

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.