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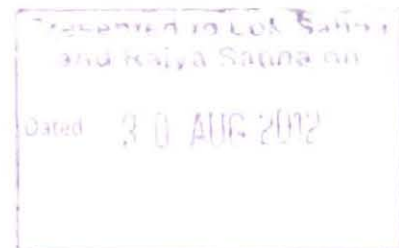


**Report of the
Comptroller and Auditor General of India
for the year ended March 2011**



**Union Government (Civil)
Compliance Audit Observations
No. 13 of 2012-13**

S.No- 319



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2

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PREFACE

This Report for the year ended March 2011 has been prepared for submission to the President under Article 151 of the Constitution of India.

The Report contains findings emerging out of compliance audit of financial transactions of Civil Ministries.

The cases mentioned in this Report are among those which came to notice during the course of audit in 2010-11. However, matters relating to earlier years which could not be included in the previous Reports and matters relating to the period subsequent to 2010-11 have also been included, wherever considered necessary.

OVERVIEW

This Report contains significant audit findings which arose from the compliance audit of the financial transactions of Civil Ministries. It contains 12 chapters. Chapter I gives a brief introduction while Chapters II to XI present detailed audit observations. Chapter XII presents a summarised position of the Action Taken Notes furnished by the Ministries.

Some of the important findings included in this Report are given below :

Ministry of Communications and Information Technology

Department of Posts

Disbursement of National Rural Employment Guarantee Scheme (NREGS) Wages through Post Offices

With 4.90 crore NREGS accounts in operation, the Department of Posts provides a large network for disbursement of wages under NREGS. A significant amount of ₹ 4284 crore was lying in workers' accounts as on March 2011. Weak monitoring mechanisms, both at the Headquarters and Circle levels, along with non-observance of procedures in post offices, resulted in a shortfall to the tune of ₹ 1920 lakh as on 31 March 2011 in One Time Deposits required to be made by State Governments with Head Post Offices. Irregularities in the operation of NREGS accounts such as delays in disbursement of wages, opening of accounts without verification, incomplete data entry in ledgers, errors in data compilation, interest not credited and wages being disbursed without attestation of left hand thumb impressions of illiterate wage earners were also noticed.

Paragraph 2.2

Stocking of cash certificates, stamps and postal stationery

The Department of Posts failed to follow the prescribed procedure for indenting and forecasting of cash certificates, stamps and postal stationery. This, coupled with a weak internal control mechanism, resulted in overstocking of cash certificates bearing face value of ₹ 3840.66 crore and overstocking of stamps and postal stationery carrying face value of ₹ 498.52 crore as on 31 March 2011, thereby exposing these valuables to the risk of misuse/pilferage and damage.

Paragraph 2.3

Irregular payment of interest

Post offices in six circles failed to follow the provisions relating to the Public Provident Fund (PPF) Scheme, resulting in irregular payment of interest of ₹ 2.26 crore to the subscribers.

Paragraph 2.4

Short deduction of commission on purchase of revenue stamps

Failure of the Chief Post Master General, Delhi to deduct commission in advance on purchase of revenue stamps from the State Government, led to short realization of revenue to the extent of ₹ 98.36 lakh.

Paragraph 2.5

Infructuous expenditure due to delay in construction of postal complex

Department of Posts failed to construct a postal complex on a plot acquired in 1990. This resulted in infructuous expenditure of ₹ 64.62 lakh.

Paragraph 2.6

Department of Telecommunications

Recovery of excess subsidy paid at the instance of Audit

Subsidy of ₹ 2.17 crore to service providers for Rural Community Phones (RCP) was incorrectly paid by West Bengal and Uttar Pradesh (East) circles. Of this, ₹ 1.62 crore was recovered at the instance of Audit.

Paragraph 2.8

Ministry of External Affairs

Performance of Consular wings

A number of Missions and Posts were not levying fees for visas and other consular services as per the rates prescribed by the Ministry, resulting in short levy of ₹ 37.26 crore. Delays in the implementation of the Indian Community Welfare Fund scheme by the Missions and Posts resulted in non-levy of fees of ₹ 21.55 crore. There were considerable delays in remittances of consular receipts in the Government account. Missions abroad were outsourcing visa services in violation of the laid down provisions, resulting in financial impropriety and lack of transparency in selecting service providers.

Paragraph 3.1

Failure to observe the prescribed rules and procedures leading to overpayments

Failure of the Missions/Posts abroad to observe the prescribed rules and procedures led to overpayment of pay and allowances and other miscellaneous payments amounting to ₹ 91.96 lakh by 56 Missions in 263 cases. These were recovered at the instance of Audit during 2009-11.

Paragraph 3.2.1

Non-application of due diligence in awarding of a contract

Lack of due diligence in evaluation of bids for setting up an IT Laboratory in Indonesia led to awarding of a contract at an extra amount of ₹ 51.67 lakh on account of unwarranted Annual Maintenance Charges and exempted Value Added Tax. At the instance of Audit, the Mission recovered ₹ 30.56 lakh and payment of ₹ 21.11 lakh was averted.

Paragraph 3.2.2

Ministry of Home Affairs

Indo-Tibetan Border Police Force

Splitting up of sanctions

The Director General, Indo-Tibetan Border Police Force accorded 19 split sanctions between June 2010 and March 2011 for an aggregate value of ₹ 4.72 crore. Each sanction was limited within the financial powers of ₹ 25 lakh, purportedly to avoid the necessity of referring the matter to the Ministry.

Paragraph 4.1

Intelligence Bureau

Improper procurement planning leading to delay in execution of a project and idling of equipment

Failure of the Intelligence Bureau to synchronize various related activities for commissioning of the Intelnet Network before going in for procurement of encryptors led to idling of equipment worth ₹ 2.89 crore for a period of two years.

Paragraph 4.2

Inordinate delay in construction of staff quarters

Inordinate delay in the construction of staff quarters by the Subsidiary Intelligence Bureau, Lucknow led to cost escalation of ₹ 2.17 crore. This also resulted in avoidable expenditure of ₹ 86.59 lakh towards payment of House Rent Allowance to its staff members.

Paragraph 4.3

Ministry of Human Resource Development

Department of Higher Education

Corrective action at the instance of Audit

The Ministry failed to follow the extant rules and extended a loan of ₹ 100 crore to the IIT Madras Research Park at an interest rate of three *per cent* instead of the applicable 11.5 *per cent*. At the instance of Audit, the Ministry took corrective action to change the rate of interest, thereby averting a loss of ₹ 46.75 crore.

Paragraph 5.1

Ministry of Information and Broadcasting

Non-recovery of rental dues

Films Division, Mumbai failed to recover rental charges amounting to ₹ 60.73 lakh from discontinued and closed down exhibitors.

Paragraph 6.1

Union Territories

Andaman and Nicobar Administration

Directorate of Shipping Services

Loss due to delay in disposal of a decommissioned vessel

Delay in initiating timely action and consequential delay in fixing the appropriate reserve price of an outlived vessel resulted in avoidable expenditure of ₹ 6.29 crore.

Paragraph 8.1

Avoidable expenditure on an outlived vessel

Ineffective co-ordination and follow-up by the Andaman and Nicobar Administration led to delay in surrendering an outlived vessel and consequential avoidable expenditure of ₹ 3.69 crore.

Paragraph 8.2

Lakshadweep Administration

Procurement of X-ray Baggage Inspection Systems

Failure of the Union Territory of Lakshadweep Administration to synchronize the supply, installation and commissioning of two X-ray baggage inspection systems with creation of the necessary infrastructure, resulted in non-achievement of the objective of strengthening the safety and security of passengers, despite incurring ₹ 61 lakh on the purchase of the systems.

Paragraph 8.3

Ministry of Women and Child Development

Recovery of an amount of excess release of grants, at the instance of Audit

Failure of the Ministry to exercise due diligence while releasing grants to the State Governments resulted in excess release of ₹ 3.45 crore. This was subsequently recovered at the instance of Audit.

Paragraph 9.1

Irregular release of Central share under the Integrated Child Protection Scheme

The Ministry of Women and Child Development released grants twice, totalling ₹ 1.08 crore under two Central schemes viz the Programme for Juvenile Justice in February 2008 and the Integrated Child Protection Scheme in December 2010, for construction of two observation homes at Ambala and Hisar.

Paragraph 9.2

Department of Atomic Energy

Avoidable expenditure of ₹ 3.32 crore

Failure of the Directorate of Purchase and Stores under the Department of Atomic Energy in adhering to the purchase procedure and consequent delay in finalising a purchase proposal within the validity period resulted in avoidable expenditure of ₹ 3.32 crore.

Paragraph 10.1

Department of Space

Avoidable payment of demand charges

Failure of the ISRO Satellite Centre and ISRO Telemetry, Tracking and Command Network to assess their power consumption needs accurately, coupled with delays in taking action to reduce contracted demand resulted in avoidable payment of ₹ 3.72 crore on consumption of electricity.

Paragraph 11.1

CHAPTER I : INTRODUCTION

1.1 About this Report

Compliance audit refers to examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence.

Audits are conducted on behalf of the Comptroller and Auditor General (C&AG) as per the Auditing Standards¹ approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse, as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organizations, thus, contributing to better governance.

There are about 50 Ministries/independent Departments of the Union Government excluding the Ministries of Railways and Defence. The gross expenditure of these 50 Ministries and departments of the Government during the last three years is given below:

(₹ in crore)	
Year	Expenditure
2008-09	₹ 31,59,075
2009-10	₹ 41,31,321
2010-11	₹ 40,37,399

In this Report, significant audit findings relating to nine Ministries/Departments have been included in different chapters.

¹ www.cag.gov.in/html/auditing_standards.htm

1.2 Authority for Audit

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13² and 17³ of the C&AG's (DPC) Act⁴. The principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007, issued by the Comptroller and Auditor General of India.

1.3 Planning and conduct of Audit

The audit process starts with the assessment of risks in the Ministry/Department as a whole and their various units, based on the expenditure incurred, the criticality and complexity of their activities, the level of delegated financial powers, their overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessments.

After completion of the audit of the units, Inspection Reports, containing the audit findings are issued to the heads of the units. The units are requested to furnish replies to these findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are settled or further action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the President of India under Article 151 of the Constitution of India.

² Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets and other subsidiary accounts.

³ Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

⁴ Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

CHAPTER II : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

2.1 Organisational set-up and Financial Management

2.1.1 Functions of the Department

The postal system in India has a history of handling communications infrastructure for the country for almost 150 years and currently has the largest network in the world.

The primary services rendered by the Department of Posts (DoP) are as follows:

- Communication services – Letters, Post Cards,
- Transport services – Parcel, Logistics,
- Financial services – Savings Bank, Money Order, Insurance,
- Value added services – Speed Post Service, Business Post, Direct Post,

As part of its Universal Service Obligation, the postal system is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mail is the core traditional business of the Postal Department. Over the years several value added services like bulk mail, business post and speed post have been introduced by DoP.

The Post Office Savings Bank Scheme is an agency function performed by the DoP on behalf of the Ministry of Finance, Government of India for which the Ministry of Finance remunerates the DoP at rates fixed from time-to-time. In discharge of its agency functions, DoP represents the oldest and largest banking network in the country and plays a critical role in mobilizing small savings, primarily in rural areas.

The Department of Posts also provides life insurance. Postal Life Insurance (PLI) has been providing life insurance coverage since 1884 to Government employees. Since 1995 PLI has been extended to the rural population of the country under a new scheme Rural Postal Life Insurance.

DoP is also engaged in disbursement of pension and family pension to military and railway pensioners, family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

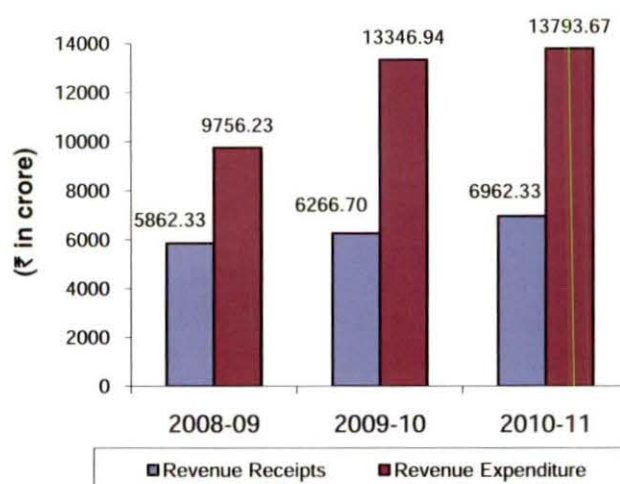
2.1.2 Organisational set-up

The Department of Posts is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts, as the Chief Executive of the Department, is also the Chairperson of the Postal Services Board and Director General, India Post. The Board has six Members for the portfolios of Personnel, Operations, Technology, Postal Life Insurance and Chairman Investment Board, Human Resource Development and Planning.

The Board directs and supervises the management of postal services throughout the country with the assistance of Chief Postmasters General in 22 Circles and Senior/Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP 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, Greetings Post, Data Post, E-Bill Post and E-Post. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

2.1.3 Financial Performance

The total revenue receipts during 2010-11 showed an increase of 11.10 *per cent* over the previous year whereas the revenue expenditure increased by 3.34 *per cent* over the same period. The revenue receipts and revenue expenditure for the last three years is shown in the chart below:



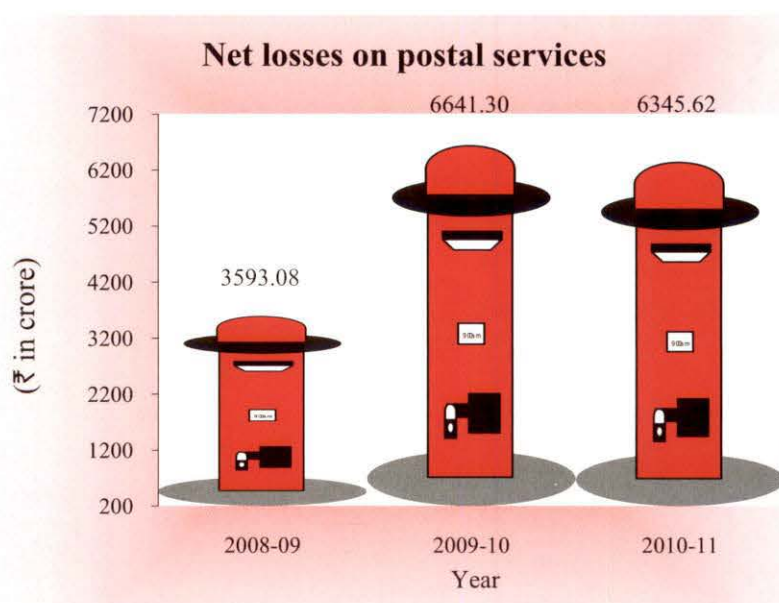
The total revenue receipts and revenue expenditure of the Department of Posts is given in the table below and the details are given in **Annex-I**.

(₹ in crore)

Year	Revenue Receipts	Recoveries	Revenue Expenditure	Deficit (2)+(3)-(4)
(1)	(2)	(3)	(4)	(5)
2008-09	5862.33	300.82	9756.23	3593.08
2009-10	6266.70	438.94	13346.94	6641.30
2010-11	6962.33	485.72	13793.67	6345.62

The earning of the Department during the years was in the form of 'Revenue Receipts' and 'Recoveries' which was less compared to the expenditure. The reasons for deficit were mainly due to the expenditure on Pay & Allowances, Dearness Allowance, Contingencies and Pensionary Charges etc.

There was a net loss of ₹ 6345.62 crore on postal services¹ in 2010-11. The comparative position for the period 2008-09 to 2010-11 is as under:



2.1.4 Role of Audit

The audit was primarily conducted with a view to examine and assess whether the established systems were functioning effectively, stipulated procedures were adhered to and whether financial propriety was observed. Subjects for compliance audit were selected on the basis of an assessment of the risk

¹ * Net loss was calculated as the difference between revenue receipts & recoveries and revenue expenditure, i.e., {(₹ 6962.33+₹ 485.72)-₹ 13793.67}.

associated with various activities carried out by postal units. The audit process helps the auditee to identify areas of financial and management controls that need attention for efficient and effective management. Audit has also proved to be an aid in effective revenue recoveries.

Some of persistent deficiencies that have appeared in the audit reports relating to DoP in the last five years include:

1. Non-realization of pension/family pension dues from other departments
2. Irregular payment of interest
3. Irregular payment of commission
4. Failure to levy service tax

2.1.5 Results of Audit

During the year, audit observed that Head Post Office (HPO), Aizwal under the North East Postal Circle issued Kisan Vikas Patra (KVPs) to an Institute in January – February 2003 in contravention of the rules which were effective from 1 April 1995 and made payment of ₹ 1.12 crore towards interest besides irregular payment of commission to the agents. At the instance of audit, Postmaster, HPO Aizwal refunded the principal amount of ₹ 1.12 crore. The amount of interest irregularly paid to the investor was treated as void and the re-investment of the amount cancelled.

2.2 Disbursement of National Rural Employment Guarantee Scheme (NREGS) Wages through Post Offices

2.2.1 Introduction

National Rural Employment Guarantee Act (NREGA) came into force on February 2, 2006 with the aim of enhancing livelihood security of rural households by providing at least one hundred days of guaranteed employment in a financial year to every household whose adult members volunteer to do unskilled manual work. State Governments were made responsible to make National Rural Employment Guarantee Schemes (NREGS) for giving effect to the Act.

Ministry of Rural Development (MoRD) in consultation with Department of Post (DoP) prepared a model Memorandum of Understanding (MoU) in 2008 to be entered into between State Governments and DoP for timely and transparent disbursement of NREGS wage through post offices. The MoUs were signed in 18 Postal Circles with 20 State Governments between 2008 and

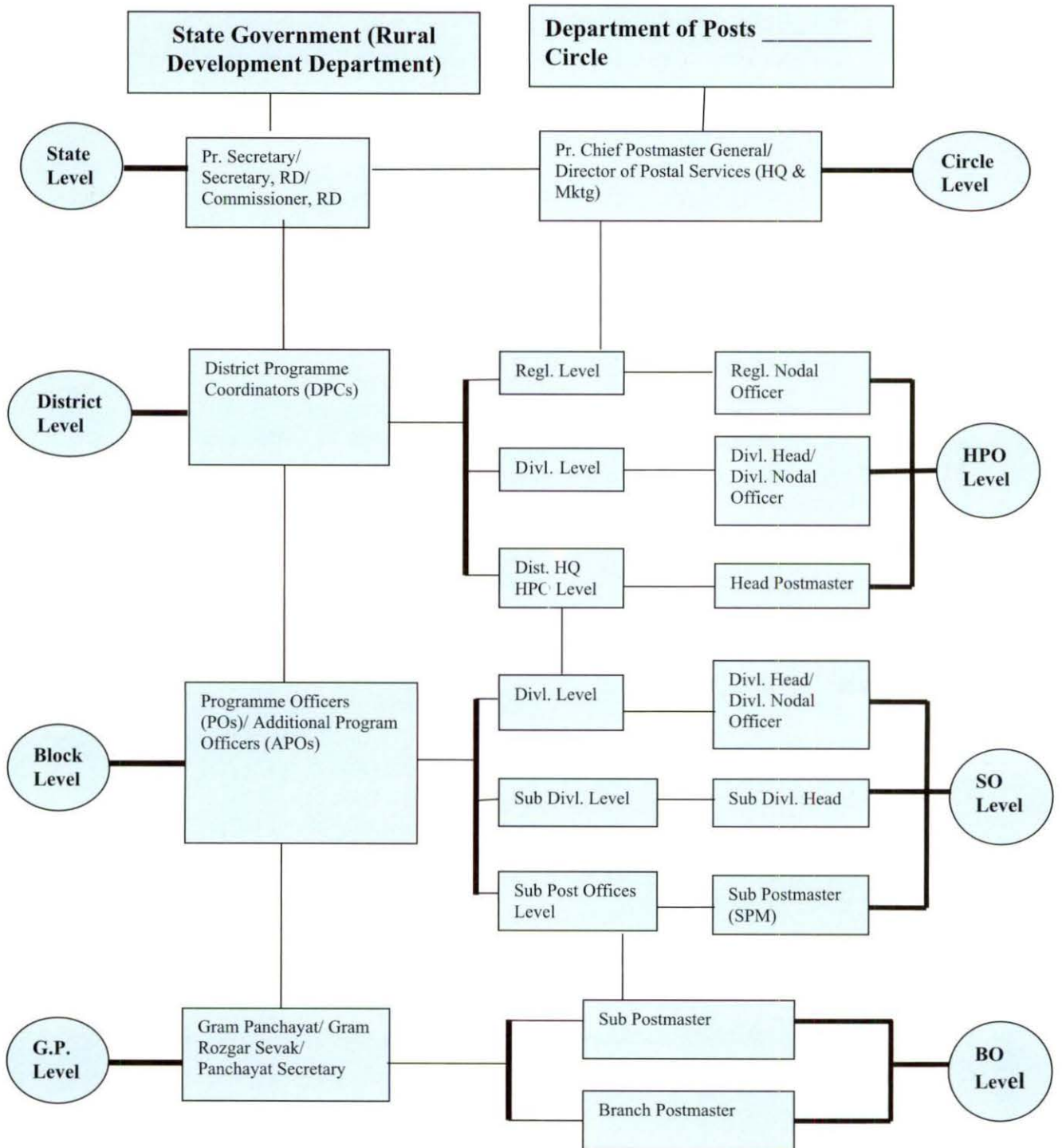
2009. No MoUs were signed with the State Governments of West Bengal, Tamil Nadu, Jammu & Kashmir, Arunachal Pradesh, Tripura, Nagaland and Delhi. In the North East Circle the MoUs were signed with three State Governments viz. Meghalaya, Mizoram, and Manipur. In Assam Circle, though MoUs were signed only at the district level, these were actually signed in only four districts. In the States of West Bengal, Arunachal Pradesh and Tripura, NREGS wage was disbursed through post offices without signing the MoU.

The central objective of the MoU was to ensure payment of due wages earned by the NREGA workers in a timely and transparent manner through special saving accounts to be operated in their name in the post offices. In order to achieve the objectives of the MoU and to make the implementation of NREG Scheme through post offices successful, DoP issued (April 2008) the Model Operating Procedure (MOP) and other instructions from time to time, to all Heads of Circles. The MOP and the instructions in that connection, envisaged inter-alia, guidelines relative to cash flow arrangement, adherence to time line, monitoring and coordination between representatives of the State Government Departments and DoP, as also procedures for disbursement of wages under NREGS through Post Office Savings Banks.

2.2.2 Organizational Set-up

The Organizational Structure of both the parties to this arrangement i.e. State Government and the Department of Posts (DoP), at State/Circle, District/Head Post Office, Block/Sub Office and Gram Panchayat/Branch Office level, is indicated by chart given below:

Chart showing organizational structure of State Government and DoP



With a view to review the implementation of the scheme, identify the problems and find out appropriate solutions, and for smooth functioning of the Scheme, the organizational components of both the State Governments and the DoP were required to participate in the periodical coordination meetings to be arranged at State, District and Block level. At the State level, Principal Secretary/Secretary, Rural Development was to convene coordination meeting with the Chief Post Master General (CPMG) on monthly basis or as and when required. At the district level, District Programme Coordinators (DPCs) of the districts were to hold monthly meetings with the identified Nodal Officers in the Postal Divisions. Programme Officers/Additional Programme Officers (POs/APOs) also were required to convene coordination meetings on fortnightly basis with the Sub Postmasters/Branch Postmaster (SO/BO) at Block level. The State Governments were further responsible for maintaining average monthly NREGS wages as a One Time Deposit (OTD) for each quarter in the Head Post Offices (HPOs) located at each district Headquarter.

The details of number of accounts operated for NREGS workers, amount deposited, withdrawn and balance amount in those accounts in various Post Offices in all Postal Circles in the country for the period 2008-09 to 2010-11, given in the table below indicated that the number of accounts, amount deposited and withdrawn under NREGS increased significantly during the period.

Table: 1

(₹ in crore)

Year	Number of Accounts (in crore)	Amount Deposited in the year	Amount Withdrawn during the year	Balance Amount in Accounts as of 31 March	%age of Balance Amount in Accounts
2008-09	2.92	N/A	3863	-	-
2009-10	4.25	8448	7900	548	6.49
2010-11	4.90	13463	9179	4284	31.82

(Source: The Data collected from DoP Head Quarters)

The balance amount in accounts which represents amount not withdrawn by the beneficiaries grew manifold from ₹ 548 crore in 2009-10 to ₹ 4284 crore in 2010-11.

2.2.3 Scope of Audit

We conducted the audit during May to July 2011 selecting one Postal Region in each of eight Postal Circles² except Karnataka Circle³ where two Postal Regions were selected. Postal Divisions under each Postal Region were selected on the basis of volume of transactions. The transactions of randomly selected post offices under Postal Divisions as given below were test checked for the period 2008-09 to 2010-11.

Table: 2

Postal Circles	Postal Regions	Postal Divisions	Head Post Offices (HPOs)	Sub-Post Offices (SOs)	Branch Post Offices (BOs)
8	9	18	29	57	233

2.2.4 Audit Objectives

We conducted audit to examine whether:

- disbursement of wages under the NREGA Scheme through postal network was generally made as per the terms of the model MoU between the DoP and the MoRD at the Centre and between the Heads of Postal Circles and State Governments at the field level
- the provisions of Model Operating Procedure (MOP) as issued by the DoP to Postal Circles for opening of NREGA Accounts and disbursal of wages were complied with
- overall reporting monitoring and management of the implementation of the scheme was adequate

2.2.5 Audit Criteria

The sources of criteria used for audit scrutiny were

- the MoUs entered into between State Governments and the respective Postal Circles
- MOP and other instructions issued by DoP for implementation of the scheme and Post Office Savings Account Rules 1981.

² Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Orissa, Rajasthan, Karnataka and West Bengal

³ Volume of transactions in one Postal Region was not adequate thus two regions were selected by the Audit.

2.2.6 Audit Findings

Our scrutiny of disbursement of NREGS wages through Post Offices highlighted a number of deficiencies in the overall operation of the scheme. It also brought out instances of a weak and ineffective monitoring mechanism.

