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Report of the Comptroller and Auditor General of India

for the year ended March 1998

Union Government (Civil)

Transaction Audit Observations

No.2 of 1999

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PREFACE

This Report for the year ended March 1998 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Union Finance Accounts and Union Appropriation Accounts for the financial year 1997-98 have been included in Report No. 1 of 1999. This Report includes matters arising from test audit of the transactions and accounts of Union Ministries and of Union Territories. 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 1999.

Separate Reports are also issued for Union Government - Other Autonomous Bodies (No 4), Scientific Departments (No.5), Post and Telecommunications (No.6), Ministry of Defence - Army and Ordnance Factories (No.7), Ministry of Defence, Air Force and Navy (No.8), Railways (No.9), Receipts of the Union Government - Indirect Taxes: Customs (No.10), Indirect Taxes: Central Excise (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 1997-98. 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 01 April 1998 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 transactions audit of civil ministries and their field offices. The audit observations on the accounts of the Union Government (Civil): 1997-98 have been incorporated in Report No.1 of 1999, while performance reviews of schemes/programmes are printed in a separate volume (No. 3 of 1999)

An overview of more important Paragraphs included in this Report is as under:

Ministries of Commerce, External Affairs and Textiles

Retention of money outside the Government account

This Report includes three cases where the departments kept money drawn from the Consolidated Fund of India in a non-interest bearing account. Viewed in the background that a major portion of Government expenditure is financed through borrowings at the maximum rate of interest of 14 *per cent*, unnecessary retention of money outside the Consolidated Fund results in wasteful interest cost. Negligent retention of £ 1.01 million outside the Government account by High Commission of India London for more than five years, Rs 1.17 crore by Embassy of India Brussels for four years and Rs 2.40 crore by Development Commissioner Handlooms for 27 months resulted in a totally avoidable dent of Rs 6.79 crore to the Consolidated Fund of India towards interest.

(Paragraphs 3.7, 4.3, 14.1)

Ministry of Commerce

Acts of omissions and commissions

Sample checks disclosed serious shortcomings in the system of authorisation of claims towards benefit under 'deemed exports', Cash Compensatory Support and International Price Reimbursement Scheme 1981 in JDGFT,[1] EEPC[2] and internal control system. JDGFT made inadmissible payment of Rs 5.24 crore while EEPC paid Rs 13.36 lakh which was inadmissible.

JDGFT New Delhi gave undue benefit to a firm by making payment of project assistance of Rs 2.45 crore on gross foreign exchange remittance rather on net foreign exchange remittance, invalid supporting document and without verifying the completion report in disregard of the prescribed norms.

In another case, JDGFT New Delhi made inadmissible payment of Rs 2.04 crore on time barred claims or without imposing prescribed late cuts.

In another case, Regional office of EEPC, New Delhi accepted the claims for reimbursement of Rs 13.36 lakh to five firms on exports effected under

[1] Joint Director General of Foreign Trade
[2] Engineering Export Promotion Council

International Price Reimbursement Scheme 1981, after withdrawal of Scheme in April 1994.

JDGFT and EEPC recovered inadmissible payments of Rs 81.67 lakh on being pointed out by Audit. For the remaining, they initiated action for recovery.

(Paragraphs 3.1, 3.2 and 3.5)

Negligence in finalisation of lease deed

Negligence by Development Commissioner, Noida Export Processing Zone at the time of writing the lease deed resulted in short levy of rent of Rs 12.95 lakh for the period June 1990 to November 1992. While the firm was allotted three plots, the lease deed indicated the rent for only one plot. The firm did not pay the rent after December 1992. Yet, the Development Commissioner did not evict them for over five and a half years. During this period Rs 45.41 lakh towards rent became due from him.

(Paragraph 3.3)

Unutilised capital assets

Government of India decided to set up EPZs[3] to provide necessary export related services within the zone itself. Accordingly an EPZ was set up at Falta about 55 km from Calcutta. The administrative block to accommodate the officers and staff of the Development Commissioner Falta Export Processing Zone and 44 residential accommodation were constructed at Rs 2.29 crore during 1991-93.

Despite this, the Development Commissioner did not shift to the EPZ area and continued to operate from the premises allotted to them by CPWD. Thus, while on one hand single window service to the exporters suffered, he was responsible for blocking 550 sq. metre. of office accommodation in Calcutta which could have been allotted to other Government departments which are accommodated in hired buildings while keeping an identical accommodation constructed at considerable cost in the EPZ vacant.

(Paragraph 3.6)

Ministry of Health and Family Welfare

Extra expenditure on account of temporary electricity connection in Safdarjung Hospital

Lackadaisical attitude of Medical Superintendent Safdarjung Hospital, New Delhi towards expenditure from the Consolidated Fund of India was evident from entirely avoidable payment of Rs 1.20 crore for temporary electricity

[3] Export Processing Zones

connection charges for about three and a half years in the OPD Phase III building. Temporary connections are charged at double the normal rate and he ought to have converted it into a permanent one within a month or two.

(Paragraph 6.2)

Oxygen Concentrator lying idle in Safdarjung Hospital

Medical Superintendent, Safadarjung Hospital New Delhi kept the oxygen concentrator purchased at Rs 50 lakh by DGHS[4] on his specific demand, idle in boxed condition since April 1995. Later, he requested DGHS to divert the equipment to some other hospital which was turned down by the DGHS. The imprudence of the Medical Superintendent in not installing the concentrator is all the more glaring in the background of purchase of oxygen cylinders from trade for about Rs 2 lakh per month. During April 1995 to December 1998, he spent Rs 1.06 crore on purchase of oxygen cylinders, most of which was avoidable.

(Paragraph 6.3)

Non-recovery of Rs 31.75 lakh

DGHS placed an order on Philips Medical Systems Ltd New Delhi for supply of Cardiac Catherizer with scheduled date of delivery as March 1994. Since the supplier failed to supply the equipment in time, it requested for extension of period of delivery. While granting extension, DGHS put a condition that any adverse effect on exchange rate variation would be to the supplier's account and liquidated damages, notwithstanding the extension, would be recovered under the terms of the contract. Yet, he paid Rs 20 lakh extra due to exchange rate variation and did not levy liquidated damages of Rs 11.75 lakh.

(Paragraph 6.4)

Ministry of Surface Transport

Construction of a vessel remained incomplete

The construction of a Light House Tender Vessel was entrusted by Director General, Light Houses and Light Ships to Hoogly Dock Port Engineers Limited, a Central Public Sector Undertaking in October 1988 at Rs 15.70 crore. The construction of the vessel was due for completion by June 1991. It was yet to be completed as of December 1998. The cost of the construction of the vessel has in the mean time gone up by Rs 31.48 crore to Rs 47.18 crore.

(Paragraph 13.1)

[4] Director General Health Services

Injudicious payment of price escalation

The suo-moto arbitrary decision by the Secretary Ministry of Surface Transport to allow escalation to the contractors beyond the originally scheduled date of completion of Express way in disregard of the provision in the agreement relating to Ahmedabad – Vadodara resulted in an unintended benefit of Rs 1.78 crore to the contractor.

(Paragraph 13.2)

Ministry of External Affairs

Appointment of personnel and inadmissible payments

This Report contains large number of cases disclosed in sample-checks wherein the heads of missions abroad unauthorisedly appointed staff paid from contingencies beyond the maximum period permissible under the rules, retained staff against non-existent posts and granted them pay/allowances in excess of those permissible under the rules. In addition, they also granted advance increments to employees in violation of the rules and in disregard of the limit on their delegated powers. The total objectionable expenditure due to their unauthorised actions was Rs3.10 crore.

(Paragraphs 4.1.1 to 4.1.4)

Leasing and purchase of accommodation abroad

Four cases of extravagant leasing and purchase of accommodation abroad by Permanent Missions of India at Geneva, Embassy of India Berlin CGI Birmingham and the Embassy of India at The Hague are included in this Report, wherein the heads of missions leased/purchased accommodation in excess of the entitlement fixed by MEA. The total additional cost of such aberrent actions was about Rs 6 crore

(Paragraphs 4.2.1, 4.2.2 and 4.2.3)

Unauthorised payment of bonus

Embassy of India Washington paid and authorised bonus to locally recruited employees of all Missions in the USA in disregard of the extant instructions on assumed grounds rather than the valid grounds fulfilling the criteria for payment of bonus. Total inadmissible payment aggregated to Rs 45.79 lakh

(Paragraph 4.4)

Ministry of Information and Broadcasting

Undue benefit to the sponsor of the programme 'Main Dilli Hoon

D.G[5] Doordarshan approved a sponsored programme 'Main Dilli Hoon' of 45 minutes duration with sponsorship fee and FCT[6] applicable for one hour slot instead of providing it on pro rata basis. Doordarshan was well aware of the implications of this anomaly and had adopted pro rata in case of serial 'Sri Krishna' after telecast of 16 episodes thereof on half hour block rate basis. The inappropriate application of Rate Card in this case resulted in an undue benefit of Rs 3.09 crore to the sponsor with a corresponding loss to Doordarshan for 57 episodes telecast from August 1997.

(Paragraph 9.1)

Unclaimed revenue of Rs 2.06 crore

D.G Doordarshan entered into an agreement in December 1996 with NFDC[7] for the telecast of Hindi feature film 'Besharam'. Total revenue was to be shared between Doordarshan and NFDC in the ratio of 70:30 subject to minimum guarantee amount of Rs 75 lakh. As per agreement, NFDC was entitled to 2100 seconds of free commercial time, equally divided in three hours. For excess utilisation in any slot, three times of the rate of first slot was to be charged.

NFDC utilised commercial time of 38 seconds and 545 seconds in excess of the admissible commercial time during first and second hour respectively. Against dues of Rs 2.97 crore, Doordarshan, billed NFDC for only Rs 91.33 lakh.

(Paragraph 9.2)

Unfruitful expenditure

Incorrect assumptions leading to decision by the Ministry to invest Rs 2.66 crore in setting up a Programme Generation Facility at Bareilly without ensuring its use resulted in wasteful expenditure of Rs 1.23 crore on its establishment during 1991-97 and idle investment of Rs 2.66 crore besides frustrating the desired purpose of daily transmission of programme with local coverage for 30 minutes.

(Paragraph 9.3)

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[5] Director General
[6] Free Commercial Time
[7] National Films Development Corporation

National Press Centre - a non- starter

PIB[8] failed to take up the construction of the building for the National Press Centre; a focal point for dissemination of information and for providing better professional facilities to the media as of May 1998. The land allotted way back in 1994 continued to remain encroached by unauthorised persons.

(Paragraph 9.4)

Unrecovered amount and benefit to sponsors

DG Doordarshan allowed the telecast of the programme 'Ek Se Bad Kar Ek' upto October 1997, even though the agency paid the amount due from January 1995 to February 1997 only partly and made no payment from March 1997. D.G did not take effective action for recovery of outstanding dues of Rs 1.22 crore and interest of Rs 33.19 lakh. Besides, the producer of the programme was given undue benefit of Rs 1.39 crore through levy of less minimum guarantee

(Paragraph 9.5)

Non-realisation of revenue

DG Doordarshan accepted lower revenue than due to it in terms of the agreements from STAR TV for commercial time used by them during BSI World Masters Cricket Tournament and from Nimbus Communication Private Ltd for commercial time utilised during Indira Gandhi Memorial Gold Cup Hockey Tournament. The revenue foregone arbitrarily was Rs 1.22 crore

(Paragraph 9.8)

Non-recovery of advertising charges

Despite mention in the Audit Report for 1994-95, the Station Director, Commercial Broadcasting Services, AIR, Calcutta 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 20.85 lakh and interest of Rs 5.43 lakh.

(Paragraph 9.9)

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[8] Press Information Bureau

Ministry of Finance

Avoidable loss of Rs 2.82 crore

Failure of General Manager, India Government Mint, Mumbai to invoke risk and cost claims against HSCL[9] for their unilateral stoppage of work resulted in non recovery of extra expenditure of Rs 2.82 crore on completion of the work through another contractor.

(Paragraph 5.1)

Avoidable expenditure of Rs 56.33 lakh

GM,[10] CNP,[11] Nasik was required to make payment of each consignment of bank note paper procured from Portals Ltd through irrevocable letter of credit. There was a time lag ranging from one to 15 days between the date on which SBI[12] London paid the bankers of Portals Ltd and the date on which GM made payments of equivalent amounts to SBI Nasik Road. Failure of the GM to make sure that amounts due to the bankers for import of bank note paper are credited immediately resulted in avoidable expenditure of Rs 56.33 lakh towards interest on late deposit of amounts.

(Paragraph 5.2)

Erroneous payment of stamp duty and registration fees

Commissioner of Central Excise and Customs, Bangalore erroneously paid stamp duty and registration fees of Rs 1.58 crore on purchase of property which was exempted from stamp duty under a special order of Government of Karnataka.

(Paragraph 5.4)

Ministry of Urban Affairs and Employment

Unfruitful expenditure of Rs 53.28 lakh

CPWD[13] incurred an expenditure of Rs 53.28 lakh from March 1992 towards augmentation of water supply to the CGS[14] Colony, Antop hill, Mumbai. CGS colony had not received the augmented water supply as of October 1998. This was mainly due to improper planning and lack of co-ordination by the CPWD with Brihan Mumbai Municipal Corporation.

(Paragraph 16.2)

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[9] Hindustan Steel Works Construction Ltd
[10] General Manager
[11] Currency Note Press
[12] State Bank of India
[13] Central Public Works Department
[14] Central Government Staff

Wasteful expenditure due to defective planning

Changes in design/plan introduced by the Concept Committee during execution of Rajiv Gandhi Ninaivakam at Sriperumbudur at later stage resulted in wasteful expenditure of Rs 41.21 lakh due to dismantling of the structure already constructed.

(Paragraph 16.5)

Ministry of Home Affairs

Payment of inadmissible rent and municipal tax

The Joint Director Census Operations Calcutta hired office accommodation without obtaining Registrar's General of India prior approval . He paid excess municipal tax of Rs 11.86 lakh to the lessee and excess rent of Rs 2.44 lakh in contravention of the contractual provision.

(Paragraph 7.1)

Ministry of Human Resources and Development

Non-allotment of staff quarters

The Director, National Library, Calcutta did not allot 32 staff quarters . As a result, government residential accommodation situated at the heart of metropolitan city like Calcutta remained vacant with the financial implication of Rs 22.86 lakh on account of licence fee and House Rent Allowance.

(Paragraph 8.2)

Ministry of Labour

Short levy of cess

Director General(Labour Welfare) did not verify the correctness of cess levied by Central Board of Film Certification, which resulted in short levy of cess of Rs 43.69 lakh on certification of 1725 feature films during October 1994 to March 1998. The entire amount is lost to the producers of the films.

(Paragraph 10.1)

Ministry of Water Resources

Extra expenditure of Rs 29 lakh

Based on NIT[15] issued on 4 September 1996, the GMFBP[16] obtained sanction of the Ministry in February 1997 for procurement of 20000 cubic metre of boulders at Rs 445 per cubic metres. GMFBP accorded another sanction under his delegated powers in January 1997 for procurement of another consignment of boulders of same specification at Rs 300 per cubic metre, NIT for which

[15] Notice Inviting Tender
[16] General Manager, Farakka Barrage Project

was also issued on 4 September 1996. While obtaining sanction of the Ministry in February 1997, this fact was inexplicably overlooked by GMFBP.

Thus, procurement of boulders at Rs 445 per cubic metre instead of much lower rate of Rs 300 per cubic metre, at the same time for same type of material resulted in the project incurring extra expenditure of Rs 29 lakh and loss to Government. This calls for investigation into the purchase.

(Paragraph 17.1)

Ministry of Agriculture

Non-realisation of inspection fees

Deputy Director(Entomology) Plant Quarantine and Fumigation, Mumbai did not ensure the validity of bank guarantees during the period when the matter was sub-judice. This resulted in non recovery of inspection fees of Rs 80.33 lakh from importers of agricultural commodities after vacation of the stay by the court.

(Paragraph 1.1)

Ministry of Social Justice and Empowerment

Unfruitful expenditure due to non-compliance with the conditions of sanction of scholarships

The conditions for grant of National Overseas scholarships for pursuing University education including Ph.D degree abroad stipulate that the scholars should return to India immediately on completion of the course and also to furnish a certificate of stay in India every six months. Test checks disclosed that three scholars did not return to India immediately on completion of the course, two of them even failed to complete the course and one was convicted to nine months imprisonment on criminal charges. The amount of Rs 74.84 lakh spent on them was yet to be recovered by the Ministry.

(Paragraph 12.1)

Union Territories

Working of Electricity Department

A review on the working of Electricity Department, Andaman and Nicobar Islands disclosed that it was not able to realise even its revenue expenditure. The revenue realisation of Rs 50.69 crore during 1993-98 covered only 35 *per cent* of its revenue expenditure of Rs 143.91 crore. The Department delayed the implementation of tariff revision recommended by Tariff Advisory Committee.

The store management by the Department was not satisfactory. It did not fix reserve stock limit and reordering level of different items. It resorted to indiscriminate procurement of power capacitors, cables and energy meters

without reference to their actual requirement. It also held heavy stock of slow moving and non-moving stock.

Transmission and distribution losses of 19 to 24 *per cent* was much higher than the norm of 15.5 *per cent*.

During 1993-98 the Department consumed excess High Speed Diesel Oil valued at Rs 4.99 crore with reference to the rating of the Generating sets.

It did not levy surcharge of Rs 25 lakh on two industrial customers for unauthorisedly exceeding the connected load

The control weaknesses led to the Electricity Department holding large number of energy meters in stock while many defective energy meters installed in the premises of the subscribers were not replaced.

(Paragraph 18.6)

Loss to Government exchequer and undue financial benefit to a firm

The Andaman and Nicobar Administration made advance payment of Rs 33.70 crore to SCI[17] for onward payment to HSL[18] towards cost of repair of a vessel instead of paying in stages directly to HSL, as provided for in the agreement. This resulted in undue financial benefit of Rs 10.59 crore to SCI towards interest at the cost of Government exchequer.

(Paragraph 18.2)

Wasteful expenditure

Andaman and Nicobar Administration decided in 1992 to extend the existing runway at Port Blair airport by another 5000 feet. The Special Airport Cell constituted for the purpose identified the land involved in the extension of runway which was made known to APWD. Yet the Executive Engineer, Port Blair South Division, APWD started the construction of a water treatment unit on a site which fell within the funnel area of the extended airport, and completed it in April 1995 at a cost of Rs 1.25 crore. Subsequently in January 1997 Chief Engineer, APWD advised Executive Engineer, Port Blair South Division to dismantle the newly constructed unit, leading to a wasteful expenditure of Rs 1.25 crore. The demolition of the newly constructed water treatment unit and its replacement will cost Rs 2.29 crore at 1997 price level.

(Paragraph 18.4)

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[17] Shipping Corporation of India
[18] Hindustan Shipyard Limited

Procurement and renewal work of inter island vessels

Ships/vessels are the only mode of transport of passengers and cargo between different islands of Andaman and Nicobar Islands. Yet, against this plan for acquisition of 22 vessels during the VIII Plan, the Andaman and Nicobar Administration failed to add even a single vessel during the plan period. The Administration did not take any action for the first four years of the plan period and placed orders for eight vessels as late as between May 1996 and February 1998.

(Paragraph 18.5)

Extra payment of interest

Negligence of the Land Acquisition Officer, Chandigarh in allowing solatium over and above the compensation to the land owners resulted in excess payment of Rs 22.66 lakh.

(Paragraph 18.10)

Recoveries at the instance of audit

The Report contains four paragraphs relating to one each to Ministries of Commerce, Health and Family Welfare and Home and one to Chandigarh Administration, where recoveries were made by departmental officers upon being pointed out by Audit. Out of the total excess payment/non-recovery of Rs 1.73. crore pointed out by Audit, the departmental officers recovered Rs 1.65 crore and assured the recovery of another Rs 8 lakh.

(Paragraphs 3.4,6.5,7.2 & 18.11))

Follow up on Audit Reports – Summarised Position

Despite repeated instructions/recommendations of the PAC, various ministries/ departments did not send remedial Action Taken Notes on 169 Audit Paragraphs included in the Reports relating to civil ministries, Other Autonomous Bodies and Scientific Departments. Of these, 63 were old paragraphs which were included in the Audit Reports of 1989 to 1996.

(Paragraph 19.3)

Response of the Ministries/ Departments to draft Audit Paragraphs

Despite recommendation of the PAC, followed by directions of the Finance Ministry to all Ministries/Departments to send their comments on the draft audit paragraphs, which are forwarded to the secretaries of the ministries/departments through demi official letters, within six weeks, Secretaries of the ministries/departments did not send replies to 50 draft paragraphs included in this report.

(Paragraph 19.4)

CHAPTER I : MINISTRY OF AGRICULTURE

1.1 Non-realisation of inspection fee

Deputy Director (Entomology), Plant Quarantine and Fumigation Station failed to realise Rs 80.33 lakh from importers on account of inspection fees levied under DIP Act, 1914.

Failure of the Plant Protection Officer, Cochin to realise inspection fee of Rs 34.79 lakh from importers even after three years of vacation of stay by court was highlighted in paragraph 1.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1997 – Union Government (Civil) No.2 of 1998. In another case, Deputy Director (Entomology), Plant Quarantine and Fumigation, Mumbai had failed to ensure validity of bank guarantees and personal bonds from importers of agricultural products, which resulted in non-realisation of Rs 80.33 lakh towards inspection fee from them.

Ministry of Agriculture by a notification, dated 27 October 1989 under the DIP[1] Act, 1914 prescribed levy of fee on imported agricultural commodities to meet the cost of inspection, fumigation and disinfection of these commodities before release. In May 1990 the importers disputed the levy of fee in a court of law. The court restrained the Agriculture Department from levying the fee on the condition that the importers furnish a bank guarantee in favour of Agriculture Department to the extent of 50 *per cent* of fee and execute a personal bond for the balance thereof. Accordingly, importers executed bank guarantees and personal bonds with the Agriculture Department from May 1990 to April 1992. In April 1992, the Ministry amended the DIP Act, 1914 retrospectively from October 1989. In view of this amendment to the Act, all the cases filed in the court of law by the importers were dismissed.

Scrutiny of records in Audit during March 1996 revealed that 42 importers were liable to pay Rs 80.43 lakh towards inspection fee on the import of agricultural articles during October 1989 to April 1992. Deputy Director (Entomology), Plant Quarantine and Fumigation Station, Mumbai could collect only Rs 0.10 lakh for the period upto February 1998. He could not realise Rs 80.33 lakh due to his failure to encash the bank guarantees in time during the period of their validity and also recovery of the amount against personal bonds was not effective as notices issued to most of the importers returned undelivered.

[1] Destructive Insects and Pests

Failure of the Deputy Director (Entomology), Mumbai to ensure validity of bank guarantee by way of renewal until the Government dues were paid by the importers had resulted in a loss of Rs 80.33 lakh to the Government.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

CHAPTER II : MINISTRY OF CIVIL AVIATION

2.1 Ill Conceived Project

Entire amount of grant of Rs 79.73 lakh by Ministry of Civil Aviation to Aero Club of India for purchase of microlight aircraft to develop aerosports was rendered wasteful. 23 of 24 microlights imported during April 1988 to January 1989 never flew. Of them, four were damaged/ crashed during transportation and only one was flown in October 1997 for 500 km on 28 days.

Examination by Audit in July 1997 of utilisation of total grant of Rs 4.48 crore by Ministry of Civil Aviation to Aero Club of India for development of aerosports disclosed that one of the major constituents of the project, i.e. purchase and supply of microlight aircraft to different flying clubs in the country, failed to take off due to various problems remaining unresolved. Out of 24 aircraft imported at Rs 79.73 lakh during April 1988 to January 1989, four have been written off without flying and 19 of them have not been flown for the last ten years as of September 1998. One single seater microlight was flown in October 1997 for 500 km.

The Ministry approved a project for development of aerosports in India at an estimated expenditure of Rs 4.48 crore in 1984 to be completed within two years. The project provided for infrastructure development viz. powered flying, microlight, gliding, ballooning, hand gliding, skydiving and aeromodelling, etc. Rs 62.50 lakh was earmarked for import of 24 microlight aircraft. Aero Club of India imported 16 single seater and eight double seater Bushmaster aircraft from Sylvaire Manufacturing Limited, Canada during April 1988 to January 1989, ten out of which were distributed initially to three flying clubs in the country while 14 were kept in stock. These were also distributed later to different flying clubs.

Scrutiny of the documents in the Ministry disclosed that none of the 24 microlight aircraft was test-flown due to security restrictions. Besides, the failure of the Aero Club and the Ministry to obtain necessary clearance for flying for ten years, there were serious problems with spares, training, etc. which imposed severe restrictions on maintenance of the aircraft. The manufacturer have stopped production since 1990 and they have gone into liquidation.

After repeated transfers from one to another flying clubs during the last ten years, 20 microlight were lying unused with four aero clubs as under :

		Number of Single Seater	Number of Twin Seater
1.	M/s Agni Aero Sports Adventure Academy Pvt Ltd., Bangalore	05	02
2.	Gujarat Flying Club, Baroda	02	01
3.	Shri Chitra Aero & Adventure Club, Thiruvnanthapuram	03	01
4.	Assam Aerosports Club, Guwahati	04	02
	Total	**14***	**06***

* *One Twin Seater crashed at Pune in 1990 and one twin seater and two single seaters were damaged beyond repairs during transportation from Delhi to Coimbatore in 1991 and were written off in 1996.*

Available information gave an impression that all of them were kept in stock without any chance of flying.

Ministry obtained certificate of utilisation for Rs 4.16 crore from the Aero Club of India in February 1995, eight years after the grants were released to them.

Thus, out of total expenditure of Rs 4.16 crore, Rs 79.73 lakh spent on import of microlight aircraft has turned into a total waste and did not meet the stated objective.

The matter was referred to the Ministry in September 1998; their reply was awaited as of January 1999.

CHAPTER III : MINISTRY OF COMMERCE

Department of Commerce

3.1 Inadmissible payment of project assistance of Rs 2.45 crore

In violation of stipulated norms, JDGFT[1] New Delhi paid project assistance of Rs 2.45 crore to a firm under cash compensatory support scheme which was ineligible for such benefits. Upon being pointed out by Audit, he raised a claim for refund of the entitlement.

Project assistance of upto ten *per cent* of net foreign exchange earned was admissible.

Under the CCS[2], project assistance at ten *per cent* of the net foreign exchange earned from the service portion of the turnkey project taken up abroad was admissible. This assistance was withdrawn from 3 July 1991, but contracts executed prior to this date continued to be eligible for the assistance. This assistance was to be paid by the JDGFT, New Delhi only after completion of the project and after ascertaining the net foreign exchange earned.

JDGFT, New Delhi paid Rs 2.45 crore to a firm without fulfilling all conditions.

A firm had entered into six construction contracts during the period April 1979 to June 1983 in Iraq. On the basis of the claims submitted in March 1991, the JDGFT paid Rs 2.45 crore to them in one lot in March 1992, in settlement of project assistance with regard to all the six contracts at ten *per cent* of the inward remittance of foreign exchange after the prescribed late cuts as follows:

	Name of the project	Date of contract	Expected date of completion	Gross foreign exchange earned	Project assistance paid (Rs in lakh)
1.	Industrial Housing Complex	April 1979	October 1981	1221.95	103.86
2.	Central Complex Base Project	June 1981	January 1984	391.43	33.27
3.	Water Supply Scheme for RAMDAY	May 1981	June 1984	277.83	23.62
4.	Dohouk Water Supply Scheme	June 1983	November 1984	670.93	63.74
5.	Storage Tank at Zubair Oil Depot	September 1982	December 1983	138.81	13.19
6.	Zumar Water Supply Scheme	October 1982	June 1984	87.93	7.47
Total				**2788.88**	**245.15**

[1] Joint Director General of Foreign Trade
[2] Cash Compensatory Scheme

This payment was inadmissible due to the following reasons :

Instead of calculating net foreign exchange, he paid the benefit on gross foreign exchange earnings.

(i) Project assistance was payable on net foreign exchange earnings from the service part of the contract. In order to arrive at the net earnings, the following were to be deducted from the total inward remittances :

- foreign exchange realisation on export of equipment and goods;
- outward remittances;
- outstanding liabilities for outward remittances and;
- remittances made on behalf of the employees in India.

However, JDGFT calculated the project assistance on ten *per cent* of the gross foreign exchange remittances into the country which was incorrect.

The supporting documents were not valid for claim of CCS.

(ii) In order to claim the assistance, the application should have been supported by the certificates of foreign exchange inward remittances issued by banks, RBI's[1] certificate on outward remittances of foreign exchange on account of the project and the Chartered Accountant's Certificate for net foreign exchange earnings under each head. In this case, however, the only documents in support of the claim were the Chartered Accountant's Certificate for the gross foreign exchange earned and self-attested photocopies of Foreign Exchange Inward Remittance Certificates of RBI.

(iii) The purpose for remittance was shown as "interest on FDR", "surplus fund", on which project assistance was not payable.

The JDGFT did not verify even the completion of the projects, which was a pre-requisite for CCS claims.

(iv) The firm did not submit the completion certificates for the project, although the project assistance was to be paid only on completion of the project. The firm requested JDGFT to treat the date of last receipt of foreign exchange as the date of completion, which the JDGFT accepted without insisting on the completion certificate. The date of completion was crucial since application received after 24 months from the date of completion, were to be rejected as time-barred.

JDGFT, thus, failed to adhere to the eligibility criteria for payment of project assistance as circulated by the Ministry in August 1985.

Even the verification unit working directly under the JDGFT which was required to examine all such payments also failed to detect the inadmissible payment.

Upon being pointed out by Audit, JDGFT asked the firm to refund the entire amount of Rs 2.45 crore.

On this being pointed out by Audit in May 1998, JDGFT asked the firm in June and October 1998 to refund the project assistance paid to them. The amount was yet to be recovered as of November 1998.

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[1] Reserv[illegible]k of India

This case, and others indicated in this Report, point towards serious acts of omissions and commissions of JDGFT, New Delhi and calls for an investigation to fix responsibility.

The matter was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

3.2 Excess payment of deemed export benefits of Rs 2.04 crore

JDGFT[1] New Delhi made inadmissible payment of Rs 2.04 crore towards deemed export benefits and Cash Compensatory Support. Upon being pointed out by Audit, he accepted the inadmissibility of the payments and initiated action for recovery.

Test check in audit of payments made by the JDGFT, New Delhi towards deemed export[2] benefits disclosed that he paid Rs 2.04 crore to the exporters on account of the claims which were either time-barred or liable to reduction for late submission prescribed under the EXIM[3] Policy.

Payment of benefits which were time-barred

JDGFT made inadmissible payment of Rs 46.67 lakh on time-barred claims.

In terms of para 202 B(I) of Handbook of Procedures (1992-97), the time limit for submission of applications for claiming the benefits under the scheme was six months from the date of supplies. Government amended this provision to "six months from the date of payment" with effect from 10 November 1995. JDGFT, Delhi however, made payment of Rs 46.67 lakh to exporters for supply between 01 May and 09 November 1995, which was inadmissible. Details of the cases are given below :

Sl. No.	Name of exporter	Date of supply	Date of submission of claim	Time lag	Amount of CED/DBK paid in Rs
1.	M/s Micropro India	May-June, 1995	January 1996	More than six months	2099692
2.	M/s Advance Steel Tubes Ltd.	May-September 1995	September 1996	-do- 12-16 months	2306788
3.	M/s Maharashtra Seamless Ltd.	July-September 1995	July 1996	-do- 9-12 months	260781
					4667261

[1] Joint Director General of Foreign Trade

[2] "Deemed Exports" refer to those specified transaction in which the goods supplied do not leave the country and payment of such goods are made in India by the recipient of the goods. Such exports are eligible *inter alia* for refund of terminal excise duty and duty drawback.

[3] Export-Import

Cut for late submission and time-barred claims for deemed exports

He paid an extra Rs 1.46 crore by not imposing late cut and admitting time-barred claims.

Further, according to the circular issued in January 1998, the application received after expiry of six months from the date of payment were liable to a cut of 25 *per cent* and were to be rejected as time-barred if received after one year from the date of payment. JDGFT, however, made payments without imposing the cuts for claims submitted after six months but before one year and also made payment against claims submitted after the prescribed maximum period of one year of payment, which resulted in overpayment of Rs 1.46 crore as under :

Sl. No.	Name of exporter	Date of payment	Date of submission of claim	Time lag	Amount of CED/DBK recoverable Rs
1.	M/s SAE (India) Ltd.	July-September, 1996	06 June 1997	More than six months	914469
2.	M/s SAE (India) Ltd.	January-March 1996	10 October 1996	More than six months	12515557
3.	Indian Aluminium Cables Ltd.	November, 1996	06 October 1997	More than six months	168926
4.	Samtel Colour Ltd.	July-September 1996 October-December, 1996	23 September 1997 23 September 1997	-do –do-	485268 330241
5.	M/s Inalsa Ltd.	July-September 1996	16 October 1997	More than one year	150283
					14564744

Non-imposition of cut in CCS claims

JDGFT did not impose late cuts on CCS claims and made payment against time-barred claims.

Further, under the erstwhile, scheme of CCS[4], the applications submitted late by exporters were subject to cut of five, 10 and 15 *per cent* for delay of six to 12 months, 12 to 18 months and 18 to 24 months respectively and to be considered time-barred after a delay of 24 months from the last month of export as provided in para 304(3) of Hand Book of Procedures 1990-93. Non-imposition of the prescribed cut by JDGFT, New Delhi resulted in overpayment of Rs 11.99 lakh in the following cases :

SL. No.	Name of exporter	Date of Payment	Date of submission of application	Time lag	Percentage cut leviable	Amount recoverable Rs
1.	M/s The Indure Ltd.	October- December, 1991	May 1995	More than 24 months	Time-barred	181058
2.	M/s. Wiegand India Ltd.	July- September 1993	October 1994	More than twelve months	10	189185
3.	M/s. Global Engineers	July-September 1991 January-March 1991, April-June 1991	April 1994	More than 24 months	Time-barred	198577
4.	M/s Siemens Ltd.	January-March 1994	May 1995	More than 12 months	10	121012
5.	BHEL	January-March 1995	October 1995	With in 12 months	5	508942
						1198774

[4] Cash Compensatory Support

Perfunctory verification by Internal Control Unit

Even the verification unit working directly under the JDGFT, which was required to examine all such payments failed to detect these inadmissible payments.

Acceptance of audit observation by JDGFT

On the recovery being pointed out by Audit, the JDGFT stated in September 1998 that concerned firms were being asked to refund the amount and the cases were being reviewed. However, his reply was silent about why such omissions occurred regularly in his office.

The matter was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

3.3 Negligence in finalisation of lease deed

Negligence in finalisation of lease deed by Development Commissioner, Noida Export Processing Zone resulted in non-realisation of rent of Rs 65.83 lakh and he failed to take prompt action for eviction of the defaulter.

