.95	2.15	0.80
162.	Improvement of Water Supply distribution	B	4.12.95	45.55	29.60
163.	Restoration of Kempabudhi Tank	C	22.5.95	3.00	0.00
164.	Dev. of Taverekere Park	C	4.12.95	2.50	0.85
165.	Grade Separator at Richmond Circle	C	12.3.96	18.00	7.00
166.	Dev. of J.P. Park	C	12.3.96	3.50	0.34
167.	Improvement to Slum Settlement	C	18.2.97	1.50	1.10
168.	Outer Ring Road	C	18.2.97	38.95	13.39
169.	Pedestrian Subway Sangam Theatre	C	18.02.97	2.98	0.00
170.	Remodelling of Shivaji Nagar Bus Stand	C	19.5.99	5.50	1.05
171.	Subway near Shivaji Nagar	C	19.5.99	3.48	
	Chennai				
172.	FOB at Gengu Road	C	1.11.96	0.25	0.25
173.	C/o Raised Tunnel on either side of existing subway at Permbur for Pedestrain crossing road.	C	1.11.96	2.93	1.06
174.	C/o FOB Perambur	C	1.11.96	21.00	49.9
175.	Improvement to Mt. Poonamalle Road	C	1.11.96	14.42	7.50
176.	Re-routing of sewers & providing hgiher size of sewer lines to meat additional flow.	C	1.11.96	6.00	5.56
177.	Vehicular Subway - Saidapet Bazar Road	C	30.12.97	3.00	1.24
178.	Providing sewerage facilities to Vyasarpadi, Kanagam, Taramani & Kodungaiyur	C	30.12.97	38.00	29.48
179.	Demolition & Reconstructionof Vehicular Bridge Manali Rd.	C	3.8.98	1.60	0.65
180.	Sardar Patel Rd. Inter Section LB Rd.	C	4.1.99	15.50	2.66
181.	Radhakrishan Salai/Royapettah High Rd. Inter Section	C	4.1.99	8.50	2.94
182.	Alwarpet TTK Rd./Luz Church Road	C	4.1.99	11.00	3.05
183.	Royapettah Hospital/Peter's Road	C	4.1.99	8.50	2.71
184.	Pantheon Road, Casa Major Road	C	4.1.99	8.50	2.12
185.	Music Academy, Royapettah High Rd. TTK Road	C	4.1.99	15.00	4.80
186.	Pursawalkam (Devoton) Perambur High Rd.	C	4.1.99	12.00	3.13
187.	Bridge Across B Canal at MKB Nagar	C	3.8.98	3.20	1.15
188.	Widening of existing bridge on LB Road across B canal	C	3.8.98	1.60	0.54
189.	Provision of Sewerage pumping Station at 10 locations	C	3.8.98	2.88	1.73
190.	Intercepting Sewers along Mambalam drain	C	3.8.98	16.00	4.32
191.	C/o Roads & Drains	C	3.8.98	0.72	0.12
192.	C/o Culverts & Drains	C	3.8.98	1.00	0.00
193.	C/o Storm Water drain	C	3.8.98	0.70	0.10
194.	C/o 312 Slum Tenement at Dr. Ambedkar Nagar	C	3.8.98	3.88	1.80
195.	Improvements of Roads	C	5.10.99	6.70	1.01
196.	High Level Rd. at Naduvankarai	C	5.10.99	4.00	0.95
197.	High Level Bridge at Choolaimedu	C	5.10.99	4.00	0.61

198.	Underground Sewerage	B	4.1.99	34.00	0.00
199.	Rehabilitation of choked main & improvement to distribution network	B	3.8.98	10.00	9.96
200.	Re-routing of watermains Treatment plant from Gangadeswar Koil St. to Harris Road	B	3.8.98	3.00	3.05
201.	C/o GLR & OHT at Vimalapuram	B	3.8.98	0.42	0.00
202.	C/o OHTC at Ammankulam & Ambedkar Nagar	B	3.8.98	0.81	0.18
203.	Improvement of Water Supply	B	5.10.99	3.70	0.00
204.	Muffusil Bus Terminal	B	5.10.99	103.49	11.71
205.	Rehabilitation & improvement to water supply	B	5.10.99	25.00	19.82
206.	Shopping Complex at Keela Katali	A	8.1.96	0.61	0.59
207.	Commercial Complex in TS No. 32A	A	4.1.99	0.95	0.10
208.	C/o Community Hall & Shopping Complex	A	3.8.98	6.26	4.20
209.	C/o Office Complex at Anna Nagar	A	4.1.99	3.36	0.40
210.	C/o Tourist complex at Wallajah Road	A	4.1.99	2.50	0.15
	Hyderabad				
211.	Laying 1000 mm dia, 900mm dia and 750mm dia MS Water supply pipe line from Bodabanda Reserviour to Ramanandha Thearthanagar	A	6.11.95	3.05	1.33
212.	Laying 900mm dia MS and 750mm dia MS/CI water supply pipe line from Erragadda Reservoir to ameerpet X Roads	A	6.11.95	3.05	2.17
213.	Laying 1000mm dia MS pumping main from Lingampally Reservoir to Hydernagar Reservoir	A	6.11.95	3.21	1.84
214.	Construction of pump house and Sump at Lingampally of 2.2 ML capacity	A	6.11.95	0.90	0.67
215.	Pumping equipment at Lingampally pump house	A	6.11.95	2.05	1.2000
216.	Construction of service reservoir of 5 ml capacity in asmanadh zone at Vaishali nagar, Nagarjunasagar road	A	6.11.95	1.30	0.99
217.	Laying 600mm dia MS line inlet and 750mm/300 mm/200 mm dia CI out let to and from Vaisalinagar reservoir.	A	6.11.95	2.64	1.47
218.	Laying feeder main/distribution lines from Vaishali Nagar reservoir of 600mm/ 350mm/ 300mm/ 250mm/ 200mm dia CI from the said reservoir to Nagarjune Nagar and eighteen other colonies in Asmangadh zone including 1 ML capacity ELSR at Nagarjune Nagar colony	A	6.11.95	2.35	1.50
219.	Construction 5 ML capacity RCC GLSR at Jagadgirigutta	A	6.11.95	1.25	1.09
220.	Construction 0.6 ML Capacity RCC Sump at Jagadgirigutta	A	6.11.95	0.14	0.12
221.	Manufacturing, supply, erection and commissioning of pumping equipment at Jagadgirigutta Sump	A	6.11.95	0.32	0.22
222.	Laying Feeder main of 700mm dia PSC(5,465 km) from Hydernagar to proposed reservoir at Jagadirgutta	A	6.11.95	2.80	2.80
223.	Manufacturing, supply, lowering, laying, jointing and testing of 600 mm dia MS/CI and 500 mm dia CI trunk distribution pipe line from GLSR Jagadgirigutta to Chintal Junction from existing ELSR at Shapoor Nagar to Jeedimetla Control Room to connect the existing distribution system in Qutbullapur Municipality	A	6.11.95	2.12	2.09

224.	Manufacturing, laying, jointing and testing and commissioning of 600 mm dia MS pumping main from sump to the GLSR at Jagadagirigutta and Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 750 mm & 500 mm dia MS and 450 mm dia CI trunk distribution lines from GLSR at Jagadagirigutta to Maqdoor Nagar in Qutbullapur Municipality.	A	6.11.95	1.50	1.49
225.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 600 mm dia PSC/MS and 300 mm dia CI trunk distribution main from 5 ML capacity GLSR at Alwal to Jeedimetla Village in Qutbullapur Municipality (2.34 km).	A	6.11.95	0.83	0.76
226.	Construction of compound walls, approach roads to the reservoir and sump, construction of staff quarters in the reservoir site and external electrification and chlorination arrangements at the reservoir and sump sites at Jagadgirigutta.	A	6.11.95	0.53	0.17
227.	Construction of 5.0 ML capacity GLSR at Meerpet Hillock behind Temple comples.	A	6.11.95	1.50	1.38
228.	Laying 600 mm dia PSC Feeder main from the 1200 mm dia Sainikpuri - Saidabad main at Bhakshiguda junction to the proposed reservoir at Meerpet Hillock	A	6.11.95	0.43	0.45
229.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 400 mm dia PSC feeder main to proposed sump at Osmania University Teacher's Colony (Out) in Kapra Municipality.	A	6.11.95	0.68	0.58
230.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 400 mm dia CI distribution main from LSR at OUT towards Pakra Municipal Office and Ammuguda	A	6.11.95	1.05	1.00
231.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 500 mm dia/400 mm dia/ 200 mm dia CI distribution main from ELSR Radhika Theatre to Kamala Nagar, ECIL X Roads, Kushaiguda in Kapra Municiaplity.	A	6.11.95	1.50	1.13
232.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 600 mm MS, 600mm dia CI/ 400mm dia CI distribution mains from 5 ML capacity GLSR at Meerpet Hillock to Krishna Nagar, Mallapur and Nacharam X Roads in Kapra Municipality.	A	6.11.95	1.85	1.70
233.	Construction of 600 KL capacity RCC Sump at OUT in Kapra Municipality	A	6.11.95	0.15	0.13
234.	Supply and erection of Pumping Plant at OUT colony.	A	6.11.95	0.13	0.09
235.	Construction of compound wall, approach roads, quarters, etc. at Meerpet and other reservoir sites.	A	6.11.95	0.50	0.16

236.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 600 mm dia MS and 450/400 mm dia CI distribution lines from 5 ML capacity GLSR at Yelugugutta towards TV Studio, Kakatiya Nagar main road and Zone-I in Uppal Municipality	A	6.11.95	2.90	2.49
237.	Construction of compo8und wall, external electrification and staff quarters, office building etc., including approach roads, storm water drain, fencing, etc., at Elugugutta site.	A	6.11.95	0.50	0.18
238.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 600 mm dia PSC trunk distribution main from Alwal 5.0 ML GLSR to Father Balairh in Nagar Sump	A	6.11.95	0.37	0.25
239.	Manufacturing, supply, laying, testing of 400 mm dia MS pumping main from Father Balaiahnagar Sump of proposed ELSR's at Macchabollaram and Yapral	A	6.11.95	2.80	2.00
240.	Manufacturing, supply, erection and commissioning of pumping plant and equipment at Father Balaihnagar sump to pump water to proposed ELSR's at Macchabollaram and Yapral.	A	6.11.95	0.23	0.17
241.	Construction of compound walls, electrifications to the ELSR premises, extensions of existing pump house at Father Balaiah Nagar Sump	A	6.11.95	0.20	0.13
242.	Construction of 0.6 ML RCC ELSR at Chanakyapuri Colony in Malkajgiri Municipality.	A	6.11.95	0.33	0.27
243.	Construction of 1 ML capacity Sump at Chanikyapuri	A	6.11.95	0.25	0.11
244.	Manufacturing, laying, jointing and testing of 600mm dia CI inlet main (90 RMT) to Chanakyapuri GLSR, 450mm dia MS pumping main (1220 Rmt) from Chankyapuri Sump to Gouthamnagar ELSR, and 400/300/250 mm dia CI outlet mains (1860 Rmt) Chanakyapuri ELSR to the existing distribution system.	A	6.11.95	1.70	1.17
245.	Construction of compound walls, external electrification at the reservoir sites.	A	6.11.95	0.23	0.05
246.	Laying Trunk distribution mains from Autonagar Reservoir to Nagole and Mansoorabad areas.	A	6.11.95	4.10	2.55
247.	Laying 600 mm dia /450 mm/400 mm/350 mm/300 mm/250 mm/ dia CI trunk distribution mains from Vasavi Nagar Reservoir to Kothapera and Nagole areas.	A	6.11.95	2.06	1.57
248.	Laying 450/400/300 mm dia CI water supply lines from Autonagar Reservoir to Hayatnagar Village viz. Lecturers Colony, Vinayaka Nagar and RTC colony in I.B. Nagar, Municipality	A	6.11.95	1.37	0.96
249.	Laying 450/350 mm CI water supply lines from L.B. Nagar X roads towards Karamanghat (Commanded from Autonagar Reservoir)	A	6.11.95	0.83	0.96

250.	Laying 250 mm dia CI distribution mains from the 5 ML capacity reservoir at Vasavinagar in LB Nagar Municipality to command Telephone copoly, Kothapeta, Ramakrishna Puram and from the system under Autonagar Reservoir to command Alkapuri, Greenhills and Shalivahana Nagar	A	6.11.95	2.55	1.56
251.	Laying of 400 mm dia CI pumping main from Auto Nagar reservoir to 1 ML capacity RCC GLSR at Huda Park	A	6.11.95	0.58	0.32
252.	Laying 450/300/250 mm dia CI trunk distribution main from 1 ML ELSR at HUDA Park to 14 colonies	A	6.12.95	0.55	0.33
253.	Construction of Pump House at Auto Nagar reservoir campus	A	6.11.95	0.07	0.03
254.	Construction of compound wall to the GLSR and electrification at Vasavi Colony.	A	6.11.95	0.16	0.04
255.	Construction of 1.0 ML ELSR at Mailar Devulapally including inlet main and outer pipelines.	A	6.11.95	1.00	0.25
256.	Manufacturing, supply, lowering, laying, jointing, testing and commissioning of 300 mm dia MS inlet main to the 2 ML reservoir at Budwel from the proposed Filtration Plant at Budwel and Manufacturing, supply, lowering, laying, jointing, testing, commissioning of 350 mm dia CI outlet main from 2 ML reservoir (new) at Budwel to connect the existing distribution system.	A	6.11.95	0.59	0.39
257.	Manufacturing, supply, lowering, laying, jointing, testing, commissioning of 300 mm dia CI outlet main from 2 ML reservoir (new) at Budwel to the existing sump at Muskh Mahal and other surrounding areas.	A	6.11.95	0.90	0.62
258.	Commercial Complex at Ameerpet	A	6.11.95	5.18	1.04
259.	C/o Swarnajayanti Commercial Complex Ameerpet	A	6.11.95	20.00	3.92
260.	Parallel Bridge at Hyderabad Public School	A	6.11.95	1.25	0.10
261.	Construction of service reservoir of 5 ML capacity in Jubliee Hills Zone at Jubilee sump campus	B	6.11.95	1.25	1.09
262.	Laying 1200mm, 100mm dia, 900mm dia MS water supply pipe lines from Prashasan Nagar Reservoir to Jubilee Hills Road No. 1 at Journalist Colony Pump House and Junction of Apollo Hospital Road including supply & erection of pumps at Prashasan Nagar and Shaikpet pump houses.	B	6.11.95	3.40	3.25
263.	Laying of 600mm dia (300 Rmt) PSC feeder main, trunk distribution mains of 750mm (210 Boiguda Slaughter House	B	6.11.95	0.45	0.29
264.	Laying of 1000mm dia PSC gravity main from Control Room to Chilkalguda Reservoir	B	6.11.95	5.50	4.40
265.	Laying 600mm dia and 450mm dia CI water supply distribution main from Bojagutta Reservoir to Shardanagar	B	6.11.95	2.80	2.14

266.	Laying 450mm/300 mm dia CI trunk distribution main from Nayak nagar cross road to Nayak Nagar Area	B	6.11.95	0.33	0.26
267.	Manufacture, supply, delivery, laying jointing testing and commissioning of K-51/28 Sewer Main of RCC NP4 Class pipes of dia varying from 600 to 900 mm with SRC Cement from Yousufguda Park and balance Duplicate K-51 main on HUDA Road, Ameerpet.	B	6.11.95	4.35	0.85
268.	Manufacture, supply, delivery, laying, jointing, testing and commissioning of RCC Sewer main of 300mm dia NP2 Class and 500/600/700mm dia NP3 class from NBT Cancer Hospital to down stream of Banjara Pond including laying sewers in Somajiguda down stream of Banjara nala.	B	6.11.95	5.00	1.50
269.	Construction of 10ml capacity reservoir at Bhoiguda slaughter house under Hussain Sagar Zone including yard lighting, quarters etc., complete.	B	6.11.95	2.25	1.75
270.	Laying 750mm dia & 600mm dia CI water supply main from Banjara Road No. 14 to Krishna Nagar.	B	6.11.95	2.10	1.94
271.	Laying 400/300/200mm dia CILA class gravity main from Borabanda Reservoir to Panduranganagar	B	6.11.95	0.36	0.32
272.	Sahebnagar S & S	B	6.11.95	10.00	2.82
273.	Parallel Bridge at muslimjungg Bridge	B	6.11.95	8.00	0.34
274.	ROB at Olipanta	B	6.11.95	5.00	2.10
275.	ROB at Jamai Osmania	B	6.11.95	6.00	0.45
276.	ROB at Railnilyam	B	6.11.95	5.00	0.60
277.	New Major Park at Yusufguda	B	6.11.95	2.00	0.37
278.	ROB at Seethaphal Mandi	B	6.11.95	3.65	0.01
279.	NTR Garden	B	27.2.98	40.00	5.05
280.	Necklace Road Ph.II	C	6.11.95	10.00	8.86
281.	CTO Flyover	C	6.11.95	6.00	4.68
282.	Telgutalli Flyover	C	27.2.98	20.00	8.77
283.	Masabtank Flyover	C	27.2.98	12.00	5.11
284.	Narayanguda Flyover	C	27.2.98	6.00	2.60
285.	Manufacture, supply, delivery, laying, jointing, testing and commissioning of RCC NP3 and NP4 Class pipes of dia varying from 300 to 500mm with SRC Cement in Bholashankar Maktha and Brahmanwadi area alongwith Kukatpally nala, including receiving duplicate 'A' main sewer to avoid pollution of HS Lake	C	8.1.96	4.50	2.00
286.	Extension of Kanchanbagh Main 400/500/600/800 mm dia from Singareni collories to Santoshnagar X roads.	C	8.1.96	4.00	1.72
287.	Laying local and connecting sewers in Saidabad, Subrama-nyanagar, Laxminagar & Vinayanagar Colonies etc.	C	8.1.96	1.85	0.61
288.	Extensionof 400/300/350/250/200 mm dia RCC NP3 Class Kanchanbagh sewer from Singareni Colony to Deccan Medical College, including laying branch sewers in the surrounding areas to collect the sewage draining into the Kanchanbagh tank	C	8.1.96	1.30	0.34

289.	Construction of rooms at various reservoir sites for housing the Chlorination Plants	C	8.1.96	0.14	0.08
	Mumbai				
290.	Land Dev. at Kharghar	A	5.1.96	27.90	12.28
291.	Shopping Complex cum Town Hall	A	5.1.96	6.00	5.65
292.	Sports Complex	A	5.1.96	4.25	4.24
293.	Industrial Park at Kalamboli	A	26.2.98	34.66	5.99
294.	Shopping Complex cum Town Hall (increased cost)	A	29.9.99	5.59	0.22
295.	Street Lighting	B	5.1.96	60.00	41.75
296.	Diesel Crematorium	B	5.1.96	0.50	0.45
297.	Water supply scheme Thana City (Stage-II)	B	29.9.99	39.37	0.72
298.	Improving capacity of Pumping station at Kalyan	B	29.9.99	6.70	0.20
299.	Palm Beach Road Ph.I	C	5.1.96	53.89	63.04
300.	Underpass at Vashi Node	C	5.1.96	3.15	3.15
301.	ROB on Kalyan ShillRd. at Patri Pool	C	5.1.96	4.00	3.12
302.	Underpass at Kharghar	C	26.2.98	2.50	0.50
303.	ROB at Khandeshwar	C	26.2.98	14.34	12.62
304.	Toilet Complexes	C	26.2.98	2.00	1.37
305.	Gutters	C	26.2.98	7.59	4.81
306.	Sewer lines	C	26.2.98	9.36	0.58
307.	Palm Beach Marg (Additional Works)	C	29.9.99	10.00	3.13
308.	Underpass at Vashi (increased cost)	C	29.9.99	2.36	1.00
	PROJECTS YET TO START				
	Calcutta				
309.	Housing at Baishnabghatta	A	15.2.2000	10.89	Nil
310.	Housing GL Block, East Calcutta	A	15.2.2000	5.41	Nil
311.	Housing at EE Block, Salt Lake	A	15.2.2000	7.63	Nil
312.	Hawkers Rehabilitation Centre cum Commercial Complex at East Calcutta	A	15.2.2000	10.80	Nil
313.	Court cum commercial complex at Sealdah(Ph.II)	A	15.2.2000	8.31	Nil
314.	Improvement of Street Lighting in HMC Area	B	15.2.2000	1.09	Nil
315.	Stablisation & Extension of Primary Grid under Garden Reach Water Works-PH.II	B	15.2.2000	29.48	Nil
316.	Watermain in and around UGR at Garfasishu Udyan	B	15.2.2000	4.20	Nil
317.	Impt. & Old Calcutta Roads (Ph.II)	B	15.2.2000	3.20	Nil
	Chennai				
318.	Improvement of Daily Market	A	8.1.96	0.30	Nil
319.	Commercial Complex Old Town Panchayat Office	A	30.12.97	0.23	Nil
320.	C/o Commercial Complex & Bus Terminal	A		0.56	Nil
321.	112 Flats at Singaravelan Nagar	A	5.10.99	3.85	Nil
322.	Flats at Vijayaraghvan Road	A	5.10.99	1.80	Nil
323.	C/o Commercial Complex at Nandanam	A	5.10.99	1.86	Nil
324.	Parking at Loan Square Prakasamsalai	B	1.11.96	7.00	Nil
325.	C/o OHT & GLR	B	3.8.98	0.69	Nil
326.	Extension of distribution network	B	3.8.98	0.26	Nil
327.	Widening of Bridge Madhya Kailash across B Canal	C	3.8.98	0.90	Nil
328.	Improvement of Existing treatment plant at Koyambedu & Kodungaiyur	C	3.8.98	40.45	Nil
329.	Pedestrain Subway at Ratan Bazar	C	5.10.99	1.31	Nil
330.	Underground Sewerage	C	5.10.99	19.22	Nil

	Hyderabad				Nil
331.	C/o Mini market complex at Subjimandi	A	27.2.98	4.00	Nil
332.	Mordernisation of Solid Waste Management	A	7.12.99	28.00	Nil
333.	Road widening	A	7.12.99	60.68	Nil
334.	Formation of New Link Roads	A	7.12.99	10.32	Nil
335.	NTR Garden Phase II	A	7.12.99	30.00	Nil
336.	Parking Lots	A	7.12.99	20.00	Nil
337.	Food Courts	A	7.12.99	2.00	Nil
338.	Rock Garden	A	7.12.99	10.00	Nil
339.	C/o 500 KL Capacity RCC ELSR at Macha Bolaram	A	6.11.95	0.24	Nil
340.	C/o 500 CL Capacity RCC EWR at Yapral	A	6.11.95	0.26	Nil
341.	Supply & Erection pumping plant for pumping water to chankyapuri ELSR and Southam Nagar ELSR at Chanakyapuri Sump	A	6.11.95	0.21	Nil
342.	Laying internal distribution mains in 14 colonies eastern side of Vanasthalipuram	A	6.11.95	1.90	Nil
343.	Supply & delivery of pump sets of Autonagar Reservoir Campus	A	6.11.95	0.18	Nil
344.	C/o IML RCC ELSR at HUDA Park Colony, Vanasthalipuram	A	6.11.95	0.50	Nil
345.	C/o MGD WTP by the side of existing WTP at Budwel, Rajendra Nagar including 3500 mm dia CI pumping main (900 Rmt) from WTP to proposed site.	A	6.11.95	2.00	Nil
346.	Laying trunk collecting sewars from developing Localities at Madhapur to proposed STP at Durgâm Cherubu including C/o STP including cost of consultancy services for survey, design & preparation of estimate, bid documents etc.	A	6.11.95	7.90	Nil
347.	Manufacturing, supplying, laying, jointing, testing and commissioning of part of Ramanthapur main sizes 600mm & 800 mm dia RCC NP-3 class pipes from the crossing of street No. 8 alongwith Ramanthapur Road & leading to Nallacheru	C	8 .1.96	5.11	Nil
348.	Procurement of chlorination plants for installation of various Reservoir sites.	C	8 .1.96	0.40	Nil
349.	Carrying out comprehensive water audit the water supply system of HMWSSB by procurement & installation of water meters	C	7.12.99	12.50	Nil
350.	Rehabilitation of existing water supply system.	B	7.12.99	50.00	Nil
351.	Water supply improvements and extension of water supply system of HMWSSB	B	7.12.99	6.00	Nil
352.	Parks	C	27.2.98	3.00	Nil
	Mumbai				
353.	Truck Termini	A	26.2.98	5.40	Nil
354.	Multistoryed Pay & Park	A	26.2.98	2.50	Nil
355.	Kalamboli Industrial Park (Stage-II)	A	29.9.99	25.00	Nil
356.	C/o Vegetable Market	A	29.9.99	7.50	Nil
357.	Management of Bio-Medical Waste	B	29.9.99	20.44	Nil
358.	National Plasma Fractionation Centre	B	29.9.99	6.37	Nil
359.	Distribution of Water supply of Kharghar Node	B	29.9.99	35.00	Nil
360.	Augumentaion of Mandwa Titwala Water supply Scheme	B	29.9.99	2.60	Nil
361.	FOB and Rickshaw Stand	C	26.2.98	3.00	Nil
362.	Storm Water Drainage King's Circle & Postal Colony	C	29.9.99	30.50	Nil

363.	Mulund (E) Bus Depot	C	29.9.99	11.70	Nil
364.	Additonal floor over Mulund Check naka Bus Depot	C	29.9.99	0.15	Nil
365.	Speez Bus Stand	C	29.9.99	0.50	Nil
366.	Sewerage System Kharghar Node.	C	29.9.99	17.25	Nil
367.	New 7 Lane Panvel creek Bridge.	C	29.9.99	20.00	Nil
368.	ROB at Khandeshwar on Belapur Panvel Rly Line. (Stage II)	C	29.9.99	5.29	Nil
369.	Construction of Roads	C	29.9.99	9.63	Nil
370.	Street lighting	C	29.9.99	6.08	Nil
	PROJECT DROPPED				
	Bangalore				
371.	C/o Agricultural Market at Singena Agrahara	A	18.2.97	39.29	Nil
372.	Electric Crematoria-Beggars Colony	B	4.12.95	1.27	Nil
373.	Electric Crematoria, Amruthahalli	B	4.12.95	1.19	Nil
374.	Sewage treatment at Mysore Road	B	25.3.98	52.12	Nil
375.	Sewage treatment at Yelahanka	B	25.3.98	39.24	Nil
376.	Modernisation of BWSSB's Pumping Stations	B	25.3.98	16.17	Nil
377.	Augumentation of Water supply by ground Water resources	B	25.3.98	8.20	Nil
378.	Remodelling of Shivaji Nagar Bus Stand.	E	25.3.98	5.50	Nil
379.	Grade Separator at Mekhri Circle	C	25.3.98	20.00	Nil
380.	Subway Shivaji Nagar	C	25.3.98	3.48	Nil
381.	Improvement to Storm Water drains	C	25.3.98	46.25	Nil
382.	Subway - Mysore Bank Circle	C	25.3.98	4.68	Nil
383.	Sub-way - City Market	C	25.3.98	5.01	Nil
384.	Outer Ring Road - Eastern Segment	C	25.3.98	65.21	Nil
	Chennai				
385.	Daily Market on Nehru Nedun Salai	A	8.1.96	0.37	Nil
386.	C/o Office Complex at Municipal Office Premises	A	8.1.96	4.55	Nil
387.	C/o Office cum Commercial complex at MTH Road.	A	8.1.96	0.53	Nil
388.	Kalyan Mandapam at Radhanagar	A	8.1.96	0.55	Nil
389.	Office complex on IInd floor, of Municipal Office building.	A	8.1.96	0.30	Nil
390.	C/o Shops in Ist floor at Shanmugam Road.	A	8.1.96	0.25	Nil
391.	Shopping complex at 4th Main Road, Nanganallur	A	8.1.96	0.32	Nil
392.	Market & Shopping Complex near Pallavaram Rly. Station	A	8.1.96	0.35	Nil
393.	Madras Moffussil Bus Terminal	A	1.11.96	0.88	Nil
394.	Commercial complex at T.P. Office.	A	30.12.97	2.41	Nil
395.	Commercial Complex at Ettikulam on Arcot Road.	A	30.12.97	2.70	Nil
396.	Commercial Complex at Mettukupam Salai abutting NH-14	A	30.12.97	0.32	Nil
397.	Shopping complex at Kathi Vakkam High Road	A	4.1.99	0.19	Nil
398.	Electric Crematorium Porur Panchayat	B	30.12.97	0.68	Nil
399.	C/o Electric Crematorium	B	30.12.97	0.68	Nil
400.	Electric Crematorium	B	3.8.98	0.68	Nil
401.	Storage reservoir & Provision of Standposts	B	3.8.98	0.19	Nil
402.	C/o Open Canal for Veerangal Odai & and mini RCC Bridge across Balaji Nagar Main Road.	C	8.1.96	0.30	Nil
403.	Improvement to Sudhananda Bharathy Road, Street & Bharatmata Street	C	8.1.96	0.30	Nil

404.	Improvement and formation of link Rd. Between Ambattur Rly Station & Pattravakkam Level Crossing	C	8.1.96	0.58	Nil
405.	Development of Irumbuliyur Rd.	C	8.1.96	0.37	Nil
406.	Flyover at Koyambedu Junction	C	1.11.96	10.00	Nil
407.	C/o Flyover at Vellage Road	C	1.11.96	17.50	Nil
408.	Pedstrain Subway at Luz	C	30.12.97	3.50	Nil
409.	Pedstrain Subway at Mint	C	30.12.97	3.50	Nil
410.	Compost yard & Purchase of Vehicle	C	3.8.98	0.88	Nil
	Mumbai				
411.	Shivaji Maidan & Market Comp.I	A	5.1.96	1.50	Nil
412.	Development of Commercial Complex at Goadevi	A	5.1.96	3.00	Nil
413.	Truck Terminus	A	5.1.96	5.00	Nil
414.	Electric & Gassified Crematoria	B	5.1.96	4.65	Nil
415.	Art Galery/Museum Conference Centre	B	5.1.96	3.00	Nil
416.	Water Supply Scheme (KDMC)	B	26.2.98	12.20	Nil
417.	Development of Nodal Bus Station	C	5.1.96	0.32	Nil
418.	Upgradation of Existing Relief Shelter	C	5.1.96	1.62	Nil
419.	Bus Stop on Eastern & Western Express highway	C	5.1.96	2.86	Nil
420.	LED display system for Buses	C	26.2.98	0.40	Nil
	Hyderabad				
421.	Ameerpet Flyover	B	8 .1.96	5.00	0.22
422.	Panjagutta Fly over	B	8 .1.96	4.50	0.20
423.	Viswesarayya Flyover	B	8.1.96	6.00	0.27
424.	RTC 'X' Roads Flyover	B	8 .1.96	4.50	0.34
425.	Mojansahi Market Flyover	B	8.1.96	8.00	0.53
426.	Necklace Road Phase-II (ROB)	C	8.1.96	6.00	Nil
427.	Subway at Gunfoundary	B	6.11.95	0.31	0.01
428.	Subway at Pathergatti	B	6.11.95	0.40	Nil
429.	Subway at Shadan College, Khairabad	B	6.11.95	0.32	0.15
430.	Subway at Shankermutt	B	6.11.95	0.35	Nil
431.	RUB at Azampura	B	6.11.95	1.35	0.01
432.	Subway at Assembly	B	6.11.95	0.47	Nil
433.	Subway at Secretariat	B	6.11.95	0.45	Nil
434.	Rub at Haraspenta	B	6.11.95	1.15	0.01
435.	Subway at Tilak Road, Abids	B	6.11.95	0.35	0.01
436.	Construction of modern air conditioned market complex at Feroz Gandhi Park	A	8.1.96	1.50	Nil
437.	Construction of office complex at Darulshifa	A	8 .1.96	1.50	0.01
438.	Construction of Modern Market at Monda Market	A	8 .1.96	7.00	Nil
439.	Construction of MCH Commercial Complex at Afzalgunj	A	27.2.98	8.00	Nil
440.	Covering of Open nalas/drains in twin cities to generate land as resource	C	27.2.98	9.00	Nil
441.	ROB at Kandikal Gate	B	27.2.98	7.00	Nil
442.	Construction of Urinals at various places	B	27.2.98	0.25	Nil

Source: (1) Minutes of State Level Sanctioning Committee held during 1995-96 to 1999-2000.
(2) Quarterly progress reports for the quarter ending 31.03.2000.

