







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

for the year ended March 2003

**Union Government  
Transaction Audit Observations  
No.2 of 2004**

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## PREFACE

This Report for the year ended March 2003 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts of the Union Government for the financial year 2002-03 have been included in Report No. 1 of 2004. This Report includes matters arising from test audit of the transactions of Civil Ministries including the Department of Posts and Telecommunications and a review on 'Wireless Planning and Coordination Wing, Spectrum Management and Monitoring System'.

Matters arising from performance audit of some of the Centrally Sponsored/ Funded Schemes of the ministries and departments are dealt with in Report No. 3, No.14 and No.15.

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

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2002-03. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to April 2003 in a few cases have also been mentioned, wherever available and relevant.

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## OVERVIEW

This Audit Report contains audit observations emerging out of the transaction audit in the Civil Ministries including the Departments of Posts and Telecommunications and their field offices. The audit observations on the accounts of the Union Government (excluding Railways) are incorporated in Report No.1 of 2004.

### **Wireless Planning and Coordination Wing, Spectrum Management and Monitoring System**

- Wireless Planning and Coordination (WPC) wing in the Ministry of Communications and Information Technology is the sole nodal agency of Government of India for regulating the use of the radio frequency spectrum and issue/renewal of licences for the users.
- The WPC wing failed to renew the licence and realise licence fee and royalty of Rs. 51.88 crore because of deficient maintenance of records. Rs. 162.93 crore were outstanding against private service providers due to authorisation of frequency without recovery of spectrum charges in advance.
- WPC wing could not recover outstanding dues of Rs. 1553.61 crore from MTNL and BSNL.
- Financial Bank Guarantee amounting to Rs. 106.64 crore required to be recovered from cellular mobile operators were not obtained.
- Nine Basic service providers were authorised to start service without valid licence. Licence fee and royalty amounting to Rs. 8.52 crore were outstanding from two service providers in seven circles.
- High frequency direction finding system amounting to Rs. 2.89 crore provided for International Monitoring Station was lying unutilised. In addition, wasteful expenditure of Rs. 1.06 crore on procurement of defective HFDF system was incurred.
- Government of India obtained World Bank loan of US \$ 62 million for upgradation of monitoring system. Due to delay in placement of equipment the commitment charges amounting to Rs. 32.81 lakh were due for payment.

*(Paragraph 1.1)*

### **Irregular fixation of pay**

Irregular fixation of pay on promotion from Junior Telecom Officer (JTO) to sub-divisional Engineer (SDE) was extended to JTO on lateral promotion as well as during their vertical promotion to SDE's. This resulted in excess payment of Rs. 5.76 crore in nine circles.

*(Paragraph 1.2)*

**Non realisation of licence fee and royalty of Rs 4.05 crore for privately owned VSAT systems and dedicated radio links.**

Failure of CGMsT, Tamil Nadu and Rajasthan Telecom circles and Kolkata Telephones to issue demand notes for privately owned VSAT systems and dedicated radio links led to non-realisation of licence fee and royalty of Rs. 4.05 crore.

*(Paragraph 1.3)*

**Non realisation of royalty charges**

Failure of the Chief General Manager, Kolkata Telephones to issue bills for royalty charges to the Calcutta Electric Supply Corporation Limited for using Optical fibre cable, resulted in non-recovery of Rs. 1.28 crore.

*(Paragraph 1.4)*

**Non recovery of non-returnable contributions (NRC) amounting to Rs. 20.89 crore**

Department had opened a number of extra departmental sub offices (EDSO) and extra departmental branch offices (EDBO) on non-returnable contribution (NRC) basis, but neither did the department realise the NRCs in advance nor were the same recovered as arrears from the State Government or the party on whose demand the post office was opened. This resulted in the non-recovery of NRCs of Rs. 20.89 crore as of September 2003.

*(Paragraph 1.6)*

**Procurement of computers in Department of Posts**

- DoP procured 1000 computers for Rs. 10.14 crore during 2000-01 on outright purchase without obtaining approval of EFC thus violating the laid down purchase procedure. Minister of Communications and Information Technology turned down the proposal for ex-post-facto approval in February 2002, hence expenditure of Rs. 10.14 crore during 2000-01 remained unapproved.
- DoP had not recovered liquidated damages charges from M/s HECL amounting to Rs. 88.92 lakh for delay in installation and commissioning of 62 VSATs alongwith related equipments.

*(Paragraph 1.7)*

**Idle investment of Rs. 1.60 crore**

- DoP placed purchase order for procurement of application software for material management for Postal Stock Depots in June 1999 to M/s Educational Consultants India Limited (EDCIL) at Rs. 11.20 lakh. Due to acceptance of application software with errors, the hardware procured during 1999-2002 for Rs. 1.60 crore could not be utilised.

*(Paragraph 1.9)*



### **Business Post activity of the Business Development Directorate**

- In Karnataka, Kerala and Tamil Nadu circles, the matching and manual addressing, collection, folding, gumming and special handling charges collected were less than the charges fixed, which resulted in short/non-recovery of Rs.14.27 lakh
- In Karnataka and Kerala Circle the postage charges for bulk mailers under Business Post were short collected to the extent of Rs.13.54 lakh.
- In Andhra Pradesh, Bihar, Delhi, Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu circles Rs. 1.38 crore was outstanding against Business Post customers for the services rendered during 1999-2003.
- The revenue generated under the Business Post was inflated by Rs. 201.29 crore on account of improper accounting.

*(Paragraph 1.10)*

### **Unfruitful expenditure under Panchayat Sanchar Seva Yojana**

Madhya Pradesh, Rajasthan, Andhra Pradesh, Orissa, North East, Haryana, Punjab and Chattisgarh circles had PSSKs ranging from 2 to 171 which had no business throughout the year during the period from April 1999 to March 2003. Directorate did not fix any minimum standard as referred in the departmental instructions. The department incurred a sum of Rs. 53.20 lakh on the payment of fixed allowance to these agents who had 'nil' business throughout the year.

*(Paragraph 1.11)*

### **Irregular payment of interest**

Twenty one post offices in Bihar, Jharkhand, Orissa, Rajasthan, Uttar Pradesh and West Bengal circles paid higher interest on MIS deposits made beyond the prescribed limit. In addition they paid bonus and commission to the small savings agents who had mobilised these accounts. The failure of these Postmasters to follow departmental rules and failure of the monitoring system to keep proper checks resulted in excess payment of interest, bonus and commission aggregating to Rs. 35.16 lakh.

*(Paragraph 1.12)*

### **Issue of Kisan Vikas Patra in contravention of rules and resultant irregular payment of interest**

In contravention of Post Office Kisan Vikas Patra (KVP) Rules 1988, Postmaster Bilaspur Head Post Office under Chattisgarh circle issued KVPs in the name of institutions. This led to irregular payment of interest of Rs. 20 lakh in September 2002.

*(Paragraph 1.13)*



## **Ministry of External Affairs**

### **Avoidable expenditure on hiring of temporary accommodation for High Commissioner at London.**

High Commission of India, London hired a temporary accommodation in November 1998 to accommodate the High Commissioner during the renovation of the Embassy Residence. The total period of hire was 28 months. In disregard of norms of financial prudence, the Mission/Ministry did not synchronise the hiring of accommodation with the status of the renovation project as of November 1998 or the expected date of commencement of renovation. This resulted in an avoidable expenditure of Rs. 1.71 crore for a period of 11 months prior to the award of renovation work in October 1999.

*(Paragraph 2.2)*

### **Undue benefit to officials of the Embassy of India, Rome**

The Ministry issued specific order for each approved school patronised by the Mission's officials in Rome for payment of the entire fee by the Government with some percentage of recovery from the officials. Audit scrutiny revealed that the Mission at Rome made payment of inadmissible lunch and transportation charges of children of India-based officials on the basis of false certificates given by the Mission that lunch and transport charges were not separately ascertainable and were included in the tuition fee. This resulted in unintended benefit of Rs. 79.26 lakh to the officials from April 1998 to March 2003.

*(Paragraph 2.4)*

### **Unauthorised expenditure due to lease of vehicle without sanction**

The Embassy of India, Washington retained a car taken on lease since May 2000 in violation of the Ministry's specific directions and incurred an unauthorised expenditure of US\$ 93860.54 equivalent to Rs. 44.59 lakh.(US\$ 23932.82 towards monthly lease/rental charges of car and US\$ 69927.72 towards payment of pay and allowances to the local chauffeur as of March 2003).

*(Paragraph 2.7)*

### **Injudicious retention of vacant accommodation**

High Commission of India, Male continued to retain the leased residence of High Commissioner of India beyond the permissible period of 90 days even when the post remained vacant. The avoidable expenditure incurred by Ministry from January 2001 till the new High Commissioner joined in January 2003 was Rs. 39.71 lakh.

*(Paragraph 2.8)*

### **Delay in development of a property**

High Commission of India, London acquired a property at 8 South Audley Street in Central London on a 99-year lease in 1949. The property consisted of a listed main building and an annex. The High Commission of India demolished the annex building in 1988 without the approval of the Ministry in order to construct flats for India-based personnel. The Ministry/Mission mismanaged and delayed the construction of the proposed flats on the site of the erstwhile annex. Indecision and lack of planning in utilising the prime land led to an avoidable annual recurring payment of rent of Rs. 1.29 crore on hiring of six residences planned for construction in the vacant space.

*(Paragraph 2.9)*

### **Delay in disposal of vacant property**

Delay in taking decision by the Ministry of External Affairs on disposal/utilisation of vacant building at Aden owned by Embassy of India, Sana's resulted not only in steady deterioration in its condition but also in the loss of rent of Rs. 16.96 lakh.

*(Paragraph 2.10)*

### **Irregular payment of gardener's wages**

Although the rent of Embassy Residence at Muscat was inclusive of maintenance of garden and the garden was also maintained by the agency representing the landlord, Rs. 5.74 lakh was irregularly claimed by the Ambassador and reimbursed to him as wages of gardener employed by him for maintaining the garden.

*(Paragraph 2.13)*

### **Ministry of Health and Family Welfare**

#### **Avoidable extra expenditure on procurement**

The Ministry of Health and Family Welfare procured 9.6 lakh pieces of Copper T at higher rate, which resulted in avoidable extra expenditure of Rs. 56.54 lakh.

*(Paragraph 4.1)*

#### **Irregular payment of allowances to employees**

The All India Institute of Hygiene and Public Health, Kolkata incorrectly paid allowances amounting to Rs. 30.61 lakh flouting the Ministry's directive.

*(Paragraph 4.2)*



## **Ministry of Home Affairs**

### **Avoidable expenditure**

Failure of Subsidiary Training Centre, Border Security Force, Bangalore to reassess its requirement of electric power despite its regular consumption being much below the sanctioned power load resulted in avoidable expenditure of Rs. 14.83 lakh.

*(Paragraph 5.1)*

## **Ministry of Human Resource Development**

### **Excess release of central assistance**

Ministry of Human Resource Development, Department of Secondary and Higher Education failed to restrict the claim of the Government of Gujarat for Central Assistance under the scheme 'Vocationalisation of Secondary Education' according to the guidelines of Planning Commission which provide that expenditure on staff engaged under centrally sponsored schemes involving phased coverage will become committed non-plan expenditure liability of the State Government from the next plan period. This resulted in excess release of central assistance of Rs. 34.75 crore to the State Government.

*(Paragraph 6.2)*

### **Idling of unspent grant**

The Ministry of Human Resource Development, Department of Secondary and Higher Education failed to recover/adjust the unspent balance of financial assistance of Rs. 14.38 crore released under the centrally sponsored scheme of "Educational Technology Programme" to Punjab, Andhra Pradesh and Tamil Nadu. This resulted in idling of funds for periods ranging from 3 to 10 years.

*(Paragraph 6.3)*

## **Ministry of Urban Development and Poverty Alleviation**

### **Avoidable expenditure due to inefficient contract management**

Central Public Works Department's failure to provide drawings and designs, to convey decisions and to award electrical works concurrently with civil works delayed completion of the multi-storeyed buildings for Geological Survey of India at Salt Lake, Kolkata. Consequently there was avoidable expenditure of Rs. 4.98 crore towards payment of escalation and rent for the hired premises, beyond the stipulated period of completion of the project.

*(Paragraph 12.2)*

**Ministry of Water Resources**

**Infructuous expenditure on construction of buildings for Primary School and Primary Health Centre**

Buildings constructed for providing medical care and educational facilities to employees at a cost of Rs. 51.95 lakh by Central Water and Power Research Centre, Pune remained unutilized due to lack of proper planning, resulting in unfruitful expenditure.

*(Paragraph 13.1)*

**Union Territories**

**Under-utilisation of desalination plant**

The Andaman Public Works Department did not assess the adequacy of power supply and demand for treated water in Chowra Island before installation of a desalination plant, which resulted in under-utilisation of the plant and consequential injudicious expenditure of Rs. 19.68 lakh apart from running and maintenance cost of Rs. 2.14 lakh.

*(Paragraph 15.2)*





## CHAPTER I : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

### 1 Department of Telecommunications

#### Background

In 1948 India had 0.1 million telephone connections with a telephone density of about 0.02 telephones per hundred population. Since then the number of telephone connections have risen to 45.6 million with a telephone density of 5.72 telephones per hundred population by 31 August 2003.

#### Administration and Control

The Telecom Commission and the Department of Telecommunications (DoT) are responsible for policy formulation, licencing, wireless spectrum management, research and development, standardization/ validation of equipment and administrative monitoring of Public Sector Undertakings (PSUs) engaged in telecommunication services. The Department of Telecommunications was manned by 1700 officers/officials (Group A – 336, Group B – 311, Group C – 825 and Group D – 228) as on 31 March 2003.

#### Development in telecom sector

The process of entry of private operators in providing telecommunication services in India commenced in 1992. Apart from privatizing basic telephone services Government also decided to introduce a number of value added services through private operators, such as cellular mobile telephones, radio paging, e-mail, internet, closed user groups (CUG), etc., which add to the value of the existing basic telephone services.

As of 31 March 2003, unrestricted entry has been allowed in basic services on revenue sharing basis. All telecom services have been opened up for private sector participation. National and international data connectivity has been opened to all and Internet services have also been opened up without any restriction on the number of entrants and without any entry fee.

Private service providers brought with it the inevitable need for independent regulation. Telecom Regulatory Authority of India (TRAI), therefore, was established with effect from 20 February 1997 by an Act of Parliament called Telecom Regulatory Authority of India Act, 1997, to regulate the telecom

services, including fixation/revision of tariffs for telecom services, a function, which was earlier vested in the Central Government. With effect from 24 January 2000 the adjudicatory and disputes functions were separated from the TRAI by establishing a Telecommunications Dispute Settlement and Appellate Tribunal (TDSAT). TDSAT adjudicates any dispute between a licensor and a licensee, between two or more service providers, between a service provider and group of consumers, and to hear and dispose of appeals against any direction, decision or order of TRAI.

### **Wireless Planning and Coordination Wing**

With a view to regulate the use of radio frequency spectrum, a scarce natural resource, the Wireless Planning and Coordination (WPC) wing was created under the Ministry of Communications in 1952.

A Review on the functioning of the Wireless Planning and Coordination wing and monitoring stations has been included in this Audit Report.

#### **1.1 Wireless Planning and Coordination Wing, Spectrum Management and Monitoring System**

**The Wireless Planning and Coordination (WPC) Wing set up in 1952 in the Ministry of Communications, is the sole nodal agency of the Government of India for administering the use of the radio frequency spectrum and issue/renewal of licences for the users. Even after being in operation for more than 50 years the WPC wing failed to evolve a systematic procedure for maintenance and upkeep of records, building of databank of users to monitor issue of licences, usage of frequency spectrum and realization of licence fee / royalty. This resulted in substantial outstanding of dues and default in renewal of licences in respect of different users. Moreover, the WPC wing failed to modernise its operations, primarily because of procedural delays in finalisation of procurement of equipment and delay in dispatch of equipment to the wireless monitoring stations.**

**Similarly, the Wireless Monitoring Organisation (WMO) failed to effectively monitor the use of radio frequencies due to deficient record maintenance and poor coordination between different functionaries of WPC wing, non existence of internal control system and inaction on infringement reports and default reports. WMO also failed to issue dealers' possession licences and as a result its control on sale of equipment using radio frequencies remained weak. Poor infrastructure in terms of upgraded frequency tracking system, poor maintenance of existing equipment and non introduction of new technology compounded the ineffectiveness.**



## Highlights

Failure in maintaining proper records by the WPC entailed belated and non-renewal of licences. This led to non realization of licence fee and royalty of Rs. 51.88 crore on non-renewal alone.

WPC failed to issue valid licence after issue of letter of authorization of frequency to Private Cellular Services Providers. This resulted in non-recovery of advances leading to heavy outstanding of Rs. 162.93 crore. Similarly, in the case of Basic Service Providers, the outstanding amount was Rs. 8.52 crore, excluding penalty proceedings.

Inaction by WPC to issue valid licence of frequency to MTNL and BSNL over substantial periods, resulted in short/non-recovery of Rs. 1553.61 crore.

Mandatory Financial Bank Guarantees were to be obtained from cellular mobile operators. This was not adhered to by the WPC. The amount involved was Rs. 106.64 crore.

Failure of the WPC in reconciling the Estimated Gross Revenue with the Audited Gross Revenue in respect of Cellular Mobile Telephone Operators led to short realization of spectrum charges of Rs. 4.49 crore.

Inaction by the WPC to address the infringement reports submitted by the Monitoring Stations led the unauthorized users to go 'scot-free', apart from causing interruption to the services provided to the valid licensees.

### Wireless Monitoring Stations:

Effective monitoring of the use of radio frequencies by several service providers was adversely affected by installation of faulty and by non-installation of equipment already procured; shortage of equipment as well as by not-upgrading of equipment. Consequently, unauthorized use of such frequencies could not be detected.

Monitoring Stations also failed to inspect dealers' premises to ensure that the stock (wireless equipment) held by them had been declared to the Monitoring Station authorities and that the sale was only to those who were in possession of either a licence or a letter of authority.

The progress of the World Bank assisted project for modernization of WPC wing remained abysmally slow.

### **1.1.1 Introduction**

In order to regulate the use of radio frequency spectrum, a scarce natural resource, the Wireless Planning and Coordination (WPC) wing was created under the Ministry of Communications and Information Technology in 1952. WPC wing has the mandate to bring about an orderly utilisation of radio frequency (RF) spectrum in the country. WPC wing also serves as the nodal agency of the Government of India to deal with the International Telecommunications Union (ITU) Geneva. It is the focal authority in the country for all national and international radio regulatory matters and policies. It is also the national nodal agency for Asia Pacific Tele-community (APT).

The Standing Advisory Committee for Frequency Allocation (SACFA) is responsible for clearance of sites for fixed wireless stations and for issue of identity (ID) numbers after examination of applications for their correctness and completeness. This Committee is composed of Chairman i.e. Secretary to the Government of India, Department of Telecommunications (DoT) and Members, namely the Wireless Advisor to the Government of India, Engineers-in-Chief, All India Radio and Doordarshan, representatives from the three Defence services, Railways, Airport Authority, Department of Space, BSNL VSNL, Department of Meteorology, Oil and Natural Gas Commission, Ministry of Communications and Information Technology, National Informatics Centre.

### **1.1.2 Spectrum Management**

Spectrum management or the management of radio frequencies, is the combination of administrative and technical procedures necessary to ensure the effective operation of radio telecommunication services. The usable spectrum is limited because of technological constraints. Usable bands of frequencies have been identified between 9 KHz and 1000 GHz.

The Indian Telegraph Act, 1885, the Indian Wireless Telegraphy Act, 1933 and related rules and procedures provide the legal basis for spectrum management. The Indian Wireless Telegraphy Act, 1933, provides that no person can possess wireless telegraphy apparatus except in accordance with a licence issued under the Act. Any one who possesses any wireless telegraphy apparatus, other than wireless transmission apparatus, in contravention of the provisions of the Act, is punishable with fine which may extend to Rs. 100 (in case of first offence) and to Rs. 250 in case of second or subsequent offences. Possession of any wireless transmitter in contravention of provisions of the



Act is punishable with imprisonment, upto three years or with fine which may extend to Rs. 1000, or both.

### **1.1.3 National Frequency Allocation Plan — Procedure for allotment of spectrum**

To ensure rational, optimal, efficient and economical use of spectrum for equitable access to all users and effective functioning of a large variety of radio communication networks in an interference-free radio environment, the New Telecom Policy, 1999 (NTP 99) envisaged the National Frequency Allocation Plan –2000 (NFAP-2000) within the overall framework of the International Telecom Union (ITU). This plan, effective from 1<sup>st</sup> January 2000, catered for newly emerging techniques, taking into account spectrum requirements of the government as well as private sector. The Plan was to be updated biennially. Presently the National Frequency Allocation Plan – 2002 is in operation.

### **1.1.4 Mechanism of licencing**

In order to administer the use of radio frequencies, the licences/renewal for use of wireless equipment and the frequencies are authorised by WPC wing, New Delhi. The licences have been categorized as Private (P), Aero Mobile (A), Govt. Department (G), Maritime (S), PSUs (L), Radio Paging (RP), Experiment (Exp.) and Upper Short Rays (USR). The licences are granted for a specified period on payment of prescribed licence fee and royalty in advance and are renewed after expiry of the validity period.

Letters of Intent in respect of government licensees, namely, Police organisations, meteorological department, Indian Railways, Central and State Governments, are required to be issued in about five weeks. In respect of private licensees and individuals they are required to be issued within 10 to 12 weeks.

Licence fee and royalty charges are fixed with reference to:

- (a) maximum radio link distance : below 5 kms, 5 to 60 kms, 60 to 120 kms, 120 to 500 kms and above 500 kms
- (b) number of stations
- (c) number of frequency spots used.

The calculations of licence fee/royalty require maintenance of systematic record, updation of data and periodical review of licence fee and royalty with change in the above variables.

#### **1.1.5 Organisation**

The WPC wing is headed by the Wireless Advisor under the overall supervision of the Secretary, Ministry of Communications and Information Technology. He is assisted by four Joint Wireless Advisors, seven Deputy Wireless Advisors and twenty Assistant Wireless Advisors. The Wireless Monitoring Organisation (WMO) is a field organisation of WPC wing headed by a Director having 21 monitoring stations, four microwave mobile monitoring terminals, five radio noise survey units, ten inspection units, one training and development centre and one satellite monitoring earth station at Jalna (Maharashtra) with the objective to provide an interference-free wireless communications environment and to provide proper assistance to the national as well as international users of radio communications.

#### **1.1.6 Scope of Audit**

Audit conducted a review of the records of Wireless Planning and Coordination wing at Telecom Directorate, New Delhi, Director, Wireless Monitoring Organisation, New Delhi and 21 monitoring stations all over India, during April to June 2003 covering the five years from 1998-99 to 2002-03. The objective of the review was to examine the effectiveness of operation of the WPC wing and the Wireless Monitoring Organisation.

#### **1.1.7 Budget control — Savings in allotment**

The allocation of budget in the Wireless Planning and Coordination wing primarily caters to two functions (a) modernisation activities and (b) administrative functions. Audit noted that during the five years, out of Plan budget of Rs. 201.55 crore, revised estimates were reduced to one third of the budget estimates (BE), and actual expenditure was less than one *per cent* of BE, as detailed in the table below:



### Wireless Planning and Coordination (WPC)

(Rupees in crore)

Year	Plan						Non Plan			
	BE	RE	Actual Expenditure	Savings(-) Excess(+)	Percentage utilisation	Percentage Savings	BE	RE	Actual Expenditure	Savings(-) Excess(+)
1998-99	0.00	0.50	0.00	(-) 0.50	0	100	1.75	1.90	1.88	(-)0.02
1999-00	0.50	0.50	0.17	(-) 0.33	34	66	2.00	2.15	1.88	(-)0.27
2000-01	5.00	1.50	0.00	(-) 1.50	0	100	2.37	2.37	2.53	(+)0.16
2001-02	95.00	27.33	0.33	(-) 27.00	1	99	2.53	2.09	2.05	(-)0.04
2002-03	101.05	38.62	0.41	(-) 38.21	1	99	2.16	2.32	17.13	(+)14.81
Total	201.55	68.45	0.91	(-) 67.54	1.33	98.67	10.81	10.83	25.47	(+)14.64

There was a sharp increase in plan allocations in the BE from 2001-02 onwards, however actual expenditure remained below 0.5 per cent of BE. The non-plan expenditure was significantly above the BE./RE after 2001-02.

The Ministry stated in its reply in January 2004 that the savings in the Plan expenditure during 2001-02 and 2002-03 were due to delay in implementation of the World Bank assisted ASMS project.

For the Monitoring activities too, the plan expenditure was only 48 per cent of the RE during 1998-2003 as indicated in the table below:

### Wireless Monitoring Organisation (WMO)

(Rupees in crore)

Year	Plan						Non Plan			
	BE	RE	Actual Expenditure	Savings(-) Excess(+)	Percentage utilisation	Percentage Savings	BE	RE	Actual Expenditure	Savings(-) Excess(+)
1998-99	4.95	4.85	4.44	(-) 0.41	92	8	7.15	7.48	6.52	(-)0.96
1999-00	6.60	6.60	0.35	(-) 6.25	5	95	7.70	7.89	6.93	(-)0.96
2000-01	9.05	7.40	4.32	(-) 3.08	58	42	8.68	8.68	8.69	(+)0.01
2001-02	8.60	0.55	0.26	(-) 0.29	47	53	9.00	8.73	7.11	(-)1.62
2002-03	0.25	0.25	0.09	(-) 0.16	36	64	8.87	9.18	7.32	(-)1.86
Total	29.45	19.65	9.46	(-) 10.19	48	52	41.4	41.96	36.57	(-)5.39

The Ministry stated that the procedural delay occasionally observed was due to non-availability of suitable tenders due to stringent specifications of the monitoring equipment and delay in supply by the manufacturer.

### Wireless Planning and Coordination wing

#### 1.1.8 Non maintenance of record and inadequate control

The WPC wing of the Ministry of Communications and Information Technology is the regulatory agency responsible for radio frequency spectrum management including licensing. WPC wing grants wireless licences under Section 4 of the Indian Telegraph Act, 1885, for operating captive radio communications stations in the fixed/land lines, land mobile/maritime mobile and aeronautical services. Apart from this, WPC wing is required to renew

licences, reallocate surrendered frequencies and act upon infringement reports received from the monitoring stations. To discharge these responsibilities WPC wing is required to maintain systematic basic record containing relevant details in respect of all users. It should also have a mechanism for periodic updating of records, review of licences, detection of unauthorized use and enforcement of penal action against defaulters.

Audit observed from the report (June 2000) of the Radio Spectrum International Consultancy Limited that:

- there was lack of a comprehensive database of the technical and administrative details of all users of different categories, preventing rapid retrieval of licensing or technical information such as channel occupancy, number of licences issued, licensees' details etc.
- WPC had not come up with an organised set up for systematic record keeping, maintenance of computerised frequency planning tools, facility to record cancelled frequency assignments, comprehensive licences database or records of licence income for each category of licensee. This adversely affected the effectiveness of WPC wing as well as the capability of monitoring by WMO.

Further analysis by Audit in this sphere disclosed the following disquieting features:

The Ministry in its reply stated in January 2004 that a proposal for the creation of an enforcement group for vigorous check/recovery of dues and taking penal action as under rules was under active consideration.

#### **1.1.9 Non-renewal of licences : failure to realize Rs. 51.88 crore**

A large number of licences had not been renewed by WPC wing for several years. Licence fee and royalty to the extent of Rs. 51.88 crore could not be realised from the users as per details given below:-

Category	Total No of licences as on 31-12-2002	No. of licences not renewed	Amount of non-billing (Rs. in crore)	Per cent of licences not renewed
Private (P)	5242	4683	28.31	89.3
Aero mobile (A)	391	172	0.03	44.0
Govt. (G)	545	197	7.40	36.1
Maritime (S)	1031	489	0.05	47.4
P.S.U.s (L)	2558	1619	15.53	63.6
Radio Paging (RP)	320	215	0.38	67.2
Experiment (Exp.)	NA	395	0.03	48.0
USR	957	319	0.14	33.4
<b>Total</b>		<b>8089</b>	<b>51.88</b>	



Percentage of non-renewal among different categories ranged from 33 to 89 *per cent*. As the Department failed to maintain complete and reliable data of licensees the actual extent of non-realisation of licence fee and royalty against actual use of spectrum by defaulters could not be identified.

The agewise analysis of the observed cases of non-renewal is given below;

Age wise	No. of cases	Percent
Pending for more than 5 year	1852	22.9
Pending for 2 to 5 years	1834	22.7
Pending for 1 to 2 years	4403	54.4
<b>Total</b>	<b>8089</b>	

Although the prescribed time to be taken even for issue of fresh licences was up to 12 weeks, almost a fourth of the cases were pending for over five years:

The Ministry in its reply in January 2004 stated that notices had been issued to majority of the defaulters, many of the licensees had since renewed their licences and some of the licensees had cancelled their licences due to non-use

#### **1.1.10 Inadequate action against defaulters**

The WPC wing failed to initiate necessary action to cancel licences of defaulters. Although there was a provision for penalty, the WPC wing did not take any action against the defaulters for un-authorized use of spectrum. Moreover, the quantum of penalty was meagre, did not work as deterrent against violation and delay in payment of dues/non-payment of dues. The provisions of licensing of cellular mobile operators and basic telecom service providers included penalty at the rate of 150 *per cent* of the defaulted amount with further provision of interest on penalty for delay in payment of dues. In comparison, WPC wing provided for a meagre amount of penalty upto Rs. 150 for each violation; even this nominal penalty was not realised. The department, over the years, had not only failed to formulate an effective enforcement mechanism but had also not revised the penalty to make it an effective deterrent. This benefited all except the Department.

In reply, the Department stated (April 2003) that it would take time to verify the figures brought out by Audit. It further stated that a case for creation of an enforcement group consisting of technical, legal and finance groups was under consideration.

The Ministry in its reply in January 2004 stated that the committee on spectrum pricing was examining the issue regarding penalty for delayed payments/renewal.

## **Short recovery/Non-recovery of dues**

### **1.1.11 MTNL — Rs. 89.11 crore**

Although MTNL came into existence as a Public Sector Undertaking in April 1986, it had neither obtained any valid licence from WPC wing for the use of spectrum nor cleared the outstanding dues payable to WPC wing. The WPC wing also did not take suitable action to recover the spectrum charges from MTNL for the last 15 years. Only in December 2001 did WPC wing make a reference to MTNL to seek details of frequencies/bands used. In April 2002, in the absence of complete data, WPC wing sought interim adhoc payment of Rs. 100 crore against spectrum charges due from 1986 onwards. Of this, MTNL paid an amount of only Rs. 5.89 crore up to March 2003.

