

**Report of the  
Comptroller and Auditor General of India  
for the year ended March 2017**



**Union Government (Civil)  
Compliance Audit Observations  
No. 4 of 2018**

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## **PREFACE**

This Report for the year ended March 2017 has been prepared for submission to the President under Article 151 of the Constitution of India.

The Report contains significant results of the compliance audit of financial transactions of the Ministries/Departments of the Union Government and their autonomous bodies under the Economic/General and Social Services.

Reports in relation to accounts of a Government Company or Corporation are submitted to the Government by the Comptroller and Auditor General of India under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Audit Report also contains audit observations relating to Food Corporation of India which is under the administrative jurisdiction of the Ministry of Consumer Affairs, Food and Public Distribution.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2016-17 as well those which came to notice in earlier years but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



## OVERVIEW

This Report contains the significant audit findings arising from the compliance audit of financial transactions under 74 civil grants relating to 46 Civil Ministries/Departments of the Union Government under the General, Social and Economic Services sectors and of autonomous bodies/corporations under their administrative jurisdiction excluding the Ministries/Departments of Revenue, Railways, Defence, Science and Environment, Tele-communications, Electronics and Information Technology and Posts as well as the Union Territories without Legislatures.

The gross expenditure of these 46 Civil Ministries/Departments increased by 38 *per cent* from ₹ 53,34,037 crore in 2015-16 to ₹ 73,62,394 crore in 2016-17. Given the volume of expenditure involved, it is imperative that systems and procedures be in place that would continually and demonstratively take cognizance of deficiencies in budget management and expenditure brought out by audit so as to improve the efficiency and expected outcome of the expenditure being incurred. Previous Audit Reports of the Comptroller & Auditor General have been highlighting instances of loss of non-tax revenues or non-recovery of dues as well as avoidable or extra expenditure due to non-adherence to codal provisions and applicable rules and regulations, deficiencies in project management, poor internal controls, irregularities in release of pay and staff entitlements and poor financial management. Audit continued to find similar irregularities across various Ministries/Departments during the compliance audit for the financial year ended March 2017 which was symptomatic of the need to further strengthen extant systems of internal controls and budget management as well as to ensure prompt and effective action on the audit findings to prevent recurrence.

This Report contains 78 illustrative cases<sup>1</sup> of such irregularities involving ₹ 1,179.16 crore covering 19 Ministries/Departments and autonomous bodies/corporation under their administrative control. Some major cases included in

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<sup>1</sup> 78 cases include three Paragraphs clubbed under Para 1.8 under 'Action taken/recoveries effected by Ministries & Departments' and 62 individual Paragraphs. Further, 18 cases are clubbed under five Paragraphs (Paragraph Nos. 7.2, 7.3, 12.4, 12.10 and 12.17) as they fell under common lapses.

this Report have been summarised category-wise as below.

### **Analysis of Outcome Budget**

The basic objective of Outcome Budgets is to establish a relationship between the financial outlays and performance in terms of not just physical outputs but also outcomes which are the ultimate end objectives of State intervention and the financial outlays. Audit analysed the Outcome Budgets for the years 2013-14 to 2016-17 of two Ministries i.e. the Ministry of Drinking Water and Sanitation and the Ministry of Urban Development to assess whether the various orders and instructions relating to preparation of outcome budget had been followed so as to enable it to serve its intended purpose. The analysis disclosed substantive deviations from guidelines relating to preparation of Outcome Budgets with no co-relation between financial outlays and physical outcomes. There were discrepancies in depiction of programme targets and figures between the Outcome Budgets and the web-based online systems of the Ministries and monitoring of the progress of implementation of the programmes through Web-based online system suffered from data unreliability. Due to such deviations as well as non-depiction of physical targets and achievements against each component of various schemes/programmes, the Outcome Budget failed to serve its intended purpose as an instrument to measure outcomes expected from the financial outlays being made.

*(Paragraph No. 2.3)*

#### **I. Loss of non-tax revenues**

##### **Ministry of External Affairs**

Instructions of the Ministry of External Affairs relating to levy/revision of visa and consular fees were not adhered to by **Missions/Posts in Australia, Bahrain, Berne, China and Dubai** resulting in short collection of revenue of ₹ 74.83 crore.

Further, the **Post at Chicago** failed to reconcile its accounts with its bank accounts relating to consular fees and remittances of the Indian Community Welfare Fund by a Service Provider resulting in USD 91,189 remaining undetected for more than two years. Though the Post recovered the short remittance from the service provider, the mandatory penalty of ₹ 1.71 crore on delayed remittance has yet to be recovered.

*(Paragraph No. 7.2)*

## II. Non-recovery of dues

Audit noticed six cases of non-recovery of dues amounting to ₹ 89.56 crore pertaining to Departments/autonomous bodies under three Ministries. Of these, five cases involving ₹ 88.73 crore are summarised below:

### Ministry of Human Resource Development

**Motilal Nehru National Institute of Technology, Allahabad**, failed to initiate effective action for collection of rent or eviction of premises in respect of 23 lessees who were in default resulting in non-realisation of lease rent of ₹ 66.10 lakh as well as unauthorized occupation of sheds belonging to the Institute.

*(Paragraph No. 12.18)*

### Ministry of Information and Broadcasting

Failure of **Commercial Broadcasting Service, All India Radio, Mumbai**, to adhere to instructions regarding payment in advance by non-accredited agencies for broadcast of content coupled with ineffective follow-up resulted in non-recovery of revenue amounting to ₹ 1.12 crore.

*(Paragraph No. 13.2)*

### Ministry of Shipping

Award of an adjacent berth by **Jawaharlal Nehru Port Trust, Mumbai**, to the same entity operating the existing berth at a lower revenue share without safeguarding the financial interest of JNPT led to diversion of traffic from the existing to the new berth and consequent loss of revenue to the Port. Over 2015-17, the loss of revenue amounted to ₹ 54.72 crore.

*(Paragraph No. 19.1)*

**Mumbai Port Trust** suffered loss of revenue of ₹ 17.13 crore during April 2015 to March 2017 as the Port failed to recover wharfage at the agreed rate from the licensee. The Port also allowed revision of tariff at 130 per cent of scale of rates without the approval of Tariff Authority for Major Ports which was irregular.

*(Paragraph No. 19.2)*

**Mumbai Port Trust** failed to revise casual occupation charges and service charges since 1990-92 which led to loss of revenue to the port. Considering the revised charges proposed by the port in May 2002, the loss amounted to ₹ 15.10 crore (approx) during April 2012 to March 2017. The loss would continue till the Port takes necessary steps to revise these charges.

*(Paragraph No. 19.3)*

### III. Lapses in Financial Management

Deficient financial management as well as non-compliance with rules resulted in loss of ₹ 19.85 crore in four cases relating to three Ministries. Of these, three cases involving ₹ 19.33 crore are summarised below.

#### Ministry of Commerce and Industry

Non-inclusion of provisions for levy of interest and penalty in MoUs entered into with various agencies while releasing grants-in-aid and not insisting on bank guarantees for financial assistance extended to agencies coupled with inadequate monitoring by **Agricultural and Processed Food Products Export Development Authority** resulted in loss of ₹ 3.31 crore.

*(Paragraph No. 4.1)*

Retention of funds in savings bank account instead of investing in fixed deposit by **Export Inspection Council of India, Kolkata**, resulted in loss of interest of ₹ 13.76 crore during the period from October 2014 to March 2017.

*(Paragraph No. 4.2)*

#### Ministry of Culture

**National Museum, New Delhi**, failed to comply with Central Government Account (Receipts and Payments) Rules, 1983, relating to handling of government receipts. It did not route receipts through the cash book nor did it undertake any reconciliation with bank accounts. As a result, ₹ 2.26 crore was irregularly kept outside government accounts for a prolonged period of time.

*(Paragraph No. 6.2)*

### IV. Non-adherence to Scheme guidelines/Acts/Rules and Regulations

Audit noticed 10 cases where applicable guidelines or rules and regulations were not adhered to resulting in unauthorised expenditure of ₹ 66.47 crore relating to five Ministries. Of these, eight cases involving ₹ 65.86 crore are summarised below.

#### Ministry of Culture

The **Sangeet Natak Akademi** was implementing a scheme for 'Safeguarding the Intangible Heritage and Diverse Cultural Traditions of India (ICH scheme).' Audit noticed that only 35 out of 324 projects sanctioned during 2013-14 to 2015-16 had been completed while 96 grantees did not furnish even the first reports as of March 2017. The Akademi had reported to the Ministry of Culture expenditure of ₹ 5.77 crore against the actual expenditure of ₹ 4.25 crore under the ICH Scheme. Grants under another Scheme of Financial Assistance to

Cultural Institutions were sanctioned in violation of scheme guidelines and a majority of the project proposals were not being routed through state akademies/governments and approvals were being accorded without due documentation.

*(Paragraph No. 6.1)*

The **Asiatic Society, Kolkata**, deposited excess provident fund contribution of ₹ 1.19 crore in respect of 160 employees in contravention of the Employees Provident Fund and Miscellaneous Provisions Scheme, 1952.

*(Paragraph No. 6.3)*

### **Ministry of External Affairs**

A service provider over-charged courier fees from applicants for visas and other consular services to the extent of ₹ 14.39 crore in violation of the agreement with the **Mission and Posts in USA**.

*(Paragraph No. 7.4)*

The **Posts at Vancouver, Houston and San Francisco** engaged contingency staff in violation of rules and instructions of the Ministry incurring an unauthorized expenditure of ₹ 2.68 crore.

*(Paragraph No. 7.5)*

### **Ministry of Health & Family Welfare**

The tender evaluation committee of the **International Institute for Population Sciences, Mumbai**, constituted for procurement of human resource service irregularly disqualified two bidders in contravention of procurement policy of the Government thereby vitiating the procurement process and defeating the objective of the policy. In another case, deviation from the evaluation criteria stipulated in bid document led to the work being awarded to the second ranked agency resulting in additional expenditure of ₹ 2.42 crore.

*(Paragraph No. 9.1)*

The **Post Graduate Institute of Medical Education and Research, Chandigarh**, lacked an established procedure in the form of a Procurement Manual that could ensure effective procurement management and timely acquisition of equipment based on a holistic and systematic assessment of requirements. This resulted in procurements being made on an ad hoc basis, rush of expenditure towards the end of the financial year and delays in progressing of procurement cases. The Institute also failed to invoke contractual remedies available to it where the supplier did not fulfil their contractual obligations with delay in levy of penalty amounting to ₹ 72.77 lakh for delays on the part of the vendors in supply or installation of equipment and for incorrect calculation of



down-time and non-recovery of penalty of about ₹ 1.46 crore for excess downtime with reference to the contractual terms. This undermined both the deterrent effect of the penal provisions as well as the Institute's ability to enforce due performance of the contract by the suppliers.

*(Paragraph No. 9.3)*

### **Ministry of Human Resource Development**

The **University Grant Commission** is implementing a scheme to provide hostel facilities to women to achieve the goal of enhancing the status of women and gender equity. Financial assistance of ₹ 9.91 crore was released by the **University Grants Commission, Eastern Regional Office, Kolkata**, without ensuring compliance with the extant scheme guidelines resulting in excess approval of grant of ₹ 56.11 lakh on inflated estimates. Further, 31 projects involving payment of grant of ₹ 26.16 crore remained incomplete even after periods ranging between two months and over nine years beyond the stipulated completion while two hostels created at a cost of ₹ 2.30 crore remained unutilised for more than three years.

*(Paragraph No. 12.3)*

Grants sanctioned for specific projects/schemes/programmes to the extent of ₹ 3.30 crore were lying unutilized with the **Indira Gandhi National Tribal University, Amarkantak**, defeating the purpose for which they were sanctioned.

*(Paragraph No. 12.5)*

### **V. Idling of equipment/buildings/infrastructure**

Improper planning and lack of necessary synchronization of activities resulted in unfruitful expenditure and idling/sub-optimal utilisation of assets valued at ₹ 18.87 crore in six cases pertaining to four Ministries as summarised below.

#### **Ministry of Agriculture**

Delays at various stages of establishing and operationalizing a facility by **National Institute of Fisheries Post Harvest Technology and Training** for processing and export of sashimi grade tuna led to expected revenue amounting to ₹ 70.83 lakh being forgone. Besides, a facility set up at a cost of ₹ 1.78 crore has remained idle for over six years and envisaged benefits in the form of increase in foreign exchange and employment was unattained.

*(Paragraph No. 3.1)*

#### **Ministry of Health & Family Welfare**

Improper planning in procurement of equipment by the **National Institute of Nutrition, Hyderabad**, a unit of **Indian Council of Medical Research** as well

as failure to enforce performance on terms of supply order by supplier resulted in equipment worth ₹ 1.52 crore lying idle and equipment worth ₹ 2.13 crore not being put to optimal use for more than five years.

*(Paragraph No. 9.2)*

### **Ministry of Home Affairs**

Failure of the **Delhi Police** to synchronize the purchase of server and software with the procurement of leased internet lines resulted in idling of the servers and software for three and half years and avoidable expenditure of ₹ 1.11 crore on hired servers.

*(Paragraph No. 10.3)*

### **Ministry of Human Resource Development**

Construction of hostel building, kitchen and dining block for the **Kendriya Vidyalaya, Sidhi**, by the **Kendriya Vidyalaya Sangathan** without assessing its requirement or conducting a feasibility study resulted in unfruitful expenditure of ₹ 1.70 crore as the building remained unutilized since its completion in May 2012.

*(Paragraph No. 12.6)*

**National Institute of Technology, Tiruchirappalli**, constructed a school building for Kendriya Vidyalaya without obtaining approval and financial sanction of Ministry resulting in non-utilisation of the building constructed at a cost of ₹ 6.64 crore for intended purpose.

*(Paragraph No. 12.12)*

Poor contracting practices and lack of effective follow-up to enforce terms of supply order by **Central University of Gujarat, Gandhinagar**, resulted in equipment worth ₹ 2.22 crore remaining non-functional.

*(Paragraph No. 12.13)*

## **VI. Deficiencies in Project Management**

Poor project management as reflected in delays in identification and allocation of sites, lack of prioritisation and delay in progress of works led to avoidable expenditure or idling of funds amounting to ₹ 224.46 crore in 10 cases. Nine of these 10 cases pertaining to three Ministries having financial implications are summarised below.

### **Ministry of External Affairs**

**South Asian University, New Delhi (SAU)**, was established by the eight member nations of the South Asian Association for Regional Co-operation (SAARC) and commenced functioning from August 2010. Audit noticed that the construction of campus planned to be completed by 2014 was substantially

delayed due to allotment of encumbered land, litigation and delay in statutory clearances. MEA had to forego rebate to the tune of ₹ 1.97 crore due to delay in payment of rent.

Delay in project has also prolonged recurring monthly rental liability of ₹ 2.66 crore.

*(Paragraph No. 7.1)*

Undue delay in progress of works for refurbishment and construction in **Missions at Dublin, Port Moresby and Warsaw** and entering into lease by the **Post in Sydney** without authorisation and in disregard of Ministry's directions resulted in avoidable expenditure totalling ₹ 12.61 crore as well as idling of property valued at ₹ 45.16 crore for prolonged periods.

*(Paragraph No. 7.3)*

### **Ministry of Home Affairs**

Failure of **Delhi Police** and Ministry of Home Affairs to assess and determine technical requirement for CCTV surveillance system in high security areas in a CCTV surveillance project awarded in February 2013 for New Delhi and Central District resulted in the project remaining incomplete as of October 2017 despite an expenditure of ₹ 42.94 crore. Further, the Delhi Police has been incurring a monthly expenditure of ₹ 21.02 lakh on hiring CCTV cameras for these areas.

*(Paragraph No. 10.1)*

### **Ministry of Human Resource Development**

Entrustment of 49 works valuing ₹ 138.41 crore by **Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha**, to the Uttar Pradesh State Construction and Infrastructure Development Corporation Limited without prioritizing construction activities and ensuring availability of funds resulted in ₹ 22.65 crore spent on six uncompleted works being rendered idle as on March 2017.

*(Paragraph No. 12.1)*

Procedures prescribed in UGC guidelines and CPWD Works Manual were not adhered to at the **Central University of Tamil Nadu, Thiruvavur**, in executing construction works resulting in cost overrun of ₹ 46.32 crore as well as delay in its completion. The library building remains partly vacant and incomplete even after incurring of expenditure of ₹ 15.40 crore and delay of four years. Further, injudicious site selection and excess construction as well as deviation from norms resulted in avoidable expenditure of ₹ 19.82 crore.

*(Paragraph No. 12.2)*

**Indira Gandhi National Open University (IGNOU)** acquired land measuring 7,235.4 square metres for construction of **Regional Central at Karnal** from HUDA in November 2007 at ₹ 5.29 crore. As per the terms and conditions of allotment, the construction work was to be completed within two years from taking over possession of the land. However, IGNOU failed to ensure timely action at various stages and construction of the building is yet to begin. This also resulted in avoidable cost of ₹ 46.41 lakh as well as non-realisation of intended objective of the project.

*(Paragraph No. 12.21)*

## **VII. Lapses in Internal Control**

Lack of effective internal controls led to short realisation of dues, avoidable payment and double payment as well as doubtful expenditure on procurement amounting to ₹ 13.60 crore in five cases pertaining to four Ministries. Of these, two cases involving ₹ 7.67 crore are summarised below.

### **Ministry of Human Resource Development**

The **Indian Institute of Information Technology, Allahabad**, incurred an expenditure of ₹ 1.50 crore towards purchase of 1,830 books/journals from a non-empanelled publisher in violation of its own laid down procedures and the provisions of the General Financial Rules. Out of these 1,830 books/journals, there is no receipt nor entry in Library Accession Register pertaining to 801 books and 180 journals worth ₹ 81.45 lakh, which renders the expenditure doubtful.

*(Paragraph No. 12.16)*

### **Ministry of Labour and Employment**

Failure of eight **Regional Offices of the Employees' Provident Fund Organisation** to verify dues remitted by the establishments with reference to the revised rate of administrative charges on Employees' Deposit Link Insurance and Employees' Provident Fund resulted in short realisation of ₹ 6.17 crore during the period from January 2015 to March 2017.

*(Paragraph No. 14.1)*

## **VIII. Irregularities in pay and staff entitlements**

Non-adherence to rules and guidelines relating to payment of pay and entitlements of personnel resulted in irregular payment/reimbursement

amounting to ₹ 26.23 crore in 13 cases in five Ministries. Of these, 11 cases involving ₹ 24.53 crore are summarised below.

### **Ministry of Home Affairs**

Employees in some offices of **Delhi Police** submitted Leave Travel Concession (LTC) claims with inflated air fares in violation of Government orders. These were passed without due scrutiny resulting in irregular reimbursement amounting to ₹ 2.56 crore to 435 employees.

*(Paragraph No. 10.2)*

### **Ministry of Human Resource Development**

**Banaras Hindu University, Varanasi, Indian Institute of Management, Ahmedabad and Indian Institute of Management, Kolkata**, paid higher rates of interest to GPF/CPF subscribers in contravention of extant orders resulting in overpayment of ₹ 6.28 crore.

*(Paragraph No. 12.4)*

Payment of special allowance/honorarium by **Indian Institute of Technology, Mumbai**, in violation of the General Financial Rules resulted in irregular payment of ₹ 9.76 crore.

*(Paragraph No. 12.8)*

**Indian Institute of Technology (ISM), Dhanbad, National Institute of Foundry and Forge Technology, Hatia and National Institute of Technology, Jamshedpur**, irregularly reimbursed air fares of ₹ 1.28 crore during 2011-16 against air tickets purchased by their employees from unauthorized agents in violation of guidelines for availing Leave Travel Concession.

*(Paragraph No. 12.10)*

Payment of honorarium by **Visva-Bharati, Shantiniketan**, in violation of provisions of the Financial Rules resulted in irregular payment of ₹ 1.07 crore.

*(Paragraph No. 12.14)*

### **Niti Aayog**

**National Institute of Labour Economics Research and Development** revised the sanctioned post of Joint Director, Deputy Director and Assistant Director in violation of the instructions of the Ministry of Finance resulting in irregular expenditure of ₹ 1.02 crore on their salary and allowances.

*(Paragraph No. 15.1)*

### **Ministry of Power**

Continued payment of Compensatory Allowance after adoption of pay scales of the Punjab State Electricity Board by the **Bhakra Beas Management Board** resulted in irregular expenditure of ₹ 2.56 crore during 2014-15 to 2015-16.

*(Paragraph No. 17.1)*

### **IX. Avoidable payments by autonomous bodies/Departments/Corporations**

Lack of due diligence in ensuring conformity with the instructions and rules issued by Government from time to time relating to service tax or lack of timely review of actual requirement of power resulted in avoidable expenditure of ₹ 11 crore in 12 cases pertaining to seven Ministries. In addition, there was avoidable or extra expenditure amounting to ₹ 632.58 crore in Food Corporation of India mainly due to non-adherence to extant instructions relating to procurement of food grains and gunny bags and their movement and distribution. Of these, 14 cases involving ₹ 543.62 crore are summarised below.

### **Ministry of Consumer Affairs, Food and Public Distribution**

**Food Corporation of India (FCI)** failed to recover ₹ 223.58 crore that was due to the Corporation on account of interest on advances given to State Government Agencies (SGAs) for procurement of gunny bags as well as on account of reimbursement of cost of gunny bags at higher rates than that prescribed. Further, there was non-recovery of ₹ 2.86 crore from Container Corporation of India due to failure to effectively pursue pending claims for damaged, short and rain affected gunny bags.

*(Paragraph No. 5.1)*

**FCI** incurred avoidable expenditure of ₹ 117.10 crore due to improper planning for movement of stock. Supply of foodgrains in excess of requirement at a station and non adherence to distance measurement before awarding contract resulted in avoidable expenditure of ₹ 12.96 crore. In addition, liquidated damages of ₹ 89 lakh was not levied on contractors for short supply against indented trucks.

*(Paragraph No. 5.2)*

**FCI** made excess payment of ₹ 14.10 crore to the Government of Uttar Pradesh and its agencies during the years 2010-11 to 2016-17 on reimbursement of inadmissible elements as part of Mandi Labour Charges (MLC) for procurement of wheat.

*(Paragraph No. 5.3)*

**FCI** paid guarantee fees of ₹ 145.74 crore to SGAs without verification of bank guarantees given by Government of Punjab.

*(Paragraph No. 5.4)*

**FCI** failed to optimally utilise vacant storage capacity at Kaithal silo resulting in avoidable payment of carry over charges to SGAs amounting to ₹ 6.49 crore

*(Paragraph No. 5.5)*

Non-adherence to Ministry's guidelines relating to payment of Custody and Maintenance Charges by **FCI** resulted in irregular payment of ₹ 10.32 crore to SGAs under Odisha Region during 2013-14 to 2016-17.

*(Paragraph No. 5.6)*

### **Ministry of Health & Family Welfare**

**Jawaharlal Institute of Post-graduate Medical Education and Research, Puducherry**, failed to claim refund of customs duty exemption availed by a firm on imported equipment resulting in loss of ₹ 1.08 crore.

*(Paragraph No. 9.4)*

### **Ministry of Housing and Urban Affairs**

**Central Public Works Department, Bhubaneswar**, failed to claim refund of service tax within the due date resulting in avoidable expenditure of ₹ 71.80 lakh.

*(Paragraph No. 11.1)*

### **Ministry of Human Resource Development**

The **Indian Institute of Technology, Mumbai**, failed to exercise due diligence and made irregular payment of service tax amounting ₹ 2.56 crore on construction activities under taken by them which was exempted from payment of service tax.

*(Paragraph No. 12.9)*

Failure of **Indian Institute of Technology, Chennai**, to collect service tax from the service receiver resulted in payment of arrears of service tax and interest from their own resources resulting in an avoidable expenditure of ₹ 1.19 crore.

*(Paragraph No. 12.11)*

**Ministry of Personnel, Public Grievances and Pensions**

Failure of **Central Bureau of Investigation, New Delhi**, to accurately assess power consumption requirements and delay in taking action to reduce the contract demand resulted in avoidable payment of ₹ 1.42 crore towards electricity charges.

*(Paragraph No. 16.1)*

**Ministries of Culture, Information and Broadcasting and Statistics and Programme Implementation**

Inaccurate assessment of contract demand by **Indira Gandhi Rashtriya Manav Sangrahalay, Bhopal, Super Power Transmission, All India Radio, Bangalore, and The Indian Statistical Institute, Kolkata**, and delayed action for reducing the contract demand resulted in avoidable expenditure of ₹ 2.61 crore towards billing demand charges paid to respective Electricity Power and Distribution Companies.

*(Paragraphs No. 6.4, 13.1 & 20.1)*





## CHAPTER I : INTRODUCTION

### 1.1 About this Report

Compliance audit refers to the examination of transactions relating to expenditure, receipts as well as assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India as well as other applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence. Audits are conducted on behalf of the Comptroller and Auditor General (C&AG) as per the Auditing Standards approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse as well as on weaknesses that exist in systems of financial management and internal control of the entities audited. The findings of audit are expected to enable the Executive to take corrective action as also to frame policies and procedures that will lead to improved financial management of the organisations and thereby contribute to better governance.

The gross provision and expenditure of all civil ministries/departments as of March 2017 covering 95<sup>1</sup> civil grants in 2016-17 and 102 civil grants in 2015-16 are given in **Table No. 1** below:

**Table No. 1: Gross Provision and Expenditure**

(₹ in crore)

Nature of Disbursements	2015-16			2016-17		
	Gross Provision	Gross Expenditure	Savings (-) Excess (+)	Gross Provision	Gross Expenditure	Savings (-) Excess (+)
Revenue (Charged)	5,70,014	5,46,699	(-) 23,315	6,14,699	6,05,198	(-) 9,501
Revenue (Voted)	10,55,700	9,92,772	(-) 62,928	12,60,178	11,36,498	(-) 1,23,680
Capital (Charged)	42,46,002	37,50,287	(-) 4,95,715	55,10,602	56,97,040	(+) 1,86,438
Capital (Voted)	2,56,908	2,39,715	(-) 17,193	2,61,720	2,07,390	(-) 54,330
<b>Total</b>	<b>61,28,624</b>	<b>55,29,473</b>	<b>(-) 5,99,151*</b>	<b>76,47,199</b>	<b>76,46,126</b>	<b>(-) 1,073</b>

\* In 2015-16, the net was savings of ₹5,99,151 crore. In 2016-17, the net saving of ₹1,073 crore was due to gross saving of ₹1,90,227 crore and excess of ₹1,89,154 crore.

<sup>1</sup> This includes Defence Civil Grants (2), Telecommunications and Electronics & Information Technology Grants (2), Union Territories (without Legislatures) Grants (5), Scientific Department (9) and Central Receipts (3).

This Report includes observations relating to Civil Ministries/Departments falling under the sectors of General, Social and Economic Services and their autonomous bodies/corporations (excluding Ministries/Departments under Defence, Railways, Scientific & Environment, Telecommunications, Electronics and Information Technology, Posts, Union Territories without Legislatures and Department of Revenue) covering 74 civil grants arising as a result of audit of transactions up to 2016-17. The gross expenditure incurred by these Ministries/Departments during the last three years are shown in **Table No. 2** below:

**Table No. 2: Gross Expenditure**

(₹ in crore)

Sl. No.	Name of Ministry	2014-15	2015-16	2016-17
1.	Agriculture	26572.32	22778.34	48997.61
2.	Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homoeopathy	685.19	1112.14	1292.60
3.	Chemicals and Fertilizers	75411.37	77966.79	70604.54
4.	Civil Aviation	6626.28	4168.10	3405.79
5.	Coal	1572.50	1669.72	1338.04
6.	Commerce and Industry	7438.02	7400.47	6507.48
7.	Consumer Affairs, Food and Public Distribution	129663.57	162384.89	147333.84
8.	Corporate Affairs	226.23	404.48	397.28
9.	Culture	2069.19	2011.83	2302.55
10.	Development of North Eastern Region	1761.01	2036.68	2543.61
11.	Drinking Water and Sanitation	12201.46	13481.18	26475.66
12.	External Affairs	12148.82	14472.95	12772.62
13.	Finance	4340806.54	4487273.80	6412578.52
14.	Food Processing Industries	596.74	504.44	716.97
15.	Health and Family Welfare	33046.65	35390.48	40407.08
16.	Heavy Industries and Public Enterprises	1621.43	944.46	8367.50
17.	Home Affairs (excluding UTs without Legislatures)	61573.53	70006.68	81310.12
18.	Housing and Urban Poverty Alleviation	2735.40	1766.16	5220.99
19.	Human Resource Development	91249.07	86657.36	91673.04
20.	Information and Broadcasting	3158.53	14681.30	3978.30
21.	Labour and Employment	4320.66	4832.02	5313.31
22.	Law and Justice	1932.84	3127.96	3851.01
23.	Micro, Small and Medium Enterprises	2767.82	2834.41	3650.07
24.	Mines	868.16	993.80	1075.97
25.	Minority Affairs	3090.51	3654.85	3049.15
26.	Overseas Indian Affairs	64.09	68.34	--
27.	Panchayati Raj	3390.56	208.67	673.98

28.	Parliamentary Affairs	13.79	15.09	17.09
29.	Personnel, Public Grievances and Pensions	1041.80	1127.29	1279.12
30.	Petroleum and Natural Gas	60310.18	31286.74	30231.29
31.	Planning	1808.33	1781.03	225.69
32.	Power	13817.43	9216.23	11768.35
33.	The President, Lok Sabha, Rajya Sabha, Union Public Service Commission, the Secretariat of the Vice President and Election Commission	1057.98	1189.81	1368.20
34.	Road Transport and Highways	54493.73	84986.39	94752.09
35.	Rural Development	111136.62	121366.19	157952.27
36.	Shipping	1340.21	1689.47	1734.92
37.	Skill Development and Entrepreneurship	--	1007.47	1553.09
38.	Social Justice and Empowerment	5802.88	6309.64	7305.78
39.	Statistics and Programme Implementation	4068.78	4178.40	4270.84
40.	Steel	71.31	31.90	437.80
41.	Textiles	3987.87	4145.98	6227.51
42.	Tourism	987.03	903.94	1638.60
43.	Tribal Affairs	3852.68	4495.18	4822.29
44.	Urban Development	13409.64	18752.54	32297.61
45.	Women and Child Development	18541.14	17260.28	17097.61
46.	Youth Affairs and Sports	1144.14	1460.90	1576.20
<b>Total</b>		<b>5124484.00</b>	<b>5334036.79</b>	<b>7362393.97</b>

## 1.2 Authority for Audit

The authority for audit by the C&AG and reporting to Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (the Act). The C&AG conducts audit of expenditure of Ministries/Departments of the Government of India under Sections 13<sup>2</sup> and 17<sup>3</sup> of the C&AG's (DPC) Act<sup>4</sup>. Bodies established by or under law made by the Parliament and containing specific provisions for audit by the C&AG are statutorily taken up for audit under Section 19(2) of the Act. Audit of other organisations (Corporations or Societies) is entrusted to the C&AG in public interest under Section 20(1) of the Act. In addition, Central Autonomous Bodies (CABs), which are substantially financed by grants/loans from the Consolidated Fund of India, are audited by the C&AG under Section 14(1) of the Act.

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

<sup>3</sup> Audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

<sup>4</sup> Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

### 1.3 Utilisation Certificates

As per the General Financial Rules, certificates of utilisation in respect of grants released to statutory bodies/organisations are required to be furnished within 12 months from the closure of the financial year by the bodies/organisations concerned. There were a total of 13,028 utilisation certificates involving an amount of ₹ 35,289 crore in respect of grants released up to March 2016 by 30 Ministries/Departments that were outstanding after 12 months of the financial year in which the grants were released as detailed in **Appendix-I**.

The position of outstanding utilisation certificates with significant money value relating to 10 Ministries/Departments as of March 2017 is given in **Table No. 3** below:

**Table No. 3: Utilisation Certificates Outstanding as on 31 March 2017**

(₹ in crore)

Sl. No.	Ministry/Department	For the period ending March 2016	
		Number	Amount
1.	Rural Development	138	9354.22
2.	Urban Development	422	6676.55
3.	Power	25	5009.79
4.	Housing and Urban Poverty Alleviation	590	4125.08
5.	Agriculture (Agriculture Cooperation + Animal Husbandry and Dairy)	1095	3416.68
6.	Textiles	5117	3037.03
7.	Skill Development & Entrepreneurship (NSDA+NSDF)	3	975.52
8.	Electronics and Information Technology	266	745.80
9.	Culture	3570	446.42
10.	Heavy Industry	23	302.35
	<b>Total</b>	<b>11249</b>	<b>34089.43</b>

### 1.4 Delays in submission of accounts by central autonomous bodies<sup>5</sup>

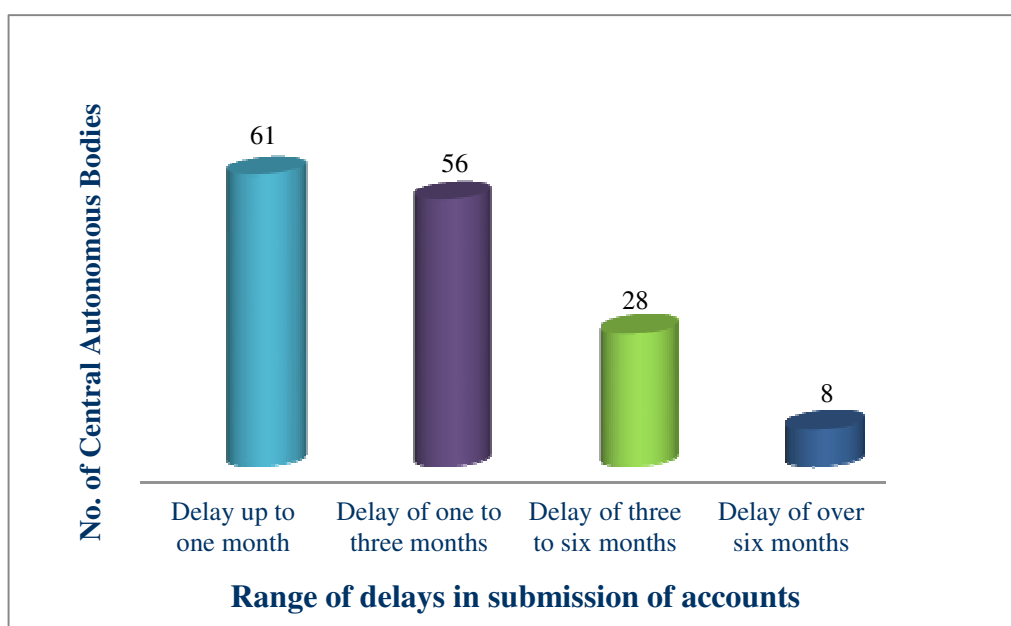
The Committee on Papers Laid on the Table of the House had recommended in its First Report (5<sup>th</sup> Lok Sabha) 1975-76 that every autonomous body should complete its accounts within a period of three months after the close of the accounting year and make them available for audit. This is also stipulated in

<sup>5</sup> Excluding Ministries of Earth Sciences, Environment and Forest, New and Renewable Energy, Scientific and Technology, Water Resources, Department of Atomic Energy and Department of Space.

Rule 237 of the General Financial Rules 2005. The audit reports and the audited accounts should be laid before the Parliament within nine months of the close of the accounting year.

Audit of accounts of 389 Central Autonomous Bodies (CABs) was to be conducted by the C&AG for the year 2015-16. Out of these, the accounts of 153 CABs were furnished after the due date as indicated in the **Chart No. 1** given below:

**Chart No. 1: Delay in submission of accounts**



The details of CABs whose accounts were delayed beyond three months as of December 2016 are given in **Appendix – II**.

### **1.5 Delay in presentation of audited accounts of central autonomous bodies before both Houses of Parliament**

The Committee on Papers Laid on the Table of the House (First Report 1975-76) as well as Rule 237 GFR 2005 also stipulated that the audited accounts of autonomous bodies should be laid before Parliament within nine months of the close of the accounting year i.e. by 31 December of the following financial year.

The status of laying of the audited accounts before the Parliament as on 30 November 2017 is given in **Table No. 4** below:

**Table No. 4: Status of laying of the audited accounts in the Parliament**

Year of account	Total number of bodies for which audited accounts were issued but not presented to Parliament	Total number of audited accounts presented after due date
2013-14	01	Nil
2014-15	01	04
2015-16	39	62

The particulars of CABs whose audited accounts had not been laid or laid after due dates before Parliament are given in **Appendix-III** and **Appendix-IV**.

### **1.6 Results of certification of audit**

Separate Audit Reports for each of the autonomous bodies audited under Sections 19(2) and 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, are appended to the certified final accounts that are to be tabled by respective Ministries in Parliament.

Significant observations on the annual accounts of central autonomous bodies for the year 2016-17 are given in **Appendix-V**. Some of the important deficiencies noticed in the annual accounts of the central autonomous bodies for the year 2016-17 are as below:

- (a) Internal audit of 81 autonomous bodies was not conducted (**Appendix-VI**);
- (b) Physical verification of the fixed assets of 66 autonomous bodies was not conducted (**Appendix-VII**);
- (c) Physical verification of the inventories of 66 autonomous bodies was not conducted (**Appendix-VIII**);
- (d) 35 autonomous bodies were accounting for grants on realisation/cash basis which was inconsistent with the common format of accounts prescribed by the Ministry of Finance (**Appendix-IX**);
- (e) 105 autonomous bodies had not accounted for gratuity and other retirement benefits on actuarial valuation basis (**Appendix-X**);
- (f) No depreciation on fixed assets had been provided by seven autonomous bodies (**Appendix-XI**); and
- (g) 25 autonomous bodies revised their accounts as a result of audit (**Appendix-XII**). The impact of the revision was a net decrease in

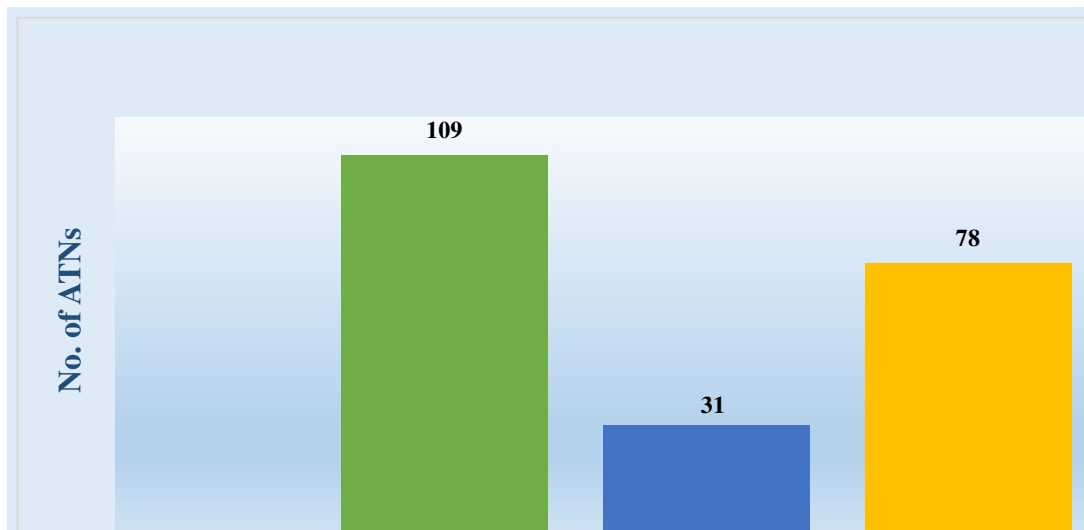
assets/liabilities by ₹ 7.46 crore and net decrease in surplus by ₹ 149.92 crore.

### 1.7 Status of pending ATNs

In its 105<sup>th</sup> Report (10<sup>th</sup> Lok Sabha – 1995-96) presented to the Parliament on 17 August 1995, the Public Accounts Committee had recommended that Action Taken Notes (ATNs) on all paragraphs of the Reports of the C&AG should be furnished to the Committee through the Ministry of Finance (Department of Expenditure) within a period of four months from the date of laying of the Audit Reports on the Table of the House starting from 31 March 1996 onwards. Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs from all Ministries/Departments concerned duly vetted by Audit and sending them to the Public Accounts Committee within the stipulated period of four months from the date of presentation of the Audit Report to the Parliament.

A review of the position of receipt of ATNs on paragraphs included in Audit Reports, Union Government (Civil), up to the period ended March 2016 disclosed the position, in **Chart No. 2** given below, as of November 2017.

**Chart No. 2: Summarised position of ATNs**



Out of 109 paragraphs on which ATNs were required to be sent, ATNs in respect of 31 paragraphs were not received at all while the remaining 78 were pending at various stages. Year wise details are indicated in **Appendix-XIII**.



Further, in respect of the last five years' Audit Reports on Food Corporation of India, out of 21 paragraphs on which ATNs were required to be sent, ATNs in respect of eight paragraphs were not received at all while the remaining 13 were pending at various stages.

### 1.8 Response of the Ministries/Departments to audit paragraphs

On the recommendation of the Public Accounts Committee (PAC), the Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs. Accordingly, the draft paragraphs are forwarded to Secretaries of the Ministries/Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks.

An amount of ₹ 87.34 crore had been recovered out of over-payment/inadmissible payments of ₹ 102.58 crore by two Ministries/Departments as detailed in **Table No. 5a & 5b** below:

**Table No. 5a: Recovered amount out of over-payment/inadmissible payments in case of autonomous bodies**

(₹ in crore)

Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
1.	Central Board of Secondary Education	Human Resources Development  Department of School Education and Literacy	Non-recovery of license fee	0.83	0.73	The Central Board of Secondary Education (CBSE) allotted space to three branches of Syndicate Bank in its premises. CBSE, however, did not charge licence fee from the Bank as prescribed by Directorate of Estate resulting in non-recovery of licence fee aggregating ₹ 83.41 lakh.
2.	EPFO, Regional Office, Kolkata	Labour	Short realization of interest and penal damages	3.21	3.05	The EPFO, Regional Office Kolkata, miscalculated the period (15 February 2011 to 18 December 2014 instead of 15 November 2000 to 18 December 2014) for charging of interest and penal damages to be recovered due to delay in deposit of EPF contribution and other Admn charges by

Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
						BSNL Kolkata. On being pointed out by audit, RO, EPFO, Kolkata issued orders (September 2017) for recovery of interest and penal damages of ₹ 3.05 crore (₹ 0.17 crore as penal damages and ₹ 2.88 crore as interest) which was recovered in September 2017. However ₹ 0.16 crore is still recoverable as RO EPFO, Kolkata erroneously deducted ₹ 10.07 crore instead of ₹ 9.91 crore from the total recovered interest and penal damages from BSNL.
<b>Total</b>				<b>4.04</b>	<b>3.78</b>	

**Table No. 5b: Recovered amount out of over-payment/inadmissible payments in case of Food Corporation of India**

(₹ in crore)

Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
3.	Food Corporation of India	Ministry of Consumer Affairs, Food and Public Distribution	Inadmissible payments	7.49	7.49	Excess payment to State Government Agencies on account of gunny depreciation due to use of old gunny in procurement of paddy.
				6.21	6.21	Excess payment of custody and maintenance charges
				6.73	6.73	Non-recovery on account of short delivery of levy rice of crop years 2006-07, 2008-09, 2009-10 and 2010-11.
				0.93	0.93	Non taking of direct delivery of wheat at Sardulgarh Centre.
				15.84	15.84	Excess payment on account of storage charges on fixation of final rates of RMS 2007-08 and 2008-09.

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Sl. No.	Name of the unit	Ministry/ Department	Nature of overpayment/ under recovery/ inadmissible payment	Amount of overpayment/ under payment/ inadmissible payment as pointed out by audit	Amount recovered	Audit Observation and Action taken by Ministry/ Department
				13.18	0.23	Avoidable payment of elements of service tax on transportation of food grains.
				1.23	1.23	Deficiencies noticed in payment of incentive to the departmental labour.
				8.17	4.87	Non imposition of penalty due to delay in delivery of resultant rice of paddy procured.
				5.59	8.22	Non-recovery due to revision of final rate of Rabi Marketing Season (RMS) 2007-08.
				33.17	31.81	Excess reimbursement for gunny bags on procurement of Custom Milled Rice for the Kharif Marketing Season 2010-15.
<b>Total</b>				<b>98.54</b>	<b>83.56</b>	

This report for the year ended March 2017 contains 62 paragraphs (78 cases<sup>6</sup>) pertaining to various Ministries/Departments and their autonomous bodies/ corporations involving a money value of ₹ 1,179.16 crore. Replies were received in respect of 24 paragraphs and they have been suitably taken into account and incorporated in the report.

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<sup>6</sup> 78 cases include three Paragraphs clubbed under Para 1.8 under 'Action taken/ recoveries effected by Ministries & Departments' and 62 individual Paragraphs. Further, 18 cases are clubbed under five Paragraphs (Paragraph Nos. 7.2, 7.3, 12.4, 12.10 and 12.17) as they fell under common lapses.

## CHAPTER II : ANALYSIS OF OUTCOME BUDGET

### 2.1 Objectives of Outcome Budget

The objectives of the Outcome Budget were to address certain weaknesses that have crept in the performance budget documents such as lack of clear one-to-one relationship between the Financial Budget and the Performance Budget and inadequate target-setting in physical terms for the ensuing year and to address growing concern as to tracking of not just the physical “outputs” that are more readily measurable but the “outcomes” which are the end objectives of State intervention and the financial outlays.

### 2.2 Audit Objectives, Sample and Scope

Audit undertook an exercise to assess whether the various orders and instructions relating to preparation of outcome budget had been followed so as to enable it to serve its intended purpose.

Outcome Budgets for the years 2013-14 to 2016-17 of two Ministries i.e. Ministry of Drinking Water and Sanitation and Ministry of Urban Development were selected for examination in audit. In addition, an analysis was also carried out of the financial outlays and achievement of physical targets of two centrally sponsored schemes/programmes i.e. (i) National Rural Drinking Water Programme (NRDWP) and (ii) Swachh Bharat Mission-Gramin (SBM-G) under the Ministry of Drinking Water and Sanitation (MoDW&S) and (i) Heritage City Development and Augmentation Yojana (HRIDAY) and (ii) Urban Infrastructure Development Scheme in Satellite Towns around seven mega cities (UIDSSST) under the Ministry of Urban Development (MoUD).

### 2.3 Audit findings

#### 2.3.1 Ministry of Drinking Water and Sanitation

##### 2.3.1.1 Deviation from the Government Instructions

##### (i) Absence of Gender budgeting in Outcome Budget

NRDWP guidelines takes into account the importance of women as the major stakeholder group and efforts have been made to involve women groups/self-help groups in planning, implementation and operations and maintenance of water supply programmes through representation in Gram Panchayats (GPs)/Village Water and Sanitation Committees (VWSCs).

The Outcome Budget, however, indicated financial outlay and physical outputs specific to women in respect of NRDWP as “Not Applicable.” It did not even indicate the extent of involvement of women in planning, implementation of the

programme and operation and maintenance of water supply programmes though it is women who primarily did collection of drinking water in villages.

Under SBM (G) guidelines, all women headed households are eligible for incentives for construction of individual households' latrine and there is special provision for construction of community sanitary complexes for women in order to ensure better hygienic conditions and ensure dignity of women. Women were also to be involved at each stage of planning, implementation and post implementation management of sanitation issues. However, the Outcome Budget neither indicated the provisions earmarked for gender based activities nor the extent of involvement of women in planning and implementation of the programme.

**(ii) Non-depiction of information regarding 'Normal Savings', 'Under/Non-utilization' and 'Surrender'**

As per the Guidelines, Outcome Budget should contain information regarding (a) Normal Savings-Savings resulting from economic use of resources; (b) Under/Non-Utilization- Savings due to non-implementation/delay in execution of projects/programme; and (c) Surrenders-Savings due to obsolete/defunct projects/programme or due to completion of a project/programme and the funds are no more required. Such information was not provided in the Outcome Budget for the years 2013-14 to 2016-17 despite depicting savings and surrender in the Appropriation Accounts of the Ministry during the said period.

**2.3.1.2 Financial and physical Outlays vis-à-vis Outcome**

**(i) National Rural Drinking Water Programme (NRDWP):**

A review of the financial as well as physical targets *vis-à-vis* achievements of the programme (**Annexe-I**) revealed that targets and achievements were shown against the financial outlays in respect of central share (outlays in respect of MoDW&S) only. Targets indicated for providing safe drinking water were achieved during the year 2013-14 and 2014-15 but there was shortfall of 84 *per cent* and 44 *per cent* during the subsequent years 2015-16 and 2016-17 respectively.

**(ii) Swachh Bharat Mission-Gramin (SBM-G)**

A review of the financial as well as physical targets *vis-a-vis* achievements of the programme (**Annexe-II**) indicated that there was no direct co-relation between financial outlays with physical targets. Targets in 2015-16 were kept at same levels despite upwards revision at the Revised Estimates stage. Targets and achievements were shown against the financial outlays in respect of central share in respect of MoDW&S.

### 2.3.1.3 Reliability of Data

Web-based online systems are one of the tools to monitor programme implementation. The Integrated Management Information System (IMIS) is a comprehensive web based information system which enables the states and the Centre to monitor the progress of implementation of the programme. Audit observed the following:

#### (i) NRDWP

Targets depicted in the Outcome Budgets for 2013-14, 2014-15, 2015-16 and 2016-17 did not match with the corresponding figures of web-based online system (IMIS) as depicted in **Table No. 1** given below.

**Table: 1: Discrepancy in depiction of Targets -NRDWP**

Year	Target as per Outcome Budget (Number of habitations)				Target as per IMIS (Number of habitations)			
	Quality affected	Partially covered	Fully Covered	Total	Quality affected	Partially covered	Fully Covered	Total
2013-14	21771	122259	0	144030	25345	116493	0	141838
2014-15	20000	75000	0	95000	23427	118671	0	142098
2015-16	56941	0	0	56941	9111	47080	0	56191
2016-17	8000	54000	0	62000	12812	44023	26978	83813

Similarly, there was discrepancy in presentation of figures of achievements in terms of number of habitations covered in 2014-15 as depicted in **Table No. 2** given below:

**Table-2: Discrepancy in depiction of Achievements-NRDWP**

Year	Achievement as per Outcome Budget (Number of habitations)				Achievement as per IMIS (Number of habitations)			
	Quality affected	Partially covered	Fully Covered	Total	Quality affected	Partially covered	Fully Covered	Total
2014-15	15588	120529	0	136117	15579	61419	59108	136106

#### (ii) SBM (G)

Outcome Budget of 2016-17 depicted achievement of IHHL<sup>1</sup> at 58.55 lakh in 2014-15 whereas MIS depicted achievement of IHHL at 58.86 lakh during the said year which indicates discrepancy in data.

### 2.3.2 Ministry of Urban Development

#### 2.3.2.1 Deviation from Government instructions

(i) As per the stipulated format, the Outcome Budget should be in the form of a document separate for each Ministry/Department. An Executive Summary, apart from summarizing relevant chapters, should prominently highlight the details of the monitoring mechanism and the public information system put in place by the Ministry/Department to regularly monitor physical and financial

<sup>1</sup> IHHL-Individual Household Latrine.

progress during the course of the year and to inform the general public. Audit observed that the Executive Summary of the Outcome Budgets for the years 2013-14 to 2016-17 did not mention monitoring and public information mechanism and it contained only brief details of six chapters.

**(ii)** As per the Outcome Budget guidelines, a tabular format is to be prepared which would contain details of financial outlays, projected physical outputs, and projected/budgeted outcomes (intermediate/partial and final) for the current year with Complementary Extra Budgetary (CEB) resources meant for entities other than the Central Government.

Audit observed that Outcome Budgets for the years 2013-14 to 2016-17 in respect of UIDSST (Plan segment) did not indicate any amount under CEB resources during the said period. Further, under the column quantifiable deliverables/physical outputs, only scheme objectives and unquantifiable/immeasurable things were mentioned.

**(iii)** Under HRIDAY scheme, only general objectives of the scheme in the projected outcomes columns were mentioned instead of specific outcomes that were anticipated from the scheme during 2015-16 and 2016-17.

**(iv)** Audit scrutiny of Outcome Budgets for the years 2013-14 to 2016-17 revealed that no timeline was indicated for UIDSST and for '10 per cent Lumpsum Provision Scheme for Benefit of North Eastern States including Sikkim' as required by the guidelines.

**(v)** The guidelines for Outcome Budget for 2013-14 to 2016-17 stipulated that there should be a separate table for each Central Public Sector Enterprise (CPSE<sup>2</sup>) under the administrative control of the Ministry with itemized listing of major projects in hand. The Outcome Budget in respect of CPSEs was to be prepared even if there was no budgetary support. No such table was included in respect of NBCC (India) Ltd. for the years 2013-14 to 2016-17.

**(vi)** The guidelines for 2015-16 and 2016-17 stipulates that the Outcome Budget should also indicate normal savings, under/non-utilization and surrenders. It was noted that no such savings and surrenders were depicted separately in Outcome Budgets for the years 2015-16 and 2016-17.

