

Overview

This volume of the Audit Report contains audit observations emerging out of the audit of some schemes and transactions in the civil ministries and their field offices. The audit observations on the accounts of the Union Government (Civil): 1999-2000 have been incorporated in Report No.1 of 2001.

An overview of some important paragraphs included in this report is given below:

Transport Subsidy Scheme

The Transport Subsidy Scheme implemented by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, was launched in the year 1971 to promote industrialisation in remote, hilly and inaccessible areas. Under the scheme, subsidy ranging between 50 to 90 per cent is admissible on the transport cost incurred on movement of raw material and finished goods. The scheme works on disbursement/reimbursement basis.

Review of the scheme revealed the following:

- There was no detailed scrutiny of the claims resulting in irregular, inadmissible and excess payment of transport subsidy of Rs.8.21 crore
- The Department made direct payment of Rs.85.13 crore to industrial units without any scrutiny in violation of laid down procedure.
- Reimbursement of transport subsidy of Rs.31.05 crore was made even beyond the prescribed period of five years.
- Rs.11.70 crore was paid to certain industrial units who had violated the Forest Conservation Act and also the orders of the Hon'ble Supreme Court.
- The Department paid an advance of Rs.37.35 crore to the State Governments of Assam, Arunachal Pradesh and an Industrial unit. Claims against these advance payments and utilisation certificates were awaited.
- District/State Level Committee meetings were held at unduly long intervals ranging between one to five years leading to numerous legal cases.
- The Ministry or any of concerned State Governments did not assess the impact of subsidy disbursed to industrial units on industrial growth.

(Paragraph 1.1)

Marketing Development Assistance

Ministry of Commerce and Industry, Department of Commerce introduced Marketing Development Assistance to stimulate and diversify exports, trade and to market Indian products and commodities in foreign countries. MDA grants are utilised through 19 Export Promotion Councils (EPC) and other approved organisations. The failure of the Ministry in exercising financial scrutiny resulted in questionable payment of MDA grants of Rs.64.66 crore.

Review of the implementation of the scheme by the Department of Commerce disclosed the following:

- The Ministry had no information about the impact of the assistance given to the Councils, institutions, organisations, etc. and achievement of the programme.
- The Ministry released grants to ineligible 17 EPC's amounting to Rs 36.89 crore. Non-observance of prescribed norms resulted in release of excess grants of Rs 7.37 crore.
- Inadmissible grants of Rs 1.17 crore were released to four EPCs.
- Rs 4.75 crore was released to meet establishment cost of surplus staff of Export Inspection Agency, Calcutta.

(Paragraph 1.2)

Management of Commercial Time by Doordarshan

A review of management of commercial time by Doordarshan brought out serious deficiencies in acquisition of telecast rights, marketing arrangements, tariff setting and revenue sharing. Errors in accounting and billing of commercial time were also noticed in audit. In an ill-conceived ad-hoc arrangement, Doordarshan entered into an agreement with a Consortium in February 1998 for acquiring the telecast rights of international sports events and for marketing the events. Audit scrutiny of the operation of the Consortium brought out that the arrangement was flawed in as much as it failed to safeguard the interests of Doordarshan. The arrangement entailed a loss of Rs 140.88 crore due to underselling of commercial time, non-recovery of opportunity cost, manipulation in acquisition of rights, non-recovery of dues, payment of inadmissible refunds.

Review of the system and procedures of management of commercial time revealed the following:

- Doordarshan gave undue benefit of Rs 12.08 crore to the sponsors of the programme 'Ankhon Dekhi', 'Dopahar Ankhon Dekhi' and 'India the Awakening' by deviating from the norms.
- Doordarshan allowed higher commercial time than permissible to the sponsor of 'Super Hit Muqabla' and in the process incurred a loss of Rs 4.51 crore
- Doordarshan Kendra, Kolkata allowed unauthorised concessions like utilisation of excess free commercial time, undercharging of sponsorship fee and spot buy rate and in the process gave undue benefit of Rs 3.02 crore to the sponsor.
- In a case of mismatch between telecast requirement and availability of satellite time Doordarshan lost Rs 9.44 crore due to late booking of satellite.
- Doordarshan suffered a loss of Rs 8.93 crore on account of short accounting of commercial time and non-billing of uplinking and space segment charges from airtime selling agencies.