### **1.1.12 BSNL — Rs. 1464.50 crore**

BSNL provided a summary to WPC wing of their microwave and UHF links in use as on 31 March 2002 in July 2002. WPC wing accordingly raised a demand for spectrum charges at the rate of Rs. 817 crore per annum excluding charges for WLL, cellular and V-SAT services. BSNL, however, did not agree with the claim made by WPC wing and paid only Rs. 578 crore as an adhoc payment up to March 2003 against a sum of Rs. 2042.5 crore for the period from October 2000 to March 2003. The case for recovery of spectrum charges from BSNL was still to be settled (July 2003).

Thus as a result of non-availability of complete data, WPC wing could neither work out the charges for licence fee and royalty nor could it recover outstanding dues, even from PSUs.

The Ministry in its reply stated that the issue of non-payment of WPC charges by MTNL and BSNL was being taken up at the highest level. It further stated that it was necessary to reconcile the wireless networks of these PSUs before effecting recovery from them. The MTNL after constant persuasion made payment of Rs. 7.38 crore during October 2003. The Ministry further stated that based on the summary of information of Wireless Network (as on 31 August 2002), submitted by BSNL, provisional spectrum charges for the period from 01 October 2002 to 31 March 2004 had been worked out. BSNL had been approached recently for settling the issue.



## **Grant of licence to Cellular Mobile/Basic Service providers**

### **1.1.13 Authorisation to start service without valid licence and without recovery of spectrum charges in advance: Rs. 162.93 crore outstanding**

DoT in 1995 entered into licence agreement with Cellular Mobile Telephone Service (CMTS) providers with the condition that a separate licence shall be required from the WPC wing of the Ministry of Communications and Information Technology, the authority which authorises utilization of appropriate radio frequency spectrum for establishment and operation of the CMTS.

Audit observed that out of 29 cellular operators operating in 24 circles, only 11 operators were granted licences by the WPC. The remaining 18 operators were providing service without any valid licence from WPC wing; thereby giving undue favour to these operators. Further, there was substantial delay ranging between 8 months and 5 years before the 11 Cellular operators were granted licences. They continued to operate services without valid licence during the intervening period.

Under the rules, royalty for use of spectrum should be paid in advance before grant of licence/commencement of service. The WPC wing, however, permitted even these 11 licensed CMTS providers to operate their services without payment of royalty in advance resulting in undue favour to operators. Also, for operators who paid the dues after substantial delay, no penal interest was charged on delayed payments.

In a test check of records pertaining to 29 cellular operators, Audit noted that as of March 2003 a sum of Rs. 162.93 crore was outstanding against them. This outstanding was the result of WPC wing's authorisation to the operators to operate services without obtaining licence fee and dues in advance. Out of this, a sum of Rs. 39.77 crore was outstanding against a single firm, M/s Koshika, which was operating services in 4 circles viz. Uttar Pradesh (East), Uttar Pradesh (West), Bihar and Orissa. The company discontinued their services in three circles during 1999 and in the fourth circle during 2002 without clearing the outstanding Government dues.

The Ministry in its reply in January 2004 stated that except for an amount of approximately Rs. 20 crore (from BPL) and Rs. 39.77 crore (M/s Koshika where the case was subjudice) spectrum fee from CMTS operators had been recovered so far.

#### **1.1.14 Financial bank guarantee not obtained – Rs. 106.64 crore**

DoT issued mandatory instructions in April 2002 for cellular operators to maintain a financial bank guarantee (FBG) equivalent to the estimated sum payable for two quarters towards the licence fee and other dues not otherwise securitised on year-to-year basis. However, the WPC wing had not taken FBG amounting to Rs. 106.64 crore from 14 cellular operators.

The Ministry stated that the WPC wing could not take adequate steps for FBGs due to lack of manpower especially pertaining to accounts and finance personnel. This issue was being taken care by the newly created Wireless Finance Division

#### **1.1.15 Non-reconciliation of dues outstanding against cellular mobile telephone operators**

The procedure for recovering spectrum charges for Global System for Mobile Communication (GSM) based cellular service was changed from fixed charge basis to revenue sharing basis with effect from August 1999. The operators were required to pay charges every quarter on estimated figures. The balance amount was settled, on the basis of audited figures of adjusted gross revenue (AGR). However, it was only in March 2002 that the WPC wing issued instructions to Cellular Service Providers to submit their audited AGR and estimated quarterly AGRs for the future.

While all the cellular service providers had submitted the audited AGR up to March 2002 to the licence fee (LF) wing of DoT, WPC wing failed to obtain the audited AGR returns from the LF wing to address its own requirement.

Further, a test check of eight audited AGR returns undertaken by Audit revealed that an amount of Rs. 4.49 crore for the period from August-October 1999 was due to be recovered from eight service providers. Thus, due to lack of efforts and coordination between different functionaries of the Telecom Department, the outstanding dues remained unrealized as of November 2003.

The Ministry in its reply in January 2004 stated that a clause for imposing penal interest for delayed payments was also introduced. Service providers were asked to submit the actual AGRs for the period from 1 August 1999 to 31 December 2001 i.e. for the backlog period. For the current and subsequent periods, the service providers were required to submit the estimated/actual/audited AGRs so as to ensure proper recovery on this account.



**1.1.16 Basic service providers authorised to start service without valid licence – Rs. 8.52 crore**

Similarly, in the case of basic service providers, Audit noted that eight service providers were operating services without obtaining valid licence from the WPC wing. The wing did not initiate any penal proceedings to arrest unauthorized use of frequency; this resulted in undue favour to private commercial users. The Department did not give any reasons for allocating frequencies to the basic service providers without valid licence. However, it stated in May 2003 that the service providers had been advised to fulfill all prerequisites for issue of licence including submission of all necessary documents complete in all respects.

Audit further noted that against two service providers namely Tata Teleservices Ltd and Bharti Telenet Ltd. in seven circles Rs. 7.24 crore against licence fee/ royalty for the period from the date of commissioning of their services to January 2003 and interest amount of Rs. 1.28 crore in the form of penalty was outstanding upto June 2003.

The Ministry in its reply in January 2004 stated that principal amount of licence fee/royalty including spectrum charges for wireless access had already been paid by all private service providers up to June 2003 except by Bharti Telenet for M.P. Circle for the period 1 January 2003 to 31 March 2003 for which they had requested for adjustment against the amount to be paid by DoT, as per Supreme Court Judgement.

**1.1.17 Wireless Monitoring Organisation**

WPC wing relies heavily on radio monitoring for ensuring lawful use of radio spectrum. The Wireless Monitoring Organisation (WMO), a field organization of the WPC wing, has 21 monitoring stations, 4 microwave mobile monitoring terminals, 5 radio noise survey units, 10 inspection units, one science and technology unit, one training and development centre and one satellite monitoring earth station at Jalna (Maharashtra) with the objective of providing interference-free wireless communication environment and proper assistance to the national as well as international users of radio communications. Monitoring alone is not sufficient for ensuring compliance with all the terms and conditions of licensing. To fill in the gap left out by monitoring, physical inspections of wireless installations are undertaken by engineers of inspection units to ensure that all wireless stations in the country are complying with the licensing conditions. Inadequacy of monitoring is brought out in the succeeding paragraphs.

## Deficiencies in Monitoring Stations

### 1.1.18 Non maintenance of licensing records and returns and inadequacy of inspections

The monitoring station should maintain a record of all licensed stations situated in its jurisdiction in a bound register, separately for each category of users. The record should be prepared on the basis of authorisations received from time to time from WMO Headquarters. Test check by Audit revealed that monitoring stations failed to maintain the basic essential records viz. register containing details of users, details of inspections of wireless stations and details of inspection of dealer's premises.

According to the guidelines, various types of wireless stations should be inspected once in a year. During test check (January 2001 to December 2002) of records of monitoring stations, Audit noted that inspections had not been conducted for periods ranging from five to eleven years.

The Ministry stated that non-availability of Inspection Engineers at various units during the last five years had resulted in not adhering to the frequency of inspections prescribed in the guidelines. Non-availability of vehicles for inspection as well as enough funds under travel expenses also made this task much more difficult.

### 1.1.19 Infringement Reports

Any deviation from the authorised /licensed parameters is classified as infringement. Cases noticed during monitoring were brought to the notice of users through infringement reports for rectification. Cases which were not rectified by the users despite repeated reminders, were sent to WPC wing, New Delhi. The number of infringements and unidentified operations\* noticed during static monitoring are given in the table below :

**Details of number of infringements / unidentified operations**

Sl. No	Name of monitoring station	1998-99		1999-2000		2000-01		2001-02		2002-03	
		Infringe-ments	Unide ntified operat -ions	Infringe -ments	Unide ntified operat -ions	Infringe -ments	Unide ntified operat -ions	Infringe -ments	Unide ntified operat -ions	Infringe -ments	Unide ntified operat -ions
1	Gorakhpur	Nil		11		14		7		Nil	
2	Ajmer	90		105		110		115		160	
3	Chennai	712	-	2012	-	2003	-	1365		1340	
4	Bangalore	228	51	418	159	728	137	850	68	512	108

\* Un-identified operation (emission) is an operation (emission) not identified by monitoring, carried out by Wireless Monitoring Station during normal monitoring.



Sl. No	Name of monitoring station	1998-99		1999-2000		2000-01		2001-02		2002-03	
		Infringe-ments	Unidentified operations	Infringe-ments	Unidentified operations	Infringe-ments	Unidentified operations	Infringe-ments	Unidentified operations	Infringe-ments	Unidentified operations
5	Mangalore	553	1	361	1	307	10	96	6	79	17
6	IMS Kolkata	1083	6909	1338	5779	1193	9416	2376	11495	730	13239
7	Darjeeling	8	3388	10	1373	26	2532	33	2507	88	2247
8	Dibrugarh	6	906	3	895	Nil	661	Nil	467	Nil	938
9	MS Shillong	142	4690	467	12028	260	12064	163	2241	85	10112
10	Nagpur	501		742		804		293		Nil	
	<b>Total</b>	<b>3323</b>	<b>15945</b>	<b>5467</b>	<b>20235</b>	<b>5445</b>	<b>24820</b>	<b>5298</b>	<b>16784</b>	<b>2994</b>	<b>26661</b>

The table indicates that:

- the unidentified operations under IMS Kolkata and MS Shillong were increasing while these operations under MS Darjeeling showed a fall as compared to 1998-99.
- Over all unidentified operations had increased from 15,945 in 1998-99 to 26,661 in 2002-03 i.e. by 60 per cent.

### **Shortage/inadequacy of monitoring equipment**

#### **1.1.20 International Monitoring stations (IMS)**

International Monitoring Stations, presently located at each of the five regional Headquarters namely New Delhi, Mumbai, Nagpur, Kolkata and Chennai are required to monitor frequency from 10 KHz through to 1 GHz with staff on a 24 hour basis and are required to be equipped with five HF receivers, one High Frequency Direction Finding (HF DF) system, five Very High Frequency (VHF) receivers and one Very High Frequency/Ultra High Frequency (VHF/UHF) DF system. The High frequency direction finding facilities were not operational because the equipment currently in use at these stations were obsolete and worn-out. International Monitoring Station (IMS), Mumbai did not possess HF direction finder which was essential for finding out long distance unauthorized transmitting stations. Audit noted that four HFDF systems procured at a cost of Rs. 3.88 crore during January 1998 and March 2001 for installation at New Delhi, Chennai and Nagpur had not been installed and commissioned and were lying faulty since August 2000 and September 2002 as pointed out later in this report.

## **Procurement and installation of equipment**

### **1.1.21 High Frequency Direction Finding (HFDF) system amounting to Rs. 2.80 crore procured for IMS were lying unutilised**

In order to augment the direction finding system, DoT placed a purchase order in October 2000 on M/s Tadiran of Israel for supply of three units of HFDF system at a cost of Rs. 2.80 crore and the system was received in March 2001. Audit noted that :

- The purchase order was placed with M/s Tadiran, Israel without obtaining Technical Evaluation Committee (TEC) certificate for their HFDF systems.
- The system was not despatched to its destination even after two years of receipt of equipment at Delhi. Meanwhile warranty period of one year provided on these equipment/system lapsed in February 2002
- The Department did not undertake any pre-despatch inspection or post receipt testing of these equipment. In September 2002, it undertook a testing of these equipment and realized that it did not work due to software problems. Further, the respective International Monitoring Stations also did not coordinate their action to complete infrastructure for installation of equipment. Even the proposal for Expenditure Sanction and Administrative Approval, sought for civil works after receipt of equipment in April 2001 was still awaited from the competent authority of the Civil wing of the Department of Telecommunications (July 2003). The equipment had not been installed at the respective monitoring stations till now (August 2003).

As a result, the very objective of procurement was defeated, capital worth Rs. 2.80 crore remained blocked and modernisation of monitoring stations was affected.

In their reply, the Officer-in-charge IMS Ghitorni, New Delhi, stated in May 2003 that HFDF system for Chennai and Nagpur stations were despatched and further added that the WMO had initiated action for obtaining expenditure sanction for installation of system and construction of boundary wall in April 2001. The approval for construction was received in January 2002 but expenditure sanction was awaited as of July 2003.



The Ministry in its reply in January 2004 stated that efforts were being made to rectify the faults in HFDF system presently installed at New Delhi which was procured in 1998. The other three HFDF systems procured during March 2001 were being installed shortly. The Ministry attributed the delay to tight security arrangements prescribed by the supplier in having a security compound wall which was constructed now in Chennai and Delhi.

The Ministry further stated that immediately after the receipt of the equipment, physical and technical testing of equipment was carried out as per approved procedure of WMO. The physical testing was found ok. However, during technical inspection some software snags were observed. The installation was expected to be completed shortly.

#### **1.1.22 Inadequate arrangement for repair of equipment**

IMS Delhi has a local repairing laboratory with limited repair facilities. Repair equipment available were very old. As a result 10 equipment including three UHF/VHF receivers had not been repaired and were lying faulty since 1997. Similarly, in other monitoring stations equipment were lying faulty affecting the monitoring work adversely as detailed below :

- (a) **Ranchi** – UHF/VHF Repeater Exchange (RX) equipment costing Rs. 21.98 lakh capable of monitoring transmission on frequency bands exceeding 300 MHz were lying faulty since September 2002.
- (b) **Mangalore** – UHF/VHF RX equipment costing Rs. 21.98 lakh procured in July 1997 was rendered out of order since July 1998. Mobile monitoring could not be done due to failure of equipment. Besides, spectrum analyzer costing Rs. 3.34 lakh used for monitoring occupancy / vacancy of frequency was lying faulty since the date of receipt i.e. July 1997. It was sent to MHQ New Delhi in July 2001 but not received back (August 2003).
- (c) **Gorakhpur** – Two RA receiver/ monitors and one mobile equipment costing Rs. 16.39 lakh were lying faulty since April 2001 and July 2002 respectively.

While accepting the facts the Ministry stated that the equipment lying faulty could not be repaired due to non-availability of spare parts either from local market or from the third world. As regards VHF/UHF equipment purchased for Ranchi and Mangalore, the Ministry stated that the equipment procured from ECIL Hyderabad were out of date and spare parts were not available.

### **Dealers' possession licence**

#### **1.1.23 Inspection of dealers' premises**

According to the Indian Wireless Telegraphy (Possession) Rules 1965 no person shall possess a wireless telegraphy apparatus except under and in accordance with a licence issued under the said rules. Such licences are issued under three categories:-

- A Licence for manufacturing the wireless equipment.
- B Licence for stocking and selling of the wireless equipment - Dealers possession licence (DPL)
- C Non-dealers possession licence (NDPL)

The licence in respect of category at serial A above is issued and renewed by WPC wing. The licence and renewals in respect of categories at serials B&C above are issued by WPC wing /monitoring stations. Dealers' premises are required to be inspected to ensure that the stock held by them had been declared to monitoring station authorities. The licence should be renewed regularly and sets sold to only those who are in possession of either a licence or a letter of authority. Dealers' premises were not inspected by monitoring stations till July 2001. Thereafter WPC wing instructed monitoring stations in August 2001 to carry out physical inspection of DPL holders. Test check revealed that no inspection had been conducted by Bhopal, Bangalore, Nagpur and Kolkata Monitoring Stations. In the absence of regular inspection of dealers' premises, the Monitoring Stations had failed in one of the basic duties assigned to them.

The Ministry stated that inspection of dealer's premises was to be carried out by WPC wing or Inspection Engineer of the respective units when authorised by WPC.



### 1.1.24 Deficient monitoring

According to the departmental rules mobile monitoring is required to be carried out in and around the district headquarters. Mobile monitoring is undertaken for observing the signal at close range and pinpointing the location of the authorised/ unauthorised stations. For this purpose, vehicles fitted with receivers, measuring equipment, direction finder and portable antennae form part of the essential requirement at the monitoring stations. In order to improve the mobile monitoring activities, the Wireless Monitoring Organisation Headquarters issued instructions in November 1997 to devote 10 per cent of the channel hours for mobile monitoring by monitoring stations in circles. Audit noted that mobile monitoring in most of the monitoring stations was below 10 per cent of the prescribed standard during the period from 1998-99 to 2002-03. In six stations viz. Bhopal, Chennai, Gorakhpur, Jammu, Nagpur and Vishakhapatnam, channel hours utilized were below five per cent in each of the five years under review. Moreover, mobile monitoring was not done continuously for several months for want of suitable vehicles. In the case of Visakhapatnam, Bangalore and Mangalore such continuous spells of absence of monitoring extended to period as long as 21 months, 22 months and 24 months respectively.

The Ministry attributed the reasons for deficient monitoring to non-availability of equipment, vehicles, adequate staff and sufficient funds. Instructions were issued to all monitoring stations to improve the mobile monitoring performance.

### 1.1.25 Poor performance of Satellite Monitoring Station, Jalna.

In order to protect the interest of Indian satellites, a satellite monitoring station was installed/commissioned at Jalna in April 1993 at a cost of Rs. 6.72 crore. The performance of the monitoring station was not satisfactory for the last five years as was apparent from the data given below:

Year	No of channel hours required for monitoring	No. of channel hours available	No. of channel hours utilised	Total no. of channel hours lost	No. of channel hours lost due to equipment failure	Per cent of utilisation (3+4)	No. of operation intercepted	
							Identified	Un-identified
1	2	3	4	5	6	7	8	9
1998-99	8760	4136	2704	1432	280	65.38	506	368
1999-00	8760	6560	3974	2586	978	60.58	387	286
2000-01	8760	5848	3752	2096	496	64.16	365	275
2001-02	8760	5416	1632	3784	3264	30.13	129	104
2002-03	8760	5950	2217	3733	1889	37.26	286	35
<b>Total</b>	<b>43800</b>	<b>27910</b>	<b>14279</b>	<b>13631</b>	<b>6907</b>			

According to guidelines and targets framed by the Monitoring Headquarters, the primary role of the Monitoring stations is to monitor all the wireless emissions round the clock. The percentage of channel hours utilised with reference to channel hours available ranged between 30 per cent and 65 per cent during the years 1998-99 to 2002-03. No monitoring work could be done continuously for a period of 13 months w.e.f. August 2001 to August 2002 mainly due to faulty equipment resulting in loss of 6907 channel hours.

The performance of the satellite monitoring station was unsatisfactory and defeated the purpose for which it was installed at a cost of Rs. 6.72 crore.

The Ministry stated that the system was developed by ISRO entirely, and maintenance contract could not be given to any outsiders. Some parts for repair were not available freely in the market. The equipment performance had been degrading in the last few years due to various factors. A new equipment under the World Bank Assisted Telecom Reforms Project would be installed and performance of the station was expected to improve thereafter.

**1.1.26 Operations without licences : outstanding licence fee/royalty of Rs. 6.47 crore**

It was noticed by Audit that Forest Department in Karnataka and Madhya Pradesh, Air Ports Authority of India in Chennai and Madhya Pradesh, Tata Tea Limited in Kerala, Central Water Commission in Madhya Pradesh and Madhya Pradesh State Electricity Board were operating wireless systems on the basis of letter of authorities issued by WPC wing for allocation of frequencies but without obtaining valid licences for operation which resulted in non-realisation of licence fee and royalty amounting to Rs. 6.47 crore as per details given in the table below:

*(Rupees in crore)*

Name of the circle		Period of non-realisation of licence fee/royalty	Amount of royalty/licence fee un-realised.
<b>Madhya Pradesh circle</b>			
1	Forest Department	1992-2003	0.42
2	Air Ports Authority of India	1994-2003	0.74
3	Central Water Commission	1999-2003	0.27
4	Madhya Pradesh State Electricity Board	1985-2003	0.18
<b>Karnataka circle</b>			
1	Forest Department	1995-2003	3.27
<b>Chennai circle</b>			
1	Air Ports Authority of India	1994-2003	1.06
2	Tata Tea Limited	1998-2003	0.53
<b>Total</b>			<b>6.47</b>



The Ministry in its reply in January 2004 stated that notices had been issued to all licensees who had not renewed the licences, for making the payment of spectrum charges alongwith necessary late fee charges.

#### **1.1.27 Delay in modernization – World Bank Assisted project**

The Government of India entered into an agreement with the World Bank in August 2000 for a loan amounting to US \$ 62 million (Rs. 266.60 crore) part of which was to finance a technical assistance project for telecommunication sector reform. The total cost of the project was estimated as Rs. 309.60 crore consisting of an element of loan of Rs. 266.60 crore and Government of India component of Rs. 43.00 crore. It was expected to achieve automation of spectrum management and monitoring system by March 2002. The entire amount of loan was to be availed of by 31 December 2004. Abnormal delay in the tender procedure, however, which took 16 months instead of the prescribed 120 days, resulted in non-procurement of equipment till date (August 2003).

According to the terms and conditions of the loan agreement, the borrower had to pay Bank Commitment charges at the rate of three-fourths of 1 *per cent* per annum on the principal amount of loan not withdrawn from time to time. Besides, repayment of loan had to be made in terms of US Dollars which was subject to the currency fluctuation. According to the EFC memo, the target to incur the entire expenditure was March 2003. In the annual plan for the year 2002-03 pertaining to World Bank Project (WPC Sub-component) Rs. 202.52 crore were allocated. However, expenditure of only Rs. 17.45 crore was incurred up to March 2003. Thus, due to slow speed of implementation of the project WPC wing would be required to pay a substantial amount to the World Bank as commitment charges for the period from December 2001 to February 2003 amounting to Rs. 32.81 lakh. In addition, the progress of modernisation slowed down considerably which defeated the very purpose of the project.

The Ministry while accepting the observations stated that because of the complexities and the uniqueness of the project, all precautions were being taken to ensure its success and two stage bidding process was adopted as per World Bank procedure. The contract was finally signed on 31 October 2002 after completion of various activities. Although letter of credit was established on 28.02.2003, the contractors wanted various amendments therein. This led to protracted negotiations and delay which were finally agreed in June 2003. As the letter of credit could not be made effective during 2002-03, the supply of plant and equipment and associated services could not



take place during the year. Hence, Budget allocation could not be utilised fully.

## 1.2 Irregular fixation of pay

**Irregular fixation of pay on promotion from Junior Telecom Officer (JTO) to Sub-Divisional Engineer (SDE) resulted in excess payment to the tune of Rs. 5.76 crore in nine circles viz. Andhra Pradesh, Bihar, Gujarat, Kerala, Karnataka, Maharashtra, Rajasthan, Tamil Nadu and West Bengal.**

Fundamental Rule 22(I)(a)(1) stipulates that where a government servant is promoted to a post having higher responsibility his pay would be fixed in the higher scale at the stage next above the notional pay arrived at by allowing one increment in the lower scale. The above rule is not applicable in cases where the scales of pay are identical.

DoT introduced in June 1990 a Lateral Advancement (LA) scheme for Junior Telecom Officers (JTOs) after completion of 12 years' service. One of the conditions of the scheme was that on lateral placement in the scale of Rs. 2000-3500 under the scheme, pay would be fixed under the provisions of FR 22(I)(a)(1) subject to the condition that, on promotion to the Telecom Engineering Services (TES) Group 'B', the official would continue to draw pay in the same scale without refixation. However, DoT under orders dated 2 September 1994 allowed the benefit of FR 22(I)(a)(1) fixation for JTOs (LA) on their vertical promotion as Sub Divisional Engineer (SDE) TES Group 'B' in the same scale of Rs. 2000-3500.

In the case of Junior Engineers (CPWD), the Supreme Court adjudicated (May 1998) that an officer who received the benefit of FR 22(I)(a)(1) in advance while working as Junior Engineer and while not actually functioning as an Assistant Engineer, was not entitled to the same benefit of fresh fitment when regularly promoted as Assistant Engineer. The Judgement added that for the applicability of FR 22(I)(a)(1), it was not merely sufficient that the officer got a promotion from one post to another involving higher duties and responsibilities but another condition must also be satisfied that he must be moving from a lower scale attached to a lower post to a higher scale attached to a higher post.

Audit noted that in spite of this judgement of the Supreme Court, DoT continued with the double increment. Audit scrutiny of records of nine circles viz. Andhra Pradesh (19 units), Bihar (8 units), Gujarat (6 units), Kerala (13 units), Karnataka (9 units), Maharashtra (3 units), Rajasthan (11 units), Tamil

Nadu (15 units) and West Bengal (2 units) during the period January 2000 to May 2003 revealed that JTOs on completion of 12 years of service were granted advancement in the lateral JTO grade, without actually working as SDEs but placed in the higher scale of Rs. 2000-3500. The pay was fixed under FR 22(I)(a)(1). However, DoT extended similar fixation benefit again to JTOs on their subsequent regular promotion as SDE, in the identical scale of pay of Rs. 2000-3500. Such incorrect fixation of pay of JTOs on their promotion as SDE in the same scale led to excess payment of Rs. 5.76 crore in 1725 cases test checked in the above nine circles, during the period from January 1991 to March 2003.

In reply, DoT stated in September 2001 / March 2003 that the Supreme Court judgement was not applicable in these cases; however, it did not explain the reasons for such non-application. DoT further stated in December 2003 that the decision of pay fixation of September 1994 had been taken in consultation with the Department of Personnel and Training (DoPT) and the Ministry of Finance (MoF), and therefore, the fixation of pay held good.

The reply of the department was not acceptable as the double benefit violated the rationale of the orders of the Supreme Court and was irregular.

Further, on the basis of the Supreme Court decision, in similar cases of pay fixation in the Department of Posts (DoP), MoF had clarified to DoP during September 1999 that the officials who received the benefit of pay fixation under FR22(I)(a)(1) at the time of their placement under Time Bound Officiating Promotion Scheme (TBOP) were not entitled to the benefit for a second time when appointed to the identical scale on functional basis, because the benefit of regular promotion had already been allowed in advance at the time of placement under TBOP.

In addition, DoPT, while conveying the decision for fixation of pay under FR22(I)(a)(1) in September 1994 had advised DoT for rationalisation of cadre structure within 2 years. This was to ensure proper promotional avenues to their employees so that the need for in-situ placement in higher scales was removed and benefit of the pay fixation was limited only to one stage. This was not done by DoT after 1994 or even after the judgement of the Supreme Court in 1998; it has not been done till date (September 2003). Consequently, overpayment of pay and allowances is being continued and the excess payment involved in the nine circles in 1725 test checked cases alone worked out to Rs. 5.76 crore upto March 2003.



### **1.3 Non realisation of licence fee and royalty of Rs. 4.05 crore for privately owned VSAT systems and dedicated radio links**

**Failure of CGMST, Tamil Nadu and Rajasthan Telecom circles and Kolkata Telephones to issue demand notes for privately owned VSAT systems and dedicated radio links led to non-realisation of licence fee and royalty of Rs. 4.05 crore.**

The Telecommunications Directorate (DoT Headquarters) is empowered to issue "No Objection Certificates" (NOCs) and licences for operation and maintenance of captive Very Small Aperture Terminals (VSAT) and dedicated Radio/Optical Fibre Cable (OFC) links by private parties. DoT should realise the licence fee from the date of commissioning of the system or after 18 months of date of issue of licence, whichever was earlier. The department should also recover royalty/licence fee in advance for the subsequent period on "annual basis". DoT nominated Heads of the Telecom circles as controlling and billing authorities for realisation of licence fee. After corporatisation of Telecom services into BSNL, nomination of the controlling and billing authority continued till 2002. DoT decided in January 2003 that instead of Heads of Telecom circles, the Controller of Communication Accounts would be the controlling and billing authority for respective circles and would collect all relevant records and data from the Heads of the circles.

Test check of records by Audit during the period between February 2003 and September 2003 of the office of CGMT Tamil Nadu circle, Principal General Manager Telecom District (PGMTD) Jaipur Rajasthan and General Manager (Operation Planning and Customer Relation) Kolkata Telephones, revealed that:-

- the Heads of the Telecom circles had neither issued demand notes nor realised the licence fee/ royalty in respect of licences issued during the period from 1994 to September 2000;
- in Tamil Nadu circle, CGMT, Tamil Nadu, belatedly issued demand note for Rs. 52 lakh in February 2003 in respect of Power Grid Corporation of India (PGCIL) for the period from April 1998 to March 2002. He did not, however, realise the licence fee of Rs. 26 lakh for the subsequent period from April 2002 to March 2004 till April 2003. He did not also realise the licence fee and royalty of Rs. 68 lakh in respect of National Centre for Medium Range Weather Forecasting (NCFMRWF), Department of Science and Technology, New Delhi, for the period from January 2000 to March 2004.

- Similarly, CGMT Rajasthan and Kolkata Telephones did not realise the licence fee/royalty of Rs. 2.08 crore from Power Grid Corporation of India Limited, for the period from April 1998 to March 2004; Rs 3.95 lakh from Gas Authority of India Limited, Baroda for the period from May 1996 to March 2004 and Rs. 99 lakh from Calcutta Electricity Supply Limited for nine years from January 1996 to March 2004.
- licence fee and royalty had not been realised even after reassignment of work of controlling and billing authorities in January 2003.

The licence fee/royalty aggregating to Rs. 4.05 crore remained un-realised as of November 2003.

The Divisional Engineer (Incharge) of CGMT, Tamil Nadu Circle, Chennai, stated in April 2003 that the details of licences issued by DoT in respect of Captive VSAT licensees were not received and in the case of dedicated radio links the matter of advance realisation of licence fee would be followed.

The Commercial Officer, office of the Principal General Manager, Telecom, Jaipur stated in September 2003 that licence fee and royalty for OFC/Microwave links had been calculated and sent to the Joint Controller of Communication Accounts, Rajasthan Telecom circle, for issue of demand note.

The Deputy General Manager, (DGM) (Corporate Customer) of Kolkata Telephones, at the instance of Audit, referred the matter to DGM (Telephone Revenue) in February 2003.

The recovery particulars were awaited as of February 2004.

#### **1.4 Non-realisation of royalty charges**

**Failure of the Chief General Manager, Kolkata Telephones, to issue bills for royalty charges to the Calcutta Electric Supply Corporation Limited for establishing Optical Fibre Cable links, resulted in non-recovery of Rs. 1.28 crore**

The Department of Telecommunications accorded permission in December 1997 to the Calcutta Electric Supply Corporation (CESC) for establishment of Optical Fibre Communications (OFC) links in and around Kolkata for a period upto 31 December 2000. In terms of the Memorandum of Permission, CESC was required to pay royalty charges at the rate of two *per cent* of the capital cost of all system/equipment of the OFC links. The Chief General manager,



Telephones, Kolkata, was the designated authority for the purpose of controlling and billing.

