

## CHAPTER III : DEPARTMENT OF ATOMIC ENERGY

### 3.1 Irregular payment of compensation of Rs 67.29 lakh and non-recovery of Rs 88.98 lakh

**Narora Atomic Power Station acquired 1188.5 acres of land in 1987 and deposited Rs 10.50 crore with Special Land Acquisition Officer (SLAO) for paying compensation to the land owners. No action for refund of undisbursed amount out of Rs 10.50 crore deposited with SLAO in 1987 was taken resulting in extra payment of Rs 88.98 lakh. SLAO passed supplementary award in March 2000 for payment of solatium at the rate of 30 per cent and 12 per cent additional compensation. NAPS filed a case against the orders in the High Court of Allahabad, which gave its judgement that the orders of SLAO were devoid of any merits and illegal. Despite this, NAPS disbursed an amount of Rs 67.29 lakh directly to the land owners as compensation.**

Narora Atomic Power Station (NAPS) was set up in 1974 and was taken over by Nuclear Power Corporation of India Limited (NPCIL), a company under the Department of Atomic Energy in 1987. Initially, an area of 0.8 km. in radius from the nuclear reactors was kept barren for the purpose of safety. In 1987, the barren area was extended to 1.6 km in radius around the plant. For the purpose, 1188.5 acres of land was acquired in 1987 and an amount of Rs 10.50 crore was deposited with Special Land Acquisition Officer (SLAO) for paying compensation to land owners. After disbursement of compensation, an amount of Rs 88.98 lakh remained undisbursed and was not refunded by SLAO.

After 13 years of the acquisition of land, in March 2000, the SLAO gave a supplementary award amounting to Rs 73.54 lakh stating that land owners were entitled to 30 per cent solatium on the value of the buildings and 12 per cent additional compensation. NPCIL/NAPS appealed to the High Court of Judicature at Allahabad in July 2000 against the supplementary award announced by the SLAO stating *inter alia* :

- (i) that the State Government of Uttar Pradesh had drawn a rehabilitation scheme at the expense of NPCIL/NAPS, for which purpose land was further acquired at Narora town and developed as a residential colony and allotted to each affected family free of cost;
- (ii) that all the affected persons received compensation in March and April 1989 without any protest and did not claim any additional amount in respect of construction and improvements and accepted the award. The award in this respect was final between the parties;
- (iii) that any correction in the award dated February 1989 was allowed only within six months.

After hearing the case, the High Court gave its judgement in December 2000 stating that the orders of SLAO were devoid of any merits and were illegal. The court also directed the State Government of Uttar Pradesh to instruct SLAOs and Collectors to restrain from passing such supplementary awards. Despite the High Court judgement, NAPS/NPCIL decided in February 2001 to make the payment of solatium at the rate of 30 *per cent* and additional compensation of 12 *per cent* of the value of the structures to the villagers affected by land acquisition. The Chief Secretary of the Government of Uttar Pradesh had directed the District Officer not to accept the money from NAPS for distribution among land owners in view of the orders of High Court. NAPS disbursed the amount directly to the land owners. An amount of Rs 67.29 lakh was disbursed upto February 2004. Payment of Rs 3.39 lakh was under process and claims of Rs 2.86 lakh were yet to be paid.

In response to audit, NAPS stated in June 2004 that the payment of solatium and additional compensation for structures on land acquired was statutory as per the provisions of the Land Acquisition Act but was omitted in the original award due to clerical mistake. It further stated that the payment was made on humanitarian considerations and to maintain peaceful and harmonious relations with the villagers around NAPS.

The reply of NAPS runs contrary to their own statement given before the High Court that the land owners had been fully compensated and there was no question of making any extra payment. Moreover, there was no provision in the Land Acquisition Act for making any supplementary demand and any clerical or arithmetical mistake could be corrected within a period of six months only.

Thus, the payment of Rs 67.29 lakh made to the villagers affected by land acquisition was irregular. Further, NAPS/NPCIL had not taken any action to secure refund of the undisbursed amount of Rs 88.98 lakh deposited with SLAO in 1987 for disbursement of compensation to land owners.

Audit referred the matter to the Department in August 2004, who had not replied as of November 2004.

### **3.2 Short recovery due to delay in preparation of pro-forma accounts**

**Failure of the Department of Atomic Energy to notify the pool price of heavy water based on the actual cost of production of heavy water resulted in short recovery of Rs 130.87 crore from Nuclear Power Corporation of India Limited on account of heavy water charges.**

Heavy Water Board (HWB), an industrial unit of the Department of Atomic Energy (DAE), is responsible for building and operating heavy water plants in the country. Heavy water, produced in various departmentally owned/operated plants and acquired from other sources is taken into a common pool for deciding the pool price. Heavy water needed by Nuclear Power

Corporation of India Limited (NPCIL) for nuclear power plants and other research facilities is given out of the common pool.

Heavy water was given to NPCIL on lease basis at the rate of 12 per cent per year on the value of the heavy water inventory assigned to it on the basis of the pool price notified by DAE. In addition, heavy water loss during operation of the reactor was also payable by NPCIL at the pool price notified by DAE. The pool price is worked out based on the actual cost of production of heavy water.