2.2.6.1 Fund-flow arrangements for timely payment to NREGS workers

As per the scheme DoP was required to maintain adequate availability of funds at all SOs and BOs to ensure timely payment to NREGS workers as per agreed time lines under the MoU and MOP. This pre-supposed timely flow of necessary fund from HPOs to BOs through SOs. However the desired steps required to meet the fund requirements at the levels of SOs/BOs were not taken by HPOs leading to delays in payment of wages as discussed in the following sub-paras:

2.2.6.2 Non/short deposit of One Time Deposits (OTD) by State Governments at HPOs

As per the MoU and the MOP, the Divisional Nodal Officer (DNO) of DoP was required to approach the District Programme Coordinator (DPC) of Rural Development Department of State Government, and obtain One Time Deposit (OTD), being the amount equal to one month's approximate wages payable to NREGS workers in the district plus the minimum amount required for opening of new accounts in the District Headquarters. The purpose of making a one time deposit with the HPOs at the district level was to enable the post offices to disburse the NREGS wages without waiting for realization of wages cheque/demand drafts received with wages list. The DNO was also required to review the position of wages paid every quarter to ensure that the DPC supplements the one time deposit to the extent necessary as per the latest monthly average of wages actually paid.

Our scrutiny revealed that in 19 HPOs under eight test checked circles⁴, either OTD was not insisted upon by the Postal Circles or was received short in different HPOs to the extent of ₹ 12 lakh to ₹ 401 lakh. The DNOs had not conducted the quarterly review of OTD to enable them to get these deposits appropriately supplemented from the Programme Coordinators. This is evident from the fact that in 19 HPOs in eight Circles the aggregate deficiency in funds as on 31 March 2011 worked out to ₹ 1920 lakh which averaged at 59.48 per cent. In eight HPOs under three Circles, no OTD was made by the DPCs and in five HPOs under two Circles it was either around or more than

⁴ Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Karnataka, Orissa, Rajasthan and West Bengal

50 per cent (**Annex-II**). It was also observed that in four Circles⁵, follow up with the State Government authorities was not done regularly.

On this being pointed out by us, six Circles⁶ accepted that the required OTD was not provided by the respective State Governments. The Ministry in its reply stated that MoRD was requested at regular intervals to ensure availability of rolling funds and to advise the State Governments to provide rolling funds at each HPO. Further, this issue was also raised by the Secretary, DoP in a meeting with the Hon'ble Minister of MoRD.

Thus, insufficient OTD in HPOs could lead to non availability of sufficient funds resulting in either delayed payment of wages or in case of delayed realization of wage cheques, temporary outflow of DoP fund.

2.2.6.3 Delay in crediting NREGS cheques into bank accounts of HPOs due to weak monitoring over remittances of cheques

Timely realization of NREGS wage cheques was a pre-requisite for smooth flow of funds to BOs and to ensure timely payment of wages. To ensure this, the Divisional Head/Divisional Nodal Officer and the Head Postmaster concerned were required to keep a close watch over, timely remittance of all NREGS cheques into the bank accounts and crediting of the proceeds thereof in the post office accounts without any delay. Clearance of each cheque was to be watched by Head Postmaster through a register to be maintained for recording dates on which cheques were received and sent for clearance.

Our scrutiny in seven⁷ out of eight test checked circles revealed deficiencies in monitoring and control over realization of cheques in the Head Post Offices as explained below:

- As per the Scheme, each HPO was required to maintain a separate register of NREGS cheques received and cleared. However, three HPOs one each in Bihar⁸, Karnataka⁹ and Rajasthan¹⁰ Circles and two HPOs of Chhattisgarh¹¹ Circle did not maintain a separate register of NREGS cheques received and cleared. Consequently, we could not ascertain age wise break up and details of un-cleared NREGS cheques.

⁵ Bihar, Odisha, Chhattisgarh and West Bengal

⁶ Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Karnataka and Orissa

⁷ Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Karnataka, Orissa and Rajasthan. In West Bengal, money is received through demand draft.

⁸ Purnea, Katihar and Saharsa

⁹ Chitradurga, Gulbarga, Kolar

¹⁰ Jodhpur, Nagaur and Didwana

¹¹ Raipur and Bilaspur

- In three Circles¹², as of 30 September 2011, 371 unrealized cheques amounting to ₹ 234.51 lakh and 150 dishonored cheques amounting to ₹ 150.18 lakh had not been recouped by DoP from the State Governments authorities. (**Annex–III & IV**)
- There was delay ranging from 7 to 52 days in clearance of 217 NREGS cheques valuing ₹ 156 lakh in two HPOs¹³ and three SOs¹⁴ of Rajasthan Circle.

In the absence of availability of total number of cheques and amounts thereof received and realized from all Circles, the percentage of un-cleared cheques and dishonored cheques as well as delay could not be ascertained.

On this being pointed out by us, postal circles replied that necessary action was being taken for clearance of all pending cheques. PMG Western Region Jodhpur under Rajasthan Circle replied that the delay in clearance was due to mistake in account numbers, differences in cheque amount and wage list and also due to delay in clearance by banks. CPMsG Karnataka, Bihar and Chhattisgarh Circles replied that necessary action was being taken.

The reply of Circles was not convincing. Considering the shortfall in one time deposit and delay in encashment of NREGA fund cheques, the monitoring mechanism was evidently not effective enough.

2.2.6.4 Problems in managing cash flow

The DNOs were responsible for arranging sufficient cash to meet the requirements of the Sub Postmasters and the Branch Postmasters with the assumption that 100 percent of the weekly/fortnightly wages will be withdrawn within two or three days of receipt of the wage lists. Sub Postmasters were to credit the wages to the accounts of the individual workers immediately on receipt of wage list and send intimation to the Branch Postmaster concerned. In any case, as per the MOP, all payments were to be completed within three days from the date of receipt of the wage list.

Test check revealed that during the period 2008-09 to 2010-11 there was considerable delay in disbursement of wages in respect of 3457 wage lists in seven circles¹⁵. The delay ranged from 15 to 30 days and above as detailed below:

¹² Bihar, Chhattisgarh and Orissa

¹³ Jaisalmer & Deedwana

¹⁴ Pokhran, Borawar & Kuchaman

¹⁵ Bihar, Gujarat, Orissa, Rajasthan, Karnataka, Chattisgarh and West Bengal

Table: 3
Delay in disbursement of wage to NREGS workers

Sl. No.	Postal Circles	Number of days of delay			Total number of wage lists delayed
		1 to 15	16 to 30	Above 30	
		Number of delayed wage lists			
1.	Bihar	310	80	43	433
2.	Gujarat	238	217	35	490
3.	Orissa	287	34	12	333
4.	West Bengal	148	8	2	158
5.	Karnataka	573	19	92	684
6.	Chhattisgarh	865	313	128	1306
7.	Rajasthan	38	12	3	53
Total		2459	683	315	3457

(Source: The data collected from post offices)

Main reasons for the delay, as cited by postal offices, were as follows:

- Lack of mechanism for handling huge cash flow from SOs to BOs (CPMG Orissa)
- Shortage of staff for making payment under wage lists received in bulk (CPMG Gujarat).
- Delay in receipt of cash and short supply of cash (BOs of Bihar and West Bengal).
- Delay in receipt of wage list, opening of accounts & issue of passbook etc., large number of accounts and contradictory instructions on time limit by Circle office. (Chhattisgarh Circle).

The reply given by Circles was not acceptable since disbursement of wages was to be regularly reviewed by the DoP Directorate which had to ensure that there was availability of sufficient cash balance in the post offices. Moreover wage list registers were invariably found not to be maintained in some post offices under Chitradurga and Koppal HPOs of Karnataka Circle checked by audit. The Ministry had accepted the audit findings.

2.2.7 NREGS Wage Payments through Post Offices

Post Offices were required to open workers wage accounts, credit wage amounts and allow withdrawals as per POSB Rules which inter alia prescribe the procedures to be followed while opening the SB Account as well as its operation. Complete verification of the identity of the wage earners through job card, application forms, complete data entry, data accuracy and timely

credit of interest into accounts were some of the critical aspects for which DoP staff had to take action. Further, MoU signed with respective State Governments and Model Operating Procedure provided for immediate credit of wage amount to the workers account.

We observed the following serious deficiencies in the operations of NREGS wage accounts:

2.2.7.1 Accounts opened without verifying of particulars of job cards

Post Office Savings Account Rules and other orders issued by DoP on the subject stipulate that while opening NREGS accounts, particulars of the NREGS workers as indicated in the application forms (SB-3) were to be verified by the concerned Post Master from the original job card of the applicant. The Post Master was also required to certify this fact under his own signature.

However, our scrutiny revealed that in four¹⁶ out of eight test checked circles, 78602 NREGS accounts were opened without verification of application forms (SB-3) with reference to job cards as detailed below:

Table: 4

Accounts opened without verification of application form (SB-3 Form) with job cards

Sl. No.	Postal Circle	Number of SB-3 Forms not cross checked with job cards
1.	Chhattisgarh	45229
2.	Gujarat	31182
3.	Bihar	1278
4.	Orissa	913
Total		78602

(Source: The data collected from post offices)

Non adherence with relevant procedures by the Post Masters was fraught with the risk of irregular/ fraudulent payments through accounts the bona-fides of which were suspect.

On this being pointed out, the Postmasters of Chhattisgarh Circle stated that verification of SB-3 forms was not done due to heavy work load; the Postmasters of Gujarat Circle attributed the laxity to non-availability of job cards at the time of opening of accounts and as also absence of clear

¹⁶ Bihar, Chhattisgarh, Gujarat, and Orissa

instructions on the subjects. Postal Circles¹⁷ replied that necessary instructions would be issued to the post offices to follow the standard operating procedures. The Ministry replied that all concerned had been instructed to collect job cards in Gujarat and Orissa Circles.

The replies of the Ministry and the Circle Offices confirm our observation that due diligence was not observed by the post offices in opening of the accounts which could have facilitated irregular/ fraudulent payments.

2.2.7.2 Disbursement of wages without attestation of Left Hand Thumb Impressions (LTI) of wage earners

Rule 33 (1) of POSB Rules provided that thumb impression or mark of the depositor on the application for withdrawal should be attested by a respectable witness in respect of a blind, illiterate or a depositor who is unable to write. This procedure for disbursement of wages was also reiterated in the Model Operating Procedure (MOP).

During test check in six Circles¹⁸, we noticed 6811 cases of payments having been made without attestation of Left Hand Thumb Impressions of illiterate wage earners, which was in violation of the Post Office Savings Bank (POSB) Rules, as per details given in the table below:

Table: 5
Payment made without attesting Left Thumb Impression of Workers

Sl. No.	Postal Circles	Total No. of cases where LTI not attested (test checked by audit)
1.	Chhattisgarh	3999
2.	Gujarat	1294
3.	Orissa	897
4.	Bihar	553
5.	Rajasthan	36
6.	Karnataka	32
Total		6811

(Source: The data collected from post offices)

Failure of Post Offices to follow the codal provision left scope open for fraudulent payment under NREGS.

¹⁷ Bihar, Chhattisgarh, Gujarat and Orissa

¹⁸ Bihar, Chhattisgarh, Gujarat, Karnataka, Orissa and Rajasthan

The Circle offices¹⁹ did not contest the above facts and replied that remedial actions would be taken and stated that Post Offices were instructed to follow the codal provisions. The Ministry in their reply stated that necessary instructions had been issued to all concerned to invariably follow the payment procedure.

2.2.7.3 Ledgers in respect of Workers Wage Accounts not maintained

Ministry of Finance, Department of Economic Affairs in August 2008, had issued a gazette notification amending the Post Office Savings Accounts Rules 1981 for introduction of a special category of savings account i.e. Workers Wage Account under NREGS. In the same month, DoP introduced a separate block of account numbers for opening the new type of savings account under NREGS.

Just as maintenance of ledger cards for each savings account at Sub Post Office level was mandatory under Post Office Saving Bank Rules, ledgers for NREGS accounts were also to be maintained at Sub Post Office level. Further, on receipt of wage list and related cheques, the Sub Postmasters were required to send the cheques for realization to HPO and ensure credit of wage amounts to the accounts of individual workers. An intimation of credit was to be sent to each of the Branch Postmaster concerned.

Our scrutiny of the records revealed that in seven Circles²⁰ ledgers in respect of NREGS workers were either not maintained or not updated. Some of the SOs and HPOs²¹ ascribed shortage of staff as one of the major causes for this situation. However, five Circle offices²² replied that data entry work was under way and would be completed soon.

The reason cited for arrears in the work of maintenance and updating the ledgers of NREGS accounts were not convincing since DoP had provided to each Circle/HPO funds under NREG scheme for administrative expenditure. These funds could clearly have been used for data entry work and training of necessary manpower. Further, to ensure that the funds for wages received/disbursed were accounted for correctly in time, maintenance and updation of data in the ledgers was essential.

As per Clause 8.1 of MOP, the amount deposited under the Scheme can earn interest from time to time as applicable to all other POSB accounts. 'NREGS

¹⁹ Bihar, Chhattisgarh, Gujarat, Karnataka and Orissa

²⁰ Andhra Pradesh, Chhattisgarh, Gujarat, Karnataka, Orissa, Rajasthan and West Bengal

²¹ HPO- Bardoli, Suri and Barasat; SO- Jamankira, Echoda, Asifabad, Indervelly and Chennur

²² Chhattisgarh, Andhra Pradesh, Gujarat, Karnataka and Orissa

workers accounts' were therefore entitled to earn interest as applicable to other savings accounts. It was seen that in Karnataka and Chhattisgarh Circles, incompleteness of ledgers had resulted in interest on balances in workers accounts not being credited. In Chhattisgarh Circle the work of crediting interest to wage accounts was incomplete for three years viz., 2008-09 to 2010-11. In HPO Koppal of Karnataka Circle, interest was not credited in 184091 accounts on closing balance of ₹ 260 lakh as on 31 March 2011. Though similar instances did not come to our notice in the post offices sampled by us in other Circles/HPOs, owing to generally poor monitoring of the scheme in all the Circles, the possibility of such irregularities having occurred elsewhere could not be entirely ruled out.

CPMsG Karnataka and Chhattisgarh Circles assured that remedial action would be taken. The Ministry in their reply stated that in Karnataka Circle the calculation of interest was under process.

2.2.7.4 Irregular payments on incomplete and xerox copies of wage lists

Test check of records in BOs and SOs under Bardoli HPO of Gujarat and three HPOs²³ of Karnataka Circles, revealed that wages amounting ₹ 95.21 lakh were disbursed on the basis of xerox copies of 145 wage lists received without indicating therein muster roll number, signature or stamp of any State Government authority.

CPMG Karnataka Circle replied that after making thorough enquiry, concerned Divisional Heads would be directed to initiate action against the officials responsible for the lapses and to take remedial action to ensure transparency in NREGS activities. The Ministry in their reply re-iterated the assurances given by the CPMG Karnataka Postal Circle.

Failure to ensure the mandatory checks in disbursement of wages enhanced the risk of wages being paid to ineligible persons and exposed the scheme to fraudulent practices. Weakness in monitoring the scheme was self evident.

2.2.7.5 Errors in data compilation

Model Operating Procedure (MOP) stipulated preparations of periodical statements of various kinds of data pertaining to SB accounts, credit/deposits made in accounts and withdrawals allowed etc., at Post Offices and maintenance of Deposit Register at Postal Account Offices and HPOs and their submission to higher authorities.

²³ Kolar, Gulbarga and Chitradurga

Test check of records in three Circles²⁴ showed that these instructions were largely ignored resulting in un-reconciled data amongst various postal offices of the concerned circles as also with State Governments as elaborated below:

- In Karnataka Circle figures of wages deposited and wages disbursed as maintained by CPMG Office and O/o Director of Accounts Postal (DAP) did not match. The wages deposited and disbursed for the period 2008-11 in four HPOs²⁵ under the circle as shown in the records of CPMG were more by ₹ 4696.60 lakh and ₹ 3954.62 lakh respectively than the figures booked by the DAP. CPMG Karnataka Circle stated that opening of normal SB accounts in the name of NREGS beneficiaries before the introduction of special type of SB Account (Workers' Wage Account) for NREGS had resulted in the differences in figures.
- In two Postal Divisions²⁶ of Chhattisgarh Circle the wages disbursed for the period April 2008 to October 2010 in Bilaspur and Raipur divisions were shown less by ₹ 7360.72 lakh and ₹ 1374.77 lakh, respectively, than the amount shown as disbursed in the State Government data. The discrepancy had arisen because instead of giving the figures of amount of wages credited in the NREGS accounts had shown only the withdrawals from NREGS account by the workers as wages disbursed which was obviously incorrect.
- In Andhra Pradesh Postal Circle, the amount of wages withdrawn by workers in the years 2008-09 and 2010-11 respectively was shown in excess by ₹ 23.52 crore and ₹ 2.56 crore than the amount of wages deposited by Andhra Pradesh State Government. CPMG Chhattisgarh & CPMG Andhra Pradesh Circles did not clarify the reasons for this discrepancy except stating that the data entry in the Sanchay Post Software was under way.

The Ministry in their reply stated that the necessary instructions had been issued to the circles for strict compliance of POSB Rules to avoid systemic failure in opening, operation and maintenance of workers accounts in ledgers.

The instances cited above clearly indicate that errors in data compilation were prevalent at all levels in the Department. Even the data collected from DoP Head Quarters' office revealed compilation errors. Moreover, the data compilation in the field offices of DoP was erroneous from the very beginning

²⁴ Andhra Pradesh, Chhattisgarh and Karnataka

²⁵ Chitradurga, Gulbarga, Kolar & Koppal

²⁶ Bilaspur & Raipur division

as Circle offices generally failed to differentiate actual withdrawals by the workers from NREGS account and treated it as wages disbursed to the worker ignoring the actual amount of wages credited in the NREGS accounts. It was only after the matter was clarified by DoP Headquarter in January 2011 that the amount of wages credited to the NREGS wagers' account was treated as wages disbursed.

2.2.8 Internal control and security for cash handled

Due to implementation of NREG Scheme, number of cash withdrawal transactions had increased substantially. These transactions were over and above the normal volume of postal transactions in savings accounts at BO level. This made it necessary for postal authorities to provide better security measures for safe transportation and custody of cash handled by the BOs.

Following deficiencies relate to internal controls and security arrangements were noticed in the test checked postal offices.

2.2.8.1 Withdrawals beyond sanction limit allowed by Branch Postmasters without sanction from Sub Postmasters

As notified by the DoP Headquarter from time to time, Branch Postmasters can allow on each occasion withdrawal from a NREGS account up to a maximum amount of ₹ 2000 per account up to 9 February 2010 and ₹ 5000 per account per occasion thereafter. Withdrawals beyond the said limit were required to be referred to the concerned Sub Postmaster for sanction.

However, in four Sub Post Offices of the three circles²⁷ instances of withdrawals having been allowed beyond the prescribed limit by Branch Postmasters without the sanction of SPM were noticed.

Circle offices²⁸ stated that instructions to follow the prescribed procedures while allowing withdrawals from NREGS accounts had been since issued. The Ministry in their reply stated that necessary instructions had since been issued to the Circles for strict adherence to rules.

Non-compliance with rules increased the risk of fraudulent payments. An instance of fraud was noticed during audit in Andhra Pradesh Circle where a Branch Post Master (BPM) had allowed 326 bogus withdrawals of ₹ 3200 each in 187 accounts.

²⁷ Karnataka, Gujarat and Orissa

²⁸ Karnataka, Gujarat and Orissa

2.2.8.2 Improper security arrangements for conveyance of cash from Sub Offices to Branch Offices

Dynamic line limits²⁹ were introduced from August 2008 by DoP for the purpose of facilitating payments of wages to NREGS workers. This further enhanced the level of cash already being handled in the Post Offices.

In six Circles³⁰ it was noticed that Branch Postmasters were carrying high amounts of cash from Sub Post Offices at their own risk, without any security being provided to them. Lack of security arrangements was evident from robbery/theft cases involving ₹ 5.68 lakh in two postal offices³¹ of Karnataka Circle.

Four circle offices³² replied that instructions would be issued to divisional heads to ensure security during conveyance of cash.

The Ministry in their reply stated that arrangements were made for police escort for heavy cash conveyance from HPOs and that services of Home Guards were utilized for cash conveyance and security of post offices.

Conclusion

The Scheme of disbursement of wages under NREGA through the postal network was successfully implemented as evident from the fact that the number of accounts for disbursement of NREGA wages grew from almost three crore to almost five crore accounts during the period 2008-11. The amount disbursed (withdrawn) also grew from ₹ 3863 crore to ₹ 9179 crore. However, the undisbursed fund in workers accounts lying with DoP was significantly high at ₹ 4284 crore in 2010-11 constituting 32 *per cent* of the total funds received from the State Governments. In 19 HPOs of eight Circles, the one time deposit required to be received in the post offices by the District Programme Coordinator of State Governments was either not received or there was shortfall in deposit to the tune of ₹ 1920 lakh as on 31 March 2011. The shortfall reflected that in eight HPOs under three Circles no OTD was made by the DPCs and in five HPOs under two Circles it was either around or more than 50 *per cent*. The procedures for opening of accounts under MOP and POSB, were not followed by a significant number of test checked post offices as evident from accounts being opened without verification of SB-3 forms, incomplete data entry in ledgers, interest not credited and wages being

²⁹Limit prescribed for conveyance of cash between post offices

³⁰ Andhra Pradesh, Bihar, Gujarat, Karnataka, Rajasthan and West Bengal

³¹ BO Balla & SO Bewoor

³² Andhra Pradesh, Bihar, Gujarat & Karnataka

disbursed without attestation of left hand thumb impression of illiterate wages earners, OTDs not being obtained and reviewed periodically, delay in disbursement of wages or in watching timely deposit of wages cheques, errors in data compilation etc. besides inadequate security arrangements for transportation/custody of cash, which had increased due to operation of NREGS through the postal Network. Most of the irregularities noticed were facilitated due to weak monitoring and insufficient internal controls.

Recommendations

- *DoP need to coordinate more effectively with MoRD at the one end and the State Governments at the other to fully operationalize MoUs already entered into.*
- *Monitoring of wage payments under MNREGS needs to be made regular, comprehensive and effective. This may be made a part of DoPs 'Result Framework Document'.*
- *Internal controls over the wage distribution under MNREGS through post offices need to be reviewed and strengthened.*
- *Appropriate disciplinary action may be taken against all officials found responsible for negligence in implementing the MoUs.*
- *Efforts may be made to enter into MoUs with all State Governments.*

2.3 Stocking of cash certificates, stamps and postal stationery

Failure of the Department to follow the prescribed procedure for indenting and forecasting and a weak internal control mechanism resulted in substantial overstocking of cash certificates, stamps and postal stationery thereby exposing these valuables to the risk of misuse/pilferage and damage.

Postal articles viz; stamps and postal stationery are sold through post offices spread across the country. Department of Posts (DoP) also discharges an agency function on behalf of Ministry of Finance (MoF) for sale of Cash Certificates through Post Offices. For this, the MoF remunerates the DoP at rates fixed from time-to-time.

The Cash Certificates (CCs), Stamps and other postal stationery are printed at India Security Press (ISP) Nasik and Security Printing Press (SPP) Hyderabad and are supplied to Circle Stamp Depots (CSDs) spread across in 22 Postal Circles. The CSDs are required to send to ISP Nasik/SPP Hyderabad the six monthly advance indents for the printing of Cash Certificates and quarterly indents for stamps based on the requirement received by them from Head Post

Offices (HPOs) taking into account their own requirement and that of Sub-Post Offices (SOs) under their jurisdiction.

Our scrutiny (June 2011 to August 2011) of records of CSDs and HPOs in seven Postal Circles selected randomly covering 20 *per cent* of the HPOs under each Circle revealed overstocking of Cash Certificates, Stamps, Postal Stationery, various deficiencies including inadequate internal control mechanism in the department as enumerated below:

2.3.1 Over-stocking of Cash Certificates in Circle Stamp Depots (CSDs) & Head Post Offices (HPOs)

Post Office Savings Bank (POSB) Manual Volume II stipulates that a quarterly indent to meet the requirements of Cash Certificates i.e. National Savings Certificates/Kisan Vikas Patras (NSCs/KVPs) shall be submitted by the HPOs to the CSD on 1st of June, September, December and March. The information to be given by the HPOs to CSDs would include types of certificate required, their denomination, the number of certificates sold during the last quarter, balance in hand, the number of certificates required and reasons for indenting more certificates than those sold during the last quarter as well as the balance in hand. The CSDs in turn are required to send six monthly advance indents for the printing of Cash Certificates to the ISP Nasik on due date. For correct assessment of the requirement, the CSDs are required to furnish to the printing press the information such as stock at the time of last indent, supply received since then, quantity issued during the previous half year/quarter, balance available on the date of submission of the present indent, quantity due from printing press against the previous indent and quantity required for the next six months in the prescribed proforma. Utmost care is required to be taken to ensure that excessive stocks are not held in the post offices to obviate any possibility of pilferage, misuse or damage to such value bearing stationery.

Our scrutiny of records in test checked HPOs and CSDs in the seven Circles revealed that indents in respect of Cash Certificates were placed without complying with the required procedures. This resulted in overstocking of cash certificates bearing face value of ₹ 3840.66 crore in the test checked CSDs and HPOs as on 31 March 2011, as has been indicated in the **Annex-V**. It was also observed that indents were placed by CSDs Delhi, Kerala, Tamil Nadu and Uttar Pradesh despite having sufficient stock in hand, without taking into account the past consumption patterns.

On this being pointed out by us, CSDs at Tamil Nadu and Maharashtra Circles accepted the facts and figures; CSD Kanpur stated that overstocking of KVPs and NSCs was due to irregular supply by the printing press; CSD Lucknow stated that overstocking was due to allotment of surplus stock by the Postal Directorate; CSD Ludhiana stated that blank NSCs of ₹ 5000/- held in stock carried no intrinsic value till these are actually issued; the Postmasters of selected HPOs accepted the facts and stated that corrective action would be taken and in future the indents would be placed as per the prescribed procedure.

