सत्यमेव जयते

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989

NO. 13 OF 1990

UNION GOVERNMENT—CIVIL

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1989
NO. 13 OF 1990

UNION GOVERNMENT—CIVIL

TABLE OF CONTENTS

PREFATORY REMARKS

This Report for the year ended 31 March 1989 has been prepared for submission to the President under Article 151 of the Constitution.

2. It relates mainly to matters arising from the Appropriation Accounts of the Union Government (Civil) for 1988-89 prepared (with a few exceptions) by the Controller General of Accounts and test checked in Audit and other points arising from test audit of the financial transactions of some of the Civil Departments of the Union Government.

3. Certain points of interest arising from the Union Government Finance Accounts for 1988-89 as consolidated by the Controller General of Accounts and based on the statements of Finance Accounts furnished by the Controller General of Accounts/ Controllers of Accounts are included in Chapter I of this Report.

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

(a) Jawahar Rozgar Yojana; and

(b) Purchase and construction of properties for Indian missions abroad.

5. The cases mentioned in this Report are among those which came to notice in the course of audit during 1988-89 as well as those which came to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1988-89 have also been included, wherever considered necessary.

OVERVIEW

The Audit Report for the year ended 31 March 1989 contains 35 paragraphs including 2 reviews. The points highlighted in the Report are given below :-

I. Accounts of the Union Government

The total revenue expenditure during 1988-89 was Rs.63485 crores against total revenue receipts of Rs.52971 crores. This resulted in revenue deficit of Rs.10514 crores as against Rs.9137 crores in 1987-88. The overall deficit during 1988-89 was Rs.5642 crores as against Rs.5816 crores in the previous year.

The internal debt increased to Rs.114498 crores at the end of March 1989 as against Rs.98646 crores at the end of March 1988. The external debt had also increased to Rs.25746 crores as against Rs.23223 crores in the previous year. The total liabilities including internal debt, external debt and small savings, provident funds etc. registered an increase of 17 per cent over the previous year and stood at Rs.229772 crores at the end of March 1989. The net out go on interest and debt service obligations increased from Rs.5497 crores in 1987-88 to Rs.7297 crores in 1988-89.

The receipt on account of profit from nationalised banks declined from Rs.45.65 crores in 1987-88 to Rs.0.62 crore in 1988-89. The dividend received during the year from investment of Rs.30750 crores in statutory corporations, Government companies, other joint stock companies etc. (excluding those under construction) was Rs.141.05 crores representing only 0.45 per cent return on investments.

(Paragraph 1)

II. Ministry of Agriculture

Jawahar Rozgar Yojana.- Jawahar Rozgar Yojana was launched from Ist April 1989 merging National Rural Employment Programme and Rural Landless Employment Guarantee Programme, with the main objective of generating additional gainful employment for the unemployed and underemployed in rural areas. Expenditure on the programme was to be shared between the Centre and States on 80:20 basis.

The funds provided for the programme were inadequate to achieve the objectives of the programme. Total resources of Rs.2623.08 crores provided for the programme for 1989-90, could sustain provision of employment for hardly 21 days on an average to one member of each rural family living below the poverty line.

The prescribed criteria for release of Central assistance to the States/Union Territories on the basis of rural poverty was not strictly adhered to.

Central assistance to 12 States/Union Territories was released in excess of their entitlement and in the cases of 19 States and one Union Territory, the assistance was less. Even though the overall utilisation was hardly 24 per cent of available funds, the second instalment of Central assistance totalling Rs.1112.60 crores was released prematurely to the districts in September 1989. The prescribed conditions of 50 per cent utilisation of the available resources had been satisfied in only two States and one Union Territory. Release of second instalment of Central assistance despite substantial under utilisation of funds already available with the implementing agencies only contributed to increased accumulation of unutilised balances with them.

Unutilised resources of National Rural Employment Programme and Rural Landless Employment Guarantee Programme totalling Rs.422.48 crores available with the States/ Union Territories were not reckoned for fixing employment generation targets for 1989-90.

Due to launching of the new programme without adequate preparatory work, employment generated during the first four months of 1989-90 under Jawahar Rozgar Yojana was less as compared to the average employment generation in the corresponding period of the last three years under National Rural Employment Programme and Rural Landless Employment Guarantee Programme. This was despite availability of more resources for the programme. Targets set for generation of employment were not achieved. Employment generation was nil during the first quarter of 1989 in three of the four districts test-checked in Uttar Pradesh. In Karnataka, achievement was only 36 per cent in the districts test-checked. In Andhra Pradesh, only about 11 per cent of the target was achieved.

Identification of the targeted beneficiary families, essential for proper implementation of the programme, was not done in Andhra Pradesh, Bihar, Uttar Pradesh, while in Karnataka and Rajasthan, the work was stated to be in progress. Annual plans for District Rural Development Agencies/ Zilla Parishads and panchayats were not prepared in any of the States. Training workshops/ programmes to provide necessary orientation to officers handling Jawahar Rozgar Yojana work at various levels had not been arranged. Prescribed monitoring arrangements for the implementation of the programme did not exist.

(Paragraph 4)

III. Ministry of Commerce

Cash compensatory support scheme .- Under the scheme of cash compensatory support, also called cash assistance, Government pays cash compensation to exporters of different specified product groups at rates prescribed for the various export items. Payment of cash assistance is to be regulated in accordance with the instructions contained in the Import/ Export Trade Central Policy and procedures and the Cash Assistance Manual. Due to non-observance of the instructions contained in the guidelines for fixing the rates of cash assistance and the regulations for payment of cash assistance, irregular/ excess/ inadmissible and avoidable payment of cash assistance amounting to Rs.5.31 crores were noticed by Audit.

(Paragraphs 7 to 13)

IV. Ministry of Commerce - Department of Supply

Purchase of tent stores-fly inner.- Notwithstanding the departmental instructions that the entire quantity against operational indents should be covered on registered/ past suppliers, 640 tents (store-fly inner) valued at Rs.26.31 lakhs were covered by the Director General, Supplies and Disposals on un-registered/ untried firm which failed to execute the acceptance of tender. For coverage of cancelled quantity limited tender enquiry was issued inter alia, to un-registered/ untried firms thereby frustrating the chances of a valid risk purchase. Consequently, the extra expenditure of Rs.14.43 lakhs incurred in the re-purchase could not be recovered from the defaulting firm. General damages had also not been assessed till October 1989.

(Paragraph 15)

Purchase of ingot leaded bronze.- Director General, Supplies and Disposals ignored the lower offer of a firm for the supply of ingot leaded bronze resulting in extra expenditure of Rs.8.15 lakhs on grounds of unsatisfactory past performance which was not proved from departmental records. It also ignored the lower offer on unsubstantiated ground of malpractice despite the fact that in a similar case mentioned in paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1982-83 : Union Government (Civil), the department of Supply had stated that a firm's offer could not be ignored simply on the ground of alleged offence against it.

(Paragraph 17)

V. Ministry of Defence

Audit on pension payment accounts .- During a test check of pension payment accounts, it was noticed that a sum of Rs.47.56 lakhs overpaid in 1981 to pensioners was yet to be recovered. 909 monthly accounts for the period 1973-88 were yet to be received in the office of the Chief Controller of Defence Accounts (Pensions), Allahabad from the various pension disbursing officers. 79,780 monthly accounts pertaining to the period 1978-89 were yet to be scrutinised by the internal audit of that organisation.

(Paragraph 24)

VI. Ministry of Energy - Department of Power

Infructuous expenditure on purchase of equipment.- Northern Regional Electricity Board imported 13 pieces of facsimile telecopying equipment at a cost of Rs.9.03 lakhs, in November 1982, for installation in various regional and state load despatch centres in the country. The equipment received were inspected after 28 months of its receipt by which time the guarantee period was over and when many of the pieces were found badly rusted. There was no likelihood of the equipment being put to use because of non-availability of spares rendering the expenditure infructuous.

(Paragraph 25)

VII. Ministry of External Affairs

Purchase and construction of properties for Indian missions abroad .- There was absence of technical expertise in the Ministry to scrutinise/ analyse competently, proposals received from missions abroad for purchase and construction of properties. The CPWD consultancy services were not fully utilised and only in five cases, the services were availed of. The progress of work vis-a-vis expenditure incurred on construction of buildings which was important and crucial to avoid time and cost overrun was not monitored.

The prescribed space norms for purchase of properties for residences were contravened resulting in excess expenditure of Rs.62.04 lakhs. Absence of a clear cut policy, coordinated planning and avoidable delays in the finalisation of construction proposals and taking prompt decisions, led to non-utilisation of properties resulting in additional rental liability of Rs.1095.41 lakhs till 1988-89 and subsequent recurring liability of Rs.412.23 lakhs per annum. Besides there was escalation in cost of construction to the extent of Rs.2606.64 lakhs. The Ministry failed to evolve plans for construction of plots of land acquired at a cost of Rs.109.41 lakhs in Bangkok, Kabul, Lilongwe, New York and Sri Lanka and plots gifted at free of cost on reciprocal basis in Abudhabi, Aden, Brasilia, Doha and Dubai leading to blocking of funds for periods ranging from 5 to 26 years.

Adoption of wrong measurements, purchase in excess of evaluated price, abandonment of construction plans and payment of taxes on vacant plots resulted in avoidable expenditure of Rs.79.83 lakhs.

A consolidated up to date record of properties purchased/constructed was not maintained.

(Paragraph 26)

VIII. Ministry of Finance

Under-utilisation of modernised plant .- The installed capacity of 6000 tonnes per annum had not been achieved and the actual production was short by 31 to 47 per cent. One of the reasons for low production attributed to by the department was problem with the Union. Though the mill paid incentive bonus and overtime allowance amounting to Rs.5.23 crores, there was shortfall in production of 9963 tonnes of paper valued at Rs.5.76 crores.

(Paragraph 30)

CHAPTER I

ACCOUNTS OF THE UNION GOVERNMENT

1.1 Statement of financial position

The summarised position of the accounts of the Union Government as on 31st March 1989 emerging from the Appropriation Accounts and the statements of Finance Accounts for 1988-89 as rendered by the Controller General of Accounts, subject to adjustments made for capital expenditure met from the internal resources of Railways and Posts and Telecommunications, is given in the following statement.

(Rupees in crores)

Liabilities: Amount as on 31st March 1988	Liabilities	Amount as on 31st March 1989	Assets: Amount as on 31st March 1988	Assets		Amount as on 31st March 1989
98645.62	Internal Debt	114498.46	88348.77	Gross Capital Outlay (Schedule A)		
54527.94	Small Savings, Provident Funds etc.	68535.64		Investment in shares of companies, corporations, co-operatives etc.	37757.76	
23223.18	External Debts	25745.84		Other Capital Expenditure	63807.50	
50.00	Contingency Fund	50.00				
2173.18	Reserve Funds	2172.26			---------	101565.26
16112.56	Deposits and Advances	18070.46		Loans and advances:		
7739.74	Contributions by Railways and Posts and Telecommunications and others for financing capital expenditure (as per contra- Refer Schedule A)	9613.43	79237.21	For development of Central Projects Schemes etc.	32121.46	
				State/Union Territory Governments	56287.55	
				Foreign Governments	495.87	
				Government servants and Miscellaneous	484.84	
					--------	89389.72
			819.36	Suspense and Miscellaneous Balances		1693.89
			1670.03	Remittance Balances		2275.92
			4.27	Cash Balance Investment		4.27
			1695.18	Cash balance at end -		
				General Cash Balances	1145.93	
				Cash with Departmental Offices	1380.55	
				Permanent Cash Imprest	17.82	
					-------	2544.30
			30697.40	Deficit :		
				Revenue deficit for the year	10514.42	
				Less-Capital receipts	0.04	
				Less-Miscellaneous receipts (net)	0.05	
				Add-prior period adjustments	1.00	
				Add-Deficit as on 31st March 1988	30697.40	41212.73
202472.22		238686.09	202472.22			238686.09

NOTE :- Proforma corrections have been made by the Controller General of Accounts in the closing balance as on 31st March 1988 under Public Debt, Loans and Advances, Small Savings, Provident Funds etc., Reserve Funds, Suspense and Miscellaneous etc, resulting in net increase of Rs. 3.72 crores in credit balance. In addition pro-forma correction has been made in progressive capital expenditure as on that date by Rs.2.72 crores leading to a net prior period adjustment of Rs. 1.00 crore for details please refer to statements of Union Government Finance Accounts for 1988-89.

Explanatory Notes

1. The summarised financial statements are based on the statements of the Union Government Finance Accounts and the Appropriation Accounts rendered by the Controller General of Accounts and are subject to notes and explanations contained therein.

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

3. The Capital outlay represents capital expenditure booked in the accounts except adjustment made for subsidy on imported fertilizers and that met from the internal resources of Railways, Posts and Telecommunications.

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

5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit is not ascertainable. The balancing figure of Rs.408.35 crores as on 31st March 1982 was, therefore, treated as cumulative surplus for drawing up the first Statement of financial position for 1982-83 which took the place of a Balance Sheet.

6. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of States and others pending settlement, amount collected by public sector banks awaiting credit to Government, Coinage balances, etc. The balance under Suspense and Miscellaneous had increased from Rs.819.36 crores as on 31st March 1988 to Rs.1693.89 crores as on 31st March 1989. The increase was mainly under Suspense Accounts - Defence (Rs.368.62 crores), Telecommunications (Rs.313.47 crores), Public Sector Banks (Rs.278.38 crores) and purchases etc. abroad (Rs.146.97 crores).

7. The closing cash balance as per Reserve bank of India was Rs.1058.47 crores, against the general cash balance of Rs. 1145.93 crores shown in the accounts. The difference was yet to be reconciled.

1.2 Abstract of Revenue Receipts and Expenditure

The figures of revenue receipts and revenue expenditure for the year 1988-89 are given below :

Receipts			Disbursements			
			SECTION A-REVENUE			
I. Revenue Receipts			Revenue Expenditure	Plan	Non-Plan	Total
Tax Revenue	41724.08					
			Grants to States	211.05	1260.51	1471.56
Interest Receipts	6981.73		Other Grants to State/ Union Territory Governments	7501.52	1103.46	8604.98
Dividends from public undertakings and other investments	141.05		States's share of Union Excise Duties	--	7918.77	7918.77
Share of profits from Reserve Bank of India, Life Insurance Corporation, nationalised banks and Industrial Development Bank of India	307.59		Interest and Debt Service obligations	--	14278.46	14278.46
Other dividends and profits	26.33		Pensions and Miscellaneous General Services (including Swatantrata Sainik Samman Pension)	--	2772.14	2772.14
Aid materials and equipment	92.75					
Other non-tax Revenue	3190.51		Food Subsidy	--	2200.00	2200.00
External Grant Assistance	507.24	52971.28	Subsidy on Indigenous Fertilizers	--	3000.00	3000.00
II. Revenue **deficit** c/o to Section-B		10514.42	Assistance for Export Promotion and Market Development	--	1385.80	1385.80
			Interest Subsidy	--	419.83	419.83
			Other Grants and contributions	0.32	185.18	185.50
			Postal Expenditure	2.71	167.03	169.74
			Defence Expenditure	--	9558.10	9558.10
			Subsidy to Railways towards dividends relief etc.	--	207.40	207.40
			Other Expenditure	3399.72	7913.70	11313.42
Total		63485.70		11115.32	52370.38	63485.70

SECTION - B - OTHERS

		Amount
III Opening Cash Balance including Departmental Cash Balances and Permanent Advance		1695.18
IV. Contributions of Railways and Posts and Telecommunications for Capital Expenditure as per contra		1873.69
V. Recoveries of Loans and Advances from		
a. State and Union Territory Governments	3316.19	
b. Government servants	76.01	
c. Foreign Governments	111.02	
d. Others	1549.84	
	---------	5053.06
VI.Miscellaneous Capital Receipts		0.04
VII.Public Debt Receipts		81834.65
VIII.Public Account Receipts		14481.75
Total		104938.37

		Amount
II. Gross Capital Expenditure as booked in accounts	11340.08	
Add Capital Expenditure financed from Internal Resources of Posts and Telecommunications and Railways as per contra.	1873.69	
	-----------	13213.77
III. Loans and Advances by Central Government to		
a. State and Union Territory Governments	10045.92	
b. Other Development Loans	4920.91	
c. Government servants	157.13	
d. Foreign Governments	81.71	
	----------	15205.67
IV. Repayment of Debt		63460.21
V. Cash Balance at year end		
a. General Cash Balance	1145.93	
b. Cash with Departmental Offices	1380.55	
c. Permanent Cash Imprest	17.82	
	-------	2544.30
VI. Revenue Deficit b/f from Section A		10514.42
Total		104938.37

NOTE:- (1) Does not include Revenue Receipts and Expenditure of Railways and Telecommunications.
(2) Defence expenditure and Postal Expenditure are net of receipts.
(3) Receipts are net of States' share of Income Tax and Estate Duty and union Territories' share of Estate Duty on agricultural land (Rs. 2749.99 crores).

1.3 Revenue Expenditure

1. The revenue expenditure (Plan) during 1988-89 was Rs.11115.32 crores against the budget estimates of Rs.11350.58 crores (including supplementary), disclosing a shortfall in expenditure of Rs.235.26 crores. The non-plan revenue expenditure during the year was Rs.52370.38 crores (Rs.44637.25 crores during the previous year) against the estimates of Rs.53613.86 crores (including supplementary) disclosing a shortfall in expenditure of Rs.1243.48 crores.

The revenue expenditure (both Plan and non-Plan) during 1988-89 was Rs.63485.70 crores as against Rs.54542.50 crores during 1987-88. The detailed reasons for variations are given in Statement I of the Union Government Finance Accounts for 1988.89.

1.4 Capital Expenditure

The capital expenditure during 1988-89 was Rs.11340.08 crores against the budget estimates (including supplementary) of Rs.12740.38 crores disclosing a shortfall in expenditure of Rs.1400.30 crores.

The main reasons for shortfall in expenditure (both revenue and capital are given in Chapter II of this Report. Further details are available in Union Government Appropriation Accounts (Civil) for 1988-89.

1.5 Revenue Receipts

The actual revenue receipts during the three years ending 1988-89 are given below :-

(in crores of rupees)

Year	*Budget Estimates	Revised Estimates	Actual	
			Amount	Percentage increase over the previous year
1986-87	37537.86	41491.90	40559.81	-
1987-88	45220.01	46609.03	45405.25	12
1988-89	51913.06	52535.86	52971.28	17

*Excludes States' share of Income Tax and Estate duty and Union Territories share of Estate duty on agricultural land.

1.6 States' share of Union Excise Duties

The aggregate of States' share of Union Excise Duties (Rs. 7918.77 crores) and Grants to States and Union Territories (Rs.10076.54 crores) was Rs.17995.31 crores representing slightly more than 28 per cent of the total revenue expenditure and over 43 per cent of the total tax revenues of the Union Government.

1.7 Deficit

The overall deficit during 1987-88 was Rs.5816 crores. The overall deficit for 1988-89 was estimated at Budget stage at Rs.7484 crores and at Revised Estimates stage at Rs.7940 crores against which the actual deficit was Rs.5642 crores. The decrease in deficit by Rs.1842 crores with reference to Budget Estimates was mainly due to increased receipts under Public Debt (Rs.2343 crores), Public Account (Rs.1228 crores) and Revenue Receipts (Rs.936 crores). These were partly offset by increased Revenue Expenditure (Rs.1609 crores), increased Capital Expenditure (Rs.451 crores) and more disbursement of Loans and Advances (Rs.177 crores) together with lesser recoveries under loans and advances (Rs.427 crores).

The revenue deficit of Rs.10514.42 crores during 1988-89, includes the effect of the following:-

	(Rupees in crores)
Food Subsidy	2200.00
Subsidy on Indigenous Fertilizers	3000.00
Export promotion and Market Development Assistance	1385.80
Interest Subsidy	419.83
Subsidy to Railways towards Dividends, Relief etc.	207.40
Total	7213.03

1.8 Public Debt

Mention was made about the rising trend in Public Debt and other liabilities of the Union Government in Report No.1 of 1989 of the Comptroller and Auditor General of India for the year ended 31st March 1988.

The details of the total liabilities of the Union Government during the five years ending March 1989 are given below :-

Year	Internal Debt	External Debt	Public Debt (2+3)	Other Liabilities	Total Liabilities (4+5)	Gross National Product (GNP) at current prices	Percentage of total liabilities to GNP
			(Rupees in crores)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1984-85	58537	16637	75174	38268	113442	206357	55.0
1985-86	71039	18153	89192	48292	137484	232634	59.1
1986-87	86312	20299	106611	59935	166546	258875	64.3
1987-88	98646	23223	121869	73692	195561	291501	67.1
1988-89	114498	25746	140244	89528	229772		

Thus, it will be seen that Public Debt had increased from Rs.121869 crores in 1987-88 to Rs.140244 crores at the end of 1988-89 registering an increase of 15 per cent whereas the total liabilities had increased from Rs.195561 crores in 1987-88 to Rs.229772 crores in 1988-89 registering an increase of 17 per cent. The interest paid on external debt during the year was Rs.1242.08 crores constituting over 8 per cent of total interest payments.

The total gross receipts from Treasury Bills during the year were Rs.67901.88 crores while the gross discharges were Rs.61223.49 crores, resulting in a net increase in borrowings of Rs.6678.39 crores.

The net outgo on interest and debt service obligations, after deducting interest receipts of Rs.6981.73 crores, was Rs.7296.73 crores, as compared to Rs.5496.59 crores during 1987-88.

1.9 Guarantees

The maximum amount of guarantees for which Government have entered into agreement and sums guaranteed outstanding as on 31st March 1989 were Rs.40743.41 crores and Rs.33240.41 crores (approximately) respectively.

The details of guarantees invoked during 1988-89 and payments made by Government were as under :-

(i) Government had guaranteed a net return of three to three and a half per cent/ five per cent per annum on the paid up share capital of private railway companies. The guarantee was invoked during 1988-89 in the case of two companies and Rs.1.79 lakhs were paid by Government.

(ii) In 10268 cases, Rs.2104 lakhs were paid by Government as a result of invoking guarantees given under Central Guarantee Scheme for small scale industries due to default in repayment of loans/ advances.

1.10 Loans and advances

The net loans and advances disbursed to States and Union Territory Governments during 1986-87, 1987-88 and 1988-89 were Rs.4986.69 crores, Rs.8541.44 crores and Rs.6729.73 crores constituting more than 21, 61 and 36 per cent respectively of the net receipts from the long term borrowings of the Union Government.

The terms and conditions of loans aggregating Rs.103.04 crores, advanced to Government owned companies/ corporations, non-government institutions, local funds etc. have not yet been settled.

The recovery of principal amounts of loans (Rs.3709.46 crores) and of interest (Rs.4169.78 crores) totalling Rs.7879.24 crores as detailed below, remained in arrears from the States and the Union Territory Governments and government companies/ corporations, non-government institutions, etc. at the end of 1988-89 :

(Rupees in crores)

	Principal	Interest
States and Union Territory Governments	45.26	62.26
Government companies/ corporations, non-government Institutions, etc.	3664.20	4107.52
Total	3709.46	4169.78

During 1988-89, fresh loans of Rs.200.09 crores were sanctioned to various public sector enterprises, etc. to enable them to make repayment of principal and payment of interest.

1.11 Investment and returns

The total investments of Government in statutory corporations, Government companies, other joint stock companies co-operative banks and societies, international organisation etc. as on 31st March 1989 were Rs.37757.76 crores as against Rs.34464.02 crores as on 31st March 1988. No dividend was receivable on investment of Rs.376.65 crores in international bodies and on Rs.4729.51 crores invested in enterprises under construction. The share of profits from the Reserve Bank of India, Industrial Development Bank, Life Insurance Corporation and nationalised banks was Rs.307.59 crores on a total investment of Rs.1902.05 crores. However, the receipts on account of profit from nationalised banks declined from Rs.45.65 crores in 1987-88 to Rs.0.62 crore in 1988-89.

The dividend received during the year from others, on investment of Rs.30749.55 crores, was Rs.141.05 crores, representing only 0.45 per cent return on investments.

1.12 Grants and aid material from foreign countries

Up to 31st March 1989, grants including aid material and equipment aggregating Rs.8190.08 crores were received from foreign countries and international organisations, the receipts during 1988-89 being Rs.599.99 crores. These are treated as revenue receipts. The cumulative deficit ofRs.41212.73 crores as on 31st March 1989 has to be viewed in the context of external grant assistance ofRs.8190.08 crores received so far.

1.13 Assistance to various countries

Union Government has been rendering assistance to various countries under the Colombo Plan and Special Commonwealth African Assistance Plan. The aid rendered to Governments of Nepal and Bhutan, who are major recipients of aid under the Colombo Plan during 1988-89 was Rs.12.87 crores and Rs.61.29 crores respectively. The aid rendered under the Special Commonwealth African Assistance Plan was Rs.13.34 lakhs during 1988-89 and Rs.376.84 lakhs up to the end of 1988-89.

1.14 Contribution to international bodies

The total amount of contributions to international bodies made during 1988-89 was Rs.37.48 crores, major contributions being to the United Nations Development Programmes (Rs.8.12 crores), United Nations International Children's Emergency Fund (Rs.2.98 crores), United Nations Organisation (Rs.2.97 crores), World Food Programme (Rs.2.58 crores), International Telecommunication Union (Rs.2.29 crores), United Nations Industrial Development Organisation (Rs.1.84 crores), Food and Agricultural Organisation (Rs.1.48 crores), and United Nations Educational Scientific and Cultural Organisation (Rs.1.16 crores).

