CHAPTER IV : CENTRAL PUBLIC SECTOR ENTERPRISES

Ministry of Consumer Affairs, Food and Public Distribution

Food Corporation of India

4.1 Non availment of concessional railways freight

Food Corporation of India did not execute movement plan of food grains transportation as intended which resulted in non availment of the concessional railway freight amounting to ₹ 35.96 crore.

Punjab is among the main States that have surplus food grains arising from procurement of wheat and rice. Surplus stocks of wheat and rice available in the State are moved to food deficit States to meet requirements under National Food Security Act, 2013 and for the Government's Public Distribution System. Surplus food grains are also used to create buffer stocks. The Regional Office at Food Corporation of India (FCI) in Punjab (which is a surplus region) undertakes operations for movement of the surplus food grains through rail and road, to meet the requirement of food deficit States.

The operations for moving food grains are carried out as per the movement plan conveyed by FCI headquarters each month. The plan is prepared after taking into consideration the availability and requirement of food grains in the surplus and deficit regions respectively, likely procurement, available storage capacity both in procuring and consuming regions and monthly allotment/off take of food grains. As per instructions conveyed by FCI Headquarters, rakes earmarked for transporting food grains in an approved movement plan, not used in that month cannot be carried forward to the next month.

Audit noted that "Dynamic Pricing Policy of Ministry of Railways (July 2015)" provides for levy of busy season charges (BSC) at the rate of 15 *per cent* of base freight rates, on all commodities transported between 1 April to 30 June and 1 October to 31 March. Commodities transported during 1 July to 30 September are thus, exempted from levy of BSC on base freight rates.

A review of the records of FCI District Offices in Punjab revealed that food grains transported through Railways from July to September during the period 2015-16 to 2018-19, were generally less than what was stipulated in the movement plan even though movement during these months were exempted from levy of BSC. During examination of records relating to execution of monthly movement plan in three district offices in Patiala, Ludhiana and

Bathinda of the Punjab region of FCI, it was noted that a key reason for non implementation of the entire approved movement plan was the failure of FCI to place indents with Railways for provisioning of rakes. Non placement of indent for rakes resulted in lower transportation of food grains than stipulated in the monthly movement plans of District Offices in Patiala, Ludhiana and Bathinda, during the months of July to September in the period 2015-16 to 2018-19. Thus, FCI lost the opportunity of availing the lower rate of railway freight under the "Dynamic Pricing Policy of Railways". This resulted in FCI incurring avoidable excess expenditure of ₹ 35.96 crore on transportation of food grains through Railways.

Management replied (July 2019) that execution of the movement plan was considered optimal if 80 *per cent* of the movement plan had been achieved and added that for the period covered achievement was more than this level. It also stated that in the present system of movement of food grains such extra expenditure was unavoidable. Further, the Management held (September 2020) that rakes remained un-availed each month and not just in the lean season months i.e. July to September.

The Ministry attributed (October 2019 and March 2020) short execution of movement plans to a host of factors ranging from limitation in storage capacity at recipient depots, poor off-take by State Governments and other emergent situations. It also reiterated that the percentage use of rakes was more or less the same in the lean season as in the rest of the year.

These replies are not acceptable as monthly movement plans were prepared after taking into consideration supply, demand, allotment and storage capacity. Constraints highlighted by Ministry should have been factored by FCI while deciding on targets for rakes for different months. Thus, these plans should have been fully implemented particularly in the months when concessional railway freight rates were available. Further, Audit has only included in its observation only those cases where no justified reasons were on record for not placing indent for rakes with Railways. Non transportation of planned quantities of food grains during the months when concessional railway freight rates were available, indicates lapses with respect to implementation of plans. Further, no documents were provided to Audit to substantiate the view that achievement of 80 *per cent* of the movement plan, was optimum.

Thus, failure of FCI to execute approved monthly movement plans during lean season resulted in non availment of concessional railway freight charges amounting to ₹ 35.96 crore. If these concessions had been availed the burden on the GoI for payment of food subsidy would have been lower.

