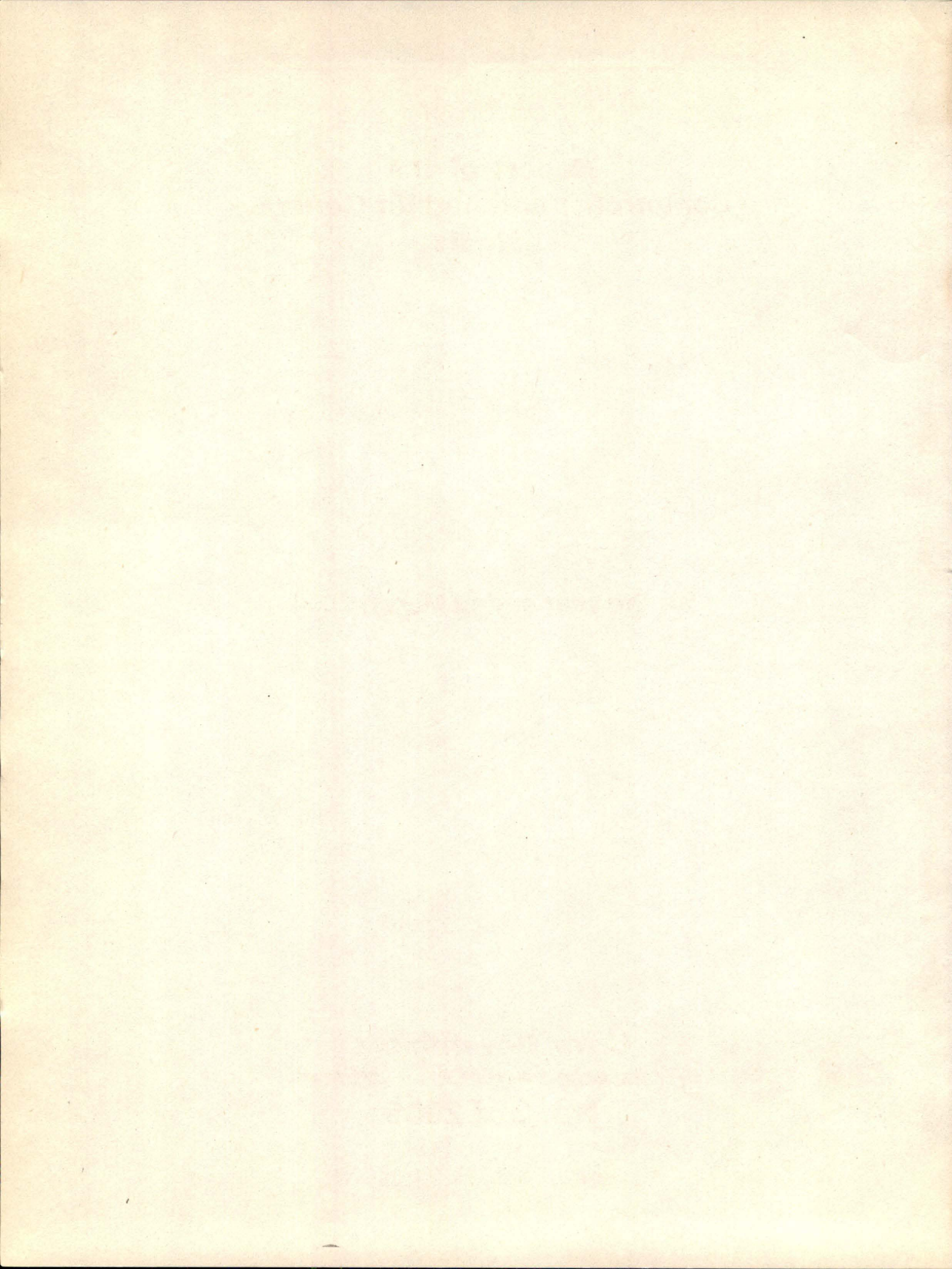


**Report of the  
Comptroller and Auditor General  
of India**

**for the year ended March 2004**

**Union Government  
Transaction Audit Observations  
No. 2 of 2005**



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## PREFACE

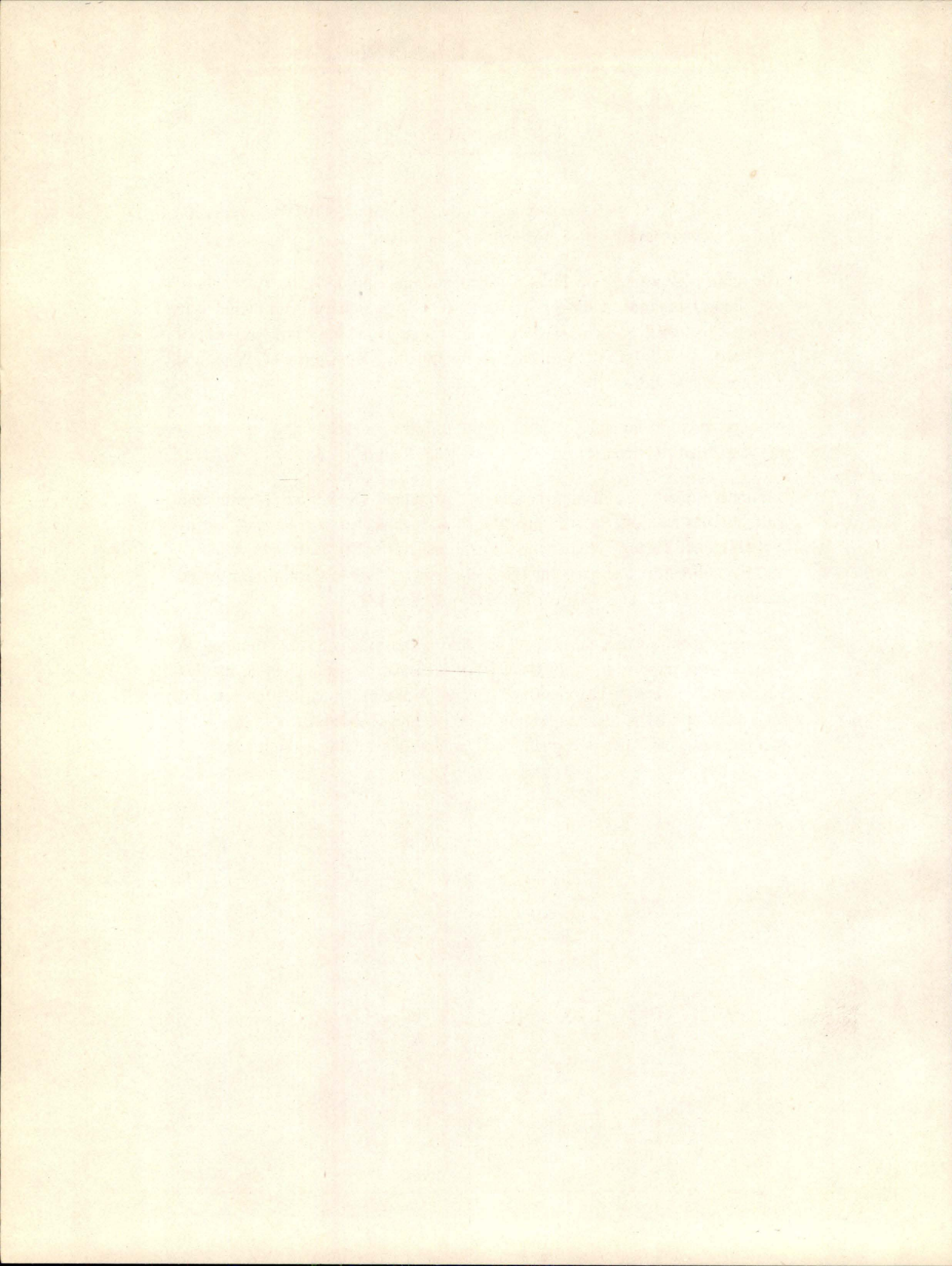
This Report for the year ended March 2004 has been prepared for submission to the President under Article 151 of the Constitution.

The audit observations on Finance Accounts and Appropriation Accounts of the Union Government for the financial year 2003-04 have been included in Report No. 1 of 2005. This Report includes matters arising from test audit of the transactions of Civil Ministries including the Department of Posts and Telecommunications.

Matters arising from audit of some of the Information Technology systems of the ministries and departments are dealt with in Report No. 3.

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 2003-04. 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 2004 in a few cases have also been mentioned, wherever available and relevant.





## OVERVIEW

This Audit Report contains audit observations emerging out of the transaction audit in the Civil Ministries including the Department of Posts and their field offices. The audit observations on the accounts of the Union Government (excluding Railways) are incorporated in Report No.1 of 2005.

### **Avoidable expenditure on creation of the office of the Ambassador-at-large**

The Ministry of External Affairs in August 2001 created the post of Ambassador-at-large for non-resident Indians and Persons of Indian Origin. The office located at New York was opened with five India based and five local posts, without assigning any specific and separate mandate. The office was wound up in October 2004, after incurring an expenditure of Rs. 15.95 crore.

*(Paragraph 6.1)*

### **Unauthorised expenditure on media campaign**

Ministry of Finance, without the approval of the Parliament, incurred an expenditure of Rs. 63.23 crore on media campaign through diversion of funds although this activity was not contemplated in the annual budget and was, therefore, a 'New Service/New Instrument of Service'.

*(Paragraph 7.2)*

### **Allotment in excess of quota fixed**

While making allotment under discretionary quota of Government quarters in Delhi, Ministry failed to observe the directions of Hon'ble Supreme Court and its own guidelines. Ministry made out of turn allotment of Government quarters to key officials of various dignitaries outside the prescribed ceiling of five per cent during 2001-2004.

*(Paragraph 17.5)*

### **Sale of HCI Hotels in Mumbai**

Juhu Centaur and Airport Centaur hotels were sold on the basis of single bids without the benefit of competition. Inconsistencies in valuation of the properties and fixation of reserve price of Airport Centaur coupled with relaxation allowed to the bidder to facilitate the sale of Juhu Centaur indicated undue urgency to sell the properties while making inadequate efforts to mitigate the risk of transaction.

*(Paragraph 7.1)*

### **Expiry of Anti-TB drugs and X-Ray film**

Anti-TB Drugs and X-Ray Film valuing Rs. 66.16 lakh, received under the Revised National TB Control Programme, expired in the Government Medical Stores Depot, Kolkata due to failure of the Director General of Health Services, New Delhi, to issue the release order in time and take effective action against

the procurement agent for replacement of sub-standard drug. Apart from the loss of Rs. 66.16 lakh, the drug and the film could not reach the patients for whom they were meant, defeating the very purpose of procurement.

*(Paragraph 8.1)*

**Non-recovery of interest on delayed payment of leave salary and pension contribution from MTNL Mumbai**

Leave salary and pension contribution of DoT personnel on deputation to Mahanagar Telephone Nigam Limited, Mumbai were received by the Controller of Communication Accounts, DoT Cell, Maharashtra Circle after delays of 100 to 491 days. The delayed payments attracted interest of Rs. 78 lakh, which the Controller of Communication Accounts failed to claim.

*(Paragraph 4.11)*

**Non-realisation of service tax**

Department of Posts did not levy service tax on telegraph receipts in 20 postal circles in terms of the provisions of the Finance Act 2001. This resulted in non-realisation of service tax and interest thereon, amounting to Rs. 66.94 lakh.

*(Paragraph 4.2)*

**Irregular payments against recurring deposit accounts**

Two Head Postmasters under the Rajasthan Circle and one Head Postmaster under the Chhattisgarh Circle allowed withdrawals by persons other than guardians in respect of recurring deposit accounts opened on behalf of minors. This resulted in irregular payment of Rs. 32.43 lakh during 2002-2003.

*(Paragraph 4.4)*

**Irregular opening of time deposit accounts**

Three Head Post Offices in the Delhi Postal Circle allowed institutions/associations to open time deposit accounts in contravention of rules, resulting in irregular payment of interest of Rs. 41.24 lakh.

*(Paragraph 4.3)*

**Loss of interest on belated realisation of licence fee and royalty charges and non-realisation of licence fee for VSAT systems and dedicated radio links**

The Controller of Communication Accounts, Mumbai did not collect licence fee and royalty for privately owned VSAT systems and dedicated radio links on time which led to belated realisation of Rs. 8.85 crore and consequent loss of interest of Rs. 1.44 crore. In another case, the Chief General Manager, Kerala Telecom Circle failed to collect licence fee of Rs. 26.38 lakh.

*(Paragraph 4.10)*

### **Loss of Government money**

Failure of the High Commission of India, London to follow the procedure laid down in the Consular Manual to safeguard against leakage of revenue led to defalcation of Government money and consequent loss of Rs. 11.58 lakh.

*(Paragraph 6.9)*

### **Irregular expenditure**

The Ministry of External Affairs incurred irregular expenditure of Rs. 40.92 lakh on furniture, furnishings, air-conditioners etc. for the residence of the Foreign Secretary during 2000-2003.

*(Paragraph 6.5)*

### **Misuse of official powers for personal gains**

An officer of Embassy of India, Ulaanbaatar, who worked as Head of Chancery and also acted as Charge d' Affaire from time to time, misused his official powers repeatedly for personal gains amounting to Rs. 10.89 lakh.

*(Paragraph 6.10)*

### **Wasteful expenditure on printing**

The Indiatourism offices at Frankfurt, Madrid and Milan incurred wasteful expenditure of Rs. 60.04 lakh towards printing of publicity material, which could not be used for the intended purposes. The Indiatourism office at London spent Rs. 38.87 lakh towards printing of collaterals without proof of receipt of material.

*(Paragraph 15.1)*

### **Irregular payment of administrative overhead/service charges**

The Director of the project on History of Indian Science, Philosophy and Culture paid Rs. 68.86 lakh as service charges to the Centre for Studies in Civilisation, a voluntary organization, without the approval of the Ministry. The Director of the project was also the Chairman of the recipient organisation leading to a conflict of interest.

*(Paragraph 10.4)*

### **Unintended subsidy to states/PSUs**

Ministry failed to rectify deficiencies in the system of recovery of outstanding dues from state governments and Public Sector Undertakings for deployment of Central Para Military Forces despite being pointed out earlier by audit. This resulted in accumulation of outstanding dues of Rs. 2399.55 crore. The delay in recovery also resulted in Rs. 372.38 crore becoming irrecoverable, which were due from 26 sick/disinvested PSUs.

*(Paragraph 9.1)*

### **Inadequate monitoring of utilisation of grants**

Failure of Ministry to verify utilisation of the grant of Rs. 5.96 crore released under CLASS scheme during the year 1997-98 to Government of Madhya Pradesh for maintenance of computers resulted in Rs. 3.48 crore being spent on purchase of items not covered under the scheme and the balance of Rs. 2.48 crore lying unutilised as of September 2004. The interest cost to the Government of India on the unutilised amount was Rs. 1.53 crore.

*(Paragraph 10.3)*

### **Release of excess grants**

Ministry released Rs. 35.08 crore in excess of the grants actually admissible to the Indian Institute of Management, Lucknow, which was to be funded on net deficit basis. This amount was irregularly parked by the Institute in its Endowment/Corpus Fund.

*(Paragraph 10.1)*

### **Functioning of internal control systems/internal audit**

Laxity in implementation of internal controls resulted in deficiencies/shortcomings in the functioning of the Ministry of Information and Broadcasting. A few of the major deficiencies were non-review of various management and administrative policies and other issues; non-verification of fixed assets and stock; not taking effective action to rectify the deficiencies pointed out by Internal and Statutory Audit; failure to review the performance of institutions receiving grants-in-aid exceeding Rs. 10 lakh etc.

*(Paragraph 11)*

### **Blocking of unspent grant**

Failure of the Ministry of Youth Affairs and Sports to recover unspent grant of Rs. 5.82 crore from the Organising Committee of the First Afro-Asian Games 2001 resulted in blocking of funds. The Committee also retained Rs. 1.06 crore (March 2004) even after 30 months of postponement of games.

*(Paragraph 18.1)*

### **Irregular financial assistance**

Ministry of Human Resource Development released central assistance of Rs. 3.75 crore under the scheme 'Vocationalisation of Secondary Education' during each of the years 2002-03 and 2003-04 to the Government of Uttar Pradesh on account of honorarium to guest lecturers in violation of the guidelines of the Planning Commission.

*(Paragraph 10.2)*

**Lack of internal control resulting in misappropriation**

Failure of the Archaeological Survey of India to exercise prescribed checks over issue and accounting of stationery items resulted in misappropriation of articles worth Rs. 8.37 lakh.

*(Paragraph 5.1)*

**Extra expenditure due to excess contracted demand of power**

By contracting demand of power with Delhi Vidyut Board in excess of requirement, Delhi Milk Scheme incurred extra expenditure of Rs. 2.20 crore toward minimum demand charges on unutilised load.

*(Paragraph 1.1)*

**Excess release of funds**

Failure of the Ministry of Labour to adjust the excess grants released in earlier years resulted in excess release of Rs. 12.68 lakh to Bala Karmika Vikas Society, Anantapur, Andhra Pradesh.

*(Paragraph 12.1)*

**Non-recovery of electricity charges**

Failure of Lady Hardinge Medical College and Smt. Sucheta Kriplani Hospital to obtain electricity connection at domestic rate for its staff quarters resulted in avoidable extra expenditure of Rs. 97.17 lakh. Out of Rs. 51.86 lakh recoverable at domestic rates for the period April 1997 to July 2004, LHMC had recovered only Rs. 5.75 lakh upto June 2004 from the occupants of the staff quarters.

*(Paragraph 8.2)*

**Idling of funds and short recovery of penal interest**

The Ministry of Finance released Rs. 4.86 crore to the Securities and Exchange Board of India without proper assessment of its requirement resulting in idling of Rs. 2.93 crore for 28 months. The Ministry also short recovered Rs. 35.85 lakh towards penal interest.

*(Paragraph 7.3)*

**Extra expenditure on pay and allowances of surplus staff**

The Ministry delayed the withdrawal of assistants rendered surplus in the High Commission of India, Nairobi and further posted an additional assistant resulting in avoidable extra expenditure of Rs. 22.72 lakh.

*(Paragraph 6.7)*

**Arbitrary action leading to infructuous expenditure**

Arbitrary action by the High Commissioner, Dar es Salaam in making the attaché sit idle for more than a year rendered the expenditure of Rs. 14.93 lakh incurred on his salary and rent for his residence infructuous.

*(Paragraph 6.8)*

**Non-recovery of guarantee fee from Air India and Indian Airlines**

Ministry of Civil Aviation failed to recover guarantee fee of Rs. 1021.50 crore from Air India and Indian Airlines as of March 2004.

*(Paragraph 2.1)*

**Avoidable expenditure on manning of vessels**

The Director of Shipping Services engaged an agent for manning its vessels and extended the contract with the agent during the period of lay off of two vessels, incurring an avoidable expenditure of Rs. 66.89 lakh.

*(Paragraph 19.3)*

**Irregularities in execution of deposit works**

Executive Engineer, Central Division, Nasik did not follow rule provisions in execution of deposit works and incurred an expenditure of Rs. 3.76 crore in excess of deposits received.

*(Paragraph 17.1)*

## CHAPTER I : MINISTRY OF AGRICULTURE

### Delhi Milk Scheme

#### 1.1 Extra expenditure due to excess contracted demand of power

**Due to retention of contracted demand of power in excess of requirement DMS incurred avoidable expenditure of Rs. 2.20 crore.**

Delhi Milk Scheme (DMS) was established in 1959 with the primary objective of supplying wholesome milk as well as for providing remunerative prices to milk producers.

A review of monthly electricity bills paid by DMS over the five year period 1999-2004 indicated that the contracted demand of power was much higher than the actual demand. The DMS had a contracted demand of 5125 KVA High Tension (HT) and 262 KVA Low Tension (LT) with Delhi Vidyut Board for operating the dairy plant, against the maximum demand of 1794 KVA (HT) and 71 KVA (LT) recorded during 1999-2001. It was noted that the HT demand was reduced to 3500 KVA at the unit's request in August 2001. However, the reduction was applied without detailed plant wise assessment of power and without reference to the maximum drawal of power during the last two years, which was far below the revised load sought by the unit.

The failure of DMS to get the load reduced based on actual requirement led to retention of higher load and consequent avoidable payment towards minimum demand charges on excess and unutilised load. Even after allowing for a margin of 10 *per cent* over the actual maximum consumption, and limiting the maximum power load to 2000 KVA (HT) & 80 KVA (LT), DMS could have avoided the extra expenditure of Rs. 2.20 crore during the five years period, up to March 2004, as detailed below:

Period	Contract Demand (KVA)	Maximum Demand (KVA)	Maximum reasonable demand (KVA)	Unutilised load (KVA)	Rate paid per KVA	Extra expenditure on unutilised load (Rs. in lakh)
	A		B	C=A-B	D	
April 1999 to July 2001	5125	1794	2000	3125	150	Rs. 468750 X 28 months = Rs. 131.25
	262	71	80	182	150	Rs. 27300 X 28 months = Rs. 7.64
August 2001 to March 2004	3500	1794	2000	1500	150	Rs. 225000 X 32 months = Rs. 72.00
	262	71	80	182	150	Rs. 27300 X 32 months = Rs. 8.74
<b>Total</b>						=Rs. 219.63 i.e. say <b>Rs. 2.20 crore</b>

DMS stated in August 2004 that the load was reduced to the present level i.e. 3500 KVA because of shifting of heavy machinery like Spray Drawings Plant, Roller Driers and Ice Cream Plant to other dairies. DMS also informed that it was proposing to undertake a major project on its upgradation and modernisation due to which it was not advisable to further reduce the sanctioned load. Audit, however, noted that DMS had not framed or submitted any such proposal to the Ministry so far (September 2004). Retention of excess load in anticipation of growth in the distant future indicated imprudent financial management.

Due to retention of surplus load without adequate justification, DMS incurred extra avoidable expenditure of Rs. 2.20 crore on electricity during April 1999 to March 2004 with recurring liability for future.

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



## CHAPTER II : MINISTRY OF CIVIL AVIATION

### 2.1 Non-recovery of guarantee fee from Air India and Indian Airlines

#### **Ministry of Civil Aviation failed to recover Guarantee Fee amounting to Rs. 1021.50 crore as of March 2004.**

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 the rates prescribed from time to time which forms part of non-tax revenue of the Government.

In June 1993, Ministry of Finance, Department of Economic Affairs, issued instructions that all Government guarantees in respect of external borrowings would be subject to a guarantee fee of 1.2 *per cent per annum* on the outstanding amount of principal plus interest thereon. The guarantee fee was to be levied on the date of guarantee and thereafter on 1 April every year. Such fees were also leviable in respect of guarantees already issued but still partially outstanding. In cases of non-payment of guarantee fee on due date, fee for the period of default was payable at double the normal rate.

Scrutiny of records in the Ministry of Civil Aviation revealed that Air India Ltd. and Indian Airlines Ltd. had outstanding loans and interest thereon amounting to Rs. 24171 crore and Rs. 18392 crore respectively as on March 2004. Ministry did not recover guarantee fee for the period from January 1989 to March 2004. The guarantee fee not recovered amounted to Rs. 290.05 crore and Rs. 220.70 crore respectively at normal rates and Rs. 580.10 crore and Rs. 441.40 crore at double the normal rate applicable in case of default, for Air India Ltd. and Indian Airlines Ltd, respectively.

The matter was brought to the notice of the Ministry in August 2004; their reply was awaited (December 2004).

## CHAPTER III : MINISTRY OF COMMERCE

### 3.1 Expenditure on inadmissible components of infrastructure projects averted at the instance of Audit

**An amount of Rs. 4.20 crore on inadmissible components of infrastructure projects was averted at the instance of Audit.**

With a view to strengthening export infrastructure at important locations, Ministry of Commerce (MOC) launched in 1996 a plan scheme titled Critical Infrastructure Balance (CIB). As per the guidelines, MOC was to provide funds to Central/State Government departments for infrastructure projects of emergent nature covered under the scheme.

A project relating to development of Software Technology Park facilities at Gurgaon costing Rs. 9.85 crore (which included Rs. 2 crore towards cost of land and Rs. 2.60 crore towards recurring cost on administration and establishment, marketing, salaries etc) was received from State of Haryana. MOC in December 2001 agreed to share 50 *per cent* of the total cost including the cost of land and the recurring cost. MOC accordingly sanctioned funds of Rs. 4.92 crore in March 2002 for the project. In August 2002, Audit pointed out to MOC the inclusion of inadmissible components such as cost of land and recurring cost for the project amounting to Rs. 4.60 crore. MOC, in June 2003 requested the State government to reduce the share by Rs. 2.30 crore.

Similarly, in another project proposal of Chhatisgarh State for establishment of High Speed Data Communication Centre at Software Technology Park, Bhilai, MOC while calculating its share in December 2001, did not exclude the recurring cost on salaries, wages, establishment expenses etc amounting to Rs. 3.80 crore from the total cost of Rs. 8.50 crore. Funds amounting to Rs. 4 crore were sanctioned in March 2002 for the project. In response to audit observation made in August 2002, MOC wrote to the State government in February 2004 reducing the share of MOC by Rs. 1.90 crore towards the inadmissible cost.

Thus inadequate scrutiny by MOC resulted in sanction of Rs. 4.20 crore on inadmissible components. The Ministry should take action to fix responsibility for the lapses.

### 3.2 Loss due to non-realisation of revenue

**Failure of Falta Special Economic Zone to initiate timely legal action against the defaulters resulted in loss/non-realisation of non-tax revenue amounting to Rs. 2.26 crore from private entrepreneurs for periods ranging between six to twelve years.**

Falta Export Processing Zone (now Falta Special Economic Zone) (FSEZ) at Falta, West Bengal is located on a plot of land acquired from the Kolkata Port Trust on lease basis. It aims at promoting export and earning foreign exchange in the interest of national economy by encouraging export industries to establish their industrial units. From January 1986, FSEZ started sub-leasing of the land and built-up space to entrepreneurs for carrying out export oriented business activity for an initial period of five years to 15 years on rent at different rates.

Till March 2004, FSEZ allotted land and built-up space to 109 units, of which 85 units were in arrears of rent. Outstanding recovery stood at Rs. 4.19 crore as on 31 March 2004. FSEZ could not furnish the year-wise break-up of the outstanding amount.

Audit noticed that out of the 85 units, 13 units having dues of Rs. 2.26 crore had closed their business. At the instance of Audit the department requested the Certificate Officer of the concerned district in February 2004 to take action to realise the dues. It had also taken up the matter with the Liquidator for recovery of the dues against the sale proceeds of the assets of the companies. However, Audit noted that out of 13 units, assets were already auctioned in two units, no assets were available in four units and assets of one unit were transferred to another unit. Thus recovery of dues in these cases against sale proceeds of assets seemed remote.

Failure on the part of FSEZ to take timely action for realisation of rent resulted in non-realisation of non-tax revenue amounting to Rs. 2.26 crore from private entrepreneurs for periods ranging between six to twelve years.