SCHEDULE-A

(Annexed to Statement of financial position as on 31st March 1989)

(Rupees in crores)

I. Details of Capital Outlay

as on 31st March 1988		as on 31st March 1989
83572.87	gross capital outlay as per accounts	94915.67 (X)
2963.84	Less Revenue expenditure charged to capital (subsidy on imported fertilizers)	2963.84
80609.03		91951.83
7739.74	Add Capital expenditure of Railways and Posts and Telecommunications financed from their internal resources and contributions from others.	9613.43
88348.77	Total Capital Outlay	101565.26

II Sector-wise Capital Outlay

Sector	Capital Outlay during 1988-89	Capital Outlay at the end of March 1989
Civil	6034.60	59718.13
Defence	3782.93	15252.71 (XX)
Railways	2155.44	17965.19 (XXX)
Posts	30.12	356.77
Telecommunications	1210.68	8272.46
Total	13213.77	101565.26

(X) Difference is due to rounding of figures.
(XX) Includes Rs.0.14 crore due to rectification of misclassification of 1982-83.
(XXX) Includes Rs.2.58 crores which represents Prior Period adjustment account. For details, refer statement nos. 10 and 13.

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

	Railways	Others*	Posts	Telecommunications	Total
Till end of 1987-88	3555.33	8.30	61.24	4114.87	7739.74
During 1988-89	696.57	--	4.90	1172.22	1873.69
Total	4251.90	8.30	66.14	5287.09	9613.43

*States, District Boards etc.

IV. Sources and application of funds

(Rupees in crores)

Sources		Application	
1. Revenues Receipts	52971.28	1. Revenue Expenditure	63485.70
2. Increase in Public Debt	18374.44	2. Lending for Development and other purposes	15205.67
3. Net Receipts from public account	14481.75	3. Capital Expenditure	13213.77
4. Recoveries from Loans and Advances	5053.06	4. Increase in Cash Balance	849.12
5. Internal Resources of Railways and Posts and Telecommunications used for Capital	1873.69		
6. Miscellaneous Capital Receipts	0.04		
Total	92754.26		92754.26

CHAPTER II

Appropriation Audit and Control over expenditure

2. General

The summarised position of actual expenditure during 1988-89 against grants/ appropriations is as follows:-

	Original grant/appropriation	Supplementary	Total	Actual expenditure	Variation Excess + Saving -
	1	2	3	4	5
		(Rupees in crores)			
I. Revenue:					
Voted	30474.07	2365.69	32839.76	31112.72	-1727.04
Charged	23389.06	220.88	23609.94	23720.26	+110.32
II. Capital:					
Voted	6027.52	1281.25	7308.77	6593.45	-715.32
Charged	28.39	52.44	80.83	13.52	-67.31
III.Public Debt:					
Charged	132231.76	--	132231.76	63460.21	-68771.55
IV. Loans and Advances:					
Voted	5190.03	482.97	5673.00	5253.96	-419.04
Charged	9934.07	473.13	10407.20	10016.58	-390.62
V. Other-Inter-State Settlement:				*	
GRAND TOTAL	207274.90	4876.36	212151.26	140170.70	-71980.56

* A sum of Rs. 0.10 lakh was paid to Government of Andhra Pradesh under Inter-State Settlement though there was no provision.

3. The broad results of Appropriation Audit are as follows:-

3.1 The overall saving was the net result of saving in 198 cases and excess in 17 cases as shown below:-

	Savings		Excesses		Net Saving -/ Excess +	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
			(Rupees in crores)			
Voted Grants	1753.94 (In 73 grants)	1138.01 (In 60 grants)	26.90 (In 8 grants)	3.65 (In 2 grants)	-1727.04	-1134.36
Charged Appropriations	18.27 (In 42 appropriations)	69230.10 (In 23 appropriations)	128.59 (In 5 appropriations)	0.62 (In 2 appropriations)	+110.32	-69229.48

3.2 The overall supplementary grants and appropriations obtained during 1988-89 constituted 2.35 per cent of the original grants and appropriations.

3.3 In 17 cases, the supplementary provision of Rs.209.31 crores was unnecessary as the saving in all these cases exceeded the supplementary provision obtained. Details are given in Appendix I.

3.4 In 24 grants, the savings exceeded 20 per cent of the provision, while in 13 grants, the savings were in excess of 30 per cent. Details are given in Appendix II.

3.5 Out of the final savings of Rs.2891.95 crores under voted grants and Rs.69248.37 crores under charged appropriations, savings in 29 grants and 5 appropriations accounted for Rs. 2439.82 crores and Rs.69175.01 crores respectively are detailed below:-

Sl.No	Grant	Amount of savings (percentage of savings)	Main reasons
1	2	3	4
		(Rupees in crores)	
Voted Grants			
Revenue			
1.	2-Other Services of Department of Agriculture and Co-operation.	22.66 (7)	Non-adjustment of foreign assistance following receipt of aid from the Government of Japan in cash instead of in kind, non-receipt of aid material from the Government

1	2	3	4
			of Federal Republic of Germany, non-filling up of vacant posts, non-receipt of bills, slow progress of construction work, release of less grants-in-aid to State Governments and economy measures.
2.	5- Department of Fertilizers	102.46 (2.64)	Non-finalisation of claims of Food Corporation of India for import of fertilizers, less release of fertilizer subsidy for payment under Retention Price Scheme following downward revision of prices and adjustment of less value of gift fertilizers owing to less assistance from the Government of Norway.
3.	7-Department of Commerce	20.78 (1.34)	Non-payment of contributions to certain international organisation following non-setting up of Common Fund of Commodities, less receipt of claims for grants-in-aid from export promotion and market development organisations and less payment to USSR Government in terms of Trade and Payment agreement owing to revaluation of currency.
4.	23-Ministry of External Affairs	64.22 (14.9)	Procedural constraints in purchase of computers and telecommunications systems, non release of aid to foreign Governments pending finalisation of bilateral agreements and non-receipt of debits pertaining to certain projects.
5.	24-Department of Economic Affairs	24.45 (5.3)	Less adjustment of loss by exchange following higher gains in foreign remittances and release of less amount to General/ Life Insurance Corporation due to less coverage than anticipated.

1	2	3	4
6.	25-Currency, Coinage and Stamps	34.53 (12.4)	Less receipt of papers following change in the delivery schedule, non-finalisation of issue rates of paper by Security Paper Mills, non-receipt of certain claims, fall in production owing to reduction in working hours, non-payment of customs duty on import of security paper and ink and less import of security paper and ink than anticipated.
7.	27-Pensions	76.45 (15.4)	Receipt of lesser number of pension claims than anticipated.
8.	29-Transfers to State Governments	70.18 (1.8)	Non- receipt of claims from State Governments, shortfall in expenditure against ceilings approved for assistance to States and cut imposed in Central assistance.
9.	32-Department of Expenditure	799.76 (99.4)	Non- utilisation of lump-sum provision (Rs.800.00 crores) made for payment of dearness allowance to Central Government Employees due to inclusion of corresponding provision by various Ministries and Departments in their respective grants.
10.	36-Indirect Taxes	23.21 (6.8)	Delay in receipt of clearance for the Central Excise Computerisation Extension Project, non-materialisation of orders placed with DGSD, short fall in proportionate charges payable to the Union Excise Department and economy measures.
11.	37-Department of Food	117.09 (4.8)	Less release of subsidy to Food Corporation of India on Foodgrains Transations, less demand for payment of maintenance of Buffer Stock of sugar and Grants-in-aid for development of sugar industry than anticipated.

1	2	3	4
12.	40-Department of Family Welfare	24.82 (3.4)	Non-receipt of claims rrom DGSD, slow progress of Family Welfare-Maternity and Child Health and Mass Education Schemes.
13.	43-Police	45.84 (3.9)	Non-receipt of stores/claims from other Ministries/ Departments, State Governments, non-filling up of vacant posts and less purchase of machinery and equipment.
14.	50-Department of Industrial Development	21.38 (3.9)	Non-disbursement/ partial disbursement of loans by the banks under self employed scheme for educated unemployed youth, slow implementation of Plan Scheme in Central Machine Tool Institute and non-approval of New Plan Schemes.
15.	72-Ministry of Textiles	29.00 (5.3)	Non-payment of subsidy towards losses on indigenous procurement of cotton and non-payment of Grants to Textile Export Promotion Fund following inadvertent provisons of fund under subsidy on Janta Cloth.
Capital			
16.	5-Department of Fertilizers	32.66 (7.7)	Less equity investments and less payment of loans owing to adjustment of previous year's balance and slow progress in implementation of certain projects/ schemes.
17.	7-Department of Commerce	98.14 (50.5)	Non-drawal/ utilisation of technical credit facility by the Governments of German Democratic Republic, Rumania and USSR.
18.	19-Department of Coal	76.15 (5.0)	Less payment of Loans to Coal India Limited following delay in sanctioning of revised cost estimates.
19.	20-Department of Power	79.38 (4.6)	Delay in supply of material and equipment and handing over of

1	2	3	4
			land for some schemes and non-placement of orders for Dadri and Kawas Gas Turbine Projects of National Thermal Power Corporation of India.
20.	23-Ministry of External Affairs	43.15 (46.4)	Non- finalisation of purchase deals of properties abroad, non-payment of loans to foreign Governments owing to non-finalisation of project plan for which loans were intended, post-budget decision to pay loans to Government of Nepal from a Revolving Fund and payment of loans to Government of Sri Lanka through Ministry of Finance instead of Ministry of External Affairs.
21.	25-Currency, Coinage and Stamps	40.01 (20)	Non-completion of purchasing formalities, delay in procurement of equipment, non-finalisation of contract and non-starting of construction works as anticipated.
22.	35-Direct Taxes	86.83 (72.4)	Non-acquisition of certain properties following writ petitions pending in courts.
23.	37-Department of Food	30.52 (24.5)	Release of less loans to sugar mills for cane development following receipt of less demands.
24.	43-Police	81.22 (44.2)	Interruptions in construction works owing to natural calamities and non-finalisation of land acquisition cases.
25.	53-Department of Public Enterprises	81.30 (19.5)	Non-approval of revised cost estimates of certain projects of Bharat Bhari Udyog, Hindustan Paper Corporation and National Newsprint and Paper Mills and deferment of payment in foreign exchange in respect of overseas projects of Engineering Project

1	2	3	4
			India Limited.
26.	70-Roads	103.72 (21.3)	Non-commencement of certain new works on National Highways, slow progress in World Bank Assisted Projects and non-receipt of bills from Defence Department.
27.	71-Ports, Lighthouses and Shipping	28.86 (7.3)	Slow progress of works, non-approval of some schemes, delay in formulation of certain schemes and non-utilisation of funds for loans to Madras Port Trust owing to non-receipt of matching assistance from Asian Development Bank.
28.	79-Atomic Energy	122.12 (24.6)	Non-procurement/ delay in receipt of certain equipment for Heavy Water Plant,Manuguru and Nuclear Fuel Complex, shortfall in purchase and acquisition of Heavy Water following less production, non-payment of loan to Uranium Corporation of India following slow progress of its various projects, slow progress in fabrication of Steam Generation Unit of Heavy Water Plant, Kota, delay in commencement of works of Final Enrichment Plant at Hazira, less procurement/ receipt of spares and other material/ Vehicles, slow progress/ postponement of certain works of Housing Colonies for Heavy Water Plants and economy measures.
29.	89-Delhi	58.93 (11.7)	Less payment of loans to Waste Heat Recovery Unit Gas turbine Station and compensation to the owners of land, non-implementation of certain schemes and non-issuance of sanction for development of plots for squatters for self help houses.

1	2	3	4
Charged Appropriations			
Capital			
30.	1-Agriculture	20.00 (6.5)	Non-payment of loans to State Governments owing to enforcement of economy measures.
31.	20-Department of Power	55.55 (57.3)	Non-clearance of some schemes and non-payment of matching grant for investment in Tehri Hydro Development Corporation.
32.	29-Transfers to State Governments	261.24 (2.7)	Lesser payments than anticipated, shortfall in claim from State Governments for re-imbursement of expenditure for externally aided projects and due to cut in Central Assistance.
33.	31-Repayment of Debt	68771.55 (52)	Less discharge of Treasury Bills than anticipated.
34.	89-Delhi	66.67 (86.8)	Less payment of decretal awards against enhanced compensation following lesser claims filed by the owners of land than anticipated.

3.6 Excess over grants/ appropriations

In the revenue section, there was total excess of Rs.26,89,61,079 in 8 grants and Rs.128,59,13,112 in 5 appropriations, while excesses in capital section amounted to Rs.3,65,64,306 in 2 grants and Rs.61,88,466 in 2 appropriations. These excesses require regularisation under Article 115 of the Constitution.

The details of excesses are given below:-

Sl. No.	Grant	Total grant	Actual expenditure	Amount of excesses (percentage of excesses)	Main reasons
1	2	3	4	5	6
Revenue		(Rupees)	(Rupees)	(Rupees)	
1.	12-Ministry of Defence	687,61,00,000	694,83,63,881	7,22,63,881 (1.05)	Payment of instalments of dearness allowance, bonus and arrear of pay following restructuring of accounts cadre.
2.	13-Defence Pensions	1596,36,00,000	1597,96,70,086	1,60,70,086 (0.1)	Receipt of more cases of pensions, commuted value of pensions and gratuity than anticipated.
3.	68-Department of Mines	118,13,00,000	118,54,33,891	41,33,891 (0.4)	Release of more grants-in-aid to Mineral Exploration Corporation, payment of additional instalments of dearness allowance and arrears of pay and allowances consequent on implementation of Tribunal decision.
4.	74-Ministry of Urban Development	81,44,00,000	83,57,27,787	2,13,27,787 (2.6)	Rise in the cost of material, payment of increased dearness allowance,overtime allowance, undertaking more works and accelerated progress of work.
5.	75-Public Works	166,04,00,000	176,07,69,561	10,03,69,561 (6)	Purchase of more tankers/ vehicles and tools and plants, rise in cost of materials and wages, payment of increased dearness allowance, overtime allowance, payment of arrears of lease charges and filling up of vacant posts.
6.	92-Lakshadweep	28,27,00,000	29,23,95,630	51,95,630 (1.8)	Increase in hire charges of helicopter and payment of maintenance charges to National Airport Authority for non- directional beacons.

1	2	3	4	5	6
7.	93-Chandigarh	134,00,00,000	138,85,73,497	4,85,73,497 (3.6)	Revision of pay scales, creation of new posts, purchase of vehicles and arms and repairs of old buildings. Reasons for excess of Rs.65.16 lakhs were awaited (February 1990).
8.	94-Daman and Diu	12,43,00,000	12,53.26,746	10,26,746 (0.8)	Liquidation of past liabilities and unanticipated expenses on purchase of machinery and equipment.
Capital					
9.	26-Payment to Financial Institutions	1607,56,00,000	1607,57,64,306	1,64,306	Payment of more loans to National Bank for Agriculture and Rural Development following receipt of more claims for transfer of counter part rupee funds of foreign aid.
10.	52-Department of Chemical and Petro-chemicals	116,00,00,000	119,64,00,000	3,64,00,000 (3.14)	More expenditure on repairs and maintenance of machinery and equipment and sanction of non-plan loans to cover cash losses of Smith Stainstreet Pharmaceuticals Limited.
Charged Appropriations					
Revenue					
11.	13-Defence Pensions	64,00,000	64,59,000	59,000 (0.9)	Finalisation of more cases of pensions due to Supreme Court Judgement than anticipated.
12.	28-Interest Payments	14150,00,00,000	14278,52,13,139	128,52,13,139 (0.9)	Payment/ adjustment of more interest than anticipated.
13.	74-Ministry of Urban Development	2,66,00,000	2,67,73,036	1,73,036 (0.7)	Enhanced payment of salaries and wages to certain staff following Supreme Court decree.
14.	75-Public Works	..	27,882	27,882	Receipt of an unforeseen arbitration award to a contractor.

1	2	3	4	5	6
15.	93-Chandigarh	3,75,00,000	3,79,40,055	4,40,055 (1.2)	Purchase of new cars for newly appointed judges and payment of excess charges of publication.
Capital					
16.	12-Ministry of Defence	6,50,00,000	7,09,00,000	59,00,000 (9.1)	Payment of more loans to Rajasthan Government for R.C.P. Water Supply Scheme Jodhpur.
17.	75-Public Works	30,00,000	32,88,466	2,88,466 (9.6)	Receipt of more decretal awards than anticipated.

3.7 *Expenditure on "New Service/ New Instrument of Service"*

On the recommendations of the Public Accounts Committee, Government has, inter alia prescribed certain financial limits for different categories of expenditure beyond which the expenditure constituted "New Service" or "New Instrument of Service" and required prior approval of Parliament. During test-check in Audit of the accounts for 1988-89, the following cases were noticed in which prescribed limits were exceeded and the expenditure constituted "New Service" or "New Instrument of Service" but neither advance from the Contingency Fund was obtained nor was prior approval of Parliament taken.

(i) Ministry of Agriculture
(Grant No. 4- Department of Rural Development)

Department had paid Rs.79.54 lakhs towards training of rural youth for self-employment against the budget provision of Rs.2.91 lakhs. The additional payment of Rs.76.63 lakhs was in excess of the prescribed limit of Rs.10 lakhs and was met by re-appropriation within the grant.

(ii) Ministry of Textiles
(Grant No. 72-Ministry of Textiles)

The Ministry had paid grants amounting to Rs.83.63 lakhs to Bombay Textiles Research Association against the budget provision of Rs.67.00 lakhs. The additional payment of Rs.16.83 lakhs was in excess of prescribed limit of Rs.10 lakhs and was met by re-appropriation within the grant.

CHAPTER III

Ministry of Agriculture
(Department of Rural Development)

4. Jawahar Rozgar Yojana

4.1 Introduction

Jawahar Rozgar Yojana (JRY) was launched by Government on Ist April 1989. This is a Centrally sponsored programme with the primary objective of generating additional gainful employment for the unemployed and under-employed, both men and women, in rural areas. The secondary objectives are to (a) create productive community assets for direct and continuing benefits to the poverty groups and for strengthening rural, economic and social infrastructure leading to rapid growth of rural economy and steady rise in the income levels of the rural poor and to (b) improve the overall quality of life in the rural areas.

The National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) started, in October 1980 and August 1983, respectively were decided to be merged into a single rural employment programme known as the Jawahar Rozgar Yojana. The aim is to provide fuller employment opportunities to one member of each family living below the poverty line with preference being given to scheduled castes/scheduled tribes (SCs/STs). Thirty per cent of the employment opportunities are to be reserved for women.

4.2 Scope of Audit

Records relating to planning, allocation and release of funds and monitoring were test checked by Audit in the Department of Rural Development and in 18 districts in the States of Andhra Pradesh, Bihar, Karnataka, Kerala, Rajasthan and Uttar Pradesh during July to September 1989.

4.3 Organisational set up

The Department of Rural Development is the administrative department responsible for planning, implementation, monitoring and evaluation of the programme.

At the Central level, a committee set up in the department is to provide overall guidance, lay down guidelines and undertake continuous monitoring and supervision of implementation of the programme.

At the State level, it is the responsibility of the State Level Co-ordination Committee.

At the District level, the District Rural Development Agency/Zilla Parishad (DRDA/ZP) is entrusted with the responsibility for co-ordination, review, supervision and monitoring of the programme. The DRDA/ZP is accountable to the State Government for ensuring that the reports/returns in respect of works taken up for execution in the district are furnished on time.

At the village level, the programme is to be implemented through the village panchayat. The village panchayat would appoint a committee for each village to oversee, supervise and monitor the works under the programme. This committee should include at least one representative of SCs/STs. Where village panchayats are not in existence, their share of funds would be passed on to the concerned block/block samiti which would be responsible for implementing the programme. Technical supervision of work is the responsibility of the block agencies/DRDAs.

4.4 Highlights

- Jawahar Rozgar Yojana was launched from Ist April 1989, merging National Rural Employment Programme and Rural Landless Employment Guarantee Programme, with the main objective of generating additional gainful employment with increased coverage for the unemployed and under-employed persons living below the poverty line in rural areas.

- The demands for grants for 1989-90 did not contain specific provision for Jawahar Rozgar Yojana. The first instalment totalling Rs.987.40 crores was released by Government making the expenditure debitable to Grants-in-aid to the States. The funds were released direct to District Rural Development Agencies without being routed through the Consolidated Fund of the respective States.

- Total resources of Rs.2623.08 crores provided for the programme for the current year, would be adequate to provide employment for hardly 21 days on an average to one member of each rural family living below the poverty line. The resources provided are too inadequate to achieve the objections of the programme. According to the Department, not even one fourth of the families below poverty line look for such employment and wage component is likely to be 55 per cent of the outlay as against 50 per cent envisaged in the programme. Even as per the reckoning of the Department, resources provided for the programme could sustain provision of employment for less than 100 days in a year to hardly one fourth of the families living below poverty line.

- The prescribed criteria for release of Central assistance to the States/Union Territories on the basis of rural poverty was not strictly adhered to. Six States and six Union Territories were released Central assistance in excess of their entitlement while in the case of 19 States and one Union Territory, the amounts released were less. Though geographical conditions and other factors were cited as consideration for increased allocation, no fresh guidelines or criteria for allocation on this basis had been laid down.

- Though the second instalment of Central assistance was to be released only after fulfilment of certain stipulated conditions by the implementing agencies including 50 per cent utilisation of the funds already available, the Department released Rs.1112.60 crores as second instalment in September 1989, when the overall utilisation of available funds was only 24 per cent. Utilisation was more than 50 per cent only in two States and one Union Territory. Release of second instalment of Central assistance despite substantial under-utilisation of funds already available with the implementing agencies only contributed to increased accumulation of unutilised balances with the implementing agencies.

- In Andhra Pradesh, Bihar and Kerala, there were delays in release of States' share to districts/District Rural Development Agencies.

- Unutilised resources of National Rural Employment Programme/ Rural Landless Employment Guarantee Programme totalling Rs.422.48 crores available with the States/ Union Territories as on Ist April 1989, were not reckoned for fixing employment targets for 1989-90.

- The entire unutilised balance of NREP/RLEGP with each State/Union Territory was excluded, irrespective of the quantum, for fixing employment targets.

- Due to launching of the new programme without adequate preparatory work, there was set back in employment generation. Despite availability of more resources for employment generation, in four of the five States test checked, during the first four months of 1989-90 the employment generated was less under the Jawahar Rozgar Yojana in comparison with the average number of mandays generated under National Rural Employment Programme/Rural Landless Employment Guarantee Programme during the corresponding period of the last three years.

- In the States test-checked, targets set for generation of mandays were not achieved. Employment generation was nil during the first quarter of 1989 in three of the four districts test-checked in Uttar Pradesh. In Karnataka, achievement was only 36 per cent in the districts test-checked. In Andhra Pradesh, only about 11 per cent of the target was achieved.

- Identification of the targeted beneficiary families was not done in Andhra Pradesh, Bihar and Uttar Pradesh while in Karnataka and Rajasthan, the work was stated to be in progress.

- Annual plans of work for District Rural Development Agencies/ panchayats were not prepared/ completed in any of the States test-checked.

- Incomplete works of National Rural Employment Programme/Rural Landless Employment Guarantee Programme were not identified in the States of Bihar and Kerala though completion of these on priority was envisaged.

- Organisation of regular training workshops/ programmes was envisaged for providing necessary orientation to officers handling JRY work at various levels. No such training programme had been arranged in the States of Bihar and Rajasthan.

- Prescribed monitoring arrangements for implementation of the programme had not been made in Bihar, Rajasthan and Uttar Pradesh.

4.5 Programme financing.- Salient features of the programme are as follows :-

(i) expenditure under the programme is to be shared between the Centre and the States on 80:20 basis;

(ii) Central assistance is to be allocated to States/Union Territories (UTs) on the basis of incidence of rural poverty. From the States to the districts, the allocation is to be made on the basis of the index of backwardness. Distribution of resources to village/ mandal panchayats from districts is to be made on the basis of the population of each panchayat;

(iii) not less than 80 per cent of

the funds allocated to each district, after earmarking six per cent for the Indira Awaas Yojana (IAY) are to be distributed to the village/mandal panchayat. Balance 20 per cent funds are to be retained at the district level for interblock/village work;

(iv) Central assistance (including foodgrains) is to be released directly to the districts in two instalments. Two-third of the annual allocation will be released as the first instalment without any pre-condition. The second instalment is to be released on the request of the DRDAs/ZPs and on fulfilment of the specified conditions;

(v) all rural works which result in the creation of durable productive community assets can be taken up under the programme;

(vi) wages paid should not be less than the minimum wage prescribed by the State Government; and

(vii) under no circumstances should the non-wage component exceed 50 per cent of funds.

In the demands for grants for 1989-90, Rs.530 crores and Rs.681.25 crores were provided for NREP and RLEGP but no funds were earmarked specifically for JRY. A provision of Rs.500 crores was, however, included in the Grants for the Department of Expenditure for "New Economic Programme" which was transferred to the Department of Rural Development in the Supplementary demands for grants in July 1989 for JRY.

Government allocated and released Rs.2100 crores to States/UTs in two instalments. The details of allocation and releases to each State/UT are given in Annexure-I. The first instalment, totalling Rs.987.40 crores was released by Government making the expenditure debitable to Grants-in-aid to States. The funds were released direct to DRDAs without these being routed through the Consolidated Fund of the respective States.