Audit scrutinized the records of the General Manager (Operation, Planning and Customer Relations) Kolkata in February 2003. Audit identified that Kolkata Telephones did not initiate action to assess royalty charges till February 2002. The inaction occurred despite an enquiry from CESC in March 1998 on royalty and other charges payable by them. Thereafter, on 10 July 2002, Kolkata Telephones sought details of the equipment installed, which were furnished by CESC on 22 July 2002. Till then, CESC used the OFC links without payment of royalty charges.

At the instance of Audit, the Deputy General Manager, Corporate Customers, referred the matter in February 2003 to the Deputy General Manager, Telephone Revenue, for taking necessary action.

The non-realisation of revenue on account of royalty charges for the period from December 1997 to November 2003 worked out to Rs. 1.28 crore.

The Ministry in its reply in January 2004 stated that no bill had been raised against the royalty charges and that the office of the Controller of Communications Accounts (CCA) Calcutta Telephones had since started the process of realizing the royalty charges. Recovery particulars were awaited as of February 2004.

## **Department of Posts**

### **1.5 Organisational Set-Up and Financial Management**

#### **1.5.1 Functions of the Department**

The functions of Department of Posts (DoP) include collection, transmission and delivery of mail, sale of postal stationery and providing other services such as money order, registration, insured parcel, philately etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Bank, other small savings schemes including Mahila Samridhi Yojana, Postal Life Insurance (PLI), Public Provident Fund Scheme, National Savings Certificate, collection of customs duty on articles sent by post from abroad, booking, transmission and delivery of telegrams, disbursement of pension to military and railway pensioners and

family pension to the families of employees of coal mines and industries covered by the Employees Provident Fund Scheme.

India is a member of the Universal Postal Union and of the Asian Pacific Postal Union. DoP runs four Foreign Post Offices (FPOs) at Chennai, Kolkata, Mumbai and New Delhi to handle international mail and also five sub-FPOs at Ahmedabad, Bangalore, Kochi, Jaipur and Srinagar.

### **1.5.2 Organisational set-up**

The management of the Department vests with the Postal Services Board. The Board, headed by a Chairperson, has three Members holding three portfolios of Operations, Infrastructure and Financial Services and Personnel. The Chairperson is also the Secretary to the Government of India in DoP. The Board directs and supervises the management of the postal services in the country with the assistance of Deputy Directors General in the Directorate General of Posts. A separate Business Development Directorate for focused management of value added services was set-up in the Department in February 1996.

There were 155618 Post Offices in the country as on 31 March 2003. Of these, 139081 were in rural areas and 16537 were in urban areas. The total number of Post Offices consisted of 846 Head Post Offices, 25320 Departmental Sub-Post Offices and 129452 Extra Departmental-sub or branch Post Offices. In addition, there were 472 Sorting Offices, 441 Record Offices, 46 Postal Stores Depots, 19 Circle Stamps Depots, six Postal Training Centres/Postal Staff Colleges and 63 Dispensaries.

The Department has 22 Postal circles assisted by 35 Regional Directorates controlling 440 Postal Divisions and 70 Railway Mail Service Divisions. There is also a Base circle to cater to the postal communication needs of the Armed Forces. Speed post services were available to 140 cities within the country and to 97 countries abroad. The department has a civil wing as a multi-disciplinary organisation comprising Architectural, Civil and Electrical engineering disciplines. The staff strength of the Department as on 31 March 2003 was 5.66 lakh with 2.63 lakh departmental employees and 3.03 extra departmental employees.

### **1.5.3 Postal Traffic**

The projected traffic for unregistered mail was calculated by the Department on the basis of last two years' assessed traffic. The assessed traffic was always



based on revenue earned. According to information furnished by the Department, the volume of traffic projected and assessed during the years 2000-2003 in respect of classical services such as sale of post cards, letter cards (inland), money orders, insurance etc., was as detailed below:

### Postal Traffic

#### (A) Unregistered mail

(in lakh)

Sl. No	Item	2000-01		2001-02		2002-03	
		Projected	Assessed*	Projected	Assessed*	Projected	Assessed*
1.	Post cards	3185.5	2640	2878.5	1933	1933.02	2290.06
2.	Printed Post cards	1320.5	1400	1420.5	1005	1005.10	420.55
3.	Letter cards (Inland)	4599.5	4382	4569.0	3295	3294.79	2939.60
4.	News papers						
	Single	1045.5	1099	1071.5	731	730.91	531.87
	Bundle	174.5	192	198.0	181	180.60	322.41
5.	Parcels	684	785	695.5	643	642.94	479.45
6.	Letters	9620	9120	9352.5	5403	5403.42	4370.98
7.	Book packets	842	949	988.0	699	699.22	600.70
8.	Printed books	322	171	193.5	259	258.99	227.87
9.	Other periodicals	191	150	152.0	187	186.74	233.76
10.	Acknowledgement	420	443	399.5	324	324.44	279.61

\* Based on revenue collection

#### (B) Registered mail and others

(in lakh)

Sl. No	Item	2000-01		2001-02		2002-03	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1105	1229	1230.5	1099	1067.31	1095.82
12.	Insurance	95	91	93	88	88.26	87.18
13.	Value payable letters and parcels	91	92	91.5	93	92.86	170.44
14.	Registered letters and parcels	2679.50	2226	2375.50	1961	1960.85	2004.50

It may be seen from the above table that there was an appreciable gap between the projected and assessed traffic of various items of unregistered mail indicating continuation of declining trend in postal traffic in most of the services. The department could not maintain the level of printed post cards, letters, book packets and registered letters and parcels, which was achieved in 2000-01. The reduction in assessed traffic in respect of letters, registered letters and parcels, printed post cards and book packets ranged between 10 per cent and 70 per cent during 2002-2003 as compared to 2000-2001. The Department needs to investigate the reasons for reduction of assessed traffic during 2002-2003. Since the projections were now based on the assessed figures, a declining trend in postal revenues led to lower projections in subsequent years. Persistent reduction in projections indicated lack of

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#### (B) Registered mail and others

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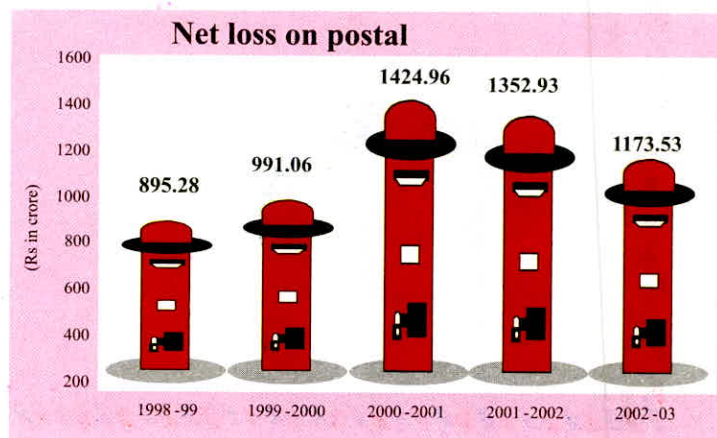
adequate planning to increase the Department's share in the market or to regain the lost share. This situation was not healthy for an organisation having a separate Business Development wing. The department needs to analyse the reasons for down trend in business and adopt urgent remedial measures.

The Ministry in its reply in February 2004 stated that though the traffic had decreased in some of the traditional services due to growth of alternative communications mediums like telephone, fax etc., the traffic in respect of premium products and agency services had been increasing each year. The Ministry further stated that the department had launched a few financial services like International Money Transfer Scheme, Retailing of Mutual Funds and Bonds from Post Offices, Electronic Fund Transfer, Payment of Warrants, Loan against NSCs etc., to fetch additional revenue for the department.

#### 1.5.4 Earnings from Postal Services and their costs

The Department's net overall loss of Rs. 1173.53 crore on postal services including speed post during 2002-2003 was lower by Rs. 179.40 crore (13 per cent) as compared to the net loss suffered during 2001-2002. Out of 20\* services except four services viz., Letters, Competition Post cards, Insurance and Foreign mail other 16 services were rendered on loss basis in 2002-2003.

Comparative position of the net loss incurred by the department on various postal services including speed post during the period 1998-2003 was as under:



\* Post cards, Letters, Registration, Letter cards(Inland), Money orders, Newspapers( single), Newspapers (bundle), Indian Postal Orders(IPOs), Printed Postcards, Value payable Post, Other periodicals, Acknowledgements, Book Pattern and Sample Packets, Telegraphic MOs, Printed books, Insurance, Parcels, Competition Post cards, Speed post and Foreign mail



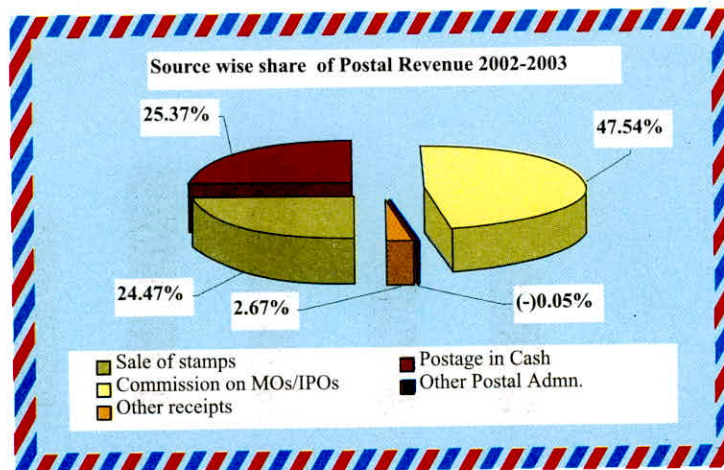
The Ministry in its reply in February 2004 stated that the Department of Posts was pre-dominantly labour intensive. The Ministry added that the cost of operations of various services had been increasing due to revision of pay and allowances from time to time and payment of dearness allowance periodically. Besides, the Government policy of extending postal facilities to rural and tribal areas involved substantial element of subsidy which added to the overall deficit in running the services.

Although, the net loss on the postal services increased by 31 *per cent* as compared to 1998-99, there was welcome improvement in deficit by 13 *per cent* compared to the previous year. The department needs to strengthen this trend of reduction in loss and to take steps to make its operations more cost effective.

### Revenue realisation and Revenue Expenditure

#### 1.5.5 Revenue

The four major revenue earning group of services viz., Sale of stamps, Commission on MOs/IPOs, Postage in cash and other receipts have generated a revenue of Rs. 4009 crore during the year 2002-03. Source wise share of postal revenue is shown in the chart below:



**1.5.6 Revenue Expenditure**

The revenue expenditure on pay and allowances, conveyance of mail, printing of stamps, post cards and stationery etc., during 2002-03 was as shown in the table below:

**Revenue expenditure**

Category	<i>(Rupees in crore)</i>	
	2002--03	Percentage of total expenditure
(a) Pay and allowances, contingencies, interim relief, etc.	4090.41	74.70
(b) Pensionary charges	1052.16	19.21
(c) Stamps, post cards etc.	27.73	0.51
(d) Stationery and Forms printing etc.	35.67	0.65
(e) Conveyance of mails (Payments to railways and air mail carriers)	107.87	1.97
(f) Other expenditure	162.31	2.96
<b>Total</b>	<b>5476.15</b>	<b>100.00</b>

The net revenue budgetary support which is worked out by deducting receipt of Rs. 4009 crore and recoveries of Rs. 102 crore from Gross revenue expenditure of Rs. 5476 crore was Rs. 1365 crore in 2002-03.

**1.6 Non recovery of non-returnable contributions (NRC) amounting to Rs. 20.89 crore**

**Bihar, Gujarat, Himachal Pradesh and Madhya Pradesh Circles failed to recover non-returnable contributions amounting to Rs. 20.89 crore.**

The P&T Manual provides that if any of the existing post offices was working at a loss and there was no prospect of its paying its way in the near future, the State Government or party who desired its retention should be called upon to furnish a non-returnable contribution (NRC), payable strictly in advance, sufficient to meet the full estimated loss on its working for one year.

The department had opened 131 extra departmental sub offices (EDSO) and 1162 extra departmental branch offices (EDBO) on NRC basis in the Himachal Pradesh, Bihar, Gujarat and Madhya Pradesh circles. But the Department neither realised the NRCs in advance nor did it recover the arrears from the State Government or the party on whose demand the post offices were opened. As a result, NRC dues to be paid to the Department had been steadily rising and stood at Rs. 18.40 crore as of 31 March 2001.



Subsequently, DoP instructed (January 2003) CPMsG and PMsG that no post office i.e., Branch Post Offices (BPOs) and Sub Post Offices (SPOs) would be opened on NRC basis with effect from 1 April 2003. It further stated that SPOs and BPOs opened on NRC basis would be treated as part of the Postal network, if NRCs were not forthcoming and no NRC amount should be shown due against them. The orders further stressed that the total outstanding amount of NRC should, however, be recovered and no NRC dues should be written off.

Audit scrutiny of the records of the four circles *ibid*, however revealed that outstanding amount of NRC dues to the Department had increased to Rs. 20.89 crore as of September 2003 as brought out below:

<i>(Rupees in crore)</i>		
Sl.No.	Name of circle	Amount
1	Bihar	4.15
2	Himachal Pradesh	12.25
3	Gujarat	0.97
4	Madhya Pradesh	3.52
	<b>Total</b>	<b>20.89</b>

The matter was referred to the Ministry in September 2003; their reply was awaited as of February 2004.

### **1.7 Procurement of computers in Department of Posts**

**Failure of the Department to follow EFC<sup>Y</sup> conditions, compare the rates of servers with DGS&D rates, and observe the specifications mentioned in NIT resulted in irregular/excess expenditure of Rs. 10.82 crore. It also failed to recover LD charges of Rs. 0.89 crore.**

The Ninth five year plan envisaged schemes for major expansion of computerisation of Department of Posts (DoP) by introducing Multipurpose Counter Machines (MPCM) at a financial outlay of Rs. 41 crore (5000 computers), Very Small Aperture Terminals (VSATs) / Electronic Satellite Money orders (ESMOs) at Rs. 30.50 crore (1621 computers) and computerisation / networking of Postal Store Depots (PSDs) at Rs. 1.20 crore (15 PSDs)

DoP placed purchase orders on the following vendors for procurement and installation of computers and allied peripherals required for implementation of the schemes.

<sup>Y</sup> Expenditure Finance Committee

Name of Project	Name of Vendor	Year in which P.O. issued	Cost of order (Rs. in crore)	Total ordered (Rs. in crores)
MPCMs and SB LANs MPCM  VSATs VSATs & ESMOs	Compaq	March 2000	8.37	32.14
		March 2001	9.49	
		March 2002	6.31	
		March 2000	1.73	
		March 2001	5.28	
		December 2001	0.18	
		January 2002	0.32	
PSD		March 2001	0.46	
VSATs	HECL	March 2000	4.44	8.42
VSATs		March 2000	1.60	
VSATS & ESMOs		March 2001	2.38	
SB LAN	NIIT	March 2000 (Amendment made on 29.3.2000)	0.58	0.58
PSD	EDCIL	June 1999	0.11	0.11
VSATs & ESMOs	IBM (through DGS&D)	March 2001	2.10	2.10
Servers Nodes 132 Col DMP 8 Port Hub	Wipro	March 2002	0.53	0.53
UPS (2 KVA)	Pyramid	February 2002	0.16	0.16
<b>Total</b>				<b>44.04</b>

The table above indicates that more than 90 per cent of the orders were placed on Compaq and HECL.

Audit noticed that the DoP made a number of relaxations in the procurement conditions which were incorporated in the purchase orders. These relaxations related to making of payment before receipt of equipment, change the specifications mentioned in Notice Inviting Tender (NIT), undue favour to vendors and non-comparison of rates with DGS&D rates. These are discussed in the succeeding paragraphs.

#### **1.7.1. Payment made in violation of terms of the contract**

DoP placed a purchase order in March 2000 on Compaq Computer (India) Private Limited for procurement of 100 servers, 1000 nodes etc., for implementation of MPCM project during 1999-2000. In terms of clause 8 of the purchase order, 90 per cent of total payment was to be made against proof of delivery of the equipment at the Post Offices. Audit noticed that in violation of conditions of purchase order, DoP paid an amount of Rs. 6.06 crore in May



2000 and June 2000 without proof of delivery in respect of Delhi and North East Circle.

### **1.7.2 Preshipment inspection**

Another purchase order for procurement of 104 servers, 1000 nodes etc., was placed on Compaq Computer (India) Pvt. Limited in March 2001. In terms of clause 5 of the purchase order, material was to be inspected by the personnel of DoP before despatch. DoP deputed a team to carry out preshipment acceptance testing of these equipment. Audit noticed that out of 1000 nodes, 100 nodes were physically checked and three nodes (three *per cent*) were found to be defective by the Committee. In terms of the purchase order, the shipment was either required to be rejected or alternatively all nodes should have been checked physically. Instead of taking such remedial action the shipment was cleared by Director (Technology) on 24 March 2001.

### **1.7.3 Excess expenditure of Rs. 42.82 lakh**

The Department placed an order on 21 March 2001 for supply of 104 servers at the rate of Rs. 1,70,000 on Compaq Computer (India) Private Limited for the MPCM project. In another purchase order placed on 28 March 2001 for supply of IBM make servers, nodes, etc., for the VSAT project on DGS&D rate contract the unit price obtained was Rs. 1,28,824 (including cost of 128 MB additional memory and a DAT drive).

The specifications of both the servers being similar, the cost of the latter pertaining to VSAT project was cheaper by Rs. 41,176. Despite this, the Department did not consider the DGS&D rates while purchasing 104 servers for MPCM project. No specific reasons for this omission were available on record. This resulted in excess expenditure of Rs. 42.82 lakh.

### **Very Small Aperture Terminal (VSAT)/Electronic Satellite Money Order (ESMO) Project**

#### **1.7.4 Extra expenditure of Rs. 25.31 lakh**

Notice Inviting Tender issued in August 1999 specified that Windows 95/98 was to be pre loaded in the LAN server. Department, however changed the preloaded software specification from Windows 95/98 to MS Windows NT in the purchase order placed on HECL in March 2000. The vendor did not accept this altered obligation. A revised purchase order was issued on NIIT for procurement of Window NT 4.0 and MS SQL Server 7.0 at a cost of Rs. 33.57 lakh. But this purchase order was rescinded. The reasons for rescinding this

purchase order were neither available on record nor were furnished in reply to an audit query. DoP placed a purchase order on Compaq Computer (India) Private Limited in September 2000 through limited tender at a cost of Rs. 58.88 lakh for supply of 64 back office servers, which included MS SQL server 7 and WIN NT.

Failure of the Department to provide correct version of operating software in the NIT and in negotiating with the firm, entailed belated installation of servers by more than one year apart from procurement of component at extra expenditure of Rs. 25.31 lakh.

#### **1.7.5 Non recovery of Liquidated Damage (LD) charges amounting to Rs. 88.92 lakh**

DoP placed two purchase orders on HECL in March 2000 for installation and commissioning of 62 VSATs alongwith related equipment, peripherals, software and other items of work. The entire work including its connectivity with the existing CDMA VSATs network was to be completed by September 2000. The firm had however completed the entire work after a delay of 12 months. In August 2001. Although, the Department had worked out a penalty of Rs. 88.92 lakh for delay in completion of work they did not recover any amount as of August 2003. This would amount to extending undue favour to the vendor.

On this being pointed out by Audit, the Department stated in August 2003 that the amount of LD could not be recovered as the firm contested it.

The matter was referred to the Ministry in November 2003; the reply was awaited as of February 2004.

#### **1.8 Non-deduction of Income Tax at source**

**Non-observance of provisions of the Income Tax Act by the Postmasters of 26 Head Post Offices (HPOs) in nine circles led to non-deduction / short deduction of Income Tax and surcharge at source amounting to Rs. 4.42 crore during the period from April 1999 to March 2003 on the amount of withdrawals allowed to the depositors under the National Savings Scheme as well as on the payment of commission made to the agents under the small savings scheme.**

Test check by Audit in Delhi, Gujarat, Haryana, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, Uttaranchal and West Bengal circles revealed cases of short/non-deduction of Income Tax at source amounting to Rs. 4.42 crore during the period from April 1999 to March 2003 as discussed below:



### Case I

The Department of Posts (DoP) appoints agents under the Standardized Agency System (SAS). Agents canvass for the sale of Kisan Vikas Patras, National Savings Certificates (VIII Issue), Deposits in Time Deposit Accounts, National Savings Scheme-1992, Monthly Income Scheme Accounts etc. These agents get a commission on the deposits obtained from the public under these schemes. Head Post Offices (HPOs) concerned make payment of this commission. For this purpose, each HPO has to maintain a register in the prescribed proforma, indicating various particulars and the amount of commission being paid to these agents.

The Government of India inserted a new section 194H in the Finance Act 2001, forming part of Income Tax Act 1961. The section specified the deduction of Income Tax at 10 *per cent* and surcharge at two *per cent* on payments of commission or brokerage exceeding Rs. 2500 per annum in each case. These provisions were effective from 1 June 2001. The Government of India modified these rates to five *per cent* as tax and five *per cent* as surcharge in the Finance Act 2002 effective from 1 June 2002. DoP, however, issued necessary instructions only in October and December 2002 to the heads of circles to deduct income tax and surcharge at the above rates. The delay in issue of the instructions by DoP led to non recovery of income tax and surcharge.

Audit commented about the income tax at source in respect of commission paid to the agents during the period from June 2001 to March 2002 in paragraph 3.10 of Report No.2 of 2003 of the Comptroller and Auditor General of India. The Ministry, in the Action Taken Note, stated in September 2002 that the Central Board of Direct Taxes waived the income tax due up to the period ending March 2002.

Further, scrutiny by Audit disclosed that even after March 2002, the irregularity persisted in Delhi, Gujarat, Uttar Pradesh, Rajasthan, Tamil Nadu, Uttaranchal and West Bengal circles. Eighteen Head Postmasters (HPMs) under these circles either failed to deduct the income tax and surcharge at source or short charged the tax at source while making payment of commission to agents during the period from April 2002 to March 2003. Short/non-recovery of income tax and surcharge worked out to Rs. 3.93 crore. It is evident that in these cases both the counter clerk as well as his supervisor failed to exercise the prescribed checks at the time of making payment despite

the fact that each post office was required to maintain a register to keep a watch on the payments of commission made to each agent.

The Ministry in its reply in January 2004 stated that the MOF informed the Ministry in December 2003 that CBDT had intimated that as per the provisions of Section 201 of IT Act, the Post Offices were liable to pay the amount of tax not deducted, together with interest as applicable. It was further intimated that CBDT had no powers under the Income Tax Act to condone the irregularity in respect of Government Departments or Undertakings and waive tax dues. In response to CBDT's clarifications the Ministry initiated action to recover the dues from the concerned investors/agents and to remit the due to Income Tax authorities in respect of all the years. In respect of one unit of Delhi circle an amount of Rs. 51.55 lakh had been recovered. Recovery particulars of balance amount in respect of Delhi and other circles were awaited.

## Case II

Income Tax Act 1961, as amended from time to time envisaged that the Postal authorities were responsible for recovery of income tax and surcharge thereon at 20 *per cent* and 12 *per cent* respectively on the amount of withdrawal/final payment exceeding Rs. 2500 per annum made to the depositors under the National Savings Scheme (NSS). The Department was not required to deduct the income tax and surcharge in cases, where the depositors had declared in writing in form 15(1) that the tax on total income for the relevant financial year would be nil.

Ten HPMs under Gujarat, Haryana, Punjab and Uttar Pradesh circles in violation of this mandatory provision did not deduct the income tax and surcharge at source or obtain the declarations in the prescribed form 15(I) while making payments exceeding Rs. 2500 per annum in each case to the depositors during April 1999 to March 2003 under the NSS scheme 1987. This led to non-recovery of income tax and surcharge of Rs. 0.49 crore. It is evident that counter clerk as well as his supervisor failed to follow the mandatory provision while allowing payments under NSS scheme 1987.

The HPMs under Delhi, Tamil Nadu, Uttar Pradesh and Uttaranchal circles attributed the reasons for not deducting tax at source due to delay in the receipt of orders. They stated that action would be taken to recover the amount involved. The reply is not acceptable as recovery of the income tax and surcharge at source is mandatory under the Income Tax Act and as such no



separate orders were required. All the remaining HPMs stated that they would examine the cases and take action either to obtain the prescribed declarations or to recover the amount of income tax and surcharge due.

The Ministry stated in January 2004 that recovery or obtaining Form 15-I from the depositors of NSS 87 accounts was in progress in all circles. An amount of Rs. 0.99 lakh in Punjab circle had been recovered and in 26 cases in Punjab circle and in all cases at Lalitpur Head Office in Uttar Pradesh circle, Form 15-I had been obtained and sent to IT authorities. The particulars of recovery of balance amount/obtaining Form 15-I in respect of other circles were awaited.

### **1.9 Idle investment of Rs. 1.60 crore**

**Department of Posts failed to get the errors in the application software rectified from the vendor. This resulted in non-utilisation of hardware amounting to Rs. 1.60 crore.**

DoP placed a purchase order on Educational Consultants India Limited (EDCIL), a public sector undertaking in June 1999 for procurement of application software for material management for Postal Stores Depot (PSDs) at Rs. 11.20 lakh. The software was to be completed and installed by September 1999. In terms of the purchase order 80 *per cent* payment was to be released on acceptance of software by the system analyst/Postal Training Centre designated for the purpose and balance 20 *per cent* after completion of training and installation against performance bank guarantee for one year. Postal Training Centre Mysore certified that barring a few minor errors, the software worked satisfactorily. The vendor promised to rectify these minor errors within 2-3 days but he failed to rectify the defects. In terms of the purchase order, the source code, legal documents and engineering drawings were to be made available to the Department. The firm did not supply these as of May 2003. In spite of vendor's failure to follow purchase order conditions, Department released 80 *per cent* payment of Rs. 9.41 lakh in March 2000. Thereafter, the vendor neither made efforts to rectify the defects nor installed the software as of August 2003. Acceptance of software with errors defeated the purpose of checks for ensuring the quality of product.

As a result, PSDs were not able to operate the software. This indicated that neither were the errors minor nor was the performance satisfactory. The objective of computerisation of PSD, therefore, could not be achieved for two years. Due to non- installation of application software, computer hardware

amounting to Rs. 1.60 crore, procured during the years 1999-2002 as shown below, could not be utilised and was lying unutilised, resulting in blockade of capital.

1999-2000	Rs. 20.11 lakh
2000-2001	Rs. 62.52 lakh
2001-2002	Rs. 77 lakh (Approx)
<b>Total</b>	<b>Rs. 159.63 lakh</b>

On this being pointed out to the Ministry of Communications and Information Technology in May 2003 and August 2003 they stated that it was not correct to say that hardware was not utilised. Other softwares such as MS Office, Window Millennium, were utilised / being utilised to make use of hardware and the matter was being persistently taken up with EDCIL, Noida, to rectify errors. A committee was being constituted comprising representatives of the MM divisions, Technical Branch of DGP, PTTC, Saharanpur, EDCIL and officer of PSD Delhi to make the software error free. Ministry further stated that a bank guarantee of Rs. 1.12 lakh had been withheld from the payments to be made to EDCIL and a sum of Rs. 3.36 lakh (inclusive of Rs. 1.12 lakh) was still due to EDCIL.

The reply is not tenable as the very purpose for which the software was procured from EDCIL was not achieved in that application of these softwares was to be loaded in the hardware procured at a cost of Rs. 1.60 crore.

#### **1.10 Business Post activity of the Business Development Directorate**

**Test Check by Audit in 20 circles disclosed non/short recovery of charges, outstanding dues, loss of interest on extending non-authorized credit facilities to private parties under Business Post, aggregating Rs. 1.70 crore. Further, the revenue generated under the Business Post was inflated by Rs. 201.29 crore by improper accounting.**

Business Development Directorate (BDD) under the Department of Posts was set up in 1996 to design, develop and market value added premium products<sup>1</sup>. The recorded objective was to generate adequate revenue over a period of time so that the entire burden of deficit could be liquidated and if possible a surplus could be generated to plough it back to finance its social role more effectively.

<sup>1</sup> Media Post, Speed Post, Speed Net, Satellite Post, Retail Post, Business Post, Express Post, Greeting Post, Data Post, Speed Post Passport Service, E-Post, Customised Pre-paid envelopes, E-Bill Post and Meghdoot Post card.



Business Post was one of the value added premium products. Under Business Post, the Department undertook pre-posting activities such as collection, insertion, franking, gumming and special handling etc. to meet the requirements of bulk mailers. BDD introduced the service from January 1996.

Audit test checked the records of twenty postal circles during April-August 2003 of Business Post. This revealed non/short recovery of charges of Rs. 27.81 lakh; outstanding dues of Rs. 1.38 crore and unauthorised credit to private parties. The revenue generated under the Business Post was inflated by Rs. 201.29 crore by improper accounting. The cases are being discussed below:-

#### **1.10.1 Non/short recovery of charges under Business post**

BDD fixed (December 1996) total charges for pre-mailing activities for ordinary and registered post at 35 paise and 65 paise respectively. Different circles were adopting differing practices in charging customers for the pre-mailing activities involved in Business post. BDD, therefore, fixed (May/August 1999) the charges for the activities other than collection and franking at 30 paise per mail. As regards charges towards collection and franking, BDD ordered that the charges towards collection activity would be fixed as per average cost of employee (departmental and contract labour) and transport cost (actual and MMS charges) and the franking charges with reference to employee cost per franking, depreciation cost of franking and operative cost of franking. These had to be worked out by each circle and average rate was to be charged after vetting by IFA. Circles were free to fix higher rates with reference to prevailing market rates in respective circles.

Accordingly, different circles fixed rates for different activities. In Karnataka, Kerala and Tamil Nadu circles, however, the matching and manual addressing, collection, folding, gumming and special handling charges collected were less than the charges fixed, which resulted in short/non-recovery of Rs. 14.27 lakh. Reply to audit observation in this regard from the circles were awaited as of February 2004.

#### **1.10.2 Short collection of Postage charges for bulk mailers under Business Post**

DoP had issued instructions in December 2000 that insurance premium notices, permanent account number, intimation letters and similar documents should not be transmitted at Book packet rates but only at letter mail rate of Rs. 3 per mail. However, Karnataka circle sent premium notices at Book

packet rates of Rs. 2 as against Rs. 3 per mail. This resulted in short recovery of Rs. 7.05 lakh

Further, the postage charges for Book packet weighing more than 50 gms was Rs. 7. Orissa circle, however, collected postage charges at Re.1 to Rs. 3 for printed books weighing more than 50 gms .This resulted in short collection of Rs. 6.49 lakh. On this being pointed out by Audit, Orissa circle stated (June 2003) that the parties concerned would be asked to deposit the difference; despite the remote possibility of such recoveries.