Ministry of Urban Affairs and Employment

System of Arbitration in CPWD

3.2 System of Arbitration in CPWD

'Management of contracts' in CPWD was earlier included in Report No.2 of 1992 of Comptroller and Auditor General of India which was examined by the PAC. In April 1994 the Ministry of Urban Development had replied to the PAC that with a view to streamline the administration of contracts it had initiated measures such as monitoring system to ensure compliance of laid down instructions analytical study of arbitration cases and preparation of a digest for providing a ready reference to the trends in the past awards for future guidance creation of a Techno Legal Cell etc. The PAC desired in December 1994 that the Ministry should keep a close and continuous watch review the effectiveness of these steps in the light of performance of the contracts and the related Arbitration Awards and take further necessary measures to ensure efficient management of contracts and thereby avoid additional payments to the contractors. However the Ministry had actually not initiated the promised measures, resulting in continuance of the avoidable payments to the contractors.

Highlights

Arbitration Awards were not systematically monitored.

Delayed supply of drawings, designs, materials and communication of decisions by CPWD to the contractor resulted in avoidable prolongation of contracts and payment of compensation/damages to the tune of Rs 262.74 lakh.

The requirement provided by CPWD in the nomenclature of items of work was not compatible with the specification and drawings provided by it, resulting in payment of extra items of work to the contractors aggregating to Rs 55.79 lakh.

Non-payment of bills of contractors in terms of the accepted conditions resulted in forfeiture of rebate offered by contractors for timely payments.

Non-adhering to the contractual obligations/manualised provisions by the Department led to refund of Rs 286.06 lakh with consequent loss of interest.

Irregular rescission of the contracts led to avoidable extra expenditure of Rs 117.71 lakh.

CPWD did not fix responsibility on its officials when arbitrators awards had gone against it because of their default.

Deficiencies in system of monitoring and management of arbitration cases in CPWD led to delays in follow-up action and rejection of 94 *per cent* of the claims.

Introduction

3.2.1 The Central Public Works Department (CPWD) is the principal agency of the Government of India for construction as well as maintenance of all

Central Government buildings and projects. To this end, the CPWD enters into agreements with the contractors. Clause 25 of the agreement provides for appointment of an Arbitrator in case of unresolved questions and disputes relating to matters in connection with or arising out of contracts or carrying out of the work. On receipt of an application from the contractors for appointment of an Arbitrator, the CPWD is required to determine whether the points of disputes fall within the purview of clause 25. Thereafter, CPWD appoints an arbitrator who hears the case. Once the arbitrator makes his award, CPWD is required to examine it. In case it accepts the award, it should take immediate action to have the awards made a rule of the court. The CPWD may challenge the award in the court of law.

The Executive Engineer should send a quarterly statement of pending arbitration cases to the Superintending Engineer who in turn sends a similar statement for the entire circle to the concerned Chief Engineer. These reports should be reviewed by the Chief Engineers at periodical meetings to expedite the finalisation of arbitration cases.

Organisational Set up

3.2.2 The Director General (Works) heads the CPWD and is assisted by Additional Director General (Works). The Department is divided into seven regional units headed by Assistant Director General. Regional Units are further divided into Zonal Offices, Circle Offices and Divisional Offices headed by Chief Engineer, Superintending Engineer and Executive Engineer, respectively.

Scope of Audit

3.2.3 During the period April 2000 to July 2000, Audit reviewed records relating to arbitration activities and awards finalised during the years 1994-95 to 1999-2000 of CPWD divisions functioning all over the country. The review covers examination of system followed by the CPWD with reference to Arbitration Act 1940, Arbitration and Conciliation Act 1996, CPWD Manual Vol. II and instructions issued by the Director General (Works). The CPWD have not maintained a control register containing details of all arbitration cases. Audit could, therefore, not ascertain the exact number of arbitration cases but examined 402 cases made available to it as detailed in the **Annex**.

Profile of Awards made

3.2.4 The following table depicts the year wise position of awards, amount awarded, recovery/payment and interest paid:

Rs in lakh

Year	No. of awards reviewed	Awards in favour of CPWD	Amount awarded	Amount recovered	Awards against CPWD	Amount awarded	Interest paid	Total amount paid
1994-95	84	7	49.80	0.002	77	120.59	55.30	163.41
1995-96	79	2	0.03	0.03	77	197.48	50.04	183.25
1996-97	50	1	0.003	-	49	89.80	26.36	148.97
1997-98	12	1	-	-	11	18.78	0.93	5.13
1998-99	93	5	-	-	88	207.74	66.20	176.06
1999-2K	84	6	0.26	-	78	152.98	85.37	198.04
Total	**402**	**22**	**50.09**	**0.03**	**380**	**787.37**	**284.20**	**874.86**

Only 22 awards, including 14 nil awards went in favour of CPWD involving payment of Rs 50.09 lakh to it. While in two cases, the CPWD recovered Rs 0.03 lakh from the contractors, Rs 50.06 lakh is to be recovered.

In 380 cases, the awards went against the CPWD. While the CPWD accepted 287[s] awards and challenged 64[a] awards, it is yet to take action on the balance 29[b] awards. The CPWD paid Rs 874.86 lakh inclusive of interest amounting to Rs 284.20 lakh to the contractors against the cases accepted. The arbitrators also disallowed counter claims of CPWD amounting to Rs 212.96 lakh.

Avoidable expenditure due to inefficient contract management

Damages/ Compensations of Rs 262.74 lakh were awarded in favour of contractors.

3.2.5 Clause 2 of the contract provides that the time allowed for the completion of work is the essence of the contract on the part of the contractor. Compensation for delay is leviable by the CPWD and its decision regarding the quantum of compensation is final and outside the purview of the Arbitration clause. CPWD is required to issue notice to the contractor to recover such compensation at the time of acceptance of delayed performance. In 223[c] cases, the contractors delayed the completion of the works. The CPWD neither issued notice to the contractors to claim compensation for delay nor fixed revised dates for completion. The contractors claimed damages/compensation amounting to Rs 262.74 lakh (escalation and interest thereon: Rs 112.68 lakh; increase in market rates : Rs 19.05 lakh; expenditure on watch and ward : Rs 9.47 lakh; cost of idle labour/tools and plants : Rs 117.66 lakh; loss of material at the godown : Rs 0.70 lakh and rent for godown : Rs 3.18 lakh). The arbitrators awarded the compensation as CPWD had delayed handing over of site/drawings/designs. It had also delayed issue of timely and proper notices to the contractors notifying its intention to levy compensation for failure to complete the work within the contract period.

[s] *Cases marked in Annexure.*
[a] *Cases marked in Annexure.*
[b] *Cases marked in Annexure.*
[c] *Cases marked in Annexure.*

Memorandum No. DG(W)/con/81 dated 6 April 1995 issued by Director General (Works) stated that the claims of compensation for establishment expenses, loss of profit during the extended period are incidental to the claims relating to clause 2 of the agreement. These are not within the arbitration and should not be referred by CPWD to the arbitrators. However, CPWD referred 26[*] such cases of arbitration resulting in allowance of Rs 28.37 lakh to the contractors (as included in the above figure of Rs 117.66 lakh and Rs 9.47 lakh).

Incomplete nomenclature/ specification in schedule of work led to awards of Rs 55.79 lakh going against CPWD.

3.2.6 Para 24.1.3 of CPWD Manual Volume II provides that the terms of the contract must be precise and definite. In 43[d] cases, the CPWD did not clearly specify the items of work/methods of work/specifications, in the contract. The nomenclature of items of work did not tally with the actual work. Resultantly, the contractors claimed payment for extra items of work. CPWD contested their claim on the ground that the works actually executed were implied in the requirement of items under schedule of work to the contract. The Arbitrators repudiated the contention of the CPWD and allowed Rs 55.79 lakh excluding interest to the contractors.

3.2.7 The department accepted the conditional rebate offered by the contractors on quoted rates, for regular monthly payment of running account bills and payment of final bills within six months from the date of completion of work. In 107[e] cases the department however, deducted the rebate without making the payment as per agreed terms of the contract. The arbitrators held that the department was not entitled for the rebate and allowed refund of Rs 40.88 lakh and interest (not quantifiable) to the contractors. Failure of department to adhere to the agreed terms of the contracts resulted in forfeiture of stipulated rebate and avoidable loss of interest.

3.2.8 According to the provisions of CPWD Manual, all decisions relevant to the work/agreement must be taken at the appropriate level. All recoveries due from the contractors under the agreement must be settled before the bills are finalised and under no circumstances should amounts be withheld in the final bills on adhoc basis.

Refunds of Rs 263.09 lakh were allowed with interest.

In 270[f] cases, the arbitrators allowed refund of Rs 263.09 lakh with interest (Short payment: Rs 36.13 lakh, Arbitrary deduction: Rs 49.01 lakh, Irregular reduction: Rs 5.65 lakh, Deduction for defective work: Rs 3.52 lakh, Work done but not paid for: Rs 72.58 lakh and Extra item : Rs 96.19 lakh). Failure of CPWD to take decisions resulted in avoidable payment of interest also (not quantifiable).

3.2.9 In 74[g] cases, the department could neither prove the pilferages, losses nor issued notices to return the excess materials lying at site but effected penal

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[*] *(Sr. No. 6, 78, 79, 97, 99, 155, 157, 162, 168, 169, 208, 221, 239, 240, 241, 263, 265, 293, 315, 359, 369, 372, 374, 375, 391 and 392 of annexure).*

[d] *Cases marked in Annexure.*

[e] *Cases marked in Annexure.*

[f] *Cases marked in Annexure.*

[g] *Cases marked in Annexure.*

recovery. The arbitrator allowed the refunds of the amount recovered to an extent of Rs 22.97 lakh.

3.2.10 The department rescinded the work without making the time as an essence of contract as no time was fixed nor extension granted for completion of the work during the validity of contract. The CPWD issued show-cause notices much after the expiry of the stipulated date of completion of work.

Failure of the department in taking timely action for grant of extension of time and issue of timely and proper notice for recovery of compensation/dues led to refund and payments as under:

(a) Refund of security deposit of Rs 25.89 lakh and interest thereon (not quantifiable) in 70[h] cases.

(b) Payment of claims towards loss of profit on balance work prevented due to termination of contract amounting to Rs 20.46 lakh in 22[j] cases.

3.2.11 The Arbitrators also allowed Rs 5.73 lakh and Rs 16.99 lakh to the contractors as cost of arbitration and other claims in 219[k] and 72[l] cases respectively.

3.2.12 The CPWD made payment of Rs 284.20 lakh as interest as allowed by the Arbitrators/Courts.

Avoidable rejection of Counter Claims

3.2.13 Clause 2 of the contract provides for compensation to CPWD from the contractors in case of non-completion of work as per schedule. Clause 3 provides for rescission of the contract by the department in the event of breach of any one or more of the conditions of contract by the contractors. Forfeiture of security deposit and recovery of extra expenditure incurred by the department (over and above the amount of security deposit forfeited) for getting work completed at their risk and cost is also provided for in the agreement.

Recovery of compensation and extra expenditure by the department from contractors amounting to Rs 117.71 lakh under provisions of clauses 2 and 3 of the contracts were set aside by the Arbitrators in 37[2] cases on account of following failures of CPWD:

- Non-issue of timely and proper notices to the contractors notifying intention of the department to levy compensation for failure to complete the work within contract period.

h *Cases marked in Annexure.*
j *Cases marked in Annexure.*
k *Cases marked in Annexure.*
l *Cases marked in Annexure.*
2 *Cases marked in Annexure.*

- CPWD did not make time as the essence of the contract that is CPWD and the contractor did not refix the time for the completion of the work after stipulated period of completion.

- Communicating of decision of the department to levy compensation for delayed execution of work after the date of completion of work.

- The balance work awarded to the other agencies was at variance with the original contract in the schedule of quantities.

- The CPWD did not call for tenders for award of balance work.

- The CPWD failed to produce necessary documents to the Arbitrators in support of their counter claims

Deficient pleadings made before the arbitrator

3.2.14 The Hon'ble Supreme Court has held that once there is full and final settlement in respect of any particular dispute or difference in relation to a matter covered under arbitration clause in the contract and that dispute is finally settled, it remains outside the purview of the arbitrator.

In four cases the contractors acknowledged the receipt of final bill unconditionally in full and final settlement. But the departmental officers admitted the claims raised by the contractors subsequently, and referred these to the arbitrator. In the defence statement submitted before the arbitrator the department neither highlighted this fact nor cited the Supreme Court's decision. Arbitrator admitted the claims and issued the award in favour of contractors amounting to Rs 6.16 lakh with interest (Sr Nos. 44, 344, 359, 392 of **Annex**).

Extra financial burden due to laxity on the part of the department

3.2.15 Scrutiny of individual files revealed that there was general laxity in following the time limit prescribed in the manual and instructions issued in appointment of arbitrator (30 days), submission of counter statement of facts (1 to 2 months maximum), challenging the award in court of law (30 days from receipt of notice of court), depositing the awarded amount in the court to avoid accrual of interest etc.

There were delays in appointment of arbitrators.

(a) In 328[3] cases the CPWD did not appoint the arbitrators within the prescribed time limit of 30 days. The time taken ranged between 1 month 3 days to 85 months 9 days.

(b) In 36[4] cases, the arbitrators published the awards by allowing interest from the date of application for appointment of arbitrators or from the date of notice given by the contractors to Executive Engineers. The delay in withholding the appointment of arbitrators resulted in the additional interest burden (not quantifiable)

[3] *Cases marked in Annexure.*
[4] *Cases marked in Annexure.*

(c) In 73[5] cases, the department delayed submission of counter statement of facts to the arbitrators and the time taken ranged between 2 months 15 days to 36 months. The delay added to the interest burden as the interest allowed in the award was normally from the date of first reference entered upon by the arbitrator with the parties.

(d) In 39[6] cases, the department failed to deposit the awarded amount in the court to avoid further accrual of interest in respect of awards challenged in the court which added to the extra interest burden.

(e) In two cases, the competent authority accorded its approval for challenging the award after the award had been made decree of the court.(S.No. 17 and 42 of **Annex**).

(f) In seven cases, the CPWD filed the objections in the court after the time limit prescribed, which resulted in rejection /dismissal of objections on the ground that the petitions were barred by limitation. (Sr. Nos. 25, 35(i), 38, 39, 44, 46, 47 of **Annex**).

(g) In 15[7] cases, the interest paid was upto the date of payment, whereas as per the awards the interest allowed was from the date of award till the date of payment or decree whichever is earlier. The department, instead of restricting the interest upto the date of decree, allowed interest upto the date of payment thereby making an excess payment of interest to an extent of Rs 1.82 lakh.

(h) The CPWD deposited an amount of Rs 10.10 lakh towards interest in the court in excess due to wrong calculation. (Sr. No. 5, 38 and 293 of **Annex**).

(i) The High Court imposed a fine of Rs 1500 on the Chief Engineer NZ - III Jaipur in a case for not complying with the orders of Additional District Judge, for timely reference of the claim of the contractor to the Arbitrator appointed by the Court.

(j) In four cases the amount of the award was shown in excess by Rs 0.25 lakh by the Arbitrator. The department failed to get the same corrected by the arbitrator but made the payment to the contractor in respect of award at Sr. No. 113 and challenged the other awards. (Sr. No. 88, 113, 255 and 261 of **Annex**).

Evaluation

CPWD did not enforce accountability.

3.2.16 As per the instructions of Director General (Works) contained in his memorandum dated 5 January, 1993, the Chief Engineer is required to analyse

5 *Cases marked in Annexure.*
6 *Cases marked in Annexure.*
7 *Cases marked in Annexure.*

the reasons and lapses, if any, on the part of the concerned officials due to which awards went against the CPWD and should send his recommendation to him fixing responsibility and taking action against the officers, wherever necessary. The Chief Engineers were further required to keep statistics of all such cases for information of the Government.

Scrutiny of records however revealed that action in this regard was not taken against officers in default. The position called for in this regard was not intimated. Observations of internal audit of the arbitration cases called for was not made available.

Monitoring

System of monitoring/ review of arbitration cases was non-existent.

3.2.17 The CPWD did not maintain the case wise position of arbitration cases together with details of progress in all the divisions. It did not review the progress of arbitration cases. There were delays in appointment of arbitrators, filing of counter statement of facts, implementation of awards, acceptance/challenging of awards, filing of objections on awards etc. CPWD had not evolved a system to monitor arbitration cases/awards within the department. This resulted in a failure to process arbitration cases and awards effectively.

The matter was referred to the Ministry in November 2000; reply has not been received (March 2001).

Annex
(Refers to paragraph 3.2.3)

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
1.	ARB/SSJ/623 c f h k m n s 31.3.95	15/EE/ED 8/90-91 CD-II
2.	ARB/SSJ/726 f n s 15.2.95	8.EE/CDVIII/90-91 CD-II
3.	ARB/SSJ/149 n 13.1.95	18/EE/CDII/76-77 CD-II
4.	22.3.95 f s ARB/SSJ/766	13/EE/CD-8/89-90 CD-II
5.	ARB/SSJ/655 a c f k l n 26.12.94	2/EE/CD-VIII/8687 CD-II
6.	ARB/YPCD/303 a c e f h k m q n 23.3.99	18-EE/CD X/87-88 CD-II
7.	ARB/SSJ/875 f n s 11.7.96	2-EE/CDII/88-89 CD-II
8.	ARB/SSJ/814 f g n s 27.10.95	5-EE/CDVIII/92-93 CD-II
9.	ARB/SSJ/904 k n s 23.7.96	19-EE/CDII/90-91 CD-II
10	ARB/SSJ/320 c f k l n s 20.10.94	4-EE/CDII/86-87 CD-II
11	ARB/YPCD/499 c e f n s 12.3.99	28-EE/CDX/89-90 CD-II
12	ARB/SSJ/822 c e f k n s 23.2.96	12-EE/CD-8/90-91 CD-II
13	ARB/SSJ/496 b c f g l n 27.12.94	4-EE/CDII/77-79 CD-II
14	ARB/SSJ/303 c f k l n s 31.10.94	5-EE/CD-2/86-87 CD-II
15	ARB/YPCD/481 9.2.99	31-EE/CD-X/91-93 CD-II
16	ARB/YPCD/632 c f k n s 31.3.99	4-EE/CD-VIII/91-92 CD-II
17	ARB/SSJ/625 c e f h m n p s 28.6.95	1-EE/CDVIII/86-87 CD-XIV
18	ARB/SSJ/682 c e f g k n p r s 15.9.95	36-EE-II/MBRHP/89-90 CD-XIV
19	22.3.96 c e f k n p r s ARB/SSJ/812	10-EE-II/MBRHP/86-87 CD-XIV
20	ARB/SSJ/556 c f h k m n r s 30.6.95	6-DPM/MBRHP/ 88-89 CD-XIV
21	ARB/SSJ/501 f g n p s 13.6.94	7-EE/MBRHP/86-87 CD-XIV
22	ARB/SSJ/313 d f h k s 17.2.95	27(A)MBRHP/82-83 CD-XIV
23	ARB/SSJ/338 c e f k m n p s 21.9.94	2/DPM/MBRHP/83-84 CD-XIV
24	ARB/SSJ/122 e f g k r s 23.7.96	1-EE-II/MBRHP/84-85 CD-XIV
25	ARB/SSJ/491 c e f k p s 6.6.95	15/EE-II/MBRRHP/83-84 CD-XIV
26	ARB/SSJ/654 a c e f n p q 20.10.95	1/EE-II/MBRHP/89-90 CD-XIV
27	ARB/YPCD/583 f h m n o p s 31.1.2000	6/EE/CDXIV/95-96 CD-XIV
28	ARB/SSJ/652 c e f k n p s 25.8.94	34/EE-I/MBRHP/ 89-90 CD-XIV
29	ARB/SSJ/653 c e f n p s 19.10.95	16/EE-II/MBRHP/ 89-90 CD-XIV
30	ARB/SSJ/751 b l n 3.6.96	11/EE-II/MBRHP/ 86-87 CD-XIV
31	ARB/SSJ/578 d e f g k n p s 11.3.94	1/EE/SCD/86-87 SCD
32	ARB/SSJ/754 c e f h k n p s 15.6.95	35/EE/SCD/89-90 SCD
33	ARB/SSJ/896 c e f g k n p s 22.12.95	54/EE/ SCD /9192 SCD
34	ARB/SSJ/728 a c e f h k m n q 25.1.95	14/EE/ SCD /85-86 SCD
35(i)	ARB/SSJ/110 c e n p s 28.12.92	11/EE/ SCD /88-89 SCD
35(ii)	ARB/VET/96/25 c f l n o p s 17.10.98	11/EE/ SCD /88-89 SCD
36	ARB/SSJ/198 c k n s 15.12.94	3/EE/ SCD /84-85 SCD
37	ARB/SSJ/446 a c e f h k m n p q 18.4.94	6-EE/CDXI/86-87 Parliament works Division-III
38	ARB/SSJ/448 a c e f h k m n p 29.4.94	7-EE/CDXI/86-87 Parliament works Division-III
39	ARB/SSJ/117 c e f h l m n s 8.6.95	15-EE/81-82 Parliament works Division-III
40	ARB/SSJ/659 c f k n p s 24.3.95	23-EE/CDIX/88-89 Parliament works Division-IV
41	ARB/SSJ/847 a e f n 16.7.96	4-EE/CDIX/89-90 Parliament works Division-IV
42	ARB/VN/312 c f g k n s 19.5.94	3-EE/CDIX/83-84 Parliament works Division- Parliament works Division-IV
43	ARB/SSJ/679 c p n s 10.11.95	26-EE/CDIX/89-90 Parliament works Division- Parliament works Division-IV
44	ARB/SSJ/449 c k p n s 29.6.95	10-EE/CDIX/88-89 Parliament works Division- Parliament works Division-IV
45	ARB/SSJ/439 f p n s 10.2.95	6-EE/CDIX/85-86 Parliament works Division- Parliament works Division-IV
46	ARB/SSJ/634 c h k m n p s 23.1.96	21-EE/CDIX/88-89 Parliament works Division-IV
47	ARB/SSJ/834 d f k n o s 28.7.95	22-EE/CDVII/92-93 Parliament works Division-IV
48	ARB/SSJ/595 c f h k m n r s 13.4.94	12-EE/CDVII/90-91 Parliament works Division- Parliament works Division-IV
49	ARB/SSJ/441 c d e f g k l o r s 11.1.95	2-EE/CD9/83-83 Parliament works Division- Parliament works Division-IV
50	ARB/SSJ/304 c k n p s 22.6.94	8-EE(E)MBRHP/84-85 ECD-V
51	ARB/SSJ/735 b h n 21.9.95	2-ECDV/90-91 ECD-V
52	ARB/SSJ/314 c k n s 29.6.94	15/E(e)MBRHP/83-84 ECD-V
53	ARB/VN/898 a c p n 11.7.95	11-ECDV/89-90

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
54	ARB/YPCD/123 h n's (Interim award) 7.7.99	12/ECDV/82-83 ECD-V
55	ARB/SSJ/345 b f g h I n p 313.95	7-EE/CDIV/73-74 CD-IV
56	ARB/PKK/7 h l n s 27.12.96	1-EC/FCED/86-87 ED-VII
57	ARB/PKK/143 a 27.9.96	- ED-XI
58	TKM/104 f h j k l n p s 27.9.94	-
59	TKM/75 c f h j k n p s 30.6.94	-
60	TKM/127 e f h j k l n p s 18.8.95	-
61	TKM/119 c d g h k l n s 31.5.96	-
62	BKB/79 c e g h n p s 15.3.99	-
63	ARB/SSJ/463 f h j l n s 18.1.97	11/EE/FSDF/84-85
64	ARB/SSJ/770 c e f k n s 8.3.96	1/EE/FSD-III/89-90
65	ARB/SSJ/744 c f k n s 11.1.96	5/EE/FCD-II/87-88
66	ARB/YPCD/20 f h k m n s 9.10.98	1/EE/FCD-II/88-89
67	ARB/SSJ/493 c f h k s 26.12.95	15/EE/FCD-II/89-90
68	ARB/SSJ/492 f h k m n s 11.1.96	16/EE/FCD-II/89-90
69	ARB/SSJ/683 a c e f k n q 11.4.96	32/EE/FSDF/87-88
70	ARB/VN/682 f m n s 6.3.95	17/ EE/FCD1/89-90
71	ARB/SSJ/817 f h n s 6.12.95	12/EE/FCD1/91-92
72	ARB/VN/834 f k n s 7.3.95	6/EE/ACD/87-88
73	ARB/SSJ/773 b c f k m n 13.6.96	2/EE/NSGP-DIV-I/89-90
74	ARB/SSJ/738 a f h m q 17.6.96	2/EE/NSGP-DIV-I/90-91
75	ARB/SSJ/826 a c e f k 18.7.96	22/EE/NSGP-DIV-I/88-89
76	ARB/YPCD/17 c e f k n s 25.5.98	Faridabad central division no.1, CPWD Faridabad 1/EE/NSGP/DIV-I/92-93
77	ARB/YPCD/19 c e n s 7.9.98	-do- 1/EE/NSGP/DIV-I/88-89
78	ARB/YPCD/7 c f k n s 11.5.99	-do- -do- 15/EE/NSGP/DIV-III/91-92
79	ARB/YPCD/21 b c e f k l n 27.3.2000	-do- 18/EE/FCD1/94-95
80	ARB/YPCD/668 e l n s 22.12.99	2/EE/KCD/92-93
81	ARB/YPCD/766 e f l n s 24.12.99	7/EE/FSL/91-92
82	ARB/YPCD/155 a c f n 30.11.996	82/KCD/91-92
83	ARB/SSJ/816 f h n s 5.12.95	87/EE/FCD-I/90-91
84	ARB/SSJ/788 f h n s 6.12.95	31/EE/FCD-I/90-91
85	ARB/SSJ1043 a c e f l n q 15.4.96	8/EE/FCDI/90-91
86	ARB/SSJ/1044 a c e f l n q 12.4.96	10/EE/FCDI/90-91
87	ARB/SSJ/1045 a c e f l n q 4.11.96	11/EE/FCDi/90-91
88	ARB./SSJ/1042 a c e f l q 16.4.96	7/EE/FCDI/90-91
89	ARB/SSJ/1046 a c e f l q 17.4.96	11/EE/FCDI/90-91
90	ARB/YPCD/6 f h m n s 28.10.98	18/EE/FCDI/84-85
91	ARB/YPCD/478 c f g k n s 10.5.99	43/EE/FCDI/88-89
92	ARB/YPCD/530 f k n s 27.5.94	63/EE/FCDI/86-87
93	ARB/YPCD/825 a c d e f k n 29.6.95	85/EE/FCDI/90-91
94	ARB/VN/964 c h k l n s 12.9.95	26/EE/FCDI/91-92
95	ARB/SSJ/813 a c f k q 2.4.96	13/EE/FCED/86-87
96	ARB/YPCD/37 c k s 8.9.98	10/EE/NSGP/DIV-II/89-90
97	ARB/YPCD/36 a c e f k n q 11.8.99	/EE/Div.II/89-90
98	ARB/YPCd/18 b c d e f h k l n 24.3.2000	6/EE/NSGP/Div-III
99	ARB/YPCD/28 b c k l n 21.3.2000	8/EE/NSGP-V/89-90
100	ARB/SSJ/884 a c f h k n q 26.7.96	15/EE/NSGP/ED-II/89-90
101	ARB/SSJ/885 a c f h k m n 18.7.96	10/EE/NSGP/ED-I/89-90
102	ARB/SSJ/743 a c f h k n 9.3.96	10/EE/NSGP/ED-I/89-90
103	TKM/ARB/CAL/E2/57 m 29.7.94	45EE/BCD/82-83 B.C.D
104	TKM/ARB/CAL/E2/118 mn 29.7.94	8-EE/BCD/83-84 B.C.D
105	TKM/ARB/CAL/E2/250 f h mns 29.1.96	117-EE/BCD/89-90 B.C.D
106	BKB/ARB/CAL/EZ/118 l n s 12.6.98	104/EE/BCD-I/92-93 B.C.D-I
107	ARRB/SSJ/695 c f k n s 29.6.94	30/EE/HCD/I/87-88 Hyderabad Central Division-I
108	ARB/SSJ/632 c f k m n s 287.94	22/HCD-II/85-86 HCD-II
109	ARB/YPCD/340 c o n s 9.6.99	40/EE/HCD-III/89-90 HCD-III
110	ARB/YPCD/339 c n s 20.8.99	62/EE/HVD-III/89-90 HCD-III
111	ARB/SSJ/936 c k n s 24.7.96	2/VCD-III/92-93 Visakaha Patnam central division
112	ARB/SSJ.426 c f l n s 16.6.94	29/EE/HCD-I/87-88 HCD-I
113	ARB/SSJ/852 c d f k n s 16.5.96	23/EE/HCD-I/90-91 -do-
114	RB/SSJ/680 c k l n s 13.5.94	17/EE/HCD-II/87-88 HCD-II
115	ARRB/YPCD/337 c f s 24.9.99	37/EE/HCD-III/89-90
116	ARB/YPCD/338 c f g n s 20.9.99	57/EE/HCD-III/89-90
117	ARB/YPCD/343 c f n s 17.6.99	54/EE/HCD-III/90-91 HCD-III
118	ARB/YPCD/341 f s 26.8.99	46/EE/HCD-III/89-90 HCD-III