Sample check by Audit of recovery of rent for the plots provided by the Development Commissioner, Noida Export Processing Zone in April 1998 disclosed that in one case the negligence of the Development Commissioner in writing the lease deed and his failure to take eviction proceedings against the allottee absconding since 1992, has resulted in non-recovery of Rs 65.83 lakh from the lessee as of June 1998.

The rent chargeable was worked out to Rs 64750 instead of Rs 194400.

While writing the lease deed area of only one plot of 8100 sqm was entered.

While entering into the lease agreement with Flistex Magnetics Ltd. in November 1991, who was allotted in May 1990 three plots of 8100 sqm each in the Noida Export Processing Zone, the Development Commissioner entered the area of only one plot of 8100 sqm in the lease deed rather than that of the three plots i.e. 24300 sqm. As a result, the quarterly rent chargeable was also recorded as applicable for only one plot at Rs 64750 instead of Rs 194400 chargeable for three plots. This error resulted in short levy of rent from the firm for the period June 1990 to November 1992 at the rate of Rs 129600 for ten quarters aggregating Rs 12.96 lakh.

The unit did not pay the rent after December 1992.

The firm ceased its operation in Noida Export Processing Zone since December 1992 and stopped payment of lease rent even at lower rates prescribed in the lease agreement. Despite this, the Development Commissioner did not take any action for recovery of rent and eviction for more than five years and four months until pointed out by Audit in April 1998. During the entire period, the plots remained unutilised for the purpose for

which these were earmarked. During the period December 1992 to June 1998, Rs 45.41 lakh towards lease rent also became due from the lessee. The penal interest accrued for this period at the prescribed rate of 12 to 24 *per cent* was Rs 7.46 lakh.

The Development Commissioner stated in April 1998 that they had issued recovery certificates to District Magistrate, Noida, for recovery of the outstanding lease rent from the unit. However, his reply was silent about the eviction and utilisation of the plot for another export oriented unit.

Lease deed did not contain provision for eviction in case of default in payment of rent.

Scrutiny of the format of lease deed disclosed that while it contained provision for recovery of rent outstanding for more than 30 days and penal interest as arrears of land revenue, it did not contain any provision for eviction in case of default in payment of rent or breach of the basic condition for export activities and, therefore, failed to safeguard the interest of government against such dormant units which do not contribute to the basic objectives of setting up of export processing zones. Ministry should review the format of lease deed to provide for such an eventuality.

The Ministry stated in October 1998 that the error was subsequently rectified and action initiated for the recovery of outstanding lease rent.

3.4 Recoveries at the instance of Audit

Upon being pointed out by Audit in January 1997 and July 1997 JDGFT[1] New Delhi and Mumbai obtained refund of Rs 9.21 lakh and Rs 66.35 lakh respectively paid towards erroneous time-barred claims.

(a) Supplies by manufacturers in India to projects financed by various international organisations are considered as deemed exports and such supplies are entitled to CCS[2], Supplementary Cash Assistance in lieu of duty drawback and additional CCS in lieu of terminal excise duty as export benefits. Applications for claiming deemed export benefits were to be submitted within a period of 24 months from the date of payment. The supplies made to IDA/IBRD, etc. financed projects in India were considered as deemed exports for the purpose of the grant of CCS and other benefits.

JDGFT, New Delhi paid export benefits of Rs 9.21 lakh to a firm of NOIDA for supplying computer systems to Directorate of Technical Education Mumbai under IBRD aided project in March 1995. Scrutiny disclosed that the firm had submitted the application for claiming exports benefits in May 1994, beyond the permissible time limit of 24 months from the date of payment 31 March 1992. This payment was not admissible as per instructions/procedures which prescribe that claims received after a period of 24 months are to be summarily rejected as time-barred.

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[1] Joint Director General of foreign Trade

[2] Cash Compensatory Support

On this being pointed out by Audit in January 1997, JDGFT recovered Rs 9.21 lakh in July 1997 by adjustment from future claim of the firm.

The Ministry in their reply, in December 1998, confirmed the recovery.

Ministry issued public notice on 10 November 1995 amending the time limit for submission of claims.

(b) In terms of para 202B(I) of Hand Book of Procedures (1992-97) issued by the DGFT[3], all applications for claiming benefits under the policy of deemed exports[4] should be submitted to the Regional Licencing Authority within six months from the date of supply. The time limit for submission of such claims was amended from the then existing "six months from the date of supply" to "six months from the date of payment" through a public notice issued on 10 November 1995.

JDGFT, Mumbai unauthorisedly paid Rs 23.81 lakh by treating 'date of payment as crucial date'.

JDGFT Mumbai unauthorisedly decided to shift the crucial date for admissibility of benefits from 'date of supply' to 'date of payment' even before issue of the notification on the basis of discussion in a meeting taken by DGFT in July 1995. He admitted inadmissible claims of Rs 23.81 lakh in five cases by reckoning the 'date of payment' as the crucial date before 10 November 1995.

He paid another Rs 44.34 lakh towards deemed export benefits which were time-barred.

Even after issue of Government notification of 10 November 1995 he made inadmissible payment of deemed export benefit of Rs 44.34 lakh in eight cases, the claims for which were made after six months from the date of payment.

Upon being pointed out by Audit in July 1997, JDGFT recovered Rs 66.35 lakh out of the total inadmissible payment of Rs 68.15 lakh. The recovery for the balance amount of Rs 1.80 lakh was awaited as of December 1998.

It calls for investigation and strengthening of internal control system.

The matter was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

3.5 Inadmissible payment of Rs 13.36 lakh

EEPC[1] made inadmissible payment of Rs 13.36 lakh to the exporters on account of reimbursement under IPRS[2]. Out of this, they recovered Rs 6.11 lakh upon being pointed out by Audit.

IPRS was withdrawn from 1 April 1994.

Under the IPRS 1981, exporters of engineering goods were to be reimbursed the difference between the domestic and international prices of mild steel and

[3] Director General Foreign Trade

[4] 'Deemed Exports' refer to transactions in which the goods supplied do not leave the country and payment for such goods are made in India by the recepient of the goods.

[1] Engineering Export Promotion Council

[2] International Price Reimbursement Scheme

pig iron used for export production. The scheme was withdrawn from 01 April 1994.

The EEPC, an export promotion agency under the Ministry of Commerce was responsible for the administration of the claims and for arranging payment under IPRS. The claims are scrutinised under the supervision of the Regional Officer of the EEPC and a certificate of the detailed check about the admissibility of the claim is recorded before sending the claims to the Directorate General of Foreign Trade for payment orders.

EEPC made inadmissible payment of Rs 13.36 lakh.

Test check of 180 cases of payments made by the Regional Office of EEPC, New Delhi under IPRS in February 1998 disclosed that EEPC accepted claims for reimbursement of Rs 13.36 lakh to five firms on exports effected after 31 March 1994 i.e. after withdrawal of the scheme as under :

S. No.	Name of the firm	Date of shipping	Date of Submission of claim	Total value of exports (Rs)	Amount of inadmissible reimbursement (Rs)	Date of payment
1.	Jhalani Tools (I) Ltd. 51-52, Nehru Place, New Delhi	7 April 94 to 13 April 94	27 April 94	220386	73783	29 November 96
2.	ANG Exports (P) Ltd., New Delhi	05 April 94	13 July 94	440122	193024	14 August 96
3.	J&C International, New Delhi	02 April 94	29 April 94	576513	229629	20 April 95
4.	Jensons International, New Delhi	05 April 94 to 18 April 94	13 June 94	1636068	610821	02 February 95
5.	Hindon Forge (P) Ltd., Ghaziabad	15 April 94	19 August 94	573584	228462	22 June 95

The Ministry stated in December 1998 that one firm, Jensons International, New Delhi had refunded the inadmissible payment of Rs 6.11 lakh. They added that demand notices had been issued in other cases. Further progress of recovery in other cases was awaited as of December 1998.

3.6 Unutilised capital assets

Development Commissioner, Falta EPZ[1] constructed office and residential accommodation in the EPZ but continued to function from a CPWD[2] provided accommodation from Calcutta leading the office accommodation in EPZ of 540 sq meters, constructed at Rs 2.29 crore, vacant.

Government of India have set up EPZ to provide an internationally competitive environment for export production. The concept of zone pre-supposes that entrepreneurs will be provided necessary services by the government for export related services within the zone itself.

The Ministry of Commerce set up an EPZ, Falta in West Bengal in 1985. The administrative block to accommodate the officers and staff of the Development Commissioner, Falta Export Zone and 44 residential accommodation were constructed at Rs 0.97 crore and Rs. 1.32 crore respectively during 1991-93.

Despite this, the Development Commissioner, Falta EPZ has not shifted their office to the EPZ, which is about 55 km from Calcutta. The office continues to function from the existing accommodation in Calcutta provided by the CPWD. The staff who have not been provided government accommodation continue to draw house rent allowance.

Development Commissioner, Falta Export Zone, has kept only four employees of group C & D grades in the EPZ out of the existing strength of 34. Out of 44 residential accommodations, 40 have been rented to private units. 560 sq metre out of the total carpet area of 1450 sq metre of administrative block has been retained by the Development Commissioner which remains practically vacant since the total accommodation required by the four staff members stationed in the zone is neglligible. Thus, even from the point of view of utilisation of assets created at substantial cost, the Development Commissioner has kept most of the space vacant and at the same time continues to occupy 550 sq metre of government accommodation in Calcutta, where many other departments are paying substantial rent for hired accommodation who could have been provided this accommodation. The renting out of 40 residential accommodation to the private entrepreneurs is also to be viewed in the context of the fact that government constructed office and residential quarters for accommodating this office for its employees and it is not in the business of construction and renting of accommodation.

The Ministry, on their part, have also failed to exercise proper administrative control to direct the Development Commissioner to shift to the zone despite the fact that they themselves had approved construction of office and

[1] Export Processing Zone
[2] Central Public Works Department

residential accommodation to locate the office of the Development Commissioner at Falta EPZ.

The Ministry stated, in December 1998, that units located within the zone have only production functions and virtually all commercial functions including documentation are being done from their Calcutta office only. No additional expenditure is being incurred on the city office at Calcutta as it is being operated from the rent free accommodation provided by the CPWD.

The reply of the Ministry is untenable since the facilities at Falta were planned and implemented at the behest of the Ministry. If these were not needed there was no need to create the facilities. Second, the so called free accomodation of CPWD has an oppurtunity cost since Central Government hires accomodation in Calcutta for its many offices.

It is recommended that the Ministry should take prompt step to shift the office of Development Commissioner, Falta EPZ to the premises constructed for this and vacate the premises held by it in Calcutta.

3.7 Idling of public funds

Delay on the part of Ministry of Commerce in responding to a reference from Embassy of India at Brussels resulted in idling of Rs 1.17 crore and loss of interest of Rs 65.52 lakh.

Accounts held in different foreign currencies remained open for years without any transaction resulting in idling of fund of Rs 1.17 crore.

ITC[1] under the Ministry of Commerce maintains various bank accounts in different foreign currencies with Bank of Baroda at Brussels, mainly to meet the expenditure on behalf of other Government Undertakings on trade related matters like exhibitions, fairs and other promotional activities. This unit was merged with the commercial wing of the Embassy of India at Brussels with effect from 01 April 1996. Scrutiny revealed that while the general account of ITC was merged with the Mission's account, eight other accounts held in Belgian Franc, Deutsche Mark and ECU (currency of European Commission) continued to remain operative without any transaction. The total balance in these accounts as on 28 February 1998 was equivalent to Rs 1.17 crore. Further, although a major part of this amount (ECU 260409.20 equivalent to Rs 1.10 crore on which no interest was paid by the bank after December 1994) was stated to have been invested in fixed deposit, yet the rate of interest and the period for which it had been invested, was not available on records. The quantum of interest earned was also not known nor was it credited to Government account.

[1] India Trade Centre

The idling of funds also resulted in loss of interest of Rs 47 lakh.

The Mission had referred the matter regarding these dormant accounts to Ministry of Commerce in December 1994, April 1997 and May 1997, but was yet to receive their response as of March 1998. Meanwhile Rs 1.17 crore in foreign exchange continued to remain in bank accounts.

Thus, by keeping the amount idle in the bank, the Government has lost interest of at least Rs 65.52 lakh calculated at the maximum borrowing rate of 14 *per cent per annum* for the period December 1994 to December 1998.

The Ministry stated in December 1998 that in the light of the audit observation they had decided to withdraw the entire amount lying in different accounts and deposit the same in the Consolidated Fund of India.

Department of Supply

3.8 Avoidable extra expenditure due to invalid cancellation of purchase order

Negligent act by an official of DGSD[1] in indicating incorrect designation of purchaser in the cancellation order resulted in forfeiture of risk and cost amount of Rs 7.98 lakh.

DGSD, Mumbai placed a supply order on a firm of Amritsar in April 1991 for supply of 36352.50 metre of Angola Shirting Drab at a cost of Rs 27.45 lakh "for and on behalf of the Governor of Bihar" against an indent of Director General and Inspector General of Police Patna, Bihar. The material was to be supplied by 15 July 1991.

The firm failed to supply full quantity of the material and the contract was cancelled in January 1993.

At the request of the firm, the delivery period was extended initially upto 31 March 1992 and again up to 15 October 1992. The firm supplied 10233 metre of cloth in August 1991. As the firm did not supply the balance quantity of the material even within the extended delivery period, DGSD cancelled the supply order in January 1993 at the risk and cost of the firm. However, the Assistant Director of Supplies negligently issued the cancellation order "for and on behalf of the President of India" though the supply order and two extensions were issued by him "for and on behalf of the Governor of Bihar". The standing instructions in DGSD prescribe that cancellation should be issued for and on behalf of the purchaser.

For balance quantity order was placed on another firm in April 1993.

For procuring the balance quantity of 26119.50 metre of Angola Shirting Drab, DGSD placed an order in April 1993 on another firm of Mumbai at a cost of Rs 27.69 lakh. The firm completed the supply in October 1993.

[1] Director General of Supplies and Disposals

Demand notice was issued to defaulting firm in March 1995.

DGSD issued a demand notice on the defaulting firm in March 1995 directing them to pay the extra expenditure of Rs 7.98 lakh being the additional expenditure incurred by the Department in terms of risk purchase clause in the purchase contract.

The arbitrator rejected the claim since the cancellation was on behalf President of India.

Following the refusal of the firm to pay the amount, the case was referred for arbitration in September 1995. The arbitrator in his award of January 1997 rejected the claim of the Department **on the sole ground that the supply order was issued "for and on behalf of the Governor of Bihar"** whereas the cancellation **was issued "for and on behalf of the President of India"**. The arbitrator, therefore, contended that the cancellation was not valid and consequently the risk purchase was also not valid.

3.9 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC[1], the Ministry did not submit remedial/ corrective ATNs[2] on four Audit Paragraphs.

With a view to ensuring enforcement of accountability of the executive in respect of all the issues dealt with in various Audit Reports, the PAC decided in 1982 that Ministries/Departments should furnish remedial/corrective ATNs on all Paragraphs contained therein.

The PAC took a serious view of the inordinate delays and persistent failures on the part of large number of Ministries/Departments in furnishing the ATNs in the prescribed time frame. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the 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 the ATNs on all paragraphs pertaining to the Audit Reports for the year ended 31 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 Report of the Comptroller and Auditor General of India, Union Government, (Civil) as of November 1998 revealed as under:-

Audit Report Number and year	Paragraph Number	Subject
2 of 1997	2.2	Inadmissible payment of Cash Compensatory Support.
2 of 1997	2.3 (b)	Recovery at the instance of Audit.

[1] Public Accounts Committee
[2] Action Taken Notes

(b) Though the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time of four months for furnishing the ATNs has elapsed in October 1998, the Ministry did not submit ATNs on following Paragraphs.

Audit Report Number and year	Paragraph Number	Subject
2 of 1998	3.1	Wasteful expenditure on rent.
2 of 1998	3.2	Recovery at the instance of Audit.

The position of pending ATNs was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

CHAPTER IV : MINISTRY OF EXTERNAL AFFAIRS

4.1 Appointment/retention of personnel and inadmissible payments

The following cases disclosed unauthorised employment of staff in the Missions, extravagant appointment of contingency paid staff, payments of advance increments, etc in disregard of the rules and orders of MEA[1].

4.1.1 Appointment of staff in violation of Government's orders

Engagement of staff paid from contingencies in violation of the orders of MEA resulted in unauthorised expenditure of Rs. 2.60 crore by 15 Missions. Of this, non-fixation of their wages in accordance with the formula prescribed by MEA and inadmissible payment of COLA[2] and bonus to them resulted in excess payment of Rs. 1.44 crore.

Unauthorised appointment of staff paid from contingencies resulted in irregular expenditure of Rs. 2.51 crore.

Item No. 12 of Schedule I of Financial Powers of the Government of India's Representatives Abroad forbids the Head of Mission/Post (HOM/HOP)[3] from employing staff paid from contingencies for work of regular nature or against vacant posts borne on regular establishment. Ministry of External Affairs (MEA) also advised all the Missions/Posts in October 1991 not to employ any one without their sanction and not to continue any appointment made in urgent and pressing circumstances beyond six months without their approval. Fourteen Missions (Almaty, Athens, Berlin, Bonn, Dublin, Frankfurt, Geneva, Hague, Hamburg, Helsinki, Madrid, Oslo, Paris and Stockholm), however, appointed the staff paid from contingencies for work of regular nature such as secretarial help, clerical help, gardeners, cleaners, chauffeurs, etc. and continued their employment beyond six months without obtaining approval of MEA. The violation of the orders of MEA resulted in the Missions exceeding the financial powers delegated to them and irregularly creating and operating posts which had not been sanctioned to them. Total expenditure equivalent of Rs. 2.51 crore incurred on wages paid to such staff was, therefore, unauthorised.

Twelve Missions paid higher wages resulting in overpayment of Rs. 1.37 crore.

MEA clarified in May 1994 that the daily wages of staff paid from contingencies should be fixed at 1/30th of the minimum of pay scale of the corresponding local staff. Twelve Missions (Athens, Berlin, Bonn, Dublin, Frankfurt, Geneva, Hague, Hamburg, Helsinki, Madrid, Paris and Stockholm) fixed wages of the staff paid from contingencies at rates which were higher than that admissible according to the formula prescribed by MEA, resulting in total overpayment of Rs. 1.37 crore.

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[1] Ministry of External Affairs
[2] Cost of Living Allowance
[3] Head of Mission/Post

Five Missions irregularly paid COLA or bonus resulting in overpayment of Rs 7.45 lakh.

Three Missions either wrongly allowed COLA (Almaty and Stockholm) to such staff or allowed increase in their wages based on COLA granted to the regular staff (Helsinki). Two Missions (Athens and Geneva) also allowed bonus to such staff. This resulted in total overpayment of Rs. 7.45 lakh.

Eight Missions (Almaty, Berlin, Bonn, Dublin, Hamburg, Hague, Paris and Stockholm) stated that the matter regarding creation of posts against which staff paid from contingencies was appointed and payment of excess wages to them had been referred to the MEA for regularisation. The Mission at Helsinki stated that local help was appointed to cope with increased work and wages were paid on the basis of the past experience of the incumbents in the Mission. While Mission at Geneva stated that regular local employees were paid extremely low salaries and the staff paid from contingencies were allowed wages in accordance with the scales prescribed by local host Government, the Mission at Athens stated that the excess payments made by them were not due to the fault of the contingency paid staff and hence it would not be appropriate to recover the overpayments from them. They added that the matter would be referred to MEA to issue necessary sanction.

The replies are not tenable because the HOMs employed the contingency paid staff exceeding the powers delegated to them. Further, the Missions have no powers to fix wages of staff paid from contingencies at a level higher than that admissible under the formula prescribed by MEA. The situations obtaining in the Missions in relation to contingency paid staff indicate the need for MEA to undertake a comprehensive review of the orders and issue unambiguous instructions including statement of accountability in cases of non-compliance.

The Ministry stated in September 1998 that the matter would be reviewed comprehensively before suitable measures are taken to obviate recurrence of irregularities in this regard.

Mission at Lisbon unauthorisedly employed a part time Secretary.

Missions/Posts abroad have not been delegated powers to make appointments of local staff against short-term vacancies caused due to absence on leave of regular staff except in the case of short-term vacancies in essential grades such as gardeners, watchmen, chauffeurs and boiler attendants. The Embassy of India at Lisbon engaged Miss Fausta Menezes as part-time (9 am to 1 pm) Secretary from 24 February 1992 at the wages of Esc. 30,000 per month in the absence of the regular P.A. Mrs. Mahesh Passi, who was on commuted leave for 47 days from 27 January 1992. The Mission continued employment of Miss Menezes as part-time Secretary even after Mrs. Passi resumed her duties and enhanced her monthly wages to Esc. 33,000 per month from 01 May 1992 on the ground that regular employees of the Mission were granted COLA of 20 *per cent*. Her wage was Esc. 63,000 per month with effect from 08 June 1992. The formal orders of the HOM to the increase in her wages were not available on records. This arrangement was continued till 08 February 1994 when she was appointed, retrospectively from 1 December 1993, as full time Commercial Assistant at monthly wages of Esc. 63,000 per month, which was revised subsequently to Esc. 88,000 per month from the same date on the

revision of pay scales of local staff. The wages were further enhanced to Esc 101,200 per month from 01 June 1995 on the revision of the pay scales of the local staff and she was appointed as a regular clerk from 01 November 1996 at a monthly pay of Esc. 104,600 after allowing her two advance increments.

Unauthorised employment resulted in avoidable payment of Rs. 9.09 lakh.

The initial appointment of Miss Menezes and its continuance even after the regular incumbent had resumed her duties, was, therefore, unauthorised resulting in avoidable payment of wages of Esc. 4,530,607 (equivalent to Rs 9.09 lakh at the current rate of exchange of Re. 1 = Esc. 4.982) upto 31 October 1996.

The Mission stated in September 1997 that the audit observation had been noted for rectification and compliance in future and the matter regarding unauthorised appointment of Miss Fausta Menezes was being taken up with MEA for *ex-post facto* sanction. *Ex-post facto* sanction of an unauthorised action taken with full knowledge of the orders proscribing such action does not meet the principle of accountability.

The matter was referred to the Ministry in May 1998; their reply was awaited as of January 1999.

4.1.2 Retention of staff after expiry of sanction to the post

Continued retention of a local staff after expiry of the sanction to the post and payment of pay and allowances to him in violation of the orders of MEA[1] resulted in irregular expenditure of Rs 15.52 lakh.

Ministry of Commerce sanctioned a post of Statistical Assistant/ Junior Translator to be appointed on a contractual basis for not more than six months at a time.

The Ministry of Commerce allowed the CGI[2] at Hamburg, a post of Statistical Assistant/Junior Translator in April 1995 in the pay scale of DM 1900-60-2500, to be appointed under the powers of the HOM[3] on contractual basis for a period not more than six months. CGI appointed Mr. M. Davies to the post with effect from 12 June 1995. On Mr. Davies leaving the job on 11 August 1995, CGI appointed Mr. A. Bloom, who was working as a clerk in CGI in the pay scale DM 1350-30-1950, as Translator/Statistical Assistant with effect from 14 August 1995 at a salary of DM 1960 in the pay scale of DM 1960-60-2500. Mr. Bloom continued to work in this post upto 31 July 1996. CGI appointed him as Marketing Officer with effect from 01 August 1996 at a salary of DM 2200 in the scale of pay of DM 2200-60-3400. Mr. Bloom was still continuing as Marketing Officer.

[1] Ministry of External Affairs
[2] Consulate General of India
[3] Head of Mission

Audit scrutiny of the appointment revealed the following omissions :

CGI continued to engage the Statistical Assistant beyond the sanctioned period and irregularly paid him wages of Rs 10.78 lakh.

(i) Although sanction to the post expired on 11 December 1995 and no appointment beyond this date could be made without the prior approval of the Ministry, CGI continued to engage the services of Mr. Bloom. CGI approached the Ministry in December 1996 for regularisation of the services rendered by Mr. Bloom from 12 December 1995 to 31 July 1996. This was specifically turned down by the Ministry. Consequently, the wages of DM 55585.17 (equivalent to Rs 10.78 lakh at the current rate of exchange of DM 1 = Rs 19.40), excluding COLA[4] of DM 9777.78 which is included in sub para (ii) below paid during 12 December 1995 to 30 September 1997 was unauthorised. The unauthorised payment was still continuing.

CGI paid Rs 3.34 lakh on account of COLA and bonus which were inadmissible.

(ii) MEA's orders of May 1994 on the appointment of contingent paid staff stipulate, *inter alia*, that they were not entitled to any additional benefits like annual increment, COLA, bonus, leave, etc. These instructions were not adhered to by CGI who paid COLA and bonus to the incumbents of the contractual post. The amount of COLA paid to Mr. Davies and Mr. Bloom was DM 14418.84 (equivalent to Rs 2.80 lakh at the current rate of exchange of DM 1= Rs 19.40) during 12 June 1995 to 30 November 1996. Besides, CGI also paid DM 2801.78 (Rs 0.54 lakh) as bonus during the years 1995 (DM 751.78) and 1996 (DM 2050) to Mr. Bloom. These had not been recovered from him despite inadmissibility of the amounts being pointed out by audit in February 1996.

CGI paid inadmissible leave salary of Rs 1.24 lakh.

(iii) According to the orders of MEA of May 1994, Mr. Bloom being a contractual staff was not entitled to annual sick leave. However, CGI allowed annual sick leave of 60.5 days to Mr. Bloom during 14 August 1995 to 30 September 1997 in contravention of the instructions of MEA and despite being pointed out by Audit in February 1996. As Mr. Bloom was not entitled to such leave, the pay and allowances paid to him during leave periods amounting to DM 6380 (equivalent to Rs 1.24 lakh at the current rate of exchange of DM 1=Rs 19.40) was unauthorised.

CGI appointed the Statistical Assistant in a scale which had not been sanctioned.

(iv) Against the scale of DM 1900-60-2500 of Statistical Assistant, CGI appointed Mr. Davies and Mr. Bloom in the scale of DM 1960-60-2500. The erroneous fixation of the minimum of the scale at DM 60 higher than that sanctioned has resulted in excess payment of DM 814.84 (equivalent to Rs 0.16 lakh at the current rate of exchange of DM 1=Rs 19.40) on account of pay to them during the period 12 June 1995 to 31 July 1996.

[4] Cost of Living Allowance

The Mission appointed the Statistical Assistant to the post of Marketing Officer without prescribing the required qualifications.

(v) MOC[5] upgraded the post of Statistical Assistant (which did not exist) to that of Marketing Officer in July 1996 in the scale of DM 2200-60-3400 on *ad hoc* basis. CGI appointed Mr. Bloom as Marketing Officer with effect from 1 August 1996. Records did not indicate how CGI concluded that Mr. Bloom possessed the qualification and experience required for the post of Marketing Officer and thus, he was the most suitable candidate.

Operation of the post without sanction of MOC resulted in irregular payment of Rs 15.52 lakh.

Thus, operation of a post by CGI without the sanction, wrong fixation of pay of the incumbent, violation of the orders of Government in allowing them COLA, bonus and leave with pay, resulted in total unauthorised expenditure of DM 80000.63 equivalent to Rs 15.52 lakh at the current rate of exchange of DM 1 = Rs 19.40.

The matter was referred to the Ministry in January 1998; their reply was awaited as of January 1999.

4.1.3 Unauthorised appointment of Marketing Consultant

Appointment of a Marketing Consultant by Embassy of India at Budapest without sanction of the Ministry of Commerce resulted in irregular expenditure of Rs 6.20 lakh. Fixation of her pay at higher than the admissible rate resulted in avoidable extra expenditure of Rs 4.52 lakh.

The post of Marketing Assistant was sanctioned for six months only.

On the request of the Ambassador designate of the Embassy of India at Budapest for sanction of a local post of Marketing Assistant for attending to trade enquiries, collecting/disseminating trade information and conducting market surveys in order to increase the exports from India to Hungary, the Ministry of Commerce allowed the Mission in September 1995 to engage, as a temporary measure, a Marketing Assistant on contractual basis for a period not exceeding six months.

The Mission appointed a Marketing Consultant for 24 months.

The Mission engaged Mrs. Edith Corfield at a fixed pay of US$ 1000 per month for the period 17 October to 26 October 1995. She was subsequently appointed as Marketing Consultant on contract basis for six months on a fixed pay of US$ 1000 per month with effect from 20 November 1995. The appointment was extended in May 1996 for a further period of six months. Two further extensions of six months each were granted at an enhanced pay of US$ 1050 per month in November 1996 and May 1997 respectively.

[5] Ministry of Commerce

Scrutiny of the appointment revealed the following:

The procedure for appointment was not followed for appointment of the Marketing Consultant.

(i) According to MEA's[1] orders, appointments to the local posts in the Missions abroad are to be made by the HOM[2] after fixing the qualification and experience required for the post. The appointments are to be made after advertising the vacancies, scrutinising the applications and thereafter interviewing the suitable candidates to make the best selection. The Mission had neither determined the qualification and experience required for the post of Marketing Consultant, nor had advertised the post. Mrs. Corfield, who was then working in private capacity in Vienna in Austria, had forwarded her Curriculum Vitae to the Mission on 27 September 1995. Records did not indicate how she learnt about the post and applied for it when she was not even in prague. Further, how the Mission, which also did not make efforts to widen the field of selection by identifying other candidates, evaluated her suitability for the post was also not on records.

(ii) Although the proposal for appointment of Mrs. Corfield as Marketing Assistant was approved by the HOM only on 30 November 1995, she was permitted to work first from 17 to 26 October 1995 and then from 20 November 1995, i.e. even before approval was granted by the HOM.

Unauthorised appointment of the Marketing Consultant resulted in inadmissible expenditure of Rs 6.20 lakh.

(iii) Ministry had sanctioned the post for a maximum period of six months. There was, therefore, no sanction to the post after 7 May 1996 (i.e. after six months of employment of the official including the period from 17 to 26 October 1995). As there was no post and also as according to MEA's instructions of November 1994 that contracts with Marketing Consultants could be extended only with their approval and that too for a maximum period of two years, Mission had no powers to extend the contract of Mrs. Corfield beyond the initial period of six months without obtaining a specific approval from the former. The Ministry also could not notice the unauthorised appointment despite endorsement of the copies of the Mission's orders regarding extension of the period of contract with the Marketing Consultants from time to time. The unauthorised appointment of the official beyond 7 May 1996 resulted in irregular expenditure of US$ 17,285 (Rs. 6.20 lakh) towards salary upto September 1997. The unauthorised appointment was continuing as of October 1997.

Higher fixation of pay of the Marketing Consultant resulted in extra expenditure of Rs 4.52 lakh.

(iv) The pay scale allowed to the Marketing Officer in the nearby Mission at Vienna in April 1995 was equal to that of an Interpreter/Translator in the Mission. However, the Mission allowed a monthly pay of US$ 1000 to Mrs. Corfield instead of the pay scale of US$ 500-15-650-20-850 which was admissible to an Interpreter. The basis on which the salary of Mrs. Corfield was fixed at US$ 1000 per month was not on record. Since the Mission had no powers for creation of post of Marketing Consultant/Assistant, any pay above the minimum pay of US$ 500 per month as admissible to the Interpreter could be sanctioned only with the approval of MEA, especially in view of the

[1] Ministry of External Affairs
[2] Heads of Missions

pay scale allowed to the Marketing Officer in the nearby Mission at Vienna. Fixing of pay at US$ 1000 and raising it to US$ 1050 per month from November 1996 was incorrect and resulted in avoidable extra expenditure of US$ 12,600 (equivalent to Rs 4.52 lakh at the rate of exchange of 1 US$ = Rs 35.87).

The Mission stated in October 1997 that while they did not specifically request sanction for extending Mrs. Corfield's employment every six months, copy of the office order regarding each extension was sent to the concerned section of the Ministry of Commerce and other relevant authorities. As regards fixation of pay of the incumbent they stated that qualification and requisite skills of Interpreter and Marketing Assistant being different, a higher pay than that allowed to the Interpreter was allowed to the Marketing Assistant. They further stated in May 1998 that they had taken up with the Ministry of Commerce for regularising the appointment for the period from 07 May 1996 to 20 November 1997. The MEA forwarded in November 1998 the reply of May 1998 of the Mission without any comment.

The reply of the Mission is not tenable because the sanction of the Ministry of Commerce for the appointment was for a period of six months only and prior approval of the Ministry was required for further extension of the employment. The reply of the Mission also ignores as to why the required approval of Ministry was not obtained after the initial period of six months. Mission's contention regarding fixation of pay of the Marketing Consultant at higher level is not tenable because the pay scale allowed to the Marketing Officer in the nearby Mission at Vienna requiring the same skills was equal to that of Interpreter/Translator. Further, the same work was earlier being done by the Interpreter drawing much lower pay. This calls for fixing responsibility for unauthorised approval of continuation of employment and arbitrariness in fixation of pay.

The matter was referred to the Ministry of Commerce in December 1998; their reply was awaited as of January 1999.

4.1.4 Grant of advance increments in violation of Government's orders

Grant of advance increments by Embassies of India at Paris, Vienna, Bucharest and Budapest in violation of Government's orders resulted in total overpayment of Rs 33.85 lakh.

Unauthorised grant of advance increments to the local staff resulted in overpayment of Rs 33.85 lakh.

It was mentioned in paragraph 4.1.3 of the Report of the Comptroller and Auditor General of India for the year ended March 1997; No. 2 of 1998-Union Government (Civil) that the High Commission of India at London and the Embassy of India at Vienna granted advance increments aggregating Rs 21.91 lakh to their local staff in contravention of the orders of the Government. The Action Taken Note of the Ministry on the aforesaid paragraph was awaited as

of December 1998. Scrutiny in audit revealed more such cases in the Embassy of India Vienna besides other cases of unauthorised grant of increments in the Embassies of India at Paris, Bucharest and Budapest. Grant of increments by these Missions in violation of the extant rules resulted in total overpayment of Rs 33.85 lakh as under:

Administrative Ministry may grant a higher initial pay not exceeding five increments in the case of initial appointment to Government service.

Fundamental Rule 27 lays down that an authority may grant a premature increment to a Government servant on a time scale of pay, if it has the power to create a post in the same cadre on the same scale of pay. The financial powers delegated in February 1955 to the Ministries of the Government of India envisage that the Administrative Ministry concerned may grant a higher initial pay not exceeding five stages/increments in the scale of pay applicable to the post, having regard to the candidate's age, previous experience, qualifications and emoluments last drawn, etc. in the case of initial appointment to Government service. On a review of the exercise of the powers under FR 27, Government of India (Ministry of Finance) decided in February 1968 that such powers should not be invoked, *inter alia*, to grant premature increments as a reward for meritorious work. This power is exercised by the HOM[1] as per item no. 4 of Schedule IV of Financial Powers of Government of India's Representative Abroad.

Premature increments can not be granted for meritorious and loyal service.

MEA[2] further clarified in March 1984 that since no provision in the Rules exists to grant advance increments for meritorious and loyal services, any particular case where the HOM desired to grant advance increments on the ground of meritorious and loyal service, should be referred to MEA for relaxation of the existing rules.

