

CHAPTER II : MINISTRY OF AGRICULTURE

Department of Animal Husbandry and Dairying

2.1 Loss in acquiring office space

Unorganised attempt by Veterinary Council of India to acquire office space resulted in avoidable loss (penalty) of Rs 10.50 lakh besides, loss of interest of Rs 12.60 lakh on the amount deposited as advance with Housing and Urban Development Corporation.

VCI approached HUDCO for office space and paid advance of Rs 70 lakhs

Veterinary Council of India (VCI) an autonomous body under the Ministry of Agriculture, Department of Animal Husbandry and Dairying approached Housing and Urban Development Corporation (HUDCO) in March 1997 for allotment of about 300 sq. metre building space in Bhikaji Cama Palace New Delhi. Before receiving any response from HUDCO, VCI on its own deposited in March 1997 Rs 70 lakh as an advance payment. HUDCO allotted in May 1997 VCI office space of 237.91 sq. metre at a cost of Rs 402.55 lakh. As per terms and conditions of allotment 40 per cent of the total cost was to be paid as first instalment on or before 2 June 1997 and second instalment of 40 per cent on or before 5 August 1997. The remaining 20 per cent of the cost was to be paid at the time of taking over possession. The terms of allotment also stipulated a penal interest of 18 per cent per annum for a maximum period of three months of delayed payments. In case of non payment of instalments even beyond three months, the allotment would be cancelled automatically without notice and in the event of such cancellation, an amount equivalent to 15 per cent of the total cost or the amount already deposited, whichever is less, would be forfeited and balance money if any would be refunded without any interest.

VCI failed to pay balance amount despite extensions

Scrutiny of records in July 1999 revealed that VCI failed to make the payment of VCI balance amount of instalment and subsequent instalments even after six months extension granted by HUDCO. Consequent upon failure of VCI to pay the first instalment even after this extended period HUDCO cancelled the allotment in March 1998 and refunded Rs 59.50 lakh after deducting Rs 10.50 lakh to VCI.

Detailed scrutiny of the entire transaction revealed the following shortcomings on the part of the VCI.

Rs 70 lakhs paid without fund backing for the purchase

- i) VCI deposited advance of Rs 70 lakh even before receiving the allotment letter from HUDCO quite unaware of the financial implication and other

terms and conditions.

- ii) VCI did not obtain the approval of its Executive Committee before making the advance payment and before accepting the allotment. Ex-post-facto ratification for advance payment of Rs 70 lakh by the Executive Committee was obtained in December 1997.
- iii) VCI accepted a liability of Rs 402.55 lakh when it had only Rs 70 lakh with it and without taking prior consent of the department and assurance from them that the required funds would be released before due dates of payment. The fact that Rs 70 lakh had been deposited with HUDCO as advance payment was informed to the department after six months.
- iv) The department refused to release grants to the VCI in September 1997.

Thus, disconcerted and unorganised attempt to acquire office space by VCI without taking into confidence the Executive Committee and the department resulted in an avoidable loss of Rs 10.50 lakh and loss of interest to the tune of Rs 12.60 lakh on amount deposited as advance.

The Secretary, VCI replied that the Council was in correspondence with HUDCO for refund of Rs 10.50 lakh.

The Ministry stated in October 1999 that the matter was still under correspondence with HUDCO for refund of amount deducted by HUDCO failing which legal action would be taken by the Ministry. Reply of the Ministry is not acceptable as according to the provisions contained in clause IV of allotment letter forfeited amount was not refundable.

National Horticulture Board

2.2 Loss due to release of loan and subsidy without bank guarantee

Loss of Rs 90.60 lakh suffered by National Horticulture Board due to release of loan and subsidy to private limited company without obtaining bank guarantee.

Under the Post Harvest Management Scheme of National Horticulture Board (Board), a loan of Rs 54.29 lakh was sanctioned in February 1994 to a private limited company for setting up cold storage with allied components at Varanasi. Besides, subsidy of Rs 5 lakh was paid in February/March 1994 for the purchase of 10000 crates. One of the terms and conditions of the loans was that the company would procure irrevocable and unconditional bank guarantee from any

of the scheduled banks in favour of the Board for due repayment of the rupee loan and payment of all service charges etc in a form prescribed by the Board. The project was to be completed by August 1994.

While examining the documents it was found that the original bank guarantee stated to have been issued by Nagariya Sahkari Bank Ltd., Varanasi was missing from records. The first instalment of Rs 24.68 lakh was released on 31 March 1994 after receipt of undertaking from the company for providing another bank guarantee. No such bank guarantee was provided by the company later. On enquiry Nagariya Sahkari Bank intimated in May 1994 that neither any bank guarantee was issued nor there was any such proposal.

Based on the progress made and verified by the Board in November 1994 and security of loan created through mortgage, Board released second instalment of Rs 15 lakh in January 1995 and third instalment of Rs 10 lakh of loan to the company in March 1995.

Fraud committed in connivance with the officers of Board

It was seen in audit that the company had not paid the service charges after March 1996 and also did not repay the loan. The Board observed in January 1997 that in connivance with the officers of the Board, a fraud had been committed long back and lodged an FIR with the Gurgaon City Police in January 1997 for investigating the case of fake bank guarantee. The Court granted bail in favour of Managing Director of the Company.

Subsequently in May 1998 a team sent for investigation did not find any signs of construction nor of plant and machinery, expenditure incurred and payment made in support thereof with regard to the project. Therefore, the Board served a legal notice on the company in July 1998.

Civil suit after delay of 2 years

Accepting the facts, the Board stated in January 1999 that the irregularity occurred due to lack of financial and legal infrastructure and amounted to system failure in the absence of expertise. However, Civil suit for recovery of loan/subsidy alongwith interest had been filed (September 1999) by the Board in Civil Court, Gurgaon.

Thus by taking an irregular decision for disbursing the loan in the absence of bank guarantee and failure to file civil suit in early 1997, the Board sustained a loss of Rs 90.60 lakh including interest upto April 1999.

The matter was referred to the Ministry in January 1999; their reply was awaited as of February 2000.