

OVERVIEW

This volume of the Audit Report contains audit observations emerging out of the audit of some schemes and transactions in the civil ministries and their field offices. The audit observations on the accounts of the Union Government (Civil): 1998-99 have been incorporated in Report No.1 of 2000, while performance reviews of four centrally sponsored schemes/programmes are printed in a separate volume (No.3 of 2000).

An overview of more important paragraphs included in this report is as under:

Retention Price Subsidy Scheme on sale of controlled fertilisers

Under the Retention Price Subsidy Scheme for Controlled Fertilisers, now available only to urea manufacturers, Government compensates the fertiliser manufacturers, the difference between their cost of production including a reasonable return on investment and the sale price determined by the Government. The total subsidy paid during 1992-98 was Rs 25155 crore.

Review of payments made by FICC¹ in the **Ministry of Chemicals and Fertilisers, Department of Fertilisers** to the fertiliser manufacturers disclosed the following:

- FICC relied entirely on the cost data furnished by the fertiliser manufacturers and had no means to verify it independently.
- FICC reimbursed pre-tax return to fertiliser manufacturers by assuming a normative percentage of return on net worth, which according to it, would work out to a post-tax return of 12 *per cent* on their net worth. It, however, did not verify the actual Corporation Tax paid by the manufactures to adjust/recover excess payments made on account of Corporation Tax. Sample-checks of the annual accounts of the manufacturers disclosed reimbursement of Rs 2731 crore towards Corporation Tax to them by FICC, which was never paid by them and was, therefore, inadmissible.
- FICC failed to take note of transfer of Rs 1849 crore by the fertiliser manufacturers, received towards Corporation Tax to 'General Reserves'. This increased their net worth, enabling them to claim subsidy on this amount also. This resulted in inadmissible subsidy of over Rs 460 crore.
- Failure of FICC to reduce the norms of pre-tax return despite drop in Corporation Tax rates from time to time resulted in excess subsidy payment of Rs 408 crore.

¹ Fertiliser Industry Co-ordination Committee

- Admitting higher rate of depreciation charges by FICC than that provided in the statute led to overpayment of subsidy of Rs 592 crore.
- Other deficiencies in the administration of the Retention Price Subsidy Scheme relate to admitting the claim at widely varying rate/cost of various items claimed by different manufacturers, non-recovery of subsidy paid on sub-standard fertilisers, delays in recovery of the excess subsidy and more importantly, failure to verify the end use of fertilisers on which subsidy was paid, particularly since fertiliser used only for agriculture* was entitled to subsidy.
- All fertiliser manufacturers claimed to have produced much more than the normative capacity fixed for them, which was as high as up to 143 *per cent* of the installed capacity. FICC did not revise the normative capacity on the basis of their past performance. Since the capital related charges were fully recovered at the normative production, the claim based on consistent higher production than the norm, allowed them to recover much more than the full capital related charges and, therefore, unintended benefit at the cost of public exchequer.
- It would be seen from the above that if the Retention Price Subsidy Scheme had been properly administered and controlled, the subsidy burden on the Consolidated Fund would have been much less.

(Chapter I)

Administered Pricing Mechanism for petroleum products

Under this mechanism, the oil companies, which consist of oil refineries and marketing companies are compensated on the basis of retention price concept, which allows them a post tax return of 12 *per cent* on their net worth besides full reimbursement of the operating cost.

Review of implementation of the Administered Pricing Mechanism by the **OCC**¹ and the **Ministry of Petroleum and Natural Gas** disclosed several shortcomings in its management and control, which resulted in excess payment to the oil companies, ultimately leading to unintended charge on the Oil Pool account and consequent higher cost of the products to the consumers.

The excess payments to the oil companies under this mechanism due to various shortcomings in its implementation aggregated Rs 6321 crore during 1993-98, on the basis of sample-checked cases alone as under:

* fertilizers can be used for other purposes viz., industrial, export, etc.

