

CHAPTER IV : MINISTRY OF COMMERCE AND INDUSTRY

Department of Commerce

4.1 Short levy of departmental charges by DGS&D

The Directorate General of Supplies & Disposals (DGS&D) failed to implement the increased rate of departmental charges for the services rendered for purchases and inspection of stores, which resulted in short levy of Rs. 9.42 crore for the period December 2005 to March 2008.

The Directorate General of Supplies & Disposals (DGS&D) is a central purchase organisation of the Government of India (GoI), which concludes rate contracts for common user items required by the Central Government Departments, State Governments, Union Territories, and quasi-public bodies like municipalities, statutory corporations and government undertakings. Central Government Departments/ Ministries authorized to act as direct demanding officers operate the rate contracts by placing supply orders against DGS&D.

DGS&D levies departmental charges for the services rendered for purchases and inspection of stores at rates prescribed by the Government from time to time. Prior to November 2005, departmental charges @ 0.5 per cent each of the value of the contract or supply order placed against the DGS&D rate contract were recoverable for services rendered for purchases and inspection of stores separately. These rates were revised to 0.6 per cent from November 2005.

Audit scrutiny, of the records of Delhi and Mumbai offices of DGS&D however, revealed that DGS&D continued to levy departmental charges at the old rate of 0.5 per cent in respect of services for both purchases and inspection of stores. Thus, short levy of departmental charges by 0.2 per cent¹ on the amount paid through various bills between December 2005 to March 2008 worked out to Rs. 9.42 crore (including Rs. 1.80 crore pertaining to the Office of the Deputy Controller of Accounts (Supply) Mumbai, a subordinate office of the DGS&D).

In reply (September 2008), the Ministry stated that instructions had been issued to all the concerned sections in DGS&D to levy departmental charges @ 0.6 per cent, and that efforts were being made to recover the residual departmental charges from consignees/ Indentors.

¹ 0.1 per cent each for services for purchases and inspection of stores.

4.2 Recoveries at the instance of Audit

On being pointed out by Audit, Joint Director General Foreign Trade (JDGFT), Ahmedabad recovered Rs. 59.06 lakh from a firm which had received undue refund of Terminal Excise Duty (TED) of Rs. 160.97 lakh and Department of Commerce recovered Rs. 4 lakh towards interest on refund of unspent balance under Marketing Development Assistance (MDA) Scheme

Case I: Under the Foreign Trade Policy², the benefits of deemed export, including refund of Terminal Excise Duty are available for supply of goods under International Competitive Bidding (ICB) for projects notified for zero customs duty by Ministry of Finance. These benefits are also available for supplies by sub contractor, provided that the names were indicated in the contract, and payment certificate was issued by the project authority.

Audit scrutiny revealed that M/s Gujarat Apollo Equipment Ltd. had irregularly received refund of Rs. 160.97 lakh under eight case files of Joint Director General Foreign Trade (JDGFT), Ahmedabad for a project awarded by National Highway Authority of India, despite not providing documentary evidence of supplies under the ICB procedure and lack of payment certificate from the project authority. On being pointed out by Audit, JDGFT, Ahmedabad recovered an amount of Rs. 59.06 lakh in February and July 2008, while the balance amount of Rs. 101.91 lakh was pending for recovery as of December 2008. The Ministry stated (December 2008) that the matter was pending in the High Court of Gujarat.

Case II: As per sanctions for release of grants-in-aid by the Department of Commerce to various Export Promotion Councils (EPCs), the unspent amount was to be surrendered to the Government. However, the condition under Rule 209 (6)(xi) of GFR stipulating recovery of interest on the unspent amount was not incorporated in the sanctions.

Audit scrutiny revealed that 17 EPCs had not paid interest amounting to Rs. 57.74 lakh on the unspent balance amount. On being pointed out by audit, the Department recovered interest of Rs. 4 lakh on unspent balance from 5 EPCs, while the recovery of the balance amount of Rs. 53.74 lakh was still pending.