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
119	ARB/YPCD/342 f n s 16.9.99	34/EE/HCD-III/88-89 HCD-III
120	ARB/SSJ/694 17.11.94	52/HCD-II/89-90
121	ARB/SSJ/729 f k s 4.4.94	25/HCD-II/90-91
122	ARB/SSJ/730 f k s 4.4.94	57/HCD-II/90-91
123	ARB/SSJ/523 c s 30.5.94	35/HCD-III/86-87
124	RB/SSJ/696 18.5.94	44/HCD-II/89-90
125	ARB/EZ-II/SS/658 f s 20.4.99	2/NAAPD/93-94
126	ARB/YPCD/344 f s 14.6.99	12/EE/HCD-III/90-91
127	BKB/ARB/NEZ/248 s 1.7.99	1/CE/SE/E/SH/93-94 Meghalaya Central division
128	TKM/ARB/CA-1/NEZ/174 30.6.94 c f k n p s	19/CE/SE/EE/GCD/ 77-78 GCD
129	TKM/ARB/NEZ/CAL/102 12.12.95 e h k m n s	9/SC/EE/SCD/89-90 Silchar Central Division
130	TKM/ARB/CAL/NEZ/101 12.12.95 c e f h k m n p s	2/EE/SCD/SIL/89-90 -DO-
131	BKB/ARB/NEZ/134 21.9.98 c f m n s	9/SE/EE/AAWD/90-91 AAW Division Guwahati
132	BKB/ARB/NEZ/133 25.9.98 c g h m n s	22/SE/EE/AAWD/88-89 -DO-
133	BKB/ARB/NEZ/42 c e f n s 6.1.99	52/EE/NCD/84-85 Silchar Central Division
134	BKB/ARB/NEZ/67 c e n s 18.1.99	66/SE/EE/TCD/AGT/SIL/ 88-89 Silchar Central Division
135	BKB/ARB/NEZ/68 c e f n s 20.1.99	29/SE/EE/TCD/AGT/SIL/ 88-89 Silchar Central Division
136	BKB/ARB/NEZ/66 e f n s 2.7.99	65/SE/EE/TCD/AGT/SIL/ 87-88 Silchar Central Division
137	BKB/ARB/NEZ/70 c e p n s 25.6.99	66/SE/EE/TCD/AGT/SIL/ 87-88 Silchar Central Division
138	BKB/ARB/NEZ/71 c e f p n s 23.6.99	18/SE/EE/SH/85-86 Silchar Central Division
139	AKB/ARB/NEZ/124 b c e f p n 28.2.2000	65/SE/EE/TCD/AGT/SIL/ 88-89 Silchar Central Division
140	ARB/VN/768 h l n s 20.10.94	14/EE/88-89 Shimla central division-I
141	ARB/SSJ/1059 a c f k l n 12.4.96	5/EE/84-85 -do-
142	ARRB/YPCD/252 b c d f k l n 15.12.99	6/EE/84-85 -do-
143	ARB/YPCD/229 c f k s 27.10.98	1/EE/90-91 SCD-I
144	ARB/YPCD/209 f s 20.5.98	66/SCD/93-94 SCD-I
145	ARB/YPCD/243 f k s 1.6.98	83/EE/92-93 SCD
146	ARB/YPCD/239 f g s 12.11.98	10/EE/SCD/87-88 SCD-I
147	ARB/YPCD/211 s 30.7.98	136/EE/81-82 SCD
148	ARB/VN/619 a f 10.2.94	1/EE/84-85/SCD SCD

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
149	ARB/VN/640 n 31.01.1995	37-EE/CCD/86-87 Chandigarh, C. Division
150	ARB/VN/773 c f g l n s 28.08.1995	37-EE/CCD/84-85 C.C.Divn
151	ARB/SSJ/1034 f l n s 05.07.1996	46-EE/CCD1/91-92 C.C.Divn.1
152	ARB/YPCD/178 e f n s 09.09.1998	60-EE/CCD1/91-92 C.C.Divn.1
153	ARB/YPCD/179 e f n s 10.09.1998	63-EE/CCD1/91-92 C.C.Divn.1
154	ARB/YPCD/159 a c d e f k n 15.10.1998	6-EE/CCD1/92-93 C.C.Divn.1
155	ARB/YPCD/273 c f g k n s 29.06.1999	1-EE/CCD1/95-96 C.C.Divn.1
156	ARB/YPCD/468 e g l n s 20.10.99	16-EE/CCDIII/93-94 C.C.Divn.III
157	ARB/YPCD/101 c e f g k n s 30.11.99	5-EE/CCDI/93-94 C.C.Divn.I
158	ARB/YPCD/171 c e f g k n o s 29.10.99	20-EE/CCDII/93-94 C.C.Divn.II
159	ARB/YPCD/218 c e f g j k n r s 24.6.98	17-EE/BCDII/89-90 B.C.Divn.II
160	ARB/YPCD/63 c f j k r n s 27.11.98	34-EE/BCDI/88-89 B.C.Divn.I
161	ARB/YPCD/95 f h k m n r s 21.1.99	33-EE/BCDII/93-94 B.C.Divn.II
162	ARB/YPCD/97 c f k r n s 28.1.99	1-EE/BCDII/89-90 B.C.Divn.II
163	ARB/YPCD/204 c f k n r s 15.3.99	43-EE/ICD/88-89(Indore Central Division)
164	ARB/YPCD/514 f k n r s 29.4.99	16-EE/ICD/92-93 I.C.Divn.I
165	ARB/YPCD/140 c e f k n r s 8.6.99	8-EE/GCD/93-94 G.C.Divn.
166	ARB/YPCD/143 a c e f g j k n 24.6.99	23-EE/ICD/90-91 ICD
167	ARB/YPCD/399 f k n s 29.7.99	2-EE/ICD/93-94 ICD
168	ARB/YPCD/758 c f k n r s 28.1.2000	12-EE/ICD/93-94 ICD
169	ARB/YPCD/213 c e f h k m n rs 16.3.2000	37-EE/BCDII/93-94 BCDII
170	ARB/SSJ/38 f s 9.8.94	4-MRA/VI/77-78 Kanpur central division
171	ARB/ SSJ /39 b f s 12.8.94	6-MRM/IX/77-78 Kanpur central division
172	ARB/ SSJ /71 f g n 12.6.95	4-MRM/D-I/81-82 Kanpur central division
173	ARB/ SSJ /831 f k s 19.7.96	7-UP/SE-ACC/89-90 DCDI
174	ARB/ SSJ /803 c e f k s 17.6.96	11-EE/88-89 Allahabad Central Division
175	ARB/YPCD/53 a c e f g k q 10.2.1999	6-U.P./CE(NZ)/89-90 DCD 1
176	ARB/YPCD/401 e f k s 13.10.1999	5_EE/DCD 2/93-94 DCD 2
177	ARB/YPCD/51 c d e f k s 14.1.2000	1-CE/F/93-94 DCD-1
178	ARB/YPCD/74 e n s 19.1.2000	44-DCD-II/91-92 DCD-II
179	ARB/SSJ/856 f g h k s 25.7.96	EE/12/88-89 DCD-I
180	ARB/SSJ/765 b f g 11.7.96	FSK/3188-89 Kanpur Central Division
181	ARB/YPCD/60 h s 19.8.98	10-EE/DCD II/87-88 DCD II

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
182	ARB/YPCD/207 h m s 23.3.99	8-K-94-95
183	ARB/KKM/SZ-1/74187 ARB/YPCD/695 l n s 7.3.200	37-MCD IV/92-93 Madras Central Division IV
184	ARB/VN/852 27.7.95	61-EE/ACK/91-92 Ahmedabad Central Division
185	ARB/YPCD/362 b f h m 3.11.98	20-EE/GCD/90-91 Gandhi Nagar Central Division
186	ARB/NEZ/12 n s 4/95	Manipur Central Division-I
187	ARB/NEZ/5 a q n 21.8.98	Manipur Central Division
188	ARB/SSJ/468 n s 26.8.94	EE/MCD/20/88-89 Madhopur Central Division
189	ARB/SSJ/254 n s 5.4.94	EE/MCD/5//87-88 MCD
190	ARB/SSJ/403 n s 28.9.94	EE/MCD/2/85-86 MCD
191	ARB/VN/770 a c f g h k n 12.5.94	EE/MCD/12/89-90 MCD
192	ARB/VN/722 c e f g k s 20.9.94	9-EE/ACD88-89 Jalandhar Central Division
193	ARB/SSJ/792 f n s 8.3.95	2-EE/KFD/90-91 JCD
194	ARB/SSJ/796 f s 28.2.95	3-EE/KFD/90-91 JCD
195	ARB/VN/723 f k s 18.7.94	16-EE/ACD/88-89 JCD
196	ARB/SSJ/469 f h k l s 13.4.94	WO/EE/ACD/88-89 JCD
197	ARB/VN/764 c f g k n s 15.2.95	49-EE/ACD/88-89 JCD
198	ARB/SSJ/833 f k s 28.2.95	23.-EE/ACD/89-90 JCD
199	ARB/SSJ/785 f h k n s 21.8.95	EE/MCD/45/90-91 MCD
200	ARB/SSJ/867 f g k n s 9.10.95	EE/BFDM/19/92-93 MCD
201	ARB/SSJ/1037 c f n s 16.2.96	EE/.MCD/42/87-88 MDC
202	ARB/SSJ/892 f n s 17.1.96	EE/MCD/43-90-91 MCD
203	ARB/SSJ/915 b f g k n 15.2.96	EE/MCD/42/89-90 MCD
204	ARB/SSJ/843 d f k l n o s 14.10.95	EE/BFD/5/90-91
205	ARB/SSJ/860 d f k l n o s 14.10.95	EE/BFDS/22/90-91
206	ARB/SSJ/937 a c f k n 7.3.96	EE/MCD/30/89-90
207	ARB/SSJ/364 c g k l s 21.6.95	22EE/FSL/78-79
208	ARB/SSJ/967 c d f g k n s 22.2.96	EE/BFDG/6/90-91
209	ARB/SSJ/863 a c f h k n q 17.4.95	6EE/KFD/90-91
210	ARB/SSJ/864 b c f j k l n 21.4.95	17EE/KFD/90-91
211	ARB/SSJ/891 f g n s 4.4.96	EE/MCD I/90-91
212	ARB/YPCD/419 b e f n c 18.2.99	EE/CD/20/83-84

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
213	ARB/YPCD/161 f g j k n s 3.12.98	EE/MCD/3/92-93
214	ARB/YPCD/258 h j k n s 3.7.98	EE/MCD/61/90-91
215	ARB/YPCD/108 9.2.99	12/EE/BFD/90-91
216	ARB/YPCD/109 10.2.99	15-EE/BFD/90-91
217	ARB/YPCD/152 10.2.99	14-EE/BFD/90-91
218	ARB/YPCD/437 b k l n 23.2.99	39-EE/ACD/82-83
219	ARB/YPCD/257 s 23.9.99	WO 10/SE/FSL/88-89 LCD
220	ARB/YPCD/174 s 22.9.99	WO 25/E/FSZ/88-89
221	ARB/YPCD/548 c d e f k l n s 28.10.99	21-EE/FSZ/91-92
222	ARB/YPCD/210 e f s 18.10.99	10-EE/FSZ/91-92
223	ARB/YPCD/807 b c f 31.3.2000	15-EE/LCD/95-96
224	ARB/YPCD/253 c f g k l n s 30.9.99	82-EE/ACD/89-90
225	ARB/YPCD/164 c f g k s 22.7.99	38-EE/ACD/90-91
226	ARB/YPCD/275 a c d n q 25.11.99	13/EE/BFD/92-93 BFD
227	ARB/YPCD/549 b c f n 26..11.99	12/EE/BFD/Fazilka/9293 BFD
228	ARB/YPCD/248 c e f g k n s 12.4.99	50/EE/ACD/89-90 ACD
229	ARB/YPCD/413 2.6.99	EE/CCD/23/83-84
230	ARB/YPCD/99 1.6.99	EE/CCD/52/83-84
231	ARB/Shri K.D. Bali) 17.4.97 b c e f h j k l	95/EE/JDC/92-93
232	ARB/SSJ/535 c d f k n o p s 19.5.94	38/EE/BCD/88-89 Bikaner Central Division
233	ARB/SSJ/534 c d f g k n o p s 24.5.94	42EE/BCD/88-89 -do-
234	ARB/SSJ/536 d f g k n o p s 11.5.94	8/EE/BCD/89-90 BCD
235	ARB/SSJ/460 c d f k l n o p s 10.5.94	2EE/BCD/89-90 BCD
236	ARB/SSJ/457 c d f g k n o p s 16.5.94	47EE/BCD/89-90 BCD
237	ARB/SSJ/456 c d f k n o p s 26.4.94	48/EE/BCD/88-89 BCD
238	ARB/YPCD/8 f k l n o p s 14.7.98	23/EE./BCD/91-92 BCD
239	ARB/YPCD/147 c d f k n o p s 5.3.99	55/EE/BCD/88-89 BCD
240	ARB/YPCD/145 c d f k n o p s 1.3.99	60/EE/BCD/88-89 BCD
241	ARB/YPCD/146 c d f k n o p s 3.3.99	61/EE/BCD/88-89 BCD
242	ARB/YPCD/9 e f g p n p s 24.2.99	13/EE/BCD/86-87 BCD
243	ARB/SSJ/921 d f k n p s 8.4.96	5/EE/BCD/88-89 BCD
244	ARB/SSJ/957 d f g k n p s 8.4.96	6/EE/BCD/89-90 BCD
245	ARB/SSJ/958 d f k n p s 9.4.96	33/EE/BCD/88-89 BCD
246	ARB/SSJ/920 d f k n s 17.5.96	34/EE/BCD/88-89 BCD

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
247	ARB/SSJ/956 d f k n p s 17.5.96	7/EE/BCD/88-89 BCD
248	ARB/YPCD/214 c f h k n o s 25.6.99	95/EE/JCD/90-91 JCD-II Jaipur
249	ARB/VN/896 h l p n s 31.5.95	8EE(E)/JCED/91-92 Jaipur Central Electrical Division Jaipur
250	ARB/VN/881 l n 23.5.95	4/EE(E)/JCED/91-92 -Do-
251	ARB/SSJ/537 a f j k l n o p q 24.9.94	7/EE/BCD/89-90 BCD
252	ARB/SSJ/859 a d f k n p q 23.2.96	13/EE/BFD/RSN/91-92 BFD-V Barmer
253	ARB/SSJ/840 a d k n o q 23.2.96	14/EE/BFD/RSN/91-92 -do-
254	ARB/SSJ/954 a d f k n q 22.2.96	16-EE/BFD/SKP/91-92 -do-
255	ARB/SSJ/955 a d f k l n p q 22.2.96	15/EE/BFD/SKP/91-92 -do-
256	ARB/SSJ/893 a d f n p 23.7.96	1/EEBCD/89-90 BCD Bikaner
257	ARB/SSJ/918 a d f n p 22.7.96	64/EE/BCD/88-89 -do-
258	ARB/SSJ/894 a d f n p 22.7.96	65/EE/BCD/88-89 -do-
259	ARB/YPCD/149 a f k n o p q 16.10.98	54/EE/BCD/88-89 -Do-
260	ARB/YPCD/150 a f k n o p q 16.10.98	50/EE/BCD/88-89 -do-
261	ARB/YPCD/523 18.11.98 a c d f g h k l n o p q	5/EE/ACD/87-88 ACD/Ajmer
262	ARB/YPCD/10 a f g k l n o p q 11.9.98	100/EE/JCD/90-91 JCD-I Jaipur
263	ARB/YPCD/376 a c f k n o p q 12.11.98	43/33/BCD/87-88 BCD Bikaner
264	ARB/YPCD/385 22.2.99 a c e f g k l n o p q	6/EE/JCD/90-91 JCD-II Jaipur
265	ARB/YPCD/148 a c f k n o p q 1.4.99	67/EE/BCD/88-89 BCD Bikaner
266	ARB/YPCD/379 a e f g k n o p 29.7.99	20/EE/JCD/91-92 JCD-II Jaipur
267	ARB/YPCD/215 24.8.99 b c e f g h k l n o p	22/EE/ACD/88-89 ACD Ajmer
268	ARB/YPCD/12 b f k n p 22.12.99	77/EE/BCD/88-89 BCD Bikaner
269	ARB/YPCD/11 b f k n o p 23.12.99	78/EE/BCD/88-89 BCD Bikaner
270	ARB/YPCD/617 29.2.2000 b c f g h k n o p	3/EE/ACD/79-80 JCD-I Jaipur
271	ARB/YPCD/382 28.12.99 a c e f k n o p q	32/EE/JCD/89-90 JCD-II Jaipur
272	ARB/YPCD/901 a n 22.2.95	24/EE/(E)JCED/91-92
273	ARB/YPCD/144 a e f k n p q 1.7.99	34/EE/ACD/92-93 ACD Ajmer
274	ARB/JNL/1988/1104 b f g n p 31.3.99	EE/JCD/66/89-90 Jammu Central Division
275	ARB/SB/I b g k n 16.3.99	EE/JCD/28/88-89 -do-
276	ARB/JNL/1997/1103 b n o p 31.3.99	EE/JCD/12/87-88 -do-
277	CE(BFZ)RL-1/979 b n o 8.7.99	EE/JCD/43/88-89 -do-
278	ARB/SSJ/406 a n 25.11.94	46/CCD/78-79 Kochi Central Division
279	ARB/SSJ/726 a c f h j k m q 30.6.95	70/TCD/90-91 Thiruvananthapuram Central Division
280	ARB/PKK/1 a f n 31.7.96	38/TCED/89-90 Thiruvananthapuram Electrical Central Division
281	ARB/PKK/2 a f 21.6.96	2/TCED/92-93 -do-
282	ARB/YPCD/527 m 31.3.99	23/TRCD/91-92 Thrissur Central Division
283	ARB/YPCD/529 4.5.99	6/TRCD/91-92 -do-
284	ARB/YPCD/297 c s 3.5.99	10CHCD/91-92 Kottayam Central Division
285	ARB/YPCD/761 c d n s 9.12.99	53/TCD/94-95 Thiruvananthapuram (Central Division)
286	ARB/SSJ/699 c f g k l n s 9.2.95	15/CE/BCD-I/87-88 Bangalore Central Division.I
287	ARB/YPCD/291 a f n 29.12.99	41/BCDI/CE/91-92 Bangalore Central Division.I
288	ARB/YPCD/292 f n s 20.10.98	20/EE/91-92 BCD – II
289	ARB/YPCD/290 a c f g j k n q 10.12.98	6/CE/SZ/BCD I/88-89 Bangalore Central Div. I
290	ARB/SSJ/700 b f n 24.11.94	94/BCD-II/89-90 BCD-II
291	AR B/YPCD/286 a c f k n q 19.11.98	7/EE/BCD-I/93-94 BCD-I
292	ARB/YPCD/287 a c f k q 19.11.98	26/SE/BCD-I/93-94 BCD-I
293	ARB/YPCD/289 a c d f n 24.3.99	10/CE/BCD-II/92-93 BCD-II
294	TKM/ARB/EZ/CAL/240 23.11.94 c e f k n s	12-CCD-V/89-90 Calcutta Central division V
295	TKM/ARB/CAL/EZ/234 c k n s 16.8.94	43-EE/CCD II/90-91 CCD – II
296	TKM/ARB/CAL/EZ/193 h k n s 28.6.94	47-EE/CCD-II/89-90 CCD-II
297	TKM/ARB/CAL/EE/246 c f g k n s 31.1.95 Corrigendum 23.2.95	21-EE/CCD VI/89-90 CCD VI
298	TKM/ARB/CAL/EZ/218 c s 29.12.94	32-CCD VI/72-73 CD VI
299	TKM/ARB/CAL/EZ/231 31.10.94 c f g j k n s	43-CCD-VI/89-90 CCD VI
300	TKM/ARB/CAL/EZ/153 31.5.94 c e g k n s 6.6.94	5-EE-SCAD/85-86 SCAD
301	TKM/ARB/CAL/1BBZ/254 22.2.95 c e k n s	2-EE/BCD I/90-91 BCD I
302	TKM/ARB/CAL/EZ/146 28.11.94 c e k l n s	2-EE/CCD II/84-85 CCD II
303	TKM/ARB/CAL/EZ/264 21.3.95 c f k s	11-CCD VI/83-84 CCD VI
304	TKM/ARB/CAL/CZ/178 25.4.94 c e f j k l s	5-CCD VI/90-91 CCD VI
305	TKM/ARB/CAL/EZ/242 21.3.95 c n s	7-CCD VI/72-73 CCD VI
306	TKM/ARB/CAL/EZ/259 31.3.95 c e k n s	4-EE/.CCDV/91-92 CCD V
307	TKM/ARB/1BBZ/164 29.3.95 c d f k n s	9-KCD/89-90 KCD
308	TKM/ARB/CAL/IBBZ/239 30.6.95 c f k n s	5-KCD I/90-91 KCD I

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
309	TKM/ARB/CAL/1BBZ/238 30.6.95 c f k n s 19.7.95	6-KCD-I/90-91 KCD I
310	TKM/ARB/CAL/EZ/277 11.8.95 c g k n s	30-CCD VII/91-92 CCD VII
311	TKM/ARB/CAL/EE/171 26.4.95 c k n s	5-CCD VI/87-88 CCD VI
312	TKM/ARB/CAL/1BBZ/256 28.7.95 c f k n s	3-KCD/90-91 KCD
313	TKM/ARB/CAL/1BBZ/223 29.9.95 c f k l n s	16-KCD I/89-90
314	TKM/ARB/CAL/EZ/300 30.1.96 c e f k n o s	1-EE/CCD II/89-90 CCD II
315	TKM/ARB/CAL/IBBZ/305 BKB/ARB/IBZ/81 25.3.96 c e l s 7.8.98	1-KCD/90-91 KCD
316	TKM/ARB/CAL/IBBZ/303 29.3.96 a j n q 9.4.96	7-EE/MRCD/92-93 MRCD
317	TKM/ARB/CAL/IBBZ/215 14.12.95 c f k m n s	11-KCD I/88-89 KCD I
318	TKM/ARB//CAL/308 26.3.96 c e f k n s	17-EE/CCD VII/91-92 CCD VII
319	TKM/ARB/CAL/EZ/241 29.2.96 c e f h n s	6-EE/CCD II/82-83 CCD II
320	TKM/ARB/CAL/EZ/245 29.2.96 c f g n s	27-EE/CCD II/86-87 CCD II
321	Matter no. 4079 of 1988 Matter no. 41 of 1995 DOA <u>11.4.95</u> <u>13.11.96</u> c k n s 25.12. 96	4-EE/CCD-II/77-78 CCD-II
322	TKM/ARB/CAL/EZ/263 29.6.95 c j k l n s	9-EE/CCD-VI/91-92 CCD-VI
323	TKM/ARB/CAL/EZ/244 30.11.95 c e f h k n s	25-CCD-V/90-91
324	TKM/ARB/CAL/EZ/237 27.2.96 c f n s	10-CCD-V/87-88
325	TKM/ARB/CAL/1BBZ/291 31.10.95 c g k l n s	3-BCD/90-91
326	TKM/ARB/CAL/EZ/268 29.11.95 c k l n s	16-EE/CCD-II/87-88
327	TKM/ARB/CAL/EZ/217 m 30.11.95	28-EE/CCD-II/89-90
328	TKM/ARB/CAL/IBBZ/304 29.3.96 a j n q	6-EE/MRCD-I/93-94
329	TKM/ARB/CAL/IBBZ/190. n 10.11.95	1-KCD/88-89
330	ARB/VN/157 c e f g k n s 4.1.96	4-CCD-V/80-81
331	TKM/ARB/CAL/EZ/309 19.1.96 f k n s	5-EE/NLD/92-93
332	TKM/ARB/CAL/EZ/161 8.8.96 c d e f l n s	30/CCD II/88-89
333	TKM/ARB/CAL/IBBZ/339 31.7.96 c k n s	14-EE/MRCD II/93-94
334	TKM/ARB/CAL/253 c f h k n s 30.7.96	4-SE/EE/BLCD/90-91
335	TKM/ARB/CAL/IBBZ/290 26.4.96 f j m n s	7-EE/BCD/89-90
336	TKM/ARB/CAL/EZ/327 31.5.96 e n s	55-EE/CCD-V/91-92
337	TKM/ARB/CAL/EZ/284 30.4.96 c e f g h l n s	2-EE/CCD V/85-86
338	TKM/ARB/IBBZ/287 c k l n s 25.4.96	11-KCD/89-90
339	TKM/ARB/CAL/EZ/269 c e l n s 24.6.96	49-CCD V/91-92

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
340	TKM/ARB/CAL/EZ/156 24.6.96 c e f g n s	4-CCD V/84-85
341	JP/ARB/CAL/EZ/1 c f k n s 24.9.96	23-EE/CCD II 90-91
342	TKM/ARB/CAL/EZ/307 24.6.96 h l n s	72-EE/CCD I/85-86
343	BKB/ARB/16Z/102 6.2.98 c n s	7-KCD/89-90
344	BKB/ARB/18Z/93 10.2.98 c n s	14-KCD/93-94
345	BKB-ARB/EZ/47 c n s 19.3.98	9-EE-CCD 1/93-94
346	BKB/ARB/EZ/13 c e k n s 10.2.98	4-EE/NLD/94-95
347	BKB/ARB/EZ/19 c k n s 27.1.98	58-CCD III/92-93
348	BKB/ARB/EZ/6 c l n s 5.2.98	3-EE/SCAD/88-89
349	BKB/ARB/EZ/14 e f g k n s 16.2.98	4-CCD VII/91-92
350	BKB/ARB/EZ/17 c e g k n s 12.11.97	23-CCD III/93-94
351	BKB/ARB/EZ/5 f h k l n s 4.3.98	28/EE/SCAD/79-80
352	BKB/ARB/EZ/37 c f k n s 18.3.98	3/EE/NLD/92-93
353	BKB/ARB/EZ/(EL)/55 n s 24.3.98	35CE/EE(E)CCED II
354	BKB/ARB/IBZ/103 c n s 28.4.98	8-KCD-II/90-91
355	BKB/ARB/Ez(E)/56 c d k n s 1.5.98	16-EE/CED I/93-94
356	BKB/ARB/IBZ/119 c l n s 31.8.98	19-EE/BCD I/93-94
357	BKB/ARB/EZ/(EL)33 c h n s 2.11.98	16-EE/CED IV/89-90
358	BKB/ARB/EZ/171 c f g n s 9.11.98	11-EE/CCD V/94-95
359	BKB/ARB/IBZ/101 c h n s 14.10.98	7-KCD/90-91
360	BKB/ARB/IBZ/82 c n s 22.2.99	18-KCD/89-90
361	BKB/ARB/IBZ/89 c n s 12.3.99	16-EE/BCD/89-90
362	BKB/ARB/IBZ/112 c n s 15.7.98	1-KCD/89/90
363	BKB/ARB/EZ/11 c e f g k n s 20.4.98	71-CCD III/93-94
364	BKB/ARB/EZ/99 c f g k n s 18.11.98	72-EE-CCD III/93-94
365	BKB/ARB/EZ/172 c f k n s 16.11.98	5-EE-CCD III/94-95
366	BKB/ARB/EZ/98 c f k n s 9.9.98	65-EE-CCD III/93-94
367	BKB/ARB/IBZ/191 f n s 22.2.99	23-EE-BCDII/95-96
368	BKB/ARB/IBZ/106 c f j k n s 18.9.98	2-SE/EE-BLCD/93-94
369	BKB/ARB/EZ/173 c g k n s 29.1.99	13-EE/CCDVII/91-92
370	BKB/ARB/EZ/36 c k n s 6.7.98	11-EE-CCD III/93-94
371	BKB/ARB/IBZ/123 f n s 16.12.98	2-KCDII/94-95
372	BKB/ARB/EZ/20 c e f g k n s 5.2.99	82-EE/CCDV/91-92
373	BKB/ARB/EZ/152 c n s 6.10.98	20-EE/CCDV/90-91

Sl. No.	Arbitration case No. Date of Award	Agreement No. Name of division
1	2	3
374	BKB/ARB/CAL/EZ/43 c j n s 22.7.98	19-EE/CCDVI/89-90
375	BKB/ARB/EZ/7 c e f k n s 4.8.98	48-EE/CCDIII/91-92
376	BKB/ARB/EZ/97 f h k s 26.5.98	13-EE/CDVI/82-83
377	BKB/ARB/EZ/174 f h k n s 30.12.98	25-EE/CCDVI/80-81
378	BKB/ARB/EZ/9 e f n s 13.11.98	11-CC/EE/CCDVI/92-93
379	BKB/ARB/EZ/96 f k n s 15.1.99	55-EE/CCDV/95-96
380	BKB/ARB/EZ/138 e k n s 8.6.98	20-EE/CCDIII/95-96
381	BKB/ARB/EZ/182 f k n s 3.3.99	7-EE/CCDV/83-84
382	BKB/ARB/EZ/185 e k n s 5.2.99	6-EE/CCDVII/94-95
383	BKB/ARB/EZ/EL/57 n 5.5.98	37-SE/EE/CEDII/94-95
384	BKB/ARB/IBZ/45 a e g n 29.5.98	28-EE/BCDI/93-94
385	BKB/ARB/IBZ/90 c n s 26.4.99	15-EE/BCD/89-90
386	BKB/ARB/IBZ/94 c l n s 12.4.99	1-EE/BCD/90-91
387	BKB/ARB/IBZ/164 c n s 17.5.99	9-KCDI/88-89
388	BKB/ARB/IBZ/166 c f q n s 3.5.99	13-EE-BCD/90-91
389	BKB/ARB/IBZ/122 e f n s 21.5.99	9-EE-KCDI/94-95
390	BKB/ARB/IBZ/146 e f n s 24.5.99	33-SE/EE-KCDI/93-94
391	BKB/ARB/EZ/39 c k n s 22.6.99	12-EE/CCDII/93-94
392	AKB/ARB/IBZ/54 c k l n s 18.2.2000	5-EE-BCDI/94-95
393	AKB/ARB/IBZ/53 k n s 31.1.2000	10-EE/BCD/89-90
394	AKB/ARB/IBZ/68 c f g n s 31.1.2000	5-EE/BCD/92-93
395	BKB/ARB/IBZ/149 n s 21.7.99	3-KCDII/94-95
396	BKB/ARB/EZ/116 f k n s 5.5.99	10-EE/CCDIII/92-93
397	BKB/ARB/EZ/251 n 29.6.99	7-EE/CCDI/94--95
398	BKB/ARB/EZ/184 f k n s 21.4.99	8-CCDV/83-84
399	BKB/ARB/IBZ/59 e f g n s 4.5.99	19-EE-BCDI/94-95
400	BKB/ARB/EZ(E)/230 n s 16.6.99	3-EE(E)-CCEDII/93-94
401	AKB/ARB/IBZ/60 n 27.3.2000	14-EE-BCD/89-90
402	BKB/ARB/ABZ/177 e f g n s 20.4.99	18-EE-BCD I/94-95

Section B - Transaction Audit Paragraphs

CHAPTER IV: MINISTRY OF AGRICULTURE

Department of Animal Husbandry and Dairying

4.1 Unfruitful expenditure on Lift Irrigation Project

Defective execution of works resulted in non-accrual of intended benefits of spending of Rs 58.69 lakh on Lift Irrigation Project even after four years.