¹ Oil Co-ordination Committee

- The system of verification/scrutiny of the correctness of claims of the oil companies in the OCC was deficient, which resulted in many inadmissible claims being admitted by it.
- The assured operating actual cost plus 12 *per cent* return on net worth did not promote any cost-cutting /economy measures in oil companies nor did it facilitate evaluation of their operational efficiency.
- Admittance of pre-tax return on normative basis to arrive at 12 *per cent* post tax return, without verification of the actual payment of Corporation Tax and consequent non-adjustment of excess payment resulted in inadmissible compensation of at least Rs 2155 crore to the oil companies.
- The refineries were compensated on the basis of standard throughput¹, fixed refinery-wise, taking into account the technology, status of plant and machinery and crude. Incentives were allowed to refineries for improving upon the standard throughput and product pattern. Failure to revise standard throughput and standard production pattern on the basis of past performance led to extra payment of Rs 1481 crore by way of incentive claims and depreciation charges.
- OCC allowed undue benefit of Rs 1514 crore to oil companies by not reckoning the interest earned by them on the security deposits paid by the consumers for Liquefied Petroleum Gas cylinders and regulators, even though 100 *per cent* depreciation through full re-imburement of cost on all purchase of cylinders and regulators by oil companies was allowed to them.
- Excess margin for distribution of the administered petroleum products to some oil companies with reference to the lowest margin admitted by OCC for others, contributed to excess payment of Rs 1099 crore.

(Chapter IV)

¹ Quantity of crude to be refined during the year as fixed by OCC/Ministry

New Growth Centre Scheme

Ministry of Industry, Department of Industrial Policy and Promotion launched a scheme for setting up Industrial Growth Centres in industrially backward areas in 1988. The Growth Centres were to be provided with infrastructure for industrial promotion.

The scheme had inherent design defects, since it consisted of many assumptions, particularly in respect of financial resources, which were not realistic. The Ministry envisaged funding by the Central Government, state governments, financial institutions and through market borrowings, without realising that financial institutions invest funds where assured returns exist and market borrowing without adequate institutional arrangement would be a non-starter.

The total requirement of funds for 67 growth centres to be completed by March 1997 was Rs 2010 crore. Against this, Ministry's actual contribution was Rs 274 crore and state governments contributed Rs 222 crore. The Ministry, the state governments and the implementing agencies *i.e.* State Industrial Development Corporations, *etc.* pooled in a total of over Rs 653 crore since 1992 for the 67 growth centres in 25 states. The projects did not see the light of the day even eight years after the first central assistance was released. Most of the amounts spent were consumed for land acquisition Infrastructure facilities have taken a backseat. While none of the Growth Centres has been completed, the projects for 22 of the 67 were not even initiated.

Thus, Rs 653 crore spent on the project have yielded no value for money so far and more importantly the spin-off benefits of industrial promotion in the industrially backward areas remained frustrated.

(Chapter III)

Modernisation of India Government Mint, Calcutta

Ministry of Finance, Department of Economic Affairs approved modernisation of India Government Mint, Calcutta along with the Mints at Mumbai and Hyderabad in 1989 for increasing the output of coin blanks from 150 million to 1900 million pieces and the output of coins from 400 to 1000 million pieces.

The project was scheduled to be completed at Rs 40 crore by January 1993. Only two of the nine shops, whose functions are generally inter-connected, have been completed as of November 1999. While Rs 59 crore have been spent on the project, there has been no improvement in production of coins, which is stagnant at around the pre-modernisation capacity of 400 million pieces, except in 1998-99, when it picked up to 525 million pieces.

The management of the project by the consultants MECON¹, the Ministry of Finance and more importantly, the General Manager of India Government Mint, Calcutta has been lackadaisical. As a result, the project, which should have been completed in 1993, is uncertain even by the end of 1999. While the modernisation project languishes, the country continues to depend heavily on imports for coin blanks.

The General Manager delayed issue and finalisation of tender for purchase of equipment, issue of structural drawings and award of works for civil construction.