The work of preparation of the pro-forma accounts was handed over to HWB by DAE from the year 1993-94 onwards. However, DAE did not prescribe a time schedule for completion of the pro-forma accounts. HWB made available the pro-forma accounts for the period 1993-94 to 1996-97 in August 1998 for audit certification. Audit noted that the cost of production of heavy water had been reckoned at a rate lower than the actual cost. Audit requested HWB to revise the pro-forma accounts in September 1998. At audit's instance, HWB revised the pro-forma accounts reckoning the actual cost of production. Revised pro-forma accounts were made available in March 2003.

As a result, the pool prices of heavy water notified by DAE during 1993-98 on provisional basis were less by Rs 409 to Rs 2168 per kg than the actual pool charges derived from the certified pro-forma accounts, except for the year 1993-94, where it was slightly higher.

The difference in the pool price derived from the certified pro-forma accounts and that notified by DAE resulted in short recovery of Rs 130.87 crore from NPCIL during 1993-98 (Rs 111.55 crore on account of heavy water lease charges and Rs 19.32 crore on account of heavy water loss/make up charges) after adjusting excess pool price notified for the year 1993-94.

DAE stated in December 2004 that the final pool price for the period 1993-94 to 1997-98 arrived at on the basis of pro-forma accounts had been notified in December 2004. NPCIL had been asked to make the final payment of the heavy water supplied at these rates. DAE further added that the audit of pro-forma accounts for the years 1998-99 to 2003-04 was in progress and final price for these years would be notified after the completion of audit. NPCIL was yet to make final payment at the revised rates notified in December 2004.

### **3.3 Non-recovery of electricity charges**

**Failure of Nuclear Fuel Complex to recover the share of electricity charges from Electronic Corporation of India Limited, resulted in dues of Rs 4.45 crore accumulating over 18 years.**

Department of Atomic Energy (DAE) set up a housing colony at Hyderabad in 1970 for the employees of Nuclear Fuel Complex (NFC), a unit of DAE. DAE had also allotted residential accommodations to the employees of

Electronic Corporation of India Limited (ECIL), a public sector undertaking under it, as well as other organisations like Tata Institute of Fundamental Research, Telegraph Office etc. in the colony.

DAE guidelines issued in February 1985, stipulated that recovery of electricity charges from domestic consumers of NFC would be at the rate fixed by the Andhra Pradesh State Electricity Board (APSEB). For other consumers including ECIL, recovery would be at the rate at which NFC purchased power from APSEB. Further, the expenditure involved in distribution of electricity, street lighting and other common services was to be shared between ECIL and NFC in 2:1 proportion.

Notwithstanding this arrangement, NFC failed to recover from ECIL the dues of Rs 3.32 crore being its share of expenditure in distribution of electricity and on common services for the period 1986-87 to 2003-04. Further, NFC had only recovered Rs 1.42 crore out of the total dues of Rs 2.55 crore towards charges on electricity consumed by ECIL employees residing in DAE housing colony during this period.

NFC stated in March 2003 that while other allottees in the housing colony made the payment as per demand, ECIL had never paid as per claim and had only made partial payments against demand raised.

Failure of NFC to recover electricity charges and share in distribution/common services expenses from ECIL led to accumulation of dues of Rs 4.45 crore over 18 years.

The matter was referred to the Department in August 2004, who had not replied as of November 2004.

### **3.4 Undue benefit to contractor due to non-levy of penalty**

**Bhabha Atomic Research Centre not only failed to levy penalty towards compensation for delay in completion of work, but also paid escalation cost for the delay attributable to the contractor, which resulted in undue benefit of Rs 1.05 crore to the contractor.**

Bhabha Atomic Research Centre (BARC), a Research and Development unit of the Department of Atomic Energy (DAE), awarded two work orders for construction of staff quarters at BARC colony, Tarapur. The terms and conditions of the work orders *inter alia*, stipulated payment of compensation by the contractors at one *per cent* of the estimated cost of the work for every day that the due quantity of the work remained incomplete subject to a total payment of 10 *per cent* of the estimated cost of the work shown in the tender.

There were delays in the completion of the works in both the cases but no compensation for delay was recovered in terms of the work order, as discussed below:

- Case I :** Work for construction of 244 Type II-B flats at a cost of Rs 4.98 crore was awarded to a builder in December 1995. The work was to be completed by December 1997. The progress of work was slow from the beginning and was eventually completed in September 1999 after a delay of 21 months. Even though show cause notices for levy of compensation for delay were issued several times, BARC granted extension on three occasions without levy of compensation. No compensation for the delay was recovered from the contractor as provided for in the contract. The total compensation recoverable for delays worked out to Rs 45.20 lakh. Besides, BARC paid Rs 12.81 lakh on account of escalation.
- Case II :** Work for construction of 160 Type III-C flats at a cost of Rs 4.64 crore was awarded to National Project Construction Corporation Limited (NPCCL), Haryana in March 1997. The work was to be completed by December 1998. Though the contractor commenced the construction as scheduled in April 1997, the work was yet to be completed as of September 2004, even after 69 months from the scheduled date of completion.

One of the main reasons for slow progress of work at the initial stages of construction was due to NPCCL's breach of contract by illegal subletting of the work to another contractor and subsequent legal action by the sub-contractor to recover the dues from NPCCL. BARC took a lenient view and allowed NPCCL, being a Government of India undertaking, to continue the work, on tendering apology. NPCCL, however, did not accelerate the work. By the stipulated date of completion i.e. December 1998, only 45 per cent of the work valued Rs 1.65 crore was completed.