In order to achieve target for fodder and fodder seed production by providing irrigation facilities at Central Cattle Breeding Farm, Dhamrod (District Surat) Government of India, Ministry of Agriculture sanctioned Rs.58.69 lakh during the period from 1992-93 to 1995-96 for Lift Irrigation Project (LIP) in view of recommendation of Expert Committee Report of August 1988. The civil works of the project was entrusted to Gujarat Water Resources Development Corporation (GWRDC), Gandhinagar as Deposit work and Rs 51.32 lakh were deposited by the Department with GWRDC between March 1993 and August 1993. The work was started in May 1994 and completed in August 1995 by GWRDC. On completion of civil works, the work relating to installation of pump, motor, electrification and other fittings was carried out during another two years and completed in October 1997 by GWRDC, Vadodara. The testing of the project was carried out only on completion of entire project in October 1997. During testing of phase-I in October 1997, leakage on account of bursting of pipelines due to technical defects and inferior workmanship was noticed. Though the broken pipes were replaced several times by the agency, the problem of leakage of water from the pipelines continued due to bursting of pipelines frequently. The work of rectification of the leakage by replacing the pipelines was reported to be in progress in December 1999. As such, the possession of the project could not be handed over by the executing agency (GWRDC) as reported in December 1999 by the Director of Cattle Breeding Farm, Dhamrod.

Thus, even after lapse of four years and incurring expenditure of Rs 58.69 lakh, the project could not be commissioned and the intended purpose of LIP to irrigate fodder and fodder seed farm situated in 200 Hectare of land could not be served.

Audit reported the matter to Ministry in May 2000; who have not replied as of February 2001.

4.2 Idle investment

Sanction of construction of a disproportionate number of staff quarters than the posts sanctioned for the office of the Animal Quarantine and Certification Service Station, Mumbai has resulted in idle investment of Rs 53.53 lakh.

Department of Animal Husbandry and Dairying of the Ministry of Agriculture established an office of Animal Quarantine and Certification Service Station, Mumbai (AQ & CSS) in October 1981 in Mumbai and sanctioned only six posts till September 2000. Five of these six posts are of support staff i.e. Lower Divison Clerk, Jeep Driver, Peon, Chowkidar, Truck Driver and only one post is of technical person i.e Quarantine Officer.

Yet, on the basis of staff strength of AQ & CSS projected in the Sixth Five Year Plan (1980-85), the Quarantine Officer proposed (July 1985) and the Ministry sanctioned (June 1986) construction of 14 residential quarters at an estimated cost of Rs 44.76 lakh. AQ & CSS paid Central Public Works Department (CPWD) a total sum of Rs 58.41 lakh between April 1988 to January 1995. CPWD handed over the quarters to AQ & CSS in January 1995. Only six staff members of AQ & CSS have occupied the staff quarters as of September 2000. The rest of eight staff quarters have remained always unoccupied.

The Quarantine Officer, Mumbai made a reference for decision regarding utilisation of vacant quarters to the department in December 1996. The department did not take any action to surrender excess capacity to the general pool of Central Government accommodation administered by the Estate Officer of Ministry of Urban Affair and Employment to prevent continued idling of Government property, whose pro-rata cost including interest works out to Rs 53.53 lakh.

The matter was also referred to the Directorate of Estates in January 2001 by Audit. The Directorate of Estates stated in March 2001 that as they were concerned not only with the administration of Government estate in Mumbai, but also for handling and maintaining Government estates all over the country, it would not be posible for them to approach each and every Central Government department to know whether any department was having surplus accommodation under their regular control. They have, however, stated that the Assistant Estate Manager, Mumbai has been requested to take up the matter with concerned department for transfer of surplus quarters. The reply of Directorate of Estate is self-contradictory. In as much as they have All-India responsibility of handling and maintaining Government estate, all over the country, they do have constructive responsibility to pro-actively ensure that public assets in Government estates are optimally utilised, regardless of this dispersal amongst various departments of the Government.

Thus, absence of proper mechanism and co-ordination between the Ministry of Agriculture and the Directorate of Estates did not only result in idling of Government property and loss of revenue in the form of licence fee but also deprived many eligible Government employees from getting Government accommodation in Mumbai, where it is so dear.

Audit reported the matter to the Ministry in September 2000; who have not replied as of February 2001.

4.3 Unfruitful expenditure

Equipments and accessories purchased for Rs 14.55 lakh during January 1993 to June 1994 by the Regional Agmark Laboratory, Kanpur for determining contaminants in food, have remained idle since their purchase.

Regional Agmark Laboratory (RAL), Kanpur purchased in January 1993 Microprocessor Controlled Gas Chromatograph Complete (CHEMITO) Gas Liquid Chromatograph (GLC) with other accessories valuing Rs 6.40 lakh to determine metallic as well as other contaminants in food, from M/s. Toshniwal Instruments Pvt. Ltd. RAL also purchased in June 1994 an Atomic Absorption Spectrophotometer (AAS) with other accessories valuing Rs 8.15 lakh. The equipments required a dust proof air-conditioned room for installation. The warranty period for the equipment was one year from the date of its installation, i.e. upto 26 May1994. RAL initially installed the CHEMITO and AAS in May 1993 and November 1995 respectively in a non-dust proof large hall. It entrusted the construction of dust proof room to the Central Public Works Department (CPWD) in March 1998, i.e. after five to four years of receipt of equipment. CPWD completed the construction in August 1999. The CHEMITO was shifted to the dust proof room in September 1999. The AAS remained in non-dust proof room till October 1999. RAL entrusted the work of electrification of dust-proof room to CPWD only in February 2000. CPWD completed electrification in May 2000. Total installation and electrification costs were Rs 0.30 lakh.

The negligence in not making advance preparation for installation of equipments resulted in idle expenditure for over six to seven years. Besides, the scientific objective of determining contaminants in food for which RAL required these equipments have remained unmet. The Laboratory has not estimated the opportunity cost lost on account of non-operation of the equipment. The Ministry needs to fix responsibility for this managerial laxity and negligence.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

CHAPTER V: MINISTRY OF CIVIL AVIATION

5 Financial irregularities

By misrepresenting the actual nature of hire purchase agreement entered into by him with Bank of Nova Scotia, the then Representative of India at International Civil Aviation Organisation, Montreal, acquired and retained moveable property worth Rs 9.39 lakh at Government cost.

The Ministry of Civil Aviation (MCA) authorised India's Representative to International Civil Aviation Organisation at Montreal, Canada with effect from August 1996 to hire furniture upto a rent of C$1000 per month i.e. USD 710.32 calculated on the average rate of exchange of the currencies vis-à-vis rupee during the period October 1996 to September 1999.

Instead of hiring furniture from a regular furniture dealer, the representative entered into an 'innovative' agreement with the Bank of Nova Scotia (the Bank) in November 1996, in terms of which, the Bank would lease to him personal moveable property which included furniture and electronic items like colour television, music system, video recorder, refrigerator etc. valued at an aggregate of C$ 32,037.13 inclusive of taxes (C$ 3293.29). The monthly lease payment of C$ 928.63, which increased to C$ 937.35 with effect from February 1998 due to revision of provincial sales tax, was paid by the Government of India. At the termination of lease agreement in September 1999 i.e 4 months ahead of the original lease period of 40 months effective from 15 October 1996, the representative retained the items of furniture as personal property. The Bank clarified in October 2000 that there was no need to take back these items as the loan was paid-off in full. It would, thus, appear that the agreement between the Bank and the representative was a 'hire purchase' agreement, which was misrepresented to Government of India as a hire/lease agreement as a result of which the officer received the benefit of acquiring moveable assets worth Rs 9.39 lakh at Government of India cost. This action constitutes a grave misdemeanor on the part of the officer.

The MCA stated in their reply dated 27 December 2000 that the contract signed by the representative with the Bank was in the form of a lease agreement, the terms of which included a purchase option, which was exercised by the representative after the rental period by making the payment of its residual value. Ministry also stated that the case did not involve any financial irregularity as the officer entered into the lease agreement after obtaining quotations and proper evaluation of the offers and the agreement was signed with the company who had quoted the lowest rate. The contention of the Ministry is not tenable in view of the fact that the Bank is a financial institution and not a furniture hirer. The transaction that took place was lease financing of purchase of furniture. The representative presented the issue as one of lease-hire of furniture and got the Government of India to pay the lease rent which was in the nature of loan repayment.

CHAPTER VI: MINISTRY OF COAL

6 Undue retention of funds

Poor financial management in the Department of Coal resulted in loss of Rs 3.50 crore in interest alone on blocked funds and to undue benefit to the Coal India Limited and to the State Bank of India.

Ministry of Railways and Department of Coal decided in June 1996 to construct a railway line for Tori-Shivpur, Phase I North Karanpura Coal-fields of the CIL[1] for creation of adequate infrastructure to evacuate coal. Ministry of Railways was to construct, own and maintain the railway line at their cost. Capital financing was to come from the Department of Coal out of the funds collected through excise duty under the CCDA[2]. The Department of Coal released Rs 25 crore to the CIL on 26 March 1998 as first instalment of the total project cost of Rs 268.42 crore (phase-I) for further payment to the Eastern Railway, Calcutta. The payment was contingent on the Railways obtaining competent approval for the cost estimates of the entire project. The sanction also required the CIL to keep the released funds in a separate bank account, and to refund them to Government account, if the Railways failed to fulfil the condition for payment by 30 September 1998.

Department of Coal released the funds, towards the very end of the financial year, without any requisition from the Railways, and without ensuring completion of necessary spadework by them, apparently to avoid lapse of the budget allocation. CIL also violated the conditions governing the sanction by keeping the funds in their usual cash credit account with State Bank of India and not separately as stipulated; and, used those funds to cushion the ways and means position of their cash credit account. Though the Railways did not get the required approval by 30 September 1998, CIL did not refund the amount to the Government as stipulated. Department of Coal also did not ask CIL to refund it till 6 April 1999. The CIL refunded the amount only on 27 May 1999.

This instance is indicative of poor financial management by the department, leading to loss to the government of Rs 3.50 crore in notional interest alone at the rate of 12 *per cent* from 26 March 1998 to 27 May 1999 on blocked financial resources. It also resulted in undue benefit to CIL and their Banker, viz. the State Bank of India at public expense. The Department needs to fix the responsibility for the lapse and to recover the interest from CIL.

The Ministry in their reply in August 2000 to the factual statement stated that discussion with the Eastern Railways was going on for fulfillment of the

[1] Coal India Limited
[2] Coal Mines (Conservation and Development) Act 1974

conditionalities subject to which the funds were released. Since the Eastern Railways did not indicate their inability to comply with the conditionalities either, CIL continued to retain the amount. Reply of the Ministry is not tenable since as per terms and conditions of the sanction CIL should have refunded the amount to the government.

CHAPTER VII: MINISTRY OF COMMERCE

7.1 Wasteful expenditure on rent

The Embassy of India at Brussels and Ministry of Commerce were negligent in not terminating the lease of the building for the erstwhile India Trade Centre, which was not required at all and thereby wasted Rs 88.22 lakh on rent.

Ministry of Commerce decided in October 1995 to reduce the staff strength in the erstwhile India Trade Centre (ITC) at Brussels and merge its reduced strength with the commerce wing of the Embassy of India at Brussels.

The erstwhile ITC was accommodated in a leased building consisting of 410 square metres at an annual rent of BF 2.3 million. The lease was for nine years from 15 June 1991. Both parties had option to terminate the lease at the end of the third and the sixth year, i.e., in June 1994 and 1997, after giving six month's notice.

Consequent upon reduction of the strength of ITC in October 1995, the Mission had a clear option to terminate the lease in June 1997, after giving six month's notice. Yet, it continued with the lease and paid rent of BF 8.24 million during June 1997 to December 2000. Moreover, the Ministry had approved in April 1997 itself the proposal to shift the erstwhile ITC wing to the Mission at Brussels, after renovation of the garage consisting of 130 square metres at an estimated expenditure of BF 6.9 million, equivalent to Rs 74 lakh[1].

The total expenditure on rent for the leased building during June 1997 to December 2000 aggregating BF 8.24 million equivalent to Rs 88.22 lakh[2] was entirely avoidable. The Mission and the Ministry failed to plan the relocation of the ITC wing efficiently and were not vigilant to avoid wasteful expenditure, immediately after the reduction in staff strength in October 1995. What is worse, the Mission paid rent for a building for three years, most of which could not be utilised by them anyway, due to less requirement of accommodation by the residual ITC.

The negligent attitude of the Mission and the Ministry towards the wasteful expenditure of Rs 88.22 lakh on rent, calls for fixing responsibility.

Audit reported the matter to the Ministry in May 2000; who have not replied as of February 2001.

[1] At the official exchange rate of Re 1=BF 0.934 notified by MEA for March 2000

7.2 Unauthorised expenditure on staff costs

The Ministry of Commerce has no system in place to ensure that the Indian Missions abroad with commercial wings rigorously follow the Ministry's sanctions of staff. Test check in the Indian Embassies in Berne and Bonn revealed unauthorised expenditure of over Rs 48 lakh on staff costs for the period covered by audit, which persisted even after the audit commented on the issue.

The Embassies of India (EsI) at Berne and Bonn continued to engage office staff unauthorisedly for their commercial wings, even after the Ministry of Commerce (MOC) had relocated or discontinued the sanctions to operate those posts as detailed below:

The EsI	Posts	Duration of operation without sanction	Details	Expenditure incurred (Rs in lakh)
Berne	a. Marketing Officer	01 March 1999 to 30 April 2000*	The EI Berne continued to operate those posts manned by the local employees regardless of the MOC's instructions to transfer those posts to other Missions at Budapest, Madrid and Ankara, because of lack of commercial activity at Berne.	**27.05
	b. Clerk/Typist	1 March 1999 to 29 December 1999		
	c. Office Attendant	1 March 1999 to 27 November 1999		
Bonn	a. Market Research Officer	1 December 1999 to 31 December 2000 (still continuing)	The EI continued to operate those local posts regardless of the MOC's discontinuance of those posts.	**21.71
	b. Statistical Assistant			
Total				*****48.76**

* The post has been taken in MEA's budget with effect from May 2000.

** Rs equivalent of the expenditure per prevalent rate of exchange incurred during the period.

*** As the unauthorised expenditure continues, this amount is only indicative and pertains to different periods in time, as verified in audit on spot check.

The EsI Berne and Bonn said that they were corresponding with the MOC, as the embassies needed those staff. On a separate enquiry, the MOC admitted in August 2000 that there were similar cases when the Indian Missions abroad continued the posts in commercial wings regardless of the MOC's instructions, and the Ministry later accepted the expenditure on ex-post facto basis in consultation with them. The MOC said that it was the responsibility of the PAO at the respective missions to ascertain that salary was drawn only for the duly sanctioned staff, and it was not feasible to scrutinise the related check at the Ministry for over 65 regular commercial missions where it provided funds.

The replies of the EsI and the MOC showed that the system of internal check and control both in the embassies and at the MOC had broken down. The Drawing and Disbursing Officers (DDOs) at the embassies did not apparently exercise any check before passing salary bills for payments. The competent authority to sanction posts in the commercial wings, viz. the MOC, did not have any system in place to ensure that the Missions complied with the Ministry's sanctions. Given the fact that the Heads of Missions are under the administrative control of a different Ministry, viz. the Ministry of External Affairs (MEA), it was all the more necessary for the MOC to ensure that a systemic check was in place to ensure compliance of its sanctions and to avoid unauthorised expenditure in foreign exchange of a recurring nature.

After forwarding the Draft Paragraph to the MOC, Audit came across copies of sanctions of the MOC conveying ex-post facto sanction for the continuance of posts for the year 1999-2000 and 2000-2001 on 22 December 2000 in respect of temporary posts of commercial wings at the Embassies of India at Paris, Rome, Moscow and Stockholm, which should have been issued before 28 February 1999 and 29 February 2000 respectively. It indicated that MOC treated the matter of continuance of post casually. This also encouraged the Missions to continue the posts without sanction in the expectation of obtaining post facto approval of the Ministry.

For all the 65 regular commercial missions funded by the MOC, it needs to: (a) immediately review the position of deployed staff vis-à-vis sanctioned staff; (b) issue clear instructions to the missions, copied to the Foreign Secretary, to discontinue all staff not supported by the MOC's sanctions, (c) discontinue forthwith the practice of approving unauthorised staff costs on ex-post facto basis, (d) establish systemic checks to ensure that its sanctions were not vitiated at the operating level, especially with foreign exchange implications on recurring basis, and (e) fix responsibility, in association with the MEA, for incurrence of unauthorised expenditure on continued basis on staff costs.

Audit reported the matter to the MOC in May/September 2000, who have not replied as of February 2001.

7.3 Failure to recover excess payment

Joint Director General of Foreign Trade, Chennai failed to recover Rs 26.81 lakh (inclusive of interest) from the exporters.

Test check of accounts in the Office of the Joint Director General of Foreign Trade (JDGFT), Chennai disclosed excess payment of Rs 40.60 lakh to the exporters in two cases by ignoring the directives of the Director General of Foreign Trade (DGFT) and wrongly reimbursing Central Excise Duties CEDs.

(i) JDGFT, Chennai ignored the directives of DGFT to impose a cut of 10 *per cent* for preferring application for fixation of rate of duty draw back after six months but before 12 months from the last date of supply. JDGFT paid entire amount of Rs 171.36 lakh in November 1999 without effecting the cut for the delayed preference of claim thereby making an excess payment of Rs 17.14 lakh to M/s Alstom Limited, Chennai.

On this being pointed out by Audit in February 2000, JDGFT noted it for adjustment of the amount in February 2001. Final recovery of the entire amount of Rs 17.14 lakh was awaited in audit.

(ii) In another case, JDGFT, Chennai did not recover Rs 26.09 lakh (Rs 23.46 lakh paid towards CED, in September 1993 and Rs 2.63 lakh interest thereon) from M/s Ashok Leyland Limited, Chennai. The payment of the same amount was also made separately to the firm by the Municipal Corporation of Greater Bombay which was the Project Authority. Despite orders of March 1994 for recovering it from the future claims of the firm, JDGFT started adjusting the excess payment only from 1996. JDGFT had adjusted recovery of Rs 16.42 lakh till December 2000 leaving a balance of Rs 9.67 lakh.

Despite Comptroller and Auditor General Audit Reports having brought out cases of similar excess payment in 1997, 1998, 1999 and 2000 for taking remedial/corrective measures, such excess payments continue to recur. It calls for investigation and strengthening of internal control procedure.

CHAPTER VIII: MINISTRY OF EXTERNAL AFFAIRS

8.1 Avoidable expenditure due to delay in decision making

Delay in taking decision by the Ministry of External Affairs regarding construction proposals of Chancery-cum-Embassy residences and other buildings in four missions led to avoidable expenditure of Rs 26.27 crore on hiring of buildings.

Failure on the part of Ministry of External Affairs (MEA) to finalise promptly the construction proposals submitted by the missions at Beijing, Doha, Muscat and Gaborone resulted in avoidable expenditure of Rs 26.27 crore on rentals of buildings hired.

The Public Accounts Committee in their 108th Report (1987-88)- Eighth Lok Sabha, recommended that a long-term perspective plan comprising both acquiring built up properties and construction of buildings is absolutely essential. The long-term plan may provide broad parameters within which short term plan should be filled in. The Government should, therefore, draw up long-term plan, which should provide the acquisition of plots and immovable properties, and construction of buildings on plots already acquired based on a pragmatic plan so that rental outgo, which is increasing year after year, is reduced to the barest minimum.

Scrutiny of records of Embassies of India (EI) at Beijing, Doha, Muscat and High Commission of India (HCI), Gaborone revealed that due to delay in taking decision on the construction proposals by the MEA on the plots acquired by Government resulted in avoidable expenditure of rent which these Missions paid for hiring of accommodations as detailed below:-

EI, Beijing

Two plots of land measuring 21,504 sq. meters (plot A) and 13,500 sq. meters (plot B) were purchased by the Government of India in Beijing from the Peoples Republic of China in March, 1986. Plot A had existing structure wherein Chancery and Embassy Residence are housed. The property rights of these plots including that of the existing structures and the vacant plot B were transferred by an agreement signed between India and China on 28 December, 1989. The possession of plot B was taken over by the Mission in 1991. As per land-lending agreements, the construction on plot B was to commence within a period of three years of taking over possession.

Though M/s. Raj Rewal Associates, Architect, were appointed as consultants in September 1994 and asked to provide conceptual designs for the project, the agreement could be finally signed only in December 1999.

However, the consultant did not submit the plans even as of March 2000. During the last ten years, the Ministry could not decide the utilisation of these plots inspite of various proposals made by the Mission. It was only in April 1999 that a property team visited Beijing and finalised the criteria for utilisation of these plots. The property team recommended that the two plots of land be utilised in the following manner:

(a) The Embassy Residence at plot A be extensively renovated and repaired and a new Chancery including residential accommodation for essential staff be constructed thereon.

(b) The plot B be utilised for constructing residences for Deputy Chief of Mission, Representational Officers and other staff members. Additional facilities such as recreational facilities, a multi purpose auditorium and Indian School building also be constructed on this plot.

Indecision by the Ministry caused the Mission to take 43 accommodations on lease to accommodate its staff. Considering that rentals in Beijing are escalating at 10 to 15 *per cent* annually, the rental liability will increase further.

The failure on the part of Ministry to finalise the land use of the plots acquired ten years back resulted not only in payment of rent of Rs 20.80 crore for the period 1994-95 to 1999-2000 but also delayed the construction which would further escalate the cost of Project.

EI, Doha

In 1979, Government of the State of Qatar allotted a plot of land measuring 5005 sq. meters in the Diplomatic Area in Doha on reciprocal basis for construction of Chancery-cum-Embassy residence and few essential staff quarters. M/s Rajinder Kumar and Associates were appointed as consultants in October 1984. The estimated cost of the project was assessed as Rs 4.33 crore in 1990-91. The consultant fee was 5 *per cent* of the estimated cost which worked out to Rs 21.67 lakh. Out of this Rs 7.58 lakh were paid in August, 1990. By 1990, the project was ready for construction but was interrupted due to Gulf war. But later on, Qatar authorities insisted for acquisition of plot for their Embassy in Delhi on reciprocal basis. This issue was settled on signing of revised lease agreement in September 1994 and the project was revived in 1995.

As per agreement, the construction of the buildings was to be completed within a period of two years from the date of signing of agreement. But no action was taken thereafter to get the work awarded except short listing of pre-qualified contractors for tender. Even the drawings of the project were not submitted to the local authorities for their approval as of July 1999. However, in September 1998 a three member property team visited Doha to finalise the contract but its findings were neither available nor produced to Audit.

On one hand the construction project was not commenced, on the other an expenditure of Rs 1.55 crore on rent for Chancery and Embassy residence during the period from October 1996 to March 2000 was incurred, while the original project cost was Rs 4.33 crore.

EI, Muscat

Government of the Sultanate of Oman earmarked a plot of land measuring 12,557 sq. meters in August 1974 for construction of Indian Chancery-cum-Embassy residence in Muscat on reciprocal basis but the agreement between Government of Oman and Government of India was signed in December 1991 i.e. after 17 years. As per agreement, the construction of the buildings was to be completed within two years from the date of taking possession of land. A team of three architects was sent by the Ministry to Muscat in July 1993 who submitted conceptual designs on return to India.

In October 1994, M/s Bose Brothers, Architect, was selected as consultant for the construction of the work Chancery-cum-Embassy residence. No agreement, however, was signed with them. Thereafter, no action was taken by the Ministry to appoint the contractor and start work except exchange of correspondence. Subsequently, in August 1999, Ministry selected another architect M/s Babbar and Babbar as consultant and an agreement was signed with him in June 2000. The consultant was directed to make fresh designs based on the present requirements. Accordingly, even the designs could not be submitted to Oman authorities as of October 2000.

As no developmental activities could be started by the MEA on the allotted plot even after expiry of sixteen years, the Government of Sultanate of Oman proposed in May 1998 to take it back in lieu of another plot which was not at prime location.

Delay in taking up the project caused the Government to incur an avoidable expenditure of Rs 3.26 crore on rent paid for hiring of Chancery-cum-Embassy residence during January 1995 to March 2000 coupled with the danger of losing the prime location plot.

EI, Gaborone

A plot of land measuring 3,691 sq. meters was purchased by the Government of India in March 1990 at an approximate cost of Rs 33.33 lakh in Gaborone (Botswana) for construction of High Commissioner's residence.

The Embassy appointed M/s. K.P. Narola, Architect, as consultant in September 1995 at a fixed lump sum fee of Rs 10.76 lakh out of which Rs 4.31 lakh being 40 *per cent* of fee was paid to him in August, 1996. The Embassy sent a set of draft tender documents and drawings prepared by the consultant to the Ministry in February 1996 and the list of reputed contractors in Botswana who were short listed in October 1996 for their approval. But no decision could be taken by the Ministry to select the contractor and hence the work could not be started as of March 2000. The estimated cost of the project which was Rs 1.59 crore in February 1995 escalated to Rs 2.88 crore in November 1998 registering a 81 *per cent* increase in the estimated cost.

Therefore, delay in appointment of consultant and selection of contractor by the Ministry has resulted not only in failure to meet the objective of construction of High Commissioner's residence even after a lapse of ten years but also in escalation of cost. The High Commissioner was continued to be accommodated in the leased accommodation and the Government incurred avoidable expenditure of Rs 65.99 lakh during April 1992 to March 2000.

The Ministry stated in February 2001 that the total cost of the four projects would be Rs 93 crore for which an annual investment return would be around Rs 9 crore and therefore, strictly in financial terms, there was no loss to Government and in fact there have been savings by continuing to remain in the rented premises. The reply is not only untenable, it questions the wisdom of the Government decision itself. It conveniently ignores the fact that the Government had acquired plots for the construction of buildings only, hence the present defence is just an after thought. Further, the resources for construction were not required to be kept blocked as a corpus, but spent progressively in line with construction.

8.2 Prime land lying vacant

Ministry of External Affairs did not take any decision for more than three decades in constructing the Embassy complex on the plot gifted by the Government of Brazil in 1965; and, paid over Rs 11.23 crore on rent of leased buildings, expenditure on property tax and local taxes, expenditure on visits of property teams etc. between 1983-84 and November 1999.

Government of Brazil gifted a plot of 25,000 square metres land in 1965 to the Indian Embassy in Brasilia for the construction of an Embassy Complex. Brazilian Foreign Office had made it known that they attached political significance to construction of the embassy on the gifted land as a symbol of that country's presence and the seriousness with which that country took its relations with Brazil. India is one of the few countries that had not constructed on the gifted plot. Further, there is reportedly considerable demand for allotment of plots. There is likelihood that at some stage the vacant plot might be taken back by the Brazilian Government for allotment to other waiting countries. In 1995, the market value of this plot was approximately US$ 8.00 million, i.e. which worked out to Rs 36.73 crore at October 2000 exchange rate. Paragraph 26.8.6 of the Report (Civil) of the Comptroller and Auditor General for the year ending March 1989 (Report No.

13 of 1990) made a mention about the inordinate delay in the construction of Embassy complex on the plot gifted by the Government of Brazil.

The gifted plot of land remains vacant till date. The Embassy continues to hire accommodation to house the Chancery, Embassy residence and residences for its officers and staff, involving an outgo of around Rs 11.23 crore between 1983-84 to November 1999 towards rents, intermittent shifting of Embassy premises, visits of property teams to Brasilia, fencing of the plot, and payment of local taxes on the plot and properties leased by the Embassy.