While five equipment purchased at Rs 28.80 crore were commissioned 3 to 45 months after their receipt, another five equipment worth Rs 19.99 crore had not been installed for up to four years after their receipt.

(Chapter II)

Government of India Presses

The working of 21 Government of India presses functioning under **Ministry of Urban Affairs and Employment** was unsatisfactory. The average capacity utilisation was considerably low at 31 to 44 *per cent* during 1993-98. Sample checks disclosed loss of 28.87 lakh machine hours and 73.71 lakh labour hours, attributed to shortage of staff, old machines, non -availability of paper, insufficient work and frequent mechanical and electrical breakdowns, etc. The under-utilisation of capacity and avoidable idleness had affected their efficiency.

The Government presses were not cost-effective due to large administrative overheads and infrastructural inadequacies.

The operational results of presses are known through proforma accounts. There were delays in preparation of proforma accounts by 12 to 60 months. The system of financial control was generally lax. Rs 136.99 crore were pending recovery from various ministries on account of work done on their behalf.

Sample check of accounts of the Publication Unit and Forms Unit, Santragachi disclosed that due to delay in fixing hourly rate for billing they undercharged Rs 7.65 crore. Similarly, the Manager of Forms Unit claimed only Rs 48.61 lakh towards cost of paper in eight bills test-checked by Audit against actual consumption of paper worth Rs 1.17 crore, resulting in under recovery of Rs 68.72 lakh towards cost of paper. Managers of Publication and Forms Unit of Government of India Press, Calcutta had not raised supplementary bills aggregating Rs 69.15 crore for the period 1987-97, even after preparation of the proforma accounts.

¹ Metallurgical and Engineering Consultants (India) Limited

The Ministry was yet to act on the decision of the Cabinet of June 1997 for examining in detail the status of the presses with a view to recommending their retention after their modernisation or closure.

In view of inefficiency in all Government of India presses, inability of the Government to modernise them with changing technology, large fixed overheads and high cost of printing and significantly improved capacity in the private sector, Government should re-consider whether it should continue to maintain the presses.

(Chapter V)

Working of Land and Development Office

The functioning of **Land and Development Office** under the **Ministry of Urban Affairs and Employment**, responsible for documentation of properties, allotment of lands to various government/semi-government departments, social, cultural and religious institutions, etc. disclosed many shortcomings.

The Office did not institute an effective system for verification and assessment of dues, eviction of squatters from Government land, recoveries of dues and revision of rent, etc.

The review disclosed accumulation of arrears of ground rent and losses, due to improper or non-revision of ground rent aggregating Rs 30.24 crore. Further Land and Development Office failed to recover Rs 168.83 crore from 122 individual lessees and 19 lessees of other categories such as cinema halls, hotels, presses, etc. due to lack of effective pursuance and inefficient system of assessment and recovery.

100 acres of Government land valued at Rs 930 crore was under unauthorised occupation by squatters. In addition, overlapping control of Land and Development Office, Delhi Development Authority and Municipal Corporation of Delhi had led to encroachments of 1590 acre of Government land.

(Chapter V)

Ministry of External Affairs

Indecisiveness of MEA¹ in renewal of lease

The ambivalence of decision-making in the **MEA** in renewing the lease deed for 2, Rajaji Marg, the residential accommodation of the British High Commissioner, during 1990, has resulted in its failure to revise the lease rent/renew the lease for the last over 10 years.

In the past also, due to delay in communicating the revised lease rent by more than eight years, which was due from 1980, arrears of Rs 64.35 lakh up to November 1988 could not be recovered.

Despite being aware of the non-enforceability of the terms of renewal of the lease agreement, including the revised lease rent retrospectively, MEA did not act promptly when the occasion for revision in 1990 arose. MEA had not revised the lease premium and ground rent as of December 1999 on commercial principles despite the Crown Estate Commissioner revising the premium and ground rent of the residential accommodation of the Indian High Commissioner in London in 1994 on commercial principles retrospectively from 1990. Ministries of External Affairs and Urban Development determined in February/June 1995 the lease premium of 2, Rajaji Marg at Rs 118.40 crore and commuted value of the ground rent for 50 years at Rs 59.20 crore, MEA failed to give effect to it.