4.2 Avoidable expenditure due to inordinate delay in finalisation of Handling and Transport Contract

Despite operational exigencies, delay in finalisation of *ad hoc* handling and transport contract resulted in avoidable expenditure of ₹ 20.69 crore towards carry-over charges to State Government Agencies.

Food Corporation of India (FCI) is the nodal central agency of Government of India, along with State Government Agencies (SGAs) to undertake procurement of wheat under price support scheme. Wheat procured by State Government Agencies (SGAs) is taken over by FCI for dispatching to consuming States as per requirement/movement plan. The SGAs were required to deliver procured wheat to central pool immediately after its procurement unless FCI was unable to accept it for reasons which were to be conveyed in writing. SGAs were entitled for carry-over charges in the form of agreed storage charges along with interest as applicable.

At Rampuraphul centre, District Bhatinda, Punjab, FCI had awarded (20 August 2015) Handling and Transport (H&T) contract to M/s Gangsar Transport Co. (Contractor) for a period of two years from September 2015 to August 2017. However, due to suspected involvement of Contractor in manipulation of price bids in e-bid, work under the contract was suspended with effect from 10 September 2015. A show cause notice (SCN) was also issued (21 September 2015) to the Contractor. The matter regarding suspected involvement of Contractor in manipulation of price bids in e-bid is pending in the Court.

Audit noted that suspension of H&T contract with Contractor resulted in non movement of stock from SGAs godown at Rampuraphul centre, Bhatinda. This resulted in incurrence of storage/carry-over charges payable by FCI to SGAs for food grains stored at SGAs godowns. SGAs also pointed out (November 2015) that non movement of stock may result in deterioration of stock and represented for early finalisation of H&T contractor. However, despite the risk of deterioration of the food grains and liability towards carry-over charges for storing food grains at SGAs godowns, FCI did not appoint any new H&T Contractor. Audit noted that High Court of Punjab and Haryana in their order dated 1 October 2015 also did not impose any restriction on FCI prohibiting the adoption of any alternative arrangement for handling and transportation of food grains from Rampuraphul centre.

Audit further observed that H&T contract with M/s Gangsar Transport Co. neither gave any exclusive rights for handling and transport the food grains nor did it provide guarantee for any definite volume of work. Further, as per H&T contract, FCI reserves the exclusive right to appoint one or more Contractors during the tenure of contract for any or all the services and to divide the work between such contractors in any manner that FCI may decide. However, despite operational exigencies and also having the right under H&T contract entered with M/s Gangsar Transport Co., Regional Office, Punjab, FCI did not initiate timely action for engaging any other Contractor on *ad hoc* basis to ensure timely handling and movement of stock from Rampuraphul centre. Only after directions (December 2015 and January 2016) from Zonal Office to protect financial interest of the Organisation, Punjab Regional Office issued tender enquiry for *ad hoc* contract on 16 January 2016. The *ad hoc* contract was awarded to Ms Jaitu Transport Company on 25 January 2016 after a period of 4.5 months from the date the H&T contract with M/s Gangsar Transport Co. was suspended. Considering an average time of three weeks for appointment process to engage H&T contactor on *ad hoc* basis, the delay in appointment of new contractor by FCI has resulted in avoidable carry-over charges amounting to ₹ 20.69 crore for the period 1 October 2015 to 25 January 2016 in respect of food grains of crop year 2014-15 and 2015-16.

Ministry replied (September 2020) that considering facts and circumstances involved, it was not possible to make *ad hoc* contract without finalisation of the SCN and without directions of Hon'ble High Court. It also replied that FCI, Punjab Region had informed that there is no expenditure on account of carry-over charges. Further, stock not loaded from one centre due to failure on part of one HTC are loaded from another centre/railhead, thereby not letting any intended/supplied rakes go unloaded in a month. Therefore, carry-over charges of that centre gets cancelled out by loading of stocks from other centres.