**(vii)** Chapter-IV of Outcome Budget depicts performance of previous two years. Accordingly, for example, the Outcome Budget of 2014-15 should indicate past performance review of 2012-13 and 2013-14 in terms of targets set,

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<sup>2</sup> NBCC (India) Limited, a public sector undertaking under MoUD is a schedule "A" and ISO-9001 company with status of NAVRATNA.

scheme wise physical performance including reasons for variation, scope and objectives of individual program/scheme giving their physical targets and achievements.

Scrutiny of the Outcome Budgets for the years 2013-14 to 2016-17 revealed inconsistency in depicting scheme-wise achievements (outcomes) against targets already set in previous years. Audit noted the following:

➤ The Outcome Budget 2013-14 indicated unquantifiable targets like improvement of roads, bridges, drains, construction of market complexes, flyovers etc. against an outlay of ₹ 150 crores but achievements or outcomes were not included in the Outcome Budget of the following year i.e. 2014-15. Similarly, against an outlay of ₹ 150 crore in the year 2014-15 for the scheme, no quantifiable targets were specified and no outcomes/achievements were depicted in the 2015-16 Outcome budget.

➤ UIDSST scheme had been in operation since July 2009 with an outlay of ₹ 278 crores during 2013-14 to 2015-16. But in the Outcome Budgets of the respective years, quantifiable deliverables/physical outputs were not indicated against targets and outlays of previous years. In place of quantifiable or measurable targets, details of processing of proposals and Utilization Certificates in MoUD were included under achievements in the Outcome Budgets of 2014-15 and 2015-16 for the scheme.

➤ In respect of HRIDAY for the year 2015-16, targets for all 12 selected cities were set in the Outcome Budget with a Plan Outlay of ₹ 200 crore. However, Outcome Budget of 2016-17 did not indicate achievements against these targets and outlay of 2015-16.

(viii) The Outcome Budget of 2014-15 depicted Budget Estimate 2013-14, Revised Estimate 2013-14 and Budget Estimate 2014-15 but no overall trends of expenditure were shown against these budgetary outlays. Trends in Expenditure were also not depicted in respect of Outcome Budgets for 2015-16 and 2016-17.

#### **2.3.2.2 Inconsistencies in reporting of physical targets**

No quantifiable physical achievements were indicated in the Outcome Budgets for the years 2013-14 to 2016-17 in respect of HRIDAY, UIDSST and 10 *per cent* Lumpsum Provision Scheme for Benefit of North Eastern States including Sikkim.

In respect of UIDSST scheme, Outcome Budget of 2016-17 indicated that one water supply project at Pilkhuwa, Uttar Pradesh, was completed in 2014-15 and the budget allocation had been fully utilized. Audit noted that there were a total of 17 projects approved by the MoUD under UIDSST and as per Outcome Budget only one project was completed during 2014-15. The position of remaining uncompleted project was not explained in the Outcome Budget.



With regard to HRIDAY, no information on physical targets achieved during 2015-16 was incorporated in the Outcome Budget for the year 2016-17.

### **2.3.2.3 Issues relating to monitoring mechanism**

Contrary to the Guidelines, the Outcome Budgets for the years 2013-14 to 2016-17 provided no details as to the monitoring mechanism of either HRIDAY or UIDSST.

### **2.3.2.4 Assessment of action taken by the Ministries/Department on non-achievement of physical targets**

Since quantifiable deliverables/physical targets were not fixed by MoUD for 2013-14 to 2016-17 with regard to UIDSST and '10 *per cent* Lumpsum Provision Scheme for Benefit of North Eastern States including Sikkim's MoUD did not indicate the actions/efforts it had taken to achieve the physical targets depicted in the Outcome Budget documents for the years 2013-14 to 2016-17.

## **2.4 Conclusion**

The objective of the Outcome Budget was to establish a co-relationship between the financial budget and performance budget and to track not just the intermediate physical outputs but also the outcomes. However, deviations from the guidelines on preparation of Outcome Budget undermined this fundamental objective. There was no direct co-relation between financial outlay and physical outcomes; achievements within the same budgetary allocation were more as compared to the targets; there was discrepancy in depiction of targets figures of the programmes between Outcome Budgets and web-based online system and monitoring of the progress of implementation of the programmes through Web-based online system suffered from data unreliability.

Further, non-depiction of physical targets and achievements against each component of various schemes/programmes defeated the purpose of the Outcome Budget of serving as a performance measurement tool of the Ministry. It may be added that individual Ministry-wise Outcome Budget has been dispensed with from 2017-18 and the same is being incorporated in the Outcome Budget of the Ministry of Finance.

## CHAPTER III : MINISTRY OF AGRICULTURE AND FARMERS' WELFARE

### National Institute of Fisheries Post Harvest Technology and Training

#### 3.1 Non-achievement of objectives of setting up a facility

**Delays at various stages of establishing and operationalizing a facility for processing and export of sashimi grade tuna led to expected revenue amounting to ₹ 70.83 lakh being forgone. Besides, a facility set up at a cost of ₹ 1.78 crore has remained idle for over six years and envisaged benefits in the form of increase in foreign exchange and employment was unattained.**

The National Institute of Fisheries Post Harvest Technology and Training (NIFPHATT), under the Ministry of Agriculture (Ministry), initiated a project proposal in July 2008 for establishing a “Common Facility Centre at NIFPHATT Visakhapatnam (Institute) for export processing of Sashimi Grade Tuna<sup>1</sup>” at a cost of ₹ 1.85 crore. The facility was to be created by modifying the existing processing plant of the Institute. In September 2008, the Ministry approved the proposal and conveyed the agreement of the National Fisheries Development Board’s (NFDB) to fund the project. NFDB released ₹ 1.85 crore for the project in the same month. The project was to be completed within nine months from date of sanction of assistance i.e. by June 2009.

The objective of the project was to give impetus to industry by shifting focus from frozen to sashimi grade tuna thereby generating more foreign exchange<sup>2</sup> for the country. The facility was also intended to be made available to private industry/exporters on lease basis. In financial terms, the facility was expected to generate an annual margin of ₹ 8.68 lakh assuming an annual lease fee of ₹ 24 lakh after setting off depreciation charges on plant, building machinery and equipment<sup>3</sup>.

Construction of the facility was entrusted to the Visakhapatnam Urban Development Authority and was completed in August 2011 at a cost of ₹ 1.78 crore. Thereafter, the facility was leased out in August 2012 at an annual lease rent of ₹ 63,369 per month to Firm X. This firm however never occupied the plant and stopped payment of lease rent after six months (January 2013). In

<sup>1</sup> A traditional Japanese dish made from the slices of premium quality tuna fish with highest fat content.

<sup>2</sup> The project proposal stated that this grade of Tuna could fetch USD 15 per kg. The planned capacity of the facility was 10 MT of Tuna per day.

<sup>3</sup> Estimated depreciation of 10 *per cent per annum* on machinery and equipment i.e. ₹ 8.8 lakh and 7.5 *per cent* for plant and building i.e. ₹ 6.52 lakh totalling ₹ 15.32 lakh.

January 2014, the firm was informed that the agreement would stand terminated after three months and was asked to clear outstanding dues of ₹ 6.97 lakh. The firm was, however, yet to clear the dues (November 2017).

The Institute re-invited bids in January 2014 for the facility and three bids were received which were not accepted by the Ministry. Subsequent attempts (June 2014 and August 2014) to lease the facility did not elicit any response. The Ministry thereafter constituted an expert monitoring committee in July 2015 to monitor the bidding process for the facility. This Committee decided (August 2015) to approach CPWD for suggestions with regard to minimum lease rent. CPWD recommended (August 2015) a minimum lease value for the facility of ₹ 1,35,000 per month which was approved by the Ministry in December 2015. Subsequently, a lease was awarded to another Firm Y in July 2016 at a rent of ₹ 1,58,500 per month.

Firm Y paid security deposit and lease rent upto August 2016 amounting to ₹ 5,74,738. However, it neither commenced production activities nor paid lease rent from September 2016 onwards citing pending rectification works<sup>4</sup> necessary for obtaining Marine Products Exports Development Authority (MPEDA) approvals for commencing work. The rectification works pointed out by the firm in October 2016 were completed in March 2017. As the firm still did not take over the plant and pay lease rent despite issue of a notice, the Institute terminated the lease agreement in October 2017 and forfeited the security deposit. It also asked the firm to pay outstanding lease rent amounting to ₹ 21.85 lakh. This firm is also yet to clear its dues (December 2017).

Audit scrutiny of the records of the Institute disclosed that there were delays in the establishment and leasing of the facility at all stages. Construction of the facility envisaged to be completed by June 2009 was completed and handed over to the Institute in August 2011 i.e. after a delay of over two years. The facility was leased out only in August 2012 i.e. one year after the facility had been handed over to the Institute and six months after obtaining approval of the Ministry for leasing the facility. Thereafter, following termination of the lease for the facility in January 2014, the Institute took more than two and a half years to enter into a fresh lease agreement with another firm. Due to the delays, revenue by way of lease rent estimated as ₹ 42.01 lakh<sup>5</sup> was forgone by the

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<sup>4</sup> Non-functioning of water purification and chlorination system; replacement of damaged ceiling in the entry area; creation of two partitions in the processing hall.

<sup>5</sup> (a) For period of delay from July 2010 – July 2012 (after allowing one year for obtaining approvals etc.): 25 months @ ₹ 63,369 pm (rent of first lease) = ₹ 15.84 lakh. (b) For period from January 2014 – August 2015: 20 months @ ₹ 63,369 pm = ₹ 12.67 lakh (c) For period from September 2015 to June 2016: 10 months @ ₹ 1,35,000 pm (minimum lease value recommended by CPWD) = ₹ 13.5 lakh.

Institute. In addition, rents amounting to ₹ 28.82 lakh<sup>6</sup> remain unpaid from the two firms to which the facilities were leased.

Audit also noted that several attempts to obtain bids for leasing the facility were not successful. Though the facility was leased twice, the lessees did not occupy and operate the facility and the leases had to be pre-maturely terminated. This raises questions about the assumptions underlying the project, the Institute's ability to meet stringent approval conditions and the project's overall feasibility. The Ministry had itself in September 2008 flagged several constraints<sup>7</sup> for the project to be successful.

The Institute informed (August 2016) that though no export activities were carried out from the plant, indirect benefits have been derived by using the facility for holding training courses in sashimi tuna processing and other aspects. It added that project should be seen as a development project and less importance be given to its commercial aspects.

The fact remained that a facility established in August 2011 at a cost of ₹ 1.78 crore has not been utilised for its intended purpose for over six years. As a result none of the stated objectives for setting up the facility viz. giving impetus to industry, increasing foreign exchange earnings and enhancing employment have been met.

Further, delays at various stages of establishing and operationalizing the facility led to loss of revenue amounting to ₹ 70.83 in the form of lease rentals.

The matter was reported to the Ministry (July 2017); its reply was awaited (December 2017).

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<sup>6</sup> First lease ₹ 6.97 lakh (February 2013 to December 2013) and second lease ₹ 21.85 lakh (1 September 2016 to 20 October 2017).

<sup>7</sup> Availability of infrastructure at Port and specialized fishing vessels for ensuring supply of 15 MT of fish per day to support planned 10 MT capacity; capacity of Vizag Airport to Service air cargo movement required to support operations to required destinations.

## CHAPTER IV : MINISTRY OF COMMERCE AND INDUSTRY

### Agricultural and Processed Food Products Export Development Authority

#### 4.1 Loss due to not securing its financial interests by APEDA

**Non-inclusion of provisions for levy of interest and penalty in Memorandum of Undertakings entered with various agencies, not insisting on bank guarantees for the financial assistance extended to the agencies and inadequate monitoring by APEDA of the utilization of amount of Grants-in-aid resulted in loss of ₹ 3.31 crore to APEDA.**

The Agricultural and Processed Food Products Export Development Authority (APEDA), constituted under the Agricultural and Processed Food Products Export Development Authority Act, 1985, is responsible for export promotion and development of industries relating to agricultural and food products. The details of financial assistance sanctioned and utilised for three projects given in **Table No. 1** below:

**Table No. 1: Financial Assistance Released and Funds Utilised**

Sl. No.	Name of Agency	Date of MoU /Targeted date of completion of project	Project and its total cost	Amount of Grants-in-aid sanctioned by APEDA	Amount released by APEDA / date of payment	Date of withdrawal / abandonment of the project	Amount refunded by the agency / date of refund Grants-in-aid
1.	Karnataka State Agricultural Produce Processing and Export Corporation Ltd. (KAPPEC)	15-03-2011/ 14-03-2012	For setting up an integrated cold chain for fruits and vegetables at Belgaum in Karnataka ₹ 11.72 crore	₹ 5.50 crore	₹ 2.20 crore/ 15-03-2011	31-03-2016	₹ 2.87 crore/ 22-08-2016
2.	Paschimbanga Agri Marketing Corporation Ltd. (PBAMC)	26-03-2012/ 25-09-2013	For setting up of processing unit for potato flakes at Hooghly, West Bengal ₹ 25.47 crore	₹ 8.00 crore	₹ 3.20 crore/ March 2012	14-07-2016	₹ 3.97 crore / 02-11-2016
3.	Tamil Nadu Horticulture Development Agency (TANHODA)	20-08-2014/ 19-02-2016	For setting up of individual quick frozen (IQF) plant in Krishnagiri district of Tamil Nadu – ₹ 9.62 crore	₹ 7.42 crore	₹ 3.71 crore/ 24-09-2014	24-02-2016	₹ 3.73 crore / 17-03-2016

Audit observed the following:

- (i) Terms and conditions of sanction order issued by the administrative ministry viz. Ministry of Commerce and Industry, while releasing grants-in aid to APEDA stated that in case APEDA failed to comply with the terms and conditions of sanction of the Grants-in-aid, the whole or part amount of the grants-in aid would be recovered with interest @ 10 per cent per annum as per General Financial Rules (GFR) 209. APEDA however included a similar clause only in the Memorandum of Understanding (MoU) entered with TANHODA and not in the MoUs entered into with KAPPEC and PBAMC.
- (ii) There was lack of uniformity in provisions relating to charging of penalties in the three MoUs signed by APEDA with the agencies mentioned above. While the MoU with PBAMC contained provision for levy of penalty for delay in completion of the project to the extent of one per cent for each month of delay subject to a maximum of five per cent of project cost, the maximum penalty was restricted to five per cent of the amount sanctioned by APEDA in the MoU with TANHODA. The MoU signed with KAPPEC did not contain any provision for penalty.

Failure to include condition regarding levy of interest at the rate of 10 per cent per annum charged by the Ministry to APEDA and for levy of penalty at maximum rate of five per cent of the project cost/sanctioned cost besides acceptance of refund of less amount of principal money (in case of KAPPEC and TANHODA) resulted in under recovery of ₹ 3.31 crore as detailed in **Table No. 2** below:

**Table No. 2: Under recovery**

(₹ in crore)

Agency	Amount refundable if clauses regarding interest and penalty been included in the MoUs				Amount actually refunded by the agencies				Amount short recovered
	Principal	Interest	Penalty	Total	Principal	Interest	Penalty	Total	(5-9) = 10
KAPPEC <sup>1</sup>	2.20	1.20	0.28	3.68	1.94	0.93	Nil	2.87	0.81
PBAMC <sup>2</sup>	3.20	1.47	1.27	5.94	3.20	Nil	0.77	3.97	1.97
TANHODA <sup>3</sup>	3.71	0.55	Nil	4.26	3.52	0.21	Nil	3.73	0.53
<b>Total</b>	<b>9.11</b>	<b>3.22</b>	<b>1.55</b>	<b>13.88</b>	<b>8.66</b>	<b>1.14</b>	<b>0.77</b>	<b>10.57</b>	<b>3.31</b>

<sup>1</sup> **KAPPEC - Interest** @10 per cent p.a. on ₹ 2.20 crore for the period 15 March 2011 to 22 August 2016 (i.e. total 1987 days) = (10 per cent of ₹ 2.20 crore) \* 1987/365 days = ₹ 1.20 crore. **Penalty** – 5 per cent of sanctioned cost = 5 per cent of ₹ 5.50 crore = ₹ 0.28 crore

<sup>2</sup> **PBAMC - Interest** @10 per cent p. a. on ₹ 3.20 crore for the period 31 March 2012 to 02 November 2016 (i.e. total 1676 days) = (10 per cent of ₹ 3.20 crore)\*1676/365 days = ₹ 1.47 crore. **Penalty** – 5 per cent of project cost = 5 per cent of ₹ 25.47 crore = ₹ 1.27 crore

<sup>3</sup> **TANHODA - Interest** @10 per cent p.a. on ₹ 3.71 crore for the period 24 September 2014 to 17 March 2016 (i.e. total 541 days) = (10 per cent of ₹ 3.71 crore) \* 541/365 days = ₹ 0.55 crore. **Penalty** – No penalty worked out as the project was withdrawn in February 2016, i.e. within the targeted date of completion.

- (iii) Even though the validity of the Bank Guarantees (BGs) given by KAPPEC and TANHODA as security towards the amount of grants received from APEDA expired on 31 March 2016 and 30 January 2016 respectively, the validity of the Bank Guarantees was not renewed till the date of refund. In the case of PBAMC, although the BGs were valid on the date of refund of grant-in-aid (02 November 2016) by PBAMC, releasing its charge over the bank guarantee left APEDA with no scope to assert its claim for less recovery of penalty.
- (iv) The project of PBAMC was to be completed within 18 months from the date of signing of MoU on 26 March 2012. Accordingly, the scheduled date of completion of the project was 25 September 2013. Even though the project did not achieve any progress for more than two and half years beyond the scheduled date of completion and significant changes were made by PBAMC like revision of project cost from ₹ 25.47 crore to ₹ 40.39 crore, raising of additional funds from National Bank For Agriculture & Rural Development (NABARD) under RIDF-XX<sup>4</sup> scheme and changing mode of execution of the project through Public Private Partnership basis by utilizing APEDA and RIDF funds for viability gap funding, APEDA was not aware of the same due to defective monitoring system. APEDA did not take any action for withdrawal of its sanction and to recover the Grants-in-aid paid to PBAMC till November 2015 when it took up the matter of refund of the amount with PBAMC and later on in April 2016, with the Government of West Bengal.

Management stated (July/August 2017) that:

- (i) Interest at the rate of 10 *per cent* on the amount of unutilized grants was applicable only to grants being received by APEDA from the administrative ministry and not to the downstream disbursements made by APEDA for individual projects like that of PBAMC.
- (ii) Penalty and interest clauses would be inserted in all the MoUs signed in future. The Management admitted the error in computation of penalty at the rate of five *per cent* as per clause 7 in the MoU with PBAMC.
- (iii) Bank Guarantees in case of KAPPEC will be re-validated in advance in future. With regard to TANHODA, Management stated that there was no need for APEDA to seek extension of BG of a project which was not going ahead.

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<sup>4</sup> Rural Infrastructure Development Fund-XX.

- (iv) Monitoring Committee has been constituted in December 2012. APEDA admitted that they were informed of recast Detailed Project Report submitted to NABARD for funding of the project only through letter dated 23 June 2014 from PBAMC.
- (v) Refund of ₹ 3.52 crore as principal by TANHODA was justified since ₹ 3.52 crore was the net grant disbursed to TANHODA and payment of interest at a rate less than that of 10 *per cent* of the amount of the Grant was being followed up with TANHODA.

The replies of the management were not acceptable for following reasons:

- (i) The fact that APEDA was liable to pay interest at the rate of 10 *per cent per annum* to the administrative ministry for non-compliance with terms and conditions of sanction and the fact that the MoU with TANHODA provided for interest at 10 *per cent per annum* indicated the need for charging interest uniformly at the rate of at least 10 *per cent per annum*.
- (ii) Management's reply related to Bank Guarantee is contradictory. In case of KAPPEC, although Management assured revalidating the BGs in advance in future, in the case of TANHODA, the Management replied that re-validation of BG in advance was not required as the project was not going ahead. In the absence of security in the form of BG, enforcement of refunds for non-compliance with terms and conditions of sanctions could be at risk.
- (iii) Although the Management accepted refund of the full amount of grants-in aid of ₹ 3.20 crore (inclusive of processing charges equivalent to five *per cent* of Grants) from PBAMC, in the case of TANHODA it justified refund of net amount of ₹ 3.52 crore excluding the processing charges. Further, the MoU signed with TANHODA also stipulated refund of whole grant with 10 *per cent* interest *per annum* thereon.

Thus, APEDA failed to secure its financial interests due to not including appropriate provisions with regard to levy of interest and penalty in MoUs entered with various agencies, not insisting on bank guarantee against the financial assistance extended to the agencies and inadequate monitoring by APEDA of the utilization of amount of grants-in aid which resulted in loss of ₹ 3.31 crore.

The matter was reported to the Ministry (November 2017); its reply was awaited of December 2017.



## Export Inspection Council of India

### 4.2 Imprudent fund management

**Imprudent management of Central Fund of Export Inspection Council of India by keeping huge idle fund in savings bank account instead of investing in fixed deposit resulted in loss of interest of ₹ 13.76 crore during the period from October 2014 to March 2017.**

The Export Inspection Council of India (EIC) was set up by the Government of India under Section 3 of the Export (Quality Control and Inspection) Act, 1963, to provide for sound development of export trade through quality control and pre-shipment inspection. EIC is assisted in its functions by five Export Inspection Agencies (EIAs) located at Chennai, Delhi, Kochi, Mumbai and Kolkata. EIC advises the Central Government regarding measures for enforcement of quality control and inspection of commodities intended for export. Inspection, testing and certification is carried out by EIAs at fees prescribed by the Government.

EIC created a Central Fund in the year 1973. All revenues earned by the five EIAs of EIC are deposited in this Central Fund. The EIAs raise demand for funds on monthly basis to meet their obligations which are met out of the Central Fund. Though EIC is the controlling authority of Central Fund, EIA, Kolkata maintains the accounts of this fund centrally on behalf of all EIAs.

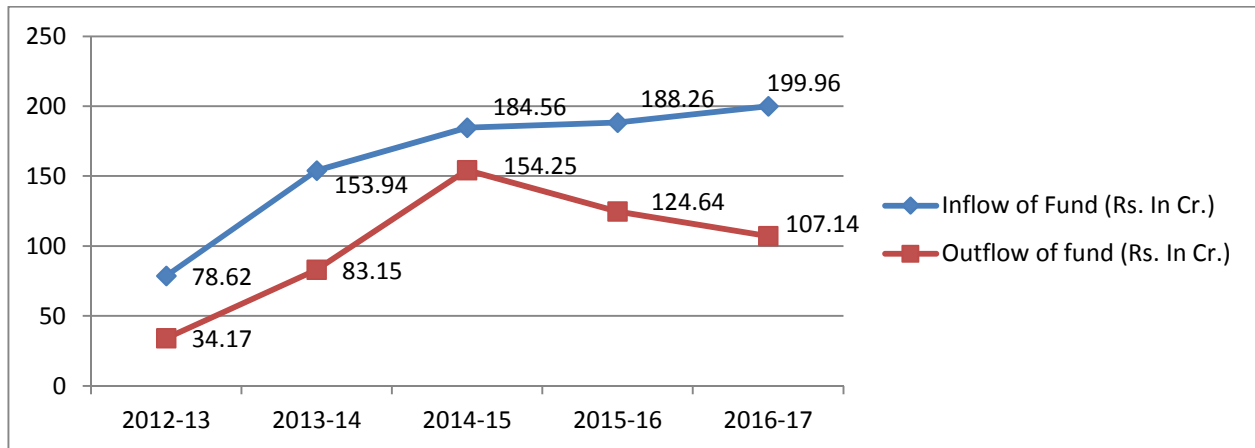
Rule 208<sup>5</sup> of General Financial Rules, 2005 (recast as Rule 229 of General Financial Rules, 2017), states that all autonomous organisations “should be encouraged to maximize generation of internal resources and eventually attain self-sufficiency”. Thus, balance of Central Fund should be judiciously invested for the best possible realisation of returns.

Audit examination of Central Fund of EIC at EIA, Kolkata revealed the following:

- Huge funds were lying idle for years together in the savings bank account without any effort to ensure their prudent utilization. Funds have accumulated over the years due to consistent surplus of inflows of funds over outflows. The year wise position of inflow and outflow of funds held in the Central Fund during the last five years ended 2016-17 is depicted in Graph No. 1 below:

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<sup>5</sup> General Principles for setting up of Autonomous Organisations.

**Graph No. 1: Flow of funds held in Central Fund during 2012-13 to 2016-17**

The year-wise accumulated surplus fund lying in the Central Fund of EIC for the last four years ending September 2017 is detailed in **Table No. 3** given below:

**Table No. 3: Accumulated surplus fund**

Year	Accumulated Surplus (₹ in crore)
September 2014	259.33
September 2015	307.43
September 2016	240.82
September 2017	249.47

There has been consistent surplus in the Central Fund, with the accumulated amount being ₹ 249.47 crore as on September 2017.

- Bank statements for the last three years (from 1 October 2014 to 31 March 2017), revealed that the minimum and maximum balance in the above savings bank account ranged between ₹ 238.87 crore and ₹ 323.44 crore, respectively on which State Bank of India allowed interest rate of 3.5 to 4.0 *per cent per annum*. If such funds had been invested in term deposits, they would have earned an interest rate of 8.25 *per cent per annum* for the period from October 2014 to March 2016 and 5.50/4.25 *per cent* during April 2016 to March 2017.

Maintaining such huge balances in savings account was imprudent fund management which deprived EIC of higher returns. Thus, failure of EIC to judiciously invest its surplus funds resulted in loss of interest of ₹ 13.76 crore<sup>6</sup> for the period from October 2014 to March 2017 worked

<sup>6</sup> Interest of ₹ 13.76 crore would have been earned on ₹ 238.87 crore (minimum balance maintained during October 2014 to March 2017) @ 8.25 *per cent* (applicable rate for term

out on the minimum balance in the Central Fund during the above period.

The Management stated (October 2017) that:

- Since Central Fund was established with the approval of the Council and not by way of any statute or notification, it lacks the competence of being a legal entity. Hence, the question of creating an investment against such non entity does not arise.
- EIC has shown enough prudence and have maintained the account under savings bank which generates a rate of return of four *per cent*. Audit calculations are based on the rate that TDRs would have generated 8.25 *per cent* rate but after taxation the actual yield post tax would have been in the vicinity of 4.125 *per cent*, which is only marginally higher than the interest that EIC has earned already.
- The matter has been reviewed by the Council and it has been decided that all accounts of EIC and EIAs henceforth would be operated upon MOD<sup>7</sup> basis.

Audit notes that EIC has decided to take corrective steps. However, the contentions of the Management are not acceptable in view of the following:

- Central Fund is operated by the Council to carry out its operational activities. As per General Financial Rules, 2005/2017, the Council should have invested surplus funds in term deposits for generating maximum internal income. Moreover, EIA, Kolkata has been investing balances of Provident Fund and Pension Fund in term deposits of State Bank of India, Kolkata and a similar practice should have been followed for Central Fund also.
- Term deposits always earn higher interest rate as compared to savings account. Even if income tax has to be paid on interest income, the actual yield post tax of term deposits would always be greater than that of savings bank account since interest earned from both savings account and term deposit would be subject to income tax at the same rate.

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deposit of one year to less than two years for the period from October 2014 to March 2016) and @ 5.50/4.25 *per cent* (for the period 2016-17) less interest of ₹ 27.69 crore actually earned on the savings account (@ 3.5/4 *per cent*) during October 2014 to March 2017.

<sup>7</sup> Multi Option Deposit Schemes are term deposits linked to the savings or current account, which may be liquidated anytime as per the need and at the same time it earn interest rate of term deposits on the balance amount.

Thus, EIC suffered a loss of interest of ₹ 13.76 crore during the period from October 2014 to March 2017 on account of keeping huge balances in savings bank account instead of judiciously investing the same in term deposits.

## CHAPTER V : MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

The Ministry of Consumer Affairs, Food and Public Distribution consists of the Department of Consumer Affairs and the Department of Food and Public Distribution. The primary policy objective of the Department of Food and Public Distribution is to ensure food security for the country through timely and efficient procurement and distribution of food grains. This involves procurement of various food grains, building up and maintenance of food stocks, movement and delivery to distributing agencies and monitoring of production, stock and price levels of food grains. The procurement and distribution of food grains is done primarily through the Food Corporation of India (FCI) which is a statutory Corporation set up under the Food Corporation Act, 1964. Compliance audit of the operations of the Corporation brought out avoidable or extra expenditure amounting to ₹ 534.04 crore mainly due to non-adherence to extant instructions and inefficient operations in procurement of gunny bags and movement of food grains as discussed below.

### 5.1 Management of Gunny Bags in Punjab Region

**Food Corporation of India (FCI) failed to recover ₹ 223.58 crore that was due to the Corporation on account of interest on advances given to State Government Agencies (SGAs) for procurement of gunny bags as well as on account of reimbursement of cost of gunny bags at higher rates than that prescribed. Further, there was non-recovery ₹ 2.86 crore from Container Corporation of India due to failure to effectively pursue pending claims for damages, short and rain effected gunny bags.**

#### 5.1.1 Introduction

The Food Corporation of India (FCI), along with State Government Agencies (SGAs), purchase wheat and paddy at the Minimum Support Price (MSP) fixed by Government of India (GoI) for the central pool during Rabi and Kharif marketing season<sup>1</sup>. The Government of Punjab (GoP) fixes targets for procurement of food grains for FCI and SGAs in Punjab. Gunny (Jute and HDPE<sup>2</sup> bags) is used as packing material for the food grains. Based on the procurement target, FCI assesses its requirement of gunny bales<sup>3</sup> after taking into consideration the quantity of gunny bales available and places indent with the Director General of Supplies and Disposals (DGS&D), Kolkata, for

<sup>1</sup> Rabi Marketing Season (RMS) starts from April each year and Kharif Marketing Season (KMS) from October each year. In Punjab, wheat and rice is the predominant crop during RMS and KMS respectively.

<sup>2</sup> High Density Polyethylene.

<sup>3</sup> One gunny bale comprises of 500 bags.

purchase of gunnies. During 2012-13 to 2016-17, Punjab Region of FCI purchased 25.87 crore gunny bags at a cost of ₹ 1,147.53 crore.

An audit covering a period of five years ending March 2017 was undertaken in four selected districts of FCI viz. Amritsar, Sangrur, Jalandhar and Moga which carry out 31 *per cent* of the total procurement in Punjab to assess whether demand and purchase of gunnies were in accordance with the actual requirements of FCI, whether procurement, receipt and utilization of gunnies was done in an efficient, effective and economic manner and whether settlement of claims with Container Corporation of India Limited (CONCOR) for short, damaged and rain effected gunny bags was processed expeditiously.

### **5.1.2 Audit Findings**

#### **5.1.2.1 Non recovery of interest on advance for purchase of gunny bales for State Government in RMS 2015-16**

Due to constraints of funds with the State Government, FCI arranged ₹ 350.18 crore at the instance of GoI for placing indent of 1.5 lakh gunny bales (January 2015) with DGS&D for purchase of gunny bales for RMS 2015-16 for the SGAs.

As FCI meets its working capital requirements by availing cash credit from banks and pays interest on borrowings, it has to recover funds loaned to SGAs along with interest. It was observed that cost of gunny bales amounting to ₹ 350.18 crore was recovered from SGAs during April 2015 to August 2015 without levying interest. This non-recovery of interest on advance given to DGS&D on behalf of SGAs resulted in loss of ₹ 10.96 crore.

Ministry accepted the audit observation and stated (January 2018) that FCI has been directed to take immediate action for making required recovery of the interest on advance given to DGS&D on behalf of SGAs.

#### **5.1.2.2 Avoidable expenditure on purchase of gunny bags due to non-procurement of wheat in bulk form at Moga Silo**

As per an agreement executed between FCI and a private firm on 28 June 2005, 80 *per cent* of the stock was to be delivered in bulk and 20 *per cent* in bagged condition at Moga silo<sup>4</sup>. FCI Headquarters had also directed (March 2012) its Regional Office to deliver maximum stock in bulk and Regional Office, Punjab had, in turn, directed (April 2013) its District Office Moga to ensure that no wheat was taken in bagged form at Moga silo. However, it was noticed that FCI accepted wheat in bulk form to the extent of 16 to 74 *per cent* during 2012-13 to 2016-17 against the prescribed 80 *per cent*. This led to avoidable expenditure

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<sup>4</sup> A silo is a structure for storing bulk materials including food grains.

amounting to ₹ 3.72 crore on account of purchase of gunny bags. Further, FCI had to bear the debagging cost of ₹ 14.76 lakh for the quantity delivered at the silo in bags in excess of 20 *per cent* which could have been avoided had the FCI delivered the stock in bulk form. Thus failure of the FCI to deliver the stock in bulk form as per the agreement resulted in avoidable expenditure amounting to ₹ 3.87 crore.

Management stated (December 2017) that FCI had made all efforts for bulk transportation but it could not accomplish the specified clause of 80 *per cent* as farmers brought the produce to nearby mandies in bulk form and the stock had to be bagged after purchase for transportation from the mandies.

The reply of the Management is not tenable as, FCI could not achieve the requisite target to deliver 80 *per cent* of wheat stock in bulk form despite increase of wheat stock in bulk form.

#### **5.1.2.3 Non recovery of cost of gunny bags and short recovery of interest on gunny bags given on loan to SGAs**

In the event of shortages of gunny bags, SGAs may obtain the gunny bags from FCI on loan basis. The loaned gunny bags are to be returned to FCI in the same/next season. Regional Office Punjab directed (June 2011) that the cost of gunny bags with prevailing rate of interest would be recovered if the loaned gunny bags were not returned by SGAs in time.

Audit observed that neither the cost of loaned gunny bags of ₹ 52.50 crore given to SGAs during RMS 2014-15 to KMS 2016-17 nor the interest of ₹ 4.92 crore was recovered in six Districts<sup>5</sup>. Further, in Sangrur and Amritsar Districts, while the cost of loaned gunny bags of ₹ 70.92 crore was recovered, the interest of ₹ 7.03 crore was not recovered.

Management stated (December 2017) that all districts were instructed to recover the cost of gunnies after proper verification with interest.

#### **5.1.2.4 Excess expenditure due to payment for used gunny bags without taking into account depreciation or usage charges**

GoI issued instructions for use of once used gunny bags left over after delivery of custom milled rice (CMR) of old crop years for procurement of paddy and wheat. These instructions stipulate *inter alia* that paddy bags of immediately preceding year be only used and that the bag used be of good quality and as per prescribed standards. Further, GoI issued guidelines in May 2013 for use of paddy released jute bags which have been used only once for procurement of

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<sup>5</sup> Bathinda, Ferozepur, Gurdaspur, Jalandhar, Patiala and Moga.

rice and wheat. However, prior approval of GoI was required for procurement of wheat in paddy released/once used gunny bags. GoI further clarified (September 2013) that State Governments can permit use of paddy released jute bags which have been used only once under intimation to GoI and no specific permission of GoI is required.

Scrutiny of records in districts of Punjab Region revealed the following:

- a) During KMS 2012-13, GoI while allowing use of old gunny bags for procurement of paddy and delivery of CMR in Haryana Region, fixed the usage/depreciation charges of old used gunny bag at the rate of ₹ 3.35 per bag. These instructions were reiterated in the years KMS 2014-15 and 2016-17. However, no such instructions on usage/depreciation charges for use on once used bag were issued for Punjab Region. During KMS 2012-13 to 2016-17, SGAs in Punjab used 1,417.06 lakh once used gunny bags in procurement of paddy. However, the gunny depreciation was paid based on the rate prescribed (ranging between ₹ 14.94 per bag to ₹ 21.31 per bag) for procurement of paddy in new gunny bags instead of usage charges at the rate of ₹ 3.35 per bag (Haryana Region). Had GoI issued instructions for usage charges for gunny bags in Punjab region on the same lines as was done in Haryana Region, FCI could have avoided expenditure of ₹ 186.15 crore on account of gunny depreciation in four selected districts<sup>6</sup>.
- b) During RMS 2012-13, 2013-14 and 2016-17, GoI allowed use of once used gunny bags to SGAs in procurement of wheat. SGAs<sup>7</sup> used 40.32 lakh gunny bags on which cost of gunny was paid at the rate for new bag at ₹ 34.88 per bag (RMS 2012-13), ₹ 38.36 per bag (RMS 2013-14) and ₹ 50.58 per bag (RMS 2016-17). As the SGAs uses once used gunny bags, the reimbursement for such once used gunny bags should be made after adjusting gunny depreciation for their use in previous crop season. This has resulted in excess payment of gunny cost to the extent of ₹ 5.99 crore.

Management stated (December 2017) that the policy of usage charges has been made applicable to all States from with KMS 2017-18.

#### **5.1.2.5 Excess payment on gunny bags on account of purchase of paddy and wheat in new gunny bags of previous crop year**

During the period 2013-14 to 2016-17, GoI allowed use of unused new gunny bags of previous crop year on the request of the State Government for procurement of wheat and paddy. GoI fixed the rate of gunny cost payable to

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<sup>6</sup> Amritsar, Sangrur, Jalandhar and Moga.

<sup>7</sup> SGAs in Amritsar and Jalandhar Districts.



SGAs during each marketing season. Scrutiny of records in selected districts<sup>8</sup> of Punjab revealed the following:

- a) During the RMS 2013-14 to 2016-17, 109.85 lakh new gunny bags of previous crop year were used by SGAs in procurement of wheat. It was noticed that the cost of gunny bags in the current crop year was higher than the cost of gunny bags during previous crop year. However, the cost of gunny bags was paid by FCI based on the rate of gunny bags prescribed for current crop year which being higher, resulted in excess payment of ₹ 3.15 crore to SGAs in this period.
- b) During KMS 2013-14 to 2016-17, SGAs used 53.03 lakh new gunny bags of previous crop years in procurement of paddy and delivery of rice. It was noticed that the cost of gunny bags in the current crop year was higher than the cost of gunny bags during previous crop year. However, the cost of gunny bags was paid by FCI based on the rate of gunny bags prescribed for the current crop year which being higher resulted in excess payment of ₹ 1.51 crore to SGAs in this period.

Management stated (December 2017) that all field offices had been directed to recover excess payment made on account of use of left over new gunny bags of previous crop year.

#### **5.1.2.6 Pendency of claims for short/damaged/water effected gunnies with CONCOR**

FCI purchases gunny bags through DGS&D and these are transported by the Container Corporation of India Limited (CONCOR) from the Jute Millers' premises to the destination station as per dispatch instructions given from time to time by FCI. Para 8 of guidelines for consignee of jute bag issued by DGS&D (April 2014) prescribes the procedure to be followed by consignee in case of shortage/damaged/fungus infected/rain affected gunny bales during transit and delivery to be taken by consignee from carrier. As per the prescribed procedure for settlement of claims by CONCOR, claims are to be preferred within six months from date of booking to avoid time bar on settlement. Audit observed the following:

##### **(i) Non-receipt of gunny bales from CONCOR**

Thirteen containers pertaining to the period from KMS 2011-12 to KMS 2015-16 having gunny bales worth ₹ 1.29 crore were never received at consignee depot of FCI. However, FCI failed to lodge any claim with CONCOR even after lapse of one year to six years and these claims, if preferred, now would be time barred. This resulted in a loss of ₹ 1.29 crore.

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<sup>8</sup> Amritsar, Jalandhar, Sangrur and Moga.

**(ii) Rejection of claims by CONCOR as 'Time Barred'**

Scrutiny of records of the selected districts revealed that 182 claims cases of short/damaged/water affected receipt of 651 gunny bales valuing ₹ 1.56 crore pertaining to the period 2011-12 and 2015-16 was rejected by CONCOR as 'time barred' on the ground that the original claim lodged documents were not available with CONCOR. These claims were lodged by FCI within the stipulated period of six months but the dates of acknowledgement of these claims by CONCOR were not available with FCI. Due to rejection of these claims by CONCOR, FCI suffered a loss of ₹ 1.56 crore.

**5.1.3 Conclusion**

FCI incurred a loss of ₹ 223.58 crore due to failure in recovering interest on funds/gunny bags given to SGAs, reimbursement of gunny bag cost/depreciation at higher rates and supply of food grains in bagged form to storage facility instead of bulk form. In addition, FCI also failed to pursue pending claims for damaged, short and rain affected gunny bags and lodge claims for missing bags with CONCOR.

**5.2 Management of Road Transport Contracts in Assam and NEF<sup>9</sup> (Shillong) Regions**

**FCI incurred avoidable expenditure of ₹ 117.10 crore due to improper planning for movement of stock. Supply of food grains in excess of requirement at a station and non-adherence to distance measurement before awarding contract resulted in avoidable expenditure of ₹ 12.96 crore. In addition, liquidated damages of ₹ 89 lakh was not levied on contractors for short supply against indented trucks.**

**5.2.1 Introduction**

The seven states<sup>10</sup> under the North Eastern (NE) Zone of FCI are deficit states i.e. local food grains production is not sufficient to meet the requirement. Since rail connectivity is limited in North East, most of the inter and intra state transport is by road. Hence, after movement of food grains by rail from procurement/surplus regions to these seven states, most of the subsequent movement of food grains from Railway sidings to main Food Storage Depots (FSDs) and from main FSDs or feeder FSDs to other small and medium size FSDs for storage and distribution is done through road transport. For this purpose, a large number of Road Transport Contracts (RTCs) are finalized by the five Regional Offices (ROs) of Assam, NEF (covering Meghalaya, Mizoram and Tripura), Nagaland, Manipur and Arunachal Pradesh.

<sup>9</sup> NEF Region denotes North East Frontier Region consisting of States of Meghalaya, Mizoram and Tripura.

<sup>10</sup> Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura.

An audit was undertaken in Assam and NEF (Shillong) region covering Meghalaya, Tripura and Mizoram) which jointly incurred of 78 *per cent* of road freight expenditure in the entire North East region for the period of three years ending March 2017 to assess the transparency, fairness of competition, economy, efficiency and effectiveness in management of road transport contracts for movement of food grains.

## 5.2.2 Audit findings

### 5.2.2.1. Avoidable expenditure due to improper planning for movement of stock

As per the inter-region and intra-region movement plans approved by the Zonal Office, Assam and NEF Regions, movement of food grains was to be made on least cost basis. Movement plans also stipulated that preference was to be given for moving stocks directly from Rail Heads (RH). Transport from RH to field depot directly rather than via another depot, if feasible, is economical as the loading/unloading at the intermediate field depot is avoided.

Audit observed an absence of analysis of the comparative cost of transportation for available routes in five cases which resulted in avoidable expenditure of ₹ 117.10 crore as detailed in **Table No. 1** below:

**Table No. 1**

Sl. No.	Name of Depot to be fed	Audit Observation
1.	Tangla	FCI transported 1,97,740 metric tonne (MT) of food grains from Railhead/Food Storage Depot (FSD) New Guwahati Complex to depots at Tangla instead of to Rail head Changsari during April 2013 to September 2015 which has resulted in avoidable payment of ₹ 42.24 crore.
2.	Lalabazar, Badarpurghat and Ramnagar	FCI transported 2,71,326 MTs of food grains from Railhead/Food Storage Depot (FSD) New Guwahati Complex to depots at Lalabazar/ Badarurghat/Ramnagar instead of Railhead Changsari during April 2013 to March 2015 and Railhead Salchapra during April 2015 to July 2016 resulting in avoidable payment of ₹ 57.29 crore.
3.	Sivsagar Depot	FCI did not dispatch food grains from Railhead Jorhat town to Sivsagar Depot on the day of rake receipt. The food grains first were transported from Railhead Jorhat town to Cinnamara depot and thereafter were transported to Sivsagar depot by another contractor thus involving extra handling and distance to cover. A quantity of 81,048 MTs of food grains was handled at Cinnamara depot during 2014-15 to 2016-17

		which was subsequently transported to Sivsagar. This resulted in avoidable expenditure of ₹ 5.20 crore on handling and transportation.
4.	Depots at Mizoram and Tripura	The stock of food grains could be transported to different depots of Mizoram (except Kolasib) and Tripura (except Churaibari) at a lower cost by the RTC ex-Bihara instead of ex-Salchapra. However, stock was moved from Railhead Salchapra to different depots of Mizoram and Tripura even after knowing the fact that the transportation cost from Railhead Bihar was less than transportation cost from railhead Salchapra. This resulted in avoidable expenditure of ₹ 4.25 crore.
5.	All depots fed from depots at Haibergaon, Itachali, Senchowa and Hojai	In case stock is temporarily parked in nearby depots of the Railhead and thereafter transported to depots not connected by Railways, then re-handling cost and transportation cost from the Railhead to the depots (used for temporary storage) is incurred. Therefore, such temporary storage of food grains should have been avoided. During April 2014 to March 2017, the Area Office Nagaon despatched 1,61,080 MTs of food grains to different depots under control of Assam and Arunachal Region from its four depots namely Haibergaon, Itachali, Senchowa and Hojai instead of Railhead Haibergaon/Hojai where stock was first received through rail transport. This resulted in avoidable expenditure of ₹ 5.86 crore on re-handling of stock at the depots in addition to avoidable expenditure of ₹ 2.25 core on transportation.

Ministry stated (December 2017) that road movement from FSD New Guwahati Complex (NGC) to southern Assam/Barak valley was resorted to due to disruption over Lunding-Badarpur hill section of railways. The Government of Assam had requested to make contingency plans for uninterrupted supply to Barak Valley and therefore road transport contracts ex-NGC were operated on emergency basis and heavy rainfall occurred in Assam for a major portion of the year causing damages to infrastructure. It added that efforts are being made for positioning contractors in both Changsari and NGC depending upon requirement and actual operation of these contracts would be on least cost basis only.

#### **5.2.2.2 Transportation of food grains in excess of requirement at a higher rate**

FSD Sangaiprou in Manipur is normally catered to by Dimapur in Nagaland. Considering the urgency for immediate augmentation and exploring alternative route of public distribution system (PDS) stocks in Manipur, FCI awarded three

ad hoc RTCs to FSD Sangaiprou from Ex-Furkating/Golaghat and Jagiroad in Assam. The rates for the different routes were as detailed in **Table No. 2** below:

**Table No. 2**

Name of Route and road transport contract validity	Transport cost (₹ per MT)
Dimapur – Sangaiprou (24 October 2014 to 23 October 2016)	4576
Jagiroad – Sangaiprou (22 July 2014 to 19 April 2015)	5999
Furkating/Golaghat – Sangaiprou (16 July 2014 to 29 September 2014)	6864
Furkating/Golaghat – Sangaiprou (26 September 2014 to 25 June 2015)	6513

Considering that the lowest rate per MT was from Dimapur, it was prudent to minimize the transportation of food grains to Sangaiprou from Jagiroad and Furkating/Golaghat. The normal PDS requirement at Sangaiprou during August 2014 to April 2015 (nine months) was approximately 11,000 MTs per month and hence 99,000 MT of food grains was required to be transported to FSD Sangaiprou during this period. Scrutiny of records revealed that 1,39,187 MTs of food grain was transported to FSD Sangaiprou of which 55,013 MT of food grains was transported from RH Jagiroad and 6,982 MT from Furkating/Golaghat during this period.

Since cost of transportation to Sangaiprou from Dimapur and Jagiroad was at lower rates, FCI Zonal Office (NE) advised (September 2014) FCI Assam Region that the movement from Furkating/Golaghat to Sangaiprou was to be used as alternate route and only in exigency. The Zonal Office (NE), while preparing the movement plan, over-looked their own instruction as the Area Office continued with the transportation of food grains to Sangaiprou from Furkating/Golaghat and Jagiroad in the route without any recorded reasons for exigency.

Taking into account the actual month wise dispatch made from Dimapur, the requirement of replenishment of stock from Jagiroad and Furkating was worked out and it was observed that 37,034 MT of food grain was dispatched from Jagiroad and Furkating/Golaghat which was in excess of average monthly requirement at Sangaiprou. This resulted in avoidable expenditure of ₹ 5.62 crore on account of transportation cost.

Ministry stated (December 2017) that during mega block RH Dimapur was not able to induct sufficient stock to FSD Sangaiprou. Further, multi-modal routes for transportation of stock to Manipur region was resorted to as an exigency to avoid dislocation of public distribution system.

The reply is not tenable in view of the fact that there is no alternate route for movements of stocks to Sangaiprou from Furkating/Golaghat other than through the Dimapur-Manipur national highway and it would have been a rational decision for the Management to transport the food grains from the nearer depot i.e. Dimapur as it was more economical. Further, a review of stock position at Dimapur during August 2014 to March 2015 indicates that the monthly availability was more than the average monthly requirement of Sangaiprou. Though the Management decided that movement from Furkating/Golaghat to Sangaiprou could be undertaken in case of exigencies, the stock was moved in a regular manner without any overriding factors.

### **5.2.2.3 Non levy of liquidated damages**

As per the terms and conditions of the road transport contract, the contractor was liable to pay the FCI liquidated damages at ₹ 300 with maximum of ₹ 1,000 per truck per day in the event of failure to provide number of trucks per day indented by the FCI. Audit noted that on number of occasions, contractors failed to supply the indented number of trucks to FCI in area office Guwahati, Jorhat, Silchar, Aizwal, and Agartala. However, liquidated damages amounting to ₹ 89 lakh was not imposed on the contractors as per the terms of the RTC.

Ministry stated (December 2017) that demurrage charges were fixed against the contractor for short supply of trucks and recovery made. No further liquidated damages were imposed as simultaneous imposition of demurrage charges and liquidated damages would amount to double imposition of penalty.

The reply is not tenable as demurrage charges are imposed by the Railways for detention of rakes beyond permissible duration where contractor is liable in case detention of rakes was caused by his act whereas liquidated damage is levied for the losses sustained by the Corporation due to short supply of trucks. Hence, these are independent penalties and are separately leviable.

### **5.2.2.4 Lack of monitoring of movement of trucks**

Scrutiny of records revealed three cases of missing trucks as detailed in **Table No. 3** below:

Table No. 3

Sl. No.	Contracted Route	Numbers of missing trucks
1.	Ex-Rly Siding Haibargaon/FCI FSD Nagaon complex (Assam) to FSD Tawang (AP)	10 trucks (carrying 905.68 quintals of rice)
2.	Ex-Rly Siding Haibargaon/FCI FSD Nagaon complex (Assam) to FCI FSD Seppa (AP)	31 trucks (carrying 2824.81 quintals of rice)
3.	Railway siding/FSD Cinnamara to FSD Tuensang (Nagaland)	70 trucks (carrying 6170.01 quintals of rice)

Audit observed that:

- (i) In case of RTC for FSD Tawang, the contractor was found indulging in transshipment of stock en-route and also did not provide adequate number of trucks for food grains transportation. The Assam Region served (20 November 2013) a warning to the contractor and also appointed another contractor in November 2013 on temporary basis at the risk and cost of the first contractor. However despite warning being issued and appointment of another contractor, the first contractor was allowed to continue the lifting of stock in December 2013 (40 trucks) out of which 10 trucks went missing.
- (ii) In RO Assam, though there were reports of missing trucks in Nagaon District in September 2014, the contractor was allowed to transport food grains from FSD Cinnamara to FSD Tuensang during October 2014 to January 2015.
- (iii) The bank guarantee in respect of two contractors was found to be forged as necessary checks were not exercised by FCI.
- (iv) In respect of FSD Cinnamara to FSD Tuensang route, the depot officials at the despatching end failed to detect that the same trucks which were loaded and despatched three days back again had reported for loading without unloading the food grains at destination point.

The Ministry stated (December 2017) that corrective action has been taken in respect of Assam Region. Regular reconciliation of Daily Despatch Record (DDR) is made and before passing of any bills status of DDR is confirmed. Bank Guarantees are being confirmed by a two tier confirmation process. Money suits have been filed against contractors regarding missing trucks and these were at final stages of hearing. Further, disciplinary action has also been taken against the concerned officers under major penalty proceedings.

While acknowledging the remedial action taken after the audit observations, there was evidently a need for the Corporation to strengthen its own internal

vigilance and monitoring mechanisms so as to be able to detect such instances and initiate prompt deterrent action.

#### **5.2.2.5 Excess payment due to non-adherence to distance measurement clause of Model Tender Form**

As per clause XVIII (a) (v) of the Model Tender Form (MTF) for RTC, the distance as stated in the tender will be reckoned as fixed by the Chief Engineer PWD or the General Manager FCI or officer acting on his behalf and rounded off to the nearest kilometre. Since the charges are linked to distance to be covered, the distance ought to be measured afresh before finalisation of any road contract.

Scrutiny of records revealed that verification of distance was not being done on regular basis before finalization of an RTC at RO Guwahati. This resulted in awarding of contracts at higher distances even though shorter routes were available leading to excess payment for transportation charges to seven contractors amounting to ₹ 7.34 crore.

Ministry stated (December 2017) that Regional Office had directed the concerned Area Manager to form a District Committee to verify the shortest motorable route and to ascertain the recovery of excess amount for plying in shorter route after assessing the difference in distance. Further, ₹ 25 lakh has already been recovered from the concerned transport contractor.