Thus, MEA's indecision in the matter has, besides diplomatic implications, resulted in idling of prime property gifted by the host country for construction of the embassy.

While admitting the above facts, MEA stated in August 2000 that it is still under consideration whether it would be cheaper to purchase the present leased Embassy Residence and Chancery than to construct them on the gifted plot.

8.3 Injudicious retention of redundant system

Delayed decision to close the redundant Zonal Telex Centres at Tokyo and Bahrain resulted in infructuous expenditure of Rs 10.83 crore.

The Ministry of External Affairs (MEA) set up Zonal Telex Centres in Indian Missions at Tokyo and Bahrain in August 1984 and July 1988 respectively.

The Foreign Service Inspectors (FSI) team during their review had suggested in 1989 that the utility and organisation of Zonal Centres should be reviewed in the light of the reliable and cheaper alternative of fax available with most Missions. However, the Zonal Centre at Bahrain continued functioning till October 1999 when the Mission felt that transmission of External Publicity Transmission (XPT) line was just a duplication of Press Trust of India (PTI) transmission and decided to dispense with it. By using Fax machines the Mission could have saved Rs 2 lakh *per annum* on stationary, cable charges and manpower. However, the review of the centres as suggested by the FSI was not conducted. As a result, inspite of availability of latest communication systems viz. fax, e-mail etc. in every connected Mission, the old Telex system has been functioning till now. The Mission, thus, incurred avoidable expenditure of Rs 8.04 crore in Tokyo from July 1994 to June 2000 and Rs 2.79 crore in Bahrain on a redundant system, during 1996-97 to 1999-2000.

The Ministry stated in August 2000 that they had a system of coding and decoding cipher messages which needed to be sent through punched tape. Until an alternative could be found to this "Punched Tape System" modernisation of Telegraph section could not be implemented and the Telex System in missions abroad could not be dispensed with.

The reply of the Ministry is not tenable in view of the fact that the Missions were already using advanced systems and were not dependent on the Zonal Telex Centres for transmitting cipher messages. Continuance of the redundant system resulted in the infructuous expenditure of Rs 10.83 crore on the maintenance of the infrastructure and the establishment of Zonal Telex Centres.

8.4 Accumulation of local currency reserves because of deficient cash management

Due to deficient cash management and lack of concrete utilisation plan Mission/Posts in Iran have accumulated Rs 3.28 crore equivalent of local currency whose inherent value is steadily falling.

By March 2000, Indian Mission/Posts in Iran have accumulated non-convertible and non-repatriable Iranian currency amounting to Rs 3.28 crore. The Missions/Posts have been receiving the local currency by way of consular receipts, interest on Fixed Deposits etc. Over a period of time, these reserves have accumulated Iranian Rial (IRR) 6101.70 million equivalent to Rs 3.28 crore as on 31 March 2000. The Mission/Post-wise break up is as follows:

Rs in crore

Mission/Post	Accumulation in IRR	Equivalent to INR (1 Re. = 185.927)
Embassy of India, Tehran	5,349,666,011	2.87
Consul General of India, Shiraz	535,359,258	0.29
Consul General of India, Zahidan	216,679,860	0.12
Total	**6,101,705,129**	**3.28**

It was observed in audit that the Mission/Posts continue to utilise hard currency received from India for payment of salaries to India based officers and staff, salary to local staff, payment of rentals of leased accommodations etc. Mission in Tehran is utilising 15.1 *per cent* of the receipt of local currency for its day-to-day expenditure. Despite low utilisation of local receipts, the local staff is being paid full salary in hard currency since February 1994, though during October 1993 to January 1994 only 50 *per cent* of these payments were made in local currency. Further, though local funds with the Mission continued to be far in excess of the stipulated six weeks requirement of Rs 76.25 lakh, hard currency continues to be remitted from India for Mission's requirements. As a result, the local currency reserves continuously increased at the rate of IRR 87.36 million on an average per month in the absence of measures for its full utilisation.

In February 1997, the Ministry had suggested that as a long-term measure, payment to local staff and payment of rentals for the leased accommodations should be made in local currency. The Ministry asked the Mission to send proposals for purchase of property for consideration of the Ministry so that the accumulated local currency reserve could be used in acquiring assets. In response, the Mission sent some property proposals for consideration of the Ministry but the Ministry is yet to take a decision. As regards payment of wages to local staff in local currency the Mission was of the opinion that there was likelihood of the majority of local staff leaving their jobs and it would be difficult to find suitable and experienced substitutes. The Mission in Tehran has been incurring Rs 60 lakh *per annum* in hard currency for payment of wages to local staff. Regarding payment of rentals in local currency, the Mission stated in April 1998 that the leased properties mostly belonged to Non-resident Iranians who were interested in getting payments in hard currency. The Mission further stated that though it was possible to hire accommodations on payment in Rials but, the rentals in that case would be more than double the present level. But no assessment was done by the Mission to find out the exact financial implication involved in switching over to payments in local currency. Even though the orders of the Ministry have not been implemented, the Ministry has until now not examined the grounds advanced by the Mission for not implementing its orders. Nor has it proposed any alternative.

It was also observed that with the devaluation of Iranian currency the accumulated balance with the Indian Mission too is getting devalued. While the value of accumulated funds in August 1998 was Rs 5.05 crore, it fell to Rs 3.28 crore in March 2000.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

8.5 Unauthorised expenditure on staff paid from contingencies

Employment of staff paid from contingencies in violation of Government orders resulted in unauthorised expenditure equivalent to Rs 2.88 crore during the period from 1997-98 to 1999-2000.

Rules governing financial powers of the Government of India's representatives abroad forbid the Heads of Mission from employing staff paid from contingencies for work of a regular nature or against the vacant posts borne on the regular establishment. The Ministry of External Affairs also advised all Missions/Posts in October 1991 not to employ any one without the Ministry's sanction and not to continue any appointment made in urgent and pressing circumstances beyond six months without their approval.

During the period of three years from 1997-98 to 1999-2000 Embassy of India, Washington appointed between 18 and 25 staff paid from contingencies, for work of regular nature such as clerical help, messenger etc most of whom were in continuous employment for periods beyond six months. The Mission incurred a total expenditure of US$ 704,616.81 equivalent to Rs 2.88 crore during that period on them.

Report of the Comptroller and Auditor General of India No.2 of 1999, Union Government (Civil) had also pointed out unauthorised expenditure of Rs 2.60 crore on similar account in 15 Indian Missions in Europe. Though by engaging contingent staff without proper sanction for periods extending beyond 6 months, the Mission in Washington, like the 15 Missions in Europe referred to in the above report, had continued to act beyond its delegated powers, Ministry had neither moved to reassess the manpower requirements of the Mission nor ensured termination of unauthorised employment of staff by the latter.

Failure on the part of the Ministry to act and to secure compliance with its orders had compromised its internal control systems.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

8.6 Wasteful expenditure

Consulate General of India, Houston leased a Chancery premises in December 1995 in excess of the space norms prescribed by the Ministry of External Affairs and incurred-avoidable excess expenditure of Rs 1.24 crore towards rent up to October 2000, besides incurring a liability of Rs 1.76 crore up to November 2005.

The Ministry of External Affairs (MEA) approved in May 1995 a rental ceiling of US $ 12000 per month for Chancery premises of Consulate General of India (CGI), Houston subject to the proviso that the accommodation to be leased was within the space norms. The Post leased 11,353 sq. ft. of office space at Three Post Oak Central with effect from 1 December 1995, for 10 years for US $ 13,245.17 per month, to begin with, at the rate of US $ 14 per sq. ft. per year. The lease agreement provided rent increase after every two years by $ 1 per sq. ft. per year.

The lease rent comprises base rental and tenant's proportionate cost of cleaning, repairs and maintenance, utilities, security, administrative expenses, management fees, insurance and real estate taxes.

The CGI's sanctioned staff strength was only nine India-based officers and eight local staff. Per the MEA's space norms, the CGI's space requirement for Chancery premises worked out to only 7301 sq. ft. The Chancery, therefore, had leased an area of 4,052 sq. feet in excess of the stipulated norms. This resulted in avoidable additional expenditure of US $ 309,046.04 equivalent to Rs 1.24 crore as rental towards excess space from December 1995 till October

2000, with further commitments of \$ 369,731.49 equivalent to Rs 1.76 crore for the period up to November 2005.

Report of the Comptroller and Auditor General of India No. 2 of 1999, Union Government (Civil) had pointed out extravagant expenditure on leasing of office space by CGI, Birmingham against their maximum requirement of space assessed by MEA. The Ministry needs to revamp its control systems to ensure compliance to its instructions in order to avoid such excess expenditure.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

8.7 Deficient cash management and loss of interest

Deficient financial control in the Consulate General of India, Dubai and Permanent Mission of India, New York resulted in holding of excess cash with consequential loss of interest of Rs 69.70 lakh.

The Ministry of External Affairs (MEA)'s standing instructions require that closing balance of cash during any month in any Mission or Post should not exceed six weeks' requirement. The instructions also require the Missions and the Posts to send request for special remittance in terms of those instructions, in case any authorised expenditure is anticipated.

Audit found in test check at Consulate General of India (CGI), Dubai and Permanent Mission of India (PMI) New York that they retained cash in excess of six weeks' requirement as detailed below, in violation of the MEA's instructions with consequential loss of interest.

	Period	***Loss of interest (Rs in lakh)**
CGI, Dubai	1996 to 1998	19.49
PMI, New York	1998 to 2000	50.21
Total		**69.70**

(Period of calculation for interest is May 1996 to February 1999)

* Calculated at the maximum borrowing rate of Government of India at 14 *per cent* on deposits kept in excess of six weeks requirements

Comptroller and Auditor General's Audit Reports of 1997, 1998 and 2000 (No. 2) of Union Government (Civil) have made mention of similar cases persistently, yet the mismanagement of cash holdings continues. The MEA needs to tone up its systemic controls to ensure that the Missions and the Posts follow its standing instructions rigorously, and suitable administrative action visits those who default.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

8.8 Non-accountal of 50th anniversary celebration funds

The Indian Missions abroad spent Rs 48.31 lakh out of Rs 58.46 lakh, sanctioned for celebration of 50th anniversary of India's independence without acceptable evidence of expenditure.

With the objective of celebrating the 50th anniversary of India's independence, Ministry of External Affairs (MEA) allotted separate funds to all Indian Missions/Posts abroad during June 1997. As per the orders allotting the funds to the missions/posts, the expenditure was to be booked under a separate head of account opened for this purpose and the expenditure was to be supported by proper receipts/sub-vouchers, which were required to be produced to Audit for scrutiny. The missions/posts were also required to maintain a separate expenditure register for this purpose.

Cases of flouting of these instructions and non-submission of detailed accounts by various missions/posts abroad leading to objectionable expenditure of Rs 16.26 lakh were included in Report No.2 of 2000, Union Government (Civil).

A scrutiny of records in eight missions/posts disclosed that Rs 58.46 lakh were granted to them as shown below:

Name of Mission/Post	(Figures in lakh)			
	Amount allocated	**Amount spent**	**Amount surrendered**	**Unspent balance**
EI*, Abu Dhabi	7.00	1.52	2.43	3.05
CGI$^{\alpha}$, Durban	4.80	5.42	---	---
CGI, Hong Kong	3.50	3.50	---	---
EI, Kathmandu	20.00	19.21	---	0.79
EI, Muscat	5.71	4.61	---	1.10
HCI$^{\psi}$, Port Louis	2.50	2.50	---	---
CGI, Shanghai	4.95	4.95	---	---
EI, Yangon	10.00	6.60	---	3.40
Total	**58.46**	**48.31**	**2.43**	**8.34**

* Embassy of India α Consulate General of India ψ High Commission of India

Sample checks disclosed that in eight missions/posts, grants aggregating to a sum of Rs 58.46 lakh, were either drawn by Head of Mission (HOM) / Head of Post (HOP) as advances, which remained unadjusted or were paid to them as reimbursement of expenditure without acceptable proof of expenditure such as receipts or sub-vouchers. They spent Rs 48.31 lakh on functions relating to 50th anniversary of India's Independence celebration. The Embassy of India, Abu-Dhabi surrendered a part advance of Rs 2.43 lakh. The four Missions/Posts (including Abu-Dhabi) did not surrender the balance amount of Rs 8.34 lakh even after closure of ceremony on 15 August 1998. Having laid down a system for expenditure from the grants and accounting of the expenditure, Ministry did not ensure that the systems were in place and the instructions issued by them in this regard were being followed by the Missions/Posts.

The details of expenditure of Rs 48.31 lakh held by Audit "under objection" for want of acceptable evidence of expenditure are as under:

(a) **EI, Abu-Dhabi** was paid an advance of Rs seven lakh out of which Rs one lakh was drawn and spent by the Ambassador for special Independence Day reception in August 1997 without any evidence of expenditure. Rs 52,207 were spent on Photo-exhibition and an amount of Rs 2.43 lakh was surrendered to MEA in May 1998. Balance amount of Rs 3.05 lakh was earmarked for future expenditure and was not surrendered.

(b) **CGI, Durban,** out of the allocated funds of Rs 4.80 lakh, spent Rs 4.06 lakh. The receipts or sub-vouchers were not available. Further, a sum of Rs 1.36 lakh was also spent by the Post on the Independence celebrations which were booked under the head 'Publicity' instead of booking under the head which was specifically mentioned in the sanctioning letter.

(c) **CGI, Hong Kong** spent Rs 3.50 lakh for organising occasion of 50th Anniversary of India's Independence for which the Mission had not maintained the receipts or sub-vouchers.

(d) **EI, Kathmandu** was granted Rs 20 lakh. The Mission neither rendered the detailed account of Rs 19.21 lakh spent nor surrendered the unspent balance amount of Rs 0.79 lakh to MEA. Further advances amounting to Rs 2.35 lakh given to various officials for organising functions were also booked under the statement of expenditure incurred, details of which were also not available.

(e) **EI, Muscat** was granted Rs 5 lakh for the purpose. The Mission spent Rs 4.61 lakh on account of cultural shows. Unspent balance amount of Rs 0.39 lakh was not surrendered to MEA. Further Rs 0.71 lakh sanctioned by MEA were also spent on payment towards food and beverages charges. However, the details of the expenditure were not available on records.

(f) **HCI, Port Louis** was allocated Rs 2.50 lakh out of which Rs 69,883.00 were paid in US$ 1643.53 to High Commissioner towards cost of buffet dinner hosted by him on 15 August 1998.

However, details of which were not available on records. As required the High Commission did not render any detailed account but submitted only a statement showing expenses of Rs 2.50 lakh incurred on activities for this expenditure to MEA.

(g) **CGI, Shanghai** was granted Rs 4.95 lakh. The Consulate General did not render any detailed account but submitted only a statement showing expenditure of Rs 4.95 lakh incurred on activities for this expenditure to MEA as required.

(h) **EI, Yangon** was granted Rs 10 lakh. The Mission neither rendered any account for Rs 6.60 lakh spent to the MEA as required nor surrendered the unspent amount of Rs 3.40 lakh.

Upon being pointed out by Audit, the respective missions/posts failed to produce any evidence. The CGI, Hong Kong stated that the 50th anniversary was celebrated along similar lines providing the people of Hong Kong a glimpse of the rich heritage of India.

Since the expenditure on 50th anniversary celebrations of India's independence was not to be admitted on the basis of certificate as in the case of Representational Grant, but on the basis of acceptable evidence, the expenditure of Rs 48.31 lakh was held as objectionable.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

8.9 Unauthorised expenditure on pay and allowances

Embassy of India, Athens incurred unauthorised expenditure of Rs 20.35 lakh on payment of pay and allowances of a local employee continued in service irregularly for seven years beyond the date of her superannuation.

The Ministry of External Affairs (MEA) had given clear instructions in March 1988 that all local employees of the missions must be made to retire on their due date of superannuation, per the age of retirement prescribed by the Government of India for each mission; and, had said that the cases of extension of service would need the prior approval of the Ministry. MEA had also fixed the retirement age of the local employees of Embassy of India (EI), Athens at 65 years for men and 60 years for women vide their letter dated 13 June 1990.

Violating MEA's clear instructions, EI, Athens continued to employ a local woman, employed by it in 1989 as a clerk/typist, till 29 February 2000, over seven years beyond her normal date of superannuation on 28 February 1993. EI, Athens also granted to that employee the benefits of revised scales of pay and annual increments after the due date of retirement in contravention of the instructions issued by MEA.

The Mission incurred unauthorised expenditure of Rs 20.35 lakh on payment of pay and allowances of the employee continued in service irregularly during the period from March 1993 to February 2000. Ministry has neither approved the extension of the service nor taken action to fix responsibility for the failure of the mission to retire the official, especially when the employee was appointed at the age of 56 years. The Ministry needs to suitably strength its internal control system to avoid recurrence of such cases.

Audit reported the matter to the Ministry in July 2000; who have not replied as of February 2001.

8.10 Unauthorised expenditure due to retention of car against the orders of MEA

Embassy of India at Belgrade spent Rs 12.29 lakh on a car retained by them unauthorisedly in disregard of the specific orders of Ministry of External Affairs.

A case of unauthorised retention of car by the Embassy of India at Oslo for 12 years in disregard of the specific orders of Ministry of External Affairs (MEA) was brought out in the Report of the Comptroller and Auditor General of India for the year ended March 1999, No. 2 of 2000 (Civil). The instances of the Missions acting in disregard of MEA's instructions have also been reported in the Reports of Comptroller and Auditor General of India. In yet another case, the Mission at Belgrade did not comply with the orders of MEA.

The Mission in Belgrade had a flag car and a staff car as of December 1994. MEA decided in January 1995 to reduce the strength of the cars in the Mission from two to one and directed the Mission to dispose off the staff car. In April 1995, MEA directed the Mission to dispense with the post of a local chauffeur.

Yet, the Mission continued to retain the staff car and the local chauffeur. In October 1995 the Mission's flag car was stolen. In response to request for replacement of the staff car with a new one, MEA reiterated in January 1997 that the only one flag-cum-staff car was sanctioned for the Mission and turned down the request for replacement of the stolen car. Despite the categorical rejection of its proposal, the Mission replaced the staff car. The Mission is not delegated powers to sanction purchase of new car.

Thus, barring a period of 18 months during October 1995 to March 1997, the Mission retained two cars at their disposal. During the period between April 1995 when the post of locally recruited chauffeur was abolished and May 2000, the Mission spent Rs 12.29 lakh on wages to the local chauffeur and maintenance of the staff car. More importantly, the action of the head of the Mission undermined the authority of MEA, whose orders were flouted by the

Mission. This would require appropriate action against the head of the Mission by the Ministry.

The Ministry sought to justify the unauthorised action by the Head of the Mission (HOM) in retaining the staff in August 2000 on the grounds of breakdown of law and order in the former republic of Yugoslavia. It added, however, that the Mission had disposed of the additional car in August 2000 before being pointed out by audit and the services of the local chauffeur would be terminated after the India-based driver joined the Mission.

The Ministry's attempt to justify the disregard of its own orders by the Mission is a post audit response, to condone the unauthorised action by the Mission. The Ministry ought to have been aware of the factors advanced now in response to the draft audit paragraph, even when it had decided to reduce the strength of the vehicles and abolish the post of the local chauffeur. Even as late as January 1997, the Ministry had categorically rejected the request for purchase of additional car, which the Mission ignored.

8.11 Wasteful expenditure on House Rent

Indian Consulate at Houston incurred wasteful expenditure of Rs 10.40 lakh on rent, and on maintenance and repairs of a house, which remained unoccupied for over six months;and, which was hired in disregard of the Ministry's instructions.

In May 1998, the Ministry of External Affairs (MEA) transferred Deputy Consul General (DCG) of the Indian Consulate at Houston (ICH). This transfer was part of a chain and was not specifically time bound. Meanwhile, the lease of the house hired by ICH for its DCG was to expire on 5 September 1998. The transferred DCG requested MEA in July 1998 to sanction hiring another house beyond September 1998 in anticipation of extension of his stay at Houston, and on the plea that the landlady was not willing to extend the lease. On 28 August 1998 MEA informed ICH of the decision that the transferred DCG should instead return to India by 1 October 1998. Yet ICH relieved the officer only on 8 December 1998, who finally left Houston on 20 December 1998. Furthermore, disregarding MEA's implicit injunction, ICH rented another house on one year lease at a rent of $ 2500 p.m. through a lease agreement effective from 4 September 1998. The new DCG joined ICH only after six months, on 21 June 1999. The house rented for DCG remained unoccupied and ICH also spent US$ 7558.46 on repairs and maintenance during that period. The new DCG occupied that house briefly from 21 June 1999. He vacated it on 15 August 1999, 20 days prior to the expiry of the annual lease.

ICH spent a total of \$ 24,235 (= Rs 10.40 lakh at average rate \$1=Rs 42.97) wastefully on the rent for the period 21 December 1998 to 20 June 1999 (=\$15,054=Rs 6.44 lakh at average rate \$1=Rs 42.75) and for the period 16 August 1999 to 4 September 1999 (=\$ 1,623=Rs 0.71 lakh at average rate \$1=Rs 43.54) and on repairs and maintenance (=\$ 7,558=Rs 3.25 lakh at average rate \$1=Rs 42.97) of the unoccupied house.

The new DCG replying on behalf of ICH stated that the expenditure was unavoidable and unforeseen. His reply did not respond to the audit observation why ICH rented the house on yearly lease, in disregard of MEA's instructions.

Audit reported the matter to the Ministry in April 2000;who have not replied as of February 2001.

8.12 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial/corrective Action Taken Notes on four Audit Paragraphs.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of October 2000 revealed that the Ministry has failed to submit ATNs in respect of four Paragraphs included in the Audit Reports up to and for the year ended March 1999 as detailed below :

Number and year of the Audit Report	Paragraph number	Subject
2 of 1999	4.2.2	Extra expenditure on purchase of property beyond entitlement
2 of 2000	8.6	Appointment/retention of personnel and inadmissible payments
2 of 2000	8.9	Irregular payments in US dollars instead of local currency
2 of 2000	8.12	Extra expenditure due to payment of higher air fare

Audit reported the matter to the Ministry in December 2000; who have not replied as of February 2001.

CHAPTER IX: MINISTRY OF FINANCE

9.1 Under-utilisation of capacity of Mint

The India Government Mint, which became operational in 1988, has still not established a blanking line. This has resulted in continued import dependence. The capacity of the Mint has been grossly underutilised and in the import of coin blanks the Mint has failed to enforce the liquidated damages due to delay and miscalculation.

Government of India decided to set up a new Mint, India Government Mint, Noida which became operational in 1988. Since July 1988 the Mint is engaged in the production of coins by stamping ready-made coin blank, either purchased indigenously or obtained through direct import. The Mint was designed, like other Government Mints at Mumbai, Kolkata and Hyderabad to operate with its own blanking line so that excessive dependence on import of coin blanks was avoided. Necessary infrastructural facilities were created with the establishment of the Mint, and the full complement of staff for two-shift operation was also sanctioned. Mint initiated its proposal for establishment of blanking line only in December 1996 and the proposal is still under the consideration of the Government of India. Non-establishment of blanking line has resulted in the import of ready-made coin blanks, leading to a loss of foreign exchange of the equivalent of Rs 38.39 crore on account of conversion cost from Cupro-Nickel to coin blanks of the denomination of Rs 2 and Rs 5 during the period 1994-2000. The Ministry stated in March 2001 that a blanking line at the Mint would be considered after the completion of the modernisation project undertaken at three other Mints located in Kolkata, Mumbai and Hyderabad. Evidently the Mint was established without considering the functional synergies. The consequences of non-establishment of blanking line could be substantial, apart from loss of foreign exchange, if the idle assets are reckoned. In respect of manpower alone it was noticed that the Mint was operating on a single shift while staff was sanctioned for operating in two shifts.

Investigation of the deployment pattern and volume of production brought out that the production capacity of the Mint which is 2000 million pieces of coins *per annum* is underutilised. Utilisation of production capacity ranges between 16.79 *per cent* and 45.06 *per cent*. Under-utilisation of production capacity is in turn a direct consequence of lower target-setting by the Ministry. The targets fixed by the Ministry ranged between 20 and 45 *per cent* of the capacity of the Mint. It is also significant that targets fixed by the Ministry were themselves low with reference to the demands placed by the Reserve Bank of India (RBI) on the Mints. The following table gives the comparative analytical position:

Coins in million pieces

Year	Demand of RBI (consolidated demand for all four mints)	Target fixed by Ministry	Percentage of target with reference to capacity	Actual production of coin by Mint	Percentage of actual production to capacity
1991-92	2075	500	25.0	488.330	24.42
1992-93	3050	500	25.0	458.960	22.95
1993-94	3200	500	25.0	335.895	16.79
1994-95	4100	410	20.5	555.031	27.75
1995-96	4950	480	24.0	402.482	20.12
1996-97	6295	500	25.0	382.474	19.12
1997-98	6939	500	25.0	556.457	27.82
1998-99	9050	850	42.5	810.421	40.52
1999-00	8710	900	45.0	901.256	45.06

Until 1997-98 the targets fixed by the Ministry continued to be in the range of 400-500 million pieces while the demand of RBI rose from 2075 million pieces to 6939 million pieces. During the years 1998-99 and 1999-2000 the targets were raised upto 850-900 million pieces while the demand of RBI was in the range of 9000 million pieces. The Mint could meet the higher targets fixed by the Ministry but that amounted to barely 10 *per cent* of the demands placed by the RBI. It is interesting to observe that during the year 1998-99 the Mint spent Rs 20.94 lakh on overtime allowance and Rs 25.36 lakh in providing incentives to the industrial staff for achieving a target which was far below its built-in capacity and even further below the demands placed by the RBI. The Ministry stated in February 2001 that the demands of RBI have been usually on the higher side and the actual lifting of finished coins was low. Reply of the Ministry is not factually correct as the RBI had lifted the coins produced in full from time to time.

Purchase of coin blanks

Even in the actual production of coins, irregularities were noticed in the purchase of coin blanks. During the period 1988-89 to 1999-2000 the Mint imported Rs 25446.16 lakh worth of coin blanks and procured indigenous coin blanks worth Rs 14011 lakh **(Annex-A)**. The percentage of import of blank coins with the total of blank coins purchased stood at 64 *per cent.* Scrutiny of the import procedure adopted by the Mint brought out several instances of delay in the finalisation of tenders, non/late recovery of liquidated damages etc.

Delay in finalisation of tenders

Audit scrutiny revealed that the Mint took seven months to two years in finalising the global tenders for the purchase of coin blanks of the denominations of Rs 5, Rs 2, Re 1, 50 p, 25 p and 10 p **(Annex-B)**. This resulted in shortfall in production of Rs 5 and Rs 2 coins during 1996-97 and 1998-99 as detailed in **Annex-C**. The shortfall in production of Rs 5 coin went upto 60 *per cent* of the production target during 1996-97. The Ministry stated in March 2001 that when coin blanks of these denominations were not available, the Mint was engaged in the production of other coins and hence there was no loss of capacity. The argument is evasive as shortages in the coins of one denomination cannot be justified by the production of coins of other denomination. Audit is unable to assess the impact of non-production of coins of these denominations on the transaction market but it stands to reason to assume that recurring evidences of non-availability of coins of different denominations could be the result of delays in placing orders for blank coins.

Non-recovery of liquidated damages

It was also seen that liquidated damages amounting to Rs 12.37 crore were not claimed, though due, in four cases (**Annex-D**). Of these in three cases, where imports were made from British and Korean firms the Ministry contested the audit figures without providing any alternative calculation. Audit figures are worked out separately for each consignment in each case. As regards the fourth firm, a Mexican firm, the Ministry held the incorrect view that liquidated damages were not recoverable. As per the contract, liquidated damages of the order of Rs 0.31 crore were leviable as the firm had failed to discharge the contractual commitment.

In three cases while the imports were made from Canadian, Italian and British firms, liquidated damages claimed by the Mint were either not recovered (Rs 10.41 crore) or recovered only partially (Rs 1.35 crore against Rs 1.42 crore). Rs 10.30 crore of liquidated damages could not be enforced on a Canadian firm because the Ministry advised the Mint to drop the proceeding on the ground that delay in acceptance of samples was not covered in the contract and no notice to that effect was ever issued to the Canadian firm. It is surprising that a serious administrative failure leading to substantial financial loss should be handled on the ground of legality without fixing responsibility for dereliction. In respect of an Italian firm miscalculation of liquidated damages resulted in the Mint foregoing Rs 7 lakh, which was due to it.

In a very significant case of mishandling of claims it was noticed that damages of Rs 1.6 crore could not be recovered from a British firm despite the fact that there was delay of more than two years in the supply of coin blanks. The British firm was to supply 1200 metric tonnes of coin blanks by July 1998 however, the supply was completed by January 1999 and liquidated damages were claimed only in January 2001 for only Rs 11.47 lakh instead of Rs 1.6 crore which was due. In the meantime the bank guarantee of the firm lapsed in June 1999 leaving the Mint and the Government with no option but to pursue the settlement of only a fraction of the legitimate claim.

Non-reimburesement of inspection charges

As per terms of contract, the supplier would provide for the purchaser facility for the inspection of coin blanks manufactured under the contract at its works. Instances of Mint not claiming reimbursement of inspection charges were noticed. The Mint failed to claim reimbursement of Rs 3.32 lakh in two cases while in six other cases reimbursement of claims of Rs 6.95 lakh was pressed from nine to 37 months after the completion of inspection.

