PREFACE

This Report for the year ended March 2009 has been prepared for submission to the President under Article 151 of the Constitution.

This Audit Report contains findings emerging out of the compliance audit in the Civil Ministries, the Department of Posts, Department of Telecommunications and their field offices. The audit findings on the accounts of the Union Government are included in Report No. 1 for the year 2008-09. Matters arising from audit of the Scientific Departments and their units/entities are included in separate Report.

The cases mentioned in this Report are among those, which came to notice in the course of audit during 2008-09. For the sake of completeness, matters which relate to earlier years but not covered in the previous Reports are also included. Similarly, results of audit of transactions subsequent to March 2009 in a few cases have also been mentioned, wherever available and relevant.

OVERVIEW

This report contains the audit findings of significant nature which arose from the compliance audit in Civil Ministries of the Union Government, Departments of Posts and Telecommunications and their field offices. The report contains 18 chapters. Chapter I explains the audit methodology and auditee profile. Chapter II to XVII present detailed findings/ observations arising out of the compliance audit in these Ministries/Departments. Chapter XVIII presents summarised position of the remedial/corrective Action Taken Notes furnished by the Ministries.

A summary of some of the important findings included in this Report are as under :

Ministry of Agriculture

Department of Agriculture and Co-operation

Infructuous expenditure on construction of Glass House and purchase of X-Ray scanner by National Plant Quarantine Station, New Delhi

The National Plant Quarantine Station (NPQS), New Delhi, is responsible for regulating import of plants and planting material with a view to keeping exotic microbes, insects, pests, and weeds at bay. To conduct necessary "grow-out tests" of the imported sowing and planting material, NPQS got a glass house constructed in 2001 at a cost of Rs. 1.88 crore. However, the glass house had not been put to its intended use, and the equipment had deteriorated due to long disuse, making it unsuitable for future use and rendering the entire expenditure infructuous.

To detect exotic pests and disease infestation of agricultural produce brought in by arriving passengers, NPQS procured one X-Ray scanner in 2005-06 at a cost of Rs. 35.26 lakh for use at the IGI Airport, New Delhi. However, the X-Ray scanner had been lying in packed condition for the last three years, as no space had been provided in the IGI Airport for its installation and use.

Paragraph 2.1

Department of Animal Husbandry, Dairying of Fisheries

Inordinate delay in modernisation/improvement of Slaughter Houses and establishment of Carcass Utilisation Centres to minimise bird hits to IAF aircraft

As indiscriminate disposal of garbage and insanitary conditions close to airfields attract birds and pose serious hazards of air accidents due to bird hits, the Ministry of Agriculture had launched a Centrally Sponsored Scheme in the

VIII Plan for providing assistance to States for modernisation/ improvement of slaughter houses and establishment of Carcass Utilisation Centres (CUCs). This scheme was aimed at minimizing air accidents due to bird hits at ten selected high risk IAF airfield towns.

Audit observed that the scheme was not successful in modernisation of slaughter houses and establishment of CUCs, due to poor project implementation by the State Governments and their agencies, and lack of effective oversight by the Ministry. Eight out of ten projects at high risk IAF airfield towns (Ambala, Sirsa, Gwalior, Tezpur, Dindigul, Adampur, Hindon and Bareilly) could not commence or were not made fully operational, even after 18 years and expenditure of Rs 26.63 crore. The scheme was finally closed in 2004-05, without achieving its objectives and, therefore, the IAF airfields continued to remain exposed to high risk of air accidents due to bird hits.

Paragraph 2.4

Ministry of Civil Aviation

Inefficient management of Haj Operations

The Ministry of Civil Aviation (MOCA) is the nodal agency, responsible for handling the movement of Indian Haj pilgrims by air. Haj flights are undertaken by Air India (AI) and Indian Airlines (IA) (since merged into NACIL) in association with Saudi Arabian Airlines (SAA) (as per a bilateral agreement between India and Saudi Arabia), and these operate currently from 17 embarkation points in India. Haj subsidy is the difference between the fare paid by the pilgrims sponsored by the Haj Committee of India (HCOI) and the fare charged by the airlines that are making transport arrangements. This subsidy is paid to NACIL by MOCA out of its budget provisions. From 1994 onwards, the two-way airfare payable by Haj pilgrims remained static at the level of Rs. 12,000 per pilgrim till Haj 2009, when it was raised to Rs. 16,000, whereas the cost per pilgrim had increased to Rs. 51,610 during 2009. Consequently, the expenditure on Haj subsidy increased from Rs. 10.57 crores in 1994 to approximately Rs. 620 crore for Haj 2009 .

Audit of Haj subsidy payments of Rs. 1398.91 crore from 2002 to 2006-II (subsidy payments for Haj 2007 to 2009 had not been finalised) disclosed the following:

- Inadmissible payments amounting Rs. 51.34 crore were made to AI on account of higher fares for Lucknow and Srinagar, claims for excess number of passengers, royalty payment to SAA for shortfall in passengers carried, additional payments for technical halt at Sharjah, payment for travel of non-official pilgrims, and claims for own flights at higher rates applicable for leased aircraft.

- Payments amounting to Rs. 125.77 crore were paid to AI, without adequate justifications/ details available on record, over and above the approved rates for Haj operations for items such as direct and indirect fixed costs, other costs, miscellaneous charges, additional charges on positioning of aircraft, excessive claims on account of hub and spoke operations, and penalty for underutilisation of capacity on SAA flights.
- MOCA did not settle dues on account of Haj operations on a timely basis, resulting in payment of Rs. 46.29 crore on account of interest to AI.
- The reimbursement of HAJ subsidy to AI is on cost/ claim basis. The rates agreed with SAA (ranging between $ 710 and $ 847 per pilgrim) were significantly lower than the overall rates ultimately claimed by AI for Haj operations (ranging from $ 940 to $ 1235 per pilgrim), which indicates that AI/ IA were not managing their HAJ operations economically and efficiently.
- GoI had set up an Expert Group in 2007 for reviewing the policy for future Haj operations. Most of the recommendations of the Expert Group were accepted by a Group of Ministers, but have not been implemented.

We recommend that the Ministry progressively move away from a cost reimbursement approach for Haj subsidy to a well-defined competitive tendering mechanism for Haj air travel to minimize the subsidy burden on the Government exchequer and incentivize efficiency in operation. There is also a need to strengthen internal audit of subsidy claims by the Ministry to minimize inadmissible/ excess payments.

Paragraph 3.1

Non-commencement of projects for Civil Aviation Security Training Academy and Office of Regional Deputy Commissioner of Security (Mumbai)

Establishment of a Civil Aviation Security Training Academy (CASTA) under the aegis of the Bureau of Civil Aviation Security (BCAS) was recommended by an Inter-Ministerial Group consituted in 1993 in the wake of four hijackings of Indian Airlines flights. Subsequently, a proposal for setting up such an academy, which would function as the apex aviation security institution in the country, was approved by the Planning Commission in 1996 with an allocation of Rs. 16.87 crore.

We observed that the Ministry and BCAS had not been able to finalise the location of the academy over the last 13 years, and therefore the training academy could not be set up. This highlights the apathetic attitude of the authorities towards strengthening civil aviation security in the country despite the increasing menace of global terrorism and repeated terrorist attacks in India and elsewhere.

Similarly, a project for construction of an office building for the Regional Deputy Commissioner of Security of BCAS at Mumbai, which was approved in 2003, could not even commence after six years, due to non-finalisation of its location. This, further, highlights the indecisiveness of the authorities in dealing with civil aviation security related issues.

Paragraph 3.2

Infructuous expenditure of Rs. 6.10 crore on procurement and non-utilisation of Hansa Trainer Aircraft

Director General of Civil Aviation (DGCA) procured 11 Hansa trainer aircraft from National Aerospace Laboratories (NAL) at the cost of Rs. 6.10 crore for allotment to various Government flying clubs. However, these aircraft were not utilized by the flying clubs due to lack of trained instructors and perceived technical constraints. The expenditure incurred on procurement of these aircraft was, therefore, largely rendered infructuous.

Paragraph 3.3

Ministry of Commerce and Industry

Department of Commerce

Short levy of departmental charges by DGS&D

The Directorate General of Supplies & Disposals (DGS&D) is a central purchase organisation of the GoI, which concludes rate contracts for common user items required by the Central Government Departments, State Governments, Union Territories, and quasi-public bodies like municipalities, statutory corporations and government undertakings. It levies departmental charges for the servies rendered for purchase and inspection of stores at rates prescribed by the Government from time to time.

We found that DGS&D failed to implement increased rates of departmental charges from December 2005, which resulted in short levy of Rs. 9.42 crore for the period from December 2005 to March 2008.

Paragraph 4.1

Department of Industrial Policy and Promotion

Deficient implementation of projects under Industrial Infrastructure Upgradation Scheme (IIUS)

In December 2003, the Department of Industiral Policy and Promotion (DIPP) introduced the Industrial Infrastructure Upgradation Scheme (IIUS) with a provision of Rs. 675 crore in the X Plan to enhance international competitiveness of domestic industry by providing quality infrastructure through Public Private Partnerships at industrial clusters/ locations with high growth potential.

We found that out of 26 projects approved between December 2003 and March 2005 under the scheme, only eight projects had been completed, despite release by DIPP of 84 *per cent* (Rs 792.45 crore) of Government of India's (GoI) share of Rs. 945.27 crore. 17 projects were yet to be completed, with time overruns ranging from 23 to 46 months and one project had been cancelled (although the GoI grant of Rs. 13.63 crore with interest was yet to be refunded). The main reasons for delay in completion were inadequate survey and assessment of requirements (resulting in frequent changes in scope of the projects), and ineffective monitoring by DIPP.

Thus, the scheme's objective of providing quality infrastructure through Public Private Partnership for enhancing international competitiveness of domestic industry had not been achieved.

Paragraph 4.3

Non-recovery of renewal fee for patents amounting to Rs. 1.12 crore

Continued validity of a patent is conditional on its renewal, for whch renewal fee is payable, and patents shall cease to have effect following non-payment of renewal fee within the prescribed or extended period. Failure on the part of Deputy Controller of Patents and Designs (DCPD), Kolkata to monitor the status of outstanding renewal fee for patents and publicly notifying cancellation of patents with outstanding renewal fee resulted in loss of revenue of Rs. 1.12 crore from August 1992 to March 2008, besides allowing the patentees to continue to enjoy business rights without paying the requisite renewal fees.

Paragraph 4.4

Ministry of Communications and Information Technology

Department of Posts

Irregular payment of commission to banks

In contravention of the codal provisions, five Head Post Offices in Bihar Circle made irregular payment of commission of Rs. 81.32 lakh in obtaining bank drafts from nationalised banks.

Paragraph 5.2

Excess payment of haulage charges

Failure of CPMsG Gujarat, Orissa and Uttar Pradesh Circles to verify the claim of haulage charges made by Railways resulted in excess payment of Rs. 2.10 crore.

Paragraph 5.3

Ministry of External Affairs

Flawed purchase of property for Indian Chancery and unjustified expenditure on its renovation

The Indian Mission in Prague incurred an expenditure of Rs. 20.12 crore on the acquisition and extensive renovation of a 75 year old property for Indian Chancery, between April 2004 and October 2008.

Audit examination disclosed that the property was purchased ignoring both security and structural safety aspects in contravention of Ministry's Security guidelines of March 2001. Further, the property was purchased based on erroneous assement made by the Property team of MEA. This resulted in repeated revision/increase in the scope of work leading to time and cost overruns with the cost of renovation work rising to 116 *per cent* (Rs. 11.39 crore) of the cost of acquisition against only 15 *per cent* (Rs. 1.31 crore) anticipated at the time of approval of purchase.

Paragraph 6.1

Extra expenditure on purchase of full fare economy tickets from Air India

The Ministry of External Affairs (MEA) did not comply with instructions of the Ministry of Finance to effect utmost economy in air travel. It did not frame comprehensive arrangements for optimally utilising competitive fares and incentive schemes being offered by airlines including Air India (AI). Instead, it entered into an arrangement with AI for regulating air travel which was not only limited in scope but was also flawed as it allowed payment of full economy fares which were three to five times the concessional/cheap economy class fares. As a result, the additional expenditure incurred by the MEA on purchase of air tickets for home travel, emergency passages and temporary duty for the 30 Missions test checked alone was amounted to approxmately Rs. 20.76 crore for the period November 2006 to March 2009.

Paragraph 6.2

Recovery at the instance of audit

Failure of the Missions/Posts abroad to correctly regulate payments of salaries and allowances etc., to their employees resulted in overpayment of Rs. 52.28 lakh by 32 Missions/Posts in 64 cases, which was recovered at the instance of audit during 2006-09.

Paragraph 6.5

Outsourcing of visa support services in Missions/ Posts abroad

The process of tender evaluation and selection of Service Provider (SP) for outsourcing of visa support services in Consulate General of India, Milan was flawed leading to selection of a vendor who was not the lowest bidder. In High Commission of India, London an undue financial benefit of Rs. 3.63 crore was extended to the SP due to non-consideration of rates linked with the number of visa service centres operated. Besides, due to incorrect interpretation of the provisions of the agreement, the SP was additionally benefited by Rs. 1.96 crore by way of levy of administrative fee from the visa applicants. In Embassy of India, Washington DC the SP continued to collect a minimum rate of USD 21 per application on account of mailing charges as against the minimum prevailing FedEx rate of USD 18.95 per application, resulting in an undue benefit of Rs. 1.16 crore to the SP. Exclusion of and deviation from the important provisions of the model agreement diluted control of Missions/Posts over the functioning and quality of services rendered by SPs. While CGI, Frankfurt was yet to review its staff strength for consular services, EI, Paris was holding excess consular staff.

Paragraph 6.6

External publicity through Missions

Despite assurance to the Public Accounts Committee, instances of release of funds to Missions without receipt of Annual action plans, incorrect classification of items of expenditure to publicity head and despatch of publicity material to Missions without request which led to 58 to 74 percent of publicity material remaining unutilized, were noticed in Audit.

Paragraph 6.7

Logistic management for offices and residences of diplomatic personnel

Despite assurance to the PAC, the pace of construction of projects on acquired land by various Indian Missions/Posts abroad such as Embassy of India Brasilia, Embassy of India Port of Spain, Embassy of India Paramaribo (Suriname) and High Commission of India Abuja (Nigeria) continues to be a cause of concern. The delay in construction in above Missions/Posts ranged between 16 to 45 years resulting in both idling of funds and consequent escalation in cost of construction. Further as per IFS (PLCA) rules, the Ministry has to fix and intimate the Mission/Posts the rental ceiling fixed for various categories of India based officials. But in many India Missions/Posts abroad, the Ministry has not fixed the rental ceiling for the official accommodation of various categories of officers which resulted in excess payment or hiring of accommodation excess of the eligibility. Audit also noticed expenditure on repair and maintenance of building being incurred by the Missions in exces of the powers delegated to Head of Missions/Posts.

Paragraph 6.8

Ministry of Health and Family Welfare

Department of Health

Non-implementation of computerised management Information System for Food Control Organisation

Failure of the Ministry to ensure migration of complete data from State Food Testing Laboratories to the computerised system resulted in non-achievement of objectives of establishing communication network between the Food regulatory agencies and the laboratories even after three years of the scheduled date of completion. The equipment worth Rs. 2.79 crore was lying idle at NIC, New Delhi and in State laboratories at different locations.

Paragraph 7.1

National Aids Control Organisation

Recovery at the instance of Audit

At the instance of Audit, the Ministry recovered interest of Rs. 3.35 crore on funds of Rs. 49.55 crore prematurely released in March/July 2006 to M/s HSCC for procurement of Anti Retro Viral drugs.

Paragraph 7.2

National Institute of Communicable Diseases

Delayed supply of equipment

The Ministry as a measure of preparedness against Avian Influenza, decided in January 2008, to procure 100 ventilators for National Institute of Communicable Diseases (NICD) through Hospital Services Consusltancy Corporation (HSCC) on limited tender basis. The Ministry, however, failed to ensure timely supply of ventilators through HSCC despite this being an emergency procurement. The intended objective of the procurement therefore, remained unfulfilled. Further, the Ministry prematurely released advance payment of Rs. 5.53 crore to HSCC even before an agreement was entered into by the latter with the supplier. The advance paid was much in excess of the value of goods procured. The unadjusted advance of Rs. 1.57 crore was yet to be recovered from HSCC.

Paragraph 7.3

Medical Stores Organisation

Supply of medicines on unlimited credit period

Supply of medicines on credit basis by the Government Medical Stores Depots to various client departments and institutions resulted in accumulation of outstanding dues of Rs. 88.34 crore covering the period from 1975 to 2009.

Paragraph 7.5

Ministry of Home Affairs

Central Reserve Police Force

IT audit of SELO system of Central Reserve Police Force

A computerization plan for CRPF was conceived in 1997 with the aim of introducing Information Technology in the service in a comprehensive manner. The Ministry, therefore, awarded the work of development of integrated software named 'SELO' (Service and Loyalty) to M/s NIIT in March 2000 to be implemented in a phased manner. The SELO system involved networking of 114 CRPF offices from the level of Director General to the Group Centre offices under Dy. Inspectors General situated at 64 different locations. The SELO software covers finance, personnel, inventory, operations and pay roll related functions/activities of CRPF.

Audit scrutiny disclosed that despite incurring an expenditure of Rs. 50.70 crore on the implementation of the SELO system of CRPF, end users are not utilizing most of the applications. CRPF does not have an IT policy or IT Steering Committee for implementation of the SELO system. Due to lack of requisite application controls in the software, the database had been rendered unreliable and incorrect. Inadequate logical access controls exposed the system to the risk of unauthorized access.

Paragraph 8.1

National Crime Records Bureau

Non-establishment of Disaster Recovery site for computerised national database of crime records at NIC

National Crime Records Bureau (NCRB) is responsible for maintaining secure, sharable, national database on crimes, criminals, property and also the data pertaining to motor vehicles. NCRB did not establish disaster recovery site to improve the accessibility and security of national database on crime records despite incurring an expenditure of Rs. 54.34 lakh. Meanwhile, the primary objective of maintaining business continuity in the event of break-down of the active site remained unfulfilled.

Paragraph 8.2

Ministry of Housing and Urban Poverty Alleviation

Non-commencement of Model Demonstration Slum Projects under Valmiki Ambedkar Awas Yojana (VAMBAY)

The Valmiki Ambedkar Awas Yojana (VAMBAY) was launched as a Centrally Sponsored Scheme in August 2001 to provide shelter or upgrade existing shelters for people living below the poverty line in urban slums. In order to demonstrate that better dwelling units could be constructed by using cost-effective technology under VAMBAY, it was envisaged that in every State there should at least be one model demonstration slum project to be emulated by all other cities and towns in the State. Subsequently, model demonstration slum projects were approved in 11 States for 1,165 units (with per unit cost ranging from Rs. 40,000 to Rs. 60,000), based on proposals received from the States, and funds of Rs. 5.52 crore released between March 2003 and April 2004. The projects were to be executed by the Building Materials and Technology Promotion Council (BMTPC), an autonomous body under the Ministry.

We found that model demonstration slum projects in six States (Jammu & Kashmir, Kerala, Manipur, Orissa, Rajasthan and Tripura) for construction of 600 dwelling units at an estimated cost of Rs. 2.55 crore could not be commenced due to delay in availability of sites, and higher construction costs than the allowable limits. The Ministry did not take effective and timely action to address these problems to make the projects successful, and hence the objective of demonstrating the use of cost-effective technology for building slum dwelling units could not be achieved.

Paragraph 9.2

Ministry of Micro, Small and Medium Enterprises

Poor implementation of the Scheme of Integrated Infrastructure Development for Small Scale Industries

The Ministry of Micro, Small and Medium Enterprises launched the Scheme of Integrated Infrastructural Development (IID Scheme) for small scale industries in rural/ backward areas in 1993-94 for setting up of IID centres with suitable infrastructural facilities to promote clusters of small scale and tiny units. The scheme was subsumed in the Micro Small Enterprises-Cluster Development Programme (MSE-CDP) from 2007-08. The Ministry released an amount of Rs 124.59 crore upto 2007-08 to various implementing agencies for 84 IID projects with an estimated cost of Rs 400 crore.

Audit reviewed the status of the implementation of the scheme and found that 42 out of 79 IID projects, which were due for completion by January 2008, remained incomplete. Delays in completion of projects ranged between one month and twelve years. Further, detailed field level audit of 10 centres in Assam, Haryana, Madhya Pradesh, Orissa and Uttar Pradesh revealed that many infrastructural facilities at the centres were incomplete. Also, by creating large plots and allocating plots to large units, the small scale and tiny units, which formed the target group for the scheme, were deprived of its benefits. There were also instances of deficient financial management and inadequate monitoring.

Paragraph 10.1

Ministry of Shipping

Scheme for Inland Water Transport

Inland Water Transport (IWT) is an eco-friendly, economically viable and fuel efficient mode of transportation, but has not been developed to its full potential in India due to various constraints. Development of IWT would have numerous direct and indirect benefits, such as catalysing industrial growth and economic activities in the hinterland along waterways, shift of cargo transport from other modes of transport, and decongesting road and rail traffic.

An existing Centrally Sponsored Scheme for Development of Inland Water Transport was, therefore, substantially revised in 2002 with provision of financial assistance of 90 to 100 *per cent* grant-in-aid for various IWT activities – surveys / studies, waterway development, navigation aids, terminal facilities, procurement of vessels for development and regulation etc. During 2003-07, 35 projects were sanctioned in 15 States at a cost of Rs. 105.89 crore, against which funds of Rs. 52.84 crore were released. The scheme was finally discontinued by the Planning Commission in February 2007.

We found that only 3 out of 35 projects were reported to have been completed, while work had not even commenced in respect of 13 projects. One project was foreclosed, while the remaining 18 projects were still incomplete. Further, our field scrutiny of 16 projects in five States (Orissa, Himachal Pradesh, Madhya Pradesh, Maharashtra and West Bengal), revealed that many projects had not achieved their intended objectives, resulting in unfruitful expenditure.

As such, the objective of the scheme for development of IWT as an eco-friendly, economically viable and fuel-efficient mode of transport remained unachieved.

Paragraph 12.1

Ministry of Textiles

Non-establishment of Raw Material Bank for Silk Carpets in Jammu & Kashmir

In September 2003, the Ministry of Textiles approved a project, under the Prime Minister's Special Employment Package for Jammu & Kashmir, for setting up of a Raw Material Bank (RMB) for silk carpets at a cost of Rs. 2.50 crore for direct distribution of silk and other raw materials to artisans and weavers, which would enable two lakh carpet weavers to come out of the shadow of big yarn dealers and obtain full-time employment opportunities.

We found that even after five years of approval, the Ministry failed to ensure completion of the project for setting up the raw material bank. Instead of setting up a society for direct distribution of raw materials to artisans, the implementing agency (J&K Small Industries Development Corporation) identified two private firms in Kashmir, who were already enjoying a monopoly, and one firm in Jammu, which used the entire material for its own use. This defeated the objective of the scheme of enabling artisans and weavers to come out of the shadow of big yarn dealers.

Paragraph 13.1

Non-establishment of National Centres for Design and Product Development at Delhi and Moradabad

In October 1998, the Ministry approved a proposal for setting up two National Centres for Design and Product Development (NCDPD) at Delhi and

Moradabad at a cost of Rs. 5.37 crore, primarily for land & buildings and other fixed assets. The objectives of establishing these centres were to assist in development of new designs, improve the quality of handicraft items produced by artisans, enrich and orient the industry to the finer aspects of design, and ensure acceptability of exportable handicrafts in international markets. The Ministry released Rs. 4.00 crore in installments between March 1999 and March 2006.

We found that the land for the two centres had not been acquired, even after 10 years of approval. The centre at Delhi continued to function from a temporary location, on the premises of another office of the Ministry, while the Moradabad centre had become non-functional since 2004. Even though the land for the centres had not been allotted, Rs. 2.45 crore had been utilized by NCDPD at temporary locations on various items (setting up of temporary infrastructure, acquiring fixed assets, setting up of office etc.), while Rs. 1.55 crore of GoI funds were lying unspent and had not been refunded, despite the Ministry rejecting the proposal for carry forward of grant.

Paragraph 13.5

Non receipt of Utilisation Certificates

Lack of adequate and effective monitoring by the Development Commissioner (Handicrafts) resulted in non-receipt of 1355 Utilisation Certificates (UCs) for Rs. 70.44 crore of grant-in-aid released upto 2006-07 to 808 organizations, which were to be submitted before March 2008. Further, in contravention of the General Financial Rules, the DC (H) released more grants to 161 organisations, despite non-receipt of UCs for the previous years, resulting in accumulation of outstanding UCs of Rs. 46.23 crore.

Paragraph 13.4

Deficiencies in setting up Common Facility Centres (CFCs) under Babasaheb Ambedkar Hastashilp Vikas Yojana (BAHVY)

The Development Commissioner (Handicrafts) (DC(H)), under the Ministry of Textiles, introduced the Babasaheb Ambedkar Hastashilp Vikas Yojana (BAHVY) in 2001-02 for integrated development of potential clusters of handicraft artisans, with the objectives of creating centres of excellence with forward and backward linkages; upgrading artisans' skills, and ensuring self-sustained and self-managed clusters of artisans. One of the components of BAHVY was the creation of Common Facility Centres (CFCs) at the cluster level to enhance production quality and quantity by using modern tools, equipment and techniques and increase economies of scale.

We found that out of the 95 CFCs sanctioned between 2001-02 and 2007-08, 61CFCs were yet to be completed, despite release of Rs. 21.15 crore, and Rs. 8.18 crore was lying unspent were yet to be refunded. Out of the 61 incomplete CFCs, in 42 CFCs (where Rs. 7.75 crore had been released), the NGOs/ Co-operative Societies executing the projects did not even seek grant of the second and subsequent installments, while in 13 CFCs (where Rs. 3.49 crore had been released), the executing agencies did not seek grant of the third and subsequent installments. 30 CFCs were reported as completed by the DC(H); however, we found that these were treated as completed merely on the basis of release of the last installment, without ensuring that the projects were physically completed and CFCs were functional. Thus, the Ministry failed to effectively implement this scheme.

Paragraph 13.2

Ministry of Tourism

Non-observance of Financial Propriety

Deliberate circumvention of canons of financial of propriety and the failure of the Ministry to effectively monitor the expenditure incurred or committed resulted in unsanctioned expenditure of Rs. 5.59 crore in Government of India Tourism Office, New York. The propriety of the expenditure also becomes suspect in the absence of adequate documentation and control.

Paragraph 14.1

Ministry of Urban Development

Non- recovery of rent in respect of premises alloted at market rates to non-entitled categories

Audit scrutiny of recovery of rent by the Directorate of Estate (DoE) in respect of office accommodation in Delhi allotted at market rates of licence fees to persons and entities falling in the non-entitled categories revealed serious mismanagement.

On being pointed out by audit, DoE recovered outstanding dues of revised market rates of license fee amounting to Rs. 1.60 crore from 10 allottees but Rs. 3.23 crore of outstanding dues in respect of 16 allottees was yet to be recovered.

DoE recovered Rs. 0.83 crore of outstanding dues between May and September 2008 from the Central Government Employees Welfare Housing Organization (CGEWHO) which was allotted office accommodation purely on temporary basis at market rates of license fee, subject to the approval of the Cabinet Committee on Accommodation (CCA). The Government did not agree to the allotment, but CGEWHO was yet to vacate the premises, and dues on account of license fee from February 2008 onwards continued to accumulate as of April 2009.

DoE did not follow up on its decision of November 2005 by initiating either recovery of rent at market rates or eviction proceedings for vacation of accommodation occupied by Kendriya Bhandar. Rent dues for the period from November 2005 to March 2010 amounting to Rs. 4.53 crore, was yet to be recovered as of March 2010.

Paragraph 15.2

CHAPTER I : INTRODUCTION

1.1 About this Report

Compliance audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence.

Audits are conducted on behalf of the Comptroller and Auditor General as per the Auditing Standards[1] approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit, and require reporting on individual cases of non-compliance and abuse, as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organizations, thus, contributing to better governance.

This chapter provides a profile of some of the major auditee Ministries and Departments, explains the planning and extent of audit, and also refers to significant audit observations included in this report.

1.2 Auditee profile

There are 50 Ministries/independent Departments of the Union Government excluding Ministries of Railways and Defence. The gross expenditure of these 50 Ministries and departments of the Government was Rs.31,59,074 crore during 2008-09. This Report relates to the Civil Ministries/Departments including Department of Post but excluding Scientific Ministries/Departments. The significant audit findings relating to 15 Ministries have been included in this Report in different chapters. A brief profile of the ministries/departments of the Government of India covered in various chapters of this report is detailed in Apendix-1.

[1] www.cag.gov.in/html/auditing_standards.htm

1.3 Authority for Audit

The authority for audit by the Comptroller and Auditor General of India(C&AG) and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13[2] and 17[3] of the C&AG's (DPC) Act[4]. CAG is the sole auditor in respect of autonomous bodies under the Civil Ministries/Departments which are audited under sections 19(2)[5] and 20(1)[6] of the C&AG's (DPC) Act. In addition, C&AG also conducts supplementary/ superimposed audit of other autonomous bodies under sections 14[7] and 15[8] of C&AG's (DPC) Act, whose primary audit is conducted by Chartered Accountants. The principles and methodologies for compliance audit are prescribed in the Regulations on Audit and Accounts, 2007 issued by the Comptroller and Auditor General of India.

1.4 Planning and conduct of Audit

The audit effort can be classified under three distinct types of audits: Financial Audit, Compliance Audit and Performance Audit.

Financial Audit is the review of financial statements of an entity that seeks to obtain an assurance that the financial statements are free from material misstatements and present a true and fair picture.

Compliance Audits scrutinise transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations, and various orders and instructions issued by the competent authorities are being complied with.

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[2] Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Funds and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets and other subsidiary accounts.

[3] Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

[4] Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

[5] Audit of the accounts of corporations (not being companies) established by or under law made by Parliament in accordance with the provisions of the respective legislations.

[6] Audit of accounts of any body or authority on the request of the President, on such terms & conditions as may be agreed upon between the C&AG and Government.

[7] Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of India and (ii) all receipts and expenditure of any body or authority where the grant or loan to such body or authority from the Consolidated Fund of India in a financial years is not less than rupees one crore.

[8] Audit of grants or loans given for any specific purpose from the Consolidated Fund of India to any authority or body, to scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfillment of the conditions subject to which the grants or loans were given.

Performance Audits are in-depth examinations of a program, function, operation or the management system of an entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources.

The audit process starts with the assessment of risk of the Ministry/Department Organization as a whole and each unit, based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, and assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided. An annual audit plan is formulated to conduct audit on the basis of such risk assessment.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the head of the unit. The units are requested to furnish replies to the audit findings within one month of receipt of the Inspection Report. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed for inclusion in the audit reports, which are submitted to the President of India under Article 151 of the Constitution of India.

CHAPTER II : MINISTRY OF AGRICULTURE

Department of Agriculture & Co-operation

2.1 Infructuous expenditure on construction of Glass House and purchase of X-Ray Scanner by National Plant Quarantine Station, New Delhi

The expenditure of Rs. 1.88 crore on the construction of a Glass House and Rs. 0.35 crore on purchase of an X-Ray Scanner was rendered infructuous, as the facilities could not be put to their intended use for the last eight and three years respectively, after their construction/acquisition

The National Plant Quarantine Station (NPQS), New Delhi is a subordinate office of the Directorate of Plant Protection, Quarantine and Storage, Faridabad under the Ministry of Agriculture. The prime objective of NPQS is to regulate import of plants and planting material with a view to keeping exotic microbes, insects – pests and weeds at bay. This is achieved by issuing import permits for plants and planting material, reporting of non-compliances regarding issue of phyto-sanitary certificates by exporting countries, inspection and screening of plants and planting material imported from abroad, and supervision of phyto-sanitary measures for disinfection/disinfestations of plant materials. Two cases of infructuous expenditure had come to the notice of Audit, which also impact the achievement of its objectives by NPQS. These cases are discussed below:

A. Infructuous expenditure on construction of glass house

To conduct the necessary 'grow-out-tests' of the imported sowing and planting materials, NPQS got a glass house constructed by the Central Public Works Department in May 2001 at a cost of Rs. 1.88 crore, which was handed over to NPQS in August 2001.

Audit scrutiny in March 2008, however, revealed that the glass house had not been put to its intended use. Due to long disuse, the sprinklers, mist and cooling system, and other equipment had got clogged, making it unsuitable for use in the future.

In response, the NPQS stated (May/ December 2008) that:

- The glass house was constructed to conduct 'grow-out-tests' for seeds and saplings imported through Delhi, as well as for the other Quarantine Stations that had not got their own glass house. During the initial period, the work was undertaken according to the plan. However, the inflow of the planting materials did not increase, as was anticipated.

- Owing to a high level of hardness of the available water, the pumps, nozzles, tanks, and supply lines of the cooling system of the glass house got choked and corroded, resulting in disruption of activities. This was because the area did not have any municipal water supply, and NPQS had to rely solely on bore-well pump, with high concentration of dissolved solutes ranging over 600ppm. However, an action plan for operationalizing the glass house after making necessary repair and maintenance had been finalized in a meeting of the concerned Departments, and CPWD authorities had already taken action to make the soft water plant operational.
- With a view to utilizing the facility in a practicable manner, a number of private plant growers as well as Government Research Institutes had been contacted to use the glass house on a shared basis. A proposal from one private party for potential leasing of the glass house had been sent to the Ministry for necessary advice.
- Besides the glass house, NPQS also had a growth chamber that allowed germination under regulated conditions within the laboratory, and most of the seed consignments were subjected to growth chamber and blotter tests for quicker germination and inspection.

The response of NPQS is not tenable for the following reasons:

- No effective efforts had been made for the past seven years to operationalise the glass house. The hardness of the water should have been assessed, before construction of the glass house, and appropriate measures taken, keeping in view the quality of available water.
- The glass house was constructed for conducting grow-out tests of imported sowing and growing material. If the Department's current view that most of the seed consignments were subjected to testing in the existing growth chamber of NPQS that allowed germination under regulated conditions within the laboratory is accepted, then the necessity of constructing a separated glass house at a cost of Rs. 1.88 crore is open to question.

Thus, the expenditure of Rs. 1.88 crore on the construction of a glass house at NPQS was rendered infructuous, as the facility could not be put to its intended use of conducting 'grow out tests' of imported sowing and planting materials.

B. Infructuous expenditure on purchase of X-Ray Scanner

With a view to detecting exotic pests and diseases infestation of agricultural produce being brought in by arriving passengers, NPQS in November 2005 decided to procure one X-Ray Baggage Scanner for use at the Indira Gandhi International Airport, New Delhi (IGI Airport). The scanner was procured by the Directorate of Plant Protection, Quarantine and Storage, Faridabad in 2005-2006 at a cost of Rs. 35.26 lakh.

In March 2006, NPQS informed the Directorate that the X-Ray Baggage Scanner had been received, and was kept in their station premises in packed condition, as the Airport Authority of India (AAI) had not allotted space for its installation. AAI informed NPQS in May 2006 that since Delhi International Airport (P) Limited (DIAL) had taken over the operation and maintenance of IGI Airport, the matter should be taken up with them. Subsequently, the Ministry of Agriculture took up the matter with the Ministry of Civil Aviation, as well as DIAL, for getting space in the Arrival Hall at IGI Airport, New Delhi. DIAL initially agreed to provide space in the new Terminal-3 at IGI; however, since the installation required modifications to be made in the layout plan of the Terminal already agreed between DIAL and the Customs Department, DIAL sought concurrence from the Customs Department. Although the Ministry stated (August/ December 2008) that all efforts were being made to get space in the Arrival Hall of the International Airport for installing the X-Ray Scanner, as of June 2009, no space had been provided to NPQS, and the X-Ray scanner continued to remain in packed condition at NPQS for last three years.

X-Ray Scanner lying in packed condition at NPQS

Thus, the expenditure of Rs. 35.26 lakh incurred in 2005-06 on the purchase of an X-Ray Baggage Scanner separately for scanning agriculture produce brought by incoming passengers was rendered unproductive, as the machine was still lying in packed condition. The feasibility of installing the X-Ray Scanner in IGI Airport and agreements for earmarking of space should have been assessed before procuring the scanner. Further, the Ministry was now proposing modern multi-imaging X-Ray Scanners to take care of the needs of both the Customs Department and bio-security, which would make this scanner redundant.

2.2 Ministry failed to check the irregular release of funds by NABARD after two years of closure of the "On Farm Water Management Scheme"

The Central Sector Scheme "On Farm Water Management Scheme" was discontinued by the Planning Commission with effect from 2006-07. However, the Ministry failed to check the irregular release by NABARD of the balance amount of unutilized subsidy of Rs. 0.90 crore in July-August 2008 to cover applications which were purportedly sanctioned assistance by banks before the closure date of 31 March 2006.

During 2001-02, the Department of Agriculture & Cooperation, Ministry of Agriculture launched a Central Sector Scheme[1] 'On Farm Water Management for Increasing Crop Production in Eastern India' for implementation in Assam, Arunachal Pradesh, Bihar, Chhattisgarh, Jharkhand, Manipur, Mizoram, Orissa, Eastern Uttar Pradesh and West Bengal. The scheme envisaged assistance to farmers for digging shallow tube wells, installation of electric / diesel pump sets, community lift irrigation points, digging of wells etc., for increasing the production and productivity of kharif and rabi / summer rice.

The scheme was implemented on a credit linked back-ended subsidy basis through the National Bank for Agriculture & Rural Development (NABARD) in co-ordination with the State Governments. The funding norms under the scheme stipulated 30 *per cent* assistance from the Government of India (GoI), 50 *per cent* loan from NABARD and the remaining 20 *per cent* as contribution from the beneficiaries. The assistance of 30 *per cent* (subsidy) from the GoI was towards the cost of construction of shallow tube wells with pumping sets, low lift irrigation points, dug wells and electric/diesel operated pumping sets. The financing bank would advance the project cost net of margin money to be contributed by the beneficiary i.e. up to a maximum of 80 *per cent.* NABARD would release the subsidy amount to the concerned financing bank branches, depending upon their requirement. The release of subsidy by NABARD was to be made only after a detailed state-wise and district-wise banking plan was prepared by the Regional Office of NABARD in each State in consultation with the financing banks and nodal departments of the State Governments.

The progress of implementation of the scheme was, however, not satisfactory even after two years of launch with the main reasons identified for slow progress being inadequate cost norms, inability of farmers to contribute their share of 20 *per cent*, difficulties in obtaining land title documents, insistence

[1] The scheme was misclassified as a Centrally Sponsored Scheme. This came to light only in December 2004, in response to the Department's suggestion to transfer this scheme to the State Sector; such transfer was not possible for a Central Sector Scheme

by banks for collateral, disinclination of banks in advancing loans to farmers etc. In June 2004, while the Department proposed modifications like increased cost norms, decreasing farmers' contribution and providing for publicity for improving the scheme's performance, the Ministry of Finance felt that the restructured scheme would not address all the limitations of the earlier scheme and in line with the National Common Minimum Programme (NCMP), each State should draw up its own scheme to suit local needs and include it in its State Plan. Consequently, in July 2005, based on the Department's decision, the Planning Commission communicated the decision to discontinue the scheme from 2006-07, and suggested to the State Governments that they make provisions for the scheme's components which may suit their State under the State Plan.

As of April 2007, out of Rs. 115.00 crore released as GoI subsidy, NABARD reported a provisional utilization of Rs. 101.26 crore by the banks, and had refunded Rs. 11.44 crore between September 2006 and March 2007, thus leaving an unutilized amount of subsidy of Rs. 2.30 crore with it. NABARD further confirmed that the final statements of expenditure had been submitted in respect of seven States (Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Manipur, Mizoram and Uttar Pradesh), while in three States (Jharkhand, Orissa and West Bengal), the figures were under reconciliation with the banks.

However, pursuant to the Ministry's request in September 2008 for refund of the unutilized amount, in response to the audit findings, NABARD indicated in September 2008 that the amount of Rs. 2.30 crore hitherto reflected as unutilized had been almost fully utilized as follows:

- NABARD reported an increase in expenditure of Rs. 1.40 crore, after completion of reconciliation in all the States.
- Rs. 0.90 crore was released by NABARD to Chhattisgarh (Rs. 0.77 crore) and West Bengal (Rs. 0.13 crore) in July-August 2008 for settling pending applications for which sanctions were purportedly made by the implementing banks prior to the cutoff date of 31 March 2006, but funds could not be disbursed due to the utilization of allocated subsidy for these States. NABARD required additional funds of Rs. 0.78 crore to cover the claims from West Bengal in respect of pending applications which had reportedly been sanctioned by the implementing banks prior to 31 March 2006.

Despite provisions for getting physical and financial progress reports from NABARD under the scheme, the Ministry did not ensure the timely submission of these reports by NABARD. Also, the Ministry did not have effective controls to cross check the correctness of the disbursement figures made under the scheme, and continued to admit the figures of expenditure as reported by NABARD without getting independent validation of the related records and the list of purported pending applications.

In audit's opinion, the Ministry's failure to take action on release of Rs. 0.90 crore of funds by NABARD in July-August 2008 more than two years after the closure date of the scheme of 31 March 2006, was irregular and improper, especially when the intimation of the closure of the scheme on 31 March 2006 was given well in advance in July 2005, and there was no provision for carry forward of funds beyond March 2006 to cover liabilities on account of sanctions purportedly being given before March 2006. If such carry forward was required, specific approval of the Department of Expenditure, Ministry of Finance should have been obtained. This was clearly an attempt by NABARD to avoid refund of the balance amount of Rs. 0.90 crore. Audit recommends that this amount be forthwith recovered from NABARD.

The Ministry stated that they had been pursuing the matter with NABARD to refund the unutilized amount. However, this amount was yet to be refunded as of June 2009.

2.3 Drawal of funds in advance of requirement

Irregular drawal of funds in advance of requirement resulted in Rs. 5.25 crore remaining outside the Government Accounts, causing a loss of interest of Rs. 23.46 lakh.

General Financial Rules (GFRs) provide that a Grant or Appropriation shall be utilized to cover the charges (including the liabilities, if any, of the past year) which are to be paid during the financial year and adjusted in the accounts of the year for which Grant or Appropriation is sanctioned. Such charges can be authorized by competent authority any time before, but not after the expiry of the financial year. Further, Government of India's (GOI) decision (4) below Rule 258(2) lays down (as applicable prior to July 2005) that ordinarily, payments for supply of stores should be made only after the supplies are made. However, in cases where it becomes necessary to make advance payments as demanded by the firms for supply of stores, the Departments of the Central Government/Head of Departments may authorize the drawal of special departmental advances.

Scrutiny of records (June 2006 and April 2008) of the Directorate of Plant Protection, Quarantine & Stores, Faridabad (Directorate) revealed that the GOI, Department of Agriculture and Cooperation accorded (17 March 2005)

12 sanctions for Rs. 3.46 crore for purchase of equipments and allowed to draw the amounts in advance on Abstract Contingent Bills (AC Bills) in relaxation of para 2 (iii) under GOI's decision (4) below Rule 258 of GFRs, with the condition that cheques/drafts would be handed over to the supplier only after the satisfactory delivery/installation and performance report of the equipments. However, as stated above, the relaxation invoked in these cases was applicable only where advance payment was demanded by the supplier for supply of store/equipment, etc. In these cases neither were any advance payments demanded by the suppliers nor were any advance payments made to them. Thus, the sanctions accorded by GOI were not in order and it is apparent that the intention was to draw the money before the end of the financial year to avoid lapsing of budget grant.

The Directorate withdrew (March 2005) Rs. 3.46 crore and kept it in the shape of 12 banks drafts. The payments to the firms were actually made after a period ranging between 112 days and 323 days from the date of issue of demand drafts.

Four similar sanctions were again accorded by GOI in December 2005 and March 2006 for Rs. 1.79 crore for the purchase of stores/equipments. The Directorate withdrew (March 2006) the amount of Rs. 1.79 crore on A.C. Bills through permission to draw the amount of Rs. 1.65 crore on A.C. bills was accorded in three cases for making advance payment to the firms. The amounts so drawn were again kept in the form of bank drafts and no advance payments were made to the firms. The payments were made to the firms after a period ranging between 76 days and 262 days on receipt of stores/ equipments.

Thus, irregular drawal of funds in advance of requirement on the basis of infirm sanction orders, resulted in Rs. 5.25 crore remaining outside the Government Accounts thereby causing a loss of interest of Rs. 23.46 lakh[2].

The matter was referred to the Ministry of Agriculture in December 2008. The Ministry stated (May 2009) that the permission of the competent authority was obtained to draw the amount on A.C. bills and all out efforts were made to utilize the budget allocation of each year to the extent possible. The reply is not in conformity with the provision of the rules mentioned above.

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[2] All the average borrowing rate of interest of the Government of India at 7.89 *per cent per annum* during 2004-05 and at 7.75 *per cent per annum* during 2005-06.

Department of Animal Husbandry, Dairying and Fisheries

2.4 Inordinate delay in modernisation/improvement of Slaughter Houses and establishment of Carcass Utilisation Centres to minimise bird hits to IAF aircraft

The objective of implementing a Centrally Sponsored Scheme on "Assistance to States for Modernisation/ Improvement of Slaughter Houses and Establishment of Carcass Utilisation Centres" to minimize air accidents due to bird hits at ten selected high risk IAF airfield towns could not be achieved even after 18 years, despite expenditure of Rs 26.63 crore, as only two out of 10 projects were fully operational

Bird hits have been a major cause of air accidents. Indiscriminate disposal of garbage and stagnation of waste water in open drains close to airfields attract birds, thereby posing serious hazards to aircraft operating at such airfields. During the period from 1978-79 to 1987-88, the Indian Air Force (IAF) suffered damages to 60 aircraft due to bird hits; of these, in 38 cases, the aircraft was totally destroyed, and five pilots killed. Further, IAF was incurring an expenditure of more than Rs. 50 crore annually on account of damage to aircraft due to bird hits.

In order to prevent/ reduce air accidents due to bird hits, an Inter Ministerial Joint Sub Committee (IMJSC) was constituted in February 1989 to formulate action plans to sanitise a few selected airfields. In February 1990, IMJSC recommended implementation of (a) garbage disposal and sewerage/ drainage schemes, and (b) modernization of Slaughter Houses (SHs) and establishment of Carcass Utilisation Centres (CUCs) in 10 selected high risk IAF airfields at Gwalior (M.P.), Sirsa and Ambala (Haryana), Hindon and Bareilly (U.P.), Adampur (Punjab), Tezpur (Assam), Pune (Maharashtra), Jodhpur (Rajasthan), and Dindigul (A.P.).

Mention was made in the Report of the C&AG for the year ended 31 March 2007 (No. CA 1 of 2008, Paragraph 17.1) of the inordinate delay in implementation of the solid waste management and sewerage schemes in these 10 high risk airfields. As regards the modernization of slaughter houses and establishment of CUCs, the Ministry of Agriculture launched a Centrally Sponsored Scheme "Assistance to States for Improvement/ Modernisation of Slaughter Houses and Establishment of Carcass Utilisation Centres" in the vicinity of the 10 selected high risk Indian Air Force air fields identified by the

IMJSC during the VIII Plan at a cost of Rs. 28.75 crore[3]. The scheme had two components:

- Modernisation/ improvement of slaughter houses, with 50 *per cent* funding by the Government of India (GOI) and balance 50 *per cent* funding to be provided by State Government/Meat Corporation/Urban Local Bodies/Gram Panchayats jointly or exclusively.
- Establishment of CUCs, with 100 *per cent* GoI funding for capital expenditure on building, plant, machinery and effluent treatment plant.

The State Governments could involve Co-operative Societies or Corporations or Boards of Scheduled Castes/Scheduled Tribes and voluntary organizations of repute for arranging the State's share. However, flow of Government of India funds from the Centre were to be routed through the State Governments only.

The scheme was continued through the IX Plan and the first two years of the X Plan upto 2003-04, when it was closed due to poor performance of the projects. However, in order to complete the on-going projects, the scheme was continued for one more year upto 2004-05.

During 1990-2005, the Ministry released Rs. 28.11 crore for eight projects at high risk airfields viz. Gwalior, Hindon, Bareilly, Adampur, Tezpur, Pune, Jodhpur and Dindigul; no funds were released for projects at the remaining two airfields (Ambala and Sirsa) as proposal had not been submitted by the State Government. Audit examination disclosed the following:

- Five projects (Hindon, Bareilly, Adampur, Pune, and Jodhpur) were completed. Out of these completed projects, only two projects at Jodhpur and Pune were fully operational. Hindon and Bareilly were reported as operational by the Ministry, although physical inspection by the Audit team in July-August 2008 revealed deficiencies in operation, and the project at Adampur was not operational since 2001.
- Three projects (Gwalior, Tezpur, and Dindigul) were yet to commence operations as of August 2008.

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[3] This was increased to Rs. 29.46 crore due to transfer of funds from another scheme.

The detailed status of implementation of the projects in the 10 selected airfield towns is as under:-

Table 1 : Status of Implementation of Projects as of August 2008

Sl. No.	Location	Unit	Year of release	Amount released (in lakh)	Total expenditure (in lakh)	Reported Status
1	Pune	CUC	1997-2005	152.00	152.00	Completed and operational
		SH	1996-97	425.75	425.75	Completed and operational; abbatoir in use on regular basis
2	Jodhpur	CUC	2000-05	258.75	258.75	Completed and operational
3	Bareilly	SH	1997-98	24.95	24.95	Completed and operational
4	Hindon	CUC	1994-95	215.88	215.88	Completed and operational
5	Adampur	CUC	1996-97	209.58	209.58	Completed, but non-operational; closed since 2001 due to litigation
6	Dindigul	SH	1990-91	1107.00	1107.00	Incomplete and non-operational; no staff for running the plant
		CUC	1993-94	83.00	83.00	Project yet to start ; reasons for non commencement not available on record.
7	Tezpur	CUC	1993-94	13.34	13.34	Incomplete and non-operational; no status report submitted by the State Government
8	Gwalior	SH	1994-95	148.00	___	Project abandoned due to court's stay, disallowing Slaughter House at the identified site ; funds refunded in 2007 – 08
		CUC	1995-96	172.86	172.86	Not commenced; land allotted but work not started due to litigation in High Court over the land
9	Ambala	______			___	No proposal received from State Government
10	Sirsa	_____			__	No proposal received from State Government

Further, the Audit team conducted visits to four project sites at Hindon, Bareilly, Adampur and Jodhpur during July and August 2008 to ascertain the physical status of the projects, which revealed the following position.

While the CUC at Ghaziabad (near Hindon airfield) was reported as fully operational in the Ministry's records, the Audit team's visit revealed that the plant was not working to its full operational capacity due to the dilapidated condition of the building and machinery. Huge garbage stacks had been piled up in open spaces just outside the boundary of the airfield. Further, Ghaziabad city neither had any authorized slaughter house, nor any authorized garbage disposal center[4].

CUC at Ghaziabad (near Hindon airfield)

Area surrounding Hindon airfield

[4] Makeshift arrangements for garbage disposal had been made at Sai Upvan, Vijay Nagar

In response (October 2008), the Ministry stated that as the plant was more than nine years old, it was possible that the machinery might not be in very good condition; however, running of a CUC to full capacity would depend upon the availability of raw material for processing. The Ministry's contention is not acceptable because :

(i) clearly, the objective of funding the CUC had not been achieved due to dilapidated condition of the building and machinery.

(ii) as regards utilization of CUC to its full capacity, this should have been considered at the time of sanction of CUC and not at this stage

Slaughter House at Bareilly

Although the slaughter house at Bareilly was working satisfactorily as per the Ministry's records, the site visit by the Audit team revealed that the plant was not working to its full capacity. Discussion with the employees of the Nagar Nigam, Bareilly manning the slaughter house revealed that the UP Pollution Control Board had objected to the unauthorized running of the slaughter house without installation of an effluent treatment plant; the export of meat had since been stopped, scaling down utilization of plant capacity. The Audit team found the drainage system of the slaughter house and the condition of the slaughter house building was defective and unhygienic as depicted in the photograph above:

Closed CUC at Adampur

The CUC at Adampur was closed after July 2001 due to litigation, and reportedly handed over to the State Department of Animal Husbandry in 2004. During the site visit, the Audit team found the CUC closed, and also noticed many garbage sites in open fields within 0.5 km to 4 km of the airfield.

In response, the Ministry stated that the State Government had neither sought its permission for closure of the CUC, nor intimated it about the closure.

Field visit by the Audit team to the CUC at Jodhpur revealed that the CUC was fully operational and processing about 30-40 carcasses daily.

Meanwhile, during the period from 1990-91 to 2006-07, when these schemes were being formulated and implemented, IAF had 13 accidents and 542 incidents on account of bird hits, which resulted in loss of 12 aircraft with a financial effect of Rs. 181.33 crore. This would illustrate that the objectives of the Scheme of creating hygienic conditions around the airfields so as to minimize accidents, were not pursued to finality by the Ministry.

In response (October 2008), the Ministry stated that the desired success in implementation of these projects could not be achieved, primarily due to lack of matching response and funds from the States/ local bodies, low priority accorded by the States/ local bodies and difficulties in locating suitable sites. The Ministry also stated that they did not have the resources and manpower to supervise the functioning of the established Slaughter Houses and CUC projects which were spread throughout the length and breadth of the country. Further, maintenance of sanitation and hygiene in and around slaughter houses and prevention of clandestine slaughter was within the purview of the State Government and local bodies, who should implement the provisions of the Acts/ Rules already in place, and mere construction of slaughter houses and establishment of CUCs alone would not help much in reducing the bird hit menace, without effective monitoring and control.

In Audit's opinion, the issues raised by the Ministry should have been addressed at the time of conceptualization and approval of the scheme, as well as during implementation. Further, the Ministry did not constitute a Monitoring Committee to evaluate the progress of the scheme from time to time, as required in terms of the recommendation of the Expert Group of the Ministry.

Thus, due to the failure of the Ministry to effectively monitor and coordinate with the State Governments and implementing agencies, the objective of reducing bird hits to aircraft in selected high risk IAF airfields through improvement/modernization of Slaughter Houses and establishment of Carcass Utilization Centers was not achieved. Expenditure of Rs. 26.63 crore remained largely unfruitful even after a delay of 18 years. Failure of the scheme will continue to cause great loss to the Indian Air Force on account of air accidents due to bird hits in these towns.

CHAPTER III : MINISTRY OF CIVIL AVIATION

3.1 Inefficient management of Haj Operations

Ministry of Civil Aviation (MOCA) provides Haj subsidy on account of the difference between the airfare paid by pilgrims sponsored by the Haj Committee of India (HCOI) and the costs charged by the airlines making transport arrangements – Air India, Indian Airlines, (since merged into NACIL) and Saudi Arabian Airlines. However, examination of subsidy payments for Haj operations from 2002 to 2006-II amounting to Rs. 1398.91 crore (subsidy payments for Haj 2007 to 2009 had not been finalised) revealed inadmissible payments of Rs. 51.34 crore as well as payments of Rs. 125.77 crore, for which adequate justification/ details were not on record, over and above the approved rates for Haj operations. The absence of detailed guidelines for determining admissible elements of subsidy, enabled claims for numerous elements of cost, irrespective of their reasonableness or admissibility, which was compounded by lack of systematic procedures for independent verification and scrutiny of Air India's claims.

Audit is of the view that the current procedures do not incentivize efficiency and economy of Haj operations by Air India/ India Airlines, as the reimbursement is on cost basis, and recommends that the Ministry consider a well-defined competitive tendering mechanism amongst different airlines to ensure the lowest cost to Government of Haj subsidy. If the Ministry intends to continue operations on negotiated discussions with NACIL on cost basis, then detailed guidelines for admissible expenses need to be framed, procedures for effective scrutiny of subsidy claims need to be systematized, and strict timeframes for submission, scrutiny and settlement of claims need to be laid down.

3.1.1 Haj Movements

The responsibility for making arrangements for Haj pilgrims from India is shared by several Ministries/ agencies:

- The Ministry of External Affairs (MEA) is the administrative Ministry vested with the responsibility of making overall arrangement for Haj affairs, and the Consulate General of India, Jeddah is the nodal agency for arrangements for Haj pilgrims sponsored by the Haj Committee of India (HCOI).

- The HCOI, commonly known as the Central Haj Committee (CHC), is responsible, under the Haj Committee Act 2002, for making arrangements for the pilgrimage of Muslims from India for Haj.

- The Ministry of Civil Aviation (MOCA) is the nodal agency, responsible for handling the movement of Indian pilgrims by air[1]. Haj flights are undertaken by Air India (AI)[2] and Indian Airlines (IA) in association with Saudi Arabian Airlines (as per a bilateral agreement between India and Saudi Arabia), and these operate currently from 17 embarkation points[3] in India.

Air India handles Haj operations, partly using its own fleet of aircraft, and partly by chartering aircraft on wet lease[4] basis. It is also the nodal agency for air chartering, and representatives of the HCOI, MEA, MOCA and DGCA[5] are associated for air charter negotiations.

Haj operations are handled in two phases – Phase I flights start from various Indian embarkation points and land at Jeddah/ Madina, and Phase – II involves return flights from Jeddah and Madina to Indian airports.

3.1.1.1 Haj Subsidy

Haj subsidy is the difference between the fare paid by HCOI pilgrims and the fare charged by the agencies that are making transport arrangements i.e. Air India, Indian Airlines, and Saudi Arabia Airlines. This subsidy is paid to AI by MOCA out of its budget provisions. From 1994 onwards, the two-way airfare payable by Haj pilgrims has remained static at the level of Rs. 12,000 per pilgrim, whereas the cost per pilgrim had increased to Rs. 51,610 during 2009. The expenditure on Haj subsidy, increased from Rs. 10.57 crores in 1994 to approximately Rs. 620 crore for the Haj 2009[6].

A profile of the total number of Haj pilgrims sponsored by HCOI and the subsidy for the Haj Operations from 2002 to 2009 is depicted as follows:

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[1] From 1995, travel for Haj by ship was discontinued, and Haj pilgrims from India travel only by air.

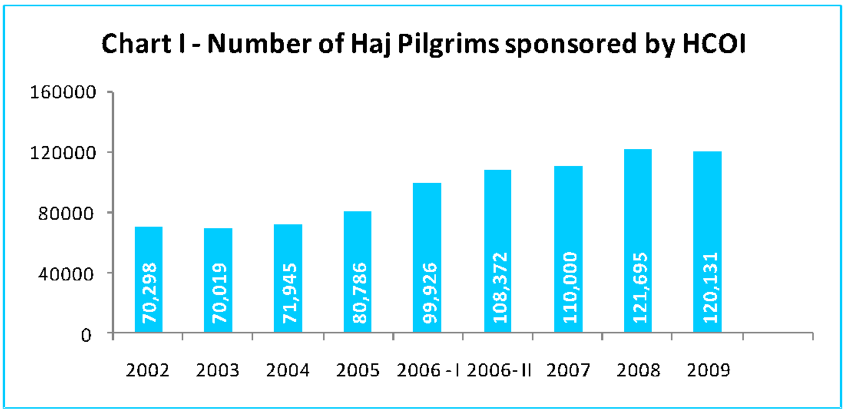
[2] Air India and Indian Airlines have been merged into the National Aviation Company of India Ltd. (NACIL).

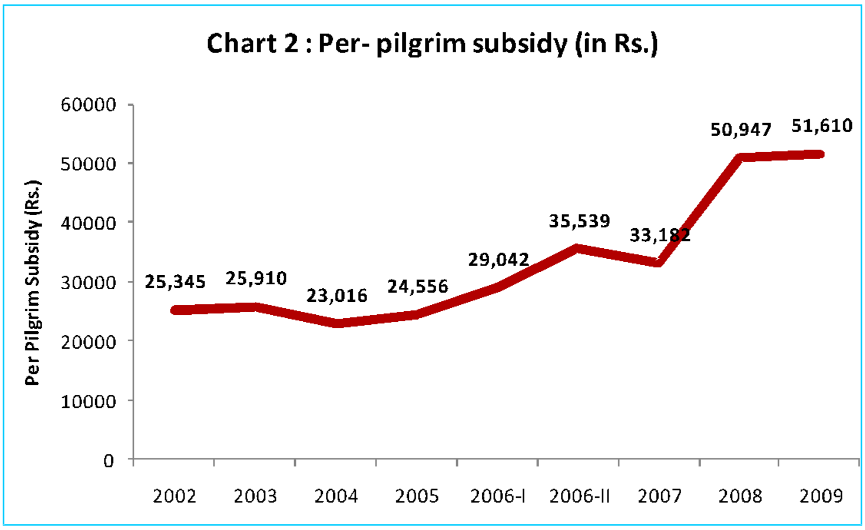
[3] Ahmedabad, Aurangabad, Bangalore, Calicut, Chennai, Delhi, Guwahati,Hyderabad, Indore, Jaipur, Kolkata, Lucknow, Mumbai, Nagpur, Patna, Srinagar and Varanasi.

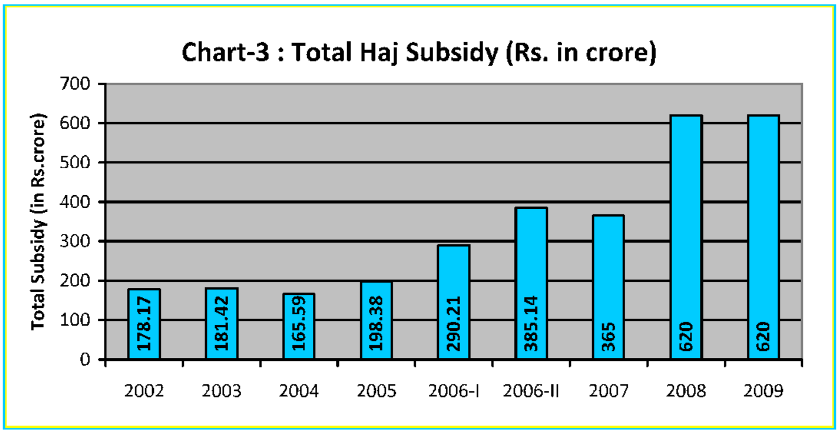
[4] The lease of an aircraft with flight crew is normally referred to as wet lease

[5] DGCA: Directorate General of Civil Aviation

[6] The final expenditure for the Haj 2007,2008 and 2009 has still not yet been arrived at.