4.6 Allocation and release of funds.- Central assistance to States/ UTs is to be allocated on the basis of incidence of rural poverty alone. Scrutiny of State-wise allocation of funds revealed that while six States and six UTs were allocated more than their proportionate share, 19 States and one UT got less. Details of excess allocation to States/UTs are given below:

(in crores of rupees)

States/Union Territories	Entitlement	Funds released	Excess release over entitlement	
			Amount	Percentage
States				
Goa	2.73	3.03	0.30	11
Haryana	15.37	15.38	0.01	0.1
Himachal Pradesh	5.50	9.23	3.73	68
Jammu and Kashmir	7.69	13.46	5.77	75
Manipur	1.26	3.53	2.27	180
Rajasthan	99.54	100.75	1.21	1
Union Territories				
Andaman and Nicobar Islands	0.59	1.65	1.06	180
Chandigarh	0.08	0.41	0.33	412
Dadra and Nagar Haveli	0.38	0.84	0.46	121
Daman and Diu	0.29	0.52	0.23	79
Lakshadweep	0.08	0.82	0.74	925
Pondicherry	1.22	1.58	0.36	30

The Department stated, in November 1989, that the additional funds were given to the above States/UTs keeping in view the geographical conditions and their backwardness. The fact remains that additional allocation, which in a few cases, was far in excess of entitlement, contravened the specific stipulation in the guidelines that Central assistance to the States/ UTs was to be allocated on the basis of incidence of rural poverty alone. No fresh guidelines or criteria to determine allocation on the basis of geographical conditions or other factors were laid down.

4.7 *Premature release of second instalment*.- The second instalment of funds was to be released on the request of the DRDAs/ZPs in the prescribed proforma and on fulfilment of specified conditions which, inter alia, included:

(i) utilisation of 50 per cent

of available funds, namely, balance of unutilised resources in the beginning of the year plus amount received from Central and State Governments;

(ii) release of first instalment of State's share equivalent to one fourth of the first instalment of Central release;

(iii) approval of annual plans by DRDAs/ZPs; and

(iv) furnishing certificate of disbursement of the share of programme funds to the village panchayats as per their entitlement.

Statement of performance of the programme prepared by the Department, in October 1989, revealed that overall utilisation of available funds before release of second instalment was 24 per cent.

Of the 32 States/UTs, utilisation exceeded 50 per cent only in Sikkim, Tamil Nadu and Pondicherry. Utilisation was up to 10 per cent in Andaman and Nicobar Islands and Daman and Diu; 20 per cent in Andhra Pradesh, Arunachal Pradesh, Assam, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Maharashtra, Meghalaya, Orissa, Uttar Pradesh and West Bengal; 30 per cent in Goa, Gujarat, Madhya Pradesh, Mizoram and Tripura; 40 per cent in Haryana, Manipur, Punjab, Rajasthan, Dadra and Nagar Haveli, Delhi and Lakshadweep and less than 50 per cent in Bihar and Nagaland while Chandigarh being unreported. Despite under-utilisation of the first instalment of funds in 29 States/UTs amounting to Rs.443.94 crores, the second instalment amounting to Rs.1032.56 crores was released, in September 1989, which only contributed to increased accumulation of unutilised balances with the implementing agencies.

It was stated by the Department, in November 1989, that the second instalment was released after waiving the stipulated conditions in the guidelines after taking approval of the competent authority. The decision was taken anticipating that the pace of expenditure would pick up fast and also to ensure that the tempo of work did not suffer for want of resources. The long pipeline involved in transferring resources to village panchayats was also kept in view.

The reply of the Department has to be viewed in the light of the fact that about 75 per cent of the total resources available had remained unutilised with the implementing agencies when the decision to transfer further Central resources totalling Rs.1032.56 crores was taken. As regards the factor of long pipeline for transfer of resources to panchayats, the guidelines had stipulated that Central assistance was to be released direct to the districts and that the DRDAs should disburse the share of programme funds to village panchayats within one month of the receipt of funds by them.

4.8 Delay in release of States' share for the programme.- Under the programme, State Governments were to release their share of one fourth of the Central assistance to the DRDAs/ZPs as early as possible, but in any case within a month after the release of Central assistance. Information regarding releases made by the State Governments called for from the Department was not furnished. However, a test check of records in six States revealed the following position:

In Andhra Pradesh, release of State's share to the two districts test-checked, East Godavari and Mahaboobnagar, was delayed by 23 and 36 days respectively.

In Bihar, while Central assistance of Rs.93.56 crores was released in April 1989, the State's share amounting to Rs.23.39 crores, though sanctioned by the State Government from the Contingency Fund of the State, had not been disbursed to DRDAs till July 1989. No action had been taken by the State Government till September 1989 to release its share amounting to Rs. 7.64 crores against the balance of first instalment of Central assistance released on 13th June 1989.

In Kerala, the State Government sanctioned the release of Rs.3.88 crores, in July 1989, representing one fourth of the Central assistance of Rs.15.51 crores received by the DRDAs in April 1989. The amount was, however, retained in treasury savings bank. The State's share of Rs.1.97 crores in respect of the balance amount of the first instalment of Central assistance released during June 1989 had not been released till 31st July 1989.

The Department stated, in November 1989, that the States had been advised to release their share as quickly as possible.

4.9 Employment generation

(a) Inadequacy of funds.- The Department fixed a target of generation of 91.17 crore mandays for 1989-90, with a total outlay of Rs.2623.08 crores (including share of States). According to the National Sample Survey (1983-84), the estimated rural population below poverty line was 22.15 crores as on Ist March 1984. Taking the average size of a family as five, the number of rural families below the poverty line works out to 4.43 crores. On this basis, the total provision of funds would provide, on an average, employment to one member of every rural family living below poverty line for 21 days in a year. Thus the availability of funds for the programme is too inadequate to achieve the objective of providing fuller employment opportunities to one member of each family living below the poverty line.

The Department stated, in November 1989, that according to past experience, wage expenditure generally worked out to nearly 55 per cent of the outlay as against 50 per cent assumed in fixing the target. Hence actual generation of employment would be about 100 crore mandays. The Department further stated that if past experience was any guide, it was felt that not even 25 per cent families below the poverty line looked for employment on such works. Thus according to the reckoning of the Department, the programme could sustain provision of employment for less than 100 days in a year to hardly one fourth of the families living below the poverty line.

(b) Fixation of targets.- According to the instructions issued by the Department, unutilised resources of NREP/RLEGP of the previous years were to be the part of the JRY. Information compiled by the Department, in October 1989, revealed that unutilised resources of NREP/RLEGP totalling Rs.422.48 crores were available with the States/UTs as on Ist April 1989. However, while fixing targets for generation of mandays for 1989-90,

availability of unutilised resources was not reckoned. Targets fixed were, therefore, short by 14.68 crore mandays (14 per cent).

The Department stated, in November 1989, that the unutilised balances were not taken into account for fixing targets as these were bound to be carried over as unspent balances in the next year.

Analysis of unutilised balances with States/UTs, however, revealed that amount of unutilised balances ranged between 0.31 and 48 per cent of the total resources released during 1989-90. The entire unutilised balance of NREP/RLEGP with each State/UT as on 1st April 1989 was excluded, irrespective of the quantum, while fixing the target for employment generation.

(c) Decline in employment generation.- Comparison of employment generation under JRY from April to July 1989 with the average achievement during the corresponding months in the last three years under NREP/RLEGP in Andhra Pradesh, Karnataka, Kerala, Rajasthan and Uttar Pradesh revealed that mandays generated under JRY were much less as indicated below:

State	Mandays generated (in crores)		Percentage
	NREP/RLEGP (April-July) Average of last three years	JRY (April -July 1989)	
(1)	(2)	(3)	(4)
Andhra Pradesh	1.22	0.63	52
Karnataka	0.68	0.38	56
Kerala	0.33	0.24	73
Rajasthan	1.43	1.18	83
Uttar Pradesh	1.92	0.87	45

Analysis of availability of funds and employment generated during April-July of the last three years under NREP/RLEGP and the corresponding period under JRY revealed that despite less availability of resources, in four of the five States, higher employment generation was achieved under NREP/RLEGP.

According to the physical/financial targets fixed by the Department for 1989-90, achievement during each of the first and second quarters was to be 20 per cent of annual target. A test-check of the position in the States revealed as follows:

-In Andhra Pradesh, as against the target of 5.76 crore mandays during 1989-90, 0.63 crore mandays were generated from April to July 1989 constituting only 11 per cent of the target.

- In Karnataka, in the four districts (Bellary, Bijapur, Kolar and Raichur) test-checked, although 0.28 crore mandays of employment were targeted to be generated by July 1989, achievement was only 0.10 crore mandays (36 per cent).

- In Kerala, against 0.33 crore mandays to be generated up to June 1989, the achievement till the end of July 1989 was only 0.24 crore mandays.

- In Uttar Pradesh, in three districts (Chamoli, Gorakhpur and Kanpur) out of the four test-checked, employment generation during the first quarter of 1989-90 was nil. In the other district (Rai Bareilly), achievement was about 35 per cent of the target fixed.

The Department stated, in November 1989, that the poor performance of the States was due to the fact that panchayats took time in the preparation of action plans and getting them cleared from appropriate authorities, the guidelines were finalised only in July 1989 and that the States took time for releasing the matching share.

The reply indicates that the programme was launched without completing detailed preparatory work, which caused a set back to employment generation.

4.10 Non-identification of target families.- The programme anticipates that fuller employment opportunities to at least one member of each family living below the poverty line would be provided. The identification of beneficiary families is thus important to ensure that benefits under the programme reach the targeted group. The guidelines issued by the Department did not specify the income limit for identification of families to be benefited. Test check in selected States revealed the following position:-

Bihar: The panchayats after conducting surveys of prospective beneficiaries were required to send the lists to the Block Development Officers concerned. However, no such details were available in Gaya, Munger, Patna and Ranchi districts.

Karnataka: Target families had not been identified in Kolar district; in Bellary, identification work was stated to be in progress but no information was available till July 1989 in respect of the number of villages in which the work had been completed and in Bijapur, out of 166 mandal panchayats, the list was available in respect of four mandals covering only 23 villages. In the absence of specific guidelines for annual income limit to be adopted, different income limits ranging from Rs.3600 to Rs.6400 were adopted for identifying the families living below the poverty line in the districts test-checked.

Kerala: No fresh survey was conducted for identifying the families below the poverty line for implementing the programme. The State Government stated that a block-wise survey had been conducted for identification of people under poverty line for implementing the Integrated Rural Development Programme.

Andhra Pradesh and Uttar Pradesh: No base line survey to identify the families living below the poverty line was conducted in any of the districts test-checked.

Rajasthan: In Jaipur, the process of identification of target families was stated to be in progress in 12 out of 17 panchayat samitis.

The Department stated, in November 1989, that programme being self targeting in its design did not involve any identification. It was, however, not clarified as to how the objective of the programme of providing fuller employment opportunities to at least one member of each family living below the poverty line could be fulfilled without identification of the target families.

4.11 Annual plan of works for DRDAs/ panchayats.- Guidelines issued by the Department for implementation of JRY envisage preparation of annual action plans at the district and panchayat levels for execution of works under the programme. No work was to be taken up unless it formed part of the annual action plans.

In Andhra Pradesh, Bihar, Kerala and Uttar Pradesh, the annual action plans for DRDAs/ panchayats were not prepared in the districts test-checked.

In Karnataka, annual plans were not prepared for district level works in the four ZPs test-checked. In respect of Bijapur, Kolar and Raichur districts, it was stated that the plans were not prepared since the funds required for completing the spill over works of NREP/RLEGP were far in excess of resources available to the ZPs under the programme. In the districts test-checked, annual plans of mandal panchayats were stated to be in various stages of preparation/approval.

In Rajasthan, action plans had not been prepared till August 1989 in the two districts (Jaipur and Udaipur) test-checked.

4.12 Unfinished works under NREP/RLEGP.- Instructions issued by the Department envisage that unfinished works under NREP/RLEGP become part of JRY. Priority was to be given for completion of incomplete works over new works. A test check of the position in the districts in Bihar and Kerala revealed that unfinished works under NREP/RLEGP had not been identified for completion on priority. The unutilised balances had also not been transferred to JRY in the four districts test-checked in Bihar.

According to the statements showing performance of JRY prepared by the Department, in August and September 1989, unutilised balances of NREP/RLEGP as on 1st April 1989 with the States/UTs were Rs.446.75 crores. However, in the statement prepared by the department, in October 1989, the amount was shown as Rs.422.48 crores. The correct amount of unutilised balance called for was not furnished.

The Department stated, in November 1989, that incomplete works had been identified and that instructions had been issued to utilise 20 per cent of the districts allocation and unutilised balances with them as on Ist April 1989, on completion of ongoing works in the districts.

4.13 Short release/delay in release of funds by DRDAs to panchayats and non-opening of savings bank account.- JRY funds (Central share as well as States' share) are to be kept in a bank or a post office in an exclusive and separate savings bank account by the DRDAs/ZPs and panchayats. Interest amount accrued on the deposits is to be treated as additional resources for the programme.

It was noticed that delay in depositing amounts received for the programme in savings bank account resulted in loss of interest which would have accrued to the programme.

In Bihar, DRDA, Gaya received a bank draft for Rs.4.42 crores on 30th April 1989 which was deposited in the bank only on 13th May 1989. As interest on savings bank deposits is earned on the minimum balance between 10th and last day of the month, delayed deposit resulted in loss of interest of Rs.0.02 crore which affected the additional resources to the programme.

In Karnataka, delay in transferring the amount from treasuries to bank in the four districts resulted in a similar loss of Rs.0.02 crore by way of interest.

In Kerala, the amounts released for DRDAs/panchayats were retained in treasuries savings bank account as per instructions of the State Government.

Delays in opening of savings bank account by village/mandal panchayats were also noticed in the following States:-

In Karnataka, out of 166 mandal panchayats in Bijapur ZP, bank accounts were opened in 65 cases only; and in Raichur ZP, out of 139 mandal panchayats, accounts were opened in seven cases only till July 1989.

In Uttar Pradesh, gram panchayats in Rai Bareilly district did not open exclusive and separate bank accounts for JRY but mixed the funds with other accounts. In Kanpur district, funds in respect of 101 out of 1317 gram panchayats were not credited due to non-opening of accounts with the bank.

A test-check in selected districts of the six States revealed that there were short-falls in the release of funds to panchayats by DRDAs/ZPs ranging from five per cent to 55 per cent as under:-

(Rupees in crores)

State/ District	as per entitlement	short released	percentage of shortfall
(1)	(2)	(3)	(4)
Andhra Pradesh			
Mahaboobnagar	3.86	1.74	45
Bihar			
Patna	1.75	0.32	18
Gaya	3.37	0.34	10
Munger	2.96	0.20	7
Ranchi	5.72	0.97	17

(1)	(2)	(3)	(4)
Karnataka			
Bellary	1.75	0.26	15
Bijapur	2.96	0.15	5
Kolar	2.55	0.55	22
Raichur	2.57	0.46	18
Kerala			
Palghat	2.27	0.34	15
Quilon	1.62	0.24	15
Rajasthan			
Jaipur	2.92	1.62	55
Udaipur	3.40	0.62	18

Further, there were delays ranging from 7 to 87 days in the release of funds by DRDAs/ZPs to village panchyats as indicated in Annexure II.

4.14 Technical inputs and training.- The Manual issued, in August 1989, by the Department provides that in order to facilitate the technical scrutiny of the plans of action of the village panchayats, the authorities at the block samiti/district level should prepare and approve standard designs and cost estimates of those items of work which are generally taken up by the village panchayats. This will help in quicker preparation of plans of action by the village panchayats and also quicker technical scrutiny by the block/district authorities.

The Manual also envisages provision of necessary orientation to the officers handling JRY work at various levels. Regular training workshops/programmes should, accordingly, be organised for the purpose. It was, however, noticed that no such training programme had either been arranged or contemplated in the States of Bihar and Rajasthan.

Audit had pointed out in the Report of the Comptroller and Auditor General of India for the year 1983-84 - Union Government (Civil) that officers handling NREP works were given no training and out of 981 block level seminars financed by the Centre in 1981-82, only 307 seminars were held till January 1984. Audit had also pointed out that a number of posts of experts in various disciplines and staff essential for the effective implementation/monitoring of IRDP had been kept vacant in various States/UTs.

The Department may have, therefore, to keep in view the above findings in taking measures for imparting training to the officers concerned for meaningful technical scrutiny of schemes at various levels.

4.15 Monitoring arrangements.- Guidelines issued by the Department envisage submission of monthly progress reports by the State Governments to the Department by 10th of the succeeding month and detailed quarterly progress reports by 25th of the month following the quarter. The monthly progress reports for the period ending August 1989 and quarterly progress reports for the period ending June 1989 called for, from the Department (on Ist September 1989) were not furnished to Audit, despite reminders issued on 26th and 29th September 1989. The regularity in receipt of the prescribed progress reports could not, therefore, be ascertained.

The monitoring arrangements for the programme envisage regular visits to the districts by officers from State headquarters and visits by officers at the district/sub-division and block levels to the sites of work in interior areas. A schedule of such inspections prescribing the minimum number of field visits for each supervisory level functionary from State level to block level is required to be drawn up and strictly adhered to. The schedule so drawn is further required to be approved by the State Level Coordination Committee and intimated to Government of India. The State Governments were to prescribe the periodical reports/returns for monitoring the performance of the districts and were also to get appropriate returns and reports prescribed, to be collected by the DRDAs/ZPs from the village panchayats/ mandals/ blocks.

A test check of monitoring arrangements in the States selected for audit revealed:

Bihar: No schedule of inspections had been drawn up. Supervisory levels/officers at various levels who would conduct inspection work had also not been identified. The format of reports/ returns for monitoring JRY performance/ activities had not yet been prescribed by the State Government (July 1989). No monthly or quarterly progress reports for the period from April to June 1989 had been sent to the Government of India (July 1989).

Rajasthan: Schedule of inspection had not been prepared till August 1989 in the two districts test checked. The progress report of JRY for the first quarter ending June 1989, prepared by the Special Schemes Organisation, Government of Rajasthan showed utilisation of Rs.7.91 crores for generating 0.73 crore mandays. The mandays reported to have been generated far exceeded the maximum possible employment generation, with the prevailing minimum wage rate of Rs.14 per day. The progress report thus did not reflect correct position.

Uttar Pradesh: No monitoring cell existed in any of the DRDAs test-checked.

The Department stated, in November 1989, that inspection schedules had been prepared in three States (Andhra Pradesh, Assam and Gujarat) and the remaining States had been asked to prepare them expeditiously.

Annexure-I

(Referred to in para 4.5)

Details of allocation and release of first and second instalment of funds by the Central Government.

(Rupees in crores)

Sl. No.	State/UT	Allocation of total funds	Release in 1st instalment	Release in 2nd instalment
1.	Andhra Pradesh	154.56	71.25	83.31
2.	Arunachal Pradesh	2.46	1.17	1.29
3.	Assam	42.23	20.03	22.20
4.	Bihar	309.69	142.77	166.92
5.	Goa	3.03	1.82	1.21
6.	Gujarat	63.64	36.67	26.97
7.	Haryana	15.38	7.76	7.62
8.	Himachal Pradesh	9.23	5.70	3.53
9.	Jammu & Kashmir	13.46	8.10	5.36
10.	Karnataka	96.75	42.42	54.33
11.	Kerala	52.56	26.08	26.48
12.	Madhya Pradesh	204.95	87.50	117.45
13.	Maharashtra	165.55	76.32	89.23
14.	Manipur	3.53	2.09	1.44
15.	Meghalaya	3.66	1.69	1.97
16.	Mizoram	1.50	0.72	0.78
17.	Nagaland	4.04	1.86	2.18
18.	Orissa	101.25	43.96	57.29
19.	Punjab	12.87	7.45	5.42
20.	Rajasthan	100.75	59.21	41.54
21.	Sikkim	1.58	0.73	0.85
22.	Tamil Nadu	138.77	60.24	78.53
23.	Tripura	4.33	2.19	2.14
24.	Uttar Pradesh	413.65	199.79	213.86
25.	West Bengal	172.88	75.66	97.22
26.	Andaman & Nicobar Islands	1.65	0.98	0.67
27.	Chandigarh	0.41	0.25	0.16
28.	Dadra and Nagar Haveli	0.84	0.49	0.35
29.	Daman and Diu	0.52	0.31	0.21
30.	Delhi	1.88	0.78	1.10
31.	Lakshadweep	0,82	0.49	0.33
32.	Pondicherry	1.58	0.92	0.66
	Total	2100.00	987.40	1112.60

Annexure II
(Referred to in Para 4.13)

Statement showing delay in release of funds by DRDAs/ZPs to Panchayats

Sl. No.	State/District	Date of receipt of funds by DRDAs/ZPs	Date of release of funds to Panchayats	Period of delay in days
1.	Andhra Pradesh			
	(i) East Godavari	1.5.89	16.6.89	15
	(ii) Mahaboobnagar	29.4.89	22.6.89 & 24.8.89	24 to 87
2.	Bihar			
	Gaya	30.4.1989	13.5.1989 to 24.6.1989 (in three instalments)	25
3.	Karnataka			
	(i) Bellary	2.5.1989	6.7.1989	34
	(ii) Bijapur	29.4.1989	12.6.1989	14
		30.5.1989	12.7.1989	12
	(iii) Raichur	2.5.1989	7.7.1989	35
		30.5.1989	7.7.1989	7
4.	Kerala			
	(i) Palghat	20.6.1989	Rs.0.87 crore not released upto 29.7.1989.	
	(ii) Quilon	22.4.1989	26.6.1989	35
5.	Uttar Pradesh			
	(i) Kanpur	27.4.1989	13.6.1989	17
	(ii) Chamoli	3.5.1989	21.6.1989	18

5. Infructuous expenditure on printing of Agmark labels

The annual indent for Agmark labels for 1985-86 was furnished by the Deputy Agricultural Marketing Adviser (Dy.AMA), Northern Region, New Delhi, in October 1985, to the Joint Agricultural Marketing Adviser (Jt. AMA), Nagpur. This indent included the requirement of one lakh fruit labels for apples. The Jt. AMA, Nagpur, however, enhanced the requirement to 40 lakh labels on his own. He also included his requirement of 10 lakh labels and placed a total indent of 50 lakh labels on the Directorate of Printing, New Delhi for printing. It was certified by Jt. AMA, Nagpur, while placing the indent on the Directorate of Printing that the indent had been prepared after careful examination of stock in hand and consumption of labels during the previous 12 months and the use of labels indented was indispensable and the number was the absolute minimum.

The Directorate of printing placed a print order on a private press in August 1986, at Rs.77.50 per 1000 labels. The press supplied 40 lakh labels to the Dy. AMA, Northern Region, New Delhi between August 1987 and September 1989. The number of labels consumed during the 25 months period from September 1987 to September 1989 was 0.56 lakh only.

Thus, supply of 40 lakh labels to Dy. AMA, New Delhi was far in excess of his indent for 1 lakh labels. This resulted in infructuous expenditure of Rs. 3.02 lakhs on the printing of 39 lakh labels.

The department stated, in September 1989, that Ministry of Commerce had decided, in 1983 to bring bananas, mangoes and oranges under compulsory quality control and pre-shipment inspection and requested AMA to make the arrangement that would be necessary for implementing this. Since labels were first pre-requisite for undertaking the implementation of the scheme, orders were placed for printing of 50 lakh labels.

The department's reply is to be viewed in the light of the facts that the decision for compulsory quality control was taken by Ministry of Commerce in 1983, as stated by the department, the order for printing Agmark labels was placed in 1986 and that the said scheme had not even been notified till September 1989.

CHAPTER IV

Ministry of Civil Aviation and Tourism

6. Non-recovery of excess payment

Government decided, in April 1974, to compensate State Governments, who agreed to exempt aviation turbine fuel (ATF) from levy of sales tax, by way of grants to the extent sales tax on ATF was collected by them, as on 30th September 1973. This measure was intended to give relief to international carriers from high incidence of sales tax. The compensation was to be limited to the Fifth Plan period.

Accordingly, the Government of Tamil Nadu waived, in April 1974, the collection of sales tax on the sale of ATF to international carriers touching airports in Tamil Nadu. The State Government re-imposed the sales tax from November 1980. During April 1974 to March 1982, ad hoc payments aggregating Rs.206.10 lakhs were made to the Government of Tamil Nadu against claims preferred by them on the Central Government.

A team of officers of the Ministry conducted a test check of the claims of the Government of Tamil Nadu, in January 1984, with a view to ensuring correctness of the payments made on ad hoc basis. The check conducted by the team revealed that the total amount of compensation payable to the Government of Tamil Nadu from April 1974 to October 1980 worked out to Rs.121.65 lakhs only against the ad hoc payment of Rs. 206.10 lakhs already released. This resulted in an excess payment of Rs. 84.45 lakhs to the Government of Tamil Nadu for which no action had been taken by the Ministry to recover the excess payment (June 1989).

The Ministry stated in January 1990 that the Government of Tamil Nadu had been requested in January 1990 to re-imburse the amount of Rs.84.45 lakhs to Government of India.

CHAPTER V

Ministry of Commerce

7. Cash assistance for the export of finished leather

Cash assistance at 7 per cent of f.o.b. value and air freight subsidy at 30 per cent of actual freight paid limited to 6 per cent of f.o.b. value were allowed for the export of finished leather from October 1982. These rates which were initially applicable up to March 1985 were later extended up to June 1986. In the orders issued on 30th September 1982 prescribing the rates of cash assistance, it was mentioned that Government reserved the right to withdraw/alter the rates of cash assistance at any time as merited.