Ministry's reply is not tenable. Audit noted that the Hon'ble High Court order (October 2015) did not place any restriction on FCI for appointing of *ad hoc* Contractor. Further, agreement with Contractor stipulated that FCI had the right to appoint one or more Contractors during tenure of agreement. On the basis of this clause only, FCI had appointed *ad hoc* Contractor in January 2016 to which Court did not object in its subsequent orders of 10 February 2016 and 2 March 2016. Further, FCI Bhatinda office has informed (October 2020) that it had acknowledged liability for carry-over charges for crop year 2014-15 and 2015-16 for central pool stock and paid to SGAs including interest. Also, Ministry's contention that carry-over charges payable at one centre gets cancelled out by loading of stocks from other centres is not tenable as carry-over charges are centre specific.

4.3 Payment of inadmissible carry-over charges

Payment of inadmissible carry-over charges of ₹ 7.05 crore in contravention of orders of Ministry. When this was pointed out by Audit, FCI recovered ₹ 5.83 crore.

Under the Decentralised Procurement (DCP) scheme State Governments and their agencies (SGAs), procure, store and distribute food grains[1] within their States under the Targeted Public Distribution System (TPDS) and other welfare schemes of Government of India (GoI). Excess stocks (rice and wheat) procured by these States/SGAs are handed over to FCI for being made part of the central pool. The cost of such excess stocks handed over to FCI is reimbursed by FCI to the State Government/SGAs as per cost sheet issued by the GoI for the concerned State. It is envisaged that State Governments/SGAs will deliver the excess stock to the central pool immediately after procurement until and unless FCI is unable to accept it for reasons to be conveyed in writing. Carry-over charges for the period beyond June each year, shall be payable for quantities that FCI is unable to accept.

Para 6.10 of the "Guidelines for Submission of Incidental Claims" issued (September 2010) by Ministry of Consumer Affairs, Food and Public Distribution (Ministry), provides that carry-over charges for wheat are payable at the prevailing rate of interest along with agreed storage charges for delivery of wheat after 30 June of the respective year. Para 6.5 of Guidelines further provided that in case of States participating in the DCP scheme, the stock procured over and above the State's requirement for a year is to be deposited with FCI under central pool. In case no surplus stock is handed over by SGAs to the central pool, no storage cost for such stock is to be claimed.

Audit noted that Madhya Pradesh has been part of the DCP scheme for procurement of wheat since 1999-2000. Examination of records of the FCI Divisional Office at Ujjain, Madhya Pradesh, disclosed that Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSCL) requested (August 2015) FCI to take stock of wheat of the Rabi Marketing Season (RMS) 2014-15[2] Under Relaxed Specifications[3] (URS) category. Subsequently, the State Government also reiterated (11 September 2015) its request to the Ministry of

[1] Rice, wheat and coarse grains.
[2] Procured during April to June 2014.
[3] Stock not meeting standard specifications prescribed for central pool procurement.

Consumer Affairs, Food and Public Distribution. To avoid further deterioration of quality due to prolonged storage, the Ministry agreed (16 September 2015) to the request and directed FCI to take over URS wheat of RMS 2014-15 as per its requirement giving overriding priority over any other stock.

FCI, Divisional Office, Ujjain accordingly took over 30,176.75 MT stock of URS wheat from MPSCSCL during the period October 2015 to February 2016. It also paid ₹ 7.05 crore as carry-over charges for 18,881.02 MT[4] of wheat to MPSCSCL for the period July 2014 till lifting of the stock. Audit noted that in view of conditions stipulated in the provisional cost sheet for RMS 2014-15, and the "Guidelines for Submission of Incidental Claims", no carry-over charges were payable to MPSCSCL. Ministry's approval (16 September 2015) to take over stock of RMS 2014-15 under URS category also did not contain any direction to pay carry-over charges for stock offered by MPSCSCL in August 2015 i.e. after more than one year of procurement. Thus, payment of carry-over charges amounting to ₹ 7.05 crore was not in compliance with extant guidelines and instructions and was thus, avoidable. When this was pointed out by Audit, FCI had recovered (September 2020) an amount of ₹ 5.83 crore from MPSCSCL through adjustment against dues payable.