As regards subsidy payments for the 2007, 2008 and 2009 Haj operations, on account payments had been made to Air India. Though the final subsidy payment during 2007-09 could not be made available to audit, as per information furnished by MOCA subsidy payments of Rs. 365 crore, Rs. 620 crore and Rs. 620 crore had been made for 2007, 2008 and 2009 respectively*.

The per-pilgrim air fare rates for Haj operations were as follows:

- From 2001, MOCA decided that the Haj traffic was to be taken care of collectively on a 50:50 basis by AI/ IA, and Saudi Arabian Airlines (SAA) at a fixed cost of US$ 700 per pilgrim plus US$ 10 as insurance surcharge. For pilgrims travelling from distant stations like Kolkata and Chennai, AI was permitted to charge 10 *per cent* extra, i.e. $ 780 (inclusive of insurance surcharge) per pilgrim.
- SAA accepted these fares of $ 710 and $ 780 up to Haj 2005. However, for Haj 2006-I, they charged fares of $745 and $ 819, while for Haj 2006-II, they charged $ 771 and $ 847 as regular fare and fare for distant stations respectively.

As compared to the rates charged by SAA, the overall cost per pilgrim ultimately claimed by Air India from MOCA ranged between US $ 940 to US $1235 during Haj 2002 to 2006-II.

For each Haj operation, approval from the Cabinet is obtained on the basis of estimated expenditure, and a Memorandum of Understanding (MoU) is also signed between SAA and MOCA. Further, HCOI guarantees 99 *per cent* load factor in respect of the total seats to be provided by SAA.

Payment of the cost for carrying pilgrims for Haj by SAA is made by Air India on behalf of MOCA in the following manner:

- 30 *per cent* of the total amount is required to be paid two weeks before departure of first Haj flight from India;
- 25 *per cent* of the total amount is required to be paid on the day of the first Haj flight from India;
- 35 *per cent* of the total amount is required to be paid two weeks prior to the start of Phase-2 return operations;
- 10 *per cent* of the total amount is required to be paid after completion of Phase-2 operations on the basis of final figures of Phase-1 load. This needs to be settled no later than two weeks after the completion of Phase-2;

As regards payments to AI, 'on account' advance payments are made by MOCA through its budget, subject to final adjustment after completion of Haj

* Source: Data furnished by MOCA on 13th April 2010

operations. No norms or guidelines have been stipulated for such on account payments.

Detail of payments on account of Haj subsidy made for the last five Haj operations (2002 to 2009) and the periods to which they pertain, are summarized below:

Table 1

(Rs. in crore)

Financial Year	Haj 2002	Haj 2003	Haj 2004	Haj 2005	Haj 2006-I	Haj 2006-II	Haj* 2007	Haj* 2008	Haj* 2009
2001-02	14.96								
2002-03	110.00	60.00							
2003-04	45.95	93.00	55.65						
2004-05			60.00	164.90					
2005-06	2.72	18.03	0.92		250.00				
2006-07						373.91			
2007-08	4.54	10.39	49.02	33.48	40.21	11.23	365		
2008-09								620.00	
2009-10									620.00
Total	**178.17**	**181.42**	**165.59**	**198.38**	**290.21**	**385.14**	**365**	**620.00**	**620.00**

***Haj subsidy paid by MOCA does not reflect final subsidy payments.**

3.1.2 Audit Scope

An audit of payment of Haj subsidy claims for Haj operations from 2002 to 2006 (Haj - I and Haj-II)[7], covering policy and procedural aspects, was conducted in the MOCA.

Audit acknowledges the co-operation and assistance extended by the MOCA during the conduct of this audit.

3.1.3 Audit Findings

3.1.3.1 Lack of Policy and guidelines

In audit's opinion, the current procedures for air charter negotiations for leasing of aircraft do not incentivize efficiency and economy of Haj operations

[7] Since subsidy payments for Haj 2007,2008 and 2009 had not been finalized by the MOCA as of March 2010, these were not included in the scope of audit.

by AI/ IA, as the reimbursement is on cost basis. Audit examination revealed that the rates agreed with SAA were significantly lower than the overall rates ultimately claimed by Air India for Haj operations from 2002 to 2006 Haj-II. The lower pilgrim cost of SAA vis-à-vis AI and IA, indicates that AI and IA were not managing their Haj operations as efficiently and economically as SAA. Such inefficiency is ultimately charged to MOCA's account through higher subsidy payments.

Audit scrutiny, further, revealed that the absence of detailed rules/ framework for determining admissible subsidy payable to AI/ IA enabled these agencies to claim all expenses irrespective of their reasonableness or admissibility; this was compounded by lack of systematic procedures for independent verification/ scrutiny of AI claims, as well as monitoring.

3.1.3.2 Inadmissible Payments

Audit scrutiny revealed that in addition to the rates approved by the Cabinet for different Haj operations, inadmissible claims amounting to Rs. 51.34 crore over the period 2002 to 2006 were allowed and paid to AI, as detailed below:

Table 2

(Rupees in crore)

Category	Brief Details	Haj Periods	Amount
Additional Payments for technical halt at Sharjah	In terms of the Cabinet note of Haj 2005, IA was allowed reimbursement of parking, handling and landing charges (on cost basis) for a technical halt at Sharjah, due to its inability to operate direct flights to Jeddah with its aircraft. However, IA was allowed additional payments over these charges, primarily on account of aircraft fuel, pilgrim cost, and spares and components.	2002 to 2004	12.34
Higher Fares for Lucknow and Srinagar	The fare decided by the Cabinet in Haj 2005 was US$ 700 per pilgrim, with 10 *per cent* extra chargeable for pilgrims travelling from farther stations like Kolkata and Chennai. The higher rate of US$ 819 was made applicable for Lucknow only from Haj 2006 -I. The Ministry incorrectly allowed claims from AI @ US$ 940 per pilgrim from Lucknow upto Haj 2005, although this was not covered by the Cabinet's approval.	2002 to 2006-II	9.15
	Similarly, AI carried 5602 pilgrims from Srinagar and claimed higher rate US$ 780, instead of US $ 710 which resulted in overpayment of Rs. 1.77 crore	Haj 2005	1.77
Royalty to SAA	While the MOUs signed between the Ministry with SAA had no provision for payment of royalty, the bilateral agreements between SAA and AI provided for payment of royalty to SAA for shortfall in passengers carried vis-à-vis the allotted seats.	2002 to 2004	2.40

Payment for travel of CHC officials	SAA and AI made additional claims for subsidy on transportation of 129 passengers (including 48 HCOI officials), who were not selected as pilgrims through the stipulated procedure of draw of lots by HCOI. These were subsequently regularized by the Ministry through post facto approval. These passengers were in addition to the Haj goodwill delegations of the GoI, which has been covered in Paragraph 5.9 of the CAG's Audit Report No. CA 1 of 2008.	Haj 2004	0.44
Claims for excess number of passengers	For Haj 2004, the number of pilgrims certified by the Chartered Accountant was lower than the number for which AI was allowed payment.	Haj 2004 and Haj 2006-I	4.40
Claims for own flights at rates for leased aircraft	AI was allowed payment for 14,320 pilgrims transported in its own aircraft at higher rates corresponding to those paid for leased flights (Rs. 47,672), instead of at the rates stipulated in the Cabinet approval (Rs. 33,115). Instead of operating on "cost basis", AI was effectively obtaining profits at GoI's cost.	Haj 2006-I	20.84
	Total		**51.34**

3.1.3.3 Payments without adequate justification/details

The following payments amounting to Rs. 125.77 crore were also allowed and paid to AI over and above the approved rates for Haj operations, for which adequate justifications/details were not available on record:

Table 3

(Rupees in crore)

Category	Brief Details	Haj Periods	Amount
Other Costs	These charges were claimed by AI, in addition to other charges like landing, handling, catering, navigation and other charges. However, details of these costs allowed by the Ministry were not available in its records. In the absence of such details, the authenticity of such expenditure, and their direct relation with Haj operations could not be verified in audit	2002 to 2006 – I and II	18.46
Direct and Indirect fixed costs	These charges were claimed by AI only for Haj 2006-I and II, and were allowed by the Ministry without details, in the absence of which their authenticity and relevance to Haj operations could not be verified.	2006- I and II	46.55
Miscellaneous Charges	In addition to the approved items of cost, AI claimed additional amounts on account of catering on ground due to delays, publicity and give-aways, VSAT and telephone expenses, purchases of computer equipment. While expenses on ground catering due to delays should have been avoided through efficient management of operations, the direct relationship of other expenses with Haj operations could not be vouchsafed in audit.	Haj 2002 to 2006-II	10.15
Additional Charges on positioning of aircraft	AI claimed additional amounts for positioning of leased aircraft from stations to an operating station as "ferry cost". Details of such costs, detailed justification for incurring of such costs due to positioning of aircraft, and efforts made by AI to minimize such costs through efficient management were not available in the	Haj 2005 to Haj 2006-II	24.87

	Ministry's records, in the absence of which the admissibility of such expenses could not be verified in audit.		
Excessive claims on account of hub and spoke operations	Hub and spoke operations were carried out by IA for carrying pilgrims to connecting AI flights to Jeddah, which were allowed by the Ministry at rates ranging from Rs. 3 to Rs. 5 lakh per flying hour, in the absence of any guidelines or norms. However, analysis revealed that the number of passengers per flight claimed was far less than the full capacity of 146 passengers for the A-320 aircraft used for such operations. The load factor was far less than the 99 *per cent* committed by HCOI for SAA operations to Jeddah.	Haj 2003 to Haj 2006-II	20.14
Penalty for under utilization of capacity	HCOI could not provide the requisite number of pilgrims in different Haj operations, for adhering to the load factor of 99 *per cent* stipulated in the MOU with SAA. Resultantly, SAA claimed and was paid Rs. 5.60 crores for under utilization of capacity of aircrafts during Haj 2003 to Haj 2006-II; this was, in turn, charged by AI to MOCA	Haj 2003 to Haj 2006-II	5.60
	Total		**125.77**

3.1.3.4 Avoidable Payment of Interest Rs. 46.29 crore

For the Haj operations from 2002 to 2006-II, Air India claimed and was paid interest of Rs. 46.29 crore, since the on-account payments by MOCA did not cover the entire amount, and the residual amount had to be financed by Air India through commercial borrowings from the market. This interest was claimed, since dues on account of Haj operations were not settled promptly; in fact, the final payment of Rs. 4.54 crore for Haj operations of 2002 was made only in 2007-08. These interest payments could have been avoided, had claims been submitted, scrutinized and settled in time.

3.1.4 Expert Group to Review Haj Operations

In pursuance of a Cabinet decision relating to Haj 2006-II, an Expert Group was set up in February 2007 to review the policy for future Haj operations. The terms of reference relating to transport arrangement for this Expert Group were:

- The transportation arrangements for the pilgrims to Saudi Arabia and choice of the institution, to execute it, as well as the procedure for leasing/arranging aircraft.
- The fixing of air fare of the pilgrims and the related issues of subsidy and eligibility.

The recommendations of the Expert Group with regard to 'Transport Arrangements' were briefly as under:

- The fare should, preferably, be increased from the present Rs. 12,000 to Rs. 30,000 over a four year period with increase of around Rs. 5,000 per year. This would make the HCOI fares in consonance with fares paid by PTO[8]pilgrims for Haj 2006 – I. The fares would, thereafter be linked to the average annual level of increase in airfares;

- Every effort should be made to bring down the AI fare to the level offered by SAA and to the PTOs in Haj 2006 –II, i.e around Rs. 32,000;

- There should be greater transparency in the negotiations with SAA and in the wet leasing of aircraft by Air India, and Air India operations in general;

- There should be oversight of the air transport for Haj operations by a committee constituted with the participation of the concerned Ministries, Air India and HCOI;

- The existing rule about pilgrims not repeating the Haj before five years to be implemented by HCOI should be strictly enforced; and

- The intimation of fare increase should be conveyed to the public as part of a wider package for improving the Haj bandobast and providing better facilities to Hajis at embarkation points in the country and at Jeddah, Makkah and Mina.

The above recommendations of the Expert Group were discussed in a meeting of a Group of Ministers (GOM) held in August 2007, and the following decisions were taken:

- The recommendations of the Expert Group relating to air fare were accepted in toto, except that the airfare should be increased from the present Rs. 12,000 by Rs. 4,000 each year starting from the year 2007 over the next four years.

- MOCA would move a proposal to obtain the approval on the recommendations concerning air transport management. It would also

[8] Private Tour Operator

consider and introduce measures to further decrease the actual cost of air transport arrangements.

However, despite the recommendations of GOM, there was no change in the airfare, which was retained at Rs. 12000 (i.e. the level in 1994) till May 2009, when the airfare was raised to Rs. 16,000. This, coupled with inefficient management of operations, resulted in huge amounts of subsidy.

3.1.5 Recommendations:

- The Ministry needs to consider, without further delay, a well defined competitive tendering mechanism, involving different airlines, to ensure the lowest cost to Government of Haj subsidy after giving the detailed estimates of pilgrims from different embarkation points. These should not be left to negotiated discussions with NACIL on "cost basis" as there is little incentive for them to increase efficiency.

- Further, once competitively tendered rates are agreed, the concerned airline(s) would then be wholly responsible for efficiently and effectively managing their operations within the tendered rates. Decisions as to leasing of aircraft or use of own fleet would be that of the airlines, and not that of MOCA. Further, no additional payments whatsoever on any ground beyond the competitively tendered rates should be made.

- If MOCA intends to continue operations on negotiated basis through NACIL on "cost basis", detailed guidelines for admissible expenses (along with cost limits) need to be framed. Further, procedures for effective audit/ third party verification of claims of NACIL vis-à-vis the guidelines need to be systematized, and strict timeframes for submission, scrutiny and payment of claims need to be laid down, so as to ensure accountability.

The matter was referred to the Ministry in September 2008; their reply was awaited as of March 2010.

Bureau of Civil Aviation Security

3.2 Non-commencement of projects for Civil Aviation Security Training Academy and Office of Regional Deputy Commissioner of Security (Mumbai)

Two important projects of the Bureau of Civil Aviation Security (BCAS) for setting up a Civil Aviation Security Training Academy, and construction of an office building for the Regional Deputy Commissioner of Security at Mumbai, could not commence even after 13 years and six years respectively of their approval by the Planning Commission/Ministry, due to non-finalisation of their location. These cases highlight the apathetic attitude of the authorities towards strengthening Civil Aviation Security in the country despite the increasing menace of global terrorism and repeated terrorist attacks in India and elsewhere.

Bureau of Civil Aviation Security (BCAS), an attached office of the Ministry of Civil Aviation (MoCA), is the regulatory authority for civil aviation security in India. It is responsible for laying down standards for pre-embarkation security and anti-sabotage measures in civil flights, and ensuring compliance with these standards through regular inspections and security audits. It is headed by a Commissioner of Security (Civil Aviation) and has four regional offices at the international airports at Delhi, Mumbai, Kolkata and Chennai, which are headed by Deputy Commissioners of Security.

Two important projects of the BCAS to safeguard aviation security could not be completed even after 13 years and six years respectively of their approval by the Planning Commission/Ministry despite release of Rs. 3.65 crore to the implementing agencies. These cases highlight extreme slackness on the part of authorities in executing projects related to civil aviation security in the country. The details are discussed below:

Case-I : Establishment of a Civil Aviation Security Training Academy

Establishment of a Civil Aviation Security Training Academy (CASTA) under the aegis of BCAS was recommended by an Inter-Ministerial Group constituted (1993) in the wake of four hijackings of Indian Airlines flights. Subsequently, a proposal for setting up such an Academy, which would function as the apex aviation security institution in the country, was approved by the Planning Commission in December 1996 with an allocation of Rs. 16.87 crore during the IX Five Year Plan.

Initially, land for the Academy was identified near IGI Airport, Delhi, which was, however, not made available by the Airports Authority of India (AAI). Consequently, in February 2003, the Ministry decided to locate the Academy at Netaji Nagar, New Delhi, and conveyed in-principle approval. While an amount of Rs. 25 crore was earmarked for the Academy in the X Plan, advance payment of Rs. 2.65 crore was released in two phases in March and December 2003 to AAI towards consultancy charges and preliminary activities. The proposal remained under consideration in MoCA till March 2005, and thereafter, search for other locations began without assigning any reason.

Several options were explored between March 2005 and July 2008 as discussed below:

- Locating the Academy at Gondia (Maharashtra) along with the proposed National Flying Training Institute (March 2005). Gondia was not preferred as BCAS wanted the Academy to be located close to an international airport to attract foreign airport/airline security/staff, preferably in Delhi, due to easy availability of subject matter specialists from various security organizations which were all headquartered in Delhi.

- Utilizing the existing facilities of the National Institute of Aviation Management and Research, Delhi (September 2005);

- Locating the Academy at Safdarjung Airport (February 2006). This was not found to be possible as AAI expressed its inability to provide land.

- Accommodating the Academy in the new BCAS Headquarters Building at New Delhi (June 2008). This was also not possible, as it was felt that adequate space for the academy was not available in the new BCAS Headquarters.

- Locating the training academies of BCAS and DGCA[9] adjacent to each other (July 2008); and

- Exploring other locations at Janpath and Nangloi, Delhi (July/ August 2008).

[9] DGCA: Director General of Civil Aviation

Thus, despite lack of any other specialized institute in the country to impart training on aviation security, a dedicated training academy for civil aviation security could not be set up even after 16 years of recommendation of the Inter Ministerial Group.

The delay of 13 years (since approval for the academy by the Planning Commission) in locating even the site for the academy highlights the apathetic attitude of the authorities towards strengthening civil aviation security in the country despite the increasing menace of global terrorism and repeated terrorist attacks in India and elsewhere.

Given the importance of this project in strengthening civil aviation security in the country, the Ministry must set a definite timeline within which the Academy would be set up to implement the recommendation of the Inter-Ministerial Group of 1993.

This case also highlights that neither the Planning Commission nor any other agency is effectively monitoring timely execution of projects relating to civil aviation security.

Case-II: Construction of Regional Deputy Commissioner of Security (RDCOS) office at Mumbai

Construction of the Office of the Regional Deputy Commissioner of Security (RDCOS) at Mumbai, which was approved by the Ministry in December 2003, had not commenced as of January 2010, due to non-finalisation of the location of the office. The details of the case are summarized below:

- In July 2003, the project was envisaged as a combined office complex of the RDCOS, Regional Director – AAI, and the Airport Director at Mumbai. The land earmarked for the project was found to have solid rock. Consequently, the site was considered unsuitable for the project as the basement for the project could not be constructed.

- A new location was identified by AAI in December 2004 and detailed estimates submitted in February 2005. Meanwhile, due to restructuring of Mumbai Airport through the Joint Venture route in May 2006 and the consequent handing over of Mumbai Airport to the Joint Venture, a combined office complex was no longer necessary, as the office of Airport Director, AAI was no longer required.

- A new location at the new Airport Colony was considered, but was not found feasible in January 2007, due to the requirements of the new airport operator. As of January 2010, the office continued to operate from residential premise provided by Mumbai International Airport Ltd.

The Ministry had, in December 2003, advanced Rs. one crore to AAI for undertaking preliminary activities relating to this project which remained unrefunded.

In response, the Ministry stated (February/ August 2008) that:

- Despite best efforts, the construction work could not be started due to circumstances beyond their control.

- In April 2008, AAI had been requested to allocate suitable land in the vicinity of the airport for the proposed RDCOS office.

- The advance of Rs. one crore to AAI would be adjusted against the cost of construction of the new office complex of BCAS Headquarters at New Delhi.

The reply of the Ministry should be viewed in the context of the decision to restructure Mumbai Airport through the JV route being taken by the Government of India in September 2003 itself; the lack of necessity for a combined office complex, including AAI offices at Mumbai, could have been foreseen well in advance, and the final location decided much earlier.

Thus due to poor planning, lack of effective monitoring and indecisiveness of the Ministry, both the projects having important bearing on the civil aviation security got inordinately delayed and the construction is yet to commence even after 13 years/six years of their approval by the competent authority.

3.3 Infructuous expenditure of Rs. 6.10 crore on procurement and non- utilisation of Hansa Trainer Aircraft

DGCA procured eleven Hansa trainer aircraft from National Aerospace Laboratories (NAL) at the cost of Rs. 6.10 crore for allotment to various Government flying clubs. However, these aircraft were not utilized by the flying clubs due to lack of trained instructors and perceived technical constraints. The expenditure incurred on procurement of these aircraft was, therefore, largely rendered infructuous.

The Director General of Civil Aviation (DGCA) is the principal regulatory body in India in the field of civil aviation and its functions include supervision of training activities of flying/gliding clubs.

DGCA procured eleven Hansa-3 trainer aircraft from the National Aerospace Laboratories (NAL), Bangalore[10] at a cost of Rs. 6.10 crore for distribution to various flying clubs. Eight aircraft were procured during the year 2001-2006 and three were procured during 2007-2009.

The decision for procurement originated from an initial request by NAL to DGCA in November 1998 for a subsidy of Rs. 2 crore for producing five Hansa-3 aircraft and delivering them to the Government flying clubs. Subsequently, in August 2000, DGCA made a proposal to the Ministry of Civil Aviation (MoCA) for purchase of the first three Hansa-3 aircraft from NAL at a cost of Rs. 41.82 lakh each; the purchase was justified on the grounds of meeting flying club requirements and encouraging indigenous production of trainer aircraft. The purchase of one Hansa aircraft was approved by the MoCA during 2000-01, followed by an in-principle approval in December 2002 for further procurement of 10 Hansa-3 aircraft for distribution to various Government controlled flying clubs during the X Plan period (2002-07).

Audit scrutiny of the Hansa aircraft procured by DGCA and supplied to various flying clubs revealed that these were either currently non functional or information about their current use was not available with the DGCA, as tabulated below:

Table-4

Sl. No	Aircraft Registra-tion No.	Flying Club	Allotted since	Total flying hours	Status
1.	VT- HNT	Andhra Pradesh Aviation Academy	April 2001	Not known	Crashed in December 2004
2.	VT- HNU	Kerala Aviation Center, Thiruvananthapuram	March 2002	682:35	Despite the club not functioning properly (March 2002) one more aircraft was allotted in March 2003.
3.	VT-HNW	Kerala Aviation Center, Thiruvananthapuram	March 2003	Not known	--
4.	VT- HNV	MP Training Centre, Indore	March 2002	36:15	Remained grounded due to technical system constraints
5.	VT- HNX	Haryana Institute of Aviation, Karnal	March 2004	115:05	Mostly remained grounded due to unsatisfactory performance (as reported by the club). In February

[10] A unit of the Council for Scientific and Industrial Research (CSIR).

					2009, DGCA decided to transfer it to the Amritsar Aviation Club.
6.	VT- HNY	Govt. Flying Training School, Bangaluru	April 2006	Not known	School was not operational due to non availability of flight instructors.
7.	VT- HNZ	Madras Flying Club, Chennai	January 2008	Not known	Initially, this aircraft was allotted to Andhra Pradesh Aviation Academy in April 2006, and after their refusal, the aircraft was re-allotted to this club. However, the aircraft were grounded because the Club had not been able to get qualified Aircraft Maintenance Engineers (AME), which was a pre-requisite for flying.
8.	VT- HOC	Madras Flying Club, Chennai	January 2008	Not known	After refusal by Haryana Institute of Civil Aviation, Pinjore in November 2006 due to unsatisfactory performance, it was re-allotted to this club. However, the aircraft were grounded because the Club had not been able to get qualified Aircraft Maintenance Engineers (AME), which was a pre-requisite for flying.
9.	VT- HOE	Assam Flying Club, Guwahati	July 2008	Nil	Still lying with NAL as AFC, Guwahati was unable to arrange a pilot who could ferry the Hansa aircraft.
10.	VT- HOF	Amritsar Aviation Club, Amritsar	July 2008	76:30	Aircraft was awaiting snag rectification by NAL since December 2009.
11.	VT- HOG	Amritsar Aviation Club, Amritsar	March 2009	38:55	Serviceable.

This indicated that DGCA was not effectively monitoring utilization of aircrafts provided to various Government Flying Clubs.

The main reasons indicated by the flying clubs and Aero Club of India for the non-functional status of these aircraft were as follows:

- The flying range of the aircraft was less, making it unsuitable for cross-country training;
- Due to restrictions imposed by the manufacturer on the engine and airframe, it was very difficult for use for training purposes;

- The airframe of the aircraft was of composite type and was not fit to be flown in high temperature and rainy conditions as per the manufacturer;

- A qualified senior Chief Flying Instructor had been killed in a crash of the Hansa aircraft in Andhra Pradesh.

- Lack of qualified pilots.

- M.P Flying Club in their feed back report suggested that after failure of "Swati" and "Hansa" to qualify the category of an ideal trainer aircraft, the Ministry should go for design and production of an aircraft having all the characteristics of Cessna 152 or Cessna 172, instead of any further experimenting on a new design, as the same were, by and large, accepted as ideal trainer aircraft.

In response to an audit enquiry, the Ministry stated (April 2008) that to the best of their knowledge, the Hansa aircraft was a good aircraft and the lower utilization rate of Hansa was mainly due to non availability of trained pilots and not due to the poor performance of the aircraft. As regards the crash of one Hansa aircraft, DGCA's report had concluded that wrong pilot handling was the probable cause of the accident.

The reply is not acceptable as poor performance of aircraft was also an important reason for under utilization in addition to shortage of pilots with the flying clubs.

The Ministry, in November 2008, stated that eleven Hansa aircraft were procured from the NAL to encourage indigenization and to support flying activities in the country. The above reply of the Ministry has to be viewed in the light of the facts stated in para 1.8.1 of the CAG's Performance Audit Report No. 2 of 2008 which highlighted that the objective of providing indigenous two seater Hansa aircraft remained unachieved as NAL was yet to develop its components indigenously and continued to depend on imported components for its design and development. Also, NAL took up manufacturing of Hansa without assessing its future commercial viability, as result of which there were no further orders for the aircraft in the market.

The fact remains that the majority of eleven Hansa aircraft procured by DGCA at a cost of Rs. 6.10 crore were not utilized by the flying clubs to which they were allotted due to lack of qualified instructors and perceived technical constraints.

CHAPTER IV : MINISTRY OF COMMERCE AND INDUSTRY

Department of Commerce

4.1 Short levy of departmental charges by DGS&D

The Directorate General of Supplies & Disposals (DGS&D) failed to implement the increased rate of departmental charges for the services rendered for purchases and inspection of stores, which resulted in short levy of Rs. 9.42 crore for the period December 2005 to March 2008.

The Directorate General of Supplies & Disposals (DGS&D) is a central purchase organisation of the Government of India (GoI), which concludes rate contracts for common user items required by the Central Government Departments, State Governments, Union Territories, and quasi-public bodies like municipalities, statutory corporations and government undertakings. Central Government Departments/ Ministries authorized to act as direct demanding officers operate the rate contracts by placing supply orders against DGS&D.

DGS&D levies departmental charges for the services rendered for purchases and inspection of stores at rates prescribed by the Government from time to time. Prior to November 2005, departmental charges @ 0.5 *per cent* each of the value of the contract or supply order placed against the DGS&D rate contract were recoverable for services rendered for purchases and inspection of stores separately. These rates were revised to 0.6 *per cent* from November 2005.

Audit scrutiny, of the records of Delhi and Mumbai offices of DGS&D however, revealed that DGS&D continued to levy departmental charges at the old rate of 0.5 *per cent* in respect of services for both purchases and inspection of stores. Thus, short levy of departmental charges by 0.2 *per cent*[1] on the amount paid through various bills between December 2005 to March 2008 worked out to Rs. 9.42 crore (including Rs. 1.80 crore pertaining to the Office of the Deputy Controller of Accounts (Supply) Mumbai, a subordinate office of the DGS&D).

In reply (September 2008), the Ministry stated that instructions had been issued to all the concerned sections in DGS&D to levy departmental charges @ 0.6 *per cent*, and that efforts were being made to recover the residual departmental charges from consignees/ Indentors.

[1] 0.1 *per cent* each for services for purchases and inspection of stores.

4.2 Recoveries at the instance of Audit

On being pointed out by Audit, Joint Director General Foreign Trade (JDGFT), Ahmedabad recovered Rs. 59.06 lakh from a firm which had received undue refund of Terminal Excise Duty (TED) of Rs. 160.97 lakh and Department of Commerce recovered Rs. 4 lakh towards interest on refund of unspent balance under Marketing Development Assistance (MDA) Scheme

Case I: Under the Foreign Trade Policy[2], the benefits of deemed export, including refund of Terminal Excise Duty are available for supply of goods under International Competitive Bidding (ICB) for projects notified for zero customs duty by Ministry of Finance. These benefits are also available for supplies by sub contractor, provided that the names were indicated in the contract, and payment certificate was issued by the project authority.

Audit scrutiny revealed that M/s Gujarat Apollo Equipment Ltd. had irregularly received refund of Rs. 160.97 lakh under eight case files of Joint Director General Foreign Trade (JDGFT), Ahmedabad for a project awarded by National Highway Authority of India, despite not providing documentary evidence of supplies under the ICB procedure and lack of payment certificate from the project authority. On being pointed out by Audit, JDGFT, Ahmedabad recovered an amount of Rs. 59.06 lakh in February and July 2008, while the balance amount of Rs. 101.91 lakh was pending for recovery as of December 2008. The Ministry stated (December 2008) that the matter was pending in the High Court of Gujarat.

Case II: As per sanctions for release of grants-in-aid by the Department of Commerce to various Export Promotion Councils (EPCs), the unspent amount was to be surrendered to the Government. However, the condition under Rule 209 (6)(xi) of GFR stipulating recovery of interest on the unspent amount was not incorporated in the sanctions.

Audit scrutiny revealed that 17 EPCs had not paid interest amounting to Rs. 57.74 lakh on the unspent balance amount. On being pointed out by audit, the Department recovered interest of Rs. 4 lakh on unspent balance from 5 EPCs, while the recovery of the balance amount of Rs. 53.74 lakh was still pending.

[2] Paragraphs 8.2(f) and 8.6.2(f)

Department of Industrial Policy and Promotion (DIPP)

4.3 Deficient implementation of projects under the Industrial Infrastructure Upgradation Scheme (IIUS)

Out of 26 projects approved between December 2003 and March 2005 under the Industrial Infrastructure Upgradation Scheme (IIUS), only 8 projects had been completed, despite release by Department of Industrial Policy and Promotion (DIPP) of 84 *per cent* (Rs 792.45 Crore) of GOI's share of Rs. 945.27 crore, of the approved project costs (Rs 1693.31 Crore). This adversely affected the scheme's objective of providing quality infrastructure through Public Private Partnership for enhancing international competitiveness of domestic industry. The main reason for the delay in completion of projects were inadequate survey, assessment of project requirements and monitoring.

4.3.1 Industrial Infrastructure Upgradation Scheme (IIUS)

4.3.1.1 Overview

In December 2003, the Department of Industrial Policy and Promotion (DIPP) introduced Industrial Infrastructure Upgradation Scheme (IIUS) with a provision of Rs. 675 crore in the X Plan to enhance international competitiveness of domestic industry by providing quality infrastructure through Public Private Partnerships (PPP). Under the scheme, industrial clusters/ locations with high growth potential were to be selected for strategic interventions in the following areas:

- Physical Infrastructure – in the areas of transport, water supply, power, fuel supply, effluent treatment and solid waste management;
- Information and Communications Technology (ICT) Infrastructure – by providing broadband connectivity;
- R&D Infrastructure – in the areas of collaborative, product technology, materials and market research;
- Quality Certification and Benchmarking Centre – through improvement of soft skills in quality control and Total Quality Management (TQM);
- Common Facilities Centre;
- Information Dispersal/ International Marketing Infrastructure;
- Information and Communications Technology (ICT) induction, process re-engineering and management consultancy service centre; and
- Other physical infrastructure.

4.3.1.2 Approval Process

IIUS was a Central Sector Scheme, and initially 20 to 25 clusters were to be taken up for development. The clusters/ industrial locations were to be selected by an Apex Committee headed by Secretary, DIPP, and cluster associations were to submit exhaustive proposals to the Committee for approval. Projects were to be appraised by Financial Institutions contributing to the cost of the project, failing which by independent agencies to be appointed by the DIPP.

4.3.1.3 Funding Mechanism

Government of India (GoI) assistance was in the form of grant-in-aid, restricted to 75 *per cent* of the project cost, with a ceiling of Rs. 50 crore. The assistance was to be provided to Special Purpose Vehicles (SPVs) to be formed by cluster associations for infrastructure development. Funds were to be released in three equal installments, with the second installment to be released on receipt of Utilisation Certificate for the first installment and monitoring of actual physical progress.

4.3.1.4 Projects Approved

Between December 2003 and March 2005, DIPP approved 26 projects, which were to be completed within 18 to 36 months from the date of sanction. These projects involved a total project cost of Rs. 1693.31 crore, with a Central share of Rs. 945.27 crore, against which GoI released Rs. 792.45 crore upto September 2009.

4.3.2 Audit Methodology

A scrutiny of the records of DIPP in respect of the 26 projects approved during 2003-05 was conducted by audit during June-August 2008. In addition, five field visits were conducted by audit to Textile Industrial Cluster, Panipat (October 2008), Gems and Jewellery Cluster, Surat, Auto Cluster, Vijayawada, Ispat Bhoomi, Raipur and Leather Cluster, Kanpur (January 2010).

The draft audit findings were issued to DIPP in October 2008. The responses of the DIPP, received in January 2009 and November 2009, have been suitably incorporated in this report.

4.3.3 Audit Findings

4.3.3.1 Project Completion

Check of the records of the Department of Industrial Policy and Promotion (DIPP) revealed that out of the 26 approved projects:

- Eight projects were reportedly completed as of November 2009, with delays ranging between 15 and 33 months. The status and details of these projects are given in **Table 1** below:

Table 1: Delayed Completion of IIUS Projects

S. No.	Name and address	Cost	Amount released (Rs. crore)	Month of Sanction	Duration Of Project	Delay in completion	Status
1.	Pump, Motor & Foundry cluster, Coimbatore Tamil Nadu	Project Cost Rs.55.30 crore and GoI Grant Rs.39.39crore	38.99	April 2005	24 months; should have been completed by April '07	23 months	Completed
2.	Chemical Cluster, Ankleshwar Gujarat	Project Cost of Rs.152.83 crore and GoI Grant Rs.50 crore	48.50	November 2004	24 months; should have been completed by November'06	18 months	Completed
3.	Foundry Cluster, Belguam, Karnataka	Project Cost Rs.24.78 crore and GoI Grant Rs.18.58 crore	18.02	November 2004	24 months; should have been completed by November'06	33 months	Completed
4.	Machine Tools Cluster, Bangalore, Karnataka	Project Cost Rs.135.50 crore and GoI Grant Rs.49.12 crore	47.65	November 2004	24 months; should have been completed by November'06	Date of completion not available	Project completion certificate was not submitted
5.	Textile Cluster Ludhiana Punjab	Project Cost RS.17.19 crore and GoI Grant Rs. 12.69 crore	12.31	October 2004	18 months; should have been completed by April'06	-do-	-do-
6.	Chemical cluster, Vapi Gujarat.	Project cost Rs.54.31 crore and GoI Grant Rs.40.49 crore	39.28	March 2004	24 months; should have been completed by March'06.	27 months	Completed
7.	Textiles Cluster, Tirupur Tamil Nadu	Project Cost Rs. 143.50 crore and GoI Grant Rs.50.00 crore	49.49	March 2004	18 months; should have been completed by September'05	30 months	Completed
8.	Auto Cluster, Pune, Maharashtra	Project Cost Rs. 59.99 crore and GoI Grant Rs.44.99 crore	44.54	November 2004	24 months; should have been completed by October 2006	15 months	Completed

- Seventeen projects were yet to be completed as of November 2009, and there were significant time overruns. The status of the incomplete projects is given in **Table 2** below.

Table 2: Incomplete IIUS Projects

(Rupees in crore)

S. No.	Name and address	Cost	Amount released (% release)	Month of Sanction	Duration of Project	Delay as of November 2009	Status
1.	Auto Ancillary Cluster, Chennai	Project Cost Rs. 47.49 crore and GOI Grant Rs.27.74crore	26.91 (97%)	August 2004	18 months; should have been completed by January'06	46 months	Not completed.
2.	Cereal, Pulses and Staples Cluster, Madurai, Tamil Nadu	Project cost Rs.39.96 crore and GOI Grant Rs.29.97 crore	29.07 (97%)	October 2004	18 months; should have been completed by April'2006.	43 months	Not completed.
3.	Metallurgical Cluster, Jajpur Orissa	Project Cost Rs. 80.60 crore and GOI Grant Rs 47.00 crore	45.59 (97%)	November 2004	36 months; should have been completed by November'2007	23 months	Not completed.
4.	Auto Cluster Pithampur, Madhya Pradesh	Project cost Rs.73.29 crore and GOI Grant of Rs49.94 crore	45.81 (92%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
5.	Auto Cluster, Vijayawada Andhra Pradesh .	Project Cost Rs.30.67 crore and GOI Grant Rs 23.01crore	22.31 (97%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
6.	Gems & Jewellery cluster, Surat, Gujarat	Project Cost Rs. 73.00 crore and GOI Grant Rs.50.00 crore	16.70 (33%)	November 2004	24 months; should have been completed by October' 2006	38 months	Not completed.
7.	Marble Cluster, Kishangarh Rajasthan	Project Cost Rs.36.80 crore and GOI Grant Rs.27.60 crore	26.77 (97%)	November 2004	24 months; should have been completed by November'2006	35 months	Not completed.
8.	Coir Cluster, Alapuzha, Kerala	Project Cost Rs. 56.80 crore and GOI Grant Rs.42.60 crore	28.40 (67%)	December 2004	24 months; should have been completed by November 2006	39 months	Not completed.
9.	Leather Cluster, Kanpur Uttar Pradesh	Project Cost Rs. 16.46 crore and GOI grant Rs. 9.75 crore	6.50 (67%)	March 2005	24 months; should have been completed by March'2007	32 months	Not completed.

(Rupees in crore)

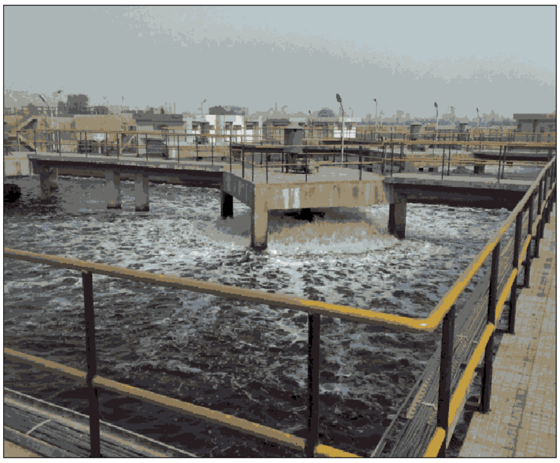
S. No.	Name and address	Cost	Amount released (% release)	Month of Sanction	Duration of Project	Delay as of November 2009	Status
10.	Multi Industry Cluster, Haldia West Bengal	Project Cost Rs.58.85 crore and GOI Grant Rs.35.97 crore	34.89 (97%)	March 2005	24 months; should have been completed by March'2007	32 months	Not completed.
11.	Foundry Park, Howrah, West Bengal	Project Cost Rs. 126.74 crore and GOI Grant Rs.40.40 crore	13.47 (33%)	March 2005	24 months; should have been completed by February 2007	33 months	Not completed.
12.	Rubber Cluster, Howrah, West Bengal	Project Cost Rs. 29.74 crore and GOI Grant Rs.15.72 crore	5.24 (33%)	March 2005	24 months; should have been completed by February' 2007	33 months	Not completed.
13.	Ispat Bhoomi Cluster, Raipur Chhatisgarh	Project cost Rs. 55.06 crore and GOI Grant Rs.31.76 crore	30.81 (97%)	April 2005	24 months; should have been completed by April '07	31 months	Not completed.
14.	Chemical Cluster, Vatva,Ahmedabad Gujarat	Project Cost Rs.71.35 crore and GOI Grant Rs. 41.39 crore	40.15 (97%)	April 2005	24 months; should have been completed by April'2007	31 months	Not completed.
15.	Textile Cluster Ichalkaranji, Maharashtra	Project cost Rs.65.07 crore and GOI Grant of Rs.32.70 crore.	31.72 (97%)	April 2005	24 months; should have been completed by April'2007	31 months	Not completed.
16.	Leather Cluster, Chennai Tamil Nadu	Project cost Rs.67.34 crore and GOI grant Rs.43.94 crore	42.62 (97%)	April 2005	24 months; should have been completed by April'2007.	31 months	Not completed.
17.	Pharma Cluster, Hyderabad	Project Cost Rs.66.16 crore and GOI Grant Rs.49.62 crore	33.08 (67%)	May 2005	24 months; should have been completed by May'2007	30 months	Not completed.

- As can be seen, eleven projects sanctioned between August 2004 and April 2005 were not completed, although more than 90 *per cent* of the GoI approved share of funds had already been released. Similarly, in three projects sanctioned between December 2004 and May 2005, 67 *per cent* of funds had already been released. In respect of the other three projects sanctioned between November 2004 and March 2005, it was noticed that 33 *per cent* funding had been released.

- One project, the Textile Industry Cluster at Panipat, approved in December 2004 was cancelled in April 2007.

4.3.3.2 Cancelled Project

The Textile Industry Cluster at Panipat was approved by DIPP in December 2004 for completion within 24 months. The approved project cost was Rs. 54.53 crore, with a Central share of Rs. 40.90 crore, of which Rs. 13.63 crore was released in December 2004. DIPP cancelled the project in April 2007 due to non-availability of land and the inability of the Panipat Textile Industry Cluster Development Society (SPV) to levy user charges, and directed the SPV to refund the central grant of Rs. 13.63 crore with interest. However, the amount had not been refunded as of November 2009. Audit scrutiny of records and field visit further revealed the following:



Functional CETP constructed by HUDA (Oct 2008)

One of the project components was the construction of an effluent collection, treatment and disposal treatment at a cost of Rs. 15.14 crore. Field audit, however, revealed that a Common Effluent Treatment Plant (CETP) had already been constructed by HUDA[3] in the same area, and its capacity was reported to be underutilised. The proposal for construction for another effluent treatment plant was, thus, redundant, and indicated inadequate survey and pre-approval evaluation and assessment.

[3] HUDA: Haryana Urban Development Authority

Main Panipat drain through industrial cluster (Oct 2008)

The closure and lining of the Main Panipat drain through the industrial cluster at a cost of Rs. 16.24 crore had been included in the original project.

- However, field audit revealed that no work had taken place on this component, and the drain remained in open condition. Despite the cancellation of the project in April 2007 and orders for refund of the Central grant, an expenditure of Rs. 2.57 crore was incurred on the construction of Effluent Conveyance Main Drain by the SPV.

In response, DIPP stated (November 2009) that the SPV had been reminded to refund the entire Central grant with interest

4.3.3.3 Project with no significant work

- The Rubber cluster at Howrah, West Bengal, which was to be completed by March 2007, involved a total cost of Rs. 29.74 crore, with Central share of Rs. 15.72 crore, of which Rs. 5.24 crore had been released in two parts - Rs. 3.14 crore in March 2005 and Rs. 2.10 crore in February 2006. However, the project was yet to commence, although expenditure of Rs. 2 crore had been booked. The delay was on account of non-acquisition of part of the land, and requests to enhance the level of GoI grant.

In response, DIPP stated that the SPV had acquired *76 per cent* of the land and was in the process of acquiring the remaining land (November 2009).

4.3.3.4 Field visits to Incomplete Projects

Audit scrutiny and field visits (January 2010) revealed the following:

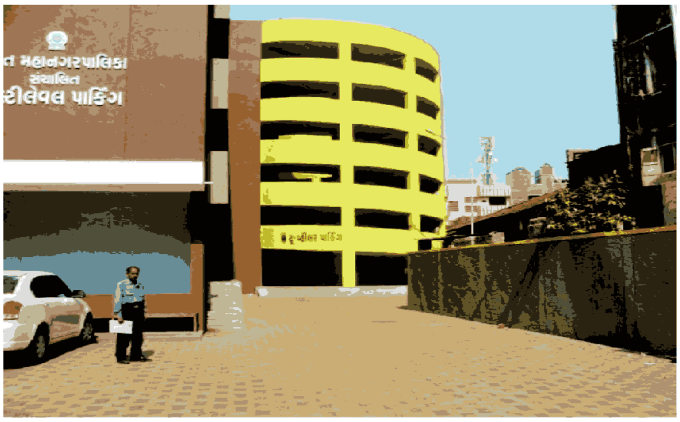
(i) Gems & Jewellery Cluster, Surat

- The project, which was to be completed by November 2006, involved a total cost of Rs. 73.00 crore, with Central share of Rs. 50 crore, of which Rs. 16.70 crore had been released in November 2004. The project was revised thrice, with deletion of important components like hostel facility, design centre, training and HRD etc. In response, DIPP stated (January 2009) that there had been delays due to litigation over land, and the project was expected to be completed by end-2009. Subsequently, in November 2009, DIPP stated that the execution of the project had begun.

Field visit by audit in January 2010 revealed the following:

Convention-cum-display centre under construction

- Although the Convention-cum-display centre was in the final stages of completion, the construction of other components viz. Auditorium-cum-seminar hall and Marketing bourse was yet to take off.



Multi-level parking being operated by SMC

- The parking complexes that had been built at a total cost of Rs. 12 crore (GoI share Rs. 4.39 crore) envisaged an agreement (January

2007) whereby the land was to be provided by Surat Municipal Corporation (SMC) and the entire construction cost was to be borne by the Special Purpose Vehicle (SPV).

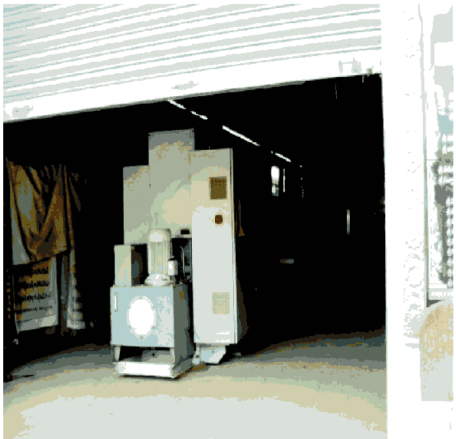
- Two of the parking complexes were functional and were being operated by the SMC. It was provided in the agreement that the surplus, if any, would be divided between the SPV and SMC as mutually agreed upon, the deficit or loss was to be borne by the SPV. Entering into such an agreement where the percentage of sharing profits was not decided in advance and taking entire liability of losses by the SPV was not a prudent decision.

(ii) Auto Cluster, Vijayawada (AP)

The project involved construction of an Effluent Treatment Plant (ETP), Common Testing Centre (CTC), and a Trade Centre at a total cost of Rs. 6.04 crore (GoI share Rs. 4.53 crore). However, field visit by Audit (January 2010) revealed that although the buildings for none of the three components above were completed, the SPV had already purchased machinery and equipment during the period March-August 2008, making advance payments of Rs. 2.91 crore. As a result, the machinery & equipments were lying packed and unused in a private godown for the last 17 months.

Proposed CTC Building site at Auto Cluster, Vijaywada

Proposed ETP site at Auto Cluster, Vijaywada

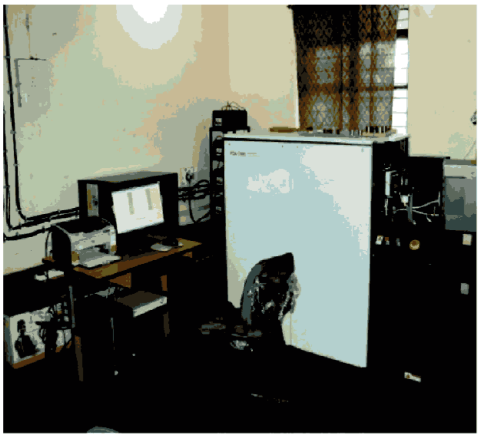


CTC machinery lying packed & unused at Auto Cluster, Vijaywada

ETP equipment lying packed in a godown at Auto Cluster, Vijaywada

(iii) Ispat Bhoomi, Raipur

The approved project had 10 components, namely, water supply, roads, quality testing lab, street illumination work, toll plaza, administrative charges, detailed design and work supervision costs, ETC charges and insurance and contingency, which were reduced to only three components namely water supply, roads, quality testing lab on a request by the SPV in March 2008. The construction of building for the Testing Lab was yet to start, although the laboratory was functional in a rented building.



Testing lab operational in a rented building at Ispat Bhoomi, Raipur

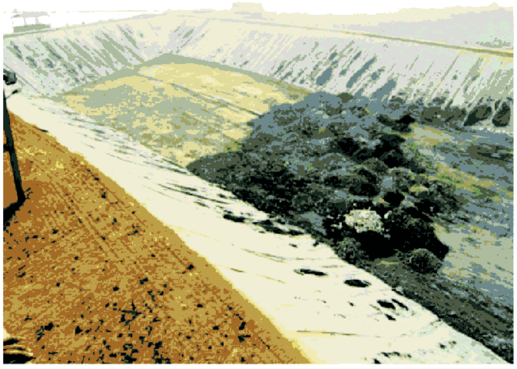
Proposed site for the construction of Laboratory Ispat Bhoomi, Raipur

Further, a scrutiny of the Profit & Loss Account of the SPV during the visit revealed that the SPV made profits of Rs. 1.50 crore and Rs. 2.30 crore for the years 2007-08 and 2008-09 respectively, and had distributed Rs. 1.59 crore as dividend to its shareholders during 2008-09. However, the Scheme guidelines contained no clause regarding the treatment of profits, once an SPV turned profit making. This issue needs to be addressed by DIPP at the earliest.

(iv) Leather Cluster, Kanpur

- The total project cost was Rs. 27.34 crore (GOI share Rs. 9.75 crore) which involved two components viz., Common Raw Hide Storage and Management Centre, and Common Hazardous Waste Disposal Facility (CHWDF). However, the former was dropped due to law and order problems, and a new component viz., Common Effluent Treatment Plant (CETP) added, with the total cost being revised to Rs. 17.65 crore with GoI's share of Rs. 9.75 crore.

However, field visit by Audit in January 2010 revealed that only one out of the proposed three cells of the CHWDF was complete and functioning, while the other two were at different stages of completion (only 41 *per cent* of the project cost incurred). Further, work on the second component, i.e. CETP, was yet to take off.



Functional Cell no. 1 of CHWDF at Leather Cluster, Kanpur

Development of site for Cell No.3 of CHWDF at Leather Cluster, Kanpur

4.3.3.5 Change in Components/ Scope

Audit scrutiny further revealed that two projects with an approved cost of Rs. 139.45 crore, involving Central share of Rs. 82.97 crore, out of which Rs. 80.48 crore had been released, had not been completed due to change in approved components, deletion of components and reduction in scope, as summarized below:

Table 3: Change in Components/ Scope of IIUS Projects

Project	Audit Findings (in brief)
Multi Industry Cluster, Haldia (West Bengal)	The approved (March 2005) component "Approach Road for Haldia Bridge" was dropped, due to the State Government's decision not to take up the Haldia Bridge project, and funds were re-allocated (December 2006) to the water supply component. In response, DIPP stated that the component was included on the basis of the commitment given by the State Government (November 2009). Inclusion of various components on the basis of anticipation and not on the basis of detailed study/ survey was in violation of the guidelines of the Scheme.
Steel and Metallurgy Cluster, Jajpur (Orissa)	Two existing components approved (November 2004), relating to strengthening and upgradation of old military road and development of the Ghat road in the Daitar Mines area, were replaced by two new components (January 2006), viz. construction of new road along the old military road, and utility corridor. In response, DIPP stated that the existing road was not able to bear the increased traffic load, and it was not possible to close the road for upgradation; hence, it was decided to replace the components with construction of two new lanes along the existing roads (November 2009). This indicates that the original proposals were prepared without adequate survey/ study.

4.3.3.6 Projects with other deficiencies

In four projects, involving a total cost of Rs. 373.35 crore with Central share of Rs 172.61 crore, against which Rs. 128.80 crore was released, audit scrutiny revealed the following deficiencies:

Table 4: IIUS Projects with other Deficiencies

Project	Audit findings (in brief)
Chemical cluster, Vapi, (Gujarat)	Interest of Rs. 1.37 crore earned on the GoI grant (Rs. 26.90 crore) as well as on SPV contribution (Rs. 9.50 crore) was not proportionately adjusted by DIPP before release of the third installment. In response, DIPP stated (November 2009) that no decision regarding adjustment of grant had been taken, as the grant remained frozen at the sanctioned level, while there had been considerable cost overrun which was met by the SPV. In audit's view DIPP should have adjusted the interest earned before the release of the third installment.

Machine Tools Cluster, Bengaluru, (Karnataka)	The project involved two components –Indian Machine Tool Manufacturer's Association (IMTMA) Centre of Excellence, and Peenya Industries Association (PIA) infrastructure[4]. DIPP released (March 2007) the third and final installment of Rs. 14.91 crore, despite there being no progress on the PIA infrastructure component. In response, DIPP (November 2009) stated the UCs had been received, and the implementation of the project was over. However, in the absence of the completion report, the claim of DIPP (November 2009) that the implementation of the project was over could not be verified.
Coir Cluster, Alappuzha (Kerala)	The project, which was to be completed by December 2006, had a total cost of Rs. 56.80 crore, with Central share of Rs. 42.60 crore, against which Rs. 28.40 crore had been released as of August 2009. The first installment of Rs. 14.20 crore released in December 2004 could only be utilized in 2009, i.e. after a period of more than four years. In response, DIPP (November 2009) stated that the project was expected to be completed by September 2010.
Foundry Park, Howrah (West Bengal)	The project, which was to be completed by March 2007, had a total cost of Rs. 126.74 crore, with Central share of Rs. 40.40 crore, of which Rs. 13.47 crore had been released in two parts of Rs. 8.48 crore in March 2005 and Rs. 4.99 crore in February 2006. The delay in completion was on account of non-availability of land and lack of environmental clearance. In response, DIPP stated (November 2009) that environmental clearance had now been received and land acquired. The work had started on the ground and a sum of Rs 12 crore had already been spent. The reply of DIPP supports the audit comment that there had been very slow progress in this project which had already been delayed by 33 months.

4.3.3.7 Non-receipt of Utilisation Certificates

Audit scrutiny revealed that against releases of Rs. 792.45 crore upto November 2009 for 26 projects in respect of which Utilisation Certificates (UCs) were required to be received within 12 months, UCs in respect of 8 projects for Rs. 85.87 crore were yet to be received. Details are given in **Annex I**.

4.3.3.8 Conclusion

As can be seen from the above detailed findings,

- 17 projects out of 26, which were scheduled to be completed within 18 to 36 months from the date of sanction of the project, had not been completed.

[4] This involved several sub-components – roads, solid waste management, common tool room facility, working women's hostel, common material testing laboratories etc.

- The main reasons for the delay in completion were inadequate survey and assessment of project requirements by the implementing agencies before submission of the project proposals. Further, the GoI approved these projects, without ensuring fulfillment of pre-launch requirements by the State Governments and implementing agencies.
- DIPP failed to exercise adequate and effective control over timely utilization of funds, receipt of UCs, and completion of projects. It also did not have adequate arrangements for verifying actual physical progress of projects before release of the next installments.

4.4 Non-recovery of renewal fee for patents amounting to Rs 1.12 crore

Absence of monitoring system in respect of defaulting patentee resulted in non recovery of renewal fee to the extent of Rs 1.12 crore from August 1992 to March 2008.

In May 2003, the Patents Act 1970 was amended to raise the validity term of every patent granted from 14 years to 20 years.

The date of any granted patent is effective from the date of submission of the patent application. Continued validity of a patent is conditioned on the renewal of patents for which a renewal fee is payable from the second year onwards which must be remitted to the Patent Office before the expiry of the corresponding year. Such patent shall cease to have effect following non-payment of renewal fee within the prescribed period or within an extended period of six months. In case a patent is granted later than two years from the date of filing, the cumulative renewal fees may be paid within a term of three months from the date of the recording of the patent in the register or within an extension of six months. Following cessation of patent right due to non-payment of renewal fee, such patent shall not be entitled to any protection. However the Act also provides that the patentee may make an application for the restoration of the patent within 18 months from the date on which the patent ceased to have effect.

A. Audit scrutiny revealed that the office of the Deputy Controller of Patents and Designs, (DCPD) Kolkata neither intimated the patentees about the outstanding renewal fee nor informed them about the cessation or subsequent lapse of the patent on account of non-payment of the renewal fee. As the fact of lapse of patent was neither recorded in the Register of Patents nor intimated to the patentees or made public, patentees continued to enjoy patent rights even after cancellation or cessation of their patents.

As there is no system in place to pursue or monitor the fact of recovery of the renewal fee, the renewal fee is not recovered regularly. Scrutiny of three Patent registers revealed that out of 17618 cases of patents registered during 2001-02 to 2006-2007, an amount of Rs. 1.12 crore was recoverable towards renewal fee in respect of 215 number of patents for the period from August 1992 to March 2008.

Thus, failure on the part of DCPD to monitor the status of outstanding renewal fee and notifying the public on cancellation of the patents resulted in loss of revenue to the tune of Rs 1.12 crore, besides allowing the patentees to continue to enjoy business rights without paying the requisite renewal fees.

B. In August 2007, the Head of India Patent Office, Kolkata directed that all patent applications henceforth be examined through e-examination module, developed by NIC. A pre - requisite for such examination was that the entire application must be in digitized format. Audit scrutiny revealed that while some application were being received in digitized form, most were paper application in which case the Office was getting them digitized by CMC Ltd. before examination. While the process of examination moved from manual to electronic format, the Patent Office did not insist upon applicants to submit electronic copies along with paper applications and spent its own money to digitize a majority of those applications. It incurred an expenditure of Rs 22 lakh on digitization of 6764 applications till March 2008 that was clearly avoidable. Such practice is still continuing (July 2008).

The matter was reported to the Ministry in June 2008, their reply was awaited as of September 2009.

Annex-I

(Referred to in paragraph No. 4.3.3.7)

Statement of pending UCs as on 31.12.09

Sl. No.	Name of the Cluster	UC pending *(Rupees in crore)*	Month of release of the installment
1	Ispat Bhoomi Cluster, Raipur, Chhatisgarh	9.74	September 2008
2	Textile Cluster Ichalkaranji, Maharashtra	9.91	March 2008
3	Chemical Cluster, Ahmedabad, Gujarat	12.56	June 2008
4	Textile Industrial Cluster, Panipat, Haryana	13.63	December 2004
5	Textile Cluster, Ludhiana, Punjab	3.89	March 2008
6	Foundry Cluster, Howrah, West Bengal	13.47	February 2006
7	Metallurgical Cluster, Jajpur, Orissa	14.27	September 2008
8	Auto Ancillary Cluster, Chennai	8.40	October 2008
	Total	**85.87**	

CHAPTER V : MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

Department of Posts

5.1 Organisational Set-Up and Financial Management

5.1.1 Functions of the Department

The postal system in India has a history of handling communications infrastructure for the country for almost 150 years and currently has the largest network in the world.

The primary services rendered by the Department of Posts (DoP) are as follows:

- Communication services – Letters, Post Cards, etc.
- Transport services – Parcel, Logistics, etc.
- Financial services – Savings Bank, Money Order, Insurance, etc.
- Value added services – Speed Post Service, Business Post, Direct Post, etc.

As part of its Universal Service Obligation, the postal system is expected to ensure provision of efficient postal services at affordable prices to users all across the country. Transmission and delivery of mail is the core traditional business of the Postal Department. Over the years several value added services like bulk mail, business post and speed post have been introduced by DoP.

The Post Office Savings Bank Scheme is an agency function performed by the Department of Posts (DoP) on behalf of the Ministry of Finance, Government of India for which the Ministry of Finance remunerates the DoP at rates fixed from time-to-time. In discharge of its agency functions, DoP represents the oldest and largest banking network in the country and plays a critical role in mobilizing small savings, primarily in rural areas. DoP also assists people in transfer of money from place to place through 'money order' and 'postal order'.

The Department of Posts also provides life insurance. Postal Life Insurance (PLI) has been providing life insurance coverage since 1884 to Government employees. Since 1995 PLI has been extended to the rural population of the country under a new scheme Rural Postal Life Insurance. While PLI covers employees of Central and State Governments, Central and State Public Sector

Undertakings, Universities, Government-aided Educational institutions, staff of the Defence Services and Para-Military forces, RPLI has a much larger mandate of covering rural areas.

The net accretion to the PLI/RPLI fund will now be invested as per the IRDA Investment guidelines. For this purpose an Investment Board chaired by Member (PLI) has been set up at New Delhi. The DoP has signed an agreement with the Fund Managers (UTI Asset Management Co Ltd and SBI Fund Management Pvt. Ltd) for operationalization of Investment of accretion to PLI/RPLI funds. For carrying out the day to day work of investment, an Investment Division has also been set up at Mumbai headed by the Chief Investment Officer.

