

## CHAPTER VII: MINISTRY OF COMMERCE

### Department of Supply

#### 7.1 Arbitration awards

**The deficiencies in the system of documentation, monitoring and accountability procedure in management of arbitration cases in DG S&D led to delays in follow up action and rejection of many claims**

The standard format of agreement/terms and conditions of all contracts/procurement orders placed by DGS&D<sup>1</sup> contains a clause that in the event of any dispute or differences arising under the conditions of contract, the matter would be referred to the sole arbitrator, who is appointed from among the officers in the Ministry of Law.

The cases referred to the arbitrator relate mainly to the disputes relating to risk purchase, general damages, liquidated damages and for miscellaneous other reasons.

#### 7.1.2 *Non-maintenance of systematic data*

Examination of management of arbitration cases in DGS&D disclosed that DGS&D did not maintain a comprehensive central list/register containing the details of such cases, the reasons for arbitration, date when the claim arose, name and date of reference to the arbitrator, follow up action, award of arbitrator and date of award, date of filing of the awards in the court of law to make them decree of the court, actual recovery of the decreed amount, etc. As a result, the efficacy of the system and its operation could not be ascertained. The arbitration award register maintained by the Litigation Directorate of the DG S&D also did not contain complete details to enable Audit to verify their correctness and to obtain assurance that the cases were processed timely and effectively.

As per the Annual Administrative Report of DGS&D under the Department of Supply, 289 cases were pending with arbitrators, while 815 cases were pending in civil courts as on 31 March 1998. The year-wise break-up is given below:

**The efficacy of the system and its operation was not ascertainable in the absence of a comprehensive central list/register.**

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<sup>1</sup> Director General of Supplies and Disposals

Date	In arbitration*	In court*
01.04.1993	4914	NA
01.04.1994	5040	NA
01.04.1995	375	837
01.04.1996	356	911
01.04.1997	405	834
01.04.1998	289	815

\* Source: Annual Administrative Report for 1993-94, 1994-95, 1995-96, 1996-97 and 1997-98

The basis on which the information in the Annual Administrative Reports was incorporated could not be verified, as the relevant records were not made available. As a result the correctness of the sudden drop in the number of cases in arbitration as on 1 April 1995 to 375 from 5040 during the previous year could not be verified. It is noteworthy that number of cases decided by the arbitrators in six years : 1993-99 was reported as only 446.

### 7.1.3 Delay in follow up action

Sample check of 159 cases out of 205 cases, the records of which were produced to audit, in which the arbitrators had already given the award, relating to 18 Directorates, were carried out during January - August 1999. 132 of these cases were decided in favour of the Government with aggregate financial implication of Rs 6.44 crore, of which only Rs 0.45 crore stood recovered and Rs 5.99 crore remained unrecovered. 73 cases with financial implication of Rs 0.89 crore were decided against it.

#### The analysis disclosed the following position.

Status of the cases	No of cases	Value of award (Rs in lakh)	Remarks
A. Failure of DGS&D to file the award in court in time for making the rule of court/execution petition yet to be filed.	14	56.08	The delay ranged between 9 and 78 months (Annex A)
B. Pending recovery of decree award from firms	8	10.38	Delay of one to three years (Annex B)
C. Pending with courts for decree after arbitration award	64	532.79	Pending for over six years (Annex C)
D. Arbitration's award against the Government	73	89.13	In these cases, Government's claim of Rs 4.40 crore was not admitted by the Arbitrator

Following deficiencies were noticed in the management of the arbitration cases in which the arbitration awards were already made.

**DGS&D did not establish accountability procedure for delay in follow-up action.**

- There was general laxity in follow up actions for acceptance of the award or for challenging them in a court of law. DGS&D did not establish any accountability procedure for delay in the follow-up action
- The system of monitoring the cases by the Director (Purchase) monthly, by the Deputy Director General every two months and by the Director General every quarter did not function, since the Purchase Directorates did not maintain the register containing the details of all cases.
- The Directorates did not maintain a systematic documentation of the arbitration cases to enable their proper follow-up action.

#### **7.1.4 Cases where the awards went against the Government**

Scrutiny of cases in which the arbitrators had rejected the claims of the Department disclosed that in many cases the claims of the Department were rejected due to laxity/negligence of the Departmental officers as under:

- In 10 cases, the terms of repurchase contract were different from those of defaulted contracts.
- In five cases, the Department failed to prove the principle of mitigation of loss before the arbitrators.
- In three cases, the Department failed to produce the available documents before the arbitrators.
- In 12 cases, the Department failed to prove timely rejection of stores before the arbitrators.
- In the remaining 43 of the 73 cases also, where the claims of the Department were rejected, the reasons could be attributed to failure of the Department on one or another count.