Management replied (September 2020) that MPSCSCL had offered the URS stock of RMS 2014-15 in August 2015. Accordingly, carry-over charges were payable from September 2015 till the actual date of lifting, which works out to ₹ 1.22 crore (i.e. initial payment of ₹ 7.05 crore less recovery made of ₹ 5.83 crore).

The reply of the Management is not tenable. Offering of URS stock by MPSCSCL in August 2015 has no relevance in determining cut-off date for computation of carry-over charges, as the stock was offered after one year and two months of procurement considering June as end of procurement season. In the absence of any direction from the Ministry to pay carry-over charges to MPSCSCL and in view of "Guidelines for Submission of Incidental Claims", and cost sheet issued by the Ministry, no carry-over charges were payable to MPSCSCL in this case. Thus, the remaining payment of carry-over charges amounting to ₹ 1.22 crore was also irregular and needs to be recovered from MPSCSCL.

The matter was reported to the Ministry in December 2019; their reply was awaited (December 2020).

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[4] For remaining 11,295.73 MT, no carry-over charges were paid as vacant storage space was available with FCI.

Ministry of Water Resources, River Development and Ganga Rejuvenation

National Projects Construction Corporation

4.4 Undue favour to Contractors

National Projects Construction Corporation Ltd. (NPCC) failed to impose liquidated damages amounting to ₹ 18.73 crore on defaulting Contractors for delays in executing Pradhan Mantri Gram Sadak Yojana projects. Further, NPCC also made excess payment of ₹ 19.30 crore to Contractors though no actual site work was done.

For executing works under Pradhan Mantri Gram Sadak Yojana (PMGSY) in Jharkhand, a tripartite agreement was signed between Government of Jharkhand, Ministry of Rural Development, Government of India and National Projects Construction Corporation Limited (NPCC) issued tenders between 2010 and 2014 for construction and upgradation of roads under PMGSY on behalf of Government of Jharkhand for construction and upgradation of roads located in six districts of Jharkhand *viz.* Gumla, East Singhbhum (ESG), West Singhbhum (WSG), Deoghar, Saraikela and Latehar.

Audit scrutiny of contracts for road projects under PMGSY being executed by NPCC in Jharkhand, disclosed that 173 road projects pertaining to 40 packages, had been terminated between 2012 and 2017 as Contractors failed to complete the work within stipulated time. NPCC forfeited the security deposits and performance security of these terminated contracts. Audit findings on examination of these terminated 173 road projects are as under:

(A) Non imposition/recovery of liquidated damages

Para 3.1 of the tripartite agreement provides that project was to be implemented as per PMGSY guidelines and associated documents including the Standard/ Model Bidding Document (SBD). Clauses 44.1 and 44.2 of the SBD stipulated that Contractor shall pay liquidated damages (LD) to NPCC at the rate per week or part thereof specified in the contract (i.e. one *per cent* per week) for the period that the completion date is later than the intended completion date and the total amount of LD shall not exceed 10 *per cent* of the contract price. Further, NPCC could deduct LD from payments due to the Contractor, and payment of LD shall not affect other liabilities of the Contractor.

The defaulting Contractors were liable to pay LD at the maximum rate of 10 *per cent* of the contract value as in all the terminated contracts (except one) the delay exceeded 10 weeks. The maximum LD in absolute terms on all the terminated contracts amounting to ₹ 20.31 crore was thus recoverable. Against this amount, NPCC intimated (September 2020) that it had only imposed/ deducted LD of ₹ 1.58 crore in 49 cases. Audit, however, computed that in these 49 cases alone the LD recoverable was ₹ 6.56 crore. Despite repeated requests, NPCC did not provide detailed calculations in support of LD levied by it in the 49 cases.