- Doordarshan allowed additional free commercial time with banking facility for repeat programmes on international channel. This resulted in a loss of Rs 1.94 crore.
- Absence of proper billing procedure and collection system resulted in outstanding dues of Rs 16.98 crore. Penal interest on delayed payments was not charged leading to a loss of Rs 81.92 lakh.

(Paragraph 2)

Infrastructure Development in Mega Cities

The Ministry of Urban Affairs and Employment sponsored the scheme for infrastructure development in mega cities of Mumbai, Kolkata, Chennai, Bangalore and Hyderabad as a participative effort of the central and state governments along with financial institutions. It was envisaged that over time, the scheme would be self-sustaining with nodal agencies setting up revolving funds. The physical progress was tardy. Out of 442 projects sanctioned, 72 projects were dropped, 115 projects were completed and 62 projects were yet to start.

- A total outlay of Rs 1200 crore was provided in the Eighth and Ninth plan periods. The release of funds did not keep pace with the overall plan allocations.
- None of the nodal agencies, excepting at Mumbai, set up the revolving fund, which was a critical requirement for creation and development of infrastructure assets on a continuing and sustainable basis. The Ministry sanctioned and released funds to the nodal agencies without ensuring that the nodal agencies had duly set up the revolving funds.
- Large sums of money were lying unspent with the nodal agencies at the end of the year 1999-2000.
- In Kolkata, Chennai and Mumbai, the central funds released for the preparation of mega city development plans, feasibility studies, and research remained unspent.
- Monitoring of the scheme at all levels was poor. The Ministry did not hold six monthly review meetings. The Steering Committee set up by the Ministry in April 1999 for appraisal of the projects never met. The nodal agencies did not maintain separate project wise accounts.
- Inefficiencies in implementation were also noticed i.e. incorrect sanctions to ineligible projects, projects sanctioned without any project report, city master plan and fixation of prioritisation criteria, incorrect charging of administrative expenses, late start and change of plans resulting in cost escalation in 31 projects etc.

(Paragraph 3.1)

System of Arbitration in CPWD

CPWD, being the principal agency of the Government of India, for construction as well as maintenance of Government buildings and projects enters into agreements with contractors. Unresolved questions and disputes relating to matters in connection

with or arising out of contracts or carrying out of the work are settled through arbitration. CPWD appoints arbitrators, whose award has the effect of a rule of the court.

Review of system of arbitration cases in CPWD disclosed deficiencies in the system of monitoring and management of arbitration cases, which led to delays in follow up action and rejection of 94 *per cent* of the claims.

- The Public Accounts Committee while examining the management of contracts in CPWD included in Report No.2 of 1992 of the Comptroller and Auditor General of India had desired that the Ministry should keep a close and continuous watch on the implementation of the measures it proposed to take to ensure efficient management of contracts and to avoid additional payments to the contractors. However, the Ministry had actually not initiated the promised measures, resulting in continuance of avoidable payments to the contractors.
- Out of 402 awards made between 1994-95 and 1999-2000, only 22 awards, including 14 nil awards went in favour of CPWD involving payment of Rs 50.09 lakh to it.
- In 380 cases, the awards went against the CPWD. It accepted 287 awards and challenged 64 awards. It is yet to take action on the balance 29 awards. The CPWD paid Rs 874.86 lakh inclusive of interest amounting to Rs 284.20 lakh to the contractors in the cases accepted. The arbitrators also disallowed counter claims of CPWD amounting to Rs 212.96 lakh.
- CPWD did not fix responsibility on its officials when arbitration awards had gone against it because of their default.
- The other substantial shortcomings were delayed supply of drawings, design materials, communication of decisions to the contractor, which resulted in payment of compensation of damages of Rs 2.63 crore, forfeiture of rebate offered by contractors for timely payment and non-adherence to contractual obligations resulting in refund of Rs 2.86 crore with consequential loss of interest.

(Paragraph 3.2)

Prime land lying vacant

Government of Brazil gifted a plot of 25,000 sq-metres land in 1965 to the Indian Embassy in Brasilia for the construction of an Embassy Complex. MEA did not take any decision for more than three decades on constructing the Embassy complex on the gifted plot. The Embassy continues to hire accommodation to house the Chancery, Embassy residence and residences for its officers and staff, involving an outgo of around Rs 11.23 crore between 1983-84 to November 1999 towards rents, intermittent shifting of Embassy premises, visits of property teams to Brasilia, fencing of the plot and payment of local taxes etc.