² Paragraphs 8.2(f) and 8.6.2(f)

Department of Industrial Policy and Promotion (DIPP)

4.3 Deficient implementation of projects under the Industrial Infrastructure Upgradation Scheme (IIUS)

Out of 26 projects approved between December 2003 and March 2005 under the Industrial Infrastructure Upgradation Scheme (IIUS), only 8 projects had been completed, despite release by Department of Industrial Policy and Promotion (DIPP) of 84 per cent (Rs 792.45 Crore) of GOI's share of Rs. 945.27 crore, of the approved project costs (Rs 1693.31 Crore). This adversely affected the scheme's objective of providing quality infrastructure through Public Private Partnership for enhancing international competitiveness of domestic industry. The main reason for the delay in completion of projects were inadequate survey, assessment of project requirements and monitoring.

4.3.1 Industrial Infrastructure Upgradation Scheme (IIUS)

4.3.1.1 Overview

In December 2003, the Department of Industrial Policy and Promotion (DIPP) introduced Industrial Infrastructure Upgradation Scheme (IIUS) with a provision of Rs. 675 crore in the X Plan to enhance international competitiveness of domestic industry by providing quality infrastructure through Public Private Partnerships (PPP). Under the scheme, industrial clusters/ locations with high growth potential were to be selected for strategic interventions in the following areas:

- Physical Infrastructure – in the areas of transport, water supply, power, fuel supply, effluent treatment and solid waste management;
- Information and Communications Technology (ICT) Infrastructure – by providing broadband connectivity;
- R&D Infrastructure – in the areas of collaborative, product technology, materials and market research;
- Quality Certification and Benchmarking Centre – through improvement of soft skills in quality control and Total Quality Management (TQM);
- Common Facilities Centre;
- Information Dispersal/ International Marketing Infrastructure;
- Information and Communications Technology (ICT) induction, process re-engineering and management consultancy service centre; and
- Other physical infrastructure.

4.3.1.2 Approval Process

IIUS was a Central Sector Scheme, and initially 20 to 25 clusters were to be taken up for development. The clusters/ industrial locations were to be selected by an Apex Committee headed by Secretary, DIPP, and cluster associations were to submit exhaustive proposals to the Committee for approval. Projects were to be appraised by Financial Institutions contributing to the cost of the project, failing which by independent agencies to be appointed by the DIPP.

4.3.1.3 Funding Mechanism

Government of India (GoI) assistance was in the form of grant-in-aid, restricted to 75 per cent of the project cost, with a ceiling of Rs. 50 crore. The assistance was to be provided to Special Purpose Vehicles (SPVs) to be formed by cluster associations for infrastructure development. Funds were to be released in three equal installments, with the second installment to be released on receipt of Utilisation Certificate for the first installment and monitoring of actual physical progress.

4.3.1.4 Projects Approved

Between December 2003 and March 2005, DIPP approved 26 projects, which were to be completed within 18 to 36 months from the date of sanction. These projects involved a total project cost of Rs. 1693.31 crore, with a Central share of Rs. 945.27 crore, against which GoI released Rs. 792.45 crore upto September 2009.

4.3.2 Audit Methodology

A scrutiny of the records of DIPP in respect of the 26 projects approved during 2003-05 was conducted by audit during June-August 2008. In addition, five field visits were conducted by audit to Textile Industrial Cluster, Panipat (October 2008), Gems and Jewellery Cluster, Surat, Auto Cluster, Vijayawada, Ispat Bhoomi, Raipur and Leather Cluster, Kanpur (January 2010).

The draft audit findings were issued to DIPP in October 2008. The responses of the DIPP, received in January 2009 and November 2009, have been suitably incorporated in this report.

