

## CHAPTER IX : MINISTRY OF FINANCE

### Department of Economic Affairs

#### 9.1 Payment of overtime allowance beyond the permissible norm

**General Manager, Currency Note Press made overtime payment of about 480 hours per quarter to almost all staff members during 1995-99 against the permissible limit of only 50 hours per quarter. Overtime allowance beyond the permissible limit for the aforesaid period aggregated to Rs 64.19 crore.**

Scrutiny of overtime expenditure in CNP<sup>1</sup>, Nashik during the years 1995-96 to 1998-99 disclosed that the GM<sup>2</sup> paid overtime allowance of about 160 hours every month to almost all of its 4600 supervisory and non-supervisory staff and workers. The expenditure on overtime payments during 1995-99 were as under:-

Year	Expenditure on overtime payment (Rs in crore)
1995-96	12.95
1996-97	14.27
1997-98	19.62
1998-99	25.03
<b>Total</b>	<b>71.87</b>

At this rate, each staff worker should have worked for more than about 14 hours a day continuously on all days, including on all holidays and Sundays. The comparison of overtime payments with the total salary bills for the years 1996-98 disclosed that the overtime payments were about 56 per cent of the expenditure on pay and allowances and wages of the employees.

In granting overtime allowance for as high as 480 hours in each quarter, the GM infringed the provisions of Factories Act 1948. Section 64 of the Act prescribes that total number of hours of overtime in a quarter shall not exceed 50 for any quarter and that total number of hours of work in a week, including overtime, shall not exceed 60 hours a week. The statutory limit on total working hours including overtime was infringed continuously by GM, CNP by allowing the workers to work for about 98 hours a week, including

<sup>1</sup> Currency Note Press

<sup>2</sup> General Manager

the overtime continuously against the ceiling of 60 hours. Similarly, quarterly ceiling of 50 hours of overtime was overrun by 9.6 times and almost all employees were shown as putting overtime work of 480 hours during every quarter.

For one quarter, October-December 1996, the GM obtained relaxation of the competent authority under Section 65 of the Act to allow workers to work overtime for up to 75 hours. The special permission for relaxation of the provision of the Act was made irrelevant by allowing the workers overtime of work for 480 hours even during this quarter.

The value of overtime payment beyond the maximum limit prescribed in the Factories Act was Rs 64.19 crore out of the total payment of overtime of Rs 71.87 crore.

The GM, CNP attributed the overtime payment to tremendous pressure for supply of notes. Pressure of work cannot be a ground for flouting of statutory provisions. Besides, the GM did not explain how all these employees worked continuously for over 14 hours a day for so many years.

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

## **9.2 Failure to deduct Sales Tax from customers**

**Ignorance of the General Manager of India Government Mint, Mumbai about Sales Tax liability on commercial productions resulted in payment of Rs 1.95 crore to Government of Maharashtra, which was never recovered.**

IGM<sup>1</sup>, Mumbai whose primary function is to mint coins, also undertakes production and sale of commercial products like weights and measures, medals, tokens and commemorative coins. While it is exempted from the purview of State Sales Tax Act for production and supply of legal tenders viz. coins, being a sovereign function, it is liable to recover and pay Sales Tax on other commercial productions and supply.

IGM did not recover Sales Tax on supply of commercial items to the Government Departments and private indentors due to its ignorance of the liability.

Sales Tax Commissioner of Maharashtra served notices from June 1996 onwards on IGM for recovery of Sales Tax of Rs 2.07 crore on supply of commercial items during 1983-95 aggregating Rs 9.79 crore and adjusted Rs 1.58 crore towards its dues by debiting IGM's accounts with the Reserve

---

<sup>1</sup> India Government Mint

Bank of India under Section 39 of Bombay Sales Tax Act 1959 in February 1998.

Later, IGM deposited Rs 48.86 lakh towards Sales Tax with the Sales Tax Commissioner Maharashtra by March 1999, being the liability for 1993-95 which it never collected. The assessment of demand for 1996-98 was yet to be made by the Sales Tax Commissioner. IGM has started recovering Sales Tax from April 1998.

Out of Rs 1.58 crore recovered by the Sales Tax Department, the General Manager, IGM issued demand notices for Rs 70.95 lakh to Government departments and bodies. Out of this demand, it could recover Rs 11.51 lakh. Sales Tax of Rs 86.77 lakh on items sold to private parties have become irrecoverable.

In addition, the Sales Tax Commissioner has also levied a penalty of Rs 2.12 crore for default in deposit of sales tax for 1983-95, against which, General Manager, IGM has appealed to the Sales Tax Tribunal.

Thus, ignorance of IGM of its liability to recover and deposit Sales Tax on commercial products resulted in payment of Rs 1.95 crore towards Sales Tax which it never recovered besides an undetermined amount for 1996-98. This was an entirely avoidable outgo from the Consolidated Fund of India. Besides, IGM has also become liable to pay penalty of Rs 2.12 crore.