As a result, the Ministry continues to charge ground rent at Rs 6 lakh per month since January 1995, while having paid the commercial value of the premium and ground rent to the Crown Estate Commissioner for 9 KPG, the residential accommodation of the Indian High Commissioner in London.

The delay in realisation of the commercial value of premium and ground rent has resulted in interest implication of Rs 120 crore up to December 1999. It has also upset the value of NPV calculation of the ground rent payable by the British High Commission over the next 50 years from 1990.

(Paragraph 8.1)

Mismanagement of accommodation: Embassy of India, Kiev.

Embassy of India, Kiev mismanaged the matter relating to acquisition/ hiring of office accommodation repeatedly, which led to substantial avoidable expenditure.

The Embassy failed to complete the formality of transferring the title of the 5000 sq. metre plot allotted by the local government for over four years. The Government of Ukraine cancelled the allotment in December 1996.

The Mission purchased a built up accommodation for Rs 2.53 crore in September 1995, but failed to undertake repairs and renovation work until December 1999 to make it usable.

¹ Ministry of External Affairs

Having failed to get the title of the plot and undertake repairs to the accommodation purchased, the Mission hired a property at US \$ 15,000 per month, without sanction of the Ministry. The Mission has already spent US \$ 765,000 equivalent to Rs 3.34 crore on the lease rent up to December 1999, while the accommodation procured at Rs 2.53 crore continues to remain unutilised.

(Paragraph 8.5)

Deficient internal control in missions abroad

Sample checks of visa and consular fees realised by **few missions in Europe** disclosed widely prevailing non-compliance of the orders of MEA on issue of visas and levy of visa/consular fees leading to a loss of revenue of at least Rs 5.14 crore.

Failure of the missions to fix visa fee in local currency in accordance with the MEA guidelines led to a loss of Rs 2.16 crore towards visa fee. In other cases issue of short term visas by charging incorrect fees resulted in loss of revenue of Rs 1.89 crores.

Embassy of India, Copenhagen delayed implementation of the reciprocity in the rate of visa fees by more than eight months. This resulted in loss of Rs 1.06 crore.

HCI¹ London, Consulate General of India in Birmingham and Consulate General of India at Glasgow issued certificates to British nationals of Indian origin aged below 16 years, who held independent passports, that they did not require visa for entry into India. This was in violation of the passport (Entry into India) Act 1920. Granting of such certificates, resulted in loss of revenue of at least Rs 4.11 crore during 1996-99. The HCI, London and the Consulates did not maintain a comprehensive list of such certificates issued by them. The loss could, therefore, be more.

The shortcomings point towards deficient internal control in the missions and deficient management information system in the Ministry.

(Paragraph 8.2)

¹ *High Commissioner of India*

Unauthorised expenditure

High Commission of India in London and Consulate General of India in Birmingham operated local posts without sanction of the Ministry, which is a prerequisite for such posts, continuously for up to 10 years. In another case **HCI London** employed up to 14 clerks paid from contingencies for work of regular nature. Such employments need prior approval of the Ministry of External Affairs. The total unauthorised expenditure on posts operated without sanction of the MEA was Rs 3.51 crore.

Besides, **HCI London** had appointed and continued the services of a computer consultant without sanction of the Ministry. Rs 83.27 lakh paid to him during February 1994 to March 1999 is unauthorised.

In another case, included in the Chapter XIII of this Report Embassy of India, Bonn operated three to five local posts against the budget of Ministry of Human Resource, Department of Education, without their sanction. The expenditure of Rs 2.36 crore on their pay and allowances was, therefore, unauthorised.