DoP is also engaged in disbursement of pension and family pension to military and railway pensioners, family pension to families of coal mine employees and industries covered by the Employees Provident Fund Scheme.

During 2008-09 the DoP launched 'Project Arrow', an initiative to transform India Post into a vibrant and responsive organization and make a visible and positive difference in postal operations to benefit the customers. The department identified 50 post offices in Phase I and 450 Post Offices in Phase II.

There is a Mail Business Development & operations wing in DoP which deals with Wet Lease of Freighter Aircraft, Setting up of Mail Business Centres, Setting of Automatic Mail Processing Centres, publicity for redesigned pin code and National Address Data Base Management System. In order to improve its mail delivery and transmission services in the North East, Department of Posts decided to induct dedicated freighter aircraft for carriage of mail, parcel and logistics to and from the North Eastern Region. Induction of the freighter aircraft has provided the Department the necessary carrying capacity for the mail bound for/from North East and has eliminated delays in transmission.

5.1.2 Organisational set-up

The Department of Posts is part of the Ministry of Communications and Information Technology, Government of India. The Secretary, Department of Posts, as the Chief Executive of the Department, is also the Chairperson of the Postal Services Board and Director General, India Post. The Board has six Members for the portfolios of Personnel, Operations, Technology, Postal Life

Insurance & (Chairman Investment Board), Human Resource Development and Planning.

The department has 22 Postal Circles that are divided into 37 Regional offices, controlling 442 Postal Divisions and 46 Postal Stores Depots. There is also a Base circle to cater to the postal communication needs of the Armed Forces. The staff strength of the department as on 31 March 2009 was 4.83 lakh with 2.10 lakh departmental employees and 2.73 lakh Gramin Dak Sewaks[$].

The Board directs and supervises the management of postal services throughout the country with the assistance of Chief Postmasters General in Circles and Senior/Deputy Directors General in the Directorate General of Posts. A Business Development Directorate (BDD) was set up in DoP in 1996 to ensure focused management of value added services viz., Speed Post, Speed Post Passport Service, Business Post, Express Parcel Post, Media Post, Meghdoot Post Card, Greetings Post, Data Post, E-Bill Post and E-Post. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) Schemes are monitored by PLI Directorate headed by the Chief General Manager, PLI.

5.1.3 Postal traffic

The volume of traffic projected and actually handled by the DoP in respect of unregistered and registered mail over the last 3 years from 2006-07 to 2008-09 is given in **Annex-I**.

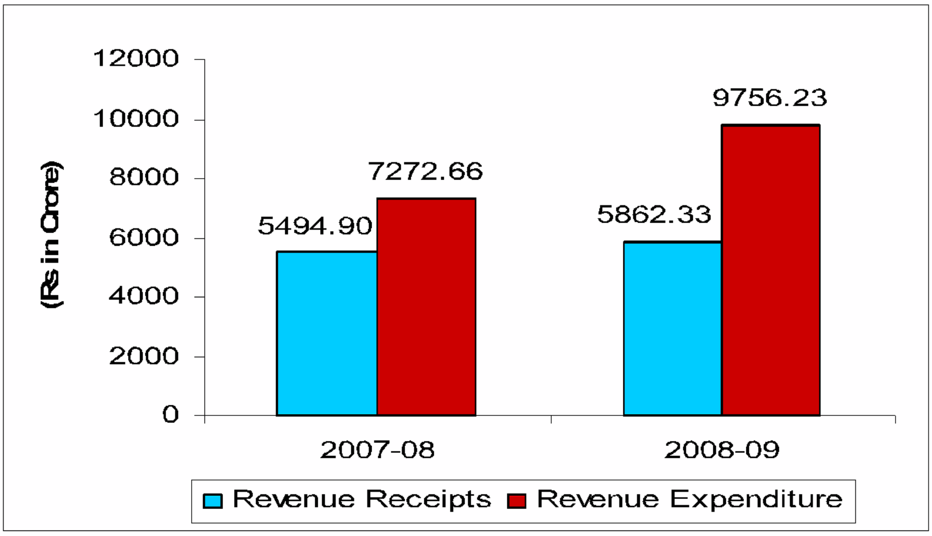
Actual volume of unregistered mail in respect of post cards, printed post cards and competition post cards, parcels and letter has shown a decreasing trend during 2008-09 as compared to 2006-07. The revenue from mails relating to inland letter cards, news papers, book packets, printed books, other periodicals and acknowledgement however, has shown a positive trend. In the category of registered postal services, volume under classical services like money orders, insurance, and registered letters/parcels has declined. The exception to this trend is the quantum of speed post, which has increased by almost 84% over the period 2006-07 to 2008-09.

5.1.4 Financial Performance

The total revenue receipts during 2008-09 showed an increase of 6.68 per cent over the previous year. The increase was, however, much less than the

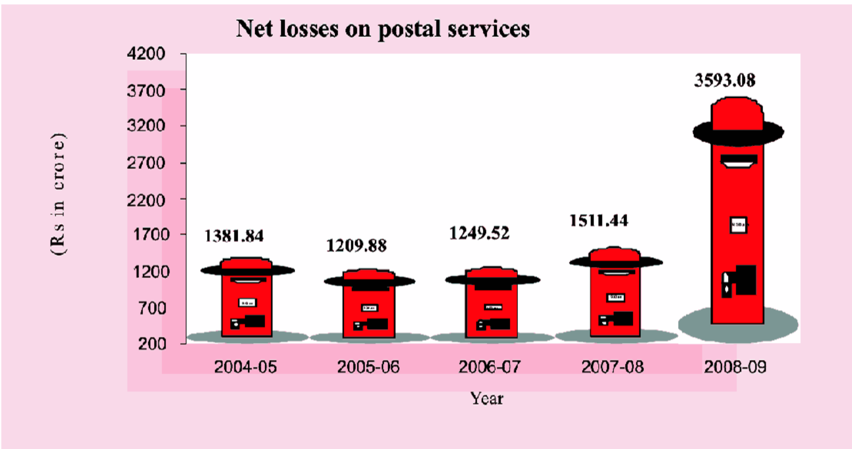
[$] In the rural , remote corner of the country, Postal Services are rendered through Branch Post Office, working for limited hours utilizing the services of rural based personnel called "Gramin Dak Sevaks" (previously called Extra Departmental Agents) who work on a part time basis.

increase in the gross revenue expenditure which was 34.15 per cent more than the preceding year as shown in the chart below.



The details of revenue receipts and revenue expenditure are given in **Annex-II**.

There was a net loss of Rs 3593.08 crore on postal service*s in 2008-09. The comparative position for the period 2003-08 is as under:



The Department's net loss which was more than Rs 1380 crore in 2004-05 had declined in subsequent years and was less than Rs 1250 crore in 2006-07.

* Net loss was calculated as the difference between revenue receipts& recoveries and revenue expenditure, i.e., {(Rs 5862.33+Rs. 300.82)-Rs 9756.23}.

However, as at the end of 2008-09, the net loss had spurted past Rs 3500 crore, representing an increase of Rs.2081.64 crore (137.73 per cent) as compared to the preceding year.

5.1.5 Role of Audit

During the audit of the DoP, Audit endeavoured to examine and assess whether established systems were functioning effectively, stipulated procedures were adhered to and whether financial propriety was observed. Subjects for compliance audit were selected on the basis of an assessment of the risk associated with various activities carried out by postal units. Parameters for assessing risk included volume of transactions, materiality, relative importance of the function/service, past audit results, etc. The audit of postal units was conducted through 15 Branch Audit Offices located mainly in State capitals.

The audit process helps the auditee to identify areas of financial and managerial controls that need attention for efficient and effective management. Audit has also proved to be an aid in effecting revenue recoveries.

Some of the persistent deficiencies that have appeared in the audit reports relating to DoP in the last five years include:

(1) Irregular payment of interest on PPF / MIS[*].

(2) Non - deduction of income tax at source from interest payments made under Senior Citizens Savings Scheme.

(3) Excess payment of haulage charges.

(4) Short realization of postage charges from ineligible publications.

(5) Non-levy of Service Tax.

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[*] PPF – Public Provident Fund; MIS – Monthly Income Scheme

5.2 Irregular payment of commission to banks

Irregular payment of commission of Rs. 81.32 lakh in obtaining bank drafts from nationalised banks due to failure of five Post Offices in Bihar Circle to follow codal provisions.

Departmental rules[1] stipulate that when remittances are to be made for bonafide public purposes by a Government official, Government drafts payable at par would be issued to him. Instructions to this effect were issued in June 1998 by the Reserve Bank of India (RBI) to the Chief General Manager, State Bank of India (SBI) and its Associated Banks and General Managers of all Nationalised Banks. The same instructions were reiterated by the Ministry of Finance and circulated to all Ministries/Departments including the Department of Posts in September 1998. These instructions were further reiterated by RBI authorities in a meeting in Patna on 10 November 2005 and same were circulated by Postmaster General (PMG) Bihar Circle to all the Senior Superintendents of Post Offices and Senior Postmasters under his control.

Audit scrutiny of records (July-August 2009) of five Head Post Offices (HPOs)[2] in Bihar circle revealed that these HPOs, in contravention of the instructions issued by the PMG, continued to make the payment of bank charges in obtaining demand drafts from nationalised banks during December 2005 to March 2009. This omission on the part of the Postmasters resulted in irregular and avoidable payment of Rs 81.32 lakh as shown below.

Table-1

Sl. No.	Name of HPO	Period of payment of bank charges	Amount (*Rupees in lakh*)
1.	Chapra	December 2005 to February 2009	27.94
2.	Gopalganj	December 2005 to March 2009	3.84
3.	Siwan	December 2005 to October 2008	20.34
4.	Bhagalpur	January 2006 to February 2009	24.16
5.	Motihari	July 2006 to December 2007	5.04
		Total	**81.32**

On this being pointed out by Audit, the Senior Postmasters of all five head post offices while admitting the facts stated that no instructions had been received by them regarding issue of demand drafts at par by the banks.

[1] Clause 1,2 and 4 (1) of appendix 21 of P&T Financial Handbook Vol. I
[2] Bhagalpur, Chapra, Gopalganj, Motihari and Siwan

Thus, failure of the five head post offices in Bihar circle to scrupulously follow the instructions issued by Ministry of Finance led to irregular payment of commission of Rs 81.32 lakh towards purchase of demand drafts for bonafide public purposes.

The matter was referred to the Ministry in August 2009; their reply was awaited as of December 2009.

5.3 Excess payment of haulage charges

Failure of CPMsG Gujarat, Orissa and Uttar Pradesh Circles to verify the claim of haulage charges made by Railways resulted in excess payment of Rs. 2.10 crore.

Department rules provide that bills for haulage charges shall be received in the office of the Head of the Circle concerned and he should verify the same before accepting them. Department of posts (DoP) decided to pay for the haulage charges to the Railways by seat displacement method with effect from 1 October 2002. DoP instructed all Heads of Circles in January 2005 that in case of re-designation of any Mail carrying train to a different Railway Zone due to re-organisation of Railways, the details of ad-hoc payment already made may be intimated to the concerned circles to prevent excess payment to Railways. Departmental instructions further stipulated that there should be monthly meeting with Zonal Railway authorities and concerned CPMG to sort out the difficulties in operational issues and billing and payment of dues.

The Chief Postmasters General (CPMsG), Haryana and Orissa Circles were designated as the nodal officer for Northern Railway and South Eastern Railway respectively against whom the bills relating to haulage charges were to be preferred by the Railways.

Audit scrutiny of records (January 2009) of CPMG Uttar Pradesh Circle, Lucknow revealed that the CPMG made a payment of haulage charges for six trains belonging to Northern Railway for the period from April 2003 to November 2007. Thus, CPMG, Uttar Pradesh, Lucknow's failure to take into cognizance of the fact that CPMG, Haryana Circle, Ambala was the nodal officer for Northern Railway resulted in irregular payment of haulage charges to the extent of Rs. 1.37 crore

Similarly, CPMG Orissa Circle, Bhubaneswar did not take into account re-designation of Mail carrying train nos. 2809/2910 from Maharashtra Postal Circle to Orissa Postal Circle in March 2005 and paid an amount of Rs. 48.89

lakh for the period April 2004 to September 2004 in March 2005 which had already been paid by Maharashtra Postal Circle in December 2004.

Audit scrutiny of records (June 2009) in CPMG Gujarat Circle revealed that though Section ID 29 (Indore-Nagda) working in the train No, 287/288 of Western Railway was closed in January 2007, Gujarat Postal Circle continued to make payment for haulage charges till March 2009 without ascertaining the factual position of closure of a division. This lapse on the part of Gujarat Postal Circle resulted in irregular payment of haulage charges of Rs. 24.16 lakh.

On this being pointed out by Audit, the CPMG Lucknow stated (May 2009) that Rs. 1.37 crore was adjusted from the amount admissible for payment to North Central Railway. CPMG Orissa while accepting the facts stated (February 2009) that excess paid amount of Rs. 48.89 lakh was adjusted in July 2007. CPMG Ahmedabad while accepting the fact (August 2009) stated that the entire amount pointed out by Audit was recovered in full from the approved bill of Western Railway from the month of April 2009.

Thus, failure of the concerned CPMsG to scrupulously follow the departmental instructions and codal provisions resulted in excess payment of haulage charges to the extent of Rs. 2.10 crore, which were adjusted by CPMGs on being pointed out by audit. The system of payment of haulage charges needs to be stream lined and monitored to avoid such irregular payments.

Annex-I

(Referred to in paragraph No. 5.1.3)

(A) Unregistered mail

(Numbers in lakh)

Sl. No	Item	2006-2007		2007-2008		2008-09	
		Projected	Actual	Projected	Actual	Projected	Actual
1.	Post cards	2109.87	1913.02	2189.04	1779.52	-	1792.72
2.	Printed Post cards & Competition Post Cards	931.43	765.88	915.24	650.78	581.82	727.52
3.	Letter cards (Inland)	2472.46	2224.74	2620.20	2164.62	2084.80	2249.49
4.	**News Papers**						
	Single	1026.24	917.63	1087.56	972.57	976.06	998.77
	Bundle	172.48	163.53	182.79	151.65	146.48	169.92
5.	Parcels	420.67	410.94	445.81	421.91	434.90	416.24
6.	Letters	7521.87	7144.51	7971.33	6633.44	6416.97	6738.62
7.	Book packets	927.17	817.15	982.57	893.22	905.19	915.66
8.	Printed books	497.15	487.42	526.86	527.31	559.08	596.91
9.	Other periodicals	394.50	422.68	418.07	428.18	459.89	489.97
10.	Acknowledgement	780.99	663.00	803.03	669.71	646.89	1691.43

(B) Registered mail and others

(Numbers in lakh)

Sl. No	Item	2006-2007		2007-2008		2008-09	
		Projected	Actual	Projected	Actual	Projected	Actual
11.	Money Orders (MOs)	1229.31	987.93	1193.47	989.45	908.14	890.08
12.	Insured letter and parcel	91.80	88.01	97.28	84.84	83.98	84.18
13.	Value payable letters and parcels	85.22	85.56	90.31	78.18	77.30	74.69
14.	Registered letters and parcels	1953.90	1947.47	2070.66	1796.36	1776.90	1779.29
15.	Speed Post	1150.53	1286.00	1219.28	1725.50	2179.24	2114.17

Annex-II

(Referred to in paragraph No. 5.1.4)

(A) Revenue Realisation

(Rs in crore)

Name of the service	2007-08	2008-09	Percentage increase/decrease over previous year
Sale of stamps	566.82	605.76	6.9
Postage in cash	1964.81	2036.45	3.6
Commission on MOs/IPOs	2886.74	3171.94	9.9
Other receipts	120.77	174.79	44.7
Net receipts from other postal administrations	-44.24	-126.61	-186.2
Gross Revenue	**5494.90**	**5862.33**	**6.7**

(B) Revenue expenditure

(Rs in crore)

Category	2007-08	2008-09	Percentage increase/decrease over previous year
(a) Pay and allowances, contingencies, Bonus, Dearness allowances, etc.	5114.10	6819.72	33.4
(b) Pensionary charges	1608.84	2274.30	41.4
(C) Stamps, Post Cards etc.	26.06	27.34	4.9
(d) Stationery and Forms printing etc.	53.13	55.17	3.8
(e) Conveyance of Mails (payments to Railways and Air mail carriers)	261.74	271.59	3.8
(f) Other expenditure	208.79	308.11	47.6
Total	**7272.66**	**9756.23**	**34.1**

CHAPTER VI : MINISTRY OF EXTERNAL AFFAIRS

6.1 Flawed purchase of property for Indian Chancery and unjustified expenditure on its renovation

The Indian Mission in Prague incurred an expenditure of Rs. 20.12 crore on the acquisition and extensive renovation of a 75 year old property for Indian Chancery, between April 2004 and October 2008. The property was purchased ignoring both security and structural safety aspects the most serious being its proximity to a major tunneling project. Construction of a large underground parking lot and a new multipurpose hall at a cost of Rs. 3.55 crore was unnecessary as adequate overground parking space and a ready to move in hall already existed. Repeated revision in the scope of work led to time and cost overruns with the cost of renovation work rising to 116 *per cent* of the cost of acquisition against 15 *per cent* anticipated earlier.

In April 2004, the Ministry approved purchase of a 75 year old property[1] at Prague for the Indian Chancery at a cost of CZK 49.5 million (Rs. 8.73 crore)[2] along with additional expenditure limited to 15 *per cent* of the property cost, *i.e.,* CZK 7.43 million (Rs. 1.31 crore)[2] for renovation of the property. The Mission commenced renovation works at a cost of CZK 58.21 million (Rs. 11.57 crore)[3] in August 2007 which were finally completed in October 2008 at a final cost of CZK 57.30 million (Rs. 11.39 crore)[3]. The renovated chancery became operational soon after in November 2008.

Audit scrutiny of records relating to the selection, purchase and renovation of the property disclosed the following:

I Flawed selection of site

(a) Security aspect

The selected property had serious flaws from the point of view of security as it was located in a commercial area, next to a metro looping station with its main entrance opening onto the main arterial road. This contravened Ministry's security guidelines of March 2001[4]. The Ministry, however, contended (September 2009) that the property was located in a secure area in the vicinity

[1] 60/93, Milady Horakove, Prague-7

[2] Rs. 1 = CZK 0.567

[3] Rs. 1 = CZK 0.503 (exchange rate as adopted by the Ministry in January 2008 has been applied throughout to maintain uniformity)

[4] Embassy property should not be an area which is directly affected by commercial activity and the building should be in the centre of the land area so that maximum depth can be kept between the boundary wall and the main infrastructure.

of two other embassies and that the security guidelines applied only to fresh construction projects. The position taken by the Ministry is not correct as the other two embassies open onto a side road and are also located within secured campuses. Further, the security guidelines of the Ministry equally apply to such cases of purchase of properties.

(b) Structural safety aspect

The property also faces several disadvantages on account of its close proximity to the site of a major tunneling project for underground movement of vehicles and trams. Plans for the tunneling project though in the public domain, were neither considered by the Mission nor brought to the notice of the property team. The property team also failed to ascertain local conditions that could have an impact on the property. The Ministry (September 2009) refuted that the project was in the public domain. However, this is not valid as a building ban order had been in force in the area where the property was purchased, since 1997 on account of the high-priority tunnel project.

As a result of its proximity to the tunneling project, which involves digging up to a depth of 18 metres within half a metre from the compound wall of the Chancery building, the renovated Chancery building remains exposed to the risk of impairment and damage. Further, till the tunneling project is completed in 2011, the sole access road to the Mission will remain closed for a period of over two years from November 2008 to 2011, with adverse repercussions on its normal representational functions. The position of the main entrance to the building is shown in the photograph below:

Thus, deep digging in close proximity of the building posed serious access and safety related problems.

The Ministry accepted (September 2009) that the ongoing tunneling works had placed constraints on free access to the Mission and stated that these would be overcome with the completion of the tunneling project.

II Inadequacies in consultancy contract

(a) Selection of Consultant was not transparent

Based on the Mission's recommendation, the Ministry approved the appointment (September 2004) of M/s Atelier Vsehrdova as consultant for the renovation project from amongst three short listed parties *i.e.* M/s Gleeds Ceska republika, M/s Atelier Vsehrdova and M/s Atelier HRRA. The selection of the consultant was improper as the bid of the selected party (M/s Atelier Vsehrdova) was not the lowest and the appointment was based solely on its being the most experienced and proficient in English. The Ministry, however, contended that the bid of M/s Atelier Vsehrdova was the lowest at 8 *per cent* of the total project cost as against 8.17 *per cent* of M/s Atelier HRRA. This, however, overlooked the fact that the bid of M/s Atelier HRRA comprised both a fixed cost (CZK 0.23 million) component and a variable cost (5.895 *per cent* of the cost of construction) component. Together, these were CZK 0.95 million i.e. 7.76 *per cent* of the estimated cost of construction of CZK 12.20 million[5] which was not only lower than CZK 0.98 million i.e. the 8 *per cent* of the then estimated cost quoted by the selected consultant but offered the prospect of savings in consultant's fee, were the project costs to escalate, as was finally the case. Further selection should have solely been based on financial bids as parties had already been short-listed based on company profile, work experience and reputation. Making the ability to communicate in English a key selection criteria without any evidence of this being specified as a pre-qualification, also lacked propriety.

(b) Deficiencies in services of the consultant

Audit scrutiny also revealed deficiencies in contract performance by the consultant. The consultant failed to factor the impact of the tunneling project in his design work even though definite information on the project and its proximity to the chancery property was available before the award of the contract. Later, a large number of cracks developed in the newly renovated building as soon as the tunneling work commenced (November 2008) and progressed. In addition, the tender document drawn up by the consultant, neither included the work of leveling of uneven floors in several rooms nor did it address the problem of water seepage in the east boundary wall.

[5] The cost of construction estimated by the selected bidder (M/s Atelier Vsehrdova) was CZK 12.20 million. This has been adopted as a base figure for like-to-like comparison.

The Ministry accepted that it was the consultant's responsibility to include the problem of uneven floors and water seepage in the scope of renovation contract.

III Deficient project management

(a) Frequent and unjustified changes in project scope

The purchase of Chancery building was proposed by the property team (December 2003) as it was in "fairly good condition of maintenance" and had a "ready to move in large multipurpose hall facility" and open areas that could serve as a "parking lot sufficient for about 20 cars". As such renovation works were initially envisaged to be limited in scope. The scope of the works was, however, significantly revised by the Mission first in June 2005 and again in December 2006 when, several new elements including construction of a new multipurpose hall and an underground parking lot were added, citing functional requirements and local regulations.

As the scope of the project continued to evolve over a long period of time, frequent references to the Ministry for approvals became necessary which caused delays in the award and commencement of work. Besides the construction of a new multipurpose hall and an underground parking lot lacked adequate justification and was totally contrary to the earlier assessment of the property team.

The Ministry stated (September 2009) that the availability of 20 parking slots as assessed by the property team was erroneous. The Ministry's dismissal of the assessment of the property team is not acceptable. The requirement of a new multi purpose hall and an underground parking lot had evidently not been critically assessed by the Ministry as availability of a multi purpose hall and adequate parking space were the two features of the property which played a critical role in its selection. If the selection of the property was based on an erroneous assessment made by the MEA team, it is a serious matter which requires investigation for fixing responsibility.

(b) Failure to factor impact of tunneling project

The Mission ignored the critical aspect of the impact of the planned tunneling project on the new chancery building and failed to take any action to independently assess and manage the impact as part of the renovation and reconstruction works. As discussed earlier, it relied instead on the assurance of the local authorities to monitor impact and rectify damages. This was ill advised as several cracks have appeared in the renovated building soon after digging work for the tunnel commenced. The Ministry belatedly permitted the

Mission (March 2009) to hire a company[6] for an independent assessment of the impact of tunneling project on the Chancery building – a requirement which should have been anticipated earlier so as to safeguard the acquired property.

(c) Rising costs and time overruns

The Ministry had initially approved a sum of CZK 7.43 million (Rs. 1.31 crore) for renovation of the Chancery building based on the recommendations of the property team (December 2003). The renovation works were, however, completed at a total cost of CZK 57.30 million (Rs. 11.39 crore) which was more than eight times the original approved cost and 116 *per cent* of the acquisition cost as against 15 *per cent* initially contemplated by the property team. The Ministry justified the increase in the costs on the basis of changes in the scope of the work in order to cover a number of essential aspects which could not be foreseen earlier. However, the decision to provide a new multipurpose hall and an underground parking lot which added CZK 17.87 million to the costs and constituted over 30 *per cent* of the total costs, lacked justification.

An analysis of the time-lines revealed that the renovation project took more than four years to complete from the date of acquisition of the property in April 2004. Delays were noticed in finalizing the terms of engagement of the consultant; firming up the scope of work; obtaining local body approvals ; obtaining approvals from the Ministry and in the award of work. The extended time-lines added to the rental liability of the Mission which had to pay USD 24,000 per month[7] for each month's additional stay in the hired premises. The Ministry justified the delays as being inevitable in view of the range of tasks associated with any project and the need for adopting local practices.

In conclusion, it is evident that the selection of the property was injudicious as it ignored security considerations and carried with it several location disadvantages. The engagement of Consultant lacked transparency. The project management itself was deficient as it failed to factor in a major tunneling project being undertaken in close proximity to the property. Frequent changes were also made in the scope of the work some of which lacked adequate justification, which pushed up project costs and extended the time lines for project completion.

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[6] M/s Statika

[7] The Mission was paying a rent of USD 24,000 per month for the old Chancery building from April 1997 till November 2008 when it was vacated.

6.2 Extra expenditure on purchase of full fare economy tickets from Air India

The Ministry of External Affairs (Ministry) did not comply with instructions of the Ministry of Finance to effect utmost economy in air travel. It did not frame comprehensive arrangements for optimally utilising competitive fares and incentive schemes being offered by airlines including Air India (AI). Instead, it entered into an arrangement with AI for regulating air travel which was not only limited in scope but was flawed in so far that it allowed payment of full fares which were three to five times higher than market fares, for home travel, emergency passages and temporary duty in exchange for concessions to which officials were ordinarily not entitled. As a result, the Ministry incurred considerable additional expenditure on purchase of air tickets for home travel, emergency passages and temporary duty which for the 30 Missions covered by the review, alone estimated to Rs. 20.76 crore for the period November 2006 to March 2009.

The IFS (PLCA) Rules entitle officers and staff posted in Missions and Posts abroad to air travel while on transfer/ posting, on home leave, temporary duty and during emergency passages. On account of this extensive facility for air travel, the Ministry incurs substantial expenditure on foreign travel. The expenditure on this account in the years 2006-07, 2007-08 and 2008-09 was Rs. 152.83 crore, Rs. 148.55 crore and Rs. 154.40 crore respectively.

These rules also lay down the entitlements for air travel for different levels of officials and for different types of travel. While officers at the level of Joint Secretary and above are entitled to higher classes of travel in case of on transfer, temporary duty and home leave, all other officers and staff are entitled to travel by full fare economy. In the case of emergency passage, travel is permitted only in economy class irrespective of level. Further all travel is required to be made using routes approved by the Ministry which also specifies the mode and carriers to be used on these routes. The Ministry has in all cases prescribed travel by AI on routes/segments covered by AI directly or through code share flights.

In November 2005, the Department of Expenditure as a part of economy measures, permitted both domestic and overseas air travel by airlines other than AI/Indian Airlines (IA) provided alternative airlines are selected based on better and more competitive prices being offered by them. It was also stipulated that various incentive schemes and concessional fares offered by AI/IA be fully utilised to ensure utmost economy in air travel. These orders were made applicable to officials posted abroad as well and the Ministry was specifically required to "make consequential changes in Rules". In addition DoPT and Department of Expenditure were asked to accordingly modify the general guidelines for domestic and overseas travel. Since then, each year the Department of Expenditure has consistently stressed on the need to effect economy in foreign travel.

An audit review was conducted with the objective of assessing the viability and adequacy of arrangements, if any, put in place by the Ministry for effecting economy in air travel as stipulated by the Department of Expenditure, and for leveraging discounts and concessional air fares being provided by airlines. The review also aimed at assessing the financial implications of arrangements made by the Ministry for regulating air travel. The review covers an examination of expenditure incurred on foreign travel and of related documents in 30 Missions across Europe, CIS and the Americas during November 2006 to March 2009. However, data only with respect to home leave passage, emergency passage and temporary duty has been analysed as complete details of travel on transfer from one Mission/Post to another could not be obtained. The review also focuses on travel by economy class as travel by this class accounts for the bulk of foreign travel.

6.2.1 Failure to frame comprehensive arrangement to regulate air travel

In pursuance of the Department of Expenditure's instructions of November 2005, the Ministry did not effect changes in its travel rules either to allow use of air lines other than AI/IA or for availing incentive schemes and concessional fares offered by AI/IA. Nor were comprehensive guidelines framed for regulating overseas air travel so that competitive prices being offered by various airlines could be utilised and economy in travel effected.

Instead the Ministry only signed a Memorandum of Understanding (MoU) with AI in November 2006 which largely envisaged provision of certain facilities to passengers travelling on full fare tickets on transfer and on home leave along with a discount of 10 *per cent* on full fares limited to Air India sectors and the facility of making payment in Indian Rupees. The facilities provided to passengers were (i) 80 kg additional free baggage allowance[8] per passenger subject to a maximum of 350 kg per family and wherever the piece concept was applicable, provision of one extra piece per passenger subject to a maximum of four pieces per family; and (ii) up-gradation of class of travel.

[8] In addition to 20 kg allowed by the airlines

The arrangement worked out by the Ministry was both inadequate and flawed. The arrangement had no provision for availing of competitive fares being provided by airlines other than AI/IA nor did it cater to segments of approved routes for overseas travel not covered by AI or its code share flights. The inadequacy of the arrangement worked out by the Ministry, is evident from the fact that only three[9] of the 30 Missions/Posts covered by this review were connected by direct AI flights from Delhi. The benefits accruing to the Government was limited only to a 10 *per cent* discount on the vastly high full fare rates and that too was restricted to sectors covered by AI. Similarly, the facility of additional baggage allowance of 80 Kgs though of benefit in the case of transfer passages, had limited applicability as it could be availed of only in case of transfers and postings between stations covered fully by Air India flights. It was seen during audit that in the case of 27 out of the 30 Missions covered in this review, AI did not have its own flights to these destinations. As such in the case of officials on transfer/posting to and from these Missions, charges for additional baggage of 80 kgs would need to be separately paid for despite full fares being paid to AI. The arrangement was especially flawed when it came to home leave and emergency passages as it involved continued payment of full fares in exchange for class upgrades and additional free baggage allowance which did not provide any savings to the Government. These concessions only irregularly conferred benefits to officials to which they were ordinarily not entitled during home leave and emergency passages.

6.2.2 Adverse financial implications of the MOU with AI

The failure of the Ministry to draft a proper and comprehensive system for regulating air fares despite the air travel market having become very competitive resulted in the Ministry foregoing substantial savings in air travel expenditure. Information obtained from Missions/Posts covered by the review shows that during the period covered by the review, they incurred an expenditure of Rs. 26.97 crore towards purchase of full fare economy tickets for their officials and family members during home leave (Rs. 22.40 crore), emergency passage (Rs. 3.16 crore) and temporary duty (Rs. 1.41 crore). Audit analysis revealed that the expenditure so incurred on purchase of full fare economy tickets from Air India was three to five times the estimated expenditure that would have been incurred on purchase of concessional /cheap economy class tickets and thus entailed an estimated avoidable expenditure of Rs. 20.76 crore i.e. 77 *per cent* of the full fare expenditure. The details of extra

[9] London, Frankfurt, Paris

expenditure incurred by these 30 Missions/Posts on purchase of full fare economy tickets for their officials and family members during home leave, emergency passage and temporary duty are indicated in the **Annex-I**.

The Ministry in its reply (October 2009) stated that it was continuing with its policy of buying full fare tickets from AI in compliance with instructions of Department of Expenditure of July 2009 which makes it mandatory to undertake air travel by AI to destinations served by it. It also cited several practical difficulties in the implementation of flexi fare/market fare scheme. The position taken by the MEA is not acceptable as the austerity guidelines issued by the Department of Expenditure for purchase of cheapest fare tickets are applicable to all the Departments including MEA. Directions of the Department of Expenditure prescribing air travel only by AI do not preclude the Ministry from seeking more economical fare options from AI in view of the Department of Expenditure's instructions of October 2008 for devising internal processes " to leverage the discounts being provided by the Airlines". With regard to the practical difficulties cited by the Ministry it needs to be noted that the provision of additional baggage allowance is justified only in the case of transfer passages and that even now this benefit is not available on routes where AI is not the sole carrier. The statement that AI does not issue flexi fare tickets if more than one destination is involved is factually incorrect for routes on which AI or its code share flights operate.

Further, though the Ministry informed Audit in October 2009 that it was continuing with the system of purchasing full fare tickets from AI, later in the same month, it instructed its Missions to buy flexi fare/market fare from AI for all types of journeys. This was however, with a rider that where AI certifies that such tickets are not available full fare tickets must be purchased. Soon after in early November 2009, it withdrew its revised instructions and instead advised Missions to purchase tickets for which payment could be made to AI in Indian Rupees. Given the fact that AI issued flexi fare tickets only in local currency, the instructions of the Ministry in practice allowed continuance of purchase of full fare tickets from AI for all types of journeys undertaken in Missions. Additionally, as the MoU between AI and MEA had already expired on 31 March 2009, AI had not been consistently allowing concessions such as upgrades and additional baggage allowance for home leave and emergency passages thereby completely removing the justification for purchase of full fare tickets for these passages.

In February 2010, the Ministry informed all the Missions/Posts that it had worked out another arrangement with AI which laid down a scale of discounts on various types of fares and also extended concessions available[10] under the previous MoU besides improving upon others. These concessions were, however, to be allowed only on travel involving IATA/full fares. The new arrangement save for negotiating higher discounts perpetuated the existing arrangement of paying exorbitantly high fares in exchange for concessions which did not afford significant saving in expenditure to the Government. The new instructions while listing out various fare types did not indicate as to which fare type should be used for different types of travel.

In conclusion, the Ministry lagged in complying with repeated instructions of the Ministry of Finance to effect utmost economy in air travel. The Ministry did not frame comprehensive arrangements for optimally utilising competitive fares and incentive schemes being offered by airlines including Air India. Instead, it entered into an arrangement with AI for regulating air travel which was not only limited in scope but was flawed in so far that it allowed payment of full fares which were three to five times higher than market fares, for home travel, emergency passages and temporary duty in exchange for concessions to which officials were ordinarily not entitled. As a result, the Ministry incurred considerable additional expenditure on purchase of air tickets for home travel, emergency passages and temporary duty. Thus there is a need for an urgent review of existing arrangements and formulating a more comprehensive system of regulating air travel which balances the costs of air travel with the benefits accruing to the Government and officials.

6.3 Poor maintenance of Government property and avoidable payment of rental charges

The HCI, London incurred an unfruitful expenditure of Rs. 82.19 lakh on a project for conversion of eight small residential flats into four large apartments to accommodate Representational Grade officers. The project was initiated without prior approval of local authorities and the process of selection of contractors was not competitive. There was inadequate technical appreciation of work and the scope of the work was limited and skewed. Despite the conversion, while one apartment remained permanently uninhabitable due to severe leakage and dampness, the remaining three converted apartments were beset with condensation and fungus problems. Private property was hired to accommodate one RG

[10] (i) 80 kg excess baggage allowance per adult and 30 kg per child subject to a maximum of 350 kg per family for economy class
(ii) Wherever the piece concept is applicable, provision of one extra piece per passenger subject to a maximum of four pieces per family
(iii) Firm upgrade to diplomatic passport holders and upgrade on seat availability basis to official passport holders

officer resulting in avoidable expenditure of Rs. 70.61 lakh on lease rentals. Besides, one unconverted flat also remained vacant for significant period leading to further avoidable expenditure of Rs. 32 lakh on lease rentals.

High Commission of India (HCI), London owns 113 houses/flats at 12 different locations in London for accommodating its India-based officers and staff members. Besides, eight properties have been hired to cater to requirements of Representational Grade (RG) officers. The annual rental outgo in respect of these eight properties is £ 209,796 (Rs. 1.72 crore)[11].

The Secretary (Expenditure), Government of India during his visit to London (January 2003) pressed the HCI to address the issue of leasing of accommodation for officers considering that some of the Government-owned properties were lying vacant. In its fifty-first Report (14^{th} Lok Sabha), the Public Accounts Committee (PAC) in August 2007 also expressed concern over rising rental expenditure being incurred by the Missions/Posts abroad and *inter alia,* recommended that the Ministry should take corrective steps to make the property management process more organised and systematic with a view to effecting significant reduction in the rental outgo.

The HCI proposed (July 2003) to convert 12 flats located (serial number 1 to 12) at East Lane, Wembley into six large apartments for accommodating RG officers. The Ministry accorded (December 2003) 'in-principle' approval to the HCI's proposal. In the first phase, HCI decided to convert two flats (Flat No.7 and 8) into one as a pilot project. On completion of the pilot project (August 2003), Ministry approved in two stages (May 2004 and May 2006) the conversion of another six flats into three apartments.

Accordingly, eight of the 12 flats were converted into four large apartments in a phased manner between August 2003 and August 2006 at a cost of £ 102,546 (Rs. 82.19 lakh). The details of conversion of flats including their dates of completion, expenditure incurred and the status of occupation are indicated in Table-1.

[11] £ 17,483 * 12 = £ 209,796 or Rs. 1.72 crore (Converted at the average rate of exchange between March 2004 and March 2008 i.e. £1=Rs. 82.11)

Table-1

Sl. No.	Flat No.	Contractor	Expenditure incurred (in GBP/INR)	Date of completion	Status of occupation
1.	7 and 8 (Pilot project)	M/s M&B Builders	26,000/19.96 lakh	August 2003	Being used as regular accommodation since 2006.
2.	9 and 10	M/s H. Harar	25,600/21.55 lakh plus 950/0.80 lakh (supervision charges)	September 2004	Intermittently used as a transit accommodation for 80 days in a period of 19 months from August 2007 to February 2009. From February 2009, it is being used as a regular accommodation.
3.	1 and 2	M/s Bains Constructions	24,998/19.94 lakh	May 2006	Vacant due to uninhabitable conditions.
4.	3 and 4	M/s Bains Constructions	24,998/19.94 lakh	August 2006	Being used as regular accommodation since 2006.
Total			**£102,546/ Rs. 82.19 lakh**		

Audit scrutiny of the project for conversion of flats into residential units at East Lane revealed the following inadequacies:

(i) **Professional technical advice was not taken**

The East Lane property was originally constructed in 1945 and acquired by the HCI in March 1980. At the time of initiation of the pilot project in 2003, the property was more than 58 years old. Given the age of the property and the fact that conversion involved major structural changes and huge expenditure, the HCI should have formulated a detailed scope of work and cost estimates in consultation with a professional surveyor for approval of the Ministry. Audit scrutiny, however, revealed that the HCI obtained (04 July 2003) only a casual technical opinion from a Chartered Structural Engineer, which was merely an observation made by him based on his preliminary visit to the site, without any estimate of costs and awarded the pilot project on 17 July 2003 even before receipt of Ministry's approval.

(ii) **Local authority permission not obtained**

The HCI did not seek the mandatory planning permission from the local authority before carrying out alterations in the East Lane property, which had health and safety implications and involved the issues of merging of gas, electricity and water meters. The converted apartments still have separate meters for gas, electricity and water. The electricity and gas safety certifications have not yet been obtained. This was despite the fact that the terms and conditions of award of work to each of the contractor required them to take any permission, if required, from the local councils in undertaking the job. This was a flagrant omission/lapse on the part of the contractors/Mission.

(iii) **Lack of competitive bidding and poor quality of work executed**

The process of award of work was not competitive and contravened the provisions of GFR[12] as offers were not invited through open tender. The HCI invited limited offers from three/five building contractors from its existing panel of contractors for undertaking routine repair and maintenance work for the pilot project (flat 7-8) and conversion of flats (9-10) respectively and the contracts were awarded to the lowest bidder in each case. It is pertinent to mention that two contractors (M/s M&B Builders and M/s H. Harar) were not VAT registered, implying that these were small contractors whose annual turnover did not exceed £ 55,000 *per annum.* The bidding process followed prior to the selection of the third contractor (M/s Bains Constructions) was also not on record. The quality of work executed was far from satisfactory as is evident from the fact that perennial problem of seepage and dampness could never be resolved in converted flats 1-2 despite damp proofing of the walls being a part of the scope of work, as indicated in **Annex-II**. The HCI also admitted (February 2006) that the conversion work initially carried out on flat 7-8 and 9-10 lacked quality.

(iv) **Sub-optimal utilisation of flats and avoidable rental liability**

The property in East Lane could not be put to optimal use since the conversions were carried out. Out of the four converted flats, only two (converted flats 3-4 and 7-8) could be put to their original intended use *i.e.* allotment to RG officers. Converted flats 1-2 and 9-10 could not be regularly allotted to RG officers as these were unfit for representational purpose. While converted flat 1-2 could not be occupied at all since its conversion in May 2006 till November 2009 (43 months) due to multiple leaks and severe dampness problem on the walls, converted flat 9-10 was intermittently used as transit accommodation for 80 days during the period August 2007 to February 2009. These flats (3-4, 7-8

[12] *General Financial Rules*

and 9-10), though occupied by RG officers as transit or regular accommodation, were besieged with dampness problem that occurred over a period of time subsequent to their conversions as indicated in **Annex-II**.

The HCI did not undertake the conversion of the remaining four flats ostensibly due to the problems initially encountered by it in the conversion of eight flats. Of the four unconverted flats, two flats (5 and 6) were used as transit accommodation. Flat 11 was a regular accommodation from February 2002 to December 2008 and thereafter, it was being used as transit accommodation. The unconverted flat 12 was used as a regular accommodation between September 2002 and July 2006. Thereafter, it was used as a transit accommodation as and when required.

Despite incurring an expenditure of £ 102,546 (Rs. 82.19 lakh) on conversion of eight flats into four large apartments, the HCI continued to hire residential premises for the RG officers at a monthly rental of £ 2,000 to £ 2,600 as two of the four converted apartments (1-2 and 9-10) were admittedly not fit for representational purposes.

The Ministry stated (October 2009) that while converting the flats initially during 2003-06, the HCI got only the interiors of the relevant flats refurbished and the exteriors of the building were never renovated since the purchase of property in March 1980. The Ministry further clarified that the surveyor who inspected the property and submitted his report (November 2008) had recommended repairs to exterior walls, gutters, underground drains and improvement of insulation of roofs and cavity walls. The surveyor also opined that the flats in East lane were in a dilapidated state, especially from the exterior, as no works had been undertaken since its acquisition which is causing serious problems of condensation and fungus in various rooms of both unconverted and converted flats. To bring the flats in habitable condition, the HCI has sent (August 2009) a comprehensive proposal (drawn up by a Chartered Surveyor) to the Projects Division of the Ministry to carry out inescapable essential works at a total projected cost of £ 202,000. The HCI would also be seeking permission from the local authorities retrospectively for the alterations carried out in the flats.

Regarding utilisation of flats, the Ministry stated that except for the converted flat 1-2, the other three converted units were being utilised by the HCI as regular accommodations and once the essential works are undertaken, all the converted flats would be allotted to the entitled RG officers. The unconverted flats were stated to be suitable for allotment up to the rank of Attaché only whose strength in the HCI had come down over a period of time. Consequently, the four unconverted flats were used by the HCI as transit accommodation as and when necessary.

The Ministry's reply confirms that the HCI did not properly plan the project *ab initio.* The renovation project was initially undertaken in an *ad-hoc* and hurried manner without following the due diligence process. Given the fact that an additional £ 0.202 million (Rs. 1.55 crore) is proposed to be spent on the property to bring it back to habitable condition confirms that the planning for conversion of flats was *ab initio* faulty.

The Ministry's argument for non-allotment of unconverted flats to the entitled officials on the basis of reduction of their strength also does not hold ground. The HCI could have explored the possibility of allotting at least one unconverted vacant flat (12) to an India based non-RG official of Government of India Tourist Office (GOITO) at London which would not only have resulted in savings of £ 39,000 (Rs. 32 lakh) [13] in 40 months on rentals but also resulted in judicious utilisation of vacant accommodation held by the HCI. Similarly, had the conversion project been appropriately planned and executed the converted flat 1-2 could have been allotted to one RG officer and led to a minimum savings of £ 86,000 (Rs 70.61 lakh) [14] in 43 months on lease rentals.

To sum up, the HCI embarked on an important project for conversion of small residential units into large apartments at a cost of Rs. 82.19 lakh without obtaining the prior approval of the Ministry and ensuring adequate technical feasibility of the work. No prior permission of the local authorities was obtained before carrying out the alterations and the process of award of work was not competitive. While one apartment was rendered permanently uninhabitable immediately after conversion due to severe leakage and dampness, the remaining three apartments were also beset with rampant condensation and fungus problems. Consequently, persistent significant expenditure on hiring of accommodation for the RG officers is being incurred and thus, the concerns of the PAC and Ministry of Finance remain largely unaddressed.

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[13] A monthly rent of £ 975 is being paid by GOITO, London in respect of Assistant Director (non-RG official). £ 975 * 40 months = £ 39,000 or Rs. 3,202,290 (August 2006 to November 2009; £1= Rs. 82.11).

[14] A monthly rent of £ 2,000 is being paid by the HCI in respect of Military/Air/Naval Adviser (RG officer). £ 2,000 * 43 months = £ 86,000 or Rs. 7,061,460 (May 2006 to November 2009; £1= Rs. 82.11).

6.4 Non enforcement of personal recoveries

Deficient financial controls in Missions/Posts and the Ministry in enforcing recovery of payments in excess of entitlements either due to infringement or non application of rules resulted in accumulation of an amount of Rs. 40.35 lakh which was yet to be recovered from the officials concerned.

As per rules[15], all payments should be drawn and disbursed to Government officials as per entitlement and after recovery of the legitimate deductions. Scrutiny of the records revealed several instances of the Indian Missions/Posts abroad making payments to its officials on various accounts which were either irregular or in excess of their entitlements due to infringement or incorrect application of rules. Scrutiny also revealed that the Missions/Posts and the Ministry did not initiate prompt action to enforce recovery despite such irregularities were pointed out by Audit in various Audit Reports. During 2004-05 to 2009-10, irregular/excess payment of Rs. 45.31 lakh relating to personal claims was pointed out by Audit in respect of 25 Missions/Posts. Of this, recoveries were actually effected only by 10 Missions/Posts involving an amount of Rs. 4.86 lakh and the balance amount of Rs. 40.35 lakh was yet to be recovered. The amounts pending recovery related to unauthorized payment of Electricity, Water and Fuel (EWF) charges (Rs. 7.95 lakh), excess payment of Travelling Allowance (TA), Daily Allowance (DA) and related claims (Rs. 10.50 lakh), over payment of Pay, Foreign Allowance (FA), Representational Grant (RG) etc (Rs. 4.74 lakh), excess payment of Children Education Allowance (CEA) (Rs. 1.09 lakh), non settlement of advances (Rs. 10.11 lakh) and other miscellaneous excess payments (Rs. 5.96 lakhs) as detailed in **Annex-III**.

In reply to the audit observations, the Ministry accepted (September 2009) that overpayments to officials on account of deliberate misapplication of rules, must be recovered. The Ministry further stated that the recoveries often involved officials who were no longer serving at the stations where overpayments were made. It was also added that at any given time, there would always remain some outstanding paragraphs where recoveries have been recommended by Audit, but which are being examined in the Ministry or where concerned officials have questioned the proposed recoveries advancing another interpretation of the rules requiring further examination.

[15] Receipts and Payment rules and IFS (PLCA) Rules 1961

The reply of the Ministry is not acceptable in view of the fact that the recoveries pointed out from the year 2004-05 are still pending and it indicates the lack of proper follow up action by the Missions/Posts and the Ministry in effecting the recoveries and also the lack of internal control mechanism to ensure the recovery of the dues once the officials are transferred from the Mission/Post.

Thus, laxity on the part of the Missions/Posts and the Ministry regulating payments as per rules and thereafter in recovering the amount resulted in accumulation of Government dues amounting to Rs. 40.35 lakh and corresponding undue benefit to the concerned Government servants.

6.5 Recovery at the instance of Audit

Failure of the Missions/Posts abroad to correctly regulate payments of salaries and allowances etc. to their employees resulted in overpayment of Rs. 52.28 lakh by 32 Missions/Posts in 64 cases, which was recovered at the instance of audit during 2006-09.

Previous audit reports[16] had highlighted recovery of overpaid pay and allowances in the Missions/Posts abroad. The Ministry in January 2009 in their Action Taken Note on Paragraph 7.9 of the Comptroller and Auditor General of India's Report No.2 of 2007 stated that Missions/Posts had been instructed to strictly observe the prescribed rules and procedures in financial matters and to avoid overpayments to their officials.

Audit examination of the records of various Indian Missions/Posts abroad revealed that a large number of Missions/Posts continued to deviate from the prescribed rules and procedures resulting in overpayment of salaries and allowances and other miscellaneous payments to their employees. At the instance of audit, 32 Missions/Posts recovered the overpayment of Rs. 52.28 lakh, in 64 cases during 2006-09, as detailed in the **Annex-IV**. The occurrence of this persistent irregularity despite assurance to the Public Accounts Committee of Parliament to avoid such overpayments indicates that scrutiny of the claims by the Missions is inadequate and the action taken by the Ministry to stop such irregularities is also ineffective.

The Ministry should take effective steps to ensure strict observance of the prescribed rules and procedures by all the Missions/Posts to guard against recurrence of such overpayments by strengthening internal controls and taking action against such officials who claim or allow such irregular payments.

[16] Paragraph 7.9 of Report No. 2 of 2007 and paragraph 3.3.3 of Report No. CA 14 of 2008-09

The matter was referred to the Ministry in September 2009; their reply was awaited as of March 2010.

6.6 Outsourcing of visa support services in Missions/Posts abroad

The process of tender evaluation and selection of Service Provider (SP) for outsourcing of visa support services in CGI, Milan was flawed leading to selection of a vendor who was not the lowest bidder. In HCI, London an undue financial benefit of Rs. 3.63 crore was extended to the SP due to non-consideration of rates linked with the number of visa service centres operated. Besides, due to incorrect interpretation of the provisions of the agreement, the SP was additionally benefited by Rs. 1.96 crore by way of levy of administrative fee from the visa applicants. In EI, Washington DC the SP continued to collect a minimum rate of USD 21 per application on account of mailing charges vis-à-vis the minimum mailing charges of USD 18.95 per application, resulting in an undue benefit of Rs. 1.16 crore to the SP. Exclusion of and deviation from the important provisions of the model agreement diluted the control of the Missions/Posts over the functioning and quality of the services rendered by the SPs. While CGI, Frankfurt was yet to review its staff strength for consular services, EI, Paris was holding excess consular staff.

Receipts from consular services through Missions and Posts abroad and Passport Offices in India constitute an important source of Non-Tax revenue of the Union. A review of the Union Finance Accounts over the last four years revealed that there has been a significant increase in receipts of the Union Government by way of its consular functions. For the Financial Year 2007-08, the total receipts of the Union Government from the Passport and Visa fees alone were Rs 1,667 crore.

In November 2006, Ministry of External Affairs (Ministry) decided to outsource Visa support services of selected Missions/ Posts. Simultaneously, the Ministry laid down broad guidelines for the selection of Service Providers (SP) for outsourcing of visa support services in the Missions/Posts abroad in a competitive manner. The visa support services broadly envisaged the following services to be provided by the service providers:

(i) Distribution of blank application forms.

(ii) Collection and scrutiny of visa applications with supporting documents and prescribed visa fee.

(iii) Depositing of applications with Missions/Posts and daily visa fee in the designated bank account.

(iv) Capture the visa application data in electronic format and transfer the same to Mission/Post; and

(v) Collection of passports with visa from Missions/Posts and despatch/hand over the same to the applicants.

The Ministry also circulated (April 2007) a model contract to the Missions/Posts laying down the essential terms and conditions to be incorporated in the outsourcing contract.

A review of outsourcing of consular works in five[17] Missions/Posts abroad was conducted between October 2007 and March 2009. The position of issue of visas by the Missions/Posts abroad and total fee/commission collected by the service providers during the year 2008-09 is detailed below:

Table-2

Name of the Mission/Post	Commencement of operation	Fees charged by SP per application	No. of visas issued during 2008-09	Total fee/commission collected by SP in local currency	Total fee/commission collected by SP (Rupees in crore)
HCI, London	May 2008	GBP 6.90	4,57,211[18]	GBP 31,54,756	22.12
EI, Paris	February 2008	Euro 12	1,58,413	EURO 19,00,956	11.98
CGI, Milan	May 2007	Euro 15	51,244	EURO 7,68,660	4.84
CGI, Frankfurt	August 2007	Euro 13.50	50,031	EURO 6,75,419	4.26
EI, Washington DC[19]	October 2007	USD 13	5,53,511	USD 71,95,643	35.35
				Total	**78.55**

The review revealed a number of deficiencies in the process of evaluation of tenders, selection of SP, terms and conditions negotiated and contracted with the SP and execution of the contract. These are discussed below:

6.6.1 Infirmities in selection of SP at CGI, Milan

The tender evaluation process in CGI, Milan was done without keeping in view the guidelines circulated by the Ministry in November 2006 and the relevant provisions of the General Financial Rules (GFR). Consequently, while the selection of SP was seriously flawed, the rates finally accepted were not fair and competitive.

6.6.1.1 Selection of SP not based on lowest quotes

CGI, Milan received 14 bids for the outsourcing project. Two bids were rejected and of the 12 remaining bids, the Post short-listed four firms and segregated them

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[17] CGI, Milan; CGI, Frankfurt; EI, Paris, HCI, London and EI, Washington DC

[18] Figures include the number of visas issued in CGI, Edinburgh and CGI, Birmingham. Period covered is from May 2008 to March 2009.

[19] Figures include the number of visas issued in CGIs at Houston, New York, San Francisco and Chicago. The figures are for the period from October 2007 to March 2009

into two categories 'A' and 'B' comprising of two firms in each category, based on their ability to meet the desirable benchmarks. The offer of Euro 15 made by M/s K&S (one of the two firms in category 'A') was finally accepted by the Post and an agreement was signed with the firm in February 2007. On the contrary, it was observed that the two firms included in category 'B' had quoted a much lower rate of Euro 10 and Euro 12 *vis-à-vis* Euro 20 initially quoted by M/s K&S, which was finally negotiated down to Euro 15. The fact that the Post entered into negotiations and that too with a bidder who was not L1 was unwarranted and in contravention of guidelines of Central Vigilance Commission (CVC) in force at that point of time. Moreover, the selected vendor (M/s K&S) included in category 'A' did not have any previous work experience in this field, while the vendor quoting Euro 12 per application and put in category B (M/s Project Export Services) had the previous experience of outsourcing for the Australian and British Governments and the vendor at that point of time was doing the outsourcing work for the Nigerian Embassy in Rome.

Thus, by not accepting the offer of the vendor who quoted Euro 12 and had the requisite experience in category 'B', the Post extended undue financial benefit to M/s K&S to the extent of Rs. 96.87 lakh during 2008-09 alone, being the differential in service charge of Euro 3 on 51,244 visa application issued during the year.

6.6.1.2 Deviation from two stage bid system

Standard operating procedure envisages a two stage bid system in the Government departments for procurement of high value goods and services *i.e.* evaluation of technical bids followed by evaluation of financial bids of the technically qualified bidders. However, the two stage bid system was not observed in CGI, Milan and the technical and financial bids of all the bidders were opened simultaneously in contravention of Ministry's guidelines of November 2006 and Rule 178 of the GFR.

6.6.1.3 Absence of criteria for evaluation of bids

The GFR[20] requires, *inter alia*, that the bid evaluation criteria and the selection process should be stated in the Request for Proposal. In CGI, Milan no benchmarks for evaluation of bids were specified at the time of invitation of bids. This introduced arbitrariness in the selection process.

[20] Rule 171 of the GFR

6.6.1.4 Absence of inclusion of experience as benchmark

For the purpose of evaluating bids, the tender evaluation committee formulated 12 criteria. As per Ministry's guidelines of November 2006, 'experience profile' was to be obtained from bidders and considered while evaluating the bids. Further, Rule 180 of GFR also stipulate that the eligibility and qualification criteria (which would also include the past experience) to be met by the contractors should invariably be included in the tender enquiry. It was observed that while criteria like waiting area, basic facilities such as bathroom, soft and hot drinks vending machine etc. were considered, past 'experience' as a criteria was neither sought for nor considered while arriving at a decision for short listing the bidders. No specific quantification of the criteria was done e.g., area required, number of counter/staff required and working hours. Consequently, neither did the bidders have any indication of the desired facilities to be provided nor could the evaluation process be fair and objective.

The Ministry stated in October 2009 that CGI, Milan was being asked to provide full details of the process followed in the selection of M/s K&S as service provider to enable them to take necessary action.

6.6.2 Deficiencies in the terms and conditions negotiated and contracted in the outsourcing contracts

6.6.2.1 Acceptance of higher rate by HCI, London

HCI, London signed an agreement (January 2008) to provide visa support service with M/s VFS Global Ltd for a period five years from the date of operation. As per Para 4.1 of Schedule 1 of the agreement, the charges to clients were not to exceed the cost of the appropriate prescribed visa fee plus a service provider service charge for each passport not exceeding £6.90 per visa application. As per schedule 1, clause 1.1 of the agreement, the service provider would maintain eight visa service centres[21].

Audit scrutiny of the records revealed the following:

(i) In the initial tender for inviting bids for pre-qualification of agencies, the Mission indicated that the application/passport collection centres would be required at Central London, Birmingham and Edinburgh with the provision of additional centres in London (Finchley and Southall) and other parts of UK (Manchester, Glasgow, Liverpool, etc.).

[21] London (Central and Southall), Edinburgh, Birmingham with provision for additional centres in London (Finchley and thereabouts) and other parts of UK (Manchester, Glasgow and Cardiff)

(ii) VFS offered three options to the Mission. It quoted a minimum rate of £5.65, £6.40 and £6.90 per application (excluding VAT) for operation of visa support centres in five, seven and eight locations respectively. Further, VFS was also open to suggestions/ negotiations on their quoted prices.

(iii) The Mission awarded the contract to VFS at the rate of £6.90 per application quoted for eight centres, which was incidentally highest amongst the three options offered by VFS.

(iv) VFS operated only five centres[22] till February 2009 for a period ranging from five to nine months.

Since the rates offered by VFS varied with the number of centres operated and it was also open to suggestions/negotiations, the Mission should have availed of the benefits of the variable rates quoted by VFS for different centres. Consequently, on account of application of higher rate, the SP was granted an undue benefit of £ 0.517 million (Rs. 3.63 crore)[23] during May 2008 to February 2009. Correspondingly, visa applicants also bore an avoidable financial burden. The details are indicated in the table below.

Table-3

(Amount in GBP)

Mission/Post	No. of Visas issued (Up to Feb. 2009)	Service Charge collected @ GBP 6.90 per application (in lakh)	Service charge @ GBP 5.65 per application (in lakh)	Difference (in lakh)
HCI, London	2,91,087	20.09	16.45	3.64
CGI, Edinburgh	11,418	0.79	0.65	0.14
CGI, Birmingham	1,11,465	7.69	6.30	1.39
Total	**4,13,970**	**28.57**	**23.40**	**5.17**

The Ministry stated (October 2009) that the bidders were required to quote the rates on per application basis and not according to the number of centres in UK as per the conditions laid down in the RFP. It further added that the decision to stagger the opening of centres was only an operational one and the rates quoted by VFS for eight centres was the lowest and as such no undue benefit was extended to VFS.

The reply of the Ministry shows that it had not planned the operationalisation of visa centres well in advance. The decision to open the visa application centres in a staggered/phased manner was taken in April 2008 (i.e. after signing of agreement in January 2008) on operational grounds in order to ensure seamless transition of work to the service provider. In fact, such a crucial decision should

[22] Victoria, Goswell and Hayes (all in London), Birmingham and Edinburgh.
[23] GBP 1 = RS. 70.13; Official rate of exchange of March 2009

have been taken during finalisation of tender and the application of variable rates (for five, seven and eight centres), depending upon the opening of centres, should have been negotiated and translated into contract in the larger interest of the visa applicants. Further, the private service provider cannot charge the Mission for the service (at three locations) that it had not actually rendered till February 2009.

6.6.2.2 Deviations from the model agreement

A review of the agreement signed by the Missions/Posts revealed that there was absence/deviation from the clauses of the model agreement circulated by the Ministry.

(A) Non-inclusion of clauses of model agreement in the agreement executed with SP

The model agreement circulated by the Ministry included specific clauses to be incorporated in the final agreement with the SPs. These clauses were to ensure that the selected SPs offer the services to applicants in a speedy manner, in comfortable conditions and in minimum time with the help of state-of-the-art technology and were specific to each of the functions that SP provider was expected to provide and also set criteria for judging the SP's performance.

It was noticed that the agreement signed by the **CGI, Frankfurt** did not contain all clauses specifically mentioned in the Model agreement. Some of the important clauses not included in the agreement were the time limit of two days for replying to postal letters, process to train and recruit staff, networked IT system for centrally based appointment system and requirement of SP to notify any fraud or any allegation of fraud to Missions/Posts.

Non-inclusion of these clauses in the contract diluted the regulatory capacity of the Post over the functioning and quality of services rendered by the SP.