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

## CHAPTER IV : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

### Department of Posts

#### 4.1 Organisational set-up and Financial Management

##### 4.1.1 Functions of the Department

The basic functions of the Department of Posts (DoP) include collection, processing, transmission and delivery of mail, sale of stamps and postal stationery, booking of registered, insured, and value payable articles, money orders, parcels etc.

DoP also discharges certain agency functions on behalf of other ministries and departments, namely Postal Savings Bank, other small savings schemes, Postal Life Insurance, 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, disbursement of family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

##### 4.1.2 Organisational set-up

The management of the Department vests with the Postal Services Board. The Board, headed by a Chairperson, has three Members holding the 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 postal services throughout the country with the assistance of Deputy Directors General in the Directorate General of Posts. The Business Development Directorate (BDD) was set up in 1996 to ensure focused management of value added services viz., Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post card, Greeting Post, Data Post, E-Bill Post and E-Post.

The department has 22 Postal Circles which are divided into 34 Regional offices, controlling 441 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. The staff strength of the department as on 31 March 2004 was 5.49 lakh with 2.51 lakh departmental employees and 2.98 lakh extra departmental employees.

### 4.1.3 Postal Traffic

The projected traffic for unregistered mail was calculated by the Department on the basis of assessed traffic for the last two years. 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 2001-2004 in respect of classical services such as sale of post cards, letter cards (inland), money orders, insurance, etc. was as shown in the table below:

#### Postal Traffic

##### (A) Unregistered mail

(Rupees in lakh)

Sl. No	Item	2001-02		2002-03		2003-04	
		Projected	Assessed*	Projected	Assessed*	Projected	Assessed*
1.	Post cards	2878.5	1933	1933.02	2290.06	2551.11	2706.81
2.	Printed Post cards	1420.5	1005	1005.10	420.55	468.49	816.08
3.	Letter cards (Inland)	4569.0	3295	3294.79	2939.60	3274.69	2809.93
4.	Newspapers						
	Single	1071.5	731	730.91	531.87	592.50	811.83
	Bundle	198.0	181	180.60	322.41	359.16	82.84
5.	Parcels	695.5	643	642.94	479.45	534.10	409.92
6.	Letters	9352.5	5403	5403.42	4370.98	4869.23	3720.97
7.	Book packets	988.0	699	699.22	600.70	669.17	747.50
8.	Printed books	193.5	259	258.99	227.87	253.85	175.76
9.	Other periodicals	152.0	187	186.74	233.76	260.41	199.95
10.	Acknowledgement	399.5	324	324.44	279.61	311.48	637.45

\* Based on revenue collection

##### (B) Registered mail and others

(Rupees in lakh)

Sl. No	Item	2001-02		2002-03		2003-04	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1230.5	1099	1067.31	1095.82	1165.01	1136.55
12.	Insurance	93	88	88.26	87.18	97.12	95.59
13.	Value payable letters and parcels	91.5	93	92.86	170.44	189.87	100.43
14.	Registered letters and parcels	2375.5	1961	1960.85	2004.50	2233.00	1923.61

### 4.1.4 Earnings from Postal Services and their costs

The Department's net overall loss of Rs. 1162.21 crore on postal services, including speed post, during 2003-2004 was lower by Rs. 11.32 crore (one per cent) as compared to the net loss suffered during 2002-2003. Out of 20\* revenue earning services, only five services viz., Letters, Other periodicals, Insurance, Competition Post cards and Foreign mail showed a gain in the year 2003-04 whereas the remaining 15 services continued to sustain loss.

\* 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 comparative position of the net losses incurred by the Department on various postal services, including Speed Post, during the period 1999-2004 was as under:

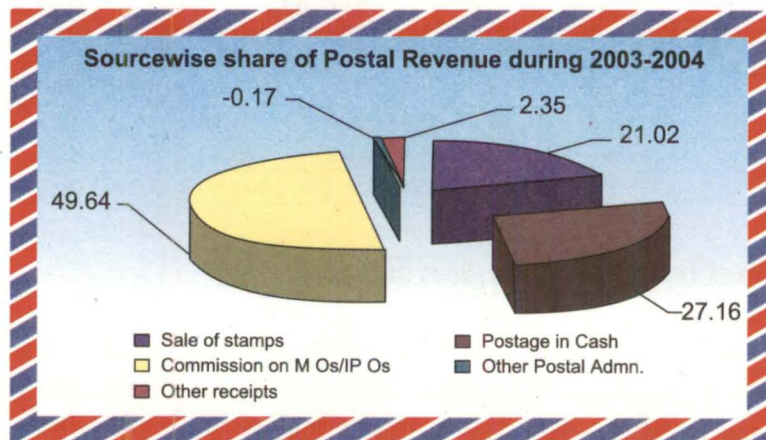


The net loss on postal services increased by 17 per cent as compared to 1999-2000 but decreased by only one per cent compared to the previous year.

### Revenue realisation and Revenue Expenditure

#### 4.1.5 Revenue

The four major revenue earning groups of services viz., sale of stamps, commission on MOs/IPOs, postage in cash and other receipts generated a revenue of Rs. 4,257 crore during the year 2003-04. Sourcewise share of postal revenue is shown in the chart below:



#### 4.1.6 Revenue Expenditure

The revenue expenditure on pay and allowances, conveyance of mail, printing of stamps, post cards and stationery, etc., during 2003-04 was as shown in the table below:

#### Revenue expenditure

(Rupees in crore)

Category	2003-04	Percentage of total expenditure
(a) Pay and allowances, contingencies, interim relief, etc.	4192.89	73.09
(b) Pensionary charges	1107.02	19.30
(c) Stamps, post cards etc.	33.60	0.59
(d) Stationery and Forms printing etc.	35.54	0.62
(e) Conveyance of mails (Payments to railways and air mail carriers)	189.35	3.30
(f) Other expenditure	177.66	3.10
<b>Total</b>	<b>5736.06</b>	

The net revenue budgetary support, which was worked out by deducting receipts of Rs. 4,256.93 crore and recoveries of Rs. 103.91 crore from the gross revenue expenditure of Rs. 5,736.06 crore, was Rs. 1,375.22 crore in 2003-04.

#### 4.2 Non-realisation of service tax

**Failure to levy service tax on telegraph receipts in terms of the provisions in the Finance Act 2001, resulted in non-recovery of service tax and interest thereon amounting to Rs. 66.94 lakh in 20 postal circles.**

The Finance Act, 2001, imposed service tax of five *per cent* with effect from July 2001 on services provided by telegraph authorities in relation to leased circuits, telegraph, telex and facsimile communications. Further, interest @ 24 *per cent per annum* was also chargeable for delayed payment of service tax. The tax was raised to eight *per cent* with effect from May 2003 under the Finance Act 2003.

Audit scrutiny relating to telegraph receipts revealed that service tax was not levied on telegraph services in 20 postal circles during the period July 2001 to March 2004, resulting in non-realisation of revenue, aggregating to Rs. 49.61 lakh as below:

Name of the circle	Amount of Service Tax not realised (Yearwise & Circle wise)			
	2001-02	2002-03	2003-04	Total
KERALA	69451	76144	60466	206061
CHATTISGARH	15874	19820	20945	56639
TAMIL NADU	359389	341324	314150	1014863

Name of the circle	Amount of Service Tax not realised (Yearwise & Circle wise)			
	2001-02	2002-03	2003-04	Total
HIMACHAL PRADESH.	48946	56363	56653	161962
MADHYA PRADESH	18995	19199	21466	59660
UTTRANCHAL	8232	10393	8469	27094
GUJARAT	46278	142465	134792	323535
UTTAR PRADESH	0	8292	9845	18137
KARNATAKA	146816	133987	173524	454327
DELHI	4252	5840	14233	24325
ORISSA	12611	38993	35414	87018
ANDHRA PRADESH	33673	77327	57045	168045
ASSAM	10695	10999	11682	33376
BIHAR	39633	61296	0	100929
JAMMU & KASHMIR	15228	17953	8352	41533
PUNJAB	71996	82193	31998	186187
HARYANA	22422	27064	44218	93704
RAJASTHAN	70337	68255	69982	208574
WEST BENGAL	76109	81610	62463	220182
MAHARASHTRA	374993	500429	599691	1475113
<b>TOTAL</b>	<b>1445930</b>	<b>1779946</b>	<b>1735388</b>	<b>4961264</b>

Further, interest of Rs. 17.33 lakh on service tax non-realised was also not recovered.

After this was pointed out by Audit, Department of Posts (DoP) stated in August 2004 that

- the levy of service tax on telegraph receipts was not communicated by BSNL/MTNL who were the service providers for this service, to the Headquarters of DoP nor to any of the postal circles. Therefore, the post offices doing the work could not collect the service tax.
- However, DoP of its own took a decision to advise the circles to collect service tax at the rate of eight *per cent* with effect from April 2004.

The Postal Directorate, while accepting the facts, expressed their inability to confirm the figures, pending verification and confirmation from the circles.

The reply of the Department of Posts reflects on the absence of internal control and the lack of seriousness on the part of the apex body of the Government in addressing the issue, especially where it involved loss of revenue to the Government exchequer with no prospects of recovery from the public in general at this stage.

The matter was referred to the Ministry in October 2004; its reply was awaited as of December 2004.



### 4.3 Irregular opening of time deposit accounts

**Three Head Post Offices in Delhi Postal circle opened time deposit accounts in favour of institutions/associations in contravention of rules and allowed irregular payment of interest of Rs. 41.24 lakh.**

Post Office Time Deposit rules provide that institutions are not allowed to open post office time deposit accounts effective from 1 April 1995. Orders state that in case of any irregularity in this regard, action should be taken against erring officials.

During test check of records (April and May 2004) in respect of three Head Post Offices (HPOs) in Delhi Postal Circle, audit noticed that colleges and associations had been allowed to open time deposit accounts during the period 1999-2000 to 2003-2004, contrary to the provisions. These accounts were also allowed interest of Rs. 41.24 lakh which was irregular as detailed below:

<i>(Rupees in lakh)</i>				
Sl. no.	Name of HPO	Total no. of accounts	Amount of investment	Amount of interest paid
1	Krishna Nagar	13	43.36	0.70
2	Indraprastha	2	13.00	2.31
3	Lodhi Road	43	939.00	38.23
	<b>Total</b>		<b>995.36</b>	<b>41.24</b>

On this being pointed out, Indraprastha HPO stated that notices had been issued to the concerned associations to deposit the interest and the matter was also being taken up with higher authorities for regularisation. Lodhi Road HPO confirmed the facts and the reply from Krishna Nagar HPO was awaited.

The matter was referred to the Ministry in August 2004; its reply was awaited as of December 2004.

### 4.4 Irregular payments against recurring deposit accounts

**Head Postmasters of two Head Post Offices in Rajasthan Circle and one Head Post Office in Chattisgarh Circle allowed irregular payment of Rs. 32.43 lakh during 2002-03 in contravention of Post Office Savings Bank General Rules.**

Post Office Savings Bank General Rules, 1981 and Rule 6(4) thereof provided that a withdrawal from a recurring deposit account opened on behalf of a minor or a person of unsound mind should be permitted to the guardian only on production of a necessary certificate to this effect.

Audit, however, noticed that the Head Postmasters of the Barmer and Jodhpur Head Post Offices under the Rajasthan Circle and the Head Postmaster, Durg Head Post Office under the Chattisgarh Circle, allowed payment of Rs. 32.43 lakh in 197 cases during 2002-03 to persons other than guardians. No certificate was produced. This led to irregular payment to that effect.

In reply to an audit observation, the Postmaster, Jodhpur stated that action would be taken as per rules and instructions had been issued to the Sub Postmaster not to make payments without obtaining the requisite certificates. Postmaster, Barmer stated that payments on this account had been stopped with immediate effect and action was being taken to bring it to the notice of the higher authorities. Post Master, Durg stated that the cases would be taken up with higher authorities for recovery.

The matter was referred to the Ministry in August 2004; its reply was awaited as of December 2004.

#### **4.5 Non-recovery of cost of stores issued to the Telecom Department**

**Non-observance of codal provisions in charging for materials supplied to BSNL resulted in non-realisation of dues to the tune of Rs. 30.89 lakh.**

Rules provide that charges for services rendered or articles supplied by a Public Works Division to any other Department should be paid for by cheques or bank drafts by the concerned Department. These rules apply to Postal Civil Wing.

Audit scrutiny in January 2004 in the Postal Civil Division, Kerala Postal Circle revealed that 234 MT of cement and 161 MT of steel worth Rs. 30.89 lakh had been issued on loan basis to various BSNL units, during the period 1991-92 to 2001-02. No settlement/payment had been received by the Postal Civil Division for these supplies as of October 2004.

On this being pointed out, the Chief Postmaster General, Kerala Circle stated (October 2004) that the case had been taken up with the Chief General Manager Telecom, Kerala Circle, Thiruvananthapuram.

Thus the failure to follow the codal provisions resulted in non-recovery of Rs. 30.89 lakh, being the cost of materials issued to DoT/BSNL during 1991-92 to 2001-02.

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

#### 4.6 Non deduction of service charges on silent accounts

**Failure of the Department to levy service charges on accounts treated as silent accounts prior to March 2002 resulted in non-credit of service charges to the tune of Rs. 24.43 lakh.**

Post Office Savings Account Rules, 1981 stipulate that an account, in which a deposit or withdrawal has not taken place for three complete years, shall be treated as a silent account. Rules further provide that in respect of a silent account having a balance below the stipulated amount of Rs. 50, a service charge of Rs. 20 shall be deducted on the last working day of each financial year with effect from 31 March 2003. After deduction of the service charge, if the balance becomes nil, the account would stand automatically closed. The service charge so deducted, will be credited into departmental accounts as Unclassified Receipt on the last working day of every financial year. Further, it was clarified by the Department of Posts in December 2003 that for the purpose of levying the service charge, an account which was declared as silent prior to 31 March 2003, would require to be technically revived.

Audit scrutiny of records in eight Head Post Offices (HPO)/General Post Offices in the Maharashtra and Tamil Nadu Postal Circles revealed that service charges aggregating Rs. 24.43 lakh in respect of 62493 silent accounts declared as such prior to 31 March 2002 were not deducted for the periods ending 31 March 2003 and 31 March 2004.

After this was pointed out by Audit, the Chief Post Master General, Tamil Nadu Circle replied in April 2004 that instructions had been issued to levy the service charges on accounts treated as silent prior to 31 March 2003. The Post Master of Paratwada HPO, under the Maharashtra Circle stated in November 2004 that in respect of 9023 accounts, service charges of Rs. 2.89 lakh had been recovered. In respect of Chalisgaon HPO, also under the Maharashtra Circle, the Post Master stated in July 2004 that necessary service charges would be deducted and intimated to Audit.

Thus the failure of the Department to levy service charges on accounts treated as silent accounts prior to March 2002 had resulted in loss of revenue to the tune of Rs. 24.43 lakh.

The matter was referred to the Ministry in October 2004; its reply was awaited as of December 2004.

#### 4.7 Irregular payment of interest on Public Provident Fund

**Failure of five Head Post Offices (HPOs) in observance of the Public Provident Fund (PPF) rules resulted in irregular payment of interest of Rs 19.08 lakh on the PPF Account.**

The Public Provident Fund (PPF) Scheme, 1968 provides that an individual may make a maximum subscription of Rs 70000 (Rs 60000 prior to 15 November 2002) in a year. Contribution in excess of the limit will be treated as irregular subscription and will be refunded to the subscriber without any interest. Further, the subscriber has to apply for opening an account under the PPF scheme in prescribed format giving the details of other PPF accounts opened by him with a declaration to the effect that in the event of the deposits made in excess of the prescribed limit no interest shall be payable.

The rules also stipulate that PPF accounts can be closed on maturity i.e. after the expiry of 15 years from the date of close of the financial year in which the initial subscription was made. The subscriber can continue to subscribe to the scheme for one or more further blocks of five years. For this, he has to exercise his option within one year from the date of maturity. In case he fails to exercise his option and continues to make deposits, they will be treated as irregular deposits and will not carry interest.

Scrutiny of the records of two Head Post Offices (HPOs) in Delhi Circle and three HPOs in Uttar Pradesh Circle during April-July 2004 revealed that :

- The HPOs had allowed opening of 36 PPF accounts without obtaining declaration to the effect that they would not be eligible for payment of interest on amount deposited beyond the permissible limit and paid interest of Rs 12.31 lakh irregularly on the amount deposited in excess.
- Two of these HPOs had entertained deposits beyond the maturity date without receipt of the option and allowed irregular payment of interest of Rs.6.77 lakh on 18 PPF accounts.

The lapses resulted in total irregular payment of Rs 19.08 lakh towards interest.

The HPOs accepted the audit findings and stated that action would be taken to effect recovery, and to obtain necessary declaration about non-payment of interest on the amount exceeding the permissible limit. In cases, where interest was paid beyond the maturity date, HPOs stated that action would be taken to

debit the interest amount to their ledger balance and refund the balance to the concerned depositor.

The recovery particulars were awaited.

The matter was referred to the Ministry in August 2004; its reply was awaited as of December 2004.

#### **4.8 Irregular payment of interest on accounts opened in contravention of rules**

**Failure of Postmaster Hoshangabad in Madhya Pradesh Circle to adhere to the rules relating to opening of "Official capacity accounts" resulted in irregular payment of interest of Rs. 18.41 lakh.**

The Post Office Savings Accounts Rules 1981 provide for the opening of an official capacity account by a gazetted government officer or an officer of a Government company/corporation, Reserve Bank of India, local authority or a receiver appointed by a court. They are required to furnish a certificate to the effect that the money is the property of the persons or bodies on whose behalf the account is to be opened. The rules do not permit opening of such accounts for keeping government money. Any such account opened in contravention of rules should be closed without payment of interest. The Director General of Posts reiterated the instructions in July 1987.

Audit scrutiny of records of the Postmaster, Hoshangabad in Madhya Pradesh Circle, during August 2002 revealed that the Postmaster permitted the opening and operation of two Official Capacity Accounts by the Collector/District Planning Officer in respect of the Vidhayak Nidhi/Sansad Nidhi during the period 1995-96 to 1996-97 in contravention of rules. This resulted in irregular payment of interest amounting to Rs. 18.41 lakh.

After this was pointed out by Audit, the Ministry replied in January 2005 that the interest allowed on the accounts had since been recovered and no further deposits were being allowed in these accounts.

### **Department of Telecommunications**

#### **4.9 Background**

In 1948, India had only 0.1 million telephone connections with a telephone density of about 0.02 per hundred population. Since then, the number of

telephone connections has risen to 76.5 million with a telephone density of 7.02 telephones per hundred populations by 31 March 2004.

#### **4.9.1 Administration and Control**

The Telecom Commission, set up in July 1989 has the administrative and financial powers of the Government of India to deal with the various aspects of telecommunications. The Telecom Commission and the Department of Telecommunications (DoT) are responsible for policy formulation and administration of Public Sector Undertakings (PSUs) engaged in telecommunication services and international relations.

DoT was manned by 1817 officers/officials (Group A- 132, Group B- 705, Group C -755 and Group D -225) as on 31 March 2004.

#### **4.9.2 Development in the telecom sector**

The process of entry of private operators in providing telecommunication services in India commenced in 1992. Apart from privatising 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 added to the value of the existing basic telephone services. The share of the private sector in the total number of telephones increased from 21 *per cent* as on March 2003 to 39 *per cent* as on March 2004.

Entry of private service providers brought with it the inevitable need for independent regulation. The Telecom Regulatory Authority of India (TRAI), was, therefore, established with effect from 20 February 1997 by an Act of Parliament called the TRAI Act, 1997, to regulate the telecom services. The TRAI Act was amended by an ordinance effective from 24 January 2000, separating the adjudicatory and dispute functions from 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 and between a service provider and a group of consumers. It also hears and disposes of appeals against any direction, decision or order of TRAI.

**4.10 Loss of interest on belated realisation of licence fee and royalty charges and non realisation of licence fee for VSAT systems and dedicated radio links**

**Failure of the Controller of Communication Accounts, Mumbai and the Chief General Manager, Kerala Telecom Circle to collect licence fees and royalty for privately owned VSAT systems and dedicated radio links led to non-realisation of an amount of Rs. 9.11 crore and loss of interest of Rs. 1.44 crore.**

The Department of Telecommunications (DoT) 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. The licence fees are due from the date of commissioning of the system or after 18 months of the date of issue of licences, whichever is earlier. The Department is to recover licence fees in advance for the subsequent periods and the recoveries can be effected in equal quarterly instalments. DoT nominated Heads of Telecom circles as controlling and billing authorities for realisation of licence fees. After corporatisation of telecom services into BSNL, nomination of the controlling and billing authorities continued in the same way till 2002. DoT decided in January 2003 that the Controller of Communication Accounts (CCA) would be the controlling and billing authority for the respective circles instead of Heads of Telecom Circles and would collect all relevant records and data from the Heads of the circles /Chief General Manager (CGM), Mahanagar Telephone Nigam Limited (MTNL).

Audit scrutiny revealed loss of interest on belated realisation of licence fees and royalty charges for the privately owned VSAT systems and dedicated radio links in one case and non realisation of licence fees in another case as detailed below:

**Case I**

Audit scrutiny of the records of the General Manager (Leased Circuits) under MTNL Mumbai in July 2003 revealed that the CGM MTNL, Mumbai collected licence fees and royalty of Rs. 8.85 crore for the period from December 1999 to March 2004 in respect of the dedicated hub and private VSAT network provided to Reliance Industries Limited (RIL) and the Bombay Stock Exchange (BSE) and booked the collection in MTNL accounts as income from MTNL services, instead of remitting it to DoT. After this was pointed out by Audit in August 2003, the Deputy Controller of Communication Accounts, Maharashtra Circle stated in April 2004 that the

amount of Rs. 8.85 crore had been remitted by MTNL in March 2004. This resulted in loss of interest of Rs. 1.44 crore, calculated conservatively at 8 *per cent*, the minimum of the rates applicable for delayed remittances of Government receipts by banks into the Government account, for the period from the dates of realisation of the amounts from RIL and BSE till March 2004 i.e., the dates of remittance to DoT.

## **Case II**

Audit scrutiny of records of Telecom District Manager Kavaratti revealed that the Police Department of Union Territory of Lakshadweep was issued NOC for establishment and operation of UHF system in April 1998. The system with eleven stations in ten islands of Lakshadweep was commissioned in April 1999 and from that date licence fees became payable. As per the NOC, Chief General Manager Telecom Kerala Telecom circle was the billing and controlling authority for the system and was responsible for collection of licence fees as per rate prescribed. However, the circle had neither issued demand notes nor realised the licence fees in respect of the system since 1999. The licence fees had not been realised even after reassignment of the work of controlling and billing in January 2003. Audit also noticed that the NOC was valid for three years only and had not been renewed till September 2004 despite several notices issued by DoT. Also no formal licence had been issued by the department for operation of the system.

Thus, the licence fees of Rs. 26.38 lakh remained un-realised for the period April 1999 to March 2004.

After this was pointed out in audit, CCA Thiruvananthapuram stated (September 2004) that a bill for Rs. 26.38 lakh had been raised against the Police Department for the period April 1999 to March 2004 in November 2003. Recovery particulars were awaited.

The matter was referred to the Ministry in October/December 2004; the reply was awaited as of December 2004.



**4.11 Non recovery of interest on delayed payment of leave salary and pension contribution from MTNL Mumbai**

**Controller of Communication Accounts, DoT cell, Maharashtra circle failed to claim interest of Rs. 78 lakh from Mahanagar Telephone Nigam Limited (MTNL) Mumbai on delayed receipt of leave salary and pension contribution for its employees on deemed deputation.**

Supplementary Rule 307(1) stipulates that the contribution for leave salary or pension due in respect of a government servant on deputation to a foreign service, may be paid annually within 15 days from the end of each financial year. If payment is not made within the said period, interest must be paid to Government on the unpaid contribution at the rate of two paise per day per Rs. 100 from the date of expiry of the period aforesaid up to the date on which the contribution is finally paid.

Audit scrutiny (January 2004) of the records of the Controller of Communication Accounts (CCA), DoT Cell Maharashtra circle revealed that leave salary and pension contribution of the employees of the DoT on deputation to Mahanagar Telephone Nigam Limited (MTNL), Mumbai for the period from October 2000 to March 2003 were received from MTNL after delays of 100 to 491 days. This delayed payment attracted interest of Rs. 78 lakh which the CCA failed to claim.

After Audit pointed this out, CCA, Maharashtra circle raised the claim in February 2004. The details of receipt of payment were awaited.

The matter was referred to the Ministry in August 2004; its reply was awaited as of December 2004.

## CHAPTER V : MINISTRY OF CULTURE

### Archaeological Survey of India

#### 5.1 Lack of internal control resulting in misappropriation

**Archaeological Survey of India failed to exercise prescribed checks over issue and accounting of stationery items resulting in mis-appropriation of stationery articles valued at Rs. 8.37 lakh.**

Rule 109(2) of General Financial Rules (GFRs), prescribes that a subordinate authority entrusted with stores shall maintain suitable accounts and inventories and prepare correct returns in respect of stores in his charge with a view to preventing losses through theft, accident, fraud or otherwise and for making it possible at any time to check the actual balances with the book balances. Further, Note 2 of Rule 115 of GFRs provides for internal check of all inventories/accounts of stores whether or not they are subjected to any check by Audit Officer and/or the Accounts Officer, as the case may be. Also, there exists a provision for periodical inspection of stores under Rule 119(2) of GFRs.

Audit scrutiny of records of the stationery branch of the Archaeological Survey of India (ASI) for the year 2003-04 revealed that stationery items were issued on the basis of indents received and acknowledged by the recipients. The stock entries were not made at the time of issue of stationery items. A consolidated statement of stationery items issued during the month was prepared without authentication by any supervisory staff. In the consolidated statement, the store incharge manipulated the figures and entered these in the stock register. The A4, A3 and FS size photostat papers were shown to have been issued in excess by 3207 reams costing Rs. 7.17 lakh. Similarly, 1678 reams of duplicating paper and 307 reams of typing paper costing Rs. 1.01 lakh and 0.19 lakh respectively were shown to have been issued in excess. It was noticed in audit that the administrative officer failed to tally the stock entries with the original records like the requisitions/acknowledgements of the indenters etc. Moreover, the internal checks were also not being exercised by ASI. These lapses facilitated the misappropriation of stationery articles worth Rs. 8.37 lakh.

ASI admitted the misappropriation and stated (June 2004) that disciplinary proceedings for major penalty had been initiated against the storekeeper and administrative officer and they had been transferred. ASI also informed that preventive measures were being taken.

The matter was referred to the Ministry in August 2004; their reply was awaited as of February 2005.

## CHAPTER VI : MINISTRY OF EXTERNAL AFFAIRS

### 6.1 Avoidable expenditure on creation of the office of the Ambassador-at-large

**The Ministry created the post of Ambassador-at-large at New York without assigning any mandate. The office was subsequently wound up in October 2004 after incurring an expenditure of Rs. 15.95 crore.**

The Ministry of External Affairs in August 2001 created the post of Advisor in Embassy of India Washington and Ambassador-at-large (AAL) for Non-Resident Indians (NRI) and Persons of Indian Origin (PIO). Simultaneously, the Ministry offered this post to a permanent resident of the United States of America, who accepted the offer and assumed charge of the office at New York in September 2001. In October 2001, Cabinet approved the opening of the office with five India based and five local posts. In October 2004 the office was wound up. The total expenditure incurred on the Mission till September 2004 was Rs. 15.95 crore.