#### **5.2.3 Conclusion**

Road transport plays a very important role in North Eastern region of India for moving food grains to the hilly and difficult geographical areas. FCI incurred avoidable expenditure of ₹ 117.10 crore due to improper planning for movement of stock. Stock was moved from a location whereas alternative with lower handling and transportation costs were available. Non-adherence to distance measurement before awarding contract resulted in avoidable expenditure of ₹ 12.96 crore. In addition, liquidated damages of ₹ 89 lakh was not levied on contractors for short supply against indented trucks and requisite checks were not exercised in respect of movement of stock which resulted in cases of missing trucks.



### 5.3 Excess payment of Mandi Labour Charges

**FCI made excess payment of ₹ 14.10 crore to the Government of Uttar Pradesh and its agencies during the years 2010-11 to 2016-17 due to reimbursement of inadmissible elements as part of mandi labour charges on procurement of wheat.**

As per the guidelines for submission of incidental claims by the State Government Agencies (SGAs) issued (September 2010) by the Ministry of Consumer Affairs, Food and Public distribution (Ministry), mandi labour charges are the charges incurred for engaging labour to perform various activities like cleaning of grains, filling in the bags for weighing, stitching, labelling, stacking and loading in truck in the mandi/market.

Audit noted that mandi labour charges included ₹ one per quintal for loading charges of bags from local stack to the trucks. Scrutiny of provisional cost sheet for the Rabi Marketing Season (RMS) 2010-11 to 2016-17 revealed that activity of loading at mandi was also included under the head transportation and handling charges thereby resulting in double payment on this element. During RMS 2010-11 to 2016-17, FCI Regional Office, Uttar Pradesh (UP) procured 1,409.86 lakh quintals of wheat on which the excess reimbursement of the component of mandi labour charges of ₹ 14.10 crore<sup>11</sup> was made to UP SGAs. Further, though FCI was aware of inclusion of same activity under different heads of expenses and had initiated recovery in 2015 and 2016 for RMS 2010-11 to 2012-13, they continued to pay inadmissible component of mandi labour charges in subsequent year *i.e.* RMS 2016-17.

Ministry stated (January 2018) that FCI has recovered excess payment of ₹ 9.65 crore relating to RMS 2010-11 to 2012-13 and recovery for rest of the period would be made at the earliest. The Ministry added that FCI Headquarters has also directed FCI Regional Office Uttar Pradesh to not release ₹ one per quintal under mandi labour charges for loading activity at mandi in future procurement.

### 5.4 Irregular payment of Guarantee Fee Charges

**Non-verification of bank guarantee given by Government of Punjab led to irregular payment of guarantee fee to State Government Agencies amounting to ₹ 145.74 crore**

Government of India (GoI), while fixing the provisional rates<sup>12</sup> of procurement incidentals of wheat and custom milled rice (CMR) payable to Government of Punjab (GoP) and its Agencies<sup>13</sup> (SGAs) by Food Corporation of India (FCI),

<sup>11</sup> 1409.86 lakh quintal at the rate of ₹ one per quintal.

<sup>12</sup> KMS 2009-10 to KMS 2015-16 and RMS 2009-10 to RMS 2015-16

<sup>13</sup> PUNGRAIN, Markfed, Punsup, Punjab State Warehousing Corporation (PSWC) and Punjab Agro.

allowed the reimbursement of guarantee fee. This was payable on actual basis only if paid by SGAs to GoP for obtaining credit and was payable subject to maximum of 1/8 *per cent* of MSP (Minimum Support Price) worked out on the estimated quantity of wheat/paddy delivered to FCI procured under the Price Support System (PSS) for central pool.

Regional Office of FCI Punjab had been reimbursing guarantee fee to SGAs as per the provisional rates fixed by GoI for Rabi Marketing Season (RMS)/ Kharif Marketing Season (KMS) every year. An amount of ₹ 245.78 crore had been reimbursed to the SGAs during the period from 2009-10 to 2014-15.

In a meeting held in November 2014 among various stakeholders (FCI, Ministry, SGAs of GoP and SBI)<sup>14</sup> relating to procurement of food grains by GoP through their SGAs, the SBI Mumbai informed (December 2014) the Union Ministry of Finance that the SGAs paid fees to the GoP for guaranteeing the food credit by the GoP which needed to be refunded to the SGAs as the GoP had not given guarantee to banks against food credit. Accordingly, FCI issued instructions (January/June 2015) reiterating that GoP was not entitled to any guarantee fee and no payment under guarantee fee is to be released unless food credit availed by the SGAs was guaranteed by the State Government. It added that the matter was being referred to GoI for a decision and payment of guarantee fee be withheld if the expenditure on account of guarantee fee is not incurred by the State Government till clarification is received.

A meeting was also held in July 2015 between Ministry, representatives of GoP and FCI to discuss the pending issues of GoP and its SGAs, wherein it was pointed out that since cash credit limit is being sanctioned directly to State Government from RMS 2015-16, the question of payment of any guarantee fee does not arise. GoI discontinued the practice of allowing guarantee fee in the provisional incidentals from the RMS and KMS 2016-17. Further, GoI did not include component of guarantee fee in the final cost sheets for RMS and KMS 2009-10 to 2012-13. The final cost sheet for 2013-14 and 2014-15 has yet not been finalised by GoI.

Audit observed that FCI did not verify the issue of guarantee by GoP to banks which resulted in irregular reimbursement of guarantee fee to SGAs amounting to ₹ 245.78 crore. FCI issued instructions (August 2016) to the Regional Office Punjab to recover the amount of guarantee fee from the GoP. FCI recovered ₹ 91.38 crore for the period 2009-10 to 2012-13 (except District Amritsar) and effected partial recovery of ₹ 8.66 crore for the period 2013-14 to 2014-15. FCI also discontinued payment of guarantee fee from RMS and KMS 2015-16

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<sup>14</sup> Food Corporation of India, Ministry of Consumer Affairs and Food Public Distribution, State Government Agencies, Govt. of Punjab and State Bank of India.

The Ministry stated (December 2017) that the entire recovery (except District Amritsar) for the period 2009-10 to 2012-13 has been effected.

### 5.5 Avoidable expenditure on carry over charges due to non-optimal utilisation of vacant storage capacity at Kaithal Silo

**Failure to optimally utilise vacant storage capacity at Kaithal silo resulted in avoidable payment of Carry over Charges to State Government Agencies amounting to ₹ 6.49 crore.**

Wheat for central pool is procured by FCI as well as the State Government and its Agencies (SGAs). The SGAs delivers the wheat procured to FCI for storage and in case of inadequate storage capacity, SGAs hold the wheat in their silos/godowns for which Carry over Charges (CoC) at rates prescribed by GoI are payable by FCI.

FCI agreed to acquire (June 2005<sup>15</sup>) additional storage capacity of two lakh metric tonnes (MT) at Kaithal from a private company on Built, Own and Operate (BOO) basis. As per the supplementary agreement (February 2013), storage-cum-handling charges (SCHC) of ₹ 1,842 per MT *per annum* was to be paid for guaranteed tonnage of 2 lakh MTs. The rate of SCHC was increased to ₹ 2,000 per MT *per annum* in September 2013 and thereafter to ₹ 2,033.40 per MT *per annum* in September 2014 on guaranteed tonnage basis.

Since payment was being made on guaranteed tonnage basis, FCI needed to ensure optimal utilisation of storage space to minimize payment of SCHC for vacant storage space at silo besides payment of CoC to SGAs. The silo at Kaithal however remained vacant on many occasions during 2013-14 to 2015-16. On 14 April 2014, storage capacity of 1,33,803 MT (67 *per cent* of hired storage capacity) remained unutilised though during the same period stock was lying with SGAs. Audit further observed that while guaranteed storage at Kaithal silo was lying unutilised, substantial quantity of wheat stock was stored in the godowns of SGAs at Pehowa, Pundri and Pai for which CoC were also being paid to the SGAs.

Audit further noted that the base depot at Kaithal is optimally utilised during April to June every year and after June, the food grains are regularly transported to field depots leading to decline in the stock position. The Regional Office Haryana, considering the fall in the stock position at the Kaithal silo every year, instructed (July 2013) its District Office Kurukshetra to make centre-wise analysis of costs (transportation and de-bagging at silo) that would be incurred for taking delivery of wheat from SGAs in the adjoining areas to Base depot Kaithal vis-à-vis CoC payable to the SGAs for the stock. Based on the analysis

<sup>15</sup> However no guaranteed tonnage was allowed till February 2013 when a supplementary agreement was signed providing for guaranteed tonnage of 2 lakh MT.

done by the district office Kurukshetra, the Regional Office recommended (January 2014) to FCI Head Office that the optimum utilisation of the Kaithal silo upto the level of guarantee tonnage may be done by taking delivery of wheat stocks held with the SGAs. However, FCI did not initiate any action and failed to move the stock from the nearby centers to Kaithal silo in order to utilise available vacant storage capacity at silo. This resulted in avoidable payment ₹ 6.49 crore as CoC to the SGAs during the period from April 2013 to October 2016.

The FCI Regional Office, Haryana, stated (August 2017) that as per the minutes of meeting held on 7 March 2014 “The direct delivery to FCI should mean lifting of wheat procured by the State Agencies from the mandi yard concerned and not from the godowns of the State Agencies”. This implied that any handling/movement of food grains from state warehouses to silo was prohibited and since the cost economics of the CoC was more expensive than total cost of rentals being paid for the Kaithal silo, FCI was not allowed to take delivery of wheat after 30<sup>th</sup> of June and no secondary movements as mentioned in the minutes of meeting was allowed.

The reply of the Management is not relevant as the audit observation is related to space created due to movement of stock in silo at Kaithal after the procurement season for which SCHC was being paid for space hired on guaranteed basis whereas the directions quoted by FCI related to direct delivery only to FCI from SGAs during procurement season. In view of payment of guaranteed storage charges for silo at Kaithal, FCI should have taken appropriate action to utilise the vacant space available in the silo which could have avoided payment of CoC to SGAs.

The matter was reported to the Ministry in October 2017; its reply was awaited as of December 2017.

## 5.6 Irregular payment of Custody and Maintenance Charges

**Non-adherence to Ministry guidelines relating to Custody and Maintenance Charges resulted in irregular payment of ₹ 10.32 crore to State Government Agencies (SGAs) under Odisha Region.**

The Ministry of Consumer Affairs, Food & Public Distribution (the Ministry) entered into a Memorandum of Understanding (MoU) in March 2005 with the State Government of Odisha for Decentralized Procurement (DCP) System<sup>16</sup> in respect of procurement operations of Custom Milled Rice (CMR)/levy rice for

<sup>16</sup> Under the scheme, the State Government itself undertakes direct purchase of paddy and wheat and procurement of levy rice on behalf of Government of India, and also stores and distributes these food grains under targeted public distribution system and other welfare schemes. The Central Government undertakes to meet the entire expenditure incurred by the State Governments on the procurement operations as per the approved costing.

the Kharif Marketing Season (KMS) 2004-05 and for future procurement of CMR/levy rice. As per the MoU, the State Government and its Agencies (SGAs) procure, store and distribute food grains under targeted public distribution system (TDPS) and other welfare schemes. Any surplus stock over the requirement under TDPS and other welfare schemes is handed over to FCI.

FCI Odisha Region reimburses the cost and incidental expenses to the SGAs for paddy procured at the rates fixed by the Ministry for each KMS. These rates include an element of Custody and Maintenance (C&M) charges. For release of payments by FCI to SGAs, Ministry issued (November/December 2014, September 2015) instructions about systems to be followed by FCI for release of payment of C&M charges to SGAs from KMS 2013-14 as under:

- SGAs would have to produce supporting documentary evidence relating to actual expenditure incurred by them and it should be fully verified by FCI before making payment on this account;
- Expenditure on C&M charges will be reimbursed only after fixation of final rate<sup>17</sup> for that particular year and no provisional payment is to be made. However, this condition regarding reimbursement was waived off vide instructions issued by Ministry in September 2015 and reimbursement was allowed on provisional basis without waiting for fixation of final rates; and
- After end of a particular procurement season, SGAs would submit consolidated provisional bill along with supporting documents for expenditure incurred on C&M charges to FCI. FCI would verify the bills and after fully satisfying itself about genuineness, bona-fide and admissibility of the amount, would make payment on provisional basis without waiting for fixation of final rates.

Audit observed that ₹ 10.32 crore was paid towards C&M charges to SGAs during 2013-14 to 2016-17 for the KMS 2013-14 to 2015-16 without following the procedures stipulated in the Ministry's instructions for acceptance of claim for reimbursement and release of payment. The payments were based on certificate(s) submitted by SGAs with the bills without supporting documents relating to actual expenditure incurred by them that were necessary for verifying its genuineness and the admissibility of the claim.

Payments of C&M charges by FCI without obtaining any evidence to the effect that actual expenditure was incurred by the SGAs was also reported in Report No. 31 of 2015 of the C&AG on "Procurement and Milling of Paddy for the Central Pool" with the recommendation that payment for C&M charges to be

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<sup>17</sup> The cost sheet last finalized in Odisha Region is for the year 2004-05.

made by FCI only after verification of documentary evidence as to actual incurring of expenditure by the SGAs on this account. The Ministry had accepted the recommendation stating that FCI would be asked to ensure its implementation. Ministry in its Action Taken Note on the audit report has submitted (February 2017) that SGAs of respective states have been asked to provide the proof of actual incurrence as well as details of payment of C&M charges.

However, Audit observed that payment of C&M charges was released to SGAs even in 2016-17 on certificate basis and without obtaining supporting documentary evidence in Odisha Region resulting in irregular payment of ₹ 10.32 crore payment of C&M charges to SGAs continually for the KMS 2013-14 to 2015-16.

Ministry stated (December 2017) that as the Ministry's guidelines issued (November/December 2014 and September 2015) were not available with FCI Regional Office, Odisha, the payments for C&M charges were released on the basis of certificates as mentioned in the provisional cost sheet up to KMS 2014-15 and partially up to KMS 2015-16. It added that the payments released for C&M charges on provisional cost sheet is subject to finalisation of accounts by Government of Odisha and fixation of final cost sheet for respective years.

## CHAPTER VI : MINISTRY OF CULTURE

### Sangeet Natak Akademi

#### 6.1 Schemes for Promotion and Preservation of Cultural Heritage

Under the Scheme for Safeguarding the Intangible Heritage and Diverse Cultural Traditions of India (ICH scheme), only 35 out of 324 projects sanctioned during 2013-14 to 2015-16 had been completed while 96 grantees did not furnish even the first reports as of March 2017. Akademi had reported to the Ministry of Culture (MoC) expenditure of ₹ 5.77 crore against the actual expenditure of ₹ 4.25 crore under the ICH Scheme. Grants under the Scheme of Financial Assistance to Cultural Institutions were sanctioned in violation of scheme guidelines and a majority of the project proposals were not being routed through state akademies/governments and approvals were accorded without due documentation.

##### 6.1.1 Introduction

The Sangeet Natak Akademi (Akademi) was set up by the Government of India by a Resolution dated 31 May 1952 and subsequently re-constituted as a registered society in September 1961. The Akademi has been functioning as the apex body in the field of performing arts preserving and promoting the vast heritage of India's diverse culture expressed in forms of music, dance and drama. The Akademi functions as an autonomous organisation under the administrative control of the Ministry of Culture (MoC).

Two schemes for promotion and preservation of cultural heritage being executed by the Akademi were taken up for audit covering the period 2012-13 to 2016-17. One of the schemes viz. 'Intangible Heritage and Diverse Cultural Traditions of India (ICH scheme)' was being executed by the Akademi on behalf of the Ministry of Culture (MoC) while the other scheme viz. 'Financial Assistance to Cultural Institutions and Individuals' was the Akademi's own scheme.

##### 6.1.2 Scheme for Safeguarding the Intangible Heritage and Diverse Cultural Traditions of India (ICH scheme)

Ministry of Culture sanctioned the ICH scheme in November 2013 to support and strengthen the efforts of various stakeholders in ensuring wider recognition and acceptance, dissemination, preservation and promotion of the rich cultural heritage of India. The scheme provides for assistance in the form of non-

recurring grants in three instalments in the ratio of 50:25:25. The scheme was to be implemented by the Akademi during the XII<sup>th</sup> Five-Year Plan and has been extended by MoC upto September 2017.

The scheme provided that applications/proposals received in the Akademi for grants should be placed before an Expert Committee (EC) constituted by MoC every two years. Recommendations of the EC were to be approved by MoC after which first instalments would be released to the approved grantees. The scheme guidelines required the EC to fix a time frame for completion of the activity proposed for submission of claims for second/third instalments. An appraisal of the project was to be undertaken by the EC or any other authority designated by MoC prior to the release of second instalment. Final instalment was to be released after completion of the project and submission of documents as proof thereof.

#### 6.1.2.1 Incorrect accounting of funds received under ICH scheme

MoC released ₹ 5.57 crore to the Akademi under the ICH scheme during the period from 2013-14 to 2015-16. The funds received vis-à-vis utilisation under the scheme as on March 2017 was as in **Table No. 1** below:

**Table No. 1: Release of Grants and their Utilisation**

Year	Grant received from MoC (₹)	Expenditure shown in UC <sup>1</sup> furnished to MoC (₹)	Expenditure actually incurred under the scheme (₹)
2013-14	67,67,250	87,72,809	57,23,284
2014-15	2,49,00,000	2,48,59,689	1,92,84,926
2015-16	2,40,00,000	2,40,40,311	1,74,43,057
<b>Total</b>	<b>5,56,67,250</b>	<b>5,76,72,809</b>	<b>4,24,51,267</b>

Scrutiny of records revealed the following:

- (i) The Akademi was required to maintain separate accounts for the funds received under the scheme. The Akademi, however, did not maintain separate accounts and merged the expenditure incurred on the ICH scheme with its regular expenditure. During the period 2013-14 to 2015-16, Akademi had incurred an expenditure of ₹ 4.25 crore under the scheme but furnished incorrect Utilisation Certificate for ₹ 5.77 crore.
- (ii) In March 2015, MoC released ₹ 50.95 lakh to the Akademi for carrying out activities related to 'Buddhist Chanting and Thatheras of Punjab' under the ICH scheme. The sanction of MoC stipulated that the funds

<sup>1</sup> Utilisation Certificate.



should be utilised within the same financial year and the unspent balance, if any, should be intimated to the Government.

- (iii) The Akademi furnished a consolidated UC of ICH scheme of ₹ 2.49 crore for the year 2014-15 including expenditure incurred on the activity of Buddhist Chanting and Thatheras of Punjab with unspent balance of ₹ 0.40 lakh. However, in December 2016, the Akademi intimated MoC that it had utilised only ₹ 16.27 lakh out of ₹ 50.95 lakh on the above activity. Thus, not only did the Akademi furnish an incorrect UC to MoC, it also failed to refund the unspent balance or seek MoC's specific permission to spend the unutilised amount of the grant in subsequent years.

MoC stated (December 2017) that the Akademi would be directed to submit revised UCs for all the years since inception of the scheme.

#### **6.1.2.2 Deficient implementation of the scheme**

MoC approved 324 projects during 2013-14 to 2015-16 against which the Akademi had released ₹ 3.69 crore till March 2016 (**Annexe-III**). No fresh projects were sanctioned after 2015-16. Audit noticed the following:

##### **(i) Dismal rate of completion of projects**

- (a) Only 35 out of the 324 projects approved during 2013-14 to 2015-16 have been completed. Further, not even first reports have been received from 96<sup>2</sup> grantees as of March 2017.
- (b) The scheme guidelines required the EC to fix time frame for completion of the activity proposed for submission of claims for the second/third instalments. In case of non-adherence to the time-line, disqualification/recovery may be effected. However, no such time limit was found recorded in the minutes of meetings of the EC. In the absence of any time limit, no action could be taken for revoking of approvals for incomplete projects and recovery of funds as envisaged in the scheme guidelines. Audit observed that MoC had instructed (March 2017) the Akademi to initiate necessary action immediately to recover the grants released to such grantees who had not submitted their first or reworked reports and convey an update to the Ministry as well as to blacklist such grantees. However, no such action had been taken by the Akademi as of October 2017.

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<sup>2</sup> 2013-14 – 18; 2014-15 – 27; and 2015-16 – 51 grantees.

MoC stated (December 2017) that the scheme guidelines would be revised to include provisions for recovering funds from grantees who had failed to complete their projects. Further, Akademi would be directed to strictly adhere to the time frame given to the grantees for submission of reports.

- (c) The scheme guidelines were silent about sanctioning fresh projects to grantees who had not completed their earlier projects. Audit noted that 54 projects of 25 grantees involving grant of ₹ 1.06 crore were approved in successive years without ensuring completion of their earlier projects. Of these, 38 projects (70 per cent) were yet to be completed as of March 2017. These included four grantees who were sanctioned projects in each of the three years from 2013-14 to 2015-16. Sanctioning projects to grantees even before the completion of their earlier projects could contribute to poor rate of completion of projects.

MoC assured (December 2017) that suitable amendments in the scheme guidelines would be done to comply with the audit observation.

- (d) The broader objectives set out in the scheme included systematically safeguarding, promoting and propagating the intangible cultural heritage. The Akademi did not initiate any steps to document, archive or publish the reports/material received in respect of the completed projects so as to disseminate the research output as intended in the scheme.

Akademi accepted (November 2017) that material received from the grantee institutions has not been utilised in any way. However, it added that it was in the process of developing a website for uploading the material received from the grantees. MoC reiterated (December 2017) the Akademi's assurance in this regard.

## (ii) Violation of scheme guidelines

Audit noticed irregular release of funds totalling ₹ 5.25 lakh to grantees without complying with scheme guidelines as below:

- (a) As per the scheme guidelines, only 50 per cent of the sanctioned amount was to be released in the 1<sup>st</sup> instalment to the approved grantees. Audit noted two cases<sup>3</sup> where 100 per cent of the sanctioned grant amounting to ₹ three lakhs (₹ 1.5 lakhs each) was released (March 2015) in the first

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<sup>3</sup> Ramakrishna Mission Lokshiksha Parishad and Ms. Eli Doye, whose projects were sanctioned in 2014-15.

installment itself. Further, one of these grantees<sup>4</sup> was also released 2<sup>nd</sup> instalment of ₹ 37,500 in February 2016 resulting in overpayment.

- (b) Audit noticed that final instalment of ₹ 37,500 was released by the Akademi (February 2016) to a grantee<sup>5</sup> which was not recommended by the EC as the grantee had not submitted the final report.
- (c) The EC recommended (December 2015) release of 2<sup>nd</sup> instalments to three grantees<sup>6</sup> who had not furnished the first reports. The instalments amounting to ₹ 1.5 lakhs (₹ 50,000 each) was released in February 2016 to all the three grantees in violation of the scheme guidelines.

MoC stated (December 2017) that an enquiry would be initiated for investigating the cases pointed out by audit.

### **(iii) Documentation for evaluation of projects**

Out of 324 projects sanctioned during 2013-14 to 2015-16, test-check of 47 cases on random basis revealed that the respective files were not maintained properly and did not contain information such as file notings, copies of sanctions, details of approvals; status of reports received, etc. In 14 cases, the project proposals did not contain complete documents required to be submitted with the application despite which the projects were sanctioned in violation of the scheme guidelines. No justifications were found recorded in the minutes of meetings of the EC for recommending these projects.

MoC stated (December 2017) that the Akademi would be directed to trace/obtain the requisite documents and enquiry will be initiated to investigate the violation of scheme guidelines.

### **(iv) Incorrect depiction of EC recommendations**

- (a) While considering the minutes of EC's recommendations (September 2015), MoC decided (November 2015) to review 37 proposals (valuing ₹ three lakh and above) out of 116 recommended proposals for the year 2015-16. After the review, MoC reduced the grants in respect of 14 proposals; increased the grants in three proposals and rejected two proposals citing lack of justification by the EC. The revised list showing EC recommendations as well as decisions taken after the aforesaid

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<sup>4</sup> Ms. Eli Doye.

<sup>5</sup> Mathru Bhoomi Foundation, whose project was sanctioned in 2013-14.

<sup>6</sup> Ajit Kumar Jha; Ajit Kumar; and Kalicharan Yadav Rawat Nach Mahotsav Samiti, whose projects were sanctioned in 2014-15.

review by MoC was submitted to the Minister for approval who accorded his approval in December 2015. Audit observed that one case<sup>7</sup> which had not been recommended by the EC was shown in the revised list as having been recommended by EC for ₹ three lakh which was a misrepresentation of facts. Based on the revised list, the proposal was eventually approved by MoC for ₹ two lakh.

- (b) Audit scrutiny of the proposals other than the ones reviewed by MoC (having value less than ₹ three lakh) further revealed four cases where recommendations of EC were changed by the Akademi in the minutes of EC meeting sent to MoC. Out of the said four cases, in three cases the Akademi reduced the recommended amounts while a proposal not recommended by EC was incorporated as recommended for ₹ two lakh. These four proposals were approved by MoC based on incorrect recommendations of EC submitted by the Akademi.

MoC also assured (December 2017) of taking suitable action after such investigation.

### **6.1.3 Scheme for Financial Assistance to Cultural Institutions**

The scheme provides for financial support to institutions engaged in training in the fields of music, dance and drama and to encourage production of new plays and ballets etc. A committee of experts viz. Grants Committee considers the applications and makes recommendations including the quantum of grants. As per the scheme, financial assistance is to be released in two instalments of 75 *per cent* and 25 *per cent*.

The recommendations of the Grants Committee are placed before the Executive Board (EB) of the Akademi for approval as per procedure adopted by the Akademi. However, this procedure has neither been defined in the scheme nor in the Rules and Regulations of the Akademi. The quantum of financial assistance for the projects has also not been defined under this scheme. As a result, there was no consistency in the amounts approved for financial assistance which ranged between ₹ 20,000 and ₹ one lakh in the test checked cases. No justifications were found recorded by the Grants Committee while deciding the quantum of financial assistance to institutions.

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<sup>7</sup> Mr. Tuisem Shimrah.

During 2012-13 to 2016-17, a total of 2,101 grantees were sanctioned ₹ 8.54 crore. Test-check of 210 cases<sup>8</sup> involving ₹ 88.55 lakh revealed the following:

- (i) In six cases, though the grantees had sought financial assistance ranging between ₹ 10 lakh and ₹ 43.80 lakh, the financial assistance sanctioned ranged from only ₹ 30,000 to ₹ 80,000. On the other hand, in a test-checked case,<sup>9</sup> the financial assistance sanctioned by the Akademi was more than what was sought by the grantee without recorded justifications.

Akademi stated (November 2017) that quantum of financial assistance is case sensitive and varies as per the actual need. Reply is not acceptable as no justifications were found on record to assess the actual need of the grantees.

- (ii) The project proposals were required to be submitted through state Akademies or State Governments, where there were no state Akademies. Audit noticed that 166 out of 210 proposals (79 per cent) were not submitted to the Akademi through state Akademies or State Governments in violation of the scheme provision.

Akademi stated (November 2017) that though involving state Akademies confirms an institution's existence but in many cases the route gets tougher and some needy aspirants do not get the assistance. The scheme provides for submission of an advance copy of form directly to the Akademi and the same is examined by the Expert Committee and surprise checks are also conducted on regular basis.

The reply is not acceptable as majority of the cases (79 per cent) were not found routed through State Akademi/Government. Consequently, the Akademi was not in a position to verify the bona-fides of the applicants. Further, no inspection reports for surprise checks were found available on record.

- (iii) The applications were required to be accompanied with details related to the institutions, audited statements of accounts for previous year, particulars of financial assistance received from Akademi and their utilisation, activity reports and details of project proposals, etc. Audit noticed 21 test checked cases where approvals were accorded though

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<sup>8</sup> Selection of 10 per cent cases was made on the basis of stratified random sampling without replacement method.

<sup>9</sup> Shri Shri Govinda Jiu Bhakti Grantha Kendra Vidyalaya, Imphal, Manipur for the year 2013-14 – Amount sought ₹ 25,000 and sanctioned ₹ 30,000.

the documents/details required to be submitted along with the applications were not furnished by the grantees.

- (iv) As per the guidelines, where any grant have been given in the previous years, the first instalment of the current year's grant is to be released on receipt of UCs for past grant(s) along with detailed statement of expenditure. Audit noticed 18 proposals that were sanctioned and grant released even though the UCs for the past grants were pending from the grantees.
- (v) The scheme does not provide for submission of any report by the grantees on completion of the project. No completion/activity report was available in respect of 94 grantees out of 210 test checked cases. Thus, it could not be ensured whether any fruitful results were derived under the scheme.

MoC stated (December 2017) that the Akademi is being advised to resort to corrective measures to wipe out such irregularities while considering the proposals of grantee organisations for release of financial assistance to them. The Akademi is also being advised that a "Monitoring Committee" to ascertain the veracity of activities of the institutions against which the funds are released has to be set up by the Akademi so that the purpose of the releases may not be defeated.

## **National Museum**

### **6.2 Poor cash management and irregular parking of funds outside Government Account**

**National Museum, New Delhi, failed to comply with Central Government Account (Receipts and Payments) Rules, 1983, relating to handling of government receipts. It did not route receipts through the cash book nor did it undertake any reconciliation with bank accounts. As a result funds of ₹ 2.26 crore were irregularly kept outside government accounts for prolonged period of time.**

The Central Government Account (Receipts and Payments) Rules, 1983, stipulates that all receipts of Government shall, without undue delay, be paid in full into the accredited bank for inclusion in the Government Account. These receipts will not be utilised to meet departmental expenditure or otherwise kept apart from the account of the Government. It also provides that a bank account can be opened by civil ministries or department under order issued by the Financial Advisor of the Ministry or Department concerned in consultation with the Controller General of Accounts. Further, all monetary transactions should

be entered in the cash book and withdrawals can be made only on presentation of prescribed bills.

The National Museum, New Delhi, (Museum) is under the administrative control of the Ministry of Culture (MoC), and is required to abide by the above cited Rules.

It had been brought out in the Comptroller & Auditor General's Report No. 18 of 2013 that money received on account of audio guide services was deposited in the personal account of some officials from October 2005 to August 2007. In its Action Taken Note, MoC had accepted (December 2013) that the account was erroneously opened in the name of two officials instead of the National Museum and intimated that the error had since been rectified and the amount transferred to the account of the Museum.

The Museum was operating a sales counter from where sale of tickets, publications and replicas is made. Payments at the sales counter were received in cash or through Electronic Data Capture (EDC) Machine/swipe machine installed at the sales counter. Payments against sales received through the swipe machine got automatically credited into an account opened with Bank of Baroda (EDC Account) in August 2007. Audit scrutiny of records of the Museum revealed the following:

- (i) Contrary to the assurance given to the Public Accounts Committee through the ATN in December 2013 that the receipts from audio guide service were now being credited into the account of the Museum, the Museum began depositing the receipts into Government account on monthly basis only from February 2016. Further, out of receipts of ₹ 1.38 crore pertaining to period prior to February 2016, ₹ 1.23 crore was deposited belatedly in the Government account in June 2017 and an amount of ₹ 15 lakh was still lying in this account as of October 2017.
- (ii) The Museum received payments through swipe machine/EDC machine at the sales counter aggregating ₹ 1.03 crore during November 2007 to May 2017. In violation of the Central Government Account (Receipts and Payments) Rules, 1983, these receipts were neither routed through the cash book nor credited into the Government Account. Instead receipts were credited into an account in Bank of Baroda which had provided the EDC machine. It was only after the matter was pointed out by audit that the balance in this account was transferred to the Government Account in May 2017.

- (iii) The EDC account showed the address of the account holder as that of the then Director's residential address instead of the official address of the Museum. The Museum was also unable to produce records with regard to opening the account stating that the same were untraceable. As such, it could not be verified if the account had been opened in accordance with the Central Government Account (Receipts and Payments) Rules, 1983 with the approval of the Financial Advisor of the Ministry.
- (iv) Though receipts were being credited regularly in the EDC account, it was shown as being in dormant condition since December 2010 and the bank was continuously debiting 'account dormant charges' from this account since September 2013. The Museum authorities neither appeared to be aware of the transactions involving this account nor did they undertake any verification of receipts between the EDC account and their own records.

The Museum thus persistently failed to comply with the Central Government Account (Receipts and Payments) Rules, 1983 in handling Government receipts. It also failed to exercise basic internal controls in the matter of cash management by failing to route receipts through the cash book and not undertaking any reconciliation with bank accounts. As a result, an amount of ₹ 2.26 crore was irregularly kept outside Government account for a prolonged period of time.

The Museum stated (June 2017) that ₹ 1.03 crore lying in the EDC Account and ₹ 1.23 crore in the Audio Tour Guide account had been credited to the Government account. No explanation was given for not recording all receipts in the Cash Book and for not depositing receipts into Government account for prolonged periods.

This matter was reported to the Ministry (October 2017); its reply was awaited (December 2017).



## The Asiatic Society, Kolkata

### 6.3 Excess contribution to employees' provident fund

**In contravention of the Employees Provident Fund and Miscellaneous Provisions Scheme, 1952, the Asiatic Society, Kolkata, deposited excess provident fund contribution of ₹ 1.19 crore in respect of 160 employees.**

Para 29(1) of the Employees Provident Fund and Miscellaneous Provisions Scheme, 1952 (Scheme), provides that the contribution payable by an employer under the Scheme shall be 12 *per cent*<sup>10</sup> of the basic wages, dearness allowance and retaining allowance, if any, payable to each employee to whom this Scheme applies. Para 26A (2) of the Scheme further stipulates that the contribution payable by the employee and employer shall be limited to the amount payable on a monthly pay of ₹ 6,500 (enhanced to ₹ 15,000 from 01 September 2014). Para 29 (2) of the Scheme stipulates that the contribution payable by an employee to whom the Scheme applies could, if he so desires, be an amount exceeding the above limit subject to the condition that employer shall not be under an obligation to pay any contribution over and above his contribution payable under the Scheme.

The Asiatic Society, Kolkata, (Society), is fully financed by the Ministry of Culture, Government of India (GoI), through grants-in-aid. The by-laws of the Society provide that the provident fund of its employees will be guided by the Scheme. As per the scheme, out of 12 *per cent* of wages, 8.33 *per cent* is deposited in Employees' Pension Scheme (EPS) and balance 3.67 *per cent* is transferred to the Employees' Provident Fund (EPF). Accordingly, the Society was required to restrict its employer's contribution to ₹ 1,800 per month i.e. 12 *per cent* of the maximum wage ceiling of ₹ 15,000 per month in respect of those employees who were drawing pay more than ₹ 15,000 per month.

Audit noticed (December 2016) that the Society contributed its share of provident fund to the employees at the rate of 12 *per cent* of total pay instead of restricting it to the maximum wage ceiling of ₹ 15,000. Although the share of EPS of the total employers' contribution was 8.33 *per cent* of maximum wages of ₹ 15,000, the whole balance amount i.e. 12 *per cent* of actual wages which meant wages more than ₹ 15,000 p.m. (-) 8.33 *per cent* of wage ceiling of ₹ 15,000 was transferred to EPF which resulted in excess contribution of

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<sup>10</sup> In case of establishment or class of establishments which are specified by the Central Government of India in the official gazette.

₹ 1.19 crore<sup>11</sup> towards employer's share of provident fund in respect of 160 employees who were members of the Scheme and were drawing monthly salary of more than ₹ 15,000 during the period from April 2015 to March 2017.

The Society stated (July 2017) that (i) the employer's contribution till April 2001 was restricted to 12 *per cent* of maximum wage ceiling of ₹ 6,500<sup>12</sup> which was enhanced to 12 *per cent* of total pay as per Society's order of May 2001; (ii) the higher contribution was made on the request received from the employees of the Society with reference to Para 26(6) and 26(A) of the Scheme with prior intimation to Regional Provident Fund Commissioner, Kolkata; (iii) since larger coverage under EPF is of private sector employees, employer's contribution is specified in such a way that on one hand it guarantees the minimum contribution by employer and on other hand it limits the wage ceiling for limiting the employer's liability.

The reply is not tenable because (i) Para 26A(2) does not empower the employer to contribute over and above the limit fixed under Para 29(2) and relaxation allowed in Para 26(6) is for employee's contribution and not for employer's contribution; (ii) the procedure for enhancement of contribution stipulates that an officer not below the rank of an Assistant Provident Fund Commissioner may, on the joint request in writing, of any employee and his employer, allow him to contribute more than the prescribed amount. The prior intimation in this instant case was not a joint request but only a communication from the President of its apex body *viz.* Council forwarded to Regional Provident Fund Commissioner for seeking clarification on employer's contribution as per the demand of Employees' Union on which no response was received from EPFO; and (iii) neither any approval had been obtained by the Society from its Council nor from its administrative Ministry nor from the Ministry of Finance for contributing employer's share of provident fund over and above the statutory limit provided in the Para 26A(2) of the Scheme.

The Ministry stated (July 2017) that the Society had been asked to look into the matter.

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<sup>11</sup> The amount of excess contribution of ₹ 1.19 crore is in respect of employers' share to provident fund only, excluding the contribution towards pension fund.

<sup>12</sup> This wage ceiling was applicable at that time.

## Indira Gandhi Rashtriya Manav Sangrahalaya, Bhopal

### 6.4 Avoidable payment on electricity charges

**Inaccurate assessment of contract demand by Indira Gandhi Rashtriya Manav Sangrahalaya, Bhopal, and delayed action for reducing the contract demand resulted in avoidable expenditure of ₹ 82.95 lakh towards electricity charges.**

An Institute intending to get electricity connection is required to apply in a prescribed format along with required documents to the distribution licensee. The application includes *inter alia* the requirement of load along with the basis of projection of the load. Based on site visit by engineers of the distribution licensee, the contract demand is sanctioned and institutions are required to deposit the prescribed Earnest Money Deposit and an agreement is signed between the institute and distribution licensee. The institute can change the contract demand once in a year based on the actual consumption/projections. For reduction in contract demand, the consumer shall have to submit the application in the prescribed form along with deposit of processing fee and electrical contractors test report for reduction in sanctioned demand. It is the responsibility of an institute to review the contract demand with reference to actual power consumption to avoid recurring expenditure on electricity.

IGRMS had a contract load of 600 KVA with the Madhya Pradesh Madhya Kshetra Vidyut Vitran Co. Ltd. (MKVVCL) for its power supply. As per the agreement, demand charges are levied on actual maximum demand recorded in a month or 90 *per cent* of the contract demand whichever is higher along with the charges for actual consumption at rates applicable from time to time.

Audit analysis of electric load revealed that the actual consumption was persistently lesser by 37 *per cent* to 79 *per cent* than the contract load between May 2007 and November 2016. On being pointed out in February 2016, the IGRMS conducted fresh energy audit and reduced the contract demand to 300 KVA from December 2016. Thus, failure of IGRMS to re-assess the demand from May 2007 and get its contract demand reduced to 300 KVA resulted in avoidable expenditure of ₹ 82.95 lakh for over nine years. Thus, failure of IGMRS to align its contract demand with actual power consumption resulted in avoidable expenditure of ₹ 82.95 lakh.

The matter was reported to the Ministry in August 2017; its reply was awaited as of December 2017.

## CHAPTER VII : MINISTRY OF EXTERNAL AFFAIRS

### 7.1 South Asian University

**South Asian University (SAU) was established by the eight member nations of the South Asian Association for Regional Co-operation (SAARC). SAU commenced functioning in August 2010. Audit noticed that the construction of campus planned to be completed by 2014 was substantially delayed due to allotment of encumbered land, litigation and delay in statutory clearances. MEA had to forego rebate to the tune of ₹ 1.97 crore due to delay in payment of rent. Delay in project has also prolonged recurring monthly rental liability of ₹ 2.66 crore.**

#### 7.1.1 Introduction

At the thirteenth South Asian Association for Regional Co-operation<sup>1</sup> (SAARC) Summit held in November 2005, the Prime Minister of India proposed the establishment of a South Asian University (SAU). Subsequently in April 2007, an Inter-Governmental Agreement was signed amongst the eight countries that stipulated that the main campus of SAU shall be located in India. The South Asian University was subsequently established through enactment of ‘The South Asian University Act 2008’ (SAU Act) by Parliament on 11 January 2009. The primary objectives of SAU include creation of a world class institution of learning that will bring together the brightest and the best students from all countries of South Asia, to impart education towards capacity building of the South Asian nations and to contribute to the promotion of regional peace and security.

As per the “Principle of Contribution to the SAARC Regional Centers,” the capital cost of establishment of SAU is to be borne by the host country i.e. Government of India, while the operational cost would be shared by the Member States. Accordingly, Cabinet approved a contribution of USD 239.93<sup>2</sup> million comprising of capital cost of USD 198<sup>3</sup> million and operational cost of USD 41.93 million for establishment of the SAU. Ministry of External Affairs (MEA) had released funds of ₹ 325.25 crore<sup>4</sup> towards capital contribution as of June 2017.

<sup>1</sup> SAARC is the regional organization of eight nations in South Asia. Its member states include Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka.

<sup>2</sup> ₹ 1.173.74 crore at exchange rate of ₹ 48.92 prevailing in June 2009.

<sup>3</sup> ₹ 968.62 crore at exchange rate prevailing in June 2009.

<sup>4</sup> ₹ 193.39 crore (USD 29.93 million capital cost) released to SAU and ₹ 131.86 crore rent of Akbar Bhawan till June 2017 directly paid by MEA to NDMC which was part of capital contribution.

The South Asian University commenced functioning from August 2010 from temporary premises which it obtained free of cost in Jawaharlal Nehru University. Subsequently, due to insufficient space, SAU shifted (July 2011) to Akbar Bhawan in New Delhi which was leased from the New Delhi Municipal Council (NDMC) at a rent of ₹ 1.68 crore per month with annual escalation of eight *per cent*. The expenditure on rent and infrastructure of the temporary location is borne by Government of India as part of its capital contribution.

SAU is governed by a Governing Board comprising of two members from each member state and the President, SAU, along with an Executive Council, an Academic Council and the Finance Committee.

### **7.1.2 Scope of Audit**

Section 25 of the SAU Act provides for audit of its accounts by any person or firm authorized by the Governing Board. SAU Rules, framed by the Governing Board, provide that the capital expenditure financed by the Government of India may be audited by an agency selected by the host Government. Government of India entrusted the audit of the capital contribution to the CAG under section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act in February 2015.

An audit of SAU was carried out to ascertain whether the funds released as capital contribution for establishment of the university were utilized by SAU in accordance with the applicable codal provisions and in an economic, efficient and effective manner.

### **Audit findings**

#### **7.1.3 Land for SAU campus**

In April 2008, the Delhi Development Authority (DDA) assured MEA of 100 acres of encumbrance free land for construction of the campus of the South Asian University. In September 2008, a proposal for purchase of 100 acres of land at an estimated cost of ₹ 75.45 crore was approved by MEA. Out of the 100 acres, DDA handed over 85.32 acres in February 2010 and another 8.36 acres in August 2011 totalling 93.68 acres to MEA. MEA, in turn, handed over the land to SAU in September 2011 without transfer of title of land. MEA released ₹ 63.50 crore to DDA for the 85.32 acres of land in February 2010. 'No Objection Certificate' (NOC) for 93.68 acres land was issued by DDA in January 2012. Subsequently, DDA took back 2.72 acres land for road widening as per Master Plan Delhi 2021 and issued revised NOC for balance land of 90.96 acres in November 2014.

Audit observed that nearly 46 *per cent* of the land *viz.* 41.69 acres was not actually available for construction as detailed below:

- i. Land measuring 18.59 acres fell under geo-morphological ridge/forest land where no construction is allowed without approval of the Ridge Management Board as well as agencies of both the Union Government and Government of the National Capital Territory of Delhi. The fact that this land fell within the ridge/geo-morphological ridge was informed by the Forest Department, Government of Delhi, in October 2013 to SAU and subsequently confirmed in January 2015. No clearance had been received for undertaking any construction on this land as of October 2017.
- ii. As of October 2017, 12 court cases involving 23.10 acres of land meant for SAU campus were pending in the Supreme Court/High Court.

The encumbrances on the land necessitated re-working of the construction strategy and led to cascading delays in implementation of the project. Construction of student's hostels, some academic buildings, health centre, service staff housing, sports centre and shopping complex had to be kept on hold.

MEA stated (November 2017) that a number of writ petitions concerning the land were filed after the land was handed over and the final judgement was awaited.

Audit observed that it was incumbent upon MEA to ensure that the land being allotted was actually encumbrance free and available for the intended purpose. The fact that a portion of land falls within the Ridge/Geo-morphological zone should have been known even in 2010 itself when the land was allotted and funds released. There was evidently a lack of due diligence on the part of MEA in interacting with DDA to ensure land free from all environmental and legal issues before release of funds.

#### **7.1.4 Increase in cost**

As per the Delegation of Financial Power Rules, 1978, as amended vide Ministry of Finance OM dated 27 May 2016, any increase in cost estimates beyond 20 *per cent* require fresh approval of the Cabinet. The Business Plan envisaged construction of the campus on total covered area of 3.403 million sq. ft. at a revised estimated cost of USD 204.20 million (₹ 998.95 crore) against the original estimated cost of USD 198.00 million (₹ 968.62 crore) approved by the Cabinet. The Detailed Project Report (DPR) prepared by the Principal Architect and vetted by CPWD further increased the total covered area

to 5.567 million sq. ft. and the total estimated cost to USD 334 million (₹ 1,656.64 crore) due to addition of basement area for parking as per Master Plan Delhi (2021), creation of student activity centre and inclusion of utility space for service in faculty building. The revised cost estimates thus increased by ₹ 688.02 crore (USD 136 million) *viz.* 71 *per cent* requiring the approval of the Cabinet which was yet to be obtained (October 2017).

### **7.1.5 Construction of SAU Campus**

As per the Business Plan 2010-14 of SAU, the University campus was to be completed by 2014. The construction of campus commenced in June 2015 with work of boundary wall under Package I. The work comprising various academic buildings, housing blocks, club and utility building under Packages II and III was under progress with completion scheduled by December 2018 and January 2020 respectively.

#### **7.1.5.1 Delay in obtaining statutory clearances**

After acquisition of land in 2010/2011, a Principal Architect (PA) was appointed in May 2011 for design of Master Plan, preparation of site plan, layout of buildings and obtaining necessary approvals from statutory bodies. As per the Business Plan, the construction was expected to commence by end of 2011/early 2012. However, SAU applied for necessary statutory clearances to various agencies *viz.* South Delhi Municipal Corporation, Delhi Urban Arts Commission, Airport Authority of India, Delhi Pollution Control Committee, Forest Department and National Monumental Authority only during the period February 2012 to January 2016. Consequently, the statutory clearances were received well after the proposed date of construction. Audit further noticed that the drawings of the individual buildings of package II were submitted by the PA to SAU during July-August 2014 for validation required for submission to the municipal authorities for statutory approval. These were, however signed only in June 2015 after 11 months.

MEA stated (November 2017) that they had raised the matter of statutory clearances at the highest level in both Central and Delhi Government and they were under the impression that the approvals would be received in the shortest time since it was an international commitment of Government of India but it did not happen.

#### **7.1.5.2 Delay in construction work**

SAU decided (March 2015) to commence construction of campus only on the encumbrance free land. The construction of the campus was split into Package I,

Package II, Package III and Package IV and tenders were awarded as detailed in **Table No. 1** below:

**Table No. 1 : Details of Tenders awarded**

(₹ in crore)

Package no.	Particulars	Tendered cost	Actual/Schedule time of completion
I	Boundary wall, Porta cabin for site office.	2.23	Completed in January 2016
II	Five buildings including faculty of Life Science, Earth Science, 3 staff housing block and faculty club and guest house.	401.58	December 2018
III	Seven buildings viz. administration, library and institution of South Asian Studies Buildings, Faculty of Law and Humanities, Faculty of Chemistry, Physics, IT and Mathematics, Utility Building, external development and building management system.	588.40	January 2020
IV	Student's hostels, remaining academic buildings, health centre, service staff housing, sports centre and SAARC Haat.	The package is on hold due to land under litigation, forest and geomorphological ridge.	

The fortnightly report of construction under Packages II and III of SAU campus ending July 2017 brought out shortfalls of work ranging from 29.54 per cent to 45.5 per cent against the planned work as detailed in **Table No. 2** below:

**Table No. 2: Shortfalls of work**

(₹ in crore)

Construction Phase	Total construction cost	Planned work	Actual Work Done	Percentage shortfall <sup>5</sup>
A	B	C	D	E
Package II	327.65*	146.35	79.80	45.5
Package III	579.10 <sup>#</sup>	37.44	26.38	29.54

\*excluding cost of one building (faculty housing) not yet been handed over to the contractor due to litigation and O&M works.

<sup>#</sup> excluding O&M works.

As the project is already delayed, the shortfall in construction is likely to further delay its completion. MEA stated (November 2017) that regular monthly progress review is being made at site by Progress Review Committee to mitigate the shortfall.

<sup>5</sup> (C-D)\*100/C.



### 7.1.6 Development of Infrastructure

The capital expenditure includes cost of establishment of laboratories, purchase of equipment, computer-hardware/software and furniture. SAU procured a software i.e. Enterprise Resource Planning (ERP) to facilitate efficient administration with lesser paper work and lower administrative cost. The implementation of ERP system involved purchase of licence and annual technical support, implementation of the ERP, procurement of hardware and consultancy/review service. The total cost of the ERP System was estimated at ₹ 7.01 crore. SAU awarded (August 2014) the contract for implementation of ERP to M/S IBM and the system was expected to go live by September 2015. Audit observed the following:

- i. The purchase order for supply of the licence was issued at a cost of ₹ 1.12 crore to M/s Oracle in November 2013 and the licence was supplied in September 2014. However, the purchase order for supply of hardware for the ERP system was issued to M/s Sunpro Integrated Communication Services Limited for ₹ 75.86 lakh only in January 2015 for supply by 11 March 2015 i.e. six months after supply of the software licence. The hardware was actually installed in October 2015. Non-synchronization between two interrelated procurements contributed to delay in the implementation of the ERP system.
- ii. In order to achieve the objectives of the ERP, it was imperative that the capabilities of the system be utilised optimally by making use of all the modules. Though 'Go live' was declared in March 2016, a number of modules like Human Resource (payroll, job data, absence, recruitment, promotion), Finance (budgeting, student billing, fee reconciliation, settlement of advances), Campus (student registration and scholarships) and data migration were not working as per functional requirement. Audit observed absence of dedicated full-time team to oversee the work of implementer, repeated request for onsite support and training, failure of consultant to resolve issues and conduct of User Acceptance Test (UAT) without proper skill. This reflected lack of proper planning and monitoring in ERP implementation. MEA stated (November 2017) that SAU is engaged with the implementer in agreeing to a timeline to resolve the problems faced by the users. Further, an 'effective monitoring mechanism' and a 'dedicated full time team' would be put in place during the agreed timeline and thereafter.
- iii. General Financial Rule 159 stipulates that adequate safeguards in the form of bank guarantee should be obtained from the firm while making any advance payment. An advance of ₹ 40.01 lakh was released to M/S IBM in October 2015 against a bank guarantee of equivalent amount valid upto June 2017.

Though the work of implementation of ERP system has still not been completed, the validity of bank guarantee had expired. MEA stated (November 2017) that SAU had reminded the Implementer to extend the bank guarantee but the Implementer had not formally responded. Failure to take timely action to ensure continued validity of the BG defeated its very purpose and undermined the ability of SAU to enforce due performance of the contract.

Thus even after passage of more than three years since the procurement of licence (September 2014) and expenditure of ₹ 5.09 crore, the ERP system has still not been completed and desired objectives could not be achieved.

#### **7.1.7 Avoidable extra payment of rent**

The rental outgo for the leased accommodation in Akbar Bhawan was ₹ 2.66 crore per month as of April 2017. The invoice raised by NDMC comprises basic rent and surcharge @ five *per cent* of basic rent in case of delayed payment. If bill is paid by due date, full rebate of surcharge and additional rebate of two *per cent* of basic rent is admissible.

Audit scrutiny revealed that rent for 13 months was paid by MEA after due date and consequently it had to forego rebate to the tune of ₹ 1.97 crore due to delay in payment of rent.

MEA stated (November 2017) that payment was deferred due to non-availability of funds as the same was used for capital contribution of SAU. MEA added that it had requested NDMC for the waiver of surcharge/interest on the rent payments.

The reply is not acceptable as the liability of rent payment was a known recurring expenditure and funds should have been specifically earmarked for this purpose to ensure timely payment.

#### **7.1.8 Conclusion**

Thus, construction of campus of SAU that was initially scheduled to be completed by 2014 has suffered prolonged delays primarily due to failure of both MEA and DDA to ensure allotment of encumbrance free land. Nearly 46 *per cent* of the land allotted by DDA was not actually available for construction due to it being under forest, geo-morphological ridge and litigation. This was further accentuated by delay in obtaining statutory clearances which delayed commencement of actual construction. The delay in the project involved recurring avoidable expenditure of ₹ 2.66 crore per month on account of rent of temporary campus building. In addition, MEA had to forego rebate amounting

to ₹ 1.97 crore due to delay in payment of rent which added to the total cost of the project.