Embassy of India at Paris sanctioned inadmissible advance increments to 17 local employees after 3 to 16 years of service.

(i) The HOM in the Embassy of India Paris granted, between July and November 1995, two to five advance increments of amounts ranging from FFr 160 to FFr 750 to 17 locally recruited staff after three to sixteen years of continuous service rendered in the Mission on the ground of boosting their morale, in contravention of the extant orders that such increments could be granted only immediately after completion of their periods of probation. Further, three of them were granted advance increments after their promotion from junior to senior clerks in contravention of the existing orders.

Inadmissible advance increments resulted in overpayment of Rs 22.25 lakh.

Grant of advance increments to locally recruited staff in contravention of the orders of Government resulted in overpayment of FFr 327060 (equivalent to Rs 22.25 lakh at the official rate of exchange of Re 1 = FFr 0.147) during the period from July 1995 to October 1998.

The HOM stated, in March 1997, that according to (b) of Item no. 4 schedule (iv) of Financial Powers of GOI's Representatives Abroad, no time limit can be stated to have been fixed for grant of advance increment. Further, to make the system of grant of advance increments more fair and transparent, it was decided by them that on the recommendation of each Head of Wing and

[1] Head of Mission
[2] Ministry of External Affairs

depending on the number of years of service put in by each employee, they were granted two to five increments. It was added that the matter was being referred to MEA for further clarification.

The reply is not acceptable in view of the unambiguous orders of the Government of India referred to in the two opening paragraphs of this observation.

Embassy of India at Vienna sanctioned inadmissible advance increments to six local employees resulting in overpayment of Rs 8.90 lakh.

(ii) The HOM of the Embassy of India, Vienna granted two to five advance increments to six locally recruited staff between September 1995 and May 1997 after they had rendered six months to six years of continuous service in the Mission on the ground of meritorious service or low salary attached to the post. Grant of these advance increments in contravention of the extant orders that such increments could be granted after completion of their periods of probation on the grounds of qualification, experience and age and not as a reward for meritorious work resulted in overpayment of Austrian Shilling (AS) 297638 equivalent to Rs 8.90 lakh at the current rate of exchange of 1 AS = Rs 2.99 between September 1995 and October 1998.

The Mission while admitting that the advance increments granted were not entirely as per rules, stated in November 1997 that this was done due to low pay scales sanctioned for locally recruited staff in the Mission.

Embassy of India at Bucharest sanctioned inadmissible increments of Rs 1.62 lakh to seven local employees.

(iii) The HOM in the Embassy of India Bucharest granted five advance increments to seven locally recruited staff in March 1994 and July 1994 after they had rendered one to four years of continuous service on the grounds of dedication to service, sincerity and being lowest paid employees. Grant of advance increments in contravention of the extant orders resulted in overpayment of US $ 4460 equivalent to Rs 1.62 lakh at the current exchange rate of 1 US $ = Rs 36.42 upto October 1998.

Embassy of India Budapest granted inadmissible increments of Rs 1.08 lakh to a local employee after nine years of service.

(iv) The HOM in the Embassy of India Budapest granted, in April 1995, two advance increments to Shri B B Sharma, a locally recruited clerk, after he had rendered nine years of continuous service on the ground that he had continued to perform duties exceeding his job description with efficiency and dedication. This action of the Mission was in contravention of the extant orders resulted in overpayment of US$ 2975 (equivalent to Rs 1.08 lakh at the official rate of exchange of US $ 1 = Rs 36.42).between April 1995 and October 1998.

The HOM stated in October 1997 that the advance increments could be granted after completion of probationary period either retrospectively from the date of appointment or from any subsequent date having regard to age, experience and qualifications at the time of appointment and hence the Mission had not contravened the Government orders. They also added that the official qualified for these increments by virtue of his high academic qualifications at the time of his initial appointment.

The reply is not acceptable because the advance increments were granted to the official on the specific ground that he had continued to perform duties exceeding his job description with efficiency and dedication, which was not permissible in view of the orders of Ministry of Finance referred to in the opening paragraph of this observation.

The unauthorised grant of increments by the Missions in violation of the extant rules resulted in total overpayment of Rs 33.85 lakh up to October 1998 and also a recurring liability to the Government.

The matter was referred to the Ministry in March 1998; their reply was awaited as of January 1999.

4.2 Extra expenditure in renting and purchase of accommodations

4.2.1 Renting of accommodation beyond entitlement

Leasing of residential accommodations by the Embassies of India at Almaty and the Berlin Office of the Embassy of India in excess of the prescribed plinth area norms fixed by MEA[1] resulted in additional expenditure of Rs 69.84 lakh.

It was mentioned in paragraph 4.3.1 of the Report of the Comptroller and Auditor General of India for the year ended March 1997; No. 2 of 1998-Union Government (Civil) that the Permanent Mission of India at Geneva leased residential accommodations for two Counsellor level officers with the covered area for each being almost double the entitlement prescribed under the IFS (PLCA) Rules. Scrutiny in audit further revealed that the Embassy of India Almaty and the Berlin Office of the Embassy of India also leased residential accommodations for the Counsellor and First Secretary level officers with the covered area more then their entitlement resulting in additional expenditure of Rs 69.84 lakh. The cases are discussed below:

Leasing of accommodation exceeding the ceiling by 106 and 157 *per cent* resulted in extra expenditure of Rs 22.69 lakh.

The Embassy of India, Almaty leased the residential accommodation for two officers of the rank of Counsellor and First Secretary which exceeded the prescribed limit of 170sq metres and 150sq metres by 106 and 157 *per cent* respectively, resulting in extra expenditure of US$ 62,308 (equivalent to Rs 22.69 lakh at the rate of exchange of US$ 1 = Rs 36.42) as shown below:

[1] Ministry of External Affairs

Name of occupant	*Type of accomm-odation*	*Covered area (sq mtrs)*	*Lease period*	*Annual rent (US$)*	*Total rent paid upto Feb 98*	*Excess space (sq metres)*	*Proportionate rent paid for excess space (US$)*
Sh. Sunil Jain, Counsellor	Cottage	350	4.7.95 to 4.7.98	20100	53600	180	27566
Col. PC Kharbanda, Defence Attache	Cottage	385.90	2.5.94 to 1.5.97	20000	60000	200.70**	31205
	Cottage	385.90	2.5.97 to 1.8.97	1700*	6800	200.70**	3537
Total							**62308**

** Monthly rent*
*** Excluding 35.2sq metres of garage*

Leasing of accommodation exceeding the ceiling by 76 and 118 *per cent* resulted in extra expenditure of Rs 47.15 lakh.

The Berlin Office of the Embassy of India leased the residential accommodations for two officers of the rank of First Secretary which exceeded the prescribed limit of 150sq metres by 76 and 118 *per cent* respectively resulting in extravagant expenditure of DM 2,26,378 equivalent to Rs 47.15 lakh at the rate of exchange of 1 DM = Rs 20.83 during the period November 1993 to June 1998 as shown below :

Designation	*Date of leasing*	*Covered area*	*Period of rent*	*Total rent paid*	*Proportionate rent of excess space*
				(DM)	(DM)
First Secretary & HOC	01.11.93	263.58	01.11.93 to 30.06.98	250552	107966
First Secretary & Director (ICC)	12.12.94	327.64	12.12.94 to 11.06.98	218400	118412
Total				**468952**	**226378**

The Mission at Almaty stated, in August 1997, that the living area of Defence Attache's residence was 173.2sq metre and the rest of the area consists of basement (124sq metres), storage area, corridors, staircases, varandah, etc. The situation was the same in the case of the residential accommodation of Counsellor also. The Mission added that within the rental ceiling it was difficult to locate in the city centre suitable houses for senior officers befitting their representational requirement. Therefore, one had to strike a balance between the size of the accommodation and the prescribed rental ceiling.

The reply of the Mission shows disregard to the MEA's guidelines which has laid down the total plinth area of 170sq metres for Counsellor level officer and 150 sq metres for First Secretary and the plinth area is inclusive of these

elements. Further, rental ceilings as fixed by MEA are circumscribed by the entitlement of the officers.

The Berlin Office stated, in December 1996, that they were unable to find any suitable residence within plinth area norms and added that in both the cases specific sanction from MEA was obtained for hiring the accommodation. Subsequently in April 1998 the Mission stated that MEA had issued a sanction in April 1998 for regularisation of hiring of these accommodations.

The reply of the Mission is not correct as the sanction of MEA issued in September 1993 was subject to norms, which were neither adhered to nor were they even informed about the excess plinth area. On receipt of the audit observation the Mission moved MEA for regularisation of hiring of excess space. MEA approved in April 1998 hiring of these accommodations, rather than fixing responsibility for non-compliance of its orders and taking remedial action.

4.2.2 Extra expenditure on purchase of property beyond entitlement

Purchase of residential accommodation exceeding the entitlement of the concerned officer by 45 *per cent* by the Embassy of India at The Hague, resulted in extra expenditure of Rs 60.21 lakh.

Counsellor Level Oficers are entitled to residential accommodation of 170 sq metres.

Embassy of India at The Hague purchased a property for residential accommodation for a Counsellor Level Officer with built up area of 246 sq metres in June 1995 at a cost of Dfl[1] 957 thousand. The area of the accommodation purchased exceeded the prescribed ceiling of residential accommodation of 170 sq metres by almost 45 *per cent*.

The Mission had received offers for purchase of 16 houses in September 1994 itself but sent proposals as late as in December 1994 to MEA[2] for purchase of two residential houses for Counsellors with plinth area 189.90 sq metres and 184.92 sq metres without enclosing structural evaluation report. Mission and MEA delayed the decision on purchase of these properties. In the mean time these houses were sold out in the third week of January 1995.

MEA approved purchase of residential property with 246 sq metres area at The Hague against its own orders.

The Mission sent a proposal on 3 March 1995 for purchase of a house with built up area of 246 sq metres for the Counsellor. MEA conveyed their approval in March 1995 to the proposal of the Mission to purchase this house for Dfl 935 thousand. The Mission purchased the property in June 1995 at a total cost of Dfl 957 thousand which included notary charges, registration fee and broker's commission. The Mission ought to have looked for property with built up area within the entitlement of the officer. The Ministry also failed to insist on compliance to its own orders and accorded approval for

[1] Dutch Florins
[2] Ministry of External Affairs

purchase of property with 45 *per cent* more built up area. Mission ignored another offer of property with 182 sq metres.

Ministry's improper sanction cost an extra Rs 60.21 lakh.

On *pro rata* basis, the MEA's approval for purchase of a bigger house ignoring its own orders was extravagant by Dfl 295 thousand equivalent to Rs 60.21 lakh. With reference to the rate of another house with built up area of 182 sq metres which was offered for sale by the agents in September 1994 the MEA spent extra Dfl 166 thousand equivalent to Rs 33.88 lakh.

It is recommended that Ministry should ensure that the ceiling on plinth area of accommodation to be purchased for residential accommodation by Missions is strictly followed in future.

The Ministry stated in July 1998 that in the country like Netherlands it was difficult to exactly match our criterian of area always as the residential accommodations are constructed on the minimum need basis and if they had gone for purchase of a property having smaller area, the representational area would have been very small one.

The contention of the Ministry is not acceptable because due to delayed action by the Mission and the Ministry, they could not purchase the property with smaller area at lower cost.

4.2.3 Extravagant expenditure on leasing of office space and service charges

Leasing of 10000 sq feet of office space by the CGI[1] at Birmingham against their maximum requirement of 5500 sq feet resulted in extra expenditure of Rs 76.11 lakh upto December 1998 and avoidable liability of Rs 4.54 crore for the entire lease period. Besides CGI also paid extra service charges of Rs 15.83 lakh.

The CGI, Birmingham leased an office accommodation of 10000 sq feet for a period 26 years with effect from 25 December 1993, far in excess of their requirement of 5500 sq feet assessed by the MEA[2]. They incurred an extra expenditure of Rs 76.11 lakh upto December 1998. It committed an avoidable extra liability of Rs 4.54 crore for the entire lease period.

On expiry of the lease of the existing accommodation, CGI, Birmingham called for offers through advertisement in local newspapers in order to finalise a new lease for office accommodation in March 1993. The six offers received ranged from 6000 sq feet to 10000 sq feet of total area of accommodation with

[1] Consulate General of India
[2] Ministry of External Affairs

parking facilities. The rents quoted per annum ranged from £6.75 per sq feet to £10.00 per sq feet.

CGI Birmingham negotiated with only one landlord against offer of four.

Although four out of six respondents had agreed to negotiate the rent, CGI negotiated the terms of offer only with the owner of the building with an area of 10000 sq feet at the Spencer Hockley. With the approval of MEA, CGI entered into an agreement with the landlord of the Spencer Hockley on 10 May 1995 for leasing 10000 sq feet of space for a period of 26 years at an annual rent of £ 38000 retrospectively from 25 December 1993, the date from which they had occupied the building. The leasing of accommodation, which was almost double their requirement, betrays less concern for economy in expenditure.

It leased office accommodation at double the requirement for 26 years

CGI spent an extra rent of Rs 76.11 lakh and undertook extra liability of Rs 4.54 crore.

This resulted in extra expenditure of £ 125427 (Rent:£ 85776 and Service Charge: £ 39651) equivalent to Rs 76.11 lakh at the rate of exchange of £ 1 = Rs 60.68 upto December 1998. The total extra liability on the Government of India for the entire period of lease of 26 years on pro-rata basis is likely to be £ 749 thousand equivalent to Rs 4.54 crore exclusive of service charges.

Scrutiny further disclosed that CGI did not incorporate the offer of the landlord for payment of service charges at the rate of £ 1.80 to £ 2 per sq ft. per annum in the agreement. The documents of the CGI disclosed that it did not restrict the service charges to this amount and instead paid £ 88113 during November 1993 to March 1997, as claimed by the landlord against £ 62027 payable at the maximum rate of £ 2 per sq ft. per annum and thus paid an extra £ 26086 equivalent to Rs 15.83 lakh.

CGI paid extra service charges of Rs 15.83 lakh.

In his bid the landlord had proposed a rent review every five years, whereas the terms of the agreement provided for the first review after five years and thereafter, every three years. This has unnecessarily left the Government exposed to demands for higher rent at a frequency more than what was asked for.

The leasing of more accommodation and modifications of the terms in the agreement to the benefit of the landlord call for an investigation.

The Ministry stated in November 1998 that they approved leasing of the premises because the rent was considerably lower than that demanded by the new landlord of the previous premises. They added that the extra space would be utilised for commercial and cultural activities in view of the large population of the community of Indian origin and for opening of more service counters for consular services.

The contention of the Ministry was not acceptable because they had assessed the requirement of space of 5500 sq feet on the basis of staff strength of the CGI and the requirement of space for commerce and cultural activities was not considered before leasing of the premises. Further, the Ministry did not mention the reasons as to why negotiation was made only with the landlord of the Spencer Hockley.

4.3 Negligent retention of funds in non-interest bearing account

HCI[1] London and MEA[2] unnecessarily retained £ 1.01 million out side the Government account in a non-interest-bearing account for over five years, during which the Consolidated Fund of India had to bear an interest liability of Rs 5.39 crore on this amont financed out of borrowing.

The government of India ran a fiscal deficit of Rs 36325 crore to Rs 60244 crore during each year during 1991-96 at the maximum rate of interest of 14 *per cent*, which implies that to the extent of the fiscal deficit, the expenditure of the Union Government was met out of borrowed funds, thus, any amount unnecessarily kept outside the Consolidated Fund of India meant a wasteful interest cost to the Government.

The High Commission unnecessarily retained £ 1.01 million in non interest bearing account for over five years.

On closure of the erstwhile India Supply Wing in the HCI at London in August 1990, the residual work was entrusted to a small unit in the High Commission. Out of the total amount of £ 1.50 million received by them to liquidate the contractual liabilities, the High Commission utilised only £ 0.49 million up to April 1991 and retained £ 1.01 million, equivalent to Rs 7.33 crore[3], in a non-interest-bearing current account unnecessarily for more than five years until March 1996, when it was noticed by the Director of Finance during his visit to the High Commission. Even after this, the Ministry and the High Commission took about three months to transfer this amount to the Chancery account, while every month the Government was losing interest of about Rs 8.55 lakh[3]. All these years, the High Commission neither merged the amount with the Chancery account nor repatriated it to MEA.

This was indicative of negligence of the concerned officers and system-shortening .

Unnecessary retention of such a large amount in the non-interest bearing account was neither noticed by the High Commission nor by the Ministry of External Affairs, including the Chief Controller of Accounts and the Internal Audit. It underscores a negligent attitude towards Government account by the High Commission of India and of the MEA and its Chief Controller of Accounts.

The negligence in retaining this amount in non-interest-bearing account cost Rs 5.39 crore.

The cost of negligence of the concerned officers in the High Commission of India in London and those in the Ministry of External Affairs in retaining the large amount in non-interest bearing account was a total Rs 5.39 crore[3] during April 1991 to June 1996.

This calls for an investigation to fix accountability as also for streamlining the system of oversight over unnecessary retention of funds outside the Government account.

The Ministry stated, in October 1998, that the matter under reference involved detailed examination of accounts of HCI London and they would take some

[1] High Commission of India
[2] Ministry of External Affairs
[3] Pound equivalent to Rs 72.62 at the official rate of exchange of November 1998

more time to send their response. Ministry's response was awaited as of January 1999.

4.4 Unauthorised payment of bonus to locally recruited employees

The payment of bonus for 1996 and 1997 to locally recruited employees in violation of delegated powers by the Embassy of India, Washington, thePMI[1], New York and the four Consulates in the USA resulted in inadmissible expenditure of Rs 45.79 lakh.

Embassy of India, Washington (Mission) conveyed their approval in December 1997 to the PMI, New York and the four Consulates in the USA for payment of bonus for 1997 to locally recruited staff in violation of the powers delegated to Heads of Mission and thus incurred an expenditure of US$ 111272 equivalent to Rs 44.02 lakh at the rate of exchange of 1 US$ = Rs.39.56 which was not admissible.

Conditions for exercise of delegated powers

In terms of item 18 of Schedule V of "Financial Powers of Government of India's Representatives Abroad", Head of Missions and Posts have been delegated with powers to grant bonus to locally recruited employees provided that such payment is necessary according to the local custom and is restricted to one months's salary limited to US$ 1000. CGI[2], Houston paid bonus equivalent to one month's pay to five local staff in December 1996 and January 1997, without establishing the necessity to pay bonus based due to local custom. CGI, Houston made another payment of bonus to the local staff in December 1997.

Extension of inadmissible payment to others

Instead of taking corrective action on the inadmissible payments made by CGI, Houston, the Embassy of India, Washington which is the controlling Mission for all Indian Consulates in the USA conveyed their approval in December 1997 through fax message to all Consulates in USA and to the PMI, New York for payment of one month's salary as bonus restricted to US$ 1000 to the locally recruited staff on the ground of anticipated approval of Ministry for better pay scales and other amenities to local staff. The payment of bonus was, therefore, not based on the necessity to meet a local custom which was a pre-requisite for exercise of delegated power. The Embassy of India paid bonus to its own staff also.

[1] Permanent Mission of India
[2] Consul General of India

Inadmissible payment despite audit objection

The above sanction for payment of bonus was objected to by Audit on 02 January 1998, even before the payments were made. The Mission, however, chose to ignore the advice and went ahead with the payment.

The amounts of bonus for 1997 paid by the Embassy of India in Washington and other Consulates at Chicago, Houston, New York and San Francisco and PMI, New York were as under:

Sl.No.	Mission/Post	No. of persons	Amount	Date of payment
1.	Embassy of India, Washington	44	$43700 (Rs 17.35 lakh)	05 January 1998
2.	CGI, Chicago	7	$6895 (Rs 2.74 lakh)	13 January 1998
3.	CGI, Houston	6	$5610 (Rs 2.07 lakh)	24 December 1997
4.	CGI, New York	25	$24640 (Rs 9.78 lakh)	01 January 1998
5.	CGI, San Francisco	17	$15562 (Rs 6.18 lakh)	05 January 1998
6.	PMI, New York	15	$14865 (Rs 5.90 lakh)	06 January 1998
	Total	**114**	**$111272 (Rs 44.02 lakh)**	

In addition, CGI, Houston had paid US$ 4940 equivalent to Rs 1.77 lakh as bonus for the year 1996.

All the CGIs and the Head of Chancery, PMI, New York stated that they followed the directions of the Mission in Washington for making the payment of bonus.

No valid evidence in support of custom

The Embassy of India, Washington did not produce valid evidence by way of ordinances, orders rulings etc. of Federal, State or local governments necessitating payment of bonus based on established local custom. The sanction for grant of bonus by the CGI, Houston in the first place in 1996, as well as the approval by Embassy of India at Washington for grant of bonus in 1997 was in disregard of the limit on their powers and was, therefore,

unauthorised. The Missions and Posts incurred an inadmissible expenditure of US$ 116212 equivalent to Rs 45.79 lakh in December 1996, December 1997 and January 1998.

Deputy Chief of the Mission at Washington stated, in August 1998, that the delegated power to the Heads of Missions for grant of bonus is determined by the satisfaction of the Head of Mission that such payment is necessary according to the local custom.

However, the satisfaction of the Heads of Mission cannot be on arbitrary consideration but ought to be backed by irrefutable evidence which did not exist.

The Deputy Chief further stated that the issues of payment of bonus and better pay and service conditions were not linked. This contention is not borne by the facts stated in the note dated 20 December 1997 of Head of Chancery and his own recommendation dated 30 December 1997 to the Ambassador which begin with "need for better pay to the local employees". It is clear from the grounds for approval of the bonus that an unauthorised action by CGI, Houston was made the basis for spreading the inadmissible payment to all Missions in the USA.

Ministry's stand

It was seen from the correspondence of Director (Finance) to the Deputy Chief of Mission in September 1998 that while he advised him to refer any further payment to MEA[3], no cognizance of the unauthorised action by the CGI, Houston in the first place and that of the Embassy of India at Washington subsequently in granting an inadmissible payment of Rs 45.79 lakh was taken. MEA further stated *"Prima facie* it appears from the factors brought out in the correspondence so far that the Mission considered it desirable to disburse such bonus in accordance with the local custom".

This was despite the fact that there was no evidence of any such local custom which, is the basic pre-condition for exercise of the delegated powers. The MEA also ignored the evidence that the back ground for the Embassy of India in grant of bonus was "their proposal for increase in the salary etc. of the local employees pending with the MEA" rather than any custom, which could not be expected to spring up suddenly in 1996 in Houston and in 1997 all over the USA.

[3] Ministry of External Affairs

CHAPTER V : MINISTRY OF FINANCE

5.1 Avoidable extra expenditure of Rs 2.82 crore

General Manager India Government Mint, Mumbai had to incur extra expenditure of Rs 2.82 crore on account of his failure to take action to recover damages from the erring contractor.

India Government Mint, Mumbai had to incur a loss of Rs 2.82 crore due to non-completion of the contract for the construction of the plant building besides its failure to take action to recover the damages as per the terms of the contract.

On the recommendation of the Consultants, General Manager, India Government Mint, Mumbai invited limited tenders and awarded the contract to HSCL[1] in March 1994, for construction of plant buildings for modernisation of the Mint. The total cost of civil works as per the contract was Rs 4.78 crore (Package I-Rs 3.66 crore plus Package II-Rs 1.12 crore).

As per the terms of the contract, the work was to be completed within 16 months from the effective date of contract i.e. 15 June 1993 and 01 July 1994 for Package I and II respectively. The terms of agreement also provided that if the contractor neglected to execute the work with due diligence or expedition or refuse, the owner might rescind or cancel the contract holding the contractor liable for the damages that the owner might sustain in this regard.

Scrutiny of records of India Government Mint, Mumbai revealed that HSCL carried out the work costing Rs 2.49 crore (Package I -Rs 1.41 crore plus Package II-Rs 1.08 crore) and unilaterally stopped doing further work from February 1995. The left over work was awarded to National Building Construction Corporation Ltd. at a cost of Rs 5.11 crore in March 1996, with the grant of further extension to National Building Construction Corporation Ltd. The work was due to be completed by the end of December 1998. Thus, the India Government Mint had to incur extra expenditure of Rs 2.82 crore due to failure of HSCL to complete the contract. No action to recover the risk and cost damages from HSCL was initiated by the General Manager of the Mint despite having specific provision in the contract.

General Manager, India Government Mint, Mumbai stated that since HSCL is a public sector undertaking, no action to recover the damages could be intiated without direction from Ministry of Finance. However, the General Manager did not furnish evidence in support of having sought the permission of the Ministry for not effecting risk and cost recovery from the public sector undertaking.

[1] Hindustan Steel Works Construction Ltd.

The reply of Mint that action could not be initiated against HSCL as it is a public sector unit is not tenable as no public sector unit can abandon the work without liability. The General Manager, India Government Mint, Mumbai should have initiated action to recover the damages as per terms and conditions of the contract.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

5.2 Avoidable expenditure of Rs 56.33 lakh

Failure of GM[1], CNP[2], Nasik Road to make sure that amounts due to the bankers for import of bank note paper are credited immediately resulted in avoidable payment of Rs 56.33 lakh towards interest.

GM, CNP entered into a contract with Portals Ltd., UK in January 1993 and December 1994 for procuring bank note paper.

As per the contract, GM, CNP was required to pay 90 *per cent* of each consignment through irrevocable LOC[3]. Portals Ltd. submitted bills for each consignment of bank note paper sent to CNP, Nasik to their bankers, Midlands Bank, for payment. Midlands Bank, in their turn, credited the sums claimed in the bills from SBI[4], London for spot payment.

However, it was noticed that during the period 1993-97 there was a time lag ranging from one to 15 days between the date on which SBI, London paid bankers of Portals Ltd and the date on which GM, CNP made payments to SBI, Nasik Road.

SBI, Nasik Road, therefore, charged the GM, CNP the prevailing rate of interest as applicable on overdrafts between 18.25 to 21.75 *per cent* after taking into account the number of days from the date of crediting the supplier's account by Midlands Bank to the date on which GM, CNP made payments to SBI, Nasik Road. Delay by the GM, CNP in making timely payments of these bills, thus, resulted in avoidable payment of interest of Rs 56.33 lakh. Had the amount been credited to the Bank on the same day, the payment of such overdue interest would have been avoided.

The Ministry stated, in June 1998, that the interest payment made by CNP, Nasik to SBI are to be treated as LOC operating charges and such payments are unavoidable during operation of LOC. Ministry added that the overdue

[1] General Manager
[2] Currency Note Press
[3] Letter of Credit
[4] State Bank of India

interest amount was attributed to the time lag on the amount paid by the SBI, London to the exporters bank and its recoupment from CNP through SBI Nasik. The delay was stated to be due to movement of documents presented by the exporters and their scrutiny by the bankers.

The contention of the Ministry about inescapability of interest payment is not acceptable. The interest payment was entirely avoidable if the GM had made arrangements for on line communication among the bankers and between the bankers and himself to make sure that the amounts were credited in SBI, Nasik Road on the same day.

5.3 Avoidable expenditure on demurrage/container detention charges

Failure of SCI[1] to indicate the place of delivery in the bill of lading for the shipment of coin blanks resulted in avoidable extra expenditure of Rs. 13.84 lakh

Failure to indicate place of delivery resulted in extra expenditure of Rs 13.84 lakh for demurrage/ detention charges.

India Government Mint, Noida, entered into agreement in February 1995 with an Italian Mint for supply of 3277.5 tonne of stainless steel coin blanks, which included 177.812 tonne for India Government Mint, Hyderabad. Ten containers containing the coin blanks meant for Hyderabad Mint loaded under two different bills of lading on 1 July 1996 landed at Chennai Port on 31 August 1996. Though all the 10 containers were required to be sent to Hyderabad for clearance at Internal Containers Depot Hyderabad, only seven containers with 123.989 tonne of coin blanks arrived at Containers Depot Hyderabad, and were cleared between 7 and 13 October 1996. The remaining three containers with 53.823 tonne of coin blanks were detained at the Chennai Port up to 24 December 1996, due to non-filling up of the column "Place of delivery" in the 'not negotiable' copy of the bill of lading forwarded to the SCI, Chennai. This column was, however, filled up as 'Hyderabad' in the original bill of lading sent to Hyderabad Mint through the Noida Mint. SCI stated that their foreign agent due to supply of wrongly typed matter by the forwarding agent of the Mint committed the mistake. The forwarding agent of the Mint did not accept this contention.

The agents of SCI did not fill up the column in the bill of lading "Place of delivery" in three containers.

The consignment could be cleared only on 25 December 1996. The delay in clearance of the goods involved extra payment of Rs 13.84 lakh comprising demurrage charges of Rs 3.16 lakh to the Chennai Port for 116 days and container detention and storage charges of Rs 10.68 lakh to SCI for 113 days who were themselves responsible for the delay. This could have been avoided had the Department initiated early action and pursued the matter for delivery of the goods.

[1] Shipping Corporation of India

Ministry stated, in September 1998, that the matter had been taken up with Chief Controller of Chartering, Ministry of Surface Transport, for refund of demurrage/detention charges.

Department of Revenue

5.4 Erroneous payment of stamp duty and registration fees

Commissioner of Central Excise and Customs, Bangalore paid stamp duty of Rs 1.58 crore on purchase of property, which was exempt from stamp duty.

Sale deeds obtained by the Central Government in Karnataka are exempt from payment of stamp duty under a special order of Government of Karnataka of 1973.

Commissioner of Central Excise and Customs Bangalore, however, paid stamp duty and registration charges of Rs 1.58 crore during February – March 1996 on purchase of 289 ready built flats from Karnataka Housing Board without verifying, if such duty is payable by the Central Government.

Upon being pointed out by Audit, in January 1997, the Commissioner took up the matter for refund of the amount paid erroneously with the Government of Karnataka. The refund was yet to be received as of November 1998.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

5.5 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATN[1] on five Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of December 1998 revealed as under:

[1] Action Taken Notes

- Ministry failed to submit ATNs in respect of three Paragraphs included in the Audit Reports up to and for the year ended March 1996.

Audit Report Number and Year	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.
2 of 1997	5.6	Eco. Affairs	Irregular retention of excess subsidy by State Bank of India under SEEUY Scheme.

- Though, the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time limit of four months for furnishing the ATNs had elapsed in October 1998 the Ministry did not submit ATNs on following Paragraphs:

Audit Report Number and Year	Paragraph Number	Department	Subject
2 of 1998	5.6	Eco. Affairs	Short utilisation of subsidy under PMRY.
2 of 1998	5.7	Revenue	Non-realisation of penalties.

The position of pending ATNs was referred to the Ministry in October 1998. In their reply in November 1998, Ministry confirmed the position of ATNs in respect of Department of Economic Affairs. Ministry's comments in respect of Department of Revenue were awaited as of January 1999.

CHAPTER VI : MINISTRY OF HEALTH AND FAMILY WELFARE

Department of Health

6.1 Non-achievement of objective by Depot Wing

Failure of MSD[1], Chennai to take appropriate action for meeting the entire requirement of all indentors and to reduce the staff, resulted in non-achievement of its objective.

MSD, Chennai was established in 1942 to cater to the needs of hospitals and institutions. One of the main functions of the MSD is to act as the Central Purchase Organisation for procurement and supply of medicines, surgical equipment and other medical stores. The Medical Depots are run on "no profit and no loss basis". The indentors are charged actual cost of procurement plus ten *per cent* towards departmental charges to cover the expenditure on storage and establishment etc.

Scrutiny of the records of purchase and supply of medicines and equipment in audit revealed that the Depot received indents from 157 institutions for medicines and equipment costing Rs 44.54 crore during 1993-98. During this period, expenditure of Depot, including establishment expenditure of Rs 6.46 crore, was Rs 7.13 crore while it could recover only Rs 4.05 crore as departmental charges, leaving a deficit of Rs 3.08 crore.

The inability of MSD to recover the establishment and other charges is attributable to larger staff strength than required. This was established in a study by Tata Consultancy Services, conducted in March 1996 that MSDs were grossly overstaffed. The Assistant Director General, MSD attributed the short recovery to indentors not following the prescribed procedures, reduction in the number of indentors from 2234 in 1980 to 210 in 1990 etc.

Cross check of documents in the offices of the Director CGHS[2] Chennai, Dean JIPMER[3], Pondicherry and the Medical Officers of three Government Hospitals in Pondicherry disclosed that they placed indents with MSD, Chennai only to the extent of 38, 13 and nine *per cent* of their requirement respectively. While the heads of the first two institutions stated, in June 1998, that MSD did not meet their entire requirement in full in time, Government of Pondicherry directly fixed annual rate contracts with various manufacturers.

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[1] Medical Stores Depot
[2] Central Government Health Services
[3] Jawarharlal Institute of Post-graduate Medical Education and Research

Thus, in the light of reduced demand by indentors, delays in procurement and supply of medicines etc., the continued justification of maintaining the MSD needs to be re-examined with a view to reducing the staff strength drastically or its closure.

The matter was referred to Ministry in June 1998; their reply was awaited as of January 1999.

6.2 Extra expenditure on account of temporary electricity connection in Safdarjung Hospital

Lackadaisical approach of MS[1], Safdarjung Hospital led to delay of 42 months in converting the temporary electricity connection which attracts tariff at double the normal rate, into permanent resulting in avoidable extra payment of at least Rs 1.20 crore.

Temporary electricity connections are charged at double the normal tariff by NDMC[2]. It is incumbent upon the head of any Government institution to either *ab-initio* obtain permanent electricity connection or convert a temporary connection obtained for any unavoidable reason to permanent connection, as soon as possible, so that avoidable charges for electricity consumption are not paid. MS Safdarjung Hospital did not take effective steps to convert the temporary electricity connection for OPD Phase-III building. As a result, he made avoidable payment of over Rs 1.20 crore towards electricity consumption for temporary connection for 42 months, which could have been applied to patient care.

MS delayed application for permanent connection by 15 months.

While applying for conversion he did not attach completion certificate.

MS took another one year to obtain the completion certificate.

MS kept the completion certificate for ten months but did not forward it to NDMC.

MS took 15 months from August 1992 to November 1993 to get transfer of the temporary electricity connection in his name from that of the Executive Engineer, Central Public Works Department, Electrical Construction Division-I, in whose name the connection was originally taken in August 1992. Yet, when he sent the request to NDMC for conversion of the temporary connection into permanent in December 1993, he did not enclose the completion certificate of the building from the Chief Architect of the NDMC.

NDMC on their part took ten months to turn down the request for conversion of the electric connection into permanent, in the absence of completion certificate. It is not clear if the MS made any efforts during these ten months to know the fate of his application for conversion of electric consumption at double the normal rate. Even after the rejection of the request by NDMC, the MS took another one year to obtain the completion certificate in December 1994 and another ten months to forward it to NDMC in October 1995.

[1] Medical Superintendent
[2] New Delhi Municipal Council

NDMC took another four months to treat the temporary connection as permanent from the end of February 1996.