The total unauthorised expenditure on engagement of persons in above cases without the approval of MEA was Rs.6.70 crore.

(Paragraph 8.6 and 8.7)

Fraudulent drawal

A fraudulent drawal of Rs 34.27 lakh was made from the New York bank account of the **Embassy of India, Kiev**. The fraud took place solely due to negligent action by the Embassy staff in authorising the State Bank of India, New York to transfer the amount to third party accounts on advice issued by fax. The arrangement for fax advice with the State Bank of India, New York was limited to transfer of the amounts to Mission's accounts in Kiev. Fax advice for third party transfer on the letterhead of the Mission was imprudent, since it exposed the Mission's funds held in the State Bank of India, New York to serious risk of fraud. No action was taken against the defaulting staff.

(Paragraph 8.4)

Unauthorised retention of additional car

Despite categorical rejection by MEA of the request of the **Embassy of India, Oslo** for retention of the second car, the Mission continued to retain it for 11 years unauthorisedly. It spent over Rs 16 lakh in maintaining it.

(Paragraph 8.10)

Deficient cash management

CGI¹, Birmingham did not remit the excess cash held by them to the Ministry in disregard of the directions of MEA resulting in interest loss of about Rs 60 lakh. Similar instances of non-compliance to MEA's instructions on cash management and consequent loss of interest have been pointed out in Audit Reports in the past also.

(Paragraph 8.14)

Arbitration awards

Sample check of arbitration cases in Director General of Supplies and Disposals disclosed deficiencies in the system of documentation, monitoring and accountability procedure in management of arbitration cases, which led to significant delays in follow up action. The efficacy of the system for maintenance of data was not ascertainable in the absence of comprehensive central list/register.

Of the 159 arbitration cases, for which data were made available, 132 were decided in favour of the Government with aggregate value of Rs 6.44 core during 1993-98. Of this, only Rs 45 lakh were recovered as of August 1999. The follow-up actions were lax.

Director General of Supplies and Disposals did not establish accountability procedure for delay in follow up action.

Most of the remaining arbitration cases were determined against the Government due to omissions attributable to negligence of the Department.

(Paragraph 7.1)

Development of tourism infrastructure

Ministry of Tourism piloted the scheme of Development of Tourism Infrastructure with the objective of promoting domestic tourism and attracting overseas tourists by improving the infrastructure. The scheme consisted of assistance for construction of tourist bungalows, cottages, complexes and reception centres.

Ministry released Rs 15.82 crore for 158 projects during 1992-97. 119 of the 158 projects sanctioned at a cost of Rs 25.02 crore had not been completed as of June 1999, mainly due to lax implementation and monitoring. There was time over-run of between 4 and 51 months in completion of the remaining 39 projects.

Even of the 39 completed projects, only 28 were commissioned. Many of the commissioned projects are not being used for promotion of tourism due to one or the other reasons.

(Paragraph 18)

¹ Consulate General of India

Undermining of Parliamentary Financial Control

Unauthorised approval of the **Ministry of Textiles** to credit the penalties through AEPC¹ on account of the failure of the exporters to fulfil their export quota of textiles/garments into the Public Account rather than into the Consolidated Fund of India and meeting the expenditure directly by debiting the Public Account was against the provisions of Articles 266 and 114 (3) of the Constitution of India.

This had the effect of bypassing the authority of the Parliament, without whose approval no money could have been spent. This arrangement of additional funding for items, which were also funded out of the Consolidated Fund of India against specific budget provisions did not afford total picture of assistance for market development activities *etc.* and grants to NIFT². This has rendered the entire expenditure of Rs 35.08 crore during 1989-99 questionable.

(Paragraph 17.1)

Unfruitful expenditure due to negligence

Ministry of Food Processing Industries released Rs 1.24 crore for production of 45 films to sixteen film producers during March 1995 to February 1999. These films were to be telecast with a view to creating awareness for food processing among the masses. Of the 45 films, 18 were not yet completed. None of the 27 completed films had been telecast as of June 1999, thereby foiling the end-objective of creating awareness for food processing.