## 7.2 Loss of revenue in consular services provided in Missions/Posts

**Visa and consular services are provided by Indian Missions and Posts abroad in accordance with instructions and guidelines issued by the Ministry of External Affairs from time to time. Non-adherence to these instructions by Missions/Posts in China, Bahrain, Dubai, Chicago, Berne and Canberra by under-charging fees, adoption of incorrect exchange rates and delay in remittances into government account resulted in loss of revenue in terms of visa and consular fees totaling ₹ 76.54 crore.**

Indian Missions and Posts abroad provide passport, visa and other consular services to foreign nationals and Indians abroad through their consular wings. The policies, rules, regulations and procedures in this regard are framed by the Ministry of External Affairs (MEA). The receipts of the Ministry comprise mainly of passport fees realized by the Regional Passport Offices/Passport Offices in India and visa and consular fees charged by the Missions and Posts abroad.

A test check of the records of the consular wings of Missions/Posts revealed non-adherence with the instructions of the MEA that resulted in loss of ₹ 76.54 crore.

### a) **Loss of revenue due to short collection of business visa fees by Indian Mission and Posts in China**

According to instructions of MEA of June 2008 effective from 1 July 2008, business visas were to be issued for a minimum validity period of one year<sup>6</sup>. The rate for business visas with validity upto one year applicable to China was USD 120.

Report No. 13 of 2012-13 of the Comptroller and Auditor General of India had highlighted short recovery of visa fees amounting to ₹ 36.85 crore on issue of business visas of less than one year's validity by 25 Missions and Posts. The short levy of visa fees for business visas issued by the Indian Mission and Posts in China was ₹ 55.23 lakh in 2,854 cases.

In its Action Taken Note (ATN) on the above mentioned Report, MEA had stated (October 2013) that instructions on business visa fees had been reiterated in February 2013 to all Missions/Posts abroad. These instructions specifically clarified that while business visas may be issued for less than one year, the visa

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<sup>6</sup> For China however as per MOU dated 23 June 2003, multiple entry business visa for six months validity may be issued.

fee charged will be at the rate applicable for visas of upto one year duration. It was also informed that Missions/posts have since begun charging the prescribed visa fee for business visas. Subsequently in October 2015, MEA reiterated that for the purpose of visa fee calculations, except for nationals of United Kingdom and Sri Lanka, fee for one year business visa should be charged even if the validity of the visa is limited to less than a year. Missions/Posts were also instructed to review the visa fees if the same had been erroneously calculated so that there are no further audit objections on this account.

During the audit of EI Beijing, CGI Guangzhou and CGI Shanghai, it was found that these mission/posts were collecting visa fees at a lower rate i.e. @ RMB 680 equivalent to USD 80 for business visas of six months validity instead of RMB 1011 equivalent to USD 120 which was the fee chargeable for business visas with validity upto a period of one year as tabulated in **Table No. 3** below:

**Table No. 3: Details of visa fees collected at a lower rate**

Indian Mission/ Posts in China	Period covered in Audits	Number of cases	Average ROE of the period covered 1 RMB equivalent to INR	Short levy of business visa fee (₹ in crore)
A	B	C	D	E= C*D*331
EOI Beijing	April 2013 to March 2017	83,912	10.0341	27.87
CGI Shanghai	November 2015 to March 2017	33,118	10.14386	11.12
CGI Guangzhou	April 2013 to March 2017	95,735	10.0341	31.80
<b>Total</b>		<b>2,12,765</b>		<b>70.79</b>

EI Beijing stated (June 2017) that it had since revised the visa fee structure for all categories of visas with effect from 1 April 2017 based on MEA's instructions issued in March 2017. Accordingly, the prescribed business visa fee for a period upto one year is being charged from 1 April 2017. The Mission attributed the delay in implementing the visa fee applicable for one year business visa for Chinese nationals who are granted business visas with a validity of a maximum of six months to clarifications not being received from the MEA.

MEA stated (August 2017), that it's instructions of June 2008 had clearly stated that the clause of minimum one year validity for business visas is not valid for those countries for which specific provisions have been made in the Visa Manual. In the case of Chinese nationals there was a specific provision in the Visa Manual for grant of business visa with a maximum validity of six months. Hence, charging of business visa fee at the rate applicable for business visa for

upto one year irrespective of the validity of the visa is not applicable to Chinese nationals.

The reply of MEA is not tenable as it contradicts its own instructions issued in October 2015 as well as its Action Taken Note submitted to the Public Accounts Committee in October 2013. Further, the Visa Manual referred to by MEA only specifies the duration and conditions for grant of business visas to Chinese nationals and there is no reference to the fees to be charged for such visas. The fact that the provisions of the visa manual with regard to duration of business visa to be issued to Chinese nationals have no bearing on the fee to be charged is also evident from that fact that the MEA has introduced a rationalised visa fee structure effective from April 2017 wherein the six months visa fee slab has been dispensed with and the Mission/Posts in China are now charging the prescribed visa fee for a period up to one year.

Thus, the Mission/Posts in China continued to short levy fees on business visas issued to Chinese nationals despite assurance given to the PAC by MEA and instructions of Ministry to all Missions/Posts. The revenue loss on account of the short-levy during the test checked period in the Mission and Consulates, amounted to ₹ 70.79 crore.

**b) Loss of revenue due to non-adherence to the Passport Manual by Embassy of India in Bahrain and Consulate General of India, Dubai**

The Passport Manual, 2010, stipulates that passports are re-issued on expiry of final validity, exhaustion of visa pages, damage/loss of passport, expiry of short validity passport (SVP) and change in particulars. Re-issue of passport involves issue of fresh booklet. It further stipulates that a new passport is required to be issued in case of SVP, as renewal of SVP by handwritten/printed endorsement is not permitted by the International Civil Aviation Organization (ICAO).

MEA revised the fees with effect from 01 October 2012 for passport and related services such as issue, reissue or replacement of passport, issue of Identity Certificate or Police Clearance Certificate vide gazette notification dated 28 September 2012. Thereafter, the Ministry clarified (October 2012) that the fee may be fixed in local currency adopting the official rate of exchange or the commercial/bank exchange rate whichever is beneficial to the Government.

Audit observed that in pursuance of the above orders, Embassy of India, Bahrain (EI Bahrain) and Consulate General of India, Dubai (CGI Dubai) revised the rates in local currency. However, they endorsed changes in personal particulars in the existing passport without replacing it with a new passport booklet and charged fee at local currency equivalent to the rate of USD 25 i.e. rate prescribed for miscellaneous services in contravention of the above orders.

Further, the Embassy of India, Bahrain, charged fee at the rate of Bahraini Dinar (BD) 9.5 (equivalent to USD 25) for making endorsement in the existing passport, changes in personal particulars and renewal of short validity passport instead of BD 28.300 (equivalent to USD 75) in 4,744 cases during the period from October 2012 to June 2015. This resulted in loss of revenue aggregating to BD 89,187.20 (₹ 1.41 crore). Similarly, CGI Dubai instead of charging fee of United Arab Emirates Dirham (AED) 285 (equivalent to USD 75), as the rate applicable for replacement of passport for changes in personal particulars, charged fee of AED 95 (equivalent to USD 25) in 2,533 cases during the period April 2013 to September 2014. This resulted in loss of revenue aggregating to AED 481270 (₹ 79 lakh).

The Ministry accepted (October 2017) that the practice followed by EI Bahrain and CGI, Dubai was not in accordance with the instructions of the Ministry and that the practice followed by them resulted in loss of revenue.

Thus, incorrect categorization of service by the Mission and Post for changes in personal particulars in passport under revised fee structure resulted in less collection of revenue of ₹ 2.20 crore<sup>7</sup>.

**c) Non-remittance of Consular and Indian Community Welfare Fund (ICWF) fees by Service Provider for over two years in Consulate of India, Chicago**

As per the Central Government Accounts (Receipts and Payments) Rules, 1983, all moneys received by or tendered to Government officers on account of revenues shall, without undue delay, be paid in full into the accredited bank for inclusion in Government account. Reconciliation of the bank account with the departmental figures is to be carried out every month by the officer responsible for handling Government money.

An agreement was entered into between the Embassy of India (EI) Washington DC and a service provider (SP) for outsourcing of services related to issue of Visa, OCI<sup>8</sup> and PIO<sup>9</sup> cards and renunciation/surrender of Indian nationality certificate at EI, Washington and five of its consulates at Atlanta, Chicago,

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Name of the Post	Currency	Fess paid	Fees payable	Short collection	Exchange Rate	Short collection in ₹ (5X6)	No. of cases	Amount (₹) (7X8)
1	2	3	4	5	6	7	8	9
EI Bahrain	BD	9.50	28.30	18.80	158.028	2970.9264	4744	1,40,94,074.84
CGI Dubai	AED	95.00	285.00	190.00	16.39	3114.1	2533	78,88,015.30
<b>Total</b>								<b>2,19,82,090.14</b>

<sup>8</sup> Overseas Citizenship of India.

<sup>9</sup> Persons of Indian Origin.

Houston, New York and San Francisco. As per the agreement, payments of fees received on behalf of the Embassy/Consulates by the SP were to be deposited on the same day or the next working/banking day in case of delayed receipts into the account of the Embassy/Consulates. The *ibid* clause also provided that failure on the part of the SP to deposit the money into the Embassy/Consulates' account within the stipulated time would entail a penalty of 0.5 *per cent* per working/banking day. In addition, the SP was required to provide daily, monthly and/or any other reports of applications received, processed and dispatched to Embassy/Consulates as prescribed from time to time and also reconcile the amounts remitted at intervals to be decided by the Mission/Post. As per the standard procedure, the SP sends daily reports of applications received and submitted to the Mission/Consulates including revenues remitted.

Test check of records of the Consulate of India, Chicago (Post) brought out that the accounts of the Post had not been reconciled with bank records since October 2013. During the subsequent audit in October-November 2015, it was observed that there was an unexplained difference of USD 1,30,401.49<sup>10</sup> between the balance as per the cash book of the Post and the balance as given in the bank records. No action had been initiated by the Post to reconcile the accounts to ascertain the reason for the variation though this difference had been in existence since October 2014. Accordingly, while raising the issue in the local audit report, the Post was advised (December 2015) to reconcile the accounts and ascertain the reasons for the variation.

In course of the audit of the Post in September 2016, it was found that the Post had identified that an amount USD 42,951 pertained to Consular fee collected by the SP on 25 January 2014 which had been inadvertently deposited into Indian Community Welfare Fund (ICWF). Later, on the request of the Post (July 2016), this amount was transferred back from ICWF to the Chancery account. The remaining amount of USD 89,320 and USD 1,869<sup>11</sup> were Consular fees/ICWF fee collected by the SP between May 2014 and July 2014 which had not been remitted into the Government account. After this was detected, the Post took up (9 August 2016) the matter with the SP who paid an amount of USD 91,189 to the Post on 10 August 2016.

Audit observed that penalty of USD 2,51,578 or ₹ 1.71 crore (@ 0.5 *per cent* per day) which was leviable as per the terms of the agreement had not been imposed. On being pointed out by Audit, the Post raised (March 2017) a demand of USD 2,51,578 as penalty on the SP with a direction to ensure its immediate payment.

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<sup>10</sup> ₹ 84,99,569 @ ROE of ₹ 65.18/USD.

<sup>11</sup> USD 42, 300 and USD 25, 967 being the total revenues collected by the vendor on 28 May 2014 and 4 June 2014 respectively and USD 16, 680 short deposited during June 2014 and USD 4, 373 pertaining to short deposits of 2 July 2014.

The SP stated (27 March 2017) that since the Consulate did not realize the non-payment over such a long period, it was unlikely that the SP would have envisaged such an error on its own. It added that the amounts were duly paid from the account of the SP but somehow did not get credited in the account of the Consulate. It also blamed the Post for not reconciling receipts and failing to detect the non-remittance in time.

The explanation that the Post had not pointed out the non-payment for a long time is not tenable as the agreement puts the onus for prompt and full remittance of fees collected on the SP and stipulates penalty for non-remittance of revenues collected by it. Further, in terms of the agreement, it was the responsibility of the SP to reconcile remittances at periodic intervals. The claim by the SP that payments were made from their bank accounts but could have remained stuck in banking channels and later on reversed is not supported by any evidence and does not absolve the SP of detecting and remedying the same. The bankers of the Post have also confirmed (August 2016) that no wire transfers for payment of the above amounts were received.

Thus, non-reconciliation of a large variation of USD 1,30,401.19 between the accounts of the Post and the bank records as per laid down procedure was a serious internal control failure on the part of the Post. As a result, the Post remained unaware till August 2016, of consular fees and ICWF fees collected between May 2014 and July 2014 amounting to USD 91,189, not being remitted by the SP into the government accounts. The Post also did not ensure that the SP discharges its obligation of carrying out periodic reconciliation of remittances as a result of which non-remittance of fees remained undetected. Further, though the SP is liable to pay penalty in terms of the agreement for the delayed remittance, the same is yet to be recovered from the SP.

The matter was referred to the Ministry in June 2017; their reply was awaited (December 2017).

**d) Failure in implementing Ministry's instructions on Visa Fee resulted in short collection of fees in Embassy of India, Berne**

MEA issued orders in December 2012 enhancing the visa fee for UK nationals. In accordance with these orders, missions and posts in countries other than UK and in the Eurozone were to levy visa fee for UK Nationals as fixed in USD after converting the same into local currency. In January 2013, MEA clarified that the visa fee for UK nationals fixed in USD will be converted into local currency at the same exchange rate as adopted to fix the current visa fees for other nationals. It was also stipulated that visa fee in local currency must be revised upwards if local currency devalues against USD by 10 *per cent* or more



but the fees should not be revised down wards if local currency appreciates against the USD.

Subsequently in December 2015, MEA issued consolidated instructions for implementation of revised visa fees for UK nationals to be implemented with effect from 4 January 2016. Instructions with regard to converting the visa fee in USD into local currencies for missions/posts outside UK and the Eurozone were similar to the orders of December 2012 and January 2013. It was provided that conversion of visa fee given in USD into local currency would be as per existing consular practise and that the exchange rate used was the same as fixed in December 2012.

Embassy of India, Berne (Mission), being located outside the Euro zone, was required to convert the visa fee for UK Nationals given in USD into local currency i.e. Swiss Franc (CHF). Audit noticed that while implementing the orders issued in December 2012 for revision of visa fee for UK nationals, the Mission applied a Rate of Exchange of USD 1 = CHF 1.7625 which was the exchange rate on which the prevailing visa fee structure was based from 1 July 2008. However, while revising the visa fee in respect of UK nationals with effect from 04 January 2016 in terms of the Ministry's instructions issued in December 2015, the Mission converted USD into CHF at the current official rate of exchange of USD1 = CHF 0.99 instead of the existing rate of exchange of USD1: CHF1.7625 that had remained unchanged since 2000. The adoption of incorrect exchange rate for revision of visa fee for UK nationals for more than 14 months i.e. from January 2016- March 2017 resulted in short collection of visa fee of CHF 140,754 (₹ 91.49 lakh).

Ministry stated (July 2017) that the Mission had admitted that this was an inadvertent error which was rectified after the receipt of Ministry's clarifications. It sought to justify the Mission's use of incorrect rate of exchange by stating that the CHF had appreciated by 43 *per cent* against USD since the time the exchange rate had been fixed for determining visa fee in CHF. It added that instructions issued in March 2017 have now provided for downward revision of exchange rate after appreciation of some hard currencies against the USD.

The fact remained that the Mission had adopted an incorrect rate of exchange while fixing visa fee for UK nationals.

Thus, adoption of incorrect exchange rate by the Mission for fixation of the visa fee for UK nationals in contravention of instructions of Ministry led to short collection of visa fee amounting to ₹ 91.49 lakh<sup>12</sup>.

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<sup>12</sup> Average Exchange rate 1 CHF = 65 INR during the period 4 January 2016 to 15 March 2017.

**e) Loss of revenue due to delay in revision of fee for passport and other related services in local currency in High Commission of India, Canberra and Consulates General of India, Melbourne, Perth and Sydney**

The fees for passport and other related services to be collected by Missions and Posts in various countries are fixed by MEA in US Dollar (USD) or Euro.

MEA, vide gazette notification of September 2012, revised the fee for passport and related services to be effective from 01 October 2012. MEA clarified in October 2012 that the fee may be fixed in local currency adopting the official rate of exchange or the commercial/bank exchange rate whichever is beneficial to the Government. Further, the fee in local currency may be revised if the local currency depreciates against USD by 10 *per cent* or more.

High Commission of India (HCI) at Canberra fixes the rates of consular fee in local currency for Consulates General of India (CsGI) at Sydney, Melbourne and Perth in Australia. HCI fixed the fee for passport and related services in October 2012 adopting the exchange rate of 1 USD = 0.9505 Australian dollar (AUD) which was revised on 16 September 2015 taking 1USD = 1.44 AUD.

HCI and CsGI in Australia generated ₹ 119.05<sup>13</sup> crore on account of fees for passport and other related services during the period November 2013 to September 2015.

Audit observed that the local currency continuously depreciated<sup>14</sup> after October 2012 and by August 2015 it had depreciated by more than 30 *per cent*. Thus, in compliance with instructions of MEA, the fee for passport and related services should have been revised by the HCI by adopting the exchange rate prevailing during this period. However, the HCI revised the fees only once in September 2015 instead of on each occasion when the local currency had depreciated by more than 10 *per cent*. This resulted in loss of revenue with respect to fee for passport and related services in the case of CGI Sydney of ₹ 93.47 lakh during the period from August 2013 to August 2015. The total loss would be much higher if the impact on all consular services in respect of all missions/posts on Australia is computed.

MEA stated (October 2017) that the Mission should have revised the fee once the AUD depreciated by more than 10 *per cent* against the USD and need not have waited till September 2015 for the purpose. The Ministry added that it was considering issuing appropriate instructions to all the Missions/Posts abroad

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<sup>13</sup> Melbourne: ₹ 19.29 crore; Sydney: ₹ 46.56 crore; Canberra: ₹ 36.22 crore; Perth: ₹ 16.96 crore.

<sup>14</sup> 10 *per cent* in August 2013, 20 *per cent* in January 2014, 30 *per cent* in August 2015 as per calculations by MEA.

besides exploring possibility of establishing centralized monitoring mechanism so that such problems can be avoided in future.

### 7.3 Escalation of costs and avoidable expenditure in property management

**Inefficient property management in terms of undue delay in progress of works for refurbishment and construction in Missions at Dublin, Port Moresby and Warsaw and entering into lease by the Mission in Sydney without authorisation and in disregard of Ministry's directions resulted in avoidable expenditure totalling ₹ 12.61 crore as well as idling of property valued at ₹ 45.16 crore for prolonged periods.**

The Public Accounts Committee (PAC) while examining property management by MEA had recommended, *inter alia*, in its 75<sup>th</sup> Report (14<sup>th</sup> Lok Sabha) that Ministry should streamline its projects planning mechanism, expedite pre-construction activities and put in place appropriate systems to avoid delays in redevelopment of properties. The Ministry had assured the PAC that it constantly endeavours to improve property management and streamline work on construction projects and that it would improve monitoring and carefully ascertain local procedures so that advance action can be taken to avoid and minimize time and cost over runs.

Audit of various Missions and Posts however brought out recurring instances of deficient property management that resulted in avoidable expenditure amounting to ₹ 12.61 crore in four locations as well as idling or non-utilisation of property valued at ₹ 45.16 crore at two locations.

#### a) Refurbishment/extension in Embassy of India, Dublin

In November 2008, MEA approved purchase of a 144 year old property in a residential area for use as Chancery premises for Embassy of India Dublin (Mission) at a cost of ₹ 32.66 crore (Euro 4.70 million). As the property would become usable only after refurbishment/extension, a rough estimate of Euro 2.93 million was projected for this purpose while seeking approval for the purchase of the property. Mission took possession of the property on 14 January 2009 and entered into an agreement in May 2009 with a Consultant for redevelopment, renovation and extension of the purchased property. As per the time schedule stipulated in the agreement, a maximum of 48 weeks was envisaged for contracting the work and thereafter actual construction would require a maximum of 15 months. The project is however yet to reach even the tendering stage even after eight years since the purchase of the property.

Audit examination of the records of the purchase of the building and its refurbishment and extension brought out administrative delay in progressing of the case that contributed to both cost and time overrun as below:

- a. Finalization of drawings/conceptual plan was necessary to initiate the process of obtaining planning permission from the City Council and for preparing Bill of Quantities (BOQ)/Tender Documents. It took the Ministry 46 months<sup>15</sup> from the date of first submission of drawings by the Mission to approve the drawings. During this period, the Ministry sought additional inputs and multiple clarifications regarding space requirements and project design. It also frequently suggested changes in design/layouts and belatedly brought up requirement for soil investigation and for a certificate of structural soundness of the design. The delayed finalization of the drawings and obtaining of requisite permission from the Council led to the delay in the renovation of the project.
- b. In the meantime, a new local law<sup>16</sup> became applicable from March 2014 which required engaging specialized agencies to undertake activities relating to fire safety, disability access, water table monitoring, dry and wet rot testing and mechanical and electrical works. Though the new requirements became applicable in March 2014, appointment of most of the specialized agencies were made only in October 2015 i.e. after nearly 17 months. The Mission could thus obtain mandatory certificates such as fire safety, disability access, etc. only in August 2016 to be able to initiate preparation of BOQs and tender documents.
- c. In April 2016, the Consultant submitted a revised cost estimate of Euro 3.98 million for the work as against the original cost estimate of Euro 2.89 million given in July 2012. A substantial portion of increase in the estimated cost of Euro 1.09 million i.e. Euro 0.545 million<sup>17</sup> (₹ 3.79 crore) was attributable to delay.
- d. After receipt of final approval for drawings, the Consultant prepared a fresh time schedule for different stages. As per this time schedule, BOQs, specifications and tender website layout/content were to be finalized by 28 August 2017 but the Mission intimated (October 2017) that a Ministry team was still due to visit Dublin to discuss and finalize

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<sup>15</sup> From August 2009 when drawings were first submitted.

<sup>16</sup> Building Control (Amendment) Regulations, 2014.

<sup>17</sup> Increase due to inflation @ 19 per cent between July 2012 and April 2016 of Euro 0. 440 million plus vat @ 13.5 per cent and Design fees @ 8.75 per cent.

these documents. As such, a delay of eight weeks with respect to the new time schedule had already set in by October 2017. The planning permission for the project is valid only till October 2019 and further delays could adversely affect the realization of the project.

The Ministry attributed (December 2017) these delays to requirement of securing local approvals. This reply is not tenable since substantial part of the delay was due to inordinate time taken in processing approvals within the Ministry.

Thus, poor management of the refurbishment and extension of a property purchased for use as a Chancery in Dublin led to the work not being commenced even after a lapse of over eight years of procurement of the property. Further, there is a cost overrun on account of delay of ₹ 3.79 crore (Euro 0.545 million). Meanwhile, the property purchased at a cost of ₹ 32.66 crore (Euro 4.70 million) has remained idle.

**b) Lack of effective technical and security assessment resulting in property remaining uninhabitable at High Commission of India in Port Moresby**

MEA guidelines circulated in November 2011 for acquisition of property by Mission/Posts abroad stipulated *inter alia* that economic cost was not the only consideration while approving purchase of properties and that any property proposed for acquisition should be suitable also from security point of view. The guidelines also stipulated that importance be given to structural soundness/residual life of the property and did not recommend purchase of properties requiring extensive and expensive repairs and renovation.

High Commission of India at Port Moresby, Papua New Guinea (Mission), had been operating from rented premises since April 1996. Officers and staff of the Mission except the Head of Mission were also staying in rented accommodation. In view of the precarious security situation, high annual rental outgo and shabby condition of the Chancery which reflected poorly on the image of India, it was proposed to acquire a built up property to locate the Chancery and residences in a secure complex.

In July 2012, a Property Team from the Ministry visited Port Moresby for an on the spot assessment of nine properties short-listed by the Mission. A property developed in 1992 with an asking price of ₹ 27.30 crore (Kina 10 Million<sup>18</sup>) and requiring only minor modification and repair works was recommended by the team for acquisition. This property consisted of a stand-alone wooden house of

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<sup>18</sup> Kina = ₹ 27.30 (Official Rate Exchange for July 2012).

300 square meters to be used as Chancery and six units of 130 square meters each as residential accommodation. After obtaining security clearance from the head of the Ministry's security wing who had visited the station, the Ministry gave in principle approval for purchase of the property in August 2012.

Subsequently, a structural inspection of the property was undertaken in October 2012 by a firm appointed by the Mission. The structural inspection report highlighted pervasive defects<sup>19</sup> in the buildings necessitating extensive refurbishment to ensure structural integrity. It reported that the cost of such refurbishments will make the cost of purchase unviable for the Mission. The Superintendent Engineer (Project) in the Ministry opined that the property in its present state was unsafe and strengthening and major repairs were needed to make the property habitable.

The property team again visited the Mission in January 2013 and finalized purchase of the property at ₹ 19.74 crore<sup>20</sup> (Kina 7.5 million) inclusive of structural repair and renovation works<sup>21</sup> to be executed by the owner. The Ministry approved the purchase of the property at the above price in March 2013 along with ₹ 1.92 crore for interior works at the Chancery and Residences and ₹ 96.15 lakh for security installations at the premises. The Chancery and staff shifted into the newly purchased complex in August 2013. The interior works were taken up subsequently after December 2015 and completed in March 2016.

In the meantime, on account of incidents of robbery and intrusion (September 2013 and August 2014) in the Chancery complex as well as poor security condition, all India based staff vacated the residential units and shifted to rented accommodation in January 2015. Since then, the India based staff have been moving in and out of the Chancery complex on account of security concerns and the state of the residential units. As of October 2017, only two staff including one security assistant were staying in the Chancery complex.

In September 2014, another security audit of the Chancery complex was carried out by the Ministry which identified several gaps in the security of the Chancery complex and recommended various measures including construction of a reinforced cement concrete (RCC) boundary wall to secure the premises.

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<sup>19</sup> Damage to the timber structure in all units due to termite activity, rotting of wood, leakage in roofs, and cracks in the building walls.

<sup>20</sup> Kina = ₹ 26.32 (Official Rate Exchange for March 2013. For the purpose of stamp duty the cost was apportioned as Chancery office 2.5 million + residential premises 4.75 million + Chattels 0.25 million.

<sup>21</sup> Estimated to cost ₹ 4.95 crore (Kina 1.9 million).

Audit observed that the newly acquired Chancery building continued to suffer from various defects from the point of view of both habitable conditions as well as security even after repeated security audits and certification of completion of rectification works. There was thus no assurance as to whether the adequacy of the repaired structure had been ensured before taking possession of the property.

Further one of the key objectives of the purchase was to locate the Chancery and residence in a single secure complex in view of the precarious security situation in Port Moresby. However, the Chancery and residences remained vulnerable to security risks as brought out in the security audit conducted in September 2014 which held that security had not been properly considered while selecting the premises. The security audit was also critical of occupation of the premises without conducting a proper security evaluation and taking effective security measures. This raises questions as to the credibility of the security assessment carried out by the Ministry at the stage of purchase of the property.

Though the Ministry had sanctioned ₹ 96.15 lakh in March 2013 for providing security installations at the premises, the Mission delayed action on providing these installations and approached the Ministry for revalidation of the sanction in December 2014. These installations were only partially completed and construction of a RCC wall recommended during the security audit, was yet to commence (October 2017).

Thus, due to absence of security measures most prominently a proper boundary wall and the unsatisfactory condition of the residential units, most India based staff have had to vacate the chancery complex and shift into rented accommodation from time to time. The residential units in the complex valued at ₹ 12.50 crore have remained mostly unutilized. Besides, the Mission had to incur expenditure of ₹ 4.53 crore on rent from January 2015 to April 2017 negating the objective of reducing rental outgo in the station.

Ministry stated (July 2017) that it had not ignored any guidelines for acquisition of property and that the property met the objective of locating the Chancery and residences in a secured premises. It added that the structural soundness of the building was ensured as the owner carried out the structural improvements and other works identified by the structural engineer and the Ministry's technical personnel. It added that instances of robbery were beyond the control of Ministry and decision to move staff to rented accommodation was necessary to ensure their security as the construction of the boundary wall was delayed due to factors not attributable to the Ministry.

The reply of the Ministry is not tenable as a subsequent security audit of the

premises as well as communications from the Mission pointed out several security gaps in the selected property and the fact that despite the structural repairs the residential units remained in a poor condition raises doubts of the effectiveness and adequacy of the structural repairs undertaken as well as the security within the Chancery complex.

Thus, accommodation valued at ₹ 12.50 crore, remained unoccupied for prolonged periods while staff and officers stayed in rental accommodation leading to avoidable rental outgo of ₹ 4.53 crore up to April 2017.

**c) Avoidable extra payment due to delay and failure to take cognizance of local regulations in Embassy of India in Warsaw**

In April 2003, MEA entered into an agreement with an Indian consultancy firm for providing consultancy and construction management services for construction of Chancery cum Residential complex at Warsaw, Poland. The Indian consultant in turn appointed a local associate for the project.

As per the agreement between MEA and the Consultant, a fee at the rate of three *per cent* of the accepted tender cost was to be paid for construction management services on pro-rata basis in 18 monthly instalments from the date of commencement of construction provided that the progress of work was as per the scheduled plans. The Consultant was to deploy a construction management team for full time onsite supervision and inspection for regularly monitoring the status of construction work.

MEA awarded (November 2012) the civil and electro-mechanical work to a contractor for ₹ 33.97 crore (Euro 47.75 lakh). Accordingly, the construction management fee to be paid to the Consultant was fixed at ₹ 99.09 lakh plus service tax. The work on the site commenced from December 2012.

MEA initially authorised the Mission to release the payment in nine monthly instalments to the Consultant without its prior approval to avoid delay in payments. Mission released payment aggregating ₹ 55.05 lakh (55.55 *per cent* of the total fee payable) in 10 monthly instalments till November 2013 for work completed upto October 2013.

As the progress of work was behind the planned schedule, MEA decided (May 2014) to link payments with actual physical progress of work. Accordingly, MEA modified the payment clause through a supplementary agreement with the Consultant on 12 June 2014 wherein it was provided that “if the progress of the work is not as per the schedule plan, the fee will be paid on percentage basis as per actual financial progress achieved in the work. Financial progress will be determined on the basis of interim payment certificate for the payment of Contractor(s) running account bills”.



The invoices raised by the Consultant in January 2014 as 11<sup>th</sup> and 12<sup>th</sup> instalments could not be paid in time due to procedural time taken in approval of the supplementary agreement between the MEA and the Consultant. The local associates of the Consultant stopped the supervision at the site due to non-payment of their dues by the Consultant. Consequently, the Contractor was forced to suspend work for 71 days from 1 May 2014 to 10 July 2014 as the local law prohibits any contractor from executing construction work in the absence of construction manager/supervisor. The work was ultimately completed at a revised cost of ₹ 57.04 crore<sup>22</sup> (Euro 72.23 lakh) and the Mission shifted into the new premise in July 2015.

Further, the Contractor claimed an amount of ₹ 50.13 lakh against the cost of idle labour and rentals of machinery and equipment for 71 days when the work had been stopped without prior notice. This claim was allowed and paid by the MEA in May 2017.

Audit observed that the Mission and the Ministry should have been cognizant of the local laws mandating presence of construction manager/supervisor for continued execution of the work. Hence, it should have taken steps to ensure both early finalization of the supplementary agreement as well as uninterrupted execution of the work in the intermission by deployment of construction manager/supervisor by the consultant. Instead, MEA took over two months to conclude the supplementary agreement and the work was stopped till its conclusion. This resulted in extra payment of ₹ 50.13 lakh to the Contractor towards the cost/rentals of idle labour and machinery/equipment for 71 days when the work was forced to stop in accordance with the Polish Regulations. MEA stated (September 2017) that payment of the construction management fee to the Consultant got delayed on account of adhering to the agreement provisions and procedural regulations. It added that all agreements signed with the consultants for the construction project for Indian missions abroad are now having revised conditions for payment of construction management fee.

Thus, failure to take cognizance of local laws while progressing a construction project coupled with delay in finalisation of the supplementary agreement with the Consultant for revision of schedule for payment of construction management fee, resulted in avoidable extra payment of ₹ 50.13 lakh to the Contractor.

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<sup>22</sup> ₹ 78.966/1 Euro

**d) Unauthorized and avoidable expenditure in renewal of lease in Consulate General Sydney**

Prior to shifting in its own premises in June 2015, CGI, Sydney had been operating from a rented premises since November 2012. The lease deed was valid for 21 months from 1 November 2012 to 31 July 2014 at monthly rent of AUD 25,000 plus Goods & Service Tax (GST) equivalent to ₹ 14.26 lakh<sup>23</sup>.

In December 2013, the landlord of the rented premises served a notice for enhancement of the monthly rent by 20 *per cent* from 1 February 2014 in line with the then prevailing market rates. CGI Sydney, after negotiations with the landlord, sought Ministry's approval on 30 January 2014 for renewing the lease at an enhanced rent of AUD 28,750 (15 *per cent* increase) per month equivalent to ₹ 15.71 lakh<sup>24</sup> plus GST from 1 February 2014 with four *per cent* annual increment. CGI simultaneously sought legal opinion from its solicitors who recommended (3 February 2014) that an exit clause should be inserted in the lease agreement to provide for termination of the lease at any time by giving two months' notice. This would enable CGI to terminate the lease in case its own premises got ready before expiry of the lease period. CGI Sydney signed the lease deed on 10 February 2014 at the enhanced rent of AUD 28,750 per month equivalent to ₹ 15.71 lakh plus GST.

Subsequently on 27 March 2014, Ministry advised amendment in the proposed lease deed by inclusion of two clauses to provide for (i) termination of the lease with agreed notice period of two to three months and (ii) escalation in rent be applicable only after the expiry of the current lease period i.e. from 01 August 2014. Ministry directed that lease deed should be annulled if these conditions were not met.

Audit observed that CGI Sydney had entered into a new lease deed without awaiting the approval of the Ministry. Delegated Financial Powers bestow full powers to the Head of Mission to enhance rent only up to 10 *per cent* provided that the last contract was for two years. Hence, entering into fresh lease deed at enhanced rate of 15 *per cent* was beyond the powers delegated to the CGI. Further, the lease deed was renewed in February 2014 with enhanced rent though it was valid till 1 August 2014. This resulted in unauthorized expenditure of AUD 5,43,950 equivalent to ₹ 2.94 crore on leasing of premises.

Further, the lease was signed for a fixed term of two years without clauses relating to termination with notice and escalation in rent only after the expiry of the current lease period as stipulated by the Ministry. This was done despite knowledge of the on-going tendering process for renovation works at its own

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<sup>23</sup> 1AUD= ₹ 57.02 (Exchange rate of November 2012).

<sup>24</sup> 1AUD= ₹ 54.64 (Exchange rate of February 2014).

premise. As a result, the CGI had to incur avoidable expenditure of AUD 1,64,450 equivalent to ₹ 84.76 lakh as rent for five months up to November 2015 after vacation of leased premise in June 2015.

The Ministry, though aware of the irregular and unauthorized renewal of lease, took no action to enforce its instructions for annulment of lease. It also took no action to fix responsibility even though renewal of the lease agreement by the CGI at a higher rent was against all rules.

CGI Sydney stated (29 August 2016) that the lease deed had been signed by the then Consul General directly with the landlord without any witnesses. As there was no exit clause, the Mission had no alternative but to pay the rent till expiry of the lease period. However, CGI, Sydney has negotiated with the landlord and paid five months' rent and got waiver of two months' rent.

Ministry stated (June 2017) that its vigilance division was considering the case.

Thus, unauthorized execution of a lease agreement by CGI Sydney without prior approval of the Ministry coupled with Ministry's own failure to follow up on its instructions resulted in irregular and avoidable expenditure of AUD 7,08,400 equivalent to ₹ 3.79 crore.

#### **7.4 Overcharging of courier fees by the Service Provider**

**A service provider over-charged courier fees from applicants for visas and other consular services to the extent of ₹ 14.39 crore in violation of the agreement with the Mission and Consulates.**

Embassy of India, Washington (Mission), entered into an agreement in April 2014 with a Service Provider (SP) for outsourcing of services related to issue of visas, OCI & PIO cards and renunciation/surrender of Indian nationality certificates both at the Mission in Washington and at its Consulates in the United States of America. As per the agreement, the SP would provide courier service at the rate of USD 15 per packet or on actual basis whichever is less supported by receipt from the Courier Service. It was also stipulated that these services will not be forced on the customers and they will also not be charged any additional fee over and above the charge mentioned in the agreement.

Audit scrutiny of records of the Consular wing in CGI Houston (Consulate) revealed that in the case of all test checked visa applications, courier fee was charged at the maximum ceiling of USD 15 for each application handled both at the stage of receipt of application and at the stage of return of visa stamped passports.

For comparison, Audit undertook an examination of charges paid by the Consulate to M/s FEDEX for overnight standard courier service and it was

found that the rates ranged between USD 8.73 and USD 9.84 per packet for locations falling under the jurisdiction of Consulate. Audit found that the actual courier fees paid by the SP to the courier agency ranged between USD 11.02 and USD 11.55 per packet during 2015 and 2016. However, during the same period the SP charged courier fees at flat rate of USD 15 per packet from the applicants. The SP was thereby over-charging the applicants an amount ranging from USD 3.98 to USD 3.45 during 2015 and 2016.

The SP justified the charge at the rate of USD 15 by claiming to have spent much more than this amount after taking into account administrative expenses like legal fees, court cases, staff costs, etc. The reply of the SP is not tenable as the provision under the agreement clearly specifies that the SP will not charge any additional fee from the applicants for courier service over and above what was stipulated in the agreement.

The SP was uniformly charging courier fees at the rate USD 15 across the Mission and the Consulates. Taking into account the total number of packages handled by the Mission and Consulates during 2015 and 2016<sup>25</sup> of 2,27,980 and 3,64,308 respectively, the estimated amount of additional courier charges collected by the SP has been worked out as USD 23,43,323<sup>26</sup> i.e. ₹ 14.39 crore<sup>27</sup>.

Thus, failure of the Mission and its Consulates to ensure compliance with the agreement entered into with the SP led to overcharging of courier fees by the SP from applicants for the extent of ₹ 14.39 crore during 2015 and 2016.

The matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

#### **7.5 Unauthorized expenditure on engagement of Contingency Staff for regular nature of work in Missions/Posts**

**The Consulate General at Vancouver, Houston and San Francisco engaged contingency staff in violation of rules and instructions of the Ministry incurring an unauthorized expenditure of ₹ 2.68 crore.**

As per the General Financial Rules (GFR), no authority may incur any expenditure or enter into any liability involving expenditure unless the same has been sanctioned by the competent authority. Further, as per item No.12 of Schedule 1 of Financial Powers of Government of India's Representatives

<sup>25</sup> Position upto September 2016.

<sup>26</sup> 2015: Variation of USD 3.98 X 2,27,980= USD 10,86,460 and 2016: variation of USD 3.45 X 3,64,308 = USD 12,56,863 aggregating to USD 23,43,323. Actual courier fees paid by SP to courier agency used to calculate variation.

<sup>27</sup> At the lowest rate of exchange of April 2015 prevalent during 2015 and 2016.

Abroad, full powers have been delegated to the Head of Mission (HOM)/Head of Post (HOP) with reference to Class IV staff paid from contingencies subject to certain conditions. One of the specific conditions is that the staff so employed should not be for a regular nature of work or against vacant posts, whether temporary or permanent, borne on the regular establishment. MEA had also issued various instructions from time to time to Missions/Posts not to engage contingency staff in violation of laid down rules and regulations. In January 2009, MEA advised Missions/Posts to disengage all contingency staff and added that responsibility would be fixed on the officers responsible for engaging staff without proper authority.

The Comptroller and Auditor General's Report No. 18 of 2015 had highlighted 'Unauthorized expenditure of ₹ 4.29 crore on engagement of contingency staff without sanction' by Consulate Generals Houston and Chicago. In the ATN on the para, MEA had intimated (April 2016) that the expenditure had been regularized even though it held that the engagement in the two Posts being for non-regular work was within the delegated powers of the HOM/HOP. MEA had also reiterated instructions that hiring of contingency staff can be undertaken only for work of non-regular nature.

Despite MEA directions, it was observed that the Consulates General at Vancouver, Houston and San Francisco were engaging contingency staff for regular nature of work viz., consular work and other administrative work from time to time without sanction of the MEA. Expenditure incurred by these Posts on engaging contingency staff without obtaining prior sanction of the MEA and in contravention of Financial Powers of Government of India's Representatives Abroad (item 12 (2)) worked out to ₹ 2.68 crore as detailed in **Table No. 4** below:

**Table No. 4 : Expenditure incurred on engaging contingency staff without obtaining prior sanction**

Sl. No	Missions/Posts	Period	Total No. of Contingency staff engaged	Wages paid (₹ in lakh)
1.	CGI, Vancouver	March 2012 to July 2016	2	146.77
2.	CGI, Houston	January 2016 to November 2016	5-10	89.07
3.	CGI, San Francisco	April 2016 to February 2017	2	32.00
			<b>Total</b>	<b>267.84</b>

MEA stated (October 2017) as follows:

- a) **CGI, Vancouver:** Contingency staff was engaged in consular work as the consular section is under-staffed and regularization of expenditure is being processed. Further, three new local posts have been sanctioned for the Consulate in October 2016 and contingency staff have been disengaged.

- b) CGI, Houston:** Post had engaged contingency staff in various wings as there was shortage of staff in consular, commercial and other wings. In November 2017, creation of six new local posts have been sanctioned and the Consulate has started disengagement of contingency staff.
- c) CGI, San Francisco:** Post was under staffed to cope with consular and other works. The Post had disengaged the two contingency staff and requested MEA to regularize expenditure of ₹ 32 lakh on the two contingency staff from April 2016 to February 2017. The Post informed (December 2017) that MEA has given post facto sanction for regularization of the expenditure.

The reply of MEA is not tenable as the Posts had engaged contingency staff for regular work without its prior approval despite reiteration of instructions in January 2016 that hiring of contingency staff can be undertaken only for work of non-regular nature.

Thus, despite past audit objections and in disregard of MEA's own instructions not to engage contingent staff for regular items of work without its approval, Consulates General at Vancouver, Houston and San Francisco engaged contingency staff for regular items of work in violation of rules thereby incurring an unauthorized expenditure of ₹ 2.67 crore.

## CHAPTER VIII : MINISTRY OF FINANCE

### Department of Expenditure

#### 8.1 Implementation of Public Financial Management System

PFMS was planned as a web based tool of financial management for managing all the aspects of government financial system and act as effective MIS/DSS. An outlay of ₹ 1,080 crore was approved for full rollout of PFMS in 12<sup>th</sup> Five year Plan (2012-17). During this period, only ₹ 267.63 crore were spent on tasks related to implementation of PFMS. PFMS has not adhered to timelines on almost all the parameters of project implementation and is not yet ready to deliver on any of its stated objectives. The pace of physical and financial progress remained slow and the implementation strategy lacked necessary coherence with planned course of project implementation.

The Public Financial Management System (PFMS) was conceived as a web based integrated system for processing payments and for tracking, monitoring, accounting, reconciliation and reporting of all receipts and expenditure of the Government of India. PFMS was intended to replace separate accounting management information/decision support systems (MIS/DSS) of various departments of government and subsume the independent systems of tax/non-tax receipts. This system evolved in December 2013 from the erstwhile Central Plan Scheme Management System (CPSMS) which was being implemented on pilot basis in four states<sup>1</sup> to monitor fund flow of four planned schemes<sup>2</sup> by the Controller General of Accounts (CGA) since 2008.

An external consultancy firm was engaged in 2011 to develop the roadmap for the development of PFMS. The Detailed Project Report (DPR) prepared by the firm was deliberated in the Expenditure Finance Committee (EFC) in September 2012 and presented to Government in December 2013 for approval. The Government approved a total outlay of ₹ 1,080 crore for implementation of PFMS in the 12<sup>th</sup> Five Year Plan (2012-17).

The outlay was to be channelized into the components as detailed in **Table No. 1** and approved Outlay for various components in percentage is depicted in **Chart No. 1** given below:

<sup>1</sup> Madhya Pradesh, Bihar, Punjab, and Mizoram.

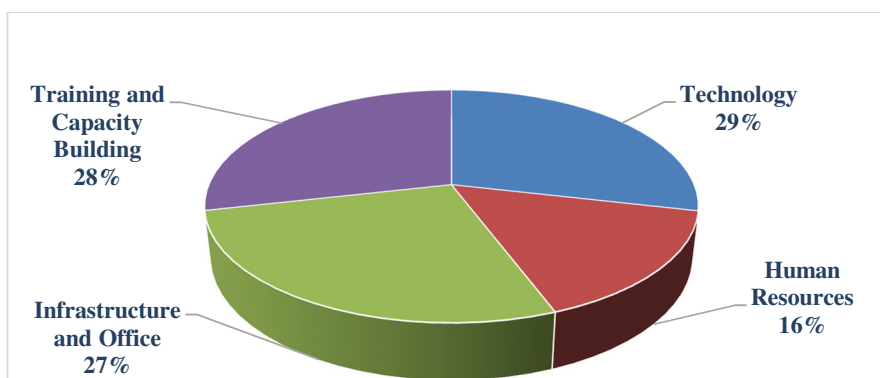
<sup>2</sup> Mahatma Gandhi National Rural Employment Guarantee Act, National Rural Health Mission, Sarv Shiksha Abhiyan and Pradhan Mantri Gram Sarak Yojna.

**Table No. 1: Details of approved components and outlay**

(₹ in crore)

Component	Approved Outlay
Technology	308.82
Human Resources	169.20
Infrastructure and Office	293.71
Training and Capacity Building	308.27
<b>Total</b>	<b>1080.00</b>

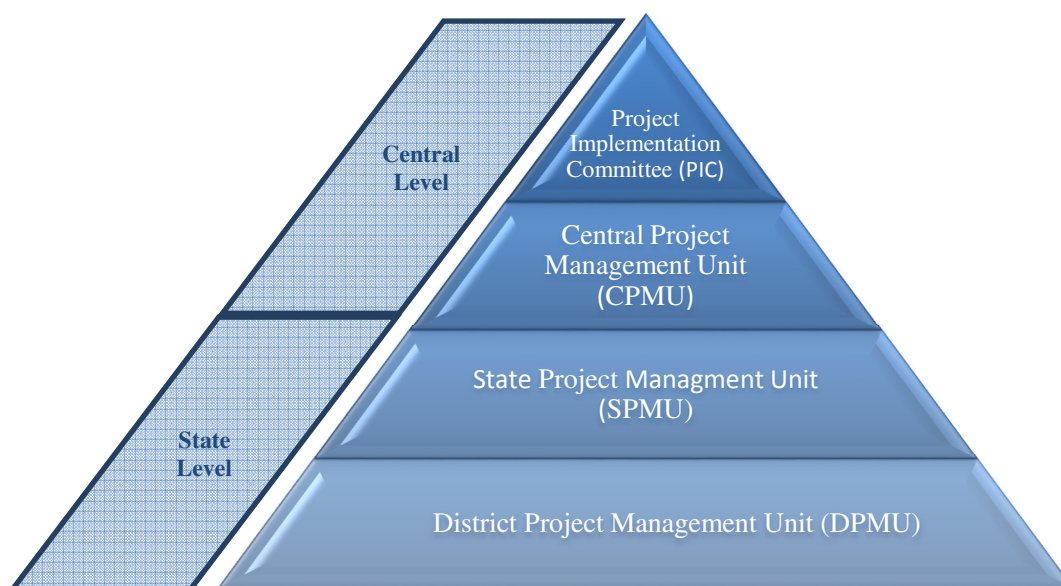
**Chart No. 1: Approved Outlay for various components in percentage**



### 8.1.1 Project implementation hierarchy

A four tier organisational structure, as per **Chart No. 2** given below, was set up to implement PFMS with the Project Implementation Committee (PIC) as the apex body and Central Project Management Unit (CPMU) at Central Level and State Project Management Unit (SPMU) and District Project Management Unit (DPMU) at state level.

**Chart No. 2: Organisational structure**





### 8.1.1.1 Present Status

An expenditure of ₹ 267.63 crore had been incurred as of December 2016 on PFMS against the approved outlay of ₹ 1,080 crore during the 12<sup>th</sup> Five year plan period (2012-17). In December 2016, Ministry of Finance sought approval of EFC to extend the project beyond March 2017 citing significant expansion in the scope and additional responsibilities entrusted on PFMS. EFC extended the scheme to 31 March 2020 with total outlay of ₹ 839 crore after taking into account the expenditure already incurred.

### 8.1.2 Audit of PFMS

Audit of PFMS was undertaken to assess the effectiveness of the implementation strategy during the period 2014-17 and identify factors that led to deviations from planned course of action approved by Government.

### 8.1.3 Audit Findings

#### 8.1.3.1 Financial Planning

Government had approved the following year to year phasing of the expenditure of ₹ 1,080 crore on identified components of implementation as **Table No. 2** below:

**Table No. 2: Expenditure on identified components**

(₹ in crore)

Cost Component	Technology	Manpower	Infrastructure and Office	Training and Capacity Building	Total
2013-14	51.59	10.30	30.75	23.57	116.21
2014-15	105.17	53.44	96.33	114.44	369.38
2015-16	80.22	50.15	80.30	84.53	295.20
2016-17	71.84	55.31	86.33	85.73	299.21
<b>Total</b>	<b>308.82</b>	<b>169.20</b>	<b>293.71</b>	<b>308.27</b>	<b>1080.00</b>

Audit observed that the actual budgeting and year to year phasing of expenditure was not in conformity with the plan approved by the Government and there were large savings against budget provisions in all the years. The year wise outlay as approved by the Government, budget provision made and expenditure incurred on the scheme during the period 2013-17 were as detailed in **Table No. 3** below:

**Table No. 3: Year wise outlay, budget provision and expenditure incurred***(₹ in crore)*

Financial Year	Approved Outlay	Budget Estimates	Expenditure
2013-14	116.21	253.99	60.32
2014-15	369.38	369.57	64.49
2015-16	295.20	86.73	32.82
2016-17	299.21	60.00	108.69
<b>Total</b>	<b>1080.00</b>	<b>770.29</b>	<b>266.32</b>

It was observed that all the expenditure was being booked under normal establishment heads and there was no framework for mapping the expenditure made with components of Technology, Human Resources, Infrastructure and Office and Training and Capacity Building in line with the approval of Government. Consequently, it was not possible to map figures of expenditure with the identified components of expenditure.

Nevertheless, component wise outlay under the scheme during the period 2013-17 was reported to EFC in December 2016 at the time of seeking extension of the scheme as detailed in **Table No. 4** below:

**Table No. 4: Component wise outlay under the scheme***(₹ in crore)*

Component	Approved Outlay	Budget Available	Expenditure	Savings
Technology	308.82	197.75	107.31	90.44
Manpower	169.20	71.55	26.55	45.00
Infrastructure and Office	293.71	513.48	133.64	379.84
Training and Capacity Building	308.27	0.51	0.13	0.38
<b>Total</b>	<b>1080.00</b>	<b>783.29</b>	<b>267.63</b>	<b>515.66</b>

However, neither the basis on which the above figures were worked out for each component nor year wise breakup of expenditure figures presented to EFC were made available to Audit though asked for.

An analysis of the approved outlay, budget provision, expenditure and savings for identified components of expenditure is detailed in **Table No. 5** below:

**Table No. 5: Details of outlay, budget provision, expenditure and savings for identified components of expenditure**

(₹ in crore)

Component	Technology	Manpower	Infrastructure and Office	Training and Capacity Building	Total
Approved Outlay	308.82	169.20	293.71	308.27	1080.00
Budget Available	197.75	71.55	513.48	0.51	783.29
Expenditure (Reported to EFC)	107.31	26.55	133.64	0.13	267.63
Savings	90.44	45.00	379.84	0.38	515.66
% age of Savings vis-a-vie Budget available	45.73%	62.90%	73.97%	74.51%	65.83%

Audit observed that the financial planning of the scheme was not in sync with the plan prepared for the rollout of PFMS. Budget provisions for cost components of Technology, Manpower and Training were very low against the approved outlay of 64 per cent, 43 per cent and 0.17 per cent of approved outlay respectively whereas provision for infrastructure and office component was inordinately high against approved outlay viz. by 175 per cent. Expenditure against budget provision was very low on all the components resulting in savings ranging from 45 per cent to 75 per cent of the budget provision.

The approved outlay on the project was for creating one CPMU office, 36 SPMU offices in the states and union territories, 571 DPMU offices in districts, two Data Centres, one Disaster Recovery site and ancillary infrastructure. Financial resources were also earmarked for deployment of staff and outsourced personnel at CPMU, SPMU and DPMU level. Trainings were to be provided to deployed staff and other functionaries. Audit observed that development of own infrastructure for the CPMU was at the very initial stage of processing of land acquisition and the CPMU was functioning from rented premises. No infrastructure had been created for either SPMUs or DPMUs. Moreover, SPMUs were functioning without necessary supervisory level officers and technical support personnel and the process of staffing/outsourcing tasks related to DPMUs was yet to commence.

While the PFMS Unit did not provide any specific response on the system of budgeting, it attributed the slow progress of expenditure and savings to administrative reasons, non-availability of space, un-realistic projections of expenditure and delays in procurement of machinery/equipment and hardware/software. It added that no specific instructions had been issued by any authority for budgetary planning for the Project and no oversight mechanism was available for monitoring expenditure in accordance with budget and plans.