The reply of CSD Ludhiana was not acceptable because despite having no intrinsic value, the possibility of misuse of blank certificates by fraudulent encashment did exist as was demonstrated by one case reported in Bihar Circle. In that case blank certificates worth ₹ 1.25 crore were lost in transit, fraudulently issued and en-cashed by a Sub-Postmaster under Munger HPO. The reply of CSD Kanpur was also not acceptable as departmental rules clearly envisage that quantity due from printing press against the previous indent should be taken into account while placing the present indent.

Thus omission on the part of CSDs and HPOs to scrupulously follow the prescribed procedures before placing indents for cash certificates as discussed above and absence of monitoring of stock position at supervisory levels resulted in overstocking of Cash Certificates worth face value of ₹ 3840.66 crore in CSDs and HPOs. Overstocking of cash certificates to such a huge level clearly carried risk of misuse by unscrupulous elements, besides damage/pilferage over a period of time.

2.3.1.1 Non-submission of Statement of unsold Cash Certificates to Postal Account Offices

Post Office Savings Certificate Rules provide that a statement in 'manuscript', indicating the total number of cash certificates along with the first and last serial numbers of certificates of each denomination and of each different series remaining unsold on 31st March of each year, shall be prepared by all post offices stocking the cash certificates. Utmost accuracy must be ensured in writing the serial numbers. The distinguishing letter prefixed to such serial numbers should on no account be omitted. A certificate should be endorsed on the statement under the personal and dated signature of the Postmaster that the balance as per the stock register had been verified with the actual balance in hand and found correct. The HPO should check the statements received from the SOs with the register maintained for the purpose in that office and send

them to Postal Accounts Offices along with its own statement, positively by 30th April each year.

Our scrutiny revealed that the statement of unsold cash certificates was not being sent by HPO Varanasi Cantt to Director of Accounts (Postal), Lucknow (DAP). If the prescribed procedure as described above had been scrupulously followed that would have prevented the fraudulent encashment of KVPs/NSCs worth ₹ 9.01 crore between 1996 and 2004.

The Office of the Director of Accounts (Postal) Lucknow stated that an internal enquiry in the case was in process. Had DAP Lucknow ensured receipt of the statement of unsold cash certificates from HPO Varanasi Cantt, as provided in the departmental rules, and reconciled it with the issue and discharge register of NSCs/KVPs maintained at DAP, Lucknow, such fraudulent encashment could perhaps have been avoided.

Further test check conducted by us in 55 HPOs of six Postal Circles for the period 2008-11 revealed that the statement of unsold certificates had not been submitted by 33 HPOs to their concerned Postal Accounts Offices within the prescribed time. This indicated that despite the cases of fraudulent encashment being known to the DoP, sufficient steps had, obviously, not been taken to tighten the internal controls to ensure timely submission and reconciliation of statements of unsold certificates in the HPOs and the Postal Accounts Offices.

2.3.1.2 Overstocking of Stamps and Postal Stationery in Circle Stamp Depots (CSDs)

"Stamps" include postal stamps, non-postal stamps, envelopes and post cards and "Postage Stamps" include postal stationery. Apart from the maximum authorized cash balance, every post office is required to keep stock of stamps as fixed by authorities. The HPOs are required to obtain from CSD supply of stamps not exceeding their respective maximum authorized stamp balances. The CSDs in turn are required to submit quarterly indents to the ISP Nasik/SPP Hyderabad to meet the estimated consumption of stamps for the ensuing quarter.

Test check of records of CSDs located in Uttar Pradesh, Maharashtra, Punjab and Kerala Circles revealed that CSDs placed indents for stamps and postal stationery without complying with the prescribed indenting procedure. Orders for these items were placed without taking into account the stock in hand and consumption pattern of previous quarter. This resulted in overstocking of stamps and postal stationery carrying face value of ₹ 498.52 crore as on 31

March 2011, as shown in the **Annex–VI**. It was also observed that apart from having sufficient stock in hand the indents were placed for stamps and postal stationery without analyzing the actual demand by CSDs.

CSDs Lucknow and Kanpur accepted the facts. They also stated that the indents were placed on the basis of increased demand and the Postal Directorate had been requested to divert these stamps to other CSDs. CSD Ludhiana stated that there was acute shortage of postage stamps in the circle during 2008 and 2009 and the indents for these periods were received only in 2010 resulting in overstocking of stamps.

These replies are not acceptable as before accepting first supply against indents placed in 2008 and 2009 the CSDs should have considered the existing consumption pattern in respect of stamps and postal stationery and taken into stock the material supplied by ISP Nasik/SPP Hyderabad. Since stamps do not require any authorization for sale, their overstocking exposed the department to the risk of fraudulent sale of stamps/postal stationery by unscrupulous elements.

The matter was referred to the DoP in February 2012. Their reply was awaited as of June 2012.

2.4 Irregular payment of interest

Post offices in six circles did not scrupulously follow the provisions relating to the Public Provident Fund (PPF) Scheme resulting in irregular payment of interest of ₹ 2.26 crore to the subscribers.

Departmental Rules provide that an individual may subscribe to the Public Provident Fund (PPF) Scheme on his/her own behalf or on behalf of a minor of whom he/she is a guardian subject to the condition that the deposits in all accounts taken together should not exceed ₹ 70,000³³ in a year. Contributions in excess of the limit should be treated as irregular subscription and the excess amount should be refunded to the subscriber without any interest. Further, declarations to the effect that the subscriber is not maintaining any other PPF Account and that the subscriber agrees to abide by the provisions of the PPF Scheme, 1968 and the amendments issued thereto from time to time are required to be obtained from the subscriber along with his/her application form at the time of opening of the account. The Department of Posts (DoP) had issued orders (May 2004) for detection of irregular opening of accounts by the depositors under PPF Scheme at the initial stages itself.

³³ ₹ 1,00,000/- with effect from 1/12/2011

Departmental Rules further stipulated that a subscriber may, on the expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option (Form H) that he would continue to subscribe for a further period of a block of five years, failing which these deposits will be treated as irregular deposits and will not carry any interest and be disallowed for rebate under Section 80 C of IT Act.

Our scrutiny of the records (August 2009 to March 2011) of 28 Post Offices in Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil Nadu, Karnataka and Gujarat Postal Circles revealed that, deposits made by subscribers beyond the prescribed limit (₹ 70,000); multiple accounts in name of one subscriber and deposits continued after maturity of the accounts, led to incorrect payment of interest of ₹ 2.26 crore (**Annex-VII**) on these PPF accounts. These irregularities remained undetected by the PPF authorities until pointed out in audit.

On this being pointed out in audit, Post Office, Jaipur City under Rajasthan Circle recovered ₹ 14.97 lakh. Some Post Offices admitted opening of irregular accounts due to lack of knowledge of the Rules (**Annex-VII**). Most of the Post Offices stated that the necessary action would be taken after verification of the records.

The matter was referred to the Ministry in January 2012; their reply was awaited as of May 2012.

2.5 Short deduction of commission on purchase of revenue stamps

Failure of the Chief Post Master General, Delhi to deduct commission in advance on purchase of revenue stamps from the State Government, led to short realization of revenue to the extent of ₹ 98.36 lakh.

All revenue stamps, both judicial and non-judicial, which form sources of central revenue, are printed at the Security Press at Nasik Road. The Press prints and supplies such revenue stamps as may be required by various States on such terms as the Government of India may determine from time to time.

The Department of Posts (DoP) through its post offices sells revenue stamps to the public on behalf of State Governments for which the commission at prescribed rates, fixed from time to time, is receivable by DoP from the respective State Governments. The prescribed commission is to be deducted in

advance by Post Offices while purchasing revenue stamps from State Government Treasuries.

Ministry of Finance (MoF) in consultation with the State Governments fixed the following rates of commission to be charged by the DoP for sale of revenue stamps through post offices:

Period	Rate of Commission
From 01.10.2003	3%
From 01.10.2004	6%
From 01.10.2005	10%

DoP issued (February 2004) instructions to all Heads of Circles/Regions/Postal Accounts inter-alia stipulating that while purchasing stamps from the State Treasuries, the commission, as decided by MoF, will be deducted in advance by the Head Post Offices. These instructions were again reiterated by the DoP in October 2006, wherein Postal Circles were clearly advised to dispense with the sale of stamps if the State Governments are not inclined to pay commission at above rates.

A mention was made in Paragraph no. 4.1 of Report No. 16 of 2011-12, Compliance Audit Observations (Civil) regarding non-deduction of commission by the Postal Circles of DoP on purchase of revenue stamps in Gujarat, Maharashtra, North East and West Bengal Circles. The Ministry's reply in this regard is still awaited (April 2012).

Our scrutiny of records of three HPOs in Delhi Postal Circle (November 2010 - August 2011) however, revealed that despite the discrepancy having been brought to the notice of DoP at the highest level in January 2011 and the matter having been commented in C&AG's Audit Report, *ibid*, these post offices continued to purchase revenue stamps during the period October 2004 to June 2011 by deducting commission at three *per cent* that had ceased to be valid w.e.f. 1 October 2004. This lapse resulted in short-deduction of commission to the extent of ₹ 98.36 lakh as shown in the table below:

(₹ in lakh)

Name of HPO	Period of purchase of Revenue Stamps	Value of Revenue Stamps purchased	Actual commission due w.e.f. 1.10.2004 – (six per cent) 1.10.2005 – (10 per cent)	Commission deducted at the rate of three per cent	Commission short-deducted
GPO Delhi	October 2005 to October 2010	475.69	47.56	14.27	37.54*
HPO Parliament Street	May 2005	25.60	1.54	0.77	0.77
	November 2005 to May 2010	238.40	23.84	7.15	16.69
HPO Lodhi Road	October 2004 to September 2005	108.80	6.52	3.26	3.26
	October 2005 to June 2011	572.80	57.28	17.18	40.10
Total					98.36

(* As per CPMG, Delhi the amount is ₹ 37.54 lakh)

On this being pointed out by Audit, the Postmasters of the concerned Post Offices confirmed the facts and figures. The Chief Postmaster General (CPMG) Delhi Circle stated (January 2012) that the matter had been taken up with the Government of NCT Delhi several times, but the matter of revision of commission remained inconclusive.

The reply of CPMG, Delhi does not address the issue raised by audit because the instructions issued by DoP in February 2004 and October 2006 had clearly advised the Circle Offices to advise the Head Post Offices to deduct commission at the revised rates.

Thus, failure of the CPMG, Delhi to ensure implementation of DoP instructions resulted in short-deduction of commission of ₹ 98.36 lakh.

The matter was referred to DoP in January 2012; their reply was awaited as of May 2012.

2.6 Infertuous expenditure due to delay in construction of postal complex

Failure of Department of Posts to construct a postal complex on a plot acquired in 1990 resulted in infertuous expenditure of ₹ 64.62 lakh.

The Department of Posts (DoP) acquired a plot measuring 1970 sq. meters in 1990 in Goa for construction of a Postal building. This land was acquired on lease basis from the Economic Development Corporation (EDC) of Goa,

Daman & Diu Limited for which ₹ 14.38 lakh was paid as an advance. The lease agreement stipulated completion of the building within five years from the date of commencement of the lease or from the date of taking possession of the plot whichever happened to be earlier.

Our scrutiny (February 2011) of records of O/o Post Master General (PMG) Panjim, Goa revealed that the Schedule of Accommodation (SOA) required to kick start the process of seeking necessary approval for construction on the land was sent to Postal Directorate in September 1992 i.e., two years after the acquisition of plot. The project was approved by the Postal Directorate in December 1993. However, while seeking its approval, the Directorate was not informed about the time limitation of five year for completion of the building. This fact was intimated by CPMG, Mumbai to the Postal Directorate as late as in 1997 i.e. seven years after the date of acquisition of plot. A revised SOA was sent to the Directorate for approval in February 1997, was approved in May 1998. While conveying the approval for preliminary drawings in June 1998 the Directorate instructed Sr. Architect, Mumbai to have the preliminary estimates prepared by the civil wing and send the same for approval. The draft preliminary estimate for ₹ 5.47 crore was sent to the Directorate in October 1998. However, the necessary funds amounting to ₹ 3.50 crore were not allotted up till 2003-04. Administrative Approval and Expenditure Sanction for the work were issued in October 2005 for ₹ 4.40 crore.

It was also seen that tenders for the construction of the postal building were called for, nine times between December 2006 and September 2009. However, these were either rejected because bidders were ineligible or were cancelled on account of being a single tender. The notice inviting tender for pile foundation work was floated in January 2006 but the bids received in response were rejected because the lowest tender was much above the estimated cost. Tenders were again floated for pile foundation work in March 2006 and work was awarded in August 2006. Although the date of completion of pile foundation work was March 2007, it was actually completed in July 2008. Scrutiny further revealed (February 2011) that due to non-completion of building within the stipulated time period of five years; DoP had to pay extension fee and penalty to the extent of ₹ 40.95 lakh for the period from 1995 to 2010 and licence renewal fee of ₹ 6.99 lakh for the period up to March 2008 to EDC. Besides, an expenditure of ₹ 2.30 lakh was incurred on payment of ground rent up to June 2011.

On this being pointed out by Audit, the Assistant Director, Postal O/o PMG Goa while accepting the facts (August 2011) stated that the construction was

delayed partly due to administrative reasons and partly due to inadequate funding by Directorate. It was further stated by Assistant Director, Postal O/o PMG Goa (February 2012) that no funds were allotted for construction of the project. On being pointed out to the Secretary, DoP in November 2011, she urged the authorities to expedite the construction work.

DoP replied (March 2012) that though there was no clause for seeking extension fee or penalty in the original lease deed, two extensions were granted by EDC authorities for construction of EDC complex only on payment of extension fee. The building is being constructed through the civil wing of the Bharat Sanchar Nigam Limited (BSNL), a Public Sector Undertaking.

Failure in planning and delay in decision making on construction of Postal complex at Goa by DoP on leased land even after 15 years of acquisition of land has resulted in infructuous expenditure of ₹ 64.62 lakh.

Department of Telecommunications (DoT)

2.7 Functioning of DoT

The Department of Telecommunications (DoT) is responsible for policy formulation, performance review, monitoring, international cooperation, Research & Development and grant of licences to operators for providing basic, mobile and value added services in various cities and telecom circles as per approved policy of the Government. In pursuance of the New Telecom Policy 1999, the Government of India decided to corporatise the service providing functions of the DoT. Accordingly, Bharat Sanchar Nigam Limited (BSNL) was incorporated as a wholly owned Central Government Company and the business of providing telecommunication services in the country was transferred to it with effect from 1 October 2000. The DoT is responsible for facilitating various activities for the growth and expansion of the telecom sector.

2.7.1 Main functions of DoT

- Policy formulation, licensing and coordination matters relating to telegraphs, telephones, wireless, data, facsimile and Telematics services and other similar forms of communications.
- Administration of Universal Obligation Fund.
- International cooperation in matters connected with telecommunications, including matters relating to all concerned international bodies such as International Telecommunication Union, its Radio Regulation Board, Radio Communication Sector, Telecommunication Standardization Sector, Development Sector, International Telecommunication Satellite Organization, International Mobile Satellite Organization, Asia Pacific Telecommunication.
- Promotion of standardization, research and development in telecommunications.
- Promotion of private investment in Telecommunications.

The revenue and expenditure of DoT for the last three years is given below:

(₹ in crore)

Year	Revenue	Expenditure
2008-09	12997.80	1685.00
2009-10	15879.49	5314.97
2010-11	120547.63	3421.00

2.7.2 The Telecom Scenario in India

The Indian Telecom sector has come a long way since liberalization started with New Telecom Policy, 1999. Telecom sector has witnessed exponential growth especially in the wireless segment in the last few years and has evolved as a basic infrastructure like electricity, roads, water etc. Further, it has emerged as one of the critical components of economic growth required for overall socio economic development of the country.

The Telecom sector continued to register an impressive growth during the last five years 2006-07 to 2010-11 and the details are in the table given below. During the period, the number of telephone subscribers increased from 206 million to 846 million, registering a growth of 310 *per cent*. While the wireless subscriber base increased by 647 million, the wireline base recorded a decline of 6 million. The wireless segment continued to dominate with a total base of 812 million connections as of March 2011. The overall teledensity in the country registered an increase from 18 at the end of March 2007 to 71 at the end of March 2011. The rural teledensity which was 6 as on 31st March 2007 increased to 34 at the end of March 2011, as compared to the urban teledensity of 47 and 157 respectively. However, the growth rate of subscribers in rural areas during the last five years was higher at 485 *per cent* compared to 233 *per cent* in urban areas. The internet and broadband subscribers had also gone up from 9.27 million in 2006-07 to 19.67 million in 2010-11.

2.7.3 Telecom sector performance indicators

Year	Subscribers (In Millions)					Teledensity (In percentage)			Internet & Broadband subscribers (in millions)
	Total	Rural	Urban	Wireline	Wireless	Overall	Rural	Urban	
2006-07	205.86	45.71	160.15	40.75	165.11	18.22	5.78	47.24	9.27
2007-08	300.48	73.92	226.56	39.41	261.07	25.64	9.34	63.67	11.09
2008-09	429.73	120.29	309.43	37.97	391.76	36.98	15.02	88.11	13.54
2009-10	621.28	200.81	420.47	36.96	584.32	52.74	24.29	119.73	16.18
2010-11	846.32	282.23	564.08	34.73	811.59	70.89	33.79	157.32	19.67

(Source: TRAI Annual Reports and TRAI's reply)

The capital employed in the sector also increased from ₹ 1,98,011 crore in 2006-07 to ₹ 3,37,683 crore in 2010-11 indicating a healthy growth of investment in the sector. Correspondingly the capital investment also grew from ₹ 2,40,711 crore in 2006-07 to ₹ 4,79,278 crore in 2010-11. The growth in subscriber base resulted in an increase in the gross revenue of telecom services as detailed below:

2.7.4 Telecom sector Financial Profile

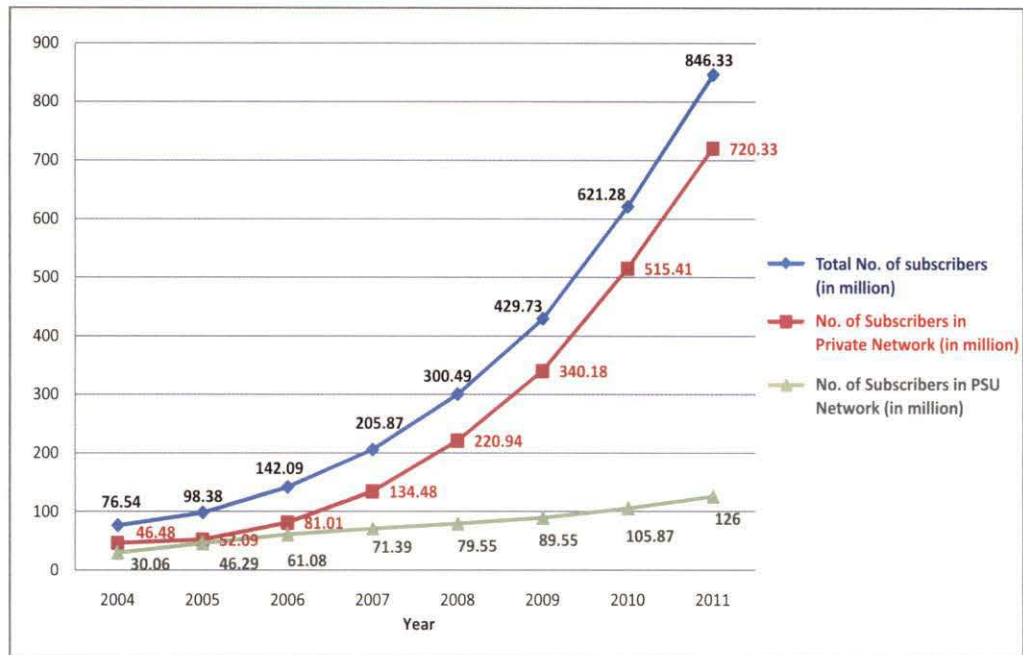
(₹ in crore)

Year	Capital employed			Investment			Gross Revenue
	Public	Private	Total	Public	Private	Total	
2006-07	1,04,595	93,416	1,98,011	1,34,552	1,06,159	2,40,711	1,07,832
2007-08	1,04,247	1,15,462	2,19,709	1,41,149	1,37,450	2,78,599	1,32,785
2008-09	1,03,856	1,70,651	2,74,507	1,49,201	1,88,587	3,37,788	1,51,693
2009-10	96,103	1,90,734	2,86,837	1,89,615	2,26,814	4,16,429	1,57,985
2010-11	89,040	2,48,643	3,37,683	1,97,332	2,81,946	4,79,278	1,71,719

(Source: TRAI Annual Reports and TRAI's reply)

It can be seen that the capital employed and the investments made by Private Telecom Companies is more than the share of Public Sector Telecom Companies. Further, the subscriber base of Private Telecom Companies has increased manifold as compared to Public Sector Telecom Companies as given below:

2.7.5 Growth in subscriber base – Private versus PSUs



(Source: DoT Annual Report)

2.7.6 Telecom Sector Policies and Programmes

The main guiding policy for the telecom sector in India is the New Telecom Policy 1999. The objectives of the policy are as follows:

- Make available affordable and effective communications for all citizens. This is at the core of the vision and goal of the telecom policy, as access to telecommunications is of utmost importance for achievement of the country's social and economic goals,
- Strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas, and the provision of high-level services capable of meeting the needs of the country's economy,
- Encourage development of telecommunication facilities in remote, hilly and tribal areas of the country,
- Create a modern and efficient telecommunications infrastructure taking into account the convergence of IT, media, telecom and consumer electronics and assist emergence of India as an IT superpower,
- Convert PCOs, wherever justified, into Public Tele-info Centres having multimedia capability like ISDN services, remote database access, and assist emergence of community information systems etc.,

- Transform the telecommunications sector in a time bound manner to a greater competitive environment in both urban and rural areas providing equal opportunities and level playing field for all players,
- Strengthen research and development efforts in the country and provide an impetus to build world-class manufacturing capabilities,
- Achieve efficiency and transparency in spectrum management,
- Protect defence and security interests of the country,
- Enable Indian telecom companies to become truly global players.

The Telecom sector policies and programmes are carried out by the following wings of DoT:

2.7.7 Telecom Commission

The Telecom Commission was set up by the Government of India vide Resolution dated April 11, 1989 with administrative and financial powers of the Government of India to deal with various aspects of Telecommunications. The Commission consists of a Chairman and four full time members, who are ex-officio Secretaries to the Government of India in the Department of Telecommunications, besides there are four part time members who are the Secretaries to the Government of India of the concerned Departments. The major functions of the Telecom Commission include policy formulation, review of performance, licensing, wireless spectrum management, administrative monitoring of PSUs, research and development, standardization/validation of equipment and International Relations.

2.7.8 Telecom Regulatory Authority of India

Telecom Regulatory Authority of India (TRAI)'s mission is to ensure that the interests of consumers are protected and at the same time to nurture conditions for growth of telecommunications services in the country in a manner and at a pace which will enable India to play a leading role in emerging global information society. One of the main objectives of TRAI is to provide a fair and transparent policy environment which promotes a level playing field and facilitates fair competition. It issues directions, orders and regulations covering a wide range of subjects including tariff, interconnection and quality of service as well as governance of the Authority.

2.7.9 Controller of Communication Accounts

Controller of Communication Accounts (CCA) is responsible for the assessment and collection of licence fee from all commercial licensees of Cellular, Basic, Unified Access Service, NLD, ILD, Commercial VSAT, PMRTS services, Internet Service Providers, New Licensees of Internet service and licences of Captive VSAT, CMRTS, Radio links, Microwave links and OFC links. Further, it performs the statutory functions such as Pension payments, Audit functions etc. USO Disbursement and the Administrative functions.

2.7.10 Wireless Planning & Coordination Wing

The Wireless Planning and Coordination (WPC) Wing in DoT, deals with the policy of spectrum management, wireless licensing, frequency assignments, international coordination for spectrum management and administration of Indian Telegraph Act 1885, (ITA, 1885), for radio communication systems and Indian Wireless Telegraphy Act 1933, (IWTA, 1933).

2.7.11 Telecom Engineering Centre

Telecommunications Engineering Centre (TEC) is the Technical wing of DoT. Its responsibilities include among other things; preparing Standards and Specifications for harmonious growth of the Indian Telecom Network, carrying out evaluation of equipment and services, according approvals for equipment, technology and services. Technical and advisory support to TRAI, TDSAT, USOF, BSNL and MTNL, drawing up Fundamental Technical Plans of DoT, interaction with multilateral agencies like APT, ETSI and ITU etc. through DoT and develop necessary expertise to imbibe the latest technologies and results of R & D.

2.7.12 Centre for Development of Telematics

Centre for Development of Telematics (C-DOT) is the telecom research and development centre of the Government of India under administrative control of the Department of Telecommunications. C-DOT develops total telecom solutions, technologies and applications for the fixed-line, mobile and packet-based converged networks and services. C-DOT has also developed technologies which are intensively based on Software and are useful to the service providers for provisioning of services, as also for operations and management of networks and services. C-DOT technologies have a significant presence in the Indian telecom network directly as well as through its licenses.

C-DOT's recent focus has been on development and deployment of Next Generation Networks, cost-effective rural wireless solutions, software based systems, optical and satellite transport and access technologies and solutions required for strategic sectors.

2.8 Recovery of excess subsidy paid at the instance of Audit

Subsidy of ₹ 2.17 crore to service providers for Rural Community Phones (RCP) was incorrectly paid by West Bengal and Uttar Pradesh (East) circles of which, ₹ 1.62 crore was recovered at the instance of Audit.

The New Telecom Policy (NTP) of 1999 laid emphasis on Universal Service Obligation (USO) which inter alia sought to achieve objective of increasing rural tele-density from the level of 0.4 to 4.0 per hundred population by 2010. As per the policy, the resources for meeting the USO would be raised through a 'universal access levy', which would be a percentage of the revenue earned by all the operators under various licenses, as decided by the Government. The implementation of the universal telephone services for rural/remote areas would be undertaken by all fixed service providers who would be reimbursed net cost of providing this service from the USO Fund. Accordingly, a USO Fund was formed with effect from April 2002. One of the activities to be subsidized from the USO Fund was provision of Rural Community Phones (RCPs) for promoting rural telephony.