The basic projection for leather industry in the Seventh Five Year Plan was to utilise available raw hides and skins for conversion into finished leather and use of this leather in the production of footwear and other leather goods like leather garments, bags etc. which earned valuable foreign exchange as compared to foreign exchange earned from the export of finished leather. With this objective in view, the export of finished leather was to decrease gradually so that there was enough scope for export of leather footwear and other leather goods.

At the instance of the Cash Assistance Review Committee (CARC), the Cash Compensatory Support (CCS) Cell of the Ministry conducted a cost study of three units exporting finished leather. Despite best efforts, the Council for Leather Exports could not persuade more units for such a study. The report, prepared by CCS Cell, in October 1985, revealed that the total average disadvantage to exporters on account of indirect taxes, interest, etc. was 3.19 per cent of f.o.b. warranting a reduction in the rate of cash assistance which was being allowed at 7 per cent. One of the units showed surplus equal to 11.04 per cent of f.o.b. realisation.

The cost study report was placed before CARC in January 1986. The CARC deferred a decision on revision of rate of cash assistance on finished leather in the light of the views of the Commodity Division of the Ministry that the study was confined to units located in a particular region and no allowance had been made for product development and special marketing thrust. No further cost study was conducted and the rate of cash assistance of 7 per cent was continued to be allowed on the export of finished leather till June 1986.

An analysis of data conducted by Audit relating to the exports of finished leather revealed that there was generally a rise in the unit value realisation during 1983-84 to 1986-87. In the case of two major items of export "other leather sheep lamb skin", unit value realisation of Rs.2.17 lakhs per tonne in 1983-84 increased to Rs.3.24 lakhs per tonne in 1985-86 and Rs.4.17 lakhs per tonne during 1986-87. Similarly in the case of "finished leather nes", unit value realisation increased from Rs.1.76 lakhs per tonne in 1983-84 to Rs.2.16 lakhs per tonne in 1985-86 and Rs.2.35 lakhs per tonne in

1986-87. During 1986-87, exports of finished leather were Rs.400.89 crores against the target of Rs.245 crores. The Council for Leather Export mentioned in its Annual Report for 1986-87 that the increase in export was attributed to the increased unit value realisation during the year.

The rates of cash assistance on all export products became due for revision from 1st July 1986. No justification was found for continuing the cash assistance on finished leather as the disadvantages on the basis of data furnished by the Council for Leather Export worked out to 3.56 per cent only. No cash assistance was allowed for the export of finished leather from July 1986 except 3 per cent of f.o.b. value towards air freight disadvantage in lieu of air freight subsidy. This rate was further enhanced to 5 per cent from 29th August 1986 and later discontinued from April 1987. During 1987-88, when there was neither any cash assistance nor any air freight subsidy or assistance, the exports of finished leather further increased to Rs.485.97 crores against the target of Rs.135 crores. The decision of the CARC, in January 1986, to defer revision of rate of cash assistance for finished leather lacked justification in view of the following :

(i) The cost of study had worked out an average disadvantage of only 3.19 per cent of f.o.b. value and had also mentioned that, despite best efforts, the Council for Leather Exports was unable to persuade more units for cost study.

(ii) Since Seventh Five Year Plan, priorities were to make more finished leather available for production of value added leather goods, the question of making allowance for product and special marketing thrust for exports in fixing the rate of cash assistance did not arise.

(iii) The unit value realisation in exports after fixation of rate of CCS from October 1982 had been increasing during 1983-84 to 1986-87.

(iv) The orders issued by the Ministry, in September 1982, reserved Government's right to withdraw/alter the rate of cash assistance at any time as merited.

Exports of finished leather during January to June 1986, as compiled from the data published by Director General, Commercial, Intelligence and Statistics, Calcutta, worked out to Rs.153.49 crores. A reduction in the rate of cash assistance from 7 per cent to 4 per cent, (though the disadvantage worked out by the Ministry was 3.56 per cent), would have saved an avoidable payment of cash assistance of Rs.4.60 crores (3 per cent of Rs.153.49 crores).

The matter was referred to the Ministry in August 1989; reply has not been received (November 1989).

8. Irregular payment of cash assistance on exports below minimum export price

According to Import Trade Control Policy, cash compensatory support (CCS) was not admissible in respect of products for which a minimum export price (MEP) had been fixed and exports were made at a price less than such MEP. Though the exports were made at a price less than such MEP, in the following two cases, CCS amounting to

Rs.30.69 lakhs was irregularly paid:-

(a) The rate of CCS on frozen meat was 20 per cent of f.o.b. value of exports up to November 1977 and thereafter it was reduced to 10 per cent.

A test-check of cases of CCS payments made by the office of the Joint Chief Controller of Imports and Exports (JCCIE), Bombay on export of frozen meat revealed that in 36 cases of exports made during 1977-78 to 1978-79, 11 cases of exports made during 1980-81 and two cases of exports made during 1984-85, export prices were less than the MEP. Though no CCS was admissible in these cases, payments totalling Rs.28.49 lakhs were irregularly made.

The irregular payments were pointed out to JCCIE, Bombay during April 1980 to August 1986 soon after the completion of audit of the respective vouchers. JCCIE, Bombay stated, in May 1987, that the files pertaining to 1977-78 and 1978-79 had been destroyed through oversight and it was not, therefore, possible to ascertain the exact amount of overpayments involved.

The Ministry stated, in October 1989, that CCS would be admissible on exports when the condition of MEP was satisfied on the date of shipment of goods, even though the f.o.b. value realisation might be less than the MEP on the date of realisation of export proceeds and that the customs authorities would not have allowed the exports, had these been below MEP. The contention of the Ministry is not tenable as JCCIE, Bombay had not satisfied himself about the compliance of the condition by the exporter as neither any certificate to the above effect was recorded by the customs authorities in the respective shipping bills nor was any categorical confirmation obtained from them while paying CCS to exporters. In similar other cases of payment made by the JCCIE, Madras, the Ministry had directed that office, in November 1985, to effect the recoveries of the amounts over-paid.

(b) Ministry notified MEP of leather shoes for men and women at Rs. 100 and Rs.70 per pair respectively from April 1985, which remained effective up to March 1988. Between September 1985 and March 1988, nine firms exported shoes at prices below the MEP. Joint Chief Controller of Imports and Exports (JCCIE), New Delhi paid CCS to these exporters in disregard of the policy. This resulted in an irregular payment of Rs.2.20 lakhs. JCCIE intimated, in August 1989, that overpayments had been noted for adjustment against the pending/ future CCS claims of the firms.

The matter was referred to the Ministry in August 1989; reply has not been received (October 1989).

9. Cash assistance for the export of printed books

Cash compensatory support (CCS), is allowed as a percentage of f.o.b. value on selected export products to neutralise the disadvantages to exporters so as to make their products competitive in the international market.

Export of books of all types were entitled to cash assistance at the rate of 10 per cent from April 1976 to March 1979. The rate was reduced to 7.5 per cent from April

1979 and later increased to 8 per cent from October 1982 which is effective till March 1992.

Firm 'A' was undertaking printing work for their overseas publishers because of relatively reduced cost of such printing in India. The overseas publishers supplied the print negatives and also the paper for printing to firm 'A'. After completion of job, firm 'A' used to send two copies of printed books, produced by modern computerised photo-type setting method, alongwith print negatives to their overseas publishers.

Firm 'A' had been claiming and obtaining cash assistance since 1976 from the Joint Chief Controllor of Imports and Exports (JCCIE) Madras, at the rates admissible for export of books on the basis of their invoices for the items of job done. As the description of the export product as shown in the invoices and shipping bills of the firm was at variance with the nomenclature given in the notified list of CCS rates, the question of admissibility of cash assistance was referred to the Local Classification Committee (LCC) of JCCIE, Madras. The LCC decided, in March 1982, to classify the item as books. When the matter was placed before the Headquarters Classification Committee (HQCC) of the Ministry for ratification of the decision of the LCC, the Committee decided, in July 1983, that the value of print negatives exported alongwith the books should be excluded for the purpose of cash assistance and other benefits. In pursuance of this decision, the JCCIE, Madras requested firm 'A', in October 1983, to refund a sum of Rs.9.52 lakhs excess paid by his office. However, an amount of Rs.1.03 lakh only was recovered from firm's subsequent claims on the plea that only this amount pertain to print negatives.

Records requisitioned by Audit in July 1986, to scrutinise the claims of payment of cash assistance to firm 'A' and to verify the recovery to be made from them were not made available by JCCIE, Madras till June 1989. A further sum of Rs.12.64 lakhs, as cash assistance on the export of printed books, was stated to have been paid to firm 'A' regulating the payment in the light of the decision of HQCC of July 1983.

Cash assistance is the cash incentive paid by the Government to exporters of specified goods enabling them to offer Indian goods at competitive rates in the international market. Basic point in exports is that the goods must belong to the exporter. In the present case, the exporting firm was not the owner of the books exported. Invoice also did not give the price of books but charges for various job works done. Payment of cash assistance classifying the export as export of books was, therefore, inadmissible.

The matter was referred to the Ministry in August 1989; reply has not been received December 1989).

10. Cash assistance for the export of sodium cyanide

Cash assistance is allowed as a percentage of f.o.b. value for the export of non-traditional and industrial products.

Sodium cyanide was being imported as a canalised item through State Trading Corporation until December 1982, when two firms started indigenous production. One of the firms ventured into exports and sought cash assistance from the

Ministry through the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council. The firm stated that it would be able to export sodium cyanide worth Rs.2 crores if cash assistance was made available on its exports.

The Cash Assistance Review Committee (CARC) approved a cash assistance rate of 10 per cent, in December 1983, but later, in February 1984, on being requested by the Commodity Division of the Ministry, approved a higher rate of cash assistance of 12 per cent if the exports exceeded Rs.2 crores during 1984-85 and 10 per cent, if it were equal to or less than this target. Orders to give effect to this decision were issued by the Ministry on 31st March 1984.

The case of the Exporting firm was again forwarded to the Ministry by the Council, in November 1984, for enhancing the rate of cash assistance from 12 to 18 per cent with the assurance that the firm would be able to export sodium cyanide worth Rs.3 crores during 1984-85. As the cost data of the firm was found to have been overstated, it was decided by the Ministry, in January 1985, to conduct a cost study of the firm at its premises by the CCS Cell of the Ministry.

As the rates of cash assistance on export products on 31st March 1985 were extended by the Ministry till December 1985, the CARC decided, in April 1985, that for the period April-December 1985, the rate of cash assistance for the export of sodium cyanide would be 12 per cent if the exports were Rs.1.80 crores and above and 10 per cent if it fell short of this target. Orders to give effect to this decision were issued by the Ministry in May 1985.

The report of the CCS Cell submitted to the Ministry, in September 1985, did not justify grant of enhanced rate of cash assistance on the export of sodium cyanide. The report indicated that total disadvantage to the firm was only 13.98 per cent of f.o.b. realisation which included unverified freight disadvantage of 7.33 per cent as against the total disadvantage of 44.58 per cent and 24.09 per cent shown in the earlier data sent by the Council to the Ministry.

The guidelines laid down by the Ministry envisage fixation of rates of cash assistance taking into account the various disadvantages encountered by exporters in respect of their export products. Higher rate of cash assistance for achieving higher exports was not contemplated in the guidelines.

In January 1986, the CARC decided that for items for which there were basic rates of cash assistance and higher rates of cash assistance linked with export targets and/ or other conditions, etc., the basic rates of cash assistance would only be admissible from January 1986 without any export or other conditions etc. Thus, cash assistance at 10 per cent became admissible on the export of sodium cyanide from January 1986. From July 1986, the rate of cash assistance on the export of sodium cyanide was further reduced to 8 per cent and the value of exports achieved during 1986-87 was to the extent of Rs.3 crores. As a result of a further review, the rate of cash assistance was increased to 10 per cent from 12th August 1987. The rate of cash assistance valid for a period of three years from April 1989 to March 1992, is also 10 per cent.

Thus, a higher rate of cash assistance for achieving higher exports in the case of sodium cyanide during April 1984 to December 1985 was not justified. This resulted in avoidable payment of cash assistance of Rs.7 lakhs made (at 2 per cent of f.o.b. value) to the firm by the Joint Chief Controller of Imports and Exports (JCCIE), Ahmedabad during 1984-85. Information regarding payment of extra cash assistance during April-December 1985 was not made available so far (November 1989).

Audit noted in this connection that imports and exports of sodium cyanide had taken place during 1983-84 to 1986-87 as under:-

Year	Imports			Exports		
	Quantity (in tonnes)	Value (Rs.in lakhs)	Unit value Rs./kgs.	Quantity (in tonnes)	Value (Rs.in lakhs)	Unit value Rs./kgs.
1983-84	1034	119.69	11.58	939	104.08	11.08
1984-85	341	41.32	12.13	2816	350.74	12.46
1985-86	261	37.30	14.31	2041	238.47	11.68
1986-87	114	15.29	13.37	2403	286.09	11.91

The unit value per kg. of imports was Rs.13.37 CIF in 1986-87 as against the unit value per kg. of exports of Rs.11.91 f.o.b. in that year. Even after necessary adjustment is made from the CIF value to make it comparable to the f.o.b. cost, the imported unit value was about the same as exported unit value.

Ministry stated, in November 1989, that fixation of two rates of cash assistance, the higher rate linked with minimum target of exports, was not against the principles of granting cash assistance in as much as the CARC had to determine rates not only on the basis of cost data and guidelines but also on broad judgement.

11. Inadmissible cash assistance against a time barred claim

According to the provisions contained in the Import Export procedures, 1983-84, applications for cash compensatory support (CCS) are required to be submitted to the licensing authorities within a period of three months from the end of the month of export. Applications received after three months, or in respect of which deficiencies,if any, are made up within a period of three months, after the time limit prescribed for the submission of applications can also be considered by the licensing authorities. The applications received, thereafter, are liable to be rejected. The licensing authorities may, however, consider such applications received within 24 months after the month of export, on merits, subject to a cut ranging from 5 to 15 per cent of CCS admissible on the exports. Applications received after a period of 24 months from the month of export are required to be summarily rejected as time barred.

A firm preferred a claim of cash assistance to the Joint Chief Controller of Imports and Exports (JCCIE), Bombay on 8th April 1985 in respect of export of buses made by it on 10th April 1983. The application was not supported by prescribed documents like the original bank certificate of export and the invoice duly endorsed by the bank. The claim, which was returned on the same date by the JCCIE, was resubmitted by the firm on 21st August 1985 after making good the deficiencies. The claim had, thus, become time barred since the period of 24 months from the month of export had expired and no cash assistance was admissible. JCCIE, Bombay, however, admitted the claim and paid cash assistance of Rs.5.37 lakhs after levying a cut of 15 per cent for delayed submission of application.

JCCIE, Bombay stated, in December 1987, that all the prescribed documents had not been received alongwith the original application and submission of these documents after 24 months of the export might render the application as time barred. The matter was stated to be under examination and action for recovery of excess payment, if any, would be taken. However, even after a lapse of two years, final decision regarding recovery had not been taken.

The matter was referred to the Ministry in June 1989; reply has not been received (November 1989).

12. Cash compensatory support on cast iron castings

Under the scheme of "Registration of export contracts", the registered exporters are eligible to claim cash compensatory support (CCS) at the rate prevailing on the date of contract, in case, the contract is registered with the authorised dealer in foreign exchange (i.e. scheduled bank) within the prescribed period of 45 days from the date of signing the contract.

An Indian exporter entered into a contract with a foreign buyer on 3rd March 1978 for supply of 7,200 tonnes of cast iron castings for pump parts at US $ 0.21066 per lb c.i.f. destination. The contract was registered with a scheduled bank on 30th March 1978 for obtaining the benefit of protected rate for payment of CCS. The contractual rate was amended from time to time and the rate was raised to US$ 0.33377 per lb c.i.f. for the containerised cargo and US $ 0.30686 per lb c.i.f. for the non-containerised cargo with effect from Ist April 1980 due to increase in the cost of labour wages, raw materials, etc. The Joint Chief Controller of Imports and Exports (JCCIE), Calcutta paid CCS at the protected rate of 15 per cent prevailing on the date of contract instead of normal rate of 12.5 per cent on the actual date of export of the f.o.b. value arrived at, on the basis of revised contracted value.

In terms of the Import Policy of Government of India, the protection in the rate of CCS was not admissible in respect of contracts concluded before 5th November 1979, if the contracts were re-negotiated to cover the rise in the cost of wages/ raw materials.

Only 12 case files relating to consignments involving exports of 1043.60 tonnes of cast iron castings were made available to Audit. It was noticed that CCS at the protected rate of 15 per cent pertaining to f.o.b. value of Rs.58.31 lakhs was allowed involving an excess payment of Rs. 1.51 lakhs.

The JCCIE, Calcutta was requested, in April 1987, to make available all the case files against the contract. Since these were not made available to Audit till August 1989, the matter was reported to the Secretary in June 1989. JCCIE, Calcutta was asked, in September 1989, to produce the files to Audit; these were still not produced. In the absence of the case files relating to the export of the remaining quantity of 6156.40 tonnes, the exact amount of excess payment could not be worked out. However, the entries in the contract register of engineering goods relating to the payments of CCS made by the JCCIE, Calcutta against the contract dated 3rd March 1978 revealed that a total amount of Rs. 26.27 lakhs was paid as CCS at 15 per cent of the f.o.b. value of the exports. Reckoned on this basis, the total overpayment worked out to Rs. 4.38 lakhs.

The matter was referred to the Ministry in March 1989; reply has not been received (September 1989).

13. Cash compensatory support on leather shoe uppers

A test check of cash compensatory support (CCS) payments for the export of leather shoe uppers made during September to November 1982 revealed that an exporter was allowed advance licence for imports at a higher rate of 38.9 per cent of f.o.b. value against the normal permissible rate of 12.5 per cent. According to the provisions contained in the Cash Assistance Manual, where an advance import licence is allowed at a rate higher than the rates prescribed in the policy, a proportionate reduction is to be made in the rate of CCS so that the assistance on 'value added' basis remains the same. In terms of these provisions, the rate of CCS was required to be brought down to nine per cent/ eight per cent of f.o.b. value. Instead, CCS amounting to Rs. 6.50 lakhs at the normal rate of 12.5 per cent/ 12 per cent of f.o.b. value was paid. This resulted in an excess payment of Rs. 2.12 lakhs to the exporter.

The matter was referred to the Ministry in May 1989; reply has not been received (September 1989).

CHAPTER VI

Ministry of Commerce
(Department of Supply)

14. Purchase of cheque paper

The Director General, Supplies and Disposals (DGSD) issued a limited tender enquiry, in August 1987, for procurement of 1134.29 tonnes of cheque paper for the India Security Press, Nasik. In response, nine offers were received. The lowest offer of Rs.12,700 per tonne (inclusive of excise duty and exclusive of sales tax) was received from firm 'C' which was registered for other varieties of paper but was capable of manufacturing the indented stores as reported by the indentor. The second lowest offer of Rs.14,395 per tonne (inclusive of excise duty and exclusive of sales tax) was from firm 'S'. The seventh lowest offer of Rs.17,300 per tonne for 50 tonnes and the eighth lowest offer of Rs.18,300 per tonne for 1084.29 tonnes (inclusive of excise duty and exclusive of sales tax) were from firm 'P'.

The offers were considered by the Tender Purchase Committee (TPC) in September 1987. The indentor was telephonically consulted to ascertain the urgency of his requirement so as to examine the possibility of covering the total quantity of firm'C'. As the indentor was not in favour of placing order for the entire quantity on firm'C', in view of urgency of the requirement, fifty per cent of the quantity (568 tonnes) was covered on it in September/ October 1987 at its quoted price (value : Rs.72.14 lakhs).

For the balance quantity of 566.29 tonnes, the second lowest offer of firm 'S' was not considered for coverage on the ground that supply of about 60 tonnes made by it against another Acceptance of Tender (A/T) of August 1987 was under evaluation, and , as reported by the indentor on phone, the folding strength of paper supplied by the firm was not conforming to specifications. It was also felt by the TPC that firm 'S' already having pending orders with it was not able to meet the delivery commitment of the A/T and extensions would have to be granted. The TPC, at the instance of the indentor, recommended the placement of A/T on firm 'P' at the negotiated rate of Rs. 17,300 per tonne for 50 tonnes and Rs.17,900 per tonne for 516.29 tonnes in September/October 1987 (value: Rs.101.07 lakhs - inclusive of excise duty but exclusive of sales tax). The offers of other firms were not found acceptable. Firm 'P' completed the supplies in March 1988.

Purchase of 566.29 tonnes at higher rates from firm 'P' resulted in extra expenditure of Rs.20.33 lakhs, when compared to the rates offered by firm 'S'. Placement of A/T on firm 'P', however, lacked justification in view of the aspects mentioned below:-

(i) Firm 'S' had offered to commence delivery of stores within 45-60 days from the date of receipt of clear A/T and to move supplies at the rate of 200 tonnes per month for completion of delivery within six months from the date of receipt of clear A/T. Firm 'P' had offered to commence delivery within three months on receipt of A/T and to complete delivery within three/ four months thereafter at the rate of 300 tonnes per month. The delivery schedule offered by firm 'S' compared well with that of firm 'P' whose higher rates had been acccepted.

(ii) On the date of consideration of offers by the TPC, the supplies made by firm 'S' in respect of an earlier A/T of August 1987 for 650 tonnes were still under evaluation by the same indentor. On the basis of a telephonic discussion with indentor whose representative indicated that the folding strength of the paper supplied by the firm did not conform to specifications, an adverse view was taken about the capability of firm 'S' to supply the material according to specifications. The consignment of 36.90 tonnes, which was under evaluation and a further lot of 97.89 tonnes were later accepted with slight price reduction of 5 per cent on account of less folding strength of paper. Firm 'S' supplied a further quantity of 164.14 tonnes conforming to A/T specifications. The balance quantity of 351.01 tonnes could not be supplied by the firm as the indentor wanted the supply in reels instead of sheets as per contract. The DGSD decided, in January 1989, to short close the A/T.

(iii) As regards the delivery commitments in the pending As/T, firm 'S' had completed supplies in five out of eight As/T placed on it. Out of the remaining three As/T, material was ready and awaiting wagon allotment in one case and lower rates had been counter-offered to and accepted by the firm only, in August 1987, in the second case. As regards the third A/T of August 1987, the indentor himself was the inspecting authority and the firm was required to supply 200 tonnes in August 1987 and further 200 tonnes within the next 30 days from the date of receipt of acceptance of earlier stores by India Security Press, Nasik. The indentor had not issued the inspection report for the first lot of 36.90 tonnes despatched on 23rd August 1987. The test results on the first lot were communicated to DGSD by the indentor on 30th November 1987, i.e., after a period of three months, though the same were required to be communicated without any delay so that the delivery schedule was maintained. Thus, there was no undue delay even in earlier supplies made by firm'S'.

The Department of Supply stated, in July 1989, that at the time of consideration of tenders, firm 'S' failed to produce acceptable stores and as they were also not the established suppliers for the subject stores they could not be considered for award of fresh contract for the same stores.

The fact, however, remains that at the time of TPC deciding not to recommend firm 'S' for placement of order, the supplies made by the firm against the earlier A/T were still to be finally evaluated. Test results of evaluation were communicated only on 30th November 1987 and the supplies were accepted with a price reduction of five per cent. Firm 'S' was able to supply subsequently, a quantity of 164 tonnes conforming to A/T specification. Further firm 'S' had been recognised as an established supplier and DGSD had placed an A/T for the supply of 650 tonnes of same stores a month earlier in August 1987.

The excess expenditure of Rs.20.33 lakhs in this case, thus, could have been avoided.

15. Purchase of tent stores-fly inner

The Director General, Supplies and Disposals (DGSD) placed, in June 1987, an Acceptance of Tender (A/T) on an un-registered/ untried firm 'A', for supply of 640 tent store-fly inner valued at Rs. 26.31 lakhs, exclusive of sales tax, to cover a part of an operational indent of Director General, Ordnance Services, New Delhi. The A/T, inter alia, stipulated that the firm should deposit security of one lakh rupees by 31st July 1987 and the supplies would be completed by 15th November 1987 or earlier.

The firm, acknowledging the A/T on 20th July 1987, requested that the rate of Uttar Pradesh sales tax be mentioned in the A/T. DGSD amended the sales tax clause on 8th September 1987 and also extended the date of deposit of security up to 18th September 1987.

As the firm neither acknowledged the amendment letter nor submitted the security deposit, DGSD referred the case to the Ministry of Law for advice, in October 1987. The Ministry of Law opined that the A/T could be cancelled at the risk and expense of firm 'A' treating 31st July 1987, as the date of breach. The A/T, however, was not cancelled, as in the meantime, the firm acknowledged the amendment letter and also asked for the bank guarantee proforma adding that it had started manufacture of stores and would be offering the same for inspection very soon. The firm also requested for extension of three months in the delivery period and one month for submitting the bank guarantee.

The firm tendered the basic fabric to the Inspectorate of General Stores, Kanpur (IGS) on 3rd November 1987 for inspection but did not furnish the requisite security deposit. The basic fabric was not found acceptable.

The case was again referred to the Ministry of Law on 16th November 1987 for advice whether in view of the changed position, the A/T at that stage could be cancelled. The Ministry of Law opined that it might be advisable to afford another opportunity to the firm to perform its part of the contract by suitably extending time for furnishing security deposit and delivery of stores. Accordingly, DGSD extended, in March 1988, the time for furnishing security deposit up to 31st March 1988 and the delivery period up to 15th April 1988.