In response to a query from the EFC in December 2016 while discussing the extension of the scheme, Ministry had cited delays in setting up of SPMU and DPMU and under-staffing of CPMU as the main reasons for savings.

In the absence of any mechanism for computing budget requirements for each component and recording expenditure on identified components, the figures provided for component wise budget and expenditure cannot be vouchsafed in audit. Further, no assurance was available that the financial planning for the project in terms of annual provisioning of financial resources through budget was aligned to the roll out plan approved for the project.

### 8.1.3.2 Technology Development

The technology solution framework of PFMS was to be designed to meet the requirements of a nationwide rollout by enhancing the existing information, communication and technology infrastructure. The aim was to provide a scalable and distributed architecture for addressing the three important business requirements of (a) transactions, (b) reporting and (c) data warehousing with contingency arrangement. The DPR proposed setting up of two data centres (Data Centre 1 for transactions and Data Centre 2 for reporting) and one Disaster Recovery (DR) site with ancillary IT infrastructure. The proposed infrastructure factored in integration with external systems such as treasuries and offices of Accountants General, integration with other MIS and integration with Interactive Voice Response (IVR) System and mobile devices.

An amount of ₹ 308.82 crore was projected for this component. Of this, only ₹ 107.31 crore had been spent during the period 2013-17. Required Data Centres and DR site have been established at NIC owned facility instead of own facility as envisaged in the DPR.

Audit observed that complete functionality could be built only for three accounting modules by October 2017 viz. OCEANS, Government e-payment gateway (GePG) and Non-Tax Receipt portal. Module-wise status of implementation is given in **Annexe-IV**. Work on integration of all the required 31 treasuries (29 States and 2 UTs having legislature<sup>3</sup>) was completed albeit with a delay of one/two months against stated timelines. Although non-tax receipt portal of PFMS was operationalised, only 153 Civil Pay and Account Offices (PAOs) out of 550 PAOs were registered for this purpose. The status of functionaries brought on PFMS platform for accounting modules is given in **Table No. 6** below:

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<sup>3</sup> Delhi and Puducherry.

**Table No. 6: Status of functionaries under PFMS platform for accounting modules**

Accounting Module	Total number of offices	Number of Offices brought on platform of PFMS	Percentage of coverage
Employee Information System	11793 DDOs	1395 DDOs	12
PAO Module	550 Civil PAOs	476 (Civil PAOs)	87
CDDO Module	1908 CDDOs	361 CDDOs	19

EFC had stressed in September 2012 the fact that PFMS must be fully implemented if it was to serve its purpose as a meaningful MIS/DSS. In the absence of complete functionality and integration of independent modules in a comprehensive system, functionaries continued to work on legacy modules for transaction processing, accounting and monitoring of funds.

### 8.1.3.3 Human Resources and Project Organization Structure

While the PIC was conceived as the apex level body for providing policy advice and strategic guidance taking all key decisions, the DPR listed the human resource requirement, infrastructure needs and activities to be performed at CPMU, SPMU and DPMU levels.

#### Human Resource Deployment

Although relatively minor decisions related to human resource deployment such as engagement and continuation of consultants and outsourced technical team were taken by PIC, no Human Resource Policy defining roles/responsibilities as recommended in the DPR or guidelines for benchmarking of performance of functionaries and performance appraisal mechanism for continuation in assigned role(s)/responsibilities had been framed. As a result, necessary framework for ensuring engagement and continuation of people with desired skill sets could not be created.

The status of human resource deployment (October 2017) at various levels of project implementation hierarchy is as follows:

#### (a) Central Project Management Unit (CPMU)

Position of deployment of staff/officers in CPMU is given in the **Table No. 7** below:

**Table No. 7: Status of deployment of staff/officers in CPMU**

Designation	Sanctioned Strength	Persons in Position
Additional CGA & Project Director	1	1
Jt. CGA	2	2
Dy. CGA	12	2
Asstt. CGA	14	5
Sr. AO/AO	22	22
Asstt. AO	24	3
PS	6	6
Sr. Accountant/Accountant	6	6

There was shortage at senior/middle level management positions of Dy. CGA and Asst. CGA level. Further, no field/domain experts from external agencies having knowledge and experience in different fields as envisaged in DPR were engaged in CPMU.

**(b) State Project Management Unit (SPMU)**

SPMU was visualised as an extension of CPMU in states with the responsibility of customisation of implementation plan to synergise it with regional variations in requirements of system design, training, monitoring and evaluation needs.

Although Ministry stated that SPMU had been set up in all states, Audit observed that separate office infrastructure for SPMU had not been created in any of the States. The position of human resources deployed in SPMU at the end of September 2017 was as detailed in **Table No. 8** below:

**Table No. 8: Position of human resources deployed in SPMU**

Positions	Sanctioned	Persons in Position
Joint CGA	19	0
Deputy CGA or equivalent	36	6
Senior Accounts Officer/Accounts Officer/District Project Officer	72	66
Assistant Accounts Officer	72	7
<b>Total</b>	<b>199</b>	<b>79</b>

There were thus only six officers of Dy. CGA/Jt. CGA level against sanctioned strength of 55 as on 30 September 2017. In the absence of dedicated infrastructure and decision making officers to coordinate and synergise PFMS with regional variations, effective functioning of SPMUs could not be ensured. Further, no duty list of functionaries of SPMUs had been prepared nor was there any oversight mechanism to monitor the activities of SPMUs.

### **(c) District Project Management Unit (DPMU)**

DPMU level organisation structure was to be created for training, coordination and technical support at block and village panchayat level and implementation at grass root level. EFC recognised that this structure would not be required for full duration of the scheme and recommended exploring possibilities of setting up adequately staffed call centres instead of full-fledged DPMUs.

Audit observed that no DPMU had been created and the process of creation of DPMU was started as late as in October 2017. In the absence of DPMUs, the objective of tracking financial payments under various schemes up to the village and block level would be difficult to achieve.

#### **8.1.3.4 Infrastructure and Office**

The DPR projected Infrastructure and Office costs at ₹ 511.10 crore for offices to be set up at the central, state and district levels. These costs were re-worked as ₹ 293.71 crore in the light of recommendations of the 1<sup>st</sup> EFC regarding outsourcing of work related to DPMUs. Ministry reported that the budgetary provision and expenditure for this component during period 2013-17 was ₹ 513.48 crore and ₹ 133.64 crore respectively.

Audit observed that CPMU is functioning at rented premises and creation of infrastructure is at initial stage. Besides, no infrastructure was created at SPMU/DPMU levels.

#### **8.1.3.5 Training and Capacity Building**

DPR projected training and capacity building as an instrument of change management for acceptance by stakeholders to ensure successful implementation of the project. The costs projected in the DPR on this component was ₹ 332.31 crore which included sub-components like setting up of training labs, trainers cost, 'information, education and communication,' training material, travel etc. These costs were re-worked to ₹ 308.27 crore in the light of the recommendations of the 1<sup>st</sup> EFC regarding outsourcing of work related to DPMUs. Ministry made budgetary provision of only ₹ 0.51 crore during period 2013-17 and incurred expenditure of ₹ 0.13 crore on this component of costs.

#### **8.1.4 Institutional Framework for project**

Strong institutional framework and independent policy making structures were necessary for taking quick decisions and asserting necessary strategic control over assets like software application, databases and core infrastructure.

#### **8.1.4.1 Project Implementation Committee (PIC)**

In order to ensure independence of the PIC, its composition, financial powers, powers to engage human resources from within government and outside government were envisaged in the DPR. Audit observed the following:

- Despite need for quarterly meetings to provide necessary guidance and timely decisions, PIC met only five times during the crucial period of implementation from December 2013 to March 2017. There was gap of about one year between two meetings in the initial two years after approval of project. Due to the low frequency of meetings, the project was deprived of policy guidance and strategic control and necessary institutional framework for implementation could not be built.
- Initially, PIC included representatives of Planning Commission and the Comptroller and Auditor General of India. Considering the importance of an independent project implementation team with representation of different wings of Government, DPR recommended continuation of this structure under chairmanship of the Controller General of Accounts with two members from Planning Commission and a member from Office of Comptroller and Auditor General of India besides members from Ministry of Finance. However, composition of PIC was changed in January 2016 to include only members from the Ministry of Finance (Implementing agency) and Director General (NIC), the technology implementation partner. The change in composition prevented the PIC from having the benefit of inputs from experts in related fields to guide various aspects of implementation of project of this scale and expanse.
- PIC had the full powers of competent financial authority and proposals of expenditure in excess of the powers delegated to HoD were required to be submitted to PIC for approval. However, these powers were re-delegated (June 2014) and proposals required to be routed through Financial Resources division of Planning Commission for approval of Additional CGA (PFMS) without any mention of role of PIC. This function is now being directly performed by the Department of Expenditure, Ministry of Finance.

The role of PIC as an independent authority responsible for effective and timely implementation of PFMS in project mode is thus neither clearly laid out nor made functional.



#### **8.1.4.2 Technology Strategic Control Group**

A Technology Strategic Control Group was envisaged in the DPR as a sub-group of CPMU to enable control over the outcome, make changes and provide the capability of exit management related to technology component of PFMS. The Group was to be tasked with ensuring that the government has complete control over the strategic assets like software application, database and core infrastructure, achievement of outcomes, adherence to standards for database management and security, proper change management hierarchy, controls over intellectual property and regular monitoring.

Audit noted that the Strategic Group on Technology was not formed for PFMS in the manner envisaged in DPR. As such, the system is functioning without the necessary technology framework to address the above tasks and associated risks.

Ministry stated that a Core Technology Group (CTG) with external experts was created in November 2016 to support existing technical team of PFMS in setting up robust, reliable and sustainable software application and database. Members of CTG included members from the Reserve Bank of India, the State Bank of India and technical experts from Microsoft besides senior officers from CGA and NIC. Audit observed that the terms of reference, objectives, composition and tasks of the CTG differed considerably from the recommendations contained in the DPR for Technology Strategy Control Group. Besides, only one meeting of CTG had been organised (December 2016) till date.

It was also noted in audit that no standard contract templates for vendors of services and equipment for PFMS were available for hardware/software contracts nor were there any policies/standards/guidelines for prescribing minimum hardware capability, recommended operating software or database solutions for systems being deployed for PFMS. There were also no specific guidelines for access management or change management for functionaries having access/rights to authorise access to staff/officers/ individual contractors/ consultants/outsourced service providers. Hence, risks of unauthorised access, acquisition of components not having required capability, purchase of non-compatible software and difficulties in completion of work due to vendor exit exist that remained unaddressed.

#### **8.1.5 Effectiveness of PFMS as a MIS/DSS in implemented schemes**

PFMS was envisaged as an all-encompassing system to provide MIS/DSS information related to all schemes in a transparent manner. Direct Benefit Transfer (DBT) was started on 1st January 2013 with the aim of transfer of

subsidies and distribution of funds sponsored by Government of India directly to the people through their bank accounts. Ministry of Finance through a circular (December 2014) made it mandatory for all Ministries to ensure that all electronic files should be processed through PFMS to make Direct Benefit Transfer (DBT) payments after 1 April 2015. This aspect of PFMS was studied in audit to assess the effectiveness of PFMS as a transparent method of data reporting and its functioning as a meaningful tool for scheme related MIS/DSS.

### Status of coverage of DBT schemes by PFMS

The process of implementation of DBT using PFMS is as follows:

- Ministry/Department/State Department/Implementing Agency is responsible for identification of beneficiaries, creation of data of beneficiaries with *Aadhar* seeding and beneficiary account mapping. Ministry/Department/State Department/Implementing Agency are also required to register in PFMS and create departmental users.
- Beneficiary Data is transferred to PFMS which validates beneficiary data and bank accounts by verifying credentials through banks and the National Payments Corporation of India (NPCI)<sup>4</sup>. Thereafter, PFMS receives approved and digitally signed files from respective ministries for payment and enables transfer of benefit to beneficiary account using sponsor bank of Ministry/Department.

DBT Mission lists a total 323 DBT eligible schemes of 51 ministries involving cash transfer. Out of these, 140 schemes were on-board DBT method of benefit transfer for the year 2016-17. Audit scrutiny (October 2017) of DBT related schemes in PFMS revealed that transactions of only 89 DBT schemes were covered by PFMS in 2016-17.

DBT mission lists LPG subsidy scheme *PAHAL* which involves payment of about ₹ 52,076.85 crore (31 March 2017) and accounts for about 53 *per cent* of all DBT beneficiaries and 28 *per cent* of total DBT payments. Audit observed that this system is not yet linked to PFMS for daily update of information. Hence, PFMS could not be used for providing MIS information related to this scheme.

Year to year progress of coverage of DBT schemes in PFMS is as detailed in **Table No. 9** below:

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<sup>4</sup> National Payments Corporation of India (NPCI), is created under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.

**Table No. 9: Progress of coverage of DBT schemes in PFMS**

Year	DBT on-board schemes (DBT Mission)	Schemes covered by PFMS
2014-15	34	25
2015-16	59	46
2016-17	140	89

Audit noted that in the absence of full coverage of all the DBT schemes by PFMS, the stated objectives of PFMS for monitoring fund flow enabling timely and tacit transfer of funds and ensuring transparent reporting in these schemes could not be ensured.

Considering its major share in overall DBT beneficiaries and fund disbursement, data of PFMS related to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was examined to assess coverage in this scheme and utility of information gathered in PFMS as MIS/DSS. Analysis of MIS reports related to coverage of PFMS in MGNREGA revealed overall transactions and amount paid using PFMS as given in **Table No. 10** below:

**Table No. 10: Overall transactions and amount paid using PFMS in MGNREGA**

(₹ in crore)

Financial Year	DBT-MGNREGA	
	Total Transactions	Total Amount Paid
2014-2015	0.04	67.79
2015-2016	25.54	30,911.36
2016-2017	35.36	46,891.90
2017-2018	31.13	39,661.22

It was observed that website [dbtbharat.gov.in](http://dbtbharat.gov.in) of DBT mission is regularly publishing data of DBT beneficiaries, transactions and funds transferred under DBT schemes including MGNREGA. Moreover, Ministry of Rural Development (MoRD) publishes MIS data related to this scheme on its website <http://www.nrega.nic.in>. The objectives of information disclosure and key parameters of reporting viz. beneficiaries, transactions and funds transferred are the same for PFMS and these sources.

However, there is no mechanism of data exchange between these sources and PFMS for transparent mapping of all beneficiaries and coverage under PFMS. Besides, financial information in accounts being reported by PFMS and MIS figures being reported in DBT Mission and MoRD could not be compared to get a transparent picture of progress of these schemes in PFMS. On specific query about extent of integration of NREGASoft (Software for MGNREGA) and PFMS to ensure accuracy of data disclosure in public domain, Ministry stated

that data of successful payments is pushed back to NREGASoft for reconciliation of payments at the end of Ministry administering the schemes. However, no method for transparent mapping of all reports was available.

PFMS therefore did not provide an independent cross platform comparison of scheme related reported under PFMS and scheme MIS of Ministries (October 2017). The current status of PFMS data could not provide comprehensive, transparent, objective oriented information as envisaged by the Government and it could not subsume scheme specific MIS/DSS as planned.

### 8.1.6 PFMS Cost Benefit Analysis

While projecting the usefulness of PFMS, it was mentioned that prevention of float<sup>5</sup> of funds in the scheme implementation hierarchy could result in savings of interest costs to the tune of ₹ 8,363 crore. Ministry had reiterated in the EFC note presented for extension of PFMS beyond 2017 (December 2016) that approximately ₹ 10,000 crore savings on interest could be achieved through implementation of PFMS.

Audit noticed that no study to assess actual fund flow, funds remaining idle in hierarchy, actual float of fund prevented and interest savings considering period of float and prevailing rates of interest was conducted for any of the schemes where PFMS is being implemented. Hence, it was not possible to assess the effectiveness of PFMS in respect of its objective of preventing fund float and reducing interest burden.

PFMS was envisaged as SAS (Software as Service) expected to reduce requirement of hardware/software/maintenance to run various independent systems at different offices and for schemes specific MIS. It was projected that savings of about ₹ 1,900 crore could be achieved after doing away with needs of scheme-specific MIS for physical and financial monitoring.

Audit noted that no study had been conducted to identify areas of work at different offices that would be rendered redundant after implementation of PFMS. No work-study to reassess staff requirements and costs rationalization after implementation of PFMS had been conducted. This may lead to duplication of work in accounting offices and scheme related MIS/DSS where functionality has been taken over by PFMS.

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<sup>5</sup> In the absence of 'just-in-time' fund allocation, funds are transferred to implementing agencies (IA) at the time of allocation of budget. These funds remain idle with agencies until final expenditure is made. This is fund float. Central government, however, continues to resort to short term borrowing of funds for day to day expenditure and incur interest expenditure. Just in time release of fund could prevent these interest costs.

### **8.1.7 Conclusion**

Review of the implementation strategy of PFMS during 2014-17 revealed that PFMS had not adhered to timelines on almost all the parameters of project implementation and is not yet ready to deliver on any of its stated objectives. Pace of physical and financial progress remained slow during this period and the implementation strategy lacked necessary coherence with planned course of project implementation. Robust institutional framework to plan and monitor expenditure, human resource deployment and manage risks in technology development could not be build up to implement the project in the structured manner as envisaged even in extended period.

The matter was referred to the Ministry in November 2017; its reply was awaited as of December 2017.

## CHAPTER IX : MINISTRY OF HEALTH AND FAMILY WELFARE

### International Institute for Population Sciences (IIPS), Mumbai

#### 9.1 Irregularities in award of contracts

**The tender evaluation committee for procurement of human resource service irregularly disqualified two bidders in contravention of procurement policy of the Government thereby vitiating the procurement process and defeating the objective of the policy. In another case, deviation from the evaluation criteria stipulated in bid document led the work being awarded to second ranked agency resulting in additional expenditure of ₹ 2.42 crore.**

The International Institute for Population Sciences, Mumbai (IIPS), was established in July 1956 to serve as the regional institute of training and research in population studies for countries in the Asia and Pacific region. IIPS also conducts a large number of research projects, undertakes evaluative studies and large-scale surveys. A test check of contracts entered into by the Institute revealed the following:

#### A. Irregular disqualification of bidders

The Ministry of Micro, Small and Medium Enterprises issued a public procurement policy<sup>1</sup> which *inter alia* stated that micro and small enterprises registered with the National Small Industries Corporation (NSIC) shall be facilitated by providing them tender sets free of cost and exemption from payment of Earnest Money Deposit (EMD). Further, Rule 157 (i) of GFR, 2005, provides that Bid Security, also known as Earnest Money, is to be obtained from the bidders except those who are registered with the Central Purchase Organization, National Small Industries Corporation (NSIC) or the concerned Ministry or Department.

IIPS invited tender for providing Human Resources Services in September 2016. In response, offers were received from five firms of which two bidders submitted NSIC certificate for exemption. Technical bids were opened in October 2016 by a committee who disqualified these two bidders on the ground that they had not paid EMD and tender fees though they had submitted NSIC certificate for exemption of the same. Thereafter, the financial bid of the remaining three bidders were opened in November 2016 and the work was awarded to the lowest bidder.

<sup>1</sup> Notification No. 503 dated 26 March 2012.

IIPS stated (November 2017) that the two bidders were rejected owing to several factors such as non-payment of tender fees, non-submission of audited account statement, satisfied client certificate and registration certificate. Further both the agencies had not objected to the decision of IIPS.

The reply is not tenable as both the bidders were MSMEs who were exempted from payment of tender fee and EMD in terms of the procurement policy and GFR mentioned above. Further, the contention that agencies had not objected for disqualifying them is not correct since one firm had represented for disqualification due to non-acceptance of NSIC certificate which was not considered by the Institute (December 2016). Thus, disqualification of the bidders in contravention of the extant policy was not only irregular but it limited the vendor field and provided no assurance that the Institute was able to obtain the most competitive price for the contracted services.

## **B. Irregular selection of field agencies**

IIPS was entrusted with inviting tenders and technical and financial evaluation of bids for selection of field agencies for conducting the National Family Health Survey-4 (NFHS-4). Rule 160 of GFR 2005, stipulates *inter alia* that all government purchases should be made in a transparent, competitive and fair manner and that the bid document should be self-contained and comprehensive without any ambiguities with the criteria/factors for evaluation of bids and criteria for awarding the contract to responsive lowest bidder being clearly indicated. The bids should be evaluated in terms of the conditions already incorporated in the bidding documents and no new condition which was not incorporated in bidding documents should be brought in for evaluation of the bids. The contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract as per the terms and conditions of the bid document.

As per the bid document of NFHS-4, bids were to be evaluated on the basis of Combined Quality cum Cost Based Selection (CQCCBS) criteria wherein weightage for technical and financial proposal was *75 per cent* and *25 per cent*, respectively.

Scrutiny of records revealed that Ministry of Health and Family Welfare (MoHFW) awarded (June 2014) the survey work to two field agencies that were ranked second in the evaluation statement for the states of Assam and Manipur instead of to the first ranked field agency. The additional expenditure that was incurred in awarding the work to the second ranked field agency worked out to ₹ 2.42 crore as of March 2017 as detailed in **Table No. 1** below:

**Table No. 1: Additional expenditure that was incurred in awarding the work**

State	Bidder selected			No. of HH <sup>2</sup>	Total cost (₹ in lakhs) (4 x 5)	Bidder ranked first		Total cost (₹ in lakh) (5 x 8)	Differential cost (₹ in lakh) (6 - 9)
	Score <sup>3</sup>	Rank	Rate quoted (₹)			Score	Rate (₹)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Assam	87.00	2	1,854	23,220	430.50	87.30	1,371	318.35	112.15
Manipur	85.40	2	2,615	11,180	292.36	85.50	1,458	163.00	129.36
<b>Total</b>								<b>481.35</b>	<b>241.51</b>

IIPS stated (November 2017) that the Project Management Committee (PMC) was of the opinion that the quoted prices of the first rank agency were too low (20 per cent lower than the minimum estimated price for hilly areas) and it would not be viable for the agency to deliver the outputs without compromising on the quality. Therefore, the PMC allocated the survey work of Assam and Manipur to second ranked field agency.

The reply is not tenable since the bids were to be evaluated strictly in accordance to the evaluation criteria stipulated in the bid document and there was no leeway for deviation therefrom. Exercise of discretion deviating from the express criteria in the bid document undermined the principle of transparency and fairness and was in violation of the GFRs cited above.

The matter was reported to the Ministry in September 2017; its reply was awaited as of December 2017.

### Indian Council of Medical Research

#### 9.2 Improper procurement planning resulting in idle equipment

**Improper planning in procurement of equipment by National Institute of Nutrition as well as failure to enforce performance on terms of supply order by supplier resulted in equipment worth ₹ 1.52 crore lying idle and equipment worth ₹ 2.13 crore not being put to optimal use for more than five years.**

Automated Protein Digester (APD) and Robotic Spot Picker (RSP) work in conjunction to generate digested sample which is analysed by a Matrix Assisted Laser Desorption/Ionization-Time of Flight (MALDI-ToF) machine. These three equipment together constitute the Proteomics System.

The National Institute of Nutrition (NIN), Hyderabad, a unit of the Indian Council of Medical Research (ICMR), New Delhi, proposed (August 2007) the procurement of APD and RSP. However, ICMR approved (July 2008) procurement of only the APD due to constraint of funds. The APD was

<sup>2</sup> Households.

<sup>3</sup> Score is determined on the basis of points allotted to the bidder in technical and financial evaluations.



subsequently procured in April 2009 at a cost of ₹ 95.07 lakh and installed in October 2009.

Subsequently in February 2011, the Technical Committee of ICMR approved the procurement of the RSP and supply order was placed by NIN in March 2011 on a foreign supplier for US\$ 1,14,438.52 (₹ 56.55 lakh<sup>4</sup>). The terms of the supply order stipulated that the Indian agent of the foreign supplier had to submit a bank guarantee for 10 *per cent* of CIF<sup>5</sup> value (₹ 5.27 lakh appx.) of the equipment as performance guarantee from the date of proper installation which will be retained by ICMR till the end of warranty period i.e. three years. The supplier was to provide preventive maintenance visits and breakdown visits as and when required. Further, the supplier also agreed to pay 0.1 *per cent* of FOB<sup>6</sup> (₹ 0.052 lakh appx.) as penalty per week till the warranty period, if the instrument remains in non-working condition for more than 18 days.

The RSP was delivered in September 2011 but the installation and technical demonstration of the equipment could be done only in October 2013 due to non-availability of technically skilled personnel with the Indian agent of the supplier. During installation, the technical personnel of the supplier found that the Printed Circuit Board (PCB) of the equipment was defective and needed replacement. The supplier replaced the PCB in November 2016 i.e. after three years from the date of installation. However, the application demonstration of the equipment was yet to be completed by the supplier (October 2017).

Audit observed the following:

- (i) Even though NIN was aware of the fact that RSP and APD were inter-dependent and both were necessary for the optimal use of the MALDI-ToF, NIN failed to explore the possibility of re-prioritisation of procurement proposals and re-allocation of funds to enable procurement of both APD and RSP together. Funds were available with ICMR since the Technical Committee of ICMR approved (March 2009) procurement of another eight machines worth ₹ 6.08 crore for NIN.
- (ii) Though the supplier did not install the RSP for two years after delivery, failed to provide the bank guarantee, took further three years to replace the faulty part (PCB) and had even yet to complete the application demo, NIN did not invoke the penalty or performance guarantee as per the terms and conditions of the supply order. The penalty to be levied on the supplier as the equipment remained in non-working condition since delivery amounts to ₹ 16.67 lakh<sup>7</sup>.

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<sup>4</sup> Landed cost - ₹ 56,54,893 = ₹ 52,75,616 (US\$ 1,14,438.52 \* ₹ 46.10 (as of August 2011) plus ₹ 3,79,277 (Duties and Other expenses).

<sup>5</sup> Carriage Insurance and Freight.

<sup>6</sup> Free on Board.

<sup>7</sup> Penalty = ₹ 16,67,095 {0.1 *per cent* of ₹ 52,75,616 \* 316 weeks (24 September 2011 to 31 October 2017)}.

(iii) Failure of NIN to get RSP functional resulted not only in idling of APD but also impacted the working of MALDI-TOF that had been installed in December 2011 at a cost of ₹ 2.13 crore. MALDI-TOF was to analyse 1000-2000 samples per year with less manual intervention. The RSP and APD were meant to reduce manual procedures for analysis of large number of samples. Due to non-integration of these two equipment with MALDI-TOF, it could analyse only 200 samples until September 2017 apart from its utilization for conducting trainings and workshops.

NIN stated (June 2017) that the supplier is organizing the application demo of RSP apart from giving the bank guarantee and extending the warranty.

Thus, inadequate procurement planning and non-synchronization of procurement of APD and RSP by NIN coupled with failure to invoke terms of supply order to enforce performance by the supplier resulted in the equipment (RSP & APD) procured at a cost of ₹ 1.52 crore remaining unusable and sub-optimal utilization MALDI-ToF procured at a cost of ₹ 2.13 crore.

The instances of idle equipment mentioned in this audit observation are those which came to the notice of audit during the test check of records of NIN and do not exclude the risk of similar other instances. Ministry may thus review the utilisation of assets in all autonomous bodies under their control to obviate the possibility of similar cases.

The matter was reported to the Ministry in (May 2017); its reply was awaited as of December 2017.

### **9.3 Procurement and maintenance of Equipment in Post Graduate Institute of Medical Education and Research, Chandigarh**

**The Institute lacked an established procedure in the form of a Procurement Manual that could ensure effective procurement management and timely acquisitions of equipment based on a holistic and systematic assessment of requirements. This resulted in procurements being made on an ad hoc basis, rush of expenditure towards the end of the financial year and delays in progressing of procurement cases. The Institute also failed to effectively invoke contractual remedies available to it where the supplier did not fulfil their contractual obligations with delay in levy of penalty amounting to ₹ 72.77 lakh for delay in supply or installation of equipment and incorrect calculation of downtime and non-recovery of penalty of about ₹ 1.46 crore for excess downtime with reference to the contractual terms. This undermined both the deterrent effect of the penal provisions as well as the Institute's ability to enforce due performance of the contract by the suppliers.**

#### **9.3.1 Introduction**

The Post Graduate Institute of Medical Education & Research (Institute), Chandigarh, was established through an Act of Parliament (51 of 1966) with the primary objective of promoting post-graduate medical education to meet the

country's needs for specialists and medical teachers. Fulfilment of this objective requires, *inter alia*, the creation of requisite infrastructure and facilities as well as timely procurement and installation of various equipment necessary to impart quality medical education and patient care. The Institute is under the administrative control of the Union Ministry of Health and Family Welfare.

An audit was undertaken of the procurement of equipment by the Institute to assess whether the equipment were being procured based on assessed requirements and in accordance with the General Financial Rules (GFR). The audit covered a period of five years from 2012-13 to 2016-2017. Audit selected 81 out of 491 cases of procurement costing above ₹ 10 lakh for detailed scrutiny. Further, 11 out of 49 departments were selected on random basis for detailed audit relating to operation and maintenance of equipment.

### 9.3.2 Budget Allocation and Expenditure

The Institute receives Plan Grants from the Ministry of Health and Family Welfare (MoH&FW) for purchase of equipment and creation of other assets. The budget allocation under Plan Grant *vis-a-vis* actual expenditure during the audit period 2012-17 was as detailed in **Table No. 2** below:

**Table No. 2: Budget Allocation vis-a-vis Actual Expenditure (2012-17)**

(₹ in crore)

Year	Opening Balance	Budget Allotment	Total	Expenditure	Saving (+)/ Excess (-)
2012-13	42.77	118.23	161.00	158.10	(+) 2.90
2013-14	2.90	150.00	152.90	153.58	(-) 0.68
2014-15	Nil	135.00	135.00	135.45	(-) 0.45
2015-16	Nil	125.00	125.00	125.14	(-) 0.14
2016-17	Nil	168.00	168.00	135.40	(+) 32.60

### 9.3.3 Financial Management

Rule 56 (3) of the General Financial Rules (GFR), 2005, states that rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and should be avoided. Further, as per the Compendium of Instructions issued from time to time by the Ministry of Finance, Government of India, expenditure both under the plan as well as non-plan heads in the last quarter of the financial year should be restricted to the 33 *per cent* of the total budget and to 15 *per cent* in the last month i.e. March.

Test check of supply orders above ₹ five lakh revealed that the Institute issued 41 *per cent* to 80 *per cent* of the total supply orders for equipment in the month of March during the period 2012-17. Further, the Institute booked 80 *per cent* of the amount of the supply orders as expenditure immediately resulting in heavy outgo of expenditure at fag end of the financial year as given in **Table No. 3** below:

Table No. 3: Expenditure at fag end of the financial year

(₹ in crore)

Sl. No.	Year	Total Number of Purchase Orders issued vis-s-vis value during a Financial Year							
		During the year		During April to Feb of F.Y.			During month of March		
		Number of POs	Value of POs	Number of POs	Value of POs	% age	Number of POs	Value of POs	% age
1.	2012-13	160	113.72	94	66.55	59%	66	47.17	41
2.	2013-14	193	124.40	82	28.43	23%	111	95.97	77
3.	2014-15	186	89.55	63	24.59	27%	123	64.96	73
4.	2015-16	144	80.77	66	15.54	20%	78	65.23	80
5.	2016-17	134	72.82	56	18.87	26%	78	53.95	74
<b>Total</b>		<b>481.26</b>	<b>153.98</b>					<b>327.28</b>	

Ministry stated (September 2017) that although the purchase cases had been initiated well in time, the expenditure could not be incurred without the concurrence of the Institute Purchase Committee (for purchases from ₹ five lakh to ₹ 25 lakh) and the Standing Purchase Committee (for cases above ₹ 25 lakh). Generally, the meetings of the Standing Purchase Committee was conducted on not more than two or three occasions in a year and the majority of the meetings held were in the last two quarters of the financial year. Hence, expenditure could be incurred only at the end of the financial year. Ministry however added that the Institute was taking corrective action by conducting the meetings more frequently so that expenditure could be made evenly throughout the year.

Audit observed that the Institute could have scheduled the meetings well in time to prevent rush of expenditure during March. Further, substantial funds were in fact available in the first three quarters itself in four out of the five years covered during the audit viz. 100 per cent, 84 per cent, 96 per cent and 81 per cent in the years 2013-14, 2014-15, 2015-16 and 2016-17 respectively. Thus, the requisite funds were available with the Institute for better planning of the procurement process.

#### 9.3.4 Absence of established procedure or mechanism for procurements

Timely procurement and maintenance of medical equipment is a vital pre-requisite for efficient functioning of the Institute and delivery of medical services. Towards this end, it is essential to have uniform and well documented policy/guidelines in place.

##### 9.3.4.1 Lack of Purchase Manual

As per extant practice in the Institute, after receipt of sanction letter regarding allocation of funds, the user department frames the technical specifications and sends the proposal to the Procurement Branch for further processing. The Procurement Branch thereafter submits the proposal to the concerned Core Technical Committee (CTC) for approval of the technical specifications. After

approval, tenders are floated with due date of minimum 21 days from the Notice Inviting Tenders (NIT). After opening of the tender, the proposal is sent to the concerned departments for preparation of technical bid evaluation statement. This Statement is then placed before the concerned CTC for approval. After approval of the technical bids, price bids are opened by the Procurement Branch which are then sent to the concerned Department for drafting price bid evaluation statement. Price bid evaluation statements are again placed before respective CTC for approval of lowest bid. Thereafter, case is sent to Accounts Branch for financial clearance. Once cleared, the case then is placed before the competent Purchase Committee.

However, the Institute had no purchase/procurement manual that could guide procurement actions within given time frames and ensure effective contract formulation and consistent implementation. The Institute had got prepared a purchase/procurement manual through the Institute of Public Auditors of India, Chandigarh, in 2009 but it had yet to be approved by the Ministry.

Ministry stated (September 2017) that though the draft Purchase Manual was not approved yet, the Institute was following the GFRs in procurement cases. The Institute added (October 2017) that the Ministry had also opined that there was a need to constitute a committee to prepare an uniform Purchase Manual for all the three Autonomous Institutes i.e. AIIMS New Delhi, PGIMER Chandigarh and JIPMER Pondicherry.

Audit noted that no such committee had been formed to draft a uniform purchase manual for all the three Institutes so far (October 2017).

#### **9.3.4.2 Lack of systemic assessment of requirements**

Meeting the multifarious requirement of an Institute of this size and complexity requires planning and prioritization of procurements so as to ensure optimal utilization of available resources. As per the DGHS Manual (Hospitals), each hospital should prepare a prospective master plan, broken into phases, which should *inter-alia* include department level requirement of equipment. Annual plans prepared by the hospital should be based on the master plan.

Audit noticed that a comprehensive plan for procurement of equipment was not prepared either centrally at the Institute level or at the Department level and procurements were based on indent/requirements received from Departments on ad-hoc case-to-case basis. There was no prioritization of procurement or holistic assessment of overall requirement that could provide assurance that the needs of the Institute were being met in a systematic and optimal manner.

### **9.3.4.3 Lack of monitoring and information systems for efficient procurements**

The Institute entered into an agreement with M/s Centre for Development of Advanced Computing (C-DAC) in March 2007 for a Hospital Information System that included a procurement module. The project was to be implemented in three phases<sup>8</sup> which were scheduled for completion by April, 2008, October, 2008 and March, 2009 respectively at a total cost of ₹ 20.21 crore. Phase-I included the procurement module. Phase-I of the project was however only partially completed as of September 2015 after a delay of more than seven years from the scheduled completion in April 2008.

Institute stated (October 2017) that phase-I was completed in September 2015 and that Procurement Branch had conducted the trial run of the procurement module.

Audit observed that it had been brought out in the trial run that the procurement module had failed and that it would become functional only after the system starts from the base point i.e. the Central Store. Completion of the computerisation of procurement process could have facilitated streamlining the purchase processes and avoiding delay in various stages of procurement and tracking of procurement proposals.

### **9.3.5 Delay in processing of procurement proposals**

The lack of established and clear guidelines as well as inadequate monitoring systems contributed to delay in processing of procurement proposals. The Institute stipulated that technical specifications were to be submitted by the concerned departments to the procurement branch within a period of two months and that the entire process of purchase of equipment should be completed within a period of four months. However, there was no clarity as to whether the four months for the entire purchase process to be completed was to be reckoned from the date of financial sanction or receipt of technical specification from the Department.

Audit evaluated the purchase process based on the criteria of four months' duration from the receipt of indent with technical specification from respective departments in the procurement branch. Based on this yardstick, Audit noted delays ranging from one month to over four years in 80 out of the 81 cases test

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<sup>8</sup> Phase-I: covered services viz. Patient Registration, Lab services, Patient Billing, Blood Bank, Central patient Enquiry, Procurement System and Online Inventory, Accounts and Administration, Phase-II: covered the services of Hospital Equipment maintenance/ Infrastructure maintenance, Clinical data capture and Phase-III: covered Appointment and Scheduling, Diet and Kitchen, Duty Roster, Central Sterile Supply Department, Support Services.

checked in audit against the time of four months prescribed by Accounts Branch for completing the entire purchase process. The value of the 80 delayed cases was ₹ 136.92 crores.

Ministry stated (September 2017) that tenders were often scrapped due to technical reasons i.e. Earnest Money Deposit (EMD) not being submitted or no bid or only one bid being received or not quoting as per specifications or as per Institute policy. These situations led to re-tendering with consequent delay in getting the equipment.

Audit observed that out of 69 files provided for audit scrutiny, re-tendering occurred only in 28 cases (41 *per cent*) whereas delay in 41 cases (59 *per cent*) was not attributable to re-tendering. The delays were thus largely attributable to administrative laxity in progressing of the procurement proposals and cumbersome procedures which could have been reviewed and streamlined.

### **9.3.6 Poor contract management**

Good procurement management includes ensuring adherence to the terms of the contracts or supply orders entered into relating to their installation and operationalization through effective enforcement of the contractual provisions. Audit noted that the Institute failed to ensure due performance by the suppliers of their obligations under the contracts/supply orders and failed to enforce its terms.

#### **9.3.6.1 Short levy of penalty for delay in supply/installation of equipment**

The terms and conditions of the NIT/supply order stipulate that in case the supplier fails to install the equipment within the specified time schedule, the purchaser had the right to levy penalty @ half *per cent* per week subject to a maximum of 10 *per cent* of the accepted tender value up to 20 weeks. For delay beyond 20 weeks, purchaser may terminate the contract. The standard terms of tender also include submission of performance bonds in the form of bank guarantee which may be invoked in case of failure of the supplier to perform his contractual obligations. The performance bond was 10 *per cent* of the FOB<sup>9</sup> value of the equipment being procured. There are also provisions for recourse to arbitration in case of disputes.

Audit noted delays ranging from one week to over two years in installation of equipment in 58 procurement cases. Of these 58 cases, equipment were installed with delay beyond 20 weeks ranging up to 110 weeks in 17 cases. Penalty in two of these cases amounting to ₹ 64.12 lakh for delay till 20 weeks was yet to be recovered from the suppliers as of October 2017. Of the balance 41 cases where

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<sup>9</sup> Free on Board.

delay was within 20 weeks, penalty was recovered or delay condoned by competent authority in 39 cases while neither delay was condoned nor penalty of ₹ 8.65 lakh levied in the remaining two cases.

Thus, penalty amounting to ₹ 72.77 lakh remained to be recovered from four suppliers for delayed installation of equipment. The Institute also failed to either invoke the performance bond for delay beyond 20 weeks in installation of the equipment or take recourse to other measures to enforce compliance of the contract terms by the supplier.

Institute stated (October 2017) that in three out of the four cases, recovery was to be worked out on receipt of information from the concerned departments while the firm had been asked to deposit the penalty in the remaining case.

### **9.3.6.2 Incorrect calculation of down time**

The contract/supply orders provided for a guarantee/warranty period effective from date of installation that was to be followed by Annual Maintenance Contract (AMC)/Comprehensive Maintenance Contract (CMC) for 2/5 years after expiry of warranty/extended warranty period. Further, the supplier was contractually obligated to ensure an uptime<sup>10</sup> of 95 *per cent* during the warranty period as well as during the service contract period i.e. the equipment and the accessories will be maintained in good working condition for a minimum period of 347 days in a year. If the machine is out of order for more than five hours during a day, it shall be considered as one day down time. If the downtime period exceeds 18 days (five *per cent*) in a year, a penalty as stipulated in the contract will be imposed. Further, warranty/guarantee period will be extended by the days for which the downtime during warranty/guarantee period exceed the permissible downtime period (18 days) in year.

Scrutiny of log books of a CT Scan Machine installed in the Department of Radiology in December 2011 revealed that the total downtime period of the machine was 157 days during its warranty period. Hence, the warranty period of the equipment was to be extended by 83 days. However, the warranty of the machine was extended by only 36 days i.e. short by 47 days. Moreover, this was not taken into account while releasing payment for the first quarterly CMC bill of the equipment covering the extended warranty period resulting in excess payment of ₹ 4.23 lakh to the supplier. Similarly, warranty of three other machines was extended by 108, 148 and 16 days respectively which was short by 52, 54 and 47 days respectively with reference to their downtimes during their

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<sup>10</sup> Uptime refers the time when the equipment remains in working order.



warranty periods. However, payment of the maintenance bills was not made by the department till date (October, 2017) as these cases were under review by a special committee of the Institute.

The department replied that downtime has been calculated as per clause 12.1 of the contract agreement wherein five days are allowed for putting the unit in working order. The reply is not tenable since clause 12.1 of the contract stipulates that the five days will be allowed only to procure spares where they had to be imported whereas the allowance of five days was being permitted routinely in every instance. The CT Scan Machine had broken down 37 times in five years and the Institute reduced the down time period by five days on all 37 occasions. Moreover, the Institute could not furnish any document in support of import of spare parts even in a single case. The Institute followed the same practice of short extension of warranty periods for the other three equipment also.

### **9.3.6.3 Non recovery of penalty for downtime period**

Test check of log book of equipment maintained by the Department of 'Radio-diagnosis and Imaging' during 2012-17 revealed that the down time period recorded for 21 equipment<sup>11</sup> was beyond the permissible limit by three days to over eight months. Accordingly, penalty amounting to ₹ 2.10 crore was leviable/recoverable from suppliers out of which only ₹ 9.34 lakh had been recovered leaving a recoverable balance of over ₹ two crore.

Audit also noticed cuttings and tampering in the log books whereby days initially marked as 'Not working' were subsequently shown as 'working'. In some cases, tampering in the timings of repair of equipment were also noticed thereby reducing the down time period of that particular equipment. Further, the cutting and tampering were not attested by any officer/authority which clearly left scope for manipulation. Hence, Audit could gain no assurance as to the credibility or validity of the changes made.

The Institute stated (August and September 2017) that (i) the department had imposed a penalty of ₹ 1.17 crore in 11 out of 21 cases out of which ₹ 9.34 lakh had been recovered, (ii) downtime period would be calculated after expiry of guarantee/warranty period in respect of eight cases, and (iii) in respect of one equipment, penalty would be calculated after submission of Bill while in another equipment penalty was calculated as 'nil'.

Audit noted that against an amount of ₹ 1.17 crore calculated by the Institute in 11 cases, the penalty worked out to ₹ 1.55 crore as per the entries in log

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<sup>11</sup> Equipment namely various types of Ultrasound machines, X-Ray machines, MRI machine, CT scanner, Angio- Simulator machines etc.

books without considering the unattested cutting/tampering and as per the contract provisions for calculation of down time.

#### **9.3.6.4 Non-maintenance of proper record of log books of equipment**

AMC/CMC of equipment becomes effective automatically after expiry of the guarantee period or extended warranty period and payment would be released to the firm in four equal instalments after verification of all service reports and downtime period of equipment in excess of the permissible period of 18 days in a year.

Test check of record of 10 departments<sup>12</sup> revealed that departments did not maintain the log book in the prescribed format and details of down time and repairs were recorded without time and date. In absence of such details, neither the downtime nor the penalty due to breakdown of the equipment could be accurately calculated. However, CMC bills of above departments amounting to ₹ 4.33 crore were verified by the respective departments without calculating the downtime periods of the equipment and full payments released to the suppliers.

#### **9.3.7 Conclusion**

The Institute lacked an established and approved procedure and mechanism that could ensure effective procurement management and timely acquisitions as well as optimal utilisation of resources in a planned manner. This was reflected in procurements on essentially ad-hoc basis in the absence of any comprehensive plan, the rush of expenditure at the fag end of the financial year and delays in progressing of procurement cases. The Institute also failed to invoke the contractual remedies where the suppliers did not fulfil their contractual obligations thereby undermining the deterrent effect of penal provisions in the contract and compromising its ability to enforce contractual terms relating to delivery and operationalization of equipment. Delayed installation of equipment would evidently have an adverse impact on the delivery of patient care as well as conduct of medical courses.

### **Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry**

#### **9.4 Failure to claim refund of customs duty exemption availed by the firm**

**Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry failed to claim refund of customs duty exemption availed by a firm on imported equipment resulting in loss of ₹ 1.08 crore.**

M/s HLL Lifecare Limited (HLL) was appointed in March 2009 as in-house Consultant by the Ministry of Health and Family Welfare (Ministry) for setting

<sup>12</sup> Advanced Eye Centre, Anaesthesia, Gynaecology, Histopathology, Microbiology, Nephrology, Neuro-Surgery, Orthopaedics, Paediatric Medicine and Urology.

up of a teaching block, a 400 bed women and child hospital, a hostel complex and augmentation of existing Specialties (Project) at Jawaharlal Institute of Post-graduate Medical Education and Research, Puducherry (JIPMER).

In December 2009, JIPMER signed a contract for consultancy service with HLL wherein HLL was required to make payments to the Engineering, Procurement and Construction (EPC) developer and submit adjustment bills to JIPMER for reimbursement. As per Clause 3.4 of the contract, HLL shall be liable to JIPMER for the performance of the services in accordance with provisions of the contract and for any loss suffered by JIPMER as a result of a default of HLL.

In the meanwhile, HLL invited (April 2009) Expression of Interest (EoI) from eligible EPC developers for executing the project on turnkey basis. It subsequently short-listed two firms and issued a Notice Inviting Tender (22 October 2009) to the two short-listed firms.

As per Clause 3.1(d) of the Request for Proposal (RFP) under Section 3 on Tender Prices and Schedule of Payment, the tenderer had to include in its quoted price all taxes (VAT, Service Tax), fees and other levies payable by the tenderer under the contract. JIPMER was to assist the tenderer wherever feasible for getting customs duty exemption. Further, in the Special Conditions of Contract of the RFP, against Item No. 19 in Section III on Special Conditions of Contract, it was notified that for medical equipment, 'the contractor shall submit his prices for equipment as a lumpsum price which is the total of all the equipment prices and the contractor shall bear all charges for the order, purchase, transport, supply, erection and commissioning of the equipment including taxes, duties etc. wherever applicable and the same shall be deemed to have been included in his contract price'. Further, it was clarified<sup>13</sup> to the bidders in the pre-bid meeting (November 2009) that prices should include customs duty and in case of any exemption, such amount shall be credited to JIPMER.

HLL awarded (March 2010) the Project to one of the short-listed firms and entered (March 2010) into an agreement, for and on behalf of JIPMER, for execution of the Project which included, *inter alia*, procurement, installation and commissioning of medical equipment.

JIPMER issued (April 2011) 175 numbers of N.M.I & C.D.E Certificates<sup>14</sup> to the firm to avail customs duty exemption as JIPMER fell under category (f) (1) of the condition 77 of Ministry of Finance (Department of Revenue)

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<sup>13</sup> Clarification (No. 10) on RFP furnished to a query raised by one of the firms on whether quoted rates should include customs duty or not.

<sup>14</sup> Not Manufactured in India & Customs Duty Exemption Certificates.

Notification No. 21/2002-Cus. dated 1 March 2002. Based on these certificates, the firm had imported 256 equipment between April 2011 and March 2013.

Audit test checked<sup>15</sup> the customs duty payment in case of 128 out of 256 equipment imported by the firm and noticed that the firm had availed of the customs duty exemption of ₹ 1.08 crore while importing these equipment. However, HLL had not insisted on the refund of customs duty exemption availed of by the firm and failed to pass it on to JIPMER as envisaged under the provisions of the agreement between HLL and JIPMER. Thus, HLL failed to safeguard JIPMER's interest by not claiming refund of ₹ 1.08 crore from the firm for 128 equipment.

Ministry stated (August 2017) that it has been decided by JIPMER to recover the amount from the firm.

### Safdarjung Hospital

#### 9.5 Incorrect pay fixation resulting in excess payment

**Failure of Safdarjung Hospital to ensure that the quantum of Non Practicing Allowance (NPA) used for pay fixation in terms of Rule 7 B of Central Civil Services (Revised Pay) Rules, 2016, did not exceed NPA being paid based on the stipulation that the Basic Pay plus NPA does not exceed ₹ 85,000 resulted in excess payment of Non Practicing Allowance aggregating ₹ 70.85 lakh.**

Rule 7 B of the Central Civil Services (Revised Pay) Rules, 2016, stipulates that in the case of medical officers in respect of whom Non Practicing Allowance (NPA) is admissible, the pay in the revised pay structure shall be fixed by multiplying the existing basic pay by a factor of 2.57 and the figure so arrived at shall be added to by an amount equivalent to Dearness Allowance on the pre-revised NPA admissible as on 1st day of January 2016. The figure so arrived at will be located in that level in the Pay Matrix and if such an identical figure corresponds to any cell in the applicable level of the Pay Matrix, the same shall be the pay, and if no such cell is available in the applicable level, the pay shall be fixed at the immediate next higher cell in that applicable level of the Pay Matrix. The pay so fixed shall be added by the pre-revised NPA admissible on the existing basic pay until further decision on the revised rates of NPA is taken.

As per Department of Expenditure, Ministry of Finance's O.M. dated 30 August 2008, NPA payable was 25 per cent of Basic Pay subject to the condition that the Basic Pay plus NPA does not exceed ₹ 85,000. Hence, the pay fixation

<sup>15</sup> Out of 256 equipment procured by the firm, details of 199 equipment could be extracted from the Dump Data available with Customs Audit Wing and from 199, only 128 equipment could be cross checked with NMI&CDE Certificates issued by JIPMER, installation reports available with JIPMER and list of equipment furnished by the firm.

under Rule 7 B *ibid*, DA as on 1 January 2016 on reduced NPA was to be added in all cases where pre-revised Basic Pay plus NPA exceeded ₹ 85,000. Further, in such cases, the NPA to be paid on the revised Pay fixed as above was also to be restricted to the pre-revised level. The rate of allowances including NPA have however since been revised with effect from 01 July 2017.

Test check of records of Safdarjung Hospital (Hospital) relating to pay fixation of Doctors/Consultants revealed that the condition that the sum of Basic Pay plus NPA should not exceed ₹ 85,000 for calculating NPA and DA thereon was not adhered to. The pay of 52 Doctors/Consultants was fixed by taking NPA at the rate of 25 *per cent* of the pre-revised Basic Pay without restricting NPA with reference to the stipulation that Basic Pay plus NPA should not exceed the ceiling of ₹ 85,000. This resulted both in higher fixation of pay with effect from 1 January 2016 as well as excess payment of NPA aggregating ₹ 70.85 lakh during the period 01 January 2016 to 30 June 2017.

On being pointed out by Audit (August 2017), the Hospital stated (November 2017) that the Pay of the Doctors/Consultants has been re-fixed and recovery has started from September 2017 onwards.

Audit also noticed that there was no internal mechanism for post facto checks of pay fixation thereby entailing a risk of discrepancies remaining undetected for prolonged periods. In this case, the incorrect fixation remained undetected till pointed out by Audit.

The matter was reported to the Ministry in October 2017; its was awaited as of December 2017.

## CHAPTER X : MINISTRY OF HOME AFFAIRS

### Delhi Police

#### 10.1 Delay in commissioning of CCTV surveillance system

**Failure of the Delhi Police and Ministry of Home Affairs to assess and determine technical requirement for CCTV surveillance system in high security areas resulted in a CCTV surveillance project awarded in February 2013 for New Delhi and Central District remaining incomplete as of October 2017 despite an expenditure of ₹ 42.94 crore. Further, the Delhi Police has been incurring a monthly expenditure of ₹ 21.02 lakh on hiring CCTV cameras for these areas.**

In February 2008, Delhi Police (DP) decided to install CCTV Surveillance System across its policing jurisdiction to monitor and resolve crimes and address security challenges. This was to be completed in phases. In October 2008, Ministry of Home Affairs (MHA) nominated M/s Electronics Corporation of India Limited (ECIL) to execute this work. In July 2012, MHA approved the use of 1,888 surplus CCTV cameras and associated equipment left over from the Commonwealth Games 2010 (CWG Items) for CCTV surveillance projects of Delhi Police. The CWG items were in the possession of the Sports Authority of India, Delhi University and Jamia Millia Islamia University and were to be book transferred from the Ministry of Youth Affairs and Sports (MYAS) to DP.