As per Clause 30.15 of the Agreement for provision of RCPs, an RCP meant a public phone installed in a village with a population exceeding 2000 as per Census 1991 and where no Public Call Office (PCO) existed. Clause 18.13 of the agreement also envisaged that the Administrator, to ensure proper and correct verification of subsidy paid, could if deemed necessary, modify, alter or substitute and amend whatever was stated therein. Agreements were entered into (2004) with Bharat Sanchar Nigam Limited (BSNL) and Reliance Infocomm Limited (RIL) in different service areas for provision of 46253 RCPs.

Our scrutiny of records in the office of the Controller of Communication Accounts (CCA) West Bengal Circle, Kolkata in February 2010, and CCA, U.P. East Circle, Lucknow in October 2011 revealed that in violation of licence agreement conditions which stipulated proper verification of subsidy claims, an amount of ₹ 2.17 crore was paid in excess for the period March 2005 to December 2010, to M/s RIL and BSNL in respect of 836 RCPs though PCOs existed in these villages as shown in the following table:

(₹ in crore)

Name of CCA	Name of operator	No. of villages for which subsidy claims settled where PCOs existed	Amount paid towards subsidy
CCA, West Bengal Circle, Kolkata	RIL	595	1.62
CCA, U.P. East, Lucknow	RIL	215	0.48
	BSNL	26	0.07
Total		836	2.17

Thus, the CCAs did not scrupulously follow the licence conditions resulting in excess payment of subsidy to the extent of ₹ 2.17 crore.

On this being pointed out by us, the CCA, West Bengal Circle, Kolkata raised (July 2010) a claim for ₹ 1.62 crore against M/s RIL and recovered the entire amount (November 2011) at the instance of Audit. The CCA, U.P East, Lucknow stated that the matter was being investigated and a reply would follow.

The matter was referred to DoT in January 2012; their reply was awaited as of May 2012.

CHAPTER III : MINISTRY OF EXTERNAL AFFAIRS

3.1 Performance of Consular wings

Introduction

Indian Missions and Posts abroad provide passport, visa and other consular services to foreign nationals and Indians abroad through their consular wings. The Consular, Passport and Visa (CPV) Division of the Ministry of External Affairs (MEA) provides these services to Indian citizens through the Central Passport Organisation (CPO) in India. The policies, rules, regulations and procedures in this regard are framed by the CPV Division of the Ministry. This division is mainly responsible for implementing the provisions of the Passport Act, 1967 and the Passport Rules 1980, in coordination with other ministries and passport issuing authorities¹ in India.

The receipts of the Ministry comprise mainly of passport fees realized by the Regional Passport Offices/Passport Offices (RPOs/POs) in India and consular fees charged by the Missions and Posts abroad. The accounts of the revenue realized by all the Missions and Posts abroad are maintained by the Principal Chief Controller of Accounts (Pr. CCA), Ministry of External Affairs, New Delhi. The receipts on account of the passport and visa fees of the Ministry during the last four years were as follows:

Year	Total Receipts (₹ in crore)
2007-08	1667.27
2008-09	2045.85
2009-10	2101.13
2010-11	2266.65

A test check of the records of the consular wings of 92 out of 176 Missions and Posts abroad was conducted by Audit. The details are given in **Annex-VIII**.

The audit findings are discussed in the succeeding paragraphs:

Consular fees

3.1.1 Short recovery of visa fees

According to the Ministry of External Affairs' instructions of June 2008 (effective from 1 July 2008), business visas were to be issued for a minimum

¹ Regional Passport Offices

validity of one year. The instructions further stipulated that registration would be required if the stay on each visit exceeded 180 days (except for the countries specified in para 50 of the Visa Manual 2003, as amended from time to time). The rates of business visa fees were different for specified and unspecified countries.

Audit noted that 25 Missions and Posts² issued visas of less than one year's validity in contravention of the instructions. This resulted in short realization of visa fees to the extent of ₹ 36.85 crore in respect of 1,38,711 cases for unspecified countries and ₹ 21 lakh in respect of 489 cases for specified³ countries. These are detailed in **Annex-IX (a and b)**.

Audit further noted that the Missions at Abu Dhabi and Dushanbe, while issuing business visas for more than one year had incorrectly charged visa fees prescribed for one year. This resulted in total short levy of ₹ 20 lakh in respect of 536 cases as detailed in **Annex-IX (c)**.

The Ministry accepted the audit observation and stated (November 2010) that the instructions on business visa fees had been reiterated to all the Missions and Posts abroad. It also stated that the concerned Heads of the Missions and Posts had also been requested to explore the possibility of recovering the fees, wherever feasible. The Ministry issued (November 2010) a further clarification that the Missions and Posts may issue visas valid for less than one year if desired by the applicants, but the fees must be charged for one year.

3.1.2 Non-levy of additional fees- Indian Community Welfare Fund Scheme

The Indian Community Welfare Fund (ICWF) was established in October 2009 in the Indian Missions in 17 Emigration Check Required countries⁴ and Maldives with the approval of the Cabinet. The Fund was established to carry out welfare activities for overseas Indian citizens in distress. The coverage of the Fund was further extended to 24 Indian Missions in April 2010 and to the remaining 157 Indian Missions and Posts in March 2011. Under this scheme, the Missions and Posts were required to raise funds by levying an additional

² Abu Dhabi, Addis Ababa, Algiers, Bahrain, Beijing, Beirut, Brussels, Damascus, Dar-es-salaam, Dubai, Dushanbe, Guangzhou, Jeddah, Kathmandu, Mahe (Victoria), Mandalay, Milan, Mombasa, Nairobi, Osaka, Rome, Seoul, Shanghai, The Hague and Tripoli

³ One year business visa fee for UAE (one of the specified countries where visa fees are collected on reciprocal basis) is US \$ 415, whereas one year business visa fee for the rest of the countries (unspecified countries) is US \$ 120.

⁴ Afghanistan, Bahrain, Indonesia, Iraq, Jordan, Kuwait, Lebanon, Libya, Malaysia, Oman, Qatar, Saudi Arabia, Sudan, Syria, Thailand, UAE and Yemen.

fee of ₹ 100 (rounded off in local currency) for each type of consular service {issue of passport, visa, Overseas Citizenship of India (OCI) and Person of India Origin (PIO) cards} rendered by them.

It was noticed in Audit that in 17 Missions and Posts⁵, there were considerable delays of two to 17 months in the implementation of the scheme, resulting in non-collection of additional fees of ₹ 15.29 crore (**Annex-X**).

The Missions and Posts in USA were brought under the ICWF scheme through MEA's orders of April 2010. Audit noted that the Indian Missions and Posts in the United States of America (USA) had not implemented the ICWF scheme. This led to non-collection of additional fees of ₹ 6.26 crore (**Annex-XI**).

The Mission at Luanda and the Post at Rajshahi informed (August and September 2011 respectively) that they did not get any orders/instructions from the Ministry regarding levy of ICWF fees. The Mission at Colombo stated (January 2012) that the scheme was being implemented from 1 June 2011 onwards, after working out the modalities between the Mission and the Posts, as no time frame had been fixed by the Ministry. The Mission at Kampala stated (September 2011) that the leaders of various Indian associations in Uganda felt that the levy on consular services would put an additional financial burden on the local visa seekers. It also stated that it did not come across any such case in the past. The Mission at Bangkok attributed (December 2011) the delay in implementing the scheme to administrative, functional, financial and technological modalities required before implementation. The Post at Hong Kong stated (December 2011) that the delay was due to non-receipt of the Ministry's order dated 24 March 2011 in time. It further stated that the scheme guidelines in the order were unclear and required consultation with MEA and other Missions.

The Mission at Washington DC, stated (April 2011) that the scheme was not being implemented in view of the discontent among the Indian community in USA regarding several other levies and visa restrictions. It further stated that the decision to implement the scheme was deliberately deferred, keeping in view the fact that the incidence of Indian citizens in distress in USA was minimal.

⁵ Bangkok, Berlin, Birmingham, Colombo, Edinburgh, Frankfurt, Hamburg, Hong Kong, Kampala, London, Luanda, Milan, Munich, Paris, Rajshahi, Rome and The Hague.

The replies of the Missions and Posts about non-receipt of orders from the Ministry are not convincing as these orders were communicated through e-mail as well as by post and clearly mentioned the date of implementation. Further, it was noticed that the scheme was implemented by the Missions and Posts in USA from April 2011 after the audit observations (December 2010). The replies of the Missions were also indicative of absence of a proper monitoring mechanism in the Ministry, which did not seek compliance of its orders from the Missions.

3.1.3 Unauthorised expenditure from ICWF

The ICWF was meant to carry out on-site welfare activities for overseas Indian citizens who were in distress and were not to be diverted for any other purpose. Audit noted that the Indian Posts at Sydney and Melbourne made payments of ₹ 7.13 lakh and ₹ 6.05 lakh respectively, towards salaries of contingent staff from the ICWF, in contravention of the scheme provisions.

The Post at Sydney stated (February 2012) that the payments were made with the approval of the Mission at Canberra, exclusively for dealing with matters concerning the welfare of the Indian community and not for regular consular work. The Post at Melbourne stated (October 2011) that the staff hired from October 2010 to January 2011 was for managing the initial launch of the scheme and it had not asked for additional manpower to handle the ICWF thereafter.

The fact remains that the payments towards salaries of contingent staff were outside the scope of the ICWF framework and were, therefore, irregular.

3.1.4 Loss due to delayed implementation of revised fees

In September 2002, the Government of India revised the Persons of Indian Origin (PIO) card scheme that allowed people of Indian origin living across the world, visa free entry to India for 15 years. Subsequently, the Government introduced the Overseas Citizenship of India (OCI) scheme with effect from 2 December 2005 to provide lifelong visa benefits to foreign nationals of Indian origin. The prescribed fee for the OCI scheme was US \$ 275 (₹ 12537) for non-PIO card holders and US \$ 25 for PIO card holders.

The fee of US \$ 25 for PIO card holders was revised to US \$ 145 in respect of child PIO card holders as per a Government of India, Ministry of Home Affairs (MHA) notification dated 25 February 2009. The order to this effect was issued by the MHA on 30 July 2009. In the Mission and Posts in the USA,

revised fees of US \$ 145 in respect of child PIO card holders were collected from varying dates between September and October 2009, depending on the receipt of MHA's orders in the Missions and Posts. Audit noted that during the intervening period between the dates of issue of the orders and the dates of actual collection of revised fees, 503 child PIO card holders were converted to OCI card holders. The delay in the implementation of the revised fee structure due to late receipt of orders from the Ministry led to a loss of ₹ 27.16 lakh.

3.1.5 Deficient cash management of consular receipts

According to Para 16 of the Consular Manual, all fees must be paid before the services concerned are rendered. The Ministry reiterated (October 2000) that consular services should be provided by the Missions and Posts only after realisation of consular fees.

Audit noted that in the Mission at Washington DC, 60 cheques received against the fees remained unreconciled, as the Mission was unable to link them with the applicants. Out of these 60 cheques, four cheques amounting to US \$ 580 (₹ 26,442⁶) became time-barred and could not be realized. Further, in the Post at Chicago, cheques amounting to US \$ 2043 (₹ 93,140) were dishonoured as the applicants advised their banks to stop payment after availing of the consular services. Thus, due to non-compliance of the Ministry's instructions, the Mission and the Post failed to realize consular fees of US \$ 2623 (₹ 1,19,583).

Thus, as a result of non-observance of the laid down provisions, Government receipts were not duly realized, accounted for and promptly deposited into the bank for inclusion in the Government accounts. This indicated the weak cash control mechanism in the Missions and was also fraught with the risk of leakage of Government money.

3.1.6 Delay in remittance of consular fees

The Government of India had appointed Honorary Consulates General (HCG) in Barcelona and Tenerife under the jurisdiction of the Mission at Madrid since 1969 and 1993, respectively. Both the HCGs, *inter alia*, helped the Missions in discharging their consular functions, viz issue of visas, registration of passports, attestation of documents of members of the Indian community, *etc.* Their work included accepting visa applications, collecting the prescribed

⁶ 1 US \$ = ₹ 45.59 (as per official rate of exchange for the month March 2011)

fees from the applicants and forwarding the applications and the receipts to the Mission.

In Madrid, consular fees amounting to ₹ 5.60 crore collected by the HCGs during the period 2005 to 2011 were remitted to the Mission after delays ranging between 30 days to three years (**Annex-XII**).

Thus, the amount collected towards consular fees was not promptly deposited into the Government Account. This also exposed the Mission to the risk of misappropriation of Government money.

3.1.7 Irregularities in selection of service providers

In November 2006, the Ministry decided to outsource visa support services⁷ in 19 Missions and Posts. This was further extended to 56 Missions and Posts⁸. The Missions and Posts were instructed to outsource the services through competitive bidding in a transparent manner, in accordance with the guidelines laid down by the Ministry and the provisions of the General Financial Rules (GFRs).

The Ministry also circulated (April 2007) a model contract to the Missions and Posts laying down the essential terms and conditions to be incorporated in the outsourcing contracts.

Audit revealed a number of deficiencies in the process of evaluation of tenders, selection of service providers (SP), terms and conditions negotiated and contracted with the SPs and execution of the contracts. These are described below:

3.1.7.1 Outsourcing of services without competitive bidding

The Post at Hamburg outsourced its visa support services to a firm (M/s IGCS) for a period of 10 years at the rate of Euro 13.50 including VAT as service charge, without following any competitive tendering process. This was

⁷ Visa support services broadly include distribution of blank application forms, collection and scrutiny of visa applications with supporting documents and prescribed visa fees, depositing of fees with Missions and Posts, capturing the visa application data in electronic format and transferring the same to the Missions and Posts.

⁸ Abu Dhabi, Amman, Athens, Bangkok, Beijing, Berlin, Bern, Birmingham, Brussels, Canberra, Chicago, Chittagong, Colombo, Dhaka, Dubai, Edinburgh, Frankfurt, Guangzhou, Hamburg, Hong Kong, Houston, Islamabad, Jeddah, Kabul, Kathmandu, Khartoum, Kobe, Kuala Lumpur, Kuwait, London, Madrid, Melbourne, Milan, Moscow, Munich, New York, Osaka, Oslo, Ottawa, Paris, Petersburg, Riyadh, San Francisco, Seoul, Shanghai, Singapore, Stockholm, Sydney, Tel Aviv, The Hague, Tokyo, Toronto, Vancouver, Vienna, Warsaw, Washington DC

justified on the grounds that the same company was providing visa support services in the Post at Frankfurt at the same rate. The reasons advanced were in violation of the provisions of the GFRs and the instructions of the Ministry. Further, the rates agreed to by the Post were uneconomical in comparison to those in the Mission at Berlin and the Post at Munich, where the services had been outsourced after carrying out a combined competitive tendering process, at the rate of Euro 11.78 per visa application.

3.1.7.2 Absence of due diligence in evaluation of bids

The Mission at Ottawa received four bids for outsourcing visa support services. Two bids qualified technically and their financial bids were opened. M/s VFS Global Services (one of the two technically qualified firms) was adjudged the lower one, though the treatment of Goods and Services Tax (GST) while arriving at the rates quoted was not comparable between the two bids. The firm was awarded the contract at the rate of C\$ 15.75 per application, exclusive of GST and other charges. The other technically qualified bidder, M/s TT Services quoted a uniform price of C\$ 16.45, inclusive of all applicable local taxes plus courier and logistic costs.

The tender committee rejected the financial bid of M/s TT Services on the ground that the quoted price was essentially indeterminate, being inclusive of local taxes, which varied from province to province in Canada. Audit, however, noted that after including the minimum GST of five *per cent* in any State of Canada the quoted price of M/s VFS, worked out to be C\$ 16.54, which was more than the price quoted by M/s TT services, even if courier and other logistic components were excluded. This resulted in undue benefit of C\$ 512,000 (₹ 2.33 crore⁹) annually to the service provider with an additional financial burden on the applicants.

The Mission stated (January 2010) that the Request for Proposal (RFP) had sought unconditional bids exclusive of local taxes. It further stated that while the bid of VFS was in conformity with the RFP document, the bid of TT services carried a clause that it included applicable local taxes. The reply may be viewed in light of the fact that even if minimum five *per cent* GST was added to the rates of VFS (GST rates in Canada were more than five *per cent* GST in all provinces), the rates would be more than the rate quoted by TT services, which was inclusive of taxes.

⁹ 1 ₹ = 0.022 Canadian Dollar (C\$) (as per official rate of exchange for the month March 2011)

3.1.7.3 Selection of service provider not based on the lowest quotation

(i) The Mission at Canberra received eight bids for outsourcing of visa support services. Five of these bids were rejected on technical grounds and the remaining three were shortlisted for opening of their financial bids. The Mission awarded the contract to M/s VFS Global at the rate of A\$ 16.36¹⁰ plus GST per application, in November 2007.

Audit noted that at the time of opening of bids, M/s Mercantile Pacific Pvt. Ltd., one of the technically qualified firms, quoted the lowest rate of A\$ 16.46 plus GST per application while M/s VFS Global quoted a rate of A\$ 17.50 plus GST per application. The Mission, without making any attempt to negotiate with the lowest bidder, held negotiations and awarded the contract to the L2 bidder (M/s VFS Global). Further, M/s Mercantile Pacific Pvt. Ltd. corresponded on several occasions with the Mission and offered to bring down its rates even further. The Mission, however, did not respond. Hence, the selection of M/s VFS Global was inappropriate and in contravention of the guidelines of the Central Vigilance Commission (CVC). The Mission replied (July 2010) that M/s VFS Global was selected because it had the knowledge of the Ministry's requirements and had been providing services in other Indian Missions also, while M/s Mercantile Pacific Pvt. Ltd. lacked sufficient knowledge and experience in the required field. The reply of the Mission does not recognize that M/s Mercantile Pacific Pvt. Ltd. was an ISO 9001 certified Company with nine years of experience in Australia and above all, its suitability had already been accepted during the technical evaluation by the Mission. The action of the Mission to award the work to M/s VFS Global was, thus, irregular.

(ii) As per the General Financial Rules (GFRs), every authority delegated with financial powers of procuring goods shall be responsible for bringing efficiency, economy and transparency in public procurement.

In the Mission at The Hague, out of the seven bids received, financial bids of two technically qualified bids were opened. The contract was awarded (November 2010) to the L2 bidder (M/s VFS Global). The contract was awarded at the rate of Euro 11.50¹¹, inclusive of all local taxes and VAT, in comparison to the rate of Euro 7.70 per application, inclusive of VAT quoted by the lowest bidder M/s IVS Global. Hence, the provisions of the GFR and

¹⁰ 1 ₹ = 0.022 Australian Dollar (A\$) (as per official rate of exchange for the month March 2011)

¹¹ 1 Euro = ₹ 62.570 (as per official rate of exchange for the month March 2011)

instructions of the Ministry were not observed. The manner of selection indicated lack of transparency.

The Mission replied (July 2011) that VFS Global quoted Euro 11.50, inclusive of VAT, for all the services. IVS Global quoted Euro 7.70, inclusive of VAT for passport and visa services and no service charge for OCI and PIO cards. The experience of VFS Global was vastly superior to that of IVS Global. M/s VFS Global had been providing successful services, among others, to the Mission at London as well as to the Dutch Embassy and Consulates in India. It was felt that M/s VFS Global, because of its experience of working with the Dutch Missions in India, could prove to be more effective and efficient. In view of the fact that the Netherlands had an Indian diaspora comprising 200,000 Non-Resident Indians (NRIs) and PIOs, the Committee felt that the offer of gratis services by M/s IVS Global for OCI and PIO cards might not be sustainable because of the increasing number of OCI and PIO card applications. Given the above circumstances, it was evident that the selection of M/s VFS Global was totally fair.

The justification advanced by the Mission is not convincing in view of the fact that both the firms were technically qualified. As such, the Mission should have selected the lowest bidder.

3.1.7.4 Erroneous agreement leading to overcharge of service fees by ₹ 2.38 crore

The Mission at Stockholm signed (September 2008) an agreement with M/s TT Enterprises Pvt. Ltd. for outsourcing of visa support services for a period of three years with effect from December 2008.

Audit noted that the service provider was selected for award of a contract on the basis of its lowest financial quote of SEK¹² 171 per application (inclusive of all local taxes and VAT) as service charge. However, the agreement was concluded at SEK 170 per application, exclusive of any applicable taxes and the service provider effectively charged SEK 212 (SEK 170 as service charge plus SEK 42 towards VAT) per application from the applicants. During December 2008 to May 2011, the service provider had processed 87207 applications and received SEK 1,84,87,884 as service charges. This included SEK 36,62,694 (₹ 2.38 crore) towards VAT, which should not have been borne by the applicants.

¹² 1 ₹ = 0.154 Swedish Krona (SEK) (as per official rate of exchange for the month August 2010)

On this being pointed out (October 2010) by Audit, the Mission took up the matter with the service provider in October 2010 to rectify the error. The service provider contended that it was allowed to charge SEK 170 per application, exclusive of VAT during the discussion with the Mission, which was later translated into the final agreement. However, the Mission confirmed (November 2010) that no such record of any meeting or discussion as alleged by the service provider had been found. This indicated that due care had not been exercised by the Mission in drafting the agreement. This led to undue financial burden on the applicants, with consequent unintended benefit to the service provider by SEK 36,62,694 (₹ 2.38 crore). The Ministry stated (October 2011) that the Mission had issued a notice to the service provider to refund the amount, failing which the amount would be recovered from the guarantee money and the Company blacklisted.

3.1.7.5 Deviation from the terms of the contracts

(i) The Mission at Paris entered into an agreement in February 2008 with M/s VFS for providing visa support services for a period of three years at the rate of Euro 12 per ordinary application and Euro 22 per application for urgent services. The service provider represented to the Mission in April 2009 for revision of service charges as it was incurring heavy losses on its operations in France. Based on the representation, the Mission revised the service charge from Euro 12 to Euro 14 per ordinary application and from Euro 22 to Euro 25 for urgent applications from April 2009 in an arbitrary manner, without following the re-tendering process.

Any ad hoc increase in the service charges midway through the contracted period defied the very purpose of selecting the lowest bidder through open tendering. The Mission stated (June 2011) that on the instructions of the Ministry, the service charges had been reverted to the original rates with effect from 6 June 2011. The fact remains that the Mission incorrectly revised the service charges upwards without assigning sufficient justification. This resulted in an unintended benefit of ₹ 5.34 crore to the service provider which was collected as enhanced service charges on 3,41,656 ordinary visas and 56,596 emergency visas issued during the period April 2009 to June 2011.

(ii) In the Mission at Madrid, the visa support services were outsourced to M/s VPS, (a division of M/s BLS Detectives Ltd.) in March 2009. It was, however, noted that the service provider subsequently subcontracted the services to a local firm, which was in contravention of the provisions of the model contract of the Ministry, which stipulated that only small activities like

couriering, catering and appointment of security guards etc. may be sub-contracted.

The service provider was required to commence partial operations from two locations (Madrid and Barcelona) within four months of signing the contract and full operations within two months of starting the partial operations. The service provider commenced the operations at Madrid from June 2009. The centre at Barcelona, however, was not made operational till 16 January 2011. In March 2010, considering the low volume of applications, the Mission concluded that opening of the centre at Barcelona would not serve any useful purpose and took up the matter with the Ministry. The Ministry communicated (September 2010) that the service provider should be advised to open the centre at Barcelona in fulfilment of its contractual obligations. The Mission then took belated action to open the centre in January 2011. Delay by the service provider to open the centre at Barcelona constituted violation of contractual obligations.

3.1.8 Improper utilisation of budgetary allocation

The Ministry of Finance allocated a sum of ₹ 39 crore in April 2008 for improvement of infrastructure facilities in the consular wings of the Missions and Posts abroad. The Ministry further instructed that the sums allocated should be spent for specified purposes under the overall control of Head of Missions and Posts in accordance with the prescribed Government procedures and rules.

However, a review of the funds allocated and utilized in 13¹³ Missions and Posts revealed that comprehensive proposals for improvement of consular facilities were not drawn up by many Missions and Posts. Further, in eight Missions, more than 30 *per cent* of the allocated funds were surrendered or allowed to lapse. A table indicating the allocation and utilization of the special budget is given below:

(₹ in lakh)

Sl. No.	Name of the Mission	Budget allocation	Utilisation	Savings (%)
1.	Oslo	12.30	0.79	11.51(93.58)
2.	Vancouver	100.00	20.93	79.07(79.07)
3.	Helsinki	28.50	13.18	15.32(53.75)
4.	Milan	84.75	48.50	36.25(42.77)

¹³Athens, Brussels, Copenhagen, Edinburgh, Helsinki, London, Madrid, Milan, Oslo, Paris, Rome, The Hague and Vancouver

Sl. No.	Name of the Mission	Budget allocation	Utilisation	Savings (%)
5.	Edinburgh	5.00	2.92	2.08(41.60)
6.	Rome	60.00	37.00	23.00(38.33)
7.	Paris	129.00	82.36	46.64(36.16)
8.	Copenhagen	32.05	21.97	10.08(31.45)
9.	Brussels	45.00	36.35	08.65(19.22)
10.	London	1100.00	985.00	115.00(10.45)
Total		1596.60	1249.00	347.60(21.77)

Substantial savings indicate that the funds were not allocated by the Ministry on a realistic basis.

Other irregularities noticed in utilization of the special budget are discussed below:

3.1.8.1 Diversion of funds

The allocation of funds was made by the Ministry of Finance with the specific condition that the sums should be spent for improvement of facilities that included hiring of extra space if needed, construction of adequate number of counters, adequate seating arrangements for visitors, provision of basic amenities such as toilets and water and provision of additional equipment for the consular and visa wings.