(B) Deficiencies in the agreements executed

The model agreement and the agreements signed with Service Provider by the EI, Paris, CGI, Frankfurt, HCI, London and CGI, Milan were silent on the following aspects:

(i) **Penalty for delays in remittance of fees:** In the agreement signed with SPs by Mission/Posts in Paris, Milan and Frankfurt, there was no clause to levy penalty on the SP in the event of delays in remitting visa fees collected to Government account. Due to absence of clause to this effect, the Missions/Posts have no remedy in the event of delays in remittances as discussed in para 6.6.3.3.

(ii) **Clauses to provide quality assurance:** Clause 1.2, sub-clauses (a) to (e) of the model agreement circulated by Ministry emphasized the need for the SP to maintain staff and IT systems equipped to deliver efficient and effective visa application collection service. Further, the Clause 12 of the Schedule I of the model agreement provides that the SP will conduct quality assurance checks and the Mission/Post will also conduct quality assurance and audit checks of the SP. However, no independent mechanism for obtaining such assurance was envisaged or agreed upon.

It was noticed that SPs use IT systems for performing the services outsourced to them. The Missions/Posts which have outsourced had not evolved any mechanism to ascertain or monitor the quality and reliability of the IT systems of the SP. One way to ensure the adoption of an integrated process approach to effectively deliver managed services to meet the business and customer requirements is to rely on the international certification for IT Service Management. This independent certification process will enable organizations to benchmark their capability in delivering managed services, measure service levels and assess performance against globally recognized Information Technology Service Management Standards.

While such Independent international authorities of repute are available to provide certification, neither did the Mission/Posts prescribe holding such certification as a pre requisite for participation in the bidding process nor did it give any time frame to the SP to obtain such certification once it was selected. In the absence of such certification, there exists no assurance to Missions/Post on the quality of the services and the IT systems of the SP.

(iii) **Business Continuity Plan:** Issue of visa is an important and sensitive service provided by the Missions/ Posts abroad and it is essential to have a Business Continuity Plan (BCP) for the Missions/ Posts as well as for the SP so that in the event of any breakdown / deficiency in service on the part of the service provider, the restoration of service is made in the shortest possible time. It was, however, noticed that there was no provision for BCP in the agreement executed with the SP. Further it was also noticed that the Missions/Posts have also not formulated any BCP to deal with such eventualities. Besides, the Ministry is yet to formulate any policy on how the visa services will be continued on expiry of the contract with the SPs.

The Ministry stated (October 2009) that a penalty clause was proposed to be added to the outsourcing contracts already in operation. The clause would entail a penalty of 0.5 *per cent* per working/banking day for non-payment of cash fee in full or part by the SP in the Mission/Post's account. The Mission/Post would also have the right to terminate the contract immediately and forfeit the existing bank guarantee and take possession of all properties, should the SP fail to deposit the cash fee in Mission/Post's account continuously for three working/banking days, which would also be deemed as intentional lapse on the part of the SP. The Ministry further stated that NIC was being consulted to evolve a mechanism for conducting quality assurance checks and monitoring the quality and reliability of the IT systems of the SP. On BCP, the Ministry clarified that suitable clause was proposed to be added requiring the SP to put in place an adequate contingency plan (computerised and physical) to maintain an acceptable level of service within a reasonable time frame of not more than six hours if the operation of any/all visa application services were interrupted for any reason.

Ministry's reply confirms the Audit contention that there are serious deficiencies in the agreements already concluded. Remedial measures now proposed by the Ministry should have been considered at the time of negotiations of terms and conditions with the SP to safeguard the interests of the Government.

6.6.3 Deficiencies in implementation of the agreements with SPs

6.6.3.1 Irregular levy of additional administrative fee by SP

HCI, London outsourced the visa support services to M/s VFS Global through a contract concluded in January 2008. Clause 1.2 (iii) of the agreement provided for payment of visa fee by bank order, postal order, debit card or cash. Any other mode of payment used in the UK including credit card and personal cheques could be accepted only at the sole risk of VFS. However, bank/ agency charges levied on such transactions were to be borne by the applicants.

In April 2008, VFS requested for a written confirmation from HCI, London to charge an administration fee to visa applicants to cover the cost of bank charges under the clause 1.2 (iii) in addition to the visa service charge of £6.90. HCI permitted VFS to charge an average rate of £0.80 plus VAT as an administrative fee to cover the cost of bank charges/agency charges. Accordingly, VFS is charging £0.80 plus VAT as an administrative fee uniformly from all applicants irrespective of the mode of payment of visa fee which was irregular as it was contrary to the provisions of the contract.

As no bank or agency charges are applicable for payment of visa fee by cash, postal order and debit card, the collection of additional administrative fee on such transactions was a source of profit to the VFS and an unwarranted burden on applicants not paying through credit cards or cheques. Details of visas issued and the mode of payment during the period May 2008 to March 2009 were as under:

Table-4

Mission/Post	No. of visas issued	In percentage					No. of Visas not eligible for additional levy (cash, PO/DO, debit cards)	Undue benefit to VFS @ 0.80 per application (in GBP)
		Cash	Postal Order/DO	Debit Card	Credit Card	Cheques/ drafts		
HCI, London	3,20,828	35.81	6.29	34.80	14.42	8.68	2,46,716[24]	1,97,372
CGI, Edinburgh	12,350	45.00	8.00	25.85	21.15		9,737*	7,789
CGI, Birmingham	1,24,033	30.00	10.00	35.00	25.00		93,024#	74,419
Total	**4,57,211**							**2,79,580**

Analysis of the data on the mode of payment revealed that administrative fee charged on 75 to 76.90 *per cent* of the visa applications was irregular as no bank charges were to be levied on such transactions. Thus, undue benefit accruing to VFS on account of levy of administrative fee amounted to £0.280 million (Rs. 1.96 crore) during May 2008 to March 2009 alone.

The Ministry accepted (October 2009) that levy of £0.80 plus VAT as administration fee was irregular and resulted in undue benefit to VFS and the Mission is being advised to direct the SP to discontinue levying administration fee on cash, debit card and postal order transactions with immediate effect. The Ministry also stated that the existing administration fee on cheque/DD and credit card transactions (£0.80 plus VAT) is proposed to be reduced to £0.50 plus VAT till the expiry of the present contract.

[24] 35.81+ 6.29+34.80= 76.90% of 320828 = 246716
* 45+8+25.85 = 78.85% of 12350 = 9737
# 30+10+35 = 75% of 124033 = 93024

6.6.3.2 Undue benefit to SP

The visa services in the Indian Mission and Posts in the **United States of America** were outsourced to M/s Travisa with effect from October 2007. A service fee of USD 13 is being charged by the SP for each visa application. Audit scrutiny of the documents revealed that while there was no provision in the contract for any mailing charges to be paid to the SP by the visa applicants for mailing their passports (affixed with visa), the SP was collecting mailing charges varying from USD 21 to USD 87 per applicant through its delivery agency (M/s FedEx), in addition to charging the regular service fee of USD 13 for processing the visa application.

Of the total number of 5,53,511 visas issued during October 2007 to March 2009, 1,24,719 applicants (22 *per* cent) used the Travisa's FedEx account for mailing their documents for which FedEx rates varied from USD 18.95 to USD 51.55 per applicant depending on the size of the packet, distance and the zone in which the address falls. On the other hand, the SP was collecting mailing charges ranging from USD 21 to USD 87 per application. Taking the mailing charges collected and paid at the minimum of the scale mentioned above, undue benefit accruing to the SP amounted to USD 0.256 million[25] (Rs. 1.16 crore).

While the SP declined (January 2010) the request of EI, Washington DC to furnish the financial data of actual mailing charges collected and paid by it for the period October 2007 to March 2009, the Mission replied that the fee of USD 13 is charged by the SP for processing application and related documents and that it did not include charges for shipment of passports.

The reply of the Mission does not explain the rationale for retention of additional benefit by the SP on account of mailing charges. Since mailing of visa affixed passports to applicants is an important function of the SP, the Mission must examine and ensure that the SP does not unduly overcharge the distant applicants for mailing of their passports.

6.6.3.3 Delayed realisation of Government money

(A) Delays in remittance of visa fees into Government account by SP were noticed in **CGI, Frankfurt** in the following instances as discussed below:

(i) After the consular services were outsourced, four consular camps were held in Essen and six in Cologne by the CGI, Frankfurt with the

[25] (USD 21- USD 18.95) * 124719 = USD 255,674

support of the SP. The consular service was rendered at the camp on the same day itself. It was noticed that the SP accepted money through cash and bank transfer from the applicants but the cheque for the consular fee was deposited in the consular wing after delays ranging from one to five days.

(ii) Seven cheques valuing Euro 25,771 were returned unrealised due to insufficient funds, which were later credited to the Post's account after obtaining a new cheque. This resulted in delays in credit to Government account ranging from 20 to 26 days.

The Ministry stated (October 2009) that with regard to consular fees received during camps, the Post was being advised to ensure deposit of consular fee with the SBI, Frankfurt the next working day.

The fact, however, remains that huge delay in the past in remittance of visa fee coupled with absence of a penalty clause to this effect worked in favour of the SP.

(B) Embassy of India, Paris outsourced the visa support services to M/s VFS vide an agreement signed in October 2007. As per amendment to the agreement, M/s VFS was required to transfer the visa fee to the account of the Mission in Bank of India on the same day. It was, however, observed that though VFS has been intimating its banker to transfer the visa fee to the Mission's account on the same day, yet Bank of India was affording credit to the Mission after a delay ranging from one to seven days. In three instances, it was further observed that credit of Euro 159,260 was afforded to the Mission after a delay of more than four months leading to undue benefit of Euro 6,905.21 (Rs. 4.35 lakh)[26] to Bank of India. The possibility of the Mission issuing visas without actually receiving requisite visa fees into the Government account also cannot be ruled out.

The Ministry stated (October 2009) that the delay was on the part of Bank of India, Paris and the Mission was being advised to take up the matter with the bank to ascertain the reasons for delay in affording credit to Government account.

6.6.4 Need for rationalisation of manpower in consular wings

Consequent to the outsourcing of visa application collection services, there was a need for rationalization of manpower in the consular Wings

[26] Euro 1= Rs. 63.03; Official rate of exchange of March 2009

commensurate with revised work norms to ensure right-sizing. Review of the manpower requirement in the consular wings of three Missions/Posts based on the revised norms fixed by the Ministry in August 2008 for various items of works in the consular wings taking into account the improvements in the visa processing and computerization systems and outsourcing of consular services revealed the following:

(i) In Embassy of India, Paris, against the actual requirement of 14 staff members, the Mission has deployed 19 personnel in passport and consular wing.

(ii) In CGI, Frankfurt, though the outsourcing of visa support services commenced from August 2007, the Post has not reviewed its staff strength in consultation with the Ministry in the light of outsourcing of work load of the passport and consular wing.

In view of outsourcing of visa and related services, it is imperative that the Ministry take up the issue of revised staff norms for consular services on an urgent basis, so that expenditure currently incurred on redundant/excess personnel can be reduced.

The Ministry stated that the suggestion of Audit for rationalizing staff strength has been noted. A circular was being sent to the Missions/Posts, where outsourcing has been implemented, to assess the staff requirement in consular wings.

6.6.5 Recommendations:

The Ministry may:

- review the outsourcing contracts concluded by the Missions/Posts and issue comprehensive guidelines for re-negotiating the unfavourable terms with SPs, in line with the model agreement;
- investigate the process of selection of SP by CGI, Milan and fix responsibility for non-adherence to the instructions of the Ministry circulated in November 2006 as also guidelines of CVC/GFR;
- effect recovery from the SP in HCI, London towards irregular levy of administrative fee of £0.80; and
- ensure that the pre-qualification bid for the prospective SPs include the international certification for IT service management. The model agreement may also be modified requiring the successful bidder to obtain such certification within a prescribed time frame and ensure its validity for the duration of the contract.

6.7 External publicity through Missions

Despite assurance to the Public Accounts Committee, instances of release of funds to Missions without receipt of Annual action plans, incorrect classification of items of expenditure to publicity head and despatch of publicity material to Missions without request leading to 58 to 74 *per cent* of publicity material remaining unutilized, were noticed in Audit.

The Ministry utilizes a variety of channels, including distribution of print and audio-visual publicity material to foreign audiences for projecting India's position on various international issues, developments in India, highlighting of different aspects of Indian life, art and culture as well as for countering distorted and malicious propaganda against India etc. Ministry incurs publicity expenditure through its External Publicity (XP) and Public Diplomacy (PD) divisions in India and various Missions/Posts abroad. Expenditure at these two levels is budgeted separately. Missions, in addition to incurring publicity expenditure from their own budget, are also responsible for end use of publicity material supplied by the Ministry. The annual expenditure incurred by the Ministry/Missions under the head publicity ranged from Rs. 31.70 crore to Rs. 45.44 crore during the period 2004-05 to 2008-09.

To ensure greater oversight and monitoring of expenditure on publicity in Missions/Posts abroad, the External Publicity division of the Ministry, while reiterating instructions to all Missions/Posts abroad in September 2005 laid down the following conditions to be strictly followed by the Missions/Ministry:

- The release of funds for publicity budget from the year 2006-07 onwards would be subject to Missions sending detailed Annual Action plans on publicity.
- While classifying the nature of expenditure, it must be ensured that the expenditure under the head publicity was intended for furthering the image of India either directly or indirectly but should not be of such nature which forms a part of the representational obligations of the concerned officers of the Missions/Posts.
- Provisioning of publicity material for the Missions would only be in response to their request, to avoid unnecessary expenditure on publicity.

The Ministry in its Action Taken Note on an earlier audit paragraph[27] had assured the Public Accounts Committee (PAC) of compliance with these instructions of the Ministry issued in September 2005.

However, examination of records pertaining to publicity expenditure of PD and XP divisions in the Ministry and test check of records of 44 Missions/Posts[28] for the period 2005-06 to 2008-09 disclosed many deviations as discussed below:

6.7.1 Release of funds to Missions without receipt of annual action plans

Scrutiny of records revealed that funds were released to 11 Missions[29] in 2006-07, 10 Missions[30] in 2007-08 and 09 Missions[31] in 2008-09, and expenditure of Rs. 4.04 crore incurred on publicity, even though the Missions had not prepared any Annual Action plan on publicity.

Ministry replied in February 2010 that the Audit's observations had been carefully noted and it had again reminded the Missions to scrupulously follow the instructions.

6.7.2 Misclassification of items of expenditure not pertaining to publicity under the head 'publicity'

An analysis of publicity expenditure booked by 42 Missions during the last five[*] years disclosed that out of total expenditure of Rs. 18.73 crore booked under the publicity head, expenditure amounting to Rs. 6.19 crore (33 *per cent*) did not pertain to publicity. Missions routinely charged items of 'office expenses' such as purchase of local newspapers, foreign magazines for chancery and officers' residence, cable connection charge for embassy residence, purchase of furniture, taxi chares, advertisement for reccruitment, payment to contingent staff, hotel accommodation etc. and other unauthorized expenditure to the publicity budget allotted to them. The inadmissible expenditure in the Missions/Posts ranged up to 90 *per cent* of total expenditure booked under the head "Publicity". Expenditure related to national day celebrations, for which a separate budget was sanctioned by the Ministry was also booked by Missions under the head 'publicity'.

[27] Para 4.7 of CAG's Audit Report no. 2 of 2006
[28] Indian Missions in Asia, Africa and Oceania region, which fall under the audit jurisdiction of DGA (CE) office, were covered in audit.
[29] Beijing, Canberra, Damascus, Dubai, Mahe, Male, Melbourne, Nairobi, Port Louis, Seoul, Sydney,
[30] Canberra, Damascus, Kuwait, Mahe, Male, Melbourne, Nairobi, Port Louis, Sydney, Zanzibar,
[31] Canberra, Damascus, Kuwait, Mahe, Male, Melbourne, Nairobi, Port Louis, Sydney,
[*] There were cases, where Missions did not provide information for last five years. Expenditure figures from these Missions were considered for the years, for which information was provided by the Missions.

The Missions at Port Louis and Kathmandu accepted the audit findings. Missions at Johannesburg, Melbourne, Canberra, Dubai, Istanbul, Birgunj and Mahe stated that the audit observations had been noted for future compliance. Missions at Pretoria, Khartoum, Thimpu, Riyadh, Bangkok, Jeddah and Antananarivo accepted the audit findings except in relation to treating expenditure on purchase of local newspapers, national day celebrations and their advertisements, stationery items etc., as publicity expenditure. Missions at Zanzibar, Beijing, Colombo, Seoul, Lagos, Abuja and Nairobi classified expenditure on purchase of diesel, local newspapers and magazines, cable TV, national day celebration, postal charges, taxi charges, mobile phone charges, Diwali celebration, clearing of incoming bags etc., as publicity expenditure and did not accept the audit observation.

The replies of the various Missions to a common audit observation indicated lack of co-ordination between the Ministry and the Missions/Posts abroad purportedly due to ambiguity in the Ministry's instructions, which led to varying interpretations on classification of expenditure under the head publicity.

Ministry replied in February 2010 that the incorrect booking of expenditure was most likely attributed to oversight by the Chanceries and in order to obviate the recurrence of incorrect classification, relevant instructions had been reiterated to all the Missions.

6.7.3 Publicity material lying unutilized in the Missions

The Ministry, despite its own instructions of September 2005, continued to send publicity material to Missions without specific requests from the Missions, leading to publicity material remaining unutilized with the Missions/Ministry.

- Based on the analysis of the information supplied by the Missions for the last five years, it was found that 56 *per cent* of the books and 60 *per cent* of the documentaries supplied by the Ministry to Missions for distribution/presentation to targeted foreign audiences during last five years were lying unutilized in the Missions. Out of this, 58 *per cent* of books and 74 *per cent* of documentaries were sent to the Missions without specific request resulting in unfruitful expenditure on their purchase and supply to Missions, as detailed below:

Table-5

Publicity material	Number of Missions/Posts which supplied information to audit	Copies supplied by the Ministry to Missions	Copies remaining un-utilized in the Missions	Percentage of un-utilized material	Copies supplied without request	Percentage material lying un-utilized from the un-requested material
Books for distribution	26	33,804	19,059	56	11,395	58
Documentaries	31	3,074	1,839	60	1,783	74

- ❖ 'India Perspectives' a flagship magazine of the Ministry was used as part of the publicity efforts by Missions/Posts abroad to reach as wide an audience as possible. 58,215 copies of 'India Perspectives' were sent to 16 Missions without any request from them during the period 2006-09.

- ❖ The Missions had mostly issued library publicity material to their staff members instead of the targeted foreign audience, which did not serve the intended purpose. Details of publicity material in the library and its utilization by the target foreign audience are as follows:

Table-6

Publicity material	Number of Missions/ Posts which supplied information to audit	Opening Balance	Additions during last five years	Closing Balance as on 31-03-2009	Material issued to target audience during 2008-09	Number of Missions that did not issue any material during 2008-09 to target audience	Number of Missions that did not issue any material during last five years to target audience
Books	27	1,36,144	23,556	1,59,700	5,344	13[32]	11[33]
CD/DVDs	26	8,474	3,706	12,180	430	13[34]	11[35]

Out of 27 Missions for which information on utilization of books was made available to audit, 11 Missions with a stock of 57,538 books at the end of year 2008-09 did not issue any book to the target audience during the last five years. Similarly, 11 Missions with a stock of 6,307 CDs/DVDs at the end of year 2008-09 did not issue even a single CD/DVD to the target audience during the last five years.

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[32] Abuja, Cairo, Canberra, Chittagong, Dubai, Islamabad, Jeddah, Mahe, Pretoria, Port Louis, Seoul, Tehran, Zanzibar.
[33] Abuja, Cairo, Canberra, Chittagong, Islamabad, Jeddah, Mahe, Port Louis, Seoul, Tehran, Zanzibar.
[34] Birgunj, Cairo, Canberra, Colombo, Damascus, Dubai, Islamabad, Jeddah, Johannesburg, Male, Seoul, Tehran, Zanzibar.
[35] Birgunj, Cairo, Canberra, Colombo, Dubai, Islamabad, Jeddah, Johannesburg, Male, Seoul, Zanzibar,

These findings show that the basic purpose underlying the dispatch of publicity material to the Missions was not being achieved. The considerable amount of publicity material not being utilized by the Missions also calls into question the usefulness of publicity material being purchased/ prepared by the Ministry.

Ministry replied in February 2010 that in view of the Audit's observations, a more streamlined procedure in regard to dispatch and utilization of documentaries and other publicity material would be devised.

6.8 Logistic management for offices and residences of diplomatic personnel

Despite assurance to the PAC, the pace of construction of projects on acquired land by various Indian Missions/Posts abroad such as Embassy of India Brasilia, Embassy of India Port of Spain, Embassy of India Paramaribo (Suriname) and High Commission of India Abuja (Nigeria) continues to be a cause of concern. The delay in construction in above Missions/Posts ranged between 16 to 45 years resulting in both idling of funds and consequent escalation in cost of construction. Further as per IFS (PLCA) rules, the Ministry has to fix and intimate the Missions/Posts the rental ceiling fixed for various categories of India based officials. But in many India Missions/Posts abroad, the Ministry has not fixed the rental ceiling for the official accommodation of various categories of officers which resulted in excess payment or hiring of accommodation in excess of the eligibility. Audit also noticed expenditure on repair and maintenance of building being incurred by the Missions in excess of the powers delegated to Head of Missions/Posts.

6.8.1 Introduction

6.8.1.1 Expenditure on office and residential accommodations forms a significant portion of expenditure of Missions and Posts abroad. When serving outside India, an officer shall be entitled, subject to such conditions as may be prescribed by the Government, free of charge, to furnished residential accommodation in accordance with the provisions of IFS (PLCA) Rules. The related financial powers are prescribed in the Financial Powers of Government of India's Representatives Abroad (FPGOIRA).

6.8.1.2 The Public Accounts Committee (PAC) in their 51st (2007-08) and 75th (2008-09) Reports- Fourteenth Lok Sabha, had expressed their concern over the delay in construction of properties abroad. The Committee stressed the need to expedite the projects within the targeted time-frame through a specific monitoring plan for each project.

6.8.2 Audit objectives

6.8.2.1 Audit examined the records relating to construction of projects on acquired land, maintenance and repairs of built up properties, hiring of residential accommodations, furniture etc., with a view to assessing the efficiency, economy and effectiveness of logistic management for offices and residences of diplomatic personnel. The results of the study are discussed in the following paragraphs:

6.8.3 Inordinate delay in construction on acquired land

6.8.3.1 Brasilia (Brazil)

Government of Brazil gifted a plot of 25,000 square meters land in 1965 to the Indian Embassy in Brasilia for the construction of an Embassy Complex. Earlier Reports[36] of the Comptroller and Auditor General of India (C&AG) had highlighted the idling of the plot and continued payment of rent for hired accommodation. While submitting Action Taken Note (ATN) on the recommendations of the PAC, Ministry of External Affairs (MEA) stated (September 2006 and February 2008) that the contract for construction of this project was expected to be awarded in the coming months.

Subsequent scrutiny revealed that the CNE[37] had sanctioned Rs. 37.50 crore for the project in August 2006. In terms of CNE approval, pre-construction activities were scheduled to be completed by May 2007 and construction by May 2009. However, the Mission floated tenders only in February 2008 and that too before project specifications and drawings were accepted by MEA. Contract was yet to be awarded as of February 2010. The Ministry stated (February 2010) that as the financial bids submitted by the bidders were exorbitant, a modified tender was being issued to the shortlisted firms. The modified tender was held up due to environment issues and legal requirements of escalation costs in the tender. The Ministry further stated that it expected to award the work in another three to four months.

Thus, despite having spent an amount of Rs. 1.08 crore on the project up to March 2009, assurances given to PAC and protracted correspondence between Ministry and Mission, there is yet no clarity or finality about the scope of work. Inordinate delay, changes in scope and design, consequent cost escalations leading to re-tendering indicated improper planning, lack of

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[36] Paragraphs 26.8.6 (report No. 13 of 1990), 8.2 (Report No. 2 of 2001) and 5.5.3 (Report No. 17 of 2005)

[37] Committee on Non-plan Expenditure

coordination and indecisiveness on the part of Mission and MEA. This had resulted in continued idling of the plot for nearly 45 years and avoidable annual expenditure of Rs. 1.78 crore towards hiring of residential/official accommodations.

6.8.3.2 Port of Spain (Trinidad & Tobago)

The Government of Trinidad & Tobago donated five acre plot of land to India in 1994 on 99 years' lease, for setting up the India Cultural Centre. Delay in construction and continued payment of rental charges of the leased premises was commented upon in paragraph 5.5.12 of the Report of the CAG (Report No.17 of 2005). While furnishing the ATN (September 2006 and February 2008), the MEA stated that the project was under different stages of pre-construction activities and every possible effort was being made to bring the project to tender/construction stage at the earliest.

Subsequent audit scrutiny revealed that, the project was yet to commence as of July 2009 despite incurring expenditure of Rs. 36.10 lakh on consultancy fee up to March 2009 and lapse of 15 years since allotment of the plot in 1994. During this period (February 2004), part of the land was encroached by a company, which could not be removed as of July 2009, resulting in further delay to the project. Resultantly, the estimated cost of construction of the project had gone up from TT$15.48 million (Rs. 11.14 crore[38]) in October 2003 to TT$25.34 million (Rs. 18.23 crore[38]) in November 2006. This is likely to escalate further. The Mission also continued to incur annual expenditure of Rs. 16.76 lakh towards rent for residential accommodation.

6.8.3.3 Paramaribo (Suriname)

The Government of Suriname donated a plot of land in Paramaribo (1992) for construction of the Indian Cultural Centre. As the plot of land was lying vacant, the Government of Suriname took it back in May 1997 and allotted another plot measuring one hectare in July 1998. Mention was made in paragraph 5.5.5 of CAG's Report No.17 of 2005 about delay in construction of Indian Cultural Centre at Paramaribo. While submitting the ATN (September 2006 and February 2008), MEA stated that every possible effort was being made to bring the project to tender/construction stage at the earliest.

[38] Worked out at the exchange rate of December 2006

Subsequent audit scrutiny revealed that the scope of the work of construction had been expanded to include additional classrooms, residences and for augmenting the capacity of the Auditorium. Fresh designs from the Architect were awaited as of July 2009. The Mission, meanwhile, continued to incur annual expenditure of Rs. 29.18 lakh towards rental payment for the Centre and residential accommodation.

6.8.3.4 Abuja (Nigeria)

The PAC in their 108th report (1987-88) and 51st report (2007-08) and Standing Committee of Parliament on Ministry of External Affairs in its report of June 1998, emphasised the need for gradual replacement of rental expenditure with sound investment in suitable properties and emphasised construction on available plots to avoid imprudent expenditure on rentals.

Audit scrutiny revealed that the Ministry purchased two plots for the construction of Residence of High Commission of India, Abuja and chancery-cum-residence building in the year 1990 and 1991, respectively, with lease period of 45 years. It was noticed during audit that despite payment of consultancy fee of Rs. 25.82 lakh up to May 2009 and ground rent of Rs. 7.20 lakh up to December 2008 and protracted correspondence between the Ministry and Mission, the Ministry could not decide the scope and design of the construction work even after lapse of a significant period of 18/19 years out of the leased period of 45 years.

The following reasons led to the delay:

(i) No action for construction on the plots was taken by the Mission/ Ministry till June 2001.

(ii) Even after initiating the process of construction of the project in June 2001, Ministry took two and a half years, for reasons not on record, to appoint a consultant (January 2004) for preparation of the plan, drawings, construction and for management services at a consultation fee of five *per cent* of the tendered cost/estimated cost of construction.

(iii) Ministry/Mission neither prescribed any time limit for the consultant to submit the designs nor included a penalty clause for unreasonable delays. The consultant submitted the designs after more than two years in March 2006.

(iv) The bids were obtained in December 2006 and a time line was drawn in April 2007 according to which, the project was to commence in July 2007 and completed by July 2008. However, due to non finalisation of the scope of work, the bids expired in April 2008. There has not been any progress towards construction of chancery building and residential accommodations on the plots since April 2008. As of February 2010, the proposal of construction of HOM's residence and other residences was under the consideration of the CNE.

Lack of planning, focus and indecisiveness on the part of the Ministry resulted in continued idling of the plots and avoidable annual expenditure of Rs. 1.22 crore towards rentals of chancery building and residence of High Commissioner. Further, inordinate delay in the projects may cause heavy escalations of costs and even revocation of allotment by the local Government.

6.8.3.5 Damascus (Syria)

A building having a floor area of 368.25 sq. metre was purchased for chancery of Damascus in 1978 for Rs 50.26 lakh. The Chancery was shifted to a new building in June 2003. The idling of old building since then was pointed out in Comptroller and Auditor General's Performance Audit Report no. 17 of 2005 on Property Management by MEA.

The Ministry, in September 2006 submitted to the PAC that they were exploring the feasibility of using this building as a Cultural Centre as the building was not found to be suitable for residential purpose in view of its location in the commercial area. The PAC in their 51st Report (2007-08) -14th Lok Sabha, recommended that the Ministry should list out all the properties lying vacant for long periods and prioritise the same for prompt disposal.

In the ATN on the report of the PAC, the Ministry stated (February 2008) that the plot would now be used for construction of residences of officers. The PAC subsequently recommended in their 75th Report (2008-09)- 14th Lok Sabha that MEA should not further dither in the matter and should formulate an action plan forthwith for timely disposal of vacant properties.

Audit scrutiny revealed that the Ministry had approved a panel of seven architect firms in May 2008 with the time schedule of July 2008 for submission of final proposal for architectural/ design plans. However, the Ministry had not selected any architect for the work as of January 2010. Further, no time frame had been drawn to utilise this building as recommended by the PAC. Resultantly, the property had been lying idle since

June 2003 and the Mission had been continuing to pay rentals for the residences of the officers/officials.

Recommendation:

Ministry needs to frame time bound plans for completion of the projects to avoid inordinate delay.

6.8.4 Avoidable extra expenditure due to poor contract management

6.8.4.1 Embassy of India (EI), Washington DC, invited quotations (January 2006) for renovation/repair of ceiling of the Chancery-I building. The Mission received three bids (US$ 163,770, 155,614 and 70,350) between January and March 2006. The Mission while expressing confidence over the capability of the first lowest agency, sought Ministry's approval. The Ministry approved the lowest offer on 17 May 2006.

Though the contract was signed on 18 May 2006, the contractor expressed (25 May 2006) his inability to execute the work due to delay in accepting the tender, invoking clause 6 of the contract. Clause 6 of the contract provided that either party with written notice could terminate the agreement should the other party fail substantially to perform in accordance with the terms of the agreement through no fault of the party initiating the termination. The Mission conveyed (31 May 2006) the above facts to the Ministry with recommendation to accept the second lowest offer and the Ministry approved (14 June 2006) the same. The work was completed on 22 September 2006.

Audit scrutiny revealed the following flaws in contract management:

(i) The contract did not contain any provisions regarding the validity period of the rates, security deposit by the contractor and penalty to be imposed in case of breach of contract. As a result, the lowest contractor could freely opt out of the contract on the grounds of unworkable rates due to delay, after signing the agreement.

(ii) Since there was substantial difference in the rate of first and second lowest bidder, the Mission should have properly determined the reasonability of rates before acceptance of L1 offer and also should have explored the possibility of re-tendering to get more competitive rates before awarding the work to L2 bidder.

Failure of the Mission to incorporate suitable safeguards in the contract resulted in avoidable extra expenditure of US$ 85,264 (Rs. 39.41 lakh[39]). The case also highlights that the Mission has no system for determining reasonability of rates before award of contract.

The Mission replied (February 2008) that the matter was being reviewed. Further reply was awaited (July 2009).

Recommendations:

- Missions should incorporate suitable safeguards and penal provisions in the agreement with contractors.
- The Mission should put in place a proper system of determining reasonability of rates to avoid acceptance of unworkable rates and also the rates that are too exorbitant.

6.8.5 Non-fixation of rental ceiling for hiring of residential accommodation

Para 4(2) of Annexure-X to the Rules stipulates that the Mission/Post should hire accommodation within the rental ceiling prescribed by the Ministry for various categories of its officers/staff. As per item No. 20 (III) (3) of the FPGOIRA, in case where the rental ceiling has not been fixed, HOM/HOP has full powers to hire accommodation initially subject to the rent not exceeding USD 1426 per month. Further, Para 4 (18) (ii) of Annexure-X provides that the Missions for which rental ceilings have not been prescribed should invariably forward all proposals with complete details in the prescribed pro-forma showing rental of the proposed accommodation and the reason why it is in excess of the existing operative ceiling.

(i) Scrutiny of records revealed that the Ministry has not fixed rental ceiling in 13[40] Missions/Posts. In the absence of rental ceiling, the Missions continued to hire accommodation on the basis of rent initially sanctioned by the Ministry for a similar ranking officer. This practice cannot be deemed to substitute the provisions for fixation of rental ceiling as the Ministry's decision of sanctioning rent is case-specific, depending upon circumstances prevailing at that point of time, which may not be appropriate or hold good for future reference. Given the fact that the substantial expenditure is being incurred on hiring of accommodation, there is a need for instituting controls by fixing the

[39] worked out at the exchange rate of September 2006 (US$ 1 =Rs.46.22)

[40] Helsinki, The Hague, Lisbon, Vienna, Dublin, Berne, Geneva, Ottawa, Toronto, San Francisco, Chicago, Brasilia and Peru

rental ceilings for the leased accommodation in respect of various categories of officers/staff.

(ii) EI Helsinki(April 2006), The Hague(March 2004) and Vienna(April 2003) had taken up the matter for fixing ceiling limit with the Ministry. The Ministry's approval was awaited in all these cases. EI Berlin(June 2008) had taken up the matter with the Ministry for regularisation of excess expenditure incurred in excess of the ceiling limit fixed by the Ministry. EI Lisbon stated that it was not possible to fix the rental ceiling as the rent was increased as per the increase in coefficient published by the local Government, which would necessitate revision of ceiling every year and the sanction of the Ministry thereof. Replies of the EI Dublin and PMI Geneva were awaited.

(iii) In absence of rental ceiling fixed by the Ministry, the Missions/Posts at Ottawa, Toronto, San Francisco, Brasilia and Peru hired accommodations beyond the delegated powers of HOM in 32[41] out of 47 cases.

HCI, Ottawa and the Posts at San Francisco replied that they have taken up the Matter with the Ministry for fixing rental ceilings. Replies from Toronto, Peru and Brasilia are awaited.

(iv) In PMI Geneva, it was observed that rent for the hired accommodation exceeded prescribed financial powers of the HOM (USD 1426 per month) in 39 out of 42 hired accommodations (93 *per cent).* However, PMI, Geneva had not obtained approval of the Ministry in respect of 36 accommodations as required by Para 4 (18) (ii) of Annexure X to the Rules.

Recommendation:

Ministry may fix Mission-wise rental ceiling for all categories of the officers.

6.8.6 Excess payment of agent's commission

6.8.6.1 As per item 20(1)(5) of Schedule I of FPGOIRA, HOM/HOP was empowered to incur expenditure towards payment of agent's commission up to one month's rent subject to a ceiling of 2.5 *per cent* of the total rent payable during the period of lease. Further, the expenditure on agent's commission should be shared equally between the Mission/Post and the landlord as per normal practice.

[41] Ottawa (4/6), Toronto (4/4), San Francisco (14/14), Chicago (5/10), Peru (2/6), Brasilia (3/7)

6.8.6.2 Audit scrutiny revealed that EI Vienna and Berlin (April 2007 to December 2007) incurred unauthorised expenditure of Euro 11949[42] (Rs. 7.53 lakh)[43] beyond the delegated powers of HOM/HOP towards payment of agent's commission.

EI Vienna stated (April 2009) that it has noted the audit observation. EI Berlin stated (July 2008) that it has sought approval of the Ministry for regularisation of the excess agency commission.

6.8.7 Non-refund of security deposit

6.8.7.1 As per item 20(III)(7) of FPGOIRA, HOM/HOP have been empowered to make payment of refundable security deposit equivalent to two month's rent. The instructions, of March 2004 *inter-alia,* provided that either the payment for the last month/quarter should not be made in advance or payments be made in such a way so that the security deposit is duly adjusted after giving notice of termination of the lease.

6.8.7.2 In four[44] Missions, it was observed that they failed to obtain the refund of the security deposit of Rs. 10.57[45] lakh paid to the landlords despite dehiring these accommodations between September 2005 and February 2008.

EI, The Hague stated that recovery of Rs. 1.13 lakh has been effected. EI Bucharest, Dublin and Paris stated that matter of refund of security deposit has been taken up with the landlord/agency.

Recommendations:

The Missions may

- vigorously pursue with the landlords to get refund of security deposits; and
- explore the possibility of inserting a clause in the contract wherein the security deposits are adjusted against the rent payable during the notice period.

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[42] EI Vienna (Euro 4774) EI Berlin (Euro 7175)

[43] worked out at the official exchange rate of March 2009(Euro 1=Rs.63.01)

[44] Bucharest, Hague, Dublin, Paris and Rome

[45] Rs.in lakh at the official exchange rate of March 2009 –Bucharest (1.97), Dublin (1.29), Paris (5.80) and Rome (1.51)

Conclusion

Despite assurances to the PAC, the pace of construction of projects on acquired land by various Missions abroad continues to be a cause of concern. There were substantial delays in construction in the case of five Missions ranging between 16 to 45 years, resulting in both idling of funds and consequent cost escalation. The Missions continue to incur avoidable rental expenditure towards hiring of residential/official accommodation.

Audit also noticed expenditure on repair and maintenance of buildings being incurred by the Missions in excess of the powers delegated to them. Instances of non-fixation of rental ceilings and non-adherence to norms for hiring of buildings point to the need for the Ministry to address the issue by enforcing the rules and orders issued in this regard.

Annex-I

(Referred to in paragraph No. 6.2.2)

Details of extra expenditure incurred by 30[46] Missions/Posts on purchase of full fare economy tickets for their officials and family members during home leave, emergency passage and temporary duty

Type of journey	No.of officials/family traveling	Amount of Air fare paid by the Mission/Post (full fare economy ticket) (in Rs.)	Air fare based on cheapest fare (in Rs.)	Extra Expenditure (in Rs.)	Comparison of full fare expenditure viz cheapest fare (number of times)
Home Leave Passage-PDA, London	569	130988263	27058909	103929354	4.8
Home Leave Passage-PDA,Washington	263	93013776	23674394	69339382	3.9
Home Leave Passage-Total	**832**	**224002039**	**50733303**	**173268736**	**4.4**
Emergency Passage-PDA, London	80	15525213	3787561	11737651	4.1
Emergency Passage-PDA, Washington	49	16066660	4245159	11821501	3.8
Emergency Passage-Total	**129**	**31591873**	**8032720**	**23559152**	**3.9**
Temporary Duty-PDA, London	48	8693108	2029972	6395283	4.3
Temporary Duty-PDA, Washington	13	5423047	1087157	4335890	5.0
Temporary Duty-Total	**61**	**14116155**	**3117129**	**10731173**	**4.5**
Total Expenditure and Difference	**1022**	**269710067**	**61883153.2**	**207559062.4**	**4.4**

[46] EI Moscow, HCI, London, EI, Paris, EI, Budapest, EI, Berne, EI, Athens, EI, Warsaw, EI, Oslo, EI, Bucharest, CGI, Frankfurt, EI, Helsinki, CGI, Edinburgh, EI, Belgrade, EI, Dublin, EI, Vladivostock, EI, Copenhagen, EI, Zagreb, CGI, Milan, EOI/Bogota, EOI/Brasilia, EOI/Buenos Aires, EOI/Sao Paulo, EOI/Panama, EOI/Kingston, CGI/Houston, EOI/Mexico, CGI/Vancouver, HCI/Port of Spain, CGI/Ottawa, EOI/Paramaribo

Annex-II

(Referred to in paragraph No. 6.3 (iii & iv))

Sl. No.	Apartment	Date of completion	Major problems
1.	Converted flat 7-8 (Pilot Project)	August 2003	Water leakage from the roof in dining area from the upstairs apartment (converted flat 9-10), water dripping from the electrical bulb point, thereby severely impairing the living conditions and safety of occupants.
2.	Converted flat 9-10	September 2004	
3.	Converted flat 1-2	May 2006	Severe damp problem; successive water leaks from upstairs apartment (converted flat 3-4); multiple leaks in the water pipes under the floor that damaged the shoes, paintings and other personal belongings stored in the apartment; water dripping next to the gas and electricity meters; wet walls and wiring; rusted radiator pipes; bloated flooring etc. The apartment is uninhabitable and lying vacant.
4.	Converted flat 3-4	August 2006	Major leakage from unconverted flat 5 and 6, severe damp in the walls and fungus problem. The problem of damp from converted flat 1-2 spilled over into flat 3-4.

Annex-III

(Referred to in paragraph No. 6.4)

Details of excess payments pending recovery

2004-05 to 2009-10

(Rupees in lakh)

Sl. No.	Name of Mission/Post	Year	Unauthorized payment of EWF charges	Excess payment of TA, DA and related claims	Over payment of Pay, FA RG etc	Excess payment of CEA	Other Excess payments	Non settlement of advances
1.	Moscow	**2004-05**	2.76					
2.	Dar-es-Salaam						5.20	
3.	Port Lious							1.09
4.	Argentina			1.85				
		2005-06						
5.	Rome			0.29				
6.	Sana				0.16			
7.	Tunis		0.21					
8.	Antananarivo				0.38			
9.	Mahe			6.11				
		2006-07						
10.	Athens			0.16				
11.	Madrid				1.53			
12.	Durban			0.10				
13.	Mombassa			0.22				
14.	Kandhar					0.14		
15.	Canberra							0.17
		2007-08						
16.	Hague						0.76	
17.	Ulaanbaatar					0.38		
18.	Hongkong				2.15			
		2008-09						
19.	Vladivostok			0.31				
20.	Frankfurt					0.57		
21.	Dar-es-Salaam		0.33					
22.	New York			0.46				
23.	Brasilia				0.13			
24.	Washington				0.39			
		2009-10						
25.	Sydney		1.19					
26.	Antananarivo							8.85
27.	Canberra		3.46					
28.	Ottawa			1.00				
	Total		**7.95**	**10.5**	**4.74**	**1.09**	**5.96**	**10.11**
	Grand Total							**40.35**

Annex-IV

(Referred to in paragrapsh No. 6.5)

Recoveries effected in respect of Missions/Posts at the instance of audit

Sl. No.	Name of the Mission	No. of cases	Amount (Rs.)	Nature of recovery
2006-07				
1	EOI[*], Belgrade	4	293668	One *per cent* of Tuition fee, irregular reimbursement of taxi fare, excess payment of daily allowance and non-recovery of electricity, water and fuel charges.
2	HCI, London	3	172619	Overpayment during preparation time, excess payment of representational Grant and irregular payment of maintenance allowance.
3	EOI, Astana	1	20984	Irregular refund of income tax deducted at source.
4	EOI, Moscow	1	37757	Recovery of one percent of the tuition fee.
5	EOI, Madrid	2	63214	Recovery of excess payment of salary to locally recruited staff and recovery of gas charges during Heating period.
6	EOI, Helsinki	1	28712	Recovery of one percent of the tuition fee.
7	CGI, Edinburgh	2	84275	Recovery of transfer passage(air fare) and recovery of excess reimbursement of baby sitting charges.
8	EOI, Yerevan	2	35859	Recovery of irregular payment of pro-rata bonus to local employees and recovery of one percent of the tuition fee.
9	EOI, Berlin	1	35450	Recovery of water charges.
Total		**17**	**772538**	
2007-08				
1	EOI, Rome	3	210931	Recovery of excess telephone call charges, recovery of one percent of the tuition fee and recovery of irregular expenditure incurred by the Mission towards visit of the Ambassador of Berne to Rome.
2	PMI, Geneva	1	58715	Recovery towards excess reimbursement of additional cost of car insurance.
3	EOI, Bucharest	1	18610	Excess payment of Representational Grant.
Total		**5**	**288256**	
2008-09				
1	HCI, London	2	2425771	Non-availing of discount on Air India tickets and refund of excess payment of daily allowances.
2	EOI, Zagreb	2	57345	Recovery of excess payment to the gardener and recovery of inadmissible gas charges for non-heating season.
3	EOI, Prague	2	36619	Recovery of excess payment of daily allowance and incorrect computation of Income Tax and Additional Foreign Allowance
4	EOI, Berne	1	76815	Recovery of one *per cent* of Tuition Fee.
5	CGI, Frankfurt	1	21228	Excess payment of Foreign Allowance.
6	EOI, Dushanbe	1	22928	Wrong payment of bonus to the local employees.
7	EOI, Belgrade	3	89599	Recoveries on account of excess reimbursement of additional cost of car insurance, towards heating charges at Embassy residence and excess telephone calls from residence.
8	EOI, Moscow	1	11442	Recovery of unauthorized expenditure on residential telephones.
9	EOI, Kiev	1	11642	Inadmissible payment of various allowances to defence personnel.
10	EOI, Astana	1	72679	Refund of TDS by the Mission.
11	EOI, The Hague	2	46500	Excess payment of pay and allowances during Home Leave, recovery of excess residential telephone call charges.

[*] EOI - Embassy of India

Sl. No.	Name of the Mission	No. of cases	Amount (Rs.)	Nature of recovery
12	EOI, Baku	1	53409	Recovery of excess payment of packing charges.
13	EOI, Athens	1	35135	Non-availing of discount on Air India tickets.
14	EOI, Berlin	5	125472	Recovery of damages of leased residence, recovery of excess expenditure towards purchase of air tickets, erroneous slab deduction, Recovery of Electricity and Water charges, Recovery of EWF charges.
15	EOI, Helsinki	1	77185	Recovery of Tuition Fee.
16	HCI, Pretoria	3	81558	Recovery of foreign allowance in lieu of transportation charges.
17	EOI, Doha	2	21366	Recovery of excess reimbursement of additional cost of car insurance.
18	EOI, Tokyo	1	464161	Recovery of excess collection of commission/charges.
19	EOI, Bogota	1	31666	Overpayment of foreign allowance.
20	CGI, Toronto	1	17790	Excess payment of additional cost of car insurance.
21	EOI, Washington	1	43245	Recovery towards overpaid cable charges.
22	PMI, New York	1	14885	Inadmissible payment of medical expenses.
23	EOI, Panama	2	22809	Inadmissible payment on account of transfer TA and incidentals during home leave.
24	CGI, Houston	3	43675	Overpayment of daily allowances, non-receipt of refund from Air India.
25	EOI, Brasilia	1	75189	Refund of demurrage charges.
26	HCI, Port of Spain	1	187568	Refund of unused portion of Air Ticket.
	Total	**42**	**4167681**	
	Grand total	**64**	**5228475**	
			52.28 lakh	

CHAPTER VII : MINISTRY OF HEALTH AND FAMILY WELFARE

Department of Health

7.1 Non-implementation of computerised Management Information System for Food Control Organisations

Failure of the Ministry to ensure migration of complete data from State Food Testing Laboratories to the computerised system has resulted in non-achievement of objectives of establishing communication network between the Food regulatory agencies and the laboratories even after three years of the scheduled date of completion. The equipment worth Rs. 2.79 crore is lying idle at NIC, New Delhi and in State laboratories at different locations.

Under the World Bank assisted Food and Drugs Capacity Building Project, the Ministry entered into a contract with M/s HCL Info Systems in July 2006 for establishment of a computerized Management Information System at a cost of Rs. 3.45 crore. The system was intended to enhance information flows and coordination between the Central and State regulatory agencies. The data collected across the testing laboratories and State Food Control Organistions was to be centrally stored, collated, analyzed and presented in an appropriate form to different authorities in the Food Control Organization on a need to know basis.

The project envisaged networking of 105 locations[1] across the country. In terms of the agreement, HCL was to provide application software, hardware for server, input/output devices and computers. It was also responsible for maintenance of the system hardware and software. The main data centre for operation of the project was located at NIC[2], in Nirman Bhawan, New Delhi, while the Prevention of Food Adulteration (PFA) Headquarters at Nirman Bhawan was designated as the administrator for operation of the system. In terms of the agreement, the project was to be completed within six months of its commencement i.e., by December 2006.[3]

The implementation of the project depended on the successful migration of data maintained manually by various food laboratories and its regular updation

[1] Prevention of Food Adulteration (PFA) Headquarters, Nirman Bhawan, State PFA, Central/State Food Labs, Primary Health Organisations, National Institute of Nutrition, Hyderabad and Central Food Technological Research Institute, Mysore

[2] National Informatics Centre

[3] The period has been reckoned from the date of signing the agreement in July 2006

on to the computerized system for the benefit of the users. Audit examination disclosed that, as of December 2009, out of an estimated volume of 2,40,000 test reports pertaining to Central/State food laboratories, only 80,000 reports (33 *per cent*) had been migrated. The reasons for non-migration of the entire data were attributed to non-furnishing of the data by the state food laboratories. The Ministry however was not aware of the reasons for the State laboratories not furnishing data to the computerised MIS Centre. This indicated lack of adequate monitoring by the Ministry to ensure timely implementation of the project. Due to non-migration of data in respect of large number of laboratories, the system could not be fully operationalised even after more than three years of the launch of the project. Meanwhile, the server which had earlier been installed at NIC, Nirman Bhawan, was shifted to another location due to shortage of accommodation. The Central Server and the hardware installed in the State Food Laboratories were lying idle as of August 2009.

Audit further found that the agreement with M/s HCL provided for payment of 15 *per cent* of the lump sum amount of Rs. 3.45 crore evenly over the maintenance period of three years which was to commence after final user acceptance. The Ministry, however, released payment of Rs. 20.10 lakh on pro-rata basis towards maintenance charges without ensuring fulfillment of the terms of the agreement. The failure of the Ministry to include warranty clause in the agreement was also detrimental to safeguarding its interests and also violated Clause (xvii) of Rule 204 of General Financial Rules, 2005.

The Ministry admitted in December 2009 that only about one third of the requisite data had been migrated. It also stated that the question of reinstallation/reconfiguration of the system with restored database and the authority that was to operate the system was under active consideration of the Ministry in consultation with the Food Safety and Standards Authority, which was now in-charge of all food safety matters.

The reply underscores the need for the Ministry to immediately resolve the issues and review the modalities involved in convergence with the state laboratories, HCL and NIC so that the project that has been stalled and badly delayed could be revived. Delay in completing the project also poses a risk of the existing equipment involving an investment of Rs. 2.79 crore becoming obsolete/phased out with a possibility of the Ministry having to incur extra expenditure on its replacement and reinstallation.

National Aids Control Organisation

7.2 Recovery at the instance of Audit

At the instance of Audit, the Ministry recovered interest of Rs. 3.35 crore on funds of Rs. 49.55 crore prematurely released in March/July 2006 to M/s HSCC for procurement of ARV drugs.

The Ministry entered into an agreement with M/s HSCC[4], a Government of India undertaking, in January 2005 for procurement of ARV[5] drugs for World Bank aided HIV/AIDS[6] control programme. In terms of the agreement, the Ministry was to release 100 *per cent* estimated cost of drugs to HSCC on finalisation of orders with the suppliers. The cost of drugs was to be adjusted in the final bill/rendering of accounts after completion of indented supplies.

Examination of records disclosed that the Ministry released advance payments of Rs. 21.45 crore in March 2006 and Rs. 28.10 crore in May 2006 to HSCC for procurement of ARV drugs. As on 31 August 2009, HSCC had submitted the Statement of Expenditure (SOE) for Rs. 48.86 crore and SOE for the balance amount of Rs. 0.69 crore was awaited as of December 2009.

Release of 100 *per cent* estimated cost of the drugs as interest free advance had resulted in idling of unutilized funds ranging from Rs. 49.55 crore to Rs. 0.69 crore during the period from April 2006 to August 2009. HSCC earned an interest of Rs. 3.35 crore on the unutilized balances up to March 2009.

The Central Vigilance Commission's guidelines issued in January 2002 for improvement in the procurement system stipulate that the advance payment made to the contractor should be interest bearing so that the contractor does not draw undue benefit from the advance payment. However, the agreement with HSCC did not provide for payment of interest on the advance amounts placed with them.

Further, as per the terms of payment under the General Conditions of Contract between HSCC and the supplier, advance payment of only 10 *per cent* was to be provided to the supplier by HSCC. Thus the action of the Ministry to include a clause for 100 *per cent* interest free advance to HSCC in its bidding document was in contravention of CVC guidelines and also not in conformity with the standard terms of agreement between HSCC and supplier.

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[4] Hospital Services Consultancy Corporation
[5] Anti Retro Viral
[6] Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome

The Ministry in its reply in October 2009 stated that the contract agreement did not include any clause with regard to interest earned on the advances transferred to HSCC. This clause has, however, been included in all PSA contracts entered into subsequently. However, on it being pointed out by Audit, interest of Rs. 3.35 crore earned by HSCC on the advance amount of Rs. 49.55 crore up to March 2009, was refunded by HSCC to the Ministry in January and October 2009.

National Institute of Communicable Diseases

7.3 Delayed supply of equipment

Failure of the Ministry to ensure timely supply of ventilators through HSCC which was of emergent nature resulted in intended objectives remaining unfulfilled. Further, the Ministry prematurely released advance payment of Rs. 5.53 crore to HSCC even before an agreement was entered into by the latter with the supplier. The advance paid was much in excess of the value of goods procured. The unadjusted advance of Rs. 1.57 crore is yet to be recovered from HSCC.

The Ministry, as a measure of preparedness against Avian Influenza, decided in January 2008 to procure 100 ventilators for NICD[7] through HSCC[8] on limited tender basis. HSCC completed the technical and preliminary commercial bid evaluation process in March 2008 and requested the Ministry for an advance payment of Rs. 5.53 crore, determined on the basis of a similar procurement made in the year 2006. This included the consultancy fee of Rs. 18.62 lakh charged by HSCC @ 3.5 *per cent*.

Audit found that the Ministry made an advance payment of the entire estimated cost of equipment of Rs 5.53 crore, including consultant's fee in March 2008 even though the procurement order had not been placed by HSCC with the supplier. HSCC placed orders with supplier in June 2008, with the stipulated date of delivery as September 2008.

Audit noticed that the Ministry did not ensure timely delivery of the equipment despite this being an emergency procurement. The equipment was delivered in May 2009 more than eight months after the scheduled date of delivery. While 10 ventilators had not been installed as of August 2009, the remaining had been installed between May 2009 and August 2009.

[7] National Institute of Communicable Diseases

[8] Hospital Services Consultancy Corporation (A GOI enterprise under the aegis of Ministry of Health and Family Welfare)

Audit examination further disclosed that the price bids of three techno-commercially qualified bidders were opened in May 2008 and the price quoted by the lowest bidder was Rs. 3.96 crore i.e. Rs. 1.57 crore less than the advance payment made.

Further, according to the notification of award of contract by HSCC to the supplier in June 2008, 80 *per cent* of the invoice value was to be paid within 30 days of documentary proof of receipt of invoiced goods. The balance 20 *per cent* was to be released within 30 days of receipt of a report on the satisfactory installation and commissioning of the equipment from the consignee[9].

The decision of the Ministry to release advance payment in excess of the actual amount and well before the award of work by HSCC to the supplier resulted in idling of funds of Rs. 5.34 crore (Rs. 5.53 crore- Rs. 0.19[10] crore) with consequent interest impact of Rs. 46 lakh[11] during the period from April 2008 to April 2009.

The Ministry must recover the excess advance of Rs. 1.57 crore lying unutilized with HSCC along with interest of Rs. 21.98 lakh earned by it on unspent balance. Ministry must also ensure that its procurement policy and procedures are consistent with General Financial Rules in the matter of tendering and payment of advance to the contractors. The rate of commission paid to HSCC in such cases should also be reviewed and revised downwards.

The matter was referred to the Ministry in September 2009; their reply was awaited as of March 2010.

Safdarjung Hospital

7.4 Incorrect payment of service tax

Non-availing of the benefit of exemption from service tax liability under the statutory provisions of the Finance Act by Safdarjung Hospital led to irregular payment of service tax and education cess aggregating Rs. 22.63 lakh during the period from November 2006 to June 2009 for cleaning services received from M/s BVG India Ltd.

[9] NICD in this case.
[10] Consultancy fee @ 3.5% of HSCC
[11] Worked out at the borrowing rate of 8% of Government of India (Source: Economic Survey)

Safdarjung Hospital entered into an agreement with M/s BVG[12] India Limited in September 2006 for providing conservancy/ housekeeping services in its two wards[13] including pest control services for a consolidated amount of Rs. 5.96 lakh plus taxes per month.

As per the statutory provisions of the Finance Act, 2005 cleaning services were included for levy of service tax on 'cleaning activity' from 16 June 2005. However, pest control services and cleaning services in relation to non-commercial buildings were specifically excluded from the ambit of service tax.

Examination of records disclosed that the contractor M/s BVG India Limited had been charging service tax and cess thereon at the prescribed rates on the cleaning and pest control services from Safdarjung Hospital. The Hospital being a non-commercial building was not liable to pay service tax on cleaning services received by it.

Thus, failure of the Hospital authorities to correctly apply the provisions of the Finance Act, 2005 resulted in unnecessary payment of service tax and education cess of Rs. 22.63 lakh to M/s BVG India Ltd. during the period November 2006 to June 2009.

The Hospital may take immediate steps to recover the service tax already paid and stop further payment of service tax to the contractor.

The matter was referred to the Ministry in September 2009; their reply was awaited as of March 2010.

Medical Stores Organisation

7.5 Supply of medicines on unlimited credit period

Supply of medicines on credit basis by the Government Medical Stores Depots to various client departments and institutions resulted in accumulation of outstanding dues of Rs. 88.34 crore covering the period from 1975 to 2009.

The Government Medical Stores Depots (GMSDs), at Chennai, Guwahati, Hyderabad, Karnal, Kolkata and New Delhi, working under the control of Medical Stores Organisation (MSO), New Delhi are engaged in procurement and supply of medicines and medical stores required by hospitals/dispensaries

[12] Bharat Vikas Group Company
[13] Burns, Plastic Surgery & Maxillofacial Deptt. and Casualty ward

run by the Central and State Government departments and local bodies. GMSDs run on 'no profit no loss basis' and charge actual cost of procurement plus 10 *per cent* departmental charges.

Mention was made in Paragraph No. 5.1 Report No. 14 of 2008-09 of the Comptroller and Auditor General of India on the unrestricted supply of medicines on credit basis by GMSD, Mumbai to various client departments, resulting in accumulation of unrealized dues of Rs. 19.73 crore over a period of 18 years from 1990 to 2008. No Action Taken Note (ATN) has been submitted by the Ministry indicating remedial measures taken for recovery of these outstanding dues from the defaulting hospitals and institutions.

Subsequent audit scrutiny of the records of the MSO, New Delhi in September 2009 disclosed that supplies to Central and State Government hospitals & dispensaries and non-government departments were made on credit basis. The client departments were to make payments within the financial year of purchase. As on 31 March 2009, Rs. 88.34 crore remained to be recovered from various organizations that had received supplies on credit basis during the period 1975 to 2009. The GMSDs wise position of outstanding dues is given below.

Table-1

Name of GMSD	Total number of indenters	Number of defaulting indenters	Amount outstanding *(Rupees in lakh)*	Amount outstanding for more than five years *(Rupees in lakh)*
Chennai	324	55	1032.44	544.51
Guwahati	237	210	218.95	98.46
Hyderabad	41	18	1982.28	1111.44
Karnal	340	111	251.10	5.17
Kolkata	224	58	2201.56	429.84
New Delhi	59	55	3147.81	2762.19
Total	**1225**	**507**	**8834.14**	**4951.61**

This indicates that nearly 41 *per cent* of the indenters were defaulters and 56.05 *per cent* of the arrears were outstanding for more than five years. Further breakup of the outstanding dues pertaining to various types of indenters is given in **Table-2**.

Table-2

Outstanding dues against various types of indenters

(Rupees in lakh)

GMSD	Type of indenter				
	Central Government Hospital	**State Government hospital**	**Dispensaries**	**Local bodies**	**Non-Government institutions**
Chennai	37	412.36	431.00	152.08	-
Guwahati	50.17	151.40	17.38	-	-
Hyderabad	48.42	478.42	1411.03	-	44.40
Karnal	96.72	-	144.86	-	9.51
Kolkata	36.36	949.30	1215.90	-	-
New Delhi	1172.50	785.72	1189.59	-	-
Total outstanding	**1441.17**	**2777.2**	**4409.76**	**152.08**	**53.91**
Per cent*	**16.31**	**31.44**	**49.92**	**1.72**	**0.61**

*Figures indicate percentage amount outstanding against the indenter types

The major defaulters with outstanding dues exceeding Rs. 1 crore are detailed in **Annex–I**.

As per the MSO Manual, for supplies to non-government institutions and local bodies, the payment has to be received in advance in the form of pre-deposits to adequately meet the cost of stores plus appropriate freight charges. The fact that outstanding dues of an amount of Rs. 2.06 crore pertained to the non-government institutions and local bodies, indicated weak safeguards to ensure interest of the concerned GMSDs.

Audit observed that MSO Manual does not specify the terms of payment applicable in case of medical stores supplied by GMSD to state government hospitals and dispensaries. In October 2008, however, MSO issued an order stating that from the year 2009-2010, requests of indenters not under the control of the Ministry of Health & Family Welfare would not be entertained if their outstanding dues were not cleared before the placement of the indents. Effective action needs to be taken by GMSD and the Ministry to ensure that outstanding dues are cleared promptly by the state governments, local bodies and private institutions.

The matter was referred to the Ministry in December 2009; their reply was awaited as of March 2010.