In February 2013, DP awarded a contract to ECIL for ₹ 74.29 crore for the supply, installation, and commissioning of CCTV System in the high security areas under the jurisdiction of six police stations<sup>1</sup> of New Delhi and Central District in which 1,211 CWG cameras and associated systems and equipment<sup>2</sup> valued at ₹ 14.81 crore were to be used. This work, which was to be completed within 150 days of receipt of road cutting permission from civic agencies for the respective sites, remains incomplete as of October 2017 despite an expenditure of ₹ 42.94 crore<sup>3</sup> having been incurred . Audit observed the following:

- (i) ECIL had completed civil and related work and the sites were ready for installation of security equipment by 15 October 2013. MHA had since revised scheduled completion date of project to March 2015. However,

<sup>1</sup> Police stations Chanakyapuri, Parliament Street, Barakhamba Road, Connaught Place, Gole Market-Mandir Marg, and Paharganj.

<sup>2</sup> PTZ Auto dome IP Camera, Fixed IP camera with lens, LCD Monitor, Video Management Professional Work station etc.

<sup>3</sup> ₹ 37.14 crore as advance and ₹ 5.80 crore as reimbursement of road restoration charges.

- the CCTV Surveillance system could not be made operational due to non-receipt of CWG items for three years between July 2012 and June 2015.
- (ii) In June 2015, based on performance and picture quality of 281 CWG cameras already utilised in different sites of projects implemented in other phases, DP concluded that the specifications of cameras used in CWG were such that the basic purpose of identifying an object, person or number plate of a vehicle was not possible under most conditions. Consequently, it was decided not to use these cameras for CCTV sites in areas under the jurisdiction of these six police stations. In November 2015, DP approved updated technical specifications of CCTV cameras. However, the total requirement of these cameras which was raised to 2,727 and techno-commercial offer of ECIL were finalised 20 months later in August 2017 and award of contract to ECIL was pending as of October 2017. Thus, installation and commissioning of a CCTV surveillance system in high security areas for which a contract was awarded in February 2013 could not be completed even after lapse of over four years. This delay could have been avoided had DP determined the technical requirements and carried out an evaluation of the CWG cameras to assess their suitability for their requirement prior to the decision to utilise them for this project.
- (iii) In meantime, DP hired 145 CCTV surveillance cameras for the Central Vista, SP Marg and Parliament House falling under New Delhi District. Had the installation of CCTV cameras been completed timely, the monthly recurring expenditure of ₹ 21.02 lakh on hiring these cameras could have been avoided. The total payment against this ongoing hiring arrangement up to September 2017 alone was ₹ 6.75 crore.

The Ministry stated (October 2017) that installation of the CCTV Surveillance system had been delayed due to non-receipt of CWG items and award of work based on a revised techno-commercial offer, was under process.

Thus, failure of DP to systematically determine and assess its requirements before deciding to utilize a CCTV system which apparently did not meet its requirements resulted in the surveillance project remaining incomplete as of October 2017 despite an expenditure of ₹ 42.94 crore. As a result of delay, Delhi Police has been incurring a monthly expenditure of ₹ 21.02 lakh on hiring CCTV cameras for three areas while other parts of both the districts remained outside the CCTV surveillance system.

## 10.2 Irregular Leave Travel Concession claims

**Employees in some offices of Delhi Police submitted Leave Travel Concession (LTC) claims with inflated air fares in violation of Government orders. These were passed without due scrutiny resulting in irregular reimbursement amounting to ₹ 2.56 crore to 435 employees.**

Rule 21 of the General Financial Rules (GFR) 2005 stipulates that every officer incurring or authorizing expenditure from the public funds should be guided by the highest standards of financial propriety and should enforce financial orders and strict economy. It also states that the amount of allowances granted to meet expenditure should be so regulated that allowances are not on the whole a source of profit to the recipients.

Government of India (GOI) permitted all employees including non-entitled employees to travel by Air India to North East region and by any airline to Jammu and Kashmir (J&K) on Leave Travel Concession (LTC) vide its orders dated 2 May 2008<sup>4</sup> and 18 June 2010<sup>5</sup> respectively, as extended from time to time, subject to conditions contained therein. GOI orders<sup>6</sup> stipulated that air tickets for travel on LTC was to be purchased either directly from the airlines at booking counters/websites of the airlines or by utilizing the services of authorized travel agents *viz.* M/s Balmer Lawrie and Company, M/s Ashoka Travel and Tours and IRCTC.

Audit scrutinized LTC claims of four offices<sup>7</sup> of Delhi Police in respect of 1,196 non-entitled employees<sup>8</sup> who had travelled by air to J&K and the North East region for the block years 2010-13 and 2014-17. Audit could retrieve travel details of 435 of 567 employees who had travelled by one private airline from the website of that private airline. In all these cases, it was found that air tickets had neither been directly purchased from the airline nor from the authorized travel agents. Airfare amounting to ₹ 2.56 crore claimed by these 435 employees (**Annexe-V**) and reimbursed by Delhi Police was also higher than the cost of tickets shown on the website of the airline charged from these employees. These employees had not submitted original tickets of the airline and the air fares claimed appeared to be inflated. However, the claims were allowed by the

<sup>4</sup> For North East: Department of Personnel and Training (DoPT) OM No F. No. 31011/4/2007 Estt. (A) Dated 2<sup>nd</sup> May 2008, 20 April 2010 and 30 April 2012 and OM No. 31011/3/2014-Estt. (A-IV) dated 26 September 2014.

<sup>5</sup> For J&K: DoPT OMs No. 31011/2/2003-Estt.(A-IV) dated 18 June 2010 and 15 June 2012, DoPT OM No. 31011/7/2014-Estt.(A-IV) dated 28 November 2014.

<sup>6</sup> Ministry of Finance OM No 19024/1/2009- E-IV dated 16 September, 2010.

<sup>7</sup> Deputy Commissioners of Police (DCsP), namely Operations and Communications (O&C), Security, West Delhi and Central Delhi.

<sup>8</sup> O&C -390, Security-403, West- 277 and Central – 126.



concerned authorities without exercise of due diligence and without ensuring compliance with the extant instructions.

Audit was not able to retrieve ticket details in respect of the remaining 132 employees who had travelled by the same private airline. Further, travel details of 629 employees who had used other airlines could also not be checked as these were not available on the websites of these airlines.

Ministry/Delhi Police stated (January 2017/ July 2017) that the concerned offices of Delhi Police had commenced recovery and ₹ 1.68 crore has been recovered as of July 2017. One of the offices namely DCP (West Delhi) had taken the position that as the employees had performed the journey, only the excess amount claimed over the actual cost of ticket is irregular.

Audit observed that the audit findings raised issues of gross financial wrong doing as well as integrity on the part of the LTC claimants and negligent scrutiny of claims by the concerned authorities in passing the claims that called for deterrent action to prevent recurrence. However, it has not been intimated if any disciplinary and other action has been initiated against the employees for submitting false and fraudulent claims. Moreover, no steps were initiated to scrutinize the claims of the remaining employees in the four offices for which details could not be obtained by audit and of employees of other offices of Delhi Police who may have similarly availed of LTC during the same period. Further, the position that only the excess amount claimed over the actual cost of ticket being irregular is not valid as the entire reimbursement becomes irregular since the air tickets were bought in an unauthorized manner and claims had been fabricated.

### **10.3 Idling of servers and software and avoidable expenditure on rent of hired servers**

**Failure of Delhi Police to synchronize the purchase of server and software with the procurement of leased internet lines resulted in idling of servers and software for three and half years and avoidable expenditure of ₹ 1.11 crore on hired servers.**

The State Crime Record Bureau (SCRB) of Delhi Police under the Ministry of Home Affairs (MHA) initially hosted the Zonal Integrated Police Network (ZIPNET) for sharing information on missing persons/goods with the neighbouring States and the Online Criminal Dossier System (OCDS) for investigating officers on the server of the National Informatics Centre (NIC). As NIC subsequently shut down Delhi Police applications from their server, Delhi Police decided (May 2009) to host these applications on alternate servers. Two servers (Linux and Windows) were hired (May and December 2009) from a private agency through limited tender on annual rent of ₹ 29.73 lakh plus taxes.

In February 2013, Delhi Police decided to host these two systems on in-house servers in SCRB to save the annual expenditure of ₹ 29.73 lakh on hiring. Accordingly, Delhi Police procured servers and software in May 2013 at a cost of ₹ 1.06 crore (₹ 63.19 lakh for servers and ₹ 42.37 lakh for software) and installed them in July 2013. These in-house servers and software however could not be put to use for over three and half years as tender for procurement of leased internet lines was not finalized.

Audit observed that after deciding in February 2013 to host these two applications on in-house servers, Delhi Police took another eight months to finalise the specifications and sought approval of MHA on 12 November 2013 to invite limited tender. MHA raised several queries on the proposal submitted by Delhi Police on seven occasions encompassing 12 months and finally conveyed administrative approval on 20 May 2015 to finalise contract in open tender after completing all codal formalities. Discrepancies cited by MHA on the proposal of Delhi Police included absence of comprehensive communication plan, unsigned submission of this plan and delay in forwarding the proposal for approval of tender bids. Subsequent proposals of Delhi Police were also not approved by MHA due to the former's failure to adhere to the codal formalities prescribed in the General Financial Rules and incomplete documentation.

Delhi Police could finally order the leased internet lines from MTNL in September 2016 after MHA delegated financial powers to Delhi Police in March 2016 for leasing of lines. The installation work of internet leased lines was completed in March 2017. Delhi Police in the meantime continued to use the servers of the private agency for its web based programmes and incurred an expenditure of ₹ 1.11 crore towards rent on hired servers from August 2013 to March 2017 which was avoidable.

The Ministry (January 2017) stated that the servers were used for intranet applications by using existing cyber highway connectivity and thus were not kept idle. It attributed the delay in procurement of leased internet lines to "unhealthy" competition in the tender process. It added that the migration of Windows server and Linux server applications from rental servers to Data Centre of SCRB has been completed and all the web-sites have been shifted to the servers owned by Delhi Police.

Audit observed that there was undue delay of over three years in leasing of internet lines. The delay was due to failure of Delhi Police to ensure proper documentation and compliance with the GFRs that resulted in the proposals being repeatedly returned by MHA. The reply that the servers were used for intranet applications does not address the issue raised in audit as the servers were meant

for replacing the rental servers but were not used for over three years for want of leased lines.

Thus, failure of Delhi Police to expeditiously progress their proposal for leasing of internet lines in conformity with all codal formalities resulted in avoidable expenditure of ₹ 1.11 crore incurred on hiring of servers from a private party.

## CHAPTER XI : MINISTRY OF HOUSING AND URBAN AFFAIRS

**Office of the Executive Engineer, Bhubaneswar Central Division No. II,  
Central Public Works Department (CPWD), Bhubaneswar**

### 11.1 Avoidable expenditure due to not claiming refund of Service tax

**Central Public Works Department failed to claim refund of service tax within the due date resulting in avoidable expenditure of ₹ 71.80 lakh.**

The Finance Act, 2016 restored exemption from payment of service tax on construction services provided to Government retrospectively and no service tax was thus required to be levied or collected for the period commencing from the 1 April 2015 to 29 February 2016 in respect of construction services provided to government, a local authority or a government authority in respect of construction of government schools, hospitals, etc. The exemption was further extended till 31 March 2020 vide notification No. 9/2016-ST dated 1 March 2016 subject to the condition that the agreement was entered into prior to 1 March 2015. An application for claim of refund of service tax was, however, required to be made within a period of six months from the date on which the Finance Bill 2016 received the assent of the President i.e. 14 May 2016. As such, claims for refund of service tax should have been made before 13 November 2016.

Office of Executive Engineer, Bhubaneswar Central Division No. II, Central Public Works Department (CPWD), entered into contracts with two contractors<sup>1</sup> (June 2014 and August 2014) for construction of school buildings of Kendriya Vidyalaya at Kendrapara and Jajpur. The construction works were completed in November 2016 and December 2016. The contractors claimed reimbursement of service tax of ₹ 71.80 lakh pertaining to the period from June 2015 to August 2016 from CPWD which was reimbursed to them during February 2016 to November 2016.

However, neither the contractors nor the CPWD preferred a claim before the Assistant Commissioner of Central Excise for refund of service tax by the due date prescribed under the rules *ibid* i.e. 13 November 2016. As a result, the client department (Ministry of Human Resource Department) had to bear additional expenditure of ₹ 71.80 lakh towards service tax.

<sup>1</sup> M/s P.K Behura for construction of school building of Kendriya Vidyalaya at Kendrapara, Odisha and M/s RL Singh Engineers & Builders (P) Ltd for construction of school building of Kendriya Vidyalaya at Jajpur, Odisha

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CPWD stated (August 2017) that its Bhubaneswar Division had been instructed to start recovery action from the contractor or make adjustments from next payments/final bill.

Audit noted that the claim for refund is already time barred. Further, as the incidence of tax had already shifted to CPWD, refund could have been claimed by CPWD also. Thus, failure to claim refund of service tax within the stipulated period had led to an avoidable expenditure of ₹ 71.80 lakh on the works.

## CHAPTER XII : MINISTRY OF HUMAN RESOURCE DEVELOPMENT

### Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha

#### 12.1 Construction works executed through UPSCIDCL

**Entrustment of 49 works valuing ₹ 138.41 crore by MGAHV to Uttar Pradesh State Construction and Infrastructure Development Corporation Limited (UPSCIDCL) without prioritizing construction activities and availability of funds resulted in funds of ₹ 22.65 crore spent on six uncompleted works remaining idle as on March 2017.**

The Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya (MGAHV), Wardha, was established in January 1997 vide an Act of Parliament (No. 3 of 1997) to promote and develop Hindi language and literature and to provide instructional and research facilities. MGAHV receives grants from the University Grants Commission (UGC) for creation of infrastructure necessary for carrying on its activities. Prior to January 2009, all construction activities of the Institute was being executed by CPWD. Subsequently, pursuant to a discussion between the Vice Chancellor and UPSCIDCL, the Corporation offered (December 2008) to execute all the works relating to the Institute. A MoU was signed in January 2009 which was subsequently applied to all construction works.

During the period 2009-17, 49 construction works were awarded to UPSCIDCL at a total cost of ₹ 138.41 crore. Out of these, 39 works were completed (March 2017) for which ₹ 39.65 crore had been paid till March 2017. Final payments for 30 works were awaited. The remaining 10 works involving ₹ 83.87 crore scheduled to be completed by 2015 were incomplete as of March 2017 and payment made on these incomplete works amounted to ₹ 33.06 crore.

An audit was conducted of the activities relating to the award and execution of these works to assure adherence to financial rules and regulations and to assess whether the objectives of the expenditure were achieved. The audit examination revealed non-adherence to the GFR in release of funds without any linkage with the actual commencement and execution of the different projects. This resulted in idling of funds amounting to ₹ 22.65 crore<sup>1</sup> placed at the disposal of UPSCIDCL and non-achievement of the objectives for which the funds had been released as discussed in the subsequent paragraphs.

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<sup>1</sup> In respect of works 1 to 6 mentioned in Para B.

**A) Entrustment of works without availability of funds**

As per Rule 129 (1) (v) of GFR 2005, no works shall be commenced or liability incurred until funds to cover the charge during the year have been allocated by the competent authority. During 2009-10 and 2010-11, works were entrusted and payments were made in excess of available capital grants in violation of the GFR provisions as detailed in **Table No. 1** below:

**Table No. 1: Statement showing availability of funds vis-a vis total cost of Construction works**

(₹ in crore)

Year	Opening Balance as on 1 <sup>st</sup> April of the year	Capital Grant received from UGC	Total Funds available	No of works entrusted to UPSC IDCL	Total cost of works entrusted to UPSCIDCL	Amount of advance to UPSCIDCL (as per MOU i.e. 33% of cost of work)	Total payment made against construction works <sup>2</sup>	Closing Balance
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)=(d)-(h)
2008-09	Nil	5.85	5.85	2	7.89	2.60	1.98	3.87
2009-10	3.87	5.00	8.87	6	17.60	5.81	11.30	-2.43
2010-11	-2.43	17.50	15.07	5	1.63	0.54	15.17	-0.10
2011-12	-0.10	32.41	32.31	15	30.07	9.92	14.51	17.80
2012-13	17.80	22.00	39.80	14	64.43	21.26	27.79	12.01

It was evident that works were entrusted after merely ensuring availability of funds for payment of advances i.e. 33 *per cent* of the cost of works without ensuring availability of the full amount required for the work. Further, UGC had cautioned (September 2016) MGAHV that construction works were been entrusted without prioritization and availability of funds. Due to inadequate funding coupled with poor management of works, advances of ₹ 22.32 crore in respect of 25 works were lying blocked with UPSCIDCL for period ranging from four to eight years as on January 2017.

**B) Deficiencies noticed in works executed**

Audit observed that despite release of advance payments to UPSCIDCL, poor monitoring coupled with unjustified delay in progress of work on part of MGAHV resulted in idling of funds totalling ₹ 22.65 crore as detailed in **Table No. 2** below:

<sup>2</sup> Payments to UPSCIDCL, CPWD, Maharashtra Jeevan Pradhikaran and Project Management Consultant (PMC).

Table No. 2: Idling of funds

(₹ in crore)

Sl. No.	Item of Construction work	Work Order Cost/Stipulated completion	Expenditure <sup>3</sup> up to March 2017	Current status (March 2017)	Observations
1.	Building and Site Development for Regional Centre, Allahabad	₹ 11.14 / March 2015	₹ 1.80	Work not Started.	<p>MGAHV paid an advance ₹ 1.80 crore to UPSCIDCL in October 2013 but the latter applied for approval from Awas Vikas Parishad (AVP) in February 2014. The approval was pending as of November 2017. Regional Centre Allahabad was functioning from a rented premises. This resulted in idling of advance money of ₹ 1.80 crore paid to UPSCIDCL and avoidable payment of rent of ₹ 0.33 crore from April 2015 to March 2017.</p> <p>MGAHV stated (November 2017) that building plan had since been approved. The reply could not be verified in audit as the relevant records to establish approval of building plan was not produced.</p>
2.	Staff Quarters	₹ 10.86/ October 2014	₹ 5.24	40 per cent complete	<p>MGAHV paid an advance of ₹ 3.58 crore in February 2013. However, work progress was only 40 per cent till February 2016.</p> <p>UGC directed MGAHV (August 2015 and September 2016), to complete the work on priority and released the grant of ₹ 50 crore for completion of staff quarters besides other works<sup>4</sup>. However, no work was done till March 2017. This resulted in funds of ₹ 5.24 crore (including unadjusted advance of ₹ 2.68 crore) lying idle in incomplete works (March 2017) without achieving the intended purpose.</p> <p>MGAHV replied that the works could not be completed due to paucity of funds and after receiving funds of ₹ 30 crore and ₹ 20 crore in November 2015 and March 2017 respectively, 48.21 per cent of works has been completed till October 2017.</p> <p>Reply is not tenable as despite release of ₹ 30 crore in November 2015, only additional eight per cent work progress had been achieved till October 2017. Further, it was noticed that the funds were received in two instalments of ₹ 10 crore each in December 2016 and February 2017 respectively besides additional ₹ 24 crore sanctioned in March 2017. Hence stalled progress of work cannot be attributed to paucity of funds.</p>
3.	Building for museum	₹ 11.88/ February 2015	₹ 5.48	20 per cent completed	<p>Despite release of advance of ₹ 3.92 crore in March 2013, only 20 per cent of the work was completed till March 2017. Resultantly, funds of ₹ 5.48 crore including unadjusted advance of ₹ 2.97 crore (as on March 2017) remained idle and led to non-</p>

<sup>3</sup> Expenditure up to March 2017 was inclusive of unadjusted advances.

<sup>4</sup> Boys' Hostel, Academic Block, Transit Hostel and Sewage Treatment Plant



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					achievement of intended benefits. MGAHV replied (November 2017) that construction will be completed within one year.
4 & 5	Boys Hostel No.5 & 6	₹ 11.30 each / August 2014	₹ 9.46 (Hostel No. 5- ₹ 4.80 and Hostel No. 6 - ₹ 4.66)	33 per cent completed	An advance of ₹ 3.73 crore was released for each work in March 2013. However, only 33 per cent of the work was completed till March 2017. Even though UGC sanctioned grants and directed (August 2015 & September 2016) MGAHV to complete the Boys' Hostels on priority, work was re-started only after January 2017. This resulted in idling of funds of ₹ 9.46 crore inclusive of unadjusted advance of ₹ 5.36 crore <sup>5</sup> (as on March 2017) in incomplete works. MGAHV stated (November 2017) that the works will be completed within one year. Reply should be seen in the light of the fact that MGAHV proposed in January 2017 to restart the work though funds were received in November 2015.
6.	Common Dining and Kitchen in North Campus (Between Boy's Hostel No. 3 & 4)	₹ 2.04/ April 2015	₹ 0.67	Digging work completed	An advance of ₹ 0.67 crore was released in May 2014. After lapse of about three years, UPSCIDCL asked (30 April 2017) Project Management Consultant (PMC) to provide the drawings <sup>6</sup> . The structural design <sup>7</sup> was provided by PMC as late as 15 April 2017. Internal Inspection Report revealed that the construction work had just started in February 2016. Physical inspection by audit team (March 2017) revealed that only digging work was completed. This resulted in idling of funds of ₹ 0.67 crore. MGAHV replied (November 2017) that works will be completed within one year.
7	Boys' Hostel No. 3	₹ 2.00 March 2013	₹ 3.32	Work completed in October 2015	MGAHV granted extension for completion of work up to August 2014 due to revision in drawings. The work was completed in October 2015. No record was available for grant of extension after August 2014. Final account of the work was yet to be settled, despite the works having been completed in October 2015. Revised estimates for ₹ 5.08 crore was pending for approval. Payment of 3.32 crore was made till July 2016 against sanction of expenditure of ₹ two crore. MGAHV replied that building was completed and was under use from October 2015. However, MGAHV could not provide any reasons for delay in completion of works beyond extended period as well as expenditure in excess of sanction.

<sup>5</sup> As mentioned in the Statement on Reconciliation of Advance presented in BCC meeting in January 2017.

<sup>6</sup> Drawings for Porch and the Passage.

<sup>7</sup> Structural design of slab beam.

Audit observed that ability of the Institute to systematically manage and progress the works was undermined by both lack of any guidelines for works management and execution as well as grossly deficient internal control mechanism and procedures. Works Register, Work advance payment register, Work-wise payment register and Capital grant register were not maintained by MGAHV. As per a 'Reconciliation Statement,'<sup>8</sup> advances of ₹ 22.32 crore in respect of 25 works were lying idle with UPSCIDCL as of March 2017 for period ranging from four to eight years. Further, the total cost of 49 works entrusted to UPSCIDCL was shown as ₹ 138.25 crore in 'Progress of Plan Expenditure Statement' while the same in 'Reconciliation Statement' was shown as ₹ 129.50 crore as on March 2017. Such deficiencies and inconsistencies was reflective of the absence of any meaningful internal control mechanism.

Matter was reported to the Ministry in August 2017; its reply was awaited as of December 2017.

### **Central University of Tamil Nadu, Thiruvarur**

#### **12.2 Delay and cost overruns in construction activities**

**Procedures prescribed in UGC guidelines and CPWD Works Manual was not adhered to in executing construction works resulting in cost overrun of ₹ 46.32 crore as well as delay in completion. Library building remains partly vacant and incomplete even after incurring of expenditure of ₹ 15.40 crore and delay of four years. Further, injudicious site selection and excess construction as well as deviation from norms resulted in avoidable expenditure of ₹ 19.82 crore.**

##### **12.2.1 Introduction**

The Central University of Tamil Nadu (CUTN) at Thiruvarur, established by an Act of Parliament, commenced functioning in September 2009 in a temporary building allotted by the Government of Tamil Nadu (GoTN). CUTN shifted to its new campus in a phased manner from July 2013 and is functioning with ten schools involving 22 departments. During 2008-09 to 2016-17, CUTN received a total grant of ₹ 544.90 crore from the University Grant Commission (UGC).

Of this, CUTN deposited ₹ 395.83 crore with CPWD for construction and maintenance works. CPWD had utilized ₹ 378.11 crore up to March 2017.

An audit was undertaken of the works relating to construction of the campus covering the period since inception to 2016-17 to assess whether the activities

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<sup>8</sup> Statement was prepared by the Committee formed to reconcile the advance payments to UPSCIDCL and presented in BCC Meeting in January 2017.

were carried out in an efficient and economical manner and in accordance with the extant rules and regulations and within the prescribed time frame.

CUTN approved the Phase-I consisting of construction of 11 buildings at estimated cost of ₹ 114.45 crore in November 2009. The audit findings are discussed below.

### **12.2.2 Delay and cost overrun due to deviation from prescribed procedures**

A Detailed Project Report (DPR) is expected to be prepared as part of project formulation for effective monitoring and implementation of project activities to achieve the envisaged objectives within the targeted timeframe and cost. UGC Guidelines stipulate that each University should have a Building Committee and all plans and estimates of the projects are to be approved by this Committee.

In September 2009, CUTN decided that a fast track methodology would be followed for execution of works under Phase I where under CPWD would prepare estimates based on drawings of buildings already in existence in educational institutes like Pondicherry University and National Institute of Technology (NIT) Tiruchirappalli and tender would be invited by CPWD based on these estimates. This was adopted to overcome the constraints of time required in the conventional approach of involving architect, approval of buildings design, obtaining administrative sanctions and preparation of detailed estimates before calling of tenders. The work was to be executed based on drawings to be prepared after the award of work and CUTN would bear the financial implications for deviations, if any. Accordingly, CPWD prepared the estimates in November 2009 and Administrative Approval and Expenditure Sanction (AA&ES) amounting to ₹ 114.45 crore was accorded by CUTN in the same month.

Audit observed that the methodology adopted by CUTN was at variance with the UGC Guidelines<sup>9</sup> which mandated prior approval of all projects by the Building Committee. In the instant case, post facto approval of both the Building and Finance Committees was obtained in December 2010. This procedure was also contrary to provisions of the CPWD Works Manual which require that before preparation of estimates, information concerning nature of soil, type of foundation, etc. are to be obtained which was not done. The Architectural Consultant, subsequently appointed by CPWD, was requested to prepare modified drawings for the actual execution of work which resulted in change in the scope of work and consequent delay in completion of projects

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<sup>9</sup> UGC Guidelines for General Development Assistance to Central, deemed and State Universities during XI Plan.

by two to three years as well as a total cost overrun of ₹ 46.32 crore i.e. over 40 per cent.

CUTN stated (July 2017) that CPWD had appointed the architectural consultant for design and preparation of preliminary estimates and engineering data such as soil strata was the responsibility of CPWD. It added that models of NIT Tiruchirappalli and Pondicherry University were suggested to expedite the work. CPWD had to revise the working drawings when site conditions so warranted and this cannot be considered as cost overrun.

Audit observed that the architectural consultant prepared detail design based on site condition and soil test only after the tendering had been completed due to the decision of CUTN to call the tender based on the design of Pondicherry University and NIT Tiruchirappalli. The working drawings and estimates had to be substantially revised by CPWD on more than one occasion as the tendered drawings were not based on site location and actual requirement of users which not only resulted in cost overrun but the original purpose to fast track the construction was also defeated. This could have been avoided had CUTN adhered to the UGC Guidelines and CPWD Manual stipulating preparation of DPR and estimates based on actual site conditions.

### 12.2.3 Construction of Library Building

CUTN approved (November 2009) the construction of a library block for ₹ 5.82 crore with a total plinth area of 3,000 sqm. Tender invited in October 2010 was cancelled by CPWD in November 2010 citing administrative reasons. Subsequently, based on drawings of the architectural consultant, CUTN sanctioned a revised estimate in December 2010 for ₹ 11.64 crore with a total plinth area of 5,282 sqm. The work was awarded to a contractor (January 2011) for ₹ 8.34 crore. However, due to non-furnishing of structural drawings for more than six months by CPWD, the contractor requested (June 2011) CPWD to foreclose the agreement and the contract was foreclosed in August 2011. The work was re-tendered again in August 2011 and awarded to another contractor in February 2012 for ₹ 10.10 crore with stipulated period of completion of 12 months.

In October 2014, CPWD submitted a revised estimate<sup>10</sup> for ₹ 17.79 crore. CUTN requested (January 2015) CPWD to reduce the scope of work due to paucity of funds. Even though CUTN approved the re-revised estimate (October 2015), the work was foreclosed in January 2016 after incurring an expenditure

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<sup>10</sup> Due to change in cost index, additional strengthening of foundation due to poor soil condition, additional provisions like lift, automatic fire alarm system etc.

of ₹ 15.40 crore (March 2017). Even with the reduced scope of work, the building is yet to be finally completed (March 2017).

Audit observed that delay of more than six months on part of CPWD in providing the structural drawings to the contractor led to foreclosure of agreement and consequent need for re-tender. This resulted in cost escalation of ₹ 1.76 crore<sup>11</sup> and delay of one year. Further, the change in foundation and additional expenditure involved became known to CUTN only in October 2014 viz. after two and a half years after the award of the work in February 2012. This was indicative of inadequate monitoring of the progress of work by CUTN.

CUTN stated (July 2017) that the design was initially made for ground plus one floor. As there was a need for one more floor, there had to be a change of foundation necessitating additional expenditure. Further, the work of Learner Resource Using Centre in first floor and world class Auditorium-cum-Theatre in the second floor is in progress.

The reply is not tenable as additional expenditure due to change of foundation was known in October 2014 whereas the work of library building with ground plus two floors was awarded in January 2011. The late realisation of need for an additional floor was itself an indication of inadequate conceptualisation and planning. As per the original plan, the second floor was planned to be utilised for audio visual room and records store room, protection room, collection space, lounge seating, store manager room, old book store, back issues store and furniture store. But now CUTN has proposed to utilise it for an auditorium-cum-theatre the work for which was yet to be taken up.

Thus, the library building remains partly vacant and incomplete even after incurring an expenditure of ₹ 15.40 crore against the original estimated cost of ₹ 5.82 crore and a delay of four years.

#### **12.2.4 Excess construction of Professors' quarters**

CUTN sanctioned (November 2009) 30 Professors' (Type-VI) Quarters for ₹ 12.44 crore and the work was awarded by CPWD to a contractor in December 2010. Subsequently, the drawing was modified by the architectural consultant and CUTN accorded (June 2011) revised sanction for ₹ 19.29 crore. The work was completed in June 2013 at an expenditure of ₹ 19.27 crore.

Audit observed that UGC had sanctioned (April 2011) 20 posts of professors for 20 departments. CUTN while according sanction in June 2011 for 30 number of

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<sup>11</sup> Earlier tender awarded in January 2011 for ₹ 8.34 crore and revised tender awarded in February 2012 for ₹ 10.10 crore.

Professors' quarters did not take into consideration the UGC sanction for only 20 posts which resulted in avoidable estimated expenditure of ₹ 6.42 crore<sup>12</sup> on 10 excess quarters. Out of the 30 quarters constructed, only seven quarters have been allotted to Professors while three quarters were converted into guest house, three were allotted to Finance Officer, Controller of Examination and Registrar and balance 17 quarters were vacant as of June 2017.

CUTN stated (July 2017) that though UGC had sanctioned 20 departments consisting of 20 professors, the sanction did not consider any additional requirements envisaged for Visiting Professors, Professor Emeritus, etc. CUTN added that allocation of posts is not frozen but incremental and the Master Plan has provision for 30 schools with several departments and courses in each school.

Reply of CUTN is not tenable as Visiting Professors are not allotted separate quarters but suitably accommodated in guest house which was separately constructed by CUTN. Further, the Master Plan prepared by CUTN did not have any details of number of schools/departments proposed to be opened by CUTN.

#### **12.2.5 Construction of hostel buildings in excess of approved plinth area**

CUTN accorded (November 2009) approval for the construction of hostel accommodation for 200 students (each for men and women) with a plinth area of 3,956 sqm. for each hostel at a cost of ₹ 17.24 crore. Tenders were invited in January 2010 and both the works were awarded in March 2010 at a cost of ₹ 16.95 crore. The work was completed by CPWD in December 2012 for Girls hostel and March 2013 for Boys hostel at a total cost of ₹ 28.44 crore with plinth area of 7219 sqm. for each hostel.

Audit observed that after the completion of hostel buildings, CPWD forwarded revised estimates (December 2013) to CUTN in which it was stated that revised estimates were necessitated due to increase in the plinth area from 3,956 sqm. to 7,219 sqm. for each hostel. Though the Building Committee raised the issue of increase in plinth area in its meeting held on 20 February 2015, it approved the revised estimates submitted by CPWD (October 2015) with the advice to furnish reasons for increase in plinth area.

CUTN stated (July 2017) that the design originally made was small and hence CPWD prepared revised estimates. It added that the cost index at the time of the original estimate increased by the time of start of work which also impacted the cost.

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<sup>12</sup> Total expenditure ₹ 19,26,67,000 ÷ 30 = 64,22,333 x 10 quarters = ₹ 6,42,23,330 or ₹ 6.42 crore.

The reply is not tenable as the original design for hostel building was for 200 student and revised design with increased plinth area was also for same number of students and hence there was no justification for increasing the plinth area. It is pertinent to mention that two 300 bedded hostels were subsequently constructed (August 2016 and January 2017) at CUTN with a plinth area of 7,543 sqm. per hostel. Hence, unjustified increase in plinth area by nearly 82 *per cent* necessitated revision of estimate and additional expenditure of ₹ 5.98 crore<sup>13</sup>. The revised estimates were approved by the Building Committee without any justification which was indicative of poor financial and administrative control.

### **12.2.6 Construction under Phase-II**

CUTN took up the construction of 14 works under Phase-II at an estimated cost of ₹ 213.78 crore from March 2011. The audit findings are discussed below.

#### **12.2.6.1 Injudicious selection of site for Primary Health Centre**

GoTN allotted 517 acres of land for construction of permanent campus of CUTN which include 3.63 acres land where 39 families had been given free patta. Even after several rounds of negotiation by State Government authorities/CUTN, the issue of re-locating the families could not be settled. In the meantime, CUTN decided to construct a Primary Health Centre (PHC) at a site adjacent to the disputed land and accorded (February 2012) Administrative Approval & Expenditure Sanction for ₹ 5.73 crore.

The work for construction of PHC was awarded by CPWD to a contractor in July 2012 for completion by May 2013. The work was abandoned in July 2014 after incurring an expenditure of ₹ 32.01 lakh on foundation and concrete basement due to continuing protest by the families.

Audit observed that CUTN was aware of the disputed state of the adjacent land and the protest by these families. Yet CUTN went for selection of site adjacent to the disputed site for the construction of PHC which ultimately led to abandonment of work after incurring an expenditure of ₹ 32.01 lakh.

CUTN stated (July 2017) that the land is not part of the disputed area and it had been legitimately handed over to the University by the Government of Tamil Nadu. It stated that the stoppage of work was purely temporary and the same would be commenced at any time.

Audit observed that the issue of re-location of these families through negotiation had not yielded positive results. CUTN should have anticipated the obstruction

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<sup>13</sup> Actual cost of both the hostels (after excluding cost of mess block) ₹ 23.22 crore minus original estimated cost ₹ 17.24 crore

if the site for construction of PHC was selected adjacent to this area. Hence, it would have been prudent for CUTN to re-locate the PHC at another location on its campus. CUTN had not been able to re-locate these families even after lapse of more than seven years. Thus, the objective of constructing a PHC could not be achieved even after incurring an expenditure of ₹ 32.01 lakh.

#### 12.2.6.2 Deviation from norms in construction of Quarters

UGC Guidelines<sup>14</sup> stipulate that estimates of buildings should conform to the norms, specification and schedule of rates of CPWD or State PWD. As per extant rules<sup>15</sup>, officers with Grade Pay of ₹ 4,200 or more are eligible for Type III quarters with plinth area of 76.02 sqm.<sup>16</sup> for each quarter. No deviation from the prescribed scales should normally be made unless specifically desired by the client department.

Audit observed that construction of 32 numbers of Type-III quarters for non-teaching staff was completed with a total plinth area of 4,305.4 sqm. at a cost of ₹ 10.11 crore. Each quarter was constructed with an area of 134.54 sqm. against the prescribed norms of 76.02 sqm. viz. excess of 76.98 per cent. No specific reason had been recorded in the estimates for adoption of excess plinth area against the norms. This incorrect adoption of plinth area for Type III quarters against the UGC Guidelines and CPWD norms resulted in approximate excess expenditure of ₹ 4.40 crore.

Similarly, the Registrar of Central University with pay scale of ₹ 37,400-67,000 and Grade Pay of ₹ 10,000 and Vice Chancellor of CUTN were eligible for Type VI quarters with an area of 270.40 sqm. as per CPWD norms. However, CUTN constructed VC/Registrar residences with plinth area of 845 sqm. and 544 sqm. respectively against the norms of 270.40 sqm.

Audit noted that even though the Superintending Engineer, Planning, CPWD, informed (March 2011) CUTN that plinth area considered in the architect drawings was more than the approved norms, CUTN did not consider the norms referred by CPWD while giving Administrative Approval and Expenditure Sanction (June 2011). Accordingly, VC/Registrar residences were constructed at an expenditure of ₹ 4.37 crore with plinth area of 845 sqm. and 544 sqm.

<sup>14</sup> Para 4.4- "Procedure for preparation of plans and estimates for various building projects" in guidelines for General Development Assistance to Central, Deemed and State Universities during XI Plan (2007-2012)

<sup>15</sup> Supplementary Rules 317-B5 and Sec 4.1.3 read with Appendix 5 of CPWD Manual.

Type	Area of unit	Staircase/ circulation	Sleeping out balcony	Cycle/ scooter shed/Garage	Architectural consideration	Total area sqm.
III	55.75	5.00	7.45	4.20	3.62	76.02
VI	223	10.5	16	20.90	Nil	270.40



respectively against the norms of 270.40 sqm. resulting in excess expenditure of approximately ₹ 2.70 crore.

CUTN stated (July 2017) that it was originally proposed to construct the quarters as per the Manual provision. However, this was revised due to adoption of GRIHA<sup>17</sup> norms.

Audit observed that as per UGC guidelines, plinth area norms of CPWD Manuals were to be followed. Further, the GRIHA norms relates to green building ratings system to maximise conservation and utilisation of resources and do not discuss the plinth area.

Thus, failure of CUTN to abide by CPWD norms while approving the estimates and adoption of incorrect plinth area despite CPWD's observations resulted in excess expenditure of ₹ 7.10 crore.

### **12.2.6.3 Idling of Chemistry Labs**

CUTN accorded Administrative Approval and Expenditure Sanction for construction of Lab Based School for Chemistry Department (LBS) in March 2011. The work commenced in August 2012 and was completed in February 2015 at a cost of ₹ 15.70 crore. Out of 15 labs, 13 labs were not operational due to non-availability of infrastructure and equipment<sup>18</sup>. CUTN appointed (February 2015) a consultant for equipping the Lab based school and work order for creation of infrastructure was placed in March 2017 with stipulated period of completion of ten months. The work order for supply of lab equipment was awaited (June 2017). A total of 210 students were admitted in Chemistry Department during 2010-11 to 2016-17 and courses were being conducted without proper lab. Delay in supply of lab equipment resulted in idling of 13 labs since February 2015 and denial of lab facility to the students.

CUTN stated (July 2017) that at the time of initial construction, there was no faculty to assess precisely the provisions for installation of lab equipment and therefore this could not be decided at the initial stages.

The contention of CUTN is not acceptable as the CUTN had appointed consultant only in February 2015 after the completion of civil work. The consultant could have been appointed simultaneously at the time of construction of lab which would have avoided idling of the 13 chemistry lab. Thus, lack of

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<sup>17</sup> GRIHA an evaluation tool to help design, build, operate, and maintain a resource-efficient built environment issued by Ministry of New and Renewable Energy, Government of India and The Energy and Resources Institute New Delhi.

<sup>18</sup> Lab furniture and accessories, electrical works for HVAC, Fume hood and accessories, calcium silicate partition, electrical and fire alarm systems, gas distribution system, lab exhaust system and other electrical works.

coordination and proper planning led to 13 labs remains idle for more than two and a half years.

### 12.2.7 Conclusion

Non-adherence to procedures prescribed in UGC guidelines and CPWD Works Manual resulted in time and cost overrun. 11 works which were initially proposed for ₹ 114.45 crore were completed at a cost of ₹ 160.77 crore with delay ranging from 17 months to 46 months due to change in specifications and drawings. A library building constructed at a cost of ₹ 15.40 crore was yet to be fully utilised for the intended purpose. Further, injudicious selection of site for PHC, excess construction/deviation from norms in construction of quarters for academic and administrative personnel and construction of hostel buildings with excess plinth area resulted in avoidable expenditure of ₹ 19.82 crore. Lastly, 13 chemistry labs remained idle due to non-availability of infrastructure and equipment.

## University Grants Commission

### 12.3 Implementation of Scheme for Construction of Women's Hostel Eastern Regional Office, Kolkata, of the University Grants Commission

The University Grants Commission is implementing a scheme to provide hostel facilities to women to achieve the goal of enhancing the status of women and gender equity. Financial assistance of ₹ 9.91 crore was released without ensuring compliance with the extant scheme guidelines and there was excess approval of grant of ₹ 56.11 lakh on inflated estimates. Further, 31 projects involving payment of grant of ₹ 26.16 crore remained incomplete even after periods ranging between two months and over nine years beyond the stipulated completion while two hostels created at a cost of ₹ 2.30 crore remained unutilised for more than three years.

#### 12.3.1 Introduction

The University Grants Commission (UGC), under the administrative jurisdiction of the Ministry of Human Resource Development, is responsible for providing funds and coordination, determination and maintenance of standards in institutions of higher education in the country. UGC is implementing a Scheme for Construction of Women's Hostel (Scheme) for providing hostel facilities to women to achieve the goal of enhancing the status of women and gender equity. The Eastern Regional Office of UGC at Kolkata (ERO-UGC) implemented the scheme through the colleges located in the four States of West Bengal, Odisha, Bihar and Jharkhand.

An audit of the implementation of the scheme by the ERO-UGC covering the period from April 2014 to March 2017 was conducted to assess whether the Scheme had been implemented in accordance with the guidelines issued by UGC. Out of 680<sup>19</sup> approved cases, 60 cases<sup>20</sup> spread over the X<sup>th</sup> to XII<sup>th</sup> Plans were selected for audit. 15<sup>21</sup> out of these 60 cases were selected for site visit (**Annexe-VI**).

### 12.3.2 Audit Findings

The scheme of construction of women hostels was ongoing since the VIII<sup>th</sup> Plan. The implementation of the Scheme is to be in accordance with (i) the “Guidelines on the special scheme for construction of women’s hostel for colleges (Scheme guidelines)” and (ii) the “Guidelines for the scheme of development assistance to colleges for construction of buildings (Construction guidelines).” UGC extended 100 *per cent* financial assistance for construction of hostel to eligible colleges in instalments subject to ceilings<sup>22</sup> fixed from time to time. After approval of the proposals received from colleges, the assistance is to be released to the colleges in three instalments<sup>23</sup> with prescribed terms and conditions. The status of projects *vis-à-vis* grants released during 2014-17 is shown in **Table No. 3** below:

**Table No. 3: Status of projects *vis-à-vis* grants released during 2014-17**

Year	Projects ongoing <sup>24</sup>	Projects sanctioned	Projects completed	Balance	Grant released (₹ in crore)
2014-15	638	42	21	659	27.79
2015-16	659	0	11	648	7.95
2016-17	648	0	15	633	7.20

Audit noted non-adherence to the Scheme guidelines and other applicable rules that resulted in both avoidable expenditure and undue delays in completion of projects as detailed in the following paragraphs.

<sup>19</sup> 638 cases ongoing as on 1 April 2014 and 42 cases approved during 2014-17.

<sup>20</sup> 20 ongoing (started before April 2014 and not completed till March 2017), 20 completed during 2014-17 and 20 newly approved during April 2014 to March 2017.

<sup>21</sup> Five ongoing, five completed during 2014-17 and five newly approved projects were visited by Audit.

<sup>22</sup> ₹ 60 lakh to ₹ 2.00 crore for X<sup>th</sup> Plan (2002-07) and ₹ 40 lakh to ₹ 1.20 crore for XI<sup>th</sup> (2007-12) and XII<sup>th</sup> (2012-17) Plans based on the enrolment of women student.

<sup>23</sup> First instalment (50 *per cent*), second instalment (40 *per cent*) and final instalment (10 *per cent*).

<sup>24</sup> As on 1 April.

### 12.3.2.1 Approval of projects in deviation from scheme guidelines

The Scheme guidelines stipulate specific documents that should accompany a proposal received from colleges and the procedure for evaluation and accord of approval by UGC. Audit observed that the ERO-UGC failed to exercise due diligence in scrutiny of proposals received from colleges that resulted in grant of financial assistance of ₹ 9.91 crore in deviation from extant guidelines as well as excess financial assistance of ₹ 56.11 lakh as detailed below:

(i) The Scheme Guidelines stipulate that the estimate is to be prepared on the basis of Schedule of Rates (SOR) of the Central Public Works Department or the State Public Works Department including specified percentage rate for different ancillary services<sup>25</sup>. Scrutiny revealed that inflated estimates were submitted by colleges in four<sup>26</sup> cases by applying higher than the specified percentage rate for ancillary services. This resulted in approval of excess financial assistance of ₹ 56.11 lakh.

(ii) The Construction Guidelines stipulate that the resolution and certificate of the Building Committee (BC) of the college shall bear the signatures of all the members of the BC. In six<sup>27</sup> cases, ERO-UGC sanctioned ₹ 4.80 crore though the resolution did not contain signature of all the BC members and hence their validity was doubtful.

(iii) The Construction Guidelines stipulate provision for ramp in all buildings for disabled persons. In 43 cases, no provision of ramp for disabled had been made in the hostel.

(iv) The Construction Guidelines state that the BC of the concerned colleges should verify that the building plans have been approved by the local authority before they are submitted for consideration of UGC. In six cases<sup>28</sup>, ERO-UGC approved grant of ₹ 4.80 crore though no documents supporting the approval of the plans by local authority were submitted by the colleges. Out of the above six

<sup>25</sup> Ancillary services include water supply and sanitary installation (7.5 per cent of civil cost), Electrification work (10 per cent/12.5 per cent of civil cost), Contingency (three per cent of civil work including services), Architect's fee (five per cent of civil cost including services and contingency), External services (five per cent of civil cost), PWD/CPWD verification charges (0.50 per cent of civil cost)

<sup>26</sup> (i) Baripada college, Odisha (ii) Anandapur College, Odisha (iii) Deshbandhu College for girls, Kolkata and (iv) Brahmananda Keshab Chandra College, Kolkata.

<sup>27</sup> (i) Mahishadal Girls' College, West Bengal (ii) Krishak College, Bihar (iii) Gopabandhu Choudhury College, Odisha (iv) Bhattar College, Dantan, West Bengal (v) Mahadeo Singh College, Bihar and (vi) Phuldevi Kusheshwar Jha College, Bihar

<sup>28</sup> (i) Indira Gandhi Women's College, Odisha, (ii) Nayagarh Autonomous College, Odisha, (iii) Gautam Budh Mahilla College, Bihar, (iv) Mahadeo Singh College, Bihar, (v) Krishak College, Bihar and (vi) Gurusahay Deosharan Memorial College, Bihar.

cases, only one project had been completed (February 2016) and rest were yet to be completed as of December 2017.

(v) As per the Scheme guidelines, the land ear-marked for construction in the proposal should be under the undisputed ownership of the college. The Lady Brabourne College, Kolkata, proposed (November 2006) construction of a hostel on land belonging to PWD West Bengal. The Expert Committee of the UGC that conducted a spot inspection of the proposed site recommended (March 2012) that land ownership was not in the name of the college and this needed to be rectified. ERO-UGC approved grant of ₹ 1.91 crore to the college for construction of the hostel. However, no documentation could be produced to audit as to whether proposal had been brought in line with the scheme guidelines.

In each of the above cases highlighted by audit, ERO-UGC merely stated (June 2017) that the issues raised would be looked into together with the college authorities.

#### **12.3.2.2 Delay in execution of projects**

Audit observed that there was delay at each stage of implementation and execution of the projects beginning from release of funds to its completion that was indicative of lack of coordination and planning as well as ineffective monitoring as brought out below:

**(i) Delay in release of instalments:** The Construction Guidelines envisages release of 50 *per cent* of the grant as 1<sup>st</sup> instalment while conveying the approval for the projects and 40 *per cent* as 2<sup>nd</sup> instalment on receipt of the audited Utilization Certificate (UC) and statement of expenditure of 1<sup>st</sup> instalment. Audit observed delay in release of installments in 41 cases ranging from five months to over seven years. This consequently led to delay in completion of 16 projects which were completed after 18 months to over seven years of their scheduled dates while 21 projects were behind schedule by two months to over nine years. ERO-UGC attributed (June 2017) the delay in release of instalments to delayed submission of documents as well as constraints of fund. The reply is not tenable since sanction of project implied that all requisite documents had been received as well as availability of funds ensured.

**(ii) Delay in submission of tender documents:** The Construction Guidelines required the colleges to intimate the details of tender to UGC within six months of award of work in case it was not executed through CPWD/PWD as deposit

work. Five<sup>29</sup> colleges submitted the tender details after a lapse of 15 months to 28 months from the award of work whereas ten colleges had not submitted the details of tender till May 2017 viz. even after a lapse of period ranging between one to over 10 years. ERO-UGC stated that the colleges would be sent notices for the compliance of guidelines.

**(iii) Delay in commencement of work:** The Construction Guidelines state that if the project does not start within the stipulated period or six months from the date of approval by UGC, whichever is later, the matter was to be placed before the BC under intimation to UGC. Audit noted 18 cases that had commenced after the stipulated period without any intimation to ERO-UGC. No action was taken by UGC for non-intimation of such cases which ultimately would result in delay in completion of the projects. ERO-UGC stated (June 2017) that matter would be looked into.

**(iv) Delay in completion of projects:** The Construction Guidelines require the colleges to indicate in their proposal the likely date of commencement of the construction and the period required for completion of the project. However, there was no provision as to the steps to be initiated by UGC in case of non-construction/delayed construction by the colleges. Audit noted 22 projects had been completed after a delay ranging between 10 months and over seven years from the stipulated period of completion. Further, 31 projects involving grant of ₹ 26.16 crore remained incomplete (May 2017) even after a lapse of period ranging between two months to over nine years from the stipulated period of completion. ERO-UGC stated (June 2017) that there was no specific time frame in the guidelines to complete the projects and only colleges specify the completion date of the project and BC alone was responsible for completion of the project. The facts remain that there was no action taken by UGC as the grant releasing authority to ensure that projects for which financial assistance had been given were completed as per the time lines stipulated in the project proposals thereby defeating the purpose of timely achievement of the objectives of the scheme.

### 12.3.2.3 Award of work on selection basis

The Construction Guidelines provide that colleges may execute the work either through the CPWD/PWD as deposit work or by the civil engineering department of the college or by other agencies. In case it was not executed through CPWD/PWD as deposit work, the guideline stipulated that colleges

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<sup>29</sup> (i) Scottish Church College, West Bengal, (ii) R. B. College, Bihar, (iii) Sri Arvind Mahila College, Bihar, (iv) Lal Bahadur Shastri Memorial College, Jharkhand and (v) Egra Sarada Sasi Bhushan College, West Bengal.

may invite tenders on item-rate basis from interested parties through notice published in at least one national daily newspaper and two local dailies. Information about the tendering process was to be sent to UGC within six months from award of work.

St. Xavier's College, Kolkata, submitted (November 2006) a proposal for construction of Women's Hostel at an estimated cost of ₹ 4.59 crore. In February 2007, UGC sanctioned ₹ two crore for the project. Audit observed that the college entrusted (September 2010) the work to a private agency for ₹ 2.91 crore without a tendering process. The work was completed in March 2014. The college stated that the agency was selected on the basis of their long association with the college, earlier performance and trustworthiness.

Audit observed that grant of work on selection basis was not only in violation of the prescribed guidelines but was also violative of the fundamental principles of the canons of financial propriety and award of contracts of works as also stipulated in both the General Financial Rules and the CPWD manual where tendering for works of such nature is a mandatory requirement except in certain exceptional circumstances. However, UGC took no action to ensure compliance by the college of even such basic requirements for utilisation of its financial assistance. ERO-UGC merely stated (June 2017) that the matter would be looked into.

#### **12.3.2.4 Excess expenditure in works**

Audit noted excess payment amounting ₹ 13.90 lakh released by colleges to contractors for execution of works as below:

- a) KST College, Bihar, made payment for brick work ₹ 319.05 per cubic meter higher than the tendered rate which resulted in excess payment of ₹ 1.46 lakh<sup>30</sup> to the contractor. The College stated that it would examine the audit observation and recovery would be made;
- b) Gurusahay Deosharan Memorial College, Bihar, paid supply and carriage charges on bricks at the rate of ₹ 241.50 and ₹ 544.30 per 100 bricks instead of tendered unit of 1000 bricks respectively. This resulted in overpayment of ₹ 10.50<sup>31</sup> lakh to the contractor; and

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<sup>30</sup> 456.94 cubic meters (quantity executed) x ₹ 319.05 (Actual payment rate ₹ 4032.30-Tendered rate ₹ 3713.25).