Since the firm neither acknowledged the extension letter nor made any supplies, DGSD, after consulting the Ministry of Law, cancelled the contracted quantity, in April 1988, at the risk and expense of firm 'A' taking date of breach as 15th November 1987.

The cancelled stores were purchased from firm 'B', in June 1988, at a cost of Rs. 40.74 lakhs, exclusive of sales tax, involving an extra expenditure of Rs. 14.43 lakhs. Supplies were completed by firm 'B' in October 1988.

The case revealed that notwithstanding the departmental instructions that the entire quantity against operational indents should be covered on registered/ past suppliers, part quantity was covered on un-registered/ untried firm 'A', which failed to execute the A/T. For coverage of cancelled quantity, limited tender enquiry was issued inter alia, to un-registered/ untried firms thereby frustrating the chances of a valid risk purchase.

Since a valid risk purchase was not made because lower offers received from un-registered/ untried firms were ignored, only general damages, instead of the entire extra expenditure of Rs.14.43 lakhs, were recoverable from the defaulting firm'A'. General damages had not been assessed (October 1989) though the A/T was cancelled, in April 1988 and the risk purchase supplies were completed in October 1988.

The Department stated, in October 1989, that DGSD was trying to get market rates on or around the date of breach to assess the general damages.

16. Sale of power generating sets

In response to a request from the Delhi Electric Supply Undertaking (DESU) made in October 1985, the Department of Supply agreed to the disposal of four thermal power generating sets alongwith accessories installed at Rajghat Power House and Westing House sets, by the Director General , Supplies and Disposals (DGSD).

On receipt of the surplus report, a team of six officers from DGSD and DESU completed the inspection of stores, in December 1985, and assessed value was determined at Rs.2 crores and scrap weight at 3,214 tonnes. Scrap value was assessed at Rs.1.01 crores. The DGSD decided to dispose of the stores through an advertised tender.

For disposal of the stores, an advertised tender enquiry (TE) was issued by DGSD, in March 1986, with the date of opening of tenders as 24th April 1986 (subsequently extended to 11th June 1986). Removal period was an important factor in the disposal of stores and in a number of meetings held with DESU officers, in October/ December 1985, a removal period of 120 days had been considered optimum. The TE, thus, stipulated that the buyer would remove the stores within 120 days from the date of issue of sale release order.

In response, four offers ranging from Rs.38.38 lakhs to Rs. 121.12 lakhs were received. The quotations were considered by the Tender Advisory Committee (TAC) in July-August 1986. During the meeting held on 12th August 1986, the TAC noted that the removal period given in the TE as 120 days was not considered adequate by the tenderers. In view of the tenderers requiring longer removal period, DESU agreed for removal period of 16 months excepting in the case of a few items for which they required removal within 2-4 months. Urgency for the removal of the few items was due to work being done by Bharat Heavy Electricals Limited (BHEL) for installation of new thermal power generating sets in the immediate vicinity of the existing power house. On the basis of the revised removal schedule, it was decided to hold ab-initio negotiations with the firms, who had purchased tender sets against all the three earlier tender enquiries issued for disposal of stores in two stations and the diesel generating sets and also the firms suggested by DESU. Thereupon, 51 firms were called for negotiations. The firms who had given the highest valid offer of Rs.121.52 lakhs in January 1979 and highest offer of Rs.225 lakhs in August 1981 to DESU, were not called.

The TAC called the firms on 17th September 1986 for negotiations on the basis of revised removal period, revised/ relaxed payment terms and with the inclusion of some more items for disposal, the re-assessed scrap value of the stores was Rs.123.26 lakhs. Only four firms participated. During negotiations, the firms were asked to give their revised quotations on the same day.

The revised offers ranging from Rs.55.78 lakhs to Rs.91.51 lakhs received from four firms were discussed by the TAC in October and November 1986 and it was decided that DESU would re-check the scrap weight and scrap value of the stores. DESU informed the TAC, in November 1986, that the weight of ferrous scrap might be slightly less than that assessed by the inspection team at 3,165 tonnes due to ageing factor but was definitely not less than 3,000 tonnes. TAC was further informed that on the basis of the then current selling rate of steel scrap at Rs. 2,800 per tonne, the scrap value of stores was Rs. 103.28 lakhs on weight basis. DESU also reiterated that any delay in handing over the site beyond 31st October 1986 might involve payment of substantial compensation to BHEL.

The TAC noted that the highest bid of Rs.91.51 lakhs received from firm 'D' after negotiations was below the estimated scrap value; yet, having regard to the urgency for disposal of the old equipment to clear the site for the new installation; payment of compensation charges by DESU to BHEL in case of delay and also uncertainty of the outcome of retendering/ further negotiations, it decided to accept the offer.

Thus, the offer which was Rs.11.77 lakhs below the assessed scrap value was accepted.

Sale letter to firm 'D' was issued on 26th November 1986 requiring the firm to deposit Rs.90.51 lakhs (after adjusting Rs.1 lakh of earnest money), Rs. 22.63 lakhs by 12th December 1986 and the balance Rs. 67.88 lakhs by 26th January 1987. The sale release order issued on 16th December 1986 indicated that DESU would hand over the physical possession of the plant to firm 'D' latest by 26th December 1986. Clearance to remove the stores from the site was issued by DESU to the firm on 22nd January 1987 after receipt of the balance sale value from the firm. Some of the equipment were, however, yet (May 1988) to be removed by the firm.

The Department stated, in October 1989, that (i) it was the responsibility of DESU to advise a reasonable removal period, (ii) DESU did not advise the names of the two firms who had given higher bids during 1979 and 1981 and it was not possible for DGSD to invite them for negotiations and (iii) there were serious doubts about the assessed weight of the plant and the scrap value was, thus, only approximate.

The fact, however, remains that DGSD who was entrusted with the disposal of power generating sets in view of their expertise did not make independent realistic assessment of removal period, though it was an important factor. Further DESU had intimated, in August 1986 to the DGSD, the names of the two firms who had given higher bids during 1979 and 1981 before the negotiations held by DGSD in September 1986. As an expert agency for disposal of stores, the DGSD should have firmed up their assessment regarding net realisable value before proceeding with the sale if they had serious doubts in this regard.

The case revealed that the DGSD failed to assess the realistic removal period for the entire equipment with the result that the exercise regarding call of open tenders proved infructuous. Six months period from March to September 1986 was lost and due to the limited time available, thereafter, the TAC had to take a decision by resorting to ab initio negotiations. While inviting the tenderers for negotiations, the firms, which had tendered highest offers on earlier occasions, were not called. Although the urgency of removal of equipment by October 1986 was only in respect of Boiler House Equipment which constituted only a few items, the whole lot was disposed of, at a price markedly below the scrap value. The sale value realised was 45 per cent of the assessed value and Rs.11.77 lakhs less than the assessed scrap value. This has to be viewed in the light of the fact that DGSD disposed of 15 diesel generating sets belonging to DESU, only four months earlier in August 1986 realising Rs.77.24 lakhs (inclusive of oil valued at Rs.15.24 lakhs) which was two and a half times the scrap value.

17. Purchase of ingot leaded bronze

The Director General, Supplies and Disposals (DGSD) issued an advertised tender enquiry, in January 1988, for supply of 1.68 lakh kgs of ingot leaded bronze to the Controller of Stores, Eastern Railway, Calcutta. In response, 13 offers were received, of which 12 offers were subject to price variation based on MMTC rates of copper, tin and lead; and one offer was on firm price basis.

The offers were considered by the Tender Purchase Committee (TPC) on 14th/15th April 1988. The lowest offer was from firm 'A' which had quoted slab rates - Rs. 55.80 per kg for 25000 kgs; Rs.56.70 per kg for the next lot of 25000 kgs; Rs.57.60 per kg for the next lot of 50,000 kgs and Rs. 58.50 per kg for the balance 68,100 kgs (exclusive of sales tax) and discount of 1/2 per cent on 50,000 kgs and one per cent on one lakh kgs or above. The prices, which were based on MMTC prices of copper, tin and lead as prevailing, in February 1988, were variable as per DGSD standard price variation clause. This offer was ignored on the ground of unsatisfactory past performance and experience in an Acceptance of Tender(A/T) of 17th May 1985 against which the firm had supplied sub-standard solder resin core.

The second lowest offer of firm 'B' at Rs.59.91 per kg. was also ignored in view of the reported closure of the firm's factory.

The third lowest offer at Rs.58.35 per kg exclusive of excise duty and sales tax, with DGSD standard price variation clause, from firm 'C' was accepted by the TPC. Accordingly, an A/T for supply of 1.68 lakh kgs. of ingot leaded bronze was placed on firm 'C' in May 1988. The firm completed supplies by January 1989. Compared with the rates offered by firm 'A', the value of the order contracted with firm 'C' was higher by Rs. 8.15 lakhs.

The departmental records, however, revealed that at the time of processing the offers, firm 'A' had completed supplies against all the six As/T placed on it from January 1985 onwards. Against one A/T, the firm completed supplies within the original delivery period and four As/T were executed with delay ranging from one and a half months to 8 months. The sixth A/T of 17th May 1985, was executed with delay of 11 months which, according to the firm, was mainly attributable to the load shedding in and around Calcutta and also delay in inspection.

Incidentally, the past performance of firm 'C', whose tender was accepted, showed that out of six As/T placed on the firm from February 1985 onwards, one A/T was cancelled at the risk and cost of the firm and supplies in another A/T were delayed by two and a half months.

The alleged mal-practice for supplying sub-standard stores was disputed by firm 'A' which did not agree to the demand of recovery and referred the matter to a court of law. The registration branch of the DGSD observed on 4th April 1988 that at that time, there was no prima facie case of mal-practice against the firm. This fact was also brought to the notice of the TPC. However, the TPC had held that a prima facie case was available against firm 'A' and action should be initiated for banning business dealings with the firm. Accordingly, the case was referred (May 1988) to Vigilance Wing of the Department which stated, in March 1989, that the allegation of sub-standard supply of stores against the firm could not be substantiated fully.

The Department stated in November 1989 that firm 'A' had supplied sub-standard stores against an earlier A/T but during the proceedings for banning business dealings the Department could not produce material evidence due to failure of the consignee to segregate the sub-standard lots from other lots received and the stores could not finally be rejected.

It would, thus, be seen that the DGSD ignored the lower offer of firm 'A' resulting in extra expenditure of Rs. 8.15 lakhs on unsubstantiated ground despite the fact that in a similar case mentioned in paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1982-83, the Department had informed the DGSD, in January 1979, that a firm's offer could not be ignored simply on the ground of alleged offence against it.

18. Purchase of cables

The Director General, Supplies and Disposals (DGSD) issued a tender enquiry in January 1985 for supply of 10 kms. of cross linked polythene (XLPE) insulated cable to the Electricity Department, Chandigarh. In response, seven offers, including those from firms 'C', 'P' and 'U', were received. The lowest as well as the second lowest offers, were from unregistered firms 'C' and 'P' respectively. The third lowest offer was from firm 'U' registered with the DGSD.

DGSD called for the capacity reports in respect of unregistered firms 'C' and 'P' in March 1985, from the Directors of Inspection at Bombay and Madras respectively. A favourable capacity report was received in respect of firm 'P' but firm 'C' was not recommended as it did not manufacture the required type of cables till then and also it did not possess testing facilities for partial discharge test.

The Tender Purchase Committee (TPC), which considered the offers, in May 1985, noted, inter alia, that (i) The lowest offer of firm 'C' at Rs.4.10 lakhs per km. could not be accepted due to adverse capacity report; (ii) according to the departmental instructions, only 50 per cent of the total quantity, i.e.,5 kms could be covered on firm 'P' at Rs.4.14 lakhs per km. and (iii) the difference of Rs.1.19 lakhs per km. between the offer of firm 'P' and Rs.5.34 lakhs per km. offered by firm 'U' was substantial.

The TPC thereupon proposed to cover the entire quantity of 10 kms. on firm 'P' with the approval of the Department.

The Department, to whom the case was referred, suggested reconsideration by DGSD as firm 'C' was stated to have already opened a letter of credit for air-shipment of the equipment for partial discharge test of the indented stores and acceptance of its offer would result in some savings.

In June 1985, the DGSD considered the matter further in consultation with the Inspection Wing, which stated that partial discharge test was only one of the acceptance tests. Even if the firm purchased the necessary equipment for carrying out the test, it was considered necessary that the firm should prove the capability by commencing the manufacture of the cables of the specification given in the tender enquiry and having the same type tested satisfactorily from an approved laboratory before its offer could be considered. The Purchase Directorate of DGSD, thereupon proposed to obtain the concurrence from the Department for purchase of the entire quantity from the un-registered firm 'P'.

Reference to the Department was not made, as firm 'C' got itself registered on 25th May 1985 for XLPE cables with the National Small Industries Corporation Limited (NSIC). After obtaining the opinion of the Inspection Wing whether NSIC registered firms were to be treated as DGSD registered and their adverse capacity reports would have to be treated as favourable, the TPC took the view that in view of NSIC registration adverse capacity report of firm 'C' would have to be treated as favourable. Thereafter, the DGSD with the approval of the Department, placed an Acceptance of Tender (A/T), in July 1985, on firm 'C' for supply of 5 kms. of cables at Rs. 4.10 lakhs per km. (value : Rs. 20.50 lakhs exclusive of excise duty) by February 1986. On 5th July 1985, A/T was placed on firm 'C' despite the fact that the firm's capability to manufacture the cables of the required specification had not been established and for this, apart from availability of partial discharge testing facilities, satisfactory type testing from an approved laboratory was also required. Besides, Purchase

Directorate felt that the description of specification in the registration certificate of firm 'C' with NSIC was not as per tender enquiry specification and core size had not been specified.

The remaining quantity of 5 kms. of cables was purchased in July 1985 from firm 'P' at Rs.4.14 lakhs per km. (value : Rs. 20.72 lakhs exclusive of excise duty and sales tax).

Firm 'C' did not supply the stores by 28th February 1986, which was the stipulated date of delivery. The A/T was, therefore, cancelled in April 1986 at the risk and cost of the firm treating 28th February 1986, as the date of breach.

Risk purchase of the cancelled quantity of 5 kms. of cables was made from firm 'I' in August/October 1986 at Rs.4.67 lakhs per km. at an extra cost of Rs. 7.70 lakhs inclusive of excise duty and sales tax.

The risk purchase claim for Rs.7.70 lakhs was preferred on the defaulting firm 'C' in November 1986. The firm disputed the claim and the case was referred to arbitration in January 1987. Award of the arbitrator was yet (May 1989) to be made.

The Department stated in July 1989, that (i) the TPC considered that the capacity report had to be taken favourable in view of the NSIC registration of the firm obtained subsequent to the adverse capacity report (ii) the Government's claim had been taken up in arbitration and (iii) the case was being contested effectively.

The Department's contention is, however, at variance with the instructions issued by the DGSD on the subject which stipulated that the status of the firm regarding registration would be determined with reference to the date of original tender opening and the tendering firms securing registration subsequent to the original tender opening date will be treated as un-registered.

The case revealed that an A/T was placed on 'C', an un-registered firm as on the date of opening the tenders and whose capacity report was adverse on verification. Instead of rejecting the offer of the firm in terms of the provisions of the departmental instructions, the adverse capacity report was ignored on the firm acquiring registration for the indented stores subsequently from the NSIC and registration with NSIC was treated equivalent to registration with the DGSD. The action of the Department in placing the A/T on the firm, thus, not only lacks justification but also resulted in an extra expenditure of Rs.7.70 lakhs which was to be recovered from the firm (May 1989).

19. Purchase of photocoagulator

The Director General, Supplies and Disposals (DGSD) placed, in August 1985, an Acceptance of Tender (A/T) on firm 'A', the Indian agent of a foreign firm 'B', for supply of photocoagulator alongwith accessories costing US $ 0.79 lakh, inclusive of agency commission of US $ 0.04 lakh payable to an Indian agent, plus Rs.34,350 as installation charges. The A/T stipulated that the stores would be air-freighted from Helsinki airport to Frankfurt airport by any domestic airlines and from Frankfurt to Bombay airport by Air India on freight to pay basis and that the insurance would be arranged by the indentor, Lok Nayak Jai Prakash Narain Hospital, New Delhi.

Firm 'A' informed the indentor on 16th December 1985 that the equipment was being despatched in a day or two from Helsinki and that arrangement may be made for insuring the goods from warehouse in Helsinki to the Hospital in New Delhi at an approximate value of US $ 0.79 lakh. Thereafter, on 21st December 1985, firm 'B' air-freighted the equipment from Helsinki which reached Bombay on 23rd December 1985. The consignment was allocated to firm 'C' for clearing by the Director, Supplies and Disposals, Bombay on 24th December 1985 under intimation to the indentor. Firm 'C' informed the indentor in January 1986 that the stores had been found in damaged condition and asked for particulars of the insurance agents so that survey to assess the extent of damage could be undertaken.

The indentor intimated firms 'A' and 'C' in February and March 1986 respectively that the stores were not got insured. Thereafter, visual inspection of the consignment done by firm 'A' showed dents and damage to the equipment. Firm 'A', while intimating this position in March 1986, asked the indentor to have the equipment cleared and sent to the Hospital so that the same be opened for detailed inspection. The equipment was air-freighted to the Hospital at New Delhi in May 1986.

Firm 'A' informed the DGSD/ indentor, in July 1986, that on inspecting the equipment, certain vital parts which were necessary for completing the installation and commissioning of the equipment were found broken. The firm also suggested that the damaged parts be imported by the DGSD/ indentor.

The indentor refused to accept firm's suggestion and requested the DGSD, in July 1986, that firm 'A' be asked to arrange repairs/ replacements of defective/ damaged parts on their own as it had not supplied necessary particulars required for insurance and the stores were despatched without obtaining confirmation of these having been insured.

In a meeting held by the DGSD, with the representatives of firm 'A' and the indentor in September 1986, it was decided to import the damaged parts at the cost of the indentor and also that the firm would charge the minimum possible cost. Accordingly, order for the supply of damaged items at US $ 0.30 lakh (Rs.3.89 lakhs) was placed on firm 'A' by an amendment letter issued in February 1987 to the A/T of August 1985. The stores were received, in April 1988, and the equipment was yet to be commissioned (October 1989).

An extra expenditure of Rs.3.89 lakhs was incurred in replacement of damaged parts.

The case revealed that the DGSD failed to ensure that shipment of equipment by supplier was done only after it was got insured. This resulted in an extra expenditure of Rs.3.89 lakhs, besides causing avoidable delay in commissioning of the equipment.

The Department stated, in August 1988, that in a meeting held, in June 1985, it was conveyed to the indentor that the insurance would have to be arranged by him and the latter had confirmed that this would be done by them under their own arrangement.

The fact, however, remains that the DGSD did not ensure that an open insurance cover was taken by the indentor and the particulars thereof were incorporated in the A/T as required under the prescribed procedure.

20. Purchase of tent store fly

The Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T), in November 1987, on firm 'A' for the supply of 214 numbers tent store fly (value: Rs.9.22 lakhs) to the Border Security Force by April 1988 or earlier. The delivery period was extended up to July 1988 on 6th June 1988.

The firm did not acknowledge the A/T and the relevant original file was stated to be missing after last week of July 1988 when the issuance of a telegram to the firm for acknowledgement of the A/T was being contemplated.

The DGSD referred the case to the Ministry of Law and Justice in September 1988 for advice as to whether the A/T could be cancelled at the risk and cost of the firm treating the date of breach as 30th April 1988 or 31st July 1988. The Ministry of Law and Justice expressed difficulty in giving an opinion in the absence of the original file and stated that if the contract was intended to be cancelled it might be done without financial repercussions on either side with the consent of the party and not otherwise.

The DGSD decided to make the purchase at the risk and cost of the defaulting firm treating 30th April 1988 as the date of breach and the A/T was cancelled on 10th October 1988 at the risk and cost of firm 'A'.

The stores were purchased from firm 'B' located at the same premises and with the same residence telephone number as the defaulting firm 'A', in October/ November 1988 at a cost of Rs.11.23 lakhs involving an extra cost of Rs.2.46 lakhs. The Department, however, stated in August 1989, that firms 'A' and 'B' were separate proprietorship firms.

Although supplies were completed, in March 1989, risk purchase claim of Rs.2.46 lakhs was preferred on the defaulting firm, in July 1989 while the missing file relating to the defaulted A/T was still not traceable.

The Department stated, in August 1989, that the Pay and Accounts Office had been authorised to withhold payments from any of the firm's bills and that the loss/misplacement of the relevant file was being examined from vigilance angle.

21. Purchase of roof trough type splinter proof

The Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) on firm 'A' in August/ September 1984, for procurement of 320 sets of roof trough type splinter proof at Rs.4,150 per set (value: Rs.13.28 lakhs inclusive of sales tax and excise duty) for an Ordnance Depot. The price was based on stock yard price of steel at Rs.5,055 per tonne ruling on 24th July 1982 and was variable with reference to the price of steel on the date of tendering of the stores for inspection.

The A/T, inter alia, stipulated that the firm should submit advance sample of acceptable quality to the Inspectorate of Engineering Equipment, Faridabad by 15th October 1984 for test and approval before starting bulk supply. The supply was to commence after two months of approval of the advance sample. The firm was also to deposit security of Rs.66,400 by 15th October 1984.

The A/T was amended on Ist October 1984 providing that if an acceptable sample was not submitted within the stipulated date, the A/T was liable to be cancelled at the risk and cost of the firm. Simultaneously, the firm was also reminded to acknowledge the receipt of the A/T and also to ensure furnishing security deposit and submission of advance sample by 15th October 1984.

Since the firm did not acknowledge the A/T and also failed to deposit the requisite security money and submit the advance sample by the stipulated date, the case was referred to the Ministry of Law on 15th November 1984 as to whether the A/T could be cancelled at the risk and cost of the firm. Certain clarifications required by the Ministry of Law on 17th December 1984 were furnished by the DGSD on 4th March 1985. The Ministry of Law opined on 6th April 1985 that the A/T could be cancelled at the risk and cost of the firm taking 15th October 1984, as the date of breach. The A/T was cancelled on 26th April 1985 at the risk and cost of firm 'A'. By that time, the prescribed period of six months from the date of breach for making a valid risk purchase had expired.

The cancelled quantity of 320 sets was purchased from firm 'B', in July 1985, at Rs.5,280 less 5 per cent discount per set (value: Rs.16.05 lakhs inclusive of excise duty but exclusive of sales tax). Supplies were completed in February 1988. This involved an extra expenditure of Rs.2.25 lakhs.

Since the risk purchase was made after expiry of six months from the date of breach, the defaulting firm 'A' was liable to pay only general damages instead of entire extra expenditure of Rs.2.25 lakhs. In order to ascertain market rate on or around the date of breach for assessing the general damages, the DGSD issued a trade enquiry on 10th April 1986, i.e. after about one year of the cancellation of the A/T. Although there was no response from the trade, the DGSD did not take the alternative course of computing the general damages by ascertaining the intrinsic worth of the stores on the date of the contract and the date of breach as provided in the departmental instructions.

The Department of Supply stated in September 1989, that market rate enquiries were again issued on 25th April and 13th July 1989 to ascertain some definite transaction either of sale or purchase on or around the date of breach to substantiate the same before the arbitrator.

The case revealed that the DGSD did not monitor the case effectively to ensure that a valid risk purchase was made in time. As a result, the defaulting firm 'A' became liable to pay general damages only, instead of the extra expenditure of Rs.2.25 lakhs incurred in the re-purchase. General damages had not been assessed/recovered so far (September 1989) even though risk purchase A/T was placed in July 1985.

22. Purchase of bearings

The Director General, Supplies and Disposals (DGSD), placed an advance Acceptance of Tender (A/T) on firm 'A' in February 1979. It was followed by a formal A/T in March 1979, for supply of 5,956 bearings at Rs.18.50 per bearing (increased to Rs.21.50 in November 1979 - value : Rs.1.28 lakhs) exclusive of sales tax and excise duty. The stores were to be supplied to an ordnance depot.

The A/T, inter alia, stipulated submission of two pilot samples within 21 days from the date of advance A/T to the Controllerate of Inspection (Vehicles) Ahmednagar, the inspecting authority, for test and approval. The bulk supplies were to commence after three months of the approval of pilot samples and to be completed within one month thereafter.

The date of submission of pilot samples was extended by DGSD from time to time, the last extension being up to 15th February 1982. After approval of the pilot samples, the delivery period was also extended, in November 1982, up to March 1983.

As the firm failed to supply the stores by the extended date of delivery, DGSD in consultation with the Ministry of Law, Justice and Company Affairs, cancelled the A/T in June 1983 at the risk and cost of firm 'A' treating 31st March 1983 as the date of breach.

The cancelled quantity of 5956 bearings was purchased by DGSD from firm 'B' at Rs.50 per bearing (value: Rs.2.98 lakhs) exclusive of sales tax and excise duty in August 1983. This involved an extra expenditure of Rs.2.04 lakhs.

The provisional demand notice for payment of Rs.2.04 lakhs was issued by DGSD to the defaulting firm 'A' in August 1983. The amount of security deposit of Rs.0.06 lakh tendered by firm 'A', was forfeited in October 1983.

Supplies against the risk purchase A/T were completed in May 1984 The formal demand notice to firm 'A' which was required to be issued after materialisation of the risk purchase was, however, issued by DGSD, in December 1988, i.e., after a period of more than four and half years of the completion of risk purchase supplies when the file, which was stated to have been consigned to old records, was traced out to comply with the requisition by Audit.