Annex-I

(Referred to in paragraph No. 7.5)

List of major defaulters

Sl. No.	Concerned GMSD	Name of Indentor	Amount (*Rupees in lakh*)
1.	Chennai	Andaman & Nicobar Admn. Port Blair	346
		Corporation of Chennai	111
		CGHS, Tamil Nadu	354
2.	Guwahati	Assam Govt.	145
3.	Hyderabad	CGHS Hyderabad	576
		CGHS Nagpur	284
4.	Karnal	P&T Dispensary	144
5.	Kolkata	CGHS Kolkata	890
		DHS, Port Blair	643
		DHS, Bihar	115
		DHS, Orissa	153
6.	New Delhi	CGHS, Jaipur	104
		CGHS, Allahabad	201
		CGHS, Lucknow	148
		DHS, Bhuwaneshwar	211
		DHS, Bihar	320
		CGHS, Gole Market, New Delhi	826
		Safdarjung Hospital	642
		NICD, New Delhi	199

CHAPTER VIII : MINISTRY OF HOME AFFAIRS

Central Reserve Police Force

8.1 IT audit of SELO system of Central Reserve Police Force

Highlights

- Despite incurring an expenditure of Rs. 50.70 crore on the implementation of the SELO system of CRPF, end users are not utilizing most of the applications.
- CRPF does not have an IT policy or IT Steering Committee for implementation of the SELO system.
- Due to lack of requisite application controls in the software, the database had been rendered unreliable and incorrect.
- Inadequate logical access controls exposed the system to the risk of unauthorized access.

8.1.1 SELO system

Central Reserve Police Force (CRPF) is a Paramilitary force of the Union of India with the basic role of striking reserve to assist the states/union territories in police operations to maintain law and order and contain insurgency. CRPF came into existence as Crown Representative's Police in 1939 and became Central Reserve Police Force on the enactment of CRPF Act in 1949. The Electronic Data Processing (EDP) Cell of CRPF was created in 1972 to computerize the payroll system of Non-Gazetted Officers (NGOs) of 20 battalions. Later in 1985, pay rolls of Gazetted Officers (GOs) and GPF accounts of both GOs and NGOs were also computerized.

In 1997, computerization plan of CRPF was conceived with the aim of introducing information technology in a comprehensive manner. Under the computerization plan, Ministry of Home Affairs (MHA) awarded the development of integrated software named SELO (Service and Loyalty) to M/s NIIT at a cost of Rs. 1.39 crore in March 2000 to be implemented in a phased manner. The first phase of SELO was implemented by networking of 114 CRPF offices from the level of office of the Director General to the Group Centre (GC) offices under Deputy Inspectors General situated at 64 different locations over WAN through leased line connectivity in five stages. MHA[1]

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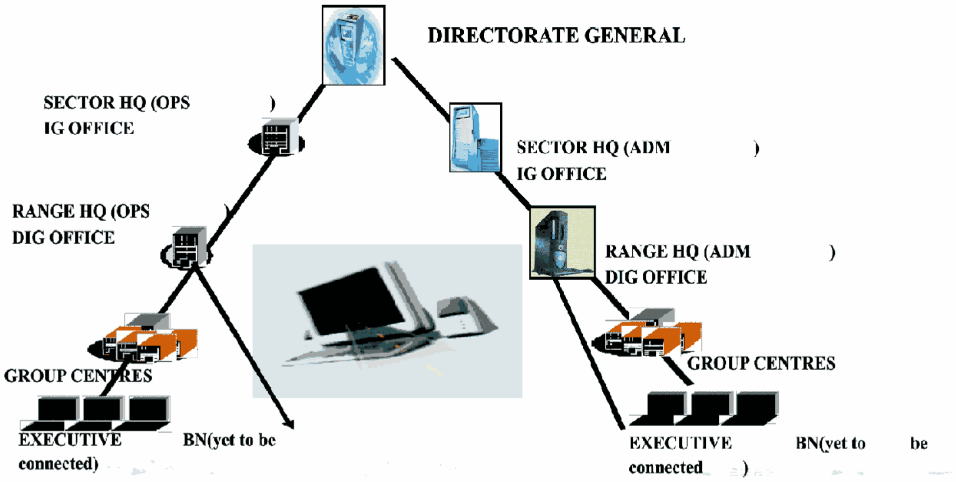
[1] MHA-Ministry of Home Affairs

awarded the implementation work of Stage 1 to IV of SELO at 84 offices situated at 54 different locations, to M/s NIIT in July 2003 at a cost of Rs. 39.07 crore on turn-key basis which was completed in November 2005 with warranty support of 3 years. In stage V, MHA further sanctioned implementation of the SELO project in 30 newly created offices of CRPF at an estimated cost of Rs. 10.24 crore in March 2007. Work at all sites was completed in October 2007 except GC, Bilaspur, which was under progress (July 2009). A detailed plan for the second phase of implementation of SELO in executive battalions was yet to be worked out.

Operational framework of Intranet SELO



The objective of the SELO CRPF system was to develop an integrated system with latest art of technology. Key features of the system are:

- It covers all functionalities at DG, Sector headquarters, range headquarters, GCs and executive battalions.
- The developed software has web based environment and was menu driven.
- The application contained a Mail and messaging system which act as internal e-mail system in the CRPF.
- A Decision support system (DSS) was also developed as per the requirements of users.

8.1.2 Intended benefits of SELO

- Savings by way of reduction in manpower to the extent of Rs. 8.62 crore *per annum* as envisaged in the proposal of computerization of CRPF.

- Savings due to efficiencies arising in procurement and inventory management envisaged at four *per cent* of the budgetary expenditure and optimal utilization of transport holding

8.1.3 Application modules of the SELO system

The software covers the following modules:

- **Finance**: Budget, finance, audit, TA/DA calculation, LTC, bill preparation, PAO, pension, advances, welfare schemes, funds, library etc.
- **Personnel**: Information relating to recruitments, transfers and deputation of CRPF employees, maintenance of ACRs (Administrative Confidential Records) and Service Books and disciplinary and departmental enquiry cases.
- **Inventory**: Preparation, consolidation and approval of demand and tender, sanction and supply order, receipt/issue and maintenance of stock, condemnation and auction process.
- **Operations**: Masters for various types of code maintenance, movement and deployment and training of personnel, reporting of incidents and intelligence.
- **Payroll:** Monthly salary slips, GPF accounts and income tax calculations.

Each module has mainly four functionalities i.e. master, transaction, reports and decision support system (DSS).

An IT audit of the SELO system revealed the following:

8.1.4 IT Policy

Planning involves the determination of objectives and results, selection of best possible courses of action for achieving the desired result, the time sequence of objectives and the resources required to perform the activities. The absence of a well defined and properly implemented IT policy increases the risk of project failure. Despite incurring an expenditure of Rs. 50.70 crore on computerization, CRPF is yet to formulate and document a formal IT policy and a long term / medium term IT strategy incorporating the time frame, key performance indicators and cost-benefit analysis for effective implementation of the SELO. Further, the lack of a planning/steering committee with clear roles and responsibilities to systematically monitor the implementation of

SELO for each functional area has resulted in non utilisation of the implemented project and also hindered the achievement of objectives for which SELO was implemented. CRPF in its reply (October 2009) stated that a concrete IT policy including all road maps was being prepared.

8.1.5 Achievement of objectives

Phase-I of the SELO system was completed by NIIT across the country at a cost of Rs. 50.70 crore[2] in October 2007. Despite commissioning of the system in October 2007, major activities of CRPF were still carried out manually and end-users were not utilizing the applications available. CRPF, in reply (October 2009) stated that most of the work originates from the battalion levels which were not yet connected to the SELO. Audit, however, observed that CRPF was yet to utilize the SELO in the offices already connected under Phase-I. It was also noticed that the master data in each module were yet to be updated by the EDP cell at DG, CRPF. Due to non utilization of the applications, CRPF is yet to achieve the projected benefits of savings due to manpower reduction and efficient procurement and inventory management. CRPF further stated that steps were being taken to sort out the issues hindering the non usage of the modules.

8.1.6 Post implementation review

Post Implementation Review (PIR) of an existing system is required to ensure that the system met the user requirement specifications and achieved the intended benefits. Despite SELO being in operation for the last four years, post implementation review has not been carried out by CRPF. CRPF in its reply (October 2009) stated that PIR would be undertaken.

8.1.7 Change control mechanism

In order to achieve the desired output, all modifications made to the existing system should be properly authorized, tested, documented and operated as planned. However, audit scrutiny of change request (CR) forms revealed that CR forms for only 319 out of the 786 changes made in the system were available and in 24 out of the 50 CR forms test checked, the name and signature of the person requesting /proposing the changes were not available. Inadequate documentation increases the risk of unauthorized working practices. CRPF in its reply stated that proper documentation would be done as suggested by audit.

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[2] Stage I to IV(84 offices):Rs. 39.07 crore + Stage V(30 offices): Rs. 10.24 crore +Software: Rs. 1.39 crore = Rs. 50.70 crore

8.1.8 Validation controls

Data analysis of SELO and testing of applications in the training server of CRPF showed that the system lacked proper input and validation checks in different modules. The appointment, nomination and leave records in the personnel module of SELO contained incorrect and unverified data. The personnel data of employees contained multiple duplicate entries for family members and incorrect and blank records for details like name, address, height, weight, basic pay and leave. The details like 'class of city', 'items', 'district', 'police station' and location in the finance, inventory and operations modules which were critical to processing and reporting of financial and operation data were incomplete and incorrect and contained duplicate entries as well. Further, data used for testing purposes were also allowed to remain in the live database. Timely deletion of test data would ensure the reliability of the database. Thus, due to lack of requisite validation and input controls in the software, the database had been rendered unreliable and incorrect. CRPF in its reply (October 2009) stated that validations checks would be incorporated and that after complete verification of personnel data, the data related abnormalities would be eliminated.

8.1.9 IS Security

8.1.9.1 Logical Access controls

Logical access controls protect the programme and data files from unauthorized, modifications, copy and deletions. Though SELO has features of domain controller active directory system to authenticate a user before logging in the system using login ID and password, it had the following deficiencies:

i. The password security policy as per agreement with NIIT was not being implemented, which is vital for the SELO being national integrated application software for all functional areas.

ii. The change of default common password was not mandated by the system after first login and the users continued to access the system using the default passwords.

iii. Normal password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of passwords after a pre-defined period and periodical change of passwords after certain period were not in existence.

iv. The application system did not have any feature for ensuring password strength in terms of length of password.

CRPF in its reply (October 2009) stated that new password security policy was being formulated for implementation.

8.1.9.2 Segregation of duties

Segregation of duties is essential to ensure transactions are properly authorized, recorded and that assets are safeguarded. The jobs of database administration and system design/support should be separated. It was noticed that the privileges of Database Administrator (DBA) who is the custodian of an organization's data and is responsible for the administration and management of the database systems were also been granted to employees of NIIT helpdesk. Further, the CRPF personnel appointed as DBA is also in charge of support for personnel module. Inadequate segregation of duties increases the risk of error and fraud. CRPF in its reply (October 2009) stated that new policy and guidelines were being formulated for assigning responsibility and access in each module.

8.1.9.3 Firewall and intrusion detection

The major components of security of the datacentre are the firewall and intrusion detection system (IDS). The firewall system secures the network by allowing access to mission control applications on the network to authorized users and keeping unauthorized users out. IDS automatically detects attack patterns from the network traffic, views and monitors intrusion reports on the network. The firewall and IDS of the SELO system were dysfunctional since March 2009 due to lack of support from the manufacturer, exposing the SELO network to unauthorized access. CRPF in its reply (October 2009) stated that proposal was being taken up for adoption of a concrete level of security by enhancing both hardware as well as software based firewall and IDS.

8.1.10 Conclusion

CRPF, one of the prime agencies for the maintenance of internal security of the country developed the SELO system with the objective of computerizing all its functions. It was envisaged that with the implementation of the SELO system savings would be achieved in personnel, inventory and other administrative costs and would help in improving operational efficiency. CRPF had also decided to computerize all areas of its functioning in an integrated manner so that savings would have multiplier effect. However, despite incurring an expenditure of Rs. 50.70 crore on the implementation of the SELO and four years of the launch of the system, most of the activities of

CRPF are still carried out manually. Deficient input controls and validation checks made the available data incomplete, incorrect and unreliable. Inadequate logical access controls, poor segregation of duties combined with dysfunctional firewall and intrusion detection system made the system insecure. Thus, SELO system with unreliable data and security vulnerabilities had the risk of exposing the management of internal security by CRPF to associated threats and shortcomings, even after incurring an expenditure of Rs. 50.70 crore.

Recommendations:

- CRPF should ensure full utilization of all the SELO applications and move completely from manual to computerized system, as practical, for achieving intended benefits of manpower reduction, efficient procurement utilization and management of inventory and stores.

- CRPF should have the IT policy and IT steering committee for implementation of the SELO system.

- CRPF should ensure adequate logical access controls so that security of the data is not compromised. The firewall and intrusion detection system should be made functional to ensure network security.

Adequate validation checks should be embedded in the software systems to avoid erroneous data input and processing.

National Crime Records Bureau

8.2 Non-establishment of Disaster Recovery site for computerised national database of crime records at NIC

NCRB did not establish disaster recovery site to improve the accessibility and security of national database on crime records despite incurring an expenditure of Rs. 54.34 lakh. Meanwhile, the primary objective of maintaining business continuity in the event of break-down of the active site remained unfulfilled.

One of the objectives of the National Crime Records Bureau (NCRB) is to create and maintain secure, sharable, national databases on crimes, criminals, property and also the data pertaining to Motor Vehicles, Firearms and organized crime gangs for law enforcement agencies. The bureau has developed Crime Criminal Information System (CCIS) for collection and dissemination of data which is operational at all the State Crime Records Bureau. The threshold data from all the states is maintained at the NCRB national server. Government of India in September 2005 declared the data on CCIS as a National Database.

With a view to securing the Database from any disaster, NCRB in January 2006 approached National Informatics Centre (NIC) to co-locate Bureau's data server and application server at the secured data centre of NIC. In response to NCRB's proposal, NIC suggested that NIC data centre would be used as an Active Site for various NCRB applications while NCRB site would be used as a Disaster Recovery (DR) site and furnished an estimate of Rs. 46.75 lakh for procurement of necessary hardware/software. Accordingly NCRB deposited a sum of Rs. 46.75 lakh with NIC in April 2006 for activation of Data centre at NIC and DR site at NCRB. In addition to it, NCRB also purchased equipment worth Rs. 7.59 lakh for operationalisation of the DR site at its own location.

Audit examination disclosed that though NIC had procured necessary hardware and installed it at NIC in April 2007, the Active Site at NIC could not be established, as NIC failed to perceive that the software acquired for replicating data[3] at the data centre was not compatible with the server installed at NIC. Despite advance payment of Rs. 46.75 lakh and protracted correspondence made by NCRB with DG, NIC, the Active Site at NIC and DR Site at NCRB could not be activated/operationalised by NIC as of May 2009. Failure to activate Active/DR Sites even after two years of procurement and installation of hardware highlighted inefficiency of NIC in handling such important projects.

On being pointed out by Audit regarding considerable delay in activation of site, NCRB again approached NIC demi-officially (May 2009) to complete the task on priority but NIC failed to take appropriate action to activate the Site in its premises.

With a view to resolving the site readiness related issues and also the task of Replication Software installation, NCRB in consultation with NIC decided in June 2009 to reverse the earlier decision and decided to create the Active Site at NCRB and the DR Site at NIC and outsource the task to a vendor.

NCRB stated (August 2009) that the active site at NCRB was fully functional but due to non-functioning of the disaster recovery site, backup of data was being kept on tapes. It further added that if the active site went down, users

[3] Replication software replicates the data maintained and updated at a primary site to any alternative site.

from remote locations would not be able to query the database or generate various crime-related reports and efforts were being made to connect the two sites at the earliest. The Ministry also accepted the delay (November 2009) and stated that the action to establish the active site at NCRB and DR site at NIC was being taken by NCRB through an outsourced agency on the advice of NIC and thereafter, needful changes in NCRB network would be taken up on priority as per the advice of NIC. NCRB stated in January 2010 that M/s Wipro had been engaged as Network consultant and LAN configuration settings would be done in consultation with NIC to meet connectivity requirements.

The fact remains that due to lack of appropriate action on the part of NIC, non-setting up the DR site at NIC and storing backup data on tapes exposed NCRB to the risk of not being able to maintain business continuity in the event of breakdown of its active site besides rendering the entire expenditure of Rs. 54.34 lakh idle.

CHAPTER IX : MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION

9.1 Unfruitful expenditure on conduct of two evaluation studies of Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

The Ministry conducted two evaluation studies of Swarna Jayanti Shahari Rozgar Yojana – one initiated in March 2004 covering all States and UTs at a cost of Rs. 49.80 lakh, and another in November 2006 covering nine States at a cost of Rs. 25 lakh – resulting in avoidable duplication of effort and resources and wasteful expenditure of Rs. 42.30 lakh on the first study, which was never finalized.

Swarna Jayanti Shahari Rozgar Yojana (SJSRY) was launched as a Centrally Sponsored Scheme in December 1997 with the objective of providing gainful employment to the urban unemployed or underemployed, by encouraging the setting up of self-employment ventures or provision of wage employment.

The Report on Mid-Term Appraisal of the IX Five Year Plan (1997-2002) prepared in October 2000 indicated that the performance in the implementation of SJSRY was not very encouraging, and the scheme required an evaluation study to assess the strengths and weaknesses before drawing conclusions about the relevance of its components, especially to suit the local needs of States/ UTs. However, no action was initiated for undertaking the evaluation of SJSRY till a meeting held in December 2003, under the aegis of the Planning Commission, for finalizing the 2004-05 Annual Plan of the Ministry[1]; where it was suggested that an evaluation of SJSRY be carried out to ascertain its impact and effectiveness. Consequently, the Ministry entrusted in March 2004 the evaluation of SJSRY in all States and UTs at a cost of Rs. 49.80 lakh to the Human Settlement Management Institute (HSMI), an institution set up by HUDCO[2]. While the study was to be completed within nine months in several phases – preliminary work, data collection and documentation, machine analysis of data, and report writing – the entire amount of Rs. 49.80 lakh was released to HSMI in advance on the last day of March 2004 to avoid lapse of budget provision.

In December 2005, HSMI submitted a draft national report on evaluation of SJSRY to the Ministry, having already submitted four Zonal Reports and 34 State Level Reports earlier. In response, while acknowledging that the report

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[1] Erstwhile Ministry of Urban Employment and Poverty Alleviation

[2] HUDCO: Housing and Urban Development Corporation, a PSU under the Ministry of Housing and Urban Poverty Alleviation (HUPA).

was comprehensive in nature and covered the whole gamut of the scheme, the Ministry requested HSMI in March 2006 to "ponder upon" certain issues in the final report of the evaluation study e.g. preparing a uniform format for the Urban BPL survey, involvement of community based organizations, voluntary organizations, and NGOs in the identification of beneficiaries and community empowerment; propagation and documentation of the best practices; strengthening the monitoring mechanism for SJSRY etc. However, the final report of the evaluation study was not received in the Ministry even as of October 2008, and an unspent balance of Rs. 10.96 lakh (Rs. 7.50 lakh adjusted subsequently and Rs 3.46 lakh was lying with HSMI), out of the advance of Rs. 49.80 lakh, was reported by HSMI as of October 2006.

In the meanwhile, in December 2005, the Union Cabinet decided to continue SJSRY without modification of the guidelines during the remaining period of the X Plan, but directed that an evaluation of the scheme be carried out for the XI Plan. Subsequently, in November 2006, the Ministry awarded a fresh contract through HSMI to Access Development Services of CARE India for a concurrent evaluation of SJSRY in nine States at a cost of Rs. 25 lakh, of which Rs. 17.50 lakh was released to HSMI and Rs. 7.50 lakh was adjusted from the unspent balance with HSMI from the first study. The final report of this concurrent study was received by the Ministry in May 2007.

The matter was reported to the Ministry in August 2008. In response, the Ministry stated (October 2008) that:

- The feedback received from the evaluation study of HSMI State-wise was available at various stages of the evaluation exercise, and this became the major source of the modifications proposed by the Ministry in its Cabinet proposal in November 2005. Only the formal report (in the form of a bound booklet) was yet to be received from HSMI; this was because the focus shifted to the independent evaluation by Access Development Services.

- The EFC in a meeting in August 2005 had recommended an in-depth independent evaluation of the scheme, and the Union Cabinet had also recommended a fresh evaluation of the scheme. It appeared that the evaluation by HSMI was considered as an in-house exercise.

The Ministry's response is not tenable for the following reasons:

- In the EFC meeting of August 2005, it was decided that an in-depth evaluation of SJSRY should be undertaken. As stated in the records of

Ministry's own files, the minutes of the meeting did not indicate that independent consultants should be invited for the evaluation work.

- In March 2006, the Ministry decided to undertake concurrent evaluation by independent agencies by taking at least one representative State from each zone, where no such concurrent evaluation had been carried out by the Ministry earlier. However, the earlier study by HSMI covered all States, and hence, the nine States covered under the concurrent evaluation by Access Development Services had already been evaluated, thus resulting in avoidable duplication and infructuous expenditure.

Thus, the conduct of two evaluation studies for SJSRY – one by HSMI initiated in March 2004 covering all States and UTs at a cost of Rs. 49.80 lakh, and another by Access Development Services of CARE India initiated in November 2006 covering nine States at a cost of Rs. 25 lakh – resulted in avoidable duplication of effort and resources and wasteful expenditure of Rs. 42.30 lakh on the HSMI study, which was never finalized.

9.2 Non-commencement of Model Demonstration Slum Projects under Valmiki Ambedkar Awas Yojana (VAMBAY)

Model demonstration slum projects in six States for construction of 600 dwelling units under the Valmiki Ambedkar Awas Yojana (VAMBAY) could not be commenced due to delay in availability of sites, and higher construction costs than the allowable limits. Further, the Ministry had not taken effective action to address these problems to make the projects successful.To avoid recurrence of such eventualities, the Ministry should have an effective mechanism to monitor the programme both at the planning and implementation stage.

The Valmiki Ambedkar Awas Yojana (VAMBAY) was launched as a Centrally Sponsored Scheme by the Ministry[3] with the Prime Minister's announcement in August 2001 to provide shelter or upgrade the existing shelter for people living below the poverty line in urban slums.

In order to demonstrate that better dwelling units could be constructed by using cost-effective technology under VAMBAY, it was envisaged that in every State, there should at least be one model demonstration slum project to be emulated by all other cities and towns in the State. 100 *per cent* central subsidy was to be provided for setting up such a project with the ceiling limits (Rs. 60,000 per dwelling unit for mega cities, Rs. 50,000 for metro cities, and

[3] Erstwhile Ministry of Urban Employment and Poverty Alleviation

Rs. 40,000 for other cities). The States were required to provide land and other infrastructure development facilities for such projects. Although the entire construction cost of the demonstration project was initially borne by the Central Government, the houses built under the demonstration projects were not to be given free of cost to the beneficiaries.

In July 2003, the Ministry requested the State Governments to submit proposals for one model demonstration project in each State for construction of not more than 100 dwelling units by adopting cost-effective building technologies through Central Agencies. Based on proposals received, the Ministry approved the construction of 1,165 units at a total cost of Rs. 5.52 crore (with per unit cost ranging between Rs. 40,000 and Rs. 60,000) in 11 States (Chattisgarh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Manipur, Orissa, Rajasthan, Tamil Nadu, Tripura, and Uttarakhand). The Building Materials and Technology Promotion Council (BMTPC), an autonomous body under the Ministry, was selected as the Central agency for carrying out this work, and funds of Rs. 5.52 crore were released in three phases between March 2003 and April 2004 through HUDCO[4] in favour of BMTPC as grants-in-aid. The sanction orders stipulated that the funds were to be utilized for implementation of VAMBAY, and in case the grants were not utilized for the purposes for which these were sanctioned, they were liable to be refunded with interest at the rate prescribed in the General Financial Rules.

However, out of the 1165 units, BMTPC could not undertake the construction of 600 units with an estimated cost of Rs. 2.55 crore in six States, namely, Jammu & Kashmir, Kerala, Manipur, Orissa, Rajasthan and Tripura, for the following reasons:

Table-1

State	Brief Particulars of Project	Reasons for not starting the work	Unspent Amount in Rs. crore
Jammu & Kashmir	100 units at a per unit cost of Rs. 45,000	• Actual cost of construction worked out to around 60-70 *per cent* higher than the permissable limits. • Due to scattered location of the 100 units (40 units in Srinagar, 40 units in Jammu, and 20 units in Leh), overall economics in planning and design could not be achieved.	0.45
Manipur	100 units at a per unit cost of Rs. 45,000	• Actual cost of construction in the region was higher than the allowable cost limits.	0.45

[4] Housing and Urban Development Corporation

State	Brief Particulars of Project	Reasons for not starting the work	Unspent Amount in Rs. crore
		• BMTPC pursued the allotment of a single site with the State Government. However, due to identification of four separate sites by the State Government for construction of 100 dwelling units, overall economics in terms of planning and design could not be achieved.	
Orissa	100 units at a per unit cost of Rs. 40,000	• Initially, the Government had identified four separate sites for construction of 100 units, as a result of which overall economics in terms of planning and design could not be achieved. • After persuasion by BMTPC, the State Government agreed to allot a single site. However, the site could not be finalized, as it was low-lying/ filled up area, and due to this, the cost of construction worked out to be higher than the allowable cost.	0.40
Tripura	100 units at a per unit cost of Rs. 45,000	• The State Government had been persuaded to identify an appropriate site. However, the site was 20 feet lower than the road level, which entailed filling up of the site and involved extremely high cost of construction of the foundation. Consequently, the construction cost was higher than the allowable limit.	0.45
Kerala	100 units at a per unit cost of Rs. 40,000	• Initially, the project was sanctioned for Punnulur Municipality, which was subsequently shifted by the State Government to Trivandrum Municipal Corporation. • The actual cost of construction was higher than the allowable cost limit	0.40
Rajasthan	100 units at a per unit cost of Rs. 40,000	• The site identified by the State Government was a low lying area with black cotton soil. Hence, the foundation cost was much higher than the conventional foundation cost. • Due to steep escalation in the cost of raw materials, the project could not be taken up.	0.40
Total	**600 units**		**2.55**

Further, in Tamil Nadu, the State Government could not make available land at Chennai, and instead provided land at Trichy, where the per unit cost was to be restricted to Rs. 40,000 and out of Rs. 0.60 crore released, a sum of Rs. 0.20 crore was refunded in June, 2008.

Thus, BMTPC undertook the construction of only 565 out of the proposed 1165 units at a cost of Rs. 2.77 crore in five States (Uttarakhand, Chattisgarh, Maharashtra, Karnataka and Tamil Nadu). In Maharashtra, Tamil Nadu, Karnataka and Uttarakhand, the projects had been completed and handed over to the State Government agencies, and partially to beneficiaries, while in Chattisgarh, the work was under completion as of July 2009.

The matter was referred to the Ministry in August 2008 and in reply (June, 2009), the Ministry confirmed that the projects in six states could not be undertaken due to delay in making available suitable sites, higher costs than allowable limit etc.

Thus, the scheme of setting up model demonstration slum projects under VAMBAY with 1,165 dwelling units in 11 States to be emulated by other cities and towns was only partially successful, as the projects in six States involving 600 dwelling units could not be commenced even after six years due to delay in availability of suitable sites, and higher costs of construction than the allowable limits. Thus, the Ministry failed to take effective action to review the scheme and address these bottlenecks to ensure that the scheme meant for people below poverty line in urban slums succeeded in achieving its objectives.

CHAPTER X : MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES

10.1 Poor implementation of the Scheme of Integrated Infrastructure Development for Small Scale Industries.

The Ministry of Micro, Small and Medium Enterprises launched the Scheme of Integrated Infrastructural Development (IID Scheme) for small scale industries in rural/ backward areas in 1993-94 for setting up of IID centres with suitable infrastructural facilities to promote clusters of small scale and tiny units. The scheme was subsumed in the Micro Small Enterprises-Cluster Development Programme (MSE-CDP) from 2007-08. The Ministry released an amount of Rs 124.59 crore upto 2007-08 to various implementing agencies for 84 IID projects with an estimated cost of Rs 400 crore.

Audit reviewed the status of the implementation of the scheme and found that 42 out of 79 IID projects, which were due for completion by January 2008, remained incomplete. Delays in completion of projects ranged between one month and twelve years. Further, detailed field level audit of 10 centres in Assam, Haryana, Madhya Pradesh, Orissa and Uttar Pradesh revealed that many infrastructural facilities at the centres were incomplete. Also, by creating large plots and allocating plots to large units, the small scale and tiny units, which formed the target group for the scheme, were deprived of its benefits. There were also instances of deficient financial management and inadequate monitoring.

10.1.1 IID Scheme – An Overview

The Scheme of Integrated Infrastructure Development for small scale industries in rural/ backward areas (IID Scheme) was launched in March 1994 by the Ministry of Micro, Small and Medium Enterprises (MSME)[1]. The IID Scheme envisaged setting up of IID centres in backward districts and rural areas[2], with creation/ upgradation of infrastructural facilities like power, water supply, communication etc. and provision of common service facilities and technological back-up services. The scheme was intended to promote clusters of small scale and tiny units, with a view to creating employment opportunities and developing exports, and also promote stronger linkages between agriculture and industry.

The salient features of the IID Scheme were as follows:

[1] The erstwhile Ministry of Small Scale Industries (SSI)
[2] Excluding districts covered under the Scheme of Growth Centres.

- The scheme envisaged that in an area of 15-20 hectares for establishing an IID Centre, about 450 plots of 200 to 300 sq. metre sizes would be allocated to individual units.

- The IID Centres were to be selected by a comprehensive industrial potential survey of the area. The location of the centres was to be close to district/ block/ taluka headquarters or other developing centres, with access to basic infrastructural facilities. Land was to be made available by the State / UT Governments for the centres.

- The IID Scheme was a Central Sector Scheme, and the Government of India (GoI) and the Small Industries Development Bank of India (SIDBI) were to contribute a maximum amount of Rs. five crore in the ratio of 2:3[3] to each Centre, with costs exceeding Rs. five crore to be borne by the State/ UT Governments.

- Funding would be available for specified activities and work items. SIDBI would advance funds to the extent of Rs 5 crore to the implementing agencies in installments and claim simultaneously 40 *per cent* thereof, subject to a maximum of Rs 2 crores, from the Development Commissioner (DC-MSME)[4] as grant.

- The State/ UT Governments were to prepare bankable projects and send them to SIDBI, who would conduct techno-economic appraisals of the projects and send the appraised projects to the DC(MSME), who was responsible for co-ordinating and overseeing progress of projects. The projects were to be approved by a High Powered Committee (HPC) before release of funds by SIDBI.

- The projects were to be implemented by the State Governments through appropriate agencies having good track record. Such agencies could be a public sector corporation or a corporate body or a good NGO having a sound financial position.

- A State Level Committee headed by the Secretary (Industries), and including representatives of DC (MSME), SIDBI and the lead bank, was to closely supervise and monitor the project.

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[3] 4:1 for the North Eastern Region

[4] Erstwhile Development Commissioner (SSI)

- In the new centres, SC/ ST/ women entrepreneurs were to be encouraged. Where necessary, an Entrepreneurship Development Programme would be conducted to ensure sound and viable units.

Upto 2006-07, 87 projects were sanctioned by the Government of India, out of which three projects were cancelled in 2008. The remaining 84 IID centres involved a total cost of Rs. 400.18 crore. From 2007-08, the IID Scheme was subsumed in the Micro Small Enterprises Cluster Development Programme (MSE-CDP).

Till January 2008, funds amounting to Rs. 124.59 crore were released for the IID centres, as summarized below:

Table 1: Funds Released for IID Centres

(Rupees in crore)

Period	No. of IID Centres	Total Cost	Funds Released by GOI
Upto 2000-01	40	203.62	63.65
2001-02 to 2005-06	38	177.24	56.00
2006-07 and 2007-08	6	19.32	4.94
Total	**84**	**400.18**	**124.59**

According to DC (MSME) the Implementing agencies incurred an expenditure of Rs 330.12 crore on these projects till January 2008.

10.1.2 Audit Objectives and Methodology

The objectives of the audit of the IID Scheme were to assess whether:

- The proposed IID centres had been completed with necessary infrastructural facilities, and were being utilized effectively by small scale and tiny units;
- Funds provided for the Centres were utilized economically and effectively; and
- The guidelines of the IID scheme were being complied with.

The records of the Ministry of MSME relating to the IID Scheme were scrutinized in audit. In addition, out of the 84 IID centres, a sample of 10 centres in the States of Assam (Rangia, Malinibeel and Dalgaon), Madhya Pradesh (Lamtara, Nadantola, and Nimrani), Orissa (Somnathpur and Khurda), Haryana (Barhi) and Uttar Pradesh (Ramnagar) were selected for detailed field level audit and inspection.

10.1.3 Audit Findings

10.1.3.1 Overall Status of Completion of Projects

Audit scrutiny revealed that out of 79 projects[5] sanctioned by GoI, which were due for completion on or before January 2008:

- 37 projects were completed as of January 2008; and
- 42 projects, which were required to be completed by December 2007 were still incomplete, out of which no funds had been released for two projects at Sandiya, Neemuch (MP) and Somnathpur, Balasore (Orissa).

An analysis of the delays in respect of the 42 incomplete projects is given below:

Table 2: Profile of Delay in Completion of IID Projects.

Period of delay in completion	No. of projects	Funds released (in Rs. crore)
More than 10 years	1	0.92
5 to 10 years	7	10.16
2 to 5 years	21	27.23
Upto 2 years	13	18.76
Total	42	57.07

The Ministry (October 2009) stated that 50 IID projects had been completed, and they attributed financial crunch, disturbed conditions, law and order problems, market conditions, overall industrial scenario, natural calamities like floods, tsunami, earthquake etc. in different states as the main reasons for delay in completion of the projects. The fact, however, remains that the Ministry failed to ensure completion of IID Centres, consequently, adversely affecting the scheme's objective of promoting clusters of small scale and tiny units through development of IID Centres.

10.1.3.2 Status of Implementation of Test-checked Projects

(i) Allotment to SSI and tiny units

The IID Scheme was intended to promote clusters of SSI and tiny units, and plot sizes of 200 to 300 sq. metres, appropriate for SSI and tiny units, were envisaged in the scheme guidelines. However, field audit scrutiny revealed that in 6 out of 10 test checked centres, SSI and tiny units were deprived of the

[5] Of the 87 projects sanctioned upto 2006-07, five projects were due for completion after January 2008, and three projects were cancelled; hence, these projects have been excluded from the analysis.

intended benefits, as the plots allotted were much larger in size. The details are discussed below:

- In Rangia and Dalgaon centres in Assam, against the plot sizes of 616 and 401 sq. metre proposed in the Draft Project Reports, much larger plots of sizes ranging from 800 to 13,378 sq. metre were allotted and no allotments were made to tiny units. According to the implementing agency, this was because of non-receipt of any applications from tiny units.

- In Barhi centre in Haryana, plots of larger sizes of 450 to 4,050 sq. metre had already been carved out before approval of the centre under the IID Scheme. Consequently, no plot was available for allotment to SSI units. The Ministry / Implementing agency in its reply of October 2009 stated that only 17 plots were allotted to tiny units and 78 to small scale units. This shows that the focus of the scheme was not retained on the small and tiny units.

- In Ramnagar centre in Uttar Pradesh, against the original 150 plots of 200 sq.metre size and 239 plots of 300 sq. metre size envisaged in the DPR, 279 plots of sizes ranging from 450 to 1,800 sq. metre were actually developed. In response to an audit enquiry, the implementing agency stated that it was decided to develop the plot sizes as per actual requirements, to minimize long term development and maintenance costs and optimize better use of land; further, demand for small plots was negligible. The reply is not tenable, as no allotments had been made as of October 2009 and hence the benefits of the scheme could not be passed on to small entrepreneurs.

- In Khurda centre in Orissa, 15 acres of developed land was irregularly allotted to two educational institutions. The implementing agency stated that allotment to technical institutions for developing skilled manpower was permitted under the State's industry policy resolutions; however, this was violative of the IID Scheme guidelines. Further, in two IID centres in Khurda and Somnathpur, two plots totaling 58.15 acres of land were irregularly allotted to major industrial units.

Thus, by creating large plots and allocating them to large units, the SSI and tiny units which formed the target group for the IID Scheme, were deprived of the benefits of the scheme.

(ii) Status of completion of test checked projects

Out of 10 test checked projects which were sanctioned during June 1996 to October 2006, no projects were completed as of July to November 2008. However, the Ministry's status report of March 2009 indicated that three projects (Rangia and Dalgaon in Assam and Lamtara in Madhya Pradesh) had been completed.

Table 3 : Extent of delay in completion of 10 test checked projects (Status as of January 2008)

Sl. No.	Project	Project cost (Rs in Lakh)	Amount released (Rs. in Lakh)	Date of Start/ release of funds by GOI	Due date of completion	Delay
1.	IID-Rangia, Assam	493.61	380.00	05/2003	05/2006	1 year 8 months
2.	IID-Malinibeel, Assam	510.00	344.00	06/2002	10/2004	3 years 3 months
3.	IID-Dalgaon, Assam	418.00	334.40	04/2000	04/2002	5 years 9 months
4.	IID-Lamtara, MP	186.25	55.39	07/2003	07/2005	2 years 6 months
5.	IID-Nadantola, MP	502.96	133.11	05/1997	06/1999	8 years 7 months
6.	IID-Nimrani, MP	511.00	40.90	09/2000	12/2004	3 years 1 month
7.	IID-Somnathpur, Orissa	436.53	-	10/2006	05/2008	-
8.	IID- Khurda, Orissa	493.40	98.68	06/1996	06/1998	9 years 7 months
9.	IID- Barhi, Haryana	460.86	173.27	11/2003	11/2005	2 years 2 months
10.	IID- Ramnagar, UP	567.15	100.00	06/2001	12/2003	4 years 1 month

IID Centre at Khurda, Orissa
Sanctioned at a cost of Rs 4.93 crore in June 1996

IID Centre at Barhi, Haryana
Sanctioned at a cost of Rs 4.61 crore in November 2003

IID Centre at Nimrani, Madhya Pradesh
Sanctioned at a cost of Rs 5.11 crore in September 2000

IID Centre at Rangia, Assam
Sanctioned at a cost of Rs 4.94 crore in May 2003

Audit scrutiny revealed that:

- In Assam, the delay in completion of projects was due to delay of 4 to 80 months in release of central and state share in all three projects. The Ministry, in its reply of October 2009, stated that Assam and other North Eastern States were facing shortage of funds, and that the working season was very short in the case of Assam.

- In Haryana, the IID centre was still incomplete even after a lapse of more than five years since its commencement.

- In Orissa, the delay in completion of three IID centres ranged from three months to ten years. Further, Rs. 1.06 crore was spent on an IID centre at Pitamahal, Rayagada till December 2005, after which investment was stopped due to low potential and lack of demand by the entrepreneurs. Development of another IID centre planned at Paradip, Jagatsinghpur district could not commence due to a land dispute and resulting court case. The unspent balance of Rs. 1.58 crore on account of these two centres was transferred to the IID centre at Somnathpur, which also remained incomplete.

This indicated improper selection of centres and lack of effective monitoring at the Ministry level, due to which the objectives of the scheme could not be achieved.

(iii) Status of completion of infrastructural facilities

The status of completion of different infrastructural facilities at the 10 selected IID centres is summarized below (as of October 2009):

Table-4

	Facilities Completed	Facilities incomplete	Information not available with audit	Total projects
Development of land	06	01	03	10
Construction of roads	07	-	03	10
Water supply / drainage/ Effluent treatment	08	02	-	10
Internal Power Distribution	07	02	01	10
Telecom Facilities	07	03	-	10
Common facilities & amenities (Bank, Post office)	03	07	-	10
Raw material depot	01	04	05	10

Further, audit scrutiny revealed that:

- The Administrative Building at IID centre at Malinibeel (Assam) was not constructed, even after a lapse of more than four years after the scheduled completion date. The Ministry stated that construction of administrative building for this centre was under progress since the financial year 2008-09.
- Unauthorised expenditure of Rs. 3.17 crore was incurred on the three centres in Assam on inadmissible components – construction of boundary wall, pre-operative expenditure and contingencies, greenery and beautification etc. – at the expense of other activities like effluent treatment and disposal system, raw material depot and marketing outlets, common services centre (including technological backup services), and first aid centre.
- Despite incurring expenditure upto 89 *per cent* of approved project cost, the infrastructural facilities were yet to be completed by the implementing agency in Uttar Pradesh in respect of IID Centre Ramnagar.

10.1.3.3 Financial Management

Audit scrutiny revealed the following cases of deficient/ irregular financial management in Assam:

- **Short release of Central and State share**

As against the Central share of Rs 8.03 crore due for the IID centres at Rangia and Malinibeel, only Rs 7.24 crore were released, resulting in short release of Rs 0.79 crore as of March 2008. The State Government also released Rs 0.94 crore less against the due amount of Rs 2.01 crore. Thus, there was a total short release of Rs 1.73 crore. Also, although the State Government sanctioned Rs 0.58 crore in November-December 2007 as its matching share for IID centres at Rangia and Malinibeel, the Director of Industries released the funds to the implementing agency in March 2008 and the units received the amount only in September 2008, with a delay of almost 9-10 months.

- **Short accountal of lease money/ development charges of Rs. 1.19 crore by Rangia and Malinibeel centres**

The sanction letters for funds issued by the Government of India stipulated that the implementing agencies would operate a separate account for each IID centre. Audit scrutiny revealed that the implementing agency received

Rs 2.69 crore as development charges from 19 entrepreneurs against developed land for the IID centre at Rangia, but only Rs 1.91 crore was accounted for in the cash book of the centre, and the balance amount of Rs 0.78 crore was irregularly retained in the General Fund of the implementing agency, outside the IID centre's account. Similarly, the implementing agency received Rs 0.41 crore as lease / development charges from nine entrepreneurs against the allotment of developed land at the IID centre at Malinibeel. This amount was not accounted for in the cash book of the centre.

- **Diversion of funds**

  The GOI had specially instructed that no administrative expenditure be incurred out of the funds allocated for the projects. However, Rs 9 lakh was irregularly incurred on administrative expenditure by the implementing agencies in the Dalgaon and Malinibeel centres. The Ministry stated that the amount of Rs 9 lakh would be transferred from these two IIDs to AIDC Ltd.

- **Unadjusted advance**

  The approved project cost of the IID centre at Rangia included provision of Rs 0.97 crore for power arrangement / electrification. The implementing agency incurred an expenditure of Rs 0.68 crore which included an advance payment of Rs 0.48 crore to Lower Assam Electricity Distribution Company Ltd. in June 2007 for electrification purpose. The payment was made to the company without entering into any contract agreement / Memorandum of Understanding (MOU). The company failed to start the work and the amount of advance paid to the company remained unadjusted.

- **Non-payment of cost of land to State Government**

  As per the guidelines of the scheme, the land for the IID centres was to be made available by the State Government and the cost of the same was to be paid by the implementing agencies. The State Government allotted and handed over land to the implementing agency for setting up of the IID centres at Rangia, Dalgaon and Malinibeel. However, no payment was made to the State Government, though an amount of Rs. 3.69 crore was realized as lease money by the implementing agency from the entrepreneurs.

10.1.3.4 Entrepreneurship Development Programme

In 6 out of 10 centres (Malinibeel and Dalgaon in Assam; Khurda and Somnathpur in Orissa; Nadantola in MP; Ramnagar in UP), there was no evidence of encouragement of participation of SC/ ST/ women entrepreneurs.

10.1.3.5 Monitoring and Evaluation

State Level Committees (SLCs) were to be constituted for supervising and monitoring the project. However, in 9 out of 10 projects, SLCs were either not constituted or not functional, or no records of their functioning were made available to Audit. In the case of the tenth centre (Khurda, Orissa), the SLC, which was constituted in June 1994, did not convene any meeting after June 2000.

As evident from the delay in completion of centres, the status of progress/ completion of different centres was also not effectively monitored in the Ministry.

CHAPTER XI : MINISTRY OF RURAL DEVELOPMENT

Department of Rural Development

11.1 Idling of funds

The Ministry had failed to obtain refund of Rs. 93.32 lakh lying with the District Rural Development Agency, Daman for want of applicants eligible for subsidy under the Centrally sponsored Swarnjayanti Gram Swarozgar Yojana launched in April 1999 to assist families below poverty line.

With the objective of helping the Below Poverty Line (BPL) families to cross the poverty line, Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched in April 1999 as a Centrally sponsored scheme by restructuring the Integrated Rural Development Programme (IRDP) and several other schemes. SGSY envisaged organizing the rural poor into Self Help Groups (SHG) through a process of social mobilization, training and capacity building and provision of income generating assets through a mix of bank credit and Government subsidy disbursed through the District Rural Development Agencies (DRDA).

Scrutiny of records of DRDA, Daman revealed (November 2007/October 2008) that it had kept Rs. 93.32 lakh unutilized as of 31 March 2008 under this programme. This include the balance of Rs. 64.61 lakh brought forward from 2000-01 and interest of Rs. 34.37 lakh earned of which only Rs. 5.66 lakh had been spent.

DRDA had informed the Ministry (September 2000) that there were very few eligible families and due to heavy demand in industrial sector, most of them got employment easily in industries, and as such they did not prefer to work as labourers or to take loan for self-employment. Thereafter, the Ministry had not sanctioned any grants. Through DRDA had requested (September 2000) for review and upward revision of criteria for classification of families as BPL from Rs. 266.97 to Rs. 600 so as to cover more rural households, it did not pursue the matter with the Ministry. Nevertheless, it had retained the grant of Rs. 93.32 lakh unutilized.

DRDA stated (October 2008) that the Scheme has since been implemented in full swing during 2008-09 as evident from 14 applications received. This would not justify the retention of grants unused for over eight years.

The matter was brought to the notice of the Ministry in June 2008; their reply was awaited as of September 2009.

CHAPTER XII : MINISTRY OF SHIPPING

12.1 Scheme for Inland Water Transport

A Centrally Sponsored Scheme for Development of Inland Water Transport (IWT), was substantially revised in 2002 with provision of financial assistance of 90 to 100 per cent grant-in-aid for various IWT activities – surveys / studies, waterway development, navigation aids, terminal facilities, procurement of vessels for development and regulation etc. During 2003-07, 35 projects were sanctioned in 15 States at a cost of Rs. 105.89 crore, against which funds of Rs. 52.84 crore were released. The scheme was discontinued by the Planning Commission in February 2007. As such, the objective of development of IWT as an eco-friendly, economically viable and fuel-efficient mode of transport remained unachieved.

Audit scrutiny of the records of the Ministry of Shipping revealed that only 3 out of 35 projects were reported to have been completed, while work had not even commenced in respect of 13 projects. Further, field audit of 16 projects in 5 States (Orissa, Himachal Pradesh, Madhya Pradesh, Maharashtra and West Bengal), revealed that many projects were lying incomplete and had not achieved their intended objectives resulting in unfruitful expenditure. In Madhya Pradesh, inland water transport had not been operationalised at Bansagar reservoir project despite construction of jetties and waiting hall whereas at Rani Awanti Bai Sagar reservoir, fewer jetties than sanctioned were constructed, and one jetty was submerged in water. In the third project at Gandhi Sagar reservoir, the jetty and waiting hall were far from the waterline and therefore, could not be used. In Maharashtra, in one project at Godawari river near Vishnupuri, jetties were only partially completed and not in usable shape, and the major portion of expenditure had been diverted and incurred at a religious tourist destination for construction of bathing ghats. Three projects at Isapur Reservoir, Karanja and Janjira Fort were yet to commence, whereas in three projects at Agardanda, Dighi and Rajpuri, there were redundant provisions for existing jetties and approach roads. In another project at Mandwa, funds were used primarily for creation of high class amenities way beyond the requirements of normal passengers, while navigational components were not carried out. In Himachal Pradesh, construction of the two major jetties in the project at Gobind Sagar Lake were yet to commence, while the State Government wrongly reported completion of all the smaller jetties. Further, the passenger sheds were constructed far from the waterline. In West Bengal, in one project in Sunderbans Area, the constructed jetties were unusable, while in another project, there was clear requirement for passenger facilities, which could not be fulfilled due to the closure of the scheme. In Orissa, funds for extending an existing waiting hall at Balugaon were diverted for constructing a new waiting hall with office building.

Scheme for Inland Water Transport

12.1.1 Introduction

Inland Water Transport (IWT) is an eco-friendly, economically viable and fuel efficient mode of transportation. While India has 14,500 km of navigable waters, IWT in India has not developed to its full potential due to several constraints like insufficient water depth of major rivers, non-availability of adequate navigational aids, inadequate terminal facilities etc.

Development of IWT would have numerous direct and indirect benefits such as catalysing industrial growth and economic activities in the hinterland along waterways, shift of cargo transport from other modes of transport, and decongesting road and rail traffic.

Responsibility for development of inland water transport is divided between the Centre and the States, with the Central Government developing national waterways through the Inland Waterways Authority of India (IWAI), while the State Governments are responsible for development of other waterways.

A Centrally Sponsored Scheme of the Government of India in IWT Sector, which had been in existence since the First Five Year Plan, was modified in November 2002 for providing 100 per cent grant-in-aid for projects in the North Eastern States (including Sikkim), and 90 per cent grant-in-aid to other States. The Ministry of Shipping (MoS) was the nodal Ministry for administering the scheme.

In February 2007, the Planning Commission discontinued the scheme as a Centrally Sponsored Scheme but retained it as a Central Sector Scheme only for the North-Eastern States.

12.1.2 Financial Outlays and Expenditure

Under the scheme, 35 projects in respect of 15 States were sanctioned during 2003-07 at a cost of Rs. 105.89 crore and funds of Rs. 52.84 crore released; a complete list of the projects is indicated in **Annex-I**.

12.1.3 Audit Scope and Coverage

Audit of the IWT Scheme, covering the projects sanctioned after the revision in November 2002, was conducted to verify achievement of the stated objectives of the scheme, utilization of funds and compliance with the scheme guidelines.

Records in the Department of Shipping were scrutinized between May and August 2008. In addition, audit also conducted field visits to Orissa, Himachal Pradesh, Madhya Pradesh, Maharashtra and West Bengal between August 2008 and January 2009 to examine the records of State-level agencies and verify field level implementation of 19 projects costing Rs. 80.61 crore (76 per cent of total sanctioned cost) sanctioned during 2003-07.

Audit gratefully acknowledges the assistance and co-operation of the Ministry of Shipping, GoI as well as the State Governments during the conduct of the audit.

12.1.4 Audit Findings

12.1.4.1 Project Execution

State wise sanction of projects alongwith expenditure thereof is summarized in the table below:

Table-1 : IWT Projects sanctioned

(Rupees in lakh)

S. No.	State	Number of Projects in the State	Sanctioned Cost	Central Share released	State Share released	Total Expenditure reported
1.	Assam	4	1482.56	1085.81	0.00	840.20
2.	Andhra Pradesh	1	75.00	67.50	3.75	52.50
3.	Bihar	4	115.00	21.00	11.50	11.50
4.	Goa	1	109.00	59.18	0.00	0.00
5.	Himachal Pradesh	1	117.40	105.66	11.74	43.07
6.	Karnataka	1	56.70	51.03	5.67	56.70
7.	Kerala	1	362.22	65.30	0.00	0.00
8.	Maharashtra	8	2983.48	1037.81	1945.68	568.01
9.	Madhya Pradesh	3	861.74	213.49	626.52	804.69
10.	Manipur	1	280.33	178.15	0.00	0.00
11.	Nagaland	1	75.60	15.12	0.00	15.12
12.	Orissa	2	214.70	50.07	5.11	51.10
13.	Tripura	1	46.60	9.32	0.00	0.00
14.	Uttar Pradesh	1	10.00	2.00	0.00	0.00
15.	West Bengal	5	3798.51	2322.20	255.42	2372.79
	Total	**35**	**10588.84**	**5283.64**	**2865.39**	**4815.68**

Of the 35 projects sanctioned during 2003-07, one project was foreclosed and the status of remaining 34 projects was as follows:

- The full central share of sanctioned amount was released by MoS in respect of only seven projects. Out of these seven projects, only three projects were reported to have been completed as of May 2008.
- 13 projects (37.14 per cent) in seven States, in respect of which Rs. 7.41 crore (14 per cent) of funds had been released between March 2004 and March 2007, had not even commenced (March 2009);
- The remaining 18 projects, for which Rs 41.81 crore had been released between March 2004 and March 2007, were still incomplete;

Project-wise details are given in **Annex-II**.

12.1.4.2 Physical progress of works

Audit observed that the physical achievements against the targets, as shown in Annex **II-B,** were way behind schedule in all the projects, and MoS did not take effective action to get the work on the projects expedited. All the 35 projects sanctioned were targeted to be completed by March 2008. Physical progress in respect of these projects was as under:

Table-2

Number of projects to be completed by 2007-08	35
Projects with physical progress less than 25 percent	14
Projects with physical progress between 25 to 50 percent	06
Projects with physical progress between 50 to 75 percent	03
Projects with physical progress between 75 to 100 percent	05
Projects where progress not reported or percentage progress not available	07

12.1.4.3 Projects not achieving intended objectives

Field visits by audit team to Madhya Pradesh, Maharashtra, Himachal Pradesh, West Bengal and Orissa revealed that many projects had not achieved their intended objectives and there were several cases of unfruitful expenditure, as described below.

(i) Madhya Pradesh

Three projects on development of IWT in Indira Sagar and Rani Awanti Bai Sagar reservoirs, Bansagar reservoir, and Gandhi Sagar reservoir were sanctioned at a total cost of Rs. 8.62 crore. Against the Central share of Rs. 7.76 crore, Rs. 2.13 crore of funds was released between March 2005 and October 2006. All the three projects were covered in field audit, and the findings are as follows:

Development of IWT in Sone River at Bansagar Reservoir

The project was sanctioned in March 2006 for infrastructure development and facilitation for passengers and cargo. It was envisaged that over 36 lakh passengers would use IWT annually. The project had a sanctioned cost of Rs. 4.15 crore (Central share – Rs. 3.74 crore) and was to be completed by March 2007.

Field visit by audit revealed that the planned Jetty, Booking Office and Waiting Hall at New Sapta had been constructed. However, IWT had not been operationalised, as the agency responsible for regulation of the transportation system had not been decided in the absence of guidelines from the Central and State Government. The expenditure of Rs. 3.67 crore (including Central share of Rs. 0.83 crore released in March 2006) incurred on the project and the facilities created remained unproductive as of November 2008.

Waiting Hall at New Sapta not yet operational

Jetty at Sariya (nearest to Bansagar Dam) with tourism potential awaiting arrival of boats

Development of intra reservoir transport in Rani Awanti Bai Sagar and Indira Sagar reservoirs

- Against the sanctioned eight jetties, only six jetties were constructed. Jetties were not constructed at Bargi and Payalee. In response to an audit query, the implementing agency Narmada Valley Development Authority (NVDA) intimated that more funds were required for taking up the remaining work.

- Two jetties (Rs. 10.80 lakh) as well as components relating to on hydrographic, construction and traffic surveys, navigational aids, signaling system, GPS, computers (Rs. 9.00 lakh) had not been taken up by the State Government. However, the central share of funding of Rs. 19.80 lakh in respect of these works was not refunded to the centre.

Jetty at Papri Kalan submerged in water

One jetty at Papri Kalan, which had a sanctioned cost of Rs. 6.00 lakh but was awarded at Rs. 7.59 lakh, had been constructed in 2006-07 was found completely submerged in water during the audit team's field visit in November 2008. This indicated lack of proper planning, study and survey before selection of the site and deciding the level and design of the jetty.

In response (September 2009), the implementing agency (Narmada Valley Development Authority, Government of Madhya Pradesh) stated that due to escalation in prices as well as inadequacy of funds, Rs. 19.80 lakh was utilized in the construction of six jetties taken up. They also stated that due to unavoidable reasons some part of jetty would always be under submergence. However, the reply is not tenable since as per the sanction of MoS, escalation was to be borne by the State Government from its own resources. Further, the jetties were completely submerged, and were not in usable condition.

Development of IWT in Chambal River at Gandhi Sagar Reservoir

The jetty constructed at Rampura, which had a sanctioned cost of Rs. 0.21 crore, was not serving any purpose, as there was no water within a range of two kilometres from the jetty. The waiting hall and booking office constructed

Rampura Jetty far way from water

Deserted Waiting Hall and Booking Office at Rampura

in March 2008, were also deserted, as the actual boarding point was far away. Audit further observed (November 2008) that commuters were using a temporary shed of dried leaves as the waiting hall. There was no maintenance of the assets created at Rampura – notably the approach road, the booking office and the waiting hall.

(ii) Maharashtra

In Maharashtra, eight projects were sanctioned with a cost of Rs. 29.83 crore (Central share Rs. 26.85 crore) against which Central funds of Rs. 10.38 crore were released during March 2004 to March 2006. Audit findings in respect of these eight projects are discussed below:

Development of IWT in Godavari River near Vishnupuri

The project, which had a sanctioned cost of Rs. 2.72 crore, was intended to provide basic infrastructure facilities at various sites near the Vishnupuri Lift Irrigation Project in Nanded. As of October 2008, expenditure of Rs. 3.25 crore (including Central share release of Rs. 2.07 crore) had been incurred. However, field audit revealed that:

- While six jetties had been completed by November 2008 and the remaining four sanctioned jetties were nearing completion, the boats and ferries had not been made operational. In response, the executing agency stated (December 2008) that the use of the jetties would be commenced soon.

- Even the completed jetties were not in usable shape, as finishing work was still to be done, and the approach road/ path had not been constructed/ strengthened. In response to an audit query, the Executive Engineer, Nanded Irrigation Division, Nanded, replied that the above work was not executed because of the instructions from IWAI, the Maharashtra Maritime Board (MMB), and the Executive Committee for Implementation of IWT. However, audit scrutiny revealed that this correspondence predated the sanction of the project, and the scope of the project included strengthening of approach roads for jetties at ten locations.

Jetty at Gangabet not in operation

Lack of approach road for jetty at Mohanpur

No approach road for jetty at Markand

Jetty at Markand stated to be completed, but needing finishing, railing and steps

- None of the jetties, except at Kaleshwar, was completed in all respects. Further, the major portion of the expenditure had been incurred at Kaleshwar (a religious tourist destination) for construction of a complex of bathing ghats etc., which did not relate to IWT scheme.

Proposed Jetty at Rahati – work started and stated to be nearing completion, but evidently not in progress

Complex of bathing ghats at Kaleshwar – diversion of IWT scheme funds

- Sanctioned components relating to strengthening of approach roads, navigational aids, street lighting, fencing of facilities and various studies and investigations were apparently not intended to be taken up, as these were not included in the composite tender for works.

Development of IWT in Penganga River at Isapur Reservoir, Taluka Pusad

An amount of Rs. 78.00 lakh had been released as Central share in March 2006. However, Government of Maharashtra released Rs. 3.90 crore to the nodal agency, MMB, between January and March 2008, which was lying unutilized as of November 2008, although the executing agency[1] was ready to carry out the execution of the work. Field audit revealed that, in contrast to the situation at Vishnupuri, boats and ferries were operational, but no jetties or waiting halls had been constructed.

Boats operational at Warkhed without a jetty

[1] Executive Engineer, Upper Penganga Project Division No. 1, Nanded

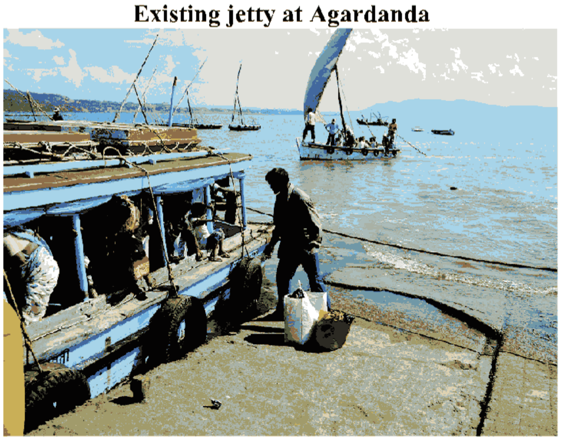
Development of IWT at Agardanda, Dighi and Rajpuri

Three projects for construction of new jetties at Agardanda, Dighi and Rajpuri in Raigarh District were sanctioned by MoS during 2003-05 at a cost of Rs. 3.62 crore. However, field audit revealed that:

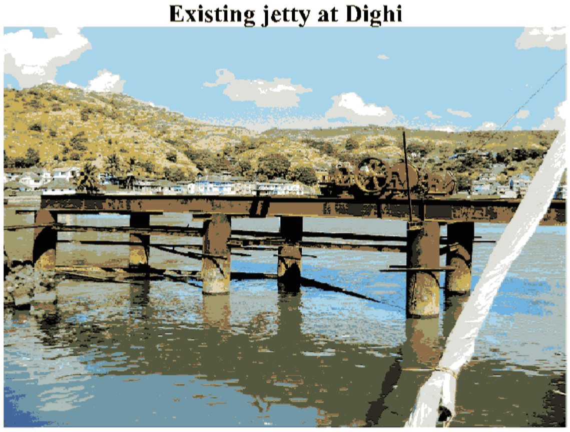
- Jetties already existed at all three sites; construction at Agardanda and Dighi had not commenced, while construction at Rajpuri was rescinded after incurring an expenditure of Rs. 0.31 crore till November 2008.
- Approach roads existed at Agardanda and Dighi, which were re-sanctioned in March 2006 and March 2005 respectively. While the work at Agardanda was not taken up, expenditure of Rs. 0.67 crore (against the sanctioned cost of Rs. 0.53 crore) had been incurred on the new approach road at Dighi, which was still incomplete as of December 2008 though the project was stipulated to be completed by March 2007.
- While the existing waiting shed at Rajpuri had been dismantled, the work on construction of the new waiting shed was rescinded.