Audit noted the following:

- Government did not issue any specific and separate mandate for the office of AAL. There was overlap of functions carried out by him with those of the Mission in Washington and the Post in New York. The basis of sanctioning five India based posts and five local posts, though sought by audit in March 2004 was not furnished.
- The US Government declined in December 2001 to accredit the newly appointed AAL as a foreign diplomat as, among other reasons, it did not recognize the rank of Advisor or Ambassador-at large and could not accredit a green card holder as a diplomat.
- In April 2002, the US Department of State also turned down a request made by the Indian Embassy for special dispensation. In December 2002, the AAL was made Special Advisor to the Permanent Representative of India to United Nations, with the rank of Ambassador.
- The office functioned from different premises in New York, from a hotel up to November 2001, from the residential accommodation of the AAL upto April 2002, from a temporary office accommodation up to

October 2002 and from an accommodation leased in September 2002 for a three-year period. The expenditure incurred for hiring office accommodation till it was shifted to the new premises in October 2002 was US\$ 105,550 equivalent to Rs. 51.38 lakh.

- The Ministry sanctioned in June 2002 an annual rent of US\$ 220,000 (Rs. 1.07 crore) for the office. The deed of September 2002 leasing the accommodation, however, created a liability for paying an annual rent of US\$ 224,000 (Rs. 1.09 crore) for the first year and US\$ 228,888 (Rs. 1.12 crore) for the second and third years. The sanction of the Ministry was not obtained for binding it to the additional financial liability of US\$ 21,776 (Rs. 10.62 lakh). This also violated the rules which provide that continued renting of existing accommodation with an enhancement of 10 per cent on the last rent is permitted only when the last contract is for a minimum period of three years.
- The lease deed of September 2002 did not have any clause to terminate the lease on an earlier date as required under rules relating to Indian Foreign Service. Therefore the Mission was liable to pay rent and other charges till the expiry of the lease period, i.e., up to August 2005 even when the office was wound up in October 2004.
- Residential accommodation for the AAL was leased by the Consulate General of India, New York with effect from December 2001 at an annual rent of US\$168,000 (Rs. 81.03 lakh) for the first year, US\$180,000 (Rs. 86.81 lakh) for the second year and US\$ 204,000 (Rs. 98.39 lakh) for the third year. Ministry observed in November 2003 that the renewal of lease by enhancing the rent to US\$ 15000 (Rs. 7.23 lakh) per month for the second year was done by the Mission without approval as required under rules. However, Ministry sanctioned in April 2004 enhancement of rent from US\$ 15000 (Rs. 7.23 lakh) to US\$17000 (Rs. 8.20 lakh) per month for the third year.
- A brokerage of US\$ 25,200 (Rs. 12.15 lakh) was paid for the leasing of residential accommodation for AAL against one month's rent of US\$ 14,000 (Rs. 6.75 lakh) payable as commission under the rules.
- The Mission purchased a car in August 2003 at US\$ 39395 (Rs. 18.28 lakh). Till July 2003, Mission hired a car incurring an expenditure of US\$ 132,000 (Rs. 63.39 lakh). Though the Mission had proposed

leasing a car to avoid continued hiring in June 2002, there was inordinate delay in the purchase, which resulted in avoidable expenditure of US\$ 28310 (Rs. 13.54 lakh) on continued hiring.

- Furniture costing US\$ 36100 (Rs. 17.10 lakh) was purchased for the office during January-September 2003, far exceeding the delegated financial powers of US\$ 5780, without obtaining sanction of the Ministry.

Thus an amount of Rs. 15.95 crore was spent up to September 2004 on a Mission created without any mandate.

The matter was referred to the Ministry in December 2004; its reply was awaited as of January 2005.

## **6.2 Non-compliance on inadmissible items under the Children Education Scheme**

**Non-compliance of prescribed recovery for inadmissible items in the children education scheme resulted in undue benefit of Rs. 14.22 lakh; unauthorised expenditure of Rs. 1.11 crore was detected on account of capital assessment and other fee.**

As per IFS (PLCA) Rules, the Government of India is liable to pay School/Tuition fee, Admission fee, Registration fee, Examination fee, Lab/Science fee and Computer fee for the education of the children of India-based officials posted in missions abroad. Fees, on account of books & stationary, transportation, uniform, lunch and cost of field trips are inadmissible. Yet, if fees for inadmissible items are certified by the school as integrated in the school fee, without any break-up, they are payable by the Government, subject to a prescribed deduction from the official.

During test check, Audit pointed out non-recovery of Rs. 14.22 lakh towards inadmissible items on account books/stationery, field trips and curriculum fee from the officials in respect of the Missions at Belgrade, Berne, Bishkek, Hamburg, Kyiv, Oslo, Paris, Vienna, Frankfurt and Brussels. In eight cases, the Missions did not intimate the Ministry about inadmissible items. Against a recovery of Rs. 14.22 lakh pointed out by Audit, during February 2000 to August 2004, Missions and Posts had recovered Rs. 2.73 lakh till August 2004 as detailed in the **Annex-A**.

### **Expenditure without sanction**

As per Ministry's direction of January 1999, prior approval of the Ministry was necessary for payment of Capital levy/ building fee, etc, since these did not fall within the purview of admissible payments by Government on behalf of the wards of officials posted in the Missions.

Scrutiny of records of four Missions/Posts revealed an irregular expenditure of Rs. 1.11 crore, as per **Annex-B**, on account of capital assessment and other fees, incurred during 1996-97 to 2003-04 without the approval of the competent authority.

In reply, the Posts at Frankfurt and Hamburg intimated in April/May 2004 that the matter had been taken up with the Ministry for ex-post sanction while the Mission at Paris and Post at Munich had not responded. Further the Post at Hamburg had made an excess payment of capital fee of DM 6000 and Euro 1534 equivalent to Rs. 2.62 lakh.

The matter was referred to the Ministry in February 2004; their response was awaited as of December 2004.

## Annex-A

## Inadmissible Children's Education allowance

Sl. No.	Name of Mission/Post	Total recoverable amount		Recovery made		Outstanding recovery	
		Local currency	Rs. in lakh	Local currency	Rs. in lakh	Local currency	Rs. in lakh <sup>1</sup>
<b>A. Recovery on accounts of books/stationery</b>							
1.	Belgrade	US\$ 196.97	0.09	Nil	Nil	US\$ 196.97	0.09
2.	Berne	CHF 9604.05	3.42	1463.80	0.51	CHF 8140.25	2.91
3.	Bishkek	US\$ 1451.00	0.66	Nil	Nil	US\$ 1451.00	0.66
4.	Hamburg	DM 2703.00	0.79	Nil	Nil	DM 2703.00	0.79
		Euro 1066.00	0.61	Nil	Nil	Euro 1066.00	0.61
5.	Kyiv	US\$ 3143.62	1.43	2781.17	1.27	US\$ 362.45	0.16
6.	Oslo	Nok 17809.50	1.15	Nil	Nil	Nok 17809.50	1.15
7.	Paris	Euro 3624.97	2.06	Nil	Nil	Euro 3624.97	2.06
8.	Vienna	Euro 1627.18	0.82	1407.49	0.70	Euro 219.69	0.12
<b>B. Recovery on account of field trips and curriculum fee</b>							
9.	Frankfurt	Euro 3820.00	2.17	Nil	Nil	Euro 3820.00	2.17
10.	Hamburg	DM 450.00	0.13	Nil	Nil	DM 450.00	0.13
		Euro 975.00	0.55	Nil	Nil	Euro 975.00	0.55
11.	Brussels	US\$ 759.02	0.34	570.65	0.25	US\$ 188.37	0.09
	<b>Total</b>		<b>14.22</b>		<b>2.73</b>		<b>11.49</b>

## Annex-B

## Unauthorised payment of capital assessment and other fee

Sl. No.	Name of Mission/Post	Period	Amount paid without prior approval of Ministry		Purpose
			In local currency	Rs. in lakh	
1	Paris	Feb. 1997 to June 2003	Euro 7800 & FFr 274000	28.20	Capital Assessment fees
		2002-03 to 2003-04	Euro 14560 & FFr 40000	11.75	Entry fees
2	Frankfurt	2002-03 to 2003-04	Euro 76650	43.60	Capital Assessment fees
3	Hamburg	1996-97 to 2003-04	DM 80000 & Euro 4602	25.89	Capital Assessment fees
		March 2000 to November 2003	DM 720 & Euro 1501	1.06	Other fees <sup>2</sup>
4	Munich	Feb. 2003	Euro 819	0.47	
	<b>Total</b>			<b>110.97</b>	

<sup>1</sup> Official rate of exchange for the month of March 2004<sup>2</sup> IB and IGCS Exam fee

### 6.3 Loss of refund of VAT

**Lack of internal control in claiming refund of Value Added Tax on bills relating to construction of chancery complex at Berlin resulted in a loss of Rs. 81.11 lakh.**

In January 1998, the Government of India approved construction of the Chancery Complex in Berlin at a cost of approximately DM 32 million (Rs. 67.85 crore<sup>3</sup>), excluding the cost of land. The construction phase started in 1999 and the building was handed over to the Mission in May 2001. The sanction of the Ministry had explicitly indicated that all expenditure on the project would have to be processed for VAT refund, which would accrue to the Government of India. The law governing the claim of VAT refund by diplomatic missions is unambiguous and states that the claim to reimbursement of VAT lapses at the end of the calendar year, which follows the year in which the work was carried out.

Test check of the records of the Mission relating to claim of VAT revealed that two bills pertaining to the year 2001 were claimed on 14 July 2003 for DM 147,652 equivalent to Rs. 42.94 lakh<sup>4</sup> and DM 131,264 equivalent to Rs. 38.17 lakh<sup>5</sup>. These claims should have been preferred by 2002. Due to delay in claiming VAT refunds, the claims were rejected by the Federal Finance office, Germany.

Ministry, while accepting the audit contention of the rejected claims of DM 0.28 million equivalent to Rs. 81.11 lakh stated in July 2004 that the Mission was pursuing for refund of rejected claims.

Thus, failure of the Mission to claim refund of VAT in time resulted in loss of legitimate dues of the Government amounting to Rs. 81.11 lakh.

<sup>3</sup> At the official exchange rate of DM 1=Rs 21 mentioned in the sanction

<sup>4</sup> At the exchange rate of 1 DM = Euro 0.511292 prevailing at the time of shifting of Germany from DM to Euro and official exchange rate of 1 Euro = Rs. 56.88 prevailing in March 2004

<sup>5</sup> Against a claim of DM 258199.73, claim of DM 131264.79 was rejected and remaining claim of DM 126934.94 paid in January 2004.



#### 6.4 Irregular appointment of chauffeur

**Unauthorised appointment of local chauffeur at High Commission of India, Singapore without the approval of Ministry resulted in irregular expenditure of Rs. 56.48 lakh.**

In pursuance of the recommendations of Foreign Service Inspectors (FSI) in December 1995, the High Commission of India, Singapore (Mission) purchased a new additional car in July 1996 at a cost of Rs. 12.99 lakh. The action of the Mission contravened item No. 15 (a) of Delegation of Financial Powers Rules, 1978, according to which it could have purchased the car only with the prior approval of the Ministry. The Mission sought in October 1999 post facto sanction of the Ministry which was accorded in April 2000. The Mission also appointed a local chauffeur from the date of purchase of the new car in addition to the three regular chauffeurs working in the Mission. As the Mission had been sanctioned only three regular posts of chauffeurs, appointment of another chauffeur without the approval of the MEA was irregular. The Mission's request (July 2002) for retrospective sanction of additional post of chauffeur was not accepted by the Ministry which instead suggested in September 2002 to redesignate and upgrade one of the sanctioned local posts of clerks of the Mission to that of a chauffeur. Despite Ministry's advice, the Mission continued to operate the post of the fourth chauffeur and spent Rs. 56.48 lakh on his pay and allowances till July 2004. Thus, the entire expenditure of Rs. 56.48 lakh incurred by the Mission towards fourth chauffeur's pay and allowances including overtime allowance was irregular.

On the matter being pointed out by audit, the Mission stated in August 2004 that it had been writing to the Ministry for the sanction of additional post of the chauffeur. The reply is not tenable as by not acting on Ministry's advice to redesignate and upgrade one of its sanctioned local posts, the Mission not only perpetuated the irregularity but also incurred additional expenditure as two posts were being operated instead of one as advised by the Ministry.

The matter was referred to the Ministry in October 2004; their reply was awaited as of February 2005.

**6.5 Irregular expenditure**

**While the orders of Government of India permit providing of items of furniture/electrical appliance costing Rs. 2.50 lakh at the residence of a Union Cabinet Minister only, the Ministry of External Affairs incurred irregular expenditure of Rs. 40.92 lakh on furniture, furnishings and air conditioners etc. for the residence of Foreign Secretary during 2000-2003.**

Government of India's decision below Rule 6 of General Financial Rules lays down that every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. He is expected to exercise the same vigilance in respect of expenditure incurred from public moneys, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Audit ascertained that Rs. 31.26 lakh was spent during 2002-03 on providing furniture, furnishings and durables at the residence of Foreign Secretary as detailed below:

(Rupees in lakh)

Sl. No.	Item	Quantity	Amount	Remarks
1.	Split air conditioners	10	4.98	These included air conditioners for bedrooms, family living rooms and lobby.
2.	Sofa sets	7	1.37	These included sofa sets for bedrooms and T.V. lounge.
3.	Beds	5	1.50	These included beds for master bedroom, daughter's bedroom, and son's bedroom.
4.	Carpets	6	2.95	--
5.	Household durables	1 each	1.42	These included washing machine, microwave oven, refrigerator and cooking range
6.	Other items	42	19.04	These included coffee table, breakfast table, dining table and furniture items for master bedroom, son's bedroom and daughter's bedroom
	<b>Total</b>		<b>31.26</b>	

Although the Ministry incurred large expenditure on purchase of premium quality furniture etc. for the residence of Foreign Secretary on the ground that he had to entertain foreign dignitaries, it was observed in audit that most of the furniture was for bedrooms, living room and other areas for personal use of the family. Audit requested the MEA as well as the Ministry of Finance (MOF) to intimate the orders of the Government of India laying down the scales/monetary ceiling for articles to be used in the residence of Foreign Secretary. While MEA stated in September 2004 that no orders had been issued by the Government in this regard and no scale of furniture had been prescribed for the Foreign Secretary's official residence, response of MOF was awaited (December 2004). The expenditure incurred has to be viewed in

the light of the fact that even for Cabinet Ministers of the Union of India, whose representational nature of functions is admittedly higher, the Government had fixed in February 2003 monetary ceiling of Rs. 2.50 lakh for providing furniture and electrical appliances at their residences. Even during 2000-02, items like carpets, sofa sets, vacuum cleaners, gas cylinder, coffee tables etc. costing Rs. 9.66 lakh had been purchased for the residence of the Foreign Secretary taking the total of the irregular and unjustified expenditure to Rs. 40.92 lakh during 2000-03.

The Ministry stated in September 2004 that the items of furniture/furnishings had been provided at the Foreign Secretary's residence keeping in view the functional requirements of the post taking into account the official responsibilities of receiving and entertaining diplomats and foreign dignitaries at his official residence. The Ministry further stated that these items were provided on the lines of what was provided to Heads of Indian Missions (HOMs) abroad. The reply is not tenable as the entitlement of HOMs on their posting abroad is governed by a different set of conditions and rules, namely IFS PLCA Rules and even then items for use in personal areas are not permitted to be provided. The Ministry further stated that it was open to the idea of fixing a scale for providing various articles at the residence of the Foreign Secretary. Further action was awaited as of February 2005.

#### **6.6 Unauthorised and avoidable expenditure on leasing of accommodation**

**Despite the availability of Government owned residential accommodation in the Chancery premises, private accommodation was leased for chauffeur at New York, entailing an avoidable expenditure of Rs. 28.36 lakh as of October 2003.**

The scales of accommodation for officials serving in Missions abroad are prescribed by the Ministry of External Affairs (MEA) in Indian Foreign Service (PLCA) Rules, which stipulate that India based chauffeurs should be accommodated in the outhouses of Embassy and Chancery premises, failing which they should be provided with separate accommodation within the prescribed scales where persons of similar status usually reside.

In June 2000, Consulate General of India New York confirmed to MEA the availability of two-room accommodation in the Chancery premises to accommodate a chauffeur to be posted from New Delhi. MEA, in August 2000, asked the Consulate to identify a three-roomed accommodation for the chauffeur-designate, given the size of his family. The Consulate leased a three

bed roomed house with sitting room, dining room and kitchen for a monthly rental of US\$1600 from October 2000 and approached MEA for approval. The rent was subsequently enhanced to US\$1650 from October 2001 and to US\$1700 from October 2002. The rent paid was more than the rent paid in respect of Assistants and Vice Consuls staying in two bed-roomed accommodation, which ranged between US\$ 1475 and 1550 per month, although Assistants and Vice Consuls are higher in status than a chauffeur. Further, the residential accommodation was leased more than one month in advance from 6 October 2000, although the chauffeur reported for duty in New York only on 9 November 2000.

Though chauffeurs posted abroad are not authorised to take family at Government expense, the Ministry, by an order issued in October 2000, permitted the chauffeur to take his family consisting of his wife and four children at his cost, with Government liability limited to issue of official passports and admissible medical facilities to his family. MEA, however, made it unequivocally clear in the order of October 2000 that no additional expenditure on accommodation or any other benefits whatsoever asked for would be admissible. Formal sanction to the leasing of three bed roomed accommodation for the chauffeur was never given by MEA. Leasing of accommodation for the chauffeur by incurring an expenditure of US\$ 59400 equivalent to Rs. 28.36 lakh as of October 2003 was therefore not only unauthorised but also avoidable since entitled accommodation was available in the Government owned Chancery building.

The Consulate stated in November 2003 that accommodation was taken on rent based on MEA's letter of August 2000. The reply is not tenable as MEA's letter of August 2000 was a request to the Consulate to locate suitable accommodation and was not a sanction in itself. Obviously, MEA's stand in this case was ambivalent since on the one hand, it asked the Consulate to locate a three-bed roomed accommodation, while, on the other hand, it ordered not to incur any extra expenditure for accommodating the chauffeur's family.

The matter was referred to the Ministry in March 2004; its reply was awaited as of December 2004.

## 6.7 Extra expenditure on pay and allowances of surplus staff

**Delay by the Ministry in withdrawing assistants rendered surplus in the High Commission of India, Nairobi and further posting of an additional assistant resulted in avoidable extra expenditure of Rs. 22.72 lakh.**

A review conducted by the High Commission of India, Nairobi (Mission) in November 2000, indicated that two posts of India based Assistants were surplus. Accordingly the Mission surrendered the two posts to the Ministry in December 2000. The Ministry instead of transferring the surplus Assistants immediately, issued posting order of an additional Assistant in March 2001. Mission again informed the Ministry in May 2001 about the surplus Assistants and suggested the cancellation of the posting of the new incumbent. In June 2001, the Ministry did not agree to the Mission's proposal on the ground that the designated person had completed the required formalities for posting abroad. The new incumbent joined the Mission in August 2001. The Mission thereafter relieved one of the two existing surplus Assistants in August 2001 and the other in October 2001.

The Ministry not only failed to transfer the two surplus Assistants within a reasonable time but also posted another additional Assistant in excess of the staff strength (continued as of August 2004). This resulted in avoidable expenditure of Rs. 5.23 lakh on pay and other allowances of the two surplus Assistants transferred late and Rs. 17.49 lakh on the posting of the additional Assistant for the period August 2001 to July 2004. Thus, total avoidable expenditure was Rs. 22.72 lakh for the period April 2001 to July 2004 and is continuing @ Rs. 0.50 lakh per month. The Ministry's argument that a person had to be posted in the Mission merely because he had completed the formalities for posting abroad even though there was no work for him, is patently untenable and against all tenets of good governance and economy in expenditure.

On the matter being pointed out by audit, the Mission stated in August 2004 that the post of an Assistant for accounts work had become a necessity for the Mission and the Ministry was being approached for regularisation of the post on functional grounds. The reply of the Mission contradicts its own conclusion arrived at after a review of the staff strength.

The matter was referred to the Ministry in October 2004; their reply was awaited as of February 2005.

#### 6.8 Arbitrary action leading to infructuous expenditure

**High Commissioner, Dar es Salaam arbitrarily ordered an attaché not to be present in the Chancery and made him sit idle for a period of more than a year. The Ministry, to whom the matter was referred, also failed to resolve the issue or repatriate the officer to India or post him to another station. This rendered the expenditure of Rs. 14.93 lakh incurred on his salary and rent for his residence during the period, infructuous.**

The High Commissioner, Dar es Salaam, issued an office order on 10 June 2002, prohibiting an attaché posted in the High Commission of India (HCI), from being present in the mission on grounds of indiscipline and insubordination. Subsequent office orders issued in October 2002 and June 2003 pertaining to work distribution among the officials of the Mission revealed that the officer had not been assigned any work. There was no mention in the records about the exact date from which the officer restarted attending office but there was a reference to an office order dated 4 September 2003 in which some work was stated to have been allotted to him. Thus, the officer remained idle during the period 11 June 2002 to 3 September 2003 and continued to draw pay and allowances.

The course of action adopted by the High Commissioner was arbitrary and was not followed up by any appropriate disciplinary proceedings against the officer. By opting for a course of action which was not covered under any disciplinary rules, the High Commissioner made the officer sit idle for more than a year while continuing to draw his pay and allowances. The Ministry, to whom a copy of the High Commissioner's orders had been sent, also failed to resolve the issue or repatriate him to India or post him to another station. During the period the officer remained idle, the HCI had incurred an expenditure of Rs. 8.31 lakh on his pay and allowances, calculated on the basis of average annual expenditure on posts, and Rs. 6.62 lakh on account of rent paid for the leased accommodation provided to him.

The Ministry stated in November 2004 that Additional Secretary (Administration) had visited the Mission in September 2003 and had ordered immediate redeployment of the attaché. The concerned High Commissioner had also been warned to be more careful about his actions. The arbitrary action of the High Commissioner thus resulted in the Mission incurring an infructuous expenditure of Rs. 14.93 lakh on the salary of the attaché and rent for his residence during the period of over a year during which the attaché was not allowed to work.

## 6.9 Loss of Government money

**Failure to follow the procedure laid down in the Consular Manual, inefficient monitoring system and lack of internal control resulted in loss of Government money amounting to Rs. 11.58 lakh in High Commission of India London.**

Consular Manual lays down an elaborate procedure to safeguard against leakage of government revenue. On completion of transactions for the day, the daily collections are required to be deposited with the Chancery Accountant/Cashier through challans/pay in slips and the Head of the Chancery is required to countersign the challans. He is also vested with the responsibility of carrying out monthly checks to ensure that all records are properly maintained and the total consular fees for the month tally with the amount shown in the cashbook.

Audit scrutiny of passport receipts of the High Commission of India, London for the period April 2001 to March 2004 revealed that the contingency staff posted in the passport counters were depositing daily cash collections and also writing the books, in violation of prescribed procedures. The checks prescribed by the manual were also not carried out, signifying lack of internal control. A scrutiny of passport receipts, passport fee register and statement of revenue deposited in the bank during April 2001 to March 2004 revealed that there was a short deposit of Government money amounting to GBP 15,398 equivalent to Rs. 11.58 lakh<sup>6</sup>.

In November 2004, the Ministry accepted the fact and stated that loss of Government money was due to defalcation by a local employee. To enforce strict monitoring, control and to avoid recurrence of any such loss in future, the Mission had taken several corrective measures such as periodic checking of records of Passport Wing by the Head of the Chancery and detailed instructions to the officials of the Passport wing.

## 6.10 Misuse of official powers for personal gains

**An officer during his tenure in Embassy of India Ulaanbaatar where he worked as Head of Chancery and also acted as Charge d'Affaire from time to time, deliberately acted for his personal gains amounting to Rs. 10.89 lakh.**

Audit scrutiny of records of the Embassy of India (Mission) at Ulaanbaatar, Mongolia revealed that an officer 'X' who had worked as the Head of

<sup>6</sup> At the official rates of exchange applicable to the respective months.

Chancery (HOC) and had also acted as the Charge d’Affaire at different points of time, misused his official powers, in disregard of the Government of India's rules and procedures, for his personal gains. Some of his acts clearly amounted to misappropriation of public money. Irregularities noticed during test check in audit are detailed below.

(a) ‘X’ had been residing in a flat hired at a rent of US\$ 1210 per month with effect from May 2002. On 15 January 2003 while acting as Charge d’Affaire he took on lease another flat at a monthly rent of US\$ 1500 from a lady and signed a lease agreement with her. Prior approval of the Ministry was not obtained for hiring a new accommodation at a substantially higher rent. Further, the officer used to receive six months’ advance rent i.e. US\$ 9000 (equivalent to Indian Rupees 4.34 lakh @ Rs. 48.25 per dollar) in cash from the Mission for giving to the lessor. He furnished receipts signed by her. Two such payments amounting to US\$ 18000 (equivalent to Indian Rupees 8.52 lakh @ Rs. 48.25 per dollar for the period 15 January 2003 to 14 July 2003 and 15 July 2003 to 15 January 2004) were received by him between January 2003 and August 2003. This action was grossly irregular and against Ministry's instructions as such payments were to be made through cheque or bank transfer only.

On the matter being pointed out in audit, Mission while admitting the above irregularities also informed in August 2004 that the lady who signed as the lessor had admitted that she was actually not the owner of the flat and had signed the lease deed on the request of ‘X’. Thus, the entire payment is suspect and needs to be thoroughly investigated

(b) As a part of Indo-Mongolian Joint School Project in Ulaanbaatar, four teachers were deputed to Mongolia to teach English and Mathematics at the Joint Indo-Mongolian Higher Secondary School. The Head of Mission deputed ‘X’ who was then HOC alongwith the Director of the School to hire accommodation for the teachers. Four flats were taken on lease on 1 September 2003, three each at a rent of US\$ 300 and one at US\$ 270 per month. The rent was payable for three months in advance. Audit noticed that Mission paid rent at rates higher than the agreed rent. During the period September 2003 to February 2004, the excess rent paid was US\$ 2250 equivalent to Rs. 1.02 lakh at the exchange rate of Rs. 45.55 per dollar. On the matter being pointed out in audit, Mission stated in August 2004 that this irregularity came to its notice in April 2004 and on inquiry it was stated by the Director of the School that higher payment was made on the advice of ‘X’ and he also produced original documents in which the original rental figures had



been changed by 'X' in his own handwriting. Mission also added that this irregularity had been reported to the Ministry in April 2004.