Firm 'A' intimated DGSD, in December 1988, that it had been declared a sick company and had been taken over by firm 'V' in May 1986. Further, the new management did not have the records prior to the take over. Recovery of the amount of Rs.1.98 lakhs was yet to be effected (September 1989).

The Department of Supply stated in September 1989, that the formal demand notice to the defaulting firm 'A' could not be issued timely due to misplacement of the file and that it was issued immediately on locating the file.

The case revealed that DGSD failed to take timely follow up action for recovery of extra expenditure amounting to Rs.1.98 lakhs on risk purchase.

23. Purchase of weighbridge

To cover an operational indent of an ordnance factory for procurement of one motor lorry weighbridge of 20 tonnes capacity by December 1980, the Director General, Supplies and Disposals (DGSD) placed an Acceptance of Tender (A/T) on firm 'R', in March 1981, at Rs. 1.19 lakhs (exclusive of sales tax), the weighbridge was to be delivered by August 1981.

The A/T stipulated that (i) the firm should deposit security of Rs. 0.06 lakh by March 1981; (ii) initial inspection of the weighbridge would be conducted by the Director of Inspection, Bombay at the firm's premises and the final inspection by the Director of Inspection, Kanpur after satisfactory commissioning and final tests/ trials at the consignee's factory; (iii) 90 per cent payment would be made to the firm on proof of inspection and on provisional receipt of stores by the consignee and the balance 10 per cent after successful erection/ commissioning and taking over the weighbridge by the consignee; (iv) the seller would stand guarantee for a period of 24 months after the date of receipt of the weighbridge in full at site or 12 months after the satisfactory erection, commissioning and acceptance of the same by the inspecting authority, whichever is sooner.

Initial inspection of the weighbridge was conducted in July 1982. Certificate of calibration of the weighbridge was also issued by the Weights and Measures Department, Government of Gujarat, as required under the weights and measures rules and regulations. The weighbridge was supplied to the consignee in August 1982. The indentor reported to DGSD, in February 1983, that for erection of the weighbridge, the firm's engineer visited the factory on 8th January 1983, i.e., after four months of the delivery, but left the weighbridge uncommissioned with a promise to report within a week for replacement of the defective electronic recorder. In spite of the fact that the weighbridge was still to be satisfactorily commissioned, final inspection accepting the same was undertaken by the Director of Inspection, Kanpur in January 1983 after it had been checked by the Inspector, Weights and Measures, Government of Uttar Pradesh.

The indentor reiterated, in June 1983, that the weighbridge was defective, the defects pointed out by him were existing even at the time of inspection and, therefore, it stood rejected from his side and asked DGSD to approach the firm in this regard. Thereafter, a joint inspection by a team, cosisting of representatives of the consignee, Director of Inspection and Weights and Measures Department of the weighbridge in December 1983, found that the weighbridge was defective showing inconsistant readings. At the instance of DGSD, the firm attended to the defects and the joint inspection was again carried out in May 1984. the weighbridge was again found to be defective. Thus, the fault in the weighbridge could not be located during initial and final inspections conducted in July 1982 and January 1983. The Inspectorate stated, in January 1984, that the weighbridge was found satisfactory during joint inspection in January 1983, and the certificates of the Weights and Measures Department of the Governments of Gujarat and Uttar Pradesh formed the basis of initial as well as final inspection respectively.

In addition to the payment of the contracted price of Rs.1.24 lakhs (including sales tax) to the firm, the indentor had spent a sum of Rs.0.39 lakh for making foundation as per design of the weighbridge. The withheld amount of security deposit of Rs.0.06 lakh was also refunded to the firm in terms of the award of the arbitrator made in May 1987. The weighbridge had been lying un-utilised (June 1989).

The Department of Supply stated in June 1989, that the satisfactory calibration reports given by Weights and Measures Departments of Gujarat and Uttar Pradesh formed major aspect contributing in initial as well as final inspection and that during inspection, the performance was satisfactory. The weighbridge did not give trouble free service which could be attributed to defective design for which responsibility squarely rested with the manufacturers.

Thus, due to faulty inspection of the weighbridge, the entire expenditure of more than Rs.1.63 lakhs proved to be infructuous. Besides, the indentor had not only been put to inconvenience but also had to spend on weighment of the stores by other means.

CHAPTER VII

Ministry of Defence

24. Audit on pension payment accounts

The Chief Controller of Defence Accounts (Pension), Allahabad is responsible for grant of pension to officers of the Army, personnel below officers rank in the Army, civilians paid from Defence Services Estimates including Defence Accounts Department and to families of these categories of personnel. The Chief Controller is also responsible for correct payment of pension to the above categories as well as to the service personnel of Air Force and Navy and to their families. The Chief Controller arranges payment of pension on behalf of the British Government also to ex-British Army pensioners residing in India.

The Chief Controller receives from various pension disbursing offices, monthly accounts of pension payment including paid vouchers and schedules and these are subjected to internal check. It was noticed that 909 accounts pertaining to 1973-74 to 1987-88 were not received by the Chief Controller from the pension disbursing offices. Further, monthly accounts in 1978-79 had not been audited by the Chief Controller. Out of 80,436 monthly accounts pertaining to 1978-79 to 1988-89, only 656 accounts could be scrutinised in internal audit leaving a balance of 79780 accounts (June 1989) in arrears. The clearance of arrears in internal audit worked out to 0.82 per cent.

During 1968-69 to 1988-89, the Chief Controller raised 9863 objections on the pension disbursing offices. Of these, only 100 objections pertaining to 1987-88 could be settled leaving a balance of 9763 objections in arrears (June 1989).

Pension payment orders issued by the Chief Controller and pension payment vouchers received by it are subjected to test check in Statutory Audit. During 1975-76 to 1987-88, 57 Statutory Audit objections issued were awaiting settlement (June 1989). Despite reminders and meetings with the Chief Controller's representative, reply to only one objection could be last settled in 1986-87.

Demands against individual pensioners are noted in the demand registers maintained by various sections of the office of the Chief Controller. These are required to be recovered by the pension disbursing offices and entries in the demand registers are required to be linked and demands cleared. The demands pertaining to the year 1981 were selected, in September 1984, at random for scrutiny in Statutory Audit which revealed outstanding demand to the extent of Rs.47.56 lakhs. In February 1989, the Chief Controller informed that they were referring the matter to the pension disbursing offices.

In September 1989, the Ministry stated that due to the implementation of about 30 Government orders issued during the last six years on pensionary benefits with retrospective effect, huge volume of work had generated in the office of the Chief Controller requiring diversion of staff for that work resulting in arrears in audit. With the completion of computerisation programme and by reduction in scope of audit, the arrears would be cleared in a phased manner over a period of time.

To conclude, 909 monthly accounts for the period 1973-74 to 1987-88 were yet to be received from the various pension disbursing offices. 79,780 monthly accounts pertaining to 1978-79 to 1988-89 were yet to be scrutinised in internal audit (June 1989). 57 Statutory Audit objections for 1975-76 to 1987-88 were yet to be replied by the Chief Controller. An amount of Rs. 47.56 lakhs overpaid in 1981 to the pensioners was yet to be recovered.

CHAPTER VIII

Ministry of Energy

25. Infructuous expenditure on purchase of equipment

The Northern Regional Electricity Board (NREB) placed an order, in December 1979, on an Indian agent of a foreign supplier for supply of 13 pieces of a facsimile telecopying equipment alongwith other ancillary equipment at a cost of Swiss Fr.1.47 lakhs equivalent to Rs.7.44 lakhs, for installaion in various regional and state load despatch centres in the country. The equipment was received, in November 1982, and NREB paid Rs.8.04 lakhs towards part cost of the equipment and customs duty. The guarantee period, under the contract, was not to exceed 18 months from the date of taking over certificate which was not to be delayed beyond 150 days from the date of bill of lading. Inspection of the equipment by the agent and officers of NREB was conducted during February-March 1985. On inspection, many of the pieces were found to be badly rusted. The performance of two machines, which were in 'best condition', was also not found to be satisfactory. The Indian agent advised that all facsimile machines should be sent back to works.

The principals agreed to repair the equipment free of cost. The equipment were exported for repairs, in September 1985 and received back, in May 1986. NREB paid customs duty of Rs.0.76 lakh on the repaired equipment. The equipment was still found not in working order. As there was no response to the efforts made by NREB to get the equipment repaired through the agent through whom the equipment had been imported, NREB took up the question of repairs with another Indian agent of the manufacturer of the equipment who intimated, in May 1989, that as production of these machines had been discontinued by their principals, a long time ago, spares were not available.

Thus, the imported equipment for which a total expenditure of Rs.9.03 lakhs was incurred (including an additional customs duty of Rs.0.76 lakh on re-import of the repaired equipment) and Rs. 0.23 lakh towards commission to Indian agents could not be put to use even after six years of its receipt. There is no likelihood of the equipment being put to use because of non-availability of spares and Rs.9.03 lakhs spent on purchase had been rendered infructuous.

NREB failed to have the pre-shipment inspection done to which they were entitled to under the terms of the contract. After receipt of the equipment, NREB took 28 months to arrange inspection by which time the period of guarantee had expired.

The matter was referred to the Ministry in June 1989; reply has not been received (November 1989).

CHAPTER IX

Ministry of External Affairs

26. Purchase and construction of properties for Indian missions abroad

26.1 Introduction

There are 139 Indian missions/embassies abroad, the offices and the residences of ambassadors and other staff are located either in State owned buildings or rented buildings. In view of the inflationary trends in rentals, Government felt the necessity to purchase properties abroad. Missions were asked to send proposals for purchase of land for construction of chanceries and residences and also for acquiring built up properties. The guidelines, in this regard, were issued to the missions, in July 1965, May 1978 and August 1986.

26.2 Scope of Audit

A review of 55 cases of purchase of plots of land for construction of chanceries and other built-up properties abroad relating to 42 missions during 1978-79 to 1988-89 was undertaken by Audit in 1989.

Ministry stated, in September 1989, in reply to the draft review sent in July 1989, that the "draft review refers to the individual transactions and does not assess the overall performance."

Ministry's view was not tenable as the results of the review are based on a comprehensive study of cases made available.

The Ministry, also, communicated its detailed comments on some of the specific observations. The Ministry also indicated that a supplementary note would follow soon on the other observations. No supplementary note was, however, received (November 1989).

The Ministry, further mentioned that the Public Accounts Committee had already carried out an exhaustive analysis of the policy aspects in their hundred and eighth Report (1987-88) Eighth Lok Sabha which may be taken into account in further examination of this question.

The Public Accounts Committee had concluded/recommended as follows :-

"The Committee still feel that a long term perspective plan, which would combine both acquiring built-up properties and construction of buildings, is absolutely essential. The long term plan may provide the broad parameters within which the short term plan should be fitted in. The Government should, therefore, reconsider the matter and draw up a long term plan which should provide for the acquisition of plots and immovable properties and construction of buildings on plots already acquired based on a pragmatic plan so that rental outgo, which is increasing year after year, is reduced to the barest minimum."

The above conclusion/recommendation was made by the Public Accounts Committee in connection with the examination of the paragraph 21 of the Report of the Comptroller and Auditor General of India for the year 1982-83 - Union Government (civil) on Purchase of Residential Building at San Francisco and paragraph 14 of the Report for the year 1983-84 on Avoidable expenditure - Purchase and Repair of Building in Dublin.

The Ministry, as conveyed in their reply of December 1988, however, had preferred to adopt a target of 10 per cent per annum for acquiring embassy residences and chanceries rather than identifying specific countries and cities.

26.3 Organisational set up

The Ministry has a separate property section, headed by a Joint Secretary to examine, accord administrative approvals and monitor the progress of proposals received from the missions for acquisition of properties. Financial sanctions are issued after getting the proposals examined by the Finance Division. There is a technical consultancy cell, known as the Central Public Works Department Consultancy Services, to advise the Ministry in the finalisation of structural as well as architectural plans.

26.4 Highlights

- **The Public Accounts Committee in their hundred and eighth Report (1987-88) Eighth Lok Sabha, had recommended that a long term perspective plan comprising both acquiring built up properties and construction of buildings was absolutely necessary. It was suggested that a long term plan may provide the broad parameters within which the short term plan should be fitted in. The Ministry has preferred to adopt a target of 10 per cent per annum for planning rather than identifying specific countries and cities.**

- **The requirements of funds were not correctly projected as there were wide variations between the revised estimates and the actual expenditure incurred under Government residential buildings and original works during the years 1979-89.**

- **The Ministry has not evolved any system to monitor the progress of works vis-a-vis the expenditure incurred on construction of buildings for the missions abroad, as this was important and crucial to avoid cost and time over run.**

- **The Ministry did not have the necessary technical expertise with them. Even the CPWD consultancy services for proper evaluation and structural soundness of the properties were utilised only in five cases.**

- **The purchases were made on a single offer basis by the missions at Amman, Damascus, Sri Lanka and Tunis. Even the prevailing rates of similar properties in the neighbourhood were not ascertained to determine the reasonableness of proposals under consideration.**

- **No independent evaluation of properties was obtained from** registered evaluators or those on the panel of registered association of evaluators in the missions at Damascus and Sri Lanka.

- The space norms prescribed by the Ministry for the purchase of properties for residences were contravened from time to time. This resulted in excess payment of Rs. 62.04 lakhs in Amman, Canberra, Sri Lanka, Kandy, Tunis and Washington.

- There were delays in finalisation of construction proposals which resulted in additional rental liability of Rs. 1095.41 lakhs till 1988-89 in the missions at Aden, Abudhabi, Amman, Brasilia, Doha, Dubai, Islamabad, and New York and subsequent recurring liability of Rs. 412.23 lakhs per annum in respect of the missions mentioned above except Amman.

- There were estimated escalations in costs amounting to Rs. 2606.64 lakhs in Kabul, Islamabad and New York. In Damascus, the mission failed to finalise the deal inspite of clear directions from the Ministry leading to the purchase of property later at a higher cost.

- The Ministry failed to evolve plans for construction on plots of land acquired at a cost of Rs. 109.41 lakhs in Bangkok, Kabul, Lilongwe, New York and Sri Lanka and plots acquired free of cost , on reciprocal basis/gifted, in Abudhabi, Aden, Brasilia, Doha and Dubai, leading to blocking of funds for periods ranging from 5 to 26 years.

- Adoption of wrong measurements, purchase in excess of evaluated price, abandonment of the construction plans, payment of taxes and interest resulted in avoidable payments of Rs. 79.83 lakhs in Amman, Athens, Bangkok, Damascus, Lilongwe, Sri Lanka, New York and Tunis.

- Extensive repairs and renovations were carried out immediately after the purchase of properties at a cost of Rs. 20.39 lakhs in Aden, Damascus,Sri lanka and Tunis.

- No consolidated up to date record of properties purchased/constructed was being maintained by the Ministry although its maintenance is a mandatory requirement.

26.5 Financial outlay

The yearwise budget estimates, revised estimates and actual expenditure incurred under the Major Heads: Government residential buildings-construction and the Major Head: Original works' revealed wide variations between the revised estimates and the actual expenditure incurred ranging from 10 to 82 per cent and 34 to 66 per cent respectilvely as indicated below:-

(i) Major Head : Government residential buildings - construction

(in lakhs of rupees)

Year	Budget estimates	Revised estimates	Actual expenditure	Excess/ saving with reference to the revised estimates	percentage
1979-80	550.00	450.00	495.87	(+) 45.87	10
1980-81	550.00	611.00	549.83	(-) 61.17	10
1981-82	1,115.00	545.00	388.42	(-) 156.58	29
1982-83	1,160.00	835.00	258.90	(-) 576.10	69
1983-84	860.00	942.00	459.54	(-) 482.46	51
1984-85	622.00	610.00	109.97	(-) 500.03	82
1985-86	1,000.00	800.00	456.46	(-) 343.54	43
1986-87	1,000.00	750.00	1,044.16	(+) 294.16	39
1987-88	800.00	800.00	197.93	(-) 602.07	75
1988-89	1,200.00	1,300.00	384.00	(-) 916.00	70

(ii) Major Head : Original works

(in lakhs of rupees)

Year	Budget estimates	Revised estimates	Actual expenditure	Excess/ saving with reference to the revised estimates	percentage
1979-80	450.00	350.00	153.31	(-) 196.69	(-) 56
1980-81	502.00	568.77	601.31	(+) 32.54	(+) 06
1981-82	755.00	555.00	572.09	(+) 17.09	(+) 03
1982-83	665.00	365.00	571.86	(+) 206.86	(+) 56
1983-84	1,240.00	658.00	433.79	(-) 224.21	(-) 34
1984-85	1,205.00	1,205.00	415.14	(-) 789.86	(-) 66
1985-86	1,239.00	1,000.00	907.84	(-) 92.16	(-) 09
1986-87	1,500.00	1,090.00	661.59	(-) 428.41	(-) 39
1987-88	1,400.00	1,400.00	1,545.09	(+) 145.09	(+) 10
1988-89	2,000.00	3,080.00	4,111.00	(+) 1,031.00	(+) 33

It will be seen that even at the revised estimates stage, the requirements of funds were not correctly projeted.

The Ministry stated, in September 1989, that the processing of construction projects was a long drawn affair and budget provisions had to be surrendered due to delay in selection of architects, approval of plans, award of works, etc. Keeping these above mentioned constraints in view, it would appear necessary for the Ministry to forecast the estimates more realistically.

26.6 Technical evaluation

Property Section, functioning in the Ministry, did not have the necessary technical expertise on its strength and therefore, the proposals received from the missions for purchase/construction of properties could not be scrutinised/analysed competently from the technical point of view. This often led to protracted correspondence between different authorities leading to delays and consquential escalations in costs. The CPWD Consultancy Service, which is a technical body to advise the Ministry, was not fully utilised as its services had been obtained only in five cases so far.

The Ministry stated, in June 1989, that it would be virtually impossible to list out project-wise dates on which references were made for particular items and when the replies were received.

26.7 Purchase of ready built properties

One of the main factors in the purchase of ready built properties is to work out the economic cost, which is based on factors such as the rent being paid for existing accommodation, rate of increase of rent during the past 8 to 10 years, extent of inflation, appreciation/depreciation of the country's currency vis-a-vis the Indian rupee. All purchase proposals were to be considered by the Ministry if the economic cost was found favourable as per the Ministry's letter of May 1978. However, these parameters were revised, in August 1986, and for arriving at the economic cost, proper evaluation of the rent likely to be paid in the next 13 years was also to be taken into account.

A few instances of purchase of ready built properties are discussed below :-

26.7.1 Amman

(i) Residence for the Ambassador:- In June 1979, the Ambassador sent particulars of three buildings received in response to an advertisment for purchase for the Ambassador's residence. The Ambassador preferred one offer of a ready built property, with a covered area of 700 sq.mts. costing Jordanian dinars 1.60 lakhs. In July 1979, the Ministry informed that the proposed property was uneconomical. The suggestion of the Mission to purchase the rented building at a cost of 1.50 lakh dinars was also rejected. The Ministry advised the mission, in February 1982, to locate an offer within 1.40 lakh dinars without mentioning the plot size and the useable area. Later, in August 1983, the Ministry desired a suitable property costing not more than 2.32 lakh dinars with a built up area of 500 to 600 sq.metres.

A three member property

purchase team, visited Amman, in January 1985 and after examining the details of seven properties offered for sale, selected property No. I. The purchase was made, in February 1985, at a cost of 2.50 lakh dinars (Rs. 75 lakhs) after negotiation.

Thus there was failure to adhere to the norms fixed for space entitlement. The property bought had a built up area of 815 sq.mts. against the earlier stipulation of 400 to 600 sq.metres.

In making a relative assessment between property-I and property-II, the assessment team had also erred or overlooked the following factors:

(a) the ground area and built-up area of property-II were more than those of property-I. Property-II had an area of 1120 sq.metres against 815 sq.metres of property-I.

The difference in the quoted prices of the two properties was 0.15 lakh dinar (property-I dinar 2.50 lakhs and preoperty-II dinar 2.65 lakhs). On the plot size, there could have been a saving of 0.29 lakh dinars (Rs. 8.17 lakhs) taking into account, the then prevailing rate of land at 95 dinars per sq.metre;

(b) property-I was constructed in 1964 and property-II was constructed in 1983 and, naturally, would have had lower maintenance costs;

(c) it was assumed that property-II had no garage whereas the letter of the architect, in July 1983 mentioned that it had a garage for five to six cars;

(d) nc depreciation was made for usage of the premises in the case of property-I whereas such weightage by showing deduction of cost in respect of property-II was given. Had this factor been considered, then the evaluated cost of purchased property would have come down to less than 2.5 lakh dinars.

Moreover, delay in finalisation of proposal not only resulted in extra payment of 0.90 lakh dinars (Rs. 27 lakhs) (2.50 lakh dinars in 1985 and 1.60 lakh dinars in 1979) but also payment of rent for five years i.e. about 0.40 lakh dinars (Rs. 12 lakhs).

There was nothing on record to indicate that the Ambassador's recommendations for purchase of property-II specially with reference to usage of the big garage space for holding gatherings on special occasions, wall to wall carpeting and absence of security problem, as contained in his letter of August 1983 were taken note of before finalising the deed.

(ii) Embassy building:- In November 1976, the mission sent a proposal for the purchase of building earlier leased to the Embassy of India, Amman for Jordanian 1.75 lakh dinars. After negotiation, it was brought down to 0.80 lakh dinars. As per economic cost, there was a negative return of 5.75 per cent but on persistent preassure from the mission, the building was purchased at 0.80 lakh dinars (Rs. 22.40 lakhs) in February 1978.

In the Evaluation Report of May 1977, the value of property was evaluated at 0.89 lakh dinars basing the area of the ground and first floor as 364 sq.mts. each instead of the actual area of 264 sq.mts each as mentioned in the body of the report.

Sanction for the payment was issued, in January 1978 and the transaction was registered in the name of the Government, in March 1978.

26.7.2 *Damascus*

(i) Residence for the Ambassador:- In March 1979, the Ministry decided to purchase a residence for the Ambassador in Damascus as the owner of the rented premises, whose lease was expiring in March 1979, was willing to sell it at Syrian pounds 2.5 million (Rs. 50 lakhs). Two other properties named 'Hakki' and 'Touma' at a cost of 2.95 million pounds (Rs. 60.12 lakhs) and 2.6 million pounds (Rs. 52 lakhs) respectively were also recommended by the mission for consideration. Even though the decision to purchase the property 'Touma', as recommended by the purchase team, was taken at the highest level in the Ministry, in August 1979, the deal was not clinched. Another team was sent to Damascus, in April 1982, which after inspecting some properites suggested purchase of a villa having an area of approximately 590 sq.metres. The final price was negotiated at 3.85 million pounds (Rs. 60.74 lakhs). The structural soundness report was obtained from a local firm, which had suggested some modification to the dining hall at an estimated cost of 2.5 lakh pounds. It had also indicated that the ground floor might be flooded during rains and advised that serviceability of the conduits in winter must be verified. The mission was asked by the Property Purchase Team to look into these aspects before signing the deed.

In April 1982, the mission intimated that the deal was concluded at 3.85 million pounds (Rs. 60.74 lakhs) and payment was to be made in four instalments. The sale deed was signed and possession taken in August 1982.

Thus in spite of clear directions from the Ministry, the mission failed to carry out the order for the purchase leading to an additional expenditure of 1.25 million pounds (Rs. 8.74 lakhs).

The mission carried out the repairs/modifications to the dining room immediately after taking possession and spent Rs. 2.28 lakhs.

(ii) Purchase of chancery building in Damascus :- Proposal for the purchase of a chancery building in Damascus sent by the mission, in November 1976, was for two million pounds (Rs. 45.60 lakhs). The proposal was not found viable as the economic cost showed a loss of 5.95 per cent per annum. The Ambassador was insisting on its purchase due to the condition of the premises and its location as another building on hire was bound to cost more in future. The Ministry gave the administrative approval, in July 1978, and asked the mission to furnish an evaluation and structural soundness report of the property which was submitted by the mission in October 1978. The property was purchased at 19.50 lakh pounds (Rs. 50 lakhs) in December 1978.

It was observed that the same property earlier rejected was purchased in December 1978, at a total cost of Rs. 50 lakhs. This involved an extra expenditure of Rs. 4.40 lakhs besides incurring a liability on rent of the chancery building for more than two years.

The Ministry stated, in September 1989, that the cost evaluation with the new formula and at the enhanced rent made the purchase of property viable in December 1978. This is not tenable as according to the revised instructions issued by the Ministry, in May 1978, the economic cost worked out to Rs. 18.24 lakhs on the basis of actual rent of 0.50 lakh pounds per annum whereas the Ministry had worked out the economic cost at Rs.54.70 lakhs at an assumed rent of 1.50 lakh pounds per annum.

26.7.3 Sri Lanka

(i) Purchase of a residence in Colombo :- An offer for sale of a house with a plot area of 1851.21 sq.metres, suitbale for housing the Deputy High Commissioner in Colombo, was received, in July 1987. The proposal for the outright sale of this property at Sri Lankan rupees 107.50 lakhs (Rs. 47.78 lakhs) was found attractive compared to the economic cost of Sri Lankan rupees 370.70 lakhs (Rs.164.76 lakhs) worked out by the Ministry.

The Project Manager also certi-fied that the building was sound and did not warrant any major repairs. The market evaluation report prepared by another architect evaluated the building at Sri Lankan rupees 104.50 lakhs (Rs. 46.44 lakhs). All factors being favourable, the property was purchased and possession taken in March 1988.

