

CHAPTER – VIII

Ministry of Earth Sciences

8.1 Irregular introduction of pension scheme and diversion of funds

Indian National Centre for Ocean Information Services, Hyderabad, irregularly introduced a pension scheme for its employees in violation of the orders of Ministry of Finance.

Department of Ocean Development, now Ministry of Earth Sciences (MoES), proposed (October 2005) to introduce a pension scheme for the employees recruited prior to 1 January 2004 in the autonomous institutions under its control, which were hitherto following the Contributory Provident Fund (CPF) Scheme. The autonomous institutions were directed to opt for a pension scheme offered by Life Insurance Corporation (LIC) or any of the public sector insurance companies and carry out an actuarial assessment of the fund requirements. After setting off the entire amount of employer's contribution available in the existing CPF scheme under the proposed new scheme, the consolidated requirement of funds for covering the gap between funds available vis-à-vis funds required was to be intimated to Ministry of Finance (MoF) for providing a one-time grant for the purpose.

Indian National Centre for Ocean Information Services, Hyderabad (INCOIS) approached LIC with a proposal to opt for the 'Defined Benefit Scheme' in respect of INCOIS employees who joined on or before 1 January 2004 and accordingly communicated (April 2007) gap fund requirement of ₹71 lakh to MoES. Subsequently MoES informed (August 2007) its autonomous bodies that as the scheme for permitting shift from CPF to 'Defined Contribution Scheme' might take some time, the proposal for providing gap fund had not been agreed to by the Department of Expenditure, MoF.

INCOIS nevertheless submitted (February 2008) a proposal to its Governing Council (GC) seeking approval for introduction of the 'Defined Benefit Scheme of LIC' for the employees of INCOIS who joined before 1 January 2004 and for meeting the gap fund requirement from the revenue generated under the consultancy projects taken up by INCOIS. The GC accorded (February 2008) in-principle approval to the proposal but recommended that

it be submitted to MoES for approval. MoES, however, reiterated (August 2008) that MoF had not agreed to the proposal for introduction of Pension Scheme.

Subsequently MoF issued (June 2009) orders that the employees of Central Autonomous Bodies who joined before 1 January 2004 may also be permitted to shift to the New Pension Scheme (NPS) introduced for the employees who joined after 1 January 2004 and instructed that these employees may be given an option either to remain in the existing CPF scheme or move over to the NPS. In spite of the decision of MoF, INCOIS again mooted (July 2009) the proposal for introduction of the 'Defined Benefit Scheme', which was recommended by its Finance Committee and approved by the GC.

Thereafter INCOIS entered (May 2010) into an agreement with LIC of India for execution of Defined Benefit Pension Scheme and constituted (April 2011), an INCOIS Defined Pension Benefit Scheme (IDBPS) Trust for administration of the scheme. As of March 2012 an amount of ₹2.47 crore was deposited in the IDBPS Trust under the scheme to meet the gap between fund availability and requirement.

Thus INCOIS introduced the LIC Pension scheme for its staff that joined prior to 1 January 2004 without the approval of its administrative Ministry and in violation of the orders of MoF, which was irregular. Audit also observed that of the deposit of ₹2.47 crore, an amount of ₹1.23 crore was met from the interest earned on grant received from MoES for the procurement of High Performance Computing System Solutions under a project titled 'INCOIS infrastructure and Ocean Information Services'. The diversion of interest receipts was in violation of the terms and conditions of the grant, which stated that the interest earned from the grant would be treated as a credit to the Institute and would be adjusted towards further instalments of the grant.

MoES replied (April 2013) that MoF did not object to introduction of the scheme by the autonomous institutions meeting the gap fund requirements from their own internal accruals. MoES added that the instructions of MoF (June 2009) only made enabling provisions to allow the employees of Autonomous Bodies who joined before 1 January 2004 to join the NPS which was not mandatory. With respect to the audit observation on diversion of interest receipts from grant to meet the gap fund requirement, MoES stated that since INCOIS had not charged overheads on the project, the interest earned on the funds received were treated as internal generation.

The reply of MoES is not acceptable in view of the fact that the instructions of MoF (June 2009) provided clear options of either remaining in the existing

CPF scheme or to move to the NPS. There was no scope for introduction of other pension scheme in the said order of MoF.

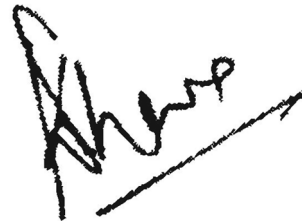
Thus, the introduction of LIC pension scheme by INCOIS without the approval of the administrative Ministry and in contravention of MoF instructions as well as diversion of funds of ₹1.23 crore from the interest earned on grant received from MoES for another project, in violation of the terms and conditions attached to the release of the grant, was irregular.



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