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

### **9.3 Failure to invoke penal provision**

**Upon being pointed out by Audit, General Manager ISP Nashik assured procurement of the balance quantity of 169.72 tonne of paper short supplied by the vendor against the contracted quantity at the original contract rate . This quantity had been procured from another firm at an extra expenditure of Rs 27.16 lakh.**

The General Manager ISP<sup>1</sup> Nashik placed a supply order in January 1995 on Shreyans Industries Ltd., New Delhi for supply of 3400 tonne of Blue Wove Paper at Rs 23000 per tonne for printing of inland letter cards. The contract stipulated that in case of default by the supplier to maintain the delivery schedule, ISP would be authorised to cancel the contract and purchase the material from another firm at the risk and cost of the supplier firm.

Shreyans Industries Ltd supplied 3230.28 tonne against the supply order for 3400 tonne up to the extended period of delivery. Instead of invoking the risk and cost purchase clause, the General Manager ISP procured the balance

---

<sup>1</sup> India Security Press

quantity of 169.72 tonne paper against a supply order for 200 tonne from another firm, Shree Vindhya Paper Mills Ltd., Bhusawal at Rs 39000 per tonne in August 1996 on which an extra Rs 27.16 lakh was spent with reference to the rate of the former, which was recoverable from the defaulting firm as per the terms and conditions of the supply order.

Upon being pointed out by Audit, the Chief Purchase and Store Officer, ISP stated in July 1999 that the matter was discussed with the firm and they were prepared to supply the balance quantity of 169.72 tonne of paper during 1999-2000 at the rate at which the supply order was given in 1995. The actual supply was yet to take place as of September 1999.

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

#### **9.4 Excess purchase of security paper**

**Irresponsible purchase of security paper by General Manager, ISP<sup>1</sup> Nashik resulted in excess stock of 409.70 tonne of paper valued at Rs 2.45 crore for many years. The unnecessary purchases cost the exchequer interest damage of Rs 2.13 crore up to March 1999.**

Audit of stock of various items held by ISP Nashik in April 1999 disclosed that the closing stock of sensitised Hundi Stamp grey colour paper at the end of March 1999 was 409.70 tonne valued at Rs 2.45 crore.

Examination of purchase and utilisation of this paper disclosed that General Manager, ISP Nashik purchased 101.83 tonne of security paper for Rs 1.87 crore from Security Paper Mill, Hoshangabad in August 1994, though the ISP was already holding the stock of 324.82 tonne of this paper purchased for Rs 78.83 lakh in 1987-88. During 1987-99 ISP utilised only 16.95 tonne of the paper leaving a balance of 409.70 tonne valued at Rs 2.45 crore, which established that purchases on both occasions i.e. 1987-88 and more so in 1994, were made without assessing the requirement and stock. This points towards deficiency in store and purchase management in ISP Nashik which had led to unnecessary expenditure of Rs 2.45 crore.

It should be viewed in the background that a large portion of expenditure of the Union Government was met out of borrowed funds during all these years, since the Union Government had an annual fiscal deficit of Rs 30923 crore to Rs 88937 crore during 1988-99. The unnecessary purchase by GM, Nashik had cost the exchequer Rs 2.13 crore by way of interest for four and 11 years, respectively on the cost of the unutilised stock up to March 1999, calculated at the maximum borrowing rate of interest of 14 *per cent per annum*.

**GM,ISP had purchased in August 1994 additional quantity of 101.83 tonne of paper worth Rs 1.87 crore despite huge stock.**

<sup>1</sup> India Security Press

Financial Adviser and Chief Accounts Officer, ISP Nashik stated in April and May 1999 that due to less demand for Hundi Stamps, the consumption of paper was less. He added that due to its grey colour, the paper cannot be used for other security jobs,

The reply of FA & CAO, ISP establishes the imprudent action in purchase of paper, even while there was practically no demand of Hundi Stamps.

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

#### **9.5 Recovery at the instance of Audit**

**Upon being pointed out by Audit, the State Bank of India, Calcutta deposited the penal interest of Rs 13.72 lakh in Government Account for delay in credit of the amounts under the Special Deposit Scheme.**

The State Bank of India, Calcutta Main Branch functions as coordinator in respect of Special Deposit Scheme for the benefit of Non-government Provident, Superannuation and Gratuity Funds and remits the deposits received in the branch and other receiving branches to the Bank's Central Office at Mumbai for credit to Government Account.

The deposits received by bank branches under the scheme have to be credited to Government Account within five days and nine days of receipt in respect of local and outstation branches respectively. Failure to credit the deposits within the stipulated time attract penal interest at the rate of 12 *per cent per annum* for the entire period of delay including the grace period.

