

OVERVIEW

This Audit Report contains observations emerging out of the transaction audit in the Civil Ministries including the Department of Posts, Department of Telecommunications and their field offices. The audit observations on the accounts of the Union Government (excluding Railways) are incorporated in Report No. 13 of 2007.

Ministry of Agriculture

Department of Agriculture & Co-operation

Parking of funds

State Governments /implementing agencies had parked funds released by Government of India for implementation of the centrally sponsored scheme “Technology Mission for Development of Horticulture in NE State including Sikkim, J&K, H.P. and Uttarakhand” and had earned interest amounting to Rs. 6.30 crore. At the instance of Audit, Department recovered Rs. 3.90 crore from the State Governments/implementing agencies while the balance of Rs. 2.40 crore was yet to be recovered.

Paragraph 1.1

Department of Animal Husbandry, Dairying & Fisheries

Unfruitful expenditure on procurement of patrol boats

Lack of effective monitoring and failure to carry out mid-course correction resulted in investment of Rs. 25.10 crore on procurement of 26 patrol boats under a Centrally Sponsored Scheme for Enforcement of Marine Fishing Regulation Act being rendered largely unfruitful. The boats have either not been constructed or are lying idle/ not being used for the intended purpose of patrolling exclusive fishing zones.

Paragraph 1.2

Ministry of Commerce and Industry

Department of Commerce

Payment of compensation on leased accommodation due to improper maintenance

Improper maintenance of a fully furnished apartment leased to the Ambassador (World Trade Organisation) at Geneva led to avoidable payment of compensation of Swiss franc 183,500 (Rs. 67.96 lakh) to the owner of the property.

Paragraph 2.1

Department of Industrial Policy and Promotion

Recovery at the instance of Audit

An amount of Rs. 1.52 crore, irregularly transferred to the Jammu and Kashmir Development Finance Corporation, was recovered at the instance of Audit.

Paragraph 2.2

Ministry of Communication and Information Technology

Department of Posts

Short realisation of postage charges

Senior Superintendent of Post Offices, Ernakulam under Kerala Postal Circle authorised concessional tariff to a publication without ensuring the prescribed conditions as applicable to registered newspapers, resulting in short realisation of postage charges of Rs. 2.74 crore.

Paragraph 3.2

Non-deduction of Income Tax at source

Non-observance of the statutory provisions of Finance Act by the Postmasters under Andhra Pradesh, Assam, Gujarat, Punjab, Haryana, West Bengal and North East Postal Circles led to non-deduction of Income Tax at source to the tune of Rs. 1.93 crore on payments of interest under the Senior Citizens Savings Scheme.

Paragraph 3.4

Non-levy of Service Tax

Non-observance of the statutory provisions of Finance Act by the Postmasters under Kerala, Rajasthan, Madhya Pradesh and Chattisgarh Postal Circles led to non-levy of Service Tax and Educational Cess amounting to Rs. 81.69 lakh on commission received from Bharat Sanchar Nigam Limited for collection of telephone revenue.

Paragraph 3.5

Irregular payment of commission

Six post offices under North East and one post office under Delhi Postal circle allowed commission to Standardised Agency System Agents on holding of cash in excess of prescribed limits. This resulted in irregular payment of commission amounting to Rs. 76.06 lakh.

Paragraph 3.6

Department of Telecommunications

Non-recovery of liquidated damages from Unified Access Service Licencees

Department of Telecommunications failed to recover liquidated damages of Rs. 400.20 crore from Unified Access Service Licencees for delayed/non fulfillment of first phase and second phase roll out obligations as per terms and conditions of the licence agreement.

Paragraph 3.10

Non-realisation of financial bank guarantee

Department of Telecommunications failed to obtain financial bank guarantee of Rs. 16.63 crore from M/s Mahanagar Telephone Nigam Limited for securitisation of spectrum charges.

Paragraph 3.11

Ministry of Culture

National Museum

Questionable terms of contract

The Ministry opted for the financial terms of the contract for development and maintenance of digital audio guide for the National Museum, New Delhi which was *prima facie* favourable to the contractor. It approved the terms without comparing the total cost of the development of audio guide and its maintenance over five years' period with the revenue expected to be generated from the charges levied from the visitors. This led to additional benefit of Rs. 1.11 crore to the contractor over the five years' period of the contract, which would have accrued to the National Museum.