However, a review of the works carried out by the Missions and Posts indicated that expenditure of ₹ 198.84 lakh was incurred on works which were not in conformity with the intended purpose of this special allocation of funds, as shown below:

(₹ in lakh)

Mission/Posts	Works not related to Consular Section	Amount
HCI, London	Repair and polish of old broken chair of antique value.	42.29
	Purchase of office equipment like PCs, software, printers for use in other wings	28.68
	Refurbishment of refreshment hall*	100.11
Embassy of India, Athens	Painting of stairwell of Chancery, purchase and installation of reception desk which was not for the consular wing and construction of book shelves for library	10.45
Consulate General of India, Milan	Purchase of stationery and other miscellaneous items	8.59
Consulate General of India, Vancouver	Purchase of furniture for Consular Wing delivered to Consul-General's residence	8.72
Total		198.84

* For general public, there was no free access to the refreshment hall.

Instances of diversion of funds like the above indicated weak financial management and internal controls within the Missions and Posts.

The Post at Vancouver stated (October 2011) that the consular services were outsourced in 2009 and it was expected that the number of visitors to the Consulate would go down drastically from 300 to 20-25 every day. Therefore, it was decided to buy furniture, keeping in mind the condition of the Consular Wing.

The purchase of furniture for the residence of the Consul-General was in violation of the objectives of the special budget allocated by the Ministry to the Post. Moreover, the furniture for the residence of the Consul-General was to be purchased from the budget of Office Expenses of the Mission and not from the special allocation for the Consular Wing.

No replies were received from the other Missions/Post.

3.1.9 Irregular award of work

(i) In terms of Rule 176 of the GFRs, single source selection is permissible only under special circumstances and after recording detailed justification, special interest and purpose to be served, with the approval of the competent authority. The Mission at London, however, deviated from the laid down procedures and appointed (May 2008) a consultancy firm viz. M/s Cuthbert Lake Chartered Surveyor without any competitive tendering, which was irregular. The firm was paid ₹ 30.14 lakh (May 2008 to April 2009) for providing building and works consultancy services.

The Mission replied (March 2010) that M/s Cuthbert Lake Chartered Surveyor had been involved in a number of projects in India House since the beginning of 1942 and their professional fees were as per rates of the Royal Institute of Chartered Surveyors and were found to be competitive. However, in the absence of competitive tendering, the reasonableness of the rates could not be ensured.

3.1.10 Unfruitful expenditure on purchase of a digital data storage system

Under the scheme for improvement of facilities, the Post at Milan purchased (March 2009) one digital data storage system¹⁴ for electronic archiving of visa,

¹⁴ LCD Monitors, PCs, Scanners, Servers and complete backup system

passport and consular records for easy retrieval, from a local firm¹⁵. The cost of the system was Euro 44,089 (₹ 27.78 lakh)¹⁶.

Audit noted that the system could not be put to use for want of application software which was to be provided by National Informatics Centre (NIC). The Ministry failed to ensure availability of the required software for running the equipment. Meanwhile, the warranty of the system also expired in March 2010.

The Post stated (March 2012) that the NIC team had not visited the Post at Milan despite repeated requests for installation of the software and provision of training. It further informed that all peripherals (computer systems and scanners) were being used for various types of office work and only the server and back up system remained unused.

The fact remains that lack of necessary coordination by MEA led to non-utilisation of the data storage system worth ₹ 27.78 lakh for the intended purposes for the last three years.

Conclusion

The Missions and Posts are responsible for administration and delivery of consular services. In carrying out these responsibilities, they are required to comply with the rules and procedures prescribed by the Government of India.

Audit noted that the Missions and Posts were not levying fees for visa and other consular services as per the rates prescribed by the Ministry, resulting in short levy of ₹ 37.26 crore. The implementation of the ICWF scheme by the Missions and Posts was delayed, resulting in non-levy of fees of ₹ 21.55 crore. Besides, there were considerable delays in remittances of consular receipts in the Government accounts. The Missions abroad were outsourcing visa services in violation of the laid down provisions, resulting in financial impropriety and lack of transparency in selecting service providers.

The Missions and Posts could not utilize the special budgets provided for improvement of infrastructure facilities for consular services and diverted the funds to other activities in some cases.

¹⁵ M/s Opimaint, Milan

¹⁶ One Euro = ₹ 63.010 (as per the official rate of exchange for the month of March 2009)

The Ministry stated (October 2011) that the Missions and Posts abroad had agreed with and taken note of the observations of Audit and had initiated steps to prevent such lapses in future. It also stressed the need for complying with the rules and procedures governing the functioning of the consular wings.

Recommendations

- *The Missions and Posts may ensure that the amount of fees levied and collected is remitted into banks promptly. The Missions may also ensure that consular receipts are duly realized and taken into the Government account before rendering the services.*
- *The Missions may ensure compliance with the Ministry's guidelines and GFRs for outsourcing of services. They may also ensure that the contractual obligations are fulfilled by the service providers.*
- *The Ministry may ensure proper assessment of budgetary allocations as per the specific requirements of each Mission and Post. The Missions and Posts may ensure proper utilization of special budgets meant for specific objectives.*
- *The Ministry may put in place a monitoring mechanism to ensure that the recipients acknowledge the receipt of its communications/orders and comply with their orders promptly.*

3.2 Recovery at the instance of Audit

Audit of the transactions of the Ministry of External Affairs and the Missions and Posts abroad revealed weak internal controls leading to overpayments. On this being pointed out by Audit, necessary recoveries were effected, as discussed below:

3.2.1 Failure to observe the prescribed rules and procedures leading to overpayments

Failure of the Missions/Posts abroad to observe the prescribed rules and procedures led to overpayment of pay and allowances and other miscellaneous payments amounting to ₹ 91.96 lakh by 56 Missions in 263 cases. These were recovered at the instance of Audit during 2009-11.

Para 3.3.3 of the Comptroller and Auditor General of India's Report No. 14 of 2008-09 had highlighted recovery of overpaid pay and allowances of ₹ 36.55 lakh from the employees of the Missions/Posts abroad at the instance of Audit during 2005-08.

The Ministry, in its Action Taken Note, had admitted (January 2010) occurrence of lapses resulting in overpayments to employees of the Missions/ Posts abroad. Further, the Ministry had stated that instructions had been issued to all the Missions/ Posts abroad to strictly observe the prescribed procedures in financial matters.

Subsequent audit of the records of various Indian Missions/ Posts abroad revealed that overpayments of pay and allowances and other miscellaneous payments continue to occur which indicated that their financial controls were weak. Recovery of ₹ 91.96 lakh in 263 cases was made at the instance of Audit during 2009-11 as detailed in **Annex-XIII**.

3.2.2 Non-application of due diligence in awarding of a contract

Lack of due diligence in evaluation of bids for setting up an IT Laboratory in Indonesia led to awarding of a contract at an extra amount of ₹ 51.67 lakh on account of unwarranted Annual Maintenance Charges and exempted Value Added Tax. At the instance of Audit, the Mission recovered ₹ 30.56 lakh and payment of ₹ 21.11 lakh was averted.

The Embassy of India floated (September 2010) tenders in connection with the setting up of an IT Laboratory project for the Indonesian Army. Based on the technical and commercial evaluation of the four bids received, the offer of M/s PT Citra Karya Semesta was found to be the lowest at a total contract value of US \$ 5,24,882.91, which included US \$ 40,925.17 towards VAT and US \$ 74,706.04 towards Annual Maintenance Charges for a period of five years. A work order was, therefore, placed (February 2011) on the firm.

Audit examination of the records disclosed that as per the approval of the Ministry, maintenance of the equipment after expiry of the warranty was the responsibility of the Indonesian Government. Further, the Mission was exempted from payment of VAT by the Indonesian Government and a certificate in this regard had been given to the vendor by the Mission. The Mission had thus erred in evaluation of the bid documents and placed an order on the lowest tenderer at an extra amount of US \$ 1,15,631.21 (₹ 51.67 lakh).

On this being pointed out (May 2011) by Audit, the Mission took up the matter with the firm and recovered (May 2011) overpayment of US \$ 68,391.75 (₹ 30.56 lakh¹⁷) and stated that the VAT amount would not be paid. Thus, at the instance of Audit, ₹ 30.56 lakh was recovered and payment of ₹ 21.11 lakh was averted.

¹⁷ @1US \$= ₹ 44.69

3.2.3 Overpayments due to weak internal controls

Weak internal controls coupled with lack of due diligence in authorizing claims of an agency hired by the Embassy of India for organizing the Festival of India in China resulted in repeated payments on duplicate invoices. The overpayment on this account recovered at the instance of Audit was ₹ 13.32 lakh.

Embassy of India in Beijing hired the services of an agency for hosting dance and music troupes from India in different cities of China for the Festival of India, during April to October 2010. The services to be offered by the agency included hotel accommodation, air ticketing, baggage and local transportation of the troupes.

Examination of the related invoices and payment vouchers by Audit revealed over-payments of RMB 1,63,840 i.e. ₹ 13.32 lakh (**Annex-XIV**) on account of the following:

- a. Three invoices with identical invoice numbers and description of services were raised thrice by the agency and paid thrice by the Mission.
- b. Eight invoices with identical invoice numbers and description of services were raised thrice by the agency and paid twice by the Mission.

On the above being pointed out (July 2011), the Mission recovered (December 2011) the entire overpaid amount.

3.2.4 Non-pursuance of a claim for eligible discount on bulk booking of speed post fees

Non-pursuance of a claim for eligible discount on bulk booking of speed post fees, by the Regional Passport Office (RPO), Mumbai resulted in avoidable expenditure of ₹ 19.80 lakh. At the instance of Audit, the RPO got the amount of ₹ 11.66 lakh refunded.

The Business Development and Marketing Directorate (BD & MD) under the Department of Posts, provided (August 2001) discount of 20 *per cent* on Speed Post fees to customers giving monthly Speed Post business of ₹ 2,50,001 and above. The Speed Post booking data was required to be submitted in electronic format for availing of the full discount. BD & MD clarified (July 2009) that with effect from September 2009, if the booking data was provided on paper manifest instead of electronic format, the bulk discount would be reduced by half.

The Regional Passport Office (RPO) Mumbai had been regularly providing monthly Speed Post business of above ₹ four lakh. It was noticed in audit that the RPO had availed of the discounts on bulk booking till December 2008. However, the practice of obtaining discounts was discontinued from January 2009, for which no reasons were on record. At the instance of Audit, RPO, Mumbai raised (August 2010) a demand for the eligible discount for the period from January 2009 on the postal authorities.

Following this, an amount of ₹ 11.66 lakh for the period January 2009 to March 2010 was recovered (September 2010).

CHAPTER IV : MINISTRY OF HOME AFFAIRS

Indo-Tibetan Border Police Force

4.1 Splitting up of sanctions

The Director General, Indo-Tibetan Border Police Force accorded 19 split sanctions between June 2010 and March 2011 for an aggregate value of ₹ 4.72 crore. Each sanction was limited within the financial powers of ₹ 25 lakh, purportedly to avoid the necessity of referring the matter to the Ministry.

In terms of the financial powers delegated by the Ministry of Home Affairs to the Director General, Indo-Tibetan Border Police Force (DG, ITBP), the latter was authorised to purchase computers and peripherals to the extent of ₹ 25 lakh in each case. The Ministry, while conveying (August 2009) the delegation of powers, stressed the need for following the General Financial Rules in all procurements. The Rules provide that demands for goods should not be divided into small quantities to make piece-meal purchases to avoid the necessity of obtaining sanctions of higher authorities.

ITBP procured computer systems, software and related accessories between June 2010 and March 2011 for its various field units to meet their operational and training requirements. Audit observed that the procurements were staggered to limit each purchase within the authorized ceiling of the DG, ITBP. The DG accorded 19 split sanctions between June 2010 and March 2011 for an aggregate value of ₹ 4.72 crore. Each sanction was limited within the financial powers of ₹ 25 lakh, purportedly to avoid the approval of the Ministry. The amount incurred on each occasion was extremely close to the authorised limit. In 18 cases, the sanctioned amounts ranged between ₹ 24.82 lakh and ₹ 24.99 lakh. The details of procurement are given in the **Annex-XV**.

On this being pointed out by Audit, the Directorate General, ITBP stated (June 2011) that the sanctions had been accorded as the requirements were extremely urgent and the rate contract was expiring within a few days. It also stated that it had noted the audit observation for future compliance.

The reply is not convincing as compliance with established rules and procedures should not have been compromised on the grounds of urgency. The fact remains that there were multiple sanctions for procurements that were purportedly staggered to avoid the necessity of referring the matter to the Ministry, thus undermining its authority.

The matter was referred to the Ministry in December 2011; their reply was awaited as of May 2012.

Intelligence Bureau

4.2 Improper procurement planning leading to delay in execution of a project and idling of equipment

Failure of the Intelligence Bureau to synchronize various related activities for commissioning of the Intelnet Network before going in for procurement of encryptors led to idling of equipment worth ₹ 2.89 crore for a period of two years.

The Intelligence Bureau (IB) implemented (April 2006) Phase I of the Intelnet Network Project with the objective of providing secure and reliable communication connectivity between the IB Headquarters and Subsidiary IBs (SIBs) across the country. The network was intended to facilitate exchange of sensitive information through the medium of telephone connectivity, video-conferencing and bulk data transactions. Under this project, 22 SIBs were connected with the IB Headquarters. Eighteen more locations were added to the Intelnet Project for its Phase-II implementation. This activity was completed in December 2009.

IB decided (May 2008) to procure 72 encryptors¹ for implementation of Phase III of the project. These were required to be installed at 21 locations countrywide. The requirement was worked out on the following basis:

- 42 encryption units were required for 21 locations and the remaining 18 for standby purposes
- 12 encryption units were for providing secure connectivity to the Main Frame Computer from the different buildings at IB headquarters

The Director, IB accorded (May 2008) approval for procurement of these encryptors on the basis of a Proprietary Article Certificate² from M/s BEL. Procurement and installation of devices were expected to be completed within seven months from the date of approval. IB placed (September 2009) the supply order with the firm for procurement of 72 encryptors at a cost of ₹ 2.93 crore. Delivery of the devices was received between October and November 2009. The final payment to the firm was made in June 2010, after deducting liquidated damages of ₹ 4.39 lakh, for delays in the supply of equipment.

¹ This is a secrecy device. Encryption is the conversion of data into a form called a cipher text that cannot be easily understood by unauthorized people.

² A certificate to the effect that an item is patently owned by a single manufacturer/Company.

The implementation of the project involved several actions including proper site selection for installation of equipment, procurement of hardware and leasing of telephone lines. Audit, however, noticed that IB had failed to synchronize various activities related to the procurement process. Action for leasing of lines which was one of the important factors leading up to the installation was initiated only in June 2011, almost two years after the receipt of the equipment. Consequently, the equipment could not be put to use as of January 2012. Meanwhile, the warranty period of these machines had also expired.

Audit noted that out of the 72 encryptors, 27 were issued to various units and 45 were lying in stock. The locations for their installation had not been firmed up by the Bureau until August 2011. The locations for Intelnet connectivity underwent frequent changes as compared to the initial proposal. Against the 21 locations initially identified, only 18 locations (including eight locations which were not covered by the initial proposal) were finally proposed (August 2011) for providing connectivity. Thus, the locations were finalised almost two years after the procurement of the encryptors.

The above facts establish that the procurement process was characterised by poor planning and implementation. Failure of IB to ensure availability of related infrastructure for commissioning the project, coupled with inordinate delay in finalising locations, led to idling of equipment worth ₹ 2.89 crore for more than two years.

The Ministry stated (June 2012) that while IB was in the middle of the implementation of Phase-III of the Intelnet Network Project, the Government assigned another project, viz MAC-SMAC a nation-wide network for collaboration of different intelligence inputs to IB, in view of the terrorist attack in Mumbai in November 2008. As a result of the increase in the quantum of work, which was at its peak in June 2009, the Intelnet project had to be accorded less priority. Therefore, the procurement of hardware and leasing of lines for Phase-III of the project could not materialize in time and it was delayed.

The Ministry also stated that under the new operational requirement, some new sites had been included, while some were omitted. It further stated that the case of leasing of lines had now been cleared and the project was expected to be implemented in June 2012.

The reply establishes that IB was aware of the stated reasons of increase in quantum of work at the time of placing the supply order in September 2009. Thus, it was in a position to defer the procurement process for the Intelnet project to prevent the idling of equipment.

Thus, improper procurement planning led to idling of equipment worth ₹ 2.89 crore for more than two years.

4.3 Inordinate delay in construction of staff quarters

Inordinate delay in the construction of staff quarters by the Subsidiary Intelligence Bureau, Lucknow led to cost escalation of ₹ 2.17 crore. This also resulted in avoidable expenditure of ₹ 86.59 lakh towards payment of House Rent Allowance to its staff members.

The Intelligence Bureau (IB) decided to construct 118 quarters for the staff of the Subsidiary Intelligence Bureau (SIB), Lucknow in 1999. The decision for construction of the staff quarters was taken in anticipation of savings of ₹ 12.12 lakh per annum, on account of house rent allowance being paid to the staff. Accordingly, IB, with the approval of the Ministry of Home Affairs, acquired (November 1999) land measuring three acres in Gomti Nagar, Lucknow from the Lucknow Development Authority (LDA). The cost of the land was ₹ 2.45 crore. Subsequently, IB submitted (July 2003) a proposal prepared by the Central Public Works Department (CPWD) for construction of residential quarters at an estimated cost of ₹ 6.17 crore, to the Ministry. The time schedule for completion of the project included six months for preparation of drawings, design, tendering etc. and two years for the construction work. The project was thus scheduled for completion by December 2005.

Audit observed inordinate delay in construction of the staff quarters. The chronology of events leading up to the construction of the staff quarters is given in **Annex-XVI**.

There were delays in preparing the plans for the project. After acquiring the land in November 1999, IB requested CPWD, Lucknow only in May 2002 for obtaining the layout plan. IB attributed this delay to construction of a boundary wall. However, Audit observed that the construction of the boundary wall was a separate issue, having no direct link with the processes involved in obtaining the layout plan. The layout plan was submitted by the CPWD in July 2002. This was further modified and re-submitted in September 2002. Subsequently, CPWD was requested (December 2002) to

prepare preliminary estimates for the work, which were received by IB in January 2003. Thereafter, approval of the Ministry was sought (July 2003).

The Ministry took almost two years in obtaining clarifications regarding whether the estimates had been prepared as per authorisation (January 2004), the exact cost of the bulk services³ (December 2004) etc. Thus, the Ministry took more than two years to finally approve the project. Consequently, the cost of the project, which was initially estimated at ₹ 6.17 crore in January 2003, increased to ₹ 9.67 crore in May 2005.

The civil works of the project were completed in July 2009. Audit noted that IB had incurred an expenditure of ₹ 10.79 crore⁴ on the project till December 2011. The possession of the complex was taken over by IB in February 2012. It was observed that an avoidable expenditure of at least ₹86.59 lakh on account of House Rent Allowance was paid to the prospective allottees during April 2010 to February 2012⁵.

On this being pointed out in Audit, IB informed (November 2011) that although the civil work of the project was completed in July 2009, the possession of the complex could not be taken over due to some deficiencies relating to energizing the electrical substation and water supply. It also attributed the delay in taking over the possession of the complex to various procedures involved in construction of the complex.

The Ministry stated (November 2011 and March 2012) that the delay in taking over the building was mainly due to non-cooperation of CPWD in obtaining clearances from the local bodies.

The Ministry cannot lay the entire blame on CPWD because delays on the part of IB and the Ministry also contributed significantly to the cost escalation of ₹ 2.17 crore and time escalation of more than six years. This delay had a financial implication as House Rent Allowance was paid to the prospective allottees during this period. Audit noted that an avoidable expenditure of ₹ 86.59 lakh was incurred on this account during April 2010 to February 2012, due to non-allotment of the houses in time.

³ Overhead tanks, sewer connection, tube well etc.

⁴ ₹ 2.45 crore (cost of land) plus ₹ 8.34 crore towards reported expenditure on construction

⁵ A period of eight months has been considered as reasonable for completion of necessary activities prior to allotment of accommodation. Hence, the avoidable expenditure has been worked out from April 2010 to February 2012.

Thus, inordinate delay in the construction of staff quarters led to substantial time and cost overruns on the project. This also led to avoidable payment towards House Rent Allowance to the staff members of IB.

National Security Guard

4.4 Recovery of Workers' Welfare Cess at the instance of Audit

The National Security Guard recovered Construction Workers' Welfare Cess of ₹ 12.84 lakh out of the short recovery of ₹ 38.54 lakh, pointed out by Audit.

The Building and Other Construction Workers' Welfare Cess Act, 1996 provides for collection of cess from employers of building workers at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction. The cess so collected has to be paid to the Building and Other Construction Workers' Welfare Board, after deducting the cost of collection of such cess.

The Construction Squadron Wing of the National Security Guard (NSG), Manesar executed different construction works costing ₹ 38.54 crore, by engaging various contractors during April 2005 to March 2011. However, Audit noted that cess of ₹ 38.54 lakh on these works was not deducted.

On this being pointed out (October 2010) by Audit, NSG recovered ₹ 12.84 lakh till February 2012. The remaining amount was still to be recovered.

CHAPTER V : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

Department of Higher Education

5.1 Corrective action at the instance of Audit

The Ministry failed to follow the extant rules and extended a loan of ₹ 100 crore to the IIT Madras Research Park at an interest rate of three *per cent* instead of the applicable 11.5 *per cent*. At the instance of Audit, the Ministry took corrective action to change the rate of interest, thereby averting a loss of ₹ 46.75 crore.

In terms of Rule 221(1) of the General Financial Rules, interest is charged at the rate prescribed by the Government for any particular loan or class of loans. The Ministry of Finance, Department of Economic Affairs, through its OM of October 2007, had prescribed an interest rate of 11.5 *per cent* per annum on investment loans given by the Central Government to industrial and commercial undertakings in the public sector as well as to cooperatives.

The Ministry of Human Resource Development, Department of Higher Education released a loan of ₹ 100 crore to the IIT Madras Research Park, a Company set up under Section 25 of the Companies Act, 1956. The Expenditure Finance Committee of the department, in its meeting held in July 2009, observed that the loan should bear the interest rate applicable for investment loans to the public sector/cooperative undertakings. The Committee also stipulated that all procedures prescribed in GFRs 2005 for sanction of loan should be followed.

Audit noted that the agreement executed between the department and the Company, in February 2010 provided for levying of interest at the rate of three *per cent* per annum on the balance of the loan amount, against the applicable rate of 11.5 *per cent*. The repayment of the loan was to commence from 2013-14 for a period of 10 years.

The action of the Ministry was in contravention of the GFRs and the decision of the Expenditure Finance Committee. After this was pointed out (June 2011) by Audit, the Ministry replied (June 2012) that the agreement with the Company had since been revised and the latter had agreed to pay interest at the applicable rate of 11.5 *per cent* per annum.

Thus, as a result of timely intervention by Audit, impending interest loss amounting to ₹ 46.75 crore, was averted.

CHAPTER VI : MINISTRY OF INFORMATION AND BROADCASTING

6.1 Non-recovery of rental dues

Rental charges amounting to ₹ 60.73 lakh were not recovered by the Films Division, Mumbai from discontinued and closed down exhibitors.

Section 12(4) of the Cinematograph Act, 1952, provides that the Central Government may, from time to time, issue directions to licensees generally or to any licensee in particular for the purpose of regulating the exhibition of any film or class of films, so that scientific films, films intended for educational purposes, films dealing with news and current events, documentary films or indigenous films secure an adequate opportunity of being exhibited. Where any such directions have been issued, those directions would be deemed to be additional conditions and restrictions, subject to which the licences had been granted.

The Cinematograph Act, 1952 made the screening of documentary films compulsory throughout the country. The scheme of compulsory exhibition of approved films by cinema houses implied an obligation on the part of the Government to keep the cinema houses supplied with such approved films at regular intervals. The Films Division was the national body which released documentaries, news-based films or animation films every Friday for the theatres spread across the country, in 15 national languages.

The exhibitors i.e. the cinema houses were to pay rental charges to the Films Division calculated on a fixed percentage of their net collections of the theatre. For this purpose, the Films Division and the exhibitors were to enter into agreements for supply of films for exhibition. The following were the terms and conditions of the agreement:

- The exhibitors would pay rental charges at the rate of one *per cent* of their net weekly collections to the distributors against the supply of the films.
- At any time, during the continuance of the agreement, if the exhibitors failed to pay the rental in time, the distributor would stop the supply of films to the defaulters, keep the films ready with them at the cost, risk and responsibility of the exhibitor and the exhibitor would be liable to

pay all the damages sustained by the distributor by keeping the films so ready, including the rentals.

- If the dues payable by an exhibitor to a distributor exceeded two thirds of the security deposits collected, the distributor would have to terminate the agreement and discontinue the supply of films to the exhibitor. The exhibitor would, if demanded by the distributor, in exercise of his absolute discretion, pay to the distributor, on default on punctual payment of rentals by the exhibitor to the distributor, interest on all arrears of rentals at the rate of eight *per cent* per annum, computed from the date of default of payment of such rentals up to the dates of actual payment.

Audit scrutiny of the records of the Films Division, Mumbai revealed that during the period June 2000 to July 2009, 20 and 15 theatres were discontinued¹ and closed down² respectively in the States of Maharashtra and Gujarat. The total amount outstanding in respect of these 35 exhibitors on account of rental charges since 1996 was ₹ 60.73 lakh (**Annex-XVII**). Audit noticed that the recovery of rentals was not monitored by the Films Division, which resulted in the accumulation of these dues. The Films Division did not invoke the enabling provisions of the agreements with the exhibitors that once the dues payable exceeded the security deposit collected, the agreement would be terminated and the supply of films discontinued. The exhibitors were allowed to operate the theatres without payment of rent, which resulted in accumulation of arrears of revenue amounting to ₹ 60.73 lakh.

The matter was brought (September 2011) to the notice of the Ministry, which confirmed (November 2011) the facts and figures and stated that the theatres had closed down /been discontinued without intimating the Films Division and the concerned branch offices of the Films Division. Although the Films Division had been following up with the Managements of these theatres for recovering the dues, it had not been possible to recover the same. The Ministry further stated that the District Magistrates of the concerned districts, who were the licensing authorities, had been requested (January 2012) not to renew the licenses of these theatres and to recover the pending dues of the Films Division. The matter regarding recovery of dues was being followed up vigorously with the district authorities.