(c) Scrutiny of log book revealed that the officer had used staff car for personal use during February 2000 to September 2003 on 43 occasions for travelling 13881 kilometers (km). Further, a private visit to Russian Federation involving 1855 km was also undertaken by the officer in September – October 2001 without the approval of the Ministry. The total mileage of private journeys on staff car by the official was 15736 kms and thus Rs. 0.94 lakh @ Rs. 6 per kilometre should have been deposited by him.

(d) Apart from the above, Rs. 0.41 lakh was also recoverable from the officer on account of his claiming higher airfare on travelling by unapproved route during home leave passage, obtaining inadmissible reimbursement of expenditure on transportation of personal effects from one residence to another in the same station, overdrawal of daily allowance and hotel expenditure while on tour and incurring of unauthorised expenditure on repairs and maintenance of his residence.

Thus, the officer had deliberately and repeatedly acted for his personal gains to the extent of Rs. 10.89 lakh.

The Ministry stated in November 2004 that it was seized of the matter. An investigation of the Mission was carried out by the Additional Secretary (Administration) and Joint Secretary (Chief Vigilance Officer) in April 2004 as a result of which a departmental inquiry had been initiated against the officer.

#### **6.11 Avoidable expenditure on vacant accommodation**

**Consulate General of India, Hamburg maintained a vacant leased residence for more than 22 months, which resulted in an avoidable expenditure of Rs. 10.72 lakh.**

Para 7(6) of Annexure X of IFS (PLCA) Rules provide for vacant retention of a leased accommodation for a maximum period of three months beyond which retention would warrant approval of the Ministry. Instructions issued from time to time by the Ministry emphasize adherence to the rule.

Audit scrutiny of records of Consulate General of India, Hamburg (Post) revealed that the Post had kept one leased accommodation at Langelohstrasse, 144, 22609 Hamburg vacant for more than 22 months. It was observed that the

occupant left the Post on 30 September 2001 without announcement of the successor. A successor selected in April 2002 did not join the Post. Eventually, a successor joined the Post on 25 August 2003, nearly two years after departure of the predecessor. Retention of the leased accommodation was abinitio, unjustified as no successor had been announced upon expiry of the three months permissible retention period. Yet the Post did not seek approval of the Ministry for continued retention of the vacant leased accommodation despite the unambiguity in the delegated powers. This resulted in an avoidable expenditure of Rs.10.72 lakh on account of rent (Rs. 10.46 lakh), telephone and electricity charges (Rs. 0.26 lakh) from 1 October 2001 to 15 August 2003.

The Consul General in reply (June 2004) stated that the Vice Consul was solely in-charge of accounts and administrative matters and he had been given explicit instructions to arrange for the joining of the successor or de-hiring of the accommodation. Post further stated that it would seek ex-post facto sanction of the Ministry.

The negligence on the part of Post for retention of vacant accommodation for a period of more than 22 months without the approval of the competent authority resulted in an avoidable expenditure of Rs.10.72 lakh.

The matter was referred to the Ministry in July 2004; their response was awaited as of December 2004.

#### **6.12 Unjustified retention of advance by a Consul General**

**Consul General of India, Vancouver did not refund the unspent advance of C\$20446 equivalent to Rs. 6.01 lakh drawn by him in June 2000, in connection with two international conferences. He refunded the amount in July 2004, only after being pointed out by audit. The Consulate did not recover the penal interest of about Rs. 2.69 lakh recoverable under rules.**

Rules stipulate that advances drawn by a Government servant shall be adjusted within 15 days of completion of tour, failing which the entire amount together with interest shall be recovered. The rate of interest prescribed in this connection is two *per cent* over the interest rate allowed by Government on Provident Fund balances of its employees.

The Ministry of Petroleum and Natural Gas, in June 2000, requested Consul General of India, Vancouver, to arrange accommodation, transport etc. in respect of the Honorable Minister during his visit to Calgary, Canada, for

attending World Petroleum Congress, and to send the bills to the Cabinet Secretariat for adjustments. Similarly, the Ministry of Consumer Affairs and Public Distribution requested the Consul General to arrange payment of registration charges and for local tours in respect of a ministerial team visiting Regina, Canada in June 2000 to attend a conference arranged by International Grains Council.

The Consul General drew two advances of C\$ 22000 equivalent to Rs. 6.47 lakh and C\$ 11000 equivalent to Rs. 3.24 lakh from the Consulate, in June 2000, to meet expenditure in respect of the above visits and booked the amounts to the Department of Public Distribution and Cabinet Secretariat, respectively. On completion of the conferences, the Consul General refunded in June 2000 an amount of C\$ 12000 stating that C\$ 21000 had been spent at Calgary for which he and the Consul, who had also attended the Conference, would submit separate accounts. The Consulate credited the amount of C\$ 12000, so refunded by the Consul General, to the Department of Public Distribution. In July 2000, the Consul General credited an amount of C\$ 553.54, received as refund from Canada Grains Council to the Department of Public Distribution.

The Consul General neither submitted the accounts nor refunded the balance of C\$ 20446.46 during his tenure in the office despite being repeatedly pointed out by audit, since June 2001. The Consulate merely informed his next office of posting to recover the unspent advance by including it in the Last Pay Certificate issued in October 2003. An amount of C\$ 20446.46 remained outside the treasury for over three years.

The Consulate stated in August 2004 that the former Consul General had refunded the outstanding advance of C\$ 20446.46 equivalent to Rs. 6,81,481 in July 2004. The Consulate was, however, silent about the reasons for the delay in the refund and non-recovery of penal interest of about Rs. 2.69 lakh as required under rules.

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

**6.13 Recurring loss of interest due to injudicious retention of excess cash balance**

**Deficient internal control to ensure compliance to Ministry of External Affairs' instructions for not holding cash balance in excess of requirement by overseas Missions and Posts resulted in loss of interest of Rs. 1.38 crore despite audit observations on a number of occasions in the past.**

In terms of the existing instructions, the Missions/Posts abroad are permitted to retain funds to the extent required for six weeks. Cash requirement of Indian Missions and Posts abroad is met through monthly or periodical remittances, in foreign currency, by the Ministry of External Affairs. Such remittances as received by the Missions and Posts from time to time are usually retained by them in bank accounts that do not yield any return in the form of interest. In addition to the periodical cash remittances, Missions and Posts also generate revenue through consular services, which is also deposited in a similar manner.

The Missions and Posts continued to retain cash balance in excess of their six weeks' requirement although audit on a number of occasions in the past<sup>7</sup> had highlighted instances of retention of cash balances in excess of the prescribed requirement resulting in avoidable loss of interest. In pursuance of audit observations, the Ministry had also been repeatedly emphasising that Missions and Posts abroad should make a realistic assessment, every month, of their cash requirement covering a period of six weeks and ensure that any cash balance held in excess of requirement was either repatriated or adjusted against future remittances. Further, the Ministry had also specifically advised the Missions and Posts repeatedly in December 2000, July 2001, July 2002 and June 2003, that it was not mandatory to maintain cash balances to meet six week's requirement and that it should be possible to manage even by retaining a month's requirement.

Audit of various Missions and Posts abroad conducted between March 2003 and September 2004, however, revealed that even after repeated audit observations and Ministry's instructions, there was sufficient scope for improvement in cash management. Between April 2000 and July 2004, as many as 21 Missions and Posts (Almaty, Abu Dhabi, Algiers, Athens, Beirut, Berlin, Brunei, Bucharest, Canberra, Dar es Salaam, Kabul, Kyiv, Maputo,

<sup>7</sup> Refer para Nos. 4.4, 4.5, 8.14, 8.7, 9.4, 4.7 and 2.14 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, March 2002 and March 2003 respectively.

Nicosia, Port Louise, Singapore, Stockholm, Suva Fizi, Vienna, Wellington and Yangon) had retained cash balance in excess of their six weeks' requirement for varying periods ranging from nine to 48 months without proper justification. Of these, six Missions and Posts (Almaty, Athens, Berlin, Bucharest, Kyiv and Stockholm) 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. The estimated loss of interest computed at the rate of interest of 10.03 *per cent* on this account would work out to Rs. 1.38 crore. Relevant details in this regard are in the **Annex**.

Out of the 21 Missions and Posts, which held excess cash, three Missions/Posts (Athens, Berlin and Bucharest) admitted the lapse and assured compliance in future. The Mission at Stockholm stated in January 2004 that they had remitted US \$ 200,000 to the Ministry during November-December 2003 and stopped receiving remittances from the Ministry in these months.

That the Missions and Posts abroad should persistently retain cash balance in excess of requirement appears to indicate that the Ministry's instructions and periodical assurances have not been honoured. Persistent disregard of the Ministry's instructions leading to recurring loss of interest underscores the need for addressing the issue with greater seriousness for enforcing accountability.

The matter was referred to the Ministry in July/October 2004; their response was awaited as of December 2004.

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

Missions/Posts at	Period of examined in audit	No. of Months during which excess cash held	Maximum Amount of excess cash holding in a month	Loss of interest @10.03 per cent per annum
Abu Dhabi	July 2002 to February 2004	12	97.21	5.80
Algiers	June 2001 to May 2004	32	105.49	8.63
Almaty	April 2002 to March 2003	11	19.03	1.02
Athens	June 2002 to March 2004	11	41.75	2.18
Beirut	February 2002 to June 2004	26	61.93	4.57
Berlin	April 2002 to August 2003	14	121.76	7.03
Brunei	January 2002 to February 2003	9	19.94	0.86
Bucharest	November 2001 to May 2003	12	17.68	1.01
Canberra	May 2000 to March 2004	12	151.79	6.46
Dar es Salaam	April 2002 to March 2003	12	45.64	2.27
Kabul	January 2003 to July 2004	15	245.33	14.46
Kyiv	October 2002 to October 2003	13	221.87	14.04
Maputo	April 2000 to March 2004	48	227.66	19.66
Nicosia	September 2000 to March 2004	40	92.62	10.13
Port Louise	April 2001 to March 2004	20	91.08	4.53
Singapore	April 2001 to February 2004	15	215.23	7.23
Stockholm	April 2002 to May 2003	12	85.73	3.44
Suva Fizi	April 2000 to May 2004	18	65.36	3.58
Vienna	January 2003 to January 2004	13	117.14	8.93
Wellington	December 2000 to March 2003	22	42.04	3.09
Yangon	April 2002 to June 2004	24	103.91	8.80
<b>Total</b>				<b>137.72</b>

## CHAPTER VII : MINISTRY OF FINANCE

### Department of Disinvestment

#### 7.1 Sale of HCI hotels in Mumbai

**Sale transactions of two hotels, Juhu Centaur and Airport Centaur were finalised on the basis of single bids without the benefit of competition. Assumptions made during valuation of the properties and fixation of reserve price of Airport Centaur were not consistent with the practice followed by the Ministry in other cases. Repeated extensions and relaxations were allowed to the bidder of Juhu Centaur to facilitate the sale.**

Hotel Corporation of India (HCI), a wholly owned subsidiary of Air India, operated two five star hotels in Mumbai, Juhu Centaur and Airport Centaur. Disinvestment Commission appointed by the Ministry of Disinvestment recommended sale of these hotels in December 1997, which was accepted by Air India in July 1998.

The sale process encompassed valuation of the properties to arrive at the reserve price; invitation of Expression of Interest for acquiring the hotels; short listing the firms on the basis of their Expression of Interest package; executing confidentiality agreement by the short-listed firms, carrying out due diligence exercise\*; submission of the financial bids and selection of the successful bidder.

The sale process of the two hotels was started by Air India, who appointed the Global Advisor<sup>1</sup> in February 2000 and Asset Valuer<sup>2</sup> in June 2001. The sale process was managed by the Sub-committee constituted by Air India. Invitation of Expression of Interest for acquiring the hotels on a 'going concern'<sup>▲</sup>basis, short listing of bidders and the due diligence exercise were completed by May 2001.

In September 2001, based on a Government decision, the Ministry of Disinvestment took over the sale process. Ministry constituted an Evaluation Committee headed by the Joint Secretary and Financial Advisor of the

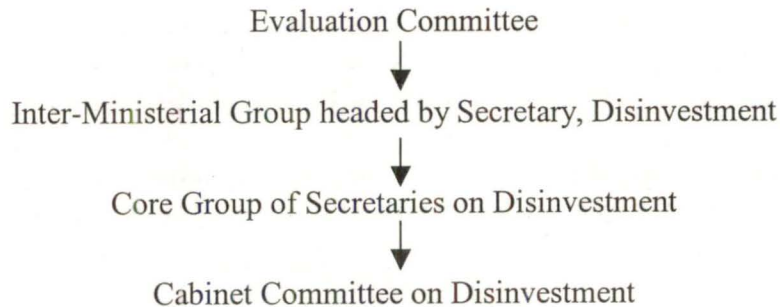
\* Task of carefully confirming all critical assumptions and facts presented to assess the desirability, value and potential of the business.

<sup>1</sup> Ms Jardine Fleming Pvt Ltd.

<sup>2</sup> Ms Kanti Karamsay & Co.

<sup>▲</sup> Going concern envisages continuance of operation of the business by infusion of superior technical and managerial skills besides additional capital

Ministry of Civil Aviation and comprising senior officers of Ministry of Disinvestment, Ministry of Finance, Department of Public Enterprises and Ministry of Civil Aviation and Managing Directors of Air India and HCI, for managing the process with the following channel of approvals:



Expressions of Interest were received in October 2000 from 20 parties for Juhu Centaur and 21 parties for Airport Centaur. In case of Juhu Centaur, three parties were disqualified, 16 withdrew leaving a solitary bidder, M/s Tulip Hospitality Services Private Ltd. in fray. In case of Airport Centaur, four were disqualified, 13 withdrew and the remaining four carried out due diligence exercise. However, only one bidder, M/s Batra Hospitality Private Ltd., submitted the financial bid. Thus, from the point of financial bidding, both sales finally turned out as single bidder transactions.

The sale of Juhu Centaur was concluded in March 2002 realising Rs. 153 crore. Airport Centaur was sold in April 2002 at Rs. 83 crore. Audit of the transactions disclosed the following:

### ***Limited Competition***

In cases of disinvestments, competition cannot be relied upon to emerge unless positive steps are taken by the seller to encourage bidders to come forward. Audit could not check the adequacy of the competition generated, as the efforts of the Government in generating adequate competition and maintaining the competitive tension were not evident from records. Log of contacts, communication with the bidders and reasons for withdrawal of sixteen parties in case of Juhu Centaur and thirteen parties in case of Airport Centaur without carrying out due diligence were not documented. The Ministry in its reply in January 2005 stated that the decision of interested parties to withdraw from the process was their own commercial decision and the Global Advisor was not able to positively influence such decisions beyond a point. Even then repeated efforts were made *verbally* by the Global Advisor to keep their interests alive. Ministry further stated that in future it would be ensured that all Advisors



maintain uniformity by documenting communications with prospective purchasers, maintaining a log of all contacts and other communications. The reply does not address the concern of Audit regarding evidence of Government's involvement and specific efforts to deal with limited competition throughout the sale process.

***Inconsistencies in assumptions made for valuation of hotels***

**DCF method:** The DCF method expresses the present value of a business as a function of its future earning capacity. Future cash flows are discounted at an appropriate discount factor. Annual cash flows are obtained by deducting the annual tax outflow inclusive of the tax shield enjoyed on account of debt service, incremental amount invested in working capital and capital expenditure from the year's profit before depreciation and tax. The discount factor is a function of the debt-equity ratio, cost of debt and cost of equity. Assumption of higher cost of debt and equity will increase the discount factor leading to under valuation.

The Global Advisor valued both the properties in November 2001 using four approved valuation methodologies, Discounted Cash Flow (DCF) method, Peer Group Comparables method, Balance Sheet method and Asset Valuation method to enable fixation of reserve price for the sale. Of the four methodologies, the Evaluation Committee fixed the reserve price based on the DCF method.

Using the DCF method, the Global Advisor arrived at a range of values from Rs. 81.70 crore to Rs. 121.60 crore for Juhu Centaur and Rs. 63.20 crore to Rs.88.90 crore for Airport Centaur. Audit noticed inconsistencies in assumptions underlying the valuation process, which lowered the enterprise value of the properties.

- (i) *Assumption of higher cost of debt:* For the valuation of both hotels, the Evaluation Committee accepted Global Advisor's assumption of a flat corporate tax rate, ignoring surcharge on income tax. Assumption of lower tax rate increased the cost of debt to 8.45 *per cent*. Had surcharge at two *per cent* (the rate of surcharge in 2002-03) been considered, the cost of debt would have been lower at 8.36 *per cent*. Assumption of higher cost of debt resulted in lower valuation of both the properties at Juhu and Airport Centaur.

Ministry stated that while the basic corporate tax rate (35 *per cent*) had remained constant, the surcharge had changed and hence was deliberately ignored. However, audit noted that during February 2001 to January 2002, in valuation of several other cases of disinvestment of Bharat Aluminium Company Ltd., Indo Burma Petroleum Company

Ltd., Computer Maintenance Corporation Ltd. and Hindustan Teleprinters Ltd., surcharge of two *per cent* or more was reckoned for valuation and this was accepted by the Ministry. Ministry's approach was thus inconsistent. Further, surcharge had been a near constant addition to corporate tax. Over a ten-year period 1995-2005, surcharge was levied for eight years, the highest being 15 *per cent* and the lowest being two *per cent*. Thus prudence demanded that in view of continuance of surcharge year to year, its impact be taken into account in the valuation of the business.

- (ii) *Assumption of higher cost of equity*: The Evaluation Committee accepted the Global Advisor's assumption of risk free rate\* on the basis of yield over 25 years in case of both the hotels, against ten years considered for other cases of disinvestments of Bharat Aluminium Company Ltd., Indo Burma Petroleum Company Ltd., Videsh Sanchar Nigam Ltd., Computer Maintenance Corporation Ltd. and Hindustan Teleprinters Ltd. With consideration of longer period, the risk free rate was reckoned higher at 9.9 *per cent* against 9.3 *per cent* for 10-year period. With assumption of longer period, the cost of equity\* increased, which depressed the value of the property.

Ministry stated in June 2004 that equity has an indefinite maturity and since government bonds of indefinite maturity do not exist, a GOI bond of a long duration of 25 years was taken.

Ministry further stated in January 2005 that these assumptions and methodology could differ from one expert to another. The reply is not tenable as while experts may differ on valuation methodology, it is essential for the Ministry to ensure consistency in the internal assumptions made during valuation in any one methodology. This assumes further significance in the event of a single bidder case where valuation is the only benchmark for evaluation of the bid.

### ***Airport Centaur: Inconsistent approach in fixing the reserve price***

Following valuation, the Evaluation Committee fixed the reserve price. Audit noted inconsistency in fixing the reserve price for Airport Centaur as discussed below:

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\* Risk free rate is the yield to maturity on GOI securities based on current traded value over a long term tenor beyond the forecast period.

\* Cost of equity = Risk free rate + (equity risk premium x  $\beta$ ), where  $\beta$  (beta) of a company reflects the underlying risk of a business over and above the stock market risk.

The valuation ranges for Airport Centaur arrived at by the Global Advisor was Rs. 63.20 crore to Rs. 88.90 crore with a base case value<sup>▼</sup> of Rs. 76.20 crore. The Evaluation Committee in November 2001 fixed the reserve price at the base case value of Rs. 76.20 crore. Financial bid received from the sole bidder was Rs. 65.00 crore; lower than the reserve price. Hence the bid was not accepted in November 2001.

In December 2001, to secure better response from prospective bidders, the Cabinet Committee on Disinvestment approved reduction of turnover levy payable to Airports Authority of India (AAI) from six to two *per cent*. The reduction of the turnover levy had the impact of raising the value of the property.

The Global Advisor valued the property afresh in January 2002 with the lower turnover levy<sup>⊕</sup> and arrived at a higher valuation range of Rs. 78.30 crore to Rs. 105.70 crore with a base case value of Rs. 92 crore. The Evaluation Committee, however, in January 2002, fixed the reserve price at the minimum of the range at Rs. 78.30 crore instead of at the base case value of Rs. 92 crore. By deviating from the earlier practice, the reserve price got depressed by Rs. 13.70 crore. The bids were invited from the four Qualified Interested Parties of the earlier round and the same bidder submitted the sole bid of Rs. 83 crore, which was Rs nine crore lower than the base case value though higher than the minimum value.

The Evaluation Committee had fixed the reserve price at the base case value not only for Airport Centaur in the first round but also for the other hotel, Juhu Centaur. The same committee chose to fix the reserve price at lower than the base case value in the second round for Airport Centaur. The Ministry's inconsistent approach, which resulted in a lower reserve price, appears peculiar.

The Evaluation Committee justified (January 2002) lowering the reserve price on the grounds that

- The Global advisor had adopted higher occupancy of airport hotels compared to industry average in valuation despite the fact that there had been significant increase in hotel room capacity in Mumbai,

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▼ Base case value is the median of a range of values arrived at under DCF method.

⊕ Amount on turnover to be paid to Airport Authority of India as turnover levy.

- significant capital expenditure would be required in order to upgrade the rooms besides aggressive marketing, to reach the assumed level of occupancy,
- depressed condition prevailed in the hotel, tourism and aviation industry after the events of September 11, 2001.

The contention that higher occupancy had been adopted is questionable, as historically airport hotels in Mumbai had enjoyed higher occupancy than the industry average. Further, the Global Advisor had assumed the occupancy rate on the basis of CRIS INFAC Report 2001 and had already considered decline in occupancy rates during 2003 and 2004 due to excess supply of rooms. The other assumption that higher capital expenditure was required to maintain the occupancy level is also not tenable, as Global Advisor had already assumed a significantly higher cost of renovation of rooms at Rs. 7.5 lakh per room against Rs. 4.30 lakh to Rs. 5.50 lakh estimated in the capital budget of HCI for the years 2001-02 and 2000-01 respectively. The post September-11 depressed condition in the industry was a transient feature. Assuming existence of a short-term condition over a long period was questionable.

Ministry in January 2005 justified fixing of reserve price at minimum of the range on the ground that all the members of the Evaluation Committee were well conversant with hotel/ tourism industry and prevailing physical/ financial situation of the hotel. After considering the pros and cons, they had arrived at the decision on both the occasions. It further stated that the land/ building of the hotel was transferred to the purchaser on lease for 29 years and Rs. 81.25 crore would be received by the AAI over the period of lease.

Ministry's response is not tenable considering that all factors remaining the same, even the bidder had revised the bid upwards from Rs.65 crore to Rs.83 crore, an increase of Rs.18 crore. The Evaluation Committee, however, changed its approach in the second round, which resulted in only Rs. 2 crore being added to the earlier reserve price even after lowering of the turnover levy. The effect of the reduction of turnover levy on the revenues of Airport Authority of India has already been commented upon in the report of the Comptroller and Auditor General, Union Government- Commercial (Public Sector Undertakings) No. 3 of 2004.

#### ***Juhu Centaur: Relaxations in the transaction***

Audit noted certain inconsistencies in the relaxations/ deviations that were offered to the sole bidder of Juhu Centaur hotel. These are discussed below.

- (i) *The scrutiny of the financial strength of the bidder was inadequate:* The bidder at the Expression of Interest stage in October 2000 had furnished uncertified accounts of M/s Cox and Kings Travels and Finance Ltd. (renamed M/s Tulip Star Hotels Ltd.) for two years instead of three years, as required to be furnished in the Expression of Interest package for assessment of their financial strength. However while submitting the financial bid in November 2001, the bidder indicated that a company incorporated in September 2000, named M/s Tulip Hospitality Services Private Ltd. with an issued and paid up capital of Rs. 2000 would be used by M/s Tulip Star Hotels Ltd as a special purpose vehicle for acquiring the Juhu Centaur property. Further, as per the requirement of the financial bid package, the bidder had indicated the source of funds for acquisition as from a bank registered in a small island country in the north pacific region. It was indicated that the said bank had agreed for conditional approval to finance the deal subject to certain active compliances required from the bidder. With conditional approval for finance, the availability of funds was rendered uncertain. Thus, accepting the financial bid of the bidder without a clear indication of source of funds necessary to finance the deal was against the prescribed requirements of the financial bid package.
- (ii) *Repeated extensions granted to the bidder:* As per the decision of the government, the bidder was required to deposit the entire purchase consideration and execute the Agreement to Sell and Escrow Agreement by 22 December 2001. However, three extensions between 22 December 2001 and 10 March 2002 including several other relaxations as detailed below were allowed to the bidder.

Unable to arrange for funds, the bidder requested (December 2001) and the Ministry granted extension upto 31 January 2002. A condition of the extension was that the bidder would deposit Rs. 15.30 crore by 31 December 2001 and Ministry would charge interest on the balance for the extension period. The rate of interest was however not specified. The bidder contended on 26 December 2001 that interest was not leviable, as they had sought extension for valid reasons, which Ministry had granted on merits. Accepting the bidder's arguments, Ministry did not charge interest. The bidder deposited a conditional cheque of Rs. 15.30 crore on 31 December 2001, which could be encashed only if the bidder entered into an Agreement to Sell. As

Agreement to Sell was to be signed only at the close of the transaction, it in effect meant that the cheque could not be encashed.

At the end of the revised extended period of 31 January 2002, the bidder again requested for extension upto 9 March 2002 to complete the transaction. Ministry conceded and revised the schedule for payment in February 2002.

- (iii) *Bank guarantee not encashed despite breach of terms and conditions:* The Ministry did not encash the bank guarantee of Rs. five crore submitted by the bidder with the financial bid when the first deadline of 31 January 2002 was not adhered to. The bidder also defaulted in the payment of the first installment of Rs.5.30 crore on 15 February 2002, the date agreed to in the second revised payment schedule. The Ministry, this time, contemplated invoking the bank guarantee and communicated the same to the bidder. However, following a meeting with the bidder on 23 February 2002, the guarantee was not encashed this time also.
- (iv) *Ministry did not charge interest on delayed payment:* The sale transaction was completed on 11 March 2002. The interest chargeable on the delayed payment @ 10.48 per cent (the then average rate of GOI borrowing) for the period from 22 December 2001 to 11 March 2002 was Rs. 3.12 crore. The Ministry allowed extensions without charging interest on delayed payment by acceding to the request of the bidder.
- (v) *Ministry intervened to facilitate financing of the deal:* As per the financial bid, the source of funds was a foreign bank, which was subsequently changed by the bidder to the consortium of Public Sector and Private Sector banks in February 2002. One of the Public Sector banks had imposed a condition that the Agreement to Sell with HCI should be signed before making disbursement towards financing the deal. On the request of the bidder, the Ministry intervened in January 2002 with this bank, which not only agreed to relax the condition imposed by it earlier but also became the lead banker for the deal subsequently in February 2002. On 23 February 2002, the Ministry again had a meeting with the consortium of banks, in which it was decided that the banks would sign the loan agreements with the bidder and deposit their respective commitments with the lead banker, on 9 March 2002. The Ministry also agreed to change the Escrow Agent at

the request of the bidder, appointing the lead financier of the bidder as the agent in place of the existing agent. The change violated the premise of the draft Escrow Agreement that the Escrow Agent should not have an interest in the outstanding purchase price deposited in the Escrow Account. With the change in Escrow agent, the aforementioned clause of the agreement was also deleted.