While the to and fro correspondence, incomplete information and apathy delayed the conversion of temporary electricity connection into permanent for about 42 months since August 1992, all along the avoidable payment at an average of Rs 3.16 lakh per month was taking place. The aggregated excess payment due to temporary connection during January 1993 to February 1996 was Rs 1.20 crore, which was entirely avoidable.

The matter was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

6.3 Oxygen Concentrator lying idle in Safdarjung Hospital

Arbitrary decision of MS[1], Safdarjung Hospital for procurement of oxygen concentrator costing £ 106029 equivalent to Rs 50 lakh in April 1995 resulted in the equipment lying idle as of December 1998.

MS did not take prior action to prepare the site.

Under German Aid Scheme, DGHS[2] placed an order with Rimer Alco, U.K. through its Indian agent UNISSI (India) in March 1995 for import of three oxygen concentrators at a cost of £ 318089 and allocated one of them to Safdarjung Hospital against their requisition. MS took up the matter with CPWD in July 1995 for construction of room for installation of the equipment, after receipt of the equipment in April 1995. The room for installation of oxygen concentrator was completed at an expenditure of Rs 6.15 lakh in December 1997 i.e. 2-3/4 years after receipt of the equipment, but the equipment had not been installed as of December 1998. The equipment had been kept in original packings in store.

Safdarjung Hospital incurred expenditure ranging from Rs 25 lakh to Rs 27 lakh during 1995-98 on the purchase and supply of oxygen.

Safdarjung Hospital procures the oxygen from trade in cylinders. The expenditure on their purchase and supply during the three years 1995-98 was between Rs 25 lakh and Rs 27 lakh *per annum*. Adding the expenditure of about Rs 28 lakh during April 1998 to December 1998, the total expenditure on procurement of oxygen from trade in 3-3/4 years was about Rs 1.06 crore. Thus, while the concentrator languished in store, the MS preferred to purchase oxygen from trade at a huge cost of Rs 1.06 crore, which could have been applied to patient care.

The then Medical Superintendent wrote to DGHS in July 1997 i.e. more than two years after receipt of the oxygen concentrator that the Head of Anaesthesia Department did not want the oxygen concentrator and requested him to shift it to some other hospital. It is noteworthy that the then MS had

[1] Medical Superintendent
[2] Director General Health Services

specifically requested for oxygen concentrator in January 1995. The MS who wrote to DGHS about shifting of the equipment on the plea that Head of Department Anaesthesia did not want it ought to have been aware that this facility was meant for use by various Departments of the hospital.

DGHS asked the MS in October 1997 to install the equipment on priority. Despite this, the MS had already delayed installation for about 14 months, during which period he continued to spend on an average more than Rs two lakh per month on purchase of oxygen cylinders.

Warranty on the equipment was for 24 months from the date of installation. Since the equipment has already spent about four years in store, the enforceability of warranty is doubtful.

The Ministry of Health and Family Welfare stated in December 1998 that the installation of oxygen concentrator was in process.

Avoidable expenditure of over Rs 1.06 crore on purchase of oxygen while the oxygen concentrator was lying in store in boxed condition for more than 3-3/4 years calls for fixing responsibility.

6.4 Non-recovery of Rs 31.75 lakh

DGHS[1] paid an extra Rs 20 lakh on import of Cardiac Catherizer and failed to levy liquidated damages of Rs 11.75 lakh.

Ministry suffered a loss of Rs 31.75 lakh on the purchase of a Cardiac Catherizer, because of non recovery of money overpaid due to exchange rate variatioin and liquidated damages from the supplier firm.

DGHS placed order for cardiac catherizer.

DGHS placed a supply order on Philips Medical Systems India Ltd., New Delhi in March 1994 for supply of one Cardiac Catherizer (Digital Substraction Angiography) for JIPMER[2], Pondicherry. The price of the system was NLG[3] 1313786 equivalent to Rs 2.15 crore at March 1994 exchange rate, which was payable through Letter of Credit to Philips Medical Systems, Netherlands and Rupee equivalent of NLG 99039 to the Indian agent towards agency commission.

DGHS extended delivery period conditionally.

The supplier failed to deliver the equipment within the scheduled delivery period of March 1994. On the request of the supplier, DGHS extended the delivery period twice; first up to 16 August 1994 and again up to 28 February 1995, subject to the condition that any adverse effect on the exchange rate variation due to the extension in delivery period would be to the supplier's

[1] Director General Health Services
[2] Jawaharlal Institute of Post-graduate Medical Education and Research
[3] Netherlands Guilder

account and that liquidated damages at the prescribed rate of two *per cent* for each month of delay subject to a maximum of five *per cent* would be recovered.

DGHS did not spell out how the clause of safeguard against exchange rate variation during the extended period of delivery would be enforced since the payment for the equipment was required to be made to the foreign firm i.e. Philips Medical Systems of Netherlands, through Letter of Credit in foreign currency.

Extra payment of Rs 20 lakh due to exchange rate variation made to supplier.

DGHS did not recover the liquidated damages of Rs 11.75 lakh.

The equipment was received in August 1994. The Pay and Accounts Officer JIPMER released the payment of Rs 2.35 crore, being the Rupee equivalent of NLG 1313786 at the current rate of exchange in August 1994 rather than restricting to the NLG equivalent of Rs 2.15 crore in terms of the extension of the delivery period. Thus, in terms of Indian Rupee JIPMER had to pay an extra Rs 20 lakh due to exchange rate variation. The DGHS has not been able to recover it from the Indian agents namely; Philips Medical Systems India Ltd., New Delhi. Even out of the agency commission, 50 *per cent* payment has already been released to the Indian agent. Besides, DGHS/JIPMER did not recover the liquidated damages of Rs 11.75 lakh.

DGHS stated, in July 1996, that 50 *per cent* of the payment to the Indian agent was yet to be paid and the rights and obligations of the purchaser had not yet been fully discharged by the seller. However, DGHS/JIPMER had not been able to realise the amount of loss due to exchange rate variation and liquidated damages totalling Rs 31.75 lakh as of November 1998. Against this, DGHS/JIPMER is holding only Rs 8.10 lakh, due to the Indian agent towards agency commission. Chances of recovery of the balance amount appear remote.

The Department in its reply in November 1998 admitted that extension in delivery period was granted on 03 May 1994 with reservation of purchaser's right to levy liquidated damages for delayed supplies and any adverse effect on the exchange rate variation due to extension in delivery will be to the supplier's account. The delivery period was further extended on 02 February 1995 from 16 August 1994 to 28 February 1995 with the aforesaid condition. They however, added that the aspect of exchange rate variation was not mentioned in the terms and conditions of the contract which in any case, was on firm and fixed price basis and such loss can only be a notional loss.

The argument advanced by the Department is not tenable. Although the aspect of exchange rate variation was not mentioned in the contract, yet it was a precondition for extension of delivery period issued from time to time. Moreover, the loss on this account cannot be treated as notional. It was an actual loss since the Department had to pay Rs 20 lakh over and above the amount payable due to exchange rate variation caused by extension in delivery period on the request of the supplier. The comments submitted by the DGSD[1]

[1] Director General of Supplies and Disposal

on reference made by the department in this regard also substantiate the audit observation as it stated that the extension letters issued by the department should specifically state denial of any extra rupee payment on account of appreciation of the foreign currency and similar stipulation safeguarding government interest should also be made in the extension of Letter of Credit beyond the original delivery period.

The Department instead of taking action to recover the amount referred the matter to Ministry of Law, Ministry of Finance and Ministry of Commerce. Ministry of Commerce stated that they had no specific views and there were no policy issue involved. They added that, this is purely a contractual issue and the terms of the tender/contract can take care of such contingency. The DGHS is unnecessarily treating it as a policy issue and mixing it with the specific case of this contract in which the condition of extension granted by him clearly provided for freezing the Rupee payment to the then prevailing value of the NLG. As a result no action has been taken for the recovery, even after a lapse of more than three years.

Responsibility should be fixed for overpayment and non-recovery of the liquidated damages.

6.5 Recovery at the instance of Audit

Upon being pointed out by Audit, Medical Stores Organisation had recovered an amount of Rs 5.87 lakh and for balance Rs 5.83 lakh had instructed other GMSDs[1] to effect the recovery from the concerned firms.

Director General Health Services revised the rates of some specific combinations of medicines for 1993-94 and 1994-95 in October 1994. The revised rate for the tablets with combination of Trimethoprim IP 90 mg and Sulphadiazine IP 410 mg was fixed at Rs 91.70 per packing of 10x10 tablets for 1993-95. The GMSD New Delhi purchased this medicine during 1993-95 from eleven firms at rates ranging between Rs 127.50 and Rs 144 per packing of 10x10 tablets resulting in extra payment of Rs 11.70 lakh.

On this being pointed out by Audit, in September 1997, the Assistant Director General, Medical Stores Organisation stated, in November 1998, that recovery of Rs 5.87 lakh had been effected and for balance of Rs 5.83 lakh, seven other GMSDs have been instructed to make recovery of price difference.

[1] Government Medical Stores Depot

6.6 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[1] on three Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as on 31 December 1998 revealed as under :

Ministry failed to submit ATN in respect of one Paragraph included in the Audit Report up to and for the year ended March 1996.

Audit Report Number and Year	Paragraph Number	Subject
2 of 1997	7.7	Non-functional CGHS polyclinic at Patna.

Though, the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time limit of four months for furnishing the ATNs had elapsed in October 1998, the Ministry did not submit ATNs on the following Paragraphs :

Audit Report Number and Year	Paragraph Number	Subject
2 of 1998	7.2	Loss due to expired medicines
2 of 1998	7.3	Loss due to time expired anti-leprosy drugs

The position of pending ATNs was referred to the Department in October 1998; their reply was awaited as of January 1999.

[1] Action Taken Notes

CHAPTER VII : MINISTRY OF HOME AFFAIRS

7.1 Payment of inadmissible rent and municipal tax

The Joint Director, Census Operations, Calcutta paid excess of Rs 11.86 lakh towards tax and Rs 2.44 lakh as rent for the hired building in contravention of the contractual provision of the lease agreement.

Joint Director hired building in disregard of his financial power.

With a view to segregating the editing and coding cell from the Regional Tabulation Office, housed at West Bengal State Warehousing godown at a monthly rent of Rs three per sq ft, the Joint Director, Census Operations, Calcutta hired a separate accommodation of 8286 sq ft from 01 July 1992 at an all inclusive monthly rent of Rs four per sq ft. The Joint Director entered into a lease agreement with the executor of the estate in September 1993 without taking approval from the RGI[1]. As per the delegation of powers, he was not competent to hire the building. As per the terms of the agreement, the lease commenced from 01 July 1992 at a monthly rent of Rs 33144 which included taxes and assessment charges.

The RGI conveyed his post facto approval in November 1993 for hiring of the accommodation subject to rent assessment by CPWD[2] and obtaining an undertaking from the landlord that the rent would be lower of the rent assessed by the CPWD or that provided in the lease agreement. The CPWD assessed the rent at Rs 5.28 plus Rs 6.31 towards municipal tax per sq ft per month in December 1993.

Scrutiny of records in April 1998 revealed that the Joint Director did not obtain any undertaking from the landlord that the rent will be lower of that agreed to by him in the lease agreement or the fair rent certified by CPWD in disregard of the Registrar's General direction. The Joint Director unauthorisedly paid Rs 10.06 lakh as rent and Rs 12.03 lakh as municipal taxes at the higher rate of Rs 5.28 sq ft towards rent and Rs 6.31 sq ft towards municipal tax as assessed by CPWD for the period from July 1992 to May 1994, though as per the agreement only lower of the two i.e. all inclusive rent of Rs 4 per sq ft provided in the lease agreement or the rent fixed by CPWD at Rs 11.59 per sq ft including municipal tax was payable. While making unauthorised payment towards municipal tax, the Joint Director did not verify actual amount paid by the landlord. Examination disclosed that the landlord paid only Rs 17144 towards municipal tax for the premises during the said period. The premises were dehired in May 1994 on the instruction of RGI.

[1] Registrar General of India
[2] Central Public Works Department

The Joint Director paid excess of Rs 11.86 lakh towards tax and Rs 2.44 lakh as rent in contravention of the lease agreement.

Thus, the action of the Joint Director, Census Operations, Calcutta ignoring the orders of the RGI to obtain an undertaking from the landlord for acceptance of the lower of the two rents and his failure to verify the actual payment of municipal tax resulted in excess payment of Rs 11.86 lakh towards municipal taxes and Rs 2.44 lakh towards rent in disregard of the provision of the lease agreement and the orders of the RGI.

Since the excess payment of Rs 14.30 lakh is directly attributable to the unauthorised/negligent action, it calls for investigation and fixing of responsibility. This also calls into question the rent fixation by CPWD.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

7.2 Recovery at the instance of Audit

Upon being pointed out by Audit, Ministry of Home Affairs obtained refund of Rs 66.91 lakh, being the balance of deposits made by NSG[1] for opening of letters of credit.

NSG deposited Rs 3.49 crore with the State Bank of India for opening letters of credit to make payment for import of equipment during June 1996 to June 1997. The State Bank of India made payment to the suppliers during March 1997 to June 1998. NSG had deposited an extra 20 per cent of the price in each case to cater for escalation and contingency. However, they did not obtain refund of the balances left over after letter of credit payments by the SBI. As a result, total amount of Rs 66.91 lakh remained with the Bank.

Upon being pointed out by Audit, the NSG obtained a refund of Rs 66.91 lakh in July 1998 and claimed interest on the balances with the Bank. Recovery on account of interest on the unspent balance from the Bank was, however, still awaited as of January 1999.

[1] National Security Guard

7.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[1] on 19 Audit Paragraphs which included Paragraphs relating to Uts.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as on 31 December 1998 revealed as under :

Ministry failed to submit ATNs in respect of seven Paragraphs included in the Audit Reports up to and for the year ended March 1996.

Audit Report Number and Year	Paragraph Number	Functional Ministry/ Department	Subject
2 of 1997	8.1	Home Affairs	Wasteful expenditure due to injudicious decision.
2 of 1997	17.1 *	Environment	Working of Forest Department.
2 of 1997	17.2 *	Water resources	Variation in execution of work.
2 of 1997	17.4 *	Urban Affairs & Employment	Wasteful expenditure.
2 of 1997	17.11 *	Non-Conventioinal Energy Source	Nugatory expenditure.
2 of 1997	17.12 *	Rural Development	Failure to supply potable water.
3 of 1997	1	Home Affairs	Modernisation of Prison Administration.

[1] Action Taken Notes

Though, the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time limit of four months for furnishing the ATNs has elapsed in October 1998, the Ministry did not submit ATNs on following Paragraphs :

Audit Report Number and Year	Paragraph Number	Functional Ministry/ Department	Subject
2 of 1998	8.1	Home Affairs	Unauthorised purchase of vehicles.
2 of 1998	16.1 *	Civil Aviation	Extra expenditure on extension of runway.
2 of 1998	16.2 *	Surface Transport	Delay in fabrication of chassis.
2 of 1998	16.3 *	Surface Transport	Failure to provide night navigation.
2 of 1998	16.4 *	Agriculture	Un-recovered stock : Rs 24.90 lakh.
2 of 1998	16.5 *	Labour	Unfruitful expenditure on a centre.
2 of 1998	16.6 *	Agriculture	Overstocking of plant protection chemicals leading to wasteful expenditure.
2 of 1998	16.7 *	Surface Transport	Excess payment of freight.
2 of 1998	16.9 *	Urban Affairs & Employment	Idle investment.
2 of 1998	16.10 *	Urban Affairs & Employment	Under realisatioin of fee.
2 of 1998	16.11 *	Urban Affairs & Employment	Failure to avail rebate on cess.
2 of 1998	16.12 *	Energy	Working of Electricity Department.

* *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 ATNs is to be monitored by the Ministry.*

The position of pending ATNs was referred to the Ministry in October 1998; in their reply Ministry has confirmed the facts.

CHAPTER VIII : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

Department of Culture

8.1 Non-receipt of books and journals

Failure of the Director, National Library, Calcutta to enforce the provisions of the Delivery of Books (Public Libraries) Act, 1954 resulted in non-receipt of books worth Rs 29.35 lakh. Besides, the library did not receive foreign journals for which it had paid annual subscription of Rs 8.36 lakh in advance.

The Director, National Library, Calcutta did not evolve any effective system to get information on the new books published in India and to ensure receipt of all such books in the Library, as prescribed in the "Delivery of Books (Public Libraries) Act, 1954". This resulted in non-receipt of books worth Rs 29.35 lakh from the different publishers the data on whose publications were available.

Every book published in India shall be delivered to the library at the expense of the publisher.

The Act, as amended from time to time, stipulates that the publisher of every book published in India shall deliver at his own expense, a copy of the book to the Library within thirty days from the date of publication. In case of non-receipt of the copy, the Director of the Library may make a complaint to the court against the concerned publisher for his failure to deliver the copy and such complaint shall be inquired into and tried by the court according to procedure laid in the Code of Criminal Procedure, 1898.

Books worth Rs 29.35 lakh published in India were not delivered to the National Library.

Scrutiny, in February 1998, revealed that the Library had not established any effective system to ascertain the number of books published in India by different publishers. In the absence of such a mechanism the Director could not monitor the number of books received as per the Act against the actual number of books published and was unable to enforce the provisions of the Act on the defaulting publishers for non-receipt of books. Since no documents provided a comprehensive information on the books published in the country during a year, a test check of the catalogue of 14 publishers/distributors alongwith relevant records of the Library limiting to books priced at Rs 500 and above only was carried out in Audit. It revealed that of 1445 books published during 1997-98 each valuing Rs 500 and above, 1317 books representing 91 *per cent* valuing Rs 29.35 lakh had not been delivered to the Library. The Director, however, made no inquiry with or complaint against the publisher(s) as per provisions of the Act.

Non-receipt of subscribed journals

The Library also procures foreign journals from different agencies against annual subscriptions made in advance. As per agreement(s) between the Library and the agencies, in case of non-receipt of any copy/journal, the agent would submit credit notes for the requisite amount for the undelivered journals.

The library did not receive journals for which advance payment of Rs 8.36 lakh had been made.

Test check, in February 1998, revealed that for the period from 1984 to 1997 the Library in respect of 132 titles had not received 1245 volumes of journals out of the 1470 volumes receivable during 1984 to 1997 and for which an advance of Rs 8.36 lakh had been paid to the publishers. The Director did not initiate any follow up action to obtain the journals from the defaulting publishers and in many cases continued to make advance payments to the defaulting agencies without having received any of the outstanding journals from these agencies.

The Library, an old and prestigious institution of national status had over the years evolved no effective system nor had utilised an effective means to ensure receipt of a copy of a new publication in India or even the receipt of all the journals for which it had made advance payments. This resulted in non-receipt of new books and subscribed journals worth Rs 37.71 lakh

The matter was referred to the Ministry in May 1998; their reply was awaited as of January 1999.

8.2 Non-allotment of staff quarters

Failure of the Director, National Library in effectively planning and taking adequate follow up action resulted in 67 *per cent* of type IV quarters lying vacant for periods upto more than nine years and loss and avoidable payment of Rs 22.86 lakh, by way of payment of House Rent Allowance and non-receipt of licence fee.

The Library has within its campus, 48 type IV residential quarters under the administrative control of the Director. As per the rules, staff drawing at least a minimum pay of Rs 8500 per month in the revised scale are entitled for allotment of type IV quarters.

Out of 48 quarters only 16 had been allotted.

Scrutiny of records of the Library, in February 1998, revealed that of the 48 type IV quarters only 16 had been allotted. The remaining 32 quarters representing 67 *per cent* of the total type IV staff quarters were lying vacant for periods ranging between nine months and over nine years.

The Library Information Officer stated, in February 1998, that the quarters could not be allotted as there were no eligible members. He added that the Ministry had been approached for relaxation of eligibility criteria.

It was, however, seen during audit that even out of 16 type IV quarters allotted, four were allotted to ineligible staff. The Director approached the Ministry for relaxation in February 1995, on which a response was still awaited. It was not available from the records why 48 quarters of type IV had been constructed around 1960, when the number of officials eligible for allotment were so few. As a result, 32 quarters situated in the heart of metropolitan city of Calcutta were lying vacant for period ranging from nine months to over nine years.

32 quarters were lying vacant for periods ranging from nine months to over nine years.

The licence fee of the 32 type IV quarters for the period they remained vacant would be Rs 3.50 lakh and the house rent allowance paid to the staff for the said period would be Rs 19.36 lakh.

The Library sustained a loss of Rs 22.86 lakh for non-allotment of the quarters.

It is recommended that effective and immediate action be taken to allot the vacant quarters to the members of staff by relaxing eligibility or by releasing the excess quarters to the general pool.

The matter was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

8.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[1] on four Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India - Union Government (Civil) as on 31 December 1998 revealed as under:

Ministry failed to submit ATNs in respect of two paragraphs included in the Audit Reports up to and for the year ended March 1996.

[1] Action Taken Notes

Audit Report Number and Year	Paragraph Number	Department	Subject
2 of 1997	9.2	Culture	Lapses in purchase of antiquities.
3 of 1997	2	Education	Restructuring and Reorganisation of Teacher Education.

Though, the Audit Report for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time limit of four months for furnishing the ATNs has elapsed in October 1998, the Ministry did not submit ATNs on following Paragraphs:

Audit Report Number and Year	Paragraph Number	Department	Subject
2 of 1998	9.1	Education	Extra expenditure on publication of advertisements.
3 of 1998	2	Education	Total Literacy Campaign.

The position of pending ATNs was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

CHAPTER IX : MINISTRY OF INFORMATION AND BROADCASTING

9.1 Undue benefit to the sponsor of the programme 'Main Dilli Hoon'

Grant of extra FCT[1] to the sponsor of the programme 'Main Dilli Hoon' resulted in an undue benefit of Rs 3.09 crore to the sponsor with a corresponding loss to Doordarshan.

For a programme of 45 minutes duration, Doordarshan charged sponsorship fee at double the rate of half an hour slot and allowed 210 seconds of FCT instead of *pro rata* sponsorship fee and FCT. This resulted in an undue benefit of Rs 3.09 crore to the sponsor with a corresponding loss to Doordarshan for 57 episodes telecast from August 1997.

Inappropriate principle in application of Rate Card for odd duration programmes

Cases of undue benefit to sponsors and equivalent loss of opportunity to Doordarshan due to incorrect principle in application of Rate Card in odd duration programmes, not explicitly mentioned in the Rate Card, were pointed out in Audit Reports for the year ended March 1996 and March 1997 (No.2 of 1997 and No. 2 of 1998) as detailed below :-

S. No	Name of the Programme	Duration (Minutes)	Period	FCT per episode (Seconds)		Monetory Loss (Rs in lakh)	Reference to Paragraph of Audit Reports
				Allowed	Admissible		
1.	News Tonight	20	February 95 to March 95	210	120	62.53	11.1 (No.2 of 1997)
		20	April 95 to June 95	210	140	37.33	
2.	Aaj Tak	20	July 95 to October 96	210	140	537.90	11.2 (No.2 of 1997)
3.	Nazaare	05	March 95 to September 95	90	30	198.87	11.4 (No.2 of 1997)
4.	Sri Krishna	45	September 95 to January 96	240	180	54.88	11.6 (No.2 of 1997)
5.	Entertainment Now	05	325 episodes from June 96 to October 97 and 65 episodes thereafter	110	35	686.00	11.6 (No.2 of 1998)
6.	Metro Club	20	August 95 to June 96	210	140	253.00	11.9 (No.2 of 1998)
7.	Hello Bombay	20	July 95 to February 96	210	140	42.38	11.9 (No.2 of 1998)
						1872.89	

[1] Free Commercial Time

Previous Audit Reports had brought this anomaly, yet DG did not apply *pro rata* rates.

Although, Doordarshan became aware of this anomaly and had applied *pro rata* rate in case of another serial 'Sri Krishna' from 14 January 1996 after telecast of 16 episodes on half hour block rate (Paragraph 11.6 of Report No.2 of 1997), yet Director General Doordarshan approved another sponsored programme 'Main Dilli Hoon' of 45 minutes duration from 9.20 PM to 10.05 PM for telecast on DD-I every Saturday from 9 August 1997 on following terms and conditions:-

For 1 to 13 episodes

Application of one hour rates to a programme of 45 minutes duration.

Telecast fee was charged at Rs six lakh per episode, equivalent to the telecast fee applicable for programme of one hour duration in place of Rs 4.50 lakh applicable on *pro rata* basis for a programme of 45 minutes duration.

The sponsor was allowed FCT of 210 seconds per episode in place of *pro rata* FCT of 135 seconds.

From 14 episode

Telecast fee was charged at Rs 7.20 lakh per episode equivalent to the telecast fee applicable for the programme of one hour duration in place of Rs 5.40 lakh applicable for the programme of 45 minutes duration.

The sponsor was allowed FCT of 210 seconds per episode in place of *pro rata* FCT of 135 seconds.

By not adopting *pro rata* FCT and sponsorship fee, the sponsor benefited at the cost of public exchequer.

In this bargain, while Doordarshan charged additional sponsorship fee of Rs 1.50 lakh per episode for first 13 episodes and Rs 1.80 lakh per episode thereafter, the sponsor was granted excess FCT of 75 seconds valuing Rs six lakh per episode for first 13 episodes and Rs 7.50 lakh per episode for next 44 episodes, calculated at the spot-buy rate prescribed in the Rate Card.

Resultant undue benefit of Rs 3.09 crore for 57 episodes.

This resulted in undue benefit of Rs 3.09 crore to the sponsor with a corresponding loss to Doordarshan, for 57 episodes of which 52 episodes were telecast up to September 1998 and extension for another five was approved in October 1998 as shown below :-

(Rupees in lakh)

Episode Number	FCT (per episode)				Rate of SBR per 10 seconds	Value of excess FCT
	Admissible	Allowed	Excess	Total Excess		
1 to 13	135	210	75	975 (75x13)	0.80	78.0
14 to 52	135	210	75	2925 (75x39)	1.0	292.5
5 extended episodes	135	210	75	375 (75x5)	1.0	37.5
Total value of extra FCT to sponsor (A)						**408.0**

Additional Sponsorship fee obtained

Episode Number	Sponsorship fee (per episode) Rupees in lakh			
	Chargeable	Charged	Short (-) Excess (+)	Additional sponsorship fee
1 to 13	4.5	6.0	+ 1.5	(1.5x13) 19.5
14 to 52	5.4	7.2	+ 1.8	(1.8x39) 70.2
5 extended episodes	5.4	7.2	+ 1.8	(1.8x5) 9.0
Total Additional revenue to Doordarshan (B)				**98.7**
Net benefit to the sponsors (A) – (B) 408.0 – 98.7				**309.3**

The matter was referred to the Ministry in December 1998; their reply was awaited as of January 1999.

9.2 Unclaimed revenue of Rs 2.06 crore

Doordarshan did not claim its share of Rs 2.06 crore from NFDC[1] in the revenue generated in the commercials during the telecast of Hindi feature film 'Besharam'.

Doordarshan did not follow the provisions of the agreement for calculating the value of Commercial Time used during the telecast of the feature film 'Besharam'. It resulted in short billing of the NFDC by Rs 2.06 crore on account of Doordarshan's share in the revenue generated during telecast of this feature film.

DG Doordarshan entered into an agreement with NFDC for telecast of film 'Besharam'.

Director General, Doordarshan entered into an agreement on 19 December 1996 with NFDC for the telecast of a Hindi feature film 'Besharam' on Channel-I of Doordarshan. As per terms and conditions of the contract, NFDC was entitled for 2100 seconds of commercial time subject to the condition that the NFDC would not market the same below the following rates :-

- 700 seconds during the first hour of feature film at the rate of Rs 120000 per ten seconds.
- 700 seconds during the second hour of feature film at the rate of Rs 75000 per ten seconds.
- 700 seconds during the third hour of the feature film at the rate of Rs 50000 per ten seconds.

[1] National Film Development Corporation

It was also provided in the agreement that in case the commercial time utilised exceeded the admissible time in any slot, NFDC would be charged three times the rates for the first hour slot. Total revenue was to be shared between Doordarshan and NFDC in ratio of 70:30 subject to a minimum guarantee amount of Rs 75 lakh net of the agency commission. This film was telecast on Channel-I of Doordarshan on 20 December 1996.

Commercial time utilised exceeded during first and second hour.

NFDC utilised 738, 1245 and 215 seconds of commercial time during the first, second and third hour respectively. Since the commercial time during each hour was limited to 700 seconds, the rates of Rs 120000, Rs 75000 and Rs 50000 per ten seconds were applicable to commercial time less than or equal to 700 seconds for the first, second and third hour respectively.

The value of permissible commercial time of 700 seconds each for the first and second hour and 215 seconds in the third hour was Rs 1.47 crore. Doordarshan's share at 70 *per cent* of net amount of Rs 1.25 crore after allowing 15 *per cent* towards agency commission worked out to Rs 87.50 lakh.

Three times the rate of first slot to be charged in case of excess time in any slot.

Amount of Rs 2.10 crore was payable to Doordarshan for excess time utilised.

NFDC utilised 38 seconds and 545 seconds of commercial time over and above the maximum permissible commercial time of 700 seconds during the first and second hours respectively, which was to be charged at Rs 3.60 lakh per ten seconds, being three times the rate during the first hour, in terms of the provision of the contract. The amount due to Doordarshan on account of utilisation of more than 700 seconds of commercial time during each hour of the programme was Rs 2.10 crore.

Short-billing of Rs 2.06 crore.

Thus, the total amount due to Doordarshan was Rs 2.97 crore (Rs 87.50 lakh + Rs 2.10 crore). Against this, Doordarshan billed NFDC for only Rs 91.33 lakh, which was accepted by the concerned officer without comparing with the amount due as per the agreement with the sponsor. NFDC was thus, not billed for Rs 2.06 crore, which calls for investigation.

Controller of Sales Doordarshan stated, in January 1999, that an MOU[2] was signed between Doordarshan and NFDC on 08 August 1996 with a validity period of six months with effect from 1 September 1996. In terms of this MOU, Minimum Guarantee of Rs 88.25 lakh (gross) was fixed for Friday and Saturday feature films on channel-I of Doordarshan with free commercial time of 2100 seconds divided in three equal slots. He added that there was no provision in the MOU for charging three times the rate of the first slot in case the commercial time is exceeded in any slot.

This contention is not tenable as a specific agreement was entered into between Doordarshan and NFDC on 19 December 1996 for telecast of Hindi feature film 'Besharam' which clearly provided for charging NFDC at three

[2] Memorandum of Understanding

times the rate for the first hour for commercial time in excess of 700 seconds utilised in any single hour.

The matter was referred to the Ministry in December 1998; their reply was awaited as of January 1999.

9.3 Unfruitful expenditure

Failure of the Ministry to ensure proper utilisation of PGF[1] resulted in wasteful expenditure of Rs 1.23 crore on recurring expenditure without any activity besides unfruitful investment of Rs 2.66 crore on setting it.

In order to accomplish and ensure active involvement and participation of the people in programme production activities, Ministry approved in October 1986 a PGF Centre at Bareilly co-sited with 10 KW TV relay transmitter.

For the generation of composite programme of about 30 minutes duration based on the local coverage to be telecast every day, Doordarshan Kendra, Bareilly constructed a studio building complex at a cost of Rs 66.02 lakh in September 1991. It procured electronic equipment and a mobile studio van at a total cost of Rs 2.66 crore. Besides, it spent Rs 1.23 crore on establishment during 1991-97. Though the PGF Centre was inaugurated on 30 June 1995, no programme had been produced till April 1997, Ministry abolished 28 out of 37 sanctioned posts at PGF Bareilly in February 1995.

Prasar Bharti (Broadcasting Corporation of India) intimated in January 1998 that the Ministry of Information and Broadcasting took a policy decision to abolish a large number of posts at the PGF. It also intimated in September 1998 that the PGF had started weekly transmission of programme of 30 minutes duration since May 1997 which has been increased to 60 minutes from March 1998 against the targeted daily transmission of 30 minutes.

Thus, improper decision by Ministry to invest in the PGF without ensuring its use resulted in wasteful expenditure of Rs 1.23 crore on establishment of PGF during 1991-97 and idle investment of Rs 2.66 crore in addition to frustrating the desired purpose of daily transmission of 30 minutes even after an investment of Rs 2.66 crore.

The matter was referred to the Ministry in May 1998; their reply was awaited as of January 1999.

[1] Programme Generation Facility

9.4 National Press Centre - a non-starter

Failure of the PIB[1] to get possession of encroachment free land/plot resulted in non-achievement of the objectives for which land was allotted.

PIB has failed to start the construction of the National Press Centre, a modern centre with large conference hall with communication facilities etc., the urgency of which was professed as early as 1992-93. The foundation stone was laid by the Prime Minister in October 1994 yet the Ministry failed to even start the project.

PIB decided to establish National Press Centre at Central place at New Delhi.

PIB decided to establish the centre at a central place near the Parliament and Central Secretariat. The centre was to function as a focal point for dissemination of information and to provide better professional facilities to the media by the officials on the lines of facilities provided in the Press Centre at United Nations. It was to consist of large press conference hall, a briefing/conference room, modern acoustic system, photo library, reference library and other modern equipment like computer, tele-printer, fax machine, telephoto equipment etc.

L & D Office allotted plot at 3, Raisina Road, which was encroached by squatters.

PIB could not start the construction as the allotted land still remained encroached.

Ministry of Urban Development, (Land and Development Office) allotted in September 1994 to the Ministry of Information and Broadcasting a plot of land measuring 2042 square metre at 3, Raisina Road, New Delhi at Rs 27.56 lakh for setting up of the centre. PIB made full payment of Rs 27.56 lakh in February 1995 for the land and requested the Land and Development Officer of the Ministry of Urban Development to hand over the physical possession of the land. A portion of the land was under encroachment even at the time of allotment of the land. Land and Development Officer instead of ensuring removal of the squatters/unauthorised structures from the allotted land, shifted the responsibility through a clause in the allotment letter that removal of squatters/structures, if any, would be the responsibility of the allottee. PIB failed to take up the construction of the building for the centre as of May 1998 as the land continued to remain encroached by the unauthorised persons.

During 1995-98, Ministry provided Rs 2.20 crore to Rs five crore in the plan budget, against which they spent only Rs 1.66 lakh. Thus, while on one hand the budget provision of Rs 10.80 crore during the years 1995-98 remained unutilised, the construction of National Press Centre did not start.

Thus, failure of Land and Development Officer to transfer encroachment free land and the inability of the PIB to remove encroachment had resulted in the stated objectives remaining unfulfilled for over four years.

[1] Press Information Bureau

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

9.5 Unrecovered amount and benefit to sponsors

DG[1] Doordarshan did not recover Rs 1.55 crore towards the telecast of the programme 'Ek Se Bad Kar Ek'. Besides, the producer of the programme was given undue benefit of Rs 1.39 crore through levy of less minimum guarantee.

Test check of bills and realisation statement of amount due to Government in Doordarshan disclosed that DG Doordarshan did not realise Rs 1.22 crore towards telecast of the programme 'Ek Se Bad kar Ek' between January 1995 and October 1997 as of December 1998. Scrutiny of the documents in Doordarshan further disclosed that DG Doordarshan had fixed the minimum guarantee amount for this programme during 1994-95 and 1995-96 at a lower rate than the money value of the total commercial time provided to the producer.