#### **1.10.3 Unauthorised credit – Loss of interest of Rs. 4.38 lakh**

BDD decided in 1999 not to extend the book now pay later (BNPL) facility to the bulk customers of business post as additional accounting work and follow up action for collection of dues from customers were involved. However, Audit noticed that Andhra Pradesh and Kerala circles extended credit facility aggregating Rs. 5.60 crore to private parties. The Department lost Rs. 4.38 lakh by way of interest.

#### **1.10.4 Outstanding dues – Rs. 1.38 crore**

In Andhra Pradesh, Bihar, Delhi, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu circles, Rs. 1.38 crore was outstanding against various Government, Semi-Government and private customers for the services rendered during 1997-2003. In Kerala and Tamil Nadu circles the outstanding was due to wrong credit given to the customers. Outstanding dues agewise was as under:

*(Rupees in lakh)*

Age of outstanding	Government	Semi Government	Private	Total
<b>Below two years</b>	91.31	24.10	7.19	122.60
Between two and four years	-	6.39	0.83	7.22
Over four years	-	-	7.96	7.96
<b>Total</b>	<b>91.31</b>	<b>30.49</b>	<b>15.98</b>	<b>137.78</b>

#### **1.10.5 Improper accounting of revenue**

Departmental instructions (June 1997) for maintenance of accounts provided that the revenue realised at Business Post Centres should only include service charges for pre-mailing activities. The revenue earned on account of postage should be considered as postal revenue.



In Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Orissa and Tamil Nadu circles for the years 1999-2003 the revenue generated under Business Post included postage, inflating the revenue by 68 to 99 *per cent* of the total revenue. The inflated revenue worked out to Rs. 201.29 crore.

Inflated revenue in respect of Haryana, Maharashtra and Tamil Nadu circles for the year 1999-2000/2000-2001, 1999-2000 and 2000-2001 respectively, could not be ascertained as the circles did not account for postage separately.

Hence, actual performance of the Business Post activity could not be assessed against the stated objective of the BDD.

### **1.11 Unfruitful expenditure under Panchayat Sanchar Seva Yojana**

**An expenditure of Rs. 53.20 lakh was incurred on payment to agents who rendered no business throughout the year under Panchayat Sanchar Seva Yojana**

The Panchayat Sanchar Seva Yojana (PSSY) was launched in September 1995 with the objective of extending basic postal facilities to Gram Panchayat villages having no post office. The scheme included sale of stamps, stationery, booking of registered articles, delivery and collection of ordinary dak and giving the dak to the nominated Branch Office/Sub Office. Panchayat Sanchar Seva Kendra (PSSK) agents were appointed under this scheme.

A fixed allowance of Rs. 300 per month upto February 2001 and of Rs. 600 with effect from 1 March 2001 was paid to these agents for providing counter services and for collection, conveyance and delivery of mail. In addition, commission was payable on sale of stamps/stationery. Clause 4.1 (e) of the instructions issued by the Department provided that the contract would be terminated if the traffic was below the minimum standards (if any) fixed by the Department from time to time.

A review of the performance of PSSKs functioning in Madhya Pradesh, Rajasthan, Andhra Pradesh, Orissa, North East, Haryana, Punjab and Chattisgarh circles revealed that the PSSKs ranged between 7 and 358 in these circles and the number of PSSKs having 'nil' business throughout the year ranged between 2 and 171 during the period from April 1999 to March 2003. Audit also noticed that the Directorate did not fix any minimum standard as referred in clause 4.1(e) of the instructions of the Department. The department incurred a sum of Rs. 53.20 lakh on the payment of fixed allowance to these agents who had not rendered any basic postal facilities and had 'nil' business throughout the year resulting in unfruitful expenditure as indicated in the table

below. Moreover, the purpose of the scheme, to take basic postal facilities to villages that had no post office, was defeated.

*(Rupees in lakh)*

Sl. No.	Name of Circle	Total No. of PSSKs	No. of PSSKs having nil business throughout the year	Period of nil business	Fixed allowance paid to PSSKs having nil business throughout the year
1	Madhya Pradesh	70-358	54-171	1999-2000 to 2001-2002	19.05
2	Rajasthan	48-286	17-146	1999-2000 to 2002-2003	12.93
3	Andhra Pradesh	57-180	12-19	2000-2001 to 2002-2003	1.97
4	Orissa	80-184	03-16	1999-2000 to 2001-2002	1.66
5	North East	47	25	2001-2002	1.80
6	Haryana	16-155	05-113	1999-2000 to 2001-2002	5.98
7	Punjab	07--91	02-46	1999-2000 to 2001-2002	2.61
8	Chattisgarh	256-344	44-56	2001-2002 to 2002-2003	7.20
	<b>Total</b>				<b>53.20</b>

This fact was brought to the notice of the Directorate by the circles from time to time between November 2001 and July 2002 but a decision had not been taken. (June 2003)

On this being pointed out by Audit, the CPMG, Punjab circle, stated that in the absence of instructions from DoP, the circle had fixed its own standard and as a result 81 PSSKs who could not meet the traffic standard, were closed down whereas CPMG, Haryana circle replied that the issue of closing down the PSSKs which had not done any business continuously for three months was under consideration. CPMG Bhopal said, however, that opening of PSSKs was much more economical than opening of extra departmental branch offices (EDBOs) for extension of postal facilities, which was a public service commitment.

The Department had not only failed to fix the minimum standards and formulate a strategy for business enhancement and administrative action to further popularise this scheme, but also failed to persuade the agents to expand their business and discourage the non-performing agents by closing down the PSSKs doing nil business. This inaction on the part of the Department resulted in unfruitful expenditure of Rs. 53.20 lakh.



The matter was referred to the Ministry in October 2003; their reply was awaited as of February 2004.

### **1.12 Irregular payment of interest**

**Post offices in Bihar, Jharkhand, Orissa, Rajasthan, Uttar Pradesh and West Bengal circles failed to ensure that the amount deposited in accounts opened under the Monthly Income Scheme (MIS) did not exceed the prescribed monetary ceiling. This resulted in irregular payment of interest, bonus and commission aggregating to Rs. 35.16 lakh.**

Departmental rules provide that an individual (depositor) may open more than one account under the Monthly Income Scheme (MIS) subject to the condition that:

- (i) deposits in all accounts taken together shall not exceed Rs. 2 lakh in a single account and Rs. 4 lakh in a joint account upto 31 May 1993;
- (ii) for accounts opened on or after 1 June 1993, the maximum limit of deposit shall be Rs. 2.04 lakh for a single account and Rs. 4.08 lakh for a joint account; and
- (iii) for accounts opened on or after 1 February 2000, the maximum limit of deposit shall not exceed Rs. 3 lakh in a single account and Rs. 6 lakh in a joint account.

At the time of investment in an MIS Account the depositor should give a declaration to the effect that his/her deposits in all the accounts taken together do not exceed the prescribed limit. In case of excess deposits made beyond the prescribed limit, the Head Postmaster should settle the same by refunding the excess irregular deposits without interest to the depositor. The interest paid, if any, on the excess deposits should be deducted and commission paid to the agents on the excess investments should be recovered. However, in January, 2002, the Ministry of Finance decided to refund to the depositors the excess deposits beyond the prescribed limit under MIS account along with interest at the Post Office Savings Bank rate from the date of deposit till the end of the month preceding the month in which the subscriber was to withdraw the excess deposit from the MIS account. The Department of Posts communicated this decision to all circles in April 2002.

Departmental rules also provide that the Savings Bank Control Organisation (SBCO) set up in each Head Post Office (HPO) should maintain control accounts of all savings bank schemes and carry out day-to-day checks of the

work done by the SB Branch. The Internal Check Organisation, Savings Bank (ICO, SB) set up in each Postal Circle, should effectively inspect the SB Branch of HPOs and Control Organisations. The Superintendent of Post Offices (SPO) is also required to visit frequently the SBCO branches and review the Objection book and monthly progress report of each type of accounts received from SBCO. SPO should also take necessary action on the inspection reports of ICO on the SBCO and SB branch of HPOs.

Audit noticed between October 2002 and September 2003 that twenty one post offices in Bihar, Jharkhand, Orissa, Rajasthan, Uttar Pradesh and West Bengal circles paid interest on MIS deposits made beyond the prescribed limit at MIS rate instead of at savings bank rate. In addition, they paid bonus and commission to the small savings agents who had mobilised these accounts. The details are given below:

*(Rupees in lakh)*

Name of Circle	No. of Post Offices	No. of accounts	Period	Amount of irregular payment of interest, bonus and commission
Bihar	4	73	December 1995 to October 2002	9.43
Orissa	5	107	August 1995 to March 2003	6.11
Jharkhand	1	17	April 1997 to August 1999	1.13
Rajasthan	6	92	October 1989 to July 2002	6.75
Uttar Pradesh	4	34	May 1994 to April 2003	9.52
West Bengal	1	28	February 1994 to August 2001	2.22
<b>Total</b>				<b>35.16</b>

The Postmasters did not refund excess deposits to the depositors and allowed the depositors to continue to earn MIS rate of interest in violation of the departmental rules. They had also not obtained a declaration from the depositors at the time of opening of MIS account that deposits in all the accounts taken together did not exceed the prescribed limit.

The failure of Postmasters to follow departmental rules and failure of the monitoring system to keep proper checks, resulted in excess payment of interest, bonus and commission aggregating to Rs. 35.16 lakh.

In reply, the Ministry stated (January 2004) that Rs. 6.71 lakh out of the objected amount had been recovered in respect of Bihar, Orissa, Jharkhand, Rajasthan and Uttar Pradesh circles and the balance recovery was under



process. As regards West Bengal circle, it stated that the circle was asked to look into the matter. It further added that the matter had been taken up with MOF to lift the ceiling on amount of deposit in MIS accounts.

### **1.13 Issue of Kisan Vikas Patra in contravention of rules and resultant irregular payment of interest**

**Issue of Kisan Vikas Patra worth Rs. 20 lakh by the Head Post Master Bilaspur under Chattisgarh circle in contravention of rules led to irregular payment of interest of Rs. 20 lakh in September 2002.**

Post Office Kisan Vikas Patra (KVP) Rules 1988 read with Department of Posts (DoP) letter of March 1995 provide that the KVPs could be issued to individuals / trusts but not in the name of institutions. These rules envisage that the provisions of Post Office Savings Certificate Rules 1960 would apply in relation to any matter for which no provision has been made in these Rules. In terms of Rule 13 of the Post Office Savings Certificate Rules, any KVP purchased in contravention of these Rules shall be encashed by the holder as soon as the fact is discovered and no interest shall be paid on any such holding.

Audit, however, noticed in July 2003 that the Postmaster, Bilaspur Head Post Office (HPO), under Chattisgarh circle, issued KVPs worth Rs. 20 lakh in the name of Collector (Panchayat) Bilaspur in October 1996 in contravention of above rules. He allowed the discharge of these patras in September 2002 by making a payment of Rs. 40 lakh inclusive of interest. This led to irregular payment of interest of Rs. 20 lakh.

The Ministry, while accepting the facts and figures, replied in February 2004 that the case had been taken up with the Ministry of Finance for regularization. It further stated that disciplinary action had also been initiated against the official at fault.

### **1.14 Excess payment of haulage charges**

**The Chief Postmaster General (CPMG), Assam Circle, while making payment of haulage charges, did not consider the cancellation of trains during the billing period, resulting in excess payment of Rs. 13.49 lakh**

The Department of Posts hires coaches on running trains from Indian Railways for carriage of mails. The railway coaches used for the purpose are commonly known as postal and non-postal vans. The Heads of Postal Circles make payments to Railways based on the bills raised periodically by the Zonal Railways. Departmental instructions issued in May 2002 reiterated that the

bills for haulage charges submitted by the Railways should be scrutinized and verified thoroughly before making payments.

Audit scrutiny (September 2003) of records of CPMG, Assam circle, revealed that the train services remained suspended in Samastipur-Tezpur section after 26 November 2002 for conversion of metre gauge track into broad gauge track. However, CPMG, Assam circle, paid haulage charges for the full half-year period of 182 days (October 2002-March 2003) at Rs. 19.49 lakh against the haulage charges due of Rs. 6 lakh, resulting in excess payment of haulage charges of Rs. 13.49 lakh.

In reply, the Ministry stated (January 2004) that the excess paid amount had since been recovered and that necessary action for identification of lapses and corrective action were being taken by the department.



## CHAPTER II : MINISTRY OF EXTERNAL AFFAIRS

### 2.1 Avoidable loss due to delay in claiming refund of VAT

**Delay of HCI, London, in claiming refund of VAT paid on renovation of the Embassy Residence from October 1999 to May 2001 resulted in a loss of Rs. 2.44 crore.**

In November 1994, the Government of India approved the renewal of the lease for the Embassy Residence (ER) of the High Commissioner of India (HCI), London, for 65 years with effect from April 1990. The Mission signed a contract for a lease premium of £14 million with the Crown Estate on 30 March 1995. The Mission was to carry out renovation of the building within the terms of the contract.

The Mission paid an amount of £34,43,455.81 to M/s Wallis, the main contractor, during January 2000 to June 2003 which comprised £31,08,052.89 as renovation cost of the ER and £3,35,402.92 as Value Added Tax (VAT) calculated at 17.5 *per cent* of the cost of such elements of renovation costs, which were not defined as alteration work, the alteration work being exempt from VAT.

Diplomatic Privilege entitled the Mission to the refund of VAT and a claim for refund of VAT was to be filed before the Foreign and Commonwealth Office (FCO) within one year of the payment. The property team of the Ministry had emphasised the need for filing of claims in January 2000 and again in July 2001. The team also stated that the Mission should claim the refund of VAT which it actually paid to the contractors and that it should get necessary documents from M/s Wallis, the main contractor, in order to prepare its claim. Further, the Ministry in its letter dated 28 August 2001, also emphasised that the Mission should extend priority to obtaining the refund of VAT.

However, the Mission did not make efforts to obtain the refund of VAT. Only when observed by Audit (March 2003), did the Mission file a claim with the FCO on 27 June 2003. The FCO vide its letter dated 7 July 2003, returned the claim with the request to identify the cost of "material produced in the United Kingdom" for processing of refund of VAT. The Mission, in turn, approached (July 2003) the architect to collect the relevant documents related to purchase

of British-made goods from the Contractor. Response of the architect was awaited as of October 2003.

The Ministry endorsed, in August 2003, the reply of the Mission that the renovation project which started in October 1996 had been completed in June 2003 and that after release of all the payments involved in the project, claim for refund of VAT had been submitted in June 2003.

The Ministry while endorsing the views of the Mission, did not refute the facts mentioned in the para nor did it give any justification for delay in claiming refund of VAT.

Thus, failure on the part of the Mission, despite repeated instructions from the Ministry to claim refund of VAT has resulted in a loss of Rs. 2.44 crore<sup>1</sup> (£3,20,207.35) which was the refundable VAT on payments, made prior to one year before the date of claim, which are now time barred.

## **2.2 Avoidable expenditure on hiring of temporary accommodation for High Commissioner at London**

**High Commission of India, London hired a temporary accommodation, during renovation of Embassy Residence, 47 weeks prior to its requirement, resulting in avoidable expenditure of Rs. 1.71 crore.**

In October 1994, the Government of India approved the renewal of the lease for the Embassy residence of the High Commissioner of India (HCI) at London for 65 years with effect from April 1990. The HCI signed a contract for lease at a premium of £14 million, with the Crown Estate on 30 March 1995. Within the terms of the contract, the HCI was to carry out renovations to the building.

To accommodate the High Commissioner (HC) during the renovation of the Embassy Residence (ER), an accommodation was taken on lease at 53 Cumberland Terrace, London, from 30 November 1998 for one year at a rent of £ 5000 per week. The lease was further renewed up to 28 March 2001<sup>2</sup>. The total period of hire was 28 months.

Audit scrutiny of the renovation project revealed that the tenders for the main contract were invited only in March 1999 and sent to the Ministry for approval

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<sup>1</sup> @ 1 Pound equivalent to Rs. 76.22 being official rate of exchange for June 2003.

<sup>2</sup> Up to 29 November 2000 @ £5000 per week and thereafter @ £ 5,500 per week.



in April 1999. The Ministry conveyed their approval for awarding the contract in October 1999, after obtaining the Cabinet's approval for the proposed expenditure on 15 September 1999.

In disregard of norms of financial prudence, hiring of the accommodation was not synchronised with the approval of the tender and award of contract by the Ministry. The alternate lease was taken up nearly one year prior to the award date, when even the Notice Inviting Tender had not been issued. In October 1999, the contractor was given a 10 month completion schedule. However, the project was completed in March 2001 after a delay of five months due to additional works.

The sanction for hiring temporary accommodation was without correlation to either the status of the project in October 1998 or the expected date of commencement of renovation. This resulted in an avoidable expenditure of £235,000<sup>3</sup> equivalent to Rs. 1.71 crore<sup>4</sup> for a period of 11 months prior to the award of the work on 25 October 1999.

The Mission in its reply in July 2003 contended that the vacation of the ER was necessary for preparation of the tender documents by the Consultants in July 1998, whilst also accepting that the tender documents were ready in November 1998. The Ministry endorsed the reply of the Mission in its reply in August 2003. It was observed that the ER was vacated in July 1998 due to the transfer of the HC. Search for the leased accommodation was also stopped, as the date of arrival of the new HC was not known and the Mission had held the view that alternate accommodation for the new HC could be arranged within two months of his arrival. The new HC arrived on 4 October 1998 and alternate accommodation was leased from 30 November 1998 at which time the ER was available for use. It was only one year later that the approval of final award of the work was made on 25 October 1999.

There was a conspicuous absence of a formal schedule of completion of activities to facilitate planning and monitoring, given that the Ministry was aware of the high cost of hiring of a temporary ER. The Mission furnished only a list of dates of events in its reply of September 2003. Initial activities included approval of tender documents by the Ministry, submission of the tenders, comparative analysis of tenders by the consultants and submission of

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<sup>3</sup> @ £5000 per week for 47 weeks

<sup>4</sup> At the official rate of exchange prevalent at the time of payment in November 1998 being £ 1= Rs. 72.62

their recommendations, examination of the consultant's recommendation by the HCI and submission to the Ministry for approval, Cabinet approval of the proposed expenditure and approval of the tender by the Ministry. As crucial formalities required a reasonable lead time (as actually transpired) the hiring of a temporary ER from November 1998, 47 weeks prior to its requirement was not justified. This resulted in an avoidable expenditure of Rs. 1.71 crore.

### **2.3 Unauthorised expenditure on engagement of contingency paid staff**

#### **Notwithstanding repeated audit observations, Missions and Posts abroad continued to engage staff paid from contingencies in violation of orders.**

Item No 12 of Schedule 1 of the Financial Powers of the Government of India's Representatives Abroad provides that the Head of Mission/Post (HOM/HOP) may employ only Class IV staff paid from contingencies subject to the condition that the staff so employed is not for work of a regular nature or against vacant posts borne on regular establishment.

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

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

The Ministry reiterated in May and July 2001 that the contingency staff cannot be treated as replacement of regular posts and they should not be engaged beyond specified periods sanctioned by the Ministry.

Successive Audit Reports<sup>5</sup> have highlighted disregard of Schedule I of Financial Powers and Ministry's instructions by the Missions/Posts in Europe resulting in unauthorised expenditure of Rs. 9.46 crore among nineteen

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<sup>5</sup>Paragraph no 4.1.1 of Report (No 2 of 1999), Paragraph 8.6 of Report (No.2 of 2000), Paragraph 9.2 of Report (No.2 of 2002) and Paragraph 4.1 of Report (No.2 of 2003) of the Union Government-Civil of the Comptroller and Auditor General of India



Missions/Posts<sup>6</sup> including an amount of Rs. 1.57 crore towards payment of wages in excess of the prescribed norm of one- thirtieth of the scale of pay of the corresponding local staff.

In its Action Taken Notes furnished in January 2001 and May 2002, the Ministry had stated that instructions were issued to the Missions and Posts emphasising the need to adhere to the rules and regulations failing which responsibility would be fixed on errant officers.

Audit scrutiny however revealed that, of the nineteen Missions/Posts reported upon in earlier Audit Reports, ten Missions<sup>7</sup> persisted with violations in engagement of contingency-paid-staff involving an additional unauthorised expenditure of Rs. 1.97 crore including an excess payment of wages of Rs. 30.33 lakh beyond norms according to details furnished in **Annex I**. In addition, three Missions/Posts engaged contingency-paid-staff for work of regular nature such as gardeners, cleaners, chauffeurs, charwoman etc for prolonged periods, or paid wages in excess of prescribed norms or inadmissible bonus, all of which were in violation of the rules and instructions, resulting in a further unauthorised expenditure of Rs. 36.28 lakh as detailed below.

(Rupees in lakh)

Mission/ Post	Nature	Period of engagement	Amount paid
EI Baku	Engagement as cleaner	Nov 1999 to February 2002	1.55
EI Dushanbe	Engagement as watchmen, gardener and cleaner	July 1996 to June 2002	28.61
EI Kyiv	Engagement as caretaker	October 1995 to September 2002	6.12
<b>Total</b>			<b>36.28</b>

Audit also observed that six Missions/Posts at Dhaka, Rajshahi, Manila, Singapore, Abu Dhabi and Cairo had 31 sanctioned posts of Group C (clerks) and 21 posts of Group D. In addition to these sanctioned posts, the Missions had employed 42 contingency-paid staff to discharge the functions of Group C and Group D jobs for periods ranging from one and a half years to 28 years without authorisation from the Ministry. These contingency-paid staff were

<sup>6</sup> Almaty, Athens, Belgrade, Berlin, Birmingham, Bonn, Brussels, Dublin, Frankfurt, Geneva, Hamburg, Helsinki, Madrid, Moscow, Oslo, Paris, Rome, Stockholm and The Hague

<sup>7</sup> Almaty, Birmingham, Brussels, Dublin, Frankfurt, Geneva, Moscow, Paris, Rome and Stockholm.

used as visa writer/clerk, sweeper, security guard, gardener, technician and messenger. It was also noticed that in August 2000 the Ministry had directed HCI Dhaka to discontinue the services of the entire 16 contingency-paid employees and hire cleaning staff and chowkidars on annual/semi-annual contract basis. As of August 2003 the Ministry had not agreed to the proposals of the Missions/Posts at Dhaka (June 2000 and July 2001), Rajshahi (June 1999) and Singapore (April 2001) for sanction of various Group 'C' posts, hiring of contingency-paid staff and hiring of Group D staff on contract basis. The Ministry had also pointed out to the Mission in Abu Dhabi in April 2002 that hiring of additional security guards without its sanctions was irregular and not justified. In August 2002, the Ministry reiterated its stand and sought further justification from the Mission for continuing the deployment of guards without sanction. However, the Mission continued to deploy two security guards on contingency basis as of August 2003.

Thus, the employment of contingency-paid staff for clerical and Group D posts beyond six months, in persistent violation of the orders of the Ministry, resulted in irregular expenditure of Rs. 87.35 lakh (details in **Annex II**).

The continued violation of instructions in the engagement of and payments made to contingency staff calls for amendment of relevant rules if, as contended by some Missions, engagement of contingency-paid-staff was a more economical and practically viable option, which was an acceptable practice in those countries.

The Ministry was lax in not enforcing the extant rules or alternatively reframing rules relating to engagement of contingency-paid-staff for specific purposes like cleaning and messenger duty at wages, which factor in the local laws prevailing at respective stations abroad.

The Ministry stated (December 2003) that details had been sought from Missions/Posts at Dhaka, Rajshahi, Manila, Singapore, Abu Dhabi and Cairo for examining the matter. Further developments were awaited (April 2004).



## Annex I

## Statement showing the unauthorised expenditure on contingency-paid staff

Sl. No.	Name of the Mission/Post	Period of engagement	Total expenditure incurred	(Rupees in lakh)	
				Payment made in excess of the norm	
1.	Birmingham	September 2002 to March 2003	46.35	-	
2.	Paris	August 2001 to March 2003	35.08	15.30	
3.	Mascow	October 2001 to March 2003	42.34		
4.	Geneva	January 2002 to December 2002	27.76	15.03	
5.	Almaty	July 2001 to March 2003	8.81		
6.	Frankfurt	October 2001 to March 2003	13.60		
7.	Brussels	September 2002 to March 2003	2.74		
8.	Rome	September 2002 to March 2003	10.07		
9.	Stockholm	October 2001 to March 2003	4.38		
10.	Dublin	October 2000 to January 2003	5.48		
	<b>Total</b>		<b>196.61</b>	<b>30.33</b>	

## Annex II

## Details of contingency-paid posts operated without sanction

Name of the post (contingency paid without sanction)	Sanctioned posts		No. of posts without sanction		Date from which post is continued	(Rupees in lakh)	
	Class III	Class IV	Class III	Class IV		Wages paid	
						Period	Amount
High Commission of India (HCI), Dhaka							
Visa Writers (Clerks)	27		3		1985 onwards till date (18 years)		
- do -			1		1987 onwards till March 2002 (15 years)		
- do -			1		1993 onwards till March 2002 (9 years)		
- do -			4		1995 onwards till March 2002 (7 years)		
- do -			4		1997 onwards till March 2002 (5 years)		
- do -			3		Oct. 1998 onwards till March 2002 (4 years)		
Sweeper		3		4	Details not available		
Chowkidar (Security Guards)		14		4	Details not available		
Gardener (Mali)		2		3	Details not available		
Messenger		Nil		1	Since 1991 till March 02 (11 years)		
Messenger		Nil		2	Since 1997 till March 02 (5 years)		
Messenger		Nil		1	Since 2000 till March 02 (2 years)		
<b>Total</b>			<b>16</b>	<b>15</b>		<b>2001-02</b>	<b>15.24</b>

Name of the post (contingency paid without sanction)	Sanctioned posts		No. of posts without sanction		Date from which post is continued	Wages paid	
	Class III	Class IV	Class III	Class IV		Period	Amount
Asstt. High Commission of India (AHCI), Rajshahi							
Gardener		Nil		1	April 1991 till March 2002 (11 years)	1998-99 to 2001-02	
Jamadar		Nil		1	September 1974 till March 2002 (28 years)		
<b>Total</b>				<b>2</b>			<b>2.01</b>
Embassy of India, Manila							
Visa Clerk	1		1		Since 1984 till March 2003 (19 years)	2000-01 to 2002-03	
Cleaner (Janitor)		Nil		1	Since June 2001 till March 2003 (2 years)	December 2001 to March 2003	
<b>Total</b>			<b>1</b>	<b>1</b>			<b>3.57</b>
High Commission of India, Singapore							
Clerks	2		3		2 posts since July 1999 onwards and 1 post since Sept. 1999 (2 years)	Since July 1999 to January 2002	
<b>Total</b>			<b>3</b>				<b>23.86*</b>
Embassy of India, Cairo							
Clerks	1		1		Since 4.8.89 to 31.3.2003 (3 years)	Since 4.8.89 to 31.3.2003	
<b>Total</b>			<b>1</b>				<b>5.38#</b>
Embassy of India, Abu Dhabi							
Technician	Nil		1		1.11.2001 till date (2 years)	1.11.2001 to 30.4.2003	5.33
Security Guards		2		4 (2+2)	11.7.2000 (16 months)	11.7.2000 to 31.10.2001	17.49
				2	13.8.2000 (22 months)	1.11.2001 to 31.8.2003	14.47
<b>Total</b>			<b>1</b>	<b>4/2</b>			<b>37.29</b>
<b>GRAND TOTAL</b>			<b>22</b>	<b>22/20</b>			<b>87.35</b>

\* Worked out on exchange rate January 2002

# Worked out on exchange rate March 2003



#### 2.4 Undue benefit to officials of the Embassy of India, Rome

**Notwithstanding repeated audit observations, the Mission at Rome continued to make payment of inadmissible lunch and transportation charges of children of India-based officials resulting in unintended benefit of Rs. 79.26 lakh from April 1998 to March 2003.**

As per the provisions of IFS (PLCA) Rules, the Government of India is liable to pay for the education of the children of India-based officials posted in Missions abroad. Amongst the elements of fee, those on account of capital assessment, transport, stationery, books, and lunch are to be borne by the officials themselves. However, if these charges are integrated into the school fee, i.e. break-up of elements is unavailable, this is to be certified by the school and forwarded by the Mission to the Ministry. While empanelling a school in such cases, the Ministry prescribes a set of deductions to be made from each official, as a percentage of foreign allowance and/or tuition fee in lieu of payment of such charges by the Government.

For each approved school patronised by the Mission's officials in Rome, a specific order was issued by the Ministry for payment of the entire fee by the Government with some percentage of recovery from the officials. This was based on a certificate adduced by the Mission that lunch and transport charges were not separately ascertainable and stood included in the tuition fee. The deductions were 10 to 13 *per cent* of the actual charges for lunch and transport.

Over two audits conducted in November 2001 and October 2002, the following had been reported regarding violations observed in the process of empanelment of schools and consequent inadmissible benefits given to the officials:

1. For each school, a certificate stating non-availability of break-up of fee was obtained by the Mission and forwarded to and accepted by the Ministry. This was contradicted by the evidence gleaned from the prospectus of the school or the invoices received from the schools and approved for payment by the Head of Chancery.
2. The audit observation on false certificates obtained from the school in which majority of the children of the officials were admitted, had been discussed in communications sent by the Mission to the Ministry in November 2001 and in April 2003. The Mission admitted in November

2001 that the certificate from the school confirming the non-excludability of lunch and transport charges from the fee was false. Yet the Ministry took no action and continued to accept similar certificates sent by the Mission for empanelment of schools.

Thus, all the approvals of the Ministry for payment of school fee, including other charges, by the Government were obtained either on incorrect or inadequate information, which resulted in an undue benefit to the officials because the payment of separate elements of lunch and transportation charges by the Mission was higher than the recoveries of one *percent* of foreign allowance and tuition fee per child from the India-based officials. This difference amounted to Euro 1,45,293 equivalent to Rs. 79.26 lakh<sup>8</sup> approximately during the period from April 1998 to March 2003. The Mission was also making the payments of capital assessment fee without the approval of the Ministry. During two academic years 2001-02 and 2002-03, the Mission had paid capital assessment fee of Euro 9522 equivalent to Rs. 5.19 lakh.

The case highlights the inaction of the Ministry and absence of any corrective mechanism even when a lapse bordering on fraud, was reported in November 2001. The response of the Ministry was awaited as of February 2004.

## 2.5 Property lying unutilised

**Indecision on best possible utilisation of a property resulted in its not being utilised since January 2001.**

The Public Accounts Committee in their 108<sup>th</sup> Report (1987-88) Eighth Lok Sabha had recommended a long-term perspective plan comprising acquisition of built-up properties and construction of buildings on existing unutilised plots across Missions abroad. The Government was expected to respond with a pragmatic plan, which would control its rental liability on account of leased properties so that rental outgo, which increases periodically, is reduced to the barest minimum.