(Paragraph 8.2)

Procurement of Training Armaments: payment without receipt of supply

BSF's requirement of training armament (SLRs) could not be met by the Central Ordnance Depot (COD) although Rs.12.71 crore was advanced by BSF to COD for this purpose and COD was ready to supply as per requirement. However, the SLRs offered by COD were old, unmarked, cannibalised and sub-standard, which were not acceptable to BSF. The entire amount of advance to COD remains un-recouped even after a lapse of eight years as of April 2001.

(Paragraph 11.1)

Avoidable expenditure due to delay in decision making

MEA's indecisiveness in finalising the proposals submitted by the missions at Beijing, Doha, Muscat and Gaborone for the construction of chancery-cum-Embassy residences and other buildings on the plots acquired by the Government resulted in avoidable expenditure of Rs 26.27 crore on hiring of accommodation.

(Paragraph 8.1)

Wasteful expenditure on rent

Despite reduction in staff strength of India Trade Centre, Brussels, MEA continued the lease during June 1997 to December 2000 resulting in wasteful expenditure of Rs 88.22 lakh towards rent.

(Paragraph 7.1)

Avoidable loss of revenue

Avoidable administrative delays in making arrangement for toll collection by National Highways Division, Visakhapatnam and Ministry of Surface and Transport resulted in loss of revenue of Rs 4.49 crore.

(Paragraph 13.2)

Mis-investment of Welfare Funds

CRPF made an unsound investment of the welfare funds of Rs 1.05 crore in a loss making PSU. Given the sickness of the PSU, recovery of matured value of Rs 1.62 crore inclusive of interest of Rs 56.82 lakh is doubtful.

(Paragraph 11.2)

Loss due to gross negligence

Due to negligence in deputing a Khalasi for booking two Sony Betacam SP Recorders costing Rs 24.90 lakh they were under invoiced at Rs 50,000 through Indian Airlines and the freighter's liability got circumscribed. CE (NZ), Akashvani and Doordarshan did not fix responsibility for the casual handling of valuable goods.

(Paragraph 12.3)

Payment of inadmissible interest differential subsidy

The action of the Ministry of Surface Transport in providing the benefit of interest differential subsidy to Shipping Corporation of India, on orders placed on M/s. Hindustan Shipyard Ltd. after the expiry of the scheme in September 1995, resulted in undue benefit to SCI of Rs. 6.18 crore.

(Paragraph 13.1)

Loss of Government stores

Negligence of the Sub-divisional Officer to take timely action to physically verify the stores and stock resulted in irrecoverable loss of Rs 13.12 lakh.

(Paragraph 15.4)

Payment of overtime allowance beyond the permissible norm

Overtime allowance beyond the permissible limit of 50 hours per quarter paid to the staff during the period 1995-2000 by India Security Press, Nashik amounted to Rs 99.43 crore.

(Paragraph 9.2)

Irregular payment of pension

Failure of Public Sector Banks to apply and interpret rules and orders of pension payments coupled with inadequate checks resulted in irregularities in payment of pension of Rs.27.65 lakh.

(Paragraph 9.5)

Injudicious payment of working capital loan

The Andaman and Nicobar Islands Administration unauthorisedly sanctioned working capital loan of Rs three crore to ANIIDCO for development of infrastructure to set up a shipping division. The Planning Commission and the Ministry of Surface Transport subsequently annulled the sanction. Resultantly, financial resources of Rs 6.06 crore including Rs 3.06 crore of interest remained blocked with ANIIDCO.

(Paragraph 15.2)

Delay in completion of work

The Executive Engineer, CPWD failed to exercise technical and administrative control over the execution of a project. This resulted in inordinate delay in its completion with a consequent revenue loss of Rs 78.35 lakh and enhancement of Rs 2.61 crore in project cost.

(Paragraph 14.1)

Denial of facility of anti-pollution incinerator

The Director NICD decided in August 1985 to install a new incinerator costing Rs 4.5 lakh and placed an order on M/s. Thermax Ltd. through DGSD in October 1990 without providing specifications to DGSD. This led to cancellation of the order. Thereafter, NICD requested CPWD in December 1993 to procure and install the incinerator and deposited with them its estimated cost of Rs 34.38 lakh in advance. CPWD purchased the incinerator in March 1996 but the site for installation was not ready. NICD initiated the process for construction of building only after purchase of incinerator. While clearances from different agencies were obtained by August 1998, NICD could not commission the incinerator as the approval/clearance from Delhi Pollution Control Board was still awaited.