Annex-A

Year	Value of coin blanks imported	Value of indigenous coin blanks purchased	Total Value of coin blanks purchased	Percentage of import to total purchase
1988-89 to 1992-93	8963.16	-	8963.16	100.00
1993-94	-	2383.00	2383.00	-
1994-95	2829.00	1226.00	4055.00	69.77
1995-96	2173.00	405.00	2578.00	84.29
1996-97	1719.00	4523.00	6242.00	27.54
1997-98	634.00	1168.00	1802.00	35.18
1998-99	4572.00	2116.00	6688.00	68.36
1999-00	4556.00	2190.00	6746.00	67.54
Total	**25446.16**	**14011.00**	**39457.16**	**64.48**

Annex-B

Sl. No	Name of the firm	Particulars of coin blanks to be supplied	Date of advertisement of global tender	Date of awarding the contract	Time taken in finalisation of contract
1	M/s Royal Mint, U.K	206.66 million pieces of Rs 5 denominations	23.9.93	22.7.94	10 months
2	M/s I.M.I, Birmingham Mint Ltd., UK	133.33 million pieces of Rs 5 denominations	23.9.93	22.7.94	10 months
3	M/s Hyundai Corporation, South Korea	360 million pieces of Rs 2 denominations	23.9.93	22.7.94	10 months
4	M/s Istituto Polgraphico E Zecca Dello Stato, Italy	816 million pieces of Re 1, 50p, 25p and 10p denominations	23.6.94	11.1.95	6 ½ months
5	M/s Salem Steel Plant, Salem	235 million pieces of Re1, 50p and 25 p	23.6.94	23.6.95	12 months
6	M/s Royal Canadian Mint, Canada	200 million pieces of Rs 5 denomination	10.6.96	1.9.97	14 ½ months
7	M/s Royal Mint, U.K	200 million pieces of Rs 2 denomination	10.6.96	1.9.97	14 ½ months
8	M/s PDC, Mexico	206 million pieces of Re 1 denominations	10.6.96	14.5.98	23 months
9	M/s Salem Steel Plant, Salem	749 Million pieces of Re 1, 50 p and 25 p denominations	10.6.96	26.5.98	23 ½ months

Annex-C

Year	Particulars of denomination	Targets	Achievements	Percentage of fall in production to targets
		(In million Pieces)		
1996-97	Rs 2	50	40.2870	19.43
	Rs 5	50	19.8700	60.26
1998-99	Rs 2	160	155.1275	03.05
	Rs 5	120	71.0220	40.82

Annex-D

Sl. No	Name of supplier	Particulars of contract	Delay in supply of Pre-production samples			Delay in last shipment			Total period of delay for which liquidated damages have become due			Amount of liquidated damages due	Amount of liquidated damages claimed	Amount of liquidated damages recovered	Amount of liquidated damages remained to be claimed/ recovered
			Y	M	D	Y	M	D	Y	M	D				
1	M/s Royal Mint, U.K (1994-95) Optional order of 930 MT placed on 27.06.96	No IGM/GPT/CN/ Rs 5 (RML)/1994 dated 12.12.94 Supply of 1860 MT (206.66 mpcs) of coin blanks of Rs 5	00	07	09	-	07	29	05	03	13	1096300.59 (Pound sterling) equivalent to Rs 7.62 crore	-	-	1096300.59 (Pound sterling) equivalent to Rs 7.62 crore
2	M/s IMI Birmingham Mint Ltd., U.K. (1994-95) Optional order of 600 MT placed on 27.06.96	No IGM/GPT/CN/ Rs5(IMI) /1994 dated 24.11.94 Supply of 1200 MT(133.33 mpcs) of Rs 5 coin blanks	00	08	22	-	04	23	03	06	10	406253.76 (Pound Sterling) equivalent to Rs 2.82 crore	-	-	406253.76 (Pound Sterling) equivalent to Rs 2.82 crore
3	M/s Hyundai Corporation, South Korea, (1994-95) Optional order of 540 MT placed on 31.10.95	No IGM/GPT/CN/ Rs 2 (Hyundai)/ 1994 dated 21.11.94 Supply of 2160 Mt (360 mpcs) of Rs 2 coin blanks	00	02	15	00	01	00	01	02	04	371397.41 US$ equivalent to Rs 1.62 crore	-	-	371397.41 US$ equivalent to Rs 1.62 crore

			Delay in supply of Pre-production samples			Delay in last shipment			Total period of delay for which liquidated damages have become due						
4	M/s Istituto Poligraphico E Zecca Dello Stato (Rome Mint) Italy (1994-95) Optional order of 1639 MT placed on 27.06.96	No IGM/GPT/SS/ 1994-95 dated 17.02.95 Supply of 3277.5 MT (816 mpcs) of Re1/50p/25p/10p SS coin blanks	00	04	00	00	01	13	01	08	08	604472414.33 (Lira) equivalent to Rs 1.42 crore	582280922 (Lira) equivalent to Rs 1.35 crore	582280922 (Lira) equivalent to Rs 1.35 crore	22191492.33 (Lira) equivalent to Rs 0.07 crore
5	M/s Royal Canadian Mint, Canada (1997-98)	No IGM/CN/RCM/ 97 dated 9/12/97 Supply of 1800 MT (200mpcs) of Rs 5 coin blanks	00	08	18	01	02	06	06	02	09	2363262 (US$) equivalent to Rs 10.30 crore	2363262 (US$) equivalent to Rs 10.30 crore	Nil	2363262 (US$) equivalent to Rs 10.30 crore
6	M/s Royal Mint, U.K (1997-98)	No IGM/GT/CN/ Rs 2 (RM)/1997 dated 30.12.97 Supply of 1200 MT (200 mpcs) of Rs 2 coin blanks	00	06	17	00	05	09	02	02	00	230357.30 (Pound Sterling) equivalent to Rs 1.60 crore	16505.15 (Pound Sterling)) equivalent to Rs 0.11 crore	Nil	230357.30 (Pound Sterling) equivalent to Rs 1.60 crore
7	M/s PDC Mexico (1997-98)	No IGM/GT/SS/ Re1 (PDC)/1998 dated 15.7.98 Supply of 1000MT (206 mpcs) of Re 1 coin blanks	00	01	03	00	01	20	00	04	09	71618.21 (US$) equivalent to Rs 0.31 crore	-	-	71618.21 (US$) equivalent to Rs 0.31 crore

9.2 Payment of overtime allowance beyond the permissible norm

General Manager, India Security Press made overtime payment of 160 hours per month to all staff members during 1995-2000 against the permissible limit of only 50 hours per quarter. Excess overtime allowance for the aforesaid period aggregated to Rs 99.43 crore.

Scrutiny of overtime expenditure in India Security Press (ISP), Nashik during the years 1995-2000 disclosed that the General Manager (GM) paid overtime allowance of 160 hours every month to its 5695 supervisory and non-supervisory staff and workers. The annual overtime payments, which were 40.32 *per cent* of the expenditure on pay and allowances and wages of the employees during 1995-2000, were as under:

Year	Expenditure on overtime payment (Rs in crore)
1995-96	14.64
1996-97	16.62
1997-98	23.57
1998-99	28.62
1999-2000	28.27
Total	**111.72**

In granting overtime allowance for as high as 480 hours in each quarter, the GM continuously infringed the Section 64 of Factories Act, 1948 which forbids giving overtime of not more than 50 hours in a quarter.

The value of overtime payment beyond the maximum limit prescribed in the Factories Act was Rs 99.43 crore out of the total payment of overtime Rs 111.72 crore.

The Ministry accepted the audit observation and admitted that they needed to rectify the phenomenon.

9.3 Loss due to non-inclusion of interest clause in the agreement

The Ministry of Finance (MOF) accorded administrative approval and expenditure sanction of Rs 30.99 crore on 9 May 1996 revised to Rs 37.19 crore on 16 June 1999 for incurring expenditure towards civil works in connection with modernisation of Currency Note Press (CNP). The project was to be executed through National Building Construction Corporation Ltd.(NBCC) on turn key basis. The sanction stipulated the CNP to follow Central Public Works Department (CPWD) Rule for giving advances to NBCC, which prescribes for charging interest @ 18 *per cent per annum* on the outstanding amount of advance.

An agreement was signed on 22 November 1996 between MOF and NBCC for the execution of the works. CNP paid mobilisation advance of Rs 3.54 crore to

NBCC on 31 March 1997. CNP, however, did not include this 'interest clause' on 'mobilisation advance' in the agreement. The absence of the provision of interest clause in the agreement resulted in a loss of Rs 86 lakh.

CNP stated in July 2000 that though the entire mobilisation advance had been adjusted through running bills but the interest could not be recovered because they had failed to incorporate the said clause in the agreement.

Audit reported the matter to the Ministry in October 2000; who have not replied as of February 2001.

9.4 High wastage in production of blank passports

The India Security Press, Nashik indulged in abnormally high wastage of Rs 15.80 crore in production of blank passports during 1997-99 and passed the burden to the public.

The India Security Press, Nashik (ISP) produced 63.90 lakh passport booklets during 1997-99. Out of these passports, ISP despatched 45.86 lakh blank passports worth Rs 55.95 crore, to Ministry of External Affairs, and declared the balance 18.04 lakh passports costing Rs 15.80 crore as defective. The cost of wastage was ultimately passed on to the public. Defective passports produced by ISP worked out to 28.23 *per cent.*

While accepting the facts (July 1999), the Ministry attributed the reasons for wastage, mainly to (i) over utilisation of the machines and manpower capacity to meet the increased demand (ii) operations in night shifts and (iii) diversion of unskilled labour to this work.

In order to meet the increased requirement of about 30 to 35 lakh passports, to reduce the wastage and to phase out manual system, the ISP had installed a new "Automated Passport Manufacturing System (APMS)" in April 1999. The ISP, Nashik decided in January 1990 to procure a fully APMS and invited global tenders in June 1990 and again in September 1993. These tenders were scrapped as they were not as per World Bank guidelines. ISP therefore, invited tenders (through Security Printing Press (SPP), Hyderabad) again in May 1995. Two firms were qualified tenderers (i) M/s. Urio Seikakushu Ltd. quoted for Rs 9.22 crore at wastage rate of 2 *per cent* and (ii) M/s. Kulger Automation for Rs 8.39 crore at wastage rate of 0.8 *per cent.* The ISP placed the order on M/s. Kulger Automation in September 1997. The terms and condition of the order *inter alia* included that (i) the inspection of machine would be carried on 20,000 booklets by using raw material supplied by ISP at the factory in Germany and (ii) overall waste percentage would not exceed 0.8. In case waste percentage exceeded the limit or passport booklets were not as per the specifications, the machine was liable to be rejected. The machine was brought to ISP and installed in April 1999 and tried for 20,000 passport booklets when the waste percentage turned out to be 5.10. However, the machine was finally accepted.

The audit scrutiny revealed that during the period from June 1999 to April 2000, the machine produced an average of 1.89 lakh booklets per month with an average waste percentage at 9.5 ranging between 12.42 and 6.68. This worked out to 20.53 lakh booklets per year as against the requirement of 30 to 35 lakh.

Ministry stated in July 2000 that Audit had considered the overall wastage and not the effective wastage at each stage. The reply of Ministry was not tenable as the fact remained that the overall wastage continued to be as high as 9.5 per cent as compared to 0.8 per cent specified. Besides, abnormal delay in the process of procurement of APMS, the expected results in regard to increase in production and reduction of wastage were not fully achieved.

Department of Economic Affairs

9.5 Irregular payment of pension

Erroneous application and interpretation of rules and orders of pension payment by Public Sector Banks resulted in irregular payment of pension of Rs 27.65 lakh.

The Scheme for payment of pension through Public Sector Banks (PSBs) was introduced initially in July 1976 for the Central Civil Pensioners and subsequently extended to Railway Pensioners, Defence Pensioners, Freedom Fighters and West Bengal State Government Pensioners in a phased manner.

Mention was made in para 7.9 of the Audit Report 1 of 1996 that the PSBs in 401 cases, made overpayment and short payment of pension of Rs 27.61 lakh and Rs 11.80 lakh respectively. The Ministry stated in the Action Taken Note (ATN) that due to shortage of staff, detailed scrutiny of pension disbursement by PSBs could not be taken up.

Scrutiny of records of 69 pension paying branches of seven PSBs in West Bengal from July 1999 to March 2000 revealed overpayment of Rs 16.70 lakh during January 1986 to February 2000 due to the following reasons:

Table-I

Sl. No.	Reasons for overpayment	No. of cases in which over payment was made	Amount (Rs in lakh)
1.	Payment of Family Pension at higher rate beyond admissible period and to ineligible members	103	13.28
2.	Incorrect application of Pay Commission Rules	17	2.47
3.	Other Reasons	7	0.95
	Total	**127**	**16.70**

It was further observed that in the following cases the pension paying PSBs also made short payment of Rs 10.95 lakh to the pensioners between January 1986 to February 2000.

Table-II

Sl. No.	Reasons for short payment	No. of cases in which short payment was made	Amount (Rs in lakh)
1.	Erroneous consolidation of pension as per Pay Commission Rules	42	2.14
2.	Payment of family pension at reduced rate	73	8.81
	Total	**115**	**10.95**

Thus, failure of the pension paying PSBs to apply and interpret rules and orders of payment of pension coupled with inadequate checks resulted in irregularities in payment of pension of Rs 27.65 lakh.

Audit reported the matter to the Ministry in August 2000; who have not replied as of February 2001.

9.6 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial/corrective Action Taken Notes on eight Audit Paragraphs.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of October 2000 revealed that the Ministry has failed to submit ATNs in respect of eight Paragraphs included in the Audit Reports up to and for the year ended March 1999 as detailed below :

Number and year of the Audit Report	Paragraph number	Department	Subject
1 of 1995	8.8	Revenue	Idle engines purchased for prototype patrol boat
1 of 1995	8.9	Revenue	Unfruitful expenditure due to non-operational vessel
1 of 1996	7.7	Revenue	Loss due to short recovery of rent
2 of 1998	5.7	Revenue	Non-realisation of penalties
2 of 1999	5.4	Revenue	Erroneous payment of stamp duty and registration fees
2 of 2000	9.5	Economic Affairs	Recovery at the instance of Audit
2 of 2000	9.6	Revenue	Excess payment of night duty allowance
2 of 2000	9.7	Revenue	Loss due to failure to revise rates of license fee

Audit reported the matter to the Ministry in December 2000; who have not replied as of February 2001.

CHAPTER X: MINISTRY OF HEALTH AND FAMILY WELFARE

10.1 Non-deployment of surplus staff

Faulty estimation and sanction of posts without actual requirement by Director General of Health Services, New Delhi and failure of Director, Laboratory to take up the matter with Director General of Health Services for deployment of surplus staff resulted in unfruitful expenditure of Rs 38.97 lakh.

Government of India sanctioned in October 1986 the creation of one post of Technical Supervisor and one post of Laboratory Assistant for Research and Development (R&D) Unit of BCG Vaccine Laboratory, Chennai. The post of Technical Supervisor was operated from 23 October 1987 to 04 November 1996 and the post of Laboratory Assistant was operated from 03 November 1988 to 26 April 2000. A scrutiny of the relevant records maintained in the Laboratory, however, disclosed that the R&D Unit was not at all set up in the Laboratory. The Director also reported in January 1999 to the Director General of Health Services (DGHS), New Delhi that it would be inappropriate for a manufacturing institution, especially the one dealing with live organisms to have any R&D unit inside the production premises. Yet, DGHS did not take appropriate action to abolish posts. Thus, the expenditure of Rs 7.97 lakh on these two posts was unfruitful.

Director of the Laboratory proposed in July 1988, the creation of nine posts, as detailed in the following table, so as to take over the maintenance of Central Air Conditioning Plant from the CPWD. The proposal was based on the opinion of a UNICEF expert, with a view to have a proper check on the supply of filtered air and humidity control which would go a long way in bringing down the loss in production. The Ministry sanctioned the creation of nine posts in September 1989. These posts were filled up and continued to be in operation, as indicated in the table.

Sl. No.	Name of the post	Number	Date of filling up of posts	Date upto which operated
1.	Electrical and Mechanical Supervisor	1	25.09.1989	Till date
2.	Technician	2	18.01.1992 and 12.02.1993	One post operated till date. One post became vacant with effect from 08.03.1999.
3.	Mechanic	2	26.10.1989 and 15.11.1989	Till date
4.	Assistant Mechanic	2	18.11.1989 and 25.11.1989	One post is operated till date. One post became vacant from 01.03.1999.
5.	Khalasi (Workshop)	2	20.11.1989 and 02.07.1990	Till date

However, the work of maintenance of Central Air Conditioning Plant continues to be performed by the CPWD till date. While the Electrical and Mechanical Supervisor was being utilised for sealing and freeze-drying work in the production of vaccine, the incumbents of the remaining eight post were deployed to share the work of staff in other similar posts. Despite this, the Ministry converted in July 1998, seven of the nine posts into permanent ones.

The Director of the Laboratory reported to the DGHS in January 1999 that all the posts created for maintenance of Central Air Conditioning Plant, except the Electrical and Mechanical supervisor, were surplus and suggested that they should be re-deployed. He also stated that the Refrigeration Engineer of the Laboratory had confirmed that the maintenance of the Air Conditioning Plant by the CPWD was satisfactory. DGHS has not taken any action to abolish the surplus posts or to re-deploy the incumbent staff so far. The expenditure of Rs 31 lakh as of September 2000 on salaries of the staff employed on these posts remained unfruitful.

Thus due to non-deployment of surplus staff, there was unfruitful expenditure of Rs 38.97 lakh on salaries.

Audit reported the matter to the Ministry in May 2000; who have not replied as of February 2001.

10.2 Denial of facility of anti-pollution incinerator

National Institute of Communicable Diseases planned in August 1985 the procurement of anti-pollution incinerator for safe disposal of hospital waste. Ministry sanctioned Rs 4.5 lakh to National Institute of Communicable Diseases for its procurement in January 1987, but it could be procured only in March 1996 and is yet to be commissioned.

National Institute of Communicable Diseases (NICD) functions as a national centre of excellence for disease control, besides imparting training and conducting research in various aspects of communicable diseases.

With a view to providing safe disposal of waste, infectious material and minimising damages to the environment, the Director, NICD decided in August 1985 to install a new incinerator in place of the old incinerator and sent a proposal to Director General, Health Services (DGHS) in February 1986 for purchase of an anti-pollution incinerator costing Rs 4.5 lakh. The Ministry issued its expenditure sanction and administrative approval in January 1987. NICD placed supply order on Thermax Ltd. in October 1990 through Director General, Supplies & Disposal (DGSD) after 44 months of expenditure sanction. But when DGSD asked them in September 1991 for general specifications suiting indentor's requirements, NICD failed to furnish these, which ultimately led to cancellation of order in June 1992.

Instead of furnishing the specifications or placing a fresh indent on DGSD, NICD took up the matter with the Executive Engineer (E), Central Electrical Division No. IV of the Central Public Works Department (CPWD) and requested him in December 1993 for procurement and installation of anti-pollution incinerator by giving its specifications. The Superintending Engineer (Elect), Delhi Central Electrical Circle-IV, CPWD furnished preliminary estimate of Rs 34.38 lakh in December 1994 including cost of incinerator: Rs 19.75 lakh, electrical works: Rs 1.30 lakh, civil works: Rs 6.50 lakh, cost of foundation and accessories: Rs 2.25 lakh and contingent and departmental charges: Rs 4.58 lakh. The entire amount of Rs 34.38 lakh was paid in advance to the Executive Engineer, Electrical Division No.IV, CPWD, in March 1995. Installation and commissioning of incinerator including civil and electrical works related thereto was to be completed before the end of June 1995.

Executive Engineer, Electrical Division IV, CPWD purchased the incinerator in March 1996 and stored it in the NICD's campus. After the receipt of incinerator, Senior Architect of DGHS proposed in August 1996, a new site for its installation which was accepted by NICD in September 1996. The building plan was sent to Municipal Corporation of Delhi (MCD) in October 1996 for clearance. As the chimney of incinerator was 30 meter high, the matter was also taken up with the Director General, Airport Authority of India for obtaining No-Objection Certificate. The clearances from various departments/agencies viz. MCD, Delhi Vidyut Board, Delhi Urban Arts Commission, Airport Authority of India, Delhi Metro Rail Corporation etc.

were obtained by August 1998 only. An expenditure of Rs 14.63 lakh was incurred on civil and electrical works for installation as of May 2000 but the incinerator is still not commissioned for want of approval/clearance from the Delhi Pollution Control Board.

Thus, improper planning by Director, NICD viz., purchase of incinerator before finalising and preparing site for its installation led to the equipment lying idle. Besides NICD continued to throw waste, infectious material/dead bodies of the animals used in experiments/research work in the dustbins of MCD causing serious threat to the environment and incalculable health hazard to the public.

Audit reported the matter to the Ministry in August 1999; who have not replied as of February 2001.

10.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial/corrective Action Taken Notes on four Audit Paragraphs.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) revealed that the Ministry has failed to submit ATN in respect of four Paragraphs included in the Audit Reports up to and for the year ended March 1999 as detailed below:

Number and year of the Audit Report	Paragraph number	Subject
2 of 1998	7.2	Loss due to expired medicines
2 of 1999	6.4	Non-recovery of Rs 31.75 lakh
2 of 1999	6.5	Recovery at the instance of Audit
2 of 2000	11.2	Loss on account of expired medicines

Audit reported the matter to the Ministry in December 2000; who have confirmed the position in February 2001.

CHAPTER XI: MINISTRY OF HOME AFFAIRS

11.1 Procurement of Training Armaments: Payment without receipt of supply

Central Ordnance Depot, Jabalpur had not supplied Self Loading Rifles worth Rs 12.71 crore to Border Security Force despite advance payment made in September 1993.

Provisioning Directorate of the Directorate General, Border Security Force (BSF) issued, in May 1993, a sanction for incurring an expenditure of Rs 14.32 crore for the purchase of 8000 Self Loading Rifles (SLRs), costing Rs 12.71 crore and other weapons costing Rs 1.61 crore from the Central Ordnance Depot (COD), Jabalpur.

The Directorate General, BSF deputed an inspection team to the COD, Jabalpur in May 1993 itself for inspection of the weapons allotted to the BSF. The inspection team intimated that 60 *per cent* of the SLRs allotted were of an old brand and reconditioned, and hence were not acceptable. Despite the intimation of the inspecting team, the sanctioned amount was drawn in full and paid as advance to the COD, Jabalpur in September 1993. The BSF collected other weapons costing Rs 1.61 crore leaving aside the SLRs and the magazines and claimed a refund of Rs 12.71 crore. In January 1996, the Ministry of Home Affairs (MHA) intimated that the Ministry of Defence (MOD) had again offered 8000 new brand SLRs against advance payment at the old rates and asked the BSF Directorate to detail a technical team to carryout the inspection of the equipment being offered to them. The detailed technical team on inspection again found that weapons were not brand new, but were of 1977-79 manufacture and did not carry proof marks. Accordingly the BSF in February 1996, rejected the offer and insisted on its claim for the refund of the balance amount of Rs 12.71 crore lying with the COD, Jabalpur since September 1993. As no favourable response was forthcoming from the COD, Directorate General, BSF submitted a fresh proposal to the MHA (Prov-II) in December 1998 for purchase of 7.62 mm BDR/CTN ammunition from the COD, Jabalpur costing Rs 12.71 crore in place of SLRs as the BSF was facing acute shortage of this ammunition required for the training of the troops. Due to shortage of weapons and ammunitions the BSF carried out an analysis on operational implications and reduced the scale of training ammunition to less than 50 *per cent*. The BSF neither received alternative supply of 7.62 mm BDR/CTN ammunition worth equivalent to the advanced amount of Rs 12.71 crore nor did the COD refund the amount as of November 2000.

As the inspection team of the BSF had already reported in May 1993 that the SLRs available with the COD were reconditioned, the drawal and remittance of advance for the entire amount of Rs.14.32 crore in September 1993 was ill-advised.

The Ministry stated in November 2000 that the BSF made advance payments of Rs 12.71 crore to the COD, Jabalpur only after issue of instructions by the Army Headquarters to the COD, Jabalpur to release brand new weapons to the extent of availability. Reply of the Ministry is casual to the point of being evasive. It does not explain the impact of scaling down, nor does it explain how the COD went on offering cannibalised and unmarked arms and ammunitions with impunity. In particular the matter of stockpiling and disposal of old, sub-standard, cannibalised, unmarked arms and ammunitions calls for a full scale investigation.

11.2 Mis-investment of Welfare Funds

Director General, Central Reserve Police Force mis-invested Rs 1.62 crore of the Welfare Funds of Central Reserve Police Force.

Central Reserve Police Force (CRPF) Welfare Fund Rules provide that all moneys of the Fund shall be invested in Postal Cash Certificates or other Government Securities or Fixed Deposits with the State Bank of India or in any Government owned public enterprises except such amount as may be required for current working expenses, which shall be placed in an account with the State Bank of India.

CRPF started making investments/re-investments of Welfare Funds in Cement Corporation of India (CCI), from May 1987 and onwards. On the last occasion CRPF re-invested the Welfare Funds amounting to Rs 1.05 crore in the shape of three Cummulative Deposits Receipts (CDRs) made on 9 July 1993, 27 July 1993 and 31 May 1994 for a period of three years. The financial position of CCI during 1991-94 was not sound as the losses had accumulated upto Rs 178 crore by the end of 1991-92 which had risen upto Rs 377 crore by the end of 1993-94. Though the dates of maturity of these CDRs expired on 9 July 1996, 27 July 1996 and 31 May 1997 respectively, CCI could not discharge the matured value of Rs 1.62 crore (Principal: Rs 1.05 crore; Interest: Rs 56.82 lakh) as of October 2000. Given the sickness of CCI and its referral to Board of Industrial and Financial Reconstruction (BIFR) on 25 April 1996, the recovery of the amount deposited is doubtful in near future.

The decision of the Director General, CRPF to invest the proceeds of the funds with CCI was based on the recommendations of the Committee for premature discharge/re-investment of existing cumulative deposits which included Financial Advisor as Convener. At no point of time did the Committee which included Financial Advisor considered the financial status of CCI, which is a precondition for an investment decision. Thus, the flawed decision deprived the Welfare Funds of the premier national paramilitary force, of a large corpus of money for over six years, with dim prospects of its recovery. The matter needs investigation.

The Ministry confirmed the facts in November 2000 and stated that they have issued instructions to all the units to assess the financial status of Public Sector Undertakings (PSUs) before investing funds therein and have since requested the Ministry of Industry to arrange release of the blocked funds from CCI on an over-riding priority basis as a special case

11.3 Undue financial benefit and acceptance of sub-standard cloth for Assam Rifles

There was undue financial benefit of Rs 50.55 lakh to the supplier owing to acceptance of cloth not in conformity with the approved sample.

In pursuance of the practice to procure the clothing of Assam Rifles through Ministry of Home Affairs (Procurement Wing) (MHAPW) and Director General of Supplies and Disposal (DGS&D), the Director General, Assam Rifles (DGAR), Shillong placed (January 1997) an indent to MHAPW for 5,47,704 metre of cloth cotton disruptive pattern (vat printed on mineral khaki base) of 71 cm wide as per IS: 1771989 (variety No.3). To compare the bulk supply as per the specification, the contractor before commencing the bulk supply was to submit three advance samples (1.5 metre) duly checked by the Director, Quality Assurance (DQA) of which one to be returned to DQA duly approved by the indentor, other to the consignee and the third to be retained by the indentor. The MHAPW placed (August 1997) supply order with a Calcutta based firm for supply of 1,08,600 metre of cloth cotton disruptive pattern of above specification at the rate of Rs 49 per metre to the Commandant, 3 Maintenance Group, Assam Rifles.

Test-check (July-August 1999) of records of the DGAR revealed that three sets of advance sample as supplied (September 1997) by the firm through DQA was approved (September 1997) by the DGAR and sent one each to DQA and the consignee. The firm supplied 1,08,600 metre of cloth in two consignments (November 1997: 55,500 metre and February 1998: 53,100 metre) against advance payment (95 *per cent*) of Rs 50.55 lakh in two instalments (November 1997: Rs 25.83 lakh and February 1998: Rs 24.72 lakh). Both the consignments were rejected after inspection (November 1997: 55,500 metre; February 1998: 53,100 metre) by the Board of Officers of Assam Rifles (AR) on the ground that the bulk supply did not conform to the advance sample inasmuch as the cloths were coarse and thinner with print visible on the reverse side. The rejection of first consignment of cloth by the Board of Officers of the Assam Rifles was also upheld by the representative of

DQA when the rejected cloth was re-inspected in January 1998 comprising of this representative and representatives of firm and DGAR. The firm on being intimated (December 1997 and February 1998) to replace those consignments conforming to the approved specification stated (February 1998) that the Khaki cloth had no commercial market, the rejection meant their total financial ruin. The firm also suggested (February 1998) the MHAPW either to reject the quantity not considered acceptable, which they agreed to replace with acceptable quality as per specification at their own cost or to accept the supplied quantity at a suitably reduced price as may be assessed and recommended by the competent authority.

Following the rejection of the cloth, a joint meeting amongst the parties involved in the deal viz. DGAR, MHAPW, DQA was held in April 1999 on the insistence of the DQA and MHAPW. The DQA pleaded that the tested bulk supply sample (henceforth called reference sample) conformed to the governing specification, while the MHAPW held that rejection was not legally tenable since bulk consignment was to be checked against reference sample as per the contract.

The Directorate of Assam Rifles always stood for the rejection. Even in January 1999 the Directorate upheld the rejection arguing that the variation in quality of cloth would cause specific flaw in the uniform of the Assam Rifles if the bulk supply of consignment was accepted. As regards legal implication as brought by MHAPW, the DGAR asserted (January 1998) that insertion clause for checking against reference sample in supplier's copy of the contract was an afterthought to help the supplier since such a clause was not there in the indentor's copy. But in the convened meeting, the DGAR falling in line with DQA deviated from his earlier stand agreeing to the decision to hold a joint inspection of the rejected consignments against reference sample. Accordingly, a joint inspection of rejected cloth was again carried out (May 1999) by a team comprising representatives of DGAR, DQA and the firm and accepted 1,06,159 metre of cloth (2,441 metre rejected) after checking the same against the reference sample.

Although the meeting expressed concern over the prolonged storage of the cloth since the shelf life of the cloth disruptive was for six months only, the subsequent utilisation of the cloth as force's uniform and durability of uniform was not known to Audit. But the fact remains that flexible stand of DGAR led to acceptance of cloth after about two years of the expiry of shelf life and that too in contravention of contractual provision to the effect that supplied cloth was to be accepted against advance sample casting doubt that sub-standard cloth affecting the quality of uniform of the forces had been accepted to bail out the supplier from financial ruin and thus constituted undue financial benefit of Rs 50.55 lakh to the supplier.

Audit reported the matter to the Ministry in November 1999 and July and September 2000; who have not replied as of February 2001.