As per the standard terms of the contract, the accredited agencies are required to deposit the dues within 60 days from the first day of the month following the date of telecast. Doordarshan is entitled to charge interest at the rate of 18 *per cent per annum* on all amounts due to it which are not paid within the stipulated period. The interest is to be charged from the day following the due date of payment and computed on monthly basis. If an accredited agency fails 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 accreditation.

DG Doordarshan did no t take effective action for the recovery of Rs 1.55 crore.

DG Doordarshan allowed the telecast of the programme till October 1997, although the agency only partly paid from January 1995 to February 1997 and made no payment from March 1997 onwards. DG Doordarshan did not take effective action for recovery of the dues of Rs 1.22 crore and interest of Rs 33.19 lakh up to December 1998, and even allowed the accreditation of the agency to continue till November 1997.

DG Doordarshan fixed the amount of minimum guarantee at lower than the value of commercial time.

Scrutiny of the terms for the telecast of the programme disclosed that DG Doordarshan did not fix the amount of minimum guarantee in terms of the value of commercial time made available to the sponsors. As per the Rate Card, the value of the commercial time of 420 seconds excluding the free commercial time for one hour programme 'Ek Se Bad Kar Ek' in Super 'A' category provided to the sponsors, worked out to Rs 23.80 lakh after allowing the agency commission of 15 *per cent* to the sponsors. Fixing the minimum guarantee of Rs 20 lakh by DG Doordarshan for the programme of one hour

[1] Director General

duration led to under charging of Rs 19 lakh for the five episodes of the programme telecast during January 1995.

As per the agreed terms the minimum guarantee was to be raised to Rs 25 lakh (net) and Rs 30 lakh (net) per episode from the sixth and eighth episodes respectively subject to the condition that DART rating increased beyond 35 and 40. While the DART rating reached the stated level DG Doordarshan continued to charge minimum guarantee for the telecast of the programme at Rs 20 lakh per episode until the 17th episode. The minimum guarantee was raised to Rs 25 lakh from the 18th episode and Rs 30 lakh from the 20th episode.

DG Doordarshan postponed the raising of the amount, the cost of which was Rs 1.39 crore.

The aggregate value of under-charging upto the 19th episode and commensurate benefit to the sponsors Media Asia Pvt. Ltd. due to the decision of DG Doordarshan to charge less than the commercial value of time provided to sponsors and postpone raising of the amount of minimum guarantee in terms of the agreement was Rs 1.39 crore.

The matter was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

9.6 Non-recovery of outstanding dues

Films Division, Lucknow failed to realise dues aggregating Rs 61.84 lakh from cinema owners for screening of its films.

Rules regulating the grant of license to cinema owners provided that cinema owners are bound to show the Films Division approved films, produced either by them or procured from any other source. Films Division, Lucknow was to collect the hire charges for its approved films from the cinema owners as per conditions of an agreement executed between Films Division and cinema owners. The Screening of Films Division films has been made optional after October 1995.

Test check of the records of Films Division, Lucknow in March 1998 revealed that Rs 61.84 lakh, pertaining to the period up to October 1995 was outstanding against 600 cinema owners of Haryana, Himachal Pradesh, Jammu & Kashmir, New Delhi, Punjab, Uttar Pradesh and Chandigarh towards hire charges as of September 1998.

Films Division stated, in May 1998, that the recovery of old dues could not be effected due to non-cooperation of District Licensing Authorities and lack of penalty clause in the agreement.

Thus, lack of appropriate and timely action by Films Division resulted in non-recovery of dues of Rs 61.84 lakh.

9.7 Outstanding dues of Employment News

Inadequate follow up of recoveries by the General Manager-cum-Chief Editor, Employment News resulted in outstanding dues of Rs 26.44 lakh of which Rs 6.65 lakh became irrecoverable from private advertising agencies.

Employment News is published to provide iinformation on job opportunities.

The Employment News published weekly by Publications Division provides the educated unemployed information on job opportunities. Advertisements to be published in this newspaper are collected through DAVP[1], private advertising agencies and directly from other government departments/undertakings.

As per the terms and conditions, payment for advertising booked through private agencies was to be made within 45 days, failing which interest at the rate of 18 *per cent* was chargeable. The credit facility was stopped from April 1995. However, from bodies other than private, the credit facility was continued and interest was not chargeable for delayed payments.

73 private advertising agencies owned Rs 31.83 lakh at the end of March 1995.

Examination of records of the Employment News revealed that as at the end of March 1995, Rs 31.83 lakh were recoverable from 73 private agencies for advertisements published in Employment News through them during 1982 to 1994. The General Manager-cum-Chief Editor, Employment News did not pursue the matter effectively till July 1995, except for issuing a few reminders. Business was continued with some of these agencies on receipt of part payments/assurance of speedy payments. Legal notices were issued during July 1995 to September 1995 to 56 out of the 73 defaulting agencies. Only Rs 5.39 lakh could be recovered leaving a balance of Rs 26.44 lakh recoverable from 59 agencies. Out of the balance, Rs 6.65 lakh involving 27 agencies had become bad debts since the whereabouts of firms were not known, while in some cases the suits were dismissed by court.

General Manager-cum-Chief Editor did not claim interest of Rs 34.46 lakh from defaulting agencies.

Besides, the General Manager-cum-Chief Editor, Employment News did not claim interest from the defaulting agencies in accordance with the rules, which works out to Rs 34.46 lakh as of December 1998. Further, the Government departments, Public Sector Undertakings also owed Rs 78.80 lakh as of 31 October 1998 to the Employment News.

The Chief Editor stated, in August 1998, that credit facility and shortage of staff were main reasons for the outstanding dues. Regarding non-levy of interest it was stated that charging of 18 *per cent* interest from agencies due to delay in payment of their bills is unrealistic and is likely to hamper business position as agencies enjoyed only 15 *per cent* commission on their business.

The reply underscores the absence of accountability for realisation of dues. The shortage of staff as being the reason is a post audit observation response, since no significant shortage existed during 1993-98. In so far the issue of his

[1] Directorate of Audio Visual Publicity

failure to levy the interest, the General Manager-cum-Chief Editor is not competent to decide on the merit of levy of interest. Besides, commission on advertisement and interest on defaulted payments are not linked to each other.

The Ministry stated, in December 1998, that out of total outstanding amount of Rs 31.83 lakh against private advertising agencies, Rs 5.39 lakh (Rs 4.35 lakh upto March 1998 and Rs 1.04 lakh thereafter) had been recovered. Rs 26.44 lakh was still outstanding against 59 agencies.

9.8 Non-realisation of revenue

In the following two cases, D.G.[1] Doordarshan arbitrarily accepted lower amount of revenue than that payable by the sponsors/partners in terms of agreements. The revenue arbitrarily foregone was Rs 1.22 crore.

I. BSI World Masters Cricket Tournament

Doordarshan entered into an agreement with Star TV for live telecast of the ten matches of BSI World Masters Cricket Tournament held in Mumbai during 03-12 March 1995. The salient features of the agreement were as under:

- Star TV was to bear the cost of rights to telecast.
- Doordarshan was to produce the programme for live telecast on Doordarshan channels and uplinking for Star TV. Doordarshan was to be paid by Star TV for the production at a price as mutually agreed between Doordarshan and Star TV.
- Star TV had the exclusive right for selling advertising time for which advertising sales commission of 15 *per cent* of the revenue was to be received by them.
- The minimum spot-buy rate for 30 seconds slot of advertising to be simultaneously aired on Doordarshan and Prime Sports was fixed at US$ 5000. The advertising revenue net of 15 *per cent* advertising agency commission, where actually paid and 15 *per cent* towards advertising sales commission was to be shared equally between Doordarshan and Prime Sports.

Doordarshan entered into an agreement with Star TV for telecast of a Cricket Tournament on revenue sharing basis.

[1] Director General

Non-realisation of advertising revenue

Doordarshan's share of revenue as per agreement worked out to Rs 1.36 crore.

As per the cue sheets of the BSI Cricket Tournament, the total advertising time used during the matches was 6995 second. The value of the advertising time at the minimum rate of US$ 5000 per 30 seconds equivalent to Rs 157500 at the exchange rate of 1 US $ equal to Rs 31.50 was Rs 3.67 crore. Doordarshan intimated that Star TV had paid advertising agency commission of Rs 46.66 lakh. The net revenue after allowing 15 *per cent* to Star TV towards advertising sales commission on the balance amount of Rs 3.20 crore worked out to Rs 2.72 crore. Thus, as per the agreement the share of the Doordarshan was Rs 1.36 crore.

Star TV paid only Rs 49.52 lakh and Doordarshan accepted it without verifying.

Against this, Star TV paid only Rs 49.52 lakh as share of Doordarshan. DG, Doordarshan accepted this amount in full and final settlement of the agreement though even as per the revenue statement of Star TV, the share of Doordarshan worked out to Rs 1.12 crore.

Doordarshan did not verify correctness of amount

Negligence by Doordarshan resulted in foregoing Rs 86.48 lakh.

Since, the advertising time utilised was available from cue sheets and the minimum rate of advertisement was pre-determined in the agreement, DG, Doordarshan ought to have calculated the revenue due on the basis of these two factors alone and any certificate by Star TV or a Chartered Accountant was irrelevant. DG, Doordarshan had, thus, arbitrarily foregone revenue of atleast Rs 86.48 lakh.

Similar cases pointed out in the past

Similar cases were included in the previous Audit Report.

Similar cases where DG, Doordarshan accepted the revenue statements of the sponsors/advertising agency rather than working out the revenue due to Doordarshan on the basis of agreement have been pointed out in earlier Audit Report of the CAG of India as under :-

Name and No. of the Report	No. and title of Paragraph	Amount of revenue short realised
Union Govt. (Civil) No. 2 of 1998	11.2 – Loss of Rs 6.82 crore	Rs 6.82 crore
Union Govt. (Civil) No. 2 of 1998	11.3 – Unrealised revenue – World Cup Hockey Tournament 1994	Rs 42 lakh

Possibility of more such cases

Since these cases were disclosed in random test check by Audit, possibility of more such cases can not be ruled out.

The concerned officers in Doordarshan ought to have checked the correctness of amount due to Doordarshan and claimed the government revenue accordingly. Their negligence has caused a loss to the public exchequer of a considerable amount.

The cases need detailed investigations and fixing of responsibility. Doordarshan should also prefer claims against the concerned sponsors/advertising agencies for payment of balance amount along with interest at market rate.

Payment of production charges to Doordarshan

As brought out above, Star TV was to make payment to Doordarshan towards production cost of the programmme at a price to be mutually agreed upon. Doordarshan, thus, left the quantum of payments by Star TV for the production of the programme open ended.

Documents relating to realisation from Star TV towards production cost of the programme were not furnished to Audit.

With a view to examining the basis on which the amount of production charges was fixed and verification of the actual realisation from the Star TV towards production cost, Doordarshan was requested to furnish the relevant documents and information. Doordarshan did not provide any evidence based on which production charges were paid. Thus, genuineness of the basis on which the amount to be paid by Star TV was determined and verification of whether the amount was actually realised could not be ascertained by Audit.

The matter was referred to the Ministry in September 1998; their reply was awaited as of January 1999.

II. Indira Gandhi Memorial Gold Cup Hockey Tournament

For Indira Gandhi Memorial International Gold Cup Hockey Tournament held from 04 February 1995 to 12 February 1995, the Tournament Committee requested DG Doordarshan in December 1994 to market the event with inland buyers. Doordarshan did not take any effective action on this request till 02 February 1995 when through a circular issued only two days before the start of the tournament, DG Doordarshan solicited booking from advertising agencies for sponsorship and spot-buys under three categories i.e. 'A-Special' 'A' and 'B' for the final, semi-finals and other matches respectively. No response was received from the advertising agencies. DG Doordarshan then asked Doordarshan Kendra, New Delhi on 04 February 1995 that Times Television and Nimbus Communications Private Limited be allowed to book sports on behalf of Doordarshan for live telecast of the matches. However, no

Failure of Doordarshan to market the commercial time resulted in a potential loss of Rs 34.68 lakh.

commercial time was sold during matches held from 04 to 07 February 1995. The loss of revenue to Doordarshan, due to their failure to utilise the commercial time during these matches was Rs 34.68 lakh.

Subsequently, on 07 February 1995 DG Doordarshan invited offers for sponsorship on MG[2] basis to market the air time during the matches from 08 to 12 February 1995. Only one bid from Nimbus Communications for MG of Rs 5.10 lakh with sharing of revenue beyond Rs six lakh in the ratio of 80:20 in favour of Doordarshan was received and accepted.

As per Doordarshan's Manual, the advertising agency was not to charge any advertiser for advertising time more or less than the rates prescribed by Doordarshan. This condition had been included in the agreement between the accredited advertising agency and Doordarshan Commercial Service.

DG Doordarshan did not claim Rs 35.66 lakh due in terms of agreement.

As per cue sheets indicating the details of telecast of commercial spots, Nimbus Communications utilised commercial time of 640, 540 and 1360 seconds during the final, semi-finals and other matches respectively during 08 to 12 February 1995. The value of the commercial time utilised by the agency at the spot-buy rates applicable to different categories of programmes worked out to Rs 59.50 lakh. In accordance with the agreed terms Doordarshan was entitled to recover Rs 40.76 lakh from the agency. DG Doordarshan did not produce evidence in support of demand or the realisation of the amount except the realisation of the amount of MG of Rs 5.10 lakh.

The Ministry stated, in February 1998, that the decision of scheduling the hockey matches for live telecast on Doordarshan was taken only on 01 February 1995. It added that under MG scheme, MG is fixed which the producer is to ensure to Doordarshan. They added that the issue of at what rate the marketing agency sells commercial time in the market is not important so long as the agency pays the MG. It further stated that the spot-buy rate fixed in the Rate Card is of relevance in respect of commercial time beyond the admissible free commercial time called additional spot-buys and as the agency did not utilise additional spot-buys, no amount was recoverable from the agency.

The reply of the Ministry is not tenable. Doordarshan was aware of the Tournament to be held from 04 February 1995 as early as in December 1994 and the decision taken on 01 February 1995 for scheduling the live telecast of matches was only due to negligent delay on its part to take timely action which resulted in loss of potential revenue of over Rs 34 lakh, worked out on the basis of commercial time used in other matches.

Ministry's reply relating to its failure to realise Doordarshan's share of revenue against the commercial value of the time utilised by the advertising agency is an attempt to ignore even the conditions established by Doordarshan itself as under :

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[2] Minimum Guarantee

(i) The international sports events are categorised as 'A-Special' for the purpose of sponsorship and spot-buy rate of commercial time. DG Doordarshan lowered the categorisation of league matches and semi-finals to 'B' and 'A' categories after examination of their popularity, demand for advertisement time etc. The revenue was, therefore, to be calculated at the spot-buy rates applicable to the respective categories of each match.

(ii) MG only assures the minimum revenue agreed to by the agency. If, however, the commercial value of the advertisement time utilised by the agency is more than the amount of the MG, the amount in excess of the MG is to be shared between Doordarshan and the agency/sponsor in the ratio provided in the agreement. The agreement in this case provided for sharing of revenue in the ration of 80:20 in favour of Doordarshan. There was, thus no intention to limit the revenue to the amount of the MG.

(iii) The spot-buy rates applicable to different categories of programme is very much relevant for working out the commercial value of the advertisement time utilised by the agency. The terms of agreement between the advertising agency and Doordarshan clearly stipulates that the agency would not sell the commercial time at lower or higher rate than those prescribed in the Rate Card. Therefore, Doordarshan has been negligent in not recovering the amount due to it in terms of the agreement and the resultant non-recovery was Rs 35.66 lakh.

Thus, Doordarshan should investigate the matter to fix responsibility for causing loss to the Government through acts of omission/commission in not enforcing the terms of the agreement with the advertising agency.

9.9 Non-recovery of advertising charges

Failure of the Station Director, All India Radio, Calcutta to take effective action for recovery of dues as per contract led to non-realisation of arrears of Rs 20.85 lakh and interest of Rs 5.43 lakh.

The Station Director, Commercial Broadcasting Service, All India Radio, Calcutta did not take effective action for recovery of dues from the accredited agencies, which resulted in non-realisation of arrears of Rs 26.28 lakh from the agencies.

Station Director, Commercial Broadcasting Service enters into contracts with agencies for broadcasting of advertisements on the primary radio channels of ten stations in West Bengal, Asssam and Tripura. Clause 18 of the contract provides for recovery of penal interest at the ratio of 18 *per cent per annum* and/or automatic cancellation of the accreditation of the agent for non-payment of dues by the due date on more than three occasions in a year or

within 45 days after the prescribed credit period of 45 days from the first month following the date of broadcast.

The Ministry did not furnish Action Taken Note on Para 3.11 of Report No. 2 of 1996.

Mention was made in Para 3.11 of Audit Report, Union Government (Civil) for the year ended 31 March 1995 – No. 2 of 1996 regarding non-realisation of advertising charges of Rs 8.58 lakh relating to the period 1988-95 and non-imposition of penal interest on the defaulting agencies. The Ministry, however, did not furnish any Action Taken Note on the paragraph as of November 1998.

Scrutiny of records in the All India Radio, Calcutta in April 1998 revealed the yearwise position of outstanding dues as under:

Year	Amount (Rs in lakh)
1985-95	5.89
1995-96	4.37
1996-97	5.94
1997-98	4.65

Advertising charges were lying outstanding upto more than ten years.

Thus, advertising charges were lying outstanding upto more than ten years. Some of the major agencies against which the amounts were outstanding were Lintas Limited (Rs 3.52 lakh), Norvicson Advertising (Rs 2.23 lakh), Reg General (Rs 2.03 lakh)

The Station Director did not initiate any action for recovery of outstanding advertising charges.

The Station Director did not initiate any action for realising the outstanding advertising charges and the agencies continued to default in making payments of the advertising charges. The outstanding dues had increased substantially to Rs 20.85 lakh as of March 1998. The interest recoverable at the rate of 18 *per cent per annum* on the arrears worked out to Rs 5.43 lakh as of March 1998. The Station Director, however, had neither charged the penal interest nor cancelled accreditation of any agency for non-payment of advertising charges.

Thus, inspite of mention in the earlier Audit Report, the Station Director did not take any effective follow up action for prompt recovery of dues as per contract, which led to no-realisation of arrears of Rs 20.85 lakh and interest of Rs 5.43 lakh.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

9.10 Non-recovery of outstanding advance and non-levy of penalty

DG,AIR[1] did not recover penalty of Rs 20.45 lakh from a contractor who defaulted on construction of FM towers. Besides, they recovered advance of Rs 15.32 lakh after eight years only after being pointed out by Audit.

Failure of CE(WZ)[2] to take prompt action for timely recovery of advance and penalty from Triveni Structurals Ltd. resulted in a loss to the Government.

For FM Broadcast Services set up at local radio stations, DG, AIR New Delhi placed an order in December 1986 for supply and erection of 23 FM Towers of 100 metre height with Triveni Structurals Ltd. for Rs 4.09 crore. As per terms and conditions of the contract, the work was to commence in January 1989 and completed by August 1989 and if the supply was delayed by the contractor penalty at one fourth *per cent* of the total cost of equipment per week subject to a maximum of five *per cent* of the total cost of equipment was to be imposed. Extension was granted with penalty clause up to March 1990.

Scrutiny in January 1997 revealed that Triveni Structurals Ltd. could complete only 18 towers and that too beyond the stipulated period. As a result of delay, the total penalty leviable on Triveni Structurals Ltd. was Rs 20.45 lakh. Instead of imposing the penalty the work pertaining to the remaining five towers was withdrawn in January 1990 from Triveni Structurals Ltd. and handed over to civil construction wing of AIR in 1990. Even the advance of Rs 16.15 lakh paid to Triveni Structurals Ltd. for the work of five towers was not recovered. The advance remaining outstanding for eight years provided an unintended benefit of Rs 23.26 lakh to the contractors at 18 *per cent per annum*.

Only when Audit pointed out the non-recovery of advance in January 1997, CE(WZ) recovered Rs 15.32 lakh in October 1998. The balance recovery of advance of Rs 0.83 lakh and penalty of Rs 20.45 lakh are still to be made.

9.11 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[3] on 13 Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India – Union Government (Civil) as on 31 December 1998 revealed as under :

[1] Director General, All India Radio
[2] Chief Engineer (West Zone)
[3] Action Taken Notes

Ministry failed to submit ATNs in respect of five Paragraphs included in the Audit Reports up to and for the year ended March 1996.

Audit Report Number and Year	Paragraph Number	Subject
2 of 1995	3.2	Setting up and functioning of FM Radio Stations
2 of 1996	3.11	Non-recovery of outstanding dues.
2 of 1997	11.1	Undue benefit to the producer of programme 'News Tonight'.
2 of 1997	11.4	Allowing of extra FCT resulting in undue benefit to producer of programme 'Nazaare'.
2 of 1997	11.11	Unfruitful investment in automatic message switching system by Press Information Bureau.

Though, the Audit Report for the year ended 31 March 1997 was laid on the table of Parliament in June 1998 and the time limit of four months for furnishing the ATNs has elapsed in October 1998, the Ministry did not submit ATNs on the following Paragraphs :

Audit Report Number and Year	Paragraph Number	Subject
2 of 1998	11.1	Four Nation Independence Cup – 1997
2 of 1998	11.2	Loss of Rs 6.82 crore
2 of 1998	11.3	World Cup Hockey Tournament – 1994 : Unrealised revenue
2 of 1998	11.6	Undue benefit of Rs 6.86 crore : 'Entertainment Now'
2 of 1998	11.7	Benefits to the producer of the programme 'MTV'
2 of 1998	11.9	Loss due to excess FCT in programmes 'Metro Club' and 'Hello Bombay'
2 of 1998	11.10	Undue benefit to Sponsors
2 of 1998	11.12	Non-recovery of outstanding dues

The position of pending ATNs was referred to the Ministry in October 1998; their reply was awaited as of January 1999.

CHAPTER X : MINISTRY OF LABOUR

10.1 Short levy of cess

DG[1] (Labour Welfare) did not establish system to verify the correctness of cess levied by CBFC[2] which resulted in short levy of Rs 43.69 lakh.

DG (Labour Welfare) and CBFC between them were responsible for short levy of cess of Rs 43.69 lakh from the producers due to application of lower rates on the certification of 1725 feature films as under:

(Rs in lakh)

Period	Number of feature films	Amount of cess recoverable as per revised rates	Amount actually recovered	Balance amount recoverable
13.10.94 to 31.3.95	329	18.92	10.33	8.59
1.4.95 to 31.3.96	692	41.05	13.92	27.13
1.4.96 to 31.3.97	632	36.83	28.88	7.95
1.4.97 to 31.3.98	72	2.16	2.14	0.02
Total	**1725**	**98.96**	**55.27**	**43.69**

Cess is leviable on production of every feature film

As per the Cine Workers Welfare Cess Act, 1981 a cess at the rate not less than Rs 1000 and not exeeding Rs 20000 was leviable at the time of certification of every feature film. The cess is collected by the Ministry of Information and Broadcasting through CBFC and deposited in the Cine Workers Welfare Fund for financing the welfare activities of Cine workers. This fund is administered by the Ministry of Labour through DG (Labour Welfare) and Welfare Commissioners. Ministry of Labour revised the rates of cess on feature films as under through notification dated 13 October 1994.

(In Rupees)

Language	Rate of cess per feature film
Hindi films	10000
Tamil, Telugu, Kannada and Malyalam films	5000
Bengali, Marathi and Gujarati films	3000
Oriya, Assamese and all other regional language films	2000

Cess of Rs 43.69 lakh recovered short on 1725 feature films.

Scrutiny of records of the DG, Labour Welfare Organisation in October 1996 and information collected from the regional CBFC offices revealed that revised rates of cess as per notification of October 1994 were not levied on certification of feature films. This resulted in short levy of cess of Rs 43.69

[1] Director General
[2] Central Board of Film Certification

lakh by CBFC due to application of lower rates from the producers of 1725 feature films of Hindi, Tamil, Telugu, Kannada, Malyalam, Marathi, Bengali, Punjabi and Garwali.

DG (Labour Welfare) did not establish means to verify correctness of cess collected.

DG (Labour Welfare) receives monthly statements from CBFC, Mumbai indicating only the amount of cess collected during the month and its progressive totals. The proforma in which report is received did not contain the number of films in different languages which were provided certification and therefore, DG (Labour Welfare) had no means to check correctness of the rate and the amount of collection. Yet, he failed to demand this information from the CBFC, Mumbai.

On this being pointed out by Audit, in August 1997, Secretary to the Government of India, Ministry of Labour intimated in September 1997 that the matter had been taken up with the Ministry of Information and Broadcasting, being the administrative Ministry for collection of cess. Further reply from the Ministry of Labour was awaited as of January 1999.

It is recommended that the format of report should be revised to include information on number of films of different languages certified region-wise and the amount collected.

CHAPTER XI : LOK SABHA SECRETARIAT

11.1 Advance for purchase of car not refunded by MPs

77 MPs[1] of IX, X and XI Lok Sabha did not refund the advance of Rs 25.24 lakh as of December 1998. In addition, interest aggregating Rs 13.47 lakh had also become due.

Advance taken for purchase of motor car by the MPs is required to be recovered in not more than 60 instalments from the salary bills, which is not to extend beyond the tenure of their membership.

The term of IX, X and XI Lok Sabha ended in March 1991, May 1996 and December 1997 respectively. Yet, 60 Members of the IX Lok Sabha, one of X Lok Sahba and 16 of XI Lok Sabha did not refund the advance aggregating Rs 25.24 lakh. The outstanding against each was ranging between Rs 1229 and Rs 47778 as of December 1997. Interest outstanding aggregated to Rs 13.47 lakh ranging between Rs 52 and Rs 28054 against the individual members. Thus, a total of Rs 38.71 lakh remained to be recovered towards the principal and interest.

The matter was referred to the Lok Sabha Secretariat. They stated that reminders had been sent to the MPs/Ex-MPs.

[1] Members of Parliament

CHAPTER XII: MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT

12.1 Unfruitful expenditure due to non-compliance with the conditions of sanction of scholarships

Ministry and HCI[1] London did not take action for non-compliance with the conditions of grant of National Overseas Scholarship granted by Ministry of Social Justice and Empowerment against the scholars to whom total scholarship of Rs 74.84 lakh was paid.

Ministry of Social Justice and Empowerment (formerly known as Ministry of Welfare) provides National Overseas Scholarships every year to the students belonging to Scheduled Castes and Scheduled Tribes for pursuing University Education including Ph. D degree in the Educational Institutions abroad subject to the conditions that the scholars execute a surety bond and agree to abide by the terms and conditions of the award. One of the main conditions for grant of scholarship was that the scholar should return to India on completion of the course for which scholarship was granted. Further, the scholar was required to inform the Ministry the date of his arrival in India and also to furnish a certificate of stay in India every six months.

Non-compliance to these conditions was to be considered as a violation of the terms and conditions of the scholarship and the entire amount of scholarship was liable to be recovered from the defaulter in terms of the surety bond executed by him. The scholarship included maintenance allowance, tuition and other compulsory fees payable to the college on actual basis, contingent allowance for meeting cost of books etc. and cost of economy class air passage up to the destination and back by shortest route.

Sample checks of the records of the Education wing of the HCI, London and Ministry of Social Justice and Empowerment disclosed that the following three awardees of the National Overseas Scholarships violated the terms and conditions of the scholarship on whom Government of India spent Rs 74.84 lakh, as under:

A. Name of the scholar	Shri S.K.Majumdar
Period of scholarship	September 1988 to September 1992
Course for which scholarship was granted	Ph.D in Business Management
Total amount of scholarship paid	£ 42218 equivalent to Rs 27.87 lakh at the rate of exchange of £ 1 = 66.01

[1] High Commission of India

One scholar did not return to India and failed to complete the course.

Shri Majumdar violated the condition of scholarship granted in July 1988 for pursuing Ph.D programme in Business Management in London School of Economics and Political Science by not returning to India immediately after completion of the course in September 1992, besides failing in obtaining the Ph.D degree for which the scholarship was given. He returned to India only in July 1996. Yet, the HCI London and the Ministry did not take action for breach of terms of scholarship. The Ministry issued notice-cum-demand letter for refund of 6.72 lakh in May 1998 after being pointed out by Audit.

B. Name of the scholar	Shri P.L. Dhuldhule
Period of scholarship	October 1993 to June 1997
Course for which scholarship was granted	B.Sc. (Hons.) in Printing Technology
Total amount of scholarship paid	£ 35726 equivalent to Rs 23.58 lakh

Another scholar violated the condition by not returning to India immediately on completion of the course.

Shri P.L.Dhuldhule violated the condition of scholarship granted with effect from October 1993 for pursuing B.Sc.(Hons.) in Printing Technology in West Hertz College by not returning to India immediately after completion of the course in July 1997. At the instance of Audit, the Ministry initiated action in May 1998 to declare him a defaulter. HCI, London informed the Ministry in May 1998 that Shri Dhuldhule returned to India on 17 January 1998. His whereabouts were still not traceable.

C. Name of the scholar	Shri. J.G. Pipalia
Period of scholarship	December 1991 to January 1994 and January 1996 to June 1997
Course for which scholarship was granted	Ph.D in Physics
Total amount of scholarship paid	£ 35440 equivalent to Rs 23.39 lakh

One of the scholar was convicted and failed to complete the course.

Shri J.G.Pipalia violated the terms and conditions of the scholarship granted in December 1991 for pursuing Ph.D in Physics in City University of London by not returning to India immediately after completion of the course in July 1998, besides failing in obtaining the Ph.D degree for which the scholarship was given. He was also sentenced by Snaresbrook Crown Court in May 1993 to nine months imprisonment on some criminal charges. The City University informed HCI in July 1998 that Shri Pipalia had been awarded Post Graduate Certificate in Information Engineering instead of Ph.D degree. He had not yet returned to India.

At the instance of Audit, Ministry initiated action to declare the above scholars as defaulters. The amount spent on them was yet to be recovered by the Ministry.

CHAPTER XIII : MINISTRY OF SURFACE TRANSPORT

13.1 Construction of a vessel remained incomplete

The objective of construction of a new Light House Tender Vessel could not be achieved even after a lapse of ten years and expenditure of Rs 15.08 crore. This led to escalation of the cost of construction of the vessel by Rs 31.48 crore to Rs 47.18 crore.

The construction of a Light House Tender Vessel which was entrusted by DG[1] of Light Houses and Light Ships to HDPE[2], a Central Public Sector Undertaking in 1988 at Rs 15.70 crore was yet to be completed as of December 1998 while the estimated cost has gone up by Rs 31.48 crore to Rs 47.18 crore.

DG placed an order in October 1988 on HDPE for construction of a Light House Tender Vessel at Rs 15.70 crore.

The then existing 30 years old Light House Tender Vessel of DG Light Houses and Light Ships was required to be replaced to avoid heavy expenditure on its maintenance. DG placed an order on HDPE for construction of a Light House Tender Vessel in October 1988 at Rs 15.70 crore. The construction was to be completed by June 1991. DG made stage payments in three instalments aggregating Rs 7.06 crore during November 1988 to March 1991. The last instalment of payment of Rs 2.35 crore on *ad hoc* basis was made in the light of HDPE's financial difficulties. Despite this there was no progress in construction of the vessel after 1991.

Ministry was unable to terminate the contract mainly in view of this PSU turning sick, which precluded any chance of refund of stage payments of Rs 7.06 crore.

Ministry revived the contract in October 1997 for construction of the vessel at a cost of Rs 47.18 crore.

Finally, the Ministry with the approval of Expenditure Finance Committee decided to revive the contract for construction of the vessel in 1997 at a total cost of Rs 47.18 crore. The revised scheduled date of completion of construction has been fixed as October 1999. DG had released another Rs 8.024 crore to HDPE during 1997-98 as stage payment with reference to supplementary agreement signed in October 1997.

DG did not furnish the expenditure on repair and maintenance of the old vessel.

Since 1993-94, DG, Light Houses and Light Ships has spent between Rs 3.99 crore and Rs 6.99 crore *per annum* on establishment charges, operating expenses and maintenance expenses of old vessel. However, DG did not furnish separate figures for repair and maintenance to enable ascertaining the repair and maintenance expenditure on the existing very old vessel.

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1 Director General

2 Hoogly Dock Port Engineers Limited

Ministry stated, in September 1998, that the proposal for terminating the contract with HDPE for not completing the work was not agreed to due to the reason that HDPE was a sick public sector unit of the Ministry and in financial crisis and so could not be in a position to even return the money paid by DG, Light Houses Light Ships. Thus, action of the Ministry in this regard was governed more by the desire for the revival of the sick HDPE.

13.2 Injudicious payment of price escalation

The *suo-moto* decision by Secretary, Ministry of Surface Transport in disregard of the provision in the agreement resulted in an unintended benefit of Rs 1.78 crore to the contractor

The construction of road works including minor bridges, canal crossing, drainage works, toll plaza, junction and apurtenent between (i) km 0/0 to 16/0 and (ii) km 16/0 to 32/0 at Ahmedabad – Vadodara Expressway was awarded to Continental Construction Ltd., New Delhi on two different agreements by the Executive Engineer, Expressway Division, Ahmedabad in May 1987 at tendered cost of Rs 22.17 crore. The work was scheduled to be completed by January 1992. Time limit was extended up to December 1994 as per supplementary agreements entered into with resident partner of the contractor in April 1991, who was allowed to take over full obligation for execution of remaining work under the conditions of original contract, subject to additional conditions incorporated in supplementary agreements.

As per the supplementary agreements, no price escalation for the extended period beyond the originally scheduled date was payable to the contractor. However, even without any reference to Government of Gujarat, Secretary, Ministry of Surface Transport unilaterally decided that concession of escalation beyond the scheduled date of completion given for Haryana Contractor of National Highway would be applicable to Ahmedabad - Vadodara Highway contract also.

Accordingly, the Executive Engineer made payment of Rs 1.78 crore to contractor towards price escalation beyond scheduled date to December 1994.

Thus, the *suo-moto* decision by Secretary Ministry of Surface Transport in disregard of the provision in the agreement resulted in an unintended benefit of Rs 1.78 crore to the contractor.

The matter was referred to Ministry in June 1998; their reply was awaited as of January 1999.

13.3 Incorrect revision of rates

Chief Engineer (R & B), National Highways authorised payment at higher rates, overriding the conditions stipulated in the agreement for enhancement in rates due to increase in quantity actually executed, leading to an overpayment of Rs 1.50 crore to a contractor.

Agreement envisaged price revision for increase in quantities only for items *inter alia* accounting individually for more than five *per cent* of contract price.