The property at Stormstrasse, Berlin (the property) consisting of 1133 sq.

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<sup>8</sup> At the official exchange rate of one Euro= Rs. 54.550 prevailing in June 2003. Actual recovery for the years 1999-2000 to 2001-02 have been calculated on the basis of recovery in 2002-03



meters of land and a building with a plinth area of 260 sq. meters, was purchased in 1985 and was being used as the residence of the Consul General of India until 1994. In 1994, the building was converted into a Cultural Centre. The Centre was shifted to a new Chancery building in January 2001. Since then, the property remains unutilised.

In November 1997, a Cabinet decision was taken to construct a new Chancery building including the Cultural Centre, and the property at Stormstrasse was to be used as a residence of India-based officers. Ever since, there were no indications of compliance with the decision and the Mission has only been debating the following alternatives.

- (a). Utilising the property as the residence of the Deputy Chief of the Mission
- (b). Retention of the property as a "resource centre" for the Indian Community
- (c). Construction of an apartment block for staff

A study of the communications between the Ministry and the Mission revealed that the first proposal was not acceptable to the Mission, the second proposal was objected to by the Director General, Indian Council for Cultural Relations and the third proposal was found to be economically unviable by the Ministry.

The Mission and the Ministry had ample time from November 1997 to January 2001 to plan and finalise the future use of this property. It was incumbent on the Ministry to have incorporated the future utilisation of the Stormstrasse property within the overall plan drawn up for relocating the Indian Mission and Cultural Centre in Berlin. Its failure to be ready with clearances and approved drawings from the date of vacation of the Stormstrasse premises *viz.* January 2001, has led to avoidable expenditure on rent for officials and this would continue till the actual work commences at site; an event without any time scale at present.

In March 2002 and February 2003 Audit had commented on the non-utilisation of the property and had recommended construction on an apartment block, since it would provide maximum value for money to the Government.

The Ministry informed Audit in June 2003 that after active consideration, it had been found that the proposal for construction of flats for staff was not economically viable and that it had asked the Mission to examine the

economic viability of construction of four flats for the representational level officers. It is evident that the Government property acquired at a cost of DM 1.25 million (Rs. 75.75 lakh) has not been put to effective use.

Assuming that the current proposal for constructing four flats for representational level officers is timely approved and implemented, it would result in saving of at least Rs. 6 lakh per month on rental outgo (assessed at a minimum rate of Euro 3000 per month for four representational level officers).

## **2.6 Non-installation of power factor improvement capacitors**

**Non-installation of power factor improvement capacitors by the Regional Passport Office, Mumbai, resulted in avoidable expenditure of Rs. 45.08 lakh on RKVAH charges and power factor surcharge for the period from September 1998 to March 2003.**

Electricity to the Regional Passport Office (RPO) Mumbai is supplied by the Brihanmumbai Electric Supply and Transport Undertaking (BEST). According to BEST's regulations, the RPO had to maintain the power factor at a required level of 0.97 failing which a penalty in the form of power factor surcharge would be levied. The power factor actually achieved by the RPO ranged between 0.75 and 0.85 as against the required level of 0.97.

In order to avoid payment on account of Reactive Kilovolt Ampere Hour (RKVAH) units and penalty on account of low power factor consumed and billed BEST advised the RPO, Mumbai in February 1998 to install adequate size capacitors to maintain the power factor at the required level (0.97).

The CPWD prepared a preliminary estimate for Rs. 3.58 lakh to install power factor correction panels and sent it to the RPO in March 2000 for sanction stating that it would result in savings in the cost of electricity by about Rs. 0.50 lakh per month. The RPO then referred the matter to the Ministry in March 2000 and again in February 2002 for according necessary sanction. However, sanction to install power factor correction panels had not been received as of May 2003.

Thus due to non-installation of power factor improvement capacitor, the department incurred avoidable expenditure on RKVAH charges and power factor surcharge of Rs. 45.08 lakh during the period from September 1998 to March 2003. The RPO would continue to incur further expenditure at the rate of Rs. 0.83 lakh per month till the installation of correction panels.



The matter was referred to the Ministry in July 2003; their reply was awaited as of February 2004.

## 2.7 Unauthorised expenditure due to lease of vehicle without sanction

**The Embassy of India, Washington retained a car taken on lease since May 2000 in violation of the Ministry's specific directions and incurred an unauthorised expenditure of Rs. 44.59 lakh**

In March 1995, the Ministry of External Affairs (MEA) authorised purchase of a staff car for use of the then Minister (Community Affairs) in the Embassy of India in Washington during his tenure, keeping in view his health. The car was purchased in April 1995. By September 1998, the car had logged 1,20,000 KMs. Minister (CA) substituted it by a new car taken on lease for one year from the Ford Motor Company in April 1999 at a monthly lease rent of \$434. After the transfer of Minister (CA) from Washington in August 1999, the Mission requested MEA to permit retention of the car under the Chancery Pool of cars for an initial period of two years on the plea that the Embassy's pool was insufficient and returning the car during the currency of the lease would be disadvantageous to the Government. After receiving certain clarifications as to the financial implications of retaining the car, the Ministry turned down the Mission's proposal and directed it to terminate the lease immediately. After persistent requests from the Mission, the Ministry, in November 1999 reversed its earlier decision and permitted leasing of the car upto April 2000.

In May 2000, the Mission again requested MEA for retention of the leased car upto April 2002 on the plea that returning the car to the dealer would entail payment of disposition charges of 12.5 percent (\$3500 to \$4000 approximately) to the United States State Department as the State Department had enforced a circular then which stipulated levy of disposition charges if a car was registered with a Mission for less than three years. The Mission contended that an extension of lease would obviate the need for payment of disposition charges and that it would also save expenditure on hiring of cars. MEA asked (May 2000) the Mission to clarify whether it was aware of this stipulation in 1999 when the Ministry approved retention of the car for a year. It also sought justification for not approaching the Ministry before expiry of the lease in April 2000. In August 2000, MEA directed the Mission not to extend the lease till a clear authorisation was conveyed. The MEA's directives, however, were not complied with and the lease was continued upto August 2002. Thereafter, a car was taken on a monthly rental basis at a much

higher cost of \$ 1375 per month upto December 2002. Since January 2003, a van was taken on rent at a monthly rental of \$ 1566.

The retention of a vehicle since May 2000 in clear violation of MEA directives, resulted in unsanctioned expenditure of \$ 23932.82 towards monthly lease/rental charges of car and \$ 69927.72 by way of pay and allowances to the local chauffeur as of March 2003. The total expenditure without sanction amounted to \$ 93860.54 (Rs. 44.59 lakh @ \$ 1 = Rs. 47.51). The Mission had thus acted beyond its authority and clearly violated MEA's specific directions.

MEA stated in September 2003, that the leasing had been in overall public interest and that the Mission had been able to effect savings on hiring of vehicles. MEA, however, added that the lease/rent had been terminated with effect from August 2003 and that the Mission had been cautioned against recurrence of such lapses. The Ministry's contention regarding savings is not correct as there had been a steady increase in expenditure on hiring and it stood at \$83641.39, \$147925.75 and \$ 268760.20 during the financial years 2000-01, 2001-02 and 2002-03, respectively as against the expenditure of \$39036.23 during 1999-2000. The Ministry's own admission that it had directed the Mission to discontinue the lease/rent contradicts its statement that the leasing of the car was in overall public interest.

## **2.8 Injudicious retention of vacant accommodation**

**Ministry injudiciously retained vacant accommodation at Male for two years, which resulted in avoidable expenditure of Rs. 39.71 lakh.**

In terms of the powers delegated to Missions abroad, leased residential accommodation rendered vacant cannot be retained for more than 90 days without the prior approval of the Ministry of External Affairs. Further, in terms of the Ministry's instructions issued in December 1997, in case the gap between the departure of the outgoing/retiring officer and the arrival of the incumbent is likely to exceed 90 days, the fact should be brought to the Ministry's notice without waiting for the period of retention of vacant accommodation to exceed 90 days.

The Embassy of India (Mission) at Male, Maldives, entered (November 1995) into a lease agreement (commencing on 1 October 1995 and expiring on 30 September 1998) for the residence of the High Commissioner of India (HCI), at a monthly rent of US\$ 3,000. This agreement was renewed in July 1998 for a monthly rent of US\$ 3,600 payable from 1 April 1998 to



31 December 2001. The post of the HCI fell vacant on 19 October 2000. Prior to handing over charge in October 2000, the outgoing High Commissioner (HC) had recommended that the accommodation be retained at least for the quarter ending December 2000, in view of the difficulty in finding suitable accommodation for the HCI.

In November 2000, the Ministry conveyed their approval to the retention of the vacant accommodation till December 2000. Subsequently, at regular intervals, the Mission sought the Ministry's approval for retention of the vacant accommodation on the ground of non-availability of suitable alternative accommodation in a small country like Male. In August 2001 while conveying approval for retention of the vacant residence till the end of the quarter ending September 2001, the Ministry pointed out that incurring of such avoidable expenditure was not a healthy practice. The Mission responded (September 2001) that if the new HC was likely to join in October 2001, then approval for retention upto December 2001 be granted; otherwise the Ministry might consider terminating the contract with a notice well in advance. The Ministry, however, did not act on the Mission's advice and conveyed its approval to the continued retention of the accommodation and renewal of the lease for a further period of three years despite the fact that no new HC was posted. Accordingly in December 2001, the Mission again entered into a lease agreement at a monthly rent of US\$ 3,300 for three years from January 2002 to 31 December 2004. The new HCI joined only in January 2003.

Thus, injudicious retention of the vacant accommodation for two years from January 2001 to December 2002 resulted in avoidable payment of US\$ 82,800 equivalent to Rs. 39.71 lakh computed at exchange rates prevailing at different times.

The matter was referred to the Ministry in July 2002 and November 2003. In reply, the Ministry stated (February and December 2003) that retention of the vacant house was necessary as Male was a small island of less than two sq. km and there was acute shortage of residential accommodation. The Mission could not purchase or build property in Male according to the local laws. The Ministry added that it was attempted, before the expiry of lease deed in December 2001, to find a suitable alternate accommodation which was earlier occupied by the Sri Lankan High Commissioner. However, the surroundings were considered not suitable for the Embassy residence. The Ministry also mentioned that the delay in the arrival of the new HC was unforeseen and due to certain administrative reasons. At no point of time was it visualised that there would be a gap of even three months.

The Ministry's reply is untenable in the light of their own observations in August 2001 when they had pointed out the inadvisability of retaining the vacant accommodation and the advice of the Mission given in September 2001 that in case the new HC was not likely to join in October 2001, the vacant accommodation should be given up. The Mission would have given this advice keeping in view the local conditions. This is supported by the fact that Sri Lanka did find an alternate accommodation for their HC.

## 2.9 Delay in development of a property

**Timely development of six residential flats for Minister-level officers at London would result in saving of Rs. 20.68 lakh per annum for 43 years in rental for leased accommodations**

The property at 8, South Audley Street in Central London, with an area of 28,300 sq. ft. is on a 99-year lease from 1949. The property consisted of a listed main building and an annex. The High Commission of India demolished the annex building in 1988 without approval of the Ministry in order to construct flats for India-based personnel. The cost of demolition of the annex was £45,000 (Rs 12.05 lakh). The Mission is liable to restore the demolished premises at the end of the lease period in 2048<sup>9</sup>. The proposed flats are yet to be constructed even after a lapse of 15 years as of October 2003.

In September 1989, the Ministry approved, "in principle", the proposal for preparation of detailed drawings for a building to be constructed on the site of the earlier annex. Without the approval of the Ministry, the Mission engaged an architect for preparation of design and drawings and instead of seeking regularisation of its action, stopped the work in 1990 after having paid £67,337 (Rs 18.03 lakh) and incurred unliquidated liability estimated at £72,409<sup>10</sup>. In March 1995, the architect made a claim for the dues through the Foreign Office. The property team that visited London in March 1996 approved the outstanding payments to the architect and consulting engineer. The Mission discharged its liability of £71,781.87 in March 1996. The contract with the architect was eventually terminated in December 2000 rendering the entire expenditure of £139,118.87 (£67,337 + £71,781.87)

<sup>9</sup> Refer Para 29.5 of Report No 1 of 1991 (Union Government-Civil) of the Comptroller and Auditor General of India.

<sup>10</sup> Refer Para 7.2 of Report No 1 of 1995 (Union Government-Civil) of the Comptroller and Auditor General of India.



infructuous. The Ministry stated (October 2003) that the payment was made in terms of the contractual obligations.

In October 1997, the Mission had estimated the cost of construction of 4-5 flats at £3.1 million, an escalation over the 1989 estimates of £2.4 million. The property team that visited London in November 1998 found this to be unrealistic and recommended alternate proposals for comparison. The Mission obtained an alternate proposal for six flats in February 1999 at an estimate of £1.78 million from another architect. The matter remained under correspondence for 14 months from November 1999 between the Mission and the Ministry. The Ministry shortlisted three firms in October 2002 and approved a design brief for construction of six flats for Minister-level officers to facilitate preparation of concept designs, which were sent to them by the Mission in March/July 2003.

Even if the construction of six flats is now taken up and the project completed in two years, the Government would save on the recurring liabilities of £165,600 per annum equivalent to Rs. 1.29 crore (being rent for six houses as per rental ceiling @ £2,300 p.m. for Ministers) for the remaining 43 years of the lease period. As against this, the estimated cost of construction of six flats, obtained from the architects in February 1999 was £1.78 million, which would have resulted in a saving of £1.14 million (net present value of rent £2.92<sup>11</sup> million less construction cost of £1.78 million) or Rs. 889.30 lakh (Rs. 20.68 lakh per annum) at the exchange rate of March 2003 (£1=Rs 78.01).

The Ministry stated (October 2003) that the short-listed architects had since submitted their design concepts, which were being evaluated.

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<sup>11</sup> Present value of £7.12 million being the rent of 6 houses @ £2300 p.m. for 43 years at the discount rate of 5 per cent.

## 2.10 Delay in disposal of vacant property

**Ministry of External Affairs have delayed disposing a building in Aden which fell vacant in March 1994 leading to deterioration of its condition. The Ministry also delayed approval to the Mission's proposal of leasing out the building resulting in a loss of Rs. 16.96 lakh to the exchequer.**

Consequent upon Government of India's decision to close their Consulate at Aden in March 1994, a building with an area of 333 sq. metres purchased in June 1964 for the official residence of the Consulate General, fell vacant. Following the civil war in Yemen in 1994, encroachers took possession of the building. The encroachment was removed in September 1994 and the building remained vacant since then. Embassy of India, Sana'a had appointed a watchman to take care of the building on a monthly salary of US \$ 100 and also carried out some minor repairs therein as it was damaged due to the civil war.

In October 1994, the Mission sought the approval of the Ministry to sell the property but the latter did not take a decision. In June 1996 the Mission informed the Ministry that Telecommunications Consultants India Limited (TCIL), a Government of India enterprise, which was executing a project in the Republic of Yemen, had approached the Embassy of India, Sana'a, to lease the building to them. The Embassy opined that handing over the building to TCIL would ensure its proper maintenance and save the mandatory monthly recurring expenditure on the building. The Ministry communicated their approval in August 1996 but by that time TCIL had rented some other property.

On 8 April 1997, the Embassy at Sana'a again informed the Ministry that TCIL was still interested in leasing the building on a monthly rent of US \$ 900 after the Mission carried out the necessary repairs to make it usable. The Mission also mentioned that they had asked TCIL to pay a rent of US\$ 1000 per month and were quite confident of getting the same. The Mission added that the lowest quotation for the minimum necessary repairs to the building was Rs. 6.89 lakh and that TCIL was not prepared to wait beyond 20 April 1997 for a final decision. However, the Ministry conveyed their approval only on 30 May 1997 by which time TCIL had taken another building on lease. Thus, the Ministry delayed the decision in 1996 as well as 1997, which led to the building remaining vacant.

In August 1997, the Ministry deferred the decision on disposal of the building on the grounds that the Consulate might be reopened as Aden was re-emerging as an important commercial centre on the lines of Dubai. Proposals from the Mission for handing over the building to the Indian Association for running a



primary school (December 1997) and running a commercial wing from Aden (December 1998) were not agreed to by the Ministry.

The condition of the vacant building deteriorated and the estimated cost of minimum repairs which was US\$ 19112 (Rs. 6.89 lakh at one US\$ equal to Rs. 36.05) in April 1997 increased to US \$ 40,000 (Rs. 19.64 lakh at one US\$ equal to Rs. 49.09) in May 2002. The Mission informed the Ministry in May 2002 that the building was in a dilapidated condition and if urgent repairs were not carried out the entire structure might come down. The Ministry decided in April 2003 to dispose of the property.

Thus, delay in arriving at a decision on either utilisation of or disposal of the building resulted in the investment on the property remaining locked. Not only were there no returns but the condition of the property also steadily deteriorated and has reached a stage where there is apprehension of the structure coming down. Had the property been given on rent to TCIL @ US \$ 1000 per month even in April 1997, it would have been repaired and after meeting the cost of repairs (Rs. 6.89 lakh), the Government would have earned Rs. 16.96 lakh till the completion of TCIL's project (April 2001). Additionally, the expenditure incurred on watch and ward staff for the vacant building would have been avoided.

The Ministry stated (December 2002) that TCIL did not complete rental negotiations and leased another property apparently because of their limited contractual obligations in Aden. It added (March 2004) that leasing the building to TCIL required various clearances from other departments of the Ministry and time was taken in examining and approving the renting proposal. The Ministry's reply is not tenable as TCIL had twice indicated their interest in taking the property on rent and had the Ministry taken a decision in time, the Government of India would have earned rent of Rs. 16.96 lakh after meeting the cost of repairs and would also have saved cost on account of security and maintenance of the building. Meanwhile, the condition of the vacant property continued to deteriorate and the decision to dispose the property was taken by the Ministry only in April 2003. Advertisements for the sale of property in newspapers of Yemen were published in January 2004.

### **2.11 Inadmissible payment of additional COLA to locally recruited staff**

**Embassy of India at Tehran and its consulates at Zahidan and Bandar Abbas made irregular payment of additional COLA amounting to Rs. 17.49 lakh to its locally recruited staff which was inadmissible.**

In May 1986, Ministry of External Affairs delegated the powers to Head of Missions to sanction cost of living allowance (COLA) to their locally recruited

employees whenever the UN cost of living index increased by more than 15 *per cent*.

It was noticed in audit that the locally recruited employees of Embassy of India at Tehran (Mission) were drawing COLA at 22 *per cent* since June 1998. The Mission granted (October 2002) additional COLA @ 22 *per cent* to its locally recruited staff with effect from January 2002 on the ground of increase in the cost of living index by 22 *per cent*. When the Mission reported (February 2003) sanction of additional COLA to the Ministry, the latter pointed out (April 2003) that the calculation of COLA indicated in the Mission's notings attached with their letter showed that cost of living index had actually decreased by 22.92 *per cent* instead of increasing by 22 *per cent*. The Mission instead of taking action to recover the amounts wrongly paid, clarified (April 2003) to the Ministry that it was nowhere mentioned in their notes that the calculation of increase in COLA was minus 22.92 *per cent* and insisted that COLA had been paid strictly as per rules. Audit pointed out later in the same month that the change in cost of living index did work out to minus 22.92 *per cent* according to the calculations of the Mission themselves and, therefore, the revision of COLA from January 2002 was irregular. The Mission accepted the mistake and issued (April 2003) an office order withdrawing the additional COLA paid at the rate of 22 *per cent* to the locally recruited staff in the Embassy of India at Tehran and the consulates in Zahidan and Bandar Abbas.

The Ministry informed (November 2003) that the Embassy of India, Tehran had staggered the recovery of overpaid amount of Rs. 15.02 lakh over a period of 12 months and Rs. 4.54 lakh had been recovered so far, and in respect of Consulates of India at Zahidan and Bandar Abbas, the overpaid amount of Rs. 2.47 lakh had been recovered in full. The Ministry also stated that there was no malafide intention on the part of the Mission to defy orders of the Ministry.

Thus, wrong calculation of COLA resulted in excess payment of Rs. 17.49 lakh to the locally recruited staff of the Mission at Tehran and its consulates at Zahidan and Bandar Abbas for the period January 1, 2002 to April 30, 2003, out of which Rs. 10.48 lakh is yet to be recovered.

The overpayment had been made because the Mission instead of checking the calculations despite the mistake being pointed out by the Ministry reiterated that COLA was admissible, and, but for audit pointing it out, the inadmissible payments might not have been recovered.



## 2.12 Hiring of accommodation beyond entitlement

**Leasing of residential accommodation by Embassy of India, Addis Ababa, Ethiopia, in excess of the scale prescribed by Ministry of External Affairs resulted in additional expenditure of Rs. 16.57 lakh during January 1997 to March 2002.**

The scale of accommodation for officials serving in Missions abroad is prescribed by the Ministry of External Affairs vide Appendix I under Paragraph 1(5) of Annexure X of the IFS (PLCA) Rules. The scale has been prescribed with reference to the post held and has been further divided into three categories, viz. "Married", "Unmarried" and "Married with more than two children permanently living with the officer and when not less than two of them are above the age of six years". The maximum accommodation applicable to a post is allowed in the third category.

The scrutiny of records relating to leasing of residential accommodation and annual rent statements in respect of the persons working in the Embassy of India, Addis Ababa, Ethiopia revealed that the prescribed scale of accommodation (room norms) was not observed while providing residential accommodation to the members of the Embassy. One Second Secretary who was entitled to accommodation with 3/4 rooms was provided with a five room accommodation and each of the other 12 members of staff was provided with four room accommodation instead of their entitlement of 2/3 room accommodation. Audit analysis revealed that this happened because although these officers were entitled, with reference to their family sizes, to accommodation applicable to the category "Married", they were provided with accommodation meant for "Married with more than two children living permanently with them and not less than two of the children were above six years". Had a four-room flat been hired for the Second Secretary in the same area where he was staying in a five-room flat, the rent would have been lower by at least 22 *per cent* as seen from actual rents paid for houses hired for other members of staff in that area. Thus, hiring of accommodation for its members by the Mission beyond their entitlement resulted in extra expenditure of Rs. 16.57 lakh during the period January 1997 to March 2002 worked out by comparing with the actual rent of entitled accommodation in the same area in one case and on prorata basis in the remaining 12 cases as similar data on rent of entitled scale of accommodation in the same area in respect of these cases were not available on record for comparison.

The Mission stated (January 2004) that it was not always possible for various

reasons, to adhere to the ceiling of room/plinth area while selecting suitable residential accommodation in secure localities. The Mission also stated that the audit observations were noted for compliance in future cases of renting.

The matter was referred to the Ministry in October 2003; their reply was awaited as of April 2004.

### **2.13 Irregular payment of gardener's wages**

**The Embassy of India, Muscat, made irregular reimbursement of Rs. 5.74 lakh on account of gardener's wages to the Head of Mission although the cost of garden maintenance was included in the rent of the Embassy residence and the garden was actually maintained by the landlord**

Paragraph 11(1) of Annexure X of IFS PLCA Rules provides that upkeep of gardens at the residences of Head of Mission (HOM) will be the responsibility of the Government unless the residence is in a leased building and under the terms of the lease the maintenance of the garden is the responsibility solely of the landlord.

The Embassy of India at Muscat leased a building with effect from 1 June 1999 at a monthly rent of Rials Omani (RO) 2500 for use as the residence of the Ambassador (Embassy residence). The agency representing the landlord clearly stated in their letter of 3 March 1999 that the rent of the villa was inclusive of garden maintenance. Audit scrutiny revealed that despite this statement of the agency, the Mission proposed to the Ministry in June 1999 that since the lease deed in respect of the Embassy residence, hired from 1 June 1999, did not provide for maintenance of the attached garden, it should be allowed to hire a gardener on full time basis for eight man hours per day at the wage of RO 200 per month. The Mission also informed the Ministry in August 1999 that a gardener was engaged with effect from 1 July 1999 at monthly wages of RO 200 in anticipation of approval of the Ministry. The Ministry in January 2000 approved the engagement of a full-time local gardener with effect from 1 July 1999 on contractual basis at the rate of RO 200 per month for maintenance of the garden attached to the Embassy residence. The amount of RO 200 per month was reimbursed to the Ambassador against a receipt furnished by him purportedly obtained from the gardener. This arrangement was continued till 31 May 2001, the date till which the garden was maintained by the landlord.

It was also noticed in audit that the agency had later confirmed to the Mission through their letter of July 2002 that during the period 1 June 1999 to 31 May



2001, they had maintained the garden attached to the Embassy residence. Thus, in view of the letters of March 1999 and July 2002 of the agency, not only was the Mission's statement to the Ministry that garden maintenance was not included in the rent, a clear suppression of facts, but the reimbursement of RO 4600 (@ RO 200 p.m. for 23 months from July 1999 to May 2001) to the Ambassador as gardener's wages amounting to Rs. 5.74 lakh (at the exchange rate of Re. 1 equal to RO 0.00801) was also irregular and hence recoverable from him as the garden had been maintained by the agency and the cost thereof was included in the rent of the residence.

The matter was reported to the Ministry in September 2003. The Ministry replied in October 2003 that the matter had been investigated by the vigilance unit on receipt of a complaint. The Central Vigilance Commission (CVC) had also sought a report on this issue. The vigilance unit of the Ministry had concluded that it could not be said beyond reasonable doubt that the concerned Ambassador had perpetuated a fraud against the Government for the following reasons:-

- The charges were denied by the Ambassador and by other officials.
- The rent agreement did not implicate the Ambassador in fraud.
- The letter dated 3 March 1999 was not available in the Mission.
- Reluctance of the General Manager Estate Agency, to confirm the facts in writing or depose to the vigilance unit.
- A letter from the General Manager, Estate Agency, on 6 November 2001 indicated that as the Mission was unable to increase the rent by 10 *per cent* every year as per agreement the Mission had undertaken the maintenance of garden.

The reply of the Ministry is untenable as the Estate Agency's letter dated 3 March 1999 (not that of landlord) clearly stating that rent of the Villa was inclusive of garden maintenance was seen by audit in the Mission's file. The General Manager of the Agency had also confirmed to the vigilance unit the fact of having written the letter of 3 March 1999. Further, such confirmation was also not required in view of the agency's letter dated 8 July 2002 specifically confirming that the garden of the Chancery residence was maintained by them from 1 June 1999 to 31 May 2001. This was also reconfirmed by them vide their letter dated 6 November 2001. That a major irregularity had been committed is also evident from the fact that the succeeding Ambassador also reported the matter to the Ministry.

Thus, apart from recovering the amount irregularly paid, the matter also needs to be investigated in depth and responsibility fixed for suppression of facts by

the Mission and irregular claiming of inadmissible reimbursement by the Ambassador. Since the agency maintained the garden, the Ministry may confirm whether seeds, plants, manure etc. were provided by them during the period involved. In that event, the garden grant may also be recovered from the Ambassador.

**2.14 Recurring loss of interest attributable to deficiencies in resource management**

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

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

Audit observations on a number of occasions in the past<sup>12</sup> had highlighted instances of retention of cash balances in excess of the prescribed requirements by various Missions and Post abroad resulting in avoidable loss of interest. In pursuance of these observations, the Ministry has also been repeatedly emphasising that Missions and Posts abroad should make a realistic assessment, every month, of their cash requirements covering a period of six weeks and ensure that any cash balance held in excess of these requirements was either repatriated or adjusted against future remittances by advising the Ministry to reduce or suspend its monthly remittances. Further, the Ministry had also specifically advised the Missions and Posts in December 2000, July 2001, July 2002, January 2003 and June 2003, that it was not mandatory to maintain always cash balances to meet six weeks' requirements and that it should be possible to manage even by retaining only a month's requirements.

Audit of various Missions and Posts conducted between September 2001 and June 2003, revealed that repeated audit observations and Ministry's

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<sup>12</sup> Refer para Nos. 4.4, 4.5, 8.14, 8.7, 9.4 and 4.7 of Report No. 2 of the Comptroller and Auditor General of India for the years ended March 1996, March 1997, March 1999, March 2000, March 2001 and March 2002 respectively.



instructions had not had any perceptible impact in bringing about improvements in cash management. Between April 1998 and March 2003, as many as 33 Missions and Posts (Accra, Addis Ababa, Almaty, Antananarivo, Baku, Belgrade, Birmingham, Bucharest, Budapest, Capetown, Copenhagen, Dhaka, Durban, Dubai, Gaborone, Harare, Helsinki, Johannesburg, Kampala, Luanda, Kyiv, Madrid, Manila, Milan, Moscow, Muscat, Phnom Penh, Pretoria, Riyadh, St. Petersburg, Tehran, Vladivostok and Zanzibar) had retained cash balance in excess of their six weeks' requirements for varying periods ranging from 4 to 45 months. Of these, nine Missions and Posts (Belgrade, Birmingham, Dhaka, Dubai, Helsinki, Kyiv, Milan, Madrid and St. Petersburg) had retained such excess balances in the past as well and this had been brought to their notice and to that of the Ministry through Reports of the Comptroller & Auditor General of India. Computed with reference to the cash balance held in excess of requirements during relevant period by these 33 Missions and Posts and the average rate of interest of 10.48 *per cent* per annum applicable on Government borrowings, the estimated loss of interest on this account would work out to Rs. 1.96 crore. Relevant details in this regard are contained in the **Annex**.

The Ministry stated (February 2004) that after careful examination of reasons/circumstances furnished by 13 Missions/Posts, it was found that these Missions/ Posts held cash balance in excess of six weeks' requirement due to one or more reasons viz. (i) sudden spurt in consular receipts, (ii) special or additional remittances reaching at the end of month, (iii) cancellation/postponement of VVIP visits (iv) receipts/refunds by local government in non-convertible local currency, (v) time lag in transferring funds from hard currency accounts in New York to local bank, (vi) retention of funds for emergency defence procurements, (vii) ensuring timely payment of deadline bills, (viii) payments to contractors and (ix) delay in finalising lease deeds/contracts. The reply of the Ministry is not tenable in view of the fact that while contingencies leading to sudden spurt in consular receipts may always arise, the excess of these is either to be repatriated or adjusted against future remittances which had not been done and excess funds were retained for very long periods ranging from 4 to 45 months.

That the Missions and Posts abroad should persistently retain cash balance in excess of requirements appears to indicate that the Ministry's instructions and periodical assurances have been honoured more in breach. The control exercised by the Ministry would also appear to have been inadequate, if not lax. There is urgent need for addressing the issue with greater seriousness and for enforcing accountability.