The Ministry did not exercise proper control to ensure that the producers follow the norms of production of commissioned films. Doordarshan did not telecast the films, since the producers had unauthorisedly inserted advertisements in the films, which labelled them in the category of commercial programme.

(Paragraph 10)

Loss due to failure to revise rates of licence fee

Failure of the **Commissioner of Customs (Administration), Calcutta** to revise the licence fee for accommodation provided to clearing agents in the Customs House from time to time on the basis of standard rent determined by the CPWD resulted in loss of Rs 52.83 lakh during 1993-99.

(Paragraph 9.7)

¹ Apparel Export Promotion Council

² National Institute of Fashion Technology

Payment of overtime allowance beyond the permissible norm

General Manager, Currency Note Press, Nasik made overtime payment of 480 hours per quarter to almost all staff members during 1995-99, against the statutory permissible limit of only 50 hours per quarter. Reckoning the overtime hours allowed each worker should have put in on an average 14 hours of work every day during all four years, including on holidays and Sundays.

The value of overtime payment beyond the maximum limit prescribed for the aforesaid period worked out to Rs 64.19 crore. The overtime payments were over 56 per cent of the expenditure on their pay and allowances.

(Paragraph 9.1)

Failure to deduct Sales Tax from customers

Ignorance of the **General Manager, India Government Mint, Mumbai** about Sales Tax liability on commercial productions resulted in payment of Rs 1.95 crore during 1983-95 to the Sales Tax Department, Maharashtra, which the IGM had not recovered from the customers and, therefore, was a loss to the Government. The Sales Tax Commissioner, Maharashtra also levied a penalty of Rs 2.12 crore for default in deposit of Sales Tax for 1983-95, against which, General Manager, India Government Mint had appealed to the Sales Tax Tribunal.

(Paragraph 9.2)

Loss on account of expired medicines

Medicines worth Rs 48.40 lakh outlived their life in stock of **Central Government Health Services, Pune** due to excess procurement of medicines during 1996-98, without ascertaining the requirement from the user dispensaries by the Additional Director.

(Paragraph 11.2)

Pharmaceutical Factories in Medical Stores Depots at Chennai and Mumbai

Pharmaceutical Factories in the Medical Stores Depots at Mumbai and Chennai, were established in 1893 and 1947 respectively with the objective of manufacturing about 75 and 100 odd common drug formulations and other materials like bandages, etc. for supply to the government hospitals/dispensaries on a 'no-loss and no-profit basis'. Their workload has reduced over the years and by now, it is negligible. The expenditure on establishment of the factories constituted 86 to 92 *per cent* of the total expenditure during 1991-98. The machinery installed at both the factories have outlived their life. Government should promptly assess their utility and close them to avoid further wasteful expenditure.

(Paragraph 11.1)

Inordinately delayed calibration laboratory project

The Ministry of Water Resources sanctioned a Calibration Laboratory Project for Central Water and Power Research Station, Pune in June 1984 at Rs 1.90 crore to be completed by 1987. This was dependent on the progress of another project, termed as 'Hydromechanics Project', funded by UNDP¹, which was scheduled for completion in 1984, as these two projects were to be implemented in an integrated manner. The termination of Hydromechanics Project after an expenditure of Rs 1.10 crore in March 1990 affected the progress of the Calibration Laboratory Project. Even as of December 1999, testing and commissioning of the project was yet to be completed 13 years after it was due for completion and an expenditure of Rs 2.69 crore. Thus, objective of installing a state-of-the-art facility was not achieved.

(Paragraph 20.1)

Unintended standing subsidy to the States/PSU²s.

Ministry of Home Affairs deploys Central Paramilitary Forces in the states for internal security duties on receipt of the requisition from the state governments. The cost of deployment is borne by the respective state governments. Rs 796.24 crore were recoverable from different states on account of deployment of Central Paramilitary Forces as of March 1999.