The agreement with the contractor entrusted with the work of "Widening to four lanes from km 358/0 to km 377/0 of Vijayawada-Visakhapatnam section of NH 5 (Chennai to Calcutta)", in June 1993 at Rs 37.26 crore provided for revision of prices for additional actual quantities of work in excess of those specified in the agreement. This was subject to the condition that "no change in the unit rates or prices quoted was to be considered for items included in the priced Bill of Quantities, unless such items individually accounted for an amount of more than five *per cent* of the contract price and the actual quantity of work performed under the item exceeded or fell short of the original billed quantity by more than 25 *per cent*".

Though, the value of embankment work constituted only 3.22 *per cent*, the contractor was allowed revision of rates.

The agreement, among others, provided for construction of ordinary embankment of approved material of 1.54 lakh cubic metre valued Rs 1.20 crore at Rs 78 per cubic metre. The quantity actually executed in the construction of the embankment was 3.84 lakh cubic metre as of September 1997. While the additional quantity in the construction of embankment exceeded 25 *per cent* of the quantity provided in the Bill of Quantities, the value of this individual item at Rs 1.20 crore constituted only 3.22 *per cent* of the contract price. The contractor was not entitled to revision in the price in terms of the agreement since only one of the twin conditions for revision of the price was fulfilled.

Payment at revised higher rates resulted in overpayment of Rs 1.50 crore.

Yet, the Chief Engineer (R & B), National Highways authorised revision of rates for construction of the embankment for the additional quantity of 1.92 lakh cubic metre in excess of 25 *per cent* over the original quantity. The Project Director, Special National Highways Circle, Visakhapatnam, approved the revised rate of Rs 156.30 per cubic metre after negotiation with the contractor. This resulted in overpayment of Rs 1.50 crore until September 1997. The final bill was yet to be settled. Ministry endorsed in January 1999 the reply of the State Chief Engineer that the minimum value of five *per cent* of the contract price referred to in the agreement relates to the quantity actually executed and not that mentioned in the Bill of Quantities. The reply was not tenable, since the contract price was worked out with reference to the Bill of Quantities.

13.4 Unintended benefit to the contractor on supply of stone spalls

The sale of stone spalls at Rs five per cubic metre to the contractor for widening and strengthening the NH[1] 45 (Kilometre 54/4 to 67/0) against the SSP rate of Rs 53-61 per cubic metre besides, expenditure of Rs 7.82 lakh as transportation of excavated material was questionable.

Government entrusted the work of widening the Chengalpattu Byepass of NH 45 in Kilometre (km) 54/4–61/8 and widening and strengthening the existing carriageway in km 61/8-67/0 to a contractor in September 1989 at Rs 11.62 crore being 38.23 *per cent* above the estimated cost, under NH 45 project executed with World Bank assistance. As part of the work, Rs 1.82 lakh cubic metre of hard rock was excavated by blasting at a cost of Rs 1.89 crore. The blasted stones were disposed of by sale to the contractor for use in the work, and by issue to him for use in construction of embankment, an additional work entrusted to him. The wastages were transported and dumped into the nearest river bank.

The records of the Divisional Engineer (NH 45) Chengalpatu relating to the excavation of hard rock and its disposal revealed the following :

		Quantity in cubic metre
Quantity of blasted stones based on level measurement without voids	-	181949
Less Quantity utilised for construction of embankment – measured without voids	-	119933
Balance Quantity	-	62016
Balance quantity computed on the basis of stacks taking into account voids	-	62016 x (100/60) = 103360
Quantity sold to the contractor for use in the work	-	57120
Wastages available for dumping	-	46240

Transportation of excess wastage remained unexplained.

Against the wastage of 46240 cubic metre of excavated rock including voids, the Divisional Engineer paid for transportation of 63624 cubic metre. Thus, payment made to the contractor for the transportation for 17384 cubic metre of wastage was not susceptible of verification. The expenditure of Rs 7.82 lakh on transportation of 17,384 cubic metre of wastages was, therefore, questionable.

[1] National Highways

Sale of spalls from the excavated material at Rs five per cubic metre gave an intended benefit of Rs 28.80 lakh to the contractor.

The blasted stones consisted of boulders, spalls and wastages. In order to clear these stones, which obstructed the traffic in the Chengalpattu Byepass, the Divisional Engineer called for limited tenders in December 1992 and the Superintending Engineer, Chengalpattu (NH 45) gave permission to the Divisional Engineer in March 1993 to dispose them to willing agencies at Rs five per cubic metre, the highest rate obtained in the tender. As the contractor was facing shortage of quarried materials for crushing to the requirement of the work, the Divisional Engineer permitted him to choose and pick stone material of good quality for using in the road work and recovered the cost at Rs five per cubic metre in the bills during April 1993 to December 1994. The records of the division showed them as spalls and the rates for spalls during 1993-94 and 1994-95 as per the respective schedule of rates were Rs 53 and Rs 61 per cubic metre. These rates formed the basis of tendered price of items in which spalls were issued.

Thus, issuing spalls at the rate of Rs five per cubic metre fixed by Superintending Engineer for blasted stones of various sizes including wastages resulted in an unintended benefit of Rs 28.80 lakh to the contractor.

On being pointed out by Audit, in July 1997, the Divisional Engineer, in December 1997, ordered for recovery of Rs 25.73 lakh from any amount payable to the contractor. The contractor referred the matter to the Chief Engineer, (NH 45) for settling the dispute on the recoveries. The final decision of the Chief Engineer was awaited as of July 1998. In the meantime, all amounts due to the contractor were released to the contractor in July 1998 after obtaining an undertaking from him.

The matter was referred to Ministry in June 1998; their reply was awaited as of January 1999.

13.5 Undue financial benefit to lessees

Executive Engineer, Roads and Buildings Division, NH[1] , Srikakulam, extended undue financial benefit of Rs 14.82 lakh to the lessees by way of interest.

Tender conditions stipulated that deposits should be in the form of demand drafts.

Demand drafts were allowed to be converted into fixed deposits with banks though the tender conditions and the rules did not provide for such conversion.

The conversion resulted in undue financial benefit of Rs 14.82 lakh to the lessees by way of interest.

The tender conditions for leasehold right to collect tolls on the bridge across river Vamsadhara at km 112/8 of Visakhapatnam – Bhubaneswar section on NH5 for the block years 1995-97 and 1997-99, specified that the deposits should be in the form of demand drafts. The Executive Engineer, Roads and Buildings (NH) Division, Srikakulam, executed lease deeds with Shri A.Bhavanarayana and Shri K.Yugandhar in April 1995 and April 1997 respectively and collected two demand drafts for Rs 82.86 lakh towards earnest money from them. Contrary to the tender condition, the Engineer-in-Chief/Chief Engineer, Roads and Buildings (NH) permitted in May 1995 and June 1997 conversion of the deposits made by the lessees into Fixed Deposits with nationalised banks. The Fixed Deposits were obtained in favour of Executive Engineer. But interest thereon was payable by the bank directly to the lessees. The acceptance of Fixed Deposits as security was not only irregular but was also a deviation from the original tender conditions not made known to all the prospective bidders thereby vitiating the tender process. This resulted in undue financial benefit of Rs 14.82 lakh to the two lessees, being the interest earned by them on Fixed Deposit Receipts to the end of lease period i.e., 31 March 1999.

The Chief Engineer (NH) contended that the conversion was permissible under the provisions of Andhra Pradesh Public Works Accounts Code. The reply was not acceptable as the tender condition specifically stipulated for deposit of earnest money in the form of demand drafts. Thus, variation of the tender condition, at later stage, altered the terms of the contract to the advantage of particular contractors/persons. Further, the Chief Engineer permitted conversion into Fixed Deposit in 1997 also despite having been pointed out by Audit in 1995.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

13.6 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[1] of six Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government, (Civil) as of October 1998 revealed as under:-

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[1] National Highways

[1] Action Taken Notes

Though the Audit Reports for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time of four months for furnishing the ATNs has elapsed in October 1998 the Ministry did not submit ATNs on following Paragraphs.

Audit Report Number and year	Paragraph Number	Subject
2 of 1998	13.1	Road improvement Project.
2 of 1998	13.2	Unintended benefit to the Contractor on price variation for seigniorage fee.
2 of 1998	13.3	Failure to encash bank guarantee.
2 of 1998	13.4	Unintended benefit to a lessee.
2 of 1998	13.5	Delay in construction of road-overbridge.
2 of 1998	16.7 (UT)	Excess payment of freight.

The position of pending ATNs was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

CHAPTER XIV : MINISTRY OF TEXTILES

14.1 Premature drawal of amount from Government account

Hasty action by the DC[1] (Handlooms) in unnecessarily withdrawing Rs 2.40 crore from the Government Account on the last working day of the financial year without looking at the prospect of its immediate utlisation not only frustrated the urgency of instituting quality control in handloom textile but also led to wasteful interest burden of Rs 75 lakh on the Government account.

DC (Handlooms) unnecessarily withdrew Rs 2.40 crore from the Consolidated Fund of India on the last day of the financial year 1995-96 for setting up of quality control centres in the Weavers Service Centres, merely to utilise the budget provision without examining his ability to utilise this amount within a reasonable time. Worse still, he permitted the Officer-in Charge, Weavers Service Centre, Delhi to retain the amount in a non-interest bearing current account in the Central Bank of India, Udyog Bhavan branch, through which the Ministry conducts the Government transaction, for about 27 months, until it was pointed out by Audit. In between, while the project did not move much from the stage of the concept, the Consolidated Fund of India suffered a dent of over Rs 75 lakh.

DC(H) proposed to establish quality control cells in Weavers Service Centres.

The DC prepared a note containing the concept, necessity and benefit of the scheme of setting up of quality control cells in 15 of the 23 Weavers Service Centres in the country on 4 March 1996, for which the concurrence of the Planning Commission was obtained on 19 March 1996. The Standing Finance Committee of the Ministry consisting of the Secretary, Additional Secretary & Financial Adviser and the DC (Handlooms) approved the scheme on 27 March 1996 and also approved release of the entire amount of Rs 2.40 crore as advance. Examination of the scheme note disclosed that it did not set any time-schedule over which the project was to be completed nor did it contain the method or the organisational arrangement for execution of the project.

SFC approved the scheme at a total cost of Rs 2.40 crore.

The scheme approved by the Standing Finance Committee headed by the Secretary, Ministry of Textiles at the estimated total cost of Rs 2.40 crore consisted of setting up of quality control cells and library in 15 out of the 23 Weavers Service Centres in the country at Rs 15.29 lakh each besides cost of training to the employees of all 23 weavers Service Centres at Rs 50 thousand per Centre.

The stated justification for the quality control project included promotion of quality of textiles for export, vital contribution of the textiles in the economy of the country as second to only agriculture and significant share of handloom

[1] Development Commissioner

sector in it, importance of handloom sector in the export of textiles and need for accuracy and precision in the quality of the handloom textiles to promote the quality and, therefore, the reputation in the international market.

Office-in-Charge Weaver Service Centre deposited the entire amount of Rs 2.40 crore in a non-interest bearing current account where it remained parket for 27 months.

Despite the professed urgency for setting up of the quality control cell, accepted by the Standing Finance Committee of the Ministry and premature drawal of the entire amount from the Government account, subsequent planning and management of the project by the Development Commissioner, Handlooms did not reflect any sense of urgency or essentiality of the project, which was considered vital to the reputation and growth of the handloom sector, particularly the exports. The Officer-in-Charge of the Weavers Service Centre, Delhi to whom the Pay and Accounts Officer paid Rs 2.40 crore on 29 March [2] 1996, deposited the entire amount in a non interest bearing current account in the Central Bank of India in Udyog Bhavan, the bankers of the Pay and Accounts Officer of the Ministry, where it remained parked for 27 months until 23 June 1998, when at the instance of Audit, DC, Handlooms refunded the entire amount to the Government account. No significant development in the direction of execution of the project took place during this period.

Fund kept unnecessarily outside the Government account meant interest cost of Rs 75 lakh to the Government

It is noteworthy that the Union Government ran a fiscal deficit of over Rs 60000 crore in 1995-96, which implies that to the extent of the fiscal deficit the Government depended on borrowed funds, for which it paid interest at the maximum rate of about 14 *per cent*. Therefore, any money kept unnecessarily idle outside the Government account meant wasteful interest cost to the Government.

Thus, hasty action by the DC, Handlooms in drawal of the entire amount from the Government account on the last working day of the financial year without looking at the prospect of its immediate utilisation and his subsequent inept management of the project, not only frustrated the acknowledged urgency of instituting the quality control in handloom textile, for which the project was approved but led to a wasteful interest burden of over Rs 75 lakh on the Government account.

The Ministry stated in February in 1999 that seeking clarifications with regard to the validity of tender, requirement of equipment with latest technology, etc. was time consuming process and as the Government money already drawn was lying unutilised, it was, therefore, decided by them to immediately surrender the funds to the government account. The reply of the Ministry is not tenable as these aspects could also have been examined earlier. Further, the initiative in completion of the project was not in proportion to the extent of urgency shown at the time the decision was taken to set up "quality control cells" in March 1996. The tenders were opened in November 1996 after eight months from the date of withdrawal of funds in March 1996.

[2] 30 and 31 March 1996 were closed holidays for Government Offices.

CHAPTER XV : MINISTRY OF TOURISM

15.1 Extra expenditure on purchase of magazine

Purchase of different language editions of a magazine locally by the Tourist Office at Frankfurt, which was available in India at a cheaper cost resulted in extra expenditure of Rs 13.82 lakh.

Tourist Office, Frankfurt purchased locally different language editions of a magazine from Thailand.

With a view to attracting potential tourists to different tourist destinations in India, the Department of Tourism was sending large quantity of tourist literature to various Tourist Offices in Europe for free distribution to people and agencies involved in tourist trade. The literature was sent through Air India who carried the same free of freight charges. The Regional Director, Tourist Office at Frankfurt also purchased locally every month for free distribution different language editions of a tourist magazine 'Discover India' published monthly by a private publisher in Thailand. During the period April 1994 to January 1997, he purchased 49850 copies of German edition (at US $ 2.30 per copy), 2200 copies of English edition (at US$ 1.40 per copy) and 500 copies of French edition (at US$ 2.60 per copy) of the monthly issues of a magazine at a total cost of US$ 119035 (equivalent to Rs 39.73 lakh at the rate prevailing on the dates of purchase). The monthly language editions of the same magazine were also available in India at an annual subscription of Rs 600 for German and French editions and Rs 400 for English edition.

The magazine which was available in India was procured abroad at extra expenditure of Rs 13.82 lakh.

Had Tourist Office purchased the English, German and French editions of the monthly magazine in India through the Department of Tourism at a total cost of Rs 25.91 lakh and sent these to various Tourist Offices free of cost through Air India, extra expenditure of Rs 13.82 lakh could have been saved. Besides, as the expenditure would have been incurred in Indian Rupees, outflow of scarce foreign exchange worth Rs 39.73 lakh could also have been avoided.

The Ministry stated, in June 1998, that it would not be appropriate for the Ministry to import the magazine at rupee rate and then without using the magazine in India to re-export to Germany to avoid the payment in DM.

The contention of the Ministry is not tenable because these magazines could have been purchased in India and then distributed to the Tourist Offices abroad through Air India free of transportation charge and thus the extra expenditure could have been avoided.

15.2 Avoidable expenditure on rent

Retention of additional space in excess of their requirement by Director, Tourist Office, Geneva resulted in avoidable expenditure of Rs. 14.39 lakh.

On transfer of the post of Regional Director Tourist Office Geneva to Frankfurt in June 1987, the office accommodation of 27 sq. metres became surplus to the requirement of that office. The Director Tourist Office Geneva continued to hold this leased accommodation after July 1987 and renewed the lease in July 1992 for a period of five years. Excluding this space, the Tourist office Geneva was already in possession of 84 sq. metres office accommodation for its three member staff and reception area etc in addition to a godown consisting of 39 sq. metres against its projected requirement of 121 sq. metres.

Director Tourist Office Geneva stated that he used the accommodation vacated after transfer of the post of Regional Director as store, since it was close to the office as compared to another accommodation of 39 sq. metres hired to serve as godown.

The contention of the Director is not tenable since the godown had adequate space to accommodate tourist literature, etc. and sporadic increase in the material for immediate utilisation could be accommodated in the office consisting of 84 sq. metres.

Thus, unnecessary holding of excess accommodation by the Director Tourist Office Geneva from July 1992 to June 1997 led to avoidable expenditure of S Fr 51,426 equivalent to Rs 14.39 lakh at the rate of exchange of 1 S Fr = Rs 27.97482.

15.3 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial ATNs[1] of one Audit Paragraph.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government, (Civil) as of October 1998 revealed as under:-

Ministry/Department failed to submit ATN in respect of one paragraph included in the Audit Report upto and for the year ended March 1995.

[1] Action Taken Notes

Audit Report Number and year	Paragraph Number	Subject
1 of 1996	4.1	Unfruitful expenditure on tourist facility.

The position of pending ATNs was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

CHAPTER XVI : MINISTRY OF URBAN AFFAIRS AND EMPLOYMENT

16.1 Defective workmanship resulting in unfruitful expenditure

Defective construction of marine aquarium by CPWD[1] resulted in an additional expenditure of at least Rs 8.96 lakh apart from the investment of Rs 2.04 crore remaining unproductive for eight years.

Construction of defective work resulted in unfruitful expenditure of Rs 2.04 crore.

Due to defective work executed by CPWD, the marine aquarium at Digha in West Bengal could not be put into operation even after eight years from the date of its completion. Apart from an additional expenditure of Rs 8.96 lakh towards cost of replacement of pipes and maintenance on electrical installations, the aquarium built at an expenditure of Rs 2.04 crore remained inoperative for about eight years and the objective of research and entertainment, unfulfilled.

CPWD completed the construction of MARC in November 1990 at a cost of Rs 2.04 crore.

For research work on biosphere and also to bring to the people some of the vast marine life in captive conditions, CPWD completed construction of a MARC[2] at Digha in November 1990 comprising aquarium, office, residence including intake well, water tanks, pumps on the sea shore inside the aquarium complex and electric installation for ZSI[3] at a cost of Rs 2.04 crore.

During test run of the MARC, conducted by CPWD in 1991, the system for drawing water from the intake well to the setting tank for feeding Marine Aquarium-cum-Research Centre with marine water was found defective. Since this was vital for sustaining life in the aquarium, MARC could not be made operational. Desilting of the intake well also posed problems, further rendering the system inoperative. Besides, CPWD used GI pipes and CI valves, as against HDPP pipes and valves suggested by the ZSI, which got corroded by saline sea water and developed leakages. CPWD replaced the defective pipes in November 1991 at an additional cost of Rs 8.96 lakh.

For setting right the defective system of suction line and intake well, ZSI had engaged a private firm in August 1992. However, the firm could not rectify the defective system. The firm filed a writ petition in City Civil Court, Hyderabad in May 1995 claiming, *inter alia*, payment of Rs Eight lakh for the work. The case was yet to be decided by the court.

While the aquarium had not been used for eight years as of March 1998, CPWD spent Rs 15.50 lakh towards maintenance of electrical installation.

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[1] Central Public Works Department
[2] Marine Aquarium-cum-Research Centre
[3] Zoological Survey of India

Defective workmanship by CPWD resulted in non fulfilment of the objective.

CPWD had no prior experience of this type of special work, having not designed and constructed any such big, modern and sophisticated marine aquarium. Had the engagement of a marine consultant been considered at the start of the project, the defects could have been avoided as also the delay in completion of the project.

Executive Engineer CPWD stated in November 1998 that there was no design defect in the construction of the aquarium. The reply was not tenable as due to defective suction line and intake well constructed by CPWD, the marine aquarium has remained inoperative for eight years and no benefit could be derived from it by ZSI as of December 1998.

The matter was referred to the Ministry and CPWD in July 1998; their reply was awaited as of January 1999.

16.2 Unfruitful expenditure of Rs 53.28 lakh

Casual approach and poor co-ordination with the BMMC[1] by CPWD[2] deprived residents of CGS colony of the augmented water supply for over six years.

The CPWD had incurred an unfruitful expenditure of Rs 53.28 lakh without achieving the objective of augmenting the water supply for the CGS[3] colony at Antop Hill for over six years.

CPWD decided to augment the water supply to CGS colony, Antop Hill, Mumbai.

CGS colony at Antop Hill comprises of 8500 flats. The water supply to the colony through the existing system was not sufficient and there was acute shortage of water supply in the colony. It was, therefore, decided to augment the water supply through additional connection from water reservoir of BMMC/. As the source of water supply to the CGS colony was through BMMC, the CPWD should have approached the BMMC with this intention well in advance before incurring any expenditure in this connection.

However, the CPWD even before approaching the BMMC with their above intention incurred an expenditure of Rs 40.43 lakh during March 1992 to December 1992 towards laying of pipelines within the colony, which were ultimately to be connected to the main water supply of BMMC.

[1] Brihan Mumbai Municipal Corporation
[2] Central Public Works Department
[3] Central Government Staff

CGS colony as of October 1998 had not received the augmented water supply.

CPWD approached BMMC in February 1993 after completion of major part of work relating to laying down of internal pipelines. The BMMC responded in November 1993 intimating an estimate of Rs 4.31 lakh towards cost of cross connections which was paid by CPWD in September 1994. In addition to the above payment, the CPWD was also to provide certain items like CI valves, CI specials etc. to BMMC. These items were procured by CPWD at a cost of Rs 2.54 lakh only in February 1996. BMMC raised additional demand of Rs 8.83 lakh in October 1996 which was ultimately settled for a payment of Rs six lakh. This additional demand of Rs six lakh was paid in January 1997. The cross connection work was formally completed in October 1997. However, the CGS colony as of October 1998 had not received the augmented water supply on account of non-completion of certain formalities regarding releasing and reworking of time schedule.

Thus, the CPWD incurred an expenditure of Rs 53.28 lakh for augmentation of water supply to the CGS colony without achieving the objective. This was mainly due to improper planning and lack of co-ordination with BMMC by the CPWD.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

16.3 Injudicious procurement of paper

Unplanned procurement of paper by the Assistant Director, Printing (OP Branch), Calcutta and lack of control led to huge inventories of paper valuing Rs 59.79 lakh, some of which are good for consumption over next six decades.

The Assistant Director, Printing (OP Brach), Calcutta procured different types of paper worth Rs 59.79 lakh over a period of time for supply to the Assistant Manager, Central Paper Stores, Calcutta without requirement, resulting in a huge stock of non-moving and very slow moving inventories of paper items. Many of these had not moved from the time they were procured nearly two decades ago.

The Assistant Director places indents on Director of Printing, New Delhi for procurement and supply of paper to the Central Paper Stores (Stores). Scrutiny of records in audit of inventory holding in the stores in December 1997 revealed that the Assistant Director while placing his indents with the Directorate of Printing, New Delhi did not review the stock position and actual requirement of the store. As a result eight items of paper valuing Rs 14.47 lakh procured five to 17 years back had not been issued right from the time of their procurement. Another four items of paper were so slow moving that at the present rate of consumption, these can be expected to be consumed only in the next six decades. This resulted in overstocking of these four paper items

worth Rs 45.32 lakh even after allowing for stock of two years consumption. In February 1996 the total stock of papers was declared surplus and awaited disposal as of September 1998.

Thus, injudicious procurement of paper by the Assistant Director without assessing actual requirement of the stores coupled with deficient stores management system resulted in idling of Rs 59.79 lakh worth of paper, an item liable to deterioration and spoilage.

While accepting the facts, the Ministry stated in December 1998 that the Directorate of Printing had since taken step for judicious procurement of stores. But it does not reflect a good management of stock to first overstock and then search ways and means for its disposal.

16.4 Unplanned procurement of steel of Rs 47.06 lakh

Executive Engineer, CPWD[1] procured steel worth Rs 47.06 lakh during 1985-88 before the approval of building plan by BMMC[2]. Owing to non-approval of the project by BMMC, the construction work had not commenced as of June 1998 and the steel procured remained unutilised.

The Chief Engineer (WZ) CPWD, Mumbai proposed in February 1985 construction of staff quarters for Central government employees and obtained administrative approval from the Ministry of Works and Housing in September 1985. For this purpose CPWD got physical possession of a plot of land at Malad from the Salt Department of the Government of India in October 1985.

BMMC did not approve the construction plans of the Staff quarters at Malad, as the name of the owner in the property card was mentioned Government of Maharashtra. However, in April 1990 the BMMC sanctioned part construction plan of staff quarters on certain conditions, one of them being production of property card. In the meantime, the salt cultivators filed a suit in the court objecting the transfer of land from the Salt Department to CPWD. The High court decided the case in April 1995 in favour of Government of India.

Audit scrutiny revealed that Executive Engineer, CPWD procured steel material worth Rs 47.06 lakh during the period from 1985-88 for the construction work of the project, despite the problem with ownership rights of the land and pendency of approval of building plan by BMMC. The material remained unused for more than ten years and this was not even diverted to other divisions of the CPWD for other projects.

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[1] Central Public Works Department
[2] Brihan Mumabi Municipal Corporation

Executive Engineer, CPWD stated in June 1998 that steel being a controlled item, was procured in anticipation of commencement of project. He also added that fresh approval of BMMC had been sought and the steel purchased for the work was being issued to other works. The reply of the Executive Engineer was silent about why it was not issued to other works for the last ten years.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

16.5 Wasteful expenditure due to defective planning

Subsequent changes of the design of Rajiv Gandhi Ninaivakam (Memorial) by the Concept Committee resulted in wasteful expenditure of Rs 41.21 lakh.

The Concept Committee did not plan and design the Rajiv Gandhi Ninaivakam (Memorial) properly. They suggested some changes in the design/plan during execution. The changes at later stage resulted in dismantling the structure constructed at a cost of Rs 41.21 lakh, including additional expenditure of Rs 2.30 lakh for dismantling, which was rendered wasteful.

The Ministry of Urban Development issued sanction for construction of Rajiv Gandhi Ninaivakam (Memorial) at Sriperumbudur in April 1994 at Rs 4.86 crore, which was revised to Rs 17.92 crore in January 1996. The Ministry constituted a Concept Committee to plan, approval designs and drawings and to monitor all items of works relating to the construction of the memorial. The Concept Committee approved the plan prepared by an architect in May 1994. The work commenced in June 1994 was still in progress and an expenditure of Rs 14.80 crore had been incurred as of May 1998.

Examination of records of the Executive Engineer, Chennai Central Division III, Central Public Works Department in June 1998 revealed that two members of the Concept Committee suggested certain modifications in design for landscaping, pathway, entrance, ponds, etc. when the work was in active progress which was later approved by the Concept Committee in April 1995.

Due to change in design/plan the works executed earlier at a cost of Rs 38.91 lakh had to be dismantled at an additional expenditure of Rs 2.30 lakh.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

16.6 Loss in execution of a work

Failure of EE, CPWD[1], Malda Central Division in monitoring and timely action on default of contractor for Indo-Bangladesh Border fencing and issue of excess material led to extra expenditure/non-recovery of Rs 25.81 lakh.

Due to excess issues of material and belated action by the EE,CPWD Malda Central Division,, it became liable for an extra expenditure of Rs 25.81 lakh. Besides, the execution of the work has also been delayed.

To provide security fencing along Indo-Bangladesh Border in Malda district of West Bengal from border post 179/5-5 to 182/4-5 (7.70 kilometre), the EE, CPWD awarded the work in April 1994 to a contractor at a cost of Rs 85.34 lakh. The work was to be completed by April 1995. The contractor started the work on 23 April 1994 but abandoned it in February 1995, when only about 12 *per cent* of the work was done. He resumed and abandoned it again in January 1996, whereafter the contractor's whereabouts were not known. Finally EE, CPWD rescinded the contract on 6 April 1996 at the risk and cost of the defaulting contractor. The balance work was yet to be executed as of August 1998.

EE, CPWD did not initiate action against the contractor for slow progress of the work.

Test check by Audit in December 1996 revealed that the Ludhiana based contractor had no previous experience of work in the border area of the West Bengal sector when the work was awarded to him in April 1994. He had executed only two works valued at Rs 13 lakh and Rs 23 lakh respectively under the Ludhiana Central Division in 1990-91. The working site and the materials were made available timely to the contractor. Yet, the progress of the work was very slow. The EE, CPWD did not initiate any action against the contractor for the slow progress in terms of clause 2 of the contract. The EE, CPWD took action only in May 1995 when the work had been abandoned by the contractor in February 1995. Although the contractor resumed work in January 1996, he left the site in the same month when execution was only about 26 per cent. When the contract was finally rescinded in April 1996 the whereabouts of the contractor were not known to EE, CPWD.

EE, CPWD issued material in excess of actual requirement in contravention of codal provision.

According to CPWD Manual Volume II, the Executive engineer is responsible to ensure that proper arrangements are made throughout the division for safe custody of stores and the executing division should ensure that the materials are not issued to the contractor arbitrarily and without assessing the actual requirement at site. EE, CPWD, however, allowed the contractor to receive the stores direct from the suppliers concerned. As a result, though the physical execution of the work was only about 26 per cent, the contractor received cement and steel between 32 and 94 per cent of the entire material required for the execution of the work. When the contract was rescinded due to non-

[1] Executive Engineer, Central Public Works Department

performance by the contractor, he had with him excess stores valued at Rs 7.39 lakh. The contractor did not return the material to the EE, CPWD.

Though, the contractor finally left the site in January 1996, EE CPWD rescinded the contract only in April 1996 at the risk and cost of the defaulting contractor. Compensation for delay in execution of the work amounting to Rs 8.22 lakh levied under the clauses of the agreement could not be recovered as the fifth running and the final bill passed by the EE, CPWD stood at minus Rs 14.99 lakh which included the cost of unutilised material. The balance work valued at Rs 68.46 lakh was awarded at Rs 78.66 lakh to another contractor in May 1998. The work was yet to be executed as of August 1998.

The extra expenditure involved in the execution of the balance work at the risk and cost of the defaulting contractor stood at Rs 10.20 lakh. The amount recoverable from the defaulting contractor as per the terms of the contract, thus aggregated Rs 25.81 lakh.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

16.7 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial ATNs[1] of Eleven Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government (Civil) as of October 1998 revealed as under:

(a) Ministry failed to submit ATNs in respect of four paragraphs included in the Audit Reports upto and for the year ended March 1996.

Audit Report Number and year	Paragraph Number	Subject
2 of 1996	7.6	Additional expenditure of Rs 26.76 lakh.
2 of 1997	14.3	Grant of Rs 70 lakh not refunded.
2 of 1997	14.5	Avoidable expenditure on escalation.
2 of 1997	14.7	Wasteful expenditure

(b) Though the Audit Reports for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time of four months for

[1] Action Taken Notes

furnishing the ATNs has elapsed in October 1998, the Ministry did not submit ATNs on following Paragraph.

Audit Report Number and year	Paragraph Number	Subject
2 of 1998	14.1	Non-recovery of printing charges.
2 of 1998	14.3	Recovery at the instance of Audit
2 of 1998	14.4	Extra expenditure
2 of 1998	14.5	Non-recovery of risk and cost.
2 of 1998	16.9	Idle investment.
2 of 1998	16.10	Under realisation of fee
2 of 1998	16.11	Failure to avail rebate on cess.

The position of pending ATNs was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

CHAPTER XVII : MINISTRY OF WATER RESOURCES

17.1 Extra expenditure of Rs 29 lakh

GM, FBP[1] procured stone boulders at higher rate of Rs 445 per cubic metre by ignoring the lower rate received during the same period and furnished incorrect information to the Ministry. The result was extra expenditure of Rs 29 lakh.

GM, FBP approved two widely varying rates of Rs 300 and Rs 445 per cubic metre for identical type of stone boulders during the same period by his two subordinate officers and caused an extra expenditure of Rs 29 lakh. He also furnished incorrect information to the Ministry about last purchase rate.

Accepting of higher rate and furnishing of wrong information to the Ministry by GM, FBP resulted in extra expenditure of Rs 29 lakh to Government.

GM, FBP approved the lowest quoted rate of Rs 445 per cubic metre of stone boulders of 40 to 55 kilogram size of Iliash Shaikh and forwarded the proposal to the Ministry of Water Resources for purchase of 20000 cubic metre in November 1996 for its approval. The rates were received with reference to Notice Inviting Tender by Superintending Engineer, Circle V on 4 September 1996 for procurement of 20000 cubic metre boulders for reserve stock. To an enquiry of the Ministry about the last purchase rate of similar type of boulders, the General Manager misrepresented that the last purchase at Rs 133 per cubic metre was in 1987-88. Scrutiny by audit disclosed that the Farakka Barrage Project had purchased similar type of boulders at Rs 177 to Rs 242 per cubic metre on at least four occasions in June and August 1988, August 1991 and June 1994.

Ministry conveyed its approval for purchase of 20000 cubic metre stone boulders at Rs 445 per cubic metre in February 1997. GM,FBP placed supply order on Iliash Shaikh on 19 February 1997.

Scrutiny further disclosed that another officer under the General Manager i.e. Executive Engineer Feeder Canal Division had also issued the Notice Inviting Tender on the same day for purchase of 4777.73 cubic metre boulders of identical size and characteristics, which was published in the same newspaper within a gap of six days. While the lowest rate of Idris Ali was Rs 300 per cubic metre, others had quoted Rs 301, Rs 302, Rs 310 and Rs 314. GM,FBP approved purchase of 4777.73 cubic metre stone boulders at Rs 300 per cubic metre on 22 January 1997 under his delegated powers.

Thus, GM,FBP not only failed to take cognisance of the substantially lower rate offered by five bidders in another Notice Inviting Tender, he furnished incorrect information to the Ministry about the last purchase and last purchase

[1] General Manager, Farakka Barrage Project

rate. He was distinctly aware of the lower rates offered by others before the receipt of Ministry's approval of higher rate recommended by him. He should have informed the Ministry when he approved the lower rate and taken steps to cancel the tender for purchase of reserve stock and either utilised the offers of one or more of the bidders of the second tender, failing which should have resorted to retender.

Even after being pointed out by Audit, the reply of August 1998 by the GM,FBP ignored the main issue of recommending a higher rate while he purchased identical item at a lower rate in another case. In his reply he merely stated that the boulders were purchased for different purposes and for different sites. The General Manager thus, ignored the fact that the specifications rather than the purposes govern the price. Besides, he did not furnish reply as to why he failed to take note of lower price offered at the same time and furnished incorrect information about last purchase rate to the Ministry.

The acts of omission and commission by GM,FBP caused an extra expenditure of 29 lakh on purchase of boulders at higher rates and calls for an investigation.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

17.2 Follow up on Audit Reports

Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs[1] of five Audit Paragraphs.

Review of outstanding ATNs on paragraphs included in the Report of the Comptroller and Auditor General of India, Union Government, (Civil) as of October 1998 revealed as under:-

(a) Ministry failed to submit ATNs in respect of two paragraphs included in the Audit Reports upto and for the year ended March 1996.

Audit Report Number and year	Paragraph Number	Subject
2 of 1996	8.1	Unnecessary purchase of spares.
2 of 1997	15.1	Failure to recover licence fee.
2 of 1997	15.2	Avoidable expenditure on idle store.

(b) Though the Audit Reports for the year ended 31 March 1997 was laid on the table of the Parliament in June 1998 and the time of four months

[1] Action Taken Notes

for furnishing the ATNs has elapsed in October 1998 the Ministry did not submit ATNs on following Paragraph.