Audit also noted that in 53 cases payments were released to defaulting Contractors during the extended period of the contracts. Though there was sufficient scope for recovering an LD amount of ₹ 5.38 crore from these contactors, no recoveries were made from the payments released to them.

It was also observed that Management initiated the termination process for contracts after there were delays in almost all cases, in completion ranging from 201 days to 1441 days. These delays in taking action resulted in deterioration in the condition of roads coupled with increase in revised cost for completion of balance works which necessitated the sanction for additional funds from Jharkhand State Rural Road Development Authority[5] (JSRRDA).

To enable completion of 118 terminated works JSRRDA i.e. implementing agency of Government of Jharkhand, sanctioned (December 2016/August 2017) an additional amount of ₹ 22.58 crore (after adjustment of forfeited security deposits and performance securities) in view of increase in revised cost of balance works. The additional sanction was given on the condition that NPCC would complete the remaining work before March 2019. It was also stipulated that NPCC would recover LD from Contractors failing which LD would be adjusted from the agency fees payable to it. Despite this, NPCC did not take any action for recovery of full LD from the defaulting Contractors and deducted/recovered LD only ₹ 1.58 crore in 49 cases as against LD of ₹ 20.31 crore to be recovered from terminated contracts. As such, NPCC was liable to compensate JSRRDA for shortfalls in collection of LD from its own fees.

Management replied (April/October 2018 and September 2020) that:

(i) As there was no escalation clause in the agreement and there was poor bidder response during the original tender a "lenient view" was adopted. Subsequently, LD was deducted after receiving clear instructions from JSRRDA.

[5] JSRRDA is the nodal agency of Government of Jharkhand for implementing PMGSY.

(ii) Mere existence of LD clause in the agreement/contract does not imply automatic imposition of levy of LD without there being valid reasons entirely attributable to agency concerned for not achieving the milestones and as such, levy of LD. Further, LD, wherever applicable, was imposed. Accordingly, an amount of ₹ 1.58 crore was imposed/deducted from Contractors dues in 49 cases.

(iii) The contract period was extended by the Government of Jharkhand upto March 2015 and subsequently to March 2019, and JSRRDA has not levied any LD on NPCC or withheld any agency fees of NPCC towards adjustment of the same.

The reply of the Management is an admission on its part that its failure to recover LD was guided by non contractual considerations of showing leniency and was not in accordance with contract conditions. The fact that contracts did not provide for escalation is known to bidders who were expected to quote their contract price accordingly, and this cannot be cited as a reason for providing any relief to Contractors on account of LD. It also shows that internal controls were bypassed while releasing payments to Contractors.

Further, the extension of the project period by JSRRDA upto March 2019 has no relevance to the contracts in question as these were already terminated between 2012 and 2017. Such extensions also do not automatically absolve any agency from the liability of payment of LD except if specifically waived. Thus, NPCC continued to be responsible for imposing/recovering LD from defaulting Contractors in terms of their contracts. In fact, JSRRDA had specifically envisaged recovery of LD while sanctioning additional funds for completing the terminated contracts and in case of non recovery of LD, the same was to be adjusted from agency fees of NPCC.

While Management's stand that LD cannot be applied automatically without analysing reasons for delay is acceptable in principle, however, in the 49 cases in which NPCC recovered LD of ₹ 1.58 crore, detailed calculations were not provided for verification despite repeated requests by Audit. Audit also noted that in 112 out of the 173 terminated road projects, average progress[6] of work was less than 50 *per cent* as on date of termination. Further, taking all the road projects into account, there was an average delay of 697 days in the projects prior to termination of the contracts and average completion of works was only

[6] Progress has been computed based on payments made to Contractors. However, as noted in part B of the para some cases of payments in excess of work done were also found.

39 *per cent* on the date of termination. In such circumstances, it is not plausible that at least 10 weeks of the delay attracting maximum LD, would not be attributable to the Contractors.