BARC had granted six extensions from 1 January 1999 to 31 December 2002 without levy of liquidated damages towards compensation for delay on various grounds. Out of the ten blocks to be constructed, five were handed over in January 2001 and another two in September 2002. There was no progress of the work thereafter. Finally, BARC in December 2002 rescinded the contract on account of various disputes and slow progress of work. Though the maximum delay in completion of the work was attributable to the contractor, instead of recovering Rs 40.50 lakh towards compensation for delay, BARC paid Rs 6.86 lakh towards escalation during the extended period of contract from January 1999 to June 1999. BARC stated in October 2004 that NPCCL had filed a case in Thane District Court as well as Mumbai High Court against the department for rescinding the contract and the matter was sub-judice.

DAE stated in December 2004 that extension of time for both the works was granted due to reasons like early/heavy monsoon, harvesting season, scarcity of skilled labours, non-availability of construction material, transport strike etc. which were not attributable to the contractors. The reply was not acceptable as in the first work, the reasons for delay beyond June 1998 were

scarcity of skilled labour and building material etc., factors for which the contractor was responsible. The main reason for the delay in the second work was due to illegal subletting of the work by the contractor.

Even though delay in completion of 244 Type II-B quarters and 160 Type III-C quarters was due to the contractors' fault, BARC did not recover Rs 85.70 lakh as compensation for delay in completion of the work. On the other hand it paid escalation of Rs 19.67 lakh.

### **3.5 Non-utilisation of a technology developed for coolant channel replacement of Nuclear Power Reactors**

**A technology on semi automatic remote operated Coolant Channel Replacement Machine developed by BARC at a cost of Rupees four crore to reduce the downtime needed for repairs and maintenance of nuclear power reactors was transferred for manufacture. The machine did not take off as the user found it un-economical.**

Bhabha Atomic Research Centre (BARC), a Research and Development unit of the Department of Atomic Energy (DAE) initiated in the year 1986 a project entitled "Failure Assessment and Repair Technology Development Programme" at an estimated cost of Rs 5.40 crore. The main objective was to develop basic technology needed for carrying out structural repairs and inspection inside nuclear reactors in areas where hands-on work was not feasible because of either high radiation field or geometric limitations or both thereby improving the availability of nuclear power plants by reducing the downtime needed for repairs and maintenance. The project *inter alia* envisaged development of a semi automatic remote operated Coolant Channel Replacement Machine (CCRM) at an estimated cost of Rs four crore within a time frame of nine years.

BARC designed and developed a prototype CCRM after incurring an expenditure of Rupees four crore. BARC entered into a Memorandum of Understanding in September 1995 to transfer the technology on CCRM to Electronic Corporation of India Limited (ECIL), a public sector undertaking of the department to manufacture and sell these machines to Nuclear Power Corporation of India Limited (NPCIL). The prototype of the machine developed in-house was retained in BARC to be used as a test facility for future development activities pertaining to repair and replacement technology.

NPCIL carried out enmasse coolant channel replacement of two reactors viz. Rajasthan Atomic Power Station (RAPS) II and Madras Atomic Power Station (MAPS) II in 1996-97 and 2003-04 respectively. As ECIL could not manufacture the CCRM based on the technology developed by BARC, the channel replacement of RAPS II was carried out using technology developed by NPCIL itself, which was further improved and perfected in MAPS II

channel replacement. The CCRM technology thus, remained unused and expenditure on it proved unfruitful.

BARC stated in August 2000 that the infrastructure and technologies developed at the cost assigned to CCRM were also used for other elements of the project and accrued benefits such as development and application of various gadgets for repair techniques and inspection. It also claimed that the application of technology developed under the project prevented two reactors from being practically written off in 1989. The reply is not tenable since the project was in the initial stages of execution and even the detailed design stage would not have been completed as per time schedule at that point of time. Moreover, these technologies were developed under the two separate sub projects viz. 'development of repair techniques and systems for in service inspection' and 'setting up of facilities for failure assessment and safety studies'. The development of CCRM technology at a cost of Rupees four crore was an entirely separate sub project. BARC further stated in October 2004 that NPCIL felt that the bid of ECIL for manufacture of CCRM was on higher side.

NPCIL stated in December 2003 that as ECIL could not manufacture the machines as per their schedule and as the enmasse coolant channel replacement was getting delayed, NPCIL decided to develop its own technology.

Thus, the expenditure of Rupees four crore incurred by BARC on the development of coolant channel replacement technology remained unfruitful.

The matter was referred to the Department in October 2004, who had not replied as of November 2004.

## CHAPTER IV : DEPARTMENT OF INFORMATION TECHNOLOGY

### 4.1 Recovery at the instance of Audit

**National Informatics Centre, Jammu made inadmissible payment of Rs 17.68 lakh to its employees towards messing allowance and expenses on transportation, though only the Central Government employees working in Kashmir valley were entitled for this as per the special concessions/facilities extended by the Department of Personnel and Training. On being pointed out by Audit, NIC stopped further payment and started recovery from its employees in monthly instalments.**

The Department of Personnel and Training (DoPT), Ministry of Personnel and Public Grievances and Pensions had extended special concessions/facilities to the Central Government employees working in the Kashmir valley and Kashmiri migrant employees of Central Government. As per the package of incentives, the employees posted at Srinagar valley who did not wish to move their families to a selected place of residence were entitled to a per diem allowance of Rs 10.00 for each day of attendance to compensate for any additional expense in transportation to and from office. In addition to this, they were also entitled to messing allowance at the rate of Rs 15.00 per day.