4.3.3 Audit Findings

4.3.3.1 Project Completion

Check of the records of the Department of Industrial Policy and Promotion (DIPP) revealed that out of the 26 approved projects:

- Eight projects were reportedly completed as of November 2009, with delays ranging between 15 and 33 months. The status and details of these projects are given in **Table 1** below:

Table 1: Delayed Completion of IIUS Projects

S. No.	Name and address	Cost	Amount released (Rs. crore)	Month of Sanction	Duration Of Project	Delay in completion	Status
1.	Pump, Motor & Foundry cluster, Coimbatore Tamil Nadu	Project Cost Rs.55.30 crore and GoI Grant Rs.39.39crore	38.99	April 2005	24 months; should have been completed by April '07	23 months	Completed
2.	Chemical Cluster, Ankleshwar Gujarat	Project Cost of Rs.152.83 crore and GoI Grant Rs.50 crore	48.50	November 2004	24 months; should have been completed by November'06	18 months	Completed
3.	Foundry Cluster, Belguam, Karnataka	Project Cost Rs.24.78 crore and GoI Grant Rs.18.58 crore	18.02	November 2004	24 months; should have been completed by November'06	33 months	Completed
4.	Machine Tools Cluster, Bangalore, Karnataka	Project Cost Rs.135.50 crore and GoI Grant Rs.49.12 crore	47.65	November 2004	24 months; should have been completed by November'06	Date of completion not available	Project completion certificate was not submitted
5.	Textile Cluster Ludhiana Punjab	Project Cost RS.17.19 crore and GoI Grant Rs. 12.69 crore	12.31	October 2004	18 months; should have been completed by April'06	-do-	-do-
6.	Chemical cluster, Vapi Gujarat.	Project cost Rs.54.31 crore and GoI Grant Rs.40.49 crore	39.28	March 2004	24 months; should have been completed by March'06.	27 months	Completed
7.	Textiles Cluster, Tirupur Tamil Nadu	Project Cost Rs. 143.50 crore and GoI Grant Rs.50.00 crore	49.49	March 2004	18 months; should have been completed by September'05	30 months	Completed
8.	Auto Cluster, Pune, Maharashtra	Project Cost Rs. 59.99 crore and GoI Grant Rs.44.99 crore	44.54	November 2004	24 months; should have been completed by October 2006	15 months	Completed

- Seventeen projects were yet to be completed as of November 2009, and there were significant time overruns. The status of the incomplete projects is given in **Table 2** below.

Table 2: Incomplete IIUS Projects*(Rupees in crore)*

S. No.	Name and address	Cost	Amount released (% release)	Month of Sanction	Duration of Project	Delay as of November 2009	Status
1.	Auto Ancillary Cluster, Chennai	Project Cost Rs. 47.49 crore and GOI Grant Rs.27.74crore	26.91 (97%)	August 2004	18 months; should have been completed by January'06	46 months	Not completed.
2.	Cereal, Pulses and Staples Cluster, Madurai, Tamil Nadu	Project cost Rs.39.96 crore and GOI Grant Rs.29.97 crore	29.07 (97%)	October 2004	18 months; should have been completed by April'2006.	43 months	Not completed.
3.	Metallurgical Cluster, Jajpur Orissa	Project Cost Rs. 80.60 crore and GOI Grant Rs 47.00 crore	45.59 (97%)	November 2004	36 months; should have been completed by November'2007	23 months	Not completed.
4.	Auto Cluster Pithampur, Madhya Pradesh	Project cost Rs.73.29 crore and GOI Grant of Rs49.94 crore	45.81 (92%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
5.	Auto Cluster, Vijayawada Andhra Pradesh	Project Cost Rs.30.67 crore and GOI Grant Rs 23.01crore	22.31 (97%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
6.	Gems & Jewellery cluster, Surat, Gujarat	Project Cost Rs. 73.00 crore and GOI Grant Rs.50.00 crore	16.70 (33%)	November 2004	24 months; should have been completed by October' 2006	38 months	Not completed.
7.	Marble Cluster, Kishangarh Rajasthan	Project Cost Rs.36.80 crore and GOI Grant Rs.27.60 crore	26.77 (97%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
8.	Coir Cluster, Alapuzha, Kerala	Project Cost Rs. 56.80 crore and GOI Grant Rs.42.60 crore	28.40 (67%)	December 2004	24 months; should have been completed by November 2006	39 months	Not completed.
9.	Leather Cluster, Kanpur Uttar Pradesh	Project Cost Rs. 16.46 crore and GOI grant Rs. 9.75 crore	6.50 (67%)	March 2005	24 months; should have been completed by March'2007	32 months	Not completed.