<sup>31</sup> Extra cost on supply – ₹ 3.23 lakh, carriage charges – ₹ 7.27 lakh.

- c) Deoghar College, Jharkhand, made excess payment of ₹ 1.94 lakh<sup>32</sup> on account of carriage charges of bricks and sands due to payment of higher rates of ₹ 665.62 and ₹ 393.73 than the agreement rates of ₹ 317.75 and ₹ 248.94 respectively.

ERO-UGC stated (June 2017) that the matter would be taken up with the colleges and the amount would be adjusted from the next instalments.

Audit observed that such excess releases were symptomatic of lack of internal controls and checks and balances that ran the risk of excess payments to contractors remaining undetected.

#### 12.3.2.5 Idling of infrastructure created out of the financial assistance

Of the 15 colleges selected for physical inspection, hostels in seven<sup>33</sup> colleges were completed. Audit noted that of these seven hostels, two hostels constructed at a total cost of ₹ 2.30 crore were not being utilized (May 2017) even after three years from the date of completion as detailed below:

- a) Banki College, Odisha, completed a 96 bedded women's hostel at a cost of ₹ 1.08 crore in December 2013. But the hostel could not be utilised for want of internal water supply, ramp at main entrance, painting of some portion of the building and furniture even after a lapse of more than three years. UGC had released all funds based on the completion certificate submitted by college. However, during site visit by audit, it was noticed that the above items of work were yet to be completed.
- b) The Women's Hostel at Tarakeshwar Degree College, West Bengal, was constructed at a cost of ₹ 1.22 crore in March 2014. The College stated (May 2017) that the Higher Education Department, Government of West Bengal, was yet to sanction hostel staff, cook and security guards. Hence, the hostel could not be utilised for the purpose for which it was constructed.

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<sup>32</sup> On bricks- ₹ 1.25 lakh: 358082 bricks x ₹ 347.87 per thousand (₹ 665.62 – ₹ 317.75). On sand- ₹ 0.69 lakh: 475.765 cum sand x ₹ 144.79 per cum (₹ 393.73 – ₹ 248.94).

<sup>33</sup> Includes two projects which were approved as well as completed during 2014-17.



### 12.3.3 Conclusion

Thus, implementation of the scheme by ERO-UGC was marked by non-adherence to the extant scheme guidelines which resulted in release of financial assistance of ₹ 9.91 crore without ensuring compliance with the stipulated requirements as well as excess release of ₹ 56.11 lakh. Delay was endemic at every stage of project approval and execution with delays ranging upto nearly 10 years. Completion of 22 projects were delayed while 31 projects were yet to be completed even after delays ranging upto over nine years from the stipulated date of completion. Two hostels created at a cost of ₹ 2.30 crore remained unutilised for more than three years.

The matter was reported to the Ministry (July 2017); its reply was awaited (December 2017).

**Banaras Hindu University, Varanasi, Indian Institute of Management, Ahmedabad, and Indian Institute of Management, Kolkata**

### 12.4 Overpayment of interest to the GPF/CPF subscribers

**Banaras Hindu University, Varanasi, Indian Institute of Management, Ahmedabad and Indian Institute of Management, Kolkata, paid higher rates of interest to GPF/ CPF subscribers in contravention of extant orders resulting in overpayment of ₹ 6.28 crore.**

The Ministry of Human Resource Development Department (MHRD), Government of India, in consultation with the Ministry of Finance, instructed (February 2004) all autonomous organizations under its jurisdiction not to pay interest to General Provident Fund (GPF)/ Contributory Provident Fund (CPF) subscribers at a rate higher than that notified by the Government. However, a lesser rate of interest than the rate notified could be paid depending upon the financial position of the organization.

Audit noticed that Banaras Hindu University (BHU), Varanasi, and the Indian Institutes of Management at Ahmedabad (IIM-A) and Kolkata (IIM-C) paid interest on GPF/CPF accumulations at rates higher than the notified rates fixed by the Central Government. This resulted in over-payment of interest of ₹ 6.28 crore for the years 2010-11 to 2016-17 as detailed in **Table No. 4** below:

**Table No. 4: Over-payment of interest**

Name of the Institute	For the Year	Rate at which paid by Institute (%)		Rate notified by Central Government (%)	Excess interest credited (₹ in crore)
Banaras Hindu University	2012-13	9.30		8.80	1.17
	2015-16	9.20		8.70	1.75
Indian Institute of Management,	2010-11	12.00		8.00	0.93
	2011-12	12.00 (up to Nov' 11)		8.00 (up to Nov' 11)	1.11

Ahmedabad		12.60 (Dec' 11 – Mar' 12)		8.60 (Dec' 11 – Mar' 12)	
	2012-13	10.80		8.80	0.65
	2013-14	9.45		8.70	0.27
	2014-15	9.10		8.70	0.17
	2015-16	8.82		8.70	0.05
Indian Institute of Management, Calcutta	2016-17	8.70		8.10 (up to Sept' 16) 8.00 (Oct' 16 – Mar' 17)	0.18
<b>Total overpayment</b>					<b>6.28</b>

IIM-A stated (June 2017) that instruction of MHRD issued in 2004 is not applicable to the Institute. They contended that these instructions were applicable to those autonomous bodies seeking approval of their respective Finance Committees for augmenting their budget with a view to meeting the shortfall between the income earned on investment of GPF/CPF accumulations made and the amount required to give interest to the GPF/CPF subscribers at the rate of interest notified by Government. In the instant case, the trustees had declared additional interest to employees as per the earning of the trust after taking care that adequate cushion is created to cater for fall in interest rate. BHU replied (May 2017) that the GPF/CPF subscribers were paid enhanced rate of 9.3 and 9.2 *per cent* respectively for the years 2012-13 and 2015-16 as a special case on occasion of 150<sup>th</sup> birth anniversary of Mahamana Pt. Madan Mohan Malaviyaji and Centenary Year of BHU respectively. IIM-C replied (September 2017) that over-payment of interest was due to incorrect application of interest rate and the excess paid will be recovered/adjusted.

Reply of IIM-A is not acceptable as the institutions whose Provident Fund Rules have been notified under Section 8(2) of Provident Fund Act, 1925, have to mandatorily follow the rate of interest on Provident Fund as notified by the Government of India (GoI) for its employees from time to time. Since the CPF Rules of IIM-A were approved by GoI in October 1964, it is bound by the interest rates notified by GoI and instructions of MHRD are applicable. Further, instructions of MHRD does not provide for any exemption. Hence, replies of IIM-A and BHU were not in consonance with the Ministry's instructions of 2004 which place restrictions on all autonomous organisations on payment of higher rates of interest.

Thus, failure of these institutions to comply with the instructions of MHRD resulted in over-payment of interest of ₹ 6.28 crore to the GPF/CPF subscribers of these institutions.

The matter was reported to the Ministry in (December 2016/June 2017); its reply was awaited as of December 2017.

## Indira Gandhi National Tribal University, Amarkantak

### 12.5 Non-utilisation of funds and irregular payments

Grants sanctioned for specific projects/ schemes/ programmes to the extent of ₹ 3.30 crore were lying unutilized with the University defeating the purpose for which they were sanctioned. There was also irregular payment of Tribal Area Allowance of ₹ 35.39 lakh and irregular reimbursement of Service Tax amounting to ₹ 22.09 lakh.

#### 12.5.1 Introduction

The Indira Gandhi National Tribal University (University), Amarkantak, Madhya Pradesh was established as a Central University under the Indira Gandhi National Tribal University Act, 2007, to provide avenues of higher education and research facilities and to evolve different programs primarily for the tribal population of India. The University has 12 Faculties and 30 Departments which offer Honours, Under Graduate, Post Graduate and PhD programmes. It has one Regional Centre at Manipur. The University had Corpus/ Capital Fund of ₹ 590.46 crore, Fixed Assets of ₹ 496.39 crore and Investments & Cash & Bank balances amounting to ₹ 60.33 crore as of 31 March 2017. The position of utilization of funds by the University during the last five years ending 31 March 2017 is given **Table No. 5** below:

**Table No. 5: Utilization of funds**

(₹ in crore)

Year	Opening Balance	Plan Grants	Other Grants	Internal Receipt	Total Available Fund	Utilization	Closing Balance
2012-13	2.99	100.00	--	2.72	105.71	111.71	(-) 6.00
2013-14	(-) 6.00	100.00	--	2.97	96.97	98.27	(-) 1.30
2014-15	(-) 1.30	185.16	2.70	5.31	191.87	189.50	2.37
2015-16	2.37	97.67	2.43	5.83	108.30	90.34	17.96
2016-17	17.96	116.18	0.32	5.38	139.84	103.53	36.31

Source – Separate Audit Reports

An audit was conducted to assess the utilisation of funds during the period 2012-13 to 2016-17 with reference to the relevant financial rules and canons of financial propriety. The audit findings are discussed in the subsequent paragraphs.

#### 12.5.2 Under-utilization of funds for Research Projects/Programmes/ Schemes

The University Grants Commission (UGC) as well as different Ministries/ Departments sanction grants for specific Research Projects/Programmes/ Schemes to the University with prescribed conditions which inter alia include that (i) the sanctioned amount is valid for payment during the financial year in

which the grant is released, (ii) the grantee institution shall ensure the utilisation of grant for which it is being sanctioned and (iii) in case of non-utilisation/ part utilisation, the simple interest @ 10 *per cent per annum* or as amended from time to time on unutilised amount from the date of drawing to the date of refund as per provisions contained in General Financial Rules (GFRs) of Government of India will be charged. Audit noted that the University failed to utilise 84 *per cent viz.*, ₹ 3.30 crore out of ₹ 3.93 crore of grants received for various schemes as detailed below:

**A)** In May 2013, the University proposed to establish a full-fledged Centre for preservation and promotion of endangered languages of extinct tribal groups and their dialects for long term research in documentation, conservation and for promotion of endangered languages exclusively in Central India. The proposal was accepted (April 2014) by the UGC and it sanctioned ₹ 2.65 crore in August 2015 for utilisation during the financial year 2015-16. However, the University could spend only ₹ 6.15 lakh during 2015-16 and ₹ 27.47 lakh during 2016-17 towards entitlement expenditure and for purchase of computer hardware leaving a balance unspent grant of ₹ 2.31 crore (87 *per cent*). In May 2017, the University informed UGC of the progress of the Centre and the way-forward and requested release of second instalment of ₹ 2.65 crore even without utilizing the funds granted in the first instalment.

**B)** The Ministry of Micro, Small and Medium Enterprises launched (March 2015) a scheme for promoting innovation, entrepreneurship and agro-industry with components like creation of technology centres, capacity building and support for setting up livelihood business incubation centres and technology incubation centres and accelerator workshops. The University was made (September 2016) the nodal agency with focus area of training as multi trade and an amount of ₹ 49.43 lakh was released. However, the entire grant remained unutilized as of 31 March 2017.

**C)** The Ministry of Environment, Forest and Climate Change released ₹ 43.16 lakh (₹ 12.59 lakh in January 2016 and ₹ 30.57 lakh in October 2016) towards two projects, namely (i) land use dynamics and its impact on micro-elements, structure, composition and diversity of Achanakumar – Amarkantak Biosphere using satellite remote sensing and GIS techniques, and (ii) identification of potential risk from ecologically relevant toxicants on Narmada river and evaluation of its health using aquatic macro invertebrates. In February 2017, even though the University had failed to utilise the grant received in January 2016, the Project in-charge was given permission to utilize the sanction during 2016-17. However, only ₹ 6.92 lakh could be utilized by 31 March 2017 leaving an unspent balance of ₹ 5.67 lakh (45 *per cent*) with the

University. Similarly, against the grant received for ₹ 30.57 lakh in October 2016, an amount of only ₹ 0.99 lakh could be utilized leaving an unspent balance of ₹ 29.58 lakh (97 *per cent*) as of 31 March 2017.

**D)** UGC launched (2011) a scheme by name of ‘Start-Up Research Grant’ to boost Basic Science Research (BSR) amongst young faculty at the Assistant Professor level. The grant provided can be utilized for items like minor equipment, consumables, contingencies, fieldwork and travel. UGC released ₹ 35.40 lakh to six Assistant Professors as Start-Up Research Grant during the five years period ending 31 March 2017 out of which only ₹ 20.76 lakh could be utilised and ₹ 14.64 lakh (41 *per cent*) is lying with the Institute which has neither been utilized within the specified period nor refunded to UGC as per the terms of its sanction order.

The University stated (August 2017) that it has to follow the prescribed guidelines for incurring the expenditure and there may be certain cases of under-utilization which is unavoidable as the compliance of guidelines is also equally significant. It added that the utilization will be ensured for the projects as per the sanction and extension of the Project will be obtained, whenever required, from the concerned funding agency.

Audit observed that the University, being the grantee institution, has not written to UGC justifying the non-utilisation of grant within the stipulated period and requested for extension of time. It is the responsibility of the University to oversee the utilisation of grants for the purposes intended to ensure that the objectives for which the same are sanctioned are being met. Further, the non-refund of unutilised grants entails a penalty of 10 *per cent* simple interest on the unutilised portion of the grant which upon demanded by UGC is an avoidable expenditure.

### **12.5.3 Irregular award of Civil and Electrical works**

As per Rule 160 (x) of GFR 2005, bids received should be evaluated in terms of the conditions already incorporated in the bidding documents. No new condition which was not incorporated in the bidding documents should be brought in for evaluation of the bids.

The University floated (March 2011) a Notice Inviting Tender for civil and electrical works for HT Electrical System including sub-station, overhead transmission line and ground cabling at the University campus. The eligibility criterion was specified as (i) the contractor should have successfully executed jobs of similar nature in the last three financial years, (ii) the contractor or the firm should be registered or must have executed at least one work in last three

years with any department of Central Government, State Government, Public Sector Undertaking or any private company of repute and (iii) the contractor or the firm should have all necessary registrations such as Income Tax, Sales Tax, Labour Department, Service Tax etc.

The Vice Chancellor of the University constituted (May 2011) a Technical Committee to open and evaluate the technical bids and prepare a comparative chart of the tenders received. The Technical Committee opened the technical bids and rejected one tender on the ground that the counter-signature of the bank authority was not there on the Fixed Deposit Receipt submitted as EMD and recommended the other five tenders received for opening of financial bids. Subsequently, while approving the proposal of the Technical Committee, the Registrar proposed that the firms having similar work experience of less than ₹ 25 lakh may not be short-listed as being technically qualified. The Vice Chancellor approved the proposal of the Registrar and two firms were disqualified and subsequently the works were awarded for ₹ 1.68 crore to the L1 bidder from the remaining three bidders.

Audit noted that the introduction of a new condition of firms with similar work experience of at least ₹ 25 lakh at the time of evaluation of technical bids and disqualifying two firms who were otherwise technically qualified is in contravention of Rule 160 of the GFR.

The University stated (August 2017) that according to the certificates provided by the firms, they possessed experience of 11 KVA and LT works whereas as per tender, the minimum requirement was 33 KVA and HT works and thus both the firms were technically disqualified by the tender committee.

The reply is not tenable as the experience certificates provided by both the firms indicated experience of HT works and both the firms were proposed by the Technical Committee for opening of the financial bids. One of the disqualified firms had experience of executing the work of 33 KV HT line, sub-station, ground cabling etc. with Public Works Department, Rewa, Madhya Pradesh with turnover of ₹ 1.37 crore during 2010-11 and similar work for ₹ 39.95 lakh during 2007-08. The second firm which was disqualified had the experience of working with Bharat Sanchar Nigam Limited and completed works of supply, installation, testing and commissioning of transformer sub-station and extension of HT/LT line for providing LT supply amounting to ₹ 3.95 crore during 2008-10 and ₹ 1.30 crore during 2009-11.

#### **12.5.4 Irregular payment of Tribal Area Allowance**

As per instructions issued by the Government of India for Special Compensatory (Hill Area) Allowance<sup>34</sup> and for Scheduled/Tribal Area Allowance<sup>35</sup>, 'in places where more than one Special Compensatory Allowance is admissible, the Central Government employees posted in such stations will have the option to choose the allowance which benefits them the most'.

As Anuppur District of Madhya Pradesh where the University is located has been notified as a tribal area and is at an elevation of 1,048 meters above sea level, the employees of the University were paid both Tribal Area Allowance amounting to ₹ 35.39 lakh as well as Hill Area Allowance amounting to ₹ 56.39 lakh during the period 2012-2017. As such, payment of ₹ 35.39 lakh, being the least amount paid among both the allowances, was in violation of the extant orders.

The University stated (August 2017) that the orders of the Government dated 29 August 2008 do not cite the Tribal Area Allowance as a special compensatory allowance and hence it is also admissible.

Reply is not tenable as the instructions clearly stipulate that only one Special Compensatory Allowance is admissible to employees posted in a station.

#### **12.5.5 Irregular reimbursement of Service Tax**

The services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of a structure meant predominantly for use as an educational establishment are exempt from levy of service tax as per Clause 12(c) of the Ministry of Finance (MoF) Notification No. 25/2012 dated 20 June 2012. This exemption was withdrawn vide MoF Notification dated 1 March 2015 with effect from 1 April 2015, but subsequently re-introduced vide MoF Notification dated 1 March 2016 with a caveat that the contract for services should have been entered into prior to March 2015 to avail the exemption with effect from 1 April 2016.

In respect of execution of works for construction of buildings and allied structures for University's Campus at Amarkantak, University reimbursed ₹ 91.59 lakh towards service tax to contractors during 2016-17. Audit noted that three works relating to construction of school of education building, teachers residences and internal roads and allied structures were awarded prior to

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<sup>34</sup> Office Memorandum no. 4(2)2008-E.II(B) dated 29 August 2008.

<sup>35</sup> Office Memorandum no. 17(1)2008-E.II(B) dated 29 August 2008.

1 March 2015 and the contractors were reimbursed service tax component of ₹ 22.09 lakh in respect of those bills during 2016-17 which were exempt from payment of Service Tax.

University replied (August 2017) that as per the orders of the Service Tax authorities, the University is not entitled for exemption from payment of service tax. The University added that it was contesting the matter through appeal with Service Tax Department.

Audit noted that the University was established by an Act of Parliament to impart education and as such was eligible for exemption of services provided to it in terms of the MoF's notifications cited above. Hence, it should have exercised due diligence at the stage of passing of the bills to avoid the reimbursement of service tax component.

The audit observations were sent to the Ministry in September 2017; its reply was awaited (December 2017).

### **Kendriya Vidyalaya, Sidhi**

#### **12.6 Unfruitful expenditure on construction of school hostels**

**Construction of hostel building, kitchen and dining block for the Kendriya Vidyalaya, Sidhi, M.P. by the Kendriya Vidyalaya Sangathan without assessing its requirement resulted in unfruitful expenditure of ₹ 1.70 crore as the building remained unutilized since its completion in May 2012.**

Rule 26 of the General Financial Rules, 2005, stipulate that a controlling officer should ensure that an adequate control mechanism is functioning in his department to guard against waste and loss of public money and such mechanism and checks are effectively applied. Further, the CPWD Manual stipulates that works should be undertaken only after a proper assessment of requirements and feasibility study so as to ensure that the objective of the proposed project would be achieved and the funds gainfully utilised.

The Kendriya Vidyalaya Sangathan, New Delhi (KVS), received a message on 6 June 2007 from the Chairman KVS for construction of a hostel building at Kendriya Vidyalaya, Sidhi (M.P.) to cater to the needs of tribal children. The matter was placed before the Finance Committee on 13 June 2007 which recommended the proposal. The construction of the hostel building was subsequently approved by the Board of Governors in its 77<sup>th</sup> Meeting held on 20 June 2007.

Subsequently, KVS accorded (January 2008) administrative approval and expenditure sanction for ₹ 1.74 crore for construction of the Boys' and Girls'



Hostel building (30 students each) along with kitchen and dining block including water supply, sanitary installation, drainage and development works for Kendriya Vidyalaya (KV), Sidhi, (M.P.). KVS executed the construction work through the Central Public Works Department (CPWD) and ₹ 1.70 crore was released by KVS to the KV Sidhi in three installments<sup>36</sup> during February 2008 to August 2011. The construction work commenced in March 2009 and was scheduled for completion by March 2010. However, the construction was completed by CPWD with delay of two years in March 2012 and handed over to KV Sidhi in May 2012. Though the work was completed, CPWD had yet to provide final settlement of account and completion report/certificate even after lapse of more than five years from the date of completion and handing over of the works to the KVS.

Audit observed that except an occasional use of space for yoga classes, both the hostels including the kitchen and the dining block had been lying unutilized since being handed over to KV Sidhi in May 2012. No document relating to conduct of any feasibility study or assessment of requirement could be provided to audit.

KVS and KV, Sidhi intimated in October 2017 and June 2017 respectively that (i) CPWD has not submitted completion report despite repeated reminders, (ii) even after repeated instructions, no student was willing to stay in the hostels, and (iii) the hostel was occasionally being utilized for yoga classes and art room with the permission of the Vidyalaya Management Committee. However, no yoga classes are being conducted currently in the hostel building as it was not suitable for conducting yoga classes.

Thus, the decision of the KVS to construct the hostel building without assessing its requirement or conducting a feasibility study was imprudent and resulted in unfruitful expenditure of ₹ 1.70 crore. Further, the final account with CPWD has not been settled for the last five years. Ministry/Management should find gainful alternative utilisation of the school hostel and related facilities built, including by other Ministries/Government Departments/Central Autonomous Bodies.

Matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

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<sup>36</sup> ₹ 60 lakh in February 2008; ₹ 50 lakh in April 2010 and ₹ 60 lakh in August 2011.

## Central Board of Secondary Education

### 12.7 Affiliation of private unaided schools

**The Affiliation Bye-Laws of Central Board of Secondary Education were not adhered to with reference to grant of approval of affiliations. Delays in grant of affiliations and deficiencies in constitution of Inspection Committees and conduct of inspection undermined their very purpose. Schools were granted affiliation without the conduct of inspection and there were instances of improper grant of affiliation and improper processing of applications.**

#### 12.7.1 Introduction

The Central Board of Secondary Education (Board), a self-financed autonomous organisation, was established in July 1929 by a Government of India Resolution (Resolution). The Central Board of Secondary Education Regulations (Regulations) prescribe the office bearers of the Board, rules for conduct of meetings and for affiliation and conduct of examinations. The Board functions under the overall supervision of the Secretary (School Education & Literacy), Ministry of Human Resource Development (MHRD), Government of India. The Chairman is the chief executive of the Board.

As per Clause 9 of the Resolution, the Board is empowered to affiliate educational institutions for the purpose of its examinations. Applications for affiliation is considered for (i) approval of middle class syllabus, (ii) provisional affiliation of a secondary school, (iii) upgradation/provisional affiliation of a school for senior secondary stage, (iv) application for additional subjects, (v) regular affiliation to schools run by the Government/Government Aided/Kendriya Vidyalaya Sanghatan (KVS)/Navodaya Vidyalaya Samiti (NVS)/Central Tibetan Schools Administration (CTSA) and (v) permanent affiliation to schools managed by Public Sector Undertakings and those which have earlier been granted provisional affiliation.

Private unaided schools are initially granted provisional affiliation for a period of three to five years and thereafter granted permanent affiliation subject to the fulfilment of norms and conditions stipulated in the Affiliation Bye-Laws that were formulated by the Board in January 1988.

As per Clause 15 of the Affiliation Bye-Laws, on receipt of the online application for affiliation, the Affiliation Unit of the Board examines the documents and if the applicant school fulfils the essential norms, the Secretary informs the Chairman who shall set up an Inspection Committee for the inspection of the institution. On receipt of the Inspection Report, the Secretary convenes a meeting of the Affiliation Committee to decide whether the school should be granted affiliation. The decision as to the grant of affiliation will be

communicated to the school after the approval of Affiliation Committee. In case of emergency<sup>37</sup>, this power may be exercised by the Chairman.

As on 31 March 2017, 18,694 schools including 211 foreign schools were affiliated with the Board as in **Table No. 6** below:

**Table No. 6: Schools affiliated with the Board**

Kendriya Vidyalaya Sangathan	Government/ Aided Schools	Private Unaided Schools	Navodaya Vidyalaya Samiti	Central Tibetan Schools Administration	Total
1,117	2,720	14,253	590	14	18,694

An audit was undertaken to review the process of affiliation of private unaided schools covering a period of three years from 2014-15 to 2016-17. Out of 14,253 private unaided schools, 203 cases of affiliation applications received for the period 2014-17 were selected using random sample selection basis. The audit findings are discussed in the subsequent paragraphs.

### **12.7.2 Non-adherence of the provisions of the Regulations**

Audit noted that in contravention of the provisions of the Affiliation Bye-Laws, affiliations were granted by the Chairman/Deputy Secretary of the Affiliation Unit in all 11,060 cases received during 2014-17 without these being routed through the Affiliation Committee. In all these 11,060 cases, the schools were communicated about the grant of affiliation and subsequently the decision was ratified by the Affiliation Committee. Grant of affiliation even in non-emergency cases by-passing the scrutiny expected to be exercised by the Affiliation Committee to ensure conformity to the extant rules and criteria was unjustified and undermined the objectives of the Affiliation Bye-Laws.

### **12.7.3 Delay in grant of affiliations**

Clause 15(1) (a) of the Affiliation Bye-Laws provides that the schools fulfilling the norms of affiliation may apply online to the Board for approval of Middle Class Syllabus/provisional affiliation for Secondary/upgradation of Senior Secondary Classes on the prescribed form along with prescribed fee before 30 June of the year preceding the year in which class VI/IX/XI, as the case may be, is proposed to be started. Further, all the applications which are received by the Board on or before 30 June every year may be processed together within a period of six months. The order of granting or refusing the affiliation shall be communicated to the applicants on or before 31 December of that year.

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<sup>37</sup> Emergency means any affiliation matter other than routine which requires immediate action in public interest.

Audit analysis revealed that affiliation was granted to the schools by the Board in 140 out of 203 cases. However, only 19 out of the 140 cases (14 *per cent*) were granted affiliation within six months. In the remaining 121 cases, Board took seven months to over three years to convey grant of affiliation to the schools. The delay occurred mainly due to (i) late processing of applications and communication of deficiencies, (ii) delay in conduct of inspection due to non-availability of members and (iii) lengthy process of compliance and communication of deficiency. Further, in 30 of the 121 cases, the Board communicated the first deficiency after preliminary scrutiny of the documents submitted along with the application after the deadline of 31 December.

Thus, the Board could not adhere with the prescribed time schedule prescribed for the grant of affiliation.

#### **12.7.4 Improper grant of affiliations**

##### **12.7.4.1 Start of classes without affiliation**

As per Clause 15(9) of the Affiliation Bye-Laws, no school is permitted to start CBSE pattern classes VI/IX/XI, as the case may be, without obtaining formal permission of affiliation of the Board and any school violating this condition will be disqualified for a period of two years.

Audit noted that in 58 out of 203 cases where the schools had applied for affiliation for Middle Class/provisional affiliation for Secondary/upgradation of Senior Secondary Classes, the affiliation was granted after the commencement of the session which indicated that the schools were operating the classes without the permission of the Board in violation of the extant guidelines. However, no disqualification was done by the Board.

##### **12.7.4.2 Improper scrutiny of documents**

As per Clause 8(5) of the Affiliation Bye-Laws, certificates in the prescribed format from the Health Officer of the Local Government regarding the health and sanitary conditions of the school and from the Municipal/Fire/Transport Authority regarding water/fire/transport/safety should be submitted along with the application for affiliation. A fresh certificate regarding fulfilment of these requirements should be submitted by the schools to the Board every five years.

Audit noticed that the certificates which were required to be enclosed from the municipal authority/fire authority/transport authority were not in proper format in 123 out of 203 cases examined. Further, affiliation was granted based on certificates whose validity either expired or were with limited validity of one year in 76 of the 123 cases. This resulted in grant of affiliation without assurance regarding health, hygiene and security of the students.

### 12.7.5 Deficiencies in Inspection System

As per Clauses 13(1) and 15(3) of the Affiliation Bye-laws read with Section I(10)(v) of Chapter IV of the Regulations, one of the functions of the Affiliation Committee is to form a panel of inspectors for inspection of institutes. On receipt of the application, the Secretary, after preliminary examination, shall inform the Chairman who shall set up the Inspection Committees for inspection of schools which applied for affiliation. The Affiliation Committee shall within three months of the dates of Inspection of an institution submit all applications received by it with its recommendations thereon to the Chairman.

The details of Inspection Committees formed and affiliations granted are tabulated in **Table No. 7** below:

**Table No. 7: Inspection Committees formed and affiliations granted**

	Total	Affiliation Granted	Affiliation not Granted/Pending
Inspection Committees formed for current application	118	65	53
Inspection Committees formed for earlier affiliation period	65	59	6
No Inspection Committees formed	20	16	4
<b>Total</b>	<b>203</b>	<b>140</b>	<b>63</b>

Audit observed the following:

(i) Though the Regulations under Section 1(10)(v) of Chapter IV read with Clause 15(3) and 15(5) of the Affiliation Bye-Laws stipulate the necessity of inspection by an Inspection Committee constituted by the Chairman before the grant of affiliation, affiliation was granted to 75 schools without the constitution of Inspection Committee and conduct of inspection. In 59 of the 75 schools, affiliation was granted based on the inspection carried out for the previous cycle of process of affiliation.

The selection of Inspection Committee members is done through an online system. The number of inspections for which a member is selected is maintained in the system and the system automatically gives priority to members who have conducted least number of inspections. After the constitution of Inspection Committee, the names of the members are communicated to the school to coordinate with the inspection team. However, there is no proper system thereafter to indicate whether the member has actually conducted the inspection or not. Further, the online system is also not updated whenever a member retires/gets transferred/leaves the service.

(ii) Due to non-updating of the database, Inspection Committees had to be reconstituted 16 times in case of 13 applications due to retirement of members in seven instances and transfer of members in nine instances. This resulted in

delay in grant of affiliation to schools in six cases while affiliation is yet to be granted in the remaining cases.

(iii) The Inspection Committees are expected to examine all the requirements of the Board with regard to affiliation of the schools such as observation of rules, provision of infrastructure, payment of emoluments to teachers and service benefits to teachers, staff and fee structure *vis-à-vis* the facilities provided to the students.

Audit noticed that the Inspection Committee had recommended grant of affiliation to the schools in 59 cases inspite of deficiencies noticed during inspection. Though affiliation was granted to 41 schools after their compliance to the deficiencies noticed, the grant of affiliation to 18 schools is still pending as the schools are yet to rectify the deficiencies pointed out by the Inspection Committee.

#### **12.7.6 Non adherence to the Regulations in case of affiliated schools**

##### **12.7.6.1 Non conduct of regular inspection**

As per Clause 3(C)(v)(f) of the Affiliation Bye-Laws, the Board has the right to inspect schools so as to ensure that the norms/conditions laid down in the Affiliation Bye-Laws in force are strictly complied.

Audit observed that the Board has not laid down any procedure to conduct periodical inspection of schools already affiliated. It was also observed that no such inspection of schools as envisaged in the Affiliation Bye-Laws was being conducted. The inspection of the affiliated schools is all the more necessary in cases where the affiliation has been granted by the Board by specifying special conditions to be complied by the school within specified time frame as no further follow-up on compliance by the school to those conditions is being made by the Board in such cases.

The Board stated (May 2017) that only periodical inspection of the private schools are being undertaken on serious complaints/grievances/inputs received from Regional Offices/irregularities during scrutiny of application of extension and random basis. Since most of the Committees are made offline, no complete centralised data is available.

##### **12.7.6.2 Non-furnishing of Annual Reports**

As per Clause 13(3)(i) of the Affiliation Bye-Laws, the school should prepare its annual report containing comprehensive information including affiliation status, period of provisional affiliation, details of infrastructure, details of

teachers, number of students, and status of fulfilment of norms of Affiliation Bye-Laws and post the same on the web-site before 15 September of every year.

Audit noted that there was no record maintained to monitor non-compliance to the above provisions by the Board.

The Board stated (May 2017) that the data was not maintained on monitoring/ compliance by the schools as it was not feasible. The Board further informed that an Online Affiliated School Information System (OASIS) has been introduced in November 2016 for all its affiliated schools to update their detailed information online. A total of 16,047 out of 18,124 schools affiliated as of November 2016 have submitted the information online as of August 2017.

### **12.7.6.3 Non-conducting of audit of the school funds**

Clause 13(10) of the Affiliation Bye-Laws provide that the Board may conduct an audit of the funds of the school as and when it thinks necessary to ensure that (a) the funds/fee collected by the school authorities are not diverted for any purpose other than furthering education, (b) the staff is paid salaries as per the Bye-Laws and (c) any other financial irregularity. Audit noticed that no such audit is being conducted by the Board.

The Board informed (May 2017) that no such data (specific to audit of funds) is being maintained and hence, not available.

### **12.7.7 Conclusion**

There were deviations from the provisions of the Affiliation Bye-Laws including by-passing of the scrutiny expected to be exercised by the Affiliation Committee while granting affiliation. This, coupled with delay in grant of affiliations, not ensuring compliance with health, hygiene and security requirements and lack of periodic inspections resulted in the Board not being able to ensure the compliance and supervision expected of it over the standard of the affiliated schools and quality of infrastructure and education imparted to students.

The audit observations were sent to the Ministry in September 2017; its comments were awaited (December 2017).

## Indian Institute of Technology, Mumbai

### 12.8 Irregular payment of special allowance/honorarium

**Payment of special allowance/honorarium in violation of provisions of GFR resulted in irregular payment of ₹ 9.76 crore.**

Rule 209 (6) (iv) (a) of the General Financial Rules (GFR), 2005, stipulates that all grantee institutions which receive more than 50 *per cent* of their recurring expenditure in the form of grants-in-aid should formulate terms and conditions of service of its employees which are not higher than those applicable to similar categories of employees in Central Government. In exceptional cases, relaxation may be made in consultation with the Ministry of Finance. The pay and allowances of academic and non-academic staff of the Indian Institute of Technology (IIT), Mumbai, an autonomous institution fully funded by Government of India, is regulated as per the Central Government rules and notifications.

The Ministry of Human Resource Development (Ministry) classified certain posts<sup>38</sup> as eligible for special allowance/honorarium and prescribed the rates at which such payments were to be made at various Indian Institutes of Technology. However, IIT Mumbai had over the years vide various resolutions of the Board of Governor (Board) added other posts to the eligible list of beneficiaries for payment of monthly honorarium/special allowance. The Institute also enhanced these rates periodically by such Board resolutions on a regular basis without obtaining approval of the Ministry.

MHRD while extending the benefit of revised scale of pay as per the Six<sup>th</sup> Central Pay Commission to the employees of the central autonomous bodies specified (August/September 2009) that all such facilities and perquisites that were not in conformity with Government instructions should be withdrawn as the conditions of service of employees of autonomous bodies were at par with those of Central Government departments. Further, considering the definition of 'Honorarium' (FR 46) i.e. 'amount granted for work which is occasional or intermittent in character,' Government viewed the granting of honorarium to its staff by IIT Mumbai on monthly basis in a routine manner as a deviation from its instructions and directed the Institute to discontinue such payments and effect recovery of payments made since January 2006.

IIT Mumbai decided (October 2009) to withdraw such payments of honorarium and directed that sources other than Government funds be explored for compensating the faculty members. Subsequently, the Director, IIT Mumbai, approved (October 2009) payment of honorarium to faculty and other staff from an Institute

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<sup>38</sup> Deputy Director, Deans, Wardens and Assoc./Asstt. Wardens.



Development Fund (IDF) that is collected from Institute's earnings and interest earned on thereof and to adjust the payments already made to the beneficiaries from this fund instead of recovering from the concerned beneficiaries from January 2006.

This decision of IIT Mumbai to continue regular monthly payment of honorarium/special allowance and adjusting the same from the IDF was in violation of the Government directions. During the period from January 2006 to March 2017, IIT Mumbai paid honorarium/special allowance of ₹ 9.76 crore to faculties and staff.

In April 2017, Ministry informed that the Principal Chief Controller of Account (Pr. CCA) and Integrated Finance Division (IFD) of MHRD had opined that IITs are substantially financed by Government of India (GoI) and any allowance irrespective of source of payment has to be approved by GoI. Ministry had prescribed special allowances to four categories of employees in 2010 and any subsequent revision ought to be approved by the Ministry before payment. This was not done in the present case. The Integrated Finance Division (IFD) of MHRD added that IFD does not possess the powers to relax the relevant provisions/rules and grant ex-post facto approval since the Institution has not only raised the rates for the approved categories of employees but added another 11 categories to the list for payment of special allowance/honorarium.

Ministry subsequently stated in July 2017 that the provision for payment of honorarium/special allowance to special category of employees is in the Section 23.5 of Statutes (1962) of IIT Mumbai. The honorarium and allowances in IIT cannot be dealt as per FR 46 where annual limit of ₹ 5000 is prescribed i.e. honorarium and special allowances in IIT do not fall under any government rules. Hence, decision of the Board to pay this allowance/honorarium was not wrong.

The reply of Ministry was not tenable as it was in contravention of Rule 209 (6) (iv) (a) of GFR 2005 as no relaxation for payment of special allowance/honorarium has been given by MHRD to IIT Mumbai in consultation with the Ministry of Finance. Further, Section 23.5 of the Statutes cited by the Ministry only provides that Wardens and Assistant Wardens shall be paid an allowance of ₹ 50 per month provided that in case a Professor is appointed as Warden, he shall not be entitled to receive any allowance. In the instant case, IIT Mumbai had paid honorarium/special allowance to large categories of employees. Hence, payment of ₹ 9.76 crore to faculty and staff as honorarium/special allowance was irregular and in contravention of the extant rules. The instances of irregular payment of special allowances/honorarium mentioned in this audit observation are those which came to the notice of audit during test check of records of IIT Mumbai and do not exclude the risk of similar other instances. Ministry may thus, review the irregular payment

of special allowances/honorarium in all autonomous bodies under their control to obviate the possibility of similar cases.

## 12.9 Irregular payment of Service Tax

**The Indian Institute of Technology, Mumbai failed to exercise due diligence and made irregular payment of service tax amounting ₹ 2.56 crore on construction activities under taken by them which was exempted from payment of service tax.**

Ministry of Finance (Department of Revenue) vide Notification No.25/2012 ST dated 20 June 2012 exempted service tax on services provided to a government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of a structure meant predominantly for use as an educational establishment. The above exemption was omitted vide notification 06/2015 ST dated 1 March 2015 but subsequently re-introduced vide Ministry of Finance (Department of Revenue) vide Notification 09/2016 ST dated 1 March 2016 with the stipulation that the aforesaid activities should be under a contract which had been entered into prior to 1 March 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date.

Audit examination revealed that the Indian Institute of Technology Mumbai had entered into agreement for five construction works prior to 1 March 2015 and paid service tax of ₹ 2.56 crore on these works during the period 1 March 2016 to 31 March 2017. As these activities were exempted from service tax with effect from 1 March 2016, the payment of ₹ 2.56 crore as service tax after 1 March 2016 was irregular.

IIT stated (August 2017) that in the case of Shapoorji Paloonji & Company (P) Ltd./IIT, Patna vs. Commissioner of Customs Central Excise and Service Tax (2015) in Patna High Court, the Service Tax Department had contended that IIT Patna is not a government authority as Government did not have 90 *per cent* or more equity in it and hence the exemption notification was not applicable to IIT Patna. Hence, it was not clear whether IITB could take *suo-moto* action to stop payment of service tax to contractors based on the judgement of Patna High Court. Therefore, the Institute paid service tax to the contractors as the exemption in relation to educational institution was withdrawn with effect from 1 April 2015.

The reply of the Institute is not tenable as the agreements for these construction works were entered before 1 March 2015 and the Patna High Court had clearly pronounced (March 2016) during the course of judgement that IITs were set up under the Indian Institute of Technology Act, 1961, as institutes of national importance and the Notification of June 2012 exempted the activity of

construction undertaken by the institute from payment of service tax. There was no bar on IIT Mumbai being an eligible institution to avail service tax exemption on such activity.

The matter was reported to the Ministry (April 2017); its reply was awaited (December 2017).

**Indian Institute of Technology (ISM), Dhanbad, National Institute of Foundry and Forge Technology, Ranchi and National Institute of Technology, Jamshedpur**

**12.10 Irregular re-imburement of LTC claims**

**Three Central Autonomous Bodies irregularly reimbursed air fares of ₹1.28 crore during 2011-16 against air tickets purchased by their employees from unauthorized agents in violation of guidelines for availing Leave Travel Concession.**

As per the guidelines issued (September 2010) by Ministry of Finance, Department of Expenditure (MoF) for air travel on Leave Travel Concession (LTC), air tickets are to be purchased directly from airlines<sup>39</sup> or by utilizing the services of authorised travel agents *viz.* M/s Balmer Lawrie & Company, M/s Ashok Travels & Tours and Indian Railway Catering & Tourism Corporation (IRCTC)<sup>40</sup>.

Audit scrutiny of LTC bills in three<sup>41</sup> Central Autonomous Bodies (CABs) revealed that air tickets amounting to ₹1.28 crore<sup>42</sup> were purchased by employees of these Central Autonomous Bodies from agents other than the authorized travel agents during 2011-12 to 2015-16. Since the purchases of air tickets were made in violation of MoF guidelines, reimbursement of ₹1.28 crore was irregular.

IIT (ISM) Dhanbad stated (May 2017) that since the facility of booking tickets from counter of Air India and from authorized travel agents is not available in the city of Dhanbad, employees of the Institute were facing problem. However, after being pointed out by audit, necessary guidelines for booking of air tickets from Air India website/Authorized Travel Agents had been issued. NIFFT Ranchi stated (June 2017) that there have been no such cases of booking

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<sup>39</sup> At Booking counters/Website of Airlines

<sup>40</sup> To the extent IRCTC is authorised as per DoPT OM No. 31011/6/2002-Estt. (A) dated 2 December 2009.

<sup>41</sup> Indian Institute of Technology (ISM), Dhanbad, National Institute of Foundry and Forge Technology (NIFFT), Ranchi and National Institute of Technology (NIT), Jamshedpur

<sup>42</sup> IIT(ISM) Dhanbad - ₹ 36.29 lakh, NIT Jamshedpur- ₹ 62.80 lakh and NIFFT Ranchi - ₹ 29.01 lakh.

through such agencies since 2015-16 and all the bookings have been made directly through the approved airlines/booking agencies. NIT Jamshedpur stated (March 2017) that the payment of air fares have been stopped from the financial year 2016-17 in cases where tickets are booked through unauthorized travel agents.

The matter was reported to Ministry in June 2017. In respect of IIT (ISM) Dhanbad, Ministry stated (July 2017) that after identification of such lapse by C&AG in March 2017, the Institute has made it mandatory to procure air tickets only from the Government authorized sources/Air India site for availing air travel w.e.f. financial year 2017-18. The replies from Ministry in respect of NIT Jamshedpur and NIFFT Ranchi were awaited (December 2017).

### **Indian Institute of Technology, Chennai**

#### **12.11 Avoidable expenditure due to non-recovery of service tax**

**Failure of Indian Institute of Technology Chennai to collect service tax from the service receiver resulted in payment of arrears of service tax and interest from their own resources resulting in an avoidable expenditure of ₹ 1.19 crore.**

The Centre for Continuing Education (CCE) of the Indian Institute of Technology Chennai (IIT Chennai), provides training for faculty members to excel in their respective fields. The Centre also organises several short-term courses for professionals from industry and R&D establishments as well as user oriented programmes to meet the requirements of industrial organisations for which it charges fees. As per sub clause zzc of clause 105 read with clauses 26 and 27 of Section 65 of Finance Act, 1994, service tax is to be levied on training or coaching provided by any commercial training or coaching centre<sup>43</sup> for imparting skill or knowledge or lessons on any subject or field other than sports, with or without issuance of certificate. The training courses conducted by CCE were thus subject to levy of service tax under the Finance Act, 1994.

Audit examination revealed that IIT Chennai did not collect and remit service tax for the training courses conducted by CCE. These training courses were

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<sup>43</sup> Explanation under sub-clause zzc of clause 105 of Section 65 - For the removal of doubts, it is hereby declared that the expression "commercial training or coaching centre" occurring in this sub-clause and in clauses (26), (27) and (90a) shall include any centre or institute, by whatever name called, where training or coaching is imparted for consideration, whether or not such centre or institute is registered as a trust or a society or similar other organisation under any law for the time being in force and carrying on its activity with or without profit motive and the expression "commercial training or coaching" shall be construed accordingly.

mainly for private institutes and entities as well as some PSUs and government entities. The Service Tax Department demanded (January 2016) payment of ₹ 72.76 lakh towards service tax on commercial coaching training provided for the period from April 2010 to March 2015 by the CCE. IIT Chennai had thereafter to pay ₹ 72.76 lakh towards service tax arrears along with ₹ 45.76 lakh towards interest on belated payment of service tax in March 2016. It was observed that the Institute failed to recover the service tax from the service receiver for providing commercial training through CCE. As a result, IIT Chennai had to pay ₹ 1.19 crore from its own resources towards arrears of service tax and interest which was avoidable.

The Ministry stated (April 2007) that service tax along with interest was paid to avoid further legal liabilities. It added that service tax on these courses is now being collected and remitted to the Service Tax Department.

Thus, failure of IIT Chennai to recover the service tax from service receiver resulted in avoidable expenditure of ₹ 1.19 crore.

### **National Institute of Technology, Tiruchirappalli**

#### **12.12 School building not utilized for intended purpose**

**National Institute of Technology, Tiruchirappalli constructed a school building for Kendriya Vidyalaya without obtaining approval and financial sanction of Ministry resulting in non-utilisation of the building constructed at a cost of ₹ 6.64 crore for the intended purpose.**

National Institute of Technology, Tiruchirappalli (NIT) decided in October 2006 to construct a school building for Kendriya Vidyalaya (KV) school in its campus and sought the detailed requirements from Kendriya Vidyalaya Sangathan (KVS). In February 2007, KVS asked NIT to submit the proposal for opening a KV under 'Project Sector/Institute of Higher Learning (IHL).' KVS added that the resolution to be passed by the Board of Governors (BoG) of NIT for opening a KV under IHL should, *inter alia*, state that NIT will bear the entire cost i.e. recurring and non-recurring expenditure including proportionate overhead charges and future development expenditure and shall also provide suitable and sufficient land, buildings, furniture and equipment as well as residential accommodation for the staff of the proposed KV. Further, the Memorandum of Understanding to be signed between NIT and KVS required an undertaking that NIT shall bear all costs of opening and running the KV and should be with the concurrence of the Secretary, Ministry of Human Resource Development (MHRD).

NIT submitted a proposal for the KV to the Ministry in May 2008. Subsequently in April 2009, the BoG of NIT approved the proposal for establishing the KV from 2009-10 with salaries being paid from NIT's funds though the response from Ministry to the proposal was still awaited. Subsequently, NIT reminded MHRD to expedite the requisite approvals (September 2009) and sought (September 2011 and November 2011) approval and financial sanction for recurring and non-recurring expenses and to sign the MoU with KVS. Without waiting for MHRD concurrence, NIT entrusted (July 2009) the work of construction of school building for KV to Central Public Works Department (CPWD) for ₹ 7.57 crore. The work was completed at a cost of ₹ 6.64 crore and the building was handed over in May 2013. In the meanwhile, MHRD requested (May 2012) NIT to negotiate with KVS to make them agree to bear the recurring and non-recurring cost from their own budget in exchange for land which could be provided to KVS free of cost. However, KVS conveyed (April 2013) that opening of KV at NIT is viable only as per norms prescribed under IHL/Project Sector.

Audit observed that in spite of there being no commitment of MHRD on funding the recurring and non-recurring expenditure and before obtaining its concurrence for signing the MoU to establish the KV, NIT constructed the school building. As the school could not be started, the building remains partially utilised as a Student Activities Centre and partly allocated to Indian Institute of Information Technology Tiruchirappalli from March 2016.

MHRD stated (October 2017) that it has directed NIT to strictly and scrupulously adhere to the norms prescribed in the GFRs and the instructions issued by GoI from time to time with respect to construction of building in the Institute. The Institute has also been requested not to repeat such procedural lapses in the future.

Thus, construction of school building by NIT even before obtaining approval and financial sanction of MHRD as mandated under the extant rules resulted in non-utilisation of the building constructed at a cost of ₹ 6.64 crore for the intended purpose.

## Central University of Gujarat, Gandhinagar

### 12.13 Non-functional equipment

**Poor contracting practices and lack of effective follow-up to enforce terms of supply order resulted in equipment worth ₹ 2.22 crore remaining non-functional.**

Central University of Gujarat (CUG), Gandhinagar, purchases equipment for research and training programmes by its various departments. The terms and conditions of the tenders for procurement of equipment stipulate a warranty period of the equipment of 24 months from the date of installation or 27 months from the date of shipment whichever is earlier. In case of breach of warranty, the supplier shall pay to the purchaser such compensation as may arise by reason of such breach. The tender conditions provide that the successful bidder will have to enter into a contract (with standard terms and conditions of supply) on the receipt of supply order including bank guarantee/warranty and Performance Guarantee.

The School of Life Sciences (SLS) of CUG proposed the procurement of a Matrix Assisted Laser Desorption/Ionization-Time of Flight machine for the purpose of Mass Spectrometry. The equipment was procured in August 2012 at a cost of ₹ 2.22 crore and installed in September 2012. After installation, it was noticed that the equipment was functioning intermittently and it failed to function totally in November 2013 due to UPS failure. The UPS was repaired by the supplier in December 2013. However, it failed to function even thereafter. Subsequently, SLS understood (April 2015) that a Reflector Detector was damaged and replacement was the only alternative. A meeting was convened between SLS and representatives of the supplier on 15 April 2015 wherein it was agreed that as the malfunction developed during the warranty period, the supplier must bear the cost of repair and make the equipment fully functional. However subsequently, the supplier demanded (21 April 2015) US\$ 25,000 for replacement of the Reflector Detector.

Thereafter, as the supplier did not respond and take action to repair the equipment, CUG encashed the Performance Bank Guarantee of ₹ 19.90 lakh in May 2015. However, no action was taken thereafter to make the equipment functional. After the matter was raised by audit (August 2015/July 2016/January 2017), CUG wrote (March 2017) to the supplier to resolve the issue. However, there was no response from him.

Audit observed that no contract had been entered into with the supplier for the procurement as stipulated in the tender documents. Hence, there was no

standard provision for penalties that could be invoked in the event of breach of contract or legal remedies that could be pursued.

CUG informed (October 2017) that due to the elaborate nature of the tender document which was duly signed by the supplier, the University had not entered into a separate contract after issue of the supply order.

The reply is not tenable as existence of a contract is necessary to clearly set out the obligations of both parties and the enforceable remedies available in the event of breach by any of the contracting parties. Audit further noticed that the tender terms included a provision for arbitration under the Arbitration & Conciliation Act, 1996, in the event of any claim, dispute or difference arising out of or in connection with the agreement. CUG failed to even explore invoking this provision to resolve the matter.

Thus, deficient contracting coupled with ineffective follow-up resulted in an equipment procured at a cost of ₹ 2.22 crore in August 2012 remaining unusable (October 2017).

The matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

### **Visva-Bharati, Shantiniketan**

#### **12.14 Irregular payment of honorarium**

**Payment of honorarium in violation of provisions of Financial Rules resulted in irregular payment of ₹ 1.07 crore.**

Visva-Bharati, Shantiniketan (VB) is fully funded by the Government of India (GoI) through the University Grants Commission. Rule 209 (6) (iv) (a) of the General Financial Rules (GFR), 2005, stipulates that all grantee institutions which receive more than 50 *per cent* of their recurring expenditure in the form of grants-in-aid should formulate terms and conditions of service of its employees which are not higher than those applicable to similar categories of employees in the Central Government. In exceptional cases, relaxation may be made in consultation with the Ministry of Finance. Further, as per resolution passed (July 1989) by the Executive Council of VB relating to establishment and related affairs, if the VB rules do not come to assistance, application of the related GoI Rules may be treated as authorised.

There is no provision for payment of honorarium in the Act/Statute of VB. Hence, Rule 46 (b) of the Fundamental Rules (FR) applies which stipulate that the Central Government may grant or permit a government servant to receive an



honorarium as remuneration for work performed which is occasional or intermittent in character and either so laborious or of such special merit as to justify a special reward. The Rule further states that except when special reasons exist for a departure from this provision, sanction to the grant of an honorarium should not be given unless the work has been undertaken with the prior consent of the Central Government and its amount has been settled in advance.

Audit examination revealed that VB paid monthly honorarium to faculties/officers appointed to perform regular duties attached to various posts at rates detailed in **Table No. 8** below:

**Table No. 8: Monthly honorarium to faculties/officers**

Posts	Amount of Monthly Honorarium (₹)
Proctor, Provost, Principals of Bhavans/Vibhagas, Controller of examination, Director	5000
Heads of Departments/Centres	3500
Deputy Dean, Deputy Proctor, Warden	3000
Vice Principal	2000

During the period from March 2013 to March 2017, VB paid honorarium amounting to ₹ 1.07 crore to 165 faculties/officers. Since VB paid honorarium for regular work which was neither occasional nor intermittent in character, the payment of such honorarium was not in consonance with the applicable rules. Further, VB had not taken any approval from the Ministry for departure from the provisions of FRs for payment of honorarium thereby rendering as irregular the entire payment of ₹ 1.07 crore towards honorarium.