Paragraph 4.2

Ministry of External Affairs

Unauthorised expenditure on engagement of contingency paid staff

Despite earlier audit findings and assurance given by the Ministry to the Public Accounts Committee, Indian Missions abroad continued to violate the rules and specific instructions of the Ministry and employed staff paid from contingencies for works of regular nature for prolonged periods. This resulted in unauthorised expenditure of Rs. 2.28 crore during 2003-07.

Paragraph 5.1

Extra expenditure due to hiring of residential accommodation in excess of entitlement

Despite earlier audit findings, Indian Missions at Beijing, Mandalay, Tripoli and Ulaanbaatar hired residential accommodation for their India-based officers and staff in excess of ceiling on plinth area norms fixed by the Ministry. This resulted in extra expenditure of Rs. 91.05 lakh during 2002-03 to 2006-07.

Paragraph 5.3

Expenditure beyond delegation on garden grant

The Missions at Singapore, Pretoria, Yangon, Muscat and Johannesburg incurred expenditure on garden grant in excess of their delegated financial powers without the approval of the Ministry. This resulted in expenditure of Rs. 87.79 lakh during 2001-07 beyond authorisation.

Paragraph 5.5

Extravagant Haj goodwill delegations

The Ministry sent large delegations consisting of 24 to 34 members for long duration of 18-20 days during Haj 2005 and 2006 as against delegations of significant lower size by other countries despite the recommendations of the Consul General at Jeddah and leader of the Haj goodwill delegation to limit the size of the delegation. Besides, the Ministry has not established any criteria for determining the suitability of the members included in the delegations. The permission of the Ministry for permitting spouse/family members in the delegation contributed further to the extravagance. Ministry incurred substantial expenditure on hiring of double rooms rather than single rooms and on all local facilities utilised by the accompanying spouse/family members of the delegates which was unauthorised.

Paragraph 5.9

Ministry of Finance

Department of Economic Affairs

Funds of SEBI kept outside Government Accounts

Despite the obligation under the Constitution of India and clear instructions of the Ministry to maintain the funds of Regulatory Bodies in the Public Account, Securities and Exchange Board of India (SEBI) continued to maintain its surplus funds generated through fees/charges etc., aggregating to Rs. 706.82 crore at the end of March 2007 outside the Government Account. Its expenditure was met directly out of this fund without the approval of the budgetary appropriations. Despite being convinced of the inappropriate action

by SEBI, inconsistent with the Constitutional provision and the norms for budgetary appropriations, the Ministry has failed to secure compliance to its orders, if necessary, by binding orders under Section 16 of the SEBI Act.

Paragraph 6.1

Defective terms of National Equity Fund Scheme

The Ministry released grants aggregating Rs. 156.94 crore during 1987 to 2006-07 to the Small Industries Development Bank of India (SIDBI) under the National Equity Fund Scheme for providing soft loan to small entrepreneurs for setting up new projects and for expansion, modernisation and technology upgradation etc. While the Ministry and SIDBI shared the expenditure on loan on 50:50 basis, SIDBI retained the entire amount of Rs. 134.06 crore repaid by the entrepreneurs by the end of March 2007, 50 *per cent* of which represented Government share of the loan.

Paragraph 6.2

Loss of revenue

Debt Recovery Tribunals at Delhi, Chandigarh and Kolkata recovered Rs. 2.47 crore as poundage fees on execution of the recovery certificates of Rs. 247.45 crore by way of auction/sale proceeds of the properties. The Tribunals, instead of crediting the fees to the Government account paid the entire amount of poundage fees to the certificate holders/financial institutions alongwith the sale proceeds of the property. This resulted in loss of revenue of Rs. 2.47 crore during January 2001 to March 2007.

Paragraph 6.3

Ministry of Food Processing Industries

Non-completion of Food Parks under Infrastructure Development Scheme

Grant of Rs. 110.55 crore released by the Ministry up to 2003-04 for setting up 43 food parks in different States remained largely unfruitful, as majority of the food parks did not attract entrepreneurs for setting up units.