Ministry stated in January 2005 that in several other cases, Department of Disinvestment permitted that share capital of the company could be acquired and held either through an investment vehicle (SPV) or through direct holding in the company so long as the parent company undertook to fulfill the obligations. However, the Ministry's reply is silent on the issues relating to inadequate assessment of financial strength of the bidder.

Further Ministry justified the extensions and relaxations granted to the bidder on the following grounds:

- completion of sale of Juhu Centaur at a price Rs. 153 crore that was well above the determined reserve price of Rs. 101.60 crore was desirable as the process would have to be started de novo involving considerable loss of time and effort and in the post- September 2001 hospitality industry environment, likelihood of fetching the higher price was uncertain.
- the hotel had started incurring losses and its turnover and occupancy rate were also falling.
- the meeting in Ministry of Disinvestment was held on the request of the bidder to provide an opportunity to demonstrate its intent to close the deal.
- the government's interest was protected, as the bank guarantee of Rs. 5 crore was valid till 31 March 2002 and the government had retained its right to invoke the bank guarantee in the event of the bidder failing to comply with its obligations.
- the banks provide the finance after carefully appraising the proposal and satisfying through their due diligence process that the proposal conforms to the prudential norms, prescribed financing limits and had approval of the Board of Directors.

The reply of the Ministry has to be viewed in the light of the fact that Juhu Centaur was making profits until the decision to sell was taken in 1998. Its financial condition deteriorated after the disinvestment process started and its future status became uncertain, a large part of the hotel was under major renovation and this unit of HCI was in possession of potential tangible assets. It also has to be kept in mind that in this case even the adjusted asset value of the hotel was Rs. 134 crore, i.e. Rs.32.40 crore higher than the reserve price. The fact remains that due to inadequate initial scrutiny of financial strength of the bidder, the Ministry had to relax several conditions and make interventions at a later stage to ensure conclusion of the sale, which cannot be viewed as good practice.

**Conclusion:**

Thus, both transactions became sole bidder cases without the benefit of competition. In the absence of operation of the market effectively, the issue becomes central. It was observed that valuation of the properties and fixation of reserve price were not consistent with the practice followed by the Ministry in other cases. Various relaxations allowed to the bidder and interventions by the Ministry to facilitate the sale, indicated inadequate efforts to mitigate the risk of transaction in a limited competition scenario. The efforts made to balance the need and urgency to sell the properties and to obtain the best possible price from the sale were also not evident.

Ministry should adequately and transparently document every stage of the disinvestment process and adopt a consistent approach with regard to the assumptions made during valuation and fixation of reserve price, in the light of previous experiences.

**Department of Economic Affairs**

**7.2 Unauthorised expenditure on media campaign**

**Ministry of Finance did not obtain the approval of the Parliament before incurring an expenditure of Rs. 63.23 crore on media campaign. The Ministry incurred the expenditure through diversion of funds although this activity was not contemplated in the annual budget and was, therefore, a New Service/New Instrument of Service.**

The Constitution of India stipulates that no money should be withdrawn from the Consolidated Fund of India except under appropriation made by law. When need for expenditure on a new service not contemplated in the annual budget arises, a supplementary demand for grant should be placed before the



Parliament for approval. No expenditure can thus be incurred from the Consolidated Fund of India on a 'New Service'/ 'New instrument of Service' without the approval of the Parliament.

The Ministry of Finance, in consultation with the Comptroller and Auditor General of India and with the approval of Public Accounts Committee had issued necessary guidelines in April 1982 in this regard. The powers of the Ministries/Departments to re-appropriate savings available under a sub-head in a Grant for meeting additional requirement under other sub-heads within that Grant are, inter-alia, subject to the condition that the expenditure involved is not on a 'New Service' or 'New Instrument of Service' or new activity which was not brought to the notice of the Parliament earlier.

The Ministry mooted in September 2002 a proposal for launching a media campaign for highlighting the benefits of economic reforms, creating awareness and developing broad constituency among common people in favour of these reforms. Since this activity was a New Instrument of Service, Ministry was required to bring it to the notice of the Parliament before incurring any expenditure on this activity. Ministry, however, failed to make any budget provision in 2003-04.

The Empowered Sub-Group set up in September 2003 under the chairmanship of Chief Economic Advisor, Ministry of Finance for overseeing the implementation of the publicity programme decided that a full-fledged media campaign be launched and the expenditure met with sponsorship from various stakeholders in the economic reforms i.e. banks, financial institutions and the corporate sector. A comprehensive media campaign plan for audio-visual and print media was drawn and offers were invited from various agencies for production of publicity material. Campaign material of two advertisement agencies styled as 'India Shining' were approved in October 2003 for release to various newspapers and TV channels in three phases, in October 2003 (Phase-I), December 2003 – January 2004 (Phase-II) and February 2004 or till the model code of conduct for Parliamentary elections came into effect (Phase-III). An expenditure of Rs. 63.23 crore was incurred during this period on the programme by re-appropriating Rs. 68 crore from the sub-head 'Co-operation with other countries' to a sub-head 'Other Expenditure' under Major Head 3605 in Demand No. 31- Department of Economic Affairs for 2003-04. The action of the Ministry in not obtaining prior approval of the Parliament before incurring expenditure on the said activity, which was a 'New Service/New Instrument of Service', was unauthorised.

The Ministry stated in October 2004 that the notes below Demand No. 31 (Major Head 3605) mentioned that the provision was to support an overall, general and imaginative promotion of India, its trade and foster techno-economic and intellectual progress with other countries and as such it did not attract the limitations of 'New Service/New Instrument of Service'. The reply is not tenable in view of the constitutional requirements regarding appropriation. Further, the nature and purpose of the campaign did not fit in under this Major Head, which covered various promotional activities in relation to ties with other countries. The entire expenditure incurred thus constituted 'New Service/New Instrument of Service' and needed regularisation.

### 7.3 Idling of funds and short-recovery of penal interest

**Release of Rs. 4.86 crore by the Ministry to Securities and Exchange Board of India (SEBI) in the last month of the financial year 1998-99 for being spent in that very year without proper assessment of the requirement of SEBI resulted in idling of Rs. 2.93 crore for 28 months. The Ministry also short recovered Rs. 35.85 lakh towards penal interest.**

The Ministry decided in November 1997 to bring 'collective investment schemes' under the regulatory framework of Securities and Exchange Board of India (SEBI). With a view to get a better understanding of the 'Collective Investment Schemes' before framing appropriate regulations for these schemes, SEBI decided to carry out special audit appraisal of top 100 entities in terms of mobilization of investment from public and submitted (March 1998) an estimate of Rs. 4.86 crore to the Ministry. The Ministry released (March 1999) a grant of Rs. 4.86 crore to SEBI subject to the condition that it would refund the unspent amount to the Government. SEBI requested for extension of the time limit for utilising the grant from time to time on grounds of lack of cooperation and non-production of records by the companies. Extensions for utilisation of the grant were granted by the Ministry till September 2000. The request for further extension beyond September 2000 was turned down in March 2001. Out of Rs. 4.86 crore, SEBI could utilise Rs. 1.93 crore only by September 2000. However, it refunded the unspent amount of Rs. 2.93 crore only in July 2001. Penal interest @ six per cent per annum amounting to Rs. 5.17 lakh was charged by the Ministry under Notes 2, 3 and 4 below Rule 149 of General Financial Rules (GFRs) from SEBI on the unspent amount of grant for the period from 1 April 2001 to 16 July 2001.

Releasing Rs. 4.86 crore by the Ministry in the last month of the financial year, for being spent in that year itself, is indicative of funds being released

without proper assessment of the anticipated expenditure. Only Rs. 1.93 crore was spent, leaving Rs. 2.93 crore, idle from 16 March 1999 to 16 July 2001. During this period the Government borrowed funds at interest rates ranging between 9.30 *per cent* to 10.30 *per cent per annum*. The cost of Rs. 2.93 crore which idled with SEBI outside the Government account for over 28 months amounted to Rs. 68.54 lakh. Further, although the Ministry had refused SEBI's proposal for extension of time for utilising the amount beyond 30 September 2000, it charged SEBI penal interest of Rs. 5.17 lakh @ six *per cent* not from the date of release but for the period 1 April 2001 to 16 July 2001 on the ground that the refusal was communicated to SEBI only in March 2001. The action of the Ministry was against the provision contained under Notes 2 and 3 below GFRs, which provides that six *per cent* penal interest is chargeable on the unutilised grant from the date of release till the date of recovery. Accordingly, penal interest of Rs. 41.02 lakh was recoverable from SEBI for the period March 1999 to July 2001. Thus, Ministry short recovered the penal interest by Rs. 35.85 lakh.

On the matter being pointed out by audit, the Ministry simply forwarded SEBI's communication of May 2004 through which the latter had clarified that they had spent Rs. 4 crore out of the grant of Rs. 4.86 crore up to September 2003 but the Government had disallowed expenditure on certain items such as payment of salary, travelling allowance, conveyance allowance etc. on the grounds that these did not conform to the purpose for which the grant was intended.

The clarification provided by SEBI indicates that the Ministry had released funds in a rush without proper assessment of the requirement of SEBI.

**CHAPTER VIII : MINISTRY OF HEALTH AND FAMILY  
WELFARE**

**Government Medical Stores Depot, Kolkata**

**8.1 Expiry of Anti-TB drugs and X-Ray film**

**Failure of the DGHS to issue the release order in time and take effective action against the procurement agent for replacement of sub-standard drug resulted in expiry of Anti-TB drugs and X-Ray film valuing Rs. 66.16 lakh in GMSD, Kolkata. Consequently, the drug and the film could not reach the patients for whom these were meant, defeating the very purpose of procurement.**

Procurement agents selected by the Ministry of Health and Family Welfare procure Anti-TB drugs/items for the Revised National TB Control Programme. The Government Medical Store Depot (GMSD), Kolkata receives the Anti-TB drugs/items through the suppliers of the procurement agents. On receipt of release order from the Central TB Division of Director General of Health Services (DGHS), New Delhi, GMSD distributes the Anti-TB drugs/items to the District TB Centres.

Test check of the records of GMSD in March 2004 revealed that 55,162 pouches of SSC combipack, an Anti-TB drug, valuing Rs. 28.67 lakh and 8864 rolls of X-Ray film valuing Rs. 23.84 lakh received during 1999-2000 to 2000-01 as part of the Revised National TB Control Programme, had expired in the store of GMSD between February and November 2002 due to non-receipt of release order from the DGHS. It was noticed in audit that GMSD had requested the DGHS several times for issuing the release order to avoid expiry of the drug/film. Reason for non-issue of release order(s) by the DGHS, however, could not be ascertained from the records of GMSD.

Audit further noted that 3,228 boxes of CAT-I, another Anti-TB drug, valuing Rs. 13.65 lakh received during 2000-01 under the same programme, were found to be sub-standard by GMSD on testing in its laboratory in July 2001. In the same month GMSD brought the matter to the notice of the DGHS. DGHS requested the procurement agent to take necessary action against the supplier. In January 2002, GMSD informed the DGHS that the procurement agent had taken no action to replace the sub-standard drug by fresh stock. DGHS again took up the matter in January 2002 with the procurement agent. Accordingly, representatives of the procurement agent and the supplier collected samples of the drug in January 2002, six months after the drugs were declared sub-standard by GMSD. Records of GMSD showed that the DGHS had taken no further action in the matter after January 2002. Shelf life of the

drugs expired in February-May 2002, but neither the procurement agent nor the supplier had replaced the sub-standard drugs with fresh stock (August 2004).

In July 2003, GMSD sought instruction from the DGHS for disposal of the expired drug/film but the disposal order had not been received till August 2004.

Thus, failure of the DGHS to issue the release order in time and take effective action against the procurement agent for replacement of sub-standard drug with fresh stock resulted in expiry of Anti-TB drugs and X-Ray film valuing Rs. 66.16 lakh in GMSD. Consequently, the drugs and the film could not reach the patients for whom these were meant, thereby defeating the very purpose of procurement.

The matter was referred to the Ministry in July 2004; their reply was awaited as of February 2005.

### **Department of Health**

#### **Lady Hardinge Medical College & Smt. Sucheta Kriplani Hospital**

##### **8.2 Non-recovery of electricity charges**

**Lady Hardinge Medical College & Smt. Sucheta Kriplani Hospital incurred avoidable extra expenditure of Rs. 97.17 lakh during April 1997-July 2004 on account of its failure to obtain electricity connection at domestic rate for its staff quarters. Of Rs. 51.86 lakh recoverable from the occupants even at domestic rates, LHMC had recovered only Rs. 5.75 lakh after the matter was pointed out in audit.**

Lady Hardinge Medical College (LHMC) & Smt. Sucheta Kriplani Hospital were supplied electricity for the hospital by New Delhi Municipal Council (NDMC) at non-domestic tariff of Rs. 5.23 per unit upto August 2001 and at Rs. 6.37 per unit thereafter. LHMC provided electricity to its 127 staff quarters from this supply for which the occupants paid at domestic tariffs ranging from Rs. 1.05 per unit to Rs. 3.78 per unit, on the basis of meter readings taken by the staff member of Central Public Works Department (CPWD) upto March 1997.

From April 1997, CPWD stopped taking meter readings in respect of electricity consumed in staff quarters. LHMC did not make any arrangement for meter reading and asked CPWD in July 2001 to suggest the average monthly consumption of electricity for different categories of staff quarters. The CPWD intimated in October 2001 that the average monthly consumption ranged from 200 to 800 units. Although LHMC decided to start recovery of

electricity charges from the salaries of November 2001 on the basis of average monthly consumption, it did not actually do so as the occupants represented that the recovery should be made on the basis of actual meter reading. Electricity charges remained unrecovered.

It was noticed in audit that LHMC had taken up the matter of providing separate domestic connections in the residential complex with NDMC in March 1993. The latter expressed their inability to do so in April 1993. Thereafter, LHMC did not make sustained efforts to get individual domestic connections in their residential complex and as a result the electricity consumed in the staff quarters was being subsidised by them even as of July 2004.

LHMC paid Rs. 149.03 lakh for the domestically consumed electricity at higher non-domestic tariff (worked out by audit on the basis of average monthly consumption suggested by CPWD) between April 1997 and July 2004. Against this, the amount recoverable from the allottees at domestic rate worked out to only Rs. 51.86 lakh. The extra expenditure of Rs. 97.17 lakh could have been avoided had LHMC made serious efforts to obtain domestic connections for the residential complex. Further, electricity charges even at domestic rates had not been recovered over this period.

LHMC stated in August 2004 that at the instance of audit it had started recovery of outstanding electricity charges for the period from April 1997 to June 2003 from the staff members at easy monthly instalments and had recovered Rs. 5.75 lakh upto June 2004. It was further stated that individual meters were yet to be installed in the residential complex and the matter had been taken up with NDMC. In the meanwhile electricity charges at flat rates varying from Rs. 250 to Rs. 1000 per month, depending upon the accommodation provided, was being recovered for current consumption from the salary of the staff from July 2003 onwards.

Thus, failure of LHMC to make any concerted efforts and take concrete action for installing individual domestic meters in the residential complex resulted in avoidable expenditure of Rs. 97.17 lakh. Out of Rs. 51.86 lakh recoverable at domestic rates for the period April 1997 to July 2004, LHMC recovered only Rs. 5.75 lakh upto June 2004 from the occupants of the staff quarters.

The matter was referred to the Ministry in August 2004; their reply was awaited as of February 2005.

## **Central Government Health Scheme, Pune**

### **8.3 Irregular payment of patient care allowance to ineligible employees**

**Central Government Health Scheme, Pune made irregular payments of patient care allowance of Rs. 26.12 lakh to ineligible ministerial staff.**

Mention was made in paragraph 10.1 of the Comptroller and Auditor General's of India Audit Report (Union Government Civil) No. 2 of 2002 regarding incorrect payment of Patient Care Allowance (PCA) to the ministerial Group C and D employees working in Headquarters and Zonal offices of Central Government Health Scheme (CGHS). Ministry has so far (August 2004) not submitted the Action Taken Note on the Paragraph.

Scrutiny by audit in April 2004 of pay bills relating to the period from December 1998 to March 2004 revealed that CGHS, Pune had extended the benefit of PCA to 60 ministerial staff i.e. Office Superintendent, Accountant, Stenographer, Hindi Translator etc. and paid Rs. 26.12 lakh till March 2004. Payment of PCA to employees who were not directly involved with patient care was irregular.

In reply CGHS, Pune stated in April 2004 that all the Group 'C' and Group 'D' non-ministerial staff were entitled for payment of PCA. The reply is not acceptable as the allowance has to be restricted to those dealing with patient care services. The Ministry in reply stated in September 2004 that a note for consideration of the Cabinet for granting PCA to all employees has been submitted on which final decision is awaited.

## **National Institute of Communicable Diseases**

### **8.4 Irregular payment of conveyance allowance**

**National Institute of Communicable Diseases paid conveyance allowance amounting to Rs. 20.03 lakh during 2001-02 to 2003-04 to ineligible officers/ professionals.**

The Government of India had sanctioned conveyance allowance at different rates from time to time to specialists/general duty medical officers of the Central Health Service (CHS) working under the Central Government Health Scheme (CGHS) and non-CHS medical officers/specialists working in hospitals. These orders were further extended to non-medical (Group 'A') Specialists/Scientists working under Director General of Health Services

(DGHS)/Ministry of Health and Family Welfare institutions from March 1990. The allowance was payable for making a minimum number of 20 domiciliary visits during a month in case of the former and an equal number of visits to the hospital outside working hours in respect of the latter category. The allowance was payable on fulfillment of certain prescribed conditions including providing a certificate to the effect that the expenditure incurred on domiciliary/hospital visits was not less than the amount claimed as conveyance allowance.

Audit scrutiny of the National Institute of Communicable Diseases (NICD), New Delhi revealed that their officers holding the rank of Joint Director/Deputy Director and other technical officers were being paid conveyance allowance ranging from Rs. 450 to Rs. 1650 per month as per the mode of conveyance being used by the officers. The nature of duty of the officers/professionals posted at NICD, which is an institute for imparting training and conducting research in various aspects of communicable diseases, was such that they were not required to pay domiciliary visits as part of their normal duty. Further, NICD had eleven vehicles for taking their officers and staff to any place in connection with their duty. The payment of conveyance allowance by the NICD to its personnel was, thus, irregular. The irregular payment of conveyance allowance made to 51 officers amounted to Rs. 20.03 lakh during 2001-02 to 2003-04.

NICD stated in August 2003 that they were paying conveyance allowance to the Central Health Service Grade 'A' Officers and non-medical Grade 'A' Specialists/Scientists who were performing other official duties or visiting the institute after duty hours on their furnishing certificates. NICD had requested the Director General Health Services in August 2003 for a decision on whether recoveries of conveyance allowance were to be effected in these cases. The matter was still under correspondence with the last reference being issued by NICD in September 2004.

The matter was referred to the Ministry in November 2003 and July 2004; their reply was awaited as of February 2005.



## CHAPTER IX : MINISTRY OF HOME AFFAIRS

### Central Para Military Forces

#### 9.1 Unintended subsidy to states/PSUs

**Despite their assurance, Ministry failed to rectify deficiencies in the system of recovery of outstanding dues from state governments and public sector undertakings for deployment of Central Para Military Forces resulting in outstanding dues of Rs. 2399.55 crore. The delay has resulted in Rs. 372.38 crore due from 26 PSUs becoming irrecoverable.**

Mention was made in the Report of the Comptroller and Auditor General of India for the year ended March 1999 (No. 2 of 2000) about outstanding of Rs. 796.24 crore as at the end of March 1999 against various State Governments for deployment of Central Para Military Forces for maintaining internal security during 1992-99. Likewise, Rs. 354.88 crore was outstanding at the end of March 1999 against 226 public sector undertakings (PSUs) for services provided by Central Industrial Security Force (CISF).

In the Action Taken Note submitted in July 2000, the Ministry had admitted that the arrears were due to deficiency in the existing system including the system of internal control and the failure to follow the prescribed system and procedure. The Ministry had further stated that a Policy Planning Group (PPG), set up to look into the modalities for recovering the outstanding dues had recommended the following measures, which 'were being worked upon':

- For the States affected by left wing terrorism, viz. Andhra Pradesh, Bihar, Maharashtra, Madhya Pradesh and Orissa, 50 per cent deployment charges be levied for the period from April 1996 to March 2001.
- In respect of Delhi, Punjab, Tamil Nadu and Uttar Pradesh, joint meeting with the representatives of the states was recommended. However, in respect of Delhi the liability was regarded to be that of Government of India.
- Adjust the outstanding dues upto a limit not exceeding 50 per cent against releases under modernisation programmes to states.
- Recovery from Punjab, Andhra Pradesh and Bihar could be made from the Central Plan Assistance with the approval of the Cabinet.

It was however noticed in audit that the outstanding dues from state governments had increased to Rs. 1784.56 crore as of March 2004, an increase of 124 *per cent*. The state wise details of the outstanding dues are given in **Annex**.

On the matter being pointed out in audit, Ministry stated (December 2004) that recommendations of PPG had been examined in consultation with Ministry of Finance and it had been decided in the case of left wing extremism affected states to recover the dues by adjustment of upto 50 *per cent* from their security related expenditure and the balance from their reimbursable amount for Civil Defence, Border Check Posts, Immigration etc. In case of Delhi, Ministry of Finance agreed to provide additional funds to clear the entire dues within three years from 2003-04. In respect of other states, it was decided to recover the dues from their Central Plan assistance.

Regarding outstanding dues of deployment charges of CISF from PSUs, the Ministry stated in the ATN that:

- The Ministries/Departments should ensure that PSUs pay at least their current dues and make efforts to clear the outstanding dues in a phased manner.
- Avenues for reduction in deployment of CISF at sick units so as to reduce financial burden on the sick PSUs would have to be explored.
- Ministries/Departments should ensure outstanding CISF dues are cleared before commencement of liquidation proceedings.

It was noticed in audit (April-May 2004) that despite the above measures, the outstanding dues from PSUs increased from Rs. 354.88 crore as of March 1999 to Rs. 614.99 crore as of March 2004, an increase of 73.30 *per cent*. The year-wise details of the amounts outstanding from PSUs for deployment of CISF are given below:

Year	Amount recoverable from PSUs (Rs. in crore)
Upto 1999-2000	247.41
2000-2001	43.38
2001-2002	41.20
2002-2003	89.97
2003-2004	193.03
<b>Total</b>	<b>614.99</b>

Out of the above dues, Rs. 370.89 crore (60.30 *per cent*) is recoverable from 14 PSUs which are sick/have been referred to BIFR. Rs. 1.49 crore is recoverable from another 12 PSUs, which have since been disinvested. Thus, due to lack of timely action there are very little chances of recovery of Rs. 372.38 crore.

Further, with a view to reducing the outstanding amount against PSUs, MHA had instructed CISF in August 1993 that PSUs would deposit security equal to three months billing and make monthly payments in advance. In case of default, interest at the rate of 18 *per cent per annum* was chargeable which was revised to 14 *per cent per annum* from August 2003. However, scrutiny of records revealed that 15 airport authorities had not paid Rs. 7.62 crore towards security. Also, interest on non-deposit/late deposit of security by airport authorities worked out to Rs. 1.56 crore.

Thus, despite assurance, the Ministry failed to rectify the system of recovery of charges for deployment of para military forces to various states and PSUs. This resulted in increase in the outstanding dues and consequent unintended subsidy to the state governments and PSUs. Possibilities of recovery of Rs. 372.38 crore due from 26 PSUs that are sick/referred to BIFR/ disinvested also appear to be remote.

In response, Ministry stated in December 2004 that it was not correct to say that outstanding dues were due to failure in rectification of the system of recovery of charges. On the contrary, constant efforts made by it had substantially increased the recoveries. It added that deployment of Central Police Forces depended on prevailing security situation in the country and could not be denied merely due to default in payment. Further, additional force had been sanctioned and deployed during the last five years resulting in increased annual dues. The year-wise details of outstanding dues from State Governments for the period 1999-2000 to 2003-2004 furnished by the Ministry placed the recoverable amount as of April 2004 as Rs. 2709.73 crore. This varied widely from the figure of Rs. 1784.56 crore worked out from the figures furnished to audit by concerned Director Generals' offices. Audit noticed that even in the figures furnished by the Ministry there was a totalling error of Rs. 509.11 crore and the figure furnished by it should have been Rs. 2200.62 crore instead of Rs. 2709.73 crore. The remaining difference of Rs. 416.06 crore between the figures furnished by the Ministry and concerned Director Generals' needed reconciliation. The discrepancies in figures and totalling errors indicated the need for better maintenance of records by the Ministry, which is a prerequisite for efficient and timely recovery of dues.

## Annex

## Statement showing the amounts of outstanding dues for deployment of Central Para Military Forces in different states.

(Rupees in crore)

S.No.	Name of State	Amount outstanding as of March 2004				
		CRPF	CISF	ITBP	BSF	Total
1.	Andhra Pradesh	231.07	-	-	-	231.07
2.	Assam	44.59	-	-	-	44.59
3.	Bihar	177.63	5.36	7.45	-	190.44
4.	Chhattisgarh	29.39	-	-	-	29.39
5.	NCT New Delhi	50.25	237.22	-	-	287.47
6.	Gujarat	28.54	-	-	-	28.54
7.	Haryana	00.01	20.04	15.91	-	35.96
8.	Jharkhand	108.03	-	-	-	108.03
9.	Karnataka	6.60	-	-	-	6.60
10.	Madhya Pradesh	0.84	0.76	-	-	1.60
11.	Maharashtra	0.23	-	-	-	0.23
12.	Orissa	33.31	-	-	-	33.31
13.	Punjab	243.32	32.27	22.37	18.47	316.43
14.	Rajasthan	0.34	-	-	-	0.34
15.	Tamil Nadu	127.79	0.02	-	-	127.81
16.	Uttranchal	2.98	1.26	0.59	-	4.83
17.	Uttar Pradesh	307.78	-	-	-	307.78
18.	West Bengal	30.14	-	-	-	30.14
	<b>Total</b>	<b>1422.84</b>	<b>296.93</b>	<b>46.32</b>	<b>18.47</b>	<b>1784.56</b>

## Delhi Police

### Police Training College

#### 9.2 Injudicious purchase of colour photocopier machines

**The Joint Commissioner of Police, Police Training College, Jharoda Kalan, spent Rs. 38.64 lakh on purchase of colour photocopiers without proper assessment of actual requirements. This resulted in their sub-optimal utilisation.**

The General Financial Rules stipulate that all purchases shall be made in the most economical manner in accordance with the definite requirements of public service.

In January 2002, the Police Training College (PTC), Jharoda Kalan, purchased two high capacity colour photocopiers at a cost of Rs. 19.32 lakh each from the National Co-operative Consumers Federation of India Limited, New Delhi. While one of the photocopiers was intended for use in the PTC Jharoda Kalan, the other was originally meant for the Police Training School (PTS) also at Jharoda Kalan. The second machine was, however, installed in the office of the Assistant Commissioner of Police (Headquarters) PTC in February 2002. In December 2002, the machine was shifted to the PTS, Wazirabad, as it was felt that the work of the PTS, Jharoda Kalan, could be managed with the photocopier in the PTC. However in March 2003, the photocopier was received back from PTS, Wazirabad, due to its unsatisfactory use. This machine, thereafter, remained under repairs from July 2003 to February 2004 after which it was sent back in March 2004 to PTS, Wazirabad.