During the audit of National Informatics Centre (NIC), Jammu, it was observed that the Centre was paying messing and transportation allowance to its employees, who were neither posted in Kashmir valley nor were Kashmiri migrants and were thus, not covered under the special concessions/facilities extended by DoPT. NIC made inadmissible payment of Rs 16.49 lakh to its employees till April 2003.

On being pointed out by Audit, NIC stopped further payments in November 2003 and sought clarification from DoPT in May 2004 in this regard. DoPT clarified in the same month that only Central Government employees who were working in Kashmir valley were entitled to the benefits. Thereafter, NIC worked out the total inadmissible payment made to its employees as Rs 17.68 lakh till October 2003 and decided to recover in monthly instalments restricting it to one-third of the basic pay of the concerned officials.

Department of Information Technology stated in September 2004 that an amount of Rs 4.98 lakh had been recovered during June 2004 to August 2004 and recovery was going to be continued till the entire amount was recovered.



## CHAPTER V : DEPARTMENT OF SCIENCE AND TECHNOLOGY

### Survey of India

#### 5.1 Unfruitful expenditure during GTS-Bicentenary celebration

**Survey of India (SOI), under Department of Science and Technology (DST), organised year long celebration to commemorate the completion of 200 years of the initiation of the Great Trigonometrical Survey, which included making of two films and publishing of a pictorial book. Two films "The Making of India" and "The Million Steps" made at a cost of Rs 27 lakh were not been telecast even after a year of its production, rendering the expenditure incurred unproductive. Anticipated income had not accrued to the department from publishing the pictorial book.**

Survey of India (SOI) under the Department of Science and Technology (DST) organized year long celebration commencing from 10 April 2002 to commemorate the completion of 200 years of the initiation of the Great Trigonometrical Survey (GTS). The main objective of the celebration was to highlight the significance of the Great Arc and GTS contribution to the Geo sciences and Mathematical sciences.

DST constituted a National Organizing Committee (NOC) in February 2002 under the chairmanship of Secretary, DST, consisting of 25 members/ participants including Surveyor General of India, Joint Secretary (DST) and some members from Non Governmental Organizations to finalise the proposal of various events. It was observed in audit that expenditure incurred on two events connected with the bi-centenary celebration viz., making of two films and publishing a pictorial book on the Great Arc remained unfruitful.

#### **GTS Films - under Great Arc**

Proposal for making two films namely, "*The Making of India*" and "*The Million Steps*" was received from M/s Vital Films in October 2001 at Rs 29 lakh. The first film was to recapture the advantage and achievements of GTS, while the second film was an attempt to recreate the history of two Pandits who explored the uplands, Tibet, Mongolia and Central Asia. The proposal of making two films was approved by NOC, in its meeting held on 28 February 2002 with the direction that SOI should enter into an agreement with the film maker after getting the cost estimates examined by a committee including experts from Prasar Bharati. The estimates were examined in March 2002 by an evaluation and costing committee of six members, which included two members from Prasar Bharati. The committee recommended that the work be entrusted to M/s Vital Film at Rs 27 lakh. These films were to be telecast on various TV Channels. Accordingly, the agreement was signed with the firm on 18 April 2002. Between March 2002 and February 2004, SOI released Rs 27 lakh to the filmmaker. Though these films were completed and handed over to SOI on 19

December 2003, these were not telecast on any TV channel. As such expenditure incurred on making the film remained unfruitful.

DST stated in December 2004 that efforts were being made for commercial exploitation of these films on popular channels. However, the fact remains that even after a lapse of nearly one year the films are yet to be telecast rendering the expenditure of Rs 27 lakh incurred on its production unproductive.

### **GTS BOOK - "The Great Arc"**

NOC in its meeting of 28 February 2002 approved a proposal received from M/s Laburnum Technologies Private Ltd to bring out a comprehensive pictorial book on 'The Great Arc'. The book was proposed to be a hard bound edition of 160 pages mainly comprising of 150 pictures and introductory text of 10000 words. The text write up was to be provided by the well-known author, Mr. John Keay, a historian from U.K. An agreement with M/s Laburnum to co-ordinate, manage and publish the book was entered in May 2002. Rs 16.23 lakh, including the author's fee of Rs 3.30 lakh, was paid to the firm in three instalments between May 2002 and February 2004. After completion of the work, the company was to deliver 1000 copies of the book to SOI and market the balance 2000 copies. The company was to give back to SOI 50 *per cent* of net returns on the sale of 2000 copies priced at Rs 1800/- each. The company in September/October 2003 delivered 1000 copies to DST, but no income accrued to DST on the sale of the balance copies even after a lapse of one year.