¹ Discontinued exhibitors – Exhibitors who discontinued exhibiting films distributed by the Films Division.

² Closed down exhibitors – Exhibitors who closed down their theatres due to loss etc.

The reply does not bring out the reasons for not taking timely action against the defaulting theatres. The fact remains that the recoveries were not made by the Films Division in accordance with the agreement. The theatres were discontinued, or had closed down exhibition of films on much later dates.

Thus, the failure of the Films Division to properly monitor the recovery of rental charges led to non-recovery of revenue amounting to ₹ 60.73 lakh.

CHAPTER VII : MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS

Department of Personnel and Training

Union Public Service Commission

7.1 Recovery of licence fees at the instance of Audit

At the instance of Audit, the Union Public Service Commission recovered licence fees of ₹ 14.88 lakh from the Bank of Maharashtra for the period January 2001 to September 2011, out of short recovery of ₹ 26 lakh pointed out by Audit.

The Directorate of Estates periodically prescribes the rates of licence fees payable by banks and post offices operating from the General Pool Office accommodation allotted by it. A branch of the Bank of Maharashtra and a post office occupying a space of 99 sq. m. and 55 sq. m. respectively, were operating from the Union Public Service Commission (UPSC) complex.

Audit noted that the demands of licence fees raised by the Directorate from the bank since January 2001 was based on carpet area of 49 sq. m. as against the actual area of 99 sq. m., resulting in short levy of licence fees of ₹ 18.58 lakh during the period January 2001 to September 2011. Similarly, licence fees of ₹ 7.54 lakh were recoverable from the post office for the same period.

On the above being pointed out (September 2010) by Audit, UPSC stated (October 2011) that the matter had already been taken up with the bank and the post office authorities.

The Ministry endorsed (January 2012) the reply of the UPSC, stating that ₹ 14.88 lakh on account of licence fees had been deposited (November 2011) by the bank. Recovery of the balance amount was awaited (December 2011).

CHAPTER VIII : UNION TERRITORIES

Andaman and Nicobar Administration

Directorate of Shipping Services

8.1 Loss due to delay in disposal of a decommissioned vessel

Delay in initiating timely action and consequential delay in fixing the appropriate reserve price of an outlived vessel resulted in avoidable expenditure of ₹ 6.29 crore.

The TSS Yerava built in 1965 and owned by the Andaman and Nicobar Administration (Administration), was being run by the Shipping Corporation of India (SCI) for inter-island services. The vessel was operational till 7 February 2008 and then laid up for the Annual Passenger Survey. Since then, the vessel became non-operational till its decommissioning (September 2009).

As per the Merchant Shipping Act 1958, vessels were to be safely manned till they were finally disposed off.

SCI had intimated (January 2008) the Director of Shipping Services of the Administration (Director) that the plying permission of the vessel was expiring on 7 February 2008 and after that, the vessel would remain idle for want of instructions as no more extensions were possible due to the stringent regulations imposed by the Director General, Shipping.

Audit scrutiny of the records of the Director revealed that they had approached the Administration for decommissioning of the vessel only in June 2008 and the Administration had sought the approval of the Ministry in January 2009, after a gap of seven months. The Ministry ultimately conveyed the approval in September 2009, after a gap of eight months.

A committee was constituted (November 2009) by the Administration to fix the reserve price of the decommissioned vessel and to decide the mode of disposal. The committee fixed (November 2009) the reserve price at ₹ 1.49 crore. After fixing of the reserve price by the Committee, attempts were made by the department to auction the vessel locally. However, no party turned out to purchase the vessel since there was no ship-breaking facility available in the Andaman and Nicobar Islands.

The Metal Scrap Trading Corporation, Kolkata, a PSU, was approached (August 2010) to e-auction the said vessel after eight months of fixing of the reserve price. However, due to higher fixation of reserve price, the firm's e-auction failed to dispose of the vessel on three occasions. Consequently, in March 2011, the reserve price was lowered by 20 *per cent* and the vessel was auctioned (April 2011) at ₹ 1.21 crore.

Audit noted that between April 2008 and March 2011, the Administration had incurred ₹ 10.12 crore towards the establishment costs of the vessel.

The Director, in a reply to an Audit query, stated (November 2011) that the vessel was to be safely manned till such time it was finally disposed off. In case the vessel sank in the funnel area, the loss to the Government would be unimaginably higher and creation of a new berthing facility would take a lot of time, leading to more time and cost overruns.

The fact remains that timely and prompt action for the safe disposal of the vessel and its effective follow-up, could have saved at least ₹ 6.29 crore¹, incurred during 2009-10 and 2010-11.

The matter was referred to the Ministry in July 2011. The reply had not been received as of February 2012.

8.2 Avoidable expenditure on an outlived vessel

Ineffective co-ordination and follow-up by the Andaman and Nicobar Administration led to delay in surrendering a vessel and consequential avoidable expenditure of ₹ 3.69 crore.

The Andaman and Nicobar Administration (Administration) engaged a vessel viz MV Ramanujam, built in 1972 and owned by the Shipping Corporation of India (SCI), in the Port Blair-Havelock sector on cost plus contract basis for ferrying passengers. The vessel turned unproductive from 2006 and remained 'out of service' for almost six months in a year. Since the vessel had outlived almost double its lifespan, leading to huge repair/refit costs, SCI proposed (May 2007) to replace it with a high speed one, of the required capacity. The Administration took up (August 2007) the matter regarding replacement of the vessel with SCI but no concrete proposal was made by them for surrender of the existing vessel. The vessel was to be withdrawn by May 2009 on expiry of

¹ Expenditure incurred towards establishment cost of the vessel after allowing a reasonable period of one year i.e. 2008-09 within which DSS could have disposed of the vessel, has been treated as avoidable.

Total expenditure incurred during the period 2008-2011 (₹10.12 crore) less expenditure incurred during the year 2008-09 (₹3.83 crore) = Avoidable expenditure (₹6.29 crore)

its sea-worthiness certificate. The Director of Shipping Services (DSS) of the Administration, however, proposed to surrender the vessel to SCI only in October 2009. The Administration asked SCI to stop incurring expenditure for refit/repair of the vessel and arrange to shift it to another location.

SCI declined (November 2009) to withdraw the officers and crews engaged in the vessel immediately, on the ground that the Administration had not given the minimum six months' notice as stipulated in the operation and maintenance contracts for other Administration vessels. No further action was taken even on expiry of six months i.e by April 2010. Thereafter, the Directorate of Tourism, another department under the Administration proposed (July 2010) to procure the vessel for operating it as a floating restaurant and cinema hall on Public Private Partnership (PPP) mode. SCI agreed (September 2010) to hand over the vessel to the Administration at a cost of ₹ one crore. The modalities of the PPP had, however, not been finalized by the Administration as of December 2011 and the surrender proposed by DSS was not accepted by SCI as in the case of surrender, SCI would have to incur the maintenance expenditure of the vessel for the entire period.

SCI incurred an expenditure of ₹ 3.69 crore during the period November 2009 to March 2011 on the outlived vessel and charged the amount to the Administrations' Accounts held by them. Accounts for the period April 2011 onwards had not been finalized by SCI as of March 2012.

In January 2012, the Administration informed SCI that the vessel had been surrendered w.e.f. 31 March 2010 and as such, ₹ 2.38 crore charged by the latter for the period 2010-11 was incorrect. The Administration further requested that the amount already charged from their account may be refunded to them.

Audit scrutiny of the records of the Administration revealed that there was no agreement between Administration and SCI regarding the operation and maintenance of the vessel. Though the Administration kept observing that the vessel was of no use and needed replacement, its surrender to the SCI was not formally communicated even in November 2010. As the vessel could not be disposed of due to the pending proposal of Directorate of Tourism with SCI, the Administration was bound to pay the expenses incurred on the vessel amounting to ₹ 3.69 crore during the period November 2009 to March 2011.

Thus, delay in initiating the surrender formalities, coupled with lack of co-ordination between the Shipping and Tourism Departments of the Administration resulted in an avoidable expenditure of ₹ 3.69 crore on fuel charges, indirect operating expenses and management expenses on the outlived vessel which was worth ₹ one crore.

The matter was referred to the Ministry in July 2011. Their reply has not been received as of March 2012.

Lakshadweep Administration

8.3 Procurement of X-ray Baggage Inspection Systems

Failure of the Union Territory of Lakshadweep Administration to synchronize the supply, installation and commissioning of two X-ray baggage inspection systems with creation of the necessary infrastructure, resulted in non-achievement of the objective of strengthening the safety and security of passengers, despite incurring ₹ 61 lakh on the purchase of the systems.

In view of the high security alerts across the country, especially at all airports, ports and other important institutions, the Administrator, Union Territory of Lakshadweep (UTL) decided (December 2008) to install X-ray baggage inspection systems at six places i.e. Agatti airport, Agatti jetty, Beypore port, Kavaratti helibase, Kavaratti jetty and Mangalore port. The objectives were to strengthen security, check passengers' baggages bound for helicopter and shipping services and ensure safe travel of passengers. Installation of the systems involved creation of necessary infrastructure and procurement of equipment. Synchronization of these two activities was required for timely commissioning of the equipment.

Audit scrutiny (March 2011) revealed that without creating the necessary infrastructure required for installation of the equipment, the UTL authorities placed (January, February, October and November 2009) orders on M/s ECIL Rapiscan Ltd., for supply, installation and commissioning of six X-ray baggage systems at a total cost of ₹ 1.84 crore. These systems were delivered by the firm between May 2009 and April 2010. It was observed that two out of the six systems i.e those supplied to Agatti airport (vide invoice dated 27 March 2010), and Kavaratti jetty (vide invoice dated 1 April 2010) costing a total of ₹ 61 lakh had not been installed as of April 2012.

On this being pointed out by Audit, the UTL Administration accepted the facts and stated (April 2012) that the two systems could not be installed due to

non-completion of civil construction works of Passengers' Halls in those locations by the Lakshadweep Public Works Department though land had been handed over and the full amount had already been released to those agencies. On completion of the buildings, the department would ensure installation of the machines without further delay.

The fact remains that because of the delay of over 15 months in installing and commissioning the systems, the UTL Administration not only lost the benefit of testing the equipment during the warranty period but also compromised the objectives of strengthening security and ensuring safety of the passengers.

The matter was brought to the notice of the Ministry of Home Affairs (November 2011) and reminded in April 2012. Their reply was awaited.

CHAPTER IX : MINISTRY OF WOMEN AND CHILD DEVELOPMENT

9.1 Recovery of an amount of excess release of grants, at the instance of Audit

Failure of the Ministry to exercise due diligence while releasing grants to the State Governments resulted in excess release of ₹ 3.45 crore. This was subsequently recovered at the instance of Audit.

As per the guidelines of the Rajiv Gandhi Scheme for Empowerment of Adolescent Girls– ‘Sabla’, nutrition to adolescent girls¹ at the rate of 600 calories per day, for 300 days in a year (25 days per month) was admissible. The scheme guidelines provided for sharing of the cost of nutrition with the State Government to the extent of 50 *per cent* of the admissible amount of ₹ 5 per beneficiary per day.

Audit noted (June 2011) that the Ministry made errors in calculating the actual amount of funds admissible to Rajasthan. The Ministry adopted the number of days when nutrition was supplied to the girls as 67 as against 55 days admissible for the period 24 January 2011 to 31 March 2011. This resulted in excess release of funds amounting to ₹ 1.81 crore. In three other cases during 2010-11, the Ministry adopted incorrect figures for the number of beneficiaries for calculating admissibility of funds, resulting in excess release to three States, as detailed below:

(₹ in lakh)

Name of State	Actual no. of beneficiaries	No. of beneficiaries adopted for calculation	Admissible release	Actual release	Excess release
Bihar	1305200	1403311	1957.80	2104.97	147.17
Himachal Pradesh	90016	98974	168.78	185.58	16.80
Sikkim	8783	9116	10.98	11.40	0.42
Total			2137.56	2301.95	164.39

Thus, the failure of the Ministry in exercising due diligence in working out the entitlements of the State Governments resulted in excess release of ₹ 3.45 crore.

¹ Age group 11 to 18 years

On this being pointed out (June 2011) by Audit, the Ministry recovered (September 2011) the excess amount of ₹ 3.45 crore from the subsequent releases made to the concerned States during 2011-12.

9.2 Irregular release of Central share under the Integrated Child Protection Scheme

The Ministry of Women and Child Development released grants twice under two Central schemes viz 'Programme for Juvenile Justice' in February 2008 and the Integrated Child Protection Scheme in December 2010, totalling ₹ 1.08 crore, for construction of two observation homes at Ambala and Hisar.

During the Seventh Five-Year Plan, the Ministry of Women and Child Development initiated a 'Programme for Juvenile Justice', in accordance with the implementation of the Juvenile Justice Act 1986. The programme aimed at care, protection, development and rehabilitation of neglected and delinquent children in all the districts of the country, except for Jammu and Kashmir.

As per the norms of the scheme, the Central share of grants for construction of an observation home for 50 inmates was to be ₹ 9.03 lakh. The remaining expenditure for construction of the homes was to be met by the State Governments from their own budgets.

The Government of Haryana submitted (August and November 2007) proposals for construction of two observation homes at Ambala and Hisar at estimated costs of ₹ 1.45 crore and ₹ 1.86 crore respectively. The Ministry intimated (December 2007) the Government that they were in a position to sanction Central share of grants of ₹ 18.06 lakh only for construction of the two homes as per the norms of the scheme. The Ministry authorised (February 2008) the State Government to utilise ₹ 18.06 lakh as the Central share with the condition that the balance amount would be met from the budget of the State Government. The State Government had spent ₹ 3.82 crore over and above the Central share for construction of these homes as of August 2009.

It was noticed in audit that the Ministry, with the approval (February 2009) of the Cabinet, introduced a new Centrally sponsored scheme viz. the Integrated Child Protection Scheme (ICPS) to create a solid foundation for protective environment for children. Audit observed that the State Government of Haryana submitted (September 2010) a proposal under ICPS for release of grants for the construction of the same observation homes at Ambala and Hisar mentioned earlier. The Ministry accepted the proposal and released (December 2010) the Central share of ₹ 89.58 lakh to the State Government

for construction of the homes, without linking the fact that these homes were already being funded under another Central scheme. The action of the Ministry to release funds of ₹ 89.58 lakh under ICPS for the construction of the observation homes at Ambala and Hisar was irregular, as both the homes were already being financed under the 'Programme for Juvenile Justice'.

The Ministry admitted (February 2012) that the grants for the same homes had been given twice and stated that the excess amount would be deducted appropriately from future grants to the State Government.

It was noted that the Ministry acknowledged the lapse only on confirmation of the facts including the status of construction of the two homes from the State Government. This indicated that the Ministry did not have a system of exercising due diligence while releasing the grants and did not maintain proper records regarding utilisation of the same.

The Ministry may, thus, institute a suitable mechanism to avoid release of grants under different schemes for the same purposes. Regular follow-ups may also be done with the State Governments to derive assurance that the funds released to them are utilised for the intended purposes.

CHAPTER X : DEPARTMENT OF ATOMIC ENERGY

10.1 Avoidable expenditure of ₹ 3.32 crore

Failure of the Directorate of Purchase and Stores under the Department of Atomic Energy in adhering to the purchase procedure and consequent delay in finalising a purchase proposal within the validity period resulted in avoidable expenditure of ₹ 3.32 crore.

The General Financial Rules, 2005, enjoin that in the case of high value purchases, bids should be obtained in two stages, with the technical bid being evaluated first and the financial bid thereafter. As per the Exercise of Financial Rules, 1978 of the Department of Atomic Energy (DAE), cases involving limited tenders with financial outlays exceeding ₹ three crore are required to be sent for the concurrence of the Member (Finance), DAE. The timelines prescribed (2005) by the Directorate of Purchase and Stores (DPS), the centralized purchase unit of DAE, for processing two-part tenders specify that proposals for approval of the Member (Finance) should be sent within six months from the date of raising of indents.

The DPS received an indent raised in June 2007 for manufacturing of a discharge assembly transfer cask¹ from the Light Water Reactor Division of the Bhabha Atomic Research Centre. It invited (August 2007) limited tenders from three firms for manufacturing, material procurement, fabrication mockup, inspection testing and safe delivery of a discharge assembly transfer cask along with accessories at an estimated cost of ₹ 13 crore, with the due date for receipt of tenders being 24 September 2007.

The tender document included a Purchase Preference clause², according to which, a Central Public Sector Enterprise (CPSE) participating in a tender would get purchase preference over other participating private sector firms, provided, (i) its offer was technically suitable, (ii) the difference of price quoted by it and the lowest priced offer was within 10 *per cent* and (iii) the CPSE was willing to match the lowest quoted price. The Price Preference Policy (PPP) of the Department of Public Enterprises was valid only till 31 March 2008.

The DPS received offers from M/s. Godrej & Boyce, Mumbai (Godrej) and the Central Manufacturing Technology Institute (CMTI), Bangalore. On opening of the technical bids on 25 September 2007, both the bidders were

¹ Transfer cask is required to transfer the spent fuels to spent fuel storage pool.

² This clause was based on the Purchase Preference Policy prescribed by the Department of Public Enterprises, Government of India. This policy was discontinued after 31 March, 2008.

declared as technically qualified. The price bids were opened on 30 November 2007. Godrej quoted a basic price of ₹ 11.35 crore³, whereas CMTI quoted ₹ 12.18 crore⁴. The indenting division conveyed (28 December 2007) its recommendation for placing the order on CMTI. After due negotiations, CMTI agreed (January 2008) to match its price with that of Godrej at ₹ 12.77 crore (post tax). The Stores Purchase Committee (SPC) approved the proposal for the purchase on 30 January 2008.

Scrutiny in audit revealed the following:

- (i) Godrej was the lowest bidder after opening of the price bids. However, subsequent to opening the bids, CMTI submitted a letter on 6 December 2007, along with a certificate issued by the Ministry of Commerce and Industry, Government of India dated 5 December 2007 that the firm may be treated at par with CPSUs with regard to price preference. It is to be noted that CMTI was a registered society and not a CPSE and was thus not covered under the Purchase Preference Clause. The decision of DAE to accept the offer of CMTI, which was not a CPSE was, therefore, irregular.
- (ii) Despite Godrej being the lowest and the only eligible bidder on the opening of price bids, DPS accepted the Ministry's certificate for treating CMTI at par with CPSEs with regard to price preference, even though this certificate was received after the opening of the price bid on 30 November 2007.
- (iii) As this case was being processed on a limited tender basis and had a financial outlay exceeding ₹ three crore, it required the approval of the Member (Finance), DAE. While the instructions of DAE prescribed a time limit of six months for processing such purchase cases, it was observed that in the instant case, the proposal was sent to the Member (Finance) DAE for approval only on 21 April 2008, i.e. 10 months after raising of the indent. Secretary, DAE turned down the proposal on 29 July 2008 on the ground that the validity of the PPP was no longer valid and instructed the DPS to issue a fresh limited tender.
- (iv) It was observed that there were considerable delays within the DPS in examining the proposal. As against the prescribed time limit of six months for processing such purchase cases, the DPS took two months to issue the limited tender inquiries to the three firms and a further

³ Post tax price of ₹ 12.77 crore.

⁴ Post tax price of ₹ 13.70 crore.

three months to approve the technical bid. The stages thereafter included opening and examining the financial bids and in the instant case, sending it to Member (Finance), DAE for obtaining his approval.

- (v) The DPS again invited tenders in August 2008 from the same three firms. However, only Godrej responded to the tender notice and quoted a basic price of ₹ 15.80 crore⁵. DPS negotiated the price and a purchase order was placed on the firm at ₹ 16.09 crore (post tax) in February 2009. Godrej received final payment for this order in December 2010.

The procurement exercise adopted by DAE in the instant case revealed flaws in tender evaluation such as making an offer to an entity which was not eligible to be considered for the price preference benefit at the price evaluation stage. Further, there were protracted delays at various stages in processing of the purchase case, leading to rejection and retendering, which finally resulted in an additional expenditure of ₹ 3.32 crore.

DAE replied (May 2012) that the qualification process for any Company after submission of the offer is based on the status of the Company/its offer, on the due date of submission of the offer as per the purchase price procedure in vogue, which was 25 September 2007 in this case. Therefore, DPS had the perception that the PPP would be applicable to M/s CMTI in this purchase file. The offer of M/s CMTI, Bangalore was kept valid upto 31 July 2008.

The reply is not acceptable as DPS had overlooked the fact that the firm was not eligible for price preference benefit on the date of opening of the financial bid on 30 November 2007, since the certificate of eligibility for treating it at par with CPSEs with regard to price preference was issued to it only on 5 December 2007. Further, even if we consider that DAE was not aware of the fact that the benefit of price preference would lapse on 31 March 2008, the decision of DAE to accept the offer of CMTI, which was not a CPSE, was irregular.

Thus, by failing to place the purchase order on the lowest valid bidder in the first instance, DAE not only delayed the entire procurement process but also incurred an additional expenditure of ₹ 3.32 crore.

⁵ Post tax price of ₹ 17.78 crore.

CHAPTER XI : DEPARTMENT OF SPACE

11.1 Avoidable payment of demand charges

Failure of the ISRO Satellite Centre and ISRO Telemetry, Tracking and Command Network to assess power consumption needs accurately and delay in taking action to reduce the contracted demand resulted in avoidable payment of ₹ 3.72 crore for consumption of electricity.

The ISRO Satellite Centre (ISAC) and the ISRO Telemetry, Tracking and Command Network (ISTRAC), Bangalore, constituent units of the Indian Space Research Organisation (ISRO) under the Department of Space (DoS) entered into agreements with the Bangalore Electricity Supply Company (BESCOM) in April 2007 and April 2008 respectively for supply of electricity for their units at Bangalore. The agreements were entered into for supply of 5500 KVA power supply (contracted demand) by ISAC and 2500 KVA power supply (contracted demand) by ISTRAC.

As per BESCOM's tariff policy for high tension lines, if the power consumption was less than the contracted demand, the billing demand which was a minimum of 75 per cent of the contracted demand or the maximum demand recorded during the month, whichever was higher, had to be paid.

Audit examination of records revealed that the monthly consumption of electricity never reached the contracted demand during the period April 2007 to December 2011 at ISAC and during the period April 2008 to April 2011 at ISTRAC. Since, the consumption of power was far below the contract demand, payment of 75 per cent of contract demand (4125 KVA for ISAC and 1875 KVA for ISTRAC) being the billing demand was being paid each month as per the BESCOM tariff policy for high tension lines. The maximum actual demand recorded vis-à-vis contract demand during the period was mere 33 per cent in case of ISAC and 39 per cent for ISTRAC, which clearly indicated that the contracted demand was significantly higher than the actual requirement. Thus, the agreement for higher contract demand resulted in incurring an avoidable excess expenditure of ₹ 3.72 crore, towards cost of power not actually utilized as detailed in the following table :

Name of Unit	Contract Demand (in KVA)	Billing Demand (75% of Contract Demand) (in KVA)	Range of Actual Consumption Per Month (in KVA)	Period of Bill	Charges Worked Out (₹ in lakh)	Actual Payment (₹ in lakh)	Excess Payment (₹ in lakh)
ISRO Satellite Centre-ISAC	5500	4125	1182-1788	April 2007 to December 2011	162.22	456.23	294.01
ISTRAC-IDSN Project	2500	1875	165-979	Apr 2008 to April 2011	39.48	117.52	78.04
Total					201.70	573.75	372.05

On this being pointed out (December 2009) in audit, ISAC, accepting the fact, replied (January 2012) that on the basis of need assessment, the expected power requirement up to the end of year 2014 would be about 4000 KVA and therefore they had applied (September 2011) to BESCOM for entering into a fresh agreement to reduce the contract demand of the Centre from 5500 KVA to 4000 KVA (entailing a minimum chargeable demand of 3000 KVA). It was further added that ISAC was pursuing the matter with BESCOM to reduce the contracted demand to 4000 KVA and their application was under process (January 2012).

In its reply, ISTRAC stated (May 2011) that as per the revised assessment, the optimum maximum demand was likely to reach 1100 KVA and it had requested (June 2010) BESCOM to reduce the contract demand from 2500 KVA to 1250 KVA.

Based on the audit observations pointing to the excess contract of power demand, ISTRAC and ISAC initiated action to reduce the contract demand only in June 2010 and September 2011 respectively. Thus, the failure of ISAC and ISTRAC to accurately assess power consumption needs in the first instance, together with delay in taking action to reduce the contracted demand, resulted in avoidable payment of ₹ 3.72 crore (as of December 2011) for consumption of electricity towards billing demand.

CHAPTER XII : GENERAL

12.1 Follow-up on Audit Reports

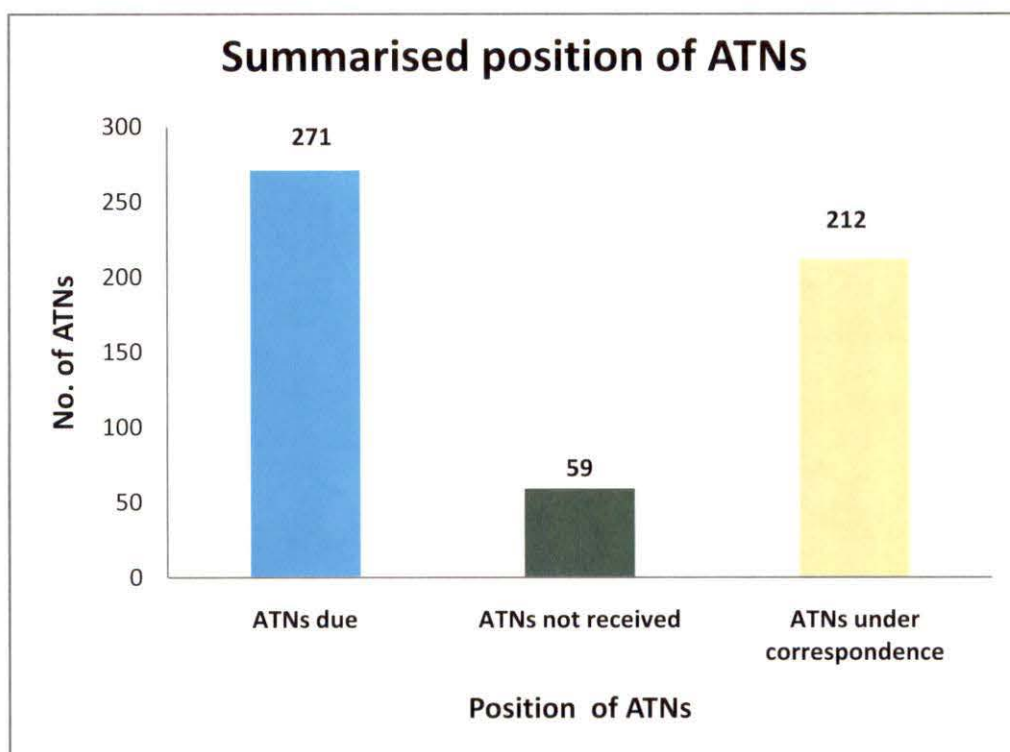
Despite repeated instructions/recommendations of the Public Accounts Committee, various Ministries/Departments did not submit remedial/corrective Action Taken Notes on 59 audit paragraphs even after the lapse of the time limit prescribed by the Public Accounts Committee.