## Annex

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

*(Rupees in lakh)*

Missions/ Posts at	Period examined in audit	No. of months during which excess cash held	Amount of maximum excess cash holding	Loss of interest @ 10.48 per cent per annum
Accra	March 2000 to April 2002	11	31.66	0.90
Addis Ababa	April 1999 to March 2002	27	26.88	3.02
Almaty	April 2000 to February 2002	15	87.11	3.57
Antananarivo	May 1999 to March 2002	15	8.44	0.55
Baku	April 2000 to February 2002	16	43.30	2.20
Belgrade	June 2000 to March 2003	27	71.88	4.34
Birmingham	May 2001 to March 2003	23	190.84	13.43
Bucharest	May 2001 to August 2001	4	49.04	0.95
Budapest	January 2002 to April 2002	4	14.98	0.45
Capetown	April 1999 to March 2002	29	45.60	5.67
Copenhagen	January 2000 to August 2001	13	59.39	2.07
Dhaka	July 2001 to January 2002	5	89.61	2.08
Durban	April 1999 to July 2001	27	154.48	11.28
Dubai	June 2001 to March 2003	6	115.43	3.29
Gaborone	April 1999 to March 2002	36	46.17	9.05
Harare	April 2000 to June 2002	11	36.02	1.86
Helsinki	March 2001 to November 2002	21	90.13	8.19
Johannesburg	April 1999 to March 2002	24	140.24	12.42
Kampala	July 1999 to March 2002	9	23.46	0.52
Luanda	April 1998 to March 2002	45	61.32	9.08
Kyiv	December 2001 to September 2002	10	336.23	11.06
Madrid	September 2001 to July 2002	11	99.83	4.85
Manila	July 2000 to March 2003	16	27.22	1.83
Milan	April 2000 to February 2002	18	106.67	5.28
Moscow	October 2001 to August 2002	9	307.45	10.62
Muscat	May 2000 to September 2002	5	58.82	1.27
Phnom Penh	April 2001 to February 2003	16	49.83	3.99
Pretoria	May 2000 to March 2002	12	521.36	11.64
Riyadh	December 2001 to March 2003	15	529.70	30.34
St. Petersburg	April 2001 to February 2002	11	154.42	8.16
Tehran	April 2001 to March 2003	19	156.11	9.91
Vladivostok	April 1999 to August 2001	11	17.48	0.81
Zanzibar	May 1999 to March 2002	17	20.39	1.38
	<b>Total</b>			<b>196.06</b>



## CHAPTER III : MINISTRY OF FINANCE

### Department of Economic Affairs

#### 3.1 Idling of equipment led to avoidable expenditure on outsourcing

**Failure of the Mint to take effective action for operation/optimum utilisation of equipment resulted in idling of equipment valuing Rs. 16.77 crore besides incurring an avoidable expenditure of Rs. 6.80 crore on outsourcing of work.**

The Ministry of Finance in March 1989 approved a modernisation project for the India Government Mint, Kolkata (Mint) covering all the shops involved in production of coins, with the objective of replacing obsolete equipment, and improving their productivity so as to achieve self sufficiency in coin production.

Under the modernisation project,, two shops viz. 'Melting & Casting Shop' and 'Rolling Shop' were responsible for production of cupro-nickel strips required for making cupro-nickel coins. It was envisaged that after melting of copper and nickel in the Induction Furnace, the entire quantity of liquid cupro-nickel would be cast into strips in the Continuous Casting Plant (CCP). The 4-Hi Cold Rolling Mill would be used for rolling these strips to the desired thickness. Thereafter, the Strip Milling Machine would mill the top and bottom surfaces of the strip to remove surface defects. It is evident that the running/operation of the 'Melting & Casting Shop' to its optimum capacity was crucial for optimum utilisation of the 'Rolling Shop' and consequent achievement of self-sufficiency in coin production as envisaged.

A test-check of relevant records relating to 'Melting & Casting Shop' and 'Rolling Shop' of the Mint revealed the following: -

Against a production capacity of 9888 metric tonnes in 2001-02 and 9856 metric tonnes in 2002-03, the output of the Induction Furnace was 2412.376 metric tonnes and 2571.380 metric tonnes. It was operated at 24.40 *per cent* and 26.09 *per cent* of its capacity against a requirement of working at 40.68 *per cent* and 38.49 *per cent* capacity during 2001-02 and 2002-03 respectively. Two CCPs, where the liquid cupro-nickel was to be cast into strips were procured at a cost of Rs 6.89 crore and commissioned in the 'Melting & Casting Shop' in February 2001 and May 2001. They were operated only for 13 days and 71 days respectively and were not used since August 2001 due to

lack of adequate technical staff for their operation. Consequently, the equipment in the 'Rolling Shop' viz. the 4-Hi Cold Rolling Mill and the Strip Milling Machine procured at a cost of Rs.8.94 crore and Rs. 0.94 crore and commissioned in January 2001 and June 2001 respectively, that were to process the output of the CCPs, were also lying inoperative since October 2001 and August 2001 respectively.

In order to make up for the shortfall in production of the 'Melting & Casting Shop' and the 'Rolling Shop', the Mint placed orders with a firm during 2001-02 and 2002-03 for conversion of copper/nickel/cupro-nickel scissels into cupro-nickel strips and received 1610.20 M.T. and 1221.8355 M.T. of cupro-nickel strips. The Mint incurred an expenditure of Rs 6.80 crore on this count.

The failure of the Mint to take effective action for operation/optimum utilisation of equipment resulted in idling of equipment valuing Rs. 16.77 crore besides incurring an avoidable expenditure of Rs. 6.80 crore during the years 2001-02 and 2002-03 on outsourcing of work, which could have been done by the Mint itself.

While accepting the views of Audit, the Ministry stated in September 2003 that efforts were being made to overcome the problems of inadequate strength of technical personnel for handling the sophisticated machines. The Ministry further stated that continuous supply of raw material could not be ensured due to delay in tendering and there was lack of coordination and integrated operation, which were essential for the working of the Induction Furnace and CCP. The Ministry promised to take remedial measures such as imparting training to engineers and technicians, procurement of required quantity of raw material in time and streamlining of manpower so that the equipment could start functioning at their installed capacity.

The fact however, remains that the equipment remained inoperative even though it was commissioned quite some time ago and work, which could have been done by the Mint itself, was still being outsourced.

### 3.2 Overpayment of incentive

#### **Incorrect application of rules resulted in overpayment of incentive of Rs. 2.11 crore by India Government Mint, Kolkata.**

The India Government Mint, Kolkata (Mint) introduced the "Incentive Scheme for the Industrial Workmen" in January 1988. The scheme, *inter-alia*, envisaged payment of incentive if average daily output of good coins



exceeded the stipulated quantum of 'base production' prescribed for various departments engaged in coining activities. The average daily output was to be arrived at by dividing the total output for a calendar month by the number of working days in that month.

Mention was made in Report No. 2 of 1997 of the Comptroller and Auditor General of India that incorrect application of rules by the Mint management resulted in overpayment of incentive of over Rs. three crore during the calendar years 1988 to 1995. The Ministry of Finance, Department of Economic Affairs, in their Action Taken Note in September 1998 stated that the incentive scheme had been extended for the period till modernization of the Mint.

Scrutiny of records of the Mint, in June-July 2003, revealed that although all the equipment under the modernisation project had been commissioned by December 2001, the incentive scheme introduced in January 1988 was still continuing. Further, the Mint continued to calculate incentive payment incorrectly leading to excess payment. The Mint, while computing the average daily output, took into consideration the "NET PRODUCTION FOR INCENTIVE", worked out in the following manner, instead of the aggregated production on all working days of each month:-

#### **Total production**

Less: 30 to 50 *per cent* of 'base production' for those working days in the month when production was less than the average daily 'base production'  
Less: 100 *per cent* of 'base production' for work done on Sundays and holidays.

#### **Net production for incentive**

The Mint then computed the average daily output by dividing the "NET PRODUCTION FOR INCENTIVE" by the number of working days in the month when production exceeded the average daily "base production" instead of dividing the total production for the month by the total number of working days in the month. Thereafter, the Mint calculated the percentage of incentive payable by reckoning a lower average daily 'base production' fixed by the Mint for 48 hours per week working though the production was done by working 54 hours per week. This resulted in reckoning an artificially higher average daily output than the actual average daily output on which incentive was admissible under the terms and conditions of the scheme and consequent overpayment of incentive. Between September 2001 and March 2003 alone,

incorrect application of the provisions of the scheme resulted in overpayment of incentive of Rs. 2.11 crore in respect of four departments of the Mint.

The Ministry in October 2003 stated that the methodology mentioned for calculation of incentive in initial years of incentive scheme was not relevant as production of some lower denomination coins have been completely stopped. It further stated that the target of production under the incentive scheme was being increased almost every year and incentive was payable on the enhanced target of production.

The reply is not tenable as the incentive scheme of January 1988 was still in operation even though it was not relevant and it specifically provides that there will be no incentive payment for an average daily output not exceeding the 'base production'. As such, there was no room for payment of incentive for production below the target.

### **3.3 Irregular re-employment**

**Custodian under the Special Court granted re-employment/extension service to 30 employees (two are over 70 years of age) in violation of government rules and incurred irregular expenditure of Rs. 1.83 crore on their pay and allowances.**

The rules of the Government of India stipulate that extension of service/re-employment to Central Government employees beyond the age of superannuation should not ordinarily be considered. It can be justified only in very rare and exceptional circumstances. The following procedure has been prescribed for processing such cases of grant of extension of service to and re-employment of Central Government employees:

- (i) Proposals for grant of extension of service/re-employment in Group 'A' and Group 'B' posts beyond the age of 60 years should be referred to the Department of Personnel and Training for their concurrence before such proposals are approved by the Minister-in-charge of the Administrative Ministry.
- (ii) Concurrence of UPSC would be necessary in cases of re-employment for more than one year in Group 'A' and 'B' posts.

Audit scrutiny (December 2002) revealed that 30 officials (3 Group 'A' and 27 Group 'B') of the office of the Custodian under the Special Court (Trial of Offences relating to Transactions in Securities) had been re-employed beyond the age of superannuation between 1992-93 and 2002-03 without following



the required procedure. Of these, 15 officials had been relieved upto 2002-03. The remaining 15 officials were still working and included three officials over 65 years and two officials over 70 years of age. The remaining 10 officials were in the age group of 60 to 65 years.

Thus, the total expenditure of Rs. 1.83 crore incurred on the pay and allowances of re-employed pensioners as of March 2003, who had been appointed in violation of Government's rules on re-employment of civil pensioners, was irregular.

The Ministry stated (December 2003) that the Office of the Custodian had been making continuous and persistent efforts to get officers on deputation but without much success as the response was inadequate. It further stated that the Custodian was left with no option but to employ the retired Government employees to run the office by exercising the powers vested in him under Section 3(5) of Special Court (TORTS) Act 1992 which provides that the Custodian may take assistance of any person while exercising his powers or for discharging his duties under this Section and Section 4.

The reply is not tenable as the Special Court (TORTS) -1992 Act does not make the Custodian eligible to act outside the framework of Government of India rules in general and on re-employment of civil pensioners in particular which were clearly violated in this case. The Ministry had also not accorded approval to re-employment of retired Government servants (December 2003) though the Custodian had requested for its ex-post facto approval in July 2002. While the fact remains that re-employment, extension of service was granted irregularly by the Custodian and the approval of the Ministry of Finance was sought only after the matter was pointed out by audit, the Ministry should seriously consider whether the exigencies of service warrant grant of re-employment/extension of service to such a large number of persons and that too till 65/70 years of age.

#### **3.4 Irregular payment for electricity consumed in staff residences**

**The Income Tax Department irregularly paid for the electricity consumed in the residences of their staff.**

According to Government of India orders under FR 45A, water and electricity charges are payable by the allottees of Government owned buildings to the local bodies. Where such charges cannot be recovered from the allottees due to non-availability of separate meters etc., this will continue to be recovered

by the Government from the allottees.

The Income Tax Department acquired 359 residential units at Vaishali and 168 residential units at Kaushambi for its staff in March 1996. Out of these, 254 units at Vaishali and 125 units at Kaushambi were allotted to the staff since 1996-97. Income Tax Department had been paying to the Uttar Pradesh State Electricity Board (UPSEB) for supply of electricity for common facilities since the acquisition of these complexes. It was observed that individual electric meters to these staff quarters were not installed and electricity to staff quarters was being supplied from common area meters. During February 1998 to December 2002, the Department had paid Rs. 99.61 lakh (Rs. 58.56 lakh for Vaishali and Rs. 41.05 lakh for Kaushambi) on bills for the electricity consumed by the staff residing there and for the common areas.

On this being pointed out in audit, the Department stated in February 2003 that the payment was for common area meters meant for common services such as staircases, basement and lifts etc. and that the UPSEB had been asked to certify that the individual residences were not supplied electricity through the common meters. The Ministry while reiterating the same facts in February 2004 further stated that in respect of Vaishali flats, the UP Power corporation had raised a total bill of Rs.1.33 crore against which payment of Rs. 58.56 lakh, on account of electricity consumption in common areas, was made. It was further stated that action for recovery of outstanding amount from staff, which came to Rs. 600-700 per month had been initiated. The reply is not tenable because it was acknowledged in the records of the Income Tax Department that the occupants of the quarters were drawing electricity from the common meters and individual meters were installed only in the month of February/March 2003 at Vaishali. The Chief Commissioner of Income Tax had directed (July 2003) the Deputy Commissioner (Admn) to work out the recoverable amount in respect of each allottee of Vaishali quarters for effecting recovery. The Department intimated in December 2003 that 245 occupants at Vaishali and 125 occupants at Kaushambi had individual meters. However, it did not state when individual meters were installed in the units at Kaushambi. Thus, the amount of electricity bills paid by the Department on the basis of common meters included charges payable for electricity consumed in staff quarters.

In the absence of complete information relating to individual meters at residences, the exact amount of irregular payment could not be ascertained in audit.



The Department needs to take immediate action for recovery of charges irregularly paid for electricity consumed in staff quarters. It also needs to take action against the occupants of staff quarters for irregularly drawing electricity through meters for common services instead of securing individual meters by applying to UPSEB.

### **India Government Mint, Kolkata**

#### **3.5 Loss due to under-realisation of electricity charges**

##### **Failure of India Government Mint, Kolkata, to install separate meter resulted in under-realisation of electricity charges of Rs. 29.16 lakh**

India Government Mint, Kolkata (Mint) obtains High Tension electrical energy in bulk at industrial rate from the Calcutta Electric Supply Corporation Limited (CESC) for use in the office and also for providing power to the staff quarters at two locations within the Mint premises in Kolkata. The Mint supplied electricity to the residential quarters from its own sub-station through inner distribution lines and recovered the electricity charges from the allottees at rates fixed by the General Manager of the Mint on the basis of actual units recorded.

Mention was made in Report No. 2 of 1998 of the Comptroller and Auditor General of India that failure of the Mint to approach CESC for installation of separate domestic meters resulted in under-realisation of electricity charges of Rs. 17.76 lakh during the period from September 1995 to July 1997. The Ministry in their Action Taken Note in September 1998 had stated that the Mint had taken up the matter with CESC and the latter had agreed in April 1998 to charge High Tension Domestic Tariff (HTDT) on the electricity consumption of allottees on the condition that a separate consolidated electric meter alongwith control equipment was installed. The Ministry also stated that after installation of HTDT connection, the applicable rate would be charged from the allottees. But, from the records produced to Audit it was observed that the Mint had not taken effective action in this regard as of July 2003.

A test-check of records in July 2003 revealed that the Mint recovered electricity charges from the occupants of the staff quarters at the rates fixed by the General Manager in December 1998 (effective from 19 October 1998) in accordance with the prevailing domestic tariff rate of CESC. This rate was much lower than the industrial rate at which the Mint made payment to CESC

for High Tension supply of electricity. The under-realisation of electricity charges from the allottees of the staff quarters during the period from January 2001 to April 2003 amounted to Rs. 29.16 lakh.

Thus, due to recovery of electricity charges at lower rate from the occupants of the staff quarters instead of asking them to take direct Low Tension metered supply from the CESC, the Mint would continue to suffer a loss of around Rs. one lakh per month.

The Ministry stated in September 2003 that the matter was being taken up once again with CESC for installation of separate meters for the occupants of staff quarters.



## CHAPTER IV : MINISTRY OF HEALTH AND FAMILY WELFARE

### Department of Family Welfare

#### 4.1 Avoidable extra expenditure on procurement

##### **Procurement of Copper-T pieces at higher rate resulted in avoidable extra expenditure of Rs. 56.54 lakh.**

Under the National Family Welfare Programme, Copper-T (an intra-uterine device used for spacing births) is supplied to the States by the Ministry. The assessment of the quantity to be procured annually is normally made keeping in view the requirement projected by each State, actual consumption during past years and availability of resources.

The Department of Family Welfare invited limited tenders in April 2000 for entering into rate contract for supply of 61 lakh pieces of Copper-T estimated to be the requirement for 2000-01. Delay in assessment of manufacturing capacity of the firms, an essential factor for deciding quantities to be ordered on each firm, resulted in several postponements of the date of opening of tenders, which was originally fixed for 3 May 2000.

After opening the bids in September 2000, the Purchase Committee decided to place the supply order for all 61 lakh pieces of Copper-T on firm 'P' whose rate was the lowest amongst four bidders. A telegraphic supply order was placed in September 2000 on the firm at their quoted rate of Rs. 13.91 per piece. The total cost of the order was Rs. 8.49 crore. The firm supplied 13 lakh pieces per month from November 2000 to February 2001 and the remaining 9 lakh pieces in March 2001.

In their review conducted in November 2000, the Purchase Committee noted that Rs. 2.46 crore was available out of the funds allocated for this purpose and decided to procure 4 lakh more pieces from firm 'P' at their quoted rate of Rs. 13.91 per piece to utilise their capacity fully and another 9.6 lakh pieces from the next higher bidder 'Q' at their quoted rate of Rs. 19.80 per piece. These supply orders were placed in December 2000. The decision to place supply order at higher rate was not in order as the additional quantity of 9.6 lakh pieces of Copper-T could also have been supplied by firm 'P' at its quoted rate because in addition to its monthly supply capacity of 13.63 lakh

pieces, it had a reserve stock of 14 lakh pieces. The firm was thus in a position to supply the entire additional quantity of 13.6 lakh pieces ordered for supply on two different firms.

The avoidable decision to procure 9.6 lakh pieces of Copper-T from firm 'Q' at higher rate resulted in extra expenditure of Rs. 56.54 lakh.

On the matter being pointed out by audit in August 2003, the Ministry stated (August 2003) that the firm could not have offered the stock in hand of 14 lakh pieces indicated while submitting the bids in April 2000 as at the time of placement of order in September 2000 its shelf life would have been reduced substantially. The reply of the Ministry is not tenable in view of the fact that the shelf life of the product is four years and the firm could have easily supplied the entire quantity of stock in hand as it still had a balance shelf life of three years. This supply could have been issued first.

#### 4.2 Irregular payment of allowances to employees

**The All India Institute of Hygiene and Public Health, Kolkata incorrectly paid allowances amounting to Rs. 30.61 lakh flouting the Ministry's directive.**

The All India Institute of Hygiene and Public Health, Kolkata (Institute) has a Rural Health Unit and Training Centre at Singur approximately 40Kms from Kolkata. The Ministry of Health and Family Welfare issued an order in June 1996 granting House Rent Allowance (HRA) and City Compensatory Allowance (CCA) to the officials posted at the Singur Unit at the rates applicable to Baidyabati, i.e. at 'C' Class city rates, for a period of three years from December 1995 to November 1998. In April 2001, the Director of Institute recommended extension of the sanction of HRA/CCA beyond November 1998 to the employees posted at Singur at par with Baidyabati which was by then an 'A-I' city. The Directorate General of Health Services (DGHS) conveyed sanction of the Ministry of Health and Family Welfare in June 2001 for granting HRA and CCA to the officials posted at the Singur unit at 'A-I' city rate. Accordingly, the Director of the Institute allowed HRA and CCA at 'A-I' city rates to the employees posted at Singur with effect from 4 June 2001.

In May 2002, DGHS informed the Institute that the Ministry of Finance after re-examination of the proposal observed that Singur was not included in Kolkata Urban Agglomeration and was not within eight kms distance from Kolkata Municipality limits and , therefore, the employees posted at Singur



were not entitled to draw HRA and CCA at 'A-I' rates. DGHS further instructed the Director of the Institute to immediately stop irregular payment of HRA and CCA to employees posted at Singur and also to recover the excess payment already made. As the Ministry did not extend the special status of Singur beyond November 1998, with effect from December 1998 the employees posted there were entitled to draw only HRA and Transport Allowance at rates applicable to 'unclassified' cities while CCA was not admissible at all. However, they continued to draw the allowances at higher rates and no recovery was effected till October 2003.

Test check in Audit of pay records relating to the period from December 1998 to March 2003 revealed that the Institute had made irregular payments on this account amounting to Rs. 30.61 lakh.

The matter was referred to the Ministry in June 2003; their reply was still awaited as of February 2004.

**CHAPTER V : MINISTRY OF HOME AFFAIRS****5.1 Avoidable expenditure**

**Inaction of Subsidiary Training Centre, Border Security Force, Bangalore, to review its requirement of electric power resulted in avoidable expenditure of Rs. 14.83 lakh.**

The Subsidiary Training Centre (STC), Border Security Force, Bangalore, had a sanctioned power load of 400 KVA from March 1996. According to the general terms and conditions of the Karnataka Power Transmission Corporation Ltd., for high tension supply, the billing demand shall, during the unrestricted period, be the maximum demand recorded during the month or 75 *per cent* of the contract demand, whichever is higher. Scrutiny in audit revealed that during the period March 1996 to December 2002, the actual consumption of power at STC ranged from 104 to 229 KVA. Therefore, though the monthly actual consumption of power of STC ranged between 26 *per cent* and 57.25 *per cent* of the contract demand i.e. much lower than 75 *per cent* of sanctioned power-load STC had to pay minimum demand charges for 300 KVA.

The Ministry confirmed the facts in April 2004 and stated that CPWD designed the total electricity load on the basis of available infrastructure and area likely to be constructed and estimated it at 400 KVA. The Ministry added that, in view of the audit observation, the contract demand was reviewed and revised to 260 KVA and an enquiry in the matter had been ordered.

The failure of STC to reassess its requirement despite its regular consumption being much below the billing demand and to take steps to reduce the sanctioned load, resulted in avoidable infructuous expenditure of Rs. 14.83 lakh during March 1996 to December 2002.



## CHAPTER VI : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

### Department of Women and Child Development

#### 6.1 Unfruitful expenditure

**Failure of Department of Women and Child Development to monitor the utilisation of grants totalling Rs. 39.58 crore given to NGOs and local bodies for construction of hostels for working women rendered the expenditure infructuous.**

With a view to providing safe and suitable accommodation to single working women, unmarried women, widows etc., living away from their homes in cities, towns and rural areas, the Ministry of Human Resource Development, Department of Women and Child Development (DWCD) initiated a scheme in 1972-73, of providing financial assistance for construction of hostel buildings for working women with a day care centre. Under the scheme, Non-Government Organisations (NGOs), local bodies, Welfare Boards etc. were to be provided with financial assistance of 50 *per cent* of the cost of land and 75 *per cent* of the cost of construction of building. The remaining cost was to be met by them from their own resources or funds obtained from State Governments/ Union Territory Administrations/ other bodies. Ninety *per cent* of the total grant was to be released in three instalments and the balance 10 *per cent* on furnishing of the completion certificate and audited expenditure statement. The buildings were to be constructed and completed within 24 months of the receipt of first instalment of the grant. After receiving the first instalment, the grantee organisations were required to furnish quarterly progress reports for further release of grant.

Audit scrutiny revealed that during 1978-79 to 2000-2001, DWCD had released Rs. 39.58 crore as grant to different organisations as shown below for construction of 223 hostels: -

(Rupees in crore)

Instalment	No of cases	Amount paid		
		NGOs	Local Bodies	Total
First Instalment	39	2.15	0.26	2.41
Second Instalment	37	3.21	0.89	4.10
Third Instalment	147	28.61	4.46	33.07
<b>Total</b>	<b>223</b>	<b>33.97</b>	<b>5.61</b>	<b>39.58</b>

The construction of the hostels was incomplete as of March 2003.

In all the 223 cases there has been insufficient progress despite release of one to three instalments of the grant. 147 organisations had drawn three instalments, i.e., 90 per cent of the total grant and 37 organisations had drawn two instalments. However, 39 cases were such where grants were not drawn beyond the first instalment. In such cases, where even the second and subsequent instalments were not drawn; it is not clear how the organisations planned to complete construction. The possibility of their misutilising the funds cannot be ruled out.

Thus, the release of grants was not based on progress of construction. DWCD took no effective action either to recover the amounts given or take charge of properties created out of Government grants, although this was provided for under the terms and conditions of the scheme.

In September 1999 on a reference by DWCD, the Department of Legal Affairs also observed that as the scheme was entirely based on the policy of the Government for welfare of the working women, the Government had the discretion of taking over the buildings. However, no action was taken by DWCD.

DWCD stated in August 2003 that the scheme was being revised and a Manual of Operation had been framed for processing and monitoring of the scheme. The State Governments had been authorised to monitor the progress of construction of all hostels under this scheme. The fact, however, remains that inaction on the part of DWCD had led to the entire expenditure of Rs. 39.58 crore remaining infructuous.

The matter was referred to the Ministry in September 2003; their reply was awaited as of April 2004.

## **Department of Secondary and Higher Education**

### **6.2 Excess release of central assistance**

**Failure of Ministry to restrict the claim of the Government of Gujarat for central assistance under the scheme "Vocationalisation of Secondary Education" according to the guidelines of the Planning Commission, resulted in excess release of central assistance of Rs. 34.75 crore.**

The Government of India approved a centrally sponsored scheme "Vocationalisation of Secondary Education" during the Seventh Plan period



(1987-92). One of the components of the scheme was "Vocational School Staff" on which the expenditure was to be shared between the Centre and the States in the ratio of 75:25. According to the guidelines issued by the Planning Commission from time to time, expenditure on staff engaged under centrally sponsored schemes involving phased coverage becomes committed Non-Plan expenditure liability of the State Government from the next Plan period.

Audit scrutiny of the records of the Ministry (March 2003) revealed that the Government of Gujarat submitted a claim of Rs. 60.11 crore in December 1999 towards its share of central assistance for salary of all teachers appointed between 1988-89 and 1997-98 (i.e. 7<sup>th</sup>, 8<sup>th</sup> and first year of 9<sup>th</sup> Plan periods). Though central assistance for the salary component under the scheme had to be restricted to the relevant Plan period in which the posts were created/filled, the Ministry failed to scrutinise the claim properly.

The Ministry admitted in February 2002 the entire claim of Rs. 60.11 crore without restricting it to the admissibility of the posts created during the relevant plan period. Scrutiny in audit revealed that out of the above amount, Rs. 46.11 crore pertained to the total posts of teachers operated during 1992-93 to 1997-98 (8<sup>th</sup> Plan and first year of 9<sup>th</sup> Plan) including salary of the posts created in the previous plan periods which were not admissible. The admissible amount of central assistance for the years 1992-93 to 1997-98 worked out to Rs. 11.36 crore resulting in excess payment of Rs. 34.75 crore to the Government of Gujarat.

The Ministry stated (January 2004) that the reimbursement claim of the State Government was in consonance with the provisions of the scheme and that the Expenditure Finance Committee in its meeting (November 1992) had approved the continuation of the committed expenditure arising out of annual plans 1990-91 and 1991-92 during the Eighth Plan also. The Ministry further stated that there was also an urgent need to take up relief measures due to earthquake. The reply is not tenable as the approval of the Expenditure Finance Committee cannot override the guidelines for classification of expenditure issued by the Planning Commission during successive Five Year Plans. Besides, the need of the State Government arising due to the earthquake of January 2001 had to be dealt with separately and should not have been linked with the release of central assistance under the schemes of Vocationalisation of Secondary Education.

### 6.3 Idling of unspent grant

**Failure of the Ministry to recover/adjust unspent balance of Rs. 14.38 crore under “Educational Technology Programme” released to the states of Punjab, Andhra Pradesh and Tamil Nadu resulted in idling of these funds for periods ranging from 3 to 10 years.**

In 1972 the Government of India approved a Centrally Sponsored Scheme entitled “Educational Technology Programme” under which financial assistance was given to the States/Union Territories for providing television sets and radio-cum-cassette players to the schools.

(a) Financial assistance of Rs. 2.28 crore and Rs. 12.15 crore had been released under the above scheme to the states of Punjab and Andhra Pradesh during the period from 1990-91 to 1992-93 and 1990-91 to 1995-96 respectively. While issuing sanction orders, the Ministry, in accordance with Rule 151(1)(i) of the General Financial Rules, prescribed that amounts of grants would be utilised for the purpose for which these had been sanctioned and that the unspent balance would be refunded unless permitted to be carried forward for utilisation in the next financial year. The States utilised only Rs. 46.65 lakh (21 *per cent*) and Rs. 2.68 crore (22 *per cent*) respectively leaving unspent balances of Rs. 1.81 crore and Rs. 9.47 crore with them. However, in February 1997 the Ministry permitted the States to carry forward the unspent balances upto February 1997. In October 1996, the Ministry decided that these cases would be handled on the pattern of West Bengal where they had adjusted the unspent balance of Rs. 1.48 crore against releases made for “Operation Blackboard” in March 1993.

It was noticed in audit (March 2003) that although the States of Punjab and Andhra Pradesh persistently failed to utilise the balance amounts since 1993-94 and 1996-97 respectively, the Ministry did not ask them, even after February 1997, either to refund or adjust the unspent balances on the pattern of West Bengal as was decided by the Ministry in October 1996. These States have thus continued to retain the balance amounts for seven to ten years.

Thus, Rs. 11.28 crore was allowed to remain idle for a period ranging from seven to ten years instead of being utilised constructively in other developmental activities.

On the matter being pointed out in audit, the Ministry stated (October 2003) that the Government of Andhra Pradesh had utilised about 70 *per cent* of the grant released and the left-over balance had been retained by them for making



payment to the agencies on completing the supply of equipment for the programme. The Ministry added that the Government of Punjab had been asked to refund the unutilised grant of Rs. 1.81 crore failing which the unspent amount would be adjusted from some other Centrally Sponsored Scheme. The reply is not tenable since according to the General Financial Rules the unspent balance should have either been refunded or adjusted against future releases. The Ministry failed to monitor the refund of the grants which enabled the States to retain the unspent balances for seven to ten years. The inaction of the Ministry led to idling of substantial funds instead of being used for some other developmental activities.

(b) In a similar case the Ministry also released Rs. 3.10 crore as grant-in-aid in March 2000 to the Government of Tamil Nadu for purchase of 2000 colour televisions and 6100 radio-cum-cassette players. The sanction issued by the Ministry, inter alia, provided that the amount would be utilised only for the purpose for which it was sanctioned and that the Government of Tamil Nadu would refund unspent balance, if any, after the close of the year unless permission was granted to them to the amount being carried forward for the utilisation during the next financial year by Government of India. However, the Government of Tamil Nadu had not refunded the amount nor utilised it for the purpose for which it was released even after a lapse of more than three years as of June 2003.

The matter was referred to the Ministry in December 2003; their reply was awaited as of April 2004.