Similarly, Rs 354.88 crore were recoverable from 226 PSUs for providing Central Industrial Security Force to them.

Non-recovery of outstanding dues of Rs 1151 crore from the state governments/PSUs has provided an unintended assistance to them.

(Paragraph 12.1)

Unprocessed books

The Director, National Library, Calcutta failed to ensure quick processing of books and make them ready for use by the readers for up to nine years. Failure to process the books resulted in no value for money from an expenditure of Rs 74.63 lakh on books for three to nine years. The readers of the Library were deprived of using the books.

(Paragraph 13.1)

¹ United Nations Development Programme

² Public Sector Undertaking

Undue benefit to the sponsor of the programme 'Yug'

Observations have been included in the earlier Audit Reports about incorrect application of Rate Card in odd duration programmes, which were not in multiple of 30 minutes resulting in undue benefit to the sponsor. In yet another programme 'Yug', **Director General, Doordarshan** treated the 40-minute programme as that of one hour, allowing the sponsor more Free Commercial Time for sale. The inappropriate application of Rate Card resulted in an undue benefit of Rs 4.18 crore to the sponsor with a corresponding loss to Doordarshan for 216 episodes telecast during September 1996 to August 1997.

(Paragraph 14.2)

Non-recovery of outstanding dues

Director, Doordarshan Kendra, Thiruvananthapuram, neither took effective action for prompt recovery of dues for advertisement charges from the accredited agencies nor cancelled their accreditation due to default, as per the agreements. Such cases of ineffective system had been included in the earlier Audit Report for 1996-97 in relation to Doordarshan Kendras, Calcutta, Chennai, Delhi and Lucknow. This resulted in non-realisation of over due advertising charges and interest of Rs 5.77 crore.

(Paragraph 14.1)

Avoidable payment of demurrage charges

Department of Fertilisers paid demurrage charges of Rs 31 lakh due to delay in finalisation of the rate of the handling contract, which was entirely avoidable. Department of Fertilisers initiated the process of fixing the rates for the financial year 1996-97 in April 1996 *i.e.* after the new financial year had already begun. Between them, Department of Fertilisers and Ministry of Finance took over two months to approve the rates.

(Paragraph 6.1)

Failure of the department to honour its guarantee

Department of Fertilisers did not redeem the guarantee given to the Life Insurance Corporation of India, consequent upon default in repayment of loan of Rs 16 crore and interest of Rs 36.38 crore by the Fertiliser Corporation of India.

(Paragraph 6.2)

Undue benefit to a toll contractor by Government of West Bengal

Government of West Bengal granted arbitrarily post-agreement concessions to a toll contractor for Calcutta-Durgapur Expressway by reducing the daily deposit of toll charges by 50 per cent for the first six months and permitting the arrears of Rs 1.99 crore to be deposited in ten equal weekly instalments without interest after one year.

In addition, it waived the toll charges of Rs 6.62 lakh for three days on the demand of the contractor without verification of his claim. More importantly, the Government extended the contract unauthorisedly for collection of toll from one year, determined on the basis of open tenders, to 30 years and revised the formula of calculation of bid money in favour of toll contractor.

Besides, it did not take any action for recovery of outstanding dues of Rs 8.17 crore towards toll charges and interest of Rs 1.08 crore as of September 1999 and to terminate the contract for default in deposit of the amount as per provisions of the agreement. The manner in which so many concessions were given to the contractor calls for an investigation.

(Paragraph 16.1)

Undue benefit to a contractor

Superintending Engineer, Roads and Buildings, National Highway Circle, Hyderabad changed the original terms of agreement for dumping of excavated material on road-side and allowed a lead of up to one kilometre without transparent reasons. This resulted in excess payment of Rs 78.50 lakh to the contractor.