It was observed in audit that a proper assessment of the need, projected utilization and installation requirements of the two photocopiers had not been carried out before purchase. This was evident from the fact that while one photocopier each was projected for the PTC and PTS at Jharoda Kalan, it was subsequently determined that one photocopier could meet the requirements of both. Further, both the photocopiers were procured together though the proposed site of installation of one of them was not ready.

Scrutiny of the records further revealed that only 6,426 copies had been made from the photocopier at PTC, Jharoda Kalan, while only 4,956 were made from the one at PTS, Wazirabad, in over two years up to March 2004 against the warranty capacity of 50,000 copies or 90 days whichever was earlier for each machine. The capacity of each of these photocopiers was about 20,000 copies per month. Further, taking into account the speed of these machines they had together worked for only 11 hours during the last two years since

their purchase. Obviously, the machines were not optimally utilized nor was there adequate requirement for them.

The Joint Commissioner of Police (Trg.) stated in March 2004 that the purchase of the two machines was fully justified in view of the requirements of the training centres at Jharoda Kalan and Wazirabad.

The matter was reported to the Government in April 2004. The Ministry of Home Affairs stated in September 2004 that one of the machines was intended for use at PTC Jharoda Kalan and the other at PTS Wazirabad. The machines were procured on quality basis and the less number of copies was attributable to the machines being kept under the direct supervision of senior officers so as to restrict their use only for *bona fide* official purposes.

The reply is not tenable as the original sanction of the purchase of these machines indicated that the said machines were purchased for PTC and PTS Jharoda Kalan and not for PTS Wazirabad and the actual utilization of the photocopiers during the two years since their purchase did not justify purchase of such high capacity machines. The procurement was also not coordinated with the availability of the necessary building/site.

Thus, failure of the department to observe due caution and economy in the purchase of high capacity colour photocopiers resulted in uneconomical expenditure of Rs. 38.64 lakh as well as sub-optimal utilization of the machines purchased at such a huge cost.

### **9.3 Irregular payment to a contractor**

**Failure to adhere to the terms and conditions of an agreement with a contractor led to overpayment of Rs. 29.60 lakh on account of Service Tax.**

The General Financial Rules stipulate that the terms of a contract should be precise and definite and there should be no room for ambiguity or misconstruction therein. No relaxation of the terms of the agreement entered into by Government should be made without proper examination of the financial effects involved in such relaxation.

The Deputy Commissioner of Police (Security), Delhi Police, entered into an agreement in September 2002 with Contractor 'A'. The contractor was to provide vehicles for escort and pilot duties during the period from 6 September 2002 to 5 September 2003 at rates specified in the agreement. Clause 34 of the agreement stipulated that the contractor would not levy any

charges over and above the approved rates in terms of service tax, parking charges, toll charges, etc.

Scrutiny of records relating to the payment of hire charges to the contractor revealed that the contractor was paid Rs. 4.89 crore which included Rs. 29.60 lakh on account of service tax. This payment of service tax over and above the approved rates was in contravention of the terms of the agreement.

While initiating action to recover the amount paid on account of service tax from the contractor, the Department stated in March 2004 that the payment of service tax was mandatory and the same was being deposited by the firm into Government account. The fact remains that the approved rate stipulated in the agreement was unambiguously inclusive of all levies. The service tax was to be paid by the contractor and the department was not obliged under the agreement to bear any additional liability on this account.

Thus the payment of service tax over and above the agreed rates in violation of the clear terms of the contract resulted in an overpayment of Rs. 29.60 lakh to the contractor.

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

**CHAPTER X : MINISTRY OF HUMAN RESOURCE  
DEVELOPMENT**

**Department of Secondary and Higher Education**

**10.1 Release of excess grants**

**Failure of the Ministry to release grants to the Indian Institute of Management, Lucknow, on net deficit basis resulted in the release of excess grants amounting to Rs. 35.08 crore during 1997-98 to 2003-04. The amount was irregularly parked by IIM in its Endowment/Corpus Fund.**

The Indian Institute of Management (IIM), Lucknow, receives grants which are to be released by the Ministry of Human Resource Development on a net deficit basis. According to this, the net requirement of annual maintenance grant of IIM is to be worked out after deducting its estimated total receipts including internal resources, from its approved estimated expenditure during a financial year. The main receipts of IIM, Lucknow are tuition fees, consultancy fees, hostel receipts, library fees etc.

Scrutiny in audit revealed that the Ministry did not adhere to the net deficit basis of financing while releasing grants to IIM, Lucknow which resulted in excess release of annual grants of Rs. 35.08 crore during 1997-98 to 2003-04. The year-wise details are shown below:-

*(Rupees in crore)*

Year	Internal Receipts	Expenditure	Grant admissible	Grant Released	Excess grant released which was transferred to Endowment/Corpus Fund
1997-98	3.90	3.72	Nil	0.84	0.84
1998-99	5.14	5.70	0.56	3.43	2.87
1999-00	9.05	9.03	Nil	5.79	5.79
2000-01	10.18	13.44	3.26	7.00	3.74
2001-02	14.21	15.38	1.17	7.50	6.33
2002-03	16.77	15.69	Nil	3.90	3.90
2003-04	16.39	17.58	1.19	12.80	11.61
<b>Total</b>	<b>75.64</b>	<b>80.54</b>	<b>6.18</b>	<b>41.26</b>	<b>35.08</b>

It was further noticed that IIM transferred the surplus grants to their Endowment/Corpus Fund although this was permitted only in the case of Institutes covered under Block Grant Scheme, under which the institutes were allowed to retain and transfer the savings to Endowment/Corpus Fund.



The Ministry stated in August 2004 that the Institute had parked these funds in the Endowment/Corpus Fund with the hope of being able to introduce the Block Grant Scheme in future. The reply is not tenable as the Institute was being funded on net deficit basis and was not covered under the Block Grant Scheme.

Thus, failure of the Ministry to release grants to the Institute on the net deficit basis resulted in release of excess grants of Rs. 35.08 crore to the Institute during the period from 1997-98 to 2003-04.

## **10.2 Irregular financial assistance**

**Ministry released central assistance of Rs. 3.75 crore during each of the years 2002-2003 and 2003-2004 to the Government of Uttar Pradesh under the scheme Vocationalisation of Secondary Education, against the guidelines of the Planning Commission according to which expenditure on staff engaged under centrally sponsored schemes involving phased coverage becomes committed non-plan liability of the State Government from the next plan period.**

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 States in the ratio of 75:25. According to the guidelines issued by the Planning Commission from time to time, expenditure on the staff engaged under centrally sponsored schemes in a plan period becomes committed Non-Plan expenditure liability of the State Government from the next Plan period.

Audit ascertained (May 2004) that the scheme was being implemented in the State of Uttar Pradesh since 1987-88 in a phased manner. Upto the eighth plan period (1996-97), 810 schools were covered while during the ninth plan period (1997-2002), another 200 schools were covered, 100 in each of the years 2000-2001 and 2001-2002. No new school was sanctioned till May 2004 for implementation of the scheme during the tenth plan (2002-2007). Teaching needs were fulfilled by engaging guest lecturers on honorarium basis. Ministry however reimbursed Rs. 3.75 crore to the Government of Uttar Pradesh during the tenth plan period for each of the years 2002-2003 and 2003-2004, on account of honorarium to guest lecturers. The reimbursement of Rs. 7.50 crore during the above period was irregular as reimbursement of salary/honorarium to teachers was admissible only in respect of schools covered under a particular plan period. In this case no new school was sanctioned during the years 2002-2003 and 2003-2004 (part of the tenth plan period).

The Ministry stated in June 2004 that due to certain problems in appointing regular teachers with adequate pay scales, the State Government engaged guest faculty during 2002-2003 and 2003-2004. Ministry also stated that the reimbursement of Rs. 7.50 crore was made in consultation with Integrated Finance Division of the Ministry. It further stated in December 2004 that due to non appointment of regular teachers the central share of expenditure during 2001-02 was only Rs. 4.41 crore against the anticipated expenditure of Rs. 23.54 crore on appointment of regular teachers. The non-appointment of regular teachers by the State Government reduced the central government share of expenditure by Rs. 19.13 crore during 2001-2002 (last year of ninth plan period). The reply of the Ministry is not tenable as after the plan period was over on 31 March 2002, any staff cost including honorarium paid was to be the liability of the State Government. Further, the saving indicated by the Ministry was due to inability of the State Government to appoint regular teachers and this in turn was likely to affect the quality of education adversely. Ministry also intimated that considering the observation of audit, the release of grant to the State Government had been stopped pending approval of proposed revised scheme from 2005-06.

### 10.3 Inadequate monitoring of utilisation of grants

**Failure of the Ministry to verify utilisation of the grant of Rs. 5.96 crore released under CLASS scheme during the year 1997-98 to Government of Madhya Pradesh for maintenance of computers resulted in Rs. 3.48 crore being spent on purchase of items not covered under the scheme and the balance of Rs. 2.48 crore lying unutilised as of September 2004. The interest cost to the Government of India on the unutilised amount was Rs. 1.53 crore.**

Computer Literacy and Studies in Schools (CLASS) scheme was adopted as a Centrally Sponsored Plan Scheme during Eighth Plan. Around 5,000 schools including Kendriya Vidyalayas were covered under this scheme upto the end of Eighth Plan period. Ministry approved in December 2001 the modified CLASS scheme from 2001-02.

The Department of Education (now Department of Secondary and Higher Education) released Rs. 2.60 crore in January 1998 and Rs. 3.36 crore in March 1998 to the Government of Madhya Pradesh as recurring grant for maintenance of computers purchased by 422 schools under CLASS Scheme and included Rs. 10.34 lakh towards balance 10 *per cent* payable for purchase of 100 computers during 1996-97. As per terms and conditions of the sanction letter, the amount of grant was to be utilised only for the purpose for which it was sanctioned and the unspent balance of grant was to be refunded to the Ministry. Audit scrutiny of records of the Ministry revealed in May 2004 that State Government had transferred the entire grant to Madhya Pradesh Bhoj

Open University (University) for implementation of the scheme. The State Government on the basis of information received from the University, furnished in October 2003 utilisation certificate for Rs. 5.85 crore after retaining unspent grant of Rs. 10.34 lakh for balance payable to a firm.

However, audit scrutiny of the records of the University revealed (September 2004) that it had spent Rs. 3.48 crore on purchase of computer/peripherals, software and training although the grant was specifically for maintenance of existing computers provided to secondary and higher secondary schools upto 1996-97. The balance Rs. 2.48 crore had been lying with the University. Thus, failure of Ministry to verify the status of utilisation of the grant resulted in Rs. 3.48 crore being spent on items not covered under the scheme and Rs. 2.48 crore lying unutilised with the University for over six years as of September 2004. During the period the grant of Rs. 2.48 crore remained unutilised, the government borrowed funds at an average interest rate of 9.5 per cent per annum. The cost of borrowing Rs. 2.48 crore which remained idle with the University amounted to Rs. 1.53 crore.

The Ministry stated in September 2004 that the University had utilised the money for the purchase of computer peripheral and software and training programme under the CLASS project. It added that the State Government had been requested to furnish the list of schools in which computers were installed and training imparted. The reply of the Ministry itself indicates lack of monitoring of the scheme which resulted in acceptance of incorrect utilisation certificate.

#### **10.4 Irregular payment of administrative overhead/service charges**

**The Director of the Project on History of Indian Science, Philosophy and Culture who also chaired its monitoring agency a voluntary organisation paid Rs. 68.86 lakh to the latter as service overhead charges without the approval of the Ministry.**

A project on History of Indian Science, Philosophy and Culture (PHISPC) was initiated during 1990-91 under the aegis of the Indian Council for Philosophical Research (ICPR), an autonomous body under the Ministry of Human Resource Development. The basic aim of the project was to undertake a comprehensive and interdisciplinary study of the scientific, philosophical and cultural heritage of the Indian civilisation. The project, which was to be completed by 2001-02 at a cost of Rs. 10 crore, envisaged publication of 30 main volumes and 20 spin-off volumes/monographs. With effect from April 1997, the Ministry transferred the project from ICPR to the Centre for Studies in Civilisation (CSC), a voluntary organisation registered under the Societies Registration Act, 1860. CSC was to monitor the activities of the project and give appropriate directions and advice. Subsequently, the project was

expanded during 2001-02 by including a sub-project on Consciousness, Science, Society, Values and Yoga (CONSSAVY) and the number of volumes to be published was increased from 30 to 54. In January 2002 the Ministry revised the project cost to Rs. 22.75 crore and extended its period of completion to March 2010.

It was noticed in audit that while appointing CSC as the nodal agency for monitoring the project, the Ministry did not specify whether the service charges were payable to them. However, CSC in its Governing Body meeting held in July 1998 decided to charge administrative overheads and service charges from PHISPC from 1998-99 @ 15 per cent of the expenditure on the project. This decision, which was not referred to the Ministry for ratification, was based on the grounds that Universities were charging 15 per cent overheads on projects from UGC.

Audit noticed a clear conflict of interest as the Project Director of the implementing agency, PHISPC was also the Chairman of the monitoring agency CSC. Further, it was incorrect on the part of PHISPC to pay the overhead charges without referring the unilateral decision of CSC to the Ministry. While universities charge overheads in lieu of providing infrastructural facilities like use of their buildings, libraries, staff support, electricity etc. for the projects, in the instant case PHISPC had created all the necessary office infrastructure and other facilities required for the project from its funds. CSC played merely an advisory role. Thus, the payment of Rs. 68.86 lakh towards administrative overhead/service charges to CSC during 1998-99 to 2002-03 without the approval of the Ministry was irregular apart from the issue of conflict of interest.

The Ministry stated in September 2003 that PHISPC had been released grants-in-aid for the year 2003-2004 subject to the condition that no further amount would be paid to CSC as overhead charges till final decision was taken. Audit observed that Ministry had not taken final decision as of November 2004 and had released grant-in-aid for the year 2004-2005 with the same condition. While reiterating its stand, Ministry, in November 2004, informed that a proposal for payment of overhead charges to CSC had been received from PHISPC and was under consideration. The amount of Rs. 68.86 lakh already released to CSC towards overhead charges still remains unrecovered.

## CHAPTER XI : MINISTRY OF INFORMATION AND BROADCASTING

### 11 Functioning of internal control systems/internal audit

The Ministry applies checks prescribed in Central Secretariat Manual of office procedure, government rules, orders and instructions issued from time to time, which constitute the internal controls. There was laxity in implementation of these controls, resulting in deficiencies/shortcomings in the systems. A few of the major deficiencies are non-reviewing of various management and administrative policy/matters, not taking effective action to rectify the deficiencies pointed out by Internal and Statutory Audit and failure to review the performance of institutions receiving grants-in-aid exceeding Rs. 10 lakh.

**Internal control systems** are essential for efficient and cost effective functioning of an organization as well as for getting timely warnings of deviations or malfunctioning.

The Ministry is the nodal Ministry for the Information, Broadcasting and Film sectors. It formulates policy guidelines for the efficient dissemination of news and views by the media units. Thirteen attached and subordinate offices, six autonomous bodies and two public sector undertakings assist and support the activities of the Ministry.

Audit test checked the records of different wings of the Ministry to ascertain the level of effectiveness of the mechanisms instituted for implementation of various control systems. A few of the major shortcomings/deficiencies in management are discussed below:

#### 11.1 Management controls

##### 11.1.1 Work standards

As per Central Secretariat Manual of Office Procedure (CSMOP), time limits are required to be fixed for disposal of cases. The Department of Administrative Reforms had also requested all Ministries/Departments to fix the time limits for disposal of cases. The Ministry, however, did not fix time limits for early disposal. Out of 170 pending cases, 56 per cent were more than six months old.

The Ministry stated (January 2005) that monitoring of pending cases was being done through weekly/monthly arrear statements.

#### ***11.1.2 Review of posts lying vacant/strength of staff car***

The Ministry did not conduct reviews of various management and administrative matters such as posts lying vacant for more than one year, strength of staff cars, control on expenditure being incurred on repairs and maintenance on vehicles, periodical reports/returns, annual action plan for implementation of twenty point programme and non- finalisation of recruitment regulations in respect of Prasar Bharati.

The Ministry accepted the audit observations and reported (January 2005) that the necessary exercise of review of posts lying vacant had been carried out in respect of 8 organisations and review of staff car for the Main Secretariat had been conducted during 2004. The Ministry further stated that action had been initiated in all other cases.

#### ***11.1.3 Data base of newspapers***

Section 19D of Press and Registration of Books Act, 1867, prescribes that the publisher of every newspaper would furnish to the Registrar of Newspapers for India (RNI) an annual statement in respect of the newspaper at such time and containing such particulars as referred to in sub section (2) of section 19B of Act. Default is punishable with a fine upto Rs. 500 under section 19K of the Act. The control is designed to ensure a reliable data base of newspapers published in the country. During 1989 to 2002, only 10 percent to 14 percent of total registered publishers of newspapers had furnished the annual statement. The RNI did not punish the defaulters with a fine which resulted in non-observance of the control, thus defeating the very objective of the Act. RNI stated (July 2004) that it was not empowered to impose penalty and the matter had to be taken to a court where the expenses on fighting a case would be many times more than rupees five hundred and added that its office was also short of manpower for taking up such cases.

### **11.2 Administrative control**

#### ***11.2.1 Manpower appraisal/Annual inspection/compilation and consolidation of orders***

The Ministry formulated the Annual Action Plan for work measurement studies and prepared a perspective plan for 2001-04 targeting 17 units for the

study. Consequent upon abolition of the post meant for work measurement studies in February 2002, the Ministry stopped formulation of Annual Action Plans for work measurement studies from 2003-04. Expenditure Reforms Commission (ERC) had recommended that study of staff requirements of Ministry may be conducted by Staff Inspection Unit (SIU). The Ministry stated in August 2004 that no work measurement study of either the Main Secretariat or any of its sub-ordinate offices was conducted by SIU after implementation of ERC recommendations and further reported (January 2005) that it had been vigorously pursuing with the SIU to conduct work measurement study of its Main Secretariat.

As per CSMOP, each section/desk is to be inspected once a year. Each department will also inspect once a year all attached and sub-ordinate offices under its administrative control through designated senior officers and submit annual reports on O&M activities to the Department of Administrative Reforms and Public Grievances (DAR&PG). The Ministry, however, conducted 35 *per cent* inspection of sections/desks in 2001-02, 50 *per cent* of section/desks in 2002-03 and 41 *per cent* of sections/desks in 2003-04. The Ministry stated in August 2004 that O&M inspection of attached and sub-ordinate offices was conducted from the year 2003-04. Besides, it was also noticed that there was no system of compilation/consolidation of orders/instructions in the Ministry as of September 2004 as required under CSMOP.

The Ministry accepted (January 2005) the audit observation and noted it for future compliance.

### 11.2.2 Physical verification of fixed assets and stock

Physical verification of fixed assets and stock is conducted by the various departments/grantee institutions of the Ministry themselves. The position of physical verification was as follows:

Sl. No.	Name of the department/ institution	Store item	Period since physical verification not conducted
1	Prasar Bharati	Assets and stock	Since its inception i.e April 2000
2	Indian Institute of Mass Communication	-do-	Since April 2001
3.	Satyajit Ray Film and Television Institute, Kolkata	-do-	Since 2001-02
4.	Press Council of India	-do-	Physical verification of stock and stores was conducted in June 2002 for 2001. No physical verification for the years 2002-04 had been conducted

Main Secretariat of the Ministry has not taken remedial measures to remove the shortcomings pointed out in the physical verification report of January 2002. There was no system to verify the opening and closing balances of stores and effective control on issue of stores. Over writings and cuttings were not attested and there was no system of verification of totals worked out in the stock registers by a person other than the writer. Besides, the Ministry had not been able to take back possession of some stores items issued such as computers, printers, photocopiers, etc.

The Ministry accepted the audit observations and stated (January 2005) that instructions to the attached/subordinate offices had been issued for strict compliance.

### ***11.2.3 Verification of service records***

The head of the office was to inspect annually at least ten *per cent* of the service books and leave accounts. There was, however, no regular system for verification of service records by the head of office. The Ministry was not maintaining a register of nominations. Thus, it was not clear how the Ministry ensured that the nominations in respect of gratuity, GPF, CGEGIS, etc. had been obtained.

The Ministry accepted the audit observation (January 2005) in respect of verification of service records and further stated the nominations were being kept in the Service Books and maintaining the same by DDO would involve duplication of records. The Ministry was informed that this was required as per provisions of the rule.

## **11.3 Accounting control**

### ***11.3.1 Budget and expenditure***

There was no effective monitoring to control the flow of expenditure. The Ministry had neither maintained any register/broadsheet in prescribed form to ensure timely receipt of returns in GFR 12 and 13, showing the complete expenditure from the grant or appropriation at his disposal up to end of the preceding month, from the offices under them nor were the returns received being consolidated in a register kept for the purpose with a view to ascertaining the progressive total expenditure for the department as a whole. Non-observance of internal controls resulted in not only rush of expenditure in the last quarter of the year but also considerable savings/excess in a number of cases, ranging between 10 and 252 *per cent* during 2001-04. The Ministry



stated in August 2004 that monitoring of expenditure was done on monthly basis and the figures of expenditure submitted by the sub-ordinate and attached offices were reviewed in the relevant files and submitted to Chief Controller of Accounts (CCA) and other officers. However, scrutiny of records revealed that the Ministry did not review the progress of expenditure every month and files relating to review of progress of expenditure had been submitted to the CCA and other officers occasionally.

The Ministry accepted the audit observation and stated (January 2005) that an Expenditure Review Register in form GFR 13 had been opened.

### ***11.3.2 Reconciliation of figures of expenditure***

The Ministry was not doing regular reconciliation of figures of expenditure with those booked by DDOs and PAOs. There were delays ranging from three to 14 days in depositing government receipts though these were to be deposited immediately.

The Ministry stated (January 2005) that the audit observation had been noted for future compliance.

### ***11.3.3 Improper/non-maintenance of control registers***

It was observed that the control registers such as bill register, stock register of receipt books and register of valuables, duplicate key register, etc. had either not been maintained or were not maintained in the prescribed form. The register of valuable did not indicate important details like date of receipt of the valuables, date of its deposit into account, date of credit in bank scroll or return of the cheque, if dishonoured. Thus, possibility of delayed remittance of cheques/demand drafts into banks cannot be ruled out.

The Ministry accepted the audit observations and stated (January 2005) that the necessary action had been started.

Ministry releases grants-in-aid to the grantee institutions. It was, however, noticed that though the Ministry maintained a register of grants-in-aid, it did not contain the prescribed columns. Thus, in absence of proper register, the possibility of double payment cannot be ruled out. Besides, the Ministry did not undertake a periodic review of the performance of the grantee institutions receiving grants exceeding Rs 10 lakh per annum as required under Ministry of Finance O.M. dated 18 November 1983.

The Ministry stated (January 2005) that the register of grants had been suitably modified. As regards review of the performance of the grantee institutions, the Ministry stated that review of performance of some of the grantee institutions was being done and for others it would be undertaken.

#### **11.3.4 Internal Audit**

Internal Audit is conducted to ascertain how far the rules and regulations, systems and procedures in accounting, financial and administrative matters are being followed.

The Principal Accounts Office conducts the internal audit of the Ministry under the supervision of Chief Controller of Accounts. There are about 562 units across the country. Frequency and periodicity of internal audit wing of the Ministry is annual for expenditure of Rs. one crore or more, biennial above Rs. 50 lakh and triennial for less than Rs. 50 lakh

#### **11.3.5 Performance**

Internal Audit Wing had planned and audited 278,134 and 150 units during 2001-02, 2002-03 and 2003-04 respectively including the audit of Prasar Bharati units that were in arrears. The internal audit wing could not provide the details of the units of Prasar Bharati remaining to be audited. Besides, it could also not intimate the period up to which year internal audit of the remaining units was completed.

#### **11.3.6 Monitoring of compliance of observations**

The Ministry did not take timely, effective measures to rectify the deficiencies or to comply with the observations of the Internal Audit and Statutory Audit. The position of outstanding audit observations as of September 2004 was as under:

<b>Outstanding audit observations</b>	<b>1987-99</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>Total</b>
<b>Internal</b>	-	-	-	2771	1458	1241	<b>5470</b>
<b>Statutory</b>	156	37	68	109	166	58	<b>594</b>

The Ministry stated (January 2005) that vigorous efforts had been launched by various sections to take timely rectificatory measures.

***11.3.7 Internal control mechanism in the grantee institutions***

Effective system of internal audit did not exist in the grantee institutions receiving substantial funding from the Ministry, such as Prasar Bharati, Press Council of India, Children's Film Society of India, Film and Television Institute of India, Satyajit Ray Film and Television Institute and Indian Institute of Mass Communications. These institutes have not yet developed Accounts and Audit Manual for effective internal control. There was no pre-audit system in these organisations.

The Ministry accepted the audit observation and stated (January 2005) that the matter was being pursued with the grantee institutions.

## CHAPTER XII : MINISTRY OF LABOUR

### 12.1 Excess release of funds

**The Ministry failed to correctly adjust the grants released in earlier years which resulted in excess release of Rs. 12.68 lakh to Bala Karmika Vikas Society, Anantapur, Andhra Pradesh.**

The Ministry under its scheme National Child Labour Projects releases grants to Bala Karmika Vikas Society, Anantapur, Andhra Pradesh (Society) for running of Special Schools. The grant is released in instalments subject to adjustment against the actual expenses admissible under the scheme. The grant is routed through the concerned District Collector who is also the Chairman of the District Project Society.

Scrutiny of records revealed (May 2004) that errors in adjusting previous year's unspent grants while releasing the next year's grants resulted in excess release of Rs. 12.68 lakh to the Society during 1998-99 (Rs. 7.88 lakh) and 1999-2000 (Rs. 4.80 lakh).

In response, the Ministry, while accepting the mistake, stated in September 2004 that the excess amount released had been deducted from the first instalment for the year 2004-05. However, the fact remained that excess grant of Rs. 7.88 lakh and Rs. 4.80 lakh remained with the Society for over six years and five years respectively. As the Government borrowed funds at the rate of 10 *per cent per annum* on the funds released, the interest cost to the Government on excess release of Rs. 12.68 lakh amounted to Rs. 7.13 lakh.

## CHAPTER XIII : MINISTRY OF POWER

### Badarpur Thermal Power Station

#### 13.1 Irregular provision of leased residential accommodation to executives resulting in avoidable recurring/financial implication

**Leased residential accommodation was provided to BTPS executives in violation of rules resulting in avoidable expenditure of lease rent.**

Badarpur Thermal Power Station (BTPS), owned by Government of India is being managed by NTPC since 1 April 1978 on an agency basis. As per the agreement between Government of India and NTPC executed in 1978, all employees on the roll of BTPS as on that date were to be governed by the rules and regulations applicable to the employees of NTPC. Rules of NTPC regarding allotment of residential accommodation to executive staff provide for subsidised leased residential accommodation only at places where it does not have a township.