## **5.2 Excess release of funds on production of serial 'Business Mantra'**

**Failure of the Department of Science and Technology to properly monitor the project for the production of TV serial 'Business Mantra' and verify the actual expenditure incurred before release of each instalment resulted in excess release of funds amounting to Rs 20.84 lakh.**

Confederation of Indian Industries (CII) approached Department of Science and Technology (DST) in April 1999 for seeking financial support for a 26 episodes TV programme 'Business Mantra', each costing Rs 1.55 lakh. DST was to share 50 *per cent* cost of each episode whereas the remaining 50 *per cent* was to be raised by CII through sponsorship and advertisements. On the recommendation of the Expert Group, DST sanctioned the project in June 1999 for the production of 26 episodes and released Rs 20.15 lakh, being 50 *per cent* cost of 26 episodes, to CII in two instalments of Rs 10.85 lakh and Rs 9.30 lakh in June 1999 and October 1999 respectively. On the recommendations of the Expert Advisory Committee constituted for the purpose, DST decided to support the programme for another 26 episodes on the same terms and conditions and released Rs 20.15 lakh to CII in two instalments of Rs 10.85 lakh and Rs 9.85 lakh in December 1999 and May 2000 respectively. It was observed that before releasing the funds in

December 1999, DST did not verify either the total expenditure incurred against the funds released in June 1999 and October 1999 for production of the first 26 episodes or the funds raised by CII through sponsorships for meeting the remaining 50 *per cent* cost of production. DST requested CII in September 2000 to send the audited statement of the expenditure incurred on the production of 52 episodes along with the revenue generated through advertisements etc. CII sent the unaudited income and expenditure statement to DST in October 2000 indicating the expenditure incurred on each episode as Rs 1.55 lakh and total sponsorship received for 52 episodes as Rs 2.20 lakh. It stated that most of the sponsorship received was in kind rather than in cash and hence an assumptive cost had been assigned for the purpose of preparing the income and expenditure statement. DST sanctioned the production of 26 more episodes in December 2000 on the same terms and conditions and released Rupees three lakh. CII further sent the unaudited income and expenditure account for the final 26 episodes in February 2002 indicating the expenditure of Rs 1.55 lakh per episode and sponsorship of Rs 4.98 lakh. DST released Rs 7.85 lakh in the same month.

CII sent the audited statements of expenditure only in August 2003. It indicated that the total expenditure incurred on the 78 episodes was Rs 60.61 lakh against which DST had released Rs 51.15 lakh whereas it had to bear only 50 *per cent* cost of the production, which worked out to Rs 30.31 lakh. DST asked CII in September 2003 to submit the audited statements of expenditure and utilisation certificate for the entire amount, which should come to about Rs 1.21 crore for 78 episodes @ Rs 1.55 lakh per episode. CII submitted a revised audited statement of expenditure, wherein an indirect cost of Rs 64.71 lakh was included in addition to the expenditure of Rs 60.61 lakh shown in its previous statement, making the total expenditure on the production of 78 episodes as Rs 1.25 crore. The auditor however qualified the audit certificate, stating that the expenditure of Rs 64.71 lakh shown as indirect cost was not captured and was based on the details worked out by CII and reported to them for incorporation and reporting.

DST stated in August 2004 that it had released only Rs 51.15 lakh out of the total expenditure of Rs 125.32 lakh incurred by CII, which was less than 50 per cent of the approved budget and hence there had not been any excess release of funds to CII. The reply of DST is not acceptable since the initial audited statement of expenditure depicted the actual cost of production of 78 episodes as only Rs 60.61 lakh and the revised statement, qualified by the auditor and issued at the instance of DST, included Rs 64.71 lakh as indirect cost.

The failure of DST to properly assess the reasonableness of the estimates before sanctioning the project and verify the total expenditure on the production before releasing each instalment resulted in excess release of funds to the tune of Rs 20.84 lakh. In addition to this, DST was also processing the case for release of the last and final instalment of Rs 9.30 lakh after the receipt of the consolidated statement of audited expenditure from CII in August 2004.

## CHAPTER VI : DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

### 6.1 Wasteful expenditure

**Failure of Department of Scientific and Industrial Research to secure its money by bank guarantee before release of grant to a company for a project and also failure to initiate legal action against it on its failure to complete the project resulted in a wasteful expenditure of Rs 30 lakh.**

Department of Scientific and Industrial Research (DSIR) sanctioned a project in March 2001 to M/s Trident Industries Limited (TIL), a company registered under Indian Companies Act, for 'Development of Optical pick-up for CD mechanism' for a period of 18 months. The total cost of the project was Rs 128 lakh, out of which the share of DSIR was Rs 40 lakh, to be released as grants-in-aid. The remaining cost was to be met by TIL. Accordingly, an agreement was signed in March 2001 between DSIR, TIL and National Research Development Corporation (NRDC), a public sector company under DSIR. As per the agreement, if the project was abandoned by TIL without approval of DSIR, the amount of grant would be recovered by DSIR alongwith interest of 12 *per cent*. NRDC was to license the technology developed through the project to third parties and receive royalty from them on behalf of DSIR. TIL was to pay an annual lumpsum royalty of Rs 10.40 lakh for a period of five years from the date of commencement of commercial sale of the product. However, no provision was made in the agreement to secure Government money by way of bank guarantee or any other instrument.