Scrutiny of individual files disclosed following deficiencies as being the reasons for rejection of claims namely; unacceptable rejection of lower offers in risk purchase tender enquiry, failure to issue demand notice regarding general damages, failure to file document of the market price on the date of breach, failure to place the risk purchase order within the stipulated period, failure to conclude risk purchase within six months of the date of breach or failure to produce documentary evidence to substantiate the claims, rejections of stores without joint inspection and failure to issue performance notice before cancellation of the contract, etc.

These shortcomings also disclosed that the internal audit of the arbitration cases was not effective.

**7.1.5 *It is recommended that the Department should:***

- (i) prescribe a system of proper documentation of cases,
- (ii) establish a system of monitoring and review and
- (iii) put accountability system in place.

The matter was referred to the Ministry in October 1999; their reply was awaited as of December 1999.

**Annex A****(Refers to paragraph No 7.1.3)****Delay in follow up action**

Sl. No.	AT No. & Date	Arbn. Case No	Date of Award	Amount (in Rupees)	Remarks.
1.	BTX- 3/0793/0244/COAD Dt. 29 August 88	30-B/93	15 October 1993	881814	Award was not filed in court to get a decree of the court, though a period of five years has passed.
2.	101/1096/T3/025/CO AM dated. 12 May 1983	RB-02-B/93	30 April 1993	11850	Case was not pursued after 23 December 1996. Recovery of RP loss not yet made. Award was received on 30 April 1993 but it was accepted only on 19 December 1996 after delay of more than 3 years.
3.	BTX- 8/0703/RP/0747(91) 0800 Dt. 28 August 1992	127-B/97-B	22 December 1998	55059	Execution petition was not filed.
4.	107/1335/23-2-88/B2/143/RP/1322 COAB Dt. 15February1991	47-B95-B	26 July 1996	212106	Award was not filed in the court for making a decree of the court.
5.	B1/106/1941/8-5.90/0172/COAM Dt. 14 September 1990	34-B/97-B	3 June 1998	185433	Execution petition was not filed.
6.	BTX-3/0818/0111/COAD Dt. 13 July 1987	130.B/97-B	24 December 1998	115183	The Contractor challenged the award on 16 April 1999. Ministry of Law appointed Govt. Counsel on 21 July 1999 to defend the case.
7.	B2/203/1566/1228/COAB Dt. 28 November 1989	92-B/97	19 November 1998	126324	Execution petition was not filed.
8.	203/1720/29 August 89 B2/1311/COAB Dt. 14 November 90	35-B/97-B	9 October 1998	334720	Execution petition was not filed.
9.	203/1601/22 February89/B2/1224/COAB Dt. 26 October 1989	94-B/97-B	16 November 1998	1029673	Execution petition was not filed.

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10.	B1/316/2427/26 October 94/COAM/ 0324 Dt. 28 October 1994	90-B/97-B	16 April 1998	1195113	Execution petition was not filed.
11.	BTX- 3/0381/COAB/0301 Dt.20 December 1988	RB/16-B/97	16 June 1997	66132	Notice issued to the contractor on 20 October 1997 Award not filed in the court so far.
12.	BTX-4/474/0214/0554/COAD/028 dt. 16 February 84	RB-253-B/92	28 April 1995	170127	Demand notice was issued to the contractor on 11 November 1999. Award has not been filed in the court.
13.	BTX-3/0288(88)RP/ 0411 Dt. 13 July 1989	31-B/97-B	30 March 1998	333804	Demand notice issued on 3 June 1998. Application yet to be filed in the court for obtaining decree.
14.	107/0778/10-9-98/T-6/1058/82/RP/024/COAB Dt. 19 March 1984	RB/84-B/92	9 May 1995	891056	Award not accepted. Not filed in the court for making it rule of the court. Not pursued after 9 September 1997.
		<b>Total</b>		<b>5608394</b>	