Paragraph 7.1

Ministry of Health and Family Welfare

Unfruitful expenditure on construction of sub-standard laboratories

Even after nine years of award of work, Ministry failed to ensure renovation/upgradation of laboratories of Central Research Institute, Kasauli to meet the requirements of current Good Manufacturing Practices (cGMPs)

for safe production and testing of vaccines. The facilities created at the cost of Rs. 11.86 crore could not be put to use due to sub-standard construction/not meeting cGMPs requirements, thus rendering the entire expenditure unfruitful. No action was taken against Hospital Services Consultancy Corporation (India) Ltd, the consultant and executing agency, for faulty execution of the project.

Paragraph 8.1

Ministry of Home Affairs

Unauthorised attachment of personnel by BSF and CRPF

Directors General, Border Security Force (BSF) and Central Reserve Police Force (CRPF) irregularly attached a large number of personnel from their normal places of duty in field formations to the Headquarters and other Delhi offices for several years, in violation of the orders of the Ministry issued in June 2002 on the directions of the Group of Ministers on National Security. The additional attachment constituted up to 168 *per cent* of the authorised strength in the case of BSF and 32 *per cent* in the case of CRPF, resulting in unauthorised expenditure of Rs. 53.51 crore during 2003-04 to 2006-07 on the pay and allowances of attached personnel, besides depriving the field/operational functions of their authorised strength of personnel.

Paragraph 9.1

Ineffective pursuance of demands

Failure to pursue effectively the demands for charges for provision of services of Central Industrial Security Force (CISF) personnel resulted in Rs. 8.12 crore remaining unrealised from four bodies.

Paragraph 9.2

Incorrect representations in sanctions

Director General, Border Security Force accorded 68 split sanctions aggregating Rs. 2.39 crore during July 2001 to December 2006 to keep the sanctioned amount within his delegated financial powers of Rs. 20 lakh in each case, purportedly for establishing a wireless transmission station. Instead the sanctioned amount was used to construct an officers' mess through incorrect representation of the purpose in the sanctions.

Paragraph 9.3

Unauthorised attachment of vehicles

Director General, Indo Tibetan Border Police held 30 to 40 additional vehicles by withdrawing them from various field formations/units during the period 2002-03 to 2006-07 and deployed them in its Headquarters at New Delhi over and above their sanctioned strength. This resulted in unauthorised and wasteful expenditure of Rs. 1.39 crore on fuel, repair and maintenance of these vehicles for non-operational activities at the Headquarters at the expense of operational requirement of the field units.

Paragraph 9.4

Ministry of Human Resource Development

Department of Higher Education

Delay in construction of UNESCO house leading to avoidable rental charges

Ministry of Human Resource Development failed to get the UNESCO¹ house constructed on the plot allotted for this purpose in 1998. Meanwhile, it has paid Rs. 2.86 crore towards the rent of the building that accommodated the UNESCO office, the current rent liability being Rs. 48 lakh *per annum*.

Paragraph 10.1

Ministry of Overseas Indian Affairs

Questionable expenditure on dinner and liquor

Deficient internal control in the management of dinner hosted on the occasion of Pravasi Bhartiya Divas 2006 entailed an extra expenditure of Rs. 14.92 lakh against the originally sanctioned expenditure of Rs. 7.60 lakh, besides an unsettled bill of Rs. 5.87 lakh for liquor served during the dinner in disregard of the protocol norms. While the Ministry had placed order for dinner to the caterer for only 1300 guests, the caterer preferred bill for serving dinner to 3850 guests. Between the Ministries of External Affairs and Overseas Indian Affairs, they admitted the bill for 3850 guests claimed by the caterer against the firm order for only 1300 guests without evidence of the actual number of guests, who attended the dinner and the feasibility of catering to the guests almost three times in number with reference to the firm order.

Paragraph 12.1

¹ United Nations Educational, Scientific and Cultural Organisation

Ministry of Rural Development

Department of Drinking Water Supply

Non-establishment of Central Water Testing Laboratory for Arsenic

Lack of monitoring of the project for setting up of Central Water Testing Laboratory for Arsenic at Kolkata resulted in the Laboratory not being set up even after 8 years of releasing a grant of Rs. 50.32 lakh to the State Government.