BTPS, Delhi has its own township with 1197 quarters including 529 quarters meant for executive category of employees. As of March 2004, BTPS had a strength of 347 executives. Out of the 529 executive quarters available for allotment, only 107 quarters were occupied by BTPS executives. Of the remaining 422 executive quarters, 66 were allotted to supervisors, 289 to workmen, 19 to outsiders and nine to others. The balance 39 quarters were lying vacant as of March 2004.

By allowing its executives to stay in leased accommodation in Delhi, BTPS had incurred an expenditure of Rs. 8.70 crore during 1999-2003. In as many as 210 cases, executives had been allowed self leases. The payment of lease rent was not justified in view of the availability of quarters in the township of BTPS.

While accepting the facts, BTPS in June 2004 stated that leased accommodation had been provided to the executives on family compulsion such as wives' employment and children's education in nearby areas. It also stated that after expiry of the lease period, all such cases would be reviewed and corrective measures where necessary would be taken to safeguard the interest of BTPS.

The Ministry replied in October 2004 stating that the leased accommodation to the executives of BTPS had been provided as per the policy guidelines of the Corporate Centre, NTPC. The reply is not tenable as the policy guidelines specifically stipulate for providing subsidised residential accommodation to executives only in cities where the company does not have its own residential township.

Thus, providing leased accommodation to the executives was in contravention of rules, which resulted in an avoidable expenditure of Rs. 8.70 crore between 1999 and 2003.

## CHAPTER XIV : MINISTRY OF SHIPPING

### Directorate General of Shipping, Mumbai

#### 14.1 Avoidable expenditure due to non-installation of power factor improvement capacitor

**Non-installation of power factor improvement capacitors by Directorate General of Shipping, Mumbai resulted in avoidable expenditure of Rs. 12.88 lakh on account of RKVAH charges and power factor surcharge.**

Directorate General of Shipping, Mumbai is an electricity consumer of Brihanmumbai Electricity Supply and Transport Undertaking (BEST). According to BEST's regulation of electric consumption, if power factor is maintained at 0.970 and above, no penalty in the form of Reactive Kilo Volt Ampere Hour (RKVAH) units and power factor surcharge would be leviable.

In February 1998, BEST intimated all consumers its intention of charging RKVAH units and the power factor surcharge for low power factor and advised installation of adequate power factor improvement capacitors.

Audit scrutiny in June 2004 revealed that the department had not taken any action for installation of capacitors to maintain power factor at a level of 0.970. The department had to pay Rs. 12.88 lakh on account of RKVAH unit (Rs. 11.14 lakh) and power factor surcharge (Rs. 1.74 lakh) to BEST during the period from February 2000 to March 2004. Information regarding expenditure on account of these charges from March 1998 to January 2000 was not available with the department.

The department stated in June 2004 that issue had been brought to the notice of Executive Engineer (Electrical) CPWD, Mumbai for correction of the power factor.

Thus, failure of the department to take action for installation of capacitors resulted in extra expenditure of Rs. 12.88 lakh, beside recurring expenditure of Rs. 3.22 lakh per year till installation of the capacitors.

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

## CHAPTER XV : MINISTRY OF TOURISM

### 15.1 Wasteful expenditure on printing

**Irregularity in printing of Publicity material by Indiatourism offices, Frankfurt, Madrid and Milan resulted in wasteful expenditure of Rs. 60.04 lakh. Indiatourism office at London incurred irregular expenditure of Rs. 38.87 lakh towards printing of collaterals without proof of receipt of material.**

As per delegation of Financial Powers to the Indiatourism offices abroad, expenditure on direct printing should not exceed US \$ 2000 for a Manager, US \$ 5000 for a Director and US \$ 15000 for a Regional Director in each case. Further, in April 2001, Ministry of Tourism had clarified that production of collaterals<sup>1</sup> would be done centrally at Headquarters and distributed to overseas offices.

A scrutiny of the records of the Indiatourism offices at Frankfurt, London, Madrid<sup>2</sup>, Milan and Moscow<sup>2</sup> revealed following irregularities:

#### **Indiatourism Office, Milan**

1. In December 2002, Indiatourism office, Milan with the approval of the Regional Director, Frankfurt placed orders on M/s Italgrafica for printing of 9500 calendars at the cost of Euro 2.90 each. The purchase order amounted to Rs. 14.16 lakh equivalent to US \$ 30,000 approximately and was in violation of delegated financial powers. The purchase order did not specify any time schedule for delivery. The calendars were delivered to Milan office on 24 December and to Frankfurt office on 19 January 2003, and were distributed to Indian Embassies, tour operators and travel agencies in January and February 2003 at a cost of Rs. 1.05 lakh. The calendar showed 31 days in April and some of the pictures had double images. The mistake and poor quality of printing was detrimental to the expected publicity objective, which was compounded by the delayed delivery. The entire stock was unusable and was not distributed by the Missions and Posts in Europe and erstwhile Soviet Union Republics.

Thus wasteful expenditure of Rs. 15.21 lakh was incurred besides non-adherence to delegated financial powers.

<sup>1</sup> Publicity material, brochures

<sup>2</sup> Closed Indiatourism office



### **Indiatourism Office, Madrid**

2. In December 2000, Indiatourism office, Madrid placed an order on M/s Morales Communication for printing of 1.10 lakh<sup>3</sup> brochures<sup>4</sup> at a cost of US \$ 52,000 (approx.) for distribution during the fairs 'BTL' in Portugal and 'Fitur' in Madrid to be held in January 2001. The value of the order violated the delegated financial powers and also exceeded the annual plan budget for 2000-01. Consequently, the office could not release the payment and therefore, the firm did not deliver the brochures. In January 2002, i.e. after one year a payment of Euro 59,532 equivalent to Rs. 25.49 lakh, including cost of storage was made for release of the brochures, which were finally delivered one month before closure of Indiatourism office, Madrid in April 2002.

Thus, placement of order without ensuring availability of funds resulted in infructuous expenditure of Rs. 25.49 lakh besides loss of opportunity for distribution of publicity material in designated fairs.

### **Indiatourism Office, Frankfurt**

3. In January 2003, Indiatourism office, Frankfurt placed an order on Rodwill Ventures limited, Moscow for printing 1,05,000 copies of brochures and booklets in Russian, at cost of US \$ 43,795. The brochures were to be delivered by 15 February 2003 for distribution in the ITPO<sup>5</sup> fair to be held in Moscow from 17 February to 21 February 2003. The order was in violation of delegated financial powers. The Embassy of India, Moscow received 69,765 brochures<sup>6</sup> after the completion of the fair. No action was taken for delay in supply of material. It was also noted in Audit that an Assistant Director, Indiatourism office, Frankfurt released payment of US \$ 40075 equivalent to Rs. 19.34 lakh for 95,000 copies (against 69765 received by the Embassy) based on an undated certification by the then Regional Director on the face of the invoice, that the balance material had been received at the time of ITPO. Payment for 25,235 brochures was thus released without documentary evidence of receipt of material.

Thus, payment of Rs. 19.34 lakh was released for delayed supply of material, which could not be utilised for the intended purpose.

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<sup>3</sup> One lakh copes in Spanish and 10,000 in Portuguese language

<sup>4</sup> On Agra, Chennai, Delhi, Goa. Goa (Portuguese) Jaipur, Kerala, Mumbai, Orissa, Varanasi and Ayuurveda

<sup>5</sup> India Trade Promotion Organisation

<sup>6</sup> As per invoices received on 26 February 2003 and 6 March 2003

**Indiatourism Office, London**

4. In March 2002 the Indiatourism office, London placed five orders for printing of 52000 collaterals in English at a cost of £ 55529 in contravention of the Ministry's policy of April 2001 and delegation of financial powers. All job orders were awarded in March 2002 to M/s Banks Hoggins O'shea FCB, the advertising agency, without following any codal formalities regarding invitation of tender. A payment £ 55,529 was released in March 2002 itself without any record of receipt of material. No objective assessment of quantity or justification of the orders were undertaken resulting in irregular expenditure of Rs. 38.87 lakh on printing of collaterals ordered by the Indiatourism office, London.

The Indiatourism offices, Milan, Madrid, Frankfurt and London thus incurred wasteful/irregular expenditure of Rs. 98.91 lakh.

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

## CHAPTER XVI : MINISTRY OF TRIBAL AFFAIRS

### 16.1 Irregular grant of financial assistance

**Ministry approved financial assistance of Rs. 7.90 crore to Indian Institute of Technology, Delhi for construction of a hostel in contravention of the provisions of the scheme.**

The Ministry of Tribal Affairs had been operating a centrally sponsored scheme for construction of boys' hostels for Scheduled Tribes (ST). Under the scheme, 50 *per cent* financial assistance was given to State Government on matching (50:50) basis and cent percent to UTs for construction of hostel building and/or extension of existing hostels for middle schools, higher secondary schools, colleges and universities. Financial assistance under the scheme was admissible for a maximum number of 100 seats in a hostel.

As the budget allocation under the above scheme was not being fully utilised, the Ministry decided to extend the benefit of the scheme to the established institutions/universities in New Delhi. In October 2000, the Ministry invited Indian Institute of Technology (IIT), Delhi to avail of the benefit under the scheme. Accordingly, IIT Delhi sent a proposal in May 2001 for construction of a hostel for 380 students at a cost of Rs. 8.01 crore for housing students of all castes and creeds. IIT had categorically mentioned that it would not be possible to restrict the allotment of hostel rooms constructed out of financial assistance given by the Ministry only to ST students. Despite this, the Ministry approved a grant of Rs. 7.90 crore for construction of hostel of 380 seats and released the first instalment of Rs. 50 lakh in December 2001. This was irregular as the funds meant specifically for benefitting ST students were diverted for the benefit of other categories. Diversion of funds for benefitting students of general category was irregular and defeated the objective of the scheme. The Ministry had also not installed any mechanism to determine how many seats of the hostel constructed by IIT with this financial assistance would actually be given to ST students.

The Ministry stated in August 2004 that the proposal for construction of hostel for 380 students was approved as IIT Delhi had decided to increase 25 *per cent* seats and did not have the necessary infrastructure to meet the need for additional seats in the hostels and since the idea was to bring the ST students into the mainstream, it had approved IIT Delhi's proposal to construct a hostel for 380 students for all castes and creeds. IIT informed in July 2004 that the

task of construction of hostel had been entrusted to CPWD. Audit ascertained (December 2004) that the estimated cost of construction had been revised to Rs. 10.18 crore and CPWD had awarded the contract to a firm in September 2004. IIT intimated in December 2004 that Rs. 3.08 crore had been spent and Ministry had been requested to release Rs. seven crore during 2004-05 and the balance in the next financial year. The reply of the Ministry is not tenable as (i) the scheme provided for giving financial assistance for construction of hostel for ST students only, (ii) financial assistance under the scheme could be given for only 100 seats hostel and (iii) the Ministry had no means of determining to what extent the funds which were meant for benefiting ST students had actually benefitted this category. The action of the Ministry in diverting funds meant for welfare of ST students defeated the very objective of the scheme.

## CHAPTER XVII : MINISTRY OF URBAN DEVELOPMENT

### Central Public Works Department

#### Nasik Central Division

#### 17.1 Irregularities in execution of deposit works

**The Executive Engineer of CPWD, Nasik did not follow rule provisions in execution of deposit works, which resulted in incurring expenditure of Rs. 3.76 crore in excess of deposits.**

As per the provisions of CPWD Manual, whenever a deposit work is to be carried out, the contribution should be realized before any liability is incurred on account of the work. However, in cases where the Ministry is satisfied that the money will be forthcoming when required, it may authorise the recovery from the contributor in suitable instalments on fixed dates. No advance of Government money for this purpose is permitted.

Test check in audit (May 2004) revealed that as of March 2004, the Executive Engineer, Nasik Central Division, CPWD, Nasik had incurred an expenditure of Rs. 3.76 crore in excess of the deposits received from various client departments for execution of deposit works, in violation of the codal provisions. Of this, Rs. 3.47 crore was recoverable from Novodaya Vidyalaya Samiti, an autonomous body, in respect of the construction works undertaken by CPWD at various places between 1995-96 and 2001-2002. The Executive Engineer (February 2004) intimated the Novodaya Vidyalaya Samiti, that CPWD would discontinue all ongoing deposit works till receipt of the outstanding amount.

The excess expenditure on these deposit works was made either from CPWD's own budget grant or from funds available with other deposit works, violating the codal provisions. It was also noticed that the Executive Engineer did not settle accounts with client departments immediately on completion of the respective deposit works and the action of the department to stop all works in February 2004 was taken after a long delay. This resulted in short realization of Rs. 3.76 crore from client departments.

The department replied in September 2004 that Form No. 65 was regularly sent to the clients exhibiting status of work and financial position at the end of each month. However, in spite of constant persuasion, funds were not forthcoming from the client departments. The department further added that the work undertaken could not be discontinued due to contractual

complications and payments had to be made to the contractor in spite of non-availability of fund.

Thus, the department pursued the matter in a routine manner through issue of Form No. 65 and did not take it up in time at an appropriate level of the client department despite the substantial arrears.

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

## **17.2 Extra expenditure due to delay in execution of work**

**Inordinate delay due to lack of control in execution of work resulted in unrealised dues of Rs. 66.87 lakh from contractor, apart from revenue loss of Rs. 64.42 lakh.**

To mitigate the shortage of type-IV quarters in Kolkata, Director General of Works, Central Public Works Department (CPWD) accorded sanction for Rs. 358.34 lakh, in January 1995, for construction of 28 type-IV quarters at Kolkata. The work comprising of two parts viz. pile foundation and the super structure, was to be completed by December 1996.

Executive Engineer, CPWD awarded the pile foundation work to a contractor in July 1996 at a cost of Rs. 64.25 lakh to be completed by June 1997. The work was completed in June 1998 at a lesser cost of Rs. 56.03 lakh due to savings in the quantity of steel used. Delays in completion of the work were mainly attributable to non-availability of site and discrepancy in the drawing provided by CPWD.

In April 1998, the Executive Engineer CPWD awarded the superstructure work to another contractor at a cost of Rs. 157.07 lakh, to be completed by October 1999. There were delays due to delay in finalisation of drawings and non-availability of site. Provisional extension was granted to the contractor from time to time to keep the contract alive. As the work did not show any progress, the Executive Engineer rescinded the contract in June 2000 at the risk and cost of the defaulting contractor, without levying any compensation as per clause 2 of the contract. At the instance of audit, CPWD levied penalty of Rs. 16.51 lakh in January 2003 after more than two years from the date of rescission of the contract. It was noticed that Rs. 58.35 lakh had been paid to the contractor as running payment upto July 2003, and no further dues were payable to the contractor. The penalty however, had not been recovered from the contractor till November 2004.

The balance work valued at Rs. 98.72 lakh was awarded to another contractor at a cost of Rs. 149.08 lakh in February 2001 with the stipulation to complete

it by February 2002. The work has since been completed and Rs. 130.09 lakh were paid to the contractor by November 2004. Delay in completion of work was mainly due to non-availability of departmental materials and delay in finalisation of the structural drawings.

Re-award of balance super structure work resulted in extra expenditure of Rs. 50.36 lakh. This was recoverable from the defaulting contractor as the previous contract had been terminated at his risk and cost, in addition to a penalty of Rs. 16.51 lakh. The total claim outstanding against the contractor was thus Rs. 66.87 lakh.

Thus, the work, which was originally scheduled for completion by December 1996 could be completed after eight years. The delay was due to lapses of CPWD like non-availability of departmental materials, faulty structural drawings coupled with delay in finalisation of second call of tender for balance work, as well as delay in execution by the executing contractors. As a result the quarters could not be handed over to the Directorate of Estates for allotment. This led to a potential loss of Rs. 64.42 lakh (approx) towards recovery of licence fee and house rent allowance from the prospective allottees as of November 2004.

The Executive Engineer, CPWD stated in July 2004 that the claim towards recovery of penalty and the risk and cost amount from the defaulting contractor had been placed as counter claim to the Arbitrator, appointed in November 2000, the decision of which was pending (November 2004).

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

### **Mumbai Central Electrical Division II, Mumbai**

#### **17.3 Irregular payment of electricity duty**

**CPWD Division, failed to obtain exemption of Electricity Duty and Maharashtra State Tax from BEST authority on consumption of power by Central Government and incurred additional expenditure of Rs. 18.03 lakh upto March 2004.**

Article 287 of the Constitution of India stipulates that no State law shall impose or authorise the imposition of tax on the consumption or sale of electricity consumed by Government of India or sold to the Government of India for its consumption. Bombay Electricity Duty Act of 1958 also reiterates the same position.

During test check of the records of Executive Engineer, Mumbai Central Division II, Central Public Works Department (CPWD), Mumbai it was noticed that the Division paid Electricity Duty and Maharashtra State Tax to Brihanmumbai Electricity Supply and Transport (BEST) for the power supply used for common facilities in Government residential complex at Kane Nagar, Antop Hill and Wadala, etc, even though Government of India is exempted from payment of such taxes. A total of Rs. 12.55 lakh as Electricity Duty and Rs. 5.48 lakh as Maharashtra State Tax was paid during the period from April 2000 to March 2004.

After this was pointed out in audit, the Division stated in October 2002 that due to time limit for payment of electricity bill, the claims raised by the BEST were paid promptly to avoid disconnection of electricity. The Division referred the matter to BEST in October 2002. However, BEST in November 2002 declined to waive electricity duty and Maharashtra State Tax stating that the same were exempted only for premises used for the offices and not for residential premises.

The above contention is not tenable as the Division was paying electricity bill for common facilities of the buildings from the Consolidated Fund of India and it was not recoverable from the tenants/occupants of the residential quarters. Hence, the department is eligible for exemption of electricity duty and Maharashtra State Tax. Further, it was noticed that wherever CPWD had electricity connection from Maharashtra State Electricity Board (MSEB) the electricity bills did not include electricity duty and Maharashtra State Tax for common facilities in Government residential complexes.

The CPWD did not take up the issue with BEST for exemption of these duties. The failure of the Division in pursuing the matter resulted in an irregular expenditure of Rs. 18.03 lakh upto March 2004 and Rs. 4.51 lakh *per annum* as recurring liability.

The matter was referred to the Ministry in July 2004; its reply was awaited as of December 2004.

## **Directorate of Estates**

### **17.4 Non-recovery of outstanding rent**

**Directorate of Estates failed to initiate action for recovery of dues from private allottees resulting in avoidable arrears of Rs. 82.30 lakh.**

The Government allots residential accommodation to eminent persons such as artists, freedom fighters, social workers etc. The allotment is governed by the departmental guidelines of the Directorate of Estates (DOE). The guidelines



provide for recovery of the licence fee in advance before fifth of every month from all such allottees. Cases of non-payment of licence fee and continued occupation of the premises after expiry of allotment period are regulated as per the provisions of the Allotment of Government Residence Rules, 1963 and Public Premises (Eviction of Unauthorised Occupants) Act, 1971 (PPA), which provide for recovery of licence fee and damages, besides eviction by use of force after issue of show-cause notices.

As of June 2004, 195 allotments were made to private individuals, of which, Audit scrutinised 24 cases. Audit noted the following lapses:

- Licence fee was not recovered in advance and the allotments were not cancelled despite failure to pay licence fees in all 24 cases. Licence fee of Rs. 82.30 lakh remained outstanding as of December 2003. The year-wise breakup of the dues is as below:

Year	Upto 1997	1998	1999	2000	2001	2002	2003	Total
Outstanding amount (Rs. in lakh)	14.85	6.95	8.49	10.12	9.50	16.06	16.33	82.30

Of the total outstandings, Rs. 37.03 lakh was recoverable from eight private persons who were still occupying government quarters after the expiry of the allotment period while another Rs. 45.27 lakh was outstanding in 16 cases against those allottees who had vacated the government quarters without clearing their dues.

- In ten cases, there was delay of one to 120 months in issuing show cause notices to the allottees.
- In 15 cases, there was delay ranging between one and 127 months in issue of Eviction Orders.
- Cancellation notices that were to be served one month prior to the expiry of allotment had also not been served in time.

Thus failure of Estate Officer to follow the mandatory rules relating to allotment of government quarters to private persons and enforcing the provisions of the PPA resulted in accumulation of arrears of outstanding rent/licence fee/damages amounting to Rs. 82.30 lakh. Apart from the financial loss, the allotment to eligible persons was also denied due to houses remaining under unauthorised occupation.

The matter was referred to the Ministry in August 2004, their reply was awaited as of December 2004.

### 17.5 Allotment in excess of quota fixed

**Ministry failed to observe the directions of the Hon'ble Supreme Court in making allotments of discretionary quota in excess of the prescribed ceiling.**

Following the Hon'ble Supreme Court's final order dated 23 December 1996, the Directorate of Estates (DOE), Ministry of Urban Affairs and Employment, now Ministry of Urban Development issued guidelines in November 1997 to regulate discretionary/out-of-turn allotments of Government quarters in Delhi. It was decided to permit discretionary/out-of-turn allotments to serving government servants on medical, security and functional grounds only and to restrict the number of such allotments to an overall ceiling of five *per cent* of the total number of vacancies occurring in each type of house in a year.

In November 2000, Ministry of Urban Development sought to amend the rules to provide for out of turn allotment to the personal staff attached with the dignitaries. Ministry of Law opined in January 2001 that the amendment was not tenable as it would override the ceiling of five *per cent* for discretionary allotment laid down by the Hon'ble Supreme Court.

Notwithstanding this advice, DOE, in 2001 and 2003 issued notifications providing for immediate allotment of government quarters on out-of-turn basis to the personal staff attached to the Cabinet Minister, Minister of State, Deputy Chairman (Planning Commission), Speaker (Lok Sabha) and Deputy Chairman (Rajya Sabha).

In March 2002, the Ministry submitted a note seeking approval of the Cabinet Committee for Accommodation (CCA) for out-of-turn allotment to the personal staff attached with Union Cabinet Ministers and Ministers of State to be taken out of the purview of the guidelines dated 17 November 1997. The Ministry of Law had not cleared the note for being put up to CCA till June 2004.

During the period December 2001 to August 2004, 229 out-of-turn allotments were made to the key officials of various dignitaries outside the prescribed ceiling of five *per cent*. These allotments made were in contravention of the Hon'ble Supreme Court's directives and the Government of India orders of November 1997.

In response to audit observation, DOE stated in July 2004 that though the matter was yet to be decided by the CCA, out of turn allotments to the personal staff attached to the Union Ministers and other dignitaries on immediate basis were currently being kept outside the purview of five *per cent* quota as was decided by the then Urban Development Minister. The reply confirms that the Ministry did not follow the Hon'ble Supreme Court's directives and violated its own guidelines.

## CHAPTER XVIII : MINISTRY OF YOUTH AFFAIRS AND SPORTS

### 18.1 Blocking of unspent grant

**The Ministry failed to recover the unspent grant from the First Afro-Asian Games-2001 Organising Committee despite indefinite postponement of the Afro-Asian Games in September 2001, resulting in blocking of Rs. 5.82 crore for 22 months. It still retained Rs. 1.06 crore (March 2004) even after 30 months of postponement of games.**

A registered society named "First Afro-Asian Games 2001 Organising Committee" was formed in May 2001 for organising the Afro Asian Games in Delhi in November 2001, with the Union Minister for Youth Affairs and Sports as its Chairperson, the Director General, Sports Authority of India as its Director General and representatives of various sports organisations as members.

The Ministry of Youth Affairs and Sports agreed in principle (June 2001) to sanction a grant not-exceeding Rs. 20 crore payable in two instalments to the society for organising the Afro-Asian Games. The Ministry released Rs. 10 crore in June 2001 as the first instalment of the grant subject to the condition that the unutilised amount would be refunded by the grantee with the least possible delay and in any case not later than 15 days from the date of issue of the letter from the Ministry calling for refund of the amount. The sanction letter also stipulated that unspent balance, if any, would be refunded by the grantee before the close of the financial year.

Government postponed the Games indefinitely in September 2001. The Ministry in October 2001 called for refund of the unspent balance alongwith accounts of expenditure and utilisation certificate in terms of the conditions of the grant. After issuing a reminder in December 2001, no follow up action was taken. After the matter was pointed out by audit in February 2003, the Ministry asked the Organising Committee to refund the unspent balance and furnish the details of expenditure along with the utilisation certificate. Accounts of expenditure and utilisation certificate upto March 2003 as furnished by the Organising Committee revealed that the committee spent Rs. 4.18 crore on various activities relating to conduct of the games and kept the unspent balance of Rs. 5.82 crore in a saving bank account which had accumulated to Rs. 6.40 crore upto July 2003. The Organising Committee

refunded Rs. six crore in August 2003 after retaining Rs. 0.40 crore to discharge their liability towards payment of audit fee and organising the final meeting of the Organising Committee for approval of accounts and its dissolution.

In April 2004, the Organising Committee furnished the details of expenditure and balances as of March 2004. Audit observed that the expenditure figures had been reduced to Rs. 3.43 crore as of March 2004. After refund of Rs. six crore, the committee still retained Rs. 1.06 crore including interest and miscellaneous receipt of Rs. 0.49 crore even after 30 months of postponement of games. It was seen that the Organising Committee had spent only Rs. 2.12 crore upto October 2001. After postponement of games, a further Rs. 1.31 crore was spent upto March 2004 on purchase of furniture, renovation of camp office (official residence of Chairperson), telephone bills, meetings, hospitality and entertainment, office expenses etc.

Thus, failure of the Ministry to ensure refund of the balance amount immediately after indefinite postponement of the games in September 2001 resulted in unnecessary blocking of funds for almost two years.

In response, Ministry stated (February 2005) that the decision to hold the games at a later date after their postponement in September 2001 was under consideration of Government at various levels. It also stated that in October 2001 Government immediately after postponement of games asked the Organising Committee to submit the account of expenditure, utilisation certificate and also to return the unspent balance immediately and a reminder was also issued in December 2001. In response, the Organising Committee informed the Ministry that the accounts had not been finalised because certain financial liabilities could not be discharged for want of approval of budget estimates of the Games secretariat. Ministry also clarified that the figure of expenditure of Rs. 4.18 crore was changed to Rs. 3.43 crore due to the reason that an amount of Rs. 75.00 lakh was refunded by ITDC out of advance of Rs. 3.00 crore. It also informed that unspent grant had been refunded to the Government after retaining a small amount of Rs. 35.31 lakh to meet the expenditure on last meeting of the Organising Committee for adoption and approval of dissolution of society and for audit fee of Chartered Accountant. The reply of the Ministry is not tenable as according to the condition of grant the unutilised amount was to be refunded by the grantee in any case not later than 15 days from the date of issue of letter from the Ministry calling for refund of the amount.