Existing jetty at Agardanda

Existing jetty at Dighi



Existing jetty at Rajpuri



Construction of new jetty at Rajpuri, since rescinded

New approach road at Dighi – still in progress

Existing Waiting Shed at Rajpuri dismantled

Development of IWT at Karanja and Janjira Fort

Two projects had been sanctioned at Karanja and Janjira Fort in March 2004 at a cost of Rs. 6.06 crore, and Central funds of Rs. 2.27 crore were released between March 2004 and March 2005. However, the projects had not been taken up as of December 2008.

Development of IWT from South Mumbai to Mandwa

In March 2004, MoS sanctioned a project for development of IWT from South Mumbai to Mandwa for Rs. 4.11 crore, involving Central share of Rs. 3.70 crore. The project covered several components - provision of passenger amenities; external water supply pipeline; dredging; break water of 150 meters; firefighting and life saving appliances; hydrographic survey; and studies/ investigations.

Subsequently, MoS released Rs. 2.04 crore between March 2004 and March 2005 to the State Government. The nodal agency, MMB, drew the full sanctioned amount of Rs. 4.11 crore in phases by October 2007. Field audit, however, revealed that:

- Out of the total sanctioned cost of Rs. 4.11 crore, MMB incurred expenditure of Rs. 1.64 crore (including consultancy charges of Rs. 0.32 crore) covering only two components – provision of passenger amenities, and external water supply pipeline. The other components had not been taken up.
- Ministry sanctioned Rs. 0.27 crore, for passenger amenities (passenger shed, cafeteria, ticket counter, toilet, water supply) and external water

supply pipeline. As against this, MMB incurred an expenditure of Rs. 1.32 crore which included construction of unusually high class amenities (first class and VIP waiting area after booking, open to sky sit out, restaurant with kitchen and service to kitchen road in place of cafeteria). Further, an office for MMB was also constructed, which is outside the scope of IWT scheme.

Office for MMB in Mandwa Terminus Building constructed out of IWT funds

First Class and VIP Waiting Hall at Mandwa

Thus funds provided were used primarily for creation of amenities way beyond the requirement of the normal IWT passengers. Further, unusually high consultancy charges of Rs. 32.00 lakh, even more than the MoS sanction of Rs. 27.00 lakh for passenger amenities, were incurred for consultancy charges. On the other hand, navigational components like dredging, break water, hydrographic survey, studies and investigations were not carried out. Thus as against the sanctioned amount of Rs. 0.27 crore for creation of passenger amenities and external water supply pipeline, Rs. 1.64 crore (including consultancy charges) had been reportedly incurred as of December 2008. The balance amount of Rs. 1.77 crore needed to be refunded to GoI.

Diversion of funds for consultancy

The IWT scheme provides for grants-in-aid to the State Government for supervision and consultancy. The consultancy component was not included in any of the eight projects sanctioned for Maharashtra. Nevertheless, the nodal agency, MMB, unauthorizedly paid Rs. 1.12 crore for the consultancy component for these eight projects.

(iii) Himachal Pradesh

One project for development of IWT for transit facilities at Gobind Sagar Lake was sanctioned in March 2005 at a cost of Rs. 1.17 crore, with central share of Rs. 1.06 crore which was released by February 2006. Under the project, two jetties at Luhnu and Jeoripattan, and nine small jetties and passenger sheds were to be constructed.

Field audit revealed that:

- The construction of the jetties at the two most important sites at Luhnu and Jeoripattan had not commenced as of October 2008, though the foundation stone for the Jeoripattan jetty had been laid in September 2005.

Jetty at Luhnu not constructed

Jetty at Jeoripattan not constructed

- In response to an audit query by the Pr. Accountant General (Audit), Himachal Pradesh, in August 2007, regarding non-completion of project, the State Government intimated (January 2008) that all nine small jetties had been completed. However, field visit in October 2008 to Nakranaghat and Challelaghat confirmed that jetties at these two sites had not been constructed. In the same context, the State Government reported expenditure of Rs. 0.67 crore as of January 2008 on the project, while the expenditure verified during field audit in October 2008 was only Rs. 0.43 crore[2]. Such incorrect reporting by officials of the State Government must be investigated.

[2] Inclusive of Rs. 9.77 lakh drawn by the Directorate of Transport for consultancy charges and contingencies

- While passenger sheds at both Nakranaghat and Challelaghat had been constructed, terminal approaches from the passenger sheds had not been constructed. As such, the waiting sheds were, in effect, not usable.

Small jetty at Nakranaghat not constructed

Small jetty at Challelaghat not constructed

Terminal approach at Challelaghat not constructed

Approach to Passenger Shed at Nakranaghat not constructed

(iv) West Bengal

Five projects were sanctioned for West Bengal at a total cost of Rs. 38.83 crore, with Central share of Rs. 34.19 crore; Central funds of Rs. 23.22 crore were released in phases upto March 2007. Out of five, two projects were covered in field audit.

Construction of 22 RCC Jetties in Sunderban Area

In March 2006, MoS sanctioned a project for construction of 22 RCC jetties in the Sunderbans area at a total cost of Rs. 4.07 crore, with Central share of Rs. 3.66 crore, and released Rs. 0.81 crore as the first installment. The Government of West Bengal took up construction of only 18 jetties, as two jetties had already been completed under other programmes, and two other jetties could not be taken up due to unsuitable site conditions. MoS did not, however, readjust the sanctioned cost in the light of this reduction.

While Audit was informed (January 2009) that 10 out of 18 jetties had been completed, field audit revealed that the approach roads and protective work were yet to be constructed, rendering the jetties effectively unusable. According to the State Government, construction of approach roads could not be taken up due to non-availability of Central funds.

Jetty at Satjelia without approach road

Jetty at Hogalduri without approach road

Commuters at Hogalduri not using the newly constructed jetty

Construction of jetties between Tribeni and Farakka

In 2003-04, MoS sanctioned a project for construction of 57 jetties on River Hooghly – Bhagirathi between Tribeni and Farakka at a cost of Rs. 22.62 crore with a Central share of Rs. 20.35 crore. The project was to be completed by August 2008. Upto March 2007 (when the scheme was closed), MoS had released Rs. 14.68 crore for the project as Central share.

As of January 2009, of the 57 jetties sanctioned, only 11 jetties were stated to have been completed, while in respect of 13 jetties, gangway and pontoon work was complete but link platforms were yet to be constructed.

(v) Orissa

Two projects on 'Development of IWT Sector for upgradation of existing facilities' and 'Preparation of DPR on waterways and IWT development' were sanctioned for Orissa, with a total sanctioned cost of Rs. 2.15 crore and release of GoI funds of Rs. 0.50 crore.

Development of IWT Sector for Upgradation of Existing Facilities

The project on 'Development of IWT Sector for upgradation of existing facilities', for which GoI funds of Rs. 0.41 crore were released, was foreclosed after work on only one out of 15 components was undertaken, as the State Government found it difficult to execute the project at the sanctioned cost. Audit scrutiny, however, revealed that IWAI, while recommending the project for sanction, did not comment on the reliability or firmness of the cost estimates.

One component of the project at Balugaon was the extension of waiting hall for which Rs. 4.20 lakh were sanctioned. Field audit revealed that instead of extending the existing waiting hall, a new office building (with rooms for officers, staff and stores and a very small portion as waiting hall) was irregularly constructed at a cost of Rs. 28.00 lakh. The Director, Ports and Inland Water Transport, Bhubaneswar in his reply of August 2009 stated that the construction of the waiting hall was made within the scope of work sanctioned by the State Government. The reply is not acceptable, as the construction office building was outside the scope of the project sanctioned by MoS.

12.1.4.4 Financial Management

(i) Releases

As per the Scheme guidelines, funds were to be released in the manner:

- An advance upto a maximum of 20 per cent of the project could be given to the State Government by GoI. The first installment would be released only on submission of a detailed action programme by the State Government.

- Release of remaining funds would be decided on a case-to-case-basis, based on the Detailed Project Report (DPR), proposed phasing of expenditure, satisfactory progress reports for the preceding quarter/ period etc.

However, audit scrutiny revealed several instances of release of excess funds by MoS, without properly considering earlier releases of funds and State Government proposals for further expenditure, state-wise details of excess releases noticed in audit are given below.

Table-3

(Rs. in crore)

State	Month & Year of Release	Amount of Excess Release
Andhra Pradesh	February 2007	0.20
Maharashtra	March 2005	4.73
Assam	March 2007	0.85
Manipur	March 2007	1.22
Himachal Pradesh	February 2006	0.86

Case-wise details of the excess releases are discussed in **Annex-III**.

Audit scrutiny further revealed that:

- Rs. 6.22 crore of Central share released by MoS were lying unutilized with State Governments and their implementing agencies for periods ranging from 10 to 51 months (Bihar – 51 months, Kerala – 39 months, Uttar Pradesh – 28 months, Assam – 28 months, Tripura – 27 months, etc.). There were delays in release of the Central Share by the State Governments to the implementing agencies.

- There was a shortfall in contribution of the share of State Governments of Rs. 1.32 crore (West Bengal - Rs. 63.34 lakh (16.31 *per cent*), Kerala Rs. 36.22 lakh (100 *per cent*), Orissa Rs. 16.36 lakh (80.04 *per cent*), Goa Rs. 10.90 lakh (100 *per cent*), etc.).

- Contrary to the provisions of the GFR for avoiding release of funds towards the end of the year, the sanctions issued by MoS in the month of March of Rs. 37.89 crore constituted 72 per cent of the total released amount of Rs. 52.84 crore during 2003-04 to 2006-07.

Project-wise details are discussed in **Annex-IV**.

(ii) Non-Receipt of UCs and SOEs

Audit scrutiny revealed that against the amount of Rs. 52.84 crore released upto March 2007, Utilisation Certificates (UCs) for only Rs. 30.24 crore had been received by MoS as of May 2008, as detailed in **Annex-II**.

Further, while the project sanctions stipulated submission of audited Statements of Expenditure (SOEs) along with the UCs, such SOEs were not received for any project.

(iii) Cases of Deficient Financial Management

Audit scrutiny revealed the following cases of deficient financial management:

- The Government of West Bengal had not refunded excess release of Central share of Rs. 0.41 crore on account of reduction in the scope of a project for construction of five jetties between Haldia and Triveni.

- There were no instructions from MoS relating to utilization of interest earned on unspent balances of Central release funds parked in various accounts.

Case-wise details are given in **Annex-V**.

(iv) Spillover Liabilities

Consequent on the discontinuation of the scheme in March 2007, the total spillover liabilities on account of unreleased Central share for already sanctioned projects amounted to Rs. 44.35 crore. The modalities for meeting these balance liabilities had not been finally worked out by MoS in conjunction with the Ministry of Finance.

12.1.4.5 Lack of Monitoring and Review

The State Governments were to send detailed Quarterly Progress Reports (QPRs) to the MoS in a prescribed format, indicating the item-wise financial and physical targets and achievements during the year. Audit scrutiny revealed that against the stipulated 454 QPRs in respect of 35 projects for the period April 2004 to June 2008 required to be received, only 62 QPRs were actually received.

As per the guidelines, IWAI was to assist MoS in monitoring progress and would recommend to GoI when the releases of the next installment should be made to State Government. However, IWAI did not fulfill its assigned role properly and merely forwarded requests of the State Governments to GoI without proper scrutiny. In the case of Assam, the MoS had already released Rs. 3.25 crore (March 2007) out of total central share of Rs. 3.52 crore, and the maximum central share remaining to be released was Rs. 0.27 crore, IWAI forwarded the request of the Government of Assam for further release of Rs. 1.12 crore, for consideration.

The matter was referred to the Ministry in March 2009; their reply was awaited as of March 2010.

12.2 Unfruitful expenditure on computerization in the Chartering Wing

Based on the report of the Expenditure Reforms Commission computerization of the operations of the Chartering Wing, with the objective of full automation of work processes and consequent reduction in staff strength, was approved in March 2003. However, despite expenditure of Rs. 20.00 lakh, the envisaged benefits in terms of full automation of the Chartering Wing could not be achieved. Further, savings of Rs. 62.25 lakh for the period from June 2005 to May 2009 on account of reduction in staff strength could also not be achieved.

The Chartering Wing (CW) of the Ministry of Shipping (MoS) is responsible for making arrangements for the transportation of cargo owned/ controlled by the government/ government-owned entities as per the policy of buying FOB/ FAS and selling CAF/ CIF[3].

In its ninth report, the Expenditure Reforms Commission observed in September 2001 that there was considerable scope for the computerisation of the operations of the wing, and this could result in a reduction in the staff strength as this exercise was to be carried out in six months. These recommendations were accepted by the Ministry and in July 2002, the Indian Port Association (IPA), a Society of Major Port Trusts, was asked to commence a detailed study for computerization of CW. Subsequently in March 2003, a proposal of the IPA for computerization of CW at a cost of Rs. 47.90 lakh was approved, and an advance of Rs. 20.00 lakh was paid to IPA. The objective of the project was to fully automate work processes at CW for both bulk and liner cargo, including capturing of letters of indent, capturing of enquiry details and preparation of enquiry registers, and preparing of fixture registers and vessel monitoring. However, voyage estimation, laytime calculation, etc was required to be done using separate application software to be purchased by MoS. As decided in May 2003, the project was envisaged to be completed within 15 months – 3 months for pre-operative/ preparatory work and 12 months for installation/ implementation.

Since IPA lacked in-house capability for software development, a contract for software development at a cost of Rs. 26.85 lakh was awarded to M/s Birlasoft Ltd. in February 2004. The hardware and system software for the project was

[3] FOB: Free on Board; FAS: Free Along Side; CAF: Cost and Freight; CIF: Cost Insured Freight

procured by IPA between February 2005 and May 2005 at a cost of Rs. 10.21 lakh.

Audit scrutiny, however, revealed that the computerization project had not been implemented as of May 2009. The hardware procured by the Ministry was lying idle and unused, and the software developed by Birlasoft had not been utilized, for the following reasons:

- Birlasoft supplied a detailed Software Requirement Specifications (SRS) and a prototype Software Architecture and Design Document in July 2004. While MoS accepted these documents, subject to some additions/ alterations, in August 2004, it stated that since none of the officers of CW had any formal training in computers, some of the screens might require slight modifications to meet specific/ unique requirements, and the requisite flexibility for incorporation of minor changes/ additions.

- Based on the accepted SRS and prototype, the software application was developed by Birlasoft, and the Preliminary Acceptance Test and User Acceptance Test conducted during January 2005. The hardware for the project was delivered and installed by NICSI[4] in May 2005. Training to all users of CW was completed by June 2005, while certain modifications and additions requested by CW in June 2005 were also carried out. By September 2005, Birlasoft informed IPA that they had completed all activities, and had also installed the application on the production server. Accordingly, IPA requested CW in October, December 2005 and May 2006 to issue a 'Final Acceptance Test' certificate; however, there was no recorded confirmation as to whether the same was ever issued.

- While facilitation support was provided by Birlasoft from August 2005 to January 2006 at a cost of Rs. 3.00 lakh, Birlasoft insisted that the SRS was the base accepted document, and any major changes/ new requirements could not be accepted at this stage; however, changes/ suggestions in the screens could be taken up during the warranty period of three years. The MoS continued to try to get amendments to the software, and also held/ attempted to hold meetings with IPA and the contractor between November 2007 and May 2008, which were, however, not successful.

[4] NICSI: National Informatics Centre Services Inc – a Section 25 Company set up under NIC (National Informatics Centre) for providing IT solutions to Government organizations.

As of May 2009, despite an expenditure of Rs. 20.00 lakh (hardware and system software, software development by Birlasoft, facilitation support by Birlasoft, etc.), the computerization project had not been successfully implemented, and the envisaged benefits of full automation of CW could not be achieved. In addition, the MoS (through IPA) would also be responsible for balance liability to the contractor for software development. Further, the envisaged savings of Rs. 62.25 lakh for the period from June 2005 to May 2009 though abolition of posts could also not be achieved.

The matter was referred to the Ministry in November 2008; their reply was awaited as of March 2010.

Annex – I

(Referred to in paragraph No. 12.1. 2)

Statement showing the spillover liability against the projects sanctioned under IWT scheme during 2003-04, 2004-05, 2005-06 & 2006-07

(Rupees in lakh)

Sl. No.	State	Name of Project	Sanctioned Cost	Central Govt. share (100% for NE States & 90% for other states)	Total fund released up to 31.03.07	Spillover liability
1	2	3	4	5	6	7 (=5-6)
1.	**Assam**	1. Terminal facilities at South bank of river Brahmaputra.(2003-04)	351.68	351.68	**325.00**	26.68
		2. Terminal facilities at North bank of river Brahmaputra.(2003-04) *	260.40	260.40	**260.40**	0.00
		3. Development of 11 floating Jetties at major ghat banks on river Brahmaputra.(2004-05)	420.40	420.40	**410.40**	10.00
		4.Construction of 20 nos. of 17 m long floating terminal at 20 major ghat on river Brahmaputra.(2006-07)	450.08	450.08	**90.01**	360.07
		SUB-TOTAL	**1482.56**		**1085.81**	**396.75**
2.	**Andhra Pradesh**	1. Survey and techno economic feasibility study for development of Inland Waterways in Andhra Pradesh.(2005-06) *	75.00	67.50	**67.50**	0.00
.		**SUB-TOTAL**	**75.00**		**67.50**	**0.00**
3.	**Bihar**	1. DPR for river front development at Patna aimed at IWT base tourism.(2003-04)	25.00	22.50	**5.00**	17.50
		2. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Gandak.(2003-04)	30.00	27.00	**5.00**	22.00
		3. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Kosi.(2003-04)	30.00	27.00	**6.00**	21.00
		4. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Sone.(2003-04)	30.00	27.00	**5.00**	22.00
		SUB-TOTAL	**115.00**		**21.00**	**82.50**
4.	**Goa**	1. Conducting fresh Hydrographic Survey in the Inland Waterways of Goa at Mapusa, Chapora and Sal rivers.(2005-06)	109.00	98.10	**59.18**	38.93
		SUB-TOTAL	**109.00**		**59.18**	**38.93**
5.	**Himachal Pradesh**	1. Development of Inland water transport for transit facilities at Govind Sagar lake.(2004-05) *	117.40	105.66	**105.66**	0.00
		SUB-TOTAL	**117.40**		**105.66**	**0.00**
6.	**Karnataka**	1. Techno-economic feasibility Study/ Survey for development of IWT in Karnataka.(2003-04) *	56.70	51.03	**51.03**	0.00
		SUB-TOTAL	**56.70**		**51.03**	**0.00**
7.	**Kerala**	1. Revival of Veli-Kovlam stretch of TS canal. (2005-06)	362.22	326.00	**65.30**	260.70
		SUB-TOTAL	**362.22**		**65.30**	**260.70**

Sl. No.	State	Name of Project	Sanctioned Cost	Central Govt. share (100% for NE States & 90% for other states)	Total fund released up to 31.03.07	Spillover liability
8.	**Maharashtra**	1. Project Proposal for development of IWT in Godawari river near Vishnupuri. (2003-04)	272.21	244.99	**206.77**	38.22
		2. Project proposal on development of IWT from South Mumabi to Amba river/ Dharmatar Creek & vice versa at Karanja.(2003-04)	481.54	433.39	**174.73**	258.66
		3. Project proposal on development of IWT from South Mumabi to Mandwa (Amba river/ Dharmatar Creek & vice versa at Mandwa.(2003-04)	410.95	369.86	**204.45**	165.41
		4, Project proposal on development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Rajpuri.(2003-04)	469.45	422.51	**171.00**	251.51
		5. Project proposal for development of Inland Waterways in Mhasla/Mandad river(Rajpuri Creek) near Janjira Fort in Maharashtra.(2003-04)	124.60	112.14	**51.96**	60.18
		6. Development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Dighi.(2004-05)	499.39	449.45	**83.83**	365.62
		7. Development of IWT in Penganga river at Isapur reservoir Taluka - Pusad.(2005-06)	390.00	351.00	**78.00**	273.00
		8. Development of Inland Waterways in Mhasla/ Mandad river in Rajpuri creek at Agardanda(2005-06)	335.34	301.81	**67.07**	234.74
		SUB-TOTAL	**2983.48**		**1037.81**	**1647.32**
9.	**Madhya Pradesh**	1. Development of Intra reservoir transport in Indira sagar and Rani Awanti bai sagar reserviors in Mandhya Pradesh.(2004-05)	59.74	53.76	**53.76**	0.00
		2. Development of IWT in Sone river at Bansagar reservoir(2005-06)	415.00	373.50	**83.00**	290.50
		3. Development of Inland Water Transport in Chambal river at Gandhi Sagar reservoir.(2005-06)	387.00	348.30	**76.73**	271.57
		SUB-TOTAL	**861.74**		**213.49**	**562.07**
10.	**Manipur**	1. Proposal of Loktak Lake Inland Water Transport project.(2006-07)	280.33	280.33	**178.15**	102.18
		SUB-TOTAL	**280.33**		**178.15**	**102.18**
11.	**Nagaland**	1.Hydrographic Survey and Techno-Economic Feasibility Study in river Tizu to promote Indo- Myanmar trade(2006-07)	75.60	75.60	**15.12**	60.48
		SUB-TOTAL	**75.60**		**15.12**	**60.48**
12.	**Orissa**	1. Developmetn of IWT sector in the state of Orissa for upgradation of existing facilities.(2003-04)	204.40	183.96	**40.80**	143.16
		2. Preparation of DPR on waterways development and furture development of Iwt sector in the state of Orissa.(2003-04) *	10.30	9.27	**9.27**	0.00
		SUB-TOTAL	**214.70**		**50.07**	**143.16**
13.	**Tripura**	1. Development of ferry service in dumber water area(2005-06)	46.60	46.60	**9.32**	37.28
		SUB-TOTAL	**46.60**		**9.32**	**37.28**

Sl. No.	State	Name of Project	Sanctioned Cost	Central Govt. share (100% for NE States & 90% for other states)	Total fund released up to 31.03.07	Spillover liability
14.	**Uttar Pradesh**	1. Preparation of Detailed Project Report for introduction of IWT on river Gomti in Lucknow city from Gaughat Pumping station to Gomati Nagar Barrage.(2005-06)	10.00	9.00	**2.00**	7.00
		SUB-TOTAL	**10.00**		**2.00**	**7.00**
15.	**West Bengal**	1. Construction of Gangway Pontoon type floating jetties 53 nos. and R. C. C. Slipway jetty - 4 nos on NW-1 between Tribeni and Farakka.(2003-04)	2261.50	2035.35	**1467.53**	567.83
		2. Construction of 4 Gangway Pontoon type jetties and 1 RCC jetty at Dakshineshwar, Sheorafuli, Manirampur, Santoshpur (AKRA) and Nandigram between Haldia and Triveni.(2004-05).Original sanctioned cost was Rs. 372.82 lakh.State Govt. dropped the const. Of jetty at Nandigram so the project cost got reduced to Rs. 288.01 lakh. *	288.01	259.21	**300.51**	-41.30
		3. Construction of 2 Gangway Cum Pontoon Jetties at Nebukhali and Dulduli on river Sahibkhali in Sundarban.(2004-05)	460.00	414.00	**404.00**	10.00
		4. Construction of 22 RCC jetties in Sunderban area.(2005-06)	407.00	366.30	**81.40**	284.90
		5. Construction of two gangway cum pontoon jetty at Harwood point and Kachuberia(2006-07)	382.00	343.80	**68.76**	275.04
		SUB-TOTAL	**3798.51**		**2322.20**	**1096.46**
		GRAND TOTAL	**10588.84**		**5283.64**	**4434.83**

No. of states – 15Cost of sanctioned projects – Rs. 10588.84lakh Funds released up to 31.03.07 – Rs. 5283.64 lakh

*** Projects for which entire central share released by MoS**

Annex - II[5]

(Referred to in paragraph No. 12.1.4.1)

Status of the projects as of May 2008[6]

(Rs. in lakh)

Sl. No.	Name of the Project and year of sanction	Amount and date of sanction	Central share released	Stipulated month of completion of project	Expenditure reported	UCs received		UCs outstanding	Physical Status of the project
						Amount	Upto		
	Assam								
1	1. Terminal facilities at South bank of river Brahmaputra.(2003-04)	351.68 19.03.2004	325.00	03/06	240.00	240.00	30.11.07	85.00	Work in progress
2	2. Terminal facilities at North bank of river Brahmaputra.(2003-04)	260.40 19.03.2004	260.40	03/06	255.50 (Upto 02/07)	255.50	30.11.06	4.90	Project stated to be completed
3	3. Development of 11 floating Jetties at major ghat banks on river Brahmaputra.(2004-05)	420.40 31.03.2005	410.40	03/07	344.70 (Upto 07/07)	210.00	10/2006	200.40	Work in progress
4*	4.Construction of 20 nos. of 17 m long floating terminal at 20 major ghat on river Brahmaputra.(2006-07)	450.08 26.03.2007	90.01	03/08	Nil	Nil	-	90.01	No progress
	Total	**1482.56**	**1085.81**		**840.20**			**380.31**	
	Andhra Pradesh								
5	1. Survey and techno economic feasibility study for development of Inland Waterways in Andhra Pradesh.(2005-06)	75.00 16.03.06	67.50	03/07	52.50 (Upto 04/08)	48.75	09/2007	18.75	Physical progress in quantitative terms not furnished. Various projection, planning and submission of draft report still pending as of April 2008.
	Total	**75.00**	**67.50**	**52.50**				**18.75**	
	Bihar								
6*	1. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Gandak.(2003-04)	30.00 19.03.04	5.00	03/06	3.00	Nil	-	5.00	Nil

[5] Annex compiled from the records of MoS and information provided by State Government, Implementing / executing agency to Audit
[6] Status till May 2008 except where specifically mentioned

Sl. No.	Name of the Project and year of sanction	Amount and date of sanction	Central share released	Stipulated month of completion of project	Expenditure reported	UCs received		UCs outstanding	Physical Status of the project
						Amount	Upto		
7*	2. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Kosi.(2003-04)	30.00 19.03.04	6.00	03/06	3.00	Nil	-	6.00	Nil
8*	3. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Sone.(2003-04)	30.00 19.03.04	5.00	03/06	3.00	Nil	-	5.00	The consultant stated to have collected data but field work not started till 12/2007.
9*	4. DPR for river front development at Patna aimed at IWT base tourism.(2003-04)	25.00 19.03.04	5.00	03/06	2.5	Nil	-	5.00	Nil
	Total	**115.00**	**21.00**		**11.50**			**21.00**	
	Goa								
10	Conducting fresh Hydrographic Survey in the Inland Waterways of Goa at Mapusa, Chapora and Sal rivers.(2005-06)	109.00 24.10.2005	59.18	03/07	NA	Nil	-	59.18	Progress Report not received
	Total	**109.00**	**59.18**		**0.00**			**59.18**	
	Himachal Pradesh								
11	1. Development of Inland water transport for transit facilities at Govind Sagar lake.(2004-05)	117.40 31.03.05	105.66	03/06	43.07	Nil	-	105.66	Work at two jetties not started as of October 2008. Work of small jetties and passenger sheds in progress.
	Total	**117.40**	**105.66**		**43.07**			**105.66**	
	Karnataka								
12	1. Techno-economic feasibility Study/ Survey for development of IWT in Karnataka.(2003-04)	56.70 19.03.04	51.03	03/05	56.70	56.70[7]	30.04.06	Nil	Project stated to be completed.
	Total	**56.70**	**51.03**		**56.70**			**Nil**	
	Kerala								
13	1. Revival of Veli-Kovlam stretch of TS canal. (2004-05)	362.22 31.03.05	65.30	03/06	Nil	Nil	-	65.30	Work in progress
	Total	**362.22**	**65.30**		**0.00**			**65.30**	
	Maharashtra								
14	1. Project Proposal for development of IWT in Godawari river near Vishnupuri. (2003-04)	272.21 19.03.04	206.77	03/05	325.22 11/08	Nil	-	206.77	6 jetties completed out of 10. Work of approach road not taken up (11/08)

[7] UCs for Rs. 56.70 lakh received against the central release of Rs. 51.03 lakh

Sl. No.	Name of the Project and year of sanction	Amount and date of sanction	Central share released	Stipulated month of completion of project	Expenditure reported	UCs received		UCs outstanding	Physical Status of the project
						Amount	Upto		
15*	2. Project proposal on development of IWT from South Mumabi to Amba river/ Dharmatar Creek & vice versa at Karanja.(2003-04)	481.54 29.03.04	174.73	03/06	11.94 11/08	Nil	-	174.73	Work not started as of November 2008.
16	3. Project proposal on development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Rajpuri.(2003-04)	469.45 26.03.2004	171.00	03/06	32.00 11/08	Nil	-	171.00	Jetty work started but rescinded (11/08)
17*	4. Project proposal for development of Inland Waterways in Mhasla/Mandad river(Rajpuri Creek) near Janjira Fort in Maharashtra.(2003-04)	124.60 31.03.04	51.96	03/06	Nil 11/08	Nil	-	51.96	Work not started as of November 2008.
18	5. Project proposal on development of IWT from South Mumabi to Mandwa (Amba river/ Dharmatar Creek & vice versa at Mandwa.(2003-04)	410.95 29.03.04	204.45	03/06	132.00 11/08	Nil	-	204.45	Dredging work and breakwater not taken up. Terminal building completed and road works in progress (11/08)
19	6. Development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Dighi.(2004-05)	499.39 31.03.2005	83.83	03/07	66.85 11/08	Nil	-	83.83	Road work in progress. Jetty and other works not taken up (11/08).
20*	7. Development of IWT in Penganga river at Isapur reservoir Taluka - Pusad.(2005-06)	390.00 03.03.2006	78.00	03/08	Nil 11/08	Nil	-	78.00	Work not started as of November 2008.
21*	8. Development of Inland Waterways in Mhasla/ Mandad river in Rajpuri creek at Agardanda(2005-06)	335.34 23.03.2006	67.07	03/08	Nil 11/08	Nil	-	67.07	Work not started as of November 2008.
	Total	**2983.48**	**1037.81**		**568.01**			**1037.81**	
	Madhya Pradesh								
22	1. Development of Intra reservoir transport in Indira sagar and Rani Awanti bai sagar reserviors in Mandhya Pradesh.(2004-05)	59.74 31.03.2005	53.76	03/07	73.78	53.76	09/2007	Nil	6 sites taken up and completed out of 8 sites sanctioned (10/08).
23	2. Development of IWT in Sone river at Bansagar reservoir(2005-06)	415.00 09.03.2006	83.00	03/07	366.96	Nil	-	83.00	11 jetties taken up out of 13 sanctioned which were stated to be complete except some minor works. 1 booking office cum waiting hall was stated to be completed out of 11 planned to be taken up (sanctioned 13). (10/08)

Sl. No.	Name of the Project and year of sanction	Amount and date of sanction	Central share released	Stipulated month of completion of project	Expenditure reported	UCs received		UCs outstanding	Physical Status of the project
						Amount	Upto		
24	3. Development of Inland Water Transport in Chambal river at Gandhi Sagar reservoir.(2005-06)	387.00 03.03.2006	76.73	03/07	363.95 (10/08)	Nil	-	76.73	All 12 jetties stated to be completed. Waiting Hall, booking office and toilet blocks constructed at some sites. Navigational aids etc not taken up (10/08)
	Total	**861.74**	**213.49**		**804.69**			**159.73**	
	Manipur								
25*	1. Proposal of Loktak Lake Inland Water Transport project.(2006-07)	280.33 16.03.2007	178.15	03/08	Nil	Nil	-	178.15	No progress
	Total	**280.33**	**178.15**		**0.00**			**178.15**	
	Nagaland								
26	1.Hydrographic Survey and Techno-Economic Feasibility Study in river Tizu to promote Indo-Myanmar trade(2006-07)	75.60 26.03.2007	15.12	03/08	15.12	15.12	09/2007	Nil	40 per cent work completed
	Total	**75.60**	**15.12**		**15.12**			**Nil**	
	Orissa								
27.	1. Development of IWT sector in the state of Orissa for upgradation of existing facilities.(2003-04)	204.40 16.03.2004	40.80	03/05 (extended upto 09/06)	40.80	14.12	02/2006	26.68	Sanctioned project not taken up and revised project not sanctioned by MoS
28	2. Preparation of DPR on waterways development and future development of IWT sector in the state of Orissa.(2003-04)	10.30 25.03.2004	9.27	03/05 (extended upto 03/06)	10.30	9.27	02/2006	Nil	Project stated to be completed.
	Total	**214.70**	**50.07**		**51.10**			**26.68**	
	Tripura								
29*	1. Development of ferry service in Dumber water area (2005-06)	46.60 23.03.2006	9.32	03/07	Nil	Nil	-	9.32	No progress
	Total	**46.60**	**9.32**		**0.00**			**9.32**	
	Uttar Pradesh								

Sl. No.	Name of the Project and year of sanction	Amount and date of sanction	Central share released	Stipulated month of completion of project	Expenditure reported	UCs received		UCs outstanding	Physical Status of the project
						Amount	Upto		
30*	1. Preparation of Detailed Project Report for introduction of IWT on river Gomti in Lucknow city from Gaughat Pumping station to Gomati Nagar Barrage.(2005-06)	10.00 03.08.2005	2.00	03/06	Nil	Nil	-	2.00	No progress
	Total	**10.00**	**2.00**		**0.00**			**2.00**	
	West Bengal								
31	1. Construction of Gangway Pontoon type floating jetties 53 nos. and RCC slipway jetty - 4 nos on NW-1 between Tribeni and Farakka.(2003-04)	2261.50 17.02.2004	1467.53	08/08	1573.59	1541.00[8]	29.02.08	Nil	11 jetties stated to be completed. At 13 sites only gangway and pontoon work completed but link platform yet to be completed (12/08).
32	2. Construction of 4 Gangway Pontoon type jetties and 1 RCC jetty at Dakshineshwar, Sheorafuli, Manirampur, Santoshpur (AKRA) and Nandigram between Haldia and Triveni.Original sanctioned cost was Rs. 372.82 lakh.State Govt. dropped the const. Of jetty at Nandigram so the project cost got reduced to Rs. 288.01 lakh. .(2004-05)	288.01 30.03.2005	300.51	03/06	248.81	172.80	31.08.07	127.71	Out of 4 jetties 3 commissioned. Construction of jetty at dakshineswar has not yet started.
33	3. Construction of 2 Gangway Cum Pontoon Jetties at Nebukhali and Dulduli on river Sahibkhali in Sundarban.(2004-05)	460.00 31.03.2005	404.00	09/06	460.00	460.00[9]	29.02.08	Nil	The jetties have been stated to be inaugurated.
34	4. Construction of 22 RCC jetties in Sunderban area.(2005-06)	407.00 16.03.2006	81.40	03/07	90.39	81.34	30.09.07	0.06	10 RCC jetties completed but approach road and protective work done at two sites only. Work at other 8 sites states to be in progress (12/08).
35*	5. Construction of two gangway cum pontoon jetty at Harwood point and Kachuberia(2006-07)	382.00 19.07.2006	68.76	07/07	Nil	Nil	-	68.76	Nil
	Total	**3798.51**	**2322.20**		**2372.79**			**196.53**	

[8] UCs for Rs. 1541.00 lakh received against the central release of Rs. 1467.53 lakh
[9] UCs for Rs. 460.00 lakh received against the central release of Rs. 404.00 lakh

Annex - II (B)[10]

(Referred to in paragraph No. 12.1.4.2)

Project wise Physical and Financial Targets and Achievements thereagainst

(Rupees in lakh)

S. No.	Name of the Project and year of sanction	Amount and date of sanction	Stipulated month of completion of project	Physical Progress*			Financial Progress		
				Year	Target in per cent	Achievement[11] in per cent	Year	Target	Achievement[12]
	Assam								
1.	1. Terminal facilities at South bank of river Brahmaputra.(2003-04)	351.68 19.03.2004	03/06	2003-04 2004-05 2005-06	20 48 32	Nil In percentage not available	2003-04 2004-05 2005-06 2006-07 2007-08	70.00 170.00 111.68 - -	Nil 70.00(01/05) Nil (10/06) NA 170.00 (11/07)
2.	2. Terminal facilities at North bank of river Brahmaputra.(2003-04)	260.40 19.03.2004	03/06	2003-04 2004-05 2005-06	20 48 32	Nil Not available in percentage	2003-04 2004-05 2005-06 2006-07	52.00 125.00 83.40	Nil 52.00 (01/05) 125.00 (12/05) 78.50 (10/06)
3.	3. Development of 11 floating Jetties at major ghat banks on river Brahmaputra.(2004-05)	420.40 31.03.2005	03/07	2004-05 2005-06 2006-07	12 38 50	Nil 30 25 30	2004-05 2005-06 2006-07 2007-08	50.00 160.00 210.40 -	Nil 50.00 (12/05) 160.00 (05/07) 134.70 (07/07)
4.	4.Construction of 20 nos. of 17 m long floating terminal at 20 major ghat on river Brahmaputra.(2006-07)	450.08 26.03.2007	03/08	2006-07 2007-08	46.08 53.92	Nil	2006-07 2007-08	207.40 242.68	Nil
	Andhra Pradesh								
5.	1. Survey and techno economic feasibility study for development of Inland Waterways in Andhra Pradesh.(2005-06)	75.00 16.03.06	03/07	2005-06 2006-07	20 80	Nil In percentage not available	2005-06 2006-07 2007-08	15.00 60.00 -	Nil 15.00 37.50
	Bihar								
6.	1. Collection of hydro morphological data and preparation of DPR for development of IWT facilities in river Gandak.(2003-04)	30.00 19.03.04	03/06	2003-04 2004-05 2005-06	17 50 33	Nil	2003-04 2004-05 2005-06 2006-07 2007-08	5.00 15.00 10.00	Nil Nil Nil Nil 3.00

[10] Annexure compiled from the records of DoS and information provided by State Government, Implementing / executing agency to Audit

* In case year wise physical targets not fixed by DoS, the targets intimated by States have been taken where available

[11] Month in bracket indicates achievement reported till the month

[12] Month in bracket indicates achievement till the month after previous reported financial progress

7.	2. Collection of hydro morphological data and preparation of DPR for development of IWT facilities in river Kosi.(2003-04)	30.00 19.03.04	03/06	2003-04 2004-05 2005-06	20 47 33	Nil	2003-04 2004-05 2005-06 2006-07 2007-08	6.00 14.00 10.00	Nil Nil Nil Nil 3.00
8.	3. Collection of hydro morphological data and preparation of DPR for development of IWT facilities in river Sone.(2003-04)	30.00 19.03.04	03/06	2003-04 2004-05 2005-06	17 50 33	Nil	2003-04 2004-05 2005-06 2006-07 2007-08	5.00 15.00 10.00	Nil Nil Nil Nil 3.00
9.	4. DPR for river front development at Patna aimed at IWT base tourism. (2003-04)	25.00 19.03.04	03/06	2003-04 2004-05 2005-06	20 40 40	Nil	2003-04 2004-05 2005-06 2006-07 2007-08	5.00 10.00 10.00	Nil Nil Nil Nil 2.50
	Goa								
10.	Conducting fresh Hydrographic Survey in the Inland Waterways of Goa at Mapusa, Chapora and Sal rivers.(2005-06)	109.00 24.10.2005	03/07	2005-06 2006-07	Not fixed in percentage	Not reported	2005-06 2006-07	79.85 29.23	Not reported
	Himachal Pradesh								
11.	1. Development of Inland water transport for transit facilities at Govind Sagar lake.(2004-05)	117.40 31.03.05	03/06	2004-05 2005-06	20 80	Not provided year wise in percentage	2004-05 2005-06 2006-07 2007-08 2008-09	23.48 93.92 - - -	Nil Nil - 33.30 Upto 10/08
	Karnataka								
12.	1. Techno-economic feasibility Study/ Survey for development of IWT in Karnataka.(2003-04)	56.70 19.03.04	03/05	2003-04 2004-05 2005-06 2006-07 2007-08	Not fixed in percentage	Nil 40 (12/04) Year wise progress not available	2003-04 2004-05 2005-06 2006-07 2007-08	11.34 45.36	Nil 22.04 (12/04) 34.66 (06/06)
	Kerala								
13.	1. Revival of Veli-Kovlam stretch of TS canal.(2004-05)	362.22 31.03.05	03/06	2004-05 2005-06	30 70	Nil	2004-05 2005-06	108.66 253.56	Nil -
	Maharashtra								
14.	1. Project Proposal for development of IWT in Godawari river near Vishnupuri. (2003-04)	272.21 19.03.04	03/05	2003-04 2004-05 2005-06 2006-07	18 82 - -	Nil Nil 8 16	2003-04 2004-05 2005-06 2006-07	49.00 223.21 - -	Nil 1.82 43.33 90.33

				2007-08 2008-09	- -	15 10	2007-08 2008-09	- -	87.76 101.98
15.	2. Project proposal on development of IWT from South Mumabi to Amba river/ Dharmatar Creek & vice versa at Karanja.(2003-04)	481.54 29.03.04	03/06	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	20 45 35 - - -	Nil Nil Nil Nil Nil Nil	2003-04 2004-05 2005-06 2006-07	96.00 219.00 166.54 -	Nil Nil Nil Nil
16.	3. Project proposal on development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Rajpuri.(2003-04)	469.45 26.03.2004	03/06	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	20 45 35 - - -	Nil Nil Nil Nil 55	2003-04 2004-05 2005-06 2006-07	93.00 211.00 165.45 -	32.00 Upto 11/08
17.	4. Project proposal for development of Inland Waterways in Mhasla/Mandad river(Rajpuri Creek) near Janjira Fort in Maharashtra.(2003-04)	124.60 31.03.04	03/06	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	13 62 25 - - -	Nil Nil Nil Nil Nil Nil	2003-04 2004-05 2005-06 2006-07	16.20 77.25 31.15 -	Nil Nil Nil Nil
18.	5. Project proposal on development of IWT from South Mumabi to Mandwa (Amba river/ Dharmatar Creek & vice versa at Mandwa.(2003-04)	410.95 29.03.04	03/06	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	20 58 22 - - -	Nil Nil Nil 20[*] 40* 83[+]	2003-04 2004-05 2005-06 2006-07	82.00 237.00 91.95 -	132.00 Upto 11/08
19.	6. Development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Dighi.(2004-05)	499.39 31.03.2005	03/07	2004-05 2005-06 2006-07 2007-08 2008-09	**17** **40** **35**[13] **-** -	Nil Nil 5[#] 10[#] 15.30[#]	2004-05 2005-06 2006-07	84.00 240.00 175.39	66.85 Upto 11/08
20.	7. Development of IWT in Penganga river at Isapur reservoir Taluka - Pusad.(2005-06)	390.00 03.03.2006	03/08	2005-06 2006-07 2007-08	Not fixed in percentage	Nil Nil Nil	2005-06 2006-07 2007-08	78.00 234.00 78.00	Nil Nil Nil

[*] Percentage physical progress in respect of terminal building as reported by the implementing agency to Audit
[+] Percentage physical progress in respect of road work and interiors as reported by the implementing agency to Audit
[13] **DoS did not even fixed target for 100 *per cent* work completion**
[#] Percentage physical progress in respect of road work as reported by the implementing agency to Audit

21.	8. Development of Inland Waterways in Mhasla/ Mandad river in Rajpuri creek at Agardanda(2005-06)	335.34 23.03.2006	03/08	2005-06 2006-07 2007-08	20 40 40	Nil Nil Nil	2005-06 2006-07 2007-08	67.07 134.14 134.14	Nil Nil Nil
	Madhya Pradesh								
22.	1. Development of Intra reservoir transport in Indira sagar and Rani Awanti bai sagar reserviors in Mandhya Pradesh.(2004-05)	59.74 31.03.2005	03/07	2004-05 2005-06 2006-07 2007-08	20 15 65 -	Nil 25 38 12	2004-05 2005-06 2006-07 2007-08 2008-09	11.95 8.96 38.83 -	Nil 10.86 43.15 16.14 3.63
23.	2. Development of IWT in Sone river at Bansagar reservoir(2005-06)	415.00 09.03.2006	03/07	2005-06 2006-07 2007-08 2008-09	20 80 - -	Nil Nil 1[α] / 5[β] 78[α] / 15[β]	2005-06 2006-07 2007-08 2008-09	83.00 332.00 - -	Nil Nil 21.76 345.20
24.	3. Development of Inland Water Transport in Chambal river at Gandhi Sagar reservoir.(2005-06)	387.00 03.03.2006	03/07	2005-06 2006-07 2007-08 2008-09	20 80 - -	Nil 10 55 25	2005-06 2006-07 2007-08 2008-09	77.40 309.60 - -	Nil 53.01 221.99 88.95
	Manipur								
25.	1. Proposal of Loktak Lake Inland Water Transport project.(2006-07)	280.33 16.03.2007	03/08	2006-07 2007-08	63.55 36.45	Nil	2006-07 2007-08	178.15 102.18	Nil
	Nagaland								
26.	1.Hydrographic Survey and Techno-Economic Feasibility Study in river Tizu to promote Indo- Myanmar trade(2006-07)	75.60 26.03.2007	03/08	2006-07 2007-08	Not fixed in percentage	Nil 40 (09/07)	2006-07 2007-08	53.00 22.60	Nil 15.12 (09/07)
	Orissa								
27.	1. Development of IWT sector in the state of Orissa for upgradation of existing facilities.(2003-04)	204.40 16.03.2004	03/05 (extended upto 09/06)	2003-04 2004-05	Not fixed in percentage	Not in percentage	2003-04 2004-05 2005-06 2006-07	Not fixed year wise	Nil 14.90 (3/05) 3.30 26.68
28.	2. Preparation of DPR on waterways development and future development of IWT sector in the state of Orissa.(2003-04)	10.30 25.03.2004	03/05 (extended upto 03/06)	2003-04 2004-05	Not fixed in percentage	Year wise progress not reported	2003-04 2004-05 2005-06	2.06 8.24 -	Nil 2.07 8.23

[α] Jetty
[β] Construction of booking office cum waiting hall

	Tripura								
29.	1. Development of ferry service in Dumber water area (2005-06)	46.60 23.03.2006	03/07	2005-06 2006-07	20 80	Nil Nil	2005-06 2006-07	9.32 37.28	Nil Nil
	Uttar Pradesh								
30.	1. Preparation of Detailed Project Report for introduction of IWT on river Gomti in Lucknow city from Gaughat Pumping station to Gomati Nagar Barrage.(2005-06)	10.00 03.08.2005	03/06	2005-06	100	Nil	2005-06	10.00	Nil
	West Bengal								
31.	1.Construction of Gangway Pontoon type floating jetties 53 nos. and RCC slipway jetty - 4 nos on NW-1 between Tribeni and Farakka.(2003-04)	2261.50 17.02.2004	08/08	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	Targets fixed phase and component wise	Nil 10 20 20 10 5	2003-04 2004-05 2005-06 2006-07 2007-08 2008-09	Year wise targets not fixed	Nil 224.25 410.75 486.00 420.00 32.59
32.	2. Construction of 4 Gangway Pontoon type jetties and 1 RCC jetty at Dakshineshwar, Sheorafuli, Manirampur, Santoshpur (AKRA) and Nandigram between Haldia and Triveni.Original sanctioned cost was Rs.372.82 lakh. State Government dropped the construction of jetty at Nandigram so the project cost got reduced to Rs.288.01 lakh(2004-05)	288.01 30.03.2005	03/06	2004-05 2005-06 2006-07 2007-08	30 70 - -	Nil In percentage not available	2004-05 2005-06 2006-07 2007-08	112.82 260.00 - -	Nil 46.10 (12/05) 160.78 (07/06) 41.93 (09/07)
33.	3. Construction of 2 Gangway Cum Pontoon Jetties at Nebukhali and Dulduli on river Sahibkhali in Sundarban.(2004-05)	460.00 31.03.2005	09/06	2004-05 2005-06 2006-07 2007-08	20 50 30	Nil In percentage not available	2004-05 2005-06 2006-07 2007-08	92.00 230.00 138.00	Nil 79.50 (12/05) 264.50 (10/06) 116.00 (2/08)
34.	4. Construction of 22 RCC jetties in Sunderban area.(2005-06)	407.00 16.03.2006	03/07	2005-06 2006-07 2007-08	20 80 -	Nil 12* 84*	2005-06 2006-07 2007-08	81.40 325.60 -	Nil 81.34 9.05
35.	5. Construction of two gangway cum pontoon jetty at Harwood point and Kachuberia(2006-07)	382.00 19.07.2006	07/07	2006-07 2007-08	70 30	Nil Nil	2006-07 2007-08	267.40 114.60	Nil Nil

* Structural work of jetties only. Approach road work not taken up.

Annex – III

(Referred to in paragraph No. 12.1.4.4)

Statement showing cases of release of excess funds by MoS

Sl. No.	State	Details of excess release
1	Andhra Pradesh	Rs. 15.00 lakh were released on 16.03.2006 for the project to be completed in March 2007. No expenditure was incurred during 2005-06 and Rs. 52.50 lakh were likely to be spent during the year 2006-07, out of which the central share was Rs. 47.25 lakh. Though MoS was required to release only Rs. 32.25 lakh after adjusting already released Rs. 15.00 lakh, it irregularly released the whole balance amount of Rs. 52.50 lakh in February 2007.
2	Maharashtra	Five projects (S. No. 14 to 18 of **Annex-IV**) had been approved by the MoS during 2003-04 for **Maharashtra**. Government of Maharashtra could utilize only Rs. 89.81 lakh upto 31.12.2004 out of Rs. 3.36 crore released during 2003-04. In response to MoS' advice to first exhaust the fund released by the MoS and 10 per cent State share, the State Government stated that Rs. 99.30 lakh had been spent on the five projects till February 2005, and bills for Rs. 17.50 lakh were being processed for payment by March 2005. As such, Rs. 116.80 lakh were to be utilised by March 2005 against central release of Rs. 336.19 lakh and state share of Rs. 175.86 lakh. The MoS, further, irregularly released Rs. 472.72 lakh on 31 March 2005 for these five projects.
3	Assam	Rs. 70.00 lakh and Rs. 170.00 lakh were released for the project at S. No. 1 of **Annex-IV,** on 19 March 2004 and 31 March 2005 respectively. Rs. 70.00 lakh had been incurred by November 2006 and within December 2006 expenditure of Rs. 85.00 lakh was further expected. The MoS irregularly released Rs. 85.00 lakh on 29 March 2007, though even after the expected expenditure within December 2006, the State Government would have been left with unspent funds of Rs. 85.00 lakh.
4	Manipur	The MoS released Rs. 178.15 lakh on 16 March 2007, as advance grant-in-aid, against the project sanctioned for Rs. 280.33 lakh, which worked out to 64 per cent of the project cost.
5	Himachal Pradesh	The MoS released the whole balance of Rs. 85.66 lakh in February 2006, though Government of **Himachal Pradesh** had intimated in November 2005 that the tenders would be opened on 9 January 2006 and civil work would start on 15 January 2006 with target of completion by June 2006. As such, the MoS released the funds where even the tenders were not intimated to be opened, and already released central share of Rs. 20.00 lakh and state share of Rs. 10.88 lakh were lying unspent with executing agencies.

Annex - IV[14]

(Referred to in paragraph No. 12.1.4.4)

Statement showing delay in release of central share by State Governments, non release of State share and funds lying unspent with State Governments

(Rs. in lakh)

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
							Central Share released					
					Amount•	Date	Amount	Date	State share			
	Assam											
1	1. Terminal facilities at South bank of river Brahmaputra.(2003-04)	351.68	351.68	NA+	70.00 170.00 85.00 **325.00**	19.03.04 31.03.05 29.03.07	**240.00**	Upto 30.11.2007	NA	NA	85.00	15 months
2#	2. Terminal facilities at North bank of river Brahmaputra.(2003-04)	260.40	260.40	NA	52.00 125.00 83.40 **260.40**	19.03.04 31.03.05 17.02.06	**255.50**	Upto 30.11.2006	NA	NA	4.90	28 months
3	3. Development of 11 floating Jetties at major ghat banks on river Brahmaputra.(2004-05)	420.40	420.40	NA	50.00 160.00 200.40 **410.40**	31.03.05 17.02.06 08.02.07	**344.70**	Upto 01.11.2007	NA	NA	65.70	16 months
4	4.Construction of 20 nos. of 17 m long floating terminal at 20 major ghat on river Brahmaputra.(2006-07)	450.08	450.08	NA	90.01	26.03.07	Nil	-	NA	NA	90.01	15 months
	Total										**245.21**	

[14] Annex compiled from the records of MoS and information provided by State Government, Implementing / executing agency to Audit

• Amount in Bold is total of all releases for the project

+ State share in respect of North Eastern States Not Applicable (NA)

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
					Amount•	Date	Central Share released		State share			
							Amount	Date				
	Andhra Pradesh											
5#	1. Survey and techno economic feasibility study for development of Inland Waterways in Andhra Pradesh.(2005-06)	75.00	67.50	7.50	15.00 52.50 **67.50**	16.03.06 02.02.07	15.00 33.75 **48.75**	30.08.06 17.10.07	Nil 3.75*	3.75	18.75	16 months
	Bihar											
6	1. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Gandak.(2003-04)	30.00	27.00	3.00	5.00	19.03.04	Nil	-	3.00	Nil	5.00	51 months
7	2. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Kosi.(2003-04)	30.00	27.00	3.00	6.00	19.03.04	Nil	-	3.00	Nil	6.00	51 months
8	3. Collection of hydromorphological data and preparation of DPR for development of IWT facilities in river Sone.(2003-04)	30.00	27.00	3.00	5.00	19.03.04	Nil	-	3.00	Nil	5.00	51 months
9	4. DPR for river front development at Patna aimed at IWT base tourism.(2003-04)	25.00	22.50	2.50	5.00	19.03.04	Nil	-	2.50	Nil	5.00	51 months
	Total										**21.00**	
	Goa											

* Additional state share of Rs. 6.43 lakh paid on account of taxes payable which were to be borne by the State.

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
							Central Share released					
					Amount•	Date	Amount	Date	State share			
10	1. Conducting fresh Hydrographic Survey in the Inland Waterways of Goa at Mapusa, Chapora and Sal rivers.(2005-06)	109.00	98.10	10.90	21.80 37.38 **59.18**	07.03.06 07.02.07	Not reported	-	Nil	10.90	-	-
	Himachal Pradesh											
11#	1. Development of Inland water transport for transit facilities at Govind Sagar lake.(2004-05)	117.40	105.66	11.74	20.00 85.66 **105.66**	31.03.05 17.02.06	20.00 50.00 35.66	20.09.05 31.03.06 18.05.06	10.88 0.86	Nil	Nil	-
	Karnataka											
12#	1. Techno-economic feasibility Study/ Survey for development of IWT in Karnataka.(2003-04)	56.70	51.03	5.67	11.34 39.69 **51.03**	19.03.04 31.03.05	**51.03**	Upto 30.04.2006	5.67	Nil	Nil	-
	Kerala											
13	1. Revival of Veli-Kovlam stretch of TS canal. (2004-05)	362.22	326.00	36.22	65.30	31.03.05	Nil	-	Nil	36.22	65.30	39 months
	Total										**65.30**	
	Maharashtra											
14	1. Project Proposal for development of IWT in Godawari river near Vishnupuri. (2003-04)	272.21	244.99	27.22	48.99 157.78 **206.77**	19.03.04 31.03.05	206.77	13.03.2006	65.44	Nil	Nil	-
15	2. Project proposal on development of IWT from South Mumabi to Amba river/ Dharmatar Creek & vice versa at Karanja.(2003-04)	481.54	433.39	48.15	96.00 78.73 **174.73**	29.03.04 31.03.05	174.73	13.03.2006	306.81	Nil	Nil	-

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
					Amount[•]	Date	Central Share released		State share			
							Amount	Date				
16	3. Project proposal on development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Rajpuri.(2003-04)	469.45	422.51	46.94	93.00 78.00 **171.00**	26.03.04 31.03.05	171.00	13.03.2006	298.45	Nil	Nil	-
17	4. Project proposal for development of Inland Waterways in Mhasla/Mandad river(Rajpuri Creek) near Janjira Fort in Maharashtra.(2003-04)	124.60	112.14	12.46	16.20 35.76 **51.96**	31.03.04 31.03.05	51.96	13.03.2006	72.64	Nil	Nil	-
18	5. Project proposal on development of IWT from South Mumabi to Mandwa (Amba river/ Dharmatar Creek & vice versa at Mandwa.(2003-04)	410.95	369.86	41.09	82.00 122.45 **204.45**	29.03.04 31.03.05	204.45	13.03.2006	206.50	Nil	Nil	-
19	6. Development of Inland Waterways in Mhasla/ Mandad River (Rajpuri Creek) at Dighi.(2004-05)	499.39	449.45	49.94	83.83	31.03.05	83.83	13.03.2006	415.56	Nil	Nil	-
20	7. Development of IWT in Penganga river at Isapur reservoir Taluka Pusad. (2005-06)	390.00	351.00	39.00	78.00	03.03.06	78.00	22.01.2008	312.00	Nil	Nil	-
21	8. Development of Inland Waterways in Mhasla/ Mandad river in Rajpuri creek at Agardanda(2005-06)	335.34	301.81	33.53	67.07	23.03.06	67.07	22.01.2008	268.28	Nil	Nil	-
	Total										**Nil**	
	Madhya Pradesh											
22#	1. Development of Intra reservoir transport in Indira	59.74	53.76	5.98	10.80 42.96	31.03.05 31.10.06	10.80 42.96	2004-05 2006-07	25.75	Nil	Nil	-

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
					Amount*	Date	Central Share released		State share			
							Amount	Date				
	sagar and Rani Awanti bai sagar reserviors in Mandhya Pradesh.(2004-05)				**53.76**		**53.76**					
23	2. Development of IWT in Sone river at Bansagar reservoir(2005-06)	415.00	373.50	41.50	83.00	09.03.06	83.00	25.06.06	290.50	Nil	Nil	-
24	3. Development of Inland Water Transport in Chambal river at Gandhi Sagar reservoir.(2005-06)	387.00	348.30	38.70	76.73	23.03.06	76.73	01.08.06	310.27	Nil	Nil	-
	Total										**Nil**	
	Manipur											
25	1. Proposal of Loktak Lake Inland Water Transport project.(2006-07)	280.33	280.33	NA	178.15	16.03.07	Nil	-	NA	NA	178.15	15 months
	Total										**178.15**	
	Nagaland											
26	1.Hydrographic Survey and Techno-Economic Feasibility Study in river Tizu to promote Indo- Myanmar trade(2006-07)	75.60	75.60	NA	15.12	26.03.07	15.12	Upto 09/07	NA	NA	Nil	-
	Orissa											
27	1. Development of IWT sector in the state of Orissa for upgradation of existing facilities.(2003-04)	204.40	183.96	20.44	40.80	16.03.04	40.80	Upto 27.09.04	1.38 2.70	16.36	Nil	-
28#	2. Preparation of DPR on waterways development and future development of IWT sector in the state of Orissa.(2003-04)	10.30	9.27	1.03	2.06 7.21 **9.27**	25.03.04 30.01.06	2.06 7.21 **9.27**	06.11.04 16.02.06	0.01 1.02	Nil	Nil	-
	Total										**Nil**	

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
							Central Share released					
					Amount*	Date	Amount	Date	State share			
	Tripura											
29	1. Development of ferry service in Dumber water area (2005-06)	46.60	46.60	NA	9.32	23.03.06	Nil	-	NA	NA	9.32	27 months
	Total										**9.32**	
	Uttar Pradesh											
30	1. Preparation of Detailed Project Report for introduction of IWT on river Gomti in Lucknow city from Gaughat Pumping station to Gomati Nagar Barrage.(2005-06)	10.00	9.00	1.00	2.00	08.02.06	Nil	-	Nil	1.00	2.00	28 months
	Total										**2.00**	
	West Bengal											
31	1. Construction of Gangway Pontoon type floating jetties 53 nos. and RCC slipway jetty - 4 nos on NW-1 between Tribeni and Farakka.(2003-04)	2261.50	2035.35	226.15	200.00 252.00 411.00 266.00 338.53 **1467.53**	17.02.04 31.03.04 31.03.05 07.03.06 31.03.07	452.00 411.00 266.00 338.53 **1467.53**	21.05.04 22.07.05 04.12.06 02.07.07	50.22 45.67 29.55 37.62 **163.06**	Nil	Nil	-
32#	2. Construction of 4 Gangway Pontoon type jetties and 1 RCC jetty at Dakshineshwar, Sheorafuli, Manirampur, Santoshpur (AKRA) and Nandigram between Haldia and Triveni.Original sanctioned cost was Rs.372.82 lakh.State Govt. dropped the const. Of jetty at Nandigram so the project cost got reduced to Rs.288.01	288.01	259.21	37.28	67.10 233.41 **300.51**	30.03.05 17.02.06	67.10 192.11 28.29 **287.50**	31.12.05 2006-07 2007-08	7.46 23.34 **30.80**	Nil	13.01	10 months

Sl. No.	Name of the Project and year of sanction	Sanctioned Cost	Central Government share (100 % for NE States & 90% for other States)	State share to be released (excluding taxes)	Funds released		Release by State			Shortfall in State contribution	Unspent central release with State Government	Period for which amount is lying unspent (As of June 2008)
							Central Share released					
					Amount[•]	Date	Amount	Date	State share			
	lakh. .(2004-05)											
33	3. Construction of 2 Gangway Cum Pontoon Jetties at Nebukhali and Dulduli on river Sahibkhali in Sundarban.(2004-05)	460.00	414.00	46.00	82.80 230.00 50.00 41.20 **404.00**	31.03.05 17.02.06 20.06.06 16.01.07	82.80 230.00 91.20 **404.00**	31.12.05 10.05.06 30.09.07	44.88	1.12	Nil	-
34	4. Construction of 22 RCC jetties in Sunderban area.(2005-06)	407.00	366.30	40.70	81.40	16.03.06	81.40	29.03.07	9.04	31.66	Nil	-
35	5. Construction of two gangway cum pontoon jetty at Harwood point and Kachuberia(2006-07)	382.00	343.80	38.20	68.76	19.01.07	Nil	-	7.64	30.56	68.76	17 months
	Total										**81.77**	

Annex – V

(Referred to in paragraph No. 12.1.4.4)

Details of 'Parking of Funds' in the States visited alongwith interest earned / accrued on unspent balances and its utilization

Sl. No.	State	Details of Parking of Funds and interest earned
1.	Maharashtra	As of November 2008, an interest of Rs. 10.48 lakh had been reported to be earned by the executing agency i.e. Executive Engineer, Nanded irrigation Division, on the funds deposited in Joint Saving Account of 'Executive Engineer, Nanded irrigation Division, Nanded and Collector Nanded'. However, the agency did not intimate about its utilisation. MMB, which had drawn Rs. 29.83 crore against which an expenditure of Rs. 6.63 crore was stated to have been incurred, parked unspent funds in Bank on which MMB was getting interest. However, it did not intimate the quantum of interest so earned and the utilisation thereof.
2.	West Bengal	The unspent funds were deposited in the Banks in Saving / Current / FDR Accounts of West Bengal Transport Infrastructure Development Corporation Limited (WBTIDC) – executing the project (Construction of Gangway Pontoon type floating jetties 53 nos and RCC slipway jetty – 4 nos on NW-1 between Tribeni and Farakka) depending on the payment requirements to the contractors and pending bills. The executing agency further pointed out that no directions on the interest earned on unspent balances had been provided.
3.	Himachal Pradesh	Directorate of Transport, Himachal Pradesh, which had drawn Rs. 117.40 lakh and released Rs. 80.88 lakh to the Nodal Officer / executing agency and Rs. 6.25 lakh for consultancy services, parked rest of the funds in FDR on which an amount of Rs. 1.30 lakh was reported to be accrued as interest. The Directorate could not intimate about the utilisation of the interest.