**Annex B****(Refers to paragraph 7.1.3)****Recovery of decree award from firms**

<b>Sl. No.</b>	<b>AT No. &amp; Date</b>	<b>Arbn. case No</b>	<b>Date of Award</b>	<b>Decreed amount (in Rupees)</b>	<b>Remarks</b>
1.	WL.4/101/36 2/13 September 85/64/1979/C OAD dt. 28February86	10-B/96	30 April 1996	199925	Award made rule of the Court on 27 May 1997. Delay of 2 years in execution of Award.
2.	101/002/ K- 3/695/COAD dt. 30 May 86	120-B/94	31 January 1997	47380	Award made rule of the Court on 25 August 1998. Delay of 1 year in execution of decree.
3.	ST- 4/101/169/ 17 July 83 1287/ 11 August 83/20/086/ RP/155/COA D dt. 13 March 85	186-B/92	12 March 1993	73320	Award made rule of the court on 6 July 1998. One year delay in execution of decree.
4.	AM- 2/225/099/ 18 July 83/71 Belco/ COAD/496 dt. 22 February 84	33-B/96	1 Decembe r 1996	64404	Award made rule of the court on 15 October 1998- one year delay.
5.	PM- 3/206/128/ 6 November 87/ COAD/ 072 Dt. 15 June 88	54-B/94	30 March 1995	110520	Award made rule of the court on 18 March 1998 with 12% int. from date of Award till realisation -delay of 1 ½ years.
6.	ST- 4/101/109/ 7 July 83/207/11 August 83/24/ 108 COAC dt. 7 June 84	72-B/94	30 May 1994	112164	The contractor approached court for setting aside ex-parte decree, which was dismissed on 2 August 1996 by the Court. But the contractor has submitted application for setting aside the order of. 2 August 1996. Last date of hearing was 21 March 1997 and thereafter no action was taken by the department.

<b>Sl. No.</b>	<b>AT No. &amp; Date</b>	<b>Arbn. case No</b>	<b>Date of Award</b>	<b>Decreed amount (in Rupees)</b>	<b>Remarks</b>
7.	WMT-5/107 /105/ 11 October 88/ 15/ MA/ COAC/965 dated 15 December 89.	RN-59-B/95	7 September 1995	354729	The Award was made rule of the Court on 17 October 1997. The decree was filed in the court for execution of the decree on 2 September 1998 by attachment order.
8.	OC-1/043 dated 30 August 1985	RN-86-B/95	17 January 1996	75990	Award made rule of the court on 25 October 1996. Recovery pending.
		<b>Total</b>		<b>1038432</b>	



## Annex – C

(Refers to paragraph 7.1.3)

## Cases pending with courts for decree after award

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
1.	OC-4/101/0206/ 20 July 88/H4/COAC/594 Dt. 7 October 88	30-B/97	20 October 1997	20722776	The award was filed in the court on 4 December 1997 but still not made rule of the court- delay of 2 years.
2.	PM-4/220/0025/ 14 April 88/P4/COAD/133 Dt. 22 September 1988	10-B/98	20 April 1995	11257480 + 10000	Award was accepted on 3 May 1995 by the department but not yet made rule of the court delay of 4 years. No action taken by the department since July 1996.
3.	ST-3/RGC-9883/78-79/KMOC/COAM/035 dt.29 November 78	29-B/93	10 August 1993	2518047	Award accepted on 24 August 1993 filed in court on 5 October 1993 still not made rule of the court-delay of 6 years.
4.	TP-5/AT/RGC/9952 /oil paste/79-80/451/ POAD Dt. 29March79	46-B/97	22 December 1997	567838	Award was accepted on 5 February 1998 but still not made rule of the court- delay of almost 2 years.
5.	PM-5/206/0178 /15March 88/816/COAB/ 17 May 88	RN-110-B/94	30 March 1995	312793	Award filed in court in December 1997 but still not made rule of the court- delay of 4 ½ years.
6.	TP-5/Rerc-1252/ Enamel interior/85-86/COAC/ 882 dated 11 July 85	RN-19-B/95	12 June 1996	213092	Award filed in the court and not yet made rule of the court- delay of 3 years period.
7.	ST4./101/308/24 (074)RP/ 156/COAD dated 27 March 95	RN-103-B/94	30 November 1994	207535 (251199.60 less SD 43665.00)	Award was accepted by the department in March 1995 but the award yet to be made rule of the court- delay of 5 years. No action taken after January, 1997 by the department.
8.	PM4/220/237/2 July 83/ 526/COAB Dated 12 April 84	RN-143/94 146-9 B/94	9 December 1994	212775	Award was accepted on 24 January 1995 and filed in the court on 27 May 1996 but still not made rule of the court- delay of more than 4 ½ years.
9.	ST/1/107/8251/29February68/ COAD/417 Dated 29 November 90	12-B/96	3 June 1996	151582	Award filed in court on 25. October 1996 but still not made rule of the court- delay of 3 years.