DSIR released the first instalment of Rs 15 lakh to TIL in March 2001. The project was reviewed by the Project Review Committee in September 2001 and January 2002 which found the progress satisfactory. DSIR released the second instalment of Rs 15 lakh in March 2002. Though as per the agreement, the progress of the project was to be reviewed by the Project Review Committee atleast twice a year, it was not reviewed after March 2002. DSIR informed NRDC in October 2003 that TIL was not functioning properly due to disturbed labour conditions and had not responded to their letter dated March 2003 and subsequent telephone calls. In November 2003, the representatives of DSIR and NRDC visited the office of TIL to know the status of the unit's operation and found that the unit was closed since January 2003 on the issue of non-payment of outstanding dues to workers. DSIR requested Deputy Commissioner of Labour in May 2004 to inform the Department about the possibility of revival of the company and whereabouts of the owner. On receipt of the address of the owner in June 2004 from the Deputy Commissioner of Labour, DSIR asked the company in July 2004 to intimate the status of the project. The company had not responded till September 2004 and DSIR had not initiated any legal action against the company.

DSIR stated in September 2004 that it did not take bank guarantee before releasing grants to private parties as it was found extremely difficult for the industries to block their assets/funds for long time and instead, the Department considered the financial health and good track record of the company and equal involvement from their side as a safeguard for taking care of the interest of the Government. The stand taken by DSIR that it considered the financial health and good track records of the company does not hold in view of the fact that the company was closed within two years from the date of sanction of the project. The reply of DSIR has also to be viewed in light of the fact that in a separate project, the Department of Information Technology (DIT) had released refundable grants in aid amounting to Rs 58 lakh to TIL during the period March 2000 to March 2001 secured by bank guarantee. Later on, when the project was completed in March 2002 and TIL failed to refund the first instalment of Rs 20 lakh due in February 2003, DIT encashed the bank guarantee of Rs 58 lakh in September 2003.

Thus, failure of DSIR to secure its money before releasing the grants and to initiate legal action against the company, resulted in wasteful expenditure of Rs 30 lakh.

## CHAPTER VII : DEPARTMENT OF SPACE

### 7.1 Inadmissible payment of Transport Allowance

**As per the orders of Ministry of Finance, Transport Allowance was not admissible to the employees residing within a distance of one kilometre from the office. ISRO Satellite Centre of the Department of Space made payment of Transport Allowance amounting to Rs 30.89 lakh to its employees residing in the staff quarters at a distance of less than one kilometre from the office.**

On the recommendations of the Fifth Pay Commission, Ministry of Finance, Department of Expenditure issued orders in October 1997 for payment of Transport Allowance to Central Government Employees at the prescribed rates. The Transport Allowance was not admissible to the employees who were provided with government accommodation within a distance of less than one kilometre or within a campus housing the place of work and residence.

During the audit of ISRO Satellite Centre (ISAC), a constituent unit of Department of Space (DOS), it was observed that the Centre paid Transport Allowance to employees residing in the staff quarters within a distance of less than one kilometre from the office.

After this was pointed out by Audit, Director, DOS stated in September 2002 that the office gate from where Audit had reckoned the distance of less than one kilometre from the residential colony was kept closed between 1800 hours and 0800 hours due to security reasons. Thus, the employees of ISAC residing in the colony, who had to attend the duties either before 0800 hours or after 1800 hours as shift-duty personnel or for round the clock project activities, had to necessarily use another gate which was more than one kilometre from the residential colony.

The reply of the Director, DOS had to be viewed in light of the clarification issued by the Ministry of Finance, Department of Expenditure in June 2001 that for the purpose of calculating the distance of one kilometre, the boundary of the residential complex as well as working place complex was to be taken into account for the grant of Transport Allowance. From August 1997 to November 2004, Rs 30.89 lakh was paid as Transport Allowance to employees.

Thus, the payment of Transport Allowance of Rs 30.89 lakh made by ISAC to its employees residing in the staff quarters was not admissible.

The matter was referred to the Department in September 2004, who had not replied as of November 2004.

## CHAPTER VIII : INDIAN COUNCIL OF AGRICULTURAL RESEARCH

### 8.1 Short recovery of electricity charges

**Indian Council of Agricultural Research did not recover the electricity charges from the residents of National Agricultural Science Centre Complex on the basis of actual consumption. This resulted in short recovery of electricity charges amounting to Rs 29.19 lakh from the residents.**

Indian Council of Agricultural Research (ICAR) obtained temporary electricity connection of 340 KW from Delhi Vidyut Board (DVB) in May 1999 for their newly constructed National Agricultural Science Centre (NASC) complex. Apart from the residential quarters, some private and ICAR offices were also housed in the complex. Out of the sanctioned load of 340 KW, 135 KW was allocated for the residential complex and 120 KW for office block while 85 KW was allocated for common services. DVB had provided a single meter for the whole NASC complex and ICAR had installed individual meters for each resident.

ICAR received the first bill from DVB amounting to Rs 1.42 lakh at the rate of Rs 5.25 per unit for the month of June 1999. However, instead of recovering the electricity charges from individual residents according to their meter reading, ICAR paid the amount from their own funds to avoid disconnection by DVB. Though ICAR had provided individual meters to each resident, it decided in December 1999 to recover the electricity charges from the occupants provisionally at lump sum rates ranging from Rs 700 to Rs 900 per month subject to final adjustment after the actual recovery charges were decided by it. DVB granted the regular connection for the NASC complex in July 2000. ICAR decided in May 2002 to recover electricity charges from the residents at the rate of Rupees three per unit with effect from June 2002.