(Rupees in crore)

S. No.	Name and address	Cost	Amount released (% release)	Month of Sanction	Duration of Project	Delay as of November 2009	Status
10.	Multi Industry Cluster, Haldia West Bengal	Project Cost Rs.58.85 crore and GOI Grant Rs.35.97 crore	34.89 (97%)	March 2005	24 months; should have been completed by March'2007	32 months	Not completed.
11.	Foundry Park, Howrah, West Bengal	Project Cost Rs. 126.74 crore and GOI Grant Rs.40.40 crore	13.47 (33%)	March 2005	24 months; should have been completed by February 2007	33 months	Not completed.
12.	Rubber Cluster, Howrah, West Bengal	Project Cost Rs. 29.74 crore and GOI Grant Rs.15.72 crore	5.24 (33%)	March 2005	24 months; should have been completed by February' 2007	33 months	Not completed.
13.	Ispat Bhoomi Cluster, Raipur Chhatisgarh	Project cost Rs. 55.06 crore and GOI Grant Rs.31.76 crore	30.81 (97%)	April 2005	24 months; should have been completed by April '07	31 months	Not completed.
14.	Chemical Cluster, Vatva,Ahmedabad Gujarat	Project Cost Rs.71.35 crore and GOI Grant Rs. 41.39 crore	40.15 (97%)	April 2005	24 months; should have been completed by April'2007	31 months	Not completed.
15.	Textile Cluster Ichalkaranji, Maharashtra	Project cost Rs.65.07 crore and GOI Grant of Rs.32.70 crore.	31.72 (97%)	April 2005	24 months; should have been completed by April'2007	31 months	Not completed.
16.	Leather Cluster, Chennai Tamil Nadu	Project cost Rs.67.34 crore and GOI grant Rs.43.94 crore	42.62 (97%)	April 2005	24 months; should have been completed by April'2007.	31 months	Not completed.
17.	Pharma Cluster, Hyderabad	Project Cost Rs.66.16 crore and GOI Grant Rs.49.62 crore	33.08 (67%)	May 2005	24 months; should have been completed by May'2007	30 months	Not completed.

- As can be seen, eleven projects sanctioned between August 2004 and April 2005 were not completed, although more than 90 per cent of the GoI approved share of funds had already been released. Similarly, in three projects sanctioned between December 2004 and May 2005, 67 per cent of funds had already been released. In respect of the other three projects

sanctioned between November 2004 and March 2005, it was noticed that 33 *per cent* funding had been released.

- One project, the Textile Industry Cluster at Panipat, approved in December 2004 was cancelled in April 2007.

4.3.3.2 Cancelled Project

The Textile Industry Cluster at Panipat was approved by DIPP in December 2004 for completion within 24 months. The approved project cost was Rs. 54.53 crore, with a Central share of Rs. 40.90 crore, of which Rs. 13.63 crore was released in December 2004. DIPP cancelled the project in April 2007 due to non-availability of land and the inability of the Panipat Textile Industry Cluster Development Society (SPV) to levy user charges, and directed the SPV to refund the central grant of Rs. 13.63 crore with interest. However, the amount had not been refunded as of November 2009. Audit scrutiny of records and field visit further revealed the following:



One of the project components was the construction of an effluent collection, treatment and disposal treatment at a cost of Rs. 15.14 crore. Field audit, however, revealed that a Common Effluent Treatment Plant (CETP) had already been constructed by HUDA³ in the same area, and its capacity was reported to be underutilised.

Functional CETP constructed by HUDA (Oct 2008)

The proposal for construction for another effluent treatment plant was, thus, redundant, and indicated inadequate survey and pre-approval evaluation and assessment.

³ HUDA: Haryana Urban Development Authority



Main Panipat drain through industrial cluster (Oct 2008)

The closure and lining of the Main Panipat drain through the industrial cluster at a cost of Rs. 16.24 crore had been included in the original project.