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Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
10.	ES-4/101/024/19 August 88/34/ COAD Dated 8 February 90	162-B/94	31 August 1995	137287	The award was accepted by the contractor on 19 December 1995 but still the award was neither made rule of the court nor recovery effected- delay of more than 3 ½ years.
11.	WL3/307/0075/24March88/ED/ 31 August 89/63.161/ COAD. Dated 5 January 90	9-B/96	29 August 1996	85476	Award filed in court on 27 February 1998 but still not made rule of the court- delay of 3 years.
12.	PM-6/RGC/1547/RP/ Rolls/86-87/138/ COAD dated 3 February 88	72-B/92	30 April 1993	76371	Award filed in court on 9 January 1995 but still not made rule of the court- delay of 6 years.
13.	PM-6/106/0018/3 May 89/ COAC/282 Dated 30 October 89	RN-50-B/94	11 July 1994	51423 (RP)	Award not yet made rule of the court- delay of 5 years.
14.	ESI/102/ 906/24 November 78/37/ GLS/ Omega.739/PAOC/ 26 December 78 against R/C No ES-1/RC-9797/GLs/ 178.79/ 608/ PAOC Dated 16 October 78	RN-7-50/B/98	24 November 1998	23691 (GD)	Award not made rule of the court.
15.	TP-4/101/014/7 April 83/ Bulked/Z-4/PAOC/760 Dated 18 August 84	3-B/93	25 October 1993	124641 (RP)	Award filed on 14 December 1993 but Judgment awaited -delay of 6 years.
16.	ST-4/101/169/ 7 July 83/ 207/ 11 August 83/24/106/ COAC Dated 23 June 84	21-B/95	28 December 1995	10640	Award still not made rule of the court- delay of 4 years.
17.	TP-2/102/567/15 September 79/Z2/ PAOD/ 495	RN-39-B/92 4-B/97	15 September 1997	12409	Award pending in the court for making rule of the court - delay of 2 years.
18.	PM-9/RC-Paper/0213/80-81/115/COAD/16	28-B/98	11 June 1998	5000	Award not made rule of the court whereabouts of the contractors not known -delay of 1 year.

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
	August 80 & POM-9/0401/81-82/192/COAD Dated 27 July 81				1 YEARS.
19.	PE-4/RC/1901/BD/Def/88-89/ Geep/COAD/ 139 Dated 17 May 88	62-B/92	16 September 1993	339388	The award was accepted by the department filed in court on 20 October 1997 but the contractor have challenged the award - delay of 6 years.
20.	ST-4/220/0327/2 September 85/ 24/REC/ 219/COAD Dated 15 May 86	16-B/92	28 April 1993	161317	The award was set aside by the court on 18 May 1998 with the order of referring the case to arbitrator afresh.
21.	ST/4/101/0217/3 June 85/ 24/SI/206/ COAC Dated 6March86	9-B/97	17. August 1998	53352 (GD)	The award was not accepted by the contractor and hence challenged in the court - delay of 1 years.
22.	B1/307/2122/26 4/91/2133/COAD/214 dated 27 May 91	RB-107-B/94	28 April 1995	283895	Award filed in High Court Mumbai on 27 June 97. award yet to be made decree of Court.
23.	309/1518/5 July 82/B1/859/COAB dated 12 May 83	RB-74-B/94	19 June 1995	102544	Award filed in Mumbai High Court on 24 November 1995 yet to be made decree of court. Out of total recovery of Rs 247386 a sum of Rs 144842 was recovered from contractor by Dy. Controller of Accounts and kept under deposit. Balance amount of Rs 102544 is yet to be recovered.
24.	301/1201/14/8/87/BP4/910/COAC Dt. 1 July 88	RB-105-B/94	8 August 1995	600045	Award filed in Mumbai High Court on 10 November 1995. Yet to be made decree of court.
25.	BTX-3/305/0850/3/10/9/COAD/0777 Dt. 24 October 91	RB-67-B/95	7. February 1996	53853	Award filed in Delhi High Court on 11 September 1996. Yet to be made decree of court.
26.	BTX-4/438/0653/1261/0471/T4/COAD/027 Dt. 22March83	97-B/97-B	29 May 1998	285246	Award filed in Mumbai High Court in September 1998. Yet to be made decree of court . Demand notice issued in July 1998 was received back undelivered in September 1998.