The Deputy High Commissioner did not shift to this building even after the expiry of the lease, in February 1988, although the nature of repairs/renovation work indicated in the structural soundness report was not such as to make the premises totally unliveable. The Ministry, advised the mission, in May 1988, to restrict the repair work to items listed in the structural soundness report and up to a maximum expenditure of Sri Lankan rupees 5 lakhs. The revised estimates totalling Srí Lankan rupees 14.43 lakhs sent by the mission were agreed to but restricted to Sri Lankan rupees 10.51 lakhs as recommended by the Foreign Service Inspector report of August 1988.

No efforts were made to scale down the price offered although it was specifically mentioned, in the property purchase proforma submitted by the mission in July 1987 that there was a likelihood of further reduction in price by Sri Lankan rupees 2 to 5 lakhs. The purchase price exceeded the evaluated price by Sri Lankan rupees 3 lakhs (Rs. 1.34 lakhs).

The usable area of the purchased property was 391.36 sq.metres which is 130 per cent more than the entitlement of the Deputy High Commissioner which is 170 sq.metres.

Further, it was not understood why the cost evaluation report was got prepared by an outside agency, when the Project Manager of the rank of Chief Engineer, CPWD was posted in the High Commission.

The Ministry stated, in September 1989, that "the Project Manager's reports are always prepared without going into minor details. Slight variations in the usable area are relaxed, whenever independent house for Deputy Chief of the mission is purchased keeping in mind the economic cost considerations."

(ii) Purchase of residence in Kandy :- The High Commissioner forwarded a proposal, in October 1981, for purchase of residence for the Assistant High Commissioner in Kandy which he was in occupation on rent, on a plot measuring 1800 sq.metres (floor area- 534.5 sq.metres) at the asking rate of Sri Lankan rupees 25 lakhs. The house was structurally sound and valued at Sri Lankan rupees 20.20 lakhs (Rs. 8.97 lakhs) by the valuer in July 1982. The property was purchased for Sri Lankan rupees 23 lakhs (Rs.10.22 lakhs) in November 1983.

The purchase of property having a dwelling area of 534.5 sq.metres, against the space entitlement of 140 sq.metres, for the Assistant High Commissioner was against the approved norms.

In spite of the fact that the property was valued at Sri Lankan rupees 20.20 lakhs (Rs. 8.97 lakhs) in July 1982, it was purchased for Sri Lankan rupees 23 lakhs (Rs. 10.22 lakhs) by revising the economic cost arbitrarily and also by arranging for a revised valuation report for Sri Lankan rupees 24.45 lakhs (Rs. 10.87 lakhs) in April 1983 from the original valuer though there was no significant change in the condition of the building. The price of the land was increased by about 20 per cent, thus resulting in extra payment of Sri Lankan rupees 2.80 lakhs (Rs.1.25 lakhs).

The Ministry stated, in September 1989, that the usable space of the property was only 133 sq.metres which was well within the space entitlement of 140 sq.metres. It was further stated that the revaluation of the property was got done to bring the latest evaluation of property on record.

The Ministry's reply was not tenable as the dwelling area certified by the valuer, was 534.5 sq.metres.

26.7.4 Washington

Purchase of a residential accommodation :- The Embassy of India, Washington informed the Ministry, in April 1979, that it would not be possible to get a house for an officer of the rank of First Secretary for less than $ 1 lakh and that for other staff for $ 0.65 lakh or so and suggested purchase of two houses for First Secretaries and four houses/apartments for other staff. The Ministry worked out the economic cost of a staff apartment and asked the mission, in May 1979, to locate property ranging from US $ 0.55 lakh to 0.74 lakh.

On the basis of the recommendations of the property purchase team, which visited Washington, in February 1980, the mission purchased 12 apartments for staff members at prices ranging from $ 0.45 lakh to $ 0.52 lakh and two houses for $ 1 lakh each in March 1980.

The two houses for the officers of the rank of First Secretary were purchased though the Charge d' Affairs after inspection of the houses, in February 1980, had held the view that the location of the houses was not suitable for representational officers.

The two houses purchased for accommodating First Secretaries at a cost of $ 1 lakh each were allotted to the non-representational officers for whom the economic cost worked out to \$ 0.74 lakh only. Purchase of houses costing \$ 1 lakh each instead of within the economic cost of \$ 0.74 lakh resulted in extra expenditure of \$ 0.53 lakh (Rs.4.24 lakhs).

The Ministry stated, in September 1989, that though the houses may not have been found very suitable for representational officers, the purchase was decided due to non-availability of more suitable houses in equally good location and at a equally good price.

26.7.5 Tunis

(i) Purchase of Embassy residence:- In August 1985, Government purchased a property having a total area of 2859 sq.metres with a built -up area of 506.50 sq.metres for the residence of the Ambassador in Tunis. The property was purchased on the basis of the recommendation made by the property purchase team which visited Tunis in July 1985. Against the economic cost of Tunisian dinars 4.41 lakhs (Rs. 69.84 lakhs), the property was purchased for six lakh dinars (Rs.95.40 lakhs).

The Ministry stated, in September 1989, that the market trends were then taken into account by the property purchase team.

(ii) Purchase of chancery building.- In November 1982, the mission in Tunis initiated a proposal for purchase of a built-up property measuring about 400 sq.metres to house the chancery at a cost of 2.05 lakh dinars (Rs. 32.4 lakhs). Due to financial constraints and non-availability of funds, the proposal fell through. However, there was another proposal, in March 1984, for purchase of a freehold property, which had a built-up area of 420 sq.metres and acommodation therein conforming to the mission's requirement of space for present and future. The evaluation of the property was to be done by an evaluator who was either registered with the local Government or was on the panel of registered body of that country. In the instant case, the evaluator was only a professional one.

Giving due consideration to the age factor and the certified structural soundness and the requirement of minor repairs estimated at Rs. 1.5 lakhs by the evaluator, the property was purchased for 2.5 lakh dinars (Rs. 39.49 lakhs) against the evaluated cost of Rs. 42.34 lakhs in December 1984. The mission, however, carried out additions and alterations in the building for Rs. 10.78 lakhs.

The Ministry stated, in September 1989, that it was presumed that due to urgency to clinch the deal and non-availability of a registered evaluator, the evaluation was done by a professional. When a professional undertakes preliminary survey to assess the structural soundness of a built-up property, he is liable to miss a number of required alterations/ modifications in the property which become apparent only when the property comes under use.

26.7.6 Athens

A property purchase team visited Athens, in February 1988 and recommended the purchase of a five storey building at a price not exceeding Greek drachma 210 million. The first three floors of the building were to be used as chancery and the fourth and fifth floors, with some minimum alterations, were to be converted into two duplex residential apartments for the officers/staff of the embassy. The possession of the building was taken, in May 1988 and the chancery shifted to the new building in April 1989.

The evaluation report of February 1988 was prepared by an architect on the same day on which the property team inspected the property without going into the details of measurements, etc. and decided the amount to be paid for the proposed property because in his supplementary report of March 1988, the architect admitted that the physical verification of various measurements was made by him on that date.

According to Greek law, the estate agent is allowed brokerage at two per cent of the property up to a contract value of 20 lakh drachmas and for contracts over that value, one per cent on the excess amount. It was possible under the law to reduce the amount of fees specified above by 50 per cent. This possibility as per record was not availed of by the mission at the time of entering into a contract with the estate agent and failure to do so resulted in an avoidable extra payment of 10.60 lakh drachmas (Rs. 0.98 lakh).

As per the report of the purchase team, the fourth and fifth floors of the new building could be converted, with some minimum alterations, in two duplex apartments for officers/staff of the mission. Though the building was acquired in May 1988, the conversion work had not started (June 1989). The delay is resulting in payment of 1.73 lakh drachmas (Rs. 0.16 lakh) per month in respect of the accommodation rented for two officers.

26.8 Construction activity

26.8.1 Bangkok

The Embassy of India, Bangkok purchased in 1974, a plot of land, measuring 4525 sq.metres for Rs. 17.81 lakhs for construction of 27 apartments. Plans for the construction of the apartments were sent to the Ministry for approval, in November 1974 along with a cost estimate of Bhat 158.69 lakhs (Rs. 55.54 lakhs). It was decided to take up the construction of apartments in 1976-77. In response to the Ministry's enquiry in June 1976, fresh cost estimates for constrution of apartments were sent to the Ministry, in July 1976.

In November 1977, a sum of Rs. 1.49 lakhs was incurred by the embassy to remove tropical weeds and bushes and site filling work. The total cost of construction, in April 1978 was estimated to be Bhat 223.37 lakhs (Rs. 78.34 lakhs). It was stated by the embassy, in February 1978, that taking into account the formula for working out the economics, the proposal for construction of apartments showed an annual loss and suggested maintainence of the status quo.

In September 1987, on the basis of detailed recommendation of the embassy to purchase ready built houses instead of own construction, the proposal to construct residences on the plot was abandoned and it was decided by the Ministry to sell the plot of land. The plot of land had neither been sold nor ready built houses had been purchased (June 1989). This is indicative of lack of proper planning and indecision which resulted in blocking of funds to the extent of Rs. 17.81 lakhs. A sum of Rs. 2.36 lakhs incurred on development of plots, survey charges and preparation of project reports paid by the Ministry proved to be infurctuous.

26.8.2 Lilongwe

Two plots of land measuring 1329 acres and 0.3365 acre were purchased in 1979 at a total cost of Malawi Kwacha 0.18 lakh (Rs. 1.62 lakhs) in Lilongwe. Although the mission, in January 1982, expressed their apprehension about the construction of the building, the construction was cleared by the Ministry, in June 1982. Little progress could be achieved till August 1985 when the mission again said that the construction work might not be profitable due to high cost and further that the plot was outside the city and not safe for habitation. Consequent on the joining of a new Head of the Chancery, in December 1985, and keeping in view the requirments of the mission and revision of the existing space norms, the project was revived in December 1985. The architect submitted revised drawings and two bills for his professional services for 0.12 lakh Kwacha (Rs. 0.65 lakh) and another bill for 0.08 lakh Kwacha (Rs. 0.43 lakh) for detailed drawings. The correspondence between the mission and the Ministry did not reveal any keenness to pursue the construction on the plots. Instead, the mission had written to the Ministry, in August 1985, for the purchase of built-up house due to escalation in the cost of construction. Subsequently, a house for the embassy residence was purchased at a cost of 5.30 lakh Kwacha (Rs. 29.76 lakhs) and the Ambassador shifted to the residence in December 1988.

The Ministry approved the proposal for disposal of the two plots in May 1989.

Because of delay in construction, not only the mission had to pay more for acquiring embassy residence but also incurred avoidable expenditure on rents for the residence of the Head of the mission for the period up to May 1989. Besides, an amount of Rs. 1.62 lakhs remained blocked for a period of 10 years.

26.8.3 Permanent Mission of India at United Nations

It was pointed out in paragraph 30 of the Report of the Comptroller and Auditor General of India - Union Government (Civil) for the year 1985-86 - Volume I that a plot of land measuring 6653 sq.feet purchased, in September 1980, by the Permanent Mission of India at the United Nations (PMI) at a cost of US $ 9.90 lakhs (Rs. 79.20 lakhs), for housing office and residences for officers and other staff members was lying unutilised.

The Mission stated, in May 1989, that excavation/foundation might start in June 1989.

Under the New York State Law, real estate taxes have to be paid on the plot of land during the period the plot remains vacant. Government incurred a total expenditure of US $ 4.51 lakhs (Rs. 59 lakhs) on taxes till March 1989.

It was originally projected, in March 1980, that the building to be constructed at a cost of $ 58.9 lakhs was to accommodate the office of the PMI and 55 residences for officers and staff members. The latest estimated figure, in May 1988, for the construction of one office and 27 residences only was 180 lakh dollars indicating an escalation in the construction cost by 121.10 lakh dollars (Rs. 1586.41 lakhs) i.e 206 per cent with lesser number of residences.

During this period of nine years, the office of the PMI and the residences of the staff members were housed in leased buildings and a total expenditure of 42.53 lakh dollars (Rs.533.44 lakhs) was incurred as rent during 1984-85 to March 1989.

26.8.4 Afghanistan

A plot of land measuring five acres (19,184 sq.metres) was leased from the Government of Afghanistan in 1963 at a cost of Rs. 2 lakhs to construct the chancery, embassy residence and residences of the officials of the mission. The records about the progress in the construction of chancery etc. during the intervening period (1963-73) were not made available. In December 1973, however, the scope of proposed construction was revised for adding an auditorium and staff quarters numbering 20 at an estimated cost of Rs.29.77 lakhs. However, the embassy residence rented by the Ministry was purchased in 1977. In July 1980, due to disturbed conditions in Afghanistan, the construction project was shelved for some time. Another joint team visited Kabul, in April 1982, and submitted a detailed report recommending construction at an estimated cost of Rs. 7.15 crores.

All along, the Ambassador had lent his full support for taking up of the construction project early. In October 1983, examination of this project came to an abrupt end with the note of the then Joint Secretary (Establishment) that the Ambassador in Kabul was having a second thought on the construction of chancery as he would prefer to acquire a built-up property in which the chancery was still functioning, which also fell through. In December 1985, the Head of the Chancery sought to revive the proposal for construction project in Kabul at an estimated cost of Rs. 804 lakhs from the view point of security, convenience and the desirability of having property which suited to their needs.

Although two architects were commissioned in 1987 to prepare concept plan for the Kabul project supported by model, the construction work had not been started (June 1989).

It was observed that there had been huge cost escalations of Rs. 774.23 lakhs in the estimates in 1985 as against the initial estimates of Rs. 29.77 lakhs in December 1973. This is attributable to lack of co-ordinated decision and prolonged correspondence between the Ministry/chancery and CPWD with no tangible results. Even after the preparation of the concept plans and a model, no action had been taken to commence the construction even after 26 years of purchase of plot (June 1989).

The Ministry stated, in September 1989, that the matter was under constant review with the mission keeping in mind the security consideration etc. and as soon as the situation stabilises the Ministry would be in a position to start the project without further delay.

26.8.5 Sri Lanka

It was decided in 1974 to purchase a plot for construction of a chancery building in Colombo. In June 1976, a proposal for the purchase of an acre of land at a cost of Sri Lankan rupees 8 lakhs (Rs. 3.55 lakhs) plus Sri Lankan rupees 1 lakh (Rs. 0.44 lakh) as compensation for eviction of three unauthorised tenants was sent by the mission to the Ministry. For evicting the three tenants occupying the plot unauthorisedly, the mission was advised, in July 1976, to invoke the assistance of the Sri Lankan Government.

In June 1977, the High Commission took possession of the property at the intervention of the Sri Lankan Government after satisfying that the structures belonging to the previous occupants were demolished and the occupants evicted. At this stage, the owner backed out of his earlier commitment and demanded Sri Lankan rupees 23.47 lakhs (Rs. 10.43 lakhs) as price for the plot. The Chief Valuer to the Government of Sri Lanka, to whom the case was referred, fixed the price of that plot at Sri Lankan rupees 9.60 lakhs (Rs.4.26 lakhs). The owner did not agree with this valuation. The disputed amount of Sri Lankan rupees 9.60 lakhs (Rs. 4.26 lakhs) was paid to the Land Development Officer in March 1979.

The land owner went to the court against the decision of the Government of Sri Lanka. The court gave the decision, in April 1986, under which the mission had to pay Sri Lankan rupees 13 lakhs (Rs. 5.73 lakhs) towards the cost of land and Sri Lankan rupees 6.76 lakhs (Rs. 3 lakhs) as interest thereon for the period from March 1977 to April 1986. The Government of India had to pay additional Sri Lankan rupees 10.16 lakhs (Rs 4.52 lakhs) in December 1986.

The Ministry had approved the proposal when the land itself was in dispute and under unauthorised occupation of three tenants. It was also observed that a part of land was sea beach (700 sq. yards) which could not be utilised for building purpose. Thus the deal was finalised when the land was under dispute and unauthorised occupation. This resulted in blocking of funds to the extent of Rs. 4.26 lakhs for more than eight years.

26.8.6 Brasilia

In 1965, the Government of Brazil gifted a plot of land measuring 25000 sq.metres in Brasila, for construction of buildings for the Indian mission. Estimates were forwarded by the mission to the Ministry, in August 1965, June 1967, January 1970, June 1970, February 1971 and January 1974. However, no decision for the construction of buildings was taken. The Ministry was informed that a special tax concession on building material purchased by the foreign missions afforded by the Brazilian Government would be available up to December 1979 which was later extended up to October 1983.

In December 1977, the Ministry approached the CPWD to study the plans for the chancery buildings (prepared in 1968). The Ministry, on the advice of CPWD decided, in November 1980, to entrust the architectural work to a local architect. The estimates prepared by the local architect were forwarded to the Ministry, in

January 1981, for administrative approval. The estimated cost of construction was Rs. 68.24 lakhs. Though the Ministry had informed the mission that it was "essential that the project be completed by April 1982", even administrative approval for the construction work had not been accorded (June 1989).

Even though the proposals for constructing the buildings for the mission had been under consideration of the Government from 1965 onwards, the work had not been sanctioned. The Government lost the advantage of tax exemption on construction materials available up to October 1983.

Inordinate delay in construction of buildings not only resulted in escalation in cost of construction but also resulted in avoidable expenditure on payment of rent of leased buildings to the extent of Rs. 312.99 lakhs during 1983-84 to 1988-89.

26.8.7 Aden

Two plots of land measuring 958.62 sq.metres and 947.94 sq.metres were allotted free of cost on lease hold basis at an annual ground rent of 0.17 lakh dinars (Rs. 4.63 lakhs) by the Government of the Peoples Democratic Republic of Yemen for construction of embassy residence and chancery building with staff quarters respectively in December 1983.

The architect submitted a project report, in October 1985, and after protracted correspondence, the architect could submit his design report only in April 1988. Proposal involving expenditure of Rs. 3.39 crores on the project was yet to be approved (June 1989).

Due to inadequacy of space, the mission had to hire an alternative accommodation for housing its chancery and the total expenditure of Rs. 33.33 lakhs incurred during August 1987 to June 1989 could have been avoided. Further, had the premises been constructed on the leased plots, rental liability of Rs. 4.44 lakhs per annum on staff quarters could have been avoided.

26.8.8 Abu Dhabi, Dubai and Qatar

A proposal for allotment of a plot of land, free of cost on reciprocal basis, by the United Arab Emirates was initiated in the middle of 1976 which materialised in May 1984 when the Government of United Arab Emirates allotted two plots of land at Abu Dhabi and Dubai measuring 5,576 sq.metres and 3,327 sq.metres respectively.

Architects in the case of project at Dubai were appointed in September 1984. After protracted correspondence and finalising due formalities amongst Ministry/CPWD and the architect, the tenders for construction of the project at Dubai were floated, in April 1989 and the closing was fixed for July 1989. In September 1989, the Ministry stated that tenders were being scrutinised and construction work proposed to be awarded before 2nd October 1989.

Architects appointed for the project at Abu Dhabi, visited Abu Dhabi from 24th July 1985 to 3rd August 1985 and submitted their initial project report which after being revised and accepted by the Ministry was sent to the mission in April 1987. The architects again visited Abu Dhabi, in November 1987 and after discussion with the local authorities regarding construction, sent detailed report to the Ministry, in the same month. The project had not advanced further. The approval of the competent authority was also not accorded (June 1989). The mission at Dubai and Abu Dhabi had been emphasising the need for early construction of chancery and residential buildings as exorbitant rentals to the extent of Rs. 99.61 lakhs per annum had been incurred.

Doha:- Plots of land measuring 4500 sq.metres and 3915 sq.metres were allotted to Indian mission at Doha for the construction of embassy residence and chancery and staff residences by the Government of Qatar in 1979 and 1982 respectively. In accordance with the deed, the buildings were to be constructed within a period of three years from the date of allotment. In September 1984, the mission appointed an architect and four years, thereafter, entered into an agreement with him, thus losing a valuable period of nine years. The construction work had not, so far, started (June 1989).

Apart from the cost escalation due to inordinate delay in the execution of construction project, the mission had to incur an expenditure of Rs. 40.80 lakhs per annum on rentals in respect of chancery building and residences of India-based staff.

The Ministry stated, in September 1989, that allotment of plot for officers/staff residences had been recently withdrawn by the Government of Qatar. Thus the rental liability would continue since the Ministry did not construct the buildings in the allotted land.

26.9 Properties constructed

26.9.1 Islamabad

The mission, in Islamabad, acquired in 1963, two plots of land having an area of 16800 sq.yards and 35066.2 sq.yards for construction of chancery building and residential accommodation respectively at a total cost of Rs. 9.6 lakhs. Another plot of land measuring 12455.59 sq.yards costing Rs. 18.68 lakhs was also purchased in 1980. An amount of Rs. 1.12 lakhs was also paid towards the cost of re-alignment of services.

The Ministry issued sanction for the construction of the chancery building, in August 1981, at an estimated cost of Rs. 3.46 crores. The process of finalising and floating of tenders/signing of agreement took two years and the actual construction commenced in July 1983. According to the terms of the agreement, the work was required to be completed by March 1985 but the construction of chancery building had not been completed till May 1988. As per the revised estimates submitted by the CPWD, in June 1987, the expenditure was estimated at Rs. 5.91 crores leading to escalation in the cost of construction of chancery building by Rs. 2.46 crores (71 per cent). Meanwhile, all the four buildings in which the chancery was accommodated, continued to be hired at an annual rent of Rs. 3.84 lakhs.

As regards phase-II of the project viz., construction of residential accommodation for officers and staff, no final decision had been taken. The Ministry stated, in October 1988, that the matter was under active consideration.

The mission continued to incur an expenditure of Rs. 46 lakhs per annum towards payment of rent for the 63 leased accommodation hired for the officers and staff of the mission.

26.9.2 Australia

A plot of land measuring 7337 sq.metres was acquired by High Commission of India, Australia, in January 1978, on lease on an annual rent of Australian dollars 2600 (Rs. 0.24 lakh) for the construction of chancery and three apartments for staff members in Canberra.

An architect was appointed, in October 1979, on a total fee of 11.3 per cent up to a maximum of the estimated cost of work at 3.31 lakh dollars and the agreement to this effect was entered into in April 1980. An agreement with a contractor for the construction at the cost of 3.31 lakh dollars was entered into in Janury 1981. The cost of construction having been increased to 5.81 lakh dollars (final cost being 6.22 lakh dollars), the architect claimed higher fees based on the actual cost of construction instead of, at the agreed contracted amount of 3.31 lakh dollars. The Ministry held the view after consulting the Ministry of Law that since the agreement with the architect did not provide for the same, the Government of India need not pay the enhanced fees to the architect.

Thereafter, the Foreign Service Inspection Team visited Canberra in November 1982. A Legal Adviser was enganged in Canberra to advise on the question of paying additional fee to the architect for which a sum of 0.01 lakh dollars (Rs. 0.09 lakh) was paid for their services who favoured payment of enhanced fees to the architect. The Ministry paid the additional fee of 0.24 lakh dollars (Rs.2.23 lakhs) to the architect. All along, this case had been dealt with in an uncertain manner as if the Ministry's stand, in spite of being legally sound, would lose ground by virtue of it taking place in a foreign country. This vitiated the entire sanctity of the agreement with the architect and resulted in the aforesaid infructuous expenditure. Further, an amount of 0.04 lakh dollars (Rs. 0.42 lakh) approved by the Ministry, in January 1983, was paid to the building contractor as penal interest for not making the payment in time by the mission.

The Ministry stated, in September 1989, that higher fees to the architect had to be paid on the legal advice of local adviser whose logic was that the convention in Australia is to base fee on percentage of actual cost of construction. Interest was paid due to delay in settlement of contractor's claim on account of various objections/clarifications sought by various authorities in India.

26.10 Property register

A consolidated up to date register of the immovable Government properties is required to be maintained by the Ministry in the format laid down in CPWD form 25. However, the property register submitted to Audit, in July 1989, was neither complete nor authenticated by any officer.

The Ministry stated, in July 1989, that the register was to be updated and in order to computerise the properties data, missions abroad had been asked, in July 1988, to furnish information/ documents regarding acquisition of properties in the computerised form. It was further stated, in September 1989, that "The Ministry is satisfied with the way the property register at present is being maintained. It has been found satisfactory for any reference required to be made. Furthermore, it has no relevance to any infructuous expenditure and is purely an administrative measure to register data for our reference."

The above statement of the Ministry is not understandable as the register produced to Audit comprised only the computerised forms on separate pages and a few entries had been made in some of them. Further, the maintenance of property register is a mandatory requirement. Had the information been available with the Ministry, there was no necessity of calling for the same from the missions by the Ministry in 1988.

26.11 Monitoring

The Ministry had also not evolved any system to monitor the progress of work vis-a-vis expenditure in respect of construction abroad even though the monitoring of the construction activity was important and crucial to avoid cost and time overrun.

27. Infructuous expenditure on lease of accommodation for an embassy residence

The Indian Foreign Service (Pay, Leave, Compensatory Allowance and other conditions of service) Rules 1961, as amended, envisage that if the absence of the Head of the Mission or interregnum between the outgoing and incoming Head of the Mission is likely to exceed two months, the Ministry, under certain conditions may direct the Charge-d' Affairs to occupy the residential accommodation of the Head of the Mission.

The post of Ambassador remained unfilled at the Embassy of India, Sofia during August 1987 to December 1988 and the embassy residence, leased at a monthly rental of Rs.0.73 lakh was allowed to remain vacant during the above period without being allotted to the Charge-d' Affairs, who successively held charge of the Mission during the Ambassador's absence.