The Lok Sabha Secretariat issued instructions in April 1982 to all Ministries to furnish notes to the Ministry of Finance (Department of Expenditure), indicating remedial/ corrective action taken on various paragraphs contained in the Audit Reports, soon after these were laid on the Table of the House.

In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the Public Accounts Committee (PAC) desired that submission of pending Action Taken Notes (ATNs) pertaining to Audit Reports for the years ended March 1994 and 1995 should 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.

Further, the Committee, in their Eleventh Report (Fifteenth Lok Sabha) presented to the Parliament on 29 April 2010, recommended that the Chief Accounting Authorities should be made personally accountable in all cases of abnormal delays in taking remedial action and submitting ATNs to PAC.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Civil) up to the period ended 31 March 2011 (**Appendix-I**) revealed that the Ministries did not submit remedial/corrective ATNs in respect of a large number of paragraphs despite the above instructions. Out of 271 paragraphs on which ATNs were required to be sent, ATNs in respect of 59 paragraphs had not been received at all as of March 2012 as shown in the following chart:



The final ATNs in respect of 212 paragraphs, which were under correspondence, were pending at various stages. Out of these 212 paragraphs, 56 paragraphs pertained to Audit Reports which were more than 10 years old.

12.2 Response of the Ministries/Departments to draft paragraphs

Despite directions of the Ministry of Finance, issued at the instance of the Public Accounts Committee, Secretaries of Ministries/Departments did not send responses to eight out of 25 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 responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs.

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In eight out of the 25 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2011, replies from the Secretaries of the Ministries/Departments had not been received. The details are indicated in **Appendix-II**.

New Delhi

Dated: 21 August 2012



(ROY MATHRANI)

**Director General of Audit
Central Expenditure**

Countersigned

New Delhi

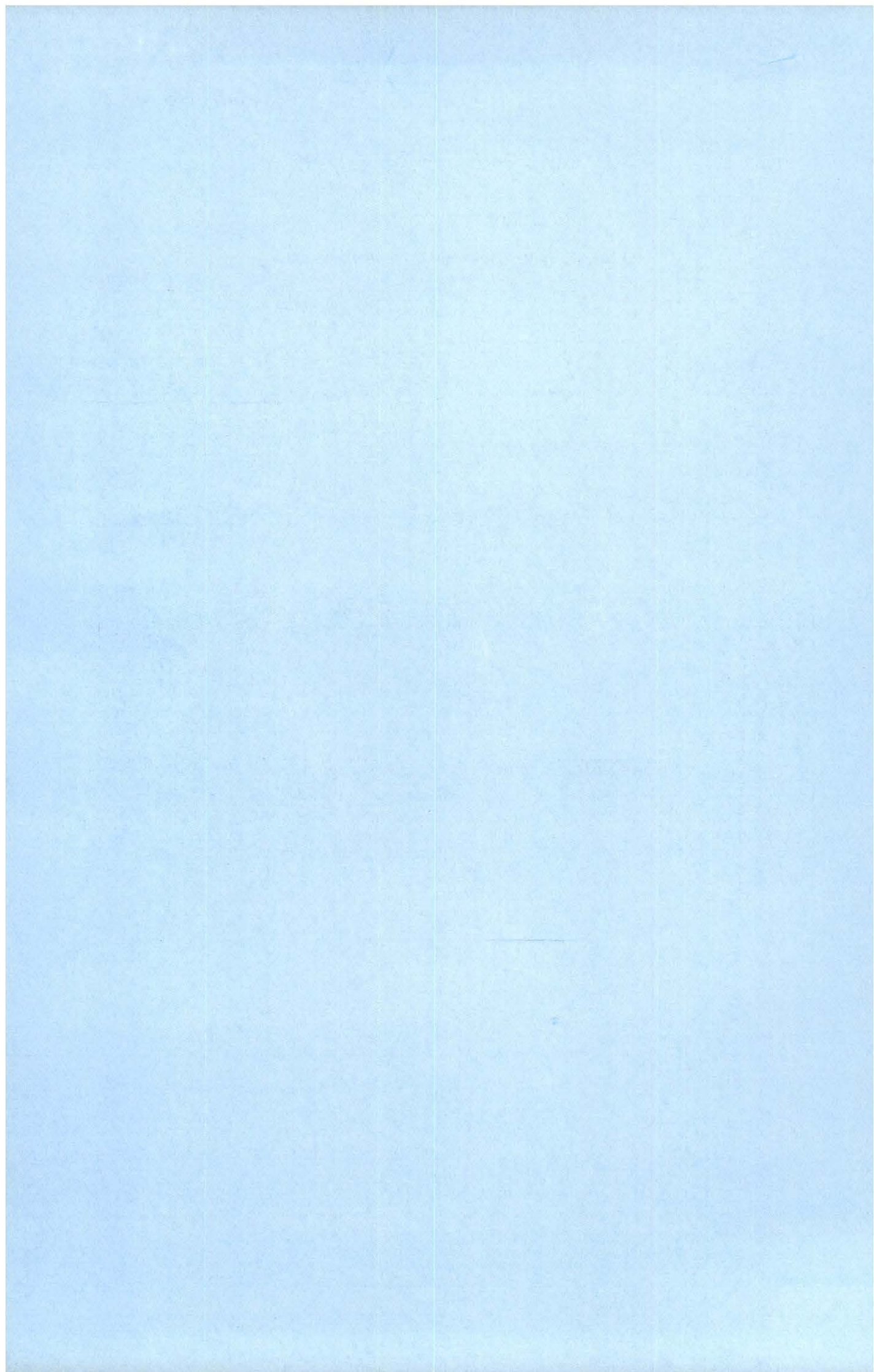
Dated: 21 August 2012



(VINOD RAI)

Comptroller and Auditor General of India

Annexes



ANNEX-I

(Referred to in paragraph 2.1.3)

Details of Revenue realisation and Revenue expenditure

(A) Revenue Realisation

Name of the service	2008-09	2009-10	2010-11
Sale of stamps	605.76	617.82	614.31
Postage in cash	2036.45	2097.27	2313.10
Commission on MOs/IPOs	3171.94	3507.99	3963.31
Other receipts	174.79	133.83	172.79
Net receipts from other postal administrations	-126.61	-90.21	-101.18
Gross Revenue	5862.33	6266.70	6962.33

(B) Revenue expenditure

Category	2008-09	2009-10	2010-11
(a) Pay and allowances, contingencies, Bonus, Dearness allowances, etc.	6819.72	9233.76	9802.63
(b) Pensionary charges	2274.30	3339.31	3177.41
(c) Stamps, Post Cards etc.	27.34	22.08	43.97
(d) Stationery and Forms printing etc.	55.17	64.99	57.21
(e) Conveyance of Mails (payments to Railways and Air mail carriers)	271.59	317.20	351.06
(f) Accounts and Audit	240.89	298.11	278.95
(g) Maintenance of Assets	67.22	71.49	82.44
Total	9756.23	13346.94	13793.67

ANNEX-II

(Referred to in paragraph 2.2.6.2)

Amount of non/short deposit of One Time Deposits by State authorities as on 31 March 2011

(₹ in lakh)

Sl. No.	Postal Circle	Name of HPO	Average amount of wages to be disbursed during quarter ending December 2010	Amount of OTD as on 31 March 2011	Amount of short OTD	%age of shortage in OTD
1.	Gujarat	Godhra	52	0	52	100
		Bardoli	103	0	103	100
		Dahod	212	0	212	100
2.	Rajasthan	Jodhpur	141	0	141	100
		Jaisalmer	49	0	49	100
		Nagaur	69	0	69	100
		Didwana	45	0	45	100
3.	Karnataka	Koppal	108	0	108	100
4.	Bihar	Purnea	511	110	401	78
		Katihar	340	180	160	47
		Saharsa	405	150	255	63
5.	West Bengal ¹	Barasat	98	35	63	64
		Bashirhat	81	25	56	69
		Suri	94	60	34	36
6.	Andhra Pradesh	Adilabad & Mancherial	298	200	98	33
7.	Orissa	Sundargarh	127	100	27	21
		Uditnagar	82	70	12	15
8.	Chhattisgarh	Bilaspur	413	378	35	8
Total			3228	1308	1920	59.48

(Sources: Information supplied by HPOs)

¹ In the West Bengal postal circle, 1/5th of the wages paid in a month through post offices was to be deposited as an advance in the Head Post Offices by West Bengal State Government.

ANNEX-III

(Referred to in paragraph 2.2.6.3)

Number and amount of unrealized NREGS cheques as on 30 September 2011

Sl No	Name of HPO	No. of cheques	Amount (₹ in lakh)	Month & Year of unrealised cheques
Orissa circle				
1.	Udit Nagar	114	39.17	April to August 2011
Bihar circle				
2.	Saharsa	202	136.36	--
3.	Katihar	38	33.13	August 2010 to August 2011
Chhattisgarh circle				
4.	Korba	17	25.85	June 2010 to June 2011
Total		371	234.51	

ANNEX-IV

(Referred to in paragraph 2.2.6.3)

Number and amount of dishonoured NREGS cheques as on 30 September 2011

Sl. No.	Name of HPO	No. of cheques	Amount (₹ in lakh)	Month & Year of dishonored cheques
Orissa circle				
1.	Udit Nagar	9	5.37	March 2011 to September 2011
Bihar circle				
2.	Purnea	74	44.46	--
3.	Saharsa	62	96.94	--
Chhattisgarh circle				
4.	Raipur	3	0.49	May to November 2009
5.	Korba	2	2.92	March 2011
Total		150	150.18	

ANNEX-V

(Referred to in paragraph 2.3.1)

Statement showing overstocking of cash certificates in CSDs and HPOs as on 31 March 2011

Name of Circle	Quantity in hand as on 31 March 2011		Required quantity for six months		Excess stock		Face value of Excess stock (₹ in crore)		Quantity indented by CSD
	CSD	HPO	CSD	HPO	CSD	HPO	CSD	HPO	
Delhi	2037520	74733	423564	19776	1613956	54957	530.55	8.71	150000
Kerala	230900	NA	77400	NA	153500	NA	59.89	NA	40000
Maharashtra	969000	201910	681990	65706	287010	136204	15.93	18.20	NA
Punjab	748000	51614	291000	12252	457000	39362	228.50	2.85	NA
Tamil Nadu	485115	146222	223452	28842	261663	117380	307.90	39.15	120000
Uttar Pradesh	15553962	567254	1803232	160614	13750730	406640	2536.73	56.36	122000
Uttarakhand	-	154997	-	25002	-	129995	-	35.89	-
Total							3679.50	161.16	
Grand Total							3840.66		

ANNEX-VI

(Referred to in paragraph 2.3.1.2)

**Statement showing overstocking of stamps and postal stationery in CSDs
as on 31 March 2011**

Name of Circle	Name of CSD	Required quantity for six months	Quantity in hand as on 31st March 2011	Excess stock	Face value of excess stock (₹ in crore)	Quantity indented by CSD
1	2	3	4	5	6	7
Kerala	Ernakulum	630098	3629552	2999454	203.49	140000
Maharashtra	Nasik	12563916	55114500	42550584	39.36	87800
Punjab	Ludhiana	28048002	155072000	127023998	70.03	N/A
Uttar Pradesh	Kanpur	58760050	167773791	109013741	146.50	Nil
	Lucknow	15927276	89966282	74039006	39.14	6800000
Total					498.52	

ANNEX-VII

(Referred to in paragraph 2.4)

Details of irregular payment of interest

(₹ in lakh)

S. No.	Name of Post Office	Irregular interest			Response of the Circles
		Paid on deposits beyond prescribed limit	Paid on multiple accounts	Paid on deposit after maturity	
Uttar Pradesh Postal Circle					HPOs under UP Circle stated (February/March 2011) that due to lack of knowledge of rules irregular accounts were opened and necessary action would be taken after verification.
1	HPO Deoria		28.64		
2	HPO Faizabad		12.58		
3	HPO Badaun		9.79		
4	HPO Aligarh	6.94			
Rajasthan Postal Circle					SSPO of Jaipur City under Rajasthan Circle stated (May 2011) that an amount of ₹ 14.97 lakh had been recovered.
5	HPO Bikaner	4.44			
6	HPO Jawahar Nagar	3.65			
7	HPO Sri Ganganagar		15.65		
8	HPO Udaipur	3.09	16.26		
Andhra Pradesh Postal Circle					GPOs/HPOs stated that the depositors would be addressed to withdraw the deposits made in PPF irregularly and excess paid interest would be recovered after verifications.
9	GPO Hyderabad	4.27	6.71		
10	HPO Palakol	0.69		3.50	
11	HPO Nizamabad		28.39		
12	HPO Jubilee		3.98	10.06	
13	HPO Visakhapatnam			2.47	
14	HPO Guntur			1.75	
Tamil Nadu Postal Circle					HPOs under Tamil Nadu Circle stated that action would be taken to recover the excess paid interest.
15	HPO Trichurapalli	0.39	6.19		
16	HPO Namakkal	0.70			
17	HPO Dindigul		1.69		
18	HPO Vridhachalam		0.35		
19	HPO Krishnagiri		0.31		
20	HPO Dharampuri		2.16		
21	HPO Salem		7.70		
22	HPO Tallakulam		2.22		
Karnataka Postal Circle					GPOs/HPOs accepted the facts and stated that the depositors would be addressed to withdraw excess deposits.
23	HPO Bijapur	7.17			
24	GPO Bangalore	11.06			
25	HPO Shimoga			8.52	
Gujarat Postal Circle					GPO/HPOs under Gujarat Circle stated that all the accounts would be verified and recovery particulars intimated.
26	GPO Ahmedabad	3.35			
27	SPO District Court Ahmedabad	6.20			
28	HPO Navsari	5.02			
Total		56.97	142.62	26.30	Grand Total 2.26 crore

ANNEX-VIII

(Referred to in paragraph 3.1)

(List of Missions/Posts audited)

Sl. No.	Name of the Mission/Post
1.	Abu Dhabi
2.	Accra
3.	Addis Ababa
4.	Algiers
5.	Ankara
6.	Astana
7.	Bahrain
8.	Bangkok
9.	Beijing
10.	Birmingham
11.	Bratislava
12.	Brussels
13.	Budapest
14.	Cairo
15.	Canberra
16.	Chicago
17.	Colombo
18.	Dar-es-salam
19.	Dhaka
20.	Doha
21.	Dubai
22.	Durban
23.	Dushanbe
24.	Frankfurt
25.	Guangzhou
26.	Geneva
27.	Hamburg
28.	Hanoi,
29.	Harare
30.	Helsinki
31.	Hong Kong

Sl. No.	Name of the Mission/Post
32.	Houston
33.	Islamabad
34.	Jakarta
35.	Jeddah
36.	Kampala
37.	Kandy
38.	Kathmandu
39.	Khartoum
40.	Kuala Lumpur
41.	Kuwait
42.	Kyiv
43.	Lagos
44.	Lebanon
45.	Ljubljana
46.	London
47.	Luanda
48.	Madrid
49.	Mandalay
50.	Manila
51.	Maputo
52.	Milan
53.	Minsk
54.	Mombassa
55.	Moscow
56.	Munich
57.	Muscat
58.	Nairobi
59.	New York
60.	Nicosia
61.	Oslo
62.	Ottawa

Sl. No.	Name of the Mission/Post
63.	Paramaribo
64.	Paris
65.	Phnom Penh
66.	Port Moresby
67.	Prague
68.	Pretoria
69.	Rajshahi
70.	Riyadh
71.	Rome
72.	Santiago
73.	Seoul
74.	Shanghai
75.	Singapore
76.	Stockholm
77.	Suva
78.	Sydney
79.	Tehran
80.	Tel Aviv
81.	The Hague
82.	Tokyo
83.	Toronto
84.	Tripoli
85.	Ulaanbaatar
86.	Vancouver
87.	Vienna
88.	Warsaw
89.	Washington DC
90.	Wellington
91.	Yangon
92.	Zagreb

ANNEX-IX

(Referred to in paragraph 3.1.1)

(a) Short levy of Business Visa Fees (Non-specified Countries)

(₹ in lakh)

Sl. No.	Name of Missions and Posts	Period	Number of cases	Total amount of business visa fee to be collected*	Fee collected**	Short levy of visa fee
1.	Abu Dhabi#	January 2009 to July 2010	966	52.85	35.23	17.62
2.	Addis Ababa#	July 2008 to July 2010	1520	83.16	55.44	27.72
3.	Algiers#	July 2008 to June 2010	1016	55.5 8	37.06	18.52
4.	Bahrain#	July 2008 to June 2010	601	32.88	21.92	10.96
5.	Beijing	July 2008 to June 2010	587	40.76	27.20	13.56
6.	Beirut#	July 2008 to March 2011	1665	91.09	60.73	30.36
7.	Brussels	July 2008 to March 2011	13300	1173.38	782.25	391.13
8.	Damascus#	August 2008 to August 2011	1843	100.83	67.22	33.61
9.	Dar-es-salaam#	July 2008 to June 2010	1088	59.52	39.68	19.84
10.	Dubai#	July 2008 to August 2011	4702	257.24	171.49	85.75
11.	Dushanbe#	September 2008 to July 2011	446	24.40	16.27	8.13
12.	Guangzhou	January 2009 to June 2010	74	5.01	3.33	1.68
13.	Jeddah#	June 2010 to July 2011	610	33.37	22.25	11.12
14.	Kathmandu#	August 2008 to March 2011	6	0.33	0.22	0.11
15.	Mahe (Victoria)#	July 2008 to September 2011	109	5.96	3.98	1.98
16.	Mandalay#	March 2009 to March 2011	39	2.13	1.42	0.71
17.	Milan	July 2008 to March 2011	29583	2609.92	1739.95	869.97
18.	Mombasa#	July 2008 to December 2010	300	16.41	10.94	5.47
19.	Nairobi#	October 2010 to July 2011	1250	68.39	45.59	22.80
20.	Osaka#	June 2009 to June 2010	36	1.97	1.31	0.66
21.	Rome	July 2008 to March 2011	10690	943.11	628.74	314.37
22.	Seoul	September 2009 to December 2010	31850	2162.31	1441.69	720.62
23.	Shanghai#	July 2008 to July 2010	2193	119.97	79.98	39.99
24.	The Hague	July 2008 to March 2011	33336	3087.03	2064.98	1022.05
25.	Tripoli#	July 2008 to July 2010	901	49.29	32.86	16.43
Grand Total			138711	11076.89	7391.73	3685.16

Note:

- * Business visa fees to be collected @ US \$ 120 (for nationals of non-specific countries) for issue of business visa for less than one year
- ** Fees collected by the Mission/Post @ US \$ 80 for issue of business visa for less than one year
- *** Official rate of exchange for the month March, 2011: 1 US \$ = ₹ 45.590 in respect of # countries in the annex.

(b) Short levy of Business Visa Fees (Specified Countries)

(₹ in lakh)

Sl. No.	Name of Missions and Posts	Period	Number of cases	Total amount of business visa fees to be collected	Fees collected	Short levy of visa fees
1.	Abu Dhabi	January 2009 to July 2010	70	6.73	2.61	4.12
2.	Dubai	July 2008 to June 2010	343	26.78	12.87	13.91
3.	Kathmandu	August 2008 to March 2011	3	0.30	0.11	0.19
4.	Mahe (Victoria)	July 2008 to September 2011	16	1.16	0.58	0.58
5.	Nairobi	October 2010 to July 2011	57	3.91	2.08	1.83
Grand Total			489	38.88	18.25	20.63

(c) Short levy of Business visas issued for more than one year (Non-specified countries)

(₹ in lakh)

Sl. No.	Name of Missions and Posts	Period	Number of cases	Total amount of business visa fees to be collected	Fees collected	Short levy of visa fees
1.	Abu Dhabi	August 2010 to March 2011	527	48.05	28.83	19.22
2.	Dushanbe	September 2008 to July 2011	9	0.82	0.49	0.33
Grand Total			536	48.87	29.32	19.55

ANNEX-X

(Referred to in paragraph 3.1.2)

A. Non-levy of additional fees for the Indian Community Welfare Fund

Sl. No.	Name of the Mission/Post	Period	Passport	Visa	OCI	PIO	Other Consular Services	Total no. of services rendered	Rate of ICWF charge per document (UK Pound sterling)	Total charges in local currency (UK Pound sterling)	Total charges (in ₹)
1.	HCI London	June 2010 to February 2011	29707	322306	25630	3472	9889	391004	2.00	782008.00	58024993.60
2.	CGI Birmingham	June 2010 to February 2011	6530	84334	13098	1354	4475	109791	2.00	219582.00	16292984.40
3.	CGI Edinburgh	June 2010 to February 2011	924	10121	916	64	1215	13240	2.00	26480.00	1964816.00
4.	EI Rome	June 2010 to December 2010	3619	12839	74	10	7058	23600	3.00	70800.00	4429956.00
5.	CGI Milan	June 2010 to December 2010	7886	36569	358	293	13846	58952	3.00	176856.00	11065879.92
6.	EI The Hague	June 2010 to August 2010	240	12197	230	144	1708	14519	3.00	43557.00	2725361.49
7.	EI Paris	June 2010 to December 2010	1513	101481	3858	174	2759	109785	3.00	329355.00	20607742.35
8.	EI Berlin	June 2010 to March 2011	526	11360	209	113	625	12833	2.00	25666.00	1605921.62
9.	CGI Frankfurt	June 2010 to March 2011	1471	48261	1119	326	2778	53955	2.00	107910.00	6751928.70
10.	CGI Hamburg	June 2010 to March 2011	371	22907	374	66	1016	24734	2.00	49468.00	3095212.76
11.	CGI Munich	June 2010 to March 2011	1145	51906	600	289	2141	56081	2.00	112162.00	7017976.34
							Total	868494		Total	133582773.18

(1 UK Pound sterling = ₹ 76.90)

B. Non-levy of additional fees for Indian Community Welfare Fund

Sl. No.	Name of the Missions/Posts	Period from which ICWF fees is to be levied but not levied	Number of services done	Loss of revenue due to Non-levy/Delayed levy of ICWF fee @ ₹ 100 per service
1.	Rajshahi	April 2011 to August 2011	22472	2247200
2.	Colombo	April 2011 to May 2011	23872	2387200
3.	Luanda	April 2011 to July 2011	863	86300
4.	Kampala	April 2011 to August 2011	3564	356400
5.	Bangkok	November 2009 to March 2011	131182	13118200
6.	Hong Kong	April 2011 to June 2011	8090	1077588
Total			190043	19272888
Grand Total				152855661.18

ANNEX-XI

(Referred to in paragraph 3.1.2)

Details of passports, visas, OCI cards, PIO cards and other services provided by various Indian Missions/Posts in USA during May 2010 to March 2011 where ICWF charges were not levied

Name of the Mission/Post	Passports issued	Visa issued	OCI cards issued	PIO cards issued	Other services	OCI misc. services	Total
EI, Washington DC	11093	49725	9001	3625	10427	--	83871
CGI, New York	26625	97178	26399	10114	17765	--	178081
CGI, San Francisco	18792	91462	10015	8350	7566	347	136532
CGI, Chicago	11228	45059	18434	5129	28426	--	108276
CGI, Houston	15905	52807	6802	6819	36937	--	119270
Total	83643	336231	70651	34037	101121	347	626030

Total services = 6,26,030

ICWF surcharge = ₹ 100 per service

Total surcharge (during May 2010 to March 2011) = ₹ 6,26,03,000 (₹ 6.26 crore)

ANNEX-XII

(Referred to in paragraph 3.1.6)

(Delays in remittance of fees)

Sl. No.	Month to which the consular fees pertains	Amount collected by Honorary CG (in €)	Month in which consular fees received and deposited in Government account by the Mission
Honorary CG, Tenerife			
1.	Up to 31 December 2005	1,16,586.00	5 April 2006
2.	January 2006 to December 2007	2,64,493.00	28 August 2008
3.	January to December 2008	1,19,086.00	€ 1,18,728.75 deposited in November 2009
4.	January to September 2009	83,874.00	€ 83,622.38 deposited in November 2009
5.	December 2009	6,117.00	March 2010
6.	January-February 2010	15,585.00	March 2010
7.	March 2010	7,471.00	May 2010
8.	April 2010	5,138.00	June 2010
9.	May 2010	10,444.00	July 2010
10.	June 2010	11,315.00	July 2010
11.	July 2010	12,205.00	September 2010
12.	August 2010	12,742.00	October 2010
Sub-total		6,65,056.00	
Honorary CG, Barcelona			
1.	Up to 31 December 2005	31,755.04	23 February 2009
2.	January to December 2006	24,073.00	
3.	January to December 2007	19,922.83	
4.	January to December 2008	23,110.00	
5.	January to November 2009	21,060.00	November 2011
6.	--	552.44	December 2009
7.	--	5,315.67	March 2010
8.	March to May 2010	4,387.05	June 2010
9.	--	5,372.11	September 2010
Sub-total		1,35,548.49	
		Amount in Euro	Amount in ₹ @ 1 Euro = ₹ 69.95 (November 09 exchange rate)
Delayed remittance – Total		8,00,604.49	5,60,02,284.08
Recovery at the instance of audit		2,24,020.35	1,56,70,223.48