#### **6.4 Idling of investment due to inadequate scrutiny of cost estimates**

**Inadequate scrutiny of the original cost estimates and delay in according approval to the revised cost estimates for Hindi Teachers' Training College, Aizawl, Mizoram, resulted in idling of investment of Rs. 3.40 crore for more than a year.**

The scheme for establishment of Hindi Teachers' Training Colleges in the non-Hindi speaking States/Union Territories was introduced as a centrally sponsored scheme in the Second Five Year Plan with a view to propagating and developing Hindi in these areas. Under this scheme, the Government of India have been providing 100 *per cent* financial assistance to the concerned State/Union Territory Government for one plan period only.

Audit scrutiny of the Ministry's records (March 2003) revealed that in the year 1991-92 the Government of Mizoram had submitted a proposal prepared on

the basis of prevailing rates of 1990 to the Ministry seeking financial assistance for construction of Mizoram Hindi Training College Complex at Durtlang, Aizawl at an estimated cost of Rs. 3.40 crore with period of construction as 30 months. The proposal was not approved by the Ministry because of limited availability of funds under the scheme. When the Government of Mizoram submitted the proposal again in October 1997, the Ministry, instead of asking them to revise the estimates on the rates prevailing then, approved the proposal in October 1999 and released Rs. 3.40 crore in three instalments (Rs. 1.13 crore each in October 1999 and August 2000 and Rs. 1.14 crore in January 2002). The construction started in October 2000 and was scheduled to be completed by March 2003 i.e. within 30 months in terms of the original proposal. In March 2002, the Government of Mizoram submitted revised estimates of Rs. 6.73 crore for the project as the amount sanctioned/released earlier based on rates of 1990 was inadequate and about 50 per cent of the work remained to be completed.

Since the approved cost estimates had gone up by almost 100 per cent, the matter was to be brought before the Cabinet Committee on Economic Affairs (CCEA) along with the recommendations of a standing committee to be set up by the Ministry, setting out, *inter alia*, the reasons for the cost and time overrun and detailed chronology of events. It was, however, noticed in audit that even after 16 months of submission of the revised estimates by the Government of Mizoram, the Ministry was yet (July 2003) to place the matter before a standing committee. Consequently, additional funds could not be released to the Government of Mizoram and the work on the project continued to remain incomplete.

Thus, inadequate scrutiny of original cost estimates and delay in considering the revised estimates have resulted in idling of Rs. 3.40 crore invested so far on the project. Delay in completion of the project is likely to escalate its cost further. Since March 2003, besides idling of the investment, the college has been incurring expenditure of Rs. 2.04 lakh annually on rent for its present accommodation.

The Ministry, while admitting the facts, stated (April 2004) that the building could not be completed by February 2003 due to non-availability of extra funds and added that it was decided (December 2003), on the recommendation of its Standing Committee, to release a further sum of Rs. 91.17 lakh. The Ministry also stated that the escalation in the approved cost estimates was because of inflation and could not be termed as cost overrun. It added that the Government of India was not liable to release additional amount of Rs. 3.32



crore as the original amount (Rs. 3.40 crore) was released in due time. The reply is not tenable as the Ministry was liable to provide 100 per cent financial assistance under the scheme. The Ministry failed to call for revised cost estimates in October 1999 at the time of initial approval of the proposal and when the State Government submitted its revised estimates (March 2002), instead of placing these before the CCEA, the Ministry released additional amount of only Rs. 91.17 lakh on the recommendation of its Standing Committee against the additional requirement of Rs. 3.32 crore projected by the State Government. Any increase over the approved cost estimates, for whatever reason, is a cost overrun. Further, inadequate fund delays project implementation which, in turn, results in cost escalation.

#### **6.5 Overpayment of pay and allowances to Evaluators**

**While implementing the revised pay scales recommended by the Fifth Central Pay Commission, the Central Hindi Directorate irregularly placed Evaluators in a scale higher than that to which they were entitled resulting in overpayment of pay and allowances of Rs. 17.41 lakh.**

The Fifth Central Pay Commission revised the erstwhile pay scale of Rs. 1640-2900 to Rs. 5500-9000 with effect from 1 January 1996. The Commission also laid down that in the event of any Central Government post being left out without allotment of revised pay scale in the Report, it should be given the commensurate revised scale of pay applicable for posts with similar entry qualifications, duties and responsibilities duly retaining the horizontal and vertical relativities in the organisation.

Audit scrutiny (June 2003) of the records of the Central Hindi Directorate (Directorate) revealed that prior to 1 January 1996 (i.e. the revision of pay scales), Evaluators in the Directorate were placed in the pay scale Rs. 1640-2900. Since this cadre had not been granted any specific pay scale by the Pay Commission, they should have been placed in the pay scale of Rs. 5500-9000 from 1 January 1996. Instead the Directorate placed them in the higher pay scale of Rs. 6500-10500.

On the matter being pointed out in audit, the Directorate while admitting (June 2003) that the Evaluators' cadre had not been granted any specific pay scale by the Fifth Central Pay Commission, stated that although the normal replacement scale should have been Rs. 5500-9000, the higher pay scale was given to Evaluators based on equivalence with Research Assistants, a separate cadre under the Directorate, whose pay scale had been revised by the Pay Commission from Rs. 1640-2900 to Rs. 6500-10500. The Directorate further

added that the matter would again be taken up with the Ministry for suitable direction.

The reply of the Directorate is not tenable. When in February 1999 they had proposed to the Ministry for merger of the cadres of Evaluators and Research Assistants, the latter had turned down the proposal on the ground that the qualifications and duties of Research Assistants were quite different from those of the Evaluators. The action of the Directorate in granting higher pay scale to Evaluators was thus irregular and resulted in overpayment of Rs. 17.41 lakh on account of pay and allowances of 22 Evaluators for the period January 1996 to May 2003. The overpayment is continuing and needs to be stopped immediately and the overpaid amounts recovered.

The matter was referred to the Ministry in September 2003; their reply was awaited as of April 2004.



## CHAPTER VII : MINISTRY OF INFORMATION AND BROADCASTING

### 7.1 Delay in amendment of cinematographic certification rules

#### **Delay in amendment of Cinematographic Certification Rules led to delay in making CBFC a self-sustaining body.**

As per Rule 36 of the Cinematograph Certification Rules, 1983 (revised), the Central Board of Film Certification (CBFC) levies fees for examination of every film and issue of the necessary certificate. The rates of fees leviable were fixed in the year 1983.

The Parliamentary Standing Committee in its Eighth Report (1994-95) recommended that the certification fees charged by CBFC were nominal and were not related to the expenditure incurred and services rendered. The Committee also expressed the view that CBFC should be a self-supporting body and its expenses should be met from collection of previewing fees. The Committee recommended in its Report that the certification fee should be increased suitably to be commensurate with the services rendered and to make CBFC financially self-supporting.

The Ministry of Information and Broadcasting thereafter, prepared a proposal for revising the rates of certification fees in December 1998 and sought CBFC's comments. CBFC concurred with the proposal in February 1999. However, no further action has been taken by the Ministry for revision of certification fee.

The Regional Officers of CBFC met in November 2000 and proposed revision of certification fees of feature films, short films, etc. In terms of their proposal, the fees were to be raised to Rs. 10,000 for feature films, Rs. 5000 for short films and Rs. 10,000 for advertising films. The proposal of the Regional Officers for revision of certification fees was sent to the Ministry in February 2001. No action, however, was found to have been taken by the Ministry. Had the proposal of the Regional Officers been accepted, CBFC would have earned a revenue of Rs. 1.86 crore, against the revenue of Rs. 13.78 lakh earned during the period January 2002 to March 2003.

The failure of the Ministry to revise the certification fees even though CBFC had concurred with the Ministry's own proposal in February 1999 has delayed the revision of the rates being charged. The intention of making CBFC financially self-supporting was yet to be fulfilled.

The matter was referred to the Ministry in August 2003; their reply was awaited as of February 2004.

## CHAPTER VIII : MINISTRY OF LAW AND JUSTICE

### 8.1 Non-recovery of rent of High Court building occupied by Bar Association

**Rs. 1.21 crore on account of rent of building occupied by Bar Association was not recovered.**

The Punjab and Haryana High Court got an additional building (Phase-III Extension) constructed in order to address the accommodation problem faced by the High Court and the Bar Association. The construction of the building was completed on 25 May 1995.

Before the building could be formally handed over by the Engineering Department of Chandigarh Administration to the High Court authorities after its completion, the Bar Association occupied it on 16 April 1995. However, in a meeting held in October 1997 between the President of the Bar Association and Hon'ble Acting Chief Justice, the possession of the building was regularized from 16 April 1995. It was also agreed that rent would henceforth be paid regularly but that arrears would be paid in suitable instalments. Simultaneously, the Engineering Department was requested to assess the rent of the building recoverable from the Bar Association. Chandigarh Administration fixed the rent at Rs. 1.21 lakh per month in September 2001.

Audit found that even thereafter, steps have not been taken to fix instalments for the recovery of rent in arrears. The Bar Associations also failed to pay the monthly rent resulting in accumulation arrears amounting to Rs. 1.21 crore for the period from April 1995 to August 2003.

The Registrar of the High Court stated in September 2003 that the matter regarding recovery of rent had been taken up with the Bar Association.

Thus, the failure of the concerned authorities has led to rent aggregating to Rs. 1.21 crore for the period April 1995 to August 2003 remaining unrecovered.



## CHAPTER IX : MINISTRY OF STEEL

### 9.1 Non-recovery of guarantee fee including penal interest

#### **Failure of the Ministry to impose the orders upon Steel Authority of India Ltd. led to non-recovery of outstanding guarantee fee of Rs. 230.73 crore.**

Article 292 of the Constitution empowers the Union Government to give guarantees in respect of loans raised within such limits as may be fixed from time to time by an Act of Parliament. On such guarantees, the Government shall charge guarantee fee at the rates prescribed. In terms of the orders of the Ministry of Finance issued on 24 April 1992 and 9 September 1992, the guarantee fee was required to be levied before the guarantee was given.

The Government of India, Ministry of Steel, stood as a guarantor in respect of six foreign (external) loans raised by the Steel Authority of India Ltd. (SAIL) during 1989-94, on which guarantee fee was payable on the date of guarantee and thereafter on 1 April every year.

A scrutiny of records of the Ministry revealed that there was an outstanding guarantee fee of Rs. 213.12 crore inclusive of penal interest of Rs. 106.56 crore as on 31 March 2001 which had not been paid by SAIL.

At the instance of SAIL, the Ministry sent a proposal to the Ministry of Finance, Department of Economic Affairs, for waiver of guarantee fee in December 2002. The Ministry of Finance did not agree (January 2003) to the proposal. The proposal was again sent (April 2003) to the Ministry of Finance for waiver of the guarantee fee, inclusive of penal interest, recalculated in August 2003 by the Ministry as Rs. 230.73 crore as of March 2002. The decision of the Ministry of Finance was awaited (October 2003).

The Ministry in its reply stated (September 2003) that the six loans had been contracted in respect of the modernisation programme of SAIL. SAIL could not make a provision for the guarantee fee since the impact of guarantee had not been considered while evaluating the respective projects. However, four of the loans were contracted after issue of orders by the Ministry of Finance on guarantee fees. Moreover, appropriate provisions could have been made by SAIL even in subsequent years. The failure of the Ministry to monitor this issue and raise appropriate demand on SAIL has led to accumulation of arrears in guarantee fee (inclusive of penal interest) amounting to Rs. 230.73 crore.

## CHAPTER X : MINISTRY OF TEXTILES

### 10.1 Recovery at the instance of audit

**Lackadaisical approach of the Ministry resulted in Rs.1.17 crore remaining unutilised, which was refunded alongwith interest of Rs. 1.53 crore only after it was pointed out by audit.**

The Ministry of Textiles set up a Special Jute Development Fund (SJDF) in December 1986 with a corpus of Rs. 100 crore for the revival and integrated development of the Jute Industry. The Ministry set up a high level committee to review and monitor the progress of implementation of schemes under the SJDF. A sub-group for reviewing the progress of implementation of various schemes under the programme was also set up.

The Ministry released an amount of Rs. 2 crore out of the Fund to the Jute Corporation of India (JCI) in January 1988 for disbursement of subsidy to state-level cooperative procurement agencies for creation of infrastructural facilities in the procurement centres. Up to 31 March 2001, JCI disbursed only Rs. 83.44 lakh to the State cooperatives. The balance was lying unutilized with the corporation in a separate account opened for the purpose.

Thus, Rs. 1.17 crore together with interest amounting to Rs. 1.42 crore earned thereon remained blocked with the corporation for almost 13 years. It was further noticed that out of the accumulated balance of Rs. 2.59 crore as on 31 March 2000, the corporation utilized Rs. 2.31 crore for their own expenses without the permission of the Ministry. The fact that the Ministry had initiated no action to recover the unspent balance lying with JCI was brought to its notice by audit in October 2001.

The Ministry stated (June 2002) that the corporation had refunded the balance amount of Rs. 1.17 crore along with interest of Rs. 1.53 crore to the Government on 19 February 2002.

In spite of various checks prescribed in the rules viz. submission of utilization certificates and their monitoring, pre-check by Pay and Accounts Office (PAO) and internal inspections by teams from PAO, the aberration remained unnoticed.



The Ministry in its reply stated (October 2003) that instructions had been issued to JCI to take remedial action to prevent the recurrence of such instances in future.

## CHAPTER XI : MINISTRY OF TOURISM AND CULTURE

### 11.1 Payment of inadmissible overtime allowance to local employees

**Payment of inadmissible overtime allowance to local employees resulted in irregular expenditure of Rs. 16.30 lakh from 1997-98 to 2002-03.**

The Ministry of External Affairs permits payment of overtime allowance only to chauffeurs as per provisions contained in schedule –I of the Financial Powers of Government of India’s Representatives Abroad, 2001. These orders apply to the operation of Tourist offices abroad, wherein the Head of office is vested with the powers of category –II officers working under the jurisdiction of category-I officers of Indian Missions or Posts in the host country.

Audit scrutiny disclosed that the Tourist office at London was paying overtime allowance to its locally recruited employees appointed as Accountant, Secretary and Information Assistant cum Secretary in violation of the instructions. The amount paid to these employees on account of overtime allowance during 1997-98 to 2002-03 worked out to £23942.71 equivalent to Rs. 16.30 lakh\*.

Thus, the payment of overtime allowance to locally recruited employees other than chauffeurs in violation of the delegation of financial powers resulted in unauthorised payment of overtime allowance of Rs. 16.30 lakh.

The matter was referred to the Ministry in May 2003; their reply was awaited as of February 2004.

### Department of Culture

### 11.2 Embezzlement of public money

**Failure of the Drawing and Disbursing Officer and Pay and Accounts Officer of the Department of Culture in following the prescribed procedures for accounting and reconciliation of government receipts resulted in embezzlement of Rs. 6.96 lakh.**

The cashier, Department of Culture, had been receiving cash towards sale

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\* at the exchange rate prevailing at the time of payment



receipts of 'raddi', unserviceable items, refund of unspent balances, payments for loss of books etc. A test check (May 2003) of the cash book of Drawing and Disbursing Officer (DDO) of the Department for the years 2001-02 and 2002-03 revealed that the cashier had not been depositing a part of the money received in the bank and manipulating the figures in the counterfoils of challans to show that the full amount had been deposited in the bank. By doing so, he had embezzled Rs. 2.67 lakh. On the matter being pointed out by audit, the department had the records pertaining to the earlier period (1998-2001) also checked, which revealed that the same person had embezzled Rs.4.29 lakh additionally. The total amount embezzled was Rs. 6.96 lakh.

Paragraph 1.10.2 of the Civil Accounts Manual prescribes that the receipts accepted will be remitted into Government account held by the Pay and Accounts Officer (PAO) or a cheque drawing officer in a bank accredited to the Ministry/Department concerned. The receiving bank will prepare Daily Receipts Scrolls in quadruplicate separately for each account holder. After the day's accounts are balanced, two copies of the scrolls alongwith relative challans will be sent to the designated Focal Point Branch with a forwarding memo on a day-to-day basis. One copy of the scroll will be sent by them to the concerned DDO. The fourth copy of the scroll will be retained by the receiving branch. Based on the challans received by him, the DDO will prepare a weekly statement of receipts giving the number and date of challan, name of the depositor and amount deposited. He will check the entries in the copy of the scrolls with entries in the statements of receipts and reconcile with the bank any discrepancy detected, under advice to PAO. He will also send to his PAO a monthly bank reconciliation statement in form CAM 22.

Thus, the DDO was required to cross-check the deposits in bank at two stages. First, while preparing weekly statements of receipts and then while reconciling the monthly bank statements before sending these statements to the PAO. It was noticed in audit that DDO was not sending the weekly statements and the monthly bank reconciliation statements to the PAO. The PAO also did not point out the non-receipt of these statements to DDO. Failure of DDO and the concerned PAO in following the prescribed procedures for accounting and reconciling government receipts facilitated the embezzlement and its non-detection.

Admitting the embezzlement, the Ministry stated (June 2003) that the cashier had deposited Rs. 2.67 lakh on 26 May 2003. Thereafter, he had been removed from the position of cashier and placed under suspension. An FIR had also been lodged against him with the police. The Ministry further stated

(February 2004) that since the concerned person had held charge as cashier for five years, it got the records for 1998-2001 checked. This revealed embezzlement of additional amount of Rs. 4.29 lakh. The Ministry had also sought first stage advice from the Central Vigilance Commission against seven officers of PAO and two DDOs of the department for their negligence.



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

### 12.1 Non-realisation of guarantee fee

**Failure of Ministry to impress upon Housing and Urban Development Corporation (HUDCO) the essence of orders issued by Ministry of Finance in April 1992 resulted in an amount of Rs. 20.80 crore remaining outstanding.**

Article 292 of the Constitution empowers the Union Government to give guarantees in respect of loans raised within such limits as may be fixed from time to time by an Act of Parliament. The Government charges guarantee fee on such guarantees at rates prescribed from time to time.

In terms of orders of the Ministry of Finance issued on 24 April 1992 and 9 September 1992, the guarantee fee was required to be levied before the guarantee was given and thereafter on the anniversary date of the guarantee year. The rate of guarantee fee applicable for internal borrowings under the market-borrowing programme approved by the Reserve Bank of India was 0.25 per cent. The guarantee fee was to be recovered in advance on the amount outstanding at the beginning of the guarantee year and in case of non-payment thereof by the due date, the fee was chargeable at double the normal rate for the period of default. Such fee was also to be levied in respect of guarantees already issued but still partially outstanding.

A scrutiny in audit revealed that while a guarantee was given by the Government of India prior to September 1992, the Housing and Urban Development Corporation (HUDCO) did not pay the guarantee fee on the plea that the stipulation on payment of guarantee fee was introduced from the year 1992-93 and was, therefore, applicable only to the guarantees issued from 1990-91.

The contention of the Corporation was incorrect in view of the Ministry of Finance Office Memorandum dated 9 September 1992. A subsequent clarification dated 7 January 2002 in the case of the National Building Construction Corporation (NBCC) also stated that the guarantee fee was to be paid for guarantees outstanding as on 1 April 1992 irrespective of their dates of issue.

The non-recovery of guarantee fee from the Corporation on outstanding guarantees issued prior to 1990-91 led to accumulation of arrears of guarantee fee to the extent of Rs. 10.40 crore @ 0.25 per cent for the period 1 April 1992 to 1 April 2002. The failure to pay the guarantee fees on the due dates has led to an additional liability of Rs. 10.40 crore since guarantee fee is doubled in terms of the penal rate. Thus, failure of the Ministry to enforce the instructions of the Ministry of Finance has resulted in short recovery of Rs. 20.80 crore from the Corporation.

The Ministry stated (September 2003) that HUDCO had been contributing significantly to the development of housing and urban infrastructure facilities across the country. Its housing portfolio was specifically oriented towards supporting economically weaker sections and low-income groups at a concessional rate and hence it should not be treated at par with other public sector enterprises (PSE) like NBCC which operate on commercial terms. The Ministry also stated that the matter had been taken up with the Ministry of Finance for waiver of the amount. However, this contention is incorrect since the instructions in force do not envisage exemption from payment of guarantee fee for any PSE. There was therefore, no justification in not realising the guarantee fee of Rs. 20.80 crore from the Corporation.

#### **12.2 Avoidable expenditure due to inefficient contract management**

**Central Public Works Department's failure to provide drawing, design and decisions at appropriate times and to award electrical works concurrently with civil works resulted in avoidable expenditure of Rs. 4.98 crore.**

The Headquarters of the Geological Survey of India (GSI), located in Kolkata, was partially housed in hired accommodation and at different locations. In order to bring all the offices and laboratories within a single complex, the Ministry of Steel and Mines conveyed administrative approval and expenditure sanction in October 1984 for construction of an integrated complex at an estimated cost of Rs. 11.49 crore. In October 1991, the Chief Engineer, CPWD, sanctioned the detailed estimate for the pile foundation works of the complex at an estimated cost of Rs. 2.87 crore. Pile foundation works, scheduled for completion between August 1992 and April 1993, were completed between March 1994 and August 1994 at a cost of Rs. 3.19 crore. Delays in completion of the pile foundation work were attributable to delays in supply of material by the department and in providing drawing and design to the contractors.



The superstructure works of the office-cum-laboratory building consisting of 10, 11 and 12 storeyed blocks were awarded between April 1995 and September 1996 to three contractors for a total cost of Rs. 14.03 crore, with the stipulation that the works be completed between September 1998 and July 1999. The works were actually completed between January 2000 and March 2001 at a cost of Rs. 12.62 crore. The reduction in value of the executed works, compared to the tendered cost, was due to reduction in the quantity of work executed, addition and deletion of items and substitution by items of lower cost during execution, resulting in net reduction of Rs. 1.41 crore from the tendered value of the works. This indicated that the estimates were not framed based on actual ground conditions. Despite reduction in the quantity executed and deletion of certain items, the civil works were completed only in March 2001 against the scheduled completion in July 1999. Besides, the execution of the superstructure work of the ten storeyed building of the office complex led to arbitration. The contractor sought arbitration in June 2001 and submitted a claim for Rs. 68.29 lakh on account of escalation, watch and ward, idle establishment etc. The decision of the arbitrator appointed in July 2001 was awaited as of October 2003.

The electrical works of the buildings, awarded by CPWD between March 1997 and January 2001, scheduled for completion between January 1998 and November 2001 were completed in January 2002 at a cost of Rs. 4.09 crore.

The inability of the Central Design Organisation, New Delhi and Senior Architect, CPWD, to finalize designs and drawings that were required to be made available to the contractors at appropriate times and failure to communicate decisions, coupled with non-completion of the electrical works by CPWD led to several delays, which are tabulated below:

Work	Delay in civil works (in days)					Delay in electrical works after completion of civil works (In days)
	Non-availability of drawing and design	Pending decision/details	Non-completion of Electrical work	Other reasons	Total	
10 Storeyed Building	54	412	48	1	515	506
11- Storeyed Building	53	401	158	0	612	318
12- Storeyed Building	118	179	243	9	549	415

As a result of these delays, the buildings, which were due to be completed by July 1999 could be handed over to GSI only during July 2001 and October 2001. During the time beyond the scheduled date of completion, there was an escalation both in prices of materials and wages of labour resulting in

additional escalation payment of Rs. 58 lakh. The GSI also paid rent of hired premises amounting to Rs. 4.40 crore during this period.

Proper contract management of a construction project necessitates the preparation of the detailed designs and drawings so that the contractor to whom the construction work is awarded is able to proceed with the work without delays due to non-availability of such drawings and designs. Similarly, the electrical works are required to be awarded in such a manner that they can proceed simultaneously with the civil works. Para 5.24 and the DG (Works)' orders below para 20.21 of the CPWD Manual, stipulate adherence to these principles of contract administration. Failure to follow these principles led to avoidable expenditure of Rs. 4.98 crore on account of rent for hired premises and escalation payment to contractors besides the possible liability arising from an arbitration award.

The matter was referred to the Ministry in September 2002 and again in August 2003; their reply was awaited as of February 2004.



## CHAPTER XIII : MINISTRY OF WATER RESOURCES

### 13.1 Infertuous expenditure on construction of buildings for Primary School and Primary Health Centre

**Due to improper planning, buildings constructed for medical care and education purposes at a cost of Rs. 51.95 lakh could not be utilized resulting in unfruitful expenditure.**

The Ministry of Water Resources accorded approval in September 1992 for construction to staff colony, phase III, estimated to cost Rs. 4.50 crore by the Central Water and Power Research Station (CWPRS), Pune. This was subsequently revised to Rs. 9.80 crore in March 1999 due to inclusion of certain additional items as also cost escalation.

The proposal included construction of a primary health centre (PHC) and a school building estimated to cost Rs. 56.88 lakh and Rs. 41.10 lakh respectively as the staff colony was situated 17 km away from Pune. The absence of medical care and schooling caused hardship to the residents.

The Central Public Works Department, Pune Division, constructed the buildings for CWPRS. The construction of the PHC and school buildings was completed in June 2001 at a cost of Rs. 17.07 lakh and Rs. 34.88 lakh respectively. CWPRS took possession of the buildings in February 2002.

However, the buildings had not been put to the intended use (June 2003) as CWPRS was not able to find an agency to run the medical and schooling facilities.

CWPRS stated in July 2003 that the buildings could not be utilised, as requisite manpower was not available in view of non-recruitment of staff due to the government policy of downsizing. The matter had also been taken up (July 2001) with Central Government Health Scheme (CGHS) and local Kendriya Vidyalaya for running the medical and schooling facilities. While the matter was still under correspondence with CGHS, the local Kendriya Vidyalaya declined the proposal to utilise the school building. CWPRS further stated that the school building was being utilised for a sub-divisional office. Alternate uses for the PHC building were also being considered.

The reply is not tenable as construction of the PHC and school buildings commenced in October 1999 and March 2000. CWPRS should have re-

evaluated the requirement for these buildings, as the Ministry in February 1999 had not approved the recruitment of staff for the PHC. Thus, lack of proper planning on the part of CWPRS resulted not only in depriving the staff of the facilities but also rendered the expenditure of Rs. 51.95 lakh incurred on construction of school building and the PHC unfruitful.

The matter was referred to the Ministry in August 2003; their reply was awaited as of February 2004.



## CHAPTER XIV : MINISTRY OF YOUTH AFFAIRS AND SPORTS

### 14.1 Idling of investment due to release of grants without proper scrutiny

**Ministry accorded administrative approval and released funds for construction of Youth Hostels without taking sufficient care in selection of sites and ensuring availability of land. This resulted in infructuous expenditure of Rs. 20.49 lakh and idling of Rs. 1.05 crore.**

The Youth Hostel Manual provides that the construction of Youth Hostels be a joint venture of the Central and State Governments with the State Government making available a suitable plot of land with 1.5 to 2 acres or more area with an approach road and a boundary wall. Recommendations of the concerned State Government for suitable places/sites for hostels and their building plans have to be examined under the arrangement of the Ministry and it is necessary that sufficient care be taken in selecting the site for construction of a Youth Hostel. Audit scrutiny (February 2003) revealed that the Ministry had failed to examine/inspect the recommendations/proposals regarding site selection for construction of Youth Hostels before according administrative approval and releasing funds. This resulted in infructuous expenditure/blocking of funds in three instances given below:-

(a) The Ministry without survey/inspection of the site, released Rs. 40 lakh to CPWD, Hubli (Rs. 10 lakh in January 1998 and Rs. 30 lakh in March 2000) against the approved estimated cost of Rs. 46.15 lakh for construction of Youth Hostel in Karwar (Karnataka). The construction work, which was started in June 1999, had to be abandoned (December 2000) after incurring an expenditure of Rs. 20.49 lakh as front portion of the entrance end collapsed due to landslide. Subsequently, the Assistant Engineer of the Ministry inspected the site in May 2001 and reported that the land where Youth Hostel was being constructed was not stable and was causing damage to the building. Further construction continued to remain abandoned as of October 2003 as the Ministry had not taken a final decision about structural viability of the land.

Thus, failure of the Ministry to get inspection/survey of the site conducted before releasing the funds resulted in infructuous expenditure of Rs. 20.49 lakh and idling of the unspent balance of Rs. 19.51 lakh for more than three years.

(b) The Ministry approved (March 2000) construction of Youth Hostels in Thoubal, Bishnupur and Churachandpur Districts of Manipur at estimated costs of Rupees two crore for Thoubal and Rs. 2.17 crore each for Bishnupur and Churachandpur. Audit scrutiny (February 2003) revealed that the Ministry without ascertaining availability of land and obtaining "No Objection Certificate" from CPWD for getting the works executed through the Manipur State Police Housing Corporation (MSPHC), released Rs. 60 lakh @ Rs. 20 lakh for each Hostel on 31 March 2000 to the Government of Manipur to avoid lapse of funds. Subsequently, CPWD gave ex-post-facto approval in the case of Churachandpur and Thoubal but did not agree in respect of Bishnupur. It was further noticed in audit that in Thoubal and Churachandpur, land had been handed over to the MSPHC in January 2003. The land for construction of Bishnupur Youth Hostel had also been handed over to CPWD but the date of its handing over was not made available. Audit observed that even after handing over of the sites to the respective executing agencies, construction work of none of the Hostels had been started as of October 2003.

Thus, the Ministry's failure to ascertain availability of land before release of funds resulted in idling of Rs. 60 lakh for more than three years.

(c) The Ministry approved (December 2000) construction of Youth Hostel at Udthagamandalam (Ooty), Tamil Nadu at an estimated cost of Rs. 1.25 crore. The first instalment of Rs. 25 lakh was released (October 2001) to CPWD, Coimbatore, Tamil Nadu, after the site was inspected by the Assistant Engineer of the Ministry on 30 January 2001. The possession of land was taken by CPWD on 31 January 2001.

The Assistant Engineer of the Ministry, while recommending the said site, failed to point out that no construction activity was permissible within 100 metre of the Botanical Garden as per Municipal bye-laws of Ooty with the result that construction of Youth Hostel could not take place at the said site. The alternate plot measuring 0.30 acre taken over by the CPWD on 21 February 2002, was accepted (April 2003) by the Ministry after getting the soil exploration report from CPWD. The construction work was, however, not started as of October 2003.

Thus, the Ministry's failure to take sufficient care in selecting a proper site before release of funds resulted in idling of Rs. 25 lakh for more than two years.



The Ministry stated (October 2003) that the audit observation regarding the Youth Hostel at Karwar that funds were released without survey/inspection was noted for future compliance. It added that the Assistant Engineer of the Ministry, Executive Engineer, CPWD, Hubli and other officers inspected the site (May 2001) and concluded that resumption of further construction would require slope stabilisation which was apprised to State Government with the request to get the inspection/assessment done through more technical experts. While the Government of Karnataka had suggested construction of a twenty feet high retention wall, the matter was under consideration as the State Government was yet to obtain views/suggestions of technical experts and state clearly whether the building at Karwar could be built or not. Regarding the three youth hostels in Manipur, the Ministry stated that delay in construction was due to changing stance of the State Government as initially the State Government had decided to get the construction done through MSPHC but later on one project was given to CPWD of the State and the remaining were also decided to be got constructed through CPWD. However, later the State Government again changed their decision in favour of MSPHC. As regards the hostel at Udhagamandalam (Ooty), the Ministry stated that the onus of ensuring that the plot identified for construction of youth hostel was suitable from all angles was with the concerned State Government. The Ministry added that a new site for construction of youth hostel in Ooty was located and the State Government had been asked to start the construction work.