On this being pointed out by Audit, the Mission stated, in December 1988, that two Ambassadors were appointed during the period, though neither of them eventually joined the Mission. Anticipating the arrival of an Ambassador pursuant to their appointments, it was not considered necessary to surrender the embassy residence. The Mission had, however, not clarified why the Charge-d' Affairs who successively held the charge of the Mission during the Ambassador's absence did not move into the embassy residence.

Thus continued lease of the embassy residence without utilisation during August 1987 to December 1988 resulted in an infructuous expenditure of Rs.12.44 lakhs.

The matter was referred to the Ministry in December 1988; reply has not been received (December 1989).

28. Extra expenditure due to delay in placing an order

With a view to recommissioning the air-conditioning Plant at Akbar Bhavan, New Delhi, Ministry of External Affairs intended to import spare parts of the gear box and requested the Supply Wing of the Indian Mission in Washington in December 1986, to intimate the prices thereof. The Ministry further desired to know the price of the complete gear box to work out the economics instead of purchasing the spare parts. The Supply Wing invited quotations and intimated the cost of spare parts as $ 13008 and complete gear box as $ 18852. Complete specifications of the gear box were intimated by the Supply Wing to the Ministry, in January 1987. The Ministry requested the Supply Wing, in January 1988, to purchase the complete gear box. The firm refused to supply the gear box at the earlier rates as quotation was submitted a year earlier and further informed that they had discontinued the production of gear box but would supply all spare parts except the outer casing. The Ministry decided, in March 1988, to purchase spare parts. A new unit of the firm quoted a price of $ 23537 for the intended spare parts in October 1988.Purchase order for the supply of the intended parts was placed in December 1988 with a delivery period of 32-34 weeks.

Thus, delay in taking a decision resulted in extra expenditure of $ 10529 equivalent to Rs.1.56 lakhs.

The Ministry stated, in June 1989, that " delays caused at every stage was either in seeking technical advice or in completion of procedural formalities or new situation like merger of manufacturing company with another company". Nevertheless, the extra expenditure of Rs.1.56 lakhs in foreign exchange could have been avoided had the process of consultation and funding been completed within the validity period of quotation.

29. Avoidable expenditure due to loss of file

Defence Electronics Applications Laboratory under the Ministry of Defence placed an indent, in February 1987, on the Supply Wing of the Indian Mission, Washington for procurement of certain proprietary items. The Supply Wing floated a tender enquiry on the manufacturing firm. The firm furnished its offer in March 1987. The indentor accepted, in April 1987, the rates quoted by the firm and requested the Supply Wing to conclude the contract.

On being reminded by the indentor, in December 1987 and in February 1988, the Supply Wing again initiated action for finalisation of the contract. The indentor was requested to supply the copies of the previous correspondence as the relevant file was stated to have been lost. On receipt of the details from the indentor, the firm was requested, in June 1988, to confirm the validity of the offer of March 1987.

The firm furnished the revised rates, in July 1988 and declined to reduce the prices. Since the stores were of proprietary nature, an order was placed at revised rates after a delay of over one year and resulting in an extra expenditure of $ 11550 (Rs.1.51 lakhs).

The matter was referred to the Ministry in February 1988; reply has not been received (November 1989).

CHAPTER X

Ministry of Finance

30. Under-utilisation of modernised plant

With a view to raise annual production of currency and bank note paper from 3000 to 6000 tonnes, a modernised palnt was commissioned, in August 1983, in Security Paper Mill, Hoshangabad at a total cost of Rs. 23.70 crores. Achievements of the paper making mould machines and all other ancillaries were also designed to suit the requirements of the newly set up plant, and the installed capacity was also guaranteed by a foreign firm which modernised the plant after a successful trial run.

Test-check conducted, in December 1988, revealed that the maximum installed capacity of 6000 tonnes was not achieved between August 1983 and November 1988, and the annual target of production was fixed at 30 per cent below the installed capacity. The actual production was short by 31 to 47 per cent and between 2 and 14 per cent as compared to annual installed capacity and yearly targets of production respectively, as indicated below:-

Year	Installed Capacity	Target Fixed	Annual production	Production short fall with reference to		Percentage of short fall with referance to	
				col. No.2	col. No.3	col. No.2	col. No.3
1	2	3	4	5		6	
			(In tonnes)				
1984-85	5737	4016	3644	2093	372	36	09
1985-86	5737	4016	3446	2291	570	40	14
1986-87	5737	4016	3809	1928	207	34	05
1987-88	5737	4016	3933	1804	083	31	02
1988-89	5737	4016	3890	1847	126	47	03
Total	28685	20080	18722	9963	1358		

Though the Mill paid incentive bonus and overtime allowance aggregating Rs. 5.23 crores, there was short fall in production of 9963 tonnes of paper valued at Rs.5.76 crores.

It was further observed that down time hours relating to four mould machines increased considerably during August 1983 to September 1988 and ranged from 29 to 40 per cent as compared to 6 to 11.5 per cent prior to modernisation of the plant as indicated below :-

Year	Expected machine run hours	Down time machine hours	Percentage of down time hours
1983-84	33504	13265	40
1984-85	33216	11348	34
1985-86	33408	13225	40
1986-87	33312	11594	35
1987-88	33600	9883	29
1988-89	17184	5065	29

General Manager of the Mill intimated, in December 1988, that production up to the installed capacity could be achieved under ideal working condition viz. availability of full man power, facilities for attending to breakdowns and trained personnel, etc. The reason for fixation of lower target, low production and under utilisation of machines was attributed to non-implementation of recommendations (1984) of the study group due to non-acceptance by labour unions inspite of negotiations with the unions from 1985 to November 1987. The matter was referred to the Ministry in November 1987. The Ministry agreed to the demand of the union not to implement the report and for a further study to be made by National Productivity Council (NPC). The Ministry stated that the Mill was being run by ESMA since June 1985 NPC had submitted its report, in October 1988 and its recommendations were under consideration of the Government (December 1988). Thus even after 6 years of installation of machines, there was short fall in production ranging from 31 to 47 per cent.

The Ministry stated in November 1989 that till date, the manpower requirements of the plant had not been met as the same was contingent upon implementation of a job-study first made by IBCON, an industrial consultant soon after modernisation. This job study was not acceptable to the Security Paper Mill Union and hence could not be implemented. As a gesture of goodwill, another study was ordered where workers had also been associated. The study conducted by NPC is currently being examined in the department before its implementation.

31. Irregular release of funds

A provision of Rs.50 crores was made in the budget for 1988-89 as contribution to the share capital of the Scheduled Castes and Scheduled Tribes Finance and Development Corporation. The Corporation was set up, in February 1989, under the administrative control of the Ministry of Welfare with an authorised capital of Rs.75 crores and subscribed capital of Rs. 50 crores wholly subscribed by the Central Government for the time being. The Corporation was registered with the Registrar of Companies, in February 1989.

Out of the budget provision of Rs.50 crores, a sum of Rs.25 crores was released to the Corporation on 16th March 1989. The balance amount of Rs.25 crores which was not required for immediate use should have been surrendered. Instead, the amount was released and deposited on 17th March 1989 with the Reserve Bank of India in Government account as deposit of the Corporation. The deposit was eligible to get interest at 10 per cent per annum effective from 1st April 1989. The amount had not been withdrawn till January 1990. The drawal of amount which was not required for immediate disbursement before the close of the year was against the financial rules and therefore irregular.

The Ministry stated, in November 1989, that no provision was made in the budget for 1989-90 for contribution to the share capital of the Corporation, and it was decided to release the amount of Rs.50 crores provided in the budget for 1988-89 in two stages in order to ensure that the funds remained with Government till these were required by the Corporation. The fact, however, remains that the funds were not required for immediate utilization and had not been paid to the Corporation till January 1990. The drawal of funds from the Consolidated Fund of India and keeping them in the Public Account to show that the money had been utilised was not correct from regularity and propriety point of view. Further, Government had also incurred avoidable liability for payment of interest to the Corporation.

32. Incorrect computation of composite rate of exchange

All importers holding licences for import financed from foreign loans and credits and for which direct payment procedure is applicable, are required to deposit the rupee equivalent of the foreign currency to Government through their banks. The rate at which the rupee equivalent of the amount of deposit was to be calculated, was to be arrived at by converting the foreign currency to pound sterling at London daily selling rate ruling on the date of payment to the supplier, and then converting the pound sterling amount to rupee equivalent with reference to the basket of currencies selling rate for pound sterling. A margin of one per cent was to be added to the rate and the figure was to be rounded off to the next higher integer at the second decimal place in the case of all currencies except the Japanese Yen and the Italian Lira for which the rounding off was to be done at the third decimal place.

On a test check of records of the Controller of Aid Accounts and Audit, it was noticed that in respect of imports from France and the Federal Republic of Germany during 1986-88, the composite rate had been computed incorrectly and the last two integers (third and fourth decimal places) were completely ignored instead of being rounded off to the higher integer at the second decimal place. The incorrect computation resulted in short recovery to the extent of Rs.11.20 lakhs from importers during 1986-87 and 1987-88.

The Ministry stated in August 1989 and January 1990 that out of Rs.11.20 lakhs an amount of Rs.5.16 lakhs was adjusted against deposits made by the importers and the remaining amount of Rs. 6.04 lakhs was being adjusted against the deposits made by importer in January 1990. The procedure for calculation of composite rate of exchange has since been simplified.

33. Irregular payment of House Rent Allowance

The orders regulating the grant of House Rent Allowance to Central Government employees, issued by the Government of India, in November 1965, as amended from time to time, do not permit payment of House Rent Allowance (HRA) to an employee if he/she shares accommodation allotted to his/ her spouse/ parents/ son/ daughter by either the Central Government, State Government, an autonomous public undertaking or semi-Government organisation such as municipality, port trust, etc.

During audit of the Chief Accounts Office (Expenditure and Treasury) in the Collectorate of Customs, Bombay conducted in November 1988, it was noticed that HRA was being paid to 11 employees though they were not entitled to receive it in view of the above orders issued by Government of India. Despite this being pointed out by Audit, in November 1988, the payment of HRA continued to be made till May 1989. The total irregular payment made from September 1984 to May 1989 worked out to Rs. 0.96 lakh. The Customs House, Bombay stated, in November 1989, that no decision to effect recovery had been taken, so far, pending a decision on the representations, from the officials concerned.

The matter was reported to the Ministry in July 1989; reply has not been received (November 1989).

34. General - Losses and irrecoverable dues written off/waived and ex-gratia payments made

Statement showing losses and irrecoverable revenues, duties, advances, etc. written off/ waived and ex-gratia payments made during 1988-89 is given in Appendix-III to this Report.

It will be seen from Appendix that in 67 cases, Rs.33.78 lakhs representing losses mainly due to failure of system, neglect, fraud, etc. on the part of individual Government officials and for other reasons were written off during 1988-89. In two cases involving Rs.0.24 lakh, recovery was waived and in 937 cases aggregating Rs.209.75 lakhs, ex-gratia payments were made during the year.

Departmentally managed Government Undertakings

35. Position of proforma accounts

On 31st March 1989, there were 38 departmentally managed government undertakings of commercial and quasi-commercial nature.

The financial results of these undertakings are ascertained annually by preparing proforma accounts outside the general accounts of Government. Trading, Profit and Loss Accounts and Balance Sheet are not prepared by the undertakings viz., Department of Publications, Delhi and Government of India presses; stores accounts were only prepared. In pursuance of the recommendation contained in paragraph 1.107 of the Public Accounts Committee in their Forty First Report (Fifth Lok Sabha- 1971-72), Government agreed to prepare the Manufacturing, Profit and Loss Accounts and Balance Sheet for the Government of India presses. The format of accounts for this purpose effective from 1st April 1983 was accordingly approved.

Proforma accounts for the year 1988-89 had not been received in respect of any of the undertakings (October 1989). A synoptic statement showing the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in Appendix IV. From the Appendix, it will be seen that in a number of cases, proforma accounts had been in arrears for a number of years ranging from 1 to 16 years. The reasons for delay in compilation of proforma accounts were not available in most of the cases. However, in case of proforma accounts relating to Lighthouses and Lightships Department and Films Division Bombay, the delay was attributed to non-filling up of vacant posts. The delays in compilation of accounts in respect of other departmentally managed government undertakings were also brought to the notice of administrative ministries concerned from time to time but no effective steps had, so far, been taken to compile the accounts in arrears and to bring them upto date.

Dharamvir

(DHARAM VIR)
Principal Director of Audit-I,
Central Revenues

New Delhi
The 18 APR 1990

Countersigned

(C.G. SOMIAH)
Comptroller and Auditor General of India

New Delhi
The 19 APR 1990

APPENDIX I

(Vide paragraph 3.3)

Extent of utilistion of supplementary grants/ appropriations

Sl. No.	Grant/Appropriation	Amount of Grant/Appropriation			
		Original	Supple-mentary	Actual Expend-iture	Saving
1	2	3	4	5	6

Cases where supplementary grants/ appropriations proved unnecessary

(Lakhs of rupees)

Revenue-Voted

	Ministry of External Affairs				
1.	23-Ministry of External Affairs	403,98	27,50	367,26	64,22
	Ministry of Health and Family Welfare				
2.	39-Department of Health	393,51	7,51	386,45	14,57
	Ministry of Science and Technology				
3.	64-Department of Science and Technology	180,47	0,02	166,69	13,80
	Ministry of Steel and Mines				
4.	67-Department of Steel	51,61	7,16	49,70	9,07
	Ministry of Surface Transport				
5.	69-Surface Transport	32,69	2,96	28,08	7,57
6.	71-Ports, Lighthouses and Shipping	108,45	0,02	88,79	19,68
	Ministry of Textiles				
7.	72-Ministry of Textiles	523,54	25,44	519,97	29,01

1	2	3	4	5	6
		Capital-Voted			
		Ministry of Home Affairs			
8.	43-Police	105,24	78,67	102,69	81,22
9.	44-Other Expenditure of the Ministry of Home Affairs	72,23	1,63	71,47	2,39
		(Union Territories without Legislature)			
10.	89-Delhi	503,55	0,07	444,69	58,93
		Ministry of Surface Transport			
11.	69-Surface Transport	126,35	0,24	123,88	2,71
		Department of Atomic Energy			
12.	80-Nuclear Power Schemes	228,00	0,02	226,40	1,62
		Revenue-Charged			
		Ministry of Home Affairs			
13.	43-Police	0,15	0,06	0,07	0,14
		(Union Territories without Legislature)			
14.	89-Delhi	4,03	4,92	3,40	5,55
		Capital-Charged			
		Ministry of Home Affairs			
15.	43-Police	8,05	0,20	3,40	4,85
		(Union Territories without Legislature)			
16.	89-Delhi	25,20	51,62	10,15	66,67
		Ministry of Urban Development			
17.	74-Ministry of Urban Development	19,65	1,27	17,71	3,21

APPENDIX II

(Vide paragraph 3.4)

Savings under Voted Grants

Voted Grants where the savings (more than Rs.5 lakhs in each case) exceeded 20 per cent of the total grant are given below:-

Sl. No.	Grant	Total grant	Expen-diture	Saving	Percentage of saving
1	2	3	4	5	6
				(Lakhs of rupees)	
			Revenue		
1.	32-Department of Expenditure	804,27	4,51	799,76	99.4
2.	52-Department of Chemicals and Petro-chemicals	15,61	10,78	4,83	30.9
3.	76-Stationery and Printing	75,99	57,64	18,35	24.1
4.	34-Department of Revenue	70,66	55,46	15,20	21.5
5.	53-Department of Public Enterprises	24,49	19,23	5,26	21.5
6.	69-Surface Transport	35,65	28,08	7,57	21.2
			Capital		
7.	4-Department of Rural Development	0,30	..	0,30	100
8.	48-Art and Culture	20,50	1,08	19,42	94.7
9.	56-Ministry of Labour	0,72	0,07	0,65	90.3
10.	34-Department of Revenue	1,44	0,27	1,17	81.2
11.	35-Direct Taxes	120,00	33,17	86,83	72.4
12.	22-Ministry of Environment and Forests	2,94	1,02	1,92	65.3
13.	9-Ministry of Communications	1,60	0,58	1,02	63.8

1	2	3	4	5	6
14.	7-Department of Commerce	194,30	96,16	98,14	50.5
15.	23-Ministry of External Affairs	93,00	49,85	43,15	46.4
16.	43-Police	183,91	102,69	81,22	44.2
17.	82-Department of Ocean Development	2,86	1,79	1,07	37.4
18.	78-Ministry of Welfare	0,85	0,63	0,22	25.9
19.	64-Department of Science and Technology	36,98	27,71	9,27	25.1
20.	79-Atomic Energy	497,52	375,40	122,12	24.5
21.	37-Department of Food	124,85	94,33	30,52	24.4
22.	70-Roads	486,34	382,62	103,72	21.3
23.	46-Department of Education	1,19	0,95	0,24	20.2
24.	25-Currency, Coinage and Stamps	200,09	160,08	40,01	20.0

APPENDIX III

(Vide Paragraph 34)

Statement showing losses, irrecoverable revenues, duties, advances, etc. written off/ waived and ex-gratia payments made during 1988-89

(Amounts in lakhs of rupees)

Name of Ministry/ Department	Write off losses, irrecoverable revenues, duties, advances etc.									
	Due to failure of system		Due to neglect fraud etc. on the part of individual Government officials		Due to other reasons		Waiver of recovery		Ex-gratia payments	
	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Agriculture					2	0.09				
Atomic Energy					6	1.39				
Commerce									937	209.75
Energy					23	12.38				
Finance					4	0.73				
Food							1	0.19		
Home Affairs					3	0.28				
Industry					1	0.09				
Information and Broadcasting	5	0.24	1	0.10	4	1.12				
Space					16	17.26				
Steel and Mines					1	0.03				
Urban Development			1	0.07			1	0.05		
Total	5	0.24	2	0.17	60	33.37	2	0.24	937	209.75

Note :- Information from Director of Audit Defence Services, New Delhi, two Accountants General and five Controllers of Accounts and Accounts Officer, Lok Sabha Secretariat has not been received.

APPENDIX IV

(Vide Paragraph 35)

Summarised financial results of Departmentally managed Government Undertakings

(In lakhs of rupees)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss (-)	Interest on Government capital	Total return	Percentage of total return to mean capital	Remarks
1	2	3	4	5	6	7	8	9	10	11
	Ministry of Agriculture									
1.	Delhi Milk Scheme	1983-84	1132.93	440.00	668.13	(-)906.47	85.88	(-)820.59	-	
2.	Ice-cum-Freezing Plant, Cochin	1985-86	39.74	39.24	30.87	(-) 11.50	0.02	(-) 11.48	-	
	Ministry of Defence									
3.	Canteen Stores Department @	1986-87	48.00	271.39	283.79	(+)1767.13	525.51	2292.64	41.66	
	Ministry of Energy									
4.	Electricity Department, Andaman. @	1987-88	1762.07	1475.78	286.29	(-)790.03	134.89	(-)655.14	-	
5.	Electricity Department, Lakshadweep.	1982-83	185.80	110.57	36.76	(-) 64.04	8.11	(-)55.93	-	
	Ministry of Enviornment and Forest									
6.	Forest Department, Andaman and Nicobar Islands	1982-83	196.75	196.75	50.91	(+)296.36	51.38	(+)1067.29	147.5	
	Ministry of Finance									
7.	India Security Press Nasik Road	1987-88	3726.89	3195.78	574.70	(-)573.94	689.68	(+)115.74	1.51	
8.	Security Printing Press, Hyderabad	1987-88	686.24	562.25	129.02	(+)181.24	111.69	292.93	42.69	Figures based on the unaudited accounts
9.	Currency Note Press Nasik Road	1987-88	4043.89	3647.36	557.22	(+)1025.45	1567.79	(+)2593.24	14.89	-do-
10.	Government Opium Factory Ghazipur	1985-86	114.19	25.35	20.63	(+)80.54	305.45	385.99	10.11	Block assets exclude capital work in progress of Rs.68.22 lakhs

1	2	3	4	5	6	7	8	9	10	11
11.	Government Opium Factory, Neemuch	1986-87	190.60	157.09	12.00	(+)8.43	219.90	228.34	8.62	Figures based on the unaudited accounts.
12.	Government Alkaloid Works, Neemuch	1986-87	424.64	228.51	91.53	(-)53.85	89.02	25.17	2.70	-do-
13.	Government Alkaloid Works, Ghajipur	1985-86	114.89	12.47	14.76	(-)72.86	29.13	(-)43.73	-	Block assets exclude capital work in progress of Rs.84.93 lakhs
14.	India Government Mint, Bombay	1983-84	29.89	516.46	25.22	(+)1561.18	193.32	(+)1754.50	63.98	
15.	India Government Mint, Calcutta	1986-87	299.00	211.00	255.00	(+)268.00	327.00	695.00	-	
16.	India Government Mint, Hyderabad	1986-87	1583.69	452.16	135.62	(+)2200.33	22.97	2223.30	140.39	Figure based on the unaudited accounts
17.	Assay Department, Bombay	1980-81	13.00	12.76	0.32	(+)8.04	0.43	(+)8.47	119.85	
18.	Assay Department, Calcutta	1985-86	0.74	0.24	0.03	(+)2.00	-	2.00	-	
19.	Silver Refinery, Calcutta	1985-86	59.00	0.12	0.32	(-)11.00	192.00	181.00	-	
20.	Bank Note Press, Dewas	1984-85	3419.41	1858.22	672.22	(+)279.52	250.70	530.22	15.51	
21.	Security Paper Mill, Hoshangabad @	1973-74	1072.07	685.80	386.31	(-)86.29	38.42	(-)47.87	-	
	Ministry of Health and Family Welfare									
22.	Central Research Institute, Kasauli	1985-86	206.79	12.41	15.63	(+)4.96	15.74	(+)92.35	Awaited	
23.	Medical Store Depots @	1977-78	64.54	45.40	28.12	(+)43.45	$93.87	(+)137.32	8.05	($) This represents interest on Government capital, accounted for in the consolidated Profit and Loss Accounts of Medical Store Depots, Profit and Loss Account

1	2	3	4	5	6	7	8	9	10	11
										of Factories attached to the Medical Store Depots and Workshop Accounts.
24.	Vegetable Garden of the Central Institute of Paychiatry, Kanke, Ranchi:	1984-85	0.31	0.27	0.04*	(-) 0.11	0.02	(-)0.09	-	
	Ministry of Information and Broadcasting									
			Capital Assets							
25.	All India Radio	1981-82	7294.57	4538.03	2756.54	(-)2589.92	327.18	(-)2262.74	-	Figures based on un-audited accounts.
26.	Radio Publication, All India Radio	1984-85	582.17**	-		(-) 62.28		(-) 62.28	-	**Figures based on Government current account as on 31.3.85
				Revenue Assets						
				0.63	0.09*					
27.	D.G.Doordarshan, New Delhi	1976-77	2545.61	2026.43	519.18	(-) 575.45	117.88	(-)457.57	-	Figures based on the un-audited accounts.
28.	Commercial Sales Service Doordarshan	1976-77	-	0.14	-	(+) 57.62	-	(+) 57.62	-	Figures based on the unaudited accounts.
		Revenue Assets								
29.	Films Division, Bombay	1983-84	416.16	245.14	246.80	(-) 83.20	47.61	(-) 35.59	-	(i) Due to change in accounting method from 1983-84 net loss has been arrived at after taking into account revenue in respect of supply of prints made to Directorate of Field Publicity and National revenue (Rs.19.81 lakhs) for free supply of prints to State Governments. (ii) Net loss calculated after excluding adjustments relating to

1	2	3	4	5	6	7	8	9	10	11
										previous years. (iii) Compilation of proforma accounts for 1984-85 is in arrears.
30.	Commercial Broadcasting Service, All India Radio	1982-83	167.21	86.17	81.04	(+)1074.70	-	(+)1074.70	-	Figures based on the unaudited accounts.
	Ministry of Transport									
31.	Lighthouses and Lightships Department @	1985-86	3545.62	2943.64	669.77	(-) 14.67	116.74	102.07	2.77	
32.	Shiping Department, Andaman and Nicobar Islands.	1972-73	43.58	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	
33.	Ferry Service, Andaman	1981-82	195.85	128.16	67.69	(-) 84.48	3.23	(-) 81.25	-	Figure based on unaudited Accounts.
34.	Marine Department (Dock-Yard) Andaman and Nicobar Islands	1981-82	6.11	4.34	1.77	(-) 26.35	12.61	(-) 13.74	-	
35.	Chandigarh Transport Undertaking, Chandigarh	1987-88	859.90	623.92	107.91	(-) 292.82	69.29	(-)223.53	-	
36.	State Transport Service, Andaman and Nicobar Islands	1977-78	35.87	16.05	50.05	(-) 21.03	1.64	(-) 19.39	-	
	Ministry of Urban Development									
37.	Department of Publications, Delhi.	1980-81**								
38.	Government of India Presses.	1980-81 @								

** The new normative pricing policy has been introduced and the question of simplification of Proforma accounts and the preparing of Manufacturing accounts, Profit and Loss accounts, Balance Sheet, etc., have been kept in abeyance by the Ministry.

@ Proforma Accounts have not been prepared according to the revised procedure prescribed in the Ministry of Finance O.M. No. F.1(35)/B/71 dated 23.1.1974.

* Depreciation for the year only.

E R R A T A

Page	Column	Line	For	Read
2	1	9th	Rs. 1 crore for	Rs. 1 crore. For
14	4	6th from bottom	Transations	Transactions
72	1	21st	suitbale	suitable
76	1	8th	infurctuous	infructuous
76	1	29th	requirments	requirements
85	1	8th	palnt	plant