Sample check of records of the Bank in November 1998 revealed that during March 1997 to March 1998, out of the total deposits aggregating Rs 52.10 crore, the Deputy General Manager of the bank delayed the remittance aggregating Rs 34.40 crore for credit to Government Account by six to eighteen days. Yet, the Bank did not credit penal interest for the period of delays to Government Account. There was, thus, a loss of Rs 13.72 lakh to the exchequer, as the Government had to pay interest to the subscribers from the actual date of receipt of the deposits at the banks.

*Delay in forwarding of deposits received by bank resulted in loss of Rs 13.72 lakh to government.*

The Ministry stated, in September 1999, that upon being pointed out by Audit the State Bank of India, Calcutta deposited the penal interest of Rs 13.72 lakh in July 1999 in the Government Account. The Ministry added that the State Bank of India has started looking into the cause of delay and fix staff accountability.

## **Department of Revenue**

### **9.6 Excess payment of night duty allowance**

**Failure of Pay and Accounts Officer, Customs House Kochi to detect the error in claim of night duty allowance by the staff of the customs house resulted in excess payment of about Rs 28 lakh.**

Government of India issued order in October 1989 prescribing a uniform night weightage of ten minutes for every hour of night duty attended to between 22 hours and 06 hours effective from January 1986. Prior to these orders, night duty weightage was at the rate of ten minutes for every hour of night duty between 20 and 22 hours and thereafter at the rate of twenty minutes per hour till 06 hours.

Sample check of vouchers of four categories of staff viz. Preventive Officers/Superintendent, Sepoys, Havildars and marine staff for the month of July 1996, paid in September 1996 revealed that the Pay and Accounts Officer, Customs House, Kochi passed the bills of OTA claims on the basis of orders applicable prior to January 1986. This disclosed excess payment of Rs 22470 to the staff of Customs House. Based on these figures, the excess payment made during January 1986-July 1996 would work out to approximately Rs 28 lakh. Excess payment made to other categories like Examiners and Appraisers could not be checked in audit due to non-production of the concerned bills.

The Pay and Accounts Officer, Customs House, Kochi stated in June 1999 that the particulars of actual excess payment made due to incorrect reckoning of night weightage were being compiled from the vouchers/connected records for the periods from April 1991 onwards and on its completion, the details prior to April 1991 would be worked out.

It is recommended that the Administration should work out the total excess payment and recover it from the concerned employees.

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

### **9.7 Loss due to failure to revise rates of licence fee**

**Failure of the Commissioner of Customs (Administration), Calcutta to revise rates of licence fee for accommodation provided to clearing agents resulted in loss of Rs 52.83 lakh during 1993-99.**

The Commissioner of Customs (Administration), Customs House Calcutta provide table space measuring 30 sq ft each on licence to clearing agents for their business in the Customs House Building. During the years 1993 to

1999, 115 table spaces had been occupied by clearing agents. The Commissioner continued to charge licence fee at Rupee one per sq ft from the clearing agents without reference to the prevailing market rate. This rate had been fixed by the Commissioner of Customs (Administration) as far back as in the year 1973.

**Rates of licence fee had not been revised for a very long time.**

Although the prevailing standard rate of rent determined by the Central Public Works Department during the period 1993 to 1999 ranged between Rs 15 and Rs 24 per sq ft per month, the Commissioner of Customs (Administration) did not revise the rate on the basis of the prevailing market rate, which resulted in undue benefit to the agents at the cost of public revenue.

**Non-revision of rates of licence fee resulted in loss of Rs 52.83 lakh.**

Failure of the Commissioner of Customs (Administration), Calcutta to revise the rates of licence fee resulted in a loss of Rs 52.83 lakh during 1993-99 only. He was requested to furnish reasons for non-revision of the licence fee. He did not furnish any reason nor any remedial measures were taken by him.

It is recommended that Ministry may investigate the failure of the Customs House Calcutta to revise the rent periodically and take action to revise it without further delay.

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

## 9.8 Follow up on Audit Reports

**Despite repeated instructions/recommendations of the PAC, the Ministry did not submit remedial/corrective ATNs<sup>1</sup> on four Audit Paragraphs.**

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India - Union Government (Civil) as of November 1999 revealed that the Ministry has failed to submit ATNs in respect of four Paragraphs included in the Audit Reports up to the year ended March 1997 as detailed below:

Audit Report for the year ended March@	Paragraph number	Department	Subject
1994 (1 of 1995)	8.8	Revenue	Idle engines purchased for prototype patrol boat.
1994 (1 of 1995)	8.9	Revenue	Unfruitful expenditure due to non-operational vessel.
1995 (1 of 1996)	7.7	Revenue	Loss due to short recovery of rent
1997 (2 of 1998)	5.7	Revenue	Non-realisation of penalties

@ The Audit Reports for the year ended March of any year are generally presented in the following year.

The position of pending ATNs which was referred to the Ministry in December 1999 has been confirmed by the Ministry on 22 December 1999.

<sup>1</sup> Action Taken Notes