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
27.	BTX-4/267/0457/12-8-82/T4/COAD/ 115 Dt. 15 December 82	48-B/97-B	2 June 1998	824376	Award filed in Mumbai high court in September 1998. Yet to be made decree of court. Demand notice issued in July 1998 was received back both with the remarks "Left".
28.	BTX-3/0706/0205/COAC Dt. 17 June 88	56-B/97-B	10 June 1998	1201104	Award filed in Mumbai High Court in August 1998 but the same yet to be made decree of court.
29.	BTX-2/0068/COAC/104 Dt. 11 September 86	65-B/97-B	11 March 1998	163279	Award was filed in Mumbai High Court on 2 September 1998. Yet to be made decree of court.
30.	107/0498/ 24-11-88/T6/ 0209/ COAC Dt. 9 March89	RB-62-B/94	11 July 1994	273897 (RP)	Award filed in High Court Calcutta in August 1994 still pending.
31.	BTX-4/107/0877/COAC/ 0393 Dt. 24 November 88/ 1 December 88	66-B/97-B	12 May 1998	715318 (RP)	Award filed in Mumbai High Court on 12 November 1998. Yet to be made decree of court.
32.	BTX-1/506/ 0790/2-2-88/ 0254/COAC Dt. 15 June 88	50-B/97-B	21 April 1998	33968 (RP)	Arbitrator filed award in civil city court, case is pending. Award not yet made rule of the court. No demand notice was issued to contractor after the issue of award.
33.	BTX-8/0507(89)RP/0597 Dt. 22 August 90	RB-81/B-94	12 February 1996	1009721	Award filed in Mumbai high Court on 9 uly1996. Demand notice issued on 22 September 1998.
34.	BTX-8/0357 Dt. 30 May 88	RB-17-B/94	13 February 1996	600273	Demand notice issued on 5 November 1996. Award filed in High Court on 8 July 1996.
35.	BTX-3/0402 Dt. 29 June 89	RB-22-B/97	20 June 1997	619996 (RP)	Demand notice was issued on 28 August 1997. Award filed in Mumbai High Court on 25 September 1997.
36.	BTX-3/0193/ COAB Dt. 1 June 88	87-B/97-B	26 February 1998	38810 (RP)	Demand notice issued on 18 May 1998. Award filed in City civil court in December 1998.
37.	BTX-3/0446 Dt. 11 October 89	17-B/97-B	13. October 1997	75929 (RP)	Demand notice issued on 19 January 1998. Award filed in Mumbai High Court on 4 March 1998.
38.	BTX-4/037(81)/ RP/COAB Dt. 16 March 82	RB-45-B/97	17 June 1997	27169	Award filed in city civil court on 26 September 1997 Demand notice issued on 12 September 1997.

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
39.	BTX-3/0359 Dt. 21 April 89	58-B/97-B	27 February 1998	23885 (RP)	Award filed in city court on 28 August 1998 Demand notice was issued.
40.	BTX-3/001/ COAD Dt. 15 January 86	RB-13-B/97	16 June 1997	25600 (RP)	Award filed in city civil court on 16 October 19.97 Demand notice was issued on 19 September 1997.
41.	506/0604/ 19-11-87/T7/ COAD/ 0163 Dt. 9 August 88	RB-33/B/93	12 October 1993	126693	Award was filed in Mumbai High Court on 16 November 1994. Yet to be made decree of court.
42.	BTX-4/15/0644/0475/COAD/049 Dt. 27 April 83	52-B/97-B	4 June 1998	2086860	Demand notice issued on 27 July 1998. Award was filed in Mumbai High Court in September 1998. Yet to be made decree of court. .There was mistake in mentioning the A/T no. in the award for which matter was taken up with the arbitrator.
43.	CP-3/079	RC-169-B/92	30 August 1993	40336	Award not made rule of the court. Delay of 6 years.
44.	C.P. 6/569	RC-30/B/95	29 December 1995	136678	Award not made rule of the court. Delay of 4 years.
45.	C.P.-6/322	RC-14-B/95	31 May 1995	22085	Award not made rule of the court. Delay of 4 years
46.	C.P.-6/245	RC.98-B/94	24 June 1994	99750	Award not made rule of the court. Delay of 5 years
47.	C.P. 6/043	RC-274-B/91	6 December 1993	826895	Award not made rule of the court. Delay of 6 years.
48.	C.P.-3/306	RC-183-B/94	21 September 1995	9349	Award not made rule of the court. Delay of 4 years
49.	CP-3/015	RC.259-B/92	30 August 1993	375112	Award not made rule of the court. Delay of 6 years
50.	CP-5/049	RC-68-B/94	23 June 1994	260914	Award not made rule of the court. Delay of 5 years
51.	CP-6/205	RC-180/B-92	24 November 1993	284000	Award not made rule of the court. Delay of 6 years
52.	CP-3/057	RC-187-B/94	28 December 1994	63000	Award not made rule of the court. Delay of 5 years
53.	CP-4/194	RC-188-B/94	28 December 1994	503823	Award not made rule of the court. Delay of 5 years