Management's contention that JSRRDA has not made any adjustments of unrecovered LD from its agency fees is also untenable as the agreement with JSRRDA is yet to be closed and the liability on this account remains. Even if the adjustment is waived, non recovery of LD amounts to a loss to the exchequer as JSRRDA had sanctioned additional amount of ₹ 22.58 crore to complete the terminated works which could have been compensated substantially had the LD of ₹ 20.31 crore been recovered in full.

Thus, failure of NPCC to enforce LD provisions of the contract for delay in completion of road projects, resulted in undue benefit to Contractors and non recovery of LD amounting to ₹ 18.73 crore. There was also a loss to the exchequer of an equal amount as Government had to approve additional amount of ₹ 22.58 crore to complete the projects terminated due to the delays.

The matter was reported to the Ministry in September 2018; their reply was awaited (December 2020).

(B) Wrongful payments to Contractors in the terminated projects

Audit examination of records relating to the 173 terminated projects showed that the Company had conducted a check of actual work executed in these projects *vis-a-vis* work measurements recorded in Measurement Books (MBs). This check revealed that in 121[7] out of 173 terminated road projects, excess payments were made to Contractors by recording wrong measurements instead of actual work executed at site. This led to wrongful payments of ₹ 19.30 crore. The checks conducted by the Company showed that in the case of projects for construction of four bridges in Latehar District and three road projects in West Singhbhum, measurements for work done were wrongfully entered in the MBs based on which ₹ 1.90 crore was paid to Contractors, though no work had been executed by them.

Audit noted that the Company had issued legal notices to Contractors during January 2017 to January 2018 for recovery of the excess payment of ₹ 19.30 crore. However, the issue of the legal notices was delayed by 59 to 861

[7] 22 road projects in West Singhbhum, 16 road projects in East Singhbhum, 21 road projects in Saraikela, 48 road projects in Gumla and construction of 14 bridges in Latehar.

days from the date of termination of the contracts. Subsequently, Company also filed cases with revenue authorities for recovery of the above amounts from the Contractors. However, no recoveries have been made till date.

Audit found inadequacies in the working of internal check and monitoring mechanisms. Test checks carried out of MBs and running account bills pertaining to 37 projects at West Singhbhum and Gumla, disclosed that in 15 cases payments to Contractors had been made on the date of measurement itself, which was indicative of flaws in the process of verification of measurement of work prior to payments to Contractors. Audit also noted that there were deviations from the quality control procedures prescribed in the Operations Manual[8] (Para 11.5.7). The Manual mandated at least three inspections of each work by the State Quality Coordinator (SQC). However, a review of projects in West Singhbhum and Gumla, where most of the excess payments to Contractors were noticed, revealed that there were inordinate delays and shortfalls in carrying out the scheduled inspections by the SQC. These shortfalls would have enabled excess payments to Contractors.

In its replies (October 2018 and September 2020) Management acknowledged the excess payments to Contractors, and stated that required administrative and disciplinary actions as deemed fit, were taken against the employees. In addition, actions as per contractual and legal provisions were taken against the Contractors in addition to filing suits for recovery, and the process of recovery is underway. Further, instructions were issued to lodge FIRs against defaulting Contractors. It termed the payment to Contractors without actual work done at site as a judgmental error. It stated that the functioning of the Zone is being monitored closely to avoid recurrence of such issues, and that quality control mechanism has been improved and frequent site inspections and surprise checks had been advised.

The replies acknowledge that excess payments were made to Contractors. However, it was noted that full information on filing of FIRs had not been made available. In addition, Management's decision to file FIRs against the employees involved is yet to be implemented.

Thus, wrongful payments of ₹ 19.30 crore were made by the Company to Contractors in the case of 121 terminated contracts without work having been actually done. These payments indicate shortcomings in functioning of both

[8] Issued by National Rural Roads Development Agency for PMGSY works.

internal checks and monitoring mechanisms while recording works done and correlating the same to payments made.

The matter was reported to the Ministry in September 2018; their reply was awaited (December 2020).