Audit Report Number and year	Paragraph Number	Subject
2 of 1998	15.1	Extra expenditure due to cancellation of cheese.
2 of 1998	15.2	Extra expenditure.

The position of pending ATNs was referred to the Ministry in November 1998; their reply was awaited as of January 1999.

CHAPTER XVIII : UNION TERRITORIES

Andaman and Nicobar Administration

Ministry of Home Affairs

18.1 Delay in disposal of damaged goods

Civil Supply Department of Andaman and Nicobar Administration delayed the disposal of bad consignments of food items worth Rs 11.43 lakh by about ten years. The cost of storage space as demurrage was Rs 82.43 lakh.

The Administration declared in August 1989 the entire consignment of food grains unfit for human consumption.

The Civil Supply Department of Andaman and Nicobar Administration continued to retain damaged food grains for 10-12 years occupying valuable storage accommodation up to March 1998. The Department received consignments of rice, wheat and sugar aggregating 325.05 tonne at Port Blair between May 1986 and June 1988. The consignments valuing Rs 11.43 lakh were received in damaged condition and were stored in the godown of Port Management Board Andaman and Nicobar Island at Haddo Wharf. The entire consignment was declared unfit for human and animal consumption in August 1989 by a board consituted by the Administration. However, the Administration continued to stock the damaged food grains in the godown of Port Management Board. 62.5 tonne of bad rice and sugar was disposed of in June 1996 while the balance 262.55 tonne was disposed of by dumping in the deep sea in March 1998.

The demurrage charges for detention of the damaged food grains purchased for Rs 11.43 lakh in the godown of the Andaman Port Management Board worked out at Rs 82.43 lakh for which the Chief Administrator, Port Management Board has put a claim with the Department.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

18.2 Loss to Government exchequer and undue financial benefit to a firm

Payment of heavy amount of advance of Rs 33.70 crore by Andaman and Nicobar Administration to SCI[1] for payment in stages to HSL[2] led to undue extra-contractual financial benefit of Rs 10.59 crore to the SCI. Besides, Government suffered a loss of Rs 8.81 crore towards interest.

Before obtaining approval of the Ministry, the Administration paid Rs 28 crore to SCI in advance for repair and revival of MV Akbar.

The Chief Secretary, Andaman and Nicobar Administration approached the Ministry, in January 1992, for approval of the repair and revival of MV Akbar, a passenger vessel which had already completed its normal life. Even before approval of the Ministry, the Lt. Governor sanctioned an on account payment of Rs 28 crore to the SCI in March 1992, 16 months before formal agreement with them for the repair of the vessel.

On receipt of the approval from the Ministry in January 1993, the Administration entered into a contract with HSL in August 1993 for repair of vessel at a cost of Rs 30 crore, revised to Rs 33.70 crore in October 1993, and appointed the SCI as the sole representative to provide consultancy and supervision of repair work at the shipyard. The vessel was delivered to HSL in October 1993, to be re-delivered to the Administration within a period of nine months from the date of delivery of the vessel.

Andaman Administration paid Rs 33.70 crore to SCI in advance instead of paying direct to HSL in stages, as per contract.

In terms of provision of the contract, payments in eight stages were to be released on the basis of bills raised by the HSL and certified by SCI. However, since the Administration had already paid almost the entire cost in advance, to the SCI the clause of stage payment was redundant and there was no use including such a condition in the contract. The SCI retained the amount with them and released the payment to HSL in 12 instalments between September 1993 and May 1997. By this, they retained amounts between Rs 22.18 lakh and Rs 28 crore at time for periods from eight days to 531 days. The vessel was redelivered to the Administration in April 1995 after a delay of nine months. SCI was paid Rs 51.65 lakh towards consultancy and supervision charges separately.

There were loss of Rs 8.81 crore to the Government exchequer.

Premature advance payment resulted in undue benefit of Rs 10.59 crore to SCI.

Thus, premature advance payment to SCI cost the Government Rs 8.81 crore towards interest worked out at the maximum rate of interest on borrowed funds since during all these years the Union Government ran a large fiscal deficit. Retention of large amount of advance by SCI for long periods led to undue extra-contractual financial benefit of Rs 10.59 crore to the SCI being the interest benefit calculated at the prime lending rates.

The matter was referred to the Ministry in May 1998; their reply was awaited as of January 1999.

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1 Shipping Corporation of India

2 Hindustan Shipyard Limited

18.3 Non-realisation of port dues

Failure of the CPA[1] to introduce the system of advance deposit of port dues as envisaged in the Indian Ports Act, 1908 resulted in non-realisation of port dues of Rs 4.24 crore besides loss of interest of Rs 1.12 crore.

The Chief Port Administrator, PMB[2] did not introduce and implement system of advance deposit of port dues by the port users as per the provisions of Indian Ports Act, 1908. Instead he issued port clearance without payment of port dues, which resulted in non-realisation of port dues aggregating Rs 4.24 crore besides loss of interest of Rs 1.12 crore.

In terms of Section 43 of the Indian Ports Act, 1908 port clearance for any vessel calling at the port cannot be granted until all port dues, fees and other charges have been paid by the owner/master of the vessel. Notification dated 31 August 1976 issued by the Government of India also provides that port dues are to be levied in advance before the vessel leaves the port.

Scrutiny of records, in July 1997, revealed that the CPA issued port clearance before payment of dues and raised bills after delays ranging from one month to ten months from the date of entry of vessels into the ports. The port users made payments after a delay ranging from seven months to 98 months. As a result port dues accumulated to Rs 4.24 crore during 1989-98 and remained outstanding against six port users as detailed below:

(Rs in lakh)

Year	Amount outstanding		
	Shipping Corporation of India	Directorate of Shipping Services	Other four port users
1989-93	28.30	51.60	
1993-94	0.20	10.80	
1994-95	4.26	13.10	
1995-96	1.94	78.86	1.04
1996-97	74.45	5.04	2.38
1997-98	59.31	88.79	3.93

Thus, failure of the CPA to abide by the provisions of the Act and the Government notification resulted in non-realisation of port dues of Rs 4.24 crore besides loss of interest of Rs 1.12 crore.

The Ministry stated, in December 1998, that port clearance was issued as the port dues were secured and non-issue of clearance would have resulted in hardship to common people. The Ministry further stated, that the advance deposit system was under consideration. It had, however, not been introduced as of January 1999.

[1] Chief Port Administrator
[2] Port Management Board

18.4 Wasteful expenditure

Negligence of Superintending Engineer APWD in construction of a water treatment unit within the funnel area of the Air Port resulted in wasteful expenditure of Rs 1.25 crore. Its demolition and replacement is to cost Rs 2.29 crore at the current prices.

Water treatment plant constructed at Rs 1.25 crore is required to be demolished.

Andaman and Nicobar Administration accorded administrative approval and expenditure sanction for Rs 78.03 lakh in October 1991 for construction of a water treatment unit under the Drinking Water Mission for supply of water to eight villages in Port Blair. The work taken up by the Executive Engineer, Port Blair South Division of APWD in January 1993 was completed and put into operation in April 1995 at a cost of Rs 1.25 crore. In January 1997, the Chief Engineer, APWD asked the Executive Engineer, Port Blair South Division to dismantle the treatment unit structure as it came within the funnel area of the proposed extension of the runway of Port Blair airport.

Scrutiny of records by Audit in January 1998 revealed the following:

Executive Engineer was aware of its coming in the funnel area.

The work was started by the Executive Engineer, Port Blair South Division in January 1993. Earlier, the Government of India and the Andaman and Nicobar Administration had decided in 1992 on the extension of the existing runway of Port Blair airport by 5,000 feet and had for the purpose constituted a Special Airport Cell with the Executive Engineer, South Andaman Division as its convenor. The cell identified the area involved in the extension of the runway and sent it to Deputy Commissioner for action for acquisition and rehabilitation. The cell also informed the Executive Engineer, Port Blair South Division about this in October 1992.

Superintending Engineer APWD ignored the advice of the Airport Extension Cell.

Subsequently on 1 March 1993, the Executive Engineer, South Andaman Division wrote to the Executive Engineer, Port Blair South Division that the water treatment unit being constructed came within the approach funnel of the airport. Despite this, the Superintending Engineer of the executing circle advised the Executive Engineer, Port Blair South Division in March 1993, not to take cognisance to Executive Engineer, South Andaman Division's letter and to continue with the works, even while clearance of the site plan by the District Level Committee headed by the Deputy Commissioner, Port Blair was awaited.

The construction of the water treatment plant was completed in April 1995 at a cost of Rs 1.25 crore. At no stage during execution of the work, APWD obtained specific approval from the Fortress Commander, Andaman and Nicobar Administration, who owns the responsibility of safe operation of the aircraft.

Dismantling of the plant and replacement to cost Rs 2.29 crore at current prices.

It was only in January 1997 that the Chief Engineer, APWD advised Executive Engineer, Port Blair South Division to prepare a survey report for dismantling and disposal of the structure and to submit an estimate for construction of a new water treatment unit at another location. An estimate for Rs 2.23 crore for construction of the new water treatment unit was submitted by Executive Engineer, Port Blair South Division in February 1997 to the Chief Engineer, APWD. The dismantling of the newly constructed unit at an anticipated cost of Rs 5.66 lakh was yet to begin as of October 1998.

In his reply to audit in November 1998 the Chief Engineer, APWD stated that public pressure and Administration compelled for continuation of this construction. The argument is not valid, since public pressure would be for a water treatment plant but not for its construction at a particular place.

Thus, despite having advance knowledge that the construction of the plant would obstruct the flight path, the APWD nonchalantly continued the works at a cost of Rs 1.25 crore, only to decide its dismantling in less than two years after its completion. Another site has since been identified for construction of a similar water treatment plant and cost is estimated at Rs 2.23 crore. The new work was yet to begin as of October 1998.

Ministry/Andaman and Nicobar Administration should investigate and fix responsibility for this waste.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

18.5 Procurement and renewal work of inter island vessels

The Director of Shipping Services, Andaman and Nicobar Administration maintains a fleet of vessels to cater to the transportation needs in its inter-island sector.

Acquisition of vessels

The Planning Commission approved acquisition of 22 inter island vessels in the Eighth Five Year Plan. This requirement was reduced to 12 vessels with a total capacity of 1210 passengers and 700 tonne cargo. Besides, the Ship Acquisition Committee of the Administration approved another big size vehicle ferry and four smaller ferries for acquisition during this period.

The Director placed orders for only eight vessels against the target of 17 vessels during 1992-98, as under:

Position of Vessels ordered during 1992-98 was as under:

Category of the vessel	Value	Date of inviting tender	Date of placement of order	Schedule date of completion	Stages	Payment made (Rs)
4X50-60 Passenger Motor Launch	99.95 lakh (each)	4/95 Do Do Do	5/96 5/96 2/97 2/97	3/98 3/98 12/98 12/98	6 6 3 2	99.95 lakh 99.95 lakh 44.98 lakh 29.99 lakh
1X35-45 Passenger Motor Launch	99.91 lakh	6/95	5/96	12/98	6	89.92 lakh
1XLG's Touring Vessel	2.40 crore	6/95	6/96	12/98	4	1.68 crore
1X400T Cargo Vessel	6.30 crore	6/95	6/97	2/99	4	4.10 crore
1X300T Water Burge	2.43 crore	6/95	2/98	8/99	3	1.21 crore

The orders for the new vessels were placed between May 1996 and February 1998. Although the plan was to acquire 12 vessels during the Eighth Five Year Plan period, the Director placed order for eight vessels at the fag end of the plan period and even beyond it. As a result, none of the ordered vessels was acquired within the Eighth Five Year Plan.

Orders for only eight vessels were placed against a target of 12 vessels.

The Director attributed the delay to procedural aspects in obtaining approvals of the Government of India, finalising tenders and lack of technical expertise which was endorsed by the Ministry in December 1998. As the reasons stated were foreseeable and controllable, the procedures needed to be streamlined to eliminate delays.

Procurement of 400 passenger cum 100 tonne cargo vessel

Delay in executing revision of contract resulted in Idling of Investment.

The Administration placed an order for a cargo vessel on HDPE[1] in June 1987 at an estimated cost of Rs 16.70 crore. The vessel was to be delivered by November 1989. HDPE as late as in August 1992 asked for extension up to December 1992 after completing the 4th stage construction. The Administration extended the completion period to January 1991 and released payment for Rs 15.53 crore, being stage payment for the 4th stage of work. In March 1993, the HDPE asked for revision of the contract price of the vessel citing various constraints and reasons for delay in completion of the work.

The Administration, decided in July 1993 to cancel the contract on the ground of slow progress of the work.

[1] Hooghly Dock and Port Engineers Ltd.

The Ministry approved revival of the contract at a cost of Rs 49.63 crore in August 1997. Slow progress by the shipbuilders has resulted not only in cost over-run of Rs 32.93 crore but also in idling of Rs 15.53 crore for a period of over six years. Meanwhile the public remained deprived of the services of a cargo vessel.

While accepting the facts, the Ministry stated in December 1998 that the fresh contract had been entered into June 1998.

Nugatory expenditure on renewal work

A passenger cum cargo vessel was not put to operation for over three years even after spending Rs 15.91 lakh.

MV Gomati, a 200 passenger cum 50 tonne cargo vessel, built in 1969, became unoperational from March 1994 and was withdrawn from the services for overhauling. Most of the plates of the vessel had corroded beyond acceptable limit and in the first instance, needed replacement. To make the vessel operational for a further period of five/six years 30 tonne of steel renewal work was estimated for the vessel. The renewal and replacement work was awarded to Damodar Engineering Works, Port Blair in August 1994 at the rate of Rs 16800 per tonne exclusive of the cost of steel. On completion of the contractual work in August 1995 the Chief Engineer inspected the vessel and recommended further plate renewal involving another 11.5 tonne of steel. This additional work was yet to be completed and the vessel was yet to be inducted into service as of May 1998. The total cost of repair aggregating to Rs 15.91 lakh, had not been productive for over 3 years. Moreover it also indicates inadequate survey and incorrect estimation of the work involved.

18.6 Working of Electricity Department

18.6.1 Highlights

- **The Capital and Revenue expenditure of the Electricity Department during the five years, 1993-98 were Rs 78.87 crore and Rs 143.91 crore respectively while the total revenue realised was a meagre Rs 50.69 crore. The revenue realisation during 1993-98 was only 35.22 *per cent* of the total revenue expenditure.**

- **Excess consumption of 85.83 lakh litre HSD[1] oil during 1993-98 against the norm resulted in excess expenditure of Rs 4.99 crore.**

- **The Department procured power capacitors of various capacities worth Rs 88.09 lakh. Out of these, 4286 capacitors valuing Rs 75.51 lakh was unutilised in store for over two years. In addition, the Department further procured 1160 power capacitors at a cost of Rs 3.69 crore between January 1998 and April 1998, which have also remained idle in store.**

- **The T&D[2] losses during 1993-98 ranged between 19.15 *per cent* and 23.73 *per cent* against acceptable limit of 15.5 *per cent*. The excess T&D losses had revenue value of Rs 3.75 crore.**

- **The Department delayed implementing the revised tariff proposed by TAC[3], which resulted in foregoing of revenue of Rs 2.80 crore.**

- **The Department failed to ensure the correct grade of lubricating oil for the generators resulting in non-operation of generators and an extra-liablity of Rs 2.51 crore in replacement of the damaged crankshafts.**

- **The Department neither fixed the reserve stock limit for storing nor the reordering level for further procurement. The Central Stores held the stock in excess of the requirement as only 27 to 41 *per cent* of the stock material were issued during 1993-98. Excess purchases led to accumulation of non-moving stores worth Rs 1.04 crore and slow moving stores worth Rs 2.48 crore.**

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[1] High Speed Diesel
[2] Transmission and Distribution
[3] Tariff Advisory Committee

- **The Department purchased cables of different specifications without any specific or planned purpose, which resulted in cables worth Rs 1.15 crore remaining unutilised.**

- **The Department procured energy meters at a cost of Rs 82.05 lakh. Out of these meters valuing Rs 77.98 lakh continued to be held in stock for above three years. Yet, the Department did not replace 2189 defective meters.**

- **Even though the generator was inoperative, spares worth Rs 37.62 lakh were purchased resulting their non-utilisation for more than seven years.**

- **The Department did not levy surcharge of Rs 25 lakh on two industrial customers for unauthorised excess load.**

18.6.2 Introduction

The Union territory of Andaman & Nicobar Islands comprise of 572 islets and islands of which 36 are inhabited. Electricity Department of the Andaman and Nicobar Administration is responsible for generation, transmission and distribution of electric power in the Islands. Due to the geographical and topographical peculiarities of the islands, there is no interconnected power grid for all the electrified islands. Instead, a power house caters to an island and to that extent each power house is independent. The Department has 36 powerhouses with diesel generating sets of capacity ranging from 6 KW to 2500 KW with aggregate capacity of 32.8 MW. The Electricity Department was declared as commercial undertaking from 1961-62.

18.6.3 Organisational set up

The Department is under the overall charge of a Superintending Engineer. He is assisted by five Executive Engineers.

18.6.4 Scope of Audit

The working of the Department during 1993-94 to 1997-98 was reviewed in September and October 1998.

18.6.5 Financial position

The Department suffered recurring loss due to the wide gap between the cost of generation and distribution and recovery of electricity charges. While the cost of generation and distribution of power varied from Rs 3.37 to Rs 5.04 per unit, the recovery was only Rs 1.13 and Rs 1.80 per unit.

The expenditure and revenue of the Department during 1993-98 were as follows :

The accumulated loss was Rs 93.22 crore during 1993-98.

(Rupees in crore)

Year	Expenditure			Revenue realised	Excess expenditure over revenue receipt
	Revenue	Capital	Total		
1993-94	15.74	8.18	23.92	6.16	9.58
1994-95	24.38	12.31	36.69	7.44	16.94
1995-96	32.56	14.95	47.51	10.66	21.90
1996-97	34.08	20.48	54.56	12.94	21.14
1997-98	37.15	22.95	60.10	13.49	23.66
Total	**143.91**	**78.87**	**222.78**	**50.69**	**93.22**

The revenue realised was only 35.22 *per cent* of the revenue expenditure. During 1993-98 the Department sustained an accumulated loss of Rs 93.22 crore.

18.6.3 Revenue

The outstanding electricity charges accumulated to Rs 6.06 crore as of March 1998.

18.6.6.1 Realisation of revenue

Electricity charges are payable, within a grace period of 21 days from the date of issue of bills. However, the billed amount was not realised within this time limit leading to outstanding amount at the end of each year as seen from the following table :

(Rupees in crore)

Year	Opening balance of dues	Bills due for payment and realised	Total realisable	Total realisation	Closing balance
1993-94	2.69	6.29	8.98	6.16	2.82
1994-95	2.82	7.89	10.71	7.44	3.27
1995-96	3.27	11.78	15.05	10.66	4.39
1996-97	4.39	14.03	18.43	12.94	5.48
1997-98	5.48	14.06	19.54	13.49	6.06

The above table shows that collection of revenue with reference to the total realisable was declining. As a result, the total outstanding balance accumulated to Rs 6.06 crore as of March 1998. The Superintending Engineer neither took effective action to realise the revenue nor imposed any penalty against the defaulters. On being pointed out by audit, the Department issued instructions in November 1998 to impose penalties on the defaulters.

18.6.6.2 Revision of tariff

The Department suffered loss of Rs 2.80 crore due to delay in implementation of revised tariff.

The Andaman & Nicobar Administration constituted the Fifth TAC in March 1996 to examine the question of revision of tariff structure. The report was to be submitted within three months. The TAC submitted its recommendations for revision of rates in March 1997. The revised rates were notified by the Administration in March 1998 and were made effective from April 1998. Besides the delay by the TAC in submitting its report, the delay of 12 months in implementation of revised rate resulted in foregoing of the revenue of Rs 2.80 crore. The Department attributed the delay in implementation of the revised rate to excessive load shedding and likely public resentment.

18.6.6.3 Non-realisation of surcharge

To compensate for the adverse effect on the equipment installed for a particular load, the Administration issued orders from time to time to levy a surcharge of 25 *per cent* on the total amount of bill for unauthorised load. Test check of records revelaed that :

The Department did not levy surcharge for unauthorised excess connected load.

18.6.6.4 Andaman Timber Industries Limited unauthorisedly increased its connected load from 819.10 KW to 1572.68 KW which was detected in November 1994. The Department though aware of unauthorised load did not levy surcharge as per the prescribed norm and suffered a loss of Rs 22.84 lakh between November 1994 and March 1998 on account of non-levy of surcharge. The amount of surcharge not levied prior to detection of unauthorised load was not known.

18.6.6.5 Another industrial consumer Jayashree Timber Product unauthorisedly increased their connected load from 150 KW to 242.12 KW which was detected in April 1996. The Department neither entered into a fresh agreement nor levied surcharge as per the prescribed norm. During the period April 1996 to March 1998 the Department suffered loss of Rs 2.16 lakh due to non-levy of surcharge.

18.6.7 Stores

Stores required for maintenance of the power houses and for transmission and distribution of energy are centrally procured by the Superintending Engineer and issued by the Executive Engineer on the basis of indents received from user units. About 11253 items of material are handled by the central store. The value of stored items in stock as on March 1998 was Rs 28.36 crore. The value of stored materials in stock, the yearwise value of procurement and consumption in the Central Stores during 1993-98 was as under :

Only 27.35 to 41.05 *per cent* of stores held in stock could be issued by the Central Stores.

(Rupees in crore)

		1993-94	1994-95	1995-96	1996-97	1997-98
1.	Balance at beginning of year	13.03	18.81	26.70	33.82	34.52
2.	Receipt during year	12.86	25.02	24.50	19.08	13.59
3.	**Total**	**25.89**	**43.83**	**51.20**	**52.90**	**48.11**
4.	Issue during the year	7.08	17.13	20.37	18.38	19.75
5.	Closing balance at the end of year	18.81	26.70	30.82	34.52	28.36
	Percentage of consumption to total store during the year	27.35	39.09	39.79	34.75	41.05

The table would indicate that procurement of material was not regulated according to requirement as only 27.35 to 41.05 *per cent* of the value of materials held in stock at the end of the year was actually issued by the Central Stores.

18.6.7.1 Inventory control

Despite annual handling of stores worth about Rs 26 crore to Rs 53 crore by the Central Stores, the Superintending Engineer had not fixed reserve stock limit for storing of any of the items/materials. Further no minimum and maximum levels for items of store and reordering level were fixed. Absence of proper system of inventory control resulted in accumulation of stores as evident from the following paragraphs.

Stores worth Rs 1.04 crore remained unmoved since March 1995.

18.6.7.2 Examination of store records revealed that in September 1998, 177 items of stores valued at Rs 1.04 crore remained unmoved with the central store since March 1995 and 96 items of stores valuing Rs 2.48 crore were of slow moving nature. Based on the average rate of consumption, the expected number of years required for the utilisation of the quantity in stock ranged between five years to several decades.

18.6.7.3 Unplanned purchase of cables

The Department procured excess quantity of cables without any specific requirement.

The Superintending Engineer without taking into account the stock balance of 255 km. of cables of six different specifications during the period from March 1992 to January 1995 and their meagre utilisation in the earlier years purchased a further quantity of 1298 km cables between September 1996 and January 1998. As the purchase was made without any specific requirement, only 40 km of cables were issued for utilisation during the period. The balance of 1513 km cables valuing Rs 1.15 crore which at the present rate of consumption will take another five years to exhaust, remained unutilised with the Central Store as of August 1998 as under.

(a) 143 km. of unarmoured PVC insulated & PVC sheathed cable were in stock on 10 March 1997 as balance out of 150 km. procured in October 1995. During March 1997 and January 1998 further quantity of 237 km. was procured. Only 200 metres was issued in November 1997. The balance 379.86 km. valued at Rs 10.51 lakh was lying in stock.

(b) A balance of 12.9 km. cable PVC (25 mm^2) was in stock as on 14 February 1995. But the Superintending Engineer procured 299 km cable during September 1996 to September 1997. As only 23.90 km cable was issued between September 1996 to June 1998 for utilisation, a balance of 288 km. valued at Rs 32.66 lakh was lying in stock.

(c) Of the 100 km PVC Aluminium 10 mm^2 cable procured in October 1995, balance of 93.9 km was in stock as on 11 February 1997 when the Department again purchased 91.2 km. Out of this only 3 km. cable was issued up to May 1998. This resulted in accumulation of stock of 182.10 km. cable valued at Rs 12.64 lakh.

(d) Without taking into account that only 7.1 km PVC Aluminium (35 mm^2) cable was issued during the period April 1992 to December 1995 and 13.10 km cable were in stock, 348.4 km. were procured during 1996-97. As only 2.1 km were issued for utilisation, 347.61 km valued at Rs 34.58 lakh were lying in stock.

(e) Without taking into account that 3.4 km. of PVC Aluminium cable 16 mm^2 was issued during April 1992 to August 1996 and 1.65 km was in stock, further procurement of 294.6 km was made on three occasions between September 1996 and September 1997. Out of this, only 9.3 km was issued since September 1996 and the balance of 286.93 km worth Rs 14.38 lakh was held in stock.

(f) Without taking into account the consumption of only 1.04 km single unarmoured PVC insulated 120 mm^2 cable and the stock balance of 2.56 km cable as on 1 September 1996, further procurement of 27.5 km were made in September 1996. As only 1.60 km was issued thereafter, 28.46 km. cable worth Rs 10.65 lakh were held in stock.

All these cases mentioned above disclose an indiscriminate purchase with no concern for value for money and calls for investigation.

18.6.7.4 Avoidable purchase of stores

The Department procured spares after a DG set had become completely inoperative.

The Superintending Engineers placed four indents between May 1987 and July 1989 for different items and spare parts valuing Rs 1.08 crore for diesel generating set. Against these indents 99 items valuing Rs 58.32 lakh were received by the Department during May 1989 and March 1991 and for the remaining items either the orders were cancelled or were not supplied by the firm. Since the diesel generating set had been inoperative since July 1989 the spares purchased and received could not be utilised. Only one turbo charger valued at Rs 20.70 lakh was issued in December 1995 to the Director of Shipping Services.

Thus, failure of the Superintending Engineer to cancel the purchase order after the diesel generating set was rendered beyond economical repairs in July 1989 resulted in avoidable purchase of spares worth Rs 37.62 lakh which have remained unutilised for more than seven years.

18.6.7.5 Uninstalled/unissued stores

The Department did not install energy meters procured by them.

Althouth a total elimination of energy loss in the system is not possible, it can be reduced significantly by use of higher efficiency transformer, better lay out of lines, reallocation of distribution station, installation of capacitors, etc.

The Electricity Department formulated a scheme for minimising the line of losses at South Andaman by improving the system during the eighth five year plan at an outlay of Rs 15 lakh. The scheme envisaged installation of meters, power factors and ampere meter and installation of energy meters with maximum demand indicator. Test check revealed the following :

18.6.7.6 To prevent overloading of the system and drop in voltage and to measure bulk supply of energy the Department procured 30 maximum demand indicators during February 1996 – July 1996 at Rs 8.88 lakh. The demand indicators were to be installed at 30 distribution stations. Only one was issued for installation in November 1997 and the balance 29 demand indicators valuing Rs 8.58 lakh remained uninstalled as of September 1998.

Capacitors valuing Rs 75.51 lakh remained unissued as of September 1998.

18.6.7.7 An easier and quicker method of loss reduction and improving voltage profile is to provide proper reactive compensation in the system through installation of capacitors at load points. Regulation of Power Supply Order of 1983 of Andaman and Nicobar Islands also provide for installation of power factor correction apparatus by the consumers. The Department procured 5071 power capacitors of various capacities during November 1994 and July 1997 at a total cost of Rs 88.09 lakh. Only 785 power capacitors were issued for installation and 4286 valuing Rs 75.51 lakh remained unissued as of September 1998.

The Department further procured 1160 power capacitors of 50 KVAR[4] to 125 KVAR capacity between January 1998 and April 1998 at a total cost of Rs 3.69 crore which also remained in stores as of September 1998.

18.6.7.8 Disposal of surplus material

The Department did not dispose of one DG set since May 1993.

Phoenix Bay Power House at Port Blair was provisionally laid down from 25 May 1991 and was completely shut down from 27 May 1993. Of the five diesel generating sets installed during 1977-1984, two diesel generating sets each were disposed of in November 1993 and December 1995 respectively. One diesel generating set was yet to be disposed of as of September 1998.

18.6.7.9 The Superintending Engineer procured diesel generating set from the Garden Reach Shipbuilders and Engineers at a cost of Rs 52.76 lakh. It was installed in August 1984. Though the set had completed life of five years, it was operational for only 29314 hours and had not been in use since July 1989 because of defects in the crankshaft. The set was condemned being uneconomical due to high consumption of fuel and non-availability of spares. This set was yet to be disposed of as of September 1998.

A crankshaft valued at Rs 7.56 lakh was sold without ever utilising it.

18.6.7.10 One crankshaft purchased for Rs 7.56 lakh in 1990 was disposed of for less than Rs 60000 in August 1998 without ever being put to use.

18.6.8 Transmission and Distribution

18.6.8.1 Transmission and Distribution loss

Energy lost in carrying from the generating stations to the consumers through transmission and distribution network is termed as T & D loss. This loss of energy during transmission from generating point to consumer occur mainly on two counts, viz, technical loss and commercial loss.

[4] Kilo-volt-Ampere-Reactive

According to the guidelines of the Central Electricity Authority issued in July 1991 the acceptable limit of T & D loss is 15.5 *per cent.* The T & D losses in Andaman and Nicobar Islands for the last five years were as under:

T&D losses by excess of the norms in revenue terms was Rs 3.75 crore in five years.

	1993-94	1994-95	1995-96	1996-97	1997-98
Energy generated (MKWH)	68734.96	74434.40	79873.66	89769.69	99175.27
Auxiliary consumption (MKWH)	1793.16	2180.09	2512.76	2531.24	2643.22
Percentage of auxiliary consumption	2.61	2.93	3.15	2.82	2.77
Energy sent out (MKWH)	66941.80	72254.32	77360.90	87238.44	96432.05
Energy sold (MKWH)	52974.23	56104.67	60702.73	70528.47	73544.58
T&D Loss (MKWH)	13967.57	16149.65	16658.18	16709.98	22887.47
Percentage of T&D	20.87	22.35	21.53	19.15	23.73
Percentage of system loss in excess of norms (15.5%)	5.37	6.85	6.03	3.65	8.23
System loss in excess of norms (MKWH)	3593.96	4949.67	4665.53	3184.93	7937.80
Average revenue (Rs/KWH)	1.13	1.21	1.59	1.79	1.80
Loss of revenue due to system loss (Rs in lakh)`	40.61	59.89	74.18	57.01	142.88

It would transpire from the above that against the acceptable limit of 15.5 *per cent* prescribed by Central Electricity Authority, the T & D loss ranged from 19.15 *per cent* to 23.73 *per cent* on the Islands resulting in potential loss of revenue of Rs 3.75 crore during 1993-98.

This higher percentage of line loss was mainly due to excessive line losses occurring in three areas namely Middle & North Andaman, Diglipur and Campbell Bay. The line loss of these three areas ranged between 20.30 *per cent* and 62.47 *per cent* while that of South Andaman areas was between 16.60 *per cent* and 23.17 *per cent.*

18.6.8.2 Commercial loss

Commercial loss can mainly be attributed to pilferage of energy, defective metres etc. Such losses can be effectively checked by proper vigilance and close monitoring.

As per the rules, each consumer of electrical energy is required to pay energy charge at scheduled tariff based on recordings of energy meter subject to minimum charge fixed per KVA[5] or part thereof based on connected load of the consumer. Andaman and Nicobar Islands Electrical Energy (Control and Supply Distribution, Consumption and Use) Order, 1983, besides providing for fixation of scheduled tariff from time to time also provides that (i) minimum charge payable by a consumer under appropriate tariff should be determined by rating/rerating of every electrical installation and (ii) in the event of energy meter being out of order the energy charge should be based on the average of the highest consumption recorded during any three months of the year or that of the preceding year and the faulty meter should be replaced immediately or repaired and installed as expeditiously as possible. Test check of records revealed the following:

Energy metres valuing Rs 77.98 lakh remained uninstalled.

18.6.8.3 Of the 7836 meters installed in the consumers' premises, 2189 meters under 3 site offices were defective as on 31 March 1998 and energy bills were being raised at average rate of consumption while 11408 energy meters valued at Rs 77.98 lakh were held in stock out of 11978 energy meters procured for Rs 82.05 lakh during January 1994 and April 1995.

18.6.8.4 In contravention of the provision that average of highest consumption recorded during any three months of the year or that of the previous year should be charged in the event of stopped meter, the energy charges were being levied at minimum charge which resulted in undercharge of Rs 1.28 lakh noticed in sample check in the case of only 14 consumers.

18.6.9 Maintenance of diesel generating sets at CPH[6]

18.6.9.1 Failure of DG[7] set

(a) Five DG sets of 2.5 MW each were installed at CPH during December 1990 to May 1991. As per specification of the manufacturer, besides spot control, cleaning and lubricating, each DG set was to be overhauled after

[5] Kilo-Volt-Ampere
[6] Chatham Power House
[7] Diesel Generating

every 10000 running hours. The actual position for each of them was as below:-

Overhauling of DG sets were carried out after substantial delays.

	1st Overhauling (After No. of hours)	Next (2nd) Overhauling carried out (After No. of hours)	Next (3rd) Overhauling carried out (After No. of hours)	4th Overhauling carried out (After No. of hours)
Unit I	10938	23177	31994	46103
Unit II	10980	22308	30057	40250
Unit III	11680	21346	28841	45246
Unit IV	11135	19407	26502	44002
Unit V	11216	18568	26809	40711

The above table would indicate that the prescribed overhauling was in most cases erratic, thus adversely affecting the fuel efficiency of the sets.

The Department did not ensure correct grade lube oil for DG sets resulting in failure of crankshaft.

(b) Unit V and Unit III of CPH, which accounts for 69 *per cent* generation in the Island became inoperative in December 1997 and April 1998 respectively due to failure of engine crankshaft. The Unit III was revived in August 1998 with an old crankshaft and the Unit V remained inoperative as of September 1998. The crankshaft costing Rs 1.25 crore each is yet to be procured as of September 1998. The technical team of the Central Electricity Authority attributed the failure of the crankshafts to the frequent changes in the grade and use of non-specified grade of lubricating oil.

(c) The grade of lubricating oil was changed seven times between October 1996 and April 1998. The effect of change was first detected in October 1996 when crankcase lining of Unit V failed leading to unscheduled overhauling of the unit during October 1996 and November 1996. Thus, failure on the part of the Department to ensure the correct grade lubricating oil and as specified by the manufacturer GRSE resulted in non-operation of DG sets and extra liability of Rs 2.51 crore for the replacement of crankshafts.