CHAPTER XIII : MINISTRY OF TEXTILES

13.1 Non-establishment of Raw Material Bank for Silk Carpets in Jammu & Kashmir

Even after five years of approval, the Ministry failed to ensure completion of a project for setting up a raw material bank for silk carpets in Jammu & Kashmir for direct distribution of silk and other raw materials to artisans and weavers, which would have enabled them to come out of the shadow of big yarn dealers and obtain full-time employment opportunities. Instead of setting up a society for direct distribution of raw materials to artisans, the implementing agency in Jammu & Kashmir identified two private firms in Kashmir, who were already enjoying a monopoly, and one firm in Jammu, which used the entire material for its own use which defeated the objectives of the scheme.

In September 2003, the Ministry of Textiles approved a project, under the Prime Minister's Special Employment Package for Jammu & Kashmir, for setting up of a Raw Material Bank (RMB) by a state level society to be opened by the State Government, at a cost of Rs 2.50 crore, to provide raw material (silk) of the required quality to artisans and weavers at their doorstep, to enable them to produce silk carpets for the international markets at competitive cost and quality. It was the Ministry's expectation that the project would enable about two lakh carpet weavers to earn better returns through full-time employment and escape exploitation by big yarn dealers. The project had envisaged that while undertaking distribution of good quality raw material directly to the artisans, the society would run the RMB on commercial lines and would generate operational funds from user artisans and weavers on account of interest, administrative, overhead charges as also from other sources such as banks/financial institutions. The Ministry released Rs. 1.00 crore as seed money in January 2004 to the J&K Small Industries Development Corporation (SICOP) in anticipation of setting up the proposed society, with the expectation that the project would be completed by January 2006 (which was later extended to January 2007.

However, the State Government did not set up any society for the RMB. Instead, SICOP selected three private firms for distributing raw material procured under Raw Material Bank Scheme. In Kashmir, two private firms viz., M/S Lotus Textiles and M/S Silk Enterprises, owned by the same family played the role of distributors. They procured the raw material from SICOP and further supplied the material down to other producers/manufacturers associated with them, who in turn, passed it on to various artisans/weavers for getting the carpets manufactured. In Jammu region, the entire raw material was supplied by SICOP to a single party, viz. Shalimar Carpet Industries, who used the material for captive consumption in manufacture of carpets in their own factory. An evaluation study commissioned at the instance of the Ministry in March 2006 had brought out these facts. The evaluation study report had also pointed out three major deficiencies in the operation of the scheme viz. (i) over dependence on the three private parties for distribution of raw material (ii) lack of awareness among user groups, and (iii) lack of direct benefits to the artisans. Further, utilisation certificates, audited statement of expenditure, details of sales, procurement and accountal of raw material, generation of funds for the project, and identity of the artisans, etc., who received the raw material could not be obtained from SICOP by the Ministry against the central grant of Rs. 1 crore, as of April 2008. The Ministry did not release the remaining installment of Rs 1.50 crore to SICOP. The Office of the Development Commissioner, in response to an audit enquiry, stated (October 2008/ January 2009) that disturbed conditions in the Kashmir Valley had delayed the implementation of the scheme and that they had asked SICOP to take appropriate corrective action. The reply of the office of the Development Commissioner is not acceptable as the State Government did not set up the society for Raw Material Bank, as envisaged under the scheme. No action was taken to address the deficiencies pointed out in the evaluation study report. The scheme was being run by the monopolistic dealers from whose clutches the scheme had intended to extricate the poor weavers and artisans. Further, the argument of disturbed conditions in the Kashmir valley cannot be applied to misutilisation in the Jammu region.

The matter was referred to the Ministry in July 2008; their response was awaited as of March 2010.

13.2 Deficiencies in setting up Common Facility Centres (CFCs) under Babasaheb Ambedkar Hastashilp Vikas Yojana (BAHVY)

There were serious deficiencies in setting up CFCs under the BAHVY. Out of the 95 CFCs sanctioned between 2001-02 and 2007-08, 61CFCs were yet to be completed despite release of Rs. 21.15 crore, and Rs. 8.18 crore lying unspent was yet to be refunded. There were also serious systemic deficiencies in the processes for control and monitoring of working of these CFCs.

13.2.1 Introduction

The Development Commissioner (Handicrafts), under the Ministry of Textiles, introduced the Babasaheb Ambedkar Hastashilp Vikas Yojana

(BAHVY) in 2001-02 for integrated development of potential clusters of handicraft artisans, with the objectives of creating centres of excellence with forward and backward linkages; upgrading artisans' skills, and ensuring self-sustained and self-managed clusters of artisans. The package of support for artisan clusters included social, technological, marketing, and financial and infrastructure interventions.

One of the components of BAHVY was the creation of Common Facility Centres (CFCs) at the cluster level to enhance production quality and quantity by using modern tools, equipment and techniques and increase economies of scale. Each CFC was estimated to cost Rs. 60 lakh, to be fully funded by the Government of India. The funds were to be released in three installments, namely 50 *per cent* in advance as the first installment, 40 *per cent* as the second installment on receipt of audited expenditure statement for the first installment and satisfactory progress report, and the remaining 10 *per cent* to be released as reimbursement on receipt of audited expenditure statement for the entire project alongwith performance and inspection report, duly vetted by the State agency, within one month of setting up of the CFC.

The BAHVY projects were required to be implemented through reputed NGOs, Apex Co-operative Societies, DRDAs, Central/ State Handloom and Handicraft Development Corporations and other Government agencies.

The Regional Screening Committee (RSC) headed by the concerned Regional Director of DC (H) was to scrutinize and forward only viable projects to the DC (H) for clearance, after reckoning their viability, and release of funds.

The progress of implementation of the Scheme and its components was to be monitored periodically by designated Committees at the national, state, and district levels.

13.2.2 Funds flow for setting up of CFC and physical progress.

Between 2001-02 and 2007-08, the DC (H) sanctioned setting up of 95 CFCs under BAHVY at a cost of Rs. 35.27 crore as under:

Table 1 : Status of Projects as of October 2009

(Rs. in crore)

Year of Sanction	No. of CFCs during the year	Amount sanctioned for the projects	Status of sanctioned projects ending October 2009				No. of completed CFCs	No. of incomplete CFCs	Projects closed midway/ recast
			Amount released	Amount utilized	Amount refunded	Unspent balance lying with implementing agencies			
2001-02	17	8.44	4.38	3.88	0.21	0.29	5	11	1 recast
2002-03	Nil	-	-	-	-	-	-	-	-
2003-04	27	7.54	5.38	3.60	-	1.79	14	13	-
2004-05	17	6.45	4.31	2.26	0.50	1.55	7	7	3
2005-06	10	2.49	1.52	0.88	-	0.63	2	8	-
2006-07	4	1.65	1.01	0.37	-	0.64	1	3	-
2007-08	20	8.70	4.55	1.27	-	3.28	1	19	-
Total	**95**	**35.27**	**21.15**	**12.26**	**0.71**	**8.18**	**30**	**61**	**4**

13.2.3 Audit findings

13.2.3.1 Status of CFC projects.

The status of 95 CFC projects as of October 2009 was as under:-

(i) Completed CFCs

Thirty CFCs involving sanctioned assistance of Rs. 7.83 crore were reported as completed. Out of Rs. 7.41 crore released, Rs. 7.35 crore was reported as utilized and Rs. 0.06 crore was refunded. During test check, it was observed that the DC (H) had not obtained the details of artisans trained and the benefits derived by the artisans/clusters in any of the 30 completed CFCs. The DC (H) prematurely treated those CFCs as completed, merely on the basis of release of last installment, without ensuring that the projects were physically completed and were functional. Further, it was seen during audit that:

- For two projects, sanctioned at a cost of Rs. 0.75 crore, the first installment of Rs. 0.37 crore was released. The projects were shown as completed after incurring an expenditure of Rs. 0.31 crore. Evidently, the project requirements were either inflated, or the projects were not fully completed.

- In respect of three CFCs being implemented by the Export Promotion Council for Handicrafts (EPCH), New Delhi; Artisan Self Help Society, Tamil Nadu; and Nagaland Handloom and Handicrafts, Nagaland, for which Rs. 1.84 crore were sanctioned and released and reported as fully utilized, the last installment of Rs. 0.34 crore was released without obtaining the completion certificate and final performance-cum-achievement report from the Regional Office of the DC (H). In response, the DC (H) stated that the balance amount had been released after verifying all documents and obtaining clarifications. However, necessary documents in support of this claim were not provided to Audit.

(ii) CFCs not taken up

Three CFCs project were not taken up, and Rs. 0.50 crore was refunded by the two Implementing Agencies after lapse of more than three years from the date of release; refund from one closed CFC amounting to Rs. 0.05 crore was awaited.

(iii) Recast CFC

One CFC project sanctioned at a cost 1.79 crore had been recast with a revised budget of Rs. 0.72 crore, suggesting over estimation of the cost of the project.

(iv) Incomplete CFCs

For 61 CFCs, sanctioned at a cost of Rs. 24.10 crore, an amount of Rs. 13.05 crore was released, Rs. 4.87 crore was reported as utilized, and Rs. 0.04 crore refunded. The balance of Rs. 8.14 crore was lying unspent with various Implementing Agencies. These CFCs remained incomplete even after lapse of periods ranging from one year to seven years against the sanctioned time schedule of three to six months required for completion of the CFCs. The setting up of the CFCs comprised mainly construction of buildings, water tanks for the sites and purchase of tools, machines and equipment, etc. While the completion period of three to six months prescribed under the sanction order appeared too restrictive, the delays ranging from one to seven years were excessive. Further, test- check revealed that:

- For the 42 incomplete CFCs, Rs. 7.75 crore was released. The NGOs/Cooperative Societies executing the projects had not come up for grant of subsequent installments after obtaining the first installment. In nine CFCs, the DC (H) had released funds between Rs. 0.05 crore and Rs. 0.10 crore, against the sanctioned amount ranging between Rs. 0.15 crore and Rs. 0.53 crore. The funds released were, prima facie, too insignificant to complete any project. The DC

(H) had also not obtained the status of utilization of released funds and physical progress reports and audited accounts in respect of these CFCs.

- The Implementing Agencies of 13 CFCs, to whom Rs. 3.49 crore was released through first and second installments, did not request for the third installment alongwith the completion report/audited accounts/performance cum achievement reports, indicating failure of DC (H) to follow up/monitor the project.
- In the remaining six CFCs, to whom Rs 1.77 crore was released, three CFCs were not released further grant after release of first installments and three CFCs were not provided with grant after receipt of second installments, despite obtaining the requisite reports, indicating lackadaisical approach and arbitrariness in release of grants by the DC(H).

(v) Other Audit findings

- In three CFCs (Chhattisgarh Khadi Gramdyog Board, Raipur; Chamba, Chattisgarh; Khadi Gramdyog Board, Jagadalpur, Chattisgarh and M/s Khadi and Gramdyog Board, Ektal, Chhatisgarh), the unspent amount of Rs 0.10 crore was irregularly transferred/diverted to another institution (Chhattisgarh Hastshilp Vikas Board) by these three Implementing Agencies, without the formal approval of DC (H).
- In six CFC projects, Rs. 0.32 crore (for two CFCs), Rs. 0.34 crore, Rs. 0.22 crore ,Rs. 0.22 crore and Rs. 0.23 crore were released to four Delhi based NGOs for setting up of CFCs in Mahakalpar and Lunukua (Orissa), Jaisalmer (Rajasthan), Kulu (H.P.), Konkan (Maharashtra) and Kotwa (U.P.), instead of to the local Societies in the concerned CFC area, thereby rendering monitoring of the sanctioned CFCs by these NGOs difficult.
- A CFC at Amingaon, Kamrup district was sanctioned in January 2005 at a cost of Rs. 41.80 lakh, to be set up by July 2005. The first installment of Rs. 20.90 lakh was released to the implementing agency, Assam Silk Development Centre, Guwahati, Assam. Audit scrutiny revealed that despite the Regional Director (NER) reporting in October 2006 that there was no space for installation of the machinery and no activity had been undertaken by the NGO, no action for blacklisting of the NGO and/or legal action was taken by DC (H) for recovery of the outstanding amount of Rs. 20.90 lakh

- Incidentally, the same NGO had been sanctioned Rs. 15.43 lakh (March 2004 and January 2005) for various activities viz. survey, skill up gradation training, design and craft bazaar, against which Rs. 9.14 lakh had been released. Only one activity i.e. survey had been reportedly completed at a cost of Rs. 2.85 lakh, and the balance of Rs. 6.29 lakh had not been refunded.

- In November 2007, the Superintendent of Police, Bureau of Investigation (Economic Offences), Assam, had requested the Regional Director (NER) to stop further payments to the NGO, as it was found issuing false bills/ vouchers/ documents in respect of a grant of Rs. 15.02 lakh for organizing craft bazaars/ seminars in another case.

- In response, the DC (H) in May 2009 stated that the organization had not refunded the amount. FIR was lodged during March 2009 with the Hatigaon Police Station, Guwahati. Further, Regional Director (NER) was requested to file a civil suit against the organization. However the recovery had not been made.

- A CFC at Karimganj District was sanctioned at a cost of Rs. 49.80 lakh in 2003-04. Rs. 24.90 lakh was released during 2003-05 to the North Eastern Federation of International Trade, Shillong, Meghalaya, which was reportedly fully utilized. Audit scrutiny, however, revealed that the development of clusters of artisans/ craftsmen was not included as one of the objectives, in the Memorandum of Association of the NGO. Further, the NGO submitted the audit report and utilization certificate directly to the DC (H), without inspection by the Regional Office. While the DC (H) had directed the Regional Office in Guwahati to submit the relevant documents after inspection, these were awaited as of October 2008. The expenditure of Rs. 24.90 lakh was, thus, doubtful.

  In response, the DC (H) in May 2009 stated that the machinery had been procured. The organization had expressed its inability to run the CFC and suggested transferring the CFC to Cane and Bamboo Technology Centre, Guwahati to manage its day–to-day functioning. The request of the organization was being examined by the DC (H), failing which recovery proceedings would be initiated. Further progress was still awaited (October 2009)

  Details of the above are indicated in **Annex-I.**

13.2.3.2 Monitoring of the Implementation of the Scheme

Financial management and control over the execution of the Scheme was inadequate and lax, as brought out above. The contemplated periodical monitoring through inspection was not carried out. Test- check revealed that in 35 incomplete CFCs, field inspections had not been conducted and in seven incomplete CFCs, only one or two inspections were conducted, although the inspections were required to be invariably conducted before release of further installments. Further, in three incomplete CFCs, even when the inspection reports indicated that these were not working, funds were still released to the implementing agencies. The contemplated National and State Level Committees for monitoring of CFC projects had not been constituted. In response, the DC(H) stated that monitoring was done by the regional and field offices and overall monitoring at the Headquarters. However, details of the monitoring purportedly being conducted were not provided to audit.

The main thrust of the DC (H) was preponderantly on releases of funds under the Scheme rather than on ensuring achievement of the end objectives of qualitative production and enhancing the technical skill of the artisans to generate adequate income to make them self sufficient and outcomes from the investments being made under the Scheme. The DC (H) continued to release funds for setting up of new CFCs without reckoning the experience gained from earlier sanctioned CFC projects.

The matter was referred to the Ministry in April 2009; their reply was awaited as of March 2010.

13.3 Non-recovery of Grant under Scheme for Setting up of Handloom Development Centres (HDCs) and Quality Dyeing Units (QDUs)

A Scheme for setting up 3000 HDCs and 500 QDUs was initiated in 1993-94 and Rs. 95.70 crore was released to 20 States up to 2001-02. The Scheme was discontinued in 1997-98, but committed liabilities up to 2001-02 were accepted. No information regarding Year-wise/State-wise physical progress/outcomes of the scheme was on record. The office had received UCs of Rs. 73.74 crore and recovered Rs. 10.75 crore and the balance of Rs. 11.22 crore, besides penal interest of Rs. 13.39 crore, was to be recovered (October 2009). Audit scrutiny also revealed numerous deficiencies and defects in UCs, affecting their reliability for validation of expenditure incurred out of central releases.

13.3.1 Introduction

The Development Commissioner (Handlooms) (DC (H)), implemented a Central Sector Plan Scheme from 1993-94 for setting up 3000 Handloom

Development Centres (HDCs) and 500 Quality Dyeing Units (QDUs) in areas identified by the concerned State Governments through Primary Handloom Weavers Co-operative Societies having good track record of performance and infrastructure in terms of building, administrative and technical staff, transport facilities, etc. Each HDC was to cover about 250 looms and 1000 weavers, and each QDU was required to cater to the dyeing requirements of about 1000 weavers. The scheme was intended to ensure timely supply of yarn of the requisite quality and counts, essential inputs such as dyes, chemicals to the weavers covered by the HDCs, marketing of the cloth produced by the members of HDCs in the domestic and export markets and adequate provision of working capital to sustain long term production, system for design development and their dissemination to primary societies and weavers, facilities for quality dyeing and training in improved dyeing practices, etc.

The scheme also contemplated providing of training to the weavers in improved/latest dyeing practices and also new designs and additional employment to the handloom weavers, etc.

The Scheme envisaged central assistance of Rs. 27 lakh per HDC (Rs. 17 lakh as grant and Rs. 10 lakh as loan from NABARD/ banks). Each QDU was entitled to central assistance of Rs. 7.83 lakh (Rs. 4.265 lakh as grant, and Rs. 3.565 lakh as loan). The total cost of 3000 HDCs and 500 QDUs was estimated at Rs. 849.15 crore, with Rs. 321.33 crore through grant and Rs. 527.82 crore as loan. The State Governments were to provide the guarantee for availing credit from NABARD and make budget provisions for the interest subsidy. The DC (H) was to accord approval to the projects on the basis of information provided by the State Government.

The State Government and the DC (H) were responsible for effective periodical monitoring of performances of HDCs/QDUs by setting up of a High Level Monitoring Committee.

The Scheme was implemented originally up to 1996-97 and was extended to 1997-98; thereafter the Scheme was discontinued but the committed liabilities were entertained up to 2001-02. Between 1993-94 and 1997-98, 1848 HDCs and 391 QDUs were sanctioned in 20 States/ one UT and grants of Rs. 95.70 crore were released during 1993-94 to 2001-02. State wise/year-wise break up is given in **Annex-II.**

13.3.2 Audit findings

Audit findings are based on the perusal of the records relating to the Scheme and information furnished by DC (H) as well as test check of records in Assam, Tamil Nadu, Orissa and Uttar Pradesh. The main findings are detailed as under:

- As per the records in the O/o the DC(H) and information furnished to audit (January 2007), none of the State Governments had completed any project under the Scheme. The physical targets of completion of the projects were not monitored as of October 2009. However, test- check of records at the field disclosed that in Tamil Nadu out of 324 HDCs sanctioned, 218 HDCs were reported functioning and 106 were non-functioning and were under liquidation as of March 2010. Out of 36 QDUs sanctioned in Tamil Nadu, 10 QDUs were functional and 26 QDUs were non- functioning mainly due to non- grant of permission by Pollution Control Board. In Orissa out of 83 HDCs sanctioned, 65 were functioning and 18 were under liquidation as of January 2010. This evidently suggests that sanctions were granted without taking adequate care and verification. This also reveals that there was lack of information in the office about the actual implementation of projects.

- As revealed from the records of the DC(H), the Scheme did not function satisfactorily and most of the sanctioned projects were left incomplete by the implementing agencies reportedly due to in-adequate follow up and interest taken by the State Government for accomplishment of the fixed targets, dispersal of projects in far flung areas, inadequate flow of credits through cooperative banks and most of the Primary Weavers Cooperative Societies having less loom-age than prescribed under the Scheme.

- Due to the failure of the State Governments to implement the projects sanctioned under the Scheme, the DC (H) directed the State Government (January 2003) to refund the entire Central assistance released, along with penal interest thereon. However, out of the total release of Rs. 95.70 crore, only Rs. 10.75 crore was recovered (**Annex-III**). Of this, Rs. 8.53 crore pertaining to Manipur was recovered through adjustment at source by the Ministry of Finance against the Normal Central Assistance due to Manipur (August 1999 installment). Adequate attempts were evidently not made to ensure refund of the central assistance in the remaining cases. Out of the balance amount of

Rs. 84.95 crore, Utilization Certificates (UCs) for Rs. 73.74 crore were submitted by the States by 2001-02, leaving Rs. 11.22 crore unutilized by them (**Annex-III**). The DC (H) intimated (October 2009) that penal interest of Rs. 13.39 crore was also recoverable for the period from 1 January 2002 to 31 March 2008 from the States. A scrutiny of UCs amounting to Rs. 73.74 crore submitted by the States, revealed the following:

- UCs amounting to Rs. 8.02 crore from Tamil Nadu were omnibus UCs, which did not give details of how and where the amount was actually utilized. Even the names of Weavers' Cooperative Societies, which were assisted by the grants, were not mentioned. Only the number of such Societies was given.

- UCs for Rs. 4.92 crore from the States of Assam, Tamil Nadu, Orissa and Uttar Pradesh were received beyond the cut off year (2001-2002).

- UCs for Rs. 34.80 crore from Andhra Pradesh, Bihar, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Nagaland, Orissa and West Bengal were un-dated.

- UCs amounting to Rs. 0.10 crore from Tripura were not even signed in token of correctness of the same.

- It was noticed in audit that the DC (H) continued to release funds without ensuring receipt of proper UCs/expenditure account duly certified and audited. The main thrust was on release of funds rather than ensuring proper utilization thereof. There was no mechanism evolved for watching the proper utilization of funds released.

- In Assam against Rs. 6.74 crore released by the Government of India (GOI), the State Government released Rs. 5.29 crore to the Director Handloom and Textiles, Assam, and the balance of Rs. 1.45 crore had been retained for more than 12 years. Though the Scheme was credit linked (Loan: Rs. 17 lakh and Grant: Rs. 10 lakh), surprisingly, none of the selected implementing agencies had taken loans from banks. The absence of loan component may have contributed to projects becoming unviable and consequently not getting completed. Details of raw materials procured by the HDCs for supply to weavers and cloth produced therefrom were required to be shown to the Directorate office, Assam but the same had not yet been collected.

- In Orissa, Assistant Director of Textiles, Berhampur was not in a position to utilize or refund the outstanding amount of Rs. 2.31 lakh as the said amount had been debited by the Berhampur Central Co-operative Bank from the account of the Weavers' Co-operative Society (Kanteikoli) in adjustment of another cash credit (loan) outstanding against the Society.

13.3.3 Monitoring of the scheme

In Audit's view, despite release of Rs. 95.70 crore for setting up 3000 HDCs and 500 QDUs, no watch had been exercised to ensure that the funds were utilized for completion of the HDCs/QDUs. The actual physical progress of completion had not been monitored. The recovery of GoI's grants along with interest thereon had not been enforced. In April 2002 and January 2003, the DC(H) had directed all the State Governments to refund the entire amount of Central assistance with interest, in all such cases where the sanctioned projects had not been completed by March 2002, but had failed to follow up on this directive. Logically, therefore no UCs should have been accepted in such cases, where the HDCs/QDUs had not been completed by March 2002.

The DC (H), referred (October 2008) the cases to all the State Governments directing them to furnish copies of UCs, duly attested, by the end of October 2008, failing which the entire amount of Central share would be recovered from the allocation made by the Planning Commission with the concurrence of the Ministry of Finance. The DC (H) again reminded (September, 2009) the State Governments for refunding the assistance by 30 October 2009, instead of effecting recovery from the defaulting States from the annual plan allocations (as indicated earlier).

13.3.4 Evaluation of the Impact of implementation of Scheme

Evaluation of the impact of implementation of the scheme was got conducted (November 2000) only in one State (Uttar Pradesh) out of 20 States through Development Consultancy Services (DCS), New Delhi. The DCS had observed that the marketing of products continued to be a problem and the weavers were facing a lot of problems because of pendency of payment by the state owned handloom agencies. No evaluation in other States was got conducted.

The DC (H) stated (October 2009) that no records relating to monitoring were available and traceable due to time gap, and it also did not have the wherewithal to implement and monitor the project(s) at regional level. The extent of monitoring and technical guidance, assessment of the performance of the sanctioned project, details of raw materials procured by the HDCs for supply to weavers and the cloth produced there from, details of handloom weavers assisted was also not ascertainable. The lack of adequate follow up and interest taken by the State Government, besides inadequate flow of credit through cooperative bank, resulted in non accomplishment of the targets under the scheme.

The shortcomings/weaknesses as pointed out above evidently suggest that the scheme was implemented in a lackadaisical manner and the main thrust of the implementation of the Scheme was found to be oriented towards incurring of expenditure/releases of funds, rather than on outcomes/results from the investments being made. Thus, Rs. 11.22 crore released by the DC (H) to the State Governments along with penal interest of Rs. 13.39 crore, still remained blocked with them since 1993-94.

The matter was referred to the Ministry in September 2008; their reply was awaited as of March 2010.

13.4 Non-receipt of Utilisation Certificates

Lack of adequate and effective monitoring by the Development Commissioner (Handicrafts) resulted in non-receipt of 1355 Utilisation Certificates (UCs) for Rs. 70.44 crore of grant-in-aid released upto 2006-07 to 808 organizations, which were to be submitted before March 2008. Further, in contravention of the General Financial Rules, the DC (H) released more grants to 161 organisations, despite non-receipt of UCs for the previous years, resulting in accumulation of outstanding UCs of Rs. 46.23 crore.

The General Financial Rules[1] stipulate that for any non-recurring grant released to an institution or organization, a Utilization Certificate (UC) is required to be obtained, to ensure that the grant was utilized only for the purpose for which it was sanctioned. The UC is to be submitted within 12 months of the closure of the financial year; receipt of the UC is to be watched by the Ministry/ Department, and in case of non-receipt of UCs, the Ministry/ Department can blacklist the institution or organization for sanction of future grants. Further, the Ministry/ Department is required to release sanctioned

[1] Rule 212(1) of GFR, 2005 and Rule 151(1) of GFR, 1963

amounts for future financial years only after receipt of provisional UCs for the previous financial year.

Audit scrutiny of the records of the Development Commissioner (Handicrafts) (D.C (H)) and analysis of electronic data supplied by his office revealed that 1355 UCs for Rs. 70.44 crore of grant-in-aid released before 2006-07 were pending. The Utilization Certificate for these grants were required to be submitted before March 2008. An age wise analysis of pendency of UCs is given below:

Table-2

Pendency Period	No. of Pending UCs	Grant-in-aid involved *(Rupees in crore)*
20 to 29 years	24	0.71
10 to 19 years	125	3.86
5 to 9 years	117	3.90
2 to 4 years	567	32.22
Less than 2 years	522	29.75
Total	**1355**	**70.44**

Further, detailed analysis of the outstanding UCs revealed that out of the total outstanding UCs amounting to Rs. 70.44 crore, 25 UCs amounting to Rs. 11.55 crore for the years 2004-05 to 2006-07 pertained to just three organizations–the Indian Institute of Carpet Technology, Bhadoi; J&K Handicrafts (S&E) Corporation Ltd., Srinagar; and National Building Construction Corporation Ltd., New Delhi.

A classification of outstanding UCs by the nature of the grantee organizations where the amount was Rs. 20 lakh or more reveals the following position:

Table-3

Nature of organization	No. of organisations	Amount of Outstanding UCs *(Rupees in crore)*
Government organizations	51	38.18
NGOs	16	4.75
Unidentified	3	1.03

Further, audit scrutiny revealed that despite non-receipt of UCs for previous financial years, the D.C (H) released further grants to 161 organisations/ institutions for succeeding years. This resulted in accumulation of outstanding UCs amounting to Rs. 46.23 crore, of which Rs. 35.35 crore pertained to 45 Government organizations and Rs. 10.88 crore pertained to 116 NGOs.

The matter regarding non-receipt of UCs was pointed out in earlier Annual audits for 2004-05 and 2005-06. The D.C (H), therefore, directed (October

2006) its Regional Directors to take suitable action on this issue. However, no concrete steps were taken, resulting in the amount of outstanding UCs increasing steeply from Rs. 26.33 crore in June 2005 to Rs. 70.44 crore in July 2008. On being pointed out yet again in audit, the D.C (H) directed the Regional Directors in June 2008 to take immediate action and furnish a consolidated report by July 2008, failing which no further grants would be released to the organizations. As a result of repeated pursuance by Audit, the outstanding UCs for the period 1978-2007 got reduced to Rs. 38.30 crore. However, as on September 2009, 1527 UCs for the period upto 2007-08, (which were due for submission before March 2009) amounting to Rs. 72.25 crore were pending as per records of the Development Commissioner (Handicrafts).

A test check of outstanding UCs was also got conducted by Audit in December 2009 in the state of Jammu & Kashmir, Uttar Pradesh, Delhi and Assam. The State- wise findings are detailed below:-

Jammu & Kashmir

In a test check of sanctions issued for Rs. 8.02 crore during 2003-08, it was noticed that:

- UCs for an amount of Rs. 2.17 crore (Rs. 0.15 crore for the year 2005-06, Rs. 2.02 crore for 2007-08) had not been submitted till October 2009, although the expenditure had been incurred. Besides, Audit also noticed diversion of funds of Rs. 0.35 crore, besides extra/irregular/ unfruitful expenditure of Rs. 0.23 crore by two grantees.
- Rs. 1.25 crore was lying unspent with the grantee for releases made during 2007-08, which revealed that the funds were released in excess of requirements.

Uttar Pradesh

In a test check of sanctions issued for Rs. 7.52 crore from 2005-06 to 2007-08, out of which Rs. 1.34 crore pertained to the period upto 2006-07, it was noticed that:

- An amount of Rs. 2.02 crore (Rs. 1.83 crore for 2007-08 and Rs. 0.19 crore for 2006-07) was lying unspent and it was reported in UCs that the same would be adjusted towards grant in aid payable during the next year. It was indicative of the fact that funds were released in excess of requirements.

- UCs for Rs. 4.00 crore pertaining to 2007-08 had not been submitted by the Moradabad Development Authority and the authority stated that the UCs would be submitted after completion of the work. This was in contravention of GFRs, as the same was to be submitted within 12 months of release and balances refunded.

Delhi

For grants released of Rs. 0.85 crore to Delhi Tourism and Transport Development Corporation, New Delhi for the years 2005-06 to 2007-08, it was seen that the agency had already submitted UCs for grants of Rs. 0.70 crore and for the balance of Rs. 0.15 crore (June 2005), records were not available with the agency.

Assam

A test check of sanction issued for Rs. 4.70 crore from 2005-06 to 2007-08, out of which Rs. 1.45 crore pertained to the period upto 2006-07, it was noticed that:

- UCs for Rs. 1.41 crore (Rs. 0.10 crore for 2007-08 and Rs. 1.31 crore prior to 2007-08) had been submitted, whereas UCs for Rs. 0.62 crore (Rs. 0.02 crore for 2006-07 and Rs. 0.60 crore for 2007-08) had not been submitted.
- Unspent balances worth Rs. 0.37 crore were lying with the grantees (Rs. 0.04 crore; 2005-06; Rs. 0.02 crore; 2006-07; Rs. 0.31 crore; 2007-08) who had also refunded an amount of Rs. 0.22 crore for sanctions issued in 2007-08. Evidently, excess release of funds was made without assessing requirement.
- No grant had been stated to be received by the agency in respect of sanctions issued for Rs. 0.08 crore in 2007-08.
- As per the records of agencies, UCs were reported for an amount of Rs. 0.25 crore, out of which Rs. 0.24 crore pertained to 2007-08. However, in the absence of forwarding letters, their actual receipt by the sanctioning authority could not be confirmed.
- UCs for Rs. 29 lakh were being exhibited as outstanding by DC(H). However, audit examination of agency records revealed that UCs for the same had already been submitted; this also included UC for an amount of Rs. 22.36 lakh in respect of sanctions issued to Desh Bandhu Club, Cachar in 2004-05 for which the UC was submitted in September 2006.

The above field scrutiny revealed that the records were not updated on an ongoing basis in respect of UCs submitted, so as to ascertain the correct status of outstanding UCs.

In response to an audit enquiry, the D.C (H) stated in October 2008 and again in December 2008 that the regional offices had earlier been instructed to initiate criminal/ civil cases against the defaulting organizations, and that the action regarding blacklisting of organizations / units for future grants would be undertaken after receipt of reports from the original offices. Audit, however, observed that such instructions were issued by D.C (H) in October 2006, followed by instructions issued by Ministry of Finance, Department of Expenditure forwarded in December 2007 and June 2008. The fact remains that despite issue of these instructions, utilisaton certificates for Rs. 72.25 crore for the funds released upto 2007-08, which were required to be furnished before March 2009 were still pending.

This was also indicative of the fact that either the DC(H) was not having complete / confirmed data about the correctness of the outstanding UCs, or it was not able to ensure compliance with the requirements as per the GFRs and other instructions after the funds were released. It was also noticed that there was lack of monitoring and control mechanism to ensure that the grants released were utilized fully and correctly by the grantee units / organizations for achievement of financial and physical targets. Cases of excess releases, non receipt of grant shown as released and absence of necessary action in respect of defaulters were also noticed. In many cases, the UCs had been furnished by the grantees to whom the money was released but the amounts still continue to be outstanding as per the records of D.C (H).

Recommendations:

The matter may be reviewed departmentally and a detailed cross verification carried out to arrive at the exact position of the releases made for which outstanding UCs were not received and action taken to recover the outstanding dues. In the absence of timely receipt of UCs, there was a strong possibility of misuse of these GoI grants. Further, with the passage of time, the chances of recovery or adjustment of the grant-in-aid may become remote.

It also needs to be ensured that DC(H) and its regional offices should take immediate action on:

- Ascertaining the exact status of defaulting organization / NGOs and to ensure that none of the grantee units were closed down. For such units, the requisite action for filing of criminal / civil cases needed to be taken, besides fixing responsibility for release of funds to such units.

- The system regarding sanction, release and utilization of funds need to be rationalized so that the funds are spent as per rules and in time and balances got refunded.

The matter was referred to the Ministry in September 2008; their reply was awaited as of March 2010.

13.5 Non-establishment of National Centres for Design and Product Development at Delhi and Moradabad

A project for setting up two National Centres for Design and Product Development at Delhi and Moradabad at an originally estimated cost of Rs. 5.37 crore was nowhere near commencement even after 10 years of approval. Despite even the land for the centres not having been allotted, Rs. 2.45 crore had been utilized at temporary locations, without ensuring delivery of the intended benefits to artisans and industry, while Rs. 1.55 crore of GoI funds were lying unspent.

In October 1998, the Ministry of Textiles approved a proposal for setting up two National Centres for Design and Product Development (NCDPD) at Delhi and Moradabad at a cost of Rs. 5.37 crore. The objective of establishment of these centres was to assist in development of new designs, improve the quality of handicraft items produced by artisans, enrich and orient the industry to the finer aspects of design, and ensure acceptability of exportable handicrafts in international markets. While the Moradabad centre would essentially be servicing craftsmen, manufacturers and exporters of Moradabad and adjoining areas, the Delhi centre was to work like a "hub-and-spoke" arrangement by constantly disseminating design related inputs all over the country.

During the period from March 1999 to March 2006, an amount of Rs 4.00 crore, out of a sanctioned amount of Rs. 5.37 crore, was released as grant-in-aid to NCDPD, which had been registered in November 1999.

Audit scrutiny, however, revealed that the two centres at Delhi and Moradabad had been set up on a temporary basis on the premises of other offices of the Ministry – RDTDC[2], Okhla and MHSC[3], Moradabad – in February 2001 and July 2000 respectively, but had not yet been established on a permanent basis. No progress towards allotment of land, let alone construction of buildings, was made till January 2005, when the Ministry approached the Delhi Development

[2] RDTDC: Regional Design and Technical Development Centre
[3] MHSC: Metal Handicraft Service Centre

Authority (DDA) for allotment of one acre of land in Delhi. As of February 2009, however, no land had been allotted for either the Delhi or Moradabad centres.

Releases of funds were made in several installments between March 1999 and March 2006 without proper need assessment and ensuring availability of land for the two centres. In fact, when NCDPD requested the Ministry in May 2005 to approve carry forward of unspent funds of Rs. 0.88 crore to 2005-06, they were directed to refund the amount with interest. However, without ensuring such refund, another installment of Rs. 1.43 crore was released on 31 March 2006, evidently to avoid lapse of funds. The Ministry rejected the proposal of NCDPD for carry-forward of unutilized grants of Rs. 1.55 crore for 2004-05 and 2006-07; however, the amounts had not been refunded.

Out of the total funds released of Rs. 4 crore, NCDPD had reportedly incurred expenditure of Rs. 2.45 crore on various items – setting up of temporary infrastructure, acquiring fixed assets, setting up of office etc. – without establishment of permanent centres. Instead, in February 2008, NCDPD submitted a revised proposal for infrastructure development at an estimated cost of Rs. 10 crore, which had not been approved as of February 2009.

Field visit by audit to the temporary locations of the NCDPD centres at Okhla, Delhi and Moradabad revealed the following:

- In Okhla, Delhi, some computers meant for trainees and office equipment were lying unutilized due to lack of space at the temporary location.

Office equipment and computers lying unutilized at NCDPD Okhla Centre

- The Moradabad centre was non-functional since 2004, and the furniture and fixtures were lying dumped in a store.

Thus, despite release of Rs. 4 crore for setting up two NCDPD centres at Delhi and Moradabad for solving the design problems of artisans and industry, construction of these centres had not even started after ten years of sanction. Further, Rs. 2.45 crore had been spent on various items without ensuring permanent infrastructure, and the balance Rs. 1.55 crore was lying unspent.

The matter was referred to the Ministry in October 2008; their reply was awaited as of March 2010.

13.6 Delay in Construction of Office Building at Srinagar

The Ministry approved construction of office building for Development Commissioner (Handicrafts) at Srinagar at a total cost of Rs. 2.60 crore and released Rs. 1.69 crore in March 2006. Due to the abnormal delay in taking possession of the land after making advance payment, the cost of the project has already risen to Rs. 8.16 crore.

In March 2006, the Ministry of Textiles approved construction of office building at Srinagar, Jammu & Kashmir for the Field Administrative Cell and the Marketing/ Service Extension Centre of the Development Commissioner (Handicrafts), which were hitherto housed in rented buildings. Huge rental payments and security risk with the rented buildings at Srinagar were the two reasons cited for justifying construction of the office building. The total approved cost of the project was Rs. 2.60 crore consisting of Rs. 1.20 crore for purchase of land (four kanals[4]) and Rs. 1.40 crore for construction of the building. The Ministry made advance payment of Rs. 1.20 crore in March 2006 to Srinagar Development Authority for purchase of the land and Rs. 0.49 crore between June 2007 and May 2008 to the Central Public Works Department (CPWD) for land development, site demarcation and construction of boundary wall.

[4] One kanal is equal to 506 square metres.

Audit in March 2007 observed that no significant progress had taken place toward construction of the office building and in the meantime the project cost had also increased enormously. The details of the case are discussed below:

a. The Ministry could not take possession of the land even after four years of making full advance payment in March 2006. The revised cost of project as approved by the Department has also escalated to Rs. 8.16 crore. Of this, the cost of the construction of the building increased from Rs. 1.40 core to Rs. 5.97 crore.

b. Government of Jammu & Kashmir (GoJK) did sanction allotment of land on lease hold basis in August 2007, initially for a period of forty years with effect from 29 August 2007 which was extendable for a further period of not more than forty years. However, the lease deed on record was undated and there was no record of the registration of the same (February 2010).

c. The Ministry released Rs. 0.49 crore to Central Public Works Department between June 2007 and May 2008, although the land had not been demarcated.

d. The work of boundary wall and approach road was reported to be nearing completion, but the construction work of the building was yet to start as of September 2009.

e. Due to delay in construction of office building, the Field Administrative Cell and the Marketing Service Extension Centre continued to incur avoidable expenditure of Rs. 2.28 lakh *per annum* towards rental charges for their office buildings.

Thus, the lackadaisical attitude of the Ministry in acquiring the land for construction of office building for Field Administrative Cell and Marketing/ Service Extension Centre at Srinagar resulted in abnormal time and cost overrun. The cost of project increased by more than 200 *per cent* from Rs. 2.60 crore to Rs. 8.16 crore. Besides, the objective of housing these offices in their own building, avoiding security risks involved in rented building had not been achieved.

The matter was referred to the Ministry in July 2008; their reply was awaited as of March 2010.

13.7 Recovery at the instance of Audit

An amount of Rs. 27.75 lakh was recovered at the instance of Audit out of Rs. 160.27 lakh including penal interest released under Development of Exportable Products and Marketing (DEPM)/ Handloom Export Scheme (HES).

The Office of the Development Commissioner (Handlooms) (DC(H)) has been implementing the "Development of Exportable Products and their Marketing" (DEPM) Scheme since 1996-97. This scheme was aimed at giving assistance to the handloom agencies for building and marketing of export worthy handloom. The scheme continued during the X plan with a modified nomenclature "Handloom Export Scheme (HES)".

Audit scrutiny of the scheme revealed that the DC (Handlooms) had sanctioned 86 projects at a cost of Rs. 19.29 crore during the IX plan period (1997-2002), against which Rs. 19.29 crore was released to the implementing agencies. However, only 67 projects had been completed as of December 2008, and 19 projects involving central funds of Rs. 165.95 lakh had either been terminated or closed.

As per a clause of sanctions to release of Central Assistance, it was envisaged that in the event of non fulfillment of any one or more of the terms and conditions of the Scheme, the implementing agency would be liable to refund the assistance along with interest thereon as per the rates prescribed under the provisions of the GFR. However, it was seen in audit that out of the 19 terminated/ closed projects, in 10 projects, Rs. 160.27 lakh, including penal interest, was yet to be recovered.

This was repeatedly pointed out in audit during the period from 2001-02 to May 2008, and an amount of Rs. 27.75 lakh was recovered by DC(H) during 2005-07. The defaulting agencies had also been debarred from further grants, till refund of the principal amount along with penal interest. However, the balance amount of Rs. 132.52 lakh was still pending recovery (June 2009).

Annex-I

(Referred to in Paragraph 13.2)

Details of Common Facility Centre Sanctioned under BAHVY from 2001-2002 to 2007-08

(Position as of October 2009)

Sl no.	Name of the NGO/ Government Agency	Period	Name of the craft/location	Amount sanctioned	Amount released	Utilized	Amount Refunded	Amount Unspent	Status
1	DRDA Mandi	2001-02	Bamboo craft. Metal, carpet, Mandi, H..P.	179.46	15.00	5.00	10.00		Funds refunded on 8/2004 after 2 years and 5 months. Further recast into two projects in 2004-05.
2	M.P Hastshilp Vikas Nigam Limited	2001-02	Cane, Bamboo & Wood crafts, Gvindpur, Bhopal.	45.00	22.50	16.11	6.39	__	Shown Completed on 7/2/2004 within the first installment
3	DRDA Villipuram	2001-02	At Thenkeeranur, T.N.	29.60	14.80	14.80	__	__	Shown completed in 7/2007 within the first installment
4	EPCH, New Delhi	2001-02	Photo and Picture framing. Sharanpur, U.P.	111.00	111.00	111.00	__		Shown completed in 11/2006, required document at the time of completion was not obtained.
5	Nutan Sangha, Kolkata	2001-02	Bamboo product crafts Jalpaiguri, W.B.	44.43	39.99	22.21		17.78	Incomplete, amount lying unspent for last 4 years 2 months.
6	Chhattisgarh Khadi Gramdyog Board, Raipur, Champa Raipur, Chhaattisgarh.	2001-02	Wapping House, Die House, Champa,Raipur	20.00	10.00	8.06	1.94		Incomplete, amount lying unspent for last 3 years 10 months.
7	Artisan Self help society, Tamil Nadu	2001-02	Multi crafts, villumpur,T.N.	23.15	22.25	22.25	__	_	Shown completed on 12/2008
8	Chhattisgarh Khadi Gramdyog Board Chhattisgarh (Jagadalpur)	2001-02	Wood craft at Jagadapur, Baster	49.80	10.08	4.08	__	6.00	Incomplete, amount lying unspent for last 3 years 4 months.
9	M/s Khadi & Gramdyog Board, Bstar	2001-02	Bell metal craft at Kondagaon, Baster	49.80	5.00	2.55	2.45		Incomplete, amount lying unspent for last 6 years 2 months.
10	Nagaland Handloom & Handicraft Corporation Limited,Dimapur	2001-02	Cane & Bamboo craft at Diezephe, Dimapur.	49.80	49.41	49.41	__	_	Shown completed on 12/2008.
11	VEDHA, Nagpur	2001-02	Bamboo crafts, Nagpur	32.24	10.00	5.00	__	5.00	Incomplete, amount lying unspent for last 3 years 8 months.
12	VIIAI , New Delhi	2001-02	Pottery and Bamboo craft, Orissa.	35.54	31.99	31.99	__	__	Incomplete, no correspondence made after June 2006.
13	Sathi Samaj Seva Sansthan, Kumharpara Kondagoan, District Bastar, Chhattisgarah	2001-02	Bell metal crafts, at kondagaon, Baster	51.63	5.00	5.00	__	__	Incomplete, no correspondence made after July 2005.
14	Gramodaya Sangh Bhadrawati, District Chandarpur, Maharashtra	2001-02	For Terracotta and ceranics crafts at Bhadrawati.	15.00	7.5	7.5	__	__	Incomplete, no correspondence made after Oct 2004.
15	INTACH, New Delhi	2001-02	Stone carving,embroidery, Jaisalmer, Rajasthan.	37.50	33.75	33.75	__	__	Incomplete
16	Nutan Bunkar Sahakari Smithi, Maryadit, M.P	2001-02	Wooden crafts. Astha, Disst. Sipore, M.P.	45.8	37.78	37.78	__	__	Incomplete, no correspondence made after May 2006
17	Society for overall rural development, Vijayavada	2001-02	Kalamkari craft, pendana krishana, Disst. A.P.	24.12	12.06	12.06	__		Incomplete, no correspondence made after May 2005
18	M.P. Laghu Udyog Nigam Ltd, Bhopal (M.P)	2003-04	Stone carving craft	17.00	15.00	15.00		-	Settled
19	DASTAKAR Shahpur, New Delhi	2003-04	Block Printing, Tie & Dye and patch work	44.06	36.44	36.44		-	Report received for final settlement (Incomplete)

Sl no.	Name of the NGO/ Government Agency	Period	Name of the craft/location	Amount sanctioned	Amount released	Utilized	Amount Refunded	Amount Unspent	Status
20	Centre Indian Bamboo Resource and Technology jor Bagh New Delhi	2003-04	Bamboo craft at Kulu (HP)	43.09	21.54	Nil		21.54	Report awaited for 2nd installment (Incomplete)
21	Centre Indian Bamboo Resource and Technology jor Bagh New Delhi	2003-04	Bamboo craft at Konkan (MAH)	43.09	21.54	Nil		21.54	Report awaited for 2nd installment. (Incomplete)
22	UTTHAN, Centre for sustainable Development & Poverty Alleviation New Delhi	2003-04	Bamboo craft at KOTWA village U.P	45.00	22.50	Nil		22.50	Report awaited (Incomplete)
23	Association of Jute and Handicrafts Entrepreneurs of Eastern India Kolkata W.B.	2003-04	Sital pati. Jute, Wood & bamboo, Golden grass Madhyamgram cluster	49.74	24.87	Nil		24.87	Report awaited (incomplete)
24	Burdwan Jute Based Garments & Co-op Ind. Society Burdwan. W.B .	2003-04	Dhokara Malkits Village	38.14	19.07	Nil		19.07	Report awaited (incomplete)
25	VELUGU DRDA Godawari Disstt, A.P	2003-04	Lace Craft Narasapur, A.P.	59.40	59.40	59.40		-	Settled
26	APHDC, Hyderabad A.P.	2003-04	Multi Craft Hyderabad	35.17	35.17	35.17		-	Settled
27	APHDC, Hyderabad A.P.	2003-04	Veena Craft Bubbli	6.97	6.97	6.97		-	Settled
28	Chatianya Jyothi Welfare Society Nellore	2003-04	Palm leaf craft, Venkteshwara Nagar	9.25	9.25	9.25		-	Settled
29	Chatianya Jyothi Welfare Society Nellore A.P.	2003-04	Wooden Cuttlery, Udaigiri	10.35	10.35	10.35		-	Settled
30	Chatianya Jyothi Welfare Society Nellore A.P.	2003-04	Fabric painting, Naidu Petta	7.30	7.30	7.30			Settled
31	Chatianya Jyothi Welfare Society Nellore A.P	2003-04	Leather pupper D.C	5.80	5.80	5.80		-	Settled
32	Deshbandhu Club, Behra Bazar, Cachar, Assam.	2003-04	Cane & Bamboo Shito Pate & Jute craft at Cachar	32.82	29.52	29.52		-	Report received for final settlement (Incomplete)
33	North Eastern Federation on International trade Shillong Mehalaya	2003-04	Cane & Bamboo craft Karim Kanj.	49.80	24.90	24.90		-	Report awaited (incomplete)
34	Punjab Memorial Charitable Trust, Gohpur , Assam	2003-04	Cane & Bamboo craft at Sonitpur	23.49	21.14	21.14		-	Report received for final settlement (incomplete)
35	The Kishkinda Trust, Karnataka	2003-04	Natural Fibre Craft at Anegundi	15.10	14.51	14.51		-	Settled
36	MYRADA, Mysore, Karnataka	2003-04	Terracotta at Dorea Village	4.34	3.95	3.95		-	Settled
37	Karnataka State Handicrafts Dev. Corpn. Krnataka	2003-04	Messore/ Chennapatna, Wood craft.	15.17	15.17	15.17		-	Settled
38	Bharatiya Mahila Grammodyog, Allahabad U.P.	2003-04	Bamboo craft	45.45	45.39	45.39		-	Settled
39	Banaskanta DWCRA Mahila Sewa Assn. Banaskanta Gujarat	2003-04	Embrodidery, Fabric & Block printing Banaskantha.	49.80	24.90	NIL		24.90	Report awaited(Incomplete)
40	SEWA Ahemadabad Gujarat	2003-04	Multi craft CFC at Kondapur	49.80	24.90	NIL		24.90	Report awaited Incomplete)
41	Uttranchal Bamboo & Fibre Dev. Board, Dehradun Uttranchal	2003-04	Bamboo & Fibre craft	29.83	14.90	NIL		14.90	Report awaited Incomplete)
42	M/s Centre for Social and Research, Agartala, Tripura	2003-04	Bamboo craft at Malermath	5.00	4.50	NIL		4.50	Report awaited Incomplete)

Sl no.	Name of the NGO/ Government Agency	Period	Name of the craft/location	Amount sanctioned	Amount released	Utilized	Amount Refunded	Amount Unspent	Status
43	NaniSala Foundation, Arunachal Pradesh	2003-04	Ziro, A.P. Bamboo Craft	9.48	9.48	9.48		-	Settled
44	Mizoram Handloom & Handicraft Dev. Corpn. Aizawl, Mizoram	2003-04	Bamboo craft at Aizawl.	10.00	10.00	10.00		-	Settled
45	Technology and action for Rural Dev. Jhansi. M.P.	2004-05	Bamboo Craft, Taragram, M.P.	55.18	5.oo	Nil	-	5	Project closed by DC(H) on 9.6.08 refund awaited.
46	Bishnouli Sarvodyog Gramodaya Sewa Sanstha Chirag Delhi, New Delhi	2004-05	Hand Embroidery Bead Work, Bamboo Work & pottery at Sangam Vihar, Delhi	46.85	23.43	NIL		23.43	Report awaited (incomplete)
47	Federation of India Export Organization FICO Kolkata, W.B.	2004-05	Horn Craft	49.70	24.85	NIL	24.85	-	Project closed by DC(H) amount refunded after more then 3 year (2/2009) Penal interest Rs. 6,09 lakh still awaited
48	M/s Child & Social Welfare Society, Midnapore	2004-05	Sabang Debra & Pingla, Midnapur W.B. Bamboo & Mat Weaving	27.00	27.00	27.00		-	Settled
49	SHRISTI, Chittranjan Park, New Delhi	2004-05	Ceramic, Terracott, Cane & Bamboo, Enamelling & Glass Barasar	49.30	49.30	49.30		-	Settled
50	Kerala Rural Dev. Agency, Kollam Distt. Kerala	2004-05	Pine Craft	18.97	18.97	18.97		-	Settled
51	Youth Club of Bijipuram,Srikakulam Distt. A.P	2004-05	Jute craft	10.69	10.69	10.69		-	Settled
52	Assam Apex Weavers & Artisans Co.op, Federation, Ambari, Guwahati	2004-05	Cane & Bamboo, Nalbari	45.40	45.40	45.40		-	Settled
53	Assam Silk Development Centre, Guwahati Assam.	2004-05	Amingaon, Kamrup, Assam	41.80	20.90	-		20.90	Report awaited (incomplete)
54	North Eastern Centre for technology, Application and Rural Development, Nagaon, Assam	2004-05	Jute craft, Distt. Nagaon	10.00	10.00	10.00		-	Settled
55	MEDA Industrial & Credit Co-op Society Ltd,Distt. Dharwad , Karnataka-	2004-05	Bamboo craft	24.65	24.65	24.65		-	Settled
56	India Institute of Natural Resources and Management, Noida, U.P	2004-05	Panja Dari	44.72	40.25	40.25		-	Report awaited for final settlement (Incomplete)
57	Centre for Development Glass Industry, Firozabad, U.P	2004-05	Glass Handicrafts	49.80	24.90	-	24.90	-	Project closed by DC(H) refunded the amount after more then 3 years(2/09) Penal interest Rs. 4.86 still awaited.
58	Janjagran Samity Almora, Uttranchal	2004-05	Woolen Shawal	48.38	44.00	NIL		44.00	Report awaited (Incomplete)
59	DRDA Mandi H.P	2004-05	Bamboo, Mandi	32.90	16.45	NIL		16.45	Report awaited (incomplete)
60	Bamboo Development Agency, Aizawl, Mizoram	2004-05	Bamboo craft at Aizawl	45.00	22.50	NIL		22.50	Report awaited (incomplete)
61	Bamboo Development Agency, Aizawl, Mizoram	2004-05	Board Craft at Aizawl.	45.00	22.50	NIL		22.50	Report awaited (incomplete)
62	Socio Economic Development	2005-06	Pillow lace and hand embroidery	21.01	21.01	21.01		-	Settled

Sl no.	Name of the NGO/ Government Agency	Period	Name of the craft/location	Amount sanctioned	Amount released	Utilized	Amount Refunded	Amount Unspent	Status
	Association, Kanyakumari T.N		craft						
63	Pulicat Women Palm Leaf, Cane& Bamboo Allied Product Society Pulicat T.N	2005-06	Palm Leaf craft, Pullicat	4.91	4.42	2.46		1.96	Report awaited (incomplete)
64	Annavoor Mahila Samajam, Trivandrum, Kerala	2005-06	Palm leaf, palm stem, banana and bamboo craft	19.48	19.48	19.48		-	Settled
65	Evangelical Social Action Forum. Trichur, Kerala	2005-06	Bell Metal Craft	22.88	20.59	11.44		9.15	Report awaited (incomplete)
66	Jawaharlal Memorial Social Welfare Public Co-op, Centre Thalaiyulaperambu, Kerala	2005-06	Screw Pine Craft	18.83	16.95	9.42		7.53	Report awaited (incomplete)
67	Christian Agency for Rural Development, Kerala	2005-06	Bamboo craft	13.15	11.84	6.58		5.26	Report awaited Incomplete)
68	Kala SrustiPeta, Srikalahassthi, Chittor A.P	2005-06	Kalamkari & Wood carving craft	36.17	32.55	8.00		24.55	Report awaited (incomplete)
69	Ad-hoc Pacifist Organization, Guwahati, Assam	2005-06	Bell & Brass metal craft	53.07	9.90	9.90		-	Report awaited (incomplete)
70	IDPMS, Bangalore, Karnataka	2005-06	Sisar Fibre Craft	20.49	10.24	NIL		10.24	Report awaited (incomplete)
71	DRDA, Mandi H.P	2005-06	Leather craft Sundarnagar, Mandi	38.65	5.00	NIL		5.00	Report awaited (incomplete)
72	DRDA, Kanchipuram, TN	2006-07	Zari embroidery craft, Kandigai.	49.86	24.93	NIL		24.93	Report awaited (incomplete)
73	Walajapet Cane workers Co.op Cottage Ind. Society Vellore, T.N	2006-07	Cane craft at Walajapet	45.68	22.84	NIL		22.84	Report awaited (incomplete)
74	M/s Fine Wood Carvers Audyogik Utpadan Sahkari Samittee Ltd. Saharanpur U.P	2006-07	Wood carving at Saharanpur U.P	36.75	36.75	36.75		-	Settled
75	CRRD, Bhubaneshwar, Orissa	2006-07	Stone Carving craft at Puri	32.42	16.21	NIL		16.21	Report awaited (incomplete)
76	Integrated Women development Institute, Chennai, T.N	2007-08	Zari Embroidery craft at Gummitipoudi	21.93	19.74	10.97		8.77	Report awaited (incomplete)
77	Handicrafts artisans welfare Assn. Warrangal A.P	2007-08	Artistic leather ware at Fort Warrangal	16.51	14.86	8.26		6.60	Report awaited (incomplete)
78	Solmari Hindi Vidyappeeth & Welfare Society, Nagaon, Assam	2007-08	Brass & aluminium metal at Nagam	15.62	7.81	7.81		-	Report awaited (incomplete)
79	Swaraj Gramin Loksewa Parishad, Kamrup, Assam	2007-08	Artistic Textiles & cane & bamboo at Kamrup	49.73	24.87	NIL		24.87	Report awaited (incomplete)
80	Karnataka State Small Industries Development Co.op Ltd. Bangalore, Karnataka	2007-08	Other wooden craft at Thagechegere	48.20	24.10	NIL		24.10	Report awaited (incomplete)
81	Karnataka State Small Industries Development Co.op Ltd. Bangalore, Karnataka	2007-08	Wooden lacquareware craft at Thagechegere	48.20	24.10	NIL		24.10	Report awaited (incomplete)
82	State Institute for development of Art & Culture, Handicrafts Comples, Khurda, Orrisa	2007-08	Applique craft, Kendubilwa	33.31	16.66	NIL		16.66	Report awaited (ncomplete)
83	State Institute for development of Art & Culture, Handicrafts	2007-08	Palm leaf and painting Kendubilwa	35.42	17.71	NIL		17.71	Report awaited (incomplete)

Sl no.	Name of the NGO/ Government Agency	Period	Name of the craft/location	Amount sanctioned	Amount released	Utilized	Amount Refunded	Amount Unspent	Status
	Comples, Khurda, Orrisa								
84	State Institute for development of Art & Culture, Handicrafts Comples, Khurda, Orrisa	2007-08	Stonecarving Kendubilwa	38.59	19.29	NIL		19.29	Report awaited (incomplete)
85	Sikkim Handloom & Handicrafts Development corporation, Gangtok, Sikkim	2007-08	Cane & Bamboo, North Sikkim	57.50	28.75	NIL		28.75	Report awaited (incomplete)
86	Sikkim Handloom & Handicrafts Development corporation, Gangtok, Sikkim	2007-08	Wood carving, South Sikkim	57.50	28.75	NIL		28.75	Report awaited (incomplete)
87	Manipur Handloom & Handicrafts Development Corporation, Imphal, Manipur	2007-08	Cane & Kauna & bamboo craft at Imphal	60.00	30.00	NIL		30.00	Report awaited (incomplete)
88	People Edu. For Awareness & comm. Empow. Orgn. Imphal, Manipur	2007-08		10.00	10.00	10.00		-	settled
89	Rajiv Gandhi Charitable Trust, Amethi, U.P	2007-08	Leather craft Amethi	60.00	30.00	NIL		30.00	Report awaited (incomplete)
90	DRDA, Dibang Valley, Arunachal Pradesh	2007-08	Bamboo craft, Annini, Dibong Valley-	59.90	29.95	29.95		-	Report received (incomplete)
91	DRDA, Dibang Valley, Arunachal Pradesh	2007-08	Bamboo craft, Annini, Dibong Valley	59.90	29.95	29.95		-	Report received (incomplete)
92	DRDA, Dibang Valley, Arunachal Pradesh	2007-08	Bamboo craft, Annini, Dibong Valley	59.90	29.95	29.95		-	Report received (incomplete)
93	Bharitiya Gramothan Sansthan, Uttranchal	2007-08	Carpet craft	55.10	27.55	NIL		27.55	Report awaited (incomplete)
94	State Institute for development of Art & Culture, Handicrafts Comples, Khurda, Orrisa	2007-08	Terracotta, Kendubilwa	43.97	21.98	NIL		21.98	Report awaited (incomplete)
95	State Institute for development of Art & Culture, Handicrafts Comples, Khurda, Orrisa	2007-08	Brass Metal, Kendubilwa	38.54	19.29	NIL		19.29	Report awaited (incomplete)
			Total	**3526.82**	**2115.38**	**1226.48**	**70.53**	**818.36**	

Annex-II

(Referred to in paragraph 13.3.1)

HANDLOOM DEVELOPMENT CENTRE/QUALITY DYEING UNIT SCHEME (STATUS OF FUNDS RELEASED FROM 1993-94 TO 2000-01)

(Rupees in lakh)

S.No	State	1993-94			1994-95			1995-96			1996-97			1997-98			1999-2000	2000-01	2001-02	Total		
		HDC	QDU	Amount	HDC	QDU	Amount	HDC	QDU	Amount	HDC	QDU	Amount	HDC	QDU	Amount	Balance only	Balance only	Balance only	HDC	QDU	Amount
1.	Andhra Pradesh	50	24	246.95	30	13	414.09	47	3	217.82	159	49	671.67	111	62	460.34	13.69	27.89		397	151	2052.45
2.	Assam	45		100.00	58	12	489.24			84.50										103		673.73
3.	Bihar				14		74.48	35	4	114.41	1		4.00	3	3	16.97				53	19	209.86
4.	Gujarat				6		20.42			8.25	1		0.15							7		28.82
5.	Haryana							1		4.00						5.00				1		9.00
6.	Himachal Pradesh	1		2.00	4		30.36	5	1	26.20	1	2	24.00				2.84	5.10		11	3	90.49
7.	Jammu & Kashmir				2		6.08	1		3.04										3		9.12
8.	Karnataka	6	1	17.50	15	3	84.69	2		26.70	7		12.51							30	4	141.40
9.	Kerala	8		29.37	36	3	261.00	18	5	116.05	9	4	86.95	1		4.06	16.00			72	12	513.41
10	Madhya Pradesh	5		20.00	12	6	82.07	11		31.87										28	6	133.94
11	Maharashtra	1	1	6.00	14	1	53.39	5	1	26.48										20	3	85.87
12	Manipur	41		113.74	96	7	607.53			132.00										137	7	853.27
13	Nagaland							2		8.00	60	1	239.91	80	6	315.63	61.40	78.84		142	7	703.77
14	Orissa	38	26	178.30	48	8	278.28	55	1	153.84	57	5	84.43	16	2	24.11				214	42	718.96
15	Rajasthan						3.04			2.24									1.78	1		7.05
16	TamilNadu	30	6	124.85	119	17	805.83	99	5	449.11	38	4	114.20	38	4	116.07	290.08			324	36	1900.14
17	Tripura				13	10	48.01			17.88										13	10	65.89
18	Uttar Pradesh				76	42	404.89	7	8	140.13	2		2.38	4	1	19.09	12.19			89	51	579.28
19	West Bengal	42	8	161.29	56	12	336.64	38	8	165.86	55	12	104.82	7		6.66				198	40	775.27
20	Pondicherry				5		18.50													5		18.50
	Total	267	66	1000.00	605	134	4018.50	326	36	1728.34	390	77	1345.01	260	78	968.53	396.18	111.83	1.77	1848	391	9570.22

Annex-III

(Referred to in paragraph 13.3.2)

State-wise details of outstanding UCs

(Rupees in lakh)

Sl.No	Name of the State	No.of HDC/QDU		Amount Released	Amount of UCs Received	Amount Refunded	Amount pending
		HDC	**QDU**				
1.	Andhra Prandesh	397	151	2052.45	1981.12	70.60	0.73
2.	Assam	103		673.73	171.90	-	501.83
3.	Bihar	53	19	209.86	26.44	-	183.42
4.	Gujarat	7		28.82	14.53	10.03	4.27
5.	Haryana	1		9	-	-	9
6.	Himachal Pradesh	11	3	90.49	63	-	27.49
7.	Jammu & Kashmir	3		9.12	-	1.58	7.54
8	Karnataka	30	4	141.40	53.38	42.08	46.93
9.	Kerala	72	12	513.41	448.03	0.5	64.88
10	Madhya Pradesh	28	6	133.94	6.034	3.86	124.04
11.	Maharashtra	20	3	85.87	76.79	-	9.08
12.	Manipur*	137	7	853.27	-	853.27	-
13.	Nagaland	142	7	703.77	601.58	-	102.19
14.	Orissa	214	42	718.96	661.95	39.69	17.32
15.	Rajasthan	1		7.05	-	-	7.05
16.	Tamil Nadu	324	36	1900.14	1900.14	-	
17.	Tripura	13	10	65.89	65.89	-	-
18	Uttar Pradesh	89	51	579.28	526.39-	52.89	
19.	West Bengal	198	40	775.27	758.15	-	17.11
20.	Pondicherry	5		18.50	18.50	-	-
	Total	**1848**	**391**	**9570.19**	**7373.82**	**1074.50**	**1121.88**

*entire amount of central assistance released to Govt. of Manipur has been adjusted from the state budget 1999 by the Ministry of Finance.