Department of Atomic Energy

Nuclear Power Corporation of India Limited

4.5 Payment of inadmissible Family Planning Allowance to employees

Nuclear Power Corporation of India Limited paid Family Planning Allowance of ₹ 5.42 crore to its employees in violation of extant Government of India orders.

Government of India, Ministry of Finance vide OM dated 4 December 1979 granted Family Planning Allowance (FPA) in the form of Personal Pay to Government employees for promoting small family norms. In Sixth Pay Commission, the Personal Pay was converted into a fixed monthly allowance.

The Seventh Pay Commission report recommended abolishing FPA on the ground that a separate allowance aimed at population control was no longer required as the level of awareness regarding appropriate family size had gone up among Government servants. The Committee on Allowances accepted the recommendations of the Seventh Pay Commission and Ministry of Finance (MoF) accordingly issued orders[9] discontinuing FPA with effect from 1 July 2017. The instructions of MoF were endorsed for necessary action (14 July 2017) by Department of Atomic Energy (DAE) to its constituent units including Public Sector Enterprises (PSEs). Subsequently, Department of Public Enterprises (DPE), citing the above mentioned orders of MoF, also issued instructions[10] discontinuing payment of FPA in respect of Central PSEs following Central Dearness Allowance (CDA) pattern of pay, with effect from 1 July 2017.

Nuclear Power Corporation of India Limited (NPCIL), a PSE under DAE, sought (24 August 2017) a clarification from DAE about whether the incentive for Small Family Norms should be continued or otherwise, citing that NPCIL's Incentive Scheme for Adoption of Small Family Norms, 1991 was specific to NPCIL and introduced with the approval of its Board of Directors. Citing the

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[9] Ministry of Finance, Department of Expenditure OM F. No.12(4)/2016-EIII.A dated 7 July 2017

[10] Vide Ministry of Heavy Industries & Public Enterprises, DPE OM No. W.02/0058/2016-DPE (WC)-GL-XIII/18 dated 21 May 2018

orders of DPE mentioned above, DAE clarified (12 April 2019) that FPA needed to be discontinued in NPCIL as per orders of the MoF dated 7 July 2017.

NPCIL however, submitted a proposal to the Board for withdrawal of the incentive for Adoption of Small Family Norms with effect from 1 May 2019. The Board approved (July 2019) withdrawal of the incentive with effect from 1 August 2019. Continued payment of FPA by NPCIL from July 2017 to July 2019 despite instructions of DPE and DAE to discontinue the same was irregular, and resulted in excess payment of FPA to the extent of ₹ 5.42 crore.

Management stated (August 2020) that NPCIL has been exempted from DPE guidelines and governed by Atomic Energy Commission guidelines for NPCIL approved by Cabinet. NPCIL added that the matter for continuation or otherwise of payment of incentive for Small Family Norms was only referred to DAE for clarification and not for approval. Based on the clarification received from DAE, the matter was taken up with the Board of Directors of NPCIL, which approved withdrawal of the scheme from 1 August 2019.

The reply is not acceptable, as DAE, being the administrative Ministry, in its clarification (12 April 2019) had clearly stated that the instructions of MoF and DPE were applicable to NPCIL and therefore, the incentive was to be discontinued from 01 July 2017. The decision of NPCIL to discontinue the scheme from 1 August 2019 instead of 1 July 2017 was in contravention of the instructions of DAE and resulted in inadmissible payment of allowance of ₹ 5.42 crore to employees of NPCIL.

The matter was referred to DAE in January 2020; their reply was awaited as of December 2020.

Dadra & Nagar Haveli Administration (now Dadra & Nagar Haveli and Daman & Diu Administration)

DNH Power Distribution Corporation Limited

4.6 Receipt of remittances through online bill payment system

The delay in remittances by the online payment processing service provider of ₹ 94.19 crore for a period ranging from 36 days to 241 days resulted in a loss of interest of ₹ 4.08 crore.