Sl. No.	AT No. & Date	Arbn. Case No.	Date of Award	Amount of award (in Rupees)	Remarks.
54.	CP3/355	RC-11-B/95	31 May 1995	75988	Award not made rule of the court. Delay of 4 years
55.	CP-3/123	RC-189-B/94	27 March 1995	247115	Award not made rule of the court. Delay of 4 years
56.	214/0792/0489 /BTX-2/0489/ COAC Dt. 6 July 89	RB-21-B/97	20 June 1997	194600 (Interest @ 24% from 30 March 92 to September 1999)	Award filed in the lower court on 26 September 1997 Ministry of Law requested on 10 March 1999 for transfer of case to High Court.
57.	0614/(90)/RP/ COAD/0595 dated 27 May 1992	80-B/97-B	20 February 1998	97500	Demand notice issued on 21 April 1998. Award filed in Delhi High Court on 28 May 1998.
58.	107/1165/5.2.83/ T-6/045/COAD dated 22 August 1993	RB-83-B/92	9 May 1995	91321	Award accepted and filed in Civil Court on 12 December 1995. Demand notice issued on 18 July 1995.
59.	BTX-4/319/124 (82)/RP/COAD/ 111 dated 6 August 1983	RB-32-B/93	9 May 1995	265671	Award filed in City Court on 12 December 1995. Demand notice issued on 18 July 1995.
60.	PM-5/749/COAM dated 25 January 1998 against RC No. PM-5/RC-1855/Cream Wave / 697 dated 7 January 1998.	248-B/91	14 May 1993	3061721	Award not yet made Rule of the Court.
61.	HW-4/225/355/2290/44/ COAD dated 20 March 1990	RN-15-B/93	19 January 1994	133568	Award not yet made Rule of the Court.
62.	303/K-3/371/COAD dated 11 March 1985	RN-23-B/94	29 April 1994	22851	Award not yet made Rule of the Court.
63.	BTX-3/191/(88)/ RP/COAD/0399 dated 15 June 1989	RB-14-3197	16 June 1997	19169	Award accepted on 31 July 1997. Award was filed in the court on 22 October 1997 and not yet made Rule of the Court.
64.	BTX-3/0293/88/ RP/COAC/0421 dated 14 August 1989	68-B/97	26 February 1998	19913	Demand notice issued on 25 May 1998. Award filed in the court on 3 January 1998 but not yet made Rule of the Court.
		<b>Total</b>		<b>53278733</b>	

## 7.2 Recovery at the instance of Audit

**At the instance of Audit in June and September 1998, Controller of Accounts, Department of Supply, Calcutta recovered Rs 29.82 lakh overpaid to suppliers.**

In terms of Production Control Order issued by DGSD<sup>1</sup> in June 1993 under the Jute (Licensing and Control) Order 1961 the price payable for B. Twill bags should be lower of the price payable in the month in which supply was originally due or price payable in the month in which supplies were actually made.

**Failure to apply correct rate led to overpayment of Rs 29.82 lakh.**

Sample check of the paid vouchers for the month of January/February 1998 relating to the purchase of B. Twill bags revealed that in 29 cases, Controller of Accounts, Calcutta paid the suppliers at the December 1997 rate of Rs 2012.73 per 100 bags for deliveries made in January 1998 instead at the rate of Rs 1911.16 applicable in January 1998. This resulted in overpayment of Rs 29.82 lakh to the suppliers.

On being pointed by Audit in June and September 1998, Controller of Accounts, Department of Supply, Calcutta recovered Rs 29.82 lakh during July-December 1998 by adjustment from future claims of the suppliers.

It calls for strengthening of internal control system and a comprehensive check of payments made by that office. It is recommended that the Ministry may carry out a special internal audit and strengthen the system upon the findings of the internal audit.

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<sup>1</sup> Director General of Supplies and Disposals