CHAPTER XIV : MINISTRY OF TOURISM

14.1 Non-observance of Financial Propriety

Deliberate circumvention of canons of financial propriety and the failure of MOT to effectively monitor the expenditure incurred or committed resulted in unsanctioned expenditure of Rs. 5.59 crore in GOITO New York. The propriety of the expenditure also becomes suspect in the absence of adequate documentation and control.

The Civil Accounts Manual stipulates that no payment should be made in excess of budget allotment unless an advance from the Contingency Fund covers it. Further all Payments made should be based on sanction orders signed by competent authorities. As per General Financial Rules control over expenditure shall be exercised through the Heads of Departments and other Controlling Officers, if any, and Disbursing Officers subordinate to them.

The Government of India, Tourism Office (GOITO), New York headed by a Regional Director (RD) is entrusted with the task of promoting diverse Indian tourism products through marketing and campaigns in the region of North America (primary market), South America and Caribbean Islands along with the GOITOs headed by Assistant Directors (AD) at Los Angeles and Toronto. The RD has delegated financial powers ranging between US$ 7,000 and US$20,000 (Rs. 3.80 lakh to Rs. 8.80 lakh) per item for advertisements, Brochure supports etc. and full powers for participation in exhibitions etc. subject to prior approval of yearly schedule by the Ministry.

The Fund allotment of the GOITO is categorized into non Plan (pay and allowance and office expenditure etc.) and Plan (expenditure on tourism promotional activities). The Plan expenditure is governed by the Annual Action Plan (AAP) drawn by GOITO and approved by the Ministry of Tourism (MOT). As far as the Plan expenditure is concerned the Assistant Director (AD) is the drawing and disbursing authority in the system while RD acts as the Head of Office and the sanctioning authority to the extent of his financial powers. The details of expenditure and supporting vouchers are to be sent to Pay and Accounts Office, Ministry of Tourism for audit and accounting. Thus GOITO together with MOT was responsible for the control over expenditure.

The total allotment of funds for plan expenditure was Rs. 11 crore out of which Rs. 5.00 crore was intended for advertising and the balance on various other promotional activities in accordance with the AAP. The AAP contained a general description of various activities proposed to be carried out, but did not contain the specific details and party/agency/item wise break up of expenditure envisaged except in respect of exhibitions. The post of Regional Director at New York was vacant from April 2004 to October 2006 during which time the Assistant Director held charge and the financial powers of RD were delegated to him

A review in audit of the expenditure of 2006-2007 revealed the following irregularities:

i) The office incurred a liability of Rs. 5.59 crore (5l *per cent*) over and above the budget allotment of Rs. 11 crore sanctioned by the Ministry of Tourism (MOT) for the year 2006-2007 in contravention of the provisions of the Civil Accounts Manual which stipulates that no payment should be made in excess of budget allotment and that all payments should be sanctioned by the competent authority. The excess over the budget had no covering sanctions. Out of this liability, Rs. 4.71 crore was paid in 2007-2008 by GOITO, out of the budget allotted for 2007-2008, while a liability of Rs. 0.88 crore is yet to be discharged (May 2008).

ii) The details of expenditure incurred by GOITO were to be sent every month to the MOT. However, no such details were either sent by the office or called for by MOT during the period April 2006 to October 2006. There was no evidence of internal audit either. This is indicative of poor controls. Had the expenditure pattern been monitored effectively various irregularities as detailed in succeeding paragraphs could have been avoided.

iii) Though as per the AAP the budget earmarked for exhibitions/trade shows was Rs. 0.90 crore, the actual expenditure booked was Rs. 2.31 crore. The excess over budget was committed without sanction of MOT.

iv) RD had been delegated financial powers for various tourism promoting activities that ranged from US$ 7,000 to US$20,000 (Rs. 3.80 lakh to Rs. 8.80 lakh) depending on the item of promotion. For expenditures beyond the delegated powers, prior approval of the MOT was required. The AD, functioning as RD sanctioned expenditure and entered into agreements with agencies beyond RD's delegated powers. Test check further revealed that in several cases, invoices were split, in contravention of rules, to bring them within the ambit of the delegated powers of the RD (**Annex-I**).

v) Payments to the extent of US$ 21,570 (Rs. 9.50 lakh) were made to agencies without vouchers/supporting records or justification and even the original invoices from the concerned firms were not available on record. Thus the basis of payments was not verifiable. Of these, US$14,225 (Rs. 6.26 lakh) was paid to a firm for acquisition of a domain name 'www.incredibleindiarewards.org'. However, there was no evidence of such a registration or link to the domain having been created.

vi) DENTSU America, Inc was the agency specifically engaged by GOITO with the approval of MOT for planning, recommending, creating and arranging advertisements on behalf of GOITO, NY. However, US$753,860.13 (Rs. 3.32 crore) were paid for advertisements placed directly with various other agencies without utilizing the services of DENTSU during the period 2006-2007. Publicity orders amounting to US$483,258.45 (Rs. 2.13 crore) were also given to vendors not approved by MOT in the AAP (**Annex-II**). No justification for deviating from the AAP or the details of these vendors i.e. their circulation/reach was available on record to justify orders (**Annex-III**). In some cases the advertisement insertion orders were issued verbally and there was no record available with the office.

vii) No review of bills preferred for payment was made before clearing them. A Corporate Credit Card was issued by American Express Bank to the AD for official payments. An amount of US$432,064.20 (Rs. 1.90 crore) was incurred against the credit card payments during the year 2006-07. There was no separate sanction or justification for the items charged to the credit card and all the items were booked against "exhibitions". A scrutiny of the items of the credit card bills for which payments were made revealed that these included several items normally intended for personal use such as groceries, toys and footwear worth at least US$3,083.49 (Rs1.36 lakhs). Items such as webcam procured against the credit card and paid from the office were not found in the inventory. No clarification has been provided by GOITO so far (June 2008).

Thus, the deliberate flouting of financial rules by the AD and the failure of MOT to effectively monitor the expenditure incurred or committed has resulted in unsanctioned expenditure of Rs. 5.59 crore. The absence of documentation in support of some of the expenditure coupled with nature of documentation that were in fact available for scrutiny indicate a clear risk of financial mismanagement and misuse of public funds. Ministry must immediately investigate all serious financial irregularities committed by GOITO in incurring of expenditure of Rs. 5.59 crore and should fix responsibility of officials found involved in financial mismanagement/misuse of public funds.

Annex-I

(Referred to in paragraph No. 14.1)

Few examples of Vouchers split to bring the value under the ambit of delegation of power

S.No	Vr No date	Value in US$	Party	Details	Value of party bill US$	Remarks
1.	Vr.48 Dt.15.05.2006	13000	Bridal Guide Magazine	Advertisement	26000	No Note /justification and /work order.
2.	Vr.47 Dt.15.05.2006	13000	Bridal Guide Magazine	Advertisement	26000	No Note /justification and /work order
3.	Vr.05 dt.05.09.2006	12500	Innes Communication Inc	Advertisement	25000	No Note /justification and /work order.
4.	Vr. No.94 Dt.22.01.2007	12550	AARP Publication	Advertisements	36550	No Note /justification and /work order.
5.	Vr. No.93 Dt.22.01.2007	12000	AARP Publication	Advertisements	36550	No Note /justification and /work order..
6.	Vr. No.92 Dt.22.01.2007	12000	AARP Publication	Advertisements	36550	No Note /justification and /work order..
7.	Vr. 62 Dt.19.06.2006	12500	Curtco Robb Media,LLC	Advertisements	25000	No Note /justification and /work order.
8.	Vr. 61 Dt.19.06.2006	12500	Curtco Robb Media,LLC	Advertisements	25000	No Note /justification and /work order..
9.	Vr.22 Dt.11.08.2006	12333	Elephant Advertising	Advertisements	24728	No Note /justification and /work order.
10.	Vr No.59 Dt.16.01.2007	13418	DCA Advertising Inc	Advertisement	43418	National Geographic
11.	Vr No.58 Dt.16.01.2007	15000	DCA Advertising Inc	Advertisement	43418	-do-
12.	Vr No.57 Dt.16.01.2007	15000	DCA Advertising Inc	Advertisement	43418	-do-
13.	Vr.No.50 Dt.12.10.2006	15000	DCA Advertising Inc	Advertisement	18810	American Photo
14.	Vr.No.51 Dt.12.10.2006	3810	DCA Advertising Inc	Advertisement	18810	American Photo
15.	Vr. No45 Dt.12.10.2006	15000	DCA Advertising Inc	Advertisement made in the New Yorker dated 24.04.2006	60000	The New Yorker.
16.	Vr. No46 Dt.12.10.2006	15000	DCA Advertising Inc	Advertisement made in the New Yorker dated 24.04.2006	60000	The New Yorker.
17.	Vr. No47 Dt.12.10.2006	15000	DCA Advertising Inc	Advertisement made in the New Yorker dated 24.04.2006	60000	The New Yorker.
18.	Vr. No48 Dt.12.10.2006	15000	DCA Advertising Inc	Advertisement made in the New Yorker dated 24.04.2006	60000	The New Yorker.

Annex-II

(Referred to in paragraph No. 14.1)

Examples for advertisement given to agencies not mentioned in AAP and without routing through the Advertisement Agency

Print Media Mentioned in AAP	Advertisement made		
	Name of Media	Date of payment	Amount in US$
Ethnic			
India Abroad	Weta	10 –April	7800
News India Times	Telegu Times Media	10-April	680
Business Times	Performance Media Group	10-April	3332
NRI Today	The New York Times	13-April	2500
South Asian Insider	New Gate Travel Media Group	19-April	1666
India Post	Curtco Robb Media	01-May	18000
India Today(International Edition)	Bharatiya Vidhya Bhavan	02- May	2000
	Virtuo card	15- May	2000
Trade Magazines	Performance Media Grp	15-May	3332
	Imagine Asian Entertainment	15-May	670
Travel Agent	Bridal Guide Magazine	15-May	26000
Travel World News	New Media Travel Group	18-May	1960
Travel weekly	Punjab Dunia	09- June	420
Travel Age West	Little India Inc	09-June	3315
Luxury Travel Advisor	Travel Overseas	09-June	6751.55
	Travel Trade	09-June	4000
Consumer Magazines	IMS Inc	09-June	4200
	Desi Match.Com	09-June	595
Condenast Traveler (Special Supplement)	Telegu Times Media Inc	09-June	680
National Geographic Adventure	Performance Media Group	14-June	3332
Natural History(Special Supplement)	Hit Corp USA Inc	15-June	9600
Smithsonian	Curtco Robb Media LLC	19-June	25000
The New Yorker	Bharatiya Vidya Bhavan	26-June	750
Travel Holidays	Imagine Asian Entertainment	05-July	1238.40
American Photo	Travel Trade	05-July	3500
Budget Travelers	IMS Inc	05-July	4200
Outside Traveler	The Indian Express	06-July	1500
Out Door Photography Magazine	Nu Media Inc	10-July	5000
	Show Zone	10-July	3200
News Paper(Consumer)	Hit Corp USA Inc	17-July	10000
	Atman Press	31-July	2100

Print Media Mentioned in AAP	Advertisement made		
Maimi Herald "Sunday Travel Section"	Travel Trade	31-July	4000
Chicago Tribune "Sunday Travel Section"	IMS Inc	31-July	4200x5=21,000
Robb Report	New Gate Travel Media Group	31-July	1372
	Elephant Advertising	11-August	12333
	Telegu Media Inc	11-August	680
	Global traveler Magazine	11-August	8000
	Vedanta Cultural Found	14-August	2351.50
	Poter Media Ltd	17-August	6000
	Hit Corp USA Inc	18-August	10,000
	Werner Publishing Corp	30-August	11375
	Nu Media Inc	30-August	3740
	Innes Communication Inc	05-September	25500
	Performance Media Group Inc	05-Sept	3332
	Imagin Asian Ent.Ino	05-Sept	1135.20
	Point Point World wide	18-Sept	1295
	Telgu Times	18-Sept	680
	CFI Capital	18-Sept	1500
	Indus Business Journal Inc	18-Sept	1500
	Imagin Asian Ent Inc	18-Sept	1444.80
	Hit Corp	18-Sept	10000
	Performance Media Group Inc	18-Sept	7652
	New Media inc	25-Sept	935
	Werner Publishing Corp	25 –Sep	8710
	Telgu Times	25-Sept	680
	Skyline	25-Sept	1200
	Esemble Travel Group	06-Oct	18500
	Tango	06-Oct	10,000
	Nu Media Inc	06-Oct	4675
	Imagine Asian Entertainment	19-Oct	1290
	Vituoso Ltd	23-Oct	7020
	The Indian Express	31-Oct	1500
	Hum Sub.Inc	07-Nov	600
	Ladevi Ediciones	24-Nov	9000
	News Week Business Tvl	27-Nov	13636
	Nu Media Inc	27-Nov	3740
	Jax Fax	07-Dec	3500
	X Media Grp.Incuest	21-Dece	1818

Print Media Mentioned in AAP	Advertisement made		
	Desi Match	09-Jan	595
	Bharatiya Vidya Bhavan	09-Jan	750
	Kerala day	09-Jan	2000.00
	Kartagener Assocoate Inc AARP Publication	22-Jan 22-jan	14225 36550
	Int Travel Communication	23-jan	10000
	Highland Adventures	23-jan	2150
	A&S Travels Inc	05-Feb	1250
	CMP Media LLC Hatchetta Filipachi Media Editoria Abril S/A	01-March 30-March 30-March	2150 15000 4500
	Editoria Peixes S/A.	30-March	4870+4870
	Perormance Media Grp	30- March	3332
Total			**483,258.45**

Rs. 2,12,82,702.14 (1US$=Rs.44.04)

Annex-III

(Referred to in paragraph No. 14.1)

Examples of Vouchers passed without office note /sanction order/ justification/work order

S.No	Vr No date	Value in US$	Party	Details	Remarks
1	Vr.48 Dt.15.05.2006	13000	Bridal Guide Magazine	Advertisement	No Note /justification and /work order.
2	Vr.47 Dt.15.05.2006	13000	Bridal Guide Magazine	Advertisement	No Note /justification and /work order
3	Vr.05 dt.05.09.2006	12500	Innes Communication Inc	Advertisement	No Note /justification and /work order.
4	Vr. No.94 Dt.22.01.2007	12550	AARP Publication	Advertisements	No Note /justification and /work order.
5	Vr. No.93 Dt.22.01.2007	12000	AARP Publication	Advertisements	No Note /justification and /work order..
6	Vr. No.92 Dt.22.01.2007	12000	AARP Publication	Advertisements	No Note /justification and /work order.
7	Vr. 62 Dt.19.06.2006	12500	Curtco Robb Media,LLC	Advertisements	No Note /justification and /work order.
8	Vr. 61 Dt.19.06.2006	12500	Curtco Robb Media,LLC	Advertisements	No Note /justification and /work order..
9	Vr.22 Dt.11.08.2006	12333	Elephant Advertising	Advertisements	No Note /justification and /work order.
10	VR.05 01.05.2006	9000.00	Curtco Robb Media, LLC	Advertisement	No sanction, justification,, work order, note
11	Vr No.10 dt.05.07.2006	3500	Jax Fax	Advertisement	No sanction, justification,, work order, note
12	VR No. 64 dt.30/08.2006	11375	Werner Publishing Corporation	Advertisement	No sanction, justification,, work order, note
13	29dt19.04.2006	15000	Newsweek Budget Travel	Advertisement	No sanction, justification,, work order, note
14	VR.86 01.05.2006	9000.00	Curtco Robb Media, LLC	Advertisement	No sanction, justification,, work order, note

S.No	Vr No date	Value in US$	Party	Details	Remarks
15	Vr No.73 dt 30.08.2006	3740	Nu Media Inc	Advertisement	No sanction, justification,, work order, note
16	Vr.No.07 dt.05.09.2006	3332	Performance Media group	Advertisement	No sanction, justification,, work order, note
17	Vr No.78 dated 23.10.2006	7020	Vitruoso LTD	Advertisement	No sanction, justification,, work order, note
18	Vr.No.27dt 11.08.2006	8000	Global Traveler Magazine	Advertisements	No sanction, justification,, work order, note
19	Vr.48 dt.14.06.2006	15000	Budget Travel	Advertisement	No sanction, justification,, work order, note
20	Vr No.29 Dt.19.04.2006	15000	Newsweek Budget Travel	Advertisement	No sanction, justification,, work order, note
21	Vr No.54 dt 31.07.2006	4200	IMS	Advertise me	No sanction, justification,, work order, note

CHAPTER XV : MINISTRY OF URBAN DEVELOPMENT

15.1 Recovery at the instance of Audit

On being pointed out in audit, the Ministry recovered outstanding interest of Rs. 67.14 crore from National Building Construction Corporation Limited, a Public Sector Undertaking.

National Building Construction Corporation Ltd. (NBCC), a Public Sector Undertaking under the administrative control of the Ministry of Urban Development, had been continuously incurring losses from 1986-87 onwards. As of March 1997, NBCC had accumulated losses of Rs. 136.66 crore and the net worth was (-) Rs. 116.71 crore.

In November 1998, the Government approved a financial restructuring proposal and turnaround strategy to convert NBCC into a profit making undertaking. One component of this strategy, which also involved conversion of Government of India loans into equity and preference shares, enhancement of authorised capital, partial waiver of interest etc.; was that outstanding interest of Rs. 67.14 crore as on 31 March 1997 on Government on India loans was to be frozen and repaid in equal installments over a period of five years, after an initial moratorium of three years.

Audit scrutiny revealed that though the initial moratorium for repayment of the outstanding interest expired in March 2000, no repayment was made by NBCC as of August 2007, and that the Ministry also did not take action at an appropriate level for recovery. Further, NBCC had generated profit (after interest and tax) of Rs. 172.04 crore during the period from 1998-99 to 2006-07, and had accumulated reserves of Rs. 34.55 crore as on 31 March 2007.

On being pointed out in audit, the Ministry asked (October 2007) NBCC to pay the outstanding interest on loans from the Government. NBCC paid an amount of Rs. 60.14 crore in November 2007.

In their reply (November 2008), the Ministry stated that although NBCC generated profits during the period 1998-99 to 2006-07, it had to discharge pending liabilities to contractors/ vendors in India and abroad. Further, there was no wilful default on the part of NBCC, which paid the amount of Rs. 60.14 crore as soon as sufficient funds were available. In January 2009 audit again pointed out to the Ministry the matter of non-recovery of balance amount of Rs. 7.00 crores from NBCC. Subsequently, in November 2009, NBCC made the balance payment of Rs. 7.00 crore in full and final settlement of the outstanding amount. The fact, thus, remains that NBCC made the payment only after this was pointed out by audit.

Directorate of Estates

15.2 Non-recovery of rent in respect of premises allotted at market rates to non-entitled categories

Audit scrutiny of recovery of rent by the Directorate of Estate (DoE) in respect of office accommodation in Delhi allotted at market rates of licence fees to persons and entities falling in the non-entitled categories revealed serious mismanagement.

On being pointed out by audit, DoE recovered outstanding dues of revised market rates of license fee amounting to Rs. 1.60 crore from 10 allottees but Rs. 3.23 crore of outstanding dues in respect of 16 allottees was yet to be recovered.

DoE recovered Rs. 0.83 crore of outstanding dues between May and September 2008 from the Central Government Employees Welfare Housing Organization (CGEWHO) which was allotted office accommodation purely on temporary basis at market rates of license fee, subject to the approval of the Cabinet Committee on Accommodation (CCA). The Government did not agree to the allotment, but CGEWHO was yet to vacate the premises, and dues on account of license fee from February 2008 onwards continued to accumulate as of April 2009.

DoE did not follow up on its decision of November 2005 by initiating either recovery of rent at market rates or eviction proceedings for vacation of accommodation occupied by Kendriya Bhandar. Rent dues for the period from November 2005 to March 2010 amounting to Rs. 4.53 crore, was yet to be recovered as of March 2010.

15.2.1 Introduction

The Directorate of Estates (DoE), an attached office of the Ministry of Urban Development, is responsible for administration of Government residential/office accommodation in Delhi. It has been also allotting office accommodation to certain private persons, organizations, and non-entitled entities by charging rent (licence fees) at market rates. The allottees must pay license fee in advance every month, failing which DoE can initiate recovery process including securing vacation of the rented premises. In view of the acute shortage of General Pool Office Accommodation, in March 1999, the Ministry considered that it may not be desirable to make any further allotments of office accommodation to non-entitled categories, and revised the market rate of license fee payable by the existing allottees to Rs. 25 – Rs. 63

per sq. ft. per month. Further revisions were to be made every three years thereafter. However, it was noticed that rent revision was made only in respect of Bank and Post offices.

Audit scrutiny of cases of allotment of office accommodation on market rent to non-entitled categories in Delhi revealed mismanagement in rent recovery in several cases by not issuing timely notices for non- payment and taking punitive action, against the defaulters. The audit findings are detailed below:

15.2.2 Outstanding dues of revised market rates of license fee

Between March 1999 and March 2008, there was accumulation of outstanding rent of Rs. 4.83 crore, plus interest of Rs. 0.39 crore in 21[1] cases out of 70 cases in the Central, South and other zones. DoE did not issue timely notices to the allottees for non-payment of revised rent. The notices were issued with delays ranging from 6 to 22 months. Only eight parties paid rent at the revised market rates. Further, DoE did not take any action as per provisions of the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 (PPE Act) for eviction of the defaulters.

After being pointed out by Audit, DoE recovered an amount of Rs. 1.60 crore, from 10 allottees between April and November 2008. It also initiated recovery proceedings under the PPE Act against one allottee, and had issued reminders/ final reminders to 15 allottees prior to initiation of recovery proceedings. However, the balance amount of Rs. 3.23 crore against 16 allottees was yet to be recovered as of December 2008.

15.2.3 Recovery of market rates of license fee from CGEWHO

DoE had allotted 1755 sq. feet of office accommodation to the Central Government Employees Welfare Housing Organisation (CGEWHO) in Janpath Bhawan between October 1990 and July 1991 purely on temporary basis at market rates of license fee, subject to the approval of the Cabinet Committee on Accommodation (CCA). The Government did not agree to allotment of accommodation to CGEWHO, and DoE asked CGEWHO to vacate the allotted accommodation by June 1992.

CGEWHO, however, continued to occupy the accommodation, and had also not paid rent as revised from time-to-time, despite DoE's raising demand bills at regular intervals. The total outstanding rent dues from CGEWHO as of January 2008 was Rs 0.83 crore.

[1] 7 Banks, 8 PSUs, 2 Post Offices, 4 NGOs

On being pointed out in Audit, DoE initiated recovery proceedings against CGEWHO in February 2008, and recovered an amount of Rs. 0.83 crore (representing outstanding dues upto January 2008) between May and September 2008. However, CGEWHO had still not vacated the premises, and dues on account of license fee from February 2008 onwards continued to accumulate. In reply, the DOE stated (April 2009) that the matter was being pursued by them with the CGEWHO.

15.2.4 Recovery of market rates of license fee from Kendriya Bhandar

DoE allotted 24,490 sq. ft of office accommodation, 39 residential units at Delhi and other places, and 11 shops in various markets of Government colonies to the Central Government Employees Consumer Co-operative Society Limited (Kendriya Bhandar) at a nominal rate of Re. 1 per month.

In November 2004, the Ministry reviewed allotment of general pool accommodation to Kendriya Bhandar and the matter of levy of market rent as revised from time to time and noted that it had since become a dividend paying commercial organization and had stopped selling commodities under the public distribution system, and that its activities had gone beyond selling of grocery and consumer items in the Government housing colonies. Consequently, in November 2005, DoE decided that no fresh allotments would be made to the Kendriya Bhandar and similar organizations, existing accommodation would be got vacated in a phased manner over a period of three years from November 2005, and market rates of license fee would be charged from November 2005 onwards till the date of vacation of office / residential accommodation. DoE, however, did not follow up on its decision by initiating either recovering rent at market rates or initiating eviction proceedings for vacation of accommodation. The rent dues for the period from November 2005 to March 2010 amounted to Rs. 4.53 crore.

On being pointed out in Audit, the DoE/ Ministry stated (April-May 2009) that recovery proceedings had already been initiated against the Kendriya Bhandar, and the damages bills were being issued.

Thus, due to inaction on the part of DoE, substantial amount of rent arrears could not be recovered from the non-entitled persons, organizations and entities. DoE also did not take effective action to initiate eviction proceedings against such defaulting persons/organizations despite acute shortage of accommodation in the General pool.

Central Public Works Department

15.3 Failure to get Ready Mixed Concrete Batching Plant operational

Despite the Ministry's assurance in March 2004, the CPWD took no action to operationalise an idle ready mixed concrete batching plant, and there is practically no likelihood of the plant becoming functional. Further, the CPWD's indecisiveness resulted in 7.38 acres of prime land in Delhi remaining unutilized since 1995.

Paragraph 12.2 of the C&AG's Audit Report No. 2 of 2003 (Union Government – Transaction Audit Observations) highlighted infructuous expenditure of Rs. 3.14 crore by the Central Public Works Department (CPWD) on a ready mixed concrete batching plant at Ghitorni[2] without ensuring the feasibility of its erection and rectifying other deficiencies. In their Action Taken Report of March 2004, the Ministry stated that the CPWD was trying to get the plant operational at the earliest.

Audit scrutiny in July 2008, however, revealed that the CPWD had taken no concrete steps to operationalise the plant. In June 2007, CPWD had organized a meeting with four contractors to explore the viability of the plant, wherein it was emphasized that the plant was obsolete, and not commercially viable. The temporary permission granted by the Delhi Development Authority for operationalisation of the plant on the earmarked land expired in May 2008.

In May 2008, the CPWD proposed to dispose off the plant through auction to realize its salvage value and minimize the loss to Government; however, no concrete steps had been taken, as of April 2009, to dispose off the plant, which occupies 7.38 acres of area with a market value of Rs. 53.31 crore[3].

Field visit by audit in July 2008 revealed that the plant was in a state of complete disrepair, and surrounded by dense weeds.

In audit's opinion, there is practically no likelihood of the plant becoming operational; further, indecisiveness of the CPWD resulted in prime land of 7.38 acres in New Delhi remaining unutilized since 1995.

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[2] To the south of Vasant Kunj, Delhi

[3] As per the current schedule of rates of the Land & Development Office.

CPWD's Ready Mixed Concrete Plant at Ghitorni in a state of disrepair (July 2008)

The matter was referred to the Ministry in August 2008; their reply was awaited as of March 2010.

15.4 Avoidable expenditure due to delay in acceptance of tender

Delay in finalization to tender by the Central Public Works Development resulted in avoidable expenditure of Rs. 1.07 crore.

Rules provide that the time schedule prescribed in the CPWD Works Manual for acceptance of tenders should be observed in order to minimize chances of delay. Accordingly, the time available for dealing with tenders is 5 days for the Executive Engineer, 20 days for the Chief Engineer, and 20 days for approval by the Central Works Approval Board at New Delhi.

The Ministry of Home Affairs accorded (September 2004) administrative approval and expenditure sanction for Rs. 17.64 crore for construction of 359 residential quarters (Type I to IV) at Group Centre, Central Reserve Police Force (CRPF), Talegaon, Pune.

Scrutiny of records of the Central Division-III (PCD-III) Pune (merged with PCD-II, Pune in April 2007) revealed (June 2007) that tenders for construction of 255 (Type II) of these quarters were called on 15 October 2005 and were opened on 29 November 2005. According to the tender conditions, the validity period of the offers was 60 days from the date of its opening i.e., up to 28 January 2006. Against the estimated cost of Rs. 8.42 crore, the lowest offer was for Rs. 11.25 crore. The tender documents were forwarded to the Chief Engineer at Nagpur on 3 December 2005 (within five days) for approval. The Chief Engineer sought extension of validity period from the lowest tenderer initially up to 27 February 2006 and later up to 27 March 2006. Though the contractor agreed for the initial request up to 25 February 2006 unconditionally, the second extension of time was subject to overall increase in cost by 8.1 *per cent*. The Board rejected (8 March 2006) the tender as being conditional and also expressed their displeasure at the abnormal delay in forwarding the tender documents for approval. Subsequently, as directed by the Chief Engineer, fresh tenders were called for on 29 April 2006 with the last date for receipt being 5 June 2006 and validity up to 03 August 2006 incurring expenditure of Rs. 3.24 lakh on advertisement, and the work awarded on 1 August 2006 to another contractor at the negotiated cost of Rs. 12.29 crore. Thus, due to delay in finalization of tenders in the first instance, the Department had to incur additional expenditure of Rs. 1.07 crore including Rs. 3.24 lakh on re-advertisement.

The Department has not replied to the audit observation so far (August 2009).

The matter was referred to the Ministry in May 2008; their reply was awaited as of August 2009.

Government of India Press

15.5 Delay in recovery of printing charges

The Government of India Press, Nashik has accumulated dues of Rs. 23.91 crore at the end of March 2008 from 247 clients in 38 Ministries/Departments.

The Government of India Press (Press), Nashik undertakes printing jobs such as administrative reports, acts, departmental codes, manuals, gazettes, staff lists and forms indented by various Central Government Ministries/Departments. Although the Press had not entered into individual agreements with indenters, they were required to make the payments on getting full supplies against their indents. There was no system of charging penal interest in case of delay in payment.

Audit scrutiny of records of the Press revealed (June 2007/2008) that as at the end of March 2008, Rs. 23.91 crore was yet to be recovered from 247 clients in 38 Ministries/Departments. Age-wise analysis is given below:-

Table-1

Year	Amount outstanding *(Rupees in crore)*
Over 10 years	7.07
5-10 years	5.07
3-5 years	2.63
2-3 years	0.37
1-2 years	0.41
0-1 year	8.36
Total	**23.91**

The General Manager stated (June 2008) that the matter was being pursued with the client departments by issue of reminders and also with the Directorate. However, an analysis indicates that more than 60 *per cent* of the pending dues is over three years old and if the current year's dues were not taken into account, they account for nearly 95 *per cent* of the receivables.

Thus, it is evident that the present follow up procedure has failed to produce timely results. The Press, which is run on commercial principles, needs to pursue the matter more effectively at appropriate level to ensure prompt collection of dues.

The matter was referred to the Ministry in July 2008; their reply was awaited September 2009.

CHAPTER XVI : UNION TERRITORIES

Andaman and Nicobar Administration

Directorate of Education

16.1 Double Payment of FCI

The Directorate of Education made double payment to FCI of Rs. 48.76 lakh as economic cost of rice for the Extended Mid Day Meal Scheme. The amount is yet to be recovered from FCI.

Department of Food and Public Distribution, Government of India allocated 428.164 MT and 340.756 MT of rice in February 2005 and March 2006 to the Andaman and Nicobar Administration (Administration) for providing prepared/cooked mid day meal to the students of class VI to VIII during the academic year 2005-06 and 2006-07 respectively.

Administration paid an amount of Rs. 60.88 lakh to the Food Corporation of India (FCI) in November 05/January 06 towards the economic cost of 428.164 MT of rice for use in academic year 2005-06 but did not lift any rice. Thus, the amount paid remained in deposit with FCI. Out of the said deposit, FCI adjusted, in February 2007, a sum of Rs. 54.42 lakh towards the economic cost of 340.756 MT of rice for the academic year 2006-07 and intimated the same to the Directorate of Education, Andaman and Nicobar Administration. FCI adjusted a further sum of Rs. 3.20 lakh in April 2007 towards transportation cost. Directorate of Education, Andaman and Nicobar Administration, however, in April 2007 made another payment of Rs. 48.46 lakh towards economic cost for 340.756 MT of rice for the year 2006-07. Thus the Administration paid twice for the same quantity of rice.

On being pointed out in audit, the Directorate of Education requested FCI to refund a sum of Rs. 51.72 lakh[*] including the balance amount of Rs. 3.26 lakh from the previous deposit. However FCI has so far (May 2009) not returned the amount despite issue of reminders in June 2008 and November 2008.

The matter was reported to the Ministry in June 2009, their reply was awaited as of February 2010.

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[*] Rs. 48.46 lakh + Rs. 3.26 lakh

Union Territory of Lakshadweep

16.2 Loss of interest of Rs. 29.75 lakh due to retention of funds outside Government account

Retention of Rs. 135.50 lakh outside Government account for over 2 years, by the Director of Fisheries, resulted in loss of interest amount of Rs. 29.75 lakh.

Receipt and payment Rules provides that no money shall be withdrawn from Government account unless it is required for immediate requirement.

Based on an assessment of Fish Aggregation Devices (FAD) deployed by National Institute of Ocean Technology (NIOT) in the fishing grounds of the island of Lakshadweep in February 2006, the Director of Fisheries, Kavaratti accorded sanction (March 2007) for payment of Rs. 1.36 crore to the Director, national Institute of Ocean Technology (NIOT), Chennai towards deployment (including repairs, maintenance design and fabrication) of eight numbers of new FADs besides redeployment of seven numbers of detached ones. The amount was drawn in March 2007 and kept in form of demand drafts favouring the Director, NIOT Chennai. These drafts were continued to be retained till October 2009 in the Directorate of Fisheries as NIOT did not agree with some of the provisions of Memorandum of Understanding proposed by DOF Kavaratti. This has resulted in the blocking up of Government money besides loss of Rs. 29.75 lakh towards interest for the period from the April 2007 to October 2009.

On this being pointed out, the Ministry stated (November 2009) that, as the finalization of MoU with NIOT was delayed, the amount drawn in favour of NIOT, Chennai for redeployment of FADs was deposited to Government account in October 2009.

Thus by withdrawing an amount of Rs. 1.36 crore much in advance of actual requirement before finalization of agreement/settlement of the terms and conditions with the NIOT and retaining in the form of demand drafts for more than two and half years, the DOF Kavaratti caused a loss of interest amounting to Rs. 29.75 lakh.

CHAPTER XVII : MINISTRY OF WATER RESOURCES

Farakka Barrage Project

17.1 Non-recovery of license fee

The General Manager, Farakka Barrage Project, disregarded the Ministry's directive while fixing the license fee at flat rates and allowed deduction at lower rates from occupants of Project quarters resulting in non recovery of Rs 2.61 crore

Executive Engineer, Township Division, Farakka Barrage Project (Project) is responsible for collecting license fee from occupants of quarters. The rates of license fee fixed are lower than those prescribed for CPWD quarters for the same type of accommodation. In August 1987 the Ministry of Urban Development introduced flat rate of license fee for government accommodation throughout the country. The rates were applicable for the residential accommodation in general pool and also under various Ministry/Departments of Government of India across the country, except in respect of substandard /unclassified accommodation of Ministry of Defense, accommodation for service personnel /offices of Ministry of Defense and accommodation under the control of the Ministry of Railways.

Audit scrutiny conducted in August 2007 revealed that despite receiving Ministry of Water Resources' order in March 1988 along with copy of the Ministry of Urban Development's (Directorate of Estates) instruction, the General Manager, Project did not revise the license fee at flat rate for Project accommodation. Further, the General Manager, Project decided in July 2004 to close the issue of revision of license fee at flat rate in the Project, citing special position of Project particularly due to temporary quarters and their bad condition. However, the Director of Estates in March 1999 issued an order requiring charging of 75 *per cent* of the flat rate of license fee for substandard/unclassified accommodation. It also stated that old permanent structures constructed prior to 1930 and old temporary structures constructed before 1960, which were lacking in most of the basic facilities might be classified as sub-standard/unclassified accommodation. Thus the quarters of FBP colony did not fall under this category of sub- standard/ unclassified accommodation. Audit also noticed that during the last 12 years the Project incurred an expenditure of Rs 28.33 crore towards special repair and ordinary repair and maintenance of the residential quarters in the said FBP colony.

Thus, despite having clear directive from the Ministry, non implementation of license fee at flat rate for Project accommodation had resulted in non recovery of license fee at revised rates since July 1987, amounting to Rs 2.61 crore leading to potential loss to government.

The matter was reported to the Ministry in July 2009; their reply is awaited as of March 2010.

17.2 Loss due to non-deduction of surcharge and education cess

Failure on the part of the General Manager, Farakka Barrage Project to issue instruction, as per the provision of the Finance Act, resulted in non-deduction of surcharge and education cess on the income tax realized from contractors' bills with consequent loss of Rs 31.71 lakh.

Finance Act 2005 [1]envisaged that in the case of every firm and domestic company, surcharge at the rate of 10 per cent would have to be deducted on income tax. The above provision was amended from the assessment year commencing on 1st April 2008 when deduction of surcharge was to be made subject to the condition that deduction of income tax exceeds Rs one crore. Moreover, the amount of income tax, as increased by the surcharge, shall be further increased by an additional surcharge at the rate of two per cent to be called the education cess on income tax.

Audit scrutiny of contractors' bills paid by the Farakka Barrage Project (Project), since April 2005, revealed that the Project had deducted Rs 2.54 crore towards income tax from the executing contractors during the period from April 2005 to March 2009. However, neither the surcharge nor the education cess amounting to Rs 25.44 lakh and Rs 6.27 lakh was deducted on the amount of such income tax so realized from the individual contractors, for reasons not on record. The General Manger of the Project also did not issue any instruction in this regard to the units of the Project. Non-deduction of surcharge and education cess on such income tax realized is a failure on the part of the Drawing and Disbursing Officer to comply with the provision of the Finance Act and caused a loss of Rs 31.71 lakh during the said period.

In reply to a query issued in April 2009, the Senior Accounts Officer in-charge of the Pay and Accounts Office of the Project confirmed deduction of income tax only but not the surcharge and education cess.

The case was reported to the Ministry in June 2009; their reply was awaited as of March 2010.

[1] Section 2.6(b) of Finance Act 2005

CHAPTER XVIII : GENERAL

18.1 Follow up on Audit Reports – Summarised Position

Despite repeated instructions/recommendations of the Public Accounts Committee, various Ministries/Departments did not submit remedial/corrective Action Taken Notes on 81 audit paragraphs even after the lapse of time limit prescribed by the Public Accounts Committee.

To ensure accountability of the executive in respect of the matters brought out in various Audit Reports, the Public Accounts Committee (PAC) decided in 1982 that the Ministries/Departments should furnish remedial/corrective Action Taken Notes (ATNs) on all paragraphs contained in these Reports.

The PAC took a serious view of the inordinate delays and persistent failures on the part of a large number of Ministries/Departments in furnishing the ATNs within the prescribed time limit. In their Ninth Report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the PAC desired that submission of pending ATNs pertaining to the Audit Reports for the years ended March 1994 and 1995 be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the Audit Reports for the year ended March 1996 onwards be submitted to them, duly vetted by Audit within four months from the laying of the Reports in Parliament.

Review of outstanding ATNs on paragraphs included in the Reports of the Comptroller and Auditor General of India, Union Government (Civil) as of October 2009 disclosed that the Ministries/Departments had not submitted remedial ATNs on 81 paragraphs. Besides, there were 109 paras on which final ATNs were awaited out of which one pertained to the Audit Reports for the year ended March 1994 as indicated in **Appendix-II**.

Though the Audit Reports for the years ended March 1996 to March 2008 were presented to Parliament each year between May 1997 and July 2009 and the prescribed time limit of four months had elapsed in each case, the Ministries/Departments were yet to submit final ATNs on 108 paragraphs as of October 2009 (**Appendix-III**).

18.2 Responses of the Ministries/Departments to Draft paragraphs

Despite directions of Ministry of Finance issued at the instance of Public Accounts Committee, Secretaries of Ministries/ Departments did not send response to 23 of 51 draft paragraphs included in this Report.

On the recommendation of the PAC, the Ministry of Finance issued directions to all ministries in June 1960 to send their response to the draft paragraphs proposed for inclusion in the Report of the C&AG within six weeks. The draft paragraphs are forwarded by the respective audit offices to the Secretaries of the concerned Ministries/ Departments drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Ministries is invariably indicated at the end of each such paragraph included in the Audit Report.

In 23 out of the 51 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2009, replies from the Secretaries of the Ministries/Departments were awaited, as detailed in **Appendix-IV.**

New Delhi
Dated: 3 May, 2010

(A.K. PATNAIK)
Director General of Audit
Central Expenditure

Countersigned

New Delhi
Dated: 4 May, 2010

(VINOD RAI)
Comptroller and Auditor General of India

APPENDIX-I

(Referred to in Paragraph No. 1.2)

Auditee Profile

1 Ministry of Agriculture

1.1 Department of Agriculture & Cooperation

The Department of Agriculture & Cooperation (DAC) is responsible for formulating and implementing national policies and programmes for achieving rapid agricultural growth and development through optimum utilization of the country's land, water, soil and plant resources, undertaking developmental planning, agricultural census, assist States in undertaking scarcity relief measures and in management of natural calamities, formulating cooperative policy relating to cooperation and cooperative organisations, cooperative training and education, bringing about integrated development of marketing of agricultural produce, safeguards the economic interests of the farming community in general, and formulating policies for improving agricultural extension services by adopting new institutional arrangements through the involvement of NGOs, farmers' organizations and agricultural universities.

1.2 Department of Agricultural Research and Education

The Department of Agricultural Research & Education (DARE) provides linkage for the Indian Council of Agricultural Research (ICAR) for its effective working by providing administrative services and support. The Director General of ICAR is concurrently Secretary to the DARE within overall framework of Government. The ICAR is vested with full authority to determine basic strategies, formulate operational policies, develop necessary programmes, and to ensure their implementation on sound technical and economic principles.

1.3 Department of Animal Husbandry, Dairying & Fisheries

The Department of Animal Husbandry, Dairying & Fisheries (DADF) is responsible for matters relating to livestock production, preservation, protection and improvement of stocks, dairy development, and also for matters relating to the Delhi Milk Scheme and the National Dairy Development Board. It also looks after all matters pertaining to fishing and the Fisheries Development Board. The Department advises State Governments/ Union

Territories in the formulation of policies and programmes in the field of animal husbandry, dairy development and fisheries.

2 Ministry of Civil Aviation

The Ministry of Civil Aviation is responsible for the formulation of national policies and programmes for development and regulation of civil aviation, and for devising and implementing schemes for orderly growth and expansion of civil air transport. Its functions also extend to overseeing the provision of airport facilities, air traffic services, carriage of passengers and goods by air, safeguarding civil aviation operations, regulation of air transport services, and licensing of aerodromes, air carriers, pilots and aircraft maintenance engineers. The Ministry also administratively controls the institution of Commission of Railway Safety, which is responsible for safety in rail travel and operations in terms of the provisions of the Railways Act.

3 Ministry of Commerce and Industry

3.1 Department of Commerce

The mandate of the Department of Commerce (DOC) is regulation, development and promotion of India's international trade and commerce through formulation and implementation of appropriate international trade & commercial policies. The basic role of the Department is to facilitate the creation of an enabling environment and infrastructure for accelerated growth of international trade. The Department formulates implements, reviews and monitors the Foreign Trade Policy, which provides the basic framework of policy and strategy to be followed for promoting exports and trade. Besides, the Department is also entrusted with responsibilities relating to multilateral and bilateral commercial relations, Special Economic Zones, state trading, export promotion & trade facilitation, and development and regulation of certain export oriented industries and commodities.

3.2 Department of Industrial Policy & Promotion

The Department of Industrial Policy & Promotion (DIPP) is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view national priorities and socio-economic objectives. While individual administrative ministries look after the production, distribution, development and planning aspects of specific industries allocated to them, the Department of Industrial Policy & Promotion is responsible for the overall industrial policy.

4 Ministry of Communications and Information Technology

4.1 Department of Posts (DoP)

Brief profile of DoP is given in paragraph 5.1 of Chapter 5 of this Report.

4.2 Department of Telecommunication (DoT)

DoT is primarily responsible for policy formulation and grant of licences to operators for providing basic and value added services. The DoT also administers the Universal Service Obligation (USO) Fund, which was constituted in April 2002. The USO Fund is to be used primarily to provide subsidies for expansion of telecommunication facilities in rural/remote areas of the country.

Further, the Department allocates frequency and manages radio communications in close coordination with the International bodies through its Wireless Planning and Coordination (WPC) wing. The WPC is the nodal agency to plan, authorise, and regulate use of spectrum within the country. It deals with the policy of spectrum management, wireless licensing, frequency assignments, international coordination for spectrum management and administration of Indian Telegraph Act 1885, for radio communication systems. The WPC is also responsible for enforcing wireless regulatory measures and monitoring the wireless transmission of all users in the country.

The responsibility for assessing and collecting licence fee and spectrum charges rests with the Controllers of Communications Accounts (CCAs) in each of the 26 Telecom Circles.

4.3 Department of Information Technology

This Department is covered in CAG's Report on Scientific Departments.

5 Ministry of External Affairs

Ministry of External Affairs (MEA) is responsible for conducting relations with foreign and commonwealth countries. The main functions of the MEA include conducting all matters affecting foreign, diplomatic and consular offices and its specialist agencies in India, entering into political treaties, agreements and conventions with foreign and commonwealth countries, providing passport, visa and all consular services, carrying out external publicity, providing economic and technical assistance to neighbouring countries etc. The activities of the MEA are carried out through its various organisations such as Indian Council of World Affairs, Foreign Service Institute, Indian Council of Cultural Relations etc. The representatives of the Ministry in the Missions/Posts abroad assist the Ministry in carrying out its mandated functions.

6 Ministry of Health and Family Welfare

6.1 Department of Health and Family Welfare

Department of Health and Family Welfare is responsible for implementation of various programmes on a national scale in the areas of health & family welfare, prevention and control of major communicable diseases and promotion of traditional and indigenous systems of medicines. The department also assists states in preventing and controlling the spread of seasonal disease outbreaks and epidemics through technical assistance. The department functions through its attached offices of Director General of Health Services and various subordinate offices, by way of grants-in-aid to the autonomous bodies, Non Government Organisations etc. Various world bank assisted programmes for control of AIDS, Malaria, Leprosy and Tuberculosis are also implemented by the department.

6.2 Department of AYUSH

The Department of Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) was established with a view to providing focused attention to development of Education & Research in Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy systems. The objectives of the department include upgradation of the educational standards in the Indian Systems of Medicines and Homoeopathy colleges in the country, strengthening existing research institutions, to draw up schemes for promotion, cultivation and regeneration of medicinal plants used in these systems, to evolve Pharmacopoeial standards for Indian Systems of Medicine and Homoeopathy drugs.

7 Ministry of Home Affairs

The main responsibilities of the Ministry of Home Affairs are internal security, management of para-military forces (Border Security Force, Central Reserve Police Force, Indo Tibetan Border Police Force etc.) Centre-State relations, disaster management, etc. The Ministry also extends manpower and financial support, guidance and expertise to the State Governments for maintenance of security, peace and harmony.

8 Ministry of Housing and Urban Poverty Alleviation

The Ministry of Housing and Urban Poverty Alleviation is responsible for formulation of housing policy and programmes (except rural housing which is assigned to the Department of Rural Development), review of the implementation of Plan Schemes, collection and dissemination of data on housing, building materials and techniques, and general measures for reduction of building costs, as well as nodal responsibility for the National Housing Policy.

9 Ministry of Micro, Small and Medium Enterprises

The role of the Ministry of Micro, Small and Medium Enterprises (MSME) is mainly to assist the States in their efforts in promoting growth and development of micro, small and medium enterprises, for enhancing their competitiveness in an increasingly market-led economy and for enabling them to generate additional employment opportunities. Besides, the Ministry also attempts to address common concerns of these enterprises and undertakes policy advocacy on behalf of the sector on issues critically affecting their sustenance and growth.

10 Ministry of Rural Development

10.1 Department of Rural Development

The Department of Rural Development implements schemes for generation of self employment and wage employment, provision of housing and minor irrigation assets to the rural poor, social assistance to the destitute, and rural roads. Apart from this, the Department provides support services and other quality inputs such as assistance for strengthening of District Rural Development Agency (DRDA) administration and Panchayati Raj Institutions, training & research, human resource development, development of voluntary action etc. for the proper implementation of programmes. The major programmes of the Department are Pradhan Mantri Gram Sadak Yojana (PMGSY), Swaranjayanti Gram Swarozgar Yojana (SGSY) and implementation of National Rural Employment Guarantee Act (NREGA).

10.2 Department of Land resources

The Department of Land Resources implements schemes to increase the bio-mass production by developing wastelands in the country and also provides support services and other quality inputs such as land reforms, betterment of revenue system and land records. It also undertakes development of desert areas and drought prone areas in the country. The major programmes of the Department are the Drought Prone Area Programmes (DPAP), the Desert Development Programme (DDP), and the Integrated Wasteland Development Programme (IWD). These aim at increasing soil and moisture conservation and productivity of the degraded lands, thereby increasing the income of the people.

10.3 Department of Drinking Water Supply

The provision of drinking water supply and extension of sanitation facilities to the rural poor are the main components of the activities of the Department of Drinking Water Supply. The major programmes of the Department are the Accelerated Rural Water Supply Programme (ARWSP) and the Total Sanitation Programme (TSP).

11 Ministry of Shipping

The Ministry of Shipping encompasses within its fold the shipping and ports sectors, which include ship-building and ship-repair, major ports, national waterways, and inland water transport. The Ministry has been entrusted with the responsibility of formulating policies and programmes on these subjects and their implementation.

12 Ministry of Textiles

The Ministry of Textiles is responsible for policy formulation, planning, development, export promotion and trade regulation in respect of the textile sector. This includes all natural and manmade cellulosic fibers that go into the making of textiles, clothing and handicrafts. The developmental activities of the Ministry are oriented towards making adequate quantities of raw material available to all sectors of the textile industry and augmenting the production of fabrics at reasonable prices from the organized and decentralized sectors of the industry.

13 Ministry of Tourism

The Ministry of Tourism is the nodal agency for the formulation and implementation of national policies and programmes and for the co-ordination of activities of various Central Government Agencies, State Governments/ UTs and the private sector for the development and promotion of tourism in the country. The functions of the Ministry in this regard, inter alia, mainly consist of planning; in respect of all policy matters; co-ordination with other ministries, departments, State/UT Governments; Regulation of standards and guidelines; and infrastructure & product Development.

14 Ministry of Urban Development

The Ministry of Urban Development has the responsibility of broad policy formulation and monitoring of programmes in the areas of urban development, urban water supply and sanitation. These are essentially State subjects but the Government of India plays a co-ordinating and monitoring role and also supports these programmes through Centrally Sponsored Schemes. The Ministry addresses various issues of urban sector through policy guidelines, legislative guidance and sectoral programmes.

15 Ministry of Water Resources

The Ministry of Water Resources is responsible for laying down policy guidelines and programmes for the development and regulation of country's water resources. The main activities of the Ministry include overall planning, policy formulation, coordination and guidance in water sector; technical guidance, scrutiny, clearance and monitoring of the irrigation, flood control and multipurpose projects (major and medium) of the States/UTs; infrastructure, technical and research support for sectoral development at the state level; providing special central financial assistance and help in obtaining external financing from the World Bank and other agencies etc.; overall resources planning, establishment of utilizable resources and the formulation of policies for exploitation of ground water, overseeing of support to state level activities in ground water development; formulation of national water development perspective and determination of water balance of different basins and sub-basins for exploring the possibilities of inter-basis transfer; and coordination and facilitation in regard to the resolution of differences or disputes relating to inter-state rivers and overseeing of the implementation of the inter-state projects.

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APPENDIX-II

(Referred to in Paragraph No. 18.1)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments up to the year ended March 1994 as of October 2009

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
1.	Finance	1994	1	-	1
Total			1	-	1

APPENDIX-III

(Referred to in Paragraph No. 18.1)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments up to the year ended March 2008 as of October 2009

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
1.	Agriculture	2007	1	-	1
2.	Commerce	2004	1	-	1
		2005	2	-	2
		2007	1	-	1
3.	Culture	2003	1	1	-
		2004	1	-	1
		2006	2	2	-
		2007	2	2	-
4.	Department of Posts	2003	1	-	1
		2005	5	-	5
		2006	5	-	5
		2007	7	5	2
		2008	10	8	2
5.	Department of Telecommunication	1997	1	-	1
		1999	2	-	2
		2000	1	-	1
		2003	3	-	3
		2004	2	-	2
		2007	2	1	1
6.	Corporate Affairs	2005	1	-	1
		2006	1	-	1
7.	External Affairs	2002	1	-	1
		2003	1	-	1
		2004	3	-	3
		2005	1	-	1
		2006	5	-	5

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
		2007	9	5	4
		2008	8	5	3
8.	Finance	1998	1	-	1
		1999	2	1	1
		2000	1	-	1
		2002	1	1	-
		2003	1	-	1
		2006	2	-	2
		2007	5	3	2
		2008	2	2	-
9.	Food Processing Industries	2007	1	1	-
10.	Health & Family Welfare	1997	1	-	1
		2000	3	1	2
		2001	2	1	1
		2002	1	-	1
		2004	2	-	2
		2005	5	1	4
		2006	1	1	-
		2007	1	1	-
		2008	5	5	-
11.	Home Affairs	2007	2	1	1
		2008	6	1	5
	Home Affairs (Union Territories)	2002	1	-	1
		2007	5	4	1
		2008	3	3	-
12.	Human Resource Development	1999	1	-	1
		2003	2	-	2
		2004	1	-	1
		2006	1	-	1

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
		2007	2	1	1
		2008	2	2	-
13.	Information and Broadcasting	2000	1	-	1
		2004	1	-	1
		2005	1	-	1
		2007	1	-	1
		2008	1	1	-
14.	Labour	2006	1	-	1
15.	Law & Justice	2003	1	1	-
16.	Mines	2006	1	1	-
17.	Overseas Indian Affairs	2007	1	1	-
18.	Road Transport and Highways	2006	1	1	-
19.	Rural Development	2002	1	-	1
		2007	3	2	1
20.	Social Justice and Empowerment	1996	1	-	1
		2003	1	-	1
		2006	1	-	1
		2007	1	-	1
21.	Statistics and Programme Implementation	1997	1	-	1
		2000	1	-	1
22.	Textiles	2003	1	1	-
		2007	3	3	-
23.	Tourism	2005	2	1	1
		2006	2	2	-
		2007	4	2	2
24.	Tribal Affairs	1998	1	-	1
		2004	1	1	-
		2008	1	1	-

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil		
			Due	Not received at all	Under correspondence
25.	Urban Development	2004	1	-	1
		2005	1	-	1
		2006	1	-	1
		2007	2	1	1
26.	Housing and Urban Poverty Alleviation	2005	1	-	1
27.	Water Resources	2007	1	1	-
28.	Women and Child Development	1999	1	-	1
		2003	1	1	-
		2008	1	1	-
29.	Youth Affairs and Sports	2007	1	-	1
	TOTAL		**189**	**81**	**108**

APPENDIX - IV

(Referred to in Paragraph No. 18.2)

Response of the Ministries/Departments to draft paragraphs

S.No.	Name of the Ministry/ Department	Total No. of Paragraphs	No. of Paragraphs to which reply not received	Reference to Paragraphs of the Audit Report
1.	Agriculture	4	0	--
2.	Civil Aviation	3	1	3.1
3.	Commerce and Industry	4	1	4.4
4.	Communication & Information Technology	2	1	5.1
5.	External Affairs	8	1	6.5
6.	Health & Family Welfare	5	3	7.3, 7.4, 7.5
7.	Home Affairs	2	0	--
8.	Housing & Urban Poverty Alleviation	2	0	--
9.	Micro Small & Medium Enterprises	1	0	--
10.	Rural Development	1	1	11.1
11.	Shipping	2	2	12.1, 12.2
12.	Textiles	7	6	13.1, 13.2, 13.3, 13.4 13.5, 13.6
13.	Tourism	1	1	14.1
14.	Urban Development	5	3	15.3, 15.4, 15.5
15.	Union Territory	2	1	16.1
16.	Water Resources	2	2	17.1, 17.2
Total		**51**	**23**	