Perusal of the electricity bills paid by ICAR relating to NASC complex and recoveries effected there against revealed that during the period June 1999 to March 2004, the residents of staff quarters had consumed 6,11,436 units of electricity for which an amount of Rs 47.35 lakh, including demand charges and electricity tax, was recoverable from them. However, the recovery made by ICAR against this was Rs 18.16 lakh only, resulting in short recovery of Rs 29.19 lakh.

ICAR stated in October 2004 that the recoveries from the residents were made as per DVB pattern. As regards demand charges, it stated that these were not recoverable from the residents for maintaining the uniformity of the electricity bills in respect of other Government quarters and as such there were no short recoveries.

The reply of ICAR had to be viewed in light of the fact that while recoveries were made from the residents at the flat rate of Rupees three per unit from June 2002, the rates charged by DVB for electricity consumed by the residents ranged between Rs 3.90 and Rs 5.85 per unit during the period June 1999 to March 2004, leading to short recovery. ICAR was also absorbing the demand charges recoverable from the residents.



## CHAPTER IX : INDIAN COUNCIL OF MEDICAL RESEARCH

### 9.1 Wasteful expenditure and blockage of funds due to improper planning

**Institute of Cytology and Preventive Oncology could not construct building on the plots acquired at a cost of Rs 1.18 crore at NOIDA in 1987-88. As a result, institute had to pay penalty charges of Rs 43.06 lakh for non-construction and Rs 44.12 lakh towards lease rent on the plots not put to use.**

Institute of Cytology and Preventive Oncology (ICPO), a constituent unit of Indian Council of Medical Research (ICMR), acquired two pieces of land in 1987-88 from New Okhla Industrial Development Authority (NOIDA), measuring two acres in Sector 16-A at a cost of Rs 24.83 lakh for institutional building and 2.4 acres in Sector 35 at a cost of Rs 93.24 lakh for residential complex. ICPO obtained possession of the land at Sector 16-A in June 1987 and at Sector 35 in March 1992. Keeping in view the upgradation of status of the institute in 1989 with preventive oncology as one of its objectives, it purchased a third plot measuring 12.4 acres in 1988-89 at Sector 39 for research cum clinical complex at a cost of Rs 37.41 lakh and took its possession in March 1992.

According to the terms and conditions of the allotment of land, the allottee was to construct at least 50 *per cent* of the maximum permissible covered area within two years from the date of allotment and complete the building within four years, failing which cancellation would be effected and possession of the plot taken back. However, in exceptional circumstances, extension was allowed. In the event of extension, a levy of certain *percent* of the premium per annum was chargeable.

As no construction work of the institutional building was taken up at Sector 16-A, ICPO had to pay penalty charges of Rs 12.91 lakh for non-construction of buildings during July 1987 to July 2001. Ultimately, NOIDA cancelled the allotment at Sector 16-A in July 2002 and also confirmed the cancellation of lease deed in September 2002. ICMR requested NOIDA in October 2002 to revoke the notice for cancellation. For revoking the cancellation, NOIDA in April 2004 demanded Rs 6.50 crore to be paid within 30 days. ICMR in May 2004 requested NOIDA to restore the cancelled plot at Sector 16-A on original terms and conditions without additional/ enhanced cost. The matter was yet to be resolved. Besides payment of penal charges for non-construction, ICPO has paid lease rent of Rs 13.55 lakh from 1986-87 to 2004-05 for the plot. Interestingly, ICPO continued to pay lease rent even after the cancellation of the lease deed in September 2002.

Similarly, ICPO failed to construct residential complex at Sector 35. As a result, it had to pay penalty charges of Rs 18.65 lakh for non-construction of

buildings during the period January 2001 to December 2004 apart from payment of Rs 30.57 lakh as lease rent for the period 1991-92 to 2004-05.

Further, ICPO was also paying penalty charges in respect of the plot at Sector 39 every year for failure to construct 50 *per cent* permissible covered floor area. Rs 11.50 lakh was paid on this account for the period 1997-98 to December 2003.

Thus, due to improper planning, ICPO paid penalty of Rs 43.06 lakh for non-construction. Further, apart from Rs 1.18 crore spent on acquisition of plots at Sector 16 A and Sector 35 remaining blocked, ICPO incurred wasteful expenditure of Rs 44.12 lakh as lease rent in respect of these two plots

The matter was referred to the Council in September 2004, who did not reply as of November 2004.

## CHAPTER X : COUNCIL OF SCIENTIFIC AND INDUSTRIAL RESEARCH

### 10.1 Unfruitful expenditure on procurement of Liquid Nitrogen Plant

**Regional Research Laboratory, Thiruvananthapuram procured one Nitrogen generator and one liquefier in August 1998 at a cost of Rs 21.29 lakh from a UK based firm. However, the firm supplied the system with a water cooled facility instead of air cooling facility for which the order was placed by RRL. The system has not been installed so far and is lying unused for the last more than five years.**

Regional Research Laboratory (RRL), Thiruvananthapuram, a constituent laboratory of Council of Scientific and Industrial Research, placed a purchase order on a UK based firm in March 1998 for the supply of a Nitrogen Generator and a liquefier at a cost of UK Pound 28,600 (equivalent to Rs 20.84 lakh). The equipment, required for the production of liquid nitrogen, was received in August 1998. RRL paid Rs 21.29 lakh, for it including freight and bank charges in September 1998.