- However, field audit revealed that no work had taken place on this component, and the drain remained in open condition. Despite the cancellation of the project in April 2007 and orders for refund of the Central grant, an expenditure of Rs. 2.57 crore was incurred on the construction of Effluent Conveyance Main Drain by the SPV.

In response, DIPP stated (November 2009) that the SPV had been reminded to refund the entire Central grant with interest

4.3.3.3 Project with no significant work

- The Rubber cluster at Howrah, West Bengal, which was to be completed by March 2007, involved a total cost of Rs. 29.74 crore, with Central share of Rs. 15.72 crore, of which Rs. 5.24 crore had been released in two parts - Rs. 3.14 crore in March 2005 and Rs. 2.10 crore in February 2006. However, the project was yet to commence, although expenditure of Rs. 2 crore had been booked. The delay was on account of non-acquisition of part of the land, and requests to enhance the level of GoI grant.

In response, DIPP stated that the SPV had acquired 76 per cent of the land and was in the process of acquiring the remaining land (November 2009).

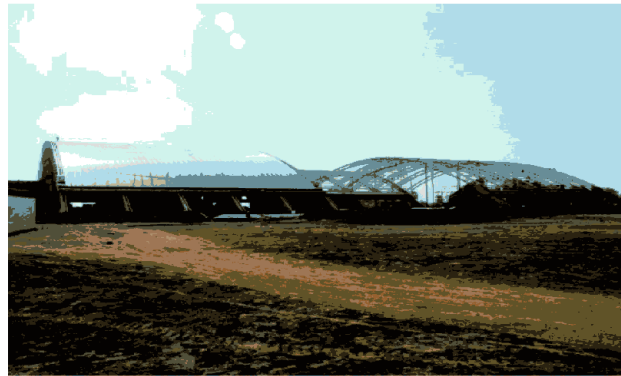
4.3.3.4 Field visits to Incomplete Projects

Audit scrutiny and field visits (January 2010) revealed the following:

(i) Gems & Jewellery Cluster, Surat

- The project, which was to be completed by November 2006, involved a total cost of Rs. 73.00 crore, with Central share of Rs. 50 crore, of which Rs. 16.70 crore had been released in November 2004. The project was revised thrice, with deletion of important components like hostel facility, design centre, training and HRD etc. In response, DIPP stated (January 2009) that there had been delays due to litigation over land, and the project was expected to be completed by end-2009. Subsequently, in November 2009, DIPP stated that the execution of the project had begun.

Field visit by audit in January 2010 revealed the following:



Convention-cum-display centre under construction

- Although the Convention-cum-display centre was in the final stages of completion, the construction of other components viz. Auditorium-cum-seminar hall and Marketing bourse was yet to take off.



Multi-level parking being operated by SMC

- The parking complexes that had been built at a total cost of Rs. 12 crore (GoI share Rs. 4.39 crore) envisaged an agreement (January

2007) whereby the land was to be provided by Surat Municipal Corporation (SMC) and the entire construction cost was to be borne by the Special Purpose Vehicle (SPV).

- Two of the parking complexes were functional and were being operated by the SMC. It was provided in the agreement that the surplus, if any, would be divided between the SPV and SMC as mutually agreed upon, the deficit or loss was to be borne by the SPV. Entering into such an agreement where the percentage of sharing profits was not decided in advance and taking entire liability of losses by the SPV was not a prudent decision.

(ii) Auto Cluster, Vijayawada (AP)

The project involved construction of an Effluent Treatment Plant (ETP), Common Testing Centre (CTC), and a Trade Centre at a total cost of Rs. 6.04 crore (GoI share Rs. 4.53 crore). However, field visit by Audit (January 2010) revealed that although the buildings for none of the three components above were completed, the SPV had already purchased machinery and equipment during the period March-August 2008, making advance payments of Rs. 2.91 crore. As a result, the machinery & equipments were lying packed and unused in a private godown for the last 17 months.