ANNEX-XIII

(Referred to in paragraph 3.2.1)

Recoveries effected in respect of Missions/Posts at the instance of Audit

(A.) Office of the Principal Director of Audit, London		
Name of the Mission	No. of Cases	Total (₹ in lakh)
CGI, Munich	1	0.0220
EOI, Prague	6	0.4040
EOI, Copenhagen	1	0.0530
EOI, Lisbon	3	0.6305
EOI, Baku	5	1.0720
EOI, The Hague	6	1.2090
EOI, Oslo	8	2.6540
EOI, Paris	11	18.8900
EOI, Berlin	5	0.7530
CGI, Vladivostok	4	1.5220
CGI, Frankfurt	6	2.0580
EOI, Dublin	4	1.2170
EOI, Bishkek	1	0.2630
EOI, Brussels	5	8.0070
EOI, Bucharest	1	0.4110
EOI, Madrid	3	1.1600
EOI, Rome	4	2.1000
EOI, Helsinki	2	0.3640
EOI, Minsk	1	0.0630
EOI, Tashkent	2	0.0790
CGI, Milan	3	0.1400
CGI, St. Petersburg	5	0.2300
EOI, Moscow	3	15.5700
EOI, Belgrade	2	0.0900
EOI, Warsaw	2	0.0300
EOI, Stockholm	3	0.8900
CGI, Hamburg	3	0.7900
EOI, Berne	1	0.6900
CGI, Geneva	3	4.0600
EOI, Budapest	3	0.5200
EOI, Vienna	3	2.6900
EOI, Ljubljana	1	0.0400
CGI, Edinburgh	5	0.1900
HCI, London	2	0.2700
Total	118	69.1315

(B.) Office of the Principal Director of Audit, Washington		
Name of the Mission	No. of Cases	Total (₹ in lakh)
EOI, Washington DC	24	6.256
HCI, Port of Spain	3	0.403
CGI, Sao Paulo	2	0.020
CGI, New York	10	2.468
PMI, New York	13	1.049
EOI, Panama	9	0.274
HCI, Georgetown	8	0.389
HCI, Ottawa	13	2.656
CGI, Vancouver	2	0.284
CGI, Chicago	8	0.917
CGI, Toronto	6	0.290
EOI, Bogota	4	0.120
CGI, Houston	3	0.320
EOI, Havana	1	1.787
EOI, Buenos Aires	20	2.738
HCI, Kingstown	9	1.035
CGI, San Francisco	3	0.358
EOI, Santiago	1	0.160
Total	139	21.524

(C.) Office of the Principal Director of Audit, Kuala Lumpur		
Name of the Mission	No. of Cases	Total (₹ in lakh)
EOI, Beijing	1	0.0029
CGI, Guangzhou	2	0.6981
HCI, Kuala Lumpur	1	0.0435
EOI, Tokyo	2	0.5550
Total	6	1.2995
Grand Total	263	91.96

ANNEX-XIV

(Referred to in paragraph 3.2.3)

Cases of overpayment

Invoice No.	Voucher No.	Date	Amount (In RMB)	Excess Payment (In RMB)
Cases of triple payment				
sha/mstsl/2010/00111-00-991022-a	3150	30.03.2011	1990	3800
	3115	28.03.2011	1900	
	1609	07.10.2010	1900	
sha/mstsl/2010/00111-00-991022-b	3150	30.03.2011	4460	8920
	3115	28.03.2011	4460	
	1609	07.10.2010	4460	
sha/mstsl/2010/00111-00-991022-bb	3150	30.03.2011	5800	11600
	3115	28.03.2011	5800	
	1609	07.10.2010	5800	
Cases of double payment				
sha/mstsl/2010/00111-00-99bb	3150	30.03.2011	6450	6450
	3116	28.03.2011	6450	
sha/mstsl/2010/00111-00-9910212bb b	3153	30.03.2011	8540	8540
	3116	28.03.2011	8540	
sha/mstsl/2010/00111-00-991010	3153	30.03.2011	18600	18600
	3116	28.03.2011	18600	
sha/mstsl/2010/00111-D	3153	30.03.2011	38920	38920
	3116	28.03.2011	38920	
sha/mstsl/2010/00111-00-99aa	3153	30.03.2011	55660	55660
	3116	28.03.2011	55660	
sha/mstsl/2010/00111-00-991022-aa	3150	30.03.2011	1820	1820
	3115	28.03.2011	1820	
sha/mstsl/2010/00111-00-99aa	3153	30.03.2011	4370	4370
	3116	28.03.2011	4370	
sha/mstsl/2010/00111-00	3153	30.03.2011	5160	5160
	3115	28.03.2011	5160	
Total				1,63,840 ₹ 13.32 lakh

RMB 1 = ₹ 8.129

ANNEX-XV

(Referred to in paragraph 4.1)

Details of procurement of computer systems, software and related accessories

Sl. No.	Sanction order No.	Date of sanction	Item	Amount (₹ in lakh)
Case-1				
1.	1-45024/32/2010-IT-1347	13.12.2010	48 computers for Itanagar Sector	24.99
2.	1-45024/33/2010-IT-1367-71	16.12.2010	48 computers for Gangtok Sector	24.99
3.	1-45024/30/2010-IT-160-67	25.01.2011	48 computers for Tejpur Sector and its units 4, 9 and 25 Bns	24.99
4.	1-45024/31/2010-IT-168-76	26.01.2011	48 computers for ANO Sector and its units 29, 34, 35, 36 and 38 Bns	24.97
5.	1-45024/36/2010-IT-177-80	27.01.2011	48 computers for SHQ BBR, 41 and 45 Bns	24.98
6.	1-45024/38/2010-IT-211-15	28.01.2011	48 computers for SPT, TPT, SS, CH.CHD BNS and CIJW School	24.97
7.	1-45024/52/2010-IT-237-41	28.01.2011	48 computers for SHQ Amritsar and its units 21, 26, 30 and 43 Bns	24.97
8.	1-45024/48/2010-IT-252-56	29.01.2011	48 computers for Bareilly and Almora Sectors	24.97
9.	1-45024/50/2010-IT-267-71	29.01.2011	48 computers for Dehradun Sector	24.97
10.	1-45024/53/2010-IT-282-86	29.01.2011	48 computers for SHQ (Shimla) and its units 2,15,17,19 Bns	24.98
11.	1-45024/54/2010-IT-297-301	29.01.2011	48 computers for SHQ(Delhi), Unicipol, 22, 28, 39 and 44 Bns	24.97
12.	1-45024/39/2010-IT-334-38	31.01.2011	48 computers for SHQ (LDK) and its units	24.97
13.	1-45024/47/2010-IT-349-53	31.01.2011	48 computers for Lucknow Sector	24.97
Total				324.69
Case-2				
1.	1-45024/05/2010-IT-484-88	01.06.2010	Blade server Chassis	22.92
2.	1-45024/06/2010-IT-494-98	02.06.2010	Server Softwares	24.82
Total				47.74
Case-3				
1.	1-45024/29/2011-IT-1000-04	30.03.2011	Interactive Equipment for RTC Karera (MP)	24.83
2.	1-45024/27/2011-IT-990-94	30.03.2011	Interactive Equipment for RTC Shivganga (Tamil Nadu)	24.83
3.	1-45024/28/2011-IT-995-99	30.03.2011	Interactive Equipment for RTC Kimin (Arunachal Pradesh)	24.83
4.	1-45024/31/2011-IT-1005-09	30.03.2011	Interactive Equipment for CIJW School, Mahidanda (Uttarakhand)	24.83
Total				99.32
Grand Total				471.75

ANNEX-XVI

(Referred to in paragraph 4.3)

Chronology of events leading up to the construction of staff quarters

Period	Events
November 1999	Proposal for purchase of the land at Gomti Nagar, Lucknow was approved by MHA.
July 2002	CPWD submitted the layout plan and drawings for the residential quarters.
September 2002	IB sought clarification from the CPWD regarding the layout plan and drawings.
December 2002	The plan was approved by the IB and the CPWD was requested to provide the Preliminary Estimates (PE) for the project.
January 2003	CPWD submitted the PE of ₹ 6.17 crore.
July 2003	IB forwarded the proposal to the Ministry for their approval.
December 2004	The Ministry sought clarification regarding exact cost of bulk services and total cost of the project. It also asked the IB to tone down the projected cost towards the bulk services.
February 2005	The case was resubmitted to the Ministry, clarifying that it was not possible to bring down the cost on account of the bulk services. It was pointed out by CPWD that the work services were very essential and reduction in cost would render the residential complex useless.
March 2005	The Ministry communicated that the estimates for the project were based on the cost index of 1992 and requested for a revised estimate based on the latest cost index.
May 2005	The proposal was re-submitted to the Ministry with a revised estimate of ₹ 9.67 crore.
June 2005	The Ministry approved the proposal and issued necessary sanction.
June 2006	IB reminded SIB, Lucknow to expedite the approval from local bodies to the drawings/building plan submitted by CPWD.
August 2006	SIB, Lucknow requested for allocation of funds as approval of the building plan was expected to be accorded by the local bodies shortly.
August and December 2006	The Ministry released the first and second installments.
July 2009	Civil work of the project was completed.
February 2012	The possession of the complex taken over by the IB.

ANNEX-XVII

(Referred to in paragraph 6.1)

Details of theatres discontinued and closed down

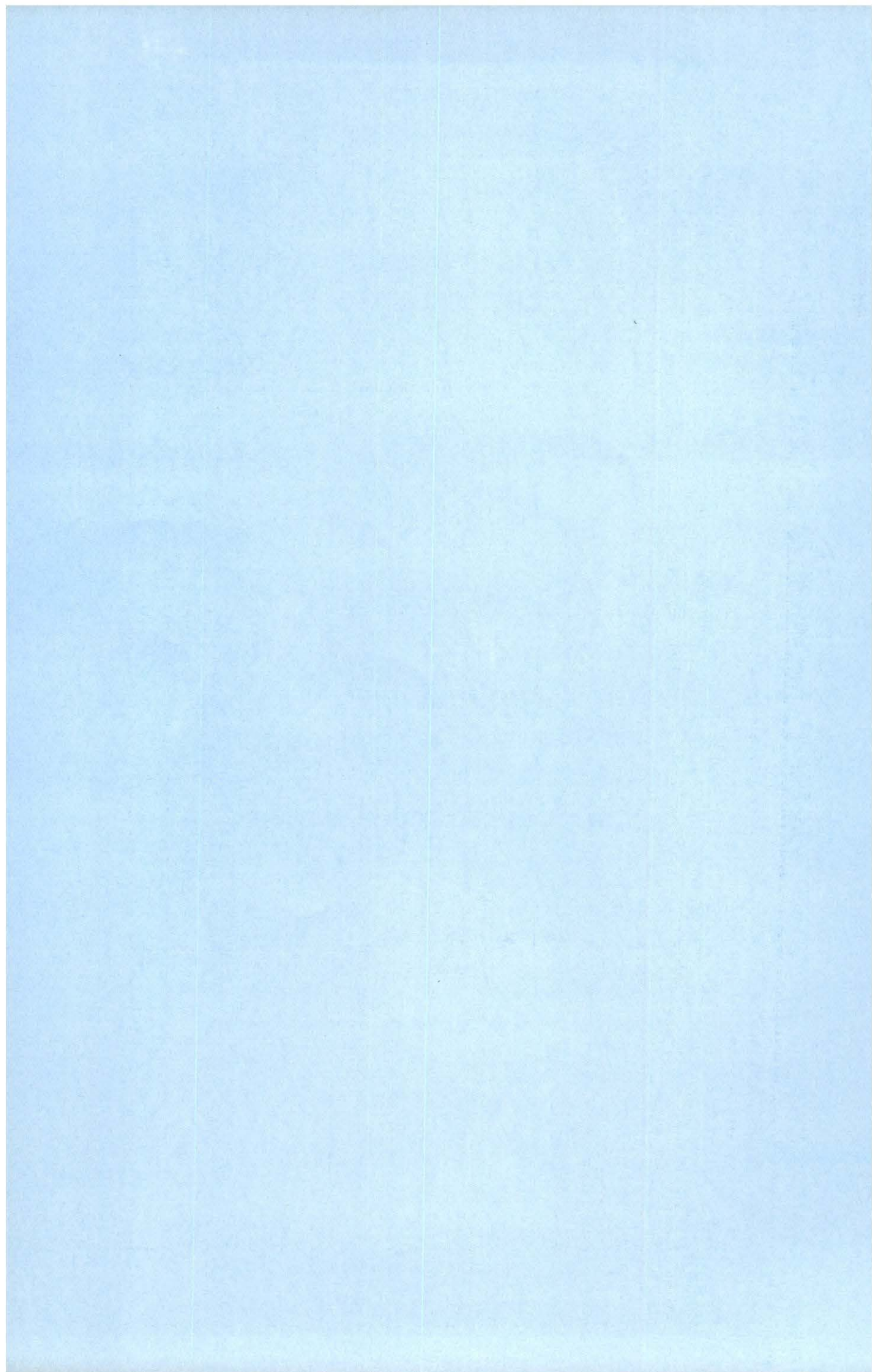
(a) Number of theatres discontinued: 20

Sl. No.	Name of theatre	Town /City	Contract No.	Outstanding balance (₹)	Discontinued with effect from.
In Maharashtra					
1	Chitra Mandir	Nashik	M 452	31493	01.08.08
2	Prabhat	Nashik	M 458	45452	01.08.08
3	Vijay	Nashik	M 460	691010	07.10.09
4	Mamta	Nashik	M 462	295111	07.10.09
5	Magestic	Jalna	M 304	244062	08.04.08
6	Inox Leisure	Pune	M 524 - A	524066	01.05.05
7	Inox Audit II	Pune	M 524 - B	927026	01.01.05
8	Inox Audit III	Pune	M 524 - C	566949	01.01.05
9	Inox Audi IV	Pune	M 524 - D	794944	01.01.05
10	Nishat	Pune	M 533	251555	19.09.08
11	Mahesh-1	Raigad	M 223	239442	31.12.08
12	State	Aurangabad	M 42	188520	08.04.08
13	Mohan	Beed	M 20	66805	19.07.08
14	Gulzar	Aurangabad	M 35	122789	01.07.08
Total				4989224	
In Gujarat					
15	Jayshree	Jamnagar	G 227	191916	01.07.09
16	Jayshree	Jamnagar	G 207	115098	31.03.09
17	Mehul	Jamnagar	G 207 A	61075	17.05.08
18	Mehul II	Jamnagar	G 207 B	52039	17.05.08
19	Mehul III	Jamnagar	G 207 - C	23066	01.06.08
20	Shreyas	Kheda	G 310	3672	01.06.08
Total				446866	
Total (I + II)				5436090	

(b) Number of theatres closed down: 15

Sl. No.	Name of theatre	Town/City	Contract No.	Outstanding balance (₹)	Closed with effect from
In Maharashtra					
1.	Laxmi C. Mandir	Nanded	M 433	4480	2006
2.	Sundar C Mandir	Raigad	M 392	69172	06.01.2008
3.	Raj Laxmi	Ratnagiri	M 614 - A	7640	05.12.2007
4.	Daulat	Pune	M585	29816	01.01.2009
5.	Bhatwl	Dhule	M 262	20432	01.04.2007
6.	Vijay	Usmanabad	M 677	3876	01.01.2008
Total III				135416	
In Gujarat					
7.	B K	Mehsang	G 512	23064	30.03.2007
8.	Swastik	Valsad	G 344	53246	31.12.2004
9.	Shakti	Surendranagar	G 185	91842	01.09.2006
10.	Gopi	Amreli	G 46	152578	16.10.2007
11.	Pritilad	Amreli	G 263	29502	01.03.2007
12.	Natraj	Surendranagar	G 518	59245	01.06.2000
13.	Vasant	Valsad	G 491	56050	01.10.2002
14.	Geeta	Junagarh	G225	8994	01.12.2007
15.	Prabhat	Khede	G 309	26843	01.01.2005
Total III				501364	
Total (III + IV)				636780	
Discontinued theatres outstanding				₹ 5436090	
Closed theatres outstanding				₹ 636780	
Grand Total				₹ 6072870	

Appendices



APPENDIX - I

(Referred to in Paragraph No. 12.1)

Summarised position of Action Taken Notes awaited from various Ministries/Departments up to the year ended March 2011 as of March 2012

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
1.	Agriculture, Animal Husbandry, Dairying Fisheries	2009	1	-	1	-	-	-	1	-	1
	Indian Council of Agricultural Research	1995	-	-	-	1	-	1	1	-	1
		1997	-	-	-	2	-	2	2	-	2
		2001	-	-	-	1	-	1	1	-	1
		2003	-	-	-	1	-	1	1	-	1
		2007	-	-	-	2	-	2	2	-	2
		2010	-	-	-	1	-	1	1	-	1
2.	Department of Atomic Energy	1996	-	-	-	1	-	1	1	-	1
		1997	-	-	-	2	-	2	2	-	2
		1998	-	-	-	2	-	2	2	-	2
		1999	-	-	-	2	-	2	2	-	2
		2000	-	-	-	4	-	4	4	-	4
		2001	-	-	-	1	-	1	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
		2004	-	-	-	1	-	1	1	-	1
		2005	-	-	-	2	-	2	2	-	2
		2007	-	-	-	3	-	3	3	-	3
		2008	-	-	-	2	-	2	2	-	2
		2009	-	-	-	1	-	1	1	-	1
3.	Department of Biotechnology	2002	-	-	-	1	-	1	1	-	1
4.	Chemical and Fertilizers	2010	1	-	1	-	-	-	1	-	1
5.	Civil Aviation	2009	2	2	-	-	-	-	2	2	-
		2011	1	1	-	-	-	-	1	1	-
6.	Commerce and Industry	2005	1	-	1	-	-	-	1	-	1
		2009	3	1	2	-	-	-	3	1	2
		2010	1	-	1	-	-	-	1	-	1
	Commerce-Tea Board	2009	-	-	-	1	-	1	1	-	1
7.	Consumer Affairs	2011	1	1	-	-	-	-	1	1	-
8.	Culture	2003	1	1	-	-	-	-	1	1	-
		2004	1	-	1	-	-	-	1	-	1
		2006	2	2	-	-	-	-	2	2	-
		2007	2	1	1	-	-	-	2	1	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
		2008	1	1	-	-	-	-	1	1	-
9.	Centre for Development of Telematics	2003	-	-	-	1	1	-	1	1	-
		2005	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	-	1	1	-	1
		2010	-	-	-	1	1	-	1	1	-
		2008	1	-	1	-	-	-	1	-	1
10.	Communications and Information Technology Department of Posts	2006	2	-	2	-	-	-	2	-	2
		2007	2	-	2	-	-	-	2	-	2
		2008	2	-	2	-	-	-	2	-	2
		2010	5	3	2	-	-	-	5	3	2
		2003	3	-	3	-	-	-	3	-	3
11.	Department of Telecommunications	1997	1	-	1	-	-	-	1	-	1
		1999	2	-	2	-	-	-	2	-	2
		2004	1	-	1	-	-	-	1	-	1
		2005	2	-	2	-	-	-	2	-	2
		2007	1	-	1	-	-	-	1	-	1
		2010	19	-	19	-	-	-	19	-	19
		2003	3	-	3	-	-	-	3	-	3

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
12.	Department of Information Technology	2001	-	-	-	1	-	1	1	-	1
		2002	-	-	-	1	-	1	1	-	1
		2004	-	-	-	1	-	1	1	-	1
		2005	-	-	-	1	-	1	1	-	1
		2007	-	-	-	1	-	1	1	-	1
13.	Personnel Planning and Grievances	2010	1	-	1	-	-	-	1	-	1
14.	Petroleum and Natural Gas	2011	1	-	1	-	-	-	1	-	1
15.	Earth Sciences	2001	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	-	1	1	-	1
		2007	-	-	-	1	-	1	1	-	1
		2008	-	-	-	1	-	1	1	-	1
		2010	-	-	-	1	-	1	1	-	1
16.	Environment and Forest	1997	-	-	-	1	-	1	1	-	1
		2000	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		2002	-	-	-	1	-	1	1	-	1
		2005	-	-	-	1	-	1	1	-	1
		2007	-	-	-	1	-	1	1	-	1
		2008	-	-	-	2	-	2	2	-	2
		2009	-	-	-	7	-	7	7	-	7

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
		2011	-	-	-	1	-	1	1	-	1
17.	External Affairs	2006	4	-	4	-	-	-	4	-	4
		2007	1	-	1	-	-	-	1	-	1
		2008	2	-	2	-	-	-	2	-	2
		2009	6	3	3	-	-	-	6	3	3
		2010	11	7	4	-	-	-	11	7	4
		2011	-	-	-	1	-	1	1	-	1
18.	Finance	1994	1	-	1	-	-	-	1	-	1
		1999	1	-	1	-	-	-	1	-	1
		2006	1	-	1	-	-	-	1	-	1
		2007	1	-	1	-	-	-	1	-	1
		2008	2	-	2	-	-	-	2	-	2
		2010	4	3	1	-	-	-	4	3	1
19.	Health and Family Welfare	2000	2	-	2	-	-	-	2	-	2
		2005	3	-	3	-	-	-	3	-	3
		2007	1	-	1	-	-	-	1	-	1
		2008	2	-	2	-	-	-	2	-	2
		2009	4	1	3	-	-	-	4	1	3
		2010	5	5	-	-	-	-	5	5	-

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
20.	Indian Council of Medical Research	1999	-	-	-	1	-	1	1	-	1
		2000	-	-	-	1	-	1	1	-	1
		2001	-	-	-	1	-	1	1	-	1
		2003	-	-	-	1	-	1	1	-	1
		2004	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	-	1	1	-	1
		2008	-	-	-	1	-	1	1	-	1
		2010	-	-	-	2	1	1	2	1	1
21.	Home Affairs	2010	3	1	2	-	-	-	3	1	2
	Home Affairs (Union Territories)	2008	1	-	1	-	-	-	1	-	1
		2010	9	8	1	-	-	-	9	8	1
22.	Human Resource Development	2008	1	-	1	-	-	-	1	-	1
		2010	1	-	1	-	-	-	1	-	1
23.	Information and Broadcasting	2000	1	-	1	-	-	-	1	-	1
24.	Law and Justice	2003	1	1	-	-	-	-	1	1	-
25.	Labour and Employment	2006	1	-	1	-	-	-	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
26.	Mines Geological Survey of India	1998	-	-	-	1	-	1	1	-	1
		2008	-	-	-	1	-	1	1	-	1
		2010	-	-	-	1	-	1	1	-	1
27.	Non- Renewable Energy	2007	-	-	-	1	-	1	1	-	1
		2010	-	-	-	1	-	1	1	-	1
28.	Rural Development	2002	1	-	1	-	-	-	1	-	1
		2007	1	-	1	-	-	-	1	-	1
		2009	1	-	1	-	-	-	1	-	1
29.	Department of Science and Technology	2003	-	-	-	1	-	1	1	-	1
		2004	-	-	-	1	-	1	1	-	1
		2005	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	1	-	1	1	-
		2007	-	-	-	2	-	2	2	-	2
		2008	-	-	-	3	2	1	3	2	1
30.	Department of Scientific and Industrial Research	1995	-	-	-	2	-	2	2	-	2
		1997	-	-	-	4	-	4	4	-	4
		1998	-	-	-	2	-	2	2	-	2

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
		1999	-	-	-	1	-	1	1	-	1
		2000	-	-	-	1	-	1	1	-	1
		2001	-	-	-	3	-	3	3	-	3
		2002	-	-	-	3	-	3	3	-	3
		2003	-	-	-	1	-	1	1	-	1
		2004	-	-	-	2	-	2	2	-	2
		2006	-	-	-	1	-	1	1	-	1
		2007	-	-	-	1	-	1	1	-	1
		2008	-	-	-	5	-	5	5	-	5
		2010	-	-	-	2	1	1	2	1	1
31.	Statistics and Programme Implementation	2009	1	1	-	-	-	-	1	1	-
32.	Shipping	2009	1	1	-	-	-	-	1	1	-
33.	Social Justice and Empowerment	1996	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1
		2006	1	-	1	-	-	-	1	-	1
		2010	1	1	-	-	-	-	1	1	-
34.	Department of Space	2007	-	-	-	1	-	1	1	-	1
		2009	-	-	-	1	-	1	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
		2010	-	-	-	2	-	2	2	-	2
35.	Textiles	2003	1	1	-	-	-	-	1	1	-
		2007	2	1	1	-	-	-	2	1	1
		2009	3	1	2	-	-	-	3	1	2
		2009	1	-	1	-	-	-	1	-	1
37.	Tribal Affairs	1998	1	-	1	-	-	-	1	-	1
		2006	1	1	-	-	-	-	1	1	-
		2008	1	-	1	-	-	-	1	-	1
38.	Urban Development	2009	1	1	-	-	-	1	1	-	
39.	Water Resources	2008	1	1	-	-	-	1	1	-	
40.	Women and Child Development	1999	1	-	1	-	-	-	1	-	1
		2003	1	-	1	-	-	-	1	-	1
		2010	1	1	-	-	-	-	1	1	-

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Scientific Departments			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under Correspondence	Due	Not received at all	Under correspondence
41.	Youth Affairs and Sports	2011	1	-	1	-	-	-	1	-	1
	TOTAL		155	52	103	116	7	109	271	59	212

APPENDIX - II

(Referred to in Paragraph No. 12.2)

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.	Communications and Information Technology	6	4	2.3, 2.4, 2.5 and 2.8
2.	External Affairs	5	-	-
3.	Home Affairs	4	1	4.1
4.	Human Resource Development	1	-	-
5.	Information and Broadcasting	1	-	-
6.	Personnel, Public Grievances and Pensions	1	-	-
7.	Union Territories	3	3	8.1, 8.2 and 8.3
8.	Women and Child Development	2	-	-
9.	Atomic Energy	1	-	-
10.	Space	1	-	-
Total		25	8	

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