(Paragraph 10.2)

Idle investment

Against the six sanctioned posts in the office of Animal Quarantine and Certification Service Station, Mumbai, 14 residential quarters at a cost of Rs.58.41 lakh were taken possession of in January 1995. Eight staff quarters have always remained vacant. The lack of coordination between the Ministry of Agriculture and the Directorate of Estates resulted in government accommodation in Mumbai remaining vacant depriving other eligible employees of the facility in Mumbai where it is so dear.

(Paragraph 4.2)

Injudicious retention of redundant system

MEA set up Zonal Telex Centres in Indian Missions at Tokyo and Bahrain in August 1984 and July 1988 respectively. As the maintenance of Zonal Centres was becoming expensive, the Foreign Service Inspectors team suggested in 1989 that the utility and organisation of Zonal Centres would be reviewed in the light of reliable and cheaper alternative of fax available with the missions. Despite the availability of the latest communication systems like fax, e-mail etc. in every connected Mission, the old telex system has been functioning till now. The Missions at Tokyo and Bahrain thus incurred avoidable expenditure of Rs10.83 crore on the redundant system during 1996-97 to 1999-2000.

(Paragraph 8.3)

Unauthorised expenditure on staff costs

The missions at Berne and Bonn continued to operate three and two posts respectively without sanction incurring unauthorised expenditure of Rs 48.76 lakh on staff cost.

(Paragraph 7.2)

Unfruitful expenditure on Lift Irrigation Project

Ministry of Agriculture spent Rs 58.69 lakh during 1992-96 on a Lift Irrigation Project in order to irrigate a fodder and fodder seed farm at Central Cattle Breeding Farm Dhamrod. Even as of December 1999, the project could not be commissioned and the intended purpose was not served.

(Paragraph 4.1)

Non-deployment of surplus staff

Failure of Director, BCG Vaccine Laboratory, Chennai to take up the matter with Director General of Health Services for deployment of surplus staff, resulted in unfruitful expenditure of Rs 38.97 lakh on salaries.

(Paragraph 10.1)

Undue financial benefit and acceptance of sub-standard cloth for Assam Rifles

Acceptance of sub-standard uniform cloth by Assam Rifles constituted undue financial aid of Rs 50.55 lakh to the supplier.

(Paragraph 11.3)

Non-recovery of advertising dues

Despite mention in the Audit Reports for 1994-95 and 1997-98, the Station Directors, Commercial Broadcasting Services, AIR, Kanpur, Chennai and Kolkata neither took effective action for prompt recovery of advertising charges from the accredited agencies nor cancelled the accreditation of the defaulting agencies as per agreements, which resulted in non-realisation of advertising charges of Rs.66.10 lakh and interest of Rs.40.51 lakh.

(Paragraph 12.2)

Under-utilisation of the capacity of Mint

The India Government Mint, Noida which became operational in 1988 failed to establish blanking line leading to import of readymade coin blanks and to a loss of foreign exchange of the equivalent of Rs 38.39 crore. The capacity of the Mint was grossly under-utilised as the percentage of actual production to capacity ranged between 17 and 45 during 1991-92 to 1999-2000. In four out of seven cases of import of coin blanks, the mint failed to claim liquidated damages amounting to Rs 12.37 crore while in the remaining three cases liquidated damages claimed by the Mint were either not recovered (Rs 10.41 crore) or recovered only partially. Reimbursement of inspection charges were not claimed in two cases while in six other cases claims were processed after considerable delay.

(Paragraph 9.1)

Unfruitful expenditure

Doordarshan purchased a 5-Channel Video Compression System in March 1995 and released Rs 3.07 crore being 90 *per cent* of cost before installation. As per supply order, the system was to be upgraded within six months at no extra cost. The upgradation of the system was done by R&D Wing of Doordarshan as the firm did not abide by its contractual obligations. This attracted the levy of liquidated damages amounting to Rs 16.52 lakh, but Doordarshan failed to enforce the application of penal provision. Further the benefits of the upgraded system are not available despite the claim of Doordarshan that it had carried out the upgradation at its own cost.

(Paragraph 12.1)

Follow up on Audit Reports-Summarised Position

Despite repeated instruction by government, consequent upon recommendations of the PAC, ministries/departments did not send remedial Action Taken Notes on 145 Audit Paragraphs included in the Reports relating to civil ministries, Other Autonomous Bodies and Scientific Departments. Of these 42 were relatively older paragraphs, which were included in the Audit Reports of 1990-1996.

(Paragraph 16.1)