The Indian agent of the firm informed RRL in September 1998 that though the purchase order was placed for a system with air cooling facility, the system that arrived at RRL was a water cooling system and that this error had happened at the shipping point in the factory. The Indian agent suggested that the water cooling system be operated, stressing that both the systems would perform well to the specifications and their cost was almost the same. He also offered to supply a water chiller free of cost. Alternatively, the agent offered to get the air cooled system from another destination which would be a complex situation and would involve additional shipping charges and also delay of a minimum of 90 days. RRL responded in November 1998 insisting on the supply of the air-cooled system for which purchase order was placed. Though the firm assured that they would supply the system as per order by January 2000, the same was not supplied by them. Thereafter, in a meeting with the Indian agent of the firm held in May 2000, RRL agreed to accept the water cooling system supplied by the firm.

The Indian agent tried to install the equipment in April, July and August 2001 without success. In April 2001 the agent could not install the system due to some problem in a cable connecting the compressor. He again checked the system in July 2001 and reported that the water pump and the chiller compressor were made defective by wrong electrical connections given by RRL. During his visit in August 2001, he found that though the system was working, it was not producing liquid nitrogen. The UK based firm refused in February 2002 to assist RRL in the matter any further.

RRL took up the matter with the High Commission of India in London in October 2003 and June 2004 to persuade the firm for commissioning the

system, but the system had not been commissioned as of July 2004. It was further observed that the purchase order placed by RRL in March 1998 did not contain any arbitration clause in case of a dispute, with the result that RRL had no means of enforcing the contract.

Thus, the system procured at a cost of Rs 21.29 lakh was lying uninstalled and unused for more than five years with possible implication on the serviceability of the equipment. RRL had procured 10996 litres of liquid nitrogen during November 1998 to June 2003 at Rs 5.89 lakh which could have been avoided had the system been installed.

The matter was referred to the Council in June 2004, who did not reply as of November 2004.

## 10.2 Non-installation of Fermentation System

**Regional Research Laboratory amended the terms and conditions quoted by the firm while placing order for the procurement of a Fermentation System without obtaining their confirmation. As a result, the firm refused to complete the installation, resulting in the system which was procured at a cost of Rs 13.08 lakh lying unused for more than four years.**

The Regional Research Laboratory (RRL), Bhubaneswar, a unit of Council of Scientific and Industrial Research, placed an order in March 1999 at a cost of Rs 13 lakh on a firm based at Kolkata, for supply of fermentation system comprising 50 litres capacity recycling fermentor and 100 litres capacity non-cycling batch type fermentor. The system was required to build capacity in the area of larger scale fermentation studies for bio-fuel application.

The order was placed on the basis of quotation received in December 1998 from the firm. The firm had offered guarantee for a period of 14 months from the date of delivery/dispatch or 12 months from the date of commissioning/demonstration whichever was earlier. While placing the order in March 1999, RRL incorporated a guarantee clause for a period of 24 months and also introduced a clause for performance bank guarantee of 10 *per cent* of the order value during the period of guarantee. Immediately after receipt of the order, the firm in April 1999 requested RRL to amend the terms and conditions of the purchase order, which were not as per their quotation. RRL did not respond to the firm's request. In May 1999 a two-member team of RRL visited the works of the firm for inspection and found the fermentor ready for dispatch. On the assurance given by the team members which went for inspection that the amendment would be issued, the firm delivered the system in June 1999. RRL released Rs 13.08 lakh, which was 90 *per cent* of the order value plus other charges in the same month. Though RRL was aware of the requirement of a Constant Voltage Transformer (CVT), it did not arrange for the same before installation. The representative of the firm who visited RRL in July 1999 could not install the system in the absence of CVT. After a lapse

of more than six months, RRL in January 2000 placed an order for procurement of CVT costing Rs 0.45 lakh which was received in April 2000. However, the firm refused to complete the installation of the system as RRL had not amended the conditions of the purchase order deleting the performance bank guarantee clause.

In view of the delay in installing/ commissioning of the system, Director, RRL constituted a three-member Committee in September 2002 to suggest suitable measures to expedite the installation of the system. The Committee in December 2002 suggested to give a final chance to the representative of the firm for completion of the installation work, failing which legal action could be initiated. However, as of July 2004, neither the system was commissioned nor any legal action had been initiated against the firm.

RRL stated in July 2004 that its vigilance had called for the documents for examination for initiation of legal action against the firm. It further stated that due to non-installation of the system it had not been possible to conduct larger scale fermentation.

RRL failed to ensure installation of the system even after five years and after incurring an expenditure of Rs 13.08 lakh. Absence of the system hampered research. There is also serious doubt about the serviceability of the system as it has been lying uninstalled for long.

The matter was referred to the Council in June 2004, who did not reply as of November 2004.

New Delhi  
Dated :

**(R.P. SINGH)**  
Principal Director of Audit,  
Scientific Departments

**Countersigned**

New Delhi  
Dated :

**(VIJAYENDRA N. KAUL)**  
Comptroller and Auditor General of India