

CHAPTER I: DEPARTMENT OF ATOMIC ENERGY

Electronics Corporation of India Limited

1.1.1 Irregular payment of *ex-gratia*/motivational amount of Rs.7.48 crore

The Company made irregular payment of *ex-gratia*/motivational amount of Rs.7.48 crore to its employees whose wages/salary exceeded the limit as stipulated under the Payment of Bonus Act.

According to the provisions of the Payment of Bonus Act, 1965 (Act) and the instructions dated 20 November 1997 of the Department of Public Enterprises (DPE), no *ex-gratia* was to be paid by the Public Sector Enterprises (PSEs) to their employees, who were not entitled to payment of bonus/*ex-gratia* under the provisions of the Act on account of their wage/salary exceeding Rs.3,500 *per* month, unless the amount was so authorised by the Government under a duly approved incentive scheme, framed in accordance with the prescribed procedure.

The payment of *ex-gratia* by a large number of PSEs to their ineligible employees has been pointed out earlier in the various Audit Reports (Commercial)*. The matter was referred (February 2005) to DPE for seeking clarification as to whether such payment of *ex-gratia* was consistent with DPE's instructions. DPE clarified (December 2005) that the payment of *ex-gratia* to the ineligible employees was not allowed as per its OM† dated 20 November 1997 and that there was no provision for DPE or Administrative Ministry to approve the payment of bonus/*ex-gratia* to the ineligible employees in PSEs.

Despite these instructions, Electronics Corporation of India Limited (Company) made payment of *ex-gratia*/motivational amount of Rs.7.48 crore‡ during the four years ending 2004-05 in addition to the amounts admissible under the existing performance incentive scheme on the ground that all the employees had come out of the purview of the provisions of the Act on account of increase in wage/salary over the prescribed limit of Rs.3,500 *per* month.

The Company in its reply stated (February 2006) that the payments of *ex-gratia*/motivational amount for the years 2001-02, 2003-04 and 2004-05 were made with the approval of the Board of Directors (BOD) of the Company. As the Company had not achieved the target set for the year 2003-04, the motivational amounts paid during the year 2002-03 were due for recovery from the employees. It was further stated that the payment of *ex-gratia* was not on the high side as compared to payments made by other PSUs exceeding the limits under DPE guidelines.

* Reports of the Comptroller and Auditor General of India (Commercial) No. 3 of 1994, 1995, 1999 to 2004 and Report No. 13 of 2006

† Office Memorandum

‡ Rs.1.01 crore each during the year 2001-02 and 2002-03, Rs.4.04 crore and Rs.1.42 crore during 2003-04 and 2004-05 respectively

The reply was not tenable as the payments made towards *ex-gratia*/motivational amount over and above the admissible incentive payment were in contravention of DPE guidelines and provisions of the Act. The motivational amount paid during the year 2002-03 was yet to be recovered from the employees. The payment of *ex-gratia* to its employees drawing salary above the prescribed limit could not be justified by the Company on the plea that other PSUs were effecting payments of larger amounts. DPE guidelines clearly stipulated that such payments could be authorised only under a duly approved incentive scheme.

Thus, the payment of *ex-gratia*/motivational amount of Rs.7.48 crore to the ineligible employees during the year 2001-02 to 2004-05 was irregular and inconsistent with the provisions of the Act as well as the instructions of DPE.

The matter was reported to the Ministry in November 2006; reply was awaited (January 2007).