(Paragraph 16.2)

Unauthorised aid to a lessee and loss of revenue

Government of Andhra Pradesh awarded the leasehold rights for 1996-98 on three bridges on National Highway No.5 to the existing lessee without public auction, in violation of the prescribed rules. This resulted in undue financial aid of Rs 23 lakh to the lessee at the cost of the public exchequer, with reference to *suo moto* offer of lease amount received from another applicant.

(Paragraph 16.4)

Failure to deduct income tax at source

The Estate Manager, Calcutta paid Rs 6.95 crore as rent for hired accommodation for Government offices during June 1994 to July 1997. He did not deduct income tax at source amounting to Rs 1.39 crore from the rent bills in contravention of the provision under Section 194-I of Income Tax Act 1961, introduced with effect from June 1994.

(Paragraph 19.3)

Retention of rented premises beyond requirement

The Estate Manager, Calcutta had taken on lease a private building having usable area of 8554 sq ft. to accommodate the office of the Branch Secretariat of Ministry of Law, Justice and Company Affairs, Calcutta. Subsequently, Estate Manager, Calcutta allotted 7640 sq. ft. space to the Branch Secretariat in the MSO Building, Nizam Palace Calcutta in lieu of the rented accommodation in June 1986. The Branch Secretariat of the Ministry of Law, Justice and Company Affairs continued to occupy both the premises, the area of which was much beyond their requirement. The Estate Manager did not ensure vacation of rented premises and regularly renewed its lease agreement. This resulted in payment of Rs 1.89 crore as rent for the leased building during March 1987 to November 1999, which was wasteful. The avoidable liability continues at the rate of Rs 1.63 lakh per month.

(Paragraph 19.2)

Licence fee and damage charges not realised

Failure of the **Estate Manager, Calcutta** to initiate timely action for vacation of the government residential accommodations from the unauthorised occupants and lack of sustained efforts for realisation of Government dues, resulted in non-recovery of damage charges aggregating Rs 34.37 lakh as of November 1999. Besides, while unauthorised persons continued to occupy the government residential accommodations up to a maximum of over 16 years in 61 cases, the eligible wait-listed employees continued to wait for allotment of government residential accommodation.

(Paragraph 19.4)

Wasteful expenditure

Andaman Public Works Department started construction of an earthen dam on Guptapara Nallah in May 1995 to mitigate the problem of water supply to the villagers of Guptapara, Linedera and Manjuri in Andaman and Nicobar Islands. The work was taken up in disregard of Central Water Commission's Report regarding non-viability of an earthen dam on that site. Due to hill-slope stability problems the work had to be suspended in June 1996 after an expenditure of Rs 57.62 lakh. Thus, disregard of technical advice not only rendered Rs 57.62 lakh unfruitful, the objective of the project remained unfulfilled.

(Paragraph 21.1)

Recoveries at the instance of Audit

This Report contains four paragraphs relating one each to **Ministries of Commerce, Finance and Information and Broadcasting and Andaman and Nicobar Administration**, where recoveries were made by departmental officers upon being pointed out by Audit. Out of the total excess payment/non-recovery of Rs 1.47 crore

pointed out by Audit, the departmental officers recovered Rs 1.20 crore and assured the recovery of the balance Rs 27 lakh.

(Paragraph 7.2, 9.5, 14.3 and 21.4)

Follow up on Audit Reports - Summarised Position

Despite repeated instructions by Government, consequent upon recommendations of the PAC, ministries/departments did not send remedial Action Taken Notes on 82 Audit Paragraphs included in the Reports relating to civil ministries, Other Autonomous Bodies and Scientific Departments. Of these, 48 were relatively older paragraphs, which were included in the Audit Reports of 1990 to 1996.

(Paragraph 22.1)

Response of the ministries/departments to Draft Reviews/ Paragraphs

Government issued instructions on the recommendations of the PAC, to all ministries/departments to send their comments on the draft audit reviews/paragraphs, which are forwarded to the secretaries of the ministries/departments through demi-official letters, within six weeks, The secretaries of the ministries/departments did not send replies to 38 draft reviews/paragraphs included in this report.