## CHAPTER XIX : UNION TERRITORIES

### Andaman and Nicobar Administration

#### Directorate of Shipping Services

#### 19.1 Unfruitful expenditure on procurement of a vessel

**Failure of Andaman and Nicobar Administration to take effective action against the firm for breach of contract, even after five years of suspension of work, resulted in unfruitful expenditure of Rs. 1.74 crore.**

The Andaman and Nicobar Administration (Administration) entered into an agreement in August 1997 with M/s Damodar Engineers, Port Blair (firm) for construction of a medium size vehicle ferry vessel at a cost of Rs. 2.49 crore to be delivered within 20 months i.e. by April 1999. The firm was required to furnish an indemnity bond for all payments made prior to the delivery of the vessel. The agreement stipulated that in case of failure to deliver the vessel within six months after the time provided in the contract, the buyer shall be entitled to terminate the contract and claim refund of the amounts paid to the firm. It further provided that in case of default by the firm, the buyer can enter into contract with any other builder(s) to complete the construction.

The firm completed the work upto hull stage (4th stage) till March 1999. Thereafter no further progress was made till May 2004 for reasons not on record. The Directorate of Shipping Services (DSS) paid an amount of Rs. 1.74 crore to the firm between August 1997 and May 2000 and also incurred an expenditure of Rs. 0.89 lakh towards IRS<sup>#</sup> inspection fee between January 1999 and April 2001.

Only in January 2002, after more than two and half years since stoppage of the work, DSS issued a show cause notice on the firm. In January 2003, after another year, DSS requested the Administration to initiate action against the firm. But the Administration had neither terminated the contract with the firm nor taken any action as of May 2004 to complete construction of the vessel, as provided for in the agreement. Though the firm had furnished an indemnity bond in August 1997 undertaking to repay the amount received in case of failure to deliver the vessel, the Administration, in October 2004, after the receipt of the audit observation, requested the firm to refund the amount of Rs. 1.74 crore. No recovery has, however, been made till December 2004.

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<sup>#</sup> Indian Register of Shipping

Thus, failure of the Administration to take effective action against the firm for breach of contract, even after five years of suspension of work resulted in unfruitful expenditure of Rs. 1.74 crore.

While confirming the facts and figures, the DSS stated in May 2004 that necessary action in the matter was being taken at Administration level.

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

## **Directorate of Industries**

### **19.2 Unfruitful expenditure on construction of sheds**

**Injudicious decision of the Directorate to construct seventeen sheds at Campbell Bay, a far-flung island, without a detailed assessment of the demand resulted in non-utilisation of the sheds even after three-four years of taking over and rendered the expenditure of Rs. 1.27 crore on their construction unfruitful.**

The Expert Group of Planning Commission suggested in November 1993 to provide for at least 20 built-up sheds in South Andaman and another 20 in the Nicobar and Katchal Islands for organised small units during the next three to five years. Based on the recommendations, the Directorate of Industries (Directorate) included the scheme for setting up of Industrial Estates in the Eighth Five Year Plan. The scheme envisaged provision of infrastructural assistance by construction of sheds and leasing them to prospective entrepreneurs for self-employment. Campbell Bay had previously been identified for construction of five sheds. The Directorate decided to construct 12 more sheds at Campbell Bay.

The first two phases involving construction of ten sheds were completed by April 1998 at a total cost of Rs. 58.92 lakh. The ten completed sheds were taken over by the Directorate in August 2000. Attempts in October 2000 to lease out the sheds at nominal rent of Rs. 310 per month per shed failed due to non-completion of electrification, pipe connection and approach road.

The third phase involving construction of the remaining seven sheds, which commenced in September 1998, was completed in July 2001 at a cost of Rs. 67.78 lakh and was taken over by the Directorate in September 2001. The Directorate, in February 2002, attempted to lease out all the seventeen sheds to prospective entrepreneurs at a revised rent of Rs. 1100 per month per shed. Four out of eighteen applicants were selected, but none of them occupied the sheds considering the rent to be on the higher side. In February 2002 the Administration also explored the possibility of utilisation of the sheds by other Government departments. But none of the departments evinced interest in

taking over the sheds. The sheds were lying vacant as of August 2004 without any taker.

Audit scrutiny revealed the following:

- The Directorate decided the location of the sheds without a detailed assessment of demand. The sheds were constructed at a non-commercial locality at Cambell Bay, a far off island, and there were constrains in transportation of raw materials and finished products to and from Port Blair.
- Though the Expert Group had recommended setting up a coordinating cell under the Chief Administrator of the Island to review the promotion of industries every month and a sub-committee under the Directorate to review the progress of promotional and other programmes, no such committee was formed. No mid term review was conducted after completion of the first phase of construction. A mid-term review of the results of the scheme would have facilitated appropriate decisions on the advisability of going ahead with the implementation of the second and third phases involving the construction of twelve more sheds of Campbell Bay.

Thus, injudicious decision of the Directorate to construct seventeen sheds at Cambell Bay, a far-flung island, without a detailed assessment of the demand resulted in non-utilisation of the sheds even after three-four years of taking over and rendered the expenditure of Rs. 1.27 crore on their construction unfruitful.

The Ministry in November 2004 attributed the reason for non-utilisation of the sheds to the order of the Supreme Court banning / curtailing the use of forest produces and environmental resources on which the industrial units were mostly based and stated that these sheds would be considered by the Administration/Directorate for alternative use if and when the prospects pick up for other economic activities. The reply is not tenable as attempt to lease out ten sheds in October 2000 failed even before issue of the Supreme Court order of November 2001 banning/curtailing the use of forest produces.

### **Directorate of Shipping Services**

#### **19.3 Avoidable expenditure on manning of vessels**

**Extension of the contract during the period of lay off of the vessels resulted in avoidable expenditure of Rs. 66.89 lakh and unintended benefit to the manning agent.**

The Director of Shipping Services (DSS) in December 2001 entered into a contract with M/s ABS Marine Services Pvt. Ltd. (agent) for manning its

vessels. The agent was required to provide six officers on board each vessel at a fee of Rs. 3.85 lakh per month per ship. The payment was to be made only for the actual time the vessel was completely manned by bona fide persons, on being certified by the TMC<sup>1</sup>. The term of the contract was for one year starting from the date of commencement of contract for each ship and extendable on mutual consent. The contract could be terminated by DSS upon serving two months' notice without prejudice to the agent.

DSS engaged the agent for manning MV Baratang from December 2001 and MV Onge from July 2002. The vessels were laid off for APS<sup>2</sup> - MV Baratang from December 2002 to September 2003 and MV Onge from June 2003 to March 2004.

Audit scrutiny revealed that at the time of lay off, the contract of MV Baratang had already expired in December 2002 while the contract of MV Onge was about to expire in July 2003. Notwithstanding this, DSS extended the contract of the vessels for a further period of one year. DSS paid an amount of Rs. 66.89 lakh to the agent for the period of lay off. The payment for the lay off period was released without the certificate of the TMC, in violation of specific provisions of the contract as the contract with the Shipping Corporation of India for technical management was entered into only in April 2004.

The Administration stated in August 2004 that the manning contract of the vessels was renewed so as to enable supervision of repair works during APS. It was however seen that in case of a similar contract executed with another agent in April 1999 for manning of MV Dweep Shakti, DSS, instead of renewing the manning contract, had posted its own personnel on board the vessel during the period of lay off to avoid unproductive expenditure. This was not done in case of MV Baratang and MV Onge. Thus, extension of the contract during the period of lay off of the vessels resulted in avoidable expenditure of Rs. 66.89 lakh and unintended benefit to the manning agent.

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

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<sup>1</sup> Technical Management Company

<sup>2</sup> Annual Physical Survey



**CHAPTER XX : GENERAL**

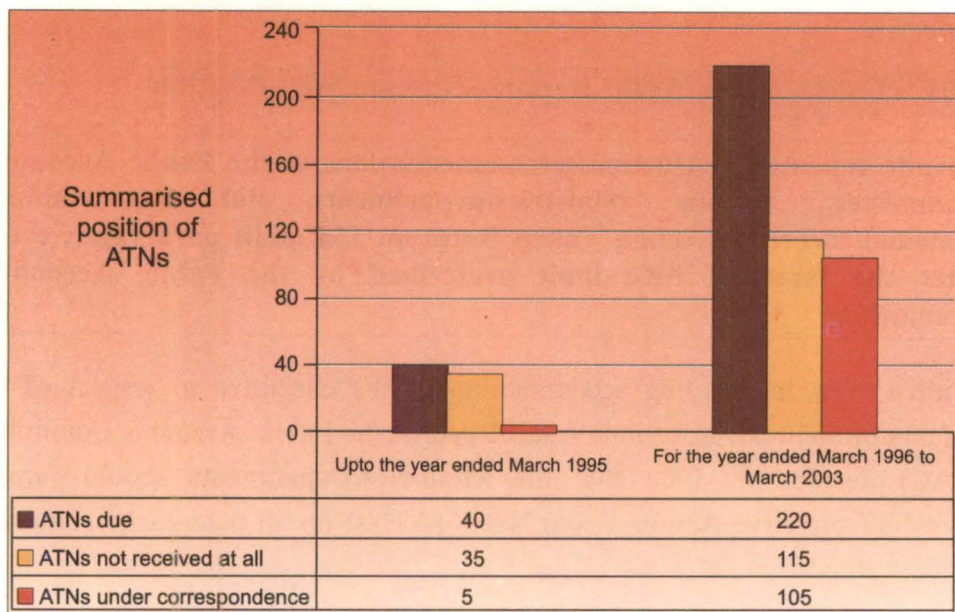
**20.1 Follow up on Audit Reports-Summarised Position**

**Despite repeated instructions/recommendations of the Public Accounts Committee, various ministries/departments did not submit remedial/corrective Action Taken Notes on 150 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 the matters brought out 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 in these Reports.

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 November 2004 disclosed that the Ministries/Departments had not submitted remedial ATNs on 150 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 2003 were laid on the table of the Parliament each year between May 1997 and July 2004 and the prescribed time limit of four months had elapsed in each case, the ministries/departments were yet to submit ATNs on 115 paragraphs while final ATNs in respect of 105 paragraphs were awaited as of November 2004 as indicated in **Appendix -II**.

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

The General Financial Rules stipulate that the departmentally managed government undertakings of commercial or quasi-commercial nature will maintain such subsidiary accounts and proforma accounts as may be prescribed by the 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 2004. 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**. It will be seen therefrom that the proforma accounts were in arrears in respect of 36 undertakings for periods ranging from one to thirty one years as shown below:

<b>Period for which lying in arrears</b>		
<b>No. of years</b>	<b>Period</b>	<b>No. of Undertakings</b>
1-5	1998-99 to 2002-2003	27
6-10	1993-94 to 1997-1998	3
11-15	1988-89 to 1992-1993	NIL
16-20	1983-84 to 1987-1988	2
21-25	1978-79 to 1982-1983	1
26-30	1973-74 to 1977-1978	2
30-31	1972-73 to 1973-74	1
<b>Total</b>		<b>36</b>

The undertakings where proforma accounts were in arrears included Shipping Department of Andaman and Nicobar Island (31 years), Doordarshan (27 years) and All India Radio (21 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 Doordarshan still remains 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 October 2004; for their replies/comments which were awaited as of December 2004.

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

Statement of losses and irrecoverable dues, duties, advances written off/waived during 2003-04, is given in Appendix to this Report. It will be seen from **Appendix- IV** that in 439 cases, Rs. 54.65 lakh representing losses mainly due to failure of system, Rs. 91.39 lakh due to neglect/fraud etc. on the part of individual Government officials and Rs. 772.24 lakh for other reasons, were written off during 2003-04. During the year, recoveries waived and ex-gratia payment made in 151 cases totalled Rs. 188.78 crore.

### **20.4 Response of the ministries/departments to draft paragraphs**

**Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of ministries/departments did not send response to 32 out of 56 draft 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 paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are always forwarded by the respective Audit offices to the Secretaries of the concerned ministries/departments through demi-official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the ministries are invariably indicated at the end of each such paragraph included in the Audit Report.

56 draft paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2004 were forwarded to the secretaries of the respective ministries/departments during May 2004-December 2004 through demi-official letters.

The Secretaries of the ministries/departments did not send replies to 32 draft paragraphs in compliance to above instructions of the Ministry of Finance issued at the instance of the PAC as indicated in the **Appendix-V**. As a result these 32 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 5 April 2005**

**Countersigned**



**(VIJAYENDRA N. KAUL)**

**Comptroller and Auditor General of India**

**New Delhi**

**Dated 7 April 2005**



**APPENDIX-I**  
(Refers to Paragraph No. 20.1)

**Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 1995 as of November 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.	Information and Broadcasting	1995	1	-	1	-	-	-	-	-	-	1	-	1
3.	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	-
4.	Youth Affairs & Sports	1994	-	-	-	1	-	1	-	-	-	1	-	1
<b>Total</b>			<b>4</b>	<b>-</b>	<b>4</b>	<b>36</b>	<b>35</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>35</b>	<b>5</b>

**APPENDIX-II**  
(Refers to Paragraph No.20.1)

Summarised position of the Action Taken Notes awaited from various ministries/departments up to the year ended March 2003 as of November 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)	2001	3	--	3	--	--	--	--	--	--	3	--	3
		2002	3	--	3	--	--	--	--	--	--	3	--	3
		2003	8	--	8	--	--	--	--	--	--	8	--	8
	Department of Information Technology	2003	--	--	--	--	--	--	3	3	--	3	3	--
	Department of Telecommunication	1997	1	--	1	--	--	--	--	--	--	1	--	1
	2000	1	--	1	--	--	--	--	--	--	1	--	1	
	2001	1	--	1	--	--	--	--	--	--	1	--	1	
	2003	4	--	4	--	--	--	1	1	--	5	1	4	
2.	Commerce	2003	--	--	--	1	1	--	--	--	--	1	1	--
3.	Consumer Affairs and Public Distributions	2001	1	1	--	--	--	--	--	--	--	1	1	--
4.	Council of Scientific and Industrial Research (includes DSIR)	2001	--	--	--	--	--	--	1	--	1	1	--	1
		2003	--	--	--	--	--	--	1	1	--	1	1	--
5.	Culture	1997	--	--	--	1	--	1	--	--	--	1	--	1
		1998	--	--	--	1	--	1	--	--	--	1	--	1
		2000	--	--	--	1	--	1	--	--	--	1	--	1
		2001	--	--	--	2	--	2	--	--	--	2	--	2



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
		2003	1	1	--	--	--	--	--	--	1	1	--	
6.	Environment and Forest	2002	--	--	--	--	--	--	1	--	1	1	--	1
7.	External Affairs	1999	4	--	4	--	--	--	--	--	--	4	--	4
		2000	5	--	5	--	--	--	--	--	--	5	--	5
		2001	7	--	7	--	--	--	--	--	--	7	--	7
		2002	6	1	5	--	--	--	--	--	--	6	1	5
		2003	14	13	1	--	--	--	--	--	--	14	13	1
8.	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
		2003	5	5	--	1	--	1	--	--	--	6	5	1
9.	Health and Family Welfare	1997	2	--	2	--	--	--	--	--	--	2	--	2
		1998	2	--	2	--	--	--	--	--	--	2	--	2
		1999	1	1	--	1	--	1	--	--	--	2	1	1
		2000	3	1	2	1	1	--	--	--	--	4	2	2
		2001	3	1	2	1	--	1	--	--	--	4	1	3
		2002	1	1	--	2	1	1	--	--	--	3	2	1
		2003	3	3	--	--	--	--	--	--	--	3	3	--
10.	Home Affairs	2000	2	--	2	--	--	--	--	--	--	2	--	2
		2001	1	1	--	--	--	--	--	--	--	1	1	--
		2002	1	--	1	--	--	--	--	--	--	1	--	1
		2003	3	2	1	--	--	--	--	--	--	3	2	1

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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
11.	Human Resource Development (Department of Elementary Education and Literacy)	2000	1	--	1	--	--	--	--	--	--	1	--	1
		2001	1	--	1	--	--	--	--	--	--	1	--	1
	Department of Secondary and Higher Education	1999	1	--	1	--	--	--	--	--	--	1	--	1
		2001	--	--	--	5	--	5	--	--	--	5	--	5
		2002	--	--	--	3	3	--	--	--	--	3	3	--
	Department of Women and Child Development	2003	4	4	--	7	7	--	--	--	--	11	11	--
		1999	1	--	1	--	--	--	--	--	--	1	--	1
		2002	--	--	--	1	--	1	--	--	--	1	--	1
12.	Information and Broadcasting	2003	1	1	--	--	--	--	--	--	--	1	1	--
		1997	2	--	2	--	--	--	--	--	--	2	--	2
		1998	1	--	1	--	--	--	--	--	--	1	--	1
		2000	3	--	3	--	--	--	--	--	--	3	--	3
		2001	5	1	4	--	--	--	--	--	--	5	1	4
		2002	1	--	1	9	5	4	--	--	--	10	5	5
2003	1	1	--	4	4	--	--	--	--	5	5	--		
13.	Indian Council of Agricultural Research	2003	--	--	--	--	--	--	1	1	--	1	1	--
14.	Indian Council of Medical Research	2003	--	--	--	--	--	--	2	2	--	2	2	--
15.	Labour	2000	--	--	--	3	--	3	--	--	--	3	--	3
		2001	--	--	--	1	--	1	--	--	--	1	--	1
		2002	--	--	--	2	1	1	--	--	--	2	1	1
16.	Law & Justice	2003	1	1	--	--	--	--	--	--	1	1	--	
17.	Rural Development	2002	2	2	--	--	--	--	--	--	2	2	--	

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
18.	Science and Technology	2003	--	--	--	--	--	--	2	2	--	2	2	--
	Department of Space	2003	--	--	--	--	--	--	1	1	--	1	1	--
	Department of Atomic Energy	2003	--	--	--	--	--	--	1	1	--	1	1	--
19.	Shipping	2001	--	--	--	1	1	--	--	--	--	1	1	--
		2002	--	--	--	3	3	--	--	--	--	3	3	--
		2003	--	--	--	15	14	1	--	--	--	15	14	1
20.	Small Scale Industries	2000	--	--	--	1	1	--	--	--	--	1	1	--
		2003	--	--	--	1	1	--	--	--	--	1	1	--
21.	Social Justice and Empowerment	1998	1	--	1	--	--	--	--	--	--	1	--	1
		2001	--	--	--	1	--	1	--	--	--	1	--	1
		2002	1	1	--	--	--	--	--	--	--	1	1	--
		2003	1	1	--	--	--	--	--	--	--	1	1	--
22.	Statistics and Programme Implementation	1997	1	--	1	--	--	--	--	--	--	1	--	1
		2000	1	--	1	--	--	--	--	--	--	1	--	1
23.	Steel	2003	1	1	--	--	--	--	--	--	--	1	1	--
24.	Textile	2000	--	--	--	1	1	--	--	--	--	1	1	--
		2003	1	1	--	--	--	--	--	--	--	1	1	--
25.	Tourism	2001	1	--	1	1	1	--	--	--	--	2	1	1
		2003	1	1	--	--	--	--	--	--	--	1	1	--
26.	Urban Development and Poverty Alleviation	2002	--	--	--	2	2	--	--	--	--	2	2	--
		2003	2	2	--	3	3	--	--	--	--	5	5	--
27.	Water Resources	2003	2	2	--	--	--	--	--	--	--	2	2	--
28.	Youth Affairs & Sports	2003	1	1	--	--	--	--	--	--	--	1	1	--
<b>Total</b>			<b>130</b>	<b>53</b>	<b>77</b>	<b>76</b>	<b>50</b>	<b>26</b>	<b>14</b>	<b>12</b>	<b>2</b>	<b>220</b>	<b>115</b>	<b>105</b>

**Appendix-III**  
**(Refers to paragraph 20.2)**  
**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	2002-03	3209.32	704.41	2000.64	(-) 1111.12	224.75	(-) 886.37	--	
2.	Ice-cum-Freezing Plant, Kochi	2002-03	188.51	100.27	71.93	(-) 102.38 (accumulated loss (-) 982.85)	22.62	NIL	NIL	
<b>MINISTRY OF DEFENCE</b>										
3.	Canteen Stores Department	2002-03	48.00	2780.87	2050.90	7266.36	7714.57	14980.93	26.22	
<b>MINISTRY OF ENVIRONMENT AND FORESTS</b>										
4.	Department of Environment and Forests, Andaman and Nicobar Islands	1999-00	1443.83	162.11	1281.72	(-) 993.99	2147.31	(-) 993.99	(-) 4.20	
<b>MINISTRY OF FINANCE</b>										
5.	Bank Note Press, Dewas	2000-01	10745.45	4826.32	5919.14	NIL	4315.33	4315.33	12.14	
6.	Currency Note Press, Nasik Road	2001-02	46381.48	33168.68	13269.27	837.76	5593.68	8554.18	16.94	
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	1996-97	338.70	294.15	41.76	(+) 5457.64	5.78	5463.42	88.22	
11.	India Government Mint, Hyderabad	2001-02	42765.49	312.05 1693.62	602.46 179.78	(-) 2624.30	5200.92	NA	NA	
12.	India Government Mint, Kolkata	2001-02	479.46	5915.18	933.63	(+)6195.36	58.21	(+)6253.57	-	
13.	India Government Mint, Mumbai	1998-99	32364.04	4592.79	1397.64	(+)12489.53	5258.25	17747.78	-	

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
14.	India Security Press, Nasik Road	2000-01	51443.95	4237.30	3206.50	(-) 4753.28	4542.22	(-) 211.05	(-) 0.56	
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	1999-00	7758.40	3205.44	4834.73	(-) 928.50	NIL	(-) 928.50	-	
17.	Security Printing Press, Hyderabad	1999-00	1947.00	938.00	1031.00	(+) 24.00	304.00	328.00	-	
<b>MINISTRY OF HEALTH AND FAMILY WELFARE</b>										
18.	Central Research Institute, Kasauli	2002-03	709.84	122.40	70.14	(-) 10.90	170.78	606.88	39.26	
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	2003-04	0.31	0.23	0.00182	(+) 0.262	0.142	0.633	64.13	
<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	-	

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
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	2000-01	3553.20	3544.43	1828.56	(-) 764.45	413.20	-	-	
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, New Delhi	2002-03	42673.30	13148.30	27915.52	6598.92	2105.10	8704.02	20.48	
28.	Electricity Department, Andaman and Nicobar Islands	2001-02	17926.41	15464.33	2015.55	(-)55167.01	1718.91	(-) 8694.07	(-) 61.40	
29.	Electricity Department, Lakshadweep	2002-03	3123.21	1852.18	1271.03	(-) 1453.43	270.86	(-) 1724.29	-	
<b>MINISTRY OF ROAD TRANSPORT AND HIGHWAYS</b>										
30.	Chandigarh Transport Undertaking	2001-02	6531.85	3023.96	758.76	(-) 641.27	306.75	(-) 334.52	(-) 5.12	
31.	State Transport Service, Andaman and Nicobar Islands, Port Blair	2000-01	1200.23	231.14	969.08	(-) 820.26	83.60	(-) 736.66	NIL	
<b>MINISTRY OF SHIPPING</b>										
32.	Andaman Ferry Service	2001-02	6759.91	6759.91	3693.62	(-) 4097.12	2053.16	(-) 2043.96	(-) 12.00	
33.	Department of Lighthouses and Lightships	2001-02	12602.00	13299.00	5051.00	4678.00	190.00	5716.00	17.19	Further details called for are still awaited

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
34.	Marine Department (Dockyard) Andaman and Nicobar Islands	2001-02	266.70	266.70	40.29	(-) 3415.49	142.63	(-) 3272.86	(-) 278.58	2002-03 onwards information called for but still awaited.
35.	Shipping Department, (Dockyard) Andaman and Nicobar Islands	1972-73	43.50	56.80	7.89	(-) 80.15	4.47	(-) 75.68	-	1973-74 onwards information called for but still awaited.
<b>MINISTRY OF URBAN DEVELOPMENT AND POVERTY ALLEVIATION</b>										
36.	Department of Publications, New Delhi	2000-01 and onwards	-	-	-	-	-	-	-	Instead of proforma accounts, publication department prepares store accounts which 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 has still not changed over.
37.	Government of India Press	2002-03	999.51	-	61.72	-	49.94	-	-	Government of India Presses functions on "No Profit, No Loss" basis. The figures include results of Presses in Delhi only.

**APPENDIX – IV**  
**(Refers to Paragraph 20.3)**

**Statement of losses and irrecoverable dues written off/waived during 2003-2004**

*(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	-	-	-	-	12	41.51	-	-	-	-
Atomic Energy	-	-	-	-	30	6.88	-	-	-	-
Central Board of Excise and Customs					51	49.37	7	5.72	1	7.30
Commerce and Industry	-	-	-	-	-	-	1	0.12	-	-
Defence	-	-	-	-	3	3.16	-	-	-	-
Finance	-	-	-	-	1	0.03	2	18857.07	-	-
Health and Family Welfare	23	51.00	13	7.00	46	419.00	-	-	-	-
Directorate of Education (Lakshdweep)	-	-	1	0.39	-	-	-	-	-	-
Post and Telecommunication	6	0.32	11	1.83	11	4.28	2	0.82	135	2.13
Public Works	-	-	-	-	-	-	1	0.86	-	-
President's Sectt.	-	-	-	-	10	0.74	-	-	-	-
Road Transport and Highways	12	3.33	94	82.17	99	218.06	-	-	-	-
Shipping	-	-	-	-	3	1.68	-	-	-	-
Space	-	-	-	-	13	27.53	-	-	-	-
Textile	-	-	-	-	-	-	2	3.52	-	-
<b>Total</b>	<b>41</b>	<b>54.65</b>	<b>119</b>	<b>91.39</b>	<b>279</b>	<b>772.24</b>	<b>15</b>	<b>18868.11</b>	<b>136</b>	<b>9.43</b>



**APPENDIX - V**  
**(Refers to Paragraph 20.4)**  
**Response of the ministries/departments to draft paragraphs**

Sl. No	Ministry/ Department	Total No. of Paragraphs	No. of Paragraphs to which reply not received	Reference to Paragraphs of the Audit Report
1.	Agriculture	01	01	1.1
2.	Civil Aviation	01	01	2.1
3.	Commerce	02	01	3.2
4.	Communication and Information Technology	09	08	4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.10, 4.11
5.	Culture	01	01	5.1
6.	External Affairs	13	08	6.1, 6.2, 6.4, 6.6, 6.7, 6.11, 6.12, 6.13
7.	Finance	03	--	--
8.	Health and Family Welfare	04	03	8.1, 8.2, 8.4
9.	Home Affairs	03	01	9.3
10.	Human Resource Development	04	--	--
11.	Information and Broadcasting	01	--	--
12.	Labour	01	--	--
13.	Power	01	--	--
14.	Shipping	01	01	14.1
15.	Tourism	01	01	15.1
16.	Tribal Affairs	01	--	--
17.	Urban Development	05	04	17.1, 17.2, 17.3, 17.4
18.	Youth Affairs and Sports	01	--	--
19.	Union Territories	03	02	19.1, 19.3
<b>Total</b>		<b>56</b>	<b>32</b>	

