

CHAPTER VI : MINISTRY OF COAL

6 Undue retention of funds

Poor financial management in the Department of Coal resulted in loss of Rs 3.50 crore in interest alone on blocked funds and to undue benefit to the Coal India Limited and to the State Bank of India.

Ministry of Railways and Department of Coal decided in June 1996 to construct a railway line for Tori-Shivpur, Phase I North Karanpura Coal-fields of the CIL¹ for creation of adequate infrastructure to evacuate coal. Ministry of Railways was to construct, own and maintain the railway line at their cost. Capital financing was to come from the Department of Coal out of the funds collected through excise duty under the CCDA². The Department of Coal released Rs 25 crore to the CIL on 26 March 1998 as first instalment of the total project cost of Rs 268.42 crore (phase-I) for further payment to the Eastern Railway, Calcutta. The payment was contingent on the Railways obtaining competent approval for the cost estimates of the entire project. The sanction also required the CIL to keep the released funds in a separate bank account, and to refund them to Government account, if the Railways failed to fulfil the condition for payment by 30 September 1998.

Department of Coal released the funds, towards the very end of the financial year, without any requisition from the Railways, and without ensuring completion of necessary spadework by them, apparently to avoid lapse of the budget allocation. CIL also violated the conditions governing the sanction by keeping the funds in their usual cash credit account with State Bank of India and not separately as stipulated; and, used those funds to cushion the ways and means position of their cash credit account. Though the Railways did not get the required approval by 30 September 1998, CIL did not refund the amount to the Government as stipulated. Department of Coal also did not ask CIL to refund it till 6 April 1999. The CIL refunded the amount only on 27 May 1999.

This instance is indicative of poor financial management by the department, leading to loss to the government of Rs 3.50 crore in notional interest alone at the rate of 12 *per cent* from 26 March 1998 to 27 May 1999 on blocked financial resources. It also resulted in undue benefit to CIL and their Banker, viz. the State Bank of India at public expense. The Department needs to fix the responsibility for the lapse and to recover the interest from CIL.

The Ministry in their reply in August 2000 to the factual statement stated that discussion with the Eastern Railways was going on for fulfillment of the

¹ Coal India Limited

² Coal Mines (Conservation and Development) Act 1974

Report No. 2 of 2001 (Civil)

conditionalities subject to which the funds were released. Since the Eastern Railways did not indicate their inability to comply with the conditionalities either, CIL continued to retain the amount. Reply of the Ministry is not tenable since as per terms and conditions of the sanction CIL should have refunded the amount to the government.