11.4 Avoidable expenditure on procurement of socks

Local purchase of socks instead of being procured through Director General of Supplies and Disposal rate contract, resulted in extra expenditure of Rs 15.36 lakh.

Director General, Assam Rifles (DGAR) invited tenders on two occasions (April – May 1997 and March 1998) for supply of 0.91 lakh pairs of double toe, heel, elastic nylon socks (0.72 lakh in April 1997 and 0.19 lakh in March 1998). In response, he received 14 and 13 tenders, of which rates of Rs 14 per pair on first occasion and Rs 14.70 per pair on second occasion offered by a New Delhi based firm National Small Industries Corporation Ltd (NSICL) and a Guwahati based firm respectively were the lowest. But, DGAR accepted the 9th lowest rates quoted by a Shillong based local firm in each occasion at the rate of Rs 27.76 and Rs 26.31 per pair without recording any reason for non-acceptance of lowest rates. The firm supplied 0.72 lakh and 0.47 lakh pairs of socks during August 1997 to October 1997 and September 1998 to March 1999 respectively for which DGAR made payments of Rs 32.48 lakh (Rs 20 lakh for 0.72 lakh pairs and Rs 12.48 lakh for 0.47 lakh pairs) between November 1997 and August 1999 respectively. Thus, by resorting to local purchase at higher rates DGAR incurred extra expenditure of Rs 15.36 lakh*.

The DGAR stated in February 2000 that local purchase of socks at higher rates was necessitated because of (a) non supply of the stores and (b) poor quality of the sample submitted by the lowest tenderer viz. NSICL. DGAR admitted the lapse of non-recording of reasons for non-acceptance of the lowest tender. DGAR's reply needs to be viewed with reference to the fact that NSICL had supplied 0.47 lakh pairs of socks with required specification to DGAR during August 1998 on Director General of Supplies and Disposal (DGS&D) rate contract of Rs 10.99 per pair on the orders of MHAPW, based on the indent for one lakh pair of socks placed by DGAR in December 1996. The reply is silent why DGAR did not pursue the matter of ordering full indented quantity with MHAPW more effectively than to go for the local purchase at much higher costs.

* Rs 27.76 – Rs 14.00 = Rs 13.76 x 0.72 lakh pair = Rs 9,90,720
Rs 26.31 - Rs 14.70 = Rs 11.61 x 0.47 lakh pair = Rs 5,45,670
Rs 15,36,390

Audit reported the matter to Ministry in November 1999 and July and September 2000; who have not replied as of February 2001.

11.5 Mishandling of procurement of surveillance equipment

The Procurement Wing of the Ministry failed to make satisfactory movement of a strategic surveillance equipment needed by the National Secutiry Guard. Besides, impacting adversely on the security concerns, the failed deal resulted in loss of interest of over Rs 11 lakh in blocked payment.

The Ministry of Home Affairs (MHA) approved in June 1995 the procurement of Thermal Imaging Surveillance Equipment for the National Security Guard (NSG). The NSG placed indent on the Ministry of Home Affairs-Procurement Wing (MHA-PW) in August 1995. The MHA-PW accepted the tender of M/s. Thomson CSF Optronique, a French firm with the Delhi Farming and Construction Pvt. Limited, as their local agent, for Rs 38.33 lakh (equivalent to FRF 581140) in November 1996. The stipulated period of supply of equipment was six months from the opening of Letter of Credit with State Bank of India, Foreign Exchange Division, New Delhi, which the NSG did in December 1996. The NSG, however, received the equipment six months late, in December 1997, and the bank paid Rs 38.33 lakh to the supplier firm in January 1998. The NSG refused to accept the equipment in February 1998, as it did not meet the prescribed quality requirement and returned it to the local agent in May 1998 for re-export. The supplier returned the equipment again in the presence of representative of the foreign firm as well as their local agent in February 1999. That inspection revealed that equipment did not perform to the required standards and was different from the one offered in the technical bid.

The NSG wrote to the MHA in June 1999, only after Audit brought the matter to light, to direct the supplier to refund the amount with interest. It was only in June 2000 that the NSG received a refund of Rs 37.75 lakh equivalent of Euro 88594.22 (FRF 581140) at the prevailing rate of exchange. The contract did not provide for any recovery of interest, much less any penal provisions for delay in satisfactory execution of supply contract by the supplier. The infirmity in the contract deprived the NSG of interest of Rs 11.12 lakh for the period January 1998 to June 2000 calculated at the rate of 12 *per cent per annum*, besides adversely impacting on the security concerns for which the NSG indented the equipment at the first place.

The NSG accepted the fact in January 2000 and stated that the criminal liability of the supplier and the Indian agent needed to be examined. The audit did not find any internal evaluation by NSG of the impact of non-availability of the required surveillance equipment on NSG's security concerns.

Audit reported the matter to the Ministry in September 2000; who have not replied as of February 2001.

11.6 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial/corrective, Action Taken Note on three Audit Paragraphs.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) revealed that the Ministry has failed to submit ATNs in respect of three Paragraphs included in the Audit Reports up to and for the year ended March 1999 as detailed below :

Number and year of the Audit Report	Paragraph number	Functional/ Ministry/ Department	Subject
3 of 1997	1	Home Affairs	Modernisation of Prison Administration
2 of 1999	18.10*	Urban Affairs & Employment	Extra payment of interest
2 of 2000	12.2 *	Home Affairs	Idle investment on procurement of Power Hammer

**pertains to Union Territories for which Action Taken Note is to be submitted by Ministry other than Ministry of Home Affairs but since the Ministry of Home Affairs is the nodal Ministry, the progress of submission of ATN is to be monitored by this Ministry.*

The matter was referred to the Ministry in January 2001; which confirmed the position on 17 January 2001 regarding 'Modernisation of Prison Administration' and 'Idle investment on procurement of Power Hammer' and stated that draft ATN on 'Extra payment of interest' has been sent on 13 December 2000 while no such draft ATN has been received as of January 2001.

CHAPTER XII: MINISTRY OF INFORMATION AND BROADCASTING

12.1 Unfruitful expenditure

Despite 90 *per cent* payment of Rs 3.07 crore in April 1995 by Doordarshan to the firm, 5 Channel Video Compression System was commissioned and upgraded by Doordarshan in April 2000 though it was to be done by the firm by June 1995. Liquidated damages/penalty for failure to upgrade the system works out to Rs 16.52 lakh.

Director General, Doordarshan had placed an order in January 1995 for supply, installation and commissioning of 5-Channel Video Compression System for an experimental project undertaken by the Chief Engineer (R&D), AIR and TV, with M/s Gujarat Communication and Electronics Limited, Baroda at a cost of Rs 3.30 crore. The cost included installation and commissioning at Central Station and 5 more Stations. It also included the cost of training for 5 Engineers for 10 days in India ana two Engineers for 10 days at CLI, San Jose (U.S.A.) inclusive of to and fro boarding and lodging charges. While training abroad was completed, the training within India was imparted at DDK only for two days on 8 and 9 April 2000 instead of ten days.

The last date for supply of Moving Pictures Expert Group (MPEG) - I equipment was 15 January 1995 and it was to be upgraded with in six months at no extra cost. The system without up-gradation would not be compatible with the present generation of MPEG-II decoders, which are internationally standardised. Beyond June 1995, liquidated damages clause was invocable. Doordarshan (DD) received the equipment for MPEG-I in March 1995. Against this CE (NZ) released 90 *per cent* payment amounting to Rs 3.07 crore in April 1995 and kept the balance amount of Rs 32.63 lakh under the Suspense Account.

The Department stated in July 2000 that the system was upgraded in April, 2000 and that it was to be installed at a single location and not at different locations. They also stated that the system was purchased for experimentation on transmission of multiple TV programme through single satellite transponder using video compression techniques. They further stated in December 2000 that the system was commissioned on 9 April 2000 and working satisfactorily at DDK. However, the delay of five years was due to the fact that M/s GCEL, supplier of the system, could not get the desired upgrades from the manufacturer in USA.

The reply of the Department is not acceptable because as per the supply order the system was to be installed and commissioned at the central station and five more stations. This is further clear from department's reply that five decoders were to be installed at different locations with one central station because the purpose of the system was to transmit multiple TV channels (i.e. signals of five channels) through single transponder. But installing it just at DDK shows that DD was not utilising the system for the purpose for which it was purchased as DDK is not a transmitting station.

It would further be observed that the upgradation of the system was done by Research and Development wing of DD as the firm did not do it even after five years. It also did not provide training to five engineers as it was to be provided on the upgraded system. The training for only two days was arranged during its upgradation by DDK. As the firm failed to upgrade the system the provisions of Liquidated Damages Clause was attracted and a penalty of Rs 16.52 lakh, being five *per cent* of the total cost of the equipment ordered, was leviable. Further, contractual violations relating to upgradation and training are required to be evaluated in monetary terms for recovery. The department confirmed in April 2001 that the balance 10 *per cent* payment to the firm has not been released, but in the context of DD's failure in enforcing the penal provisions, it is doubtful if the recovery can be effected.

In regard to the upgradation of the system carried out by DD at an unspecified cost, it was found that despite upgradation, the benefits of the upgraded system to the level of present generation decoders, are still unavailable.

Audit reported the matter to the Ministry in October2000; who have not replied as of February 2001.

12.2 Non-recovery of advertising dues

Laxity on the part of the Station Directors of All India Radio resulted in non-recovery of dues of Rs 1.07 crore from the advertising agencies.

Station Directors, Commercial Broadcasting Service, All India Radio (AIR) enter into agreements with the advertising agencies for broadcasting of advertisements. The agreements require the agencies to make payments of advertisement charges to AIR per month within 45 days from the first day of the month following the date of broadcast in the case of accredited agencies. For non-accredited agencies, the requirement is that they would make the payment on receipt of bills and in any case not later than 15 days before the broadcast is due to commence. The agreement provide for recovery of penal interest @ 18 *per cent per annum* and/or automatic cancellation of the accreditation of the agency for non-payment of dues by the due date on more than three occasions in a year or within 45 days from the first of month following the month of broadcast.

Audit found that there was accumulation of advertising dues of Rs 1.07 crore including Rs 40.51 lakh as penal interest from the agencies, while test checking records of AIR stations at Kanpur, Chennai and Kolkata, as detailed below:

Sl. No.	Name of Station	Period	Arrears of advertising dues (Rs in lakh)	Penal interest (Rs in lakh)	No. of advertising agencies in default of the payment of dues
1.	Kanpur	July 1991-March 2000	16.85	4.19	35
2.	Chennai	1985-2000	43.22	33.11	33
3.	Kolkata	1986-2000	6.03	3.21	12

The major advertising agencies in default of AIR Kanpur are Art Commercial, Mumbai (Rs 2.35 lakh), HTA Mumbai (4.38 lakh), Inter Publication Pvt. Ltd., Mumbai (Rs 2.08 lakh), Chennai: Rayar Communications (Rs 11.14 lakh), Shree Advertising (Rs 8.19 lakh), Shree Raghavendra Advertising (Rs 16.56 lakh) and of Kolkata: HTA (Rs 2.66 lakh), Madison (Rs 1.28 lakh).

Earlier Reports of the Comptroller and Auditor General of India, No.2 of 1996 and 1999 had also mentioned about non-realisation of the dues from the advertising agencies at AIR stations. The persistent accumulation of dues at AIR station despite audit observations in the past indicated laxity in adequate controls. The Ministry needs to take steps to ensure that the Station Directors follow the prescribed rules rigorously and that there is no heavy accumulation of arrears.

Audit reported the matter to the Ministry in October, April and September 2000; who have not replied as of February 2001.

12.3 Loss due to gross negligence

Gross administrative negligence in dispatch of expensive recording equipment resulted in its loss and in non-realisation of its value of Rs 24.90 lakh from air freighter.

Chief Engineer, North Zone [CE (NZ)], Akashvani and Doordarshan dispatched two Sony make Betacam S.P. Recorders costing Rs 24.90 lakh to Superintending Engineer (SE), Doordarshan Kendra, Jammu through Indian Airlines in August, 1996 and showed the cost of the consignment as Rs 50,000/- only. He did not insure the consignment to cover the transit risks.

When the material was not delivered to the consignees, the CE(NZ), lodged a FIR on 18 October 1996 with the Palam Airport Police Station, New Delhi when his efforts with Indian Airlines to search the lost cargo failed. He also lodged a claim of Rs 24.90 lakh for the lost equipment with Indian Airlines. The Indian Airlines admitted their liability only to the extent of Rs 50,000/- which was the cost of equipment mentioned in the consignment note and which corresponded with the freight charges levied.

CE (NZ) did not avail himself of the offer of refund of that amount on the plea that it would have absolved Indian Airlines for the claim of full value of the lost consignment.

Office records of CE (NZ) revealed that a khalasi had gone to book the expensive consignment with Indian Airlines. He had under invoiced it to make the freight "To Pay" on the plea that he did not have ready cash to pay the full freight and consignment was to be booked the same day in view of elections in Jammu and Kashmir. However, apparently, no specific instructions were given to him in this regard. Director General (DG), Doordarshan rejected (September 1997) a request from CE (NZ) to write off the lost equipment and asked for fixation of responsibility for negligence. CE (NZ) could not produce evidence of concrete action in this regard so far (January 2001). It is strange that the matter of fixation of responsibility of such sensitive matter remains un-resolved so far.

Audit reported the matter to the Ministry in September 2000; who have not replied as of February 2001.

CHAPTER XIII: MINISTRY OF SURFACE TRANSPORT

13.1 Payment of inadmissible interest differential subsidy

Ministry made an inadmissible payment of Rs 6.18 crore towards interest differential subsidy to Shipping Corporation of India.

Ministry of Surface Transport (MOST) introduced in September 1993 subsidy schemes duly approved by the Cabinet Committee on Economic Affairs (CCEA) for the revival of Public Sector shipyards. One of such schemes was payment of interest subsidy to shipping companies in case the orders were placed with public sector shipyards. This scheme envisaged loans at concessional rate of 9 *per cent* to the extent of 80 *per cent* of the cost of the ship. The scheme was to be administered by MOST and the funds were routed through the shipyards. The scheme was valid upto 7 September 1995.

M/s Hindustan Shipyard Ltd.,(HSL), Visakhapatnam entered into an agreement in May 1994 with M/s Mideast India Ltd., (MIL) Mumbai, a private sector company for the construction of a vessel (Hull No. 1135) at a price of US $ 22 Million.M/s MIL paid two installments amounting to Rs 13.85 crore between December 1994 and April 1995 towards first and second stage payments. A defective provision on effective date of the contract entered into by HSL allowed MIL to refuse to honour their contractual obligations by committing defaults in making due payment after second stage payments on the plea that they were not able to make financial arrangements from the financial institutions for the construction of the vessel.

The Ministry also failed to notice this deficiency in the contract either at the time when a copy of the contract was made available to the Ministry by HSL in October 1994 or when it advised HSL on different matters from time to time. It also did not evolve any system to ensure that the Model Contract framed by it was being adhered to by the shipyards. As a result of these deficiencies in the clause, HSL had to refund an amount of Rs13.85 crore to MIL.

The Ministry stated, in August 2000 that the clause, dealing with the aspect of effective date of the contract could not be incorporated in the contract of MIL in accordance with the model contract, because owners always insist that the contract should be effective after the owners made satisfactory arrangements to finance the construction of the vessel. The Ministry further added that the provisions of model shipbuilding contract was slightly adjusted in the contract entered into between HSL and MIL considering the recession in the ship building activity and dumping by certain foreign countries due to which Indian Public sector shipyards had become almost non-competitive in the world market. These contentions are not tenable as the Ministry evolved the model contract for safeguarding the interest of Government/Public Sector shipyards.

Thereafter, M/s HSL entered into a contract in October 1997 with the Shipping Corporation of India Limited (SCI), the new buyer of the above stated vessel with some modifications at a contract price of US $ 22.63 million in accordance with the decision taken in the meeting held in July 1997 headed by the Secretary of the Ministry. The Ministry also decided, interalia, to allow the benefit of the interest differential subsidy, introduced in September 1993, although the scheme was valid only upto 7 September 1995. The Ministry did not obtain the approval of CCEA for such deviation from the scheme.

Thus, the action of the Ministry in providing the benefit of interest differential subsidy to SCI on the order placed on M/s HSL in October 1997, after the expiry of the scheme in September 1995, amounted to undue favour to SCI. This had also resulted in undue benefit to SCI of Rs 6.18 crore towards the amount of interest differential subsidy paid by the Ministry as of March 2000.

The plea of the Ministry that the contract concluded with SCI in December 1997 was not a fresh contract for extending benefits of interest differential subsidy scheme, which expired in September 1995, is not tenable because there had been change of ownership as well as price of the vessel and hence it was a new contract.

13.2 Avoidable loss of revenue

Due to avoidable administrative delays in making proper arrangements for toll collection at all the levels, National Highways Division, Visakhapatnam, had to forego potential revenue of Rs 4.49 crore.

National Highways (Fees for the use of National Highways Section and Permanent Bridge-Public Funded Project) Rules, 1997, notified by the Central Government on 27 August 1997, require levy and collection of a fee in perpetuity either departmentally or through private contractors, on all mechanical vehicles for the use of a notified National Highway Section.

Accordingly, the Chief Engineer, National Highways (CE NH), Andhra Pradesh, sought on 4 September 1997 permission of Ministry of Surface Transport (MOST), to conduct auction and collect tolls on a section of NH-5 between Vijayawada and Visakhapatnam, on which the work of strengthening and upgrading was completed in July 1997; MOST granted the permission three months later on 30 December 1997. CE issued a notification more than a month afterwards on 7 February 1998 for the auction of rights to collect tolls for 1998-99. The Executive Engineer (EE), NH Division, Visakhapatnam, conducted the auction on 19 March 1998 which had, however, to be cancelled in April 1998 as the highest bidder as also the next two highest bidders did not pay requisite earnest money deposit. EE conducted fresh auction on 30 May 1998 and entrusted the collection of tolls to the highest bidder at Rs 7.62 crore *per annum* with effect from 21 July 1998 after confirmation of the bid by the Government of Andhra Pradesh on 13 July 1998. Thus, collection of tolls on a road which had the potential to fetch over Rs 2 lakh per day had to be foregone for 215 days (excluding 113 days spent in the auction process) after the relevant rules came into force, due mainly to avoidable administrative delays at various levels in initiating and finalising the contract for toll collection. Further, at no stage, did the CE consider the alternative option of departmental collection to arrest loss of revenue while the matter of bidding and finalisation of contract awaited consideration. Avoidable administrative delays in making arrangements for toll collection by CE, NH, AP; EE, NH Division, Visakhapatnam and MOST resulted in loss of potential revenue of Rs 4.49 crore.

While accepting the fact, MOST stated in September 2000 that it was for the State Government to make arrangements for toll collection (departmentally) even temporarily. It added that instructions were being issued to all concerned, to initiate advance action in toll cases and to make immediate arrangements for departmental collection, as an interim measure, in case any delay is visualised in conducting auction.

13.3 Extra cost due to delay in acceptance of tender

Failure of Chief Engineer, Engineer-in-Chief and Government of Madhya Pradesh to finalise tender within its validity period, resulted in extra cost of Rs 44.38 lakh in construction of high level bridge over Degree Nallah on Agra-Mumbai National Highway.

The Superintending Engineer, Public Works Department (PWD), National Highway Circle, Gwalior invited item rate tenders for construction of Degree Nallah high level bridge (km. 177/2) on Agra-Mumbai National Highway No.3 in March 1997. The offers were opened on 26 April 1997. The Superintending Engineer, PWD, Gwalior recommended (14 May 1997) the lowest offer (Rs 2.62 crore) of M/s Chambal Developers, Gwalior which was valid upto 23 August 1997. The Chief Engineer, PWD, National Highway, Bhopal forwarded the same to Engineer-in-Chief on 7 July 1997 who sent it to the Government of Madhya Pradesh on 12 August 1997. The Government of Madhya Pradesh accepted the tender on 27 August 1997. By then the validity of the offer had expired. The contractor did not agree to the Department's request to extend it and asked for refund of the earnest money. The Superintending Engineer, PWD, National Highway Circle, put the work to tender again in October 1997. The lowest offer (Rs.3.06 crore) of M/s Ravi Construction Co. accepted by the Government of Madhya Pradesh on 7 October 1998, was higher than that accepted earlier by Rs 44.38 lakh. The work was in progress as of October 2000.

Thus, delay in processing and scrutiny of tender by the Chief Engineer, Engineer-in-Chief and Government of Madhya Pradesh by 124 days as against 120 permissible days led to a refusal by the contractor to execute the work on the rates tendered due to the validity of offer having expired. This resulted in an extra cost of Rs 44.38 lakh.

Audit reported the matter to the Ministry in May 2000; who have not replied as of February 2001.

13.4 Avoidable extra expenditure

Erroneous approval by Ministry of Surface and Transport of the estimates proposed by the National Highways Department of Tamil Nadu state, on the basis of the superceded specificaitons, resulted in excess use of bitumen; and, consequently, avoidable extra expenditure of Rs 29.55 lakh.

Ministry of Surface and Transport (MOST) revised the specifications for roads and bridges for the third time in November 1994, and, advised National Highways Departments of all the State Governments that all future projects and estimates should be framed accordingly. MOST had made the revisions to make specifications consistent with equipment based construction techniques and the latest construction practices.

Yet, MOST approved a proposal of July 1995 from Chief Engineer, National Highways Department of Tamil Nadu in October 1995 for the work of strengthening the two lane weak pavement from KM 94/0 to 130/0 of Bangalore-Salem-Madurai section of National Highway Division, Dharmapuri for Rs 8.23 crore on the basis of the superceded second revision.

The State National Highways Department called for tenders twice in January 1996 and June 1996. The work commenced on 26 November 1997 and ended on 10 July 1999 at a total cost of Rs 7.55 crore. Erroneous approval by MOST of the estimates on the basis of superceded specifications resulted in utilisation of excess bitumen and in avoidable extra expenditure of Rs 29.55 lakh.

The State National Highways defended taking up the construction on the basis of old specifications on the plea that revision of estimates on the basis of the third revision would have taken more time and would have resulted in huge cost escalation. The reply is not tenable as there was sufficient time for adoption of third revision which involved only change in the quantity of bitumen, before tendering and actual start of the work.

Audit reported the matter to the Ministry in June 1999; who have not replied as of February 2001.

13.5 Excess payment and avoidable extra cost

Executive Engineer authorised payment of higher rates, overriding the conditions stipulated in the contract for variations in the quantities, leading to an extra payment of Rs 8.36 lakh besides extra cost of Rs 16.93 lakh towards earth not borrowed for distance of 2 km.

Construction of approaches to the Degree Nallah Bridge in km 174/8 to 177/8 of AB Road (NH-3) in July 1997 at Rs 1.15 crore provided for revision of prices for additional quantities of item of work in excess of 30 *per cent* of agreed quantities.

The Schedule of items annexed with the agreement provided for the following rates of earthwork quoted by the contractor:

Item No.		Quantity (in cum)	Rate (Rs per cum)	Amount in Rupees (considered for tender)
4.	Earth work	91,701.12	29	26,59,332
5.	Lead (Distance upto)			
i)	1.5 km	1,507.00	50	75,350
ii)	2 km	65,750.00	7	4,60,250
iii)	0.5km	2,191.00	40	87,640
iv)	300 M	3,614.00	30	1,08,420
v)	250 M	717.60	25	17,940
vi)	200 M	18,923.00	10	1,89,230

The quantities actually executed for item-4 construction of embankment (b) Hard Soil was 79880.84 cum. Yet, the Divisional Officer had withdrawn from item No.4 and added to item No.5 i.e. "lead for earth work" and paid at fresh derived rate (SOR rate minus over all tender percentage) for 67975.66 cum quantity of earth work, although the executed quantity i.e. 79880.84 cum was within the tendered quantity. This has resulted in excess payment of Rs 8.36 lakh.

It was further seen that while executing the work the earth was shown as brought from the borrow area of which the contractor had quoted higher rate. It was seen that not a single cubic metre quantity of earth was borrowed from distance of 2 km. and the entire quantity of earth was borrowed from the leads having lesser distance and at higher rates. This resulted in an avoidable extra cost of Rs 16.93 lakh.

On this being pointed out in audit, the Executive Engineer stated that the matter will be referred to the tender sanctioning authority for decision.

Audit reported the matter the Ministry in April 2000; who have not replied as of February 2001.

CHAPTER XIV: MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

14.1 Delay in completion of work

Inordinate delay in completion of the work and non-realisation of risk and cost due from the contractor resulted in loss of Rs 78.35 lakh.

The Surveyor of Works Central Public Works Department (CPWD) prepared an estimate of Rs 1.74 crore in 1982 for construction of 66 staff quarters for Eastern Regional Electricity Board (EREB), to be completed by October 1986. He could not start the work as clearance from local authorities was received only in February 1987. The CPWD prepared a revised estimate for Rs 2.42 crore for 66 quarters in April 1987. However, in March 1988, CPWD awarded the work of pile foundation for 58 quarters as approved by the Calcutta Municipal Corporation.

The Executive Engineer ignored the soil test report, which had recommended a combination of driven and bored piles for the foundation and opted for driven piles. Objecting to vibrations and noise caused by pile driving, local residents filed a case against the CPWD in July 1988. In view of the High Court's order CPWD rescinded the work and awarded the work of bored pile foundation to the same contractor in October 1989 at a cost of Rs 19.24 lakh. However, the contractor sought for arbitration upon rescission of earlier contract of driven pile foundation work.

The arbitrator made an award of Rs 4.07 lakh in September 1993 in favour of the contractor as the Executive Engineer, Kolkata Central Division-II CPWD had failed to take a proper decision before floating the tender regarding the nature of foundation to be adopted as per recommendations of the soil test report and had not attached the soil test report to the tender document. The CPWD paid Rs 4.07 lakh to the contractor in April 1996.

The Executive Engineer, Calcutta Central Division-II awarded the superstructure work of 58 quarters to another contractor in March 1990 at a tendered cost of Rs 1.25 crore, scheduled to be completed in December 1991. Due to slow progress of work, he rescinded the contract in July 1991 at risk and cost of the defaulting contractor. However, risk and cost amount of Rs 36.83 lakh could not be recovered, till November 2000. The chances of recovery are remote as the value of work done by the contractor was Rs 12.39 lakh out of which the CPWD had already paid Rs 7.04 lakh to him.

The CPWD again revised the cost estimate to Rs 3.42 crore in January 1992. The construction work of the building due to be completed in August 1993 was completed in February 1996. The electrical works and lift due to be completed by December 1994 were actually completed in May 1999. The CPWD incurred an expenditure of Rs 4.30 crore on the work. The EREB stated in April 2000 that though the CPWD had handed over the quarters in May 1999, some important ancillary services remained incomplete. However, officers of the EREB had occupied 36 staff quarters as of October 2000 in view of scarcity of accommodation.

Thus, the CPWD's failure to exercise technical and administrative control at different stages of execution of the project and ineffective coordination resulted in inordinate delay in its completion leading to a revenue loss of Rs 78.35 lakh on account of avoidable expenditure of Rs 4.07 lakh on arbitration award, non realisation, of risk and cost of Rs 36.83 lakh and loss on account of payment of the HRA and non receipt of license fee from employees of, EREB amounting to Rs 37.45 lakh from January 1994 to October 2000 besides enhancement of project cost from Rs 1.69 crore to Rs 4.30 crore.

Audit reported the matter to the Ministry in June 1999; who have not replied as of February 2001.

14.2 Loss of revenue

Failure of the Managers Government of India Press Publication Unit and Temple Street Unit to take appropriate action for sale of waste paper resulted in loss of Rs 31.90 lakh.

The Government of India Press (GIP), Temple Street, Forms Unit and Publication Unit accumulated 2451.30 quintal of waste paper valued at Rs 32.17 lakh between 1997 and 2000 but sold only 21.70 quintal at a cost of Rs 0.27 lakh.

The Manager, Publication Unit was responsible for the speedy disposal of accumulated waste paper in the three units up to 1998-99 to avoid spoilage and consequent loss of value. The annual agreements for sale of waste paper were to be finalised with the Directorate of Printing (DOP)'s approval before the beginning of each year to ensure regular lifting and to prevent accumulation of waste paper. As per the orders of the DOP issued in April 1997, the proposal seeking approval for sale of waste paper for 1998-99 should be submitted by the managers of the presses to them by 31 December, failure to do so would be viewed seriously and responsibility would be fixed for any loss due to spoilage.

Yet, the Managers of the press inordinately delayed in sending proposals to DOP and that there were further delays in according approval by the latter, as follows:

Year	Name of the press	Proposal sent to DOP in	Approved on	Details of agreement
1997-98	Publication unit	February 1997	June 1997	No agreement was executed
1998-99	Publication unit	January 1998	February 1998	Agreement executed in May 1998
1999-00	1. Publication unit	March 1999	May 1999	No agreement was executed
	2. Temple Street unit	June 1999	November 1999	-do-

There was delay at every level in finalising the tender formalities for 1997-98. The tender was valid for 150 days from its opening. It was sent to DOP after 49 days and was approved in 116 days i.e. after the tender period had lapsed. As a result, the contractor did not execute the agreement.

In 1998-99, agreement was finalised with a firm to lift waste paper of that year. The firm after lifting 21.70 quintal waste paper stopped work on the ground that the contract was for lifting waste paper of 1998-99 only and that the soiled paper of earlier year should be segregated. As this was not done by the Manager, Publication Unit, liquidated damage as per agreement for non-performance of the firm could not be levied.

In 1999-2000, the Manager, Temple Street Unit sent the proposal to DOP in June 1999 after a delay of six months and conditional approval was received in November 1999. The contractor refused to execute the agreement due to reduction in the market rate of waste papers. Similarly in the Publication Unit, the contractor did not sign the agreement, after approval from the DOP was received in May 1999.

The Managers of GI Press thus failed to discharge their responsibility for sale of waste papers between 1997 and 2000.

The lackadaisical approach of the managers as well as DOP towards sale of waste papers resulted in loss of Rs 31.90 lakh for non-disposal of 2429.60 quintal of waste paper. Besides, accumulation of paper for a prolonged period created health and fire hazards at the three presses apart from deterioration in quality. It is recommended that responsibility should be fixed for violation of DOP's instruction.