Paragraph 13.1

Ministry of Social Justice and Empowerment

Unfruitful expenditure due to delay in construction of hostels

Ministry of Social Justice and Empowerment released Rs. 13.82 crore to eight states during 2001-02 to 2004-05 for construction of 74 hostels for other backward classes' (OBC) students. Though as per the sanctions, construction of all 74 hostels was to be completed, by December 2006, only 12 hostels had been completed, 42 were under construction and the remaining 20 had not been taken up for construction as of September 2007. This has led to the grants of Rs. 9.86 crore remaining unfruitful, as the intended facility was not made available to 5841 OBC students in time.

Paragraph 14.1

Ministry of Textiles

Non-completion of Urban Haats

The scheme for setting up of 'Urban Haats' in various states, launched in 1999, with a view to provide permanent marketing outlets to the local artisan community suffered from poor planning, lack of monitoring and inefficient execution, resulting in 71 *per cent* of the Haats approved during 1998-99 to 2003-04 costing Rs. 9.33 crore still remaining incomplete and un-operationalised even as of July 2007.

Paragraph 15.1

Ministry of Tourism

Undue benefit to a private publisher in printing of the magazine "Incredible India"

Department of Tourism failed to consider the potential for revenue generation to Government, while awarding the work of publication of the "Incredible India" magazine to a private publisher and subsequently renewing the agreement with the same publisher. This led to significant loss of revenue to

the Government. In addition, there were significant deficiencies, affecting the transparency of the contracting process.

Paragraph 16.1

Ministry of Urban Development

Inordinate delay in implementation of a scheme for minimising aircraft accidents due to bird hits at the airfields

Lack of adequate and sustained efforts on the part of the Ministry in implementing a project on “Solid Waste Management and Drainage in 10 Selected IAF airfields” costing Rs. 105 crore resulted in serious delay of more than a decade in completing the project. This led to continuing national loss of IAF aircraft and invaluable lives of pilots in air accidents due to bird hits. During the period from 1990-91 to 2006-07, IAF aircrafts had 13 air accidents and 542 incidents on account of bird hits, which resulted in loss of 12 aircraft with a financial implication of Rs. 181.33 crore.

Paragraph 17.1

Central Public Works Department

Non-recovery of Construction Workers Welfare Cess from contractors

Forty eight Divisions of CPWD in Delhi did not recover Rs. 2.09 crore from contractors on account of construction workers welfare cess between August 2005 and March 2007.

Paragraph 17.2

Directorate of Estates

Non-recovery of outstanding dues

Failure of the Directorate of Estates to realise licence fees of Rs. 4.36 crore in time resulted in undue financial benefit to Central Cottage Industries Corporation.

Paragraph 17.3

Non-recovery of licence fee

Delay in allotment of a commercial property facilitated its unauthorised occupation by Delhi Police for 17 years. Besides, licence fee of Rs. 1.66 crore for this period was yet to be recovered by Directorate of Estates.

Paragraph 17.4

Union Territories

Andaman and Nicobar Administration

Directorate of Industries

Unauthorised expenditure

Implementation of Island Transport Subsidy Scheme beyond its approved period of operation, without approval from the Ministry and reimbursement of the transport subsidy to industrial units, resulted in an unauthorised expenditure of Rs. 48.69 lakh.

Paragraph 20.1

Port Management Board

Unfruitful expenditure

Port Management Board ignored the provisions of the agreement regarding release of payment and failed to monitor the progress of the work of construction of a Steel Dumb Barge resulting in unfruitful expenditure of Rs. 45.76 lakh.

Paragraph 20.3

Union Territory of Lakshadweep

Unfruitful expenditure on a swimming pool project

Director of Education of Union Territory of Lakshadweep acquired 8490 square metre of land in Androth Island during 2001-02 for construction of a sea water swimming pool. As the project was subsequently found unviable the land could not be put to use, rendering the entire expenditure of Rs. 77.11 lakh on acquiring the land unfruitful.

Paragraph 20.5