DNH Power Distribution Corporation Ltd. (Company) entered (May 2013) into an agreement with IndiaIdeas.com Ltd. (also known as Bill Desk) for management services relating to processing mechanism for payment and collection of online bill payments by Company's customers. Customer payments were required to be received and aggregated by M/s IndiaIdeas in designated bank accounts held at partner bank(s)/nodal bank(s) as per the procedure prescribed by Reserve Bank of India (RBI), and then transferred to the Company.

Clause 4.2 of the agreement provides that M/s IndiaIdeas would ensure that the partner bank(s)/nodal bank(s) would release the valid bill amounts to the Company collected with T+1[11] day payment arrangement, Audit noted that there was no specific provision in the agreement regarding interest/penalty to be levied on M/s IndiaIdeas or any other remedy in the event of delayed remittance of valid payment(s) to the Company.

Clause 4.7 Schedule A to the agreement also provided that the Company should *inter alia* furnish confirmation of the payments received from M/s IndiaIdeas at mutually agreed intervals subject to at least one such confirmation in a month, after due reconciliation of such bill payments and receipts.

On review of records, Audit observed that in eight cases Company did not receive amounts collected by M/s IndiaIdeas from consumers in full. In eight cases of remittances during September 2013 to April 2014, the Company received only ₹ 10.47 crore out of total dues of ₹ 104.66 crore collected by M/s IndiaIdeas from the Company's consumers. The Company did not notice the shortfall in receipts as the reconciliation of payments with M/s IndiaIdeas was not carried out periodically. An amount of ₹ 94.19 crore remained unrealised for a period ranging from 36 to 241 days. The unrealised amount of ₹ 94.19 crore was finally realised by the Company on 17 May 2014. The shortfall in remittance of an amount of ₹ 94.19 crore for a period ranging from 36 days to 241 days resulted in loss of interest to the Company to the tune of ₹ 4.08 crore[12].

On loss of interest on delayed payment being pointed out by Audit, the Company claimed interest from M/s IndiaIdeas for delay in remitting the amount to the Company. However, M/s IndiaIdeas stated that the amount remitted against eight transactions got truncated due to technical bug in the system, and that the amounts collected from customers are routed from customer's bank to a nodal bank and then from nodal bank to Company directly and the monies were never with M/s IndiaIdeas. The Company accepted the contention of M/s IndiaIdeas and holding that the technical flaw was beyond the control of M/s IndiaIdeas, did not pursue the claim for recovery of interest.

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[11] 'T' is the day of intimation regarding completion of transaction.

[12] At the rate of 12 *per cent* adopted from clause 5.3 of the agreement.

The Management stated (July 2019) that the shortfall in respect of the eight transactions had happened in the initial period of the service implementation due to a technical flaw which led to only 10 *per cent* of the money received getting transferred from the nodal bank to the Company bank account leaving the balance 90 *per cent* in the nodal bank account. It further pointed out that such a type of error did not recur after May 2014 once the technical flaw in the system was rectified. There was also no suspicion of any fraudulent transaction requiring an enquiry under clause 5.3 of the agreement. Hence, claiming/computing the loss of interest based on 12 *per cent* as mentioned under Para 5.3 of the agreement would neither be a corrective course of action nor justifiable.

Union Territory Administration of Dadra & Nagar Haveli endorsed (September 2019) the Management's reply.

While the effort of the Company and the Service Provider to improve the process and prevent recurrence is appreciated, the Company failed to receive ₹ 94.19 crore for a period up to eight months. This delay is attributable to non reconciliation of accounts by the Company in a timely manner, which led to a loss of interest of ₹ 4.08 crore. As it was incumbent on M/s IndiaIdeas to provide services as defined in the agreement, it is liable to pay interest for any withheld payment due to its fault. The Company also gave up pursuit of its claim of interest on delayed remittances with M/s IndiaIdeas. The matter needs to be pursued with the Service Provider and legal measures should be initiated for recovery of the interest amount.