Audit reported the matter to the Ministry in June 2000; who have not replied as of February 2001.

14.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the Public Accounts Committee, the Ministry did not submit remedial Action Taken Notes on four Audit Paragraph.

Review of outstanding Action Taken Notes (ATNs) on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of October 2000 revealed that the following.

(a) Ministry failed to submit ATN in respect of one Paragraph included in the Audit Report up to and for the year ended March 1998.

Number and year of the Audit Report	Paragraph number	Subject
2 of 1999	18.10	Extra payment of interest.

(b) Though the Audit Report for the year ended 31 March 1999 was laid on the table of the Parliament on 17 May 2000 and the time limit of four months for furnishing the ATNs elapsed in September 2000, the Ministry did not submit ATNs on the following paragraphs:

Number and year of the Audit Report	Paragraph number	Subject
2 of 2000	5.1	Functioning of Land and Development office.
2 of 2000	19.1	Outstanding license fee of Rs 4.05 crore from licensees of Janpath Bhawan.
2 of 2000	19.2	Retention of rented premises beyond requirement.

Audit reported the matter to the Ministry in November 2000; who have not replied as of February 2001.

CHAPTER XV: UNION TERRITORIES

Andaman and Nicobar Administration

15.1 Procurement of stores in excess of requirement

(Central) Stores Division of Andaman Public Works Department did not maintain any records to show how it assessed the requirement of consumables of user units. Audit found huge unutilised stock of bitumen and bulldozer spares as of March 2000 costing a little under Rs 2.23 crore.

Stores Division of Andaman Public Works Department (APWD) annually procures consumable stores per listed requirements of the user units. The division could not show to audit any records that would show the manner of assessment of the annual requirements. Test check by audit found huge unutilised stock of bitumen emulsion and bulldozer spares as of March 2000 as detailed below:

	Purchase			Balance Stock		Percentage utilisation
1.Bitumen emulsion	**Period**	**Quantity (MT)**	**Value (Lakh Rs)**	**Quantity (MT)**	**Value (Lakh Rs)**	
	1994-1997	618.08	53.15	240.37	20.67	61*
2. Bulldozer spares	**Period**	**Quantity (Number) of items**	**Value (Lakh Rs)**	**Quantity (Number) of items**	**Value (Lakh Rs)**	
	1995-2000	154	205	154	202	1.5

* *This figure shows what Stores Division issued to the user units; the division did not have any record of actual utilisation of bitumen.*

The shelf life of bitumen emulsion is only one year per Indian Standards Specifications. The unutilised stock of bitumen emulsion is, therefore, all but waste. The argument of remoteness of Islands given by the Division for huge unutilised bulldozer spares is also not tenable, given their very low utilisation.

Audit reported the matter to the Ministry in June 2000; who have not replied as of February 2001.

15.2 Injudicious payment of working capital loan

The Andaman and Nicobar Islands Administration unauthorisedly sanctioned working capital loan to an Union Territory Undertaking for development of infrastructure to set up a shipping division which the Planning Commission and the Ministry of Surface Transport subsequently annulled. Resultanly, financial resources of over Rs 6 crore remained blocked with the Undertaking.

The Government of India, Ministry of Surface Transport (MOST) concurred in March 1994 to a proposal of the Andaman & Nicobar Administration (ANA) for setting up a Shipping Division in the Andaman & Nicobar Islands Integrated Development Corporation Limited (ANIIDCO). The concurrence stipulated that the ANA would satisfy itself of the technical capability of the ANIIDCO and would obtain the approval of the Planning Commission.

The ANA did not examine the technical capability of ANIIDCO and sanctioned in March 1995 working capital loan of Rupees three crore to ANIIDCO without the approval of Planning Commission, apparently to avoid lapsation of the budget provision.

The Planning Commission did not agree in February 1996 to the working capital loan to ANIIDCO. MOST also turned down in April 1999 the proposal for setting up the Shipping Division as corporatisation of shipping activities was not feasible at prevailing level of subsidisation, contrary to the concurrence it had given to the ANA's proposal earlier.

The ANA did not act on the suggestion to take back working capital loan from ANIIDCO with interest and instead requested the Planning Commission in October 1999 to let ANIIDCO utilise the funds for acquisition of two air-crafts for inter-island air service. This request was pending with the Planning Commission as of November 2000. Meanwhile, financial resources of Rs 6.06 crore including Rs 3.06 crore of interest have remained unauthorisedly blocked with ANIIDCO for over five years.

Audit reported the matter to the Ministry in June 2000; who have not replied as of February 2001.

15.3 Inadmissible payment

Failure to follow the instructions of Government of India issued in pursuance of the Supreme Court Judgment led to incorrect payment of Island Special Allowance of Rs 31.31 lakh to ineligible officers for over six years.

In view of the judgment dated 20 September 1994 of the Hon'ble Supreme Court of India, Ministry of Finance decided in January 1996 to recover the amount of Island Special Allowance (ISA) paid after 20 September 1994 from all ineligible officers. Andaman and Nicobar Administration endorsed in April 1996 Government of India's instructions regarding inadmissibility of ISA to all its Heads of Department. Further, in compliance of the Government instructions the Director of Accounts and Budget of UT Administration requested all Drawing and Disbursing Officers (DDOs) in October 1996 to record a certificate in salary bills regarding entitlement of ISA and to furnish details of amount of ISA to be recovered from ineligible officers.

Notwithstanding those instructions, the Director, Health Services, A&N Islands Administration (DHS) continued the payment of ISA up to February 2000 by recording certificates about all India transfer liability and admissibility of ISA to ineligible medical officers. DHS paid ISA of Rs 14.47 lakh between 21 September 1994 and 29 February 2000 to ineligible medical officers. At the instance of Audit the DHS discontinued payment of ISA to ineligible officers from March 2000.

Director of Accounts and Budget of the UT Administration did not follow up on the compliance of the instructions in regard to stoppage of ISA to ineligible officers and to effect recovery of amount paid after 20 September 1994.

Audit further noticed that two Central Government departments located in Andaman and Nicobar Islands also paid ISA amounting to Rs 16.84 lakh to ineligible officers during the period, September 1994 to March 2001 as detailed below:

Name of the Ministry	Name of the department	Amount of ISA paid to ineligible officers (Rs in lakh)
Ministry of Surface Transport	Department of Lighthouses and Lightships	16.58
Ministry of Textiles	Marketing and Services Extension Centre	0.26
	Total	**16.84**

Thus, failure to follow government instructions led to payment of ISA for Rs 31.31 lakh to ineligible officers

Audit reported the matter to the Ministry of Home Affairs in June 2000 and other administrative Ministries in March 2001; who have not replied as of April 2001.

15.4 Loss of Government stores

Absence of annual stock verification in the Public Works Division led to irrecoverable loss of Rs 13.12 lakh worth of Government stores.

According to provisions contained in Para 7.2.37 of Central Public Works Accounts code and Para 154 of Central Public Works Department code, the divisional officer should physically verify the stores and stock at least once in a year. The shortages and damages as well as unserviceable stores should be reported immediately to the authority competent to write-off the loss.

The Junior Engineer in charge of the Polytechnic section under the Construction Division of Andaman Public Works Department (APWD) did not maintain accounts of the materials at site in his custody during 1990 to 1993. Neither did he submit the accounts to the sub divisional officer nor handed over all the material on relinquishing charge on 13 August 1993.

Audit found that the Division had never carried out annual stock verification between 1990-99. It was only in August 1999 that the Division finally listed the material at site not handed over by the then Junior Engineer. This belated exercise showed shortage of material in stores valued at Rs 13.12 lakh. The concerned Junior Engineer in the meanwhile died in November 1997. The APWD does not seem to be unduly perturbed about the loss of Government stores as the Chief Engineer, APWD replied in November 2000 that there was no specific reason for not conducting the physical verification of stores. The Department is also pursuing the case for write-off of the loss.

Audit reported the matter to the Ministry in September 2000; who have not replied as of February 2001.

Chandigarh Administration

15.5 Improper regulation of Personal Ledger Account

Excise and Taxation Department Chandigarh realised Rs 8.11 crore and spent them by directly crediting the receipt of Additional Excise Duty in Personal Ledger Account and incurring expenditure there from without the approval of legislature for the purposes not provided for in the PLA

Chandigarh Administration levied additional excise duty (ADED) @ Re 1/- per proof litre (revised to Rs 2/- per proof litre with effect from 1998-99) on the sale of country liquor in rural areas including notified area committee of Manimajra without the approval of Parliament. The proceeds of ADED so collected were to be diverted to the Gram Panchayat/Notified Area Committee where the vend was located. No heads of account for receipt and payment for ADED was specified. Excise and Taxation Commissioner Chandigarh Administration with the approval of Finance Secretary decided to open a Personal Ledger Account (PLA) for levy of ADED in rural areas including notified area committee and for payments as incentive to Gram Panchayats/Notified Area Committee. Accountant General (Accounts and Entitlements) Punjab approved the proposal in June 1990 with the conditions that the PLA would be created by debit to the revenue head of the department and the amount so transferred to PLA would be limited to revenue collection during the current financial year. Also that the balance in the PLA, if any, at the close of financial year should be closed to nil by transferring the amount to the service head concerned of the department.

Out of Rs 8.11 crore realised during 1990-2000, Rs 0.47 crore (6 per cent) only were paid to Gram Panchayats and Rs 0.27 crore (3 per cent) lapsed to Government Account. Balance amount Rs 7.37 crore (91 per cent) was spent for other purposes such as grants to private institutions Rs 1.34 crore (16 per cent), loans to Government/Private institutions Rs 0.63 crore (8 per cent), Purchase of vehicles Rs 0.14 crore (2 per cent) other Departmental expenditure Rs 1.54 crore (19 per cent), Welfare of employees Rs 0.09 crore (1 per cent), Research and Analysis Rs 0.24 crore (3 per cent). An amount of Rs 3.39 crore (42 per cent) was transferred to District Relief Fund at the close of the year.

According to laid down procedures in respects of PLAs, no item is to be credited as a deposit in the accounts of the Government, which could be credited as a revenue receipt. Besides, budgetary procedure required that the grants to Gram Panchayats for which the levy in question was imposed be paid through the revenue expenditure head. Thus, the opening of PLA to account for these transactions was improper.

The Joint Secretary (Finance) Chandigarh Administration stated in March 2001 that the proceeds of PLA (Liquor Fund) will now be utilised for Gram Panchayats and Municipal Corporation and other departments in whose case the revenue is to be shared by the Administration. It was further stated that if the funds are deposited in Consolidated Fund of India it would not be possible to share the revenue, hence, PLA would continue.

However, there is nothing on record to show that new levy (Additional Duty of Excise) had the approval of Parliament/President as is envisaged in the Article 283 of the constitution. In the absence of sanction/approval of the authorities quoted above, the levy was not justified, as there is no provision for imposition of Additional Excise Duty in the Act.

Due to adopting of improper procedure of crediting receipts directly into PLA and incurring expenditure there from, Government Accounts did not depict true and fair view of receipts and expenditure. Besides, the expenditure was incurred without proper authorisation and allotment of funds through budgetary grants in total disregard of legislative financial procedures and Rs 7.37 crore was spent from the PLA at the discretion of the U.T. Administration for purposes not provided in the sanction for PLA.

Audit reported the matter to the Ministry in October 2000; who have not replied as of February 2001.

Daman and Diu Administration

15.6 Short levy of water charges

Non-revision of water rates by Public Works Department, Diu resulted in short levy and short recovery of water charges of Rs 72.04 lakh.

The Government of Daman and Diu executed an agreement with Gujarat Water Supply and Sewerage Board (Board) in June 1985 to supply 4.5 million liters of drinking water per day in the Union Territory (UT) of Diu. Diu had to pay revised water charges at Rs 1.09 per 1000 liters from February 1992 and at Rs 2.15 per 1000 liters from April 1997. The Executive Engineer (EE), Public Works Department (PWD), Diu was to levy and collect water charges from the consumers of Diu as per the rate charged by the Board and pay it to them.

Scrutiny of records of EE, PWD, Diu, revealed that during the period from 1992-93 to 1999-2000 (February 2000) the Board supplied 75.04 lakh thousand liters of water to the EE, PWD Diu at a total cost of Rs 1.11 crore, but the EE, PWD continued to charge its customers at the rate of Rs 0.60 per 1000 liters without any revision from 1992-93 and levied Rs 40.60 lakh only, of which an amount of Rs 38.64 lakh was recovered from the consumers. Thus, there was short levy and short recovery of water charges of Rs 72.04 lakh for the year 1992-93 to 1999-2000 (February 2000).

While accepting the facts the Ministry stated in December 2000 that the areas of Diu Island fall under water starved and drought prone area and considering the genuine difficulties, the Administration did not resort to any increase in the water tariff. However, the Ministry further stated that a High Level Committee had been constituted for revision of water tariff, but no decision in the matter had been taken as of December 2000.

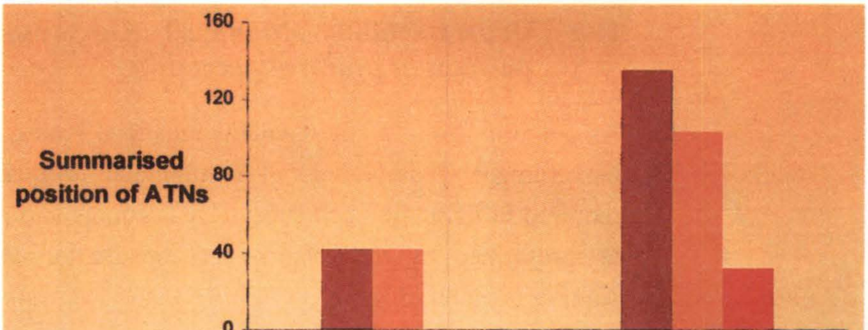
CHAPTER XVI: GENERAL

16.1 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 145 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



	Upto the year ended March 1995	Upto the year ended March 1996 to March 1999
ATNs due	42	135
ATNs not received at all	42	103
ATNs under correspondence		32

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.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Other Autonomous Bodies and Scientific Departments) as of December 2000 disclosed that the Ministries/Departments had not submitted remedial ATNs on 145 Paragraphs.

Ministries/departments failed to submit ATNs in respect of 42 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 and March 1999 were laid on the table of the Parliament in May 1997, June 1998, October 1999, December 1999 and May 2000 and the time limit of four months for furnishing the ATNs had elapsed in September 1997, October 1998, February 2000, April 2000 and September 2000 for the respective years, the ministries/departments did not submit ATNs on 135 paragraphs as indicated in **Appendix-II.** Out of these, while final ATNs in respect of 32 paragraphs were awaited, the remedial ATNs in 103 cases have not been furnished at all.

16.2 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 2000. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading, Profit and Loss Accounts and Balance Sheet. Department of Publications, Delhi and Government of India Presses prepare only stores 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 had not been prepared for periods ranging from one to 26 years as shown below:

Period for which lying in arrears		
No. of years	Period	No. of Undertakings
1-5	1994-95 to 1998-99	14
6-10	1989-90 to 1993-94	7
11-15	1984-85 to 1988-89	7
16-20	1979-80 to 1983-84	3
21-26	1973-74 to 1978-79	3
	Total	**34**

The undertakings where proforma accounts were in arrears included All India Radio (16 years), Doordarshan (16 years), Medical Stores Depots (14 years), Delhi Milk Scheme (5 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 the 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 the upto date proforma accounts. In their Action Taken Report on the subject i.e. 106th Report (Tenth Lok Sabha), the Committee had observed that no substantial headway had been made in the finalisation process and had 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 Finance Secretary and Secretaries of the Ministries (i) Health and Family Welfare, (ii) Surface Transport, (iii) Defence, (iv) Agriculture, (v) Information and Broadcasting, (vi) Urban Affairs and Employment, (vii) Environment and Forests and (viii) Power in January 2001; for their replies/comments. Except Ministry of Agriculture, Ministry of Health and Family Welfare and Ministry of Road Transport and Highways, no other Ministry furnished their replies/comments as of 15 March 2001.

Ministry of Agriculture intimated only the position of Ice-cum-Freezing Plant for the year 1996-97 but did not furnish the updated financial results of Delhi

Milk Scheme and Ice-cum-Freezing Plant, Cochin. Ministry of Health and Family Welfare stated in February 2001 that information of 'Vegetable Garden of the Central Institute of Psychiatry', Kanke, Ranchi had been submitted to the concerned Accountant General upto 1998-99 but did not furnish its financial results. Ministry of Road Transport and Highways intimated the position of only two Departmentally Managed Government Undertakings in February 2001 and also stated that it was advising the administrations concerned to expedite preparation of the proforma accounts.

16.3 Losses and irrecoverable dues written off/waived

Statement of losses and irrecoverable dues, duties, advances written off/waived during 1999-2000, is given in **Appendix-IV** to this Report. It will be seen from the Appendix that in 250 cases, Rs 5.31 lakh representing losses mainly due to failure of system; neglect, fraud etc. on the part of individual Government officials (Rs 4.23 lakh) and for other reasons (Rs 130.46 lakh) were written off during 1999-2000. In four cases, recovery involving Rs 0.87 lakh was waived during the year.

16.4 Response of the ministries/departments to draft Reviews/ Paragraphs

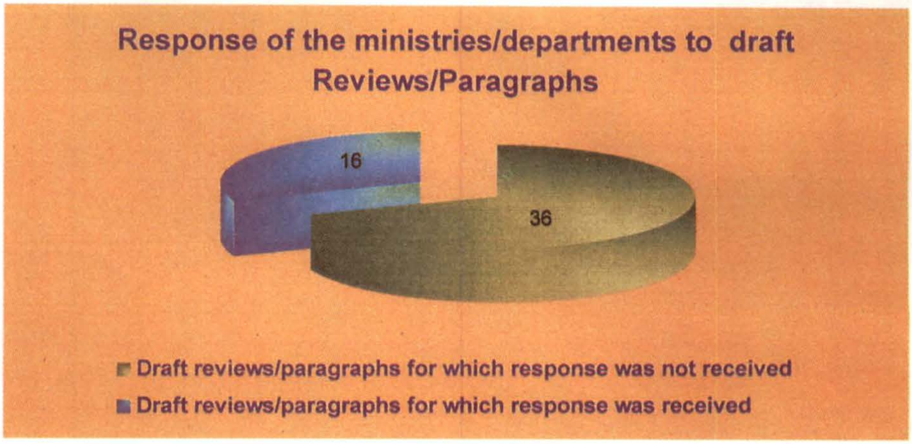
Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 36 out of 52 draft Reviews/Paragraphs included in this Report.

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.

52 draft Reviews/Paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2000 were forwarded to the

* No.F.32(9)/EGI/60 dated 3 June 1960

secretaries of the respective ministries/departments during April 2000-January 2001 through demi-official letters.



The secretaries of the ministries/departments did not send replies to 36 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 36 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 : 17 July 2001

Countersigned

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi
Dated : 18 July 2001

Appendix-I
(Refers to Paragraph No.16.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of December 2000.

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 corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence
1.	Finance (Department of Revenue)	1995	1	1	–	–	–	–	–	–	–	1	1	–
2.	Urban Affairs and Employment	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	–	–	–	4	4	–	–	–	–	4	4	–
		1995	–	–	–	2	2	–	–	–	–	2	2	–
	Total		**1**	**1**	–	**41**	**41**	**–**	**–**	**–**	**–**	**42**	**42**	

Appendix-II
(Refers to Paragraph No.16.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1996 to March 1999 as of December 2000.

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 corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence
1.	Agriculture	1998	1	1	–	–	–	–	–	–	–	1	1	–
2.	Council of Scientific and Industrial Research	1997	–	–	–	–	–	–	1	–	1	1	–	1
		1999	–	–	–	–	–	–	6	2	4	6	2	4
3.	External Affairs	1998	2	–	2	–	–	–	–	–	–	2	–	2
		1999	7	3	4	–	–	–	–	–	–	7	3	4
4.	Finance (Department of Revenue)	1997	1	1	–	–	–	–	–	–	–	1	1	–
		1998	1	1	–	–	–	–	–	–	–	1	1	–
		1999	2	2	–	–	–	–	–	–	–	2	2	–
	(Department of Economic Affairs)	1999	3	1	2	1	1	–	–	–	–	4	2	2
5.	Geological Survey of India	1998	–	–	–	–	–	–	1	1	–	1	1	–
		1999	–	–	–	–	–	–	1	1	–	1	1	–
6.	Health and Family Welfare	1997	1	1	–	–	–	–	–	–	–	1	1	–
		1998	4	4	–	1	–	1	–	–	–	5	4	1
		1999	2	2	–	2	2	–	–	–	–	4	4	–

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence
7.	Homes Affairs	1996	1	1	–	–	–	–	–	–	–	1	1	–
		1997	1	1	–	–	–	–	–	–	–	1	1	–
		1998	1	–	1	–	–	–	–	–	–	1	–	1
		1999	1	1	–	–	–	–	–	–	–	1	1	–
8.	Human Resource Development (Department of Cultural)	1997	–	–	–	2	1	1	–	–	–	2	1	1
		1998	2	2	–	2	2	–	–	–	–	4	4	–
		1999	1	1	–	–	–	–	–	–	–	1	1	–
	(Department of Education)	1996	1	–	1	–	–	–	–	–	–	1	–	1
		1997	1	–	1	3	1	2	–	–	–	4	1	3
		1998	–	–	–	3	2	1	–	–	–	3	2	1
		1999	1	1	–	3	3	–	–	–	–	4	4	–
9.	Indian Council of Agricultural Research	1999	–	–	–	–	–	–	2	2	–	2	2	–
10.	Indian Council of Medical Research	1998	–	–	–	–	–	–	1	1	–	1	1	–
		1999	–	–	–	–	–	–	1	1	–	1	1	–
11.	Industry	1999	1	1	–	4	4	–	–	–	–	5	5	–
12.	Information and Broadcasting	1997	1	1	–	–	–	–	–	–	–	1	1	–
		1998	1	1	–	–	–	–	–	–	–	1	1	–
		1999	1	1	–	–	–	–	–	–	–	1	1	–

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence
13.	Law Justice and Company Affairs	1997	1	–	1	–	–	–	–	–	–	1	–	1
		1998	–	–	–	1	–	1	–	–	–	1	–	1
14.	Labour	1997	–	–	–	1	–	1	–	–	–	1	–	1
		1998	–	–	–	1	–	1	–	–	–	1	–	1
15.	Non-conventional Energy Sources	1999	–	–	–	–	–	–	1	1	-	1	1	–
16.	Petroleum and Natural Gas	1999	1	1	–	–	–	–	–	–	–	1	1	–
17.	Planning and Programme Implementation	1997	1	1	–	1	–	1	–	–	–	2	1	1
18.	Rural Areas and Employment	1998	1	1	–	1	1	–	–	–	–	2	2	–
		1999	1	1	–	4	4	–	–	–	–	5	5	–
19.	Social Justice and Empowerment	1998	1	1	–	–	–	–	–	–	–	1	1	–
20.	Surface Transport	1998			–	10	10	–	–	–	–	10	10	–
		1999	1	1	–	20	17	3	–	–	–	21	18	3
21.	Telecommunications (C-DOT)	1999	–	–	–	–	–	–	1	1	–	1	1	–
22.	Textile	1999	1	–	1	–	–	–	–	–	–	1	–	1
23.	Tourism	1998	1	1	–	–	–	–	–	–	–	1	1	–

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence	Due	Not received at all	Under corresp-ondence
24.	Urban Affairs and Employment	1998	1	1	–	–	–	–	–	–	–	1	1	–
		1999	2	2	–	8	8	–	–	–	–	10	10	–
25.	Water Resources	1999	2	–	2	–	–	–	–	–	–	2	–	2
	Total		**52**	**37**	**15**	**68**	**56**	**12**	**15**	**10**	**5**	**135**	**103**	**32**

Appendix–III
(Refers to paragraph 16.2)

Summarised financial results of Departmentally Managed Government Undertakings

Rs in lakh

Sl. No.	Name of the Ministry/Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percen-tage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Agriculture										
1.	Delhi Milk Scheme	1993-94	2289.56	824.69	1220.44	(-)1601.58	357.86	(-) 1243.72		
2.	Ice-cum-Freezing Plant, Cochin	1996.97	76.71	61.63	45.19	(-)71.69	-	(-) 71.69		
Defence										
3.	Canteen Stores Department	1998-99	48.00	2126.32	1264.67	6951.46	4574.98	11526.44	35.10	
Power										
4.	Electricity Department, Andaman and Nicobar Islands	1997-98	11378.00	10207.07	1186.00	(-)4593.00	1126.00	(-)3467.00	-	
5.	Electricity Department, Lakshadweep	1990-91	827.51	597.00	230.52	(-) 483.79	Nil	52.95	6.01	
Environment and Forests										
6.	Department of Environment and Forests, Andaman and Nicobar Islands	1993-94	585.10	585.10	714.39	(+)1291.69	525.66	7921.43	123.19	
Finance										
7.	India Security Press, Nasik Road	1996-97	20083.85	3621.71	2072.05	(-)5608.70	2575.66	(-)3033.04	(-)14.13	
8.	Security Printing Press, Hyderabad	1993-94	1348.00	980.00	369.00	(+) 302.00	214.00	516.00	26	Un-audited provisional figures
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	1992-93	172.01	90.48	40.39	1562.51	201.16	1763.67	92.06	
11.	Government Opium Factory, Neemuch	1992-93	219.93	191.27	27.16	(+) 2044.82	187.87	2232.69	124.78	

Sl. No.	Name of the Ministry/Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percen-tage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
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	1992-93	123.18	23.63	27.87	(-) 58.44	20.68	(-) 37.76	-	
14.	India Government Mint, Mumbai	1995-96	27017.53	2699.75	788.12	20972.74	2811.40	23784.15		
15.	India Government Mint, Calcutta	1995-96	479.46	235.82	359.67	(+)857.64	1659.50	(+)2517.14	-	
16.	India Government Mint, Hyderabad	1991-92	4453.70	583.67	337.63	(-)854.88	516.69	338.19	7.59	
17..	Bank Note Press, Dewas	1997-98	7477.57	2976.59	4567.17	3321.15	2778.96	6100.11	82.00	
18.	Security Paper Mill, Hoshangabad	1981-82	3171.16	2318.31	852.85	(-)152.39	198.89	46.50	1.47	
Health and Family Welfare										
19.	Central Research Institute, Kasauli	1998-99	478.08	57.41	43.96	(-) 135.18	123.86	313.00	30.58	
20.	Medical Stores Depots	1984-85	(+)978.92	44.61	35.19	(+)38.14	(+)79.98	1306.13	-	The figures do not include the results of GMSD, Delhi & GMSD, Mumbai.
21.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	1994-95	0.31	0.24	0.002	(-)0.49	0.02	1.34	442.93	
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 Ministry/Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percen-tage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
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	1986-87	642.75	240.20	285.81	(-) 697.81	49.71	(-) 648.10		(i) The interest on capital is worked out on the means of capital employed for each year. (ii) The proforma account for the year 1987-88 and onwards are yet to be finalised.
27.	Commercial Broadcasting Service, All India Radio	1983-84	251.28	178.71	72.57	(+) 1071.47	-	(+) 1071.47		
Surface Transport										
28.	Lighthouses and Lightships Department	1995.96	11142.27	11813.25	2901.77	3662.03	800.00	4462.03	119.62	
29.	Shipping Department, Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	
30.	Ferry Service, Andaman	1984-85	195.85	86.93	108.92	(-) 95.45	18.49	(-) 76.96		

Sl. No.	Name of the Ministry/Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percen-tage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
31.	Marine Department (Dockyard) Andaman and Nicobar Islands	1985-86	7.19	7.19	0.32	(-) 59.67	24.79	(-) 34.88	-	
32.	Chandigarh Transport Undertaking, Chandigarh	1991-92	2277.33	1128.79	48.32	(-) 361.41	145.87	(-) 215.54	-	
33.	State Transport Service, Andaman and Nicobar Island	1980-81	45.22	87.40	9.44	(-) 28.33	2.23	(-) 26.10	-	
Urban Affairs and Employment										
34.	Department of Publications, New Delhi	1992-93								Proforma accounts have been received up to 1992-93 but financial results are not made available
35.	Government of India Presses	1987-88								Proforma accounts have been received up to 1987-88 but financial results are not made available

Appendix IV
(Refers to Paragraph 16.3)

Statement of losses and irrecoverable dues written off/waived during 1999-2000

Rs 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	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture	–	–	–	–	7	0.55	–	–
Atomic Energy	–	–	–	–	10	1.47	–	–
Chemical & Fertilisers	–	–	–	–	3	0.35	–	–
Finance	–	–	–	–	4	0.67	–	–
Home Affairs	1	0.65	-	-	-	-	–	–
Labour	–	–	–	–	1	0.11	–	–
Post & Telecomm-unication	–	–	3	0.16	14	0.54	–	–
Power	11	2.82	–	–	4	1.08	2	0.06
Space	2	0.07	–	–	7	0.93	2	0.81
Surface Transport	8	1.77	24	2.46	145	124.64	–	–
Water Resources	–	–	3	1.61	3	0.12	–	–
Total	**22**	**5.31**	**30**	**4.23**	**198**	**130.46**	**4**	**0.87**

Appendix-V
(Refers to paragraph 16.4)

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	2	3	4	5
1.	Commerce and Industries	5	3	6.1, 6.2, 6.3
2.	Urban Affairs and Employment	4	4	2.1, 2.2, 13.1, 13.2
3.	Agriculture	3	3	3.1, 3.2, 3.3
4.	Civil Aviation	1	-	-
5.	Coal	1	-	-
6.	External Affairs	11	7	7.4, 7.5, 7.6, 7.7, 7.8, 7.9, 7.11
7.	Finance	5	2	8.3, 8.5
8.	Health and Family Welfare	2	2	9.1, 9.2
9.	Home Affairs	11	8	10.3, 10.4, 10.5, 14.1, 14.2, 14.3, 14.4, 14.5
10.	Information and Broadcasting	4	4	2, 12.1, 12.2, 12.3
11.	Surface Transport	5	3	12.3, 12.4, 12.5
	Total	**52**	**36**	