18.6.10 HSD Oil

18.6.10.1 Excess consumption of HSD Oil

All electric generation in the Islands is through diesel generating sets. 1178.61 lakh litres of oil was consumed in electricity generation during 1993-98. Out of this, the consumption of oil at CPH which has five Bergen DG sets of 2.5 MW each constituted 66.57 *per cent* of the total consumption.

Scrutiny of records of CPH revealed that the average rate of consumption of HSD was more than the 0.23 litre per KW guaranteed by the manufacturer as indicated below:

85.83 litres of HSD oil was consumed in excess of prescribed limit.

Year	1993-94	1994-95	1995-96	1996-97	1997-98
Electricity generated (KWH in thousand)	52372.00	55285.90	66201.85	65618.88	66017.55
Consumption of oil (lakh litres)	132.73	142.78	162.23	171.61	175.22
Average rate of consumption per KWH	0.25	0.26	0.25	0.26	0.27
Excess consumption (lakh litres)	10.62 (8.69)	16.47 (13.03)	12.98 (8.69)	19.80 (13.03)	25.96 (17.39)

Note: Figures in brackets denote percentage

Excess consupmtion has increased from 8.69 *per cent* to 17.39 *per cent* in 1997-98. The excess consumption of 85.83 lakh litres of HSD oil during 1993-98 was valued at Rs 4.99 crore worked out at the rate of Rs 5.81 per litre.

18.6.10.2 Loss of HSD oil due to improper handling

HSD oil required for generation of power is despatched to various power houses through filled drums loaded on ships and in marine tanks. In case of HSD oil despatched to the southern group of Islands viz. Campbell Bay, Katchal, Chowra, Nancowry it was noticed that there was always less receipt at the terminal point. The short receipt of 8.17 *per cent* was treated as transit loss on the ground that there was multiple handling of barrels during transportation. Yet no such loss was reported at Car Nicobar, where due to non-availability of berthing facility more handling is required.

A committee set up by A & N Administration in May 1995 to investigate the issue of shortage/loss of HSD oil during transportation in June 1995 attributed the loss to use of old drums, careless handling, improper loading, non-sealing of drums, improper storage and non-approval of loading plan by the Mercantile Marine Department. The committee recommended for shipping of HSD oil tanker and for adequate care in case of handling of oil tanker and for adequate care in case of handling of oil drums. Scrutiny of records for the period from January 1996 to January 1998 revealed that there was short receipt of 1.0133 lakh litres valued at Rs 12.07 lakh of oil which constituted 8.17 *per cent* of the total quantity transported.

The Executive Engineer, Electricity Department stated that since implementation of the recommendations of the Committee in July 1998 there would be a considerable reduction in loss.

18.6.11 Non Conventional Energy Sources

18.6.11.1 Underutilisation and non-utilisation of Gasifier

To encourage use of biomass resource and as an alternative to petroleum in the generation of power the Electricity Department procured five gasifier system during 1988-89. The system is based on dual fuel operation with waste biomass as the primary fuel.

One 100 KW gasifier system costing Rs 10 lakh was commissioned at Chatham on 5 October 1989. It was demonstrated that the system could replace diesel by 80 *per cent* for a daily output of 30-60 KW for about 8 hours. However, during 1993-98 the system was operated for a total of 1010 hours only and 18244 KWH of energy was generated by incurring the maintenance expenditure of Rs 1.69 lakh during the period.

Two 20 KWH and two 40 KW gasifier systems were received during the year 1988-89 by the Department for installation at Hut Bay and Betapur at a cost of Rs 9.70 lakh. The systems were not installed since the buildings were not constructed. The purpose of purchase of the system thus remained unachieved.

The matter was referred to the Ministry in December 1998; their reply was awaited as of January 1999.

Chandigarh Administration

Ministry of Home Affairs

18.7 Non-levy of token tax

Under the Punjab Motor Vehicles Taxation Act, 1924 and the rules framed thereunder, as applicable to Union Territory of Chandigarh, tax is leviable on every motor vehicle at such rates as may be prescribed by the Chandigarh Administration from time to time and is recoverable in equal quarterly instalments. The Chandigarh Administration vide their notification issued in February 1987 prescribed tax at the rate of Rs 1.50 per seat subject to maximum of Rs 4200 *per annum* effective from 1 April 1987 for stage carriages plying for hire and used for the transport of passengers.

During the audit of records of Registering/Licencing Authority (Motor Vehicles) Union Territory, Chandigarh for the years 1992-93 to 1996-97 it was observed that buses (stage carriages) were being plied for commercial purpose by the Chandigarh Transport Undertaking (Undertaking) on its local as well as on inter-state bus routes but the token tax was neither paid by the Undertaking in respect of its fleet of buses numbering between 407 and 424 which plied during the years 1992-93 to 1996-97 nor it was demanded by the Registering Authority (Motors) Chandigarh. This resulted in non-levy of token tax amounting to Rs 87.55 lakh besides penalty for non-payment of tax. Mention was also made in paragraph 4.02 and 3.02 of the Reports of Comptroller and Auditor General of India for the years 1991-92 and 1992-93, Union Government Revenue Receipts – Indirect Taxes regarding non-levy of token tax in respect of 244 vehicles which plied during 1990-91 and 415 vehicles which plied during 1991-92.

On this being pointed out to the Chandigarh Administration in February 1994, the Chandigarh Administration stated in July 1994 that under rule 8(1)(i) of the Punjab Motor Vehicles Taxation Rules, 1925 all the motor vehicles owned or kept for use by the Central/State Government are totally exempt from payment of tax as the rule became *ipso facto* applicable to Union Territory Chandigarh under the provisions of Punjab Reorganisation Act, 1966 because this rule was applicable in the Joint Punjab prior to the reorganisation of the State of Punjab, Haryana and creation of Union Territory of Chandigarh with effect from 1 November 1966. Reply of the Administration is not tenable. As per second proviso to rule 8(1)(i) of the rules, the exemption shall not apply to motor vehicles belonging to the Central Government's (Railways) or the State Government operating for a commercial purpose.

The matter has again been taken up with Chandigarh Administration in August 1997, their further reply was awaited as of January 1999.

18.8 Short-recovery of assessed fee

Under the Punjab Liquor Licence Rules, 1956 as applicable to the Union Territory of Chandigarh, licence fee for a vend of foreign liquor in a hotel/club is assessed at the time of its grant/renewal on the basis of actual sale made during the previous calendar year and is recovered in three instalments i.e. 50 *per cent* by 30th April, 25 *per cent* by 30th June and remaining 25 *per cent* by 30th September in each financial year. The fee so assessed and recovered is subject to adjustment at the end of each of the first three quarters on the basis of actual sale of foreign liquor during that quarter and by 7th day of the month of March, on the basis of average sale during the first three quarters which shall be finally adjusted on the basis of actual sale at the end of fourth quarter.

Licences for sale of foreign liquor in three clubs and six hotels were granted for the years 1994-95 and 1995-96 after collecting fees on the basis of sale of liquor during the previous calendar year. Quarterly or final adjustment of fee (based on actual sale during the relevant year) was not made inspite of the facts that the licencees had already furnished the detailed account of actual sale effected by them during the relevant periods. This resulted in short realisation of fee of Rs 5.68 lakh.

The matter was reported to the Department in August 1997 and to the Chandigarh Administration in November 1997; but their reply was awaited as of January 1999.

Ministry of Urban Affairs and Employment

Department of Urban Development

18.9 Wasteful Expenditure

Failure of Estate Officer to check the status of land led to wasteful expenditure of Rs 14.28 lakh on estate service.

Mention was made in para 16.9 of the Report of the Comptroller and Auditor General of India No.2 of 1998 : Union Government (Civil) that Chandigarh Administration constructed 240 one-room tenements without verifying the limitation of the site due to its falling on the forest land, which resulted in idle investment of Rs 1.95 crore. The tenements were yet to be allotted or auctioned as of December 1998.

Further, examination of the records of Project Public Health Division No.2 disclosed that Chandigarh Administration spent another Rs 14.28 lakh towards construction of Storm Water Drainage Scheme etc., without ensuring that the land for the resettlement of Colony was free from all encumbrances. This resulted in further wasteful expenditure of Rs 14.28 lakh.

The matter was referred to the Ministry in July 1998; their reply was awaited as of January 1999.

18.10 Extra payment of interest

Negligence of theLAO[1], Chandigarh in granting interest on solatium to the landowner resulted in excess payment of Rs 22.66 lakh.

Section 28 of Land Acquisition Act, 1984 (Amended) provides that interest, at the rate of nine *per cent* for one year from the date of taking possession of land and 15 *per cent* thereafter till the payment, is payable on the enhanced compensation awarded by the courts to the land owners. The interest is, however, not payable on the additional amount payable on such value as solatium in consideration of compulsory nature of acquisition.

Test check of records of LAO, Chandigarh disclosed that he acquired land measuring 88.80 acres in the village of Dadu Majra, Nizampur Burail and Halo Majra between March 1987 and July 1989. Payment of compensation was made during August 1987-October 1990 at the rates ranging between Rs. 0.66 lakh and Rs 1.65 lakh per acre.

Not satisfied with the awards of the LAO, some land owners appealed in the courts for granting the compensation at higher rates for land measuring 70.39 acres. The court enhanced the compensation with interest to the land owners during June 1995-February 1996. It also allowed 30 *per cent* solatium over and above the compensation.

The LAO, while making payment during November 1995-May 1997 to the land owners also paid Rs 22.66 lakh towards interest on solatium, though it was not payable as per Act and Court award. This resulted in excess payment of Rs 22.66 lakh.

The matter was referred to the Ministry in June 1998; their reply was awaited as of January 1999.

Transport Department

18.11 Recovery at the instance of Audit

On being pointed out by Audit, CTU[2] recovered Rs 16.76 lakh towards electricity and water charges in March 1998.

CTU allotted main canteen at their Inter State Bus Terminus, Sector-17, Chandigarh to a Central Government Company at a monthly lease rent of

[1] Land Acquisition Officer
[2] Chandigarh Transport Undertaking

Rs 14432 for a period of three year commencing from May 1988. The lease was renewed in September 1991 at a reduced monthly rent of Rs 8000 plus electricity and water charges. The agreement provided that water and electricity charges would be based on separate meters to be installed by the lessee.

The lessee neither paid electricity and water charges for the period July 1988 – March 1998 nor did the CTU raise any claims.

On being pointed out in Audit in June 1997, the CTU raised a claim of Rs 17.46 lakh in August 1997. Out of this, Rs 16.76 lakh was recovered in March 1998. The interest recoverable from lessee was yet to be worked out and recovered as of January 1999.

CHAPTER XIX : GENERAL

19.1 Losses and irrecoverable dues written off/ waived

Statement of losses and irrecoverable dues, duties, advances written off/waived during 1997-98, is given in Appendix-I to this Report.

It will be seen from the Appendix-I that in 266 cases. Rs 1.54 crore representing losses mainly due to failure of system, neglect, fraud etc. on the part of individual Government officials (Rs 3.93 lakh) and for other reasons (Rs 1.50 crore) were written off during 1997-98. In two cases, recovery involving Rs 0.12 lakh was waived during the year.

19.2 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 37 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 1998. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading, Profit and Loss Accounts and Balance Sheet. However, Department of Publications, Delhi and Government of India Presses prepare only stores accounts.

It is necessary for each ministry and department to get audited accounts from these undertakings 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 II.

From the Appendix, it will be seen that the proforma accounts had not been prepared for periods ranging from one to 24 years as shown below:

Period for which lying in arrears		
No. of years	**Period**	**No. of Undertakings**
1-5	1993-94 to 1996-97	19
6-10	1988-89 to 1992-93	5
11-15	1983-84 to 1987-88	9
16-24	1973-74 to 1982-83	4
		37

The undertakings where proforma accounts were in arrears included All India Radio (14 years), Doordarshan (13 years), Medical Stores Depots (12 years), Delhi Milk Scheme (8 years).

The Public Accounts Committee, in their 57th Report (Tenth Lok Sabha) had observed that the proforma accounts of Doordarshan had not been finalised since the year 1977-78. While criticising the inordinate delay of more than 15 years in the finalisation of the accounts, the Committee recommended that Ministry in consultation with the Comptroller and Auditor General of India find out ways and means of maintenance of the up to 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 expressed serious concern over this state of affairs. The Committee recommended that the pending proforma accounts be finalised within a period of two years. But proforma accounts of Doordarshan were 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 Govt. undertakings had also been 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 (viii) Environment and Forest (viii) Power in November 1998 for their comments/replies. Except Ministry of Urban Affairs and Employment and Ministry of Power, no other ministry sent their replies/comments as of January 1999.

Ministry of Urban Affairs and Employment only intimated the position of proforma accounts of the Department of publications and of Government of India Presses but did not explain the reasons for delay and their action plan to complete the work.

Ministry of Power stated that position of proforma accounts of Electricity Department, Lakshadweep may be ascertained from the Ministry of Home Affairs and also desired that it would be appropriate if Electricity Department of Lakshadweep and Andaman & Nicobar administration are shown under Ministry of Home Affairs. Ministry's request is not acceptable as the ATNs[1] on the Audit paragraphs related to Union Territories are submitted by the concerned Ministries dealing with the subject concerned. In such cases, Ministry of Home Affairs merely acts as a nodal ministry and monitors the progress of the submission of ATNs by the concerned ministries.

19.3 Follow up on Audit Reports - Summarised Position

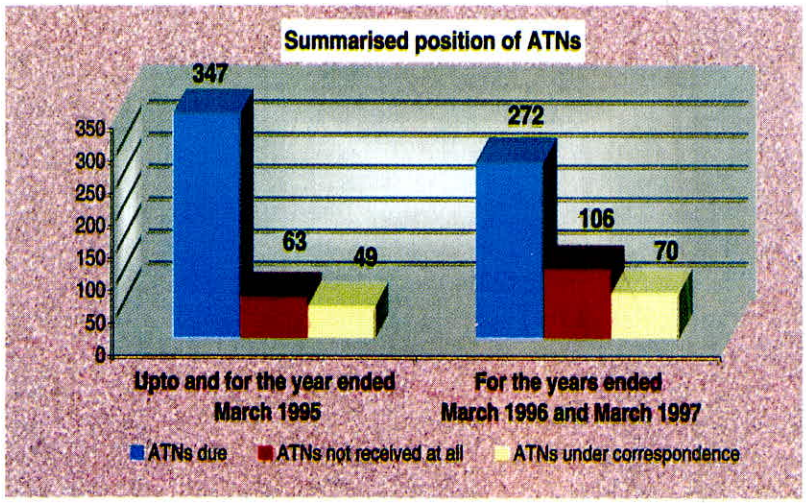
Despite repeated instructions/recommendations of the PAC[2], various ministries/departments did not submit remedial/corrective ATNs on 169 Audit Paragraphs in time.

PAC recommended submission of all pending ATNs up to 1995 within three months.

From 1995-96, ATNs are to be submitted within four months of placing the Report on the table.

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the PAC decided in 1982 that ministries/department should furnish remedial/corrective ATNs on all paragraphs contained therein.

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



[1] Action Taken Notes
[2] Public Accounts Committee

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 31 December 1998 disclosed that the Ministries/Department had not submitted remedial ATNs on 169 paragraphs.

- Ministries/department failed to submit ATNs in respect of 112 Paragraphs included in the Audit Reports up to and for the year ended March 1995 within three months as indicated in Appendix III. Out of these, while the final ATNs in 49 Paragraphs are awaited, ATNs in respect of 63 Paragraphs have not been received at all. The outstanding ATNs date back to as far as 1987-88.

- Though, the Audit Reports for the year ended March 1996 and March 1997 were laid on the table of the Parliament in May 1997 and June 1998 and the time limit of four months for furnishing the ATNs had elapsed in September 1997 and October 1998, the ministries/departments did not submit ATNs on 176 Paragraphs as indicated in Appendix IV. Out of these, while final ATNs in respect of 70 Paragraphs were awaited, remedial ATNs in 106 cases have not been furnished at all.

19.4 Response of the ministries/departments to Draft Audit Paragraphs

Despite directions of Ministry of Finance issued at the instance of PAC[1], secretaries of ministries/departments did not send response to 50 out of 81 Draft Audit Paragraphs included in this Report

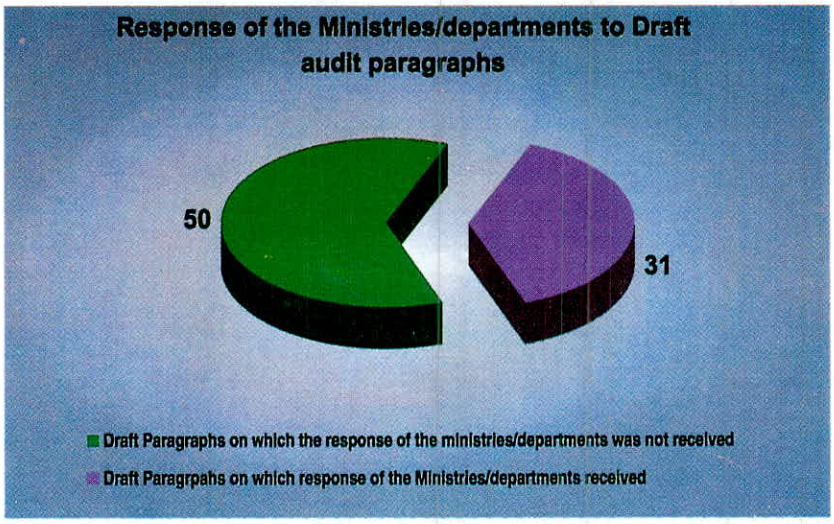
Draft Paragraphs proposed in the Audit Report are forwarded Demi Officially to the secretaries of the ministries/departments.

On the recommendation of the PAC, Ministry of Finance issued directions to all ministries in June 1960 to send their response to the Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded by the respective Audit offices to the secretaries of the concerned ministries/ departments through Demi Official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such Paragraph included in the Audit Report.

Out of 81 Paragraphs included in this Report, the secretaries of the respective ministries/ departments did not send their response in case of 50 Paragraphs.

81 Draft Paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended March 1998: Union Government (Civil) No. 2 of 1999 were forwarded to the secretaries of the respective ministries/departments during April- December 1998 through Demi Official letters.

[1] Public Accounts Committee



The secretaries of the ministries/departments did not send replies to 50 Draft Paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the Appendix V. These 50 Paragraphs have been included in this Report without the response of the secretaries of the ministries/ departments.

(DHIRENDRA SWARUP)
Director General of Audit
Central Revenues

New Delhi

Dated 29 APR 1999

Countersigned

(V.K. SHUNGLU)
Comptroller and Auditor General of India

New Delhi

Dated 3 MAY 1999

Appendix I
(Refer to paragraph 19.1)
Statement of losses and irrecoverable dues written off/ waived during 1997-98

(Rupees in lakh)

Name of Ministry/Department	Write off of losses and irrecoverable dues due to				Waiver of recovery	
	Neglect/ fraud etc.		Other reasons			
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture			1	0.01		
Defence	36	3.93	166	34.92		
Atomic Energy			15	67.73		
Space			11	0.67	2	0.12
Labour			1	0.05		
Fertilizer			36	46.47		
Total	**36**	**3.93**	**230**	**149.85**	**2**	**0.12**

APPENDIX II
(Refers to paragraph 19.2)
Summarised financial results of Departmentally managed Government Undertakings

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	Percentage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
	Ministry of Agriculture									
1.	Delhi Milk Scheme	1991-92	1991.03	815.71	1026.46	(-) 3337.98	407.98	(-) 2930.00	-	
2.	Ice-cum-Freezing Plant, Cochin	1987-88	41.17	40.67	33.30	(-) 20.90	-	(-) 20.90	-	
	Ministry of Defence									
3.	Canteen Stores Department	1995-96	48.00	1397.69	844.57	4472.92	2620.20	7093.12	34.36	
	Ministry of Power									
4.	Electricity Department, Andaman and Nicobar Islands	1994-95	6087.53	5296.40	95.92	(-) 3428.26	769.63	(-) 2658.63	-	Proforma accounts have been received upto 1996-97 but financial results are not made available
5.	Electricity Department, Lakshadweep	1990-91	827.51	597.00	230.52	(-) 483.79	Nil	(+)52.95	6.01	
	Ministry of Environment and Forests									
6.	Department of Environment and Forests, Andaman and Nicobar Islands	1989-90	477.09	477.09	354.92	(+) 535.83	246.28	4397.44	131.24	
	Ministry of Finance									
7.	India Security Press, Nasik Road	1992-93	5396.65	4089.22	1403.80	(+) 1636.73	1489.68	3126.41	21.61	Figures based on Profit and Loss after adjustment.
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	1992-93	7681.67	5498.00	2400.00	(+) 2508.34	1966.87	4474.91	23.89	Figures based on Profit and Loss after adjustment.

Sl. No.	Name of the Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percentage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
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	
12.	Government Alkaloid Works, Neemuch	1992-93	456.64	199.94	10.06	(+) 288.89	41.63	330.52	83.37	
13.	Government Alkaloid Works, Ghazipur	1992-93	123.18	23.63	27.87	(-) 58.44	20.68	(-) 37.76	-	
14.	India Government Mint, Mumbai	1983-84	29.89	516.46	25.22	(+)1561.18	193.32	(+)1754.50	63.98	
15.	India Government Mint, Calcutta	1991-92	409.39	264.62	311.10	(-) 814.13	1092.98	-	-	
16.	India Government Mint, Hyderabad	1991-92	4453.70	583.67	337.63	(-)854.88	516.69	338.19	7.59	
17.	Assay Department, Calcutta	1991-92	6.53	10.62	0.49	(+) 1.34	Nil	1.34	-	
18.	Silver Refinery, Calcutta	1991-92	58.91	9.51	103.85	(+) 110.19	188.67	296.86	-	
19.	Bank Note Press, Dewas	1988-89	5330.65	4004.41	1326.24	(+) 400.57	1020.55	1421.12	26.66	
20.	Security Paper Mill, Hoshangabad	1981-82	3171.16	2318.31	852.85	(-) 152.39	198.89	46.50	1.47	
	Ministry of Health and Family Welfare									
21.	Central Research Institute, Kasauli	1996-97	357.68	41.25	37.03	(-) 19.91	78.58	239.99	36.65	
22.	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.
23.	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	
	Ministry of Information and Broadcasting									
24.	All India Radio	1982-83	8325.15	5227.06	3098.09	(-)3121.89	409.64	(-)2712.25	-	

Sl. No.	Name of the Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percentage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
					Revenue Assets					
25.	Radio Publication, All India Radio	1985-86	639.64	0.45	0.11	(-) 48.58	0.90	(-) 48.49	-	
26.	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.
27.	Commercial Sales Service, Doordarshan, New Delhi	1976-77	-	0.14	-	(+) 57.62	-	(+) 57.62	-	
28.	Films Division, Mumbai	1984-85	828.99	217.90	(-)280.05	222.84	61.84	736.90	88.89	(i) Due to change in accounting method from 1983-84 net loss has been arrived at after taking into account revenue in respect of supply of prints made to Directorate of Field Publicity and national revenue (Rs 19.81 lakh) for free supply of prints to State Governments. (ii) Figures for the year 1984-85 are yet to be audited.
29.	Commercial Broadcasting Service, All India Radio	1983-84	251.28	178.71	72.57	(+) 1071.47	-	(+) 1071.47		

Sl. No.	Name of the Undertaking	Period of Accounts	Govern-ment Capital	Block Assets (Net)	Depreci-ation to date	Profit(+) Loss(-)	Interest on Govern-ment Capital	Total return	Percentage of total return to mean Capital	Remarks
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
	Ministry of Surface Transport									
30.	Lighthouses and Lightships Department	1995.96	11142.27	11813.25	2901.77	3662.03	800.00	4462.03	119.62	
31.	Shipping Department, Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	
32.	Ferry Service, Andaman	1984-85	195.85	86.93	108.92	(-) 95.45	18.49	(-) 76.96		
33.	Marine Department (Dockyard) Andaman and Nicobar Islands	1985-86	7.19	7.19	0.32	(-) 59.67	24.79	(-) 34.88	-	
34.	Chandigarh Transport Undertaking, Chandigarh	1991-92	2277.33	1128.79	48.32	(-) 361.41	145.87	(-) 215.54	-	Confirmation yet to be received from the Ministry.
35.	State Transport Service, Andaman and Nicobar Islands	1980-81	45.22	37.40	9.44	(-) 28.33	2.23	(-) 26.10	-	Acceptance received from the Ministry of Surface Transport
	Ministry of Urban Affairs and Employment									
36.	Department of Publications, New Delhi	1992-93								Performa accounts have been received up to 1992-93 but financial results are not made available
37.	Government of India Presses	1987-88								Performa accounts have been received up to 1987-88 but financial results are not made available

APPENDIX III

(Refers to Paragraph No. 19.3)

Summarised position of the Action Taken Notes awaited from various ministries/ departments upto and for the year ended March 1995 as on 31 December 1998

Sl No	Name of the Ministry/ Department	Year of Report	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under Correspon-dence
1.	Civil Aviation (Department of Tourism)	1994-95	1	1		--			--		--	1	1	
2.	Finance (Department of Economic Affairs) (Department of Revenue)	1992-93	1	-	1	-	-	-	-	-	-	1	-	1
		1993-94	6	-	-	1	-	1	-	-	-	7	-	1
		1994-95	5	-	3	-	-	-	-	-	-	5	-	3
		1990-91	2	-	1	-	-	-	-	-	-	2	-	1
		1993-94	2	2	-	-	-	-	-	-	-	2	2	-
		1994-95	1	-	1	-	-	-	-	-	-	1	-	1
3.	Health and Family Welfare	1991-92	2	-	-	4	-	1	-	-	-	6	-	1
		1993-94	2	-	-	3	-	1	-	-	-	5	-	1
4.	Home Affairs	1987-88	3	-	1	-	-	-	-	-	-	3	-	1
		1988-89	5	-	1	-	-	-	-	-	-	5	-	1
		1989-90	19	-	2	1	-	-	-	-	-	20	-	2
		1991-92	25	-	1	-	-	-	-	-	-	25	-	1
		1992-93	15	-	1	-	-	-	-	-	-	15	-	1
5.	Human Resource Development (Department of Culture) (Department of Education)	1991-92	1	-	1	1	-	-	-	-	-	2	-	1
		1994-95	1	-	1	1	1	-	-	-	-	2	1	1
		1990-91	3	-	-	12	-	1	-	-	-	15	-	1
		1992-93	1	-	1	14	-	-	-	-	-	15	-	1
		1993-94	1	-	1	14	-	1	-	-	-	15	-	2
		1994-95	1	-	-	12	1	4	-	-	-	13	1	4
	(Department of Women and Child Development)\ (Department of Youth Affairs and Sports)	1988-89	1	-	1	-	-	-	-	-	-	1	-	1
		1992-93	1	-	1	-	-	-	-	-	-	1	-	1
		1993-94	1	-	1	1	1	-	-	-	-	2	1	1

Sl No	Name of the Ministry/ Department	Year of Report	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under Correspon-dence
6.	Industries	1994-95	1	-	-	1	1	-	-	-	-	2	1	
7.	Information and Broadcasting	1991-92	3	-	1	-	-	-	-	-	-	3	-	1
		1993-94	7	1	-	-	-	-	-	-	-	7	1	-
		1994-95	15	1	7	-	-	-	-	-	-	15	1	7
8.	Law Justice and Company Affairs	1993-94	1	-	1	-	-	-	-	-	-	1	-	1
9.	Non Conventional Energy Sources	1994-95	--			--			2	-	1	2	-	1
10.	Rural Area and Employment Department of Rural Employment and Poverty Alleviation	1988-89	1	1	-	-	-	-	-	-	-	1	1	-
		1993-94	--			1	1	-	--	-	-	1	1	-
11.	Surface Transport	1994-95	3	-	-	20	-	1	--	-	-	23	-	1
12.	Urban Affairs and Employment	1988-89	8			5	2	3	--			13	2	3
		1989-90	9			6	6	-	--			15	6	-
		1990-91	15			9	8	1	--			24	8	1
		1991-92	8			9	9	-	--			17	9	-
		1992-93	9			13	12	1				22	12	1
		1993-94	7			6	5	1	--			13	5	1
		1994-95	10	1	-	11	8	3	--			21	9	3
13.	Water Resources	1994-95	1	1	-	1	-	-	-	-	-	2	1	-
14.	Welfare	1989-90	1	-	1	--	-	-	--	-	-	1	-	1
	Total		**199**	**8**	**29**	**146**	**55**	**19**	**2**	**-**	**1**	**347**	**63**	**49**

APPENDIX IV

(Refer to Paragraph No. 19.3)

Summarised position of the Action Taken Notes awaited from various ministries/ departments for the years ended March 1996 and March 1997 as on 31 December 1998

Sl No	Name of the Ministry/ Department	Year of Report	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspon-dence	Due	Not received at all	Under correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under correspon-dence
1.	Agriculture	1996-97	2	-	2	-	-	-	-	-	-	2	-	2
2.	ICAR	1996-97	-	-	-	-	-	-	4	-	1	4	-	1
3.	Biotechnology	1996-97	-	-	-	-	-	-	1	1	-	1	1	-
4.	Chemicals and Fertilisers	1995-96	1-	1	-	--	--	--	--	--	--	1	1	--
5.	CSIR	1996-97	-	-	-	-	-	-	6	2		6	2	
6.	Commerce													
	(Department of Commerce)	1995-96	3	2	-	2	-	-	-	-	-	5	2	-
		1996-97	2	2	-	2	1	1	-	-	-	4	3	1
	(Department of Supply)	1996-97	2	-	1	-	-	-	-	-	-	2	-	1
7.	Election Commission of India	1996-97	2	-	2	-	-	-	-	-	-	2	-	2
8.	External Affairs	1995-96	7		5	-	-	-	-	-	-	7	-	5
		1996-97	8		7	-	-	-	-	-	-	8	-	7
9.	Environment and forests	1996-97	-	-	-	-	-	-	1	-	1	1	-	1
10.	Finance													
	(Department of Economic Affairs)	1995-96	8	1	1	-	-	-	-	-	-	8	1	1
		1996-97	6	1	2	-	-	-	-	-	-	6	1	2
	(Department of Revenue)	1996-97	1	1	-	1	-	1	-	-	-	2	1	1
11.	Food Processing Industries	1996-97	2	1	1	-	-	-	-	-	-	2	1	1
12.	Health and Family Welfare	1995-96	7	1	5	2	-	-	-	-	-	9	1	5
		1996-97	3	2	1	-	-	-	-	-	-	3	2	1
13.	Home Affairs	1995-96	15	7	3	-	-	-	-	-	-	15	7	3
		1996-97	13	12	1	-	-	-	-	-	-	13	12	1
14.	Human Resource Development													
	(Department of Culture)	1995-96	2	1	1	-	-	-	-	-	-	2	1	1
		1996-97	-	-	-	4	4	-	-	-	-	4	4	-
	(Department of Education)	1995-96	2	1		7	1	3	-	-	-	9	2	3
		1996-97	2	2	-	5	5	-	-	-	-	7	7	-

Sl No	Name of the Ministry/ Department	Year of Report	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspon-dence	Due	Not received at all	Under correspon-dence	Due	Not received at all	Under Correspon-dence	Due	Not received at all	Under correspon-dence
	(Department of Women and Child Development)	1996-97	-	-	-	1	1	-	-	-	-	1	1	-
15.	Information and Broadcasting	1995-96	14	3	3	-	-	-	-	-	-	14	3	3
		1996-97	13	8	5	-	-	-		-	-	13	8	5
16.	Industries	1995-96	1	-	-	3	3	-	-	-	-	4	3	-
		1996-97	2	1	-	5	3	2	-	-	-	7	4	2
17.	Labour	1995-96	-	-	-	2	1	1	-	-	-	2	1	1
		1996-97	-	-	-	1	-	1	-	-	-	1	-	1
18.	Mines	1996-97	-	-	-	1		1	-	-	-	1		1
19.	Non Conventional Energy Sources	1996-97	-	-	-	-	-	-	1	-	1	1	-	1
20.	Planning and Programme Implementation	1995-96	-	-	-	1	1	-	-	-	-	1	1	-
		1996-97	1	1	-	1	1	-	-	-	-	2	2	-
21.	Power	1996-97	-	-	-	1	1	-	-	-	-	1	1	-
22.	Science and Technology	1996-97	-	-	-	-	-	-	2	2	-	2	2	-
23.	Rural Area and Employment	1996-97	1	1	-	6	5	1	-	-	-	7	6	1
24.	Space	1996-97	-	-	-	-	-	-	2	2	-	2	2	-
25.	Steel	1995-96	1	1	--	--	--	--	--	--	--	1	1	--
26.	Surface Transport	1995-96	3		2	32	-	1	-	-	-	35	--	3
		1996-97	5	3	1	24	5	9	-	-	-	29	8	10
27.	Urban Affairs and Employment	1995-96	8	2	-	3	1	2	-	-	-	11	3	2
		1996-97	5	3	1	2	2	-	-	-	-	7	5	1
28.	Water Resources	1995-96	2	2	-	-	-	-	-	-	-	2	2	-
		1996-97	2	2	-	-	-	-	-	-	-	2	2	-
29.	Welfare	1995-96	2	1	-	-	-	-	-	-	-	2	1	-
		1996-97	-	-	-	1	1	-	-	-	-	1	1	-
	Total		**148**	**63**	**44**	**107**	**36**	**23**	**17**	**7**	**3**	**272**	**106**	**70**

APPENDIX V
(Refers to paragraph 19.4)

Response of the ministries/departments to Draft Audit Paragraphs

Sl No	Ministry/Department	Total No of Paragraph	No of Paragraphs in which reply not received	Reference to Paragraph of the Audit Report
1	2	3	4	5
1.	Agriculture	1	1	1.1
2.	Civil Aviation	1	1	2.1
3.	Commerce	9	5	3.1, 3.2, 3.4, 3.9, 4.1.3*
4.	External Affairs	9	4	4.1.1, 4.1.2, 4.1.4, 4.3
5.	Finance	5	3	5.1, 5.4, 5.5
6.	Health & Family Welfare	6	3	6.1, 6.2, 6.6
7.	Home Affairs	11	7	7.1, 18.1, 18.2, 18.4, 18.6, 18.7, 18.8
8.	Human Resource Development	3	3	8.1, 8.2, 8.3
9.	Information and Broadcasting	11	8	9.1, 9.2, 9.3, 9.4, 9.5, 9.8, 9.9, 9.11
10.	Labour	1	-	-
11.	Lok Sabha Secretariat	1	-	-
12.	Social Justice and Empowerement	1	-	-
13.	Surface Transport	6	4	13.2, 13.4, 13.5, 13.6
14.	Textile	1	-	-
15.	Tourism	3	1	15.3
16.	Urban Affairs and Employment	9	8	16.1, 16.2, 16.4, 16.5, 16.6, 16.7, 18.9, 18.10
17.	Water Resources	2	2	17.1, 17.2
18.	Transport Department Chandigarh Administration	1	-	-
	Total	**81†**	**50**	

* The paragraph pertains to Ministry of External Affairs, but was also referred to Ministry of Commerce for their comments.

† Position in respect of four General Paragraph has not been included.