The reply is not tenable because the Ministry being the funding agency for the projects (hostels), had to ensure before release of funds, that the selected sites were suitable for construction of hostels from all angles and that the State Government concerned was in a position to start the project immediately on receipt of funds.

## CHAPTER XV : UNION TERRITORIES

### Andaman and Nicobar Administration

#### 15.1 Overpayment on construction of four 100 passenger-cum-5 vehicle ferry vessels

The Directorate of Shipping Services, Andaman and Nicobar Administration, entered into an agreement with a ship building firm for construction of four 100 passenger-cum-5 vehicle ferry vessels which, inter alia provided for supply of three imported items and payment of escalation for variations in cost of wage and material. However, two indigenous items at much lower rates were supplied by the firm instead of imported items. The department also paid escalation charges based on contractual prices instead of actual prices resulting in an overpayment of Rs. 54.11 lakh. There was also an overpayment of Rs. 6.99 lakh due to erroneous calculation of escalation in respect of non-supply of one imported item in two vessels.

The Andaman and Nicobar Administration (Administration) entered into an agreement in June 1987 with M/s Shalimar Works, Kolkata (Builder) for construction of four 100 passenger-cum-5 vehicle ferry vessels at unit rate of Rs. 2.28 crore. The contract price was inclusive of supply of three imported items and, inter alia, provided for payment of price escalation for variations in wage costs and cost of materials as per clauses specified in the contract.

According to the contract, the value of the imported items was adjustable at actual for any variation in the CIF/FOB values. Further, as per the contract, the builder was eligible for wage escalation payment which was subject to adjustment by 0.70 *per cent* of the total selling price (excluding escalation) for variation in wage cost from base date.

A scrutiny of records (January-February 2002) revealed that:

- a) In respect of two imported items of higher value, indigenous items were supplied by the builder at much lower rates than those indicated in the contract. As the cost of these two imported items was payable on actuals, a sum of Rs. 38.53 lakh being the difference between the contract price and the actual price was overpaid to the builder.



Further, wage escalation was found to have been applied on the contractual price of these two imported items instead of actual price of items supplied resulting in excess payment of Rs. 15.58 lakh.

b) One imported item valued at Rs. 8 lakh was not supplied by the builder in two vessels (M.V. Pilopanja and M.V. Mus) for which necessary cost had been deducted from the claim of the builder. However wage escalation on that item was allowed, resulting in an overpayment of Rs. 6.99 lakh.

Thus, supply of indigenous items at lesser cost instead of supply of imported items compounded with erroneous calculation of wage escalation, resulted in overpayment of Rs. 61.10 lakh to the builder.

On this being pointed out by Audit, the Administration recovered an amount of Rs. 6.88 lakh from the builder in April 2003. An amount of Rs. 54.22 lakh was yet to be recovered.

The Ministry of Shipping in its reply of October 2003 accepted the audit observation and stated that the overpayment pointed out by audit would be recovered from the dues payable to M/s Shalimar Works Ltd., the builder, against a number of other projects of the Andaman and Nicobar Administration, executed by them.

## **15.2 Under utilisation of a desalination plant**

**APWD's failure to conduct requisite survey regarding requirement of user population and availability of adequate power supply resulted in production of desalinated water at only 1.22 per cent of actual capacity, after investing Rs. 19.68 lakh.**

In order to alleviate the acute problem of drinking water at Chowra Island in Car Nicobar and to improve the existing water supply system consisting of ground water in open wells and stored water in rainwater harvesting tank in the island, the Andaman Public Works Department (APWD) prepared, in November 1995, a preliminary estimate for Rs. 29.47 lakh for supply, erection and commissioning of a 20 ton capacity desalination plant based on reverse osmosis system. The Andaman and Nicobar Administration accorded administrative approval and expenditure sanction to the estimate in January 1996.

The Executive Engineer, Construction Division, Car Nicobar, awarded the work in February 1997, to a firm at a cost of Rs. 18.85 lakh. The installation of

the plant, scheduled to commence in March 1997 and be completed in August 1997, was completed in February 1999. The final bill of Rs. 18.85 lakh was paid to the firm in March 1999. Incidental works relating to installation of the plant were executed between September 1995 and May 1999 at a cost of Rs. 0.83 lakh

A test check conducted by Audit in February 2003 revealed that:-

The desalination plant, which has an effective life of not less than 10 years, requires 15HP, three-phase, 370 - 390 volts uninterrupted power supply and has a stated capacity to produce 20,000 litre of treated water per day at the rate of 1,000 litre per hour. Before installation, APWD had not carried out an initial survey to ascertain the suitability of the plant, availability of existing sources of drinking water, deficiency in supply of water, local demand for treated water, acceptability of desalinated water among local population, capacity requirement of plant, availability of adequate power supply etc. It was noticed in audit that the requisite power supply of 370-390 volts was not normally available from the existing powerhouse at Chowra. The powerhouse could ensure power supply for only three hours a day during the period from February 1999 to February 2003. APWD did not explore any alternative power supply arrangement to maintain uninterrupted power supply to the plant, for reasons neither on record nor stated. To keep the plant operational, it was run only three hours a day, since it was not to be kept idle according to instructions of the supplier. Consequently, the output of desalinated water from the plant was poor. The local population preferred well water to desalinated water.

The reasons behind poor utilization of the desalination plant were inadequate power supply and lack of demand for treated water from the local population. Since February 1999, the plant was only run for 3,468 hours, against 29,820 hours available, which indicated poor utilization of 11.63 *per cent* of available hours. The plant never reached the rated capacity of 1,000 litre an hour, as it could produce treated water at the rate of 104.78 litre only per hour i.e. 10.48 *per cent* of stated capacity.

Thus, during the 49 month period from February 1999 to February 2003 the plant could produce only 0.36 million litre of treated water for consumption against the desired capacity to produce 29.6 million litre, at the rate of 20,000 litre a day. The outturn was only 1.22 *per cent* of the total capacity available. In spite of this poor output, the Executive Engineer submitted, in January 2000, an estimate for Rs. 7.53 lakh for providing piped water supply from



desalination plant to five villages. However, approval to the proposal was awaited as of March 2003.

The Executive Engineer while confirming the facts stated in March 2003 that efforts would be made to maximize the utilization of the plant. The reply however, was not convincing, as half the plant's life had already expired. Moreover, the optimum utilization of the plant would be largely dependent on adequate power supply by the Electricity Department, generation of greater demand for treated water, improvement in the plant's present capacity and installation of proper distribution system. The Executive Engineer further stated in November 2003 that the performance of the plant was affected by low voltage power supply, variation in quality of beach well water and non-availability of a skilled operator for maintenance of the plant. He added that at the time of installation of the plant i.e. in February 1999 for 19 hours of running, the plants output was 10,800 litre. The treated water was supplied through a hydrant with a pipeline from fresh water collection tank.

Thus, lack of proper planning by APWD regarding adequacy of power supply and assessment of demand for treated water, resulted in under-utilisation of the plant and consequential injudicious expenditure of Rs. 19.68 lakh, apart from running and maintenance cost of Rs. 2.14 lakh till March 2003.

The matter was referred to the Ministry in June, 2003; their reply was awaited as of February 2004.

## CHAPTER XVI : GENERAL

### 16.1 Follow Up on Audit Reports-Summarised Position

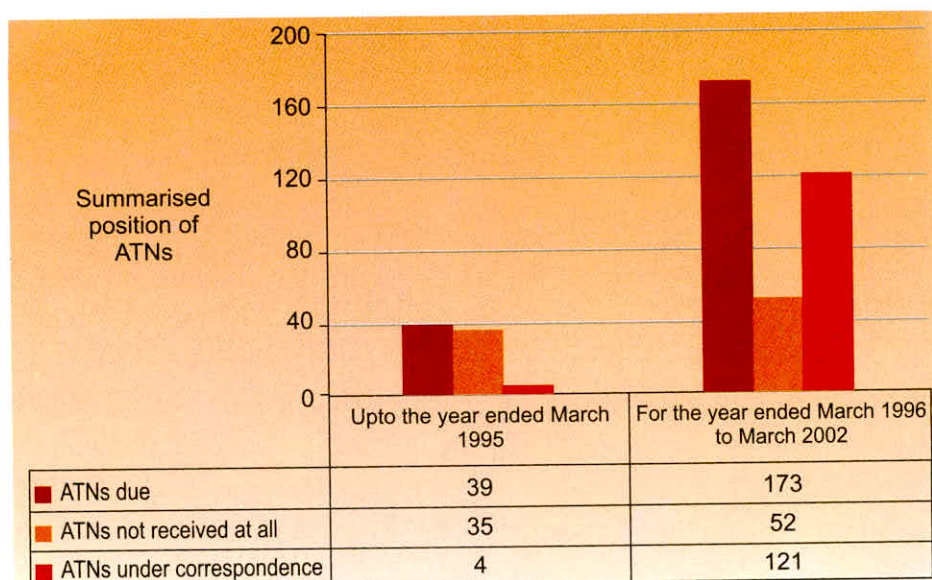
**Despite repeated instructions/recommendations of the Public Accounts Committee, various ministries/departments did not submit remedial/corrective Action Taken Notes on 87 audit paragraphs even after the lapse of time limit prescribed by the Public Accounts Committee.**

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

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

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil, Other Autonomous Bodies and Scientific Departments) as of February 2004 disclosed that the Ministries/Departments had not submitted remedial ATNs on 87 paragraphs. This includes 35 paragraphs included in the Audit Reports upto and for the year ended March 1995 as indicated in **Appendix-I**. The outstanding ATNs date back to as far as 1988-89.





Though the Audit Reports for the years ended March 1996 to March 2002 were laid on the table of the Parliament each year between May 1997 and May 2003 and the prescribed time limit of four months had elapsed in each case, the ministries/departments were yet to submit ATNs on 52 paragraphs while final ATNs in respect of 121 paragraphs were awaited as of February 2004 as indicated in **Appendix –II**.

## 16.2 Departmentally Managed Government Undertakings - Position of Proforma Accounts

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

There were 37 departmentally managed Government Undertakings of commercial or quasi-commercial nature as of March 2003. The financial results of these undertakings are ascertained annually by preparing proforma accounts generally consisting of Trading, Profit and Loss Accounts and Balance Sheet. While the Government of India Presses prepare Proforma Accounts without Trading, Profit and Loss Account and Balance Sheet; the Department of Publications prepares only the Store Accounts.

It is necessary for each Ministry and Department to ensure that the audited accounts are prepared by the undertakings under their control within nine months of the close of the financial year. The position of the summarised financial results of the departmentally managed government undertakings on the basis of their latest available accounts is given in the **Appendix-III**.

From the Appendix, it will be seen that the proforma accounts were in arrear in respect of 35 undertakings for periods ranging from one to thirty years as shown below:

Period for which lying in arrears		
No. of years	Period	No. of Undertakings
1-5	1997-98 to 2001-2002	24
6-10	1992-93 to 1996-1997	5
11-15	1987-88 to 1991-1992	NIL
16-20	1982-83 to 1986-1987	3
21-25	1977-78 to 1981-1982	NIL
26-30	1972-1973 to 1976-1977	3
<b>Total</b>		<b>35</b>

The undertakings where proforma accounts were in arrears included Shipping Department of Andaman and Nicobar Island (30 years), Doordarshan (26 years) and All India Radio (20 years).

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

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

The delay in compilation of accounts in respect of departmentally managed undertaking was brought to the notice of Secretaries of the Ministries (i) Agriculture (ii) Defence (iii) Environment and Forests (iv) Finance (v)



Health and Family Welfare (vi) Information and Broadcasting (vii) Power (viii) Road Transport and Highways (ix) Shipping (x) Urban Development and Poverty Alleviation in February 2004; for their replies/comments which were awaited as of 29 February 2004.

### **16.3 Losses and irrecoverable dues written off/waived**

Statement of losses and irrecoverable dues, duties, advances written off/waived during 2002-03, is given in Appendix to this Report. It will be seen from **Appendix-IV** that in 309 cases; Rs. 23.46 lakh representing losses mainly due to failure of system, Rs. 897.51 crore due to neglect/fraud etc. on the part of individual Government officials and Rs. 392.85 crore for other reasons; were written off during 2002-03. In 252 cases, recovery and ex-gratia payment of Rs. 4132.06 crore was waived/made during the year.

### **16.4 Response of the ministries/departments to draft Reviews/Paragraphs**

**Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 18 out of 53 draft Reviews/Paragraphs included in this Report.**

On the recommendation of the PAC, Ministry of Finance issued directions to all ministries in June 1960 to send their response to the draft Reviews/Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft Reviews/Paragraphs are always forwarded by the respective Audit offices to the secretaries of the concerned ministries/departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such Review/Paragraph included in the Audit Report.

53 draft Reviews/Paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2003 were forwarded to the secretaries of the respective ministries/departments during May 2003-December 2003 through demi-official letters.

The Secretaries of the ministries/departments did not send replies to 18 draft Reviews/Paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the **Appendix-V**. As a result these 18 Reviews/Paragraphs have been included in this Report without the response of the Secretaries of the ministries/departments.

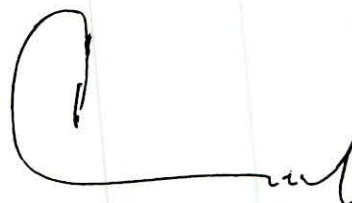


**(Dr. A.K. BANERJEE)**

**Director General of Audit  
Central Revenues**

**New Delhi  
Dated 28 May 2004**

**Countersigned**



**(VIJAYENDRA N. KAUL)**

**Comptroller and Auditor General of India**

**New Delhi  
Dated 31 May 2004**





**APPENDIX -I**  
(Refers to Paragraph No.16.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of February 2004.

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Finance (Department of Revenue)	1994	2	-	2	-	--	--	-	-	-	2	-	2
		1995	1	-	1		-	-	-	-	-	1	-	1
2.	Urban Development and Poverty Alleviation	1989	-	-	-	1	1	--	-	-	-	1	1	--
		1990	-	-	-	5	5	--	-	-	-	5	5	--
		1991	-	-	-	8	8	--	-	-	-	8	8	--
		1992	-	-	-	9	9	--	-	-	-	9	9	--
		1993	-	-	-	12	12	--	-	-	-	12	12	--
3.	Youth Affairs & Sports	1994	--	--	--	1	--	1	--	--	--	1	--	1
<b>Total</b>			<b>3</b>	<b>--</b>	<b>3</b>	<b>36</b>	<b>35</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>35</b>	<b>4</b>



APPENDIX -II

(Refers to Paragraph No.16.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 2002 as of February 2004.

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Communications and Information Technology (Department of Posts)	1996	1	--	1	--	--	--	--	--	--	1	--	1
		2001	3	--	3	--	--	--	--	--	--	3	--	3
		2002	4	--	4	--	--	--	--	--	--	4	--	4
	Department of Information Technology	2002	--	--	--	--	--	--	1	--	1	1	--	1
	Department of Telecommunication	1997	1	--	1	--	--	--	--	--	--	1	--	1
		2000	2	--	2	--	--	--	--	--	--	2	--	2
2001		1	--	1	--	--	--	--	--	--	1	--	1	
2.	Consumer Affairs and Public Distributions	2001	1	1	--	--	--	--	--	--	1	1	--	
3.	Council of Scientific and Industrial Research (includes DSIR)	2001	--	--	--	--	--	--	1	1	-	1	1	-
		2002	--	--	--	--	--	--	2	--	2	2	--	2
4.	Election Commission of India	1997	1	--	1	--	--	--	--	--	--	1	--	1
5.	Environment and Forest	2002	--	--	--	--	--	--	1	1	-	1	1	-

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
6.	External Affairs	1999	5	-	5							5	-	5
		2000	6	--	6	-	-	-	-	-	-	6	--	6
		2001	8	--	8	-	-	-	-	-	-	8	--	8
		2002	7	1	6	-	-	-	-	-	-	7	1	6
7.	Finance (Department of Revenue)	1998	1	-	1	-	-	-	-	-	-	1	--	1
		1999	2	1	1	-	-	-	-	-	-	2	1	1
		2002	1	1	--	-	-	-	-	-	-	1	1	--
	Department of Economic Affairs	2000	1	-	1	--	--	--	-	-	-	1	--	1
		2001	--	--	--	2	--	2	-	-	-	2	--	2
8.	Geological Survey of India	1998	-	-	-	-	-	-	1	--	1	1	-	1
		2002	-	-	-	--	-	-	1	1	-	1	1	-
9.	Health and Family Welfare	1997	2	--	2	--	--	--	--	--	--	2	--	2
		1998	3	--	3	1	--	1	--	--	--	4	--	4
		1999	1	1	-	2	-	2	-	-	-	3	1	2
		2000	3	2	1	2	-	2	-	-	-	5	2	3
		2001	3	1	2	1	--	1	-	-	-	4	1	3



Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
10.	Home Affairs	1997	1	-	1	-	-	-	-	-	-	1	-	1
		1998	1	--	1	--	-	-	-	-	-	1	--	1
		2000	1	-	1	-	-	-	-	-	-	1	-	1
		2001	1	-	1	-	-	-	-	-	-	1	--	1
		2002	1	1	--	-	-	-	-	-	-	1	1	--
11.	Human Resource Development (Department of Culture)	1997	-	--	--	1	--	1	--	--	--	1	--	1
		1998	--	--	--	2	--	2	--	--	--	2	--	2
		2000	--	--	--	2	--	2	--	--	--	2	--	2
		2001	--	--	--	3	--	3	--	--	--	3	--	3
	Department of Elementary Education and Literacy	2000	1	--	1	--	--	-	-	-	-	1	--	1
		2001	1	--	1	--	--	--	-	-	-	1	--	1
	(Department of Secondary and Higher Education)	1997	--	-	--	2	-	2	-	-	-	2	-	2
		1999	1	-	1	--	--	--	-	-	-	1	--	1
		2000	-	-	-	1	--	1	-	-	-	1	--	1
		2001	--	--	--	8	1	7	-	-	-	8	1	7
		2002	2	-	2	4	4	-	-	-	-	6	4	2
	Department of Women and Child Development	1999	1	--	1	-	-	-	-	-	-	1	--	1
		2002	--	--	--	1	--	1	-	-	-	1	--	1

Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
12.	Information and Broadcasting	1997	3	-	3	--	--	--	--	--	--	3	--	3
		1998	2	--	2	--	--	--	--	--	--	2	--	2
		2000	3	--	3	--	--	--	--	--	--	3	--	3
		2001	8	2	6	--	--	--	--	--	--	8	2	6
		2002	1	1	-	11	9	2	-	-	-	12	10	2
13.	Labour	1999	-	-	-	1	-	1	-	-	-	1	-	1
		2000	-	-	-	3	-	3	-	-	-	3	-	3
		2001	-	-	-	1	-	1	-	-	-	1	-	1
		2002	-	-	-	3	1	2	-	-	-	3	1	2
14.	Law Justice and Company Affairs	1998	--	--	--	1	--	1	--	--	--	1	--	1
15.	Planning and Programme Implementation	1997	1	--	1	--	--	--	--	--	--	1	--	1
16.	Rural Development	2001	1	--	1	-	-	-	--	-	-	1	--	1
		2002	2	2	-	--	--	-	--	-	-	2	2	--
17.	Science and Technology	2002	--	--	-	--	--	-	3	3	--	3	3	--
18.	Shipping	2001	--	--	-	3	3	-	--	--	-	3	3	--
		2002	--	--	-	5	4	1	--	--	-	5	4	1



Sl. No.	Name of the Ministry/Department	Report for the year ended March	Civil			Other Autonomous Bodies			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
19.	Small Scale Industries	2000	--	--	--	1	1	--	--	--	--	1	1	--
		2002	--	--	--	1	1	--	--	--	--	1	1	--
20.	Social Justice and Empowerment	1998	1	--	1	--	--	--	--	--	--	1	--	1
		1999	--	--	--	1	--	1	--	--	--	1	--	1
		2001	--	--	--	1	--	1	--	--	--	1	--	1
		2002	1	1	--	--	--	--	--	--	--	1	1	--
21.	Statistics and Programme Implementation	2000	1	--	1	--	--	--	--	--	--	1	--	1
22.	Textile	2000	--	--	--	1	1	--	--	--	--	1	1	--
23.	Tourism and Culture	2001	1	1	--	1	1	--	--	--	--	2	2	--
24.	Urban Development and Poverty Alleviation	2002	--	--	--	3	3	--	--	--	--	3	3	--
25.	Water Resources	2002	1	1	--	--	--	--	--	--	--	1	1	--
<b>Total</b>			<b>94</b>	<b>17</b>	<b>77</b>	<b>69</b>	<b>29</b>	<b>40</b>	<b>10</b>	<b>6</b>	<b>4</b>	<b>173</b>	<b>52</b>	<b>121</b>

**Appendix - III**  
(Refers to paragraph 16.2)  
**Summarised financial results of Departmentally Managed Government Undertakings**

(Rupees in lakh)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	% age of total return to mean Capital	Remarks
<b>MINISTRY OF AGRICULTURE</b>										
1.	Delhi Milk Scheme	2000-01	2815.52	531.01	1853.20	(-)5776.60	387.47	(-) 5389.13	-	
2.	Ice-cum-Freezing Plant, Cochin	2001-02	188.51	99.43	66.42	(-)88.09	20.20	-	-	
<b>MINISTRY OF DEFENCE</b>										
3.	Canteen Stores Department	2001-02	48.00	2612.37	1824.89	7242.37	6855.57	14097.94	27.91	
<b>MINISTRY OF ENVIRONMENT AND FORESTS</b>										
4.	Department of Environment and Forests, Andaman and Nicobar Islands	1998-99	1243.21	1243.21	1163.60	965.17	1679.86	2645.03	14.17	
<b>MINISTRY OF FINANCE</b>										
5.	Bank Note Press, Dewas	1999-00	10084.06	1474.13	564.82	2913.24	3924.76	6838.00	21.08	
6.	Currency Note Press, Nasik Road	1999-2000	36758.69	28730.62	8226.44	1131.71	4924.99	7648.73	18.79	
7.	Government Alkaloid Works, Ghazipur	1998-99	137.82	24.50	39.35	(-)382.54	98.95	(-)283.59	-	
8.	Government Alkaloid Works, Neemuch	1996-97	437.28	545.36	216.31	(+)428.34	52.47	480.82	109.95	
9.	Government Opium Factory, Ghazipur	1998-99	234.10	103.44	75.96	(+)5410.65	75.21	5485.86	875.34	
10.	Government Opium Factory, Neemuch	1992-93	219.93	191.27	27.16	(+) 2044.82	187.87	2232.69	124.78	
11.	India Government Mint, Hyderabad	1999-00	14390.29	360.80	542.68	(+) 1612.95	2070.04	3682.99	43.71	Proforma accounts for the year 2000-01 and 2001-02 are awaited.
12.	India Government Mint, Kolkata	2001-02	479.46	5915.18	933.63	(+)6195.36	58.21	(+)6253.57	-	



Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
13.	India Government Mint, Mumbai	1997-98	26362.37	4296.05	1172.09	(+)15692.70	4109.89	19802.59	-	
14.	India Security Press, Nasik Road	1996-97	20083.85	3621.71	2072.05	(-)5608.70	2575.66	(-)3033.04	(-)14.13	
15.	India Govt. Mint, Noida	1997-98	2538.17	1672.86	631.44	1546.59	324.62	1871.21	576.43%	Proforma A/cs for the year 96-97 and 97-98 have not been certified. I.G. Mint, Noida have been asked to amend the irregularities in the accounts pointed out by this office i.e. Depreciation on fixed Assets etc.
16.	Security Paper Mill, Hoshangabad	1996-97	6777.45	3124.83	3652.62	(-) 564.22	-	(-) 564.22	-	
17.	Security Printing Press, Hyderabad	1999-2000	1947.00	938.00	1031.00	(+) 24.00	304.00	328.00	-	Proforma accounts for the year 2000-01 and 2001-02 are awaited.
<b>MINISTRY OF HEALTH AND FAMILY WELFARE</b>										
18.	Central Research Institute, Kasauli	2000-01	591.76	75.41	54.45	(-) 31.88	163.39	638.72	47.29	
19.	Medical Stores Depot	2001-02	3224.27	87.41	26.62	(-) 473.38	46.97	147.73	--	Does not contain figures of MSD Chennai & Guwahati as these were available only for the year 2000-01.
20.	Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi	2002-03	0.31	0.23	0.0021	(+) 0.038	0.112	0.367	41.45	

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
<b>MINISTRY OF INFORMATION AND BROADCASTING</b>										
21.	All India Radio	1982-83	8325.15	5227.06	3098.09	(-)3121.89	409.64	(-)2712.25	-	
22.	Commercial Broadcasting Service, All India Radio	1983-84	251.28	178.71	72.57	(+) 1071.47	-	(+) 1071.47	-	
23.	Commercial Sales Service, Doordarshan, New Delhi	1976-77	-	0.14	-	(+) 57.62	-	(+) 57.62	-	
24.	Director General Doordarshan, New Delhi	1976-77	2545.61	2026.43	519.18	(-) 575.45	117.88	(-) 457.57	-	Proforma accounts have been received up to 1982-83 but financial results are not made available.
25.	Films Division, Mumbai	1994-95	1641.87	1602.94	801.41	(-) 1418.89	167.87	-	-	Loss indicates loss for the year.
26.	Radio Publication, All India Radio	1985-86	639.64	0.45	0.11	(-) 48.58	0.90	(-) 48.49	-	
<b>MINISTRY OF POWER</b>										
27.	Badarpur Thermal Power Station	2001-02	42330.97	13073.12	24196.91	9833.64	2125.75	11959.39	29.18	The accounts for the financial year 2002-03 is under audit by Chartered Accountant.
28.	Electricity Department, Andaman and Nicobar Islands	2000-01	16148.35	13143.39	1761.86	(-)46472.94	1599.58	(-) 44873.36	(-) 340.56	
29.	Electricity Department, Lakshadweep	2001-02	2845.24	1716.76	1128.48	(-) 1355.05	275.83	(-)1630.88	-	
<b>MINISTRY OF ROAD TRANSPORT AND HIGHWAYS</b>										
30.	Chandigarh Transport Undertaking	2000-01	5901.32	2734.72	634.31	(-) 550.48	297.54	(-) 252.94	(-) 4.29	



Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	%age of total return to mean Capital	Remarks
31.	State Transport Service, Andaman and Nicobar Islands	1998-99	951.54	106.81	844.73	(-) 631.33	42.49	(-) 588.84	-	
<b>MINISTRY OF SHIPPING</b>										
32.	Ferry Service, Andaman	1999-2000	5329.91	5329.91	2930.63	(-) 2040.87	396.71	(-) 1644.16	(-) 48.70	
33.	Lighthouses and Lightships Department	2001-02	12602.00	13299.00	5051.00	4678.00	190.00	5716.00	17.19	Further details called for are still awaited.
34.	Marine Department (Dockyard) Andaman and Nicobar Islands	2001-02	266.70	266.70	40.29	(-) 3415.49	142.63	(-) 3272.86	(-) 278.58	
35.	Shipping Department, (Dockyard) Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	
<b>MINISTRY OF URBAN DEVELOPMENT AND POVERTY ALLEVIATION</b>										
36.	Department of Publications, New Delhi	1999-2000	-	-	-	-	-	-	-	Instead of proforma accounts, publications department prepare store accounts and the store accounts have been audited upto 1999-2000. The Ministry decided in November 2001 to change over the accounting system to commercial pattern of accounts. The Department had not initiated action in this regard.

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+) Loss(-)	Interest on Government Capital	Total return	% age of total return to mean Capital	Remarks
37.	Government of India Presses	2002-03	400.17	-	18.24	-	19.40	-	-	Government of India Presses function on "No Profit, No Loss" basis. The figures include results of Presses in Delhi only. However, they do not include figures of Minto Road, Delhi Press as these were available only for the year 2001-02.



**APPENDIX – IV**  
**(Refers to Paragraph 16.3)**

**Statement of losses and irrecoverable dues written off/waived during 2002-2003**

(Rupees in lakh)

Name of Ministry/ Department	Write off of losses and irrecoverable dues due to									
	Failure of System		Neglect/fraud etc.		Other reasons		Waiver of recovery		Ex-gratia Payment	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Agriculture							4	1.60		
Agriculture and Co-operation					1	0.13				
Atomic Energy	11	8.92			32	14.36				
Chemical & Fertilizer					9	13.74				
Finance					2	1.05				
Human Resource Development (Food and Nutrition Board, Chennai)					1	0.22				
Information Technology					1	0.31				
Post and Telecommunication			8	89655.40	10	38927.00	37	403775.15	70	7100.00
Power			1	2.81	5	44.86	Nil*	16.14		
Revenue (CBEC)							119	105.04		
Road Transport and Highways	17	14.54	41	27.86	106	247.55				
Shipping			1	57.60	5	9.07	4	7.09	8	2200.74
Space			1	7.81	34	7.00	10	0.19		
Water Resources					23	19.30				
<b>Total</b>	<b>28</b>	<b>23.46</b>	<b>52</b>	<b>89751.48</b>	<b>229</b>	<b>39284.59</b>	<b>174</b>	<b>403905.21</b>	<b>78</b>	<b>9300.74</b>

\* The amount waived off forms part of the cases shown below the Col. 'other reasons'. Hence, no. of cases has been shown as 'Nil' under the column 'waiver of recovery'.

**APPENDIX - V**  
(Refers to Paragraph 16.4)

**Response of the ministries/departments to draft Reviews/Paragraphs**

Sl. No	Ministry/ Department	Total No. of Reviews/ Paragraphs	No. of Reviews/ Paragraphs to which reply not received	Reference to Reviews/ Paragraphs of the Audit Report
1.	Communications and Information Technology (Department of Posts and Telecommunications)	14	5	1.3, 1.6, 1.7, 1.10, 1.11
2.	External Affairs	14	4	2.3, 2.4, 2.6, 2.12
3.	Finance	05	--	--
4.	Health and Family Welfare	02	01	4.2
5.	Home Affairs	01	--	-
6.	Human Resource Development	05	3	6.1, 6.3, 6.5
7.	Information and Broadcasting	01	01	7.1
8.	Law and Justice	01	--	--
9.	Steel	01	--	--
10.	Textiles	01	--	--
11.	Tourism and Culture	02	01	11.1
12.	Urban Development and Poverty Alleviations	02	01	12.2
13.	Water Resources	01	01	13.1
14.	Youth Affairs and Sports	01	--	--
15.	Union Territories	02	01	15.2
<b>Total</b>		<b>53</b>	<b>18</b>	