Proposed CTC Building site at Auto Cluster, Vijayawada



Proposed ETP site at Auto Cluster, Vijayawada



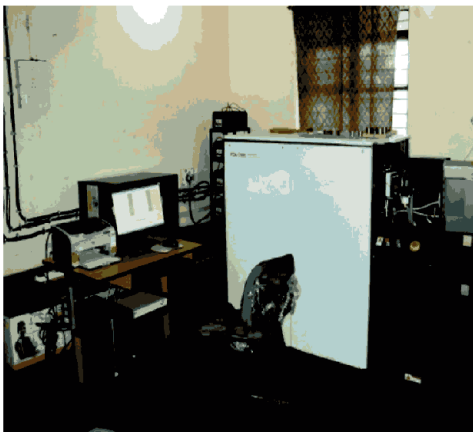
CTC machinery lying packed & unused at Auto Cluster, Vijaywada



ETP equipment lying packed in a godown at Auto Cluster, Vijaywada

(iii) Ispat Bhoomi, Raipur

The approved project had 10 components, namely, water supply, roads, quality testing lab, street illumination work, toll plaza, administrative charges, detailed design and work supervision costs, ETC charges and insurance and contingency, which were reduced to only three components namely water supply, roads, quality testing lab on a request by the SPV in March 2008. The construction of building for the Testing Lab was yet to start, although the laboratory was functional in a rented building.



Testing lab operational in a rented building at Ispat Bhoomi, Raipur



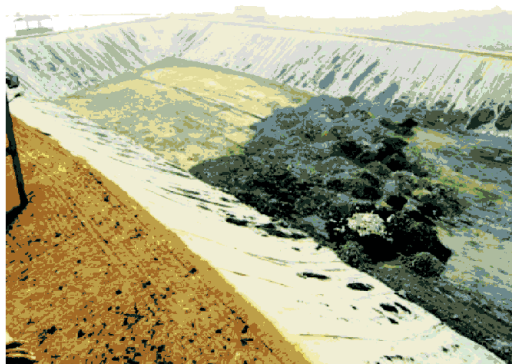
Proposed site for the construction of Laboratory Ispat Bhoomi, Raipur

Further, a scrutiny of the Profit & Loss Account of the SPV during the visit revealed that the SPV made profits of Rs. 1.50 crore and Rs. 2.30 crore for the years 2007-08 and 2008-09 respectively, and had distributed Rs. 1.59 crore as dividend to its shareholders during 2008-09. However, the Scheme guidelines contained no clause regarding the treatment of profits, once an SPV turned profit making. This issue needs to be addressed by DIPP at the earliest.

(iv) Leather Cluster, Kanpur

- The total project cost was Rs. 27.34 crore (GOI share Rs. 9.75 crore) which involved two components viz., Common Raw Hide Storage and Management Centre, and Common Hazardous Waste Disposal Facility (CHWDF). However, the former was dropped due to law and order problems, and a new component viz., Common Effluent Treatment Plant (CETP) added, with the total cost being revised to Rs. 17.65 crore with GoI's share of Rs. 9.75 crore.

However, field visit by Audit in January 2010 revealed that only one out of the proposed three cells of the CHWDF was complete and functioning, while the other two were at different stages of completion (only 41 *per cent* of the project cost incurred). Further, work on the second component, i.e. CETP, was yet to take off.



Functional Cell no. 1 of CHWDF at Leather Cluster, Kanpur



Development of site for Cell No.3 of CHWDF at Leather Cluster, Kanpur

4.3.3.5 Change in Components/ Scope

Audit scrutiny further revealed that two projects with an approved cost of Rs. 139.45 crore, involving Central share of Rs. 82.97 crore, out of which Rs. 80.48 crore had been released, had not been completed due to change in approved components, deletion of components and reduction in scope, as summarized below:

Table 3: Change in Components/ Scope of IIUS Projects

Project	Audit Findings (in brief)
Multi Industry Cluster, Haldia (West Bengal)	<p>The approved (March 2005) component “Approach Road for Haldia Bridge” was dropped, due to the State Government’s decision not to take up the Haldia Bridge project, and funds were re-allocated (December 2006) to the water supply component.</p> <p>In response, DIPP stated that the component was included on the basis of the commitment given by the State Government (November 2009).</p> <p>Inclusion of various components on the basis of anticipation and not on the basis of detailed study/ survey was in violation of the guidelines of the Scheme.</p>
Steel and Metallurgy Cluster, Jajpur (Orissa)	<p>Two existing components approved (November 2004), relating to strengthening and upgradation of old military road and development of the Ghat road in the Daitar Mines area, were replaced by two new components (January 2006), viz. construction of new road along the old military road, and utility corridor.</p> <p>In response, DIPP stated that the existing road was not able to bear the increased traffic load, and it was not possible to close the road for upgradation; hence, it was decided to replace the components with construction of two new lanes along the existing roads (November 2009).</p> <p>This indicates that the original proposals were prepared without adequate survey/ study.</p>

4.3.3.6 Projects with other deficiencies

In four projects, involving a total cost of Rs. 373.35 crore with Central share of Rs 172.61 crore, against which Rs. 128.80 crore was released, audit scrutiny revealed the following deficiencies:

Table 4: IIUS Projects with other Deficiencies

Project	Audit findings (in brief)
Chemical cluster, Vapi, (Gujarat)	<p>Interest of Rs. 1.37 crore earned on the GoI grant (Rs. 26.90 crore) as well as on SPV contribution (Rs. 9.50 crore) was not proportionately adjusted by DIPP before release of the third installment.</p> <p>In response, DIPP stated (November 2009) that no decision regarding adjustment of grant had been taken, as the grant remained frozen at the sanctioned level, while there had been considerable cost overrun which was met by the SPV.</p> <p>In audit’s view DIPP should have adjusted the interest earned before the release of the third installment.</p>

Machine Tools Cluster, Bengaluru, (Karnataka)	<p>The project involved two components –Indian Machine Tool Manufacturer’s Association (IMTMA) Centre of Excellence, and Peenya Industries Association (PIA) infrastructure⁴. DIPP released (March 2007) the third and final installment of Rs. 14.91 crore, despite there being no progress on the PIA infrastructure component.</p> <p>In response, DIPP (November 2009) stated the UCs had been received, and the implementation of the project was over.</p> <p>However, in the absence of the completion report, the claim of DIPP (November 2009) that the implementation of the project was over could not be verified.</p>
Coir Cluster, Alappuzha (Kerala)	<p>The project, which was to be completed by December 2006, had a total cost of Rs. 56.80 crore, with Central share of Rs. 42.60 crore, against which Rs. 28.40 crore had been released as of August 2009. The first installment of Rs. 14.20 crore released in December 2004 could only be utilized in 2009, i.e. after a period of more than four years.</p> <p>In response, DIPP (November 2009) stated that the project was expected to be completed by September 2010.</p>
Foundry Park, Howrah (West Bengal)	<p>The project, which was to be completed by March 2007, had a total cost of Rs. 126.74 crore, with Central share of Rs. 40.40 crore, of which Rs. 13.47 crore had been released in two parts of Rs. 8.48 crore in March 2005 and Rs. 4.99 crore in February 2006. The delay in completion was on account of non-availability of land and lack of environmental clearance.</p> <p>In response, DIPP stated (November 2009) that environmental clearance had now been received and land acquired. The work had started on the ground and a sum of Rs 12 crore had already been spent. The reply of DIPP supports the audit comment that there had been very slow progress in this project which had already been delayed by 33 months.</p>

4.3.3.7 Non-receipt of Utilisation Certificates

Audit scrutiny revealed that against releases of Rs. 792.45 crore upto November 2009 for 26 projects in respect of which Utilisation Certificates (UCs) were required to be received within 12 months, UCs in respect of 8 projects for Rs. 85.87 crore were yet to be received. Details are given in **Annex I**.

4.3.3.8 Conclusion

As can be seen from the above detailed findings,

- 17 projects out of 26, which were scheduled to be completed within 18 to 36 months from the date of sanction of the project, had not been completed.

⁴ This involved several sub-components – roads, solid waste management, common tool room facility, working women’s hostel, common material testing laboratories etc.

- The main reasons for the delay in completion were inadequate survey and assessment of project requirements by the implementing agencies before submission of the project proposals. Further, the GoI approved these projects, without ensuring fulfillment of pre-launch requirements by the State Governments and implementing agencies.
- DIPP failed to exercise adequate and effective control over timely utilization of funds, receipt of UCs, and completion of projects. It also did not have adequate arrangements for verifying actual physical progress of projects before release of the next installments.

4.4 Non-recovery of renewal fee for patents amounting to Rs 1.12 crore

Absence of monitoring system in respect of defaulting patentee resulted in non recovery of renewal fee to the extent of Rs 1.12 crore from August 1992 to March 2008.

In May 2003, the Patents Act 1970 was amended to raise the validity term of every patent granted from 14 years to 20 years.

The date of any granted patent is effective from the date of submission of the patent application. Continued validity of a patent is conditioned on the renewal of patents for which a renewal fee is payable from the second year onwards which must be remitted to the Patent Office before the expiry of the corresponding year. Such patent shall cease to have effect following non-payment of renewal fee within the prescribed period or within an extended period of six months. In case a patent is granted later than two years from the date of filing, the cumulative renewal fees may be paid within a term of three months from the date of the recording of the patent in the register or within an extension of six months. Following cessation of patent right due to non-payment of renewal fee, such patent shall not be entitled to any protection. However the Act also provides that the patentee may make an application for the restoration of the patent within 18 months from the date on which the patent ceased to have effect.

A. Audit scrutiny revealed that the office of the Deputy Controller of Patents and Designs, (DCPD) Kolkata neither intimated the patentees about the outstanding renewal fee nor informed them about the cessation or subsequent lapse of the patent on account of non-payment of the renewal fee. As the fact of lapse of patent was neither recorded in the Register of Patents nor intimated to the patentees or made public, patentees continued to enjoy patent rights even after cancellation or cessation of their patents.

As there is no system in place to pursue or monitor the fact of recovery of the

renewal fee, the renewal fee is not recovered regularly. Scrutiny of three Patent registers revealed that out of 17618 cases of patents registered during 2001-02 to 2006-2007, an amount of Rs. 1.12 crore was recoverable towards renewal fee in respect of 215 number of patents for the period from August 1992 to March 2008.

Thus, failure on the part of DCPD to monitor the status of outstanding renewal fee and notifying the public on cancellation of the patents resulted in loss of revenue to the tune of Rs 1.12 crore, besides allowing the patentees to continue to enjoy business rights without paying the requisite renewal fees.

B. In August 2007, the Head of India Patent Office, Kolkata directed that all patent applications henceforth be examined through e-examination module, developed by NIC. A pre - requisite for such examination was that the entire application must be in digitized format. Audit scrutiny revealed that while some application were being received in digitized form, most were paper application in which case the Office was getting them digitized by CMC Ltd. before examination. While the process of examination moved from manual to electronic format, the Patent Office did not insist upon applicants to submit electronic copies along with paper applications and spent its own money to digitize a majority of those applications. It incurred an expenditure of Rs 22 lakh on digitization of 6764 applications till March 2008 that was clearly avoidable. Such practice is still continuing (July 2008).

The matter was reported to the Ministry in June 2008, their reply was awaited as of September 2009.

Annex-I

(Referred to in paragraph No. 4.3.3.7)

Statement of pending UCs as on 31.12.09

Sl. No.	Name of the Cluster	UC pending (Rupees in crore)	Month of release of the installment
1	Ispat Bhoomi Cluster, Raipur, Chhatisgarh	9.74	September 2008
2	Textile Cluster Ichalkaranji, Maharashtra	9.91	March 2008
3	Chemical Cluster, Ahmedabad, Gujarat	12.56	June 2008
4	Textile Industrial Cluster, Panipat, Haryana	13.63	December 2004
5	Textile Cluster, Ludhiana, Punjab	3.89	March 2008
6	Foundry Cluster, Howrah, West Bengal	13.47	February 2006
7	Metallurgical Cluster, Jajpur, Orissa	14.27	September 2008
8	Auto Ancillary Cluster, Chennai	8.40	October 2008
	Total	85.87	