VB stated (July 2017) that though the amount was paid as honorarium, it was in the nature of special allowance for shouldering additional responsibilities in the interest of the students assigned for a specific period and accordingly it was paid regularly every month. VB added that they had however stopped payment of honorarium to the Principals, Head of the Departments and Proctor from April 2017. The reply is not tenable as the payment of honorarium as special allowance is not covered under the provisions of FR and VB had also not taken any approval from the Ministry for payment of special allowance.

The matter was reported to the Ministry in May 2017; its reply was awaited as of December 2017.

## Tezpur University, Assam

## 12.15 Undue benefit to teachers

**Tezpur University, Assam allowed promotion/re-designation for higher post and granted higher pay to 10 teachers in contravention of extant regulations resulting in excess payment of pay and allowances of ₹ 99.25 lakh.**

Ministry of Human Resource Development (Ministry) revised (December 2008) the pay scales, service conditions and the Career Advancement Scheme (CAS) for teachers and equivalent positions in Central universities following the recommendations of the Sixth Central Pay Commission effective from January 2006. The Ministry stated that the revision of pay scales of teachers shall be subject to various provisions of the Scheme and Regulations to be framed by the University Grants Commission (UGC) in this behalf. Accordingly, UGC framed Regulations<sup>44</sup> in June 2010 and adopted the revised pay structure as prescribed by the Ministry. The revised pay structure under the CAS stipulated that incumbent Readers who had not completed three years shall be placed at the appropriate stage in the pay band of ₹ 15,600 - ₹ 39,100 with an Academic Grade Pay (AGP) of ₹ 8,000 till completion of three years of service as Readers. Thereafter, they shall be placed in the higher Pay Band of ₹ 37,400-₹ 67,000 with an AGP of ₹ 9,000 and shall be re-designated as Associate Professors. The same pay structure was also applicable for directly recruited Readers. The revised pay structure further stipulated that Associate Professors on completion of three years of service in the AGP of ₹ 9000 shall be eligible to be promoted to the post of Professor with an AGP of ₹ 10000.

Test check of records of Tezpur University (University) Assam brought out that the University re-designated (May 2009) four<sup>45</sup> of their incumbent Readers as Associate Professors from January 2006 even before completion of three years of service and extended the benefit of higher pay band with AGP of ₹ 9000 to them. The University also extended such benefit to another six<sup>46</sup> Readers who were either promoted under CAS or appointed between January 2006 and June 2010. As none of the teachers had completed three years' of service as Readers, their pay should have been fixed in the pay band of ₹ 15600 - ₹ 39100 with an AGP of ₹ 8000. Audit further noticed that University extended benefit to one of these teachers<sup>47</sup> by granting him promotion to the post of Professor under CAS

<sup>44</sup> UGC (Minimum Qualifications for Appointment of Teachers and other Academic Staff in Universities and Colleges and Measures for the Maintenance of Standards in Higher Education) Regulations 2010.

<sup>45</sup> A.K. Mukherjee, D. Hazarika, N. Karak and R.C. Deka

<sup>46</sup> N. Das, G.A. Ahmed, D.P. Nath, D. Deka, D.C. Baruah and P. Deb

<sup>47</sup> Shri D.P. Nath

before completing the required service. This resulted in excess payment of ₹ 99.25 lakh to ten teachers towards pay and allowances during the period from January 2006 to December 2016.

While accepting the observation, the University informed (August 2017) that the action has been initiated for recovery of excess pay and allowances. This was done after Ministry of Finance, Government of India turned down (May 2017) the waiver request of the University and advised it to route the proposal through their administrative Ministry in consultation with the Department of Personnel and Training. The Ministry endorsed (September 2017) the reply of the University.

### **Indian Institute of Information Technology, Allahabad**

#### **12.16 Irregular expenditure in procurement of books and journals**

**The Indian Institute of Information Technology, Allahabad incurred an expenditure of ₹ 1.50 crore towards purchase of 1,830 books/journals from a non-empanelled publisher in violation of its own laid down procedure and the provisions of GFR. Out of these 1,830 books/journals, there is no receipt nor entry in Library Accession Register pertaining to 801 books and 180 journals worth ₹ 81.45 lakh which renders the expenditure doubtful.**

The Indian Institute of Information Technology, (Institute) Allahabad, had empanelled five vendors for supply of books on certain terms and conditions that are specified in the Purchase Order. The Library generally procures such book titles which are recommended by faculty members duly forwarded by the concerned Heads of Departments and approved by the Competent Authority (Director). Further, Library procures online e-journals through INFLIBNET E-SodhSindhu consortium (previously INDEST) established by the Ministry of Human Resource Development.

Rule 187(1) of the General Financial Rules (GFR), 2005, stipulate that, the officer-in-charge of the stores should refer to the relevant contract terms and follow the prescribed procedure while receiving materials from supplier. Further, Rule 187(3) states that the details of the materials so received should be entered in the appropriate stock register and the officer in-charge of the store should certify that he has actually received the materials and recorded it in the appropriate stock register. The Drawing and Disbursing Officer should satisfy himself that the material was actually received while making payment.

Scrutiny of records revealed that the Institute procured 1,830 books/journals (1,550 books and 280 journals) worth ₹ 1.50 crore between October 2012 and October 2013 from a non-empanelled publisher which were delivered between

February and October 2013 without following its own laid down procedure for procurement of library books/journals. All the books/journals were invoiced in the name of the then Director of the Institute. The payments were authorized by the then Director, being the competent authority, without ensuring the actual receipt of the books in the Library. There is no record of any indent from the faculty members/departments and no record of the purchase order. Further, out of 1,830 books/journals, audit noticed that 801 books and 180 journals valued at ₹ 81.45 lakh were neither received by Library nor entered in the Library Accession Register.

The Institute stated (March 2017) that they had no information/relevant documents pertaining to the matter. The payments were made to the Publisher after approval of the Director through wire transfer.

Thus, the Institute failed to comply with its own laid down procedures for procurement of library books/journals and the provisions of GFR resulting in irregular expenditure of ₹ 1.50 crore. Out of this, there is no receipt in Institute's Library and entry in Library Accession Register pertaining to books and journals worth ₹ 81.45 lakh which renders the expenditure doubtful.

The matter was reported to the Ministry in May 2017; its reply was awaited as of December 2017.

**ABV-Indian Institute of Information Technology and Management (ABV-IITM), Gwalior, Indian Institute of Information Technology, Design and Manufacturing (IIITDM), Jabalpur and National Institute of Technical Teachers Training and Research, (NITTTR), Bhopal**

#### 12.17 Irregular payment of Service Tax

**ABV-IITM, Gwalior, IIITDM Jabalpur and NITTTR Bhopal paid ₹ 82 lakh as service tax on outsourced services though these Institutes were exempted from payment of such tax.**

The Ministry of Finance (Department of Revenue), Government of India exempted certain services provided to or by educational institutions, from service tax with effect from 1 July 2012<sup>48</sup>. The notification clarified that exempted services include *inter alia* any services which educational institutions ordinarily carry out themselves but may obtain as outsourced services from any other person. The Ministry of Finance further clarified that by virtue of entry in the negative list, it was clear that all services relating to education are exempt

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<sup>48</sup> Notification No.25/2012-Service Tax dated 20 June 2012

from service tax<sup>49</sup>. These services also include hostels, housekeeping, security services, canteen, etc.

Audit noted that three Institutes paid services tax of ₹ 82 lakh for services provided by contractors such as security, cleaning and housekeeping that were exempted from payment of service tax as detailed in **Table No. 9** below:

**Table No. 9: Details of services tax paid**

(₹ in lakh)

Sl. No.	Institution	Services outsourced	Period	Service Tax paid
1.	Atal Bihari Vajpayee-Indian Institute of Information Technology and Management (ABV-IIITM), Gwalior	Security, Cleaning and House keeping	July 2012 to October 2016	43.00
2.	Indian Institute of Information Technology, Design and Manufacturing (IIITDM), Jabalpur	Security Services	September 2012 to June 2015	32.00
3.	National Institute of Technical Teacher Training and Research (NITTTR), Bhopal	Security, Cleaning and House keeping	April 2014 to July 2015	7.00
<b>Total</b>				<b>82.00</b>

ABV-IIITM Gwalior stated (February and December 2017) that the Institute had stopped the payment of service tax to the service providers and recovered ₹ 5.65 lakh while IIITDM, Jabalpur (February 2017) and NITTTR Bhopal (June 2017) stated that the service tax charged by the service providers would be recovered.

Audit observed that the Institutes should have been aware of the notifications and the funds could thus have been utilised to support other activities of the Institutes.

The matter was reported to the Ministry in August 2017; its reply was awaited as of December 2017.

### **Motilal Nehru National Institute of Technology, Allahabad**

#### **12.18 Non-realization of lease rent**

**Motilal Nehru National Institute of Technology, Allahabad failed to initiate effective action for collection of rent or eviction of premises in respect of 23 lessees who were in default resulting in non-realisation of lease rent of ₹ 66.10 lakh as well as unauthorized occupation of sheds belonging to the Institute.**

The Public Premises (Eviction of Unauthorised Occupants) Act, 1971 (Act) provides for eviction of unauthorized occupants from public premises. As per

<sup>49</sup> Circular no. 172/7/2013-ST dated 19 September 2013

Section 5 of the Act, if the estate officer is satisfied that the public premises are in unauthorized occupation, the estate officer shall make an order of eviction for reasons to be recorded therein directing that the public premises be vacated on such date as may be specified in the order but not later than fifteen days from the date of the order. If any person refuses or fails to comply with the order of eviction, the estate officer may evict that person from and take possession of the public premises and may, for that purpose, use such force as may be necessary. Further, as per Section 6 of the Act, where any person has been evicted from any public premises, the estate officer may, after giving fourteen days' notice to persons from whom possession of the public premises has been taken and after publishing the notice in at least one newspaper having circulation in the locality, remove or cause to be removed or dispose of by public auction any property remaining on such premises.

To promote self-employment amongst engineers and diploma holders, the Motilal Nehru National Institute of Technology (MNNIT), Allahabad, constructed (1973-74) 68 industrial sheds and allotted them to different applicant entrepreneurs/companies/firms on lease between 1973 and 1975. The lease rent was to be realized on monthly basis as per rate fixed in the lease agreement. Further, the lease was liable to be terminated on two months' notice by MNNIT in case the lessee failed to comply with the terms and conditions of the lease deed.

Scrutiny of records of MNNIT revealed that the lease agreement in case of 37 out of 68 sheds had expired between 1989 and 2013. Of these 37 sheds, lease rent in case of seven sheds<sup>50</sup> was realized as of 31 March 2017. Lease in case of seven sheds<sup>51</sup> is sub-judice and lease rent amounting to ₹ 66.10 lakh from the lessees occupying the balance 23 sheds<sup>52</sup> was yet to be realized by MNNIT. In respect of these 23 sheds, Audit noted that MNNIT had informed the lessees in November 2013 that the sheds will be sealed and they will be evicted unless the due rent was duly deposited. However, no follow-up action was taken and MNNIT was only issuing annual reminders for payment of rent due and since the leases had already expired, was demanding rent based on general phrase of 'damages for use and occupation' without any definitive action to evict the occupants by invoking the provisions of the Act *ibid*. MNNIT was not even in a

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<sup>50</sup> Shed Nos. – 2, 12, 23, 40A, 48, 52 & 61.

<sup>51</sup> M/s U. P. Electronics Corporation (Shed Nos. 41 – 47) – Case pending with Hon'ble High Court.

<sup>52</sup> Shed Nos. – 3, 9, 12A, 14, 15, 16, 18, 19, 24, 25, 26, 31, 32, 33, 34, 35, 54, 58, 59, 60, 64, 65 & 68.

position to specify the periodicity of outstanding rent of each individual lease. These 23 sheds remained under unauthorized occupation as of 31 March 2017.

MNNIT stated (May 2017) that many units of the lessees had become sick over a period of time and they were not in a position to pay rent. MNNIT added that four lessees<sup>53</sup> had filed a case against it to obtain stay on eviction which the Hon'ble High Court dismissed.

Audit observed that MNNIT's approach has been lackadaisical as evident from inaction on the part of MNNIT until March 2017. MNNIT failed to initiate action as prescribed under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971, for eviction of the unauthorized occupants even in case of four sheds whose eviction was cleared by the Court in May 2014.

Thus, failure of MNNIT to initiate effective and meaningful action for collection of rent and eviction of premises in respect of 23 lessees resulted in non-realisation of lease rent amounting to ₹ 66.10 lakh as well as continued unauthorized occupation of sheds belonging to the Institute. The instances of non-realisation of rent brought out above are those which came to the notice of audit during test check of records of MNNIT and do not exclude the risk of similar other instances. Ministry may accordingly review the rent realisation in all autonomous bodies under their control to obviate the possibility of similar irregularities.

The matter was reported to the Ministry in May 2017; its reply was awaited as of December 2017.

## **National Institute of Technology, Patna**

### **12.19 Avoidable payment of Central Excise and Custom Duty**

**Failure of the Institute to apply for exemption from Central Excise and Custom duty for ten years resulted in avoidable payment of ₹ 60.36 lakh in procurement of equipment.**

As per Government of India notification No 10/97-CE and No. 51/96–Customs dated 1 March 1997/23 July 1996, public funded research institutions including Regional Engineering Colleges have been exempted from payment of excise and custom duty as is in excess of five *per cent* ad valorem and whole of the additional duty on scientific and technical instruments if the institution is registered with the Department of Scientific and Industrial Research (DSIR), Government of India.

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<sup>53</sup> Shed Nos. whose Case is dismissed {12A, 32, 35 & 60}.

The National Institute of Technology (NIT), Patna, issued three supply orders<sup>54</sup> between October 2013 to September 2014 for purchase of equipment and paid ₹ 6.64<sup>55</sup> crore including central excise and custom duty of ₹ 62.31 lakh between December 2014 to July 2015. Although NIT Patna was eligible for exemption of Central Excise and Custom duty under the notifications cited above, the Institute failed to apply for registration with DSIR to be eligible for the exemption. The Institute applied for exemption only in May 2014 which was granted by DSIR in February 2015. Thus, delay in filing for exemption of Central Excise and Custom Duty resulted in an avoidable payment of ₹ 60.36<sup>56</sup> lakh.

NIT Patna stated (April 2017) that the exemption had been granted to the Institute in February 2015 and since the purchase orders were issued in August/September 2014, the Institute had paid duty. Further, after receipt of exemption certificate, the Institute is availing of exemption on eligible purchases/procurements.

The reply of the Institute is not tenable as the exemption had been notified by Government of India in July 1996 and March 1997 but Institute took more than 10 years<sup>57</sup> to apply for the exemption certificate.

The matter has been reported to the Ministry in May 2017; its response was awaited (December 2017).

## National Institute of Technology, Goa

### 12.20 Loss of interest

**National Institute of Technology, Goa kept surplus funds in savings account and lost the opportunity to generate additional interest of at least ₹ 51.87 lakh.**

Section 21(2) of National Institute of Technology Act, 2007, provides that all moneys credited to the Fund of every Institute shall be deposited in such banks or invested in such manner as the Institute may, with the approval of the Central Government, decide.

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<sup>54</sup> On 24 September 2014, 14 August 2014 and 30 October 2013

<sup>55</sup> 1. Hardware & Software: ₹ 0.43 crore + Advanced Electrical Power System Simulator ₹ 5.50 crore + ultima IV Automatic High Resolution Modular type X-Ray Diffractometer equipment with Scintillation counter ₹ 0.71 crore.

<sup>56</sup> Total excise and custom duty paid - ₹ 62.31 lakh. Out of the custom duty of ₹ 10.09 lakh an amount of ₹ 1.95 lakh was payable and balance amount of ₹ 8.14 lakh was exempted.

<sup>57</sup> NIT, Patna came into existence in January 2004 and it applied for exemption in May 2014.



National Institute of Technology (NIT), Goa, maintains separate savings accounts for grants received from the Ministry of Human Resources Development (MHRD) and tuition fee collected from students (Plan Grant Account) and for fees received under the Direct Admission of Students Abroad (DASA), hostel fees and for grants from sponsored projects. While funds lying in the savings accounts pertaining to DASA fee and hostel fee were not invested in term deposits (TDs), NIT invested the surplus funds lying in the Plan Grant Account in TDs.

Audit noticed that NIT had encashed TDs during April to June 2014 amounting to ₹ 4.55 crore as the funds in Plan Grant Account on the date of encashment were not sufficient to pay salaries to staff and incur other general expenditure. Subsequently, even though NIT was in regular receipt of grants from MHRD and income from academic receipts, it did not invest any further funds in TDs until January 2017 resulting in funds to the tune of ₹ 6.96 crore as of 31 March 2015 and ₹ 14.18 crore as of 31 March 2016 lying idle in the savings accounts. Non-investment of surplus funds in savings account pertaining to Plan Grant and in savings accounts pertaining to DASA fee and hostel fee during April 2015 till January 2017 deprived NIT of interest income of at least ₹ 51.87 lakh.

NIT stated (June 2017) that the amount was kept in the savings account to meet the committed expenditure estimated at ₹ 1.99 crore for renovation work of school building at Borim provided by Government of Goa for the research activity of NIT. An amount of ₹ 10 crore was kept as provision for expenditure going to be incurred for construction of boundary wall for the new permanent campus of NIT and to meet general establishment expenditure. It added that the amounts lying in savings accounts were invested in TDs between January and March 2017.

While NIT had taken corrective action by investing the surplus funds lying in savings accounts pertaining to Plan Grant, DASA fee and hostel fee between January and March 2017, the contention that the funds were not invested in TDs in order to meet the committed expenditure on renovation of school building and construction of boundary wall for permanent campus is not tenable as NIT was neither in possession of the school building nor the land for permanent campus in 2014. The school building at Borim was allotted vide order dated 8 September 2016 and the site for permanent campus was identified and transferred to NIT only in July 2017. Thus, imprudent financial management and investment planning, resulted in loss of interest income amounting to ₹ 51.87 lakh.

The matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

## Indira Gandhi National Open University (IGNOU)

### 12.21 Delay in construction of Regional Centre in Karnal

**IGNOU acquired land measuring 7,235.4 sqm. for construction of Regional Central at Karnal from HUDA in November 2007 for ₹ 5.29 crore. As per the terms and conditions of allotment, the construction work was to be completed within two years from taking over possession of land. However, IGNOU failed to ensure timely action at various stages and construction of the building is yet to begin. This also resulted in avoidable cost of ₹ 46.41 lakh as well as non-realisation of intended objective of the project.**

Indira Gandhi National Open University (IGNOU) purchased (November 2007) land measuring 6,393.60 Sqm. (approx.) for ₹ 4.41 crore<sup>58</sup> from Haryana Urban Development Authority (HUDA), Government of Haryana, for construction of a Regional Centre at Karnal. The possession of land was taken over by IGNOU in December 2007. As per the terms and conditions of the allotment of the land, IGNOU was to complete the construction within two years from the date of possession. The time limit was extendable by the Estate Officer, HUDA, if the reasons for non-construction were beyond IGNOU's control.

After the approval of the zoning Plan by HUDA in October 2009, IGNOU appointed M/s RITES Limited on 17 December 2009 as Architect cum Project Management Consultant for construction of the project on turnkey basis. The project was to be completed in 30 months i.e. by 16 June 2012 which was extended to 31 December 2013.

Subsequently in March 2011, HUDA informed IGNOU that the area of the allotted site was 7,235.4 sqm. and not 6,393.60 sqm. and raised additional demand of ₹ 84.77 lakh<sup>59</sup> including interest up to March 2011 for the increased area measuring 841.68 sqm. IGNOU paid ₹ 87.73 lakh in September 2011 including interest of ₹ 2.96 lakh for the period April 2011 to September 2011.

Owing to delay on part of M/s RITES in submission of tenders for approval and discrepancies therein, the Works Committee of IGNOU decided (25 November 2013) to withdraw the work from M/s RITES and assign the same to CPWD. The agreement with M/s RITES was terminated in July 2014. Architectural consultancy services by M/s RITES were however continued by IGNOU. The construction work on the project had not started as of September 2017.

<sup>58</sup> 6393.60 Sqm. x ₹ 6900 per Sqm.

<sup>59</sup> 841.80 Sqm. x ₹ 6900 per Sqm. + ₹ 26.69 lakh as interest for the period March 2007 to March 2011.

It was further noted that IGNOU had hired a building from a private party in February 2010 for use as IGNOU office and warehouse at a monthly rent of ₹ 35,000/-. The office and warehouse were to be shifted to the proposed new building, after its completion in 2013.

Audit observed the following:

- (i) IGNOU did not ensure accurate measurement of the land before its possession nor did it take timely cognizance of the intimation (October 2009) by the District Town Planner, Karnal that the area of the land was 7,235.40 sqm. and not 6,393.60 sqm. This resulted in avoidable expenditure of ₹ 29.65 lakh on account of interest payment;
- (ii) IGNOU also paid ₹ 1.36 lakh to HUDA on account of extension fee. This will continue to be levied till construction is completed;
- (iii) In addition to delay on part of M/s RITES in submission of tender proposals, there was further delay of over three years on part of IGNOU in signing a MoU with CPWD that was attributed to delay on account of legal vetting and grant of financial and administrative approvals. The MoU was signed only in October 2017 and the actual construction was yet to commence; and
- (iv) The agreement with M/s RITES provided for levy of compensation at the rate of 0.25 *per cent* for each week of delay of the fees payable for delayed work subject to maximum of 10 *per cent* of such fee. However, IGNOU did not recover the compensation amounting to ₹ 3.93 lakh from M/s RITES for delay in the tendering process.

Thus, failure of IGNOU to ensure timely action at various stages resulted in delay in construction of building on land acquired in December 2007 at a cost of ₹ 5.29 crore as well as avoidable expenditure of ₹ 46.41 lakh<sup>60</sup> as of September 2017.

The matter was reported to IGNOU and the Ministry of Human Resource Development in August 2017; their reply was awaited (December 2017).

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<sup>60</sup> ₹ 29.65 lakh for interest payment + ₹ 15.40 lakh for rent @ ₹ 35,000/- per month for 44 months + ₹ 1.36 lakh for extension fee.

## CHAPTER XIII : MINISTRY OF INFORMATION AND BROADCASTING

### Super Power Transmission, All India Radio, Bangalore

#### 13.1 Avoidable payment on electricity charges

**Failure to align contract demand with the actual consumption of electricity by Super Power Transmission, All India Radio, Bangalore resulted in avoidable expenditure of ₹ 1.24 crore towards billing demand charges paid to Bangalore Electricity Supply Company.**

An Institute intending to get electricity connection is required to apply in a prescribed format along with required documents to the distribution licensee. The institute can change the contract demand once in a year based on the actual consumption/projections. For reduction in contract demand, the consumer shall have to submit the application in the prescribed form along with deposit of processing fee and electrical contractors test report for reduction in sanctioned demand.

Super Power Transmission, All India Radio, Bangalore (SPT) had a contract demand of 5,200 KVA with Bangalore Electricity Supply Company (BESCOM) for its power supply. As per the agreement, demand charges are levied on actual maximum demand recorded in a month or 75 *per cent* of the contract demand whichever is higher along with the charges for actual consumption at rates applicable from time to time.

Audit analysis of electric load revealed that the actual consumption was persistently lesser by 26 to 54 *per cent* than the contract demand during period from April 2008 to March 2017. Keeping in view a realistic benchmark for consumption of contract demand of 4,000 KVA, SPT paid demand charges towards power not actually consumed resulting in avoidable payment of ₹ 1.24 crore for nine years. SPT stated (August 2017) that non-utilisation of contract demand has been noted and necessary action is being taken.

The matter was reported to the Ministry in May 2017; its reply was awaited as of December 2017.

**Prasar Bharati**

**Commercial Broadcasting Service, All India Radio, Mumbai**

**13.2 Non-adherence to stipulated payment procedure**

**Failure of Commercial Broadcasting Service, All India Radio, Mumbai to adhere to instructions regarding payment in advance by non-accredited agencies for broadcast of content coupled with ineffective follow-up resulted in non-recovery of revenue amounting to ₹ 1.12 crore.**

The 'Rates for Advertisement on All India Radio (AIR)' stipulate that "*For other than the Accredited Agencies, payment shall be made in advance (not later than 15 days before the broadcast is due to commence) by Demand Drafts/Pay Orders on a local Bank in favour of "PB(BCI) CBS, AIR (name of the concerned CBS)"*".

Scrutiny of records of Commercial Broadcasting Service (CBS), AIR, Mumbai, revealed that an amount of ₹ 28.85 lakh pertaining to six non-accredited agencies whose advertisements/content were broadcasted during 1995-2005 was outstanding for more than 12 years. Audit observed that in contravention of the stipulated instructions, CBS aired the advertisements/content without collecting the payment in advance from these six non-accredited agencies. Further, CBS continued to broadcast their content even though they had defaulted in payment for earlier broadcasts. There was no effort on part of CBS to effectively pursue or recover the outstanding dues. The only action taken was to issue periodic reminders and notices through government advocates with no effort to seriously pursue legal remedies. CBS also failed to maintain updated records of the address and whereabouts of the defaulting agencies which further undermined their effort to effectively pursue the dues and was reflective of a lackadaisical approach to the matter. Ultimately, in August 2016, CBS proposed write-off of amount of ₹ 1.08 crore (₹ 28.85 lakh – Principal and ₹ 78.67 lakh – Interest<sup>1</sup>)

CBS stated (November/December 2016) that a proposal has been initiated to write-off these cases as these were pending since long time.

Thus, failure of CBS, AIR, Mumbai to ensure receipt of payment in advance as stipulated in payment procedures for non-accredited agencies before undertaking the broadcast and lack of any meaningful effort to recover dues

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<sup>1</sup> Interest is charged at the rate of 18 per cent per annum up to 1 April 2003 and at the rate of 14.50 per cent thereafter, adopting the rate of interest charged by AIR on overdue payments relating to Accredited Agencies.

from defaulting agencies resulted in an amount of ₹ 1.12 crore (as of 30 September 2017) being rendered irrecoverable.

The matter was reported to the Ministry in August 2017; its reply was awaited as of December 2017.

## CHAPTER XIV : MINISTRY OF LABOUR AND EMPLOYMENT

### Employees' Provident Fund Organisation

#### 14.1 Short realisation of administrative charges

**Failure of eight Regional Offices of Employees' Provident Fund Organisation to verify dues remitted by the establishments with reference to the revised rate of administrative charges on Employees' Deposit Link Insurance and Employees' Provident Fund resulted in short realisation of ₹ 6.17 crore during the period from January 2015 to March 2017.**

As per Sections 6 and 6C of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (Act) read with Para 38 (1) of the Employees Provident Fund Scheme, 1952 (EPF) and Para 8(1) of Employees' Deposit Linked Insurance Scheme, 1976 (EDLI), an employer is required to pay administrative charges to the Employees' Provident Fund Organisation (EPFO) at such rate as the Central Government may fix from time to time along with the monthly contributions.

In February 2015, the rate of administrative charges on EPF and EDLI contributions were revised by the Ministry of Labour and Employment (Ministry) as in **Table No. 1** below:

**Table No. 1: Rate of administrative charges on EPF and EDLI contributions**

Scheme	Pre-revised rate <sup>1</sup>	Revised rate <sup>2</sup>
<b>EPF</b>	1.10 <i>per cent</i> of pay <sup>3</sup> subject to minimum of ₹ five.	0.85 <i>per cent</i> of pay subject to minimum of ₹ 75 <sup>4</sup> and ₹ 500 <sup>5</sup>
<b>EDLI</b>	0.01 <i>per cent</i> of the pay subject to minimum of ₹ two.	0.01 <i>per cent</i> of the pay subject to minimum of ₹ 25 <sup>6</sup> and ₹ 200 <sup>7</sup>

Consequently, in March 2015, the EPFO, Head Office, New Delhi, directed all the Regional Offices to implement the revised rate of administrative charges with effect from 01 January 2015. The administrative charges on EPF and EDLI along with monthly contributions were remitted by the employers in the

<sup>1</sup> As per Manual of Accounting Procedure Part-I General of EPFO.

<sup>2</sup> As per Ministry of Labour and Employment's Notification No. 243 dated 2nd February, 2015.

<sup>3</sup> Basic wages, dearness allowance, retaining allowance, if any, and cash value of food concessions admissible thereon.

<sup>4</sup> For non-functional establishment having no contributory member.

<sup>5</sup> For other establishment.

<sup>6</sup> For non-functional establishment having no contributory member.

<sup>7</sup> For other establishment.

designated bank account of EPFO after uploading the EPF and EDLI data in the EPFO portal and generating Electronic Challan Cum Return (ECR).

Test check of records of eight Regional Offices (ROs)<sup>8</sup> of EPFO revealed that the registered establishments were not paying administrative charges at the revised rate. The ROs of EPFO failed to verify ECRs to ensure payment of administrative charges at revised rates. This resulted in short realisation of administrative charges of ₹ 6.17 crore<sup>9</sup> during the period from January 2015 to March 2017 as detailed in **Table No. 2** below:

**Table No. 2: Short realisation of administrative charges**

Name of the ROs	Scheme	Number of cases (establishments)	Administrative charges short realised <sup>9</sup> (₹)
RO, Kolkata	EDLI	9,429	1,30,14,493
	EPF	4,386	90,25,865
RO, Barrackpore	EDLI	3,020	36,82,424
	EPF	1,446	29,39,455
RO, Durgapur	EDLI	3,352	51,40,354
	EPF	2,043	46,77,038
RO, Howrah	EDLI	3,528	53,22,977
	EPF	1,688	38,92,216
RO, Jalpaiguri	EDLI	1,081	11,27,343
	EPF	650	10,97,604
RO, Jangipur	EDLI	2,197	25,07,042
	EPF	755	8,17,700
RO, Park Street	EDLI	2,256	35,06,503
	EPF	810	19,22,781
RO, Siliguri	EDLI	1,876	14,24,861
	EPF	1,186	16,23,317
<b>Total</b>		<b>39,703</b>	<b>6,17,21,973</b>

The ROs Kolkata, Barrackpore, Durgapur, Howrah, Jalpaiguri, Park Street, Siliguri stated (August/September 2017) that the short recovery of administrative charges could not be tracked due to lack of an in-built “Default Tracking & Management Mechanism” in the Application Software. No reply has been received from RO, Jangipur. The EPFO-Headquarters stated (September 2017) that the matter was under consideration in consultation with the technical team to verify the shortfall in administrative charges and they would take appropriate corrective measures accordingly.

The matter was reported to the Ministry in June 2017 and in December 2017; its reply was awaited as of December 2017.

<sup>8</sup> Kolkata, Barrackpore, Durgapur, Howrah, Jalpaiguri, Jangipur, Park Street, Siliguri  
<sup>9</sup> Excluding the exempted establishment as per the list obtained from respective ROs



## CHAPTER XV : NITI AAYOG

### National Institute of Labour Economics Research and Development

#### 15.1 Recruitment of staff without sanction for posts

**National Institute of Labour Economics Research and Development revised the sanctioned post of Joint Director, Deputy Director and Assistant Director in violation of the instructions of the Ministry of Finance resulting in irregular expenditure of ₹ 1.02 crore on their salary and allowances.**

Ministry of Finance directed (October 1984) that rules and bye laws of autonomous bodies which are fully or partly funded by the Government of India should invariably incorporate restrictive clauses in their relevant bye laws/rules/regulations relating to employment to the effect that adoption of pay scales, allowances and revision thereof and creation of post above a specified pay level would need the prior approval of Government of India in consultation with the Ministry of Finance. In May 1993, Ministry of Finance, Department of Expenditure, issued instructions, also applicable to autonomous bodies that Group 'A' posts below the level of Joint Secretary are to be created with approval of the Finance Minister.

The National Institute of Labour Economics Research and Development (NILERD) is an autonomous body under the administrative control of NITI Aayog and is substantially funded by grants-in-aid from NITI Aayog.

Audit scrutiny of records of NILERD revealed that the sanctioned post of Group 'A' level (below the level of Joint Secretary) of Joint Directors, Deputy Director and Assistant Directors under Faculty (Research and Education Support Services) in NILERD as on 30 September 2012 were four, 10 and 11, respectively. The General Council of NILERD in its 46<sup>th</sup> meeting held on 23 January 2013 approved revision of sanctioned strength of the posts of Joint Director, Deputy Director and Assistant Director from four to six, 10 to 12 and 11 to 18 respectively. Thereafter, NILERD revised the sanctioned strength of Joint Director, Deputy Director and Asstt. Director without the approval of NITI Aayog and Ministry of Finance. Since the approvals of the competent authorities were not obtained, expenditure on salary and allowances aggregating ₹ 1.02 crore incurred on these officials was irregular.

NILERD stated (December 2017) that the posts were revised by providing matching contribution surrendering/abolishing of posts in other cadres. It added

that the Memorandum of Association and Bye-laws were under review/updation and necessary action would be taken for incorporation of the restrictive clause related to the powers of the Governing Body in the matter relating creation of posts, revision of pay and allowances of their staff and similar establishment expenditure. Further, ex-post facto approval of Ministry of Finance would be sought for revision of the sanctioned strength.

The matter was reported to NITI Aayog in September 2017; its reply was awaited as on December 2017.

## CHAPTER XVI : MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS

### Central Bureau of Investigation

#### 16.1 Avoidable payment of demand charges

**Failure of CBI New Delhi to accurately assess power consumption requirements and delay in taking action to reduce the contract demand resulted in avoidable payment of ₹ 1.42 crore towards electricity charges.**

The Central Bureau of Investigation entered into agreement with M/s BSES Rajdhani Power Ltd. (BSES) in February 2011 for supply of electricity to its Headquarters' building for contract demand of 7,514 KVA. CBI incurred recurring expenditure of ₹ 11.27 lakh<sup>1</sup>/₹ 9.39 lakh<sup>2</sup> per month (fixed charges) at the rate of ₹ 150/ ₹ 125 per KVA per month on the contract demand of 7,514 KVA.

As the contracted demand was based on assessments made at the initial stage of planning of the building and CBI was not using the full sanctioned load mainly due to adoption of energy efficient electrical fixtures, the National Building Construction Corporation Limited (NBCC) re-assessed (November 2011) the electricity requirement and suggested reduction of the electricity load to 4,294 KVA. CBI requested (December 2011) BSES to reduce the contract demand. BSES did not accede (January 2012) to the request on the grounds that the agreement entered into between them stipulate that the terms agreed upon will remain in force for two years from the date of commencement i.e. till 13 February 2013.

Subsequently, it was agreed at a meeting held by CBI with BSES in October 2013 that the contract demand would be reduced from 7,514 KVA to 4,121 KVA. Accordingly, a formal agreement was entered into (February 2014) with the BSES for electricity demand of 4,121 KVA. Consequently, recurring expenditure on fixed charges came down from ₹ 9.39 lakh to ₹ 5.15 lakh per month.

Scrutiny of electricity bills of CBI revealed that even the re-assessed contract demand of 4,121 KVA was much higher than the actual consumption which was in the range of 936 to 2,328 KVA during the period March 2013 to March 2017. Thus, keeping in view a realistic benchmark of consumption of 2,600

<sup>1</sup> Period : 17 February 2011 to 31 August 2011.

<sup>2</sup> Period : 31 August 2011 to 31 October 2011.

KVA, CBI had paid demand charges (@ ₹ 125 per KVA) towards power not actually consumed resulting in avoidable payment of ₹ 1.42 crore.

Ministry stated (June 2017) that in a meeting held on 20 April 2017 between CBI and BSES for reduction of electricity load, it has been agreed to further reduce electricity load from 4,121 KVA to 2,473 KVA. The contract agreement in this regard is under process.

Thus, inaccurate assessment of power consumption requirements and delayed action for reducing the contract demand resulted in avoidable payment of ₹ 1.42 crore towards electricity charges.

## CHAPTER XVII : MINISTRY OF POWER

### Bhakra Beas Management Board

#### 17.1 Irregular payment of Compensatory Allowance

**Continued payment of Compensatory Allowance after adoption of pay scales of PSEB resulted in irregular expenditure of ₹ 2.56 crore during 2014-15 to 2015-16.**

The Bhakra Beas Management Board (BBMB) in its 143<sup>rd</sup> meeting held on 19 July 1991 decided to adopt the Punjab State Electricity Board (PSEB) - now Punjab State Power Corporation Limited-PSPCL - pay scales, as revised from time to time, as the pay scales for all the employees working in BBMB. The BBMB also decided that allowances/concessions sanctioned by PSEB from time to time would be adopted by it in future.

A test check of various allowances paid to the employees in eight units of BBMB brought out that the employees were drawing Compensatory Allowance in addition to the pay and allowances as per the pay scales/allowances of PSEB. Though the compensatory allowance was being paid to the employees of BBMB before adoption of pay scales of PSEB, its continued payment after July 1991 was irregular. PSPCL had also clarified (July 2014) that there was no provision to allow compensatory allowance to its employees. The irregular expenditure towards payment of compensatory allowance during 2014-15 to 2015-16 in the eight units<sup>1</sup> covered in audit worked out to ₹ 2.56 crore.

Management stated (July 2017) that the Board was competent to grant pay and allowances to its employees and payment of compensatory allowance was approved by the Board of BBMB in August 1978.

The reply is not tenable since compensatory allowance ceased to exist as an admissible allowance after July 1991 as BBMB adopted pay scales/allowances of PSEB for its employees in July 1991 and compensatory allowance was not paid in PSEB/PSPCL. Thus, continued payment of compensatory allowance after adoption of pay scales of PSEB resulted in irregular expenditure of ₹ 2.56 crore during 2014-15 to 2015-16.

The matter was referred (May 2017) to Ministry of Power; its reply was awaited as of December 2017.

<sup>1</sup> (i) Director Design, Nangal: ₹ 9.81 lakh, (ii) FA&CAO, Nangal: ₹ 25.74 lakh, (iii) RE Ganguwal and Kotla Power House Division Ganguwal: ₹ 48.61 lakh, (iv) Chief Engineer (Generation), Nangal: ₹ 9.50 lakh, (v) Store Procurement and Disposal Division, Talwara: ₹ 12.76 lakh (vi) Store Procurement and Disposal Division, Sunder Nagar: ₹ 33.23 lakh, (vii) Chief Engineer Beas Project, Talwara: ₹ 15.80 lakh and (viii) Building Construction and Township Division, Nangal: ₹ 100.60 lakh.

## CHAPTER XVIII : MINISTRY OF RURAL DEVELOPMENT

### 18.1 Double payment due to failure of internal control

**Failure of internal control checks resulted in double payment of ₹ 1.26 crore to an agency which remained undetected till pointed out by audit.**

The Ministry of Rural Development (Ministry) approved (November 2010) a special project under the Swaranajayanti Gram Swarajgar Yojana (SGSY) for placement of rural youth in the security sector in some eastern and north-eastern states. The project was to cost ₹ 15 crore of which Central share was ₹ 11.25 crore i.e. 75 per cent. The project was to cover 7,860 beneficiaries for training leading to placements within a period of three years from date of sanction. A security service training academy was selected as the Project Implementing Agency (PIA) which was to bear 25 per cent of the project cost. NABARD Consultancy Services was the Technical Support Agency (TSA) for the project.

The Ministry released (January 2011) ₹ 2.81 crore as first instalment to the TSA for disbursement to the PIA. The Ministry received (November 2012) proposal from TSA to release the second instalment of Central share and for extension of the project by two years. However, due to shortfall in achievement as against targets and insufficient time left to complete the project, the Ministry decided to close the project in January 2015. Based on work done and after adjusting penalties for shortfall in targets, the Ministry approved (February 2015) release of final payment of ₹ 1.26 crore through the TSA to the PIA.

Audit scrutiny of the records revealed that the Ministry had again processed (May 2015) the final payment of ₹ 1.26 crore through e-office on the grounds that sanction orders had not been issued due to non-availability of funds in 2014-15. The Finance Wing had also re-validated its concurrence (May 2015) and the Ministry issued fresh sanctions based on which ₹ 1.26 crore was again released (June 2015) to the TSA. The Ministry thus released ₹ 1.26 crore twice to the TSA for the same purpose.

On being pointed out by audit, the Ministry accepted (February 2017 and October 2017) that the payment had been released twice inadvertently. It added that the TSA had refunded ₹ 1.26 crore on 25 January 2017. The Ministry, however, has not explained as to how the double payment occurred despite the Finance Wing having scrutinized both the releases and why did the double payment remain undetected for over two years till pointed out by audit.

Thus, failure of internal control checks resulted in double payment of ₹ 1.26 crore to an agency which remained undetected till pointed out by Audit.

## CHAPTER XIX : MINISTRY OF SHIPPING

### Jawaharlal Nehru Port Trust

#### 19.1 Revenue loss to Jawaharlal Nehru Port Trust (JNPT)

**Award of an adjacent berth to the same entity operating the existing berth at a lower revenue share without safeguarding the financial interest of JNPT led to diversion of traffic from the existing to the new berth and consequent loss of revenue to the port. Over 2015-17, the loss of revenue amounted to ₹ 54.72 crore.**

In July 1997, the Jawaharlal Nehru Port Trust entered into a license agreement with M/s Nhava Sheva International Container Terminal Ltd (NSICT) for operating a container terminal of berth length 600 m with a capacity of 1.2 million Twenty-Foot Equivalent Unit (TEU) for a period of 30 years. Subsequently, to cater to future container traffic, JNPT awarded (June 2013) a concession agreement to M/s Nhava Sheva (India) Gateway Terminal Pvt. Ltd (NSIGT) to develop and operate a container berth of 330 m north of and adjoining the existing NSICT terminal. The concession period for NSIGT terminal was 17 years.



Audit observed the following regarding operation of the two container terminals, NSICT and NSIGT:

- The new 330 m berth of NSIGT terminal was physically an extension of the existing berth of NSICT terminal. The Techno-Economic Feasibility Report (February 2007) for developing the stand-alone 330 m container berth had pointed out that it was likely that NSICT would emerge as the most preferred bidder for it as an additional, contiguous berth would add more value to it. The report had also highlighted that in the event NSICT operates both berths, it would be difficult to separately account for revenues earned from them which could have implications on assessment of revenue sharing with JNPT.

- JNPT had short-listed seven qualified bidders for the new terminal of 330 m berth length of which five collected the bid documents. Finally, only one bid was received and the concession for the new terminal was awarded to NSIGT. It is pertinent to note that both NSICT and NSIGT are wholly owned subsidiaries of M/s D P World Pvt. Ltd.
- As per the concession agreement (June 2013), NSIGT was to share 28.09 *per cent* of the gross revenues from operation of the new 330 m terminal with JNPT from the third year to the 17<sup>th</sup> year of operation. For the existing terminal, NSICT had to pay royalty to JNPT as per the license agreement (₹ 47 per TEU for the third year progressively increasing to ₹ 5,610 in the 30<sup>th</sup> year irrespective of tariff). In 2014-15, the royalty to be paid for NSICT terminal amounted to ₹ 2670 per TEU which at the applicable tariff rates in 2014-15 accounted for a revenue share of 79.92 *per cent* to JNPT. There was, thus, a sharp difference in revenue share payable to JNPT (79.92 *percent* on the existing NSICT terminal *vis-à-vis* 28.09 *per cent* on NSIGT terminal) on operation of the two adjacent terminals.
- The scheduled date of commissioning of the new terminal was 1 July 2016. In January 2015, NSIGT sought approval of JNPT for partial commissioning of the terminal facilities (60 meters out of the 330 meters). The concession agreement signed by JNPT with NSIGT did not permit commercial operation before completion of the terminal (July 2016). JNPT agreed to the proposal and a supplementary agreement allowing NSIGT to commence partial operation was drawn up in September 2015. It was noticed that the supplementary agreement was not signed by JNPT till March 2016. Yet, JNPT allowed NSIGT to commence operations at the partially commissioned terminal w.e.f. April 2015 without a formal agreement.
- While examining (September 2015) the supplementary agreement, Chairman JNPT raised an apprehension regarding NSIGT berth being used for handling vessels meant for NSICT since both terminals were under M/s DP World Pvt. Ltd. This concern and consequent loss of revenue to JNPT (in view of the considerably different revenue shares of 28.09 *per cent* and 79.92 *per cent* from NSIGT and NSICT, respectively) was also flagged by the Finance wing of JNPT. To address this concern, JNPT proposed to incorporate an additional clause in the supplementary agreement (November 2015) stipulating that in the event of transfer of vessels from NSICT to NSIGT, the



operator would pay royalty at the NSICT rate along with 30 *per cent* penalty thereon. NSIGT did not agree to this condition.

- The condition finally incorporated in the supplementary agreement (signed in March 2016) provided ‘...*the concessionaire shall berth the vessel only at the request of the customer and not shift any vessel in any arbitrary manner. The Concessioning Authority will be kept informed of any change in the terminal for vessel berthing*’ A legal opinion obtained by JNPT regarding incorporation of this clause pointed out that it would have no actionable effect for JNPT as the operator may exert influence on the berth preference of its customers and the information would come to the port post facto. It may be pertinent to mention that the concession agreement signed in June 2013 also did not specify any condition to deter diversion of vessel from NSICT to NSIGT.
- Meanwhile, NSIGT began trial operations in April 2015 and has continued operations since then. The traffic handled by NSIGT and NSICT over 2014-17 is depicted in **Table No. 1** below:

**Table No.1: Traffic handled by NSIGT and NSICT**

Year	NSICT (TEU)	MGT	NSIGT(TEU)	MGT	Total container traffic in JNPT
2014-15	11,60,220	6,00,000	Nil	NA	44,66,695
2015-16	9,99,680	6,00,000	2,02,328	1,00,000	44,91,568
2016-17	7,28,560	6,00,000	4,45,111	2,00,000	45,00,149

Audit noted that NSICT had been in operation since 1999-2000 and had handled traffic upto 1.54 million TEU with an annual average of 1.18 million TEU (over the period 1999-2000 to 2014-15, prior to operations of NSIGT). There was a sharp decline in traffic handled by NSICT once NSIGT terminal commenced operations.

- Audit also noted that the total container traffic at JNPT remained at ~ 4.5 million TEU over the period 2014-15 to 2016-17. NSICT alone had handled 26 *per cent* of the total JNPT traffic in 2014-15. In the subsequent years 2015-16 and 2016-17, NSICT and NSIGT together handled the same quantum of container traffic. The traffic at NSICT was thus being shared between NSICT and NSIGT with the share of traffic in NSICT on the decline and NSIGT achieving 200 *per cent* of the Minimum Guaranteed Traffic (MGT) in 2015-16 for a partially completed berth. The shift of traffic from NSICT to NSIGT has

continued in 2016-17 when the operation of NSIGT was covered by the concession agreement.

Over 2015-17, 0.647 million TEUs which could have been handled by NSICT were handled at NSIGT resulting in a loss of ₹ 54.72<sup>1</sup>crore to JNPT on account of the difference between the royalty rate at NSICT and revenue share at NSIGT.

Management stated (October 2017) the following:

- The reduction of tariff of NSICT by TAMP<sup>2</sup> made them less enthusiastic to increase their productivity and throughput and that JNPT expected to add 0.8 million TEUs *per annum* capacity by way of this new berth. The port had considered NSIGT's request for early commissioning to retain the overall traffic at JNPT and avoid diversion of traffic to other ports.
- The Concession Agreements signed by JNPT with the terminal operators had no restriction on shifting of vessels from one terminal to another including shifting of vessels from any of the JNPT terminal to some other port. However, since TAMP rate was higher for NSIGT compared to NSICT, shifting of business would not happen.
- The supplementary agreement was prepared by a well-known lawyer and legal opinion was also obtained. The concessioning authority cannot insist upon the concessionaire (NSICT) to handle traffic beyond the MGT of 0.6 million TEUs stipulated in the concession agreement.
- The two concessionaires were independent legal entities and were expected to operate the berths independently.

The reply of the Management is not tenable.

- There has been no increase in traffic over 2014-17 as had been envisaged by JNPT. In fact, the existing traffic at NSICT terminal is being shared with NSIGT terminal to the financial detriment of JNPT.
- It was known as early as 2007 that there would be difficulties in separately accounting for revenues earned from the two contiguous

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<sup>1</sup> Calculation based on difference between the Royalty rate and revenue share rate on the TEUs handled at the NSIGT terminal during the period April 2015 to March 2017.

<sup>2</sup> TAMP: Tariff Authority for Major Ports has jurisdiction over major port trusts and private terminals therein. It is responsible for prescribing the rates for services provided and facilities extended by them and also rates for lease of port trust properties.

berths if both berths are operated by the same entity. The concern regarding transfer of vessels from NSICT to NSIGT during operation of the adjacent berths and its adverse impact on the revenues of JNPT was also recognized while considering the supplementary agreement (September 2015). Considering the significant disparity in royalty from NSICT terminal and revenue share from NSIGT terminal to be received by JNPT, a suitable provision for safeguarding the financial interest of the port ought to have been included in the concession/supplementary agreements.

- The reply of the Port that the two concessionaires were independent legal entities who were expected to operate independently needs to be seen in the light of the fact that both NSICT and NSIGT were 100 *per cent* subsidiaries of DP World Pvt. Limited.

Thus, award of an adjacent terminal to the same operator without safeguarding the financial interest of JNPT led to diversion of traffic from the existing NSICT terminal (having a high royalty payment to the port) to the new NSIGT terminal (with a low revenue share with the port) and consequent loss of revenue to JNPT. Over 2015-17, such diversion resulted in loss of revenue of ₹ 54.72 crore to JNPT.

The para was issued to the Ministry in November 2017; its reply was awaited as of December 2017.

### **Mumbai Port Trust**

#### **19.2 Loss of revenue and undue benefit to the licensee**

**Mumbai Port Trust suffered loss of revenue of ₹ 17.13 crore during April 2015 to March 2017 as the Port failed to recover wharfage at the agreed rate from the licensee. Besides, the Port allowed revision of tariff at 130 *per cent* of scale of rates, without the approval of TAMP which was irregular.**

Mumbai Port Trust (MbPT) entered (December 2007) into a License Agreement (LA) with Indira Container Terminal Private Limited (ICTPL) for development of two Offshore Container Terminals (OCT) on Build Operate and Transfer (BOT) basis with a revenue share of 35.064 *per cent* to MbPT. The project was expected to be completed by December 2010. However, there were delays on part of the PPP operator in obtaining security clearance from the Government for the equipment supplier and delays in financial closure as well as delays on part of the Port in completing their dredging commitment. Meanwhile, MbPT and ICTPL had incurred an expenditure of ₹ 416 crore (dredging cost) and ₹ 618.20 crore respectively (as on March 2017). MbPT had forwarded (March 2017) a proposal to Ministry of Shipping seeking

approval for revival of OCT by rebidding with changed cargo profile with Right of First Refusal to ICTPL, decision to which is awaited (December 2017).

Meanwhile, to avoid the idling of assets already created, the MbPT approved (January 2015) alternate use of the OCT berth for handling automobiles (car carriers). It was assessed that by shifting automobile traffic to OCT, MbPT would get additional berth days for handling additional ships carrying steel and other cargo. To ensure that the shifting of automobile cargo remained revenue neutral to the Port, MbPT worked out that it would be essential that ICTPL share 72 *per cent* of the revenue realized (berth hire and wharfage) with MbPT. This was to be an interim arrangement for a period of six months to be reviewed after three months.

ICTPL found the operation unviable with the revenue share of 72 *per cent*. On request of ICTPL, MbPT decided (May 2015) to increase the period of operation from six months to one year with tariff at 130 *per cent* of the prevailing Scale of Rates (SOR) of MbPT, subject to approval by Tariff Authority for Major Ports (TAMP). It was also decided that further increase in tariff (beyond 130 *per cent*) would not be considered for the purpose of revenue sharing. With the higher tariff, the revenue share of MbPT was fixed at 55 *per cent*<sup>3</sup>. On expiry of one year, MbPT (July 2016) allowed extension of the same arrangement for three months and subsequently (September 2016) further extended it till the time a decision on the revival of the project was taken.

In this connection, Audit observed the following:

1. The scale of rates (SOR) issued by TAMP for ICTPL stipulated that if a specific tariff for a service/cargo was not available in the notified SOR, an ad hoc rate could be levied while simultaneously submitting the proposal to TAMP. This ad hoc rate could be levied till TAMP finally notifies the rate. In this instant case, tariff for automobile cargo was not stipulated in the SOR of ICTPL. MbPT permitted ICTPL to levy tariff at 130 *per cent* of the prevailing SOR of MbPT (June 2015). ICTPL submitted (June 2015) the proposal to TAMP but withdrew the same (December 2015) on the ground that the project was in the process of being revived and a fresh proposal would be submitted once the revival process was completed. TAMP accordingly closed the case (February 2016). ICTPL, however, continued to collect berth hire charges at 130 *per cent* of the MbPT SOR (November 2017). MbPT

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<sup>3</sup> The revenue share of MbPT was decided as 72 *per cent*, however when ICTPL levied tariff at 130 *per cent* of SOR, the revenue share of MbPT worked out to 55 *per cent* only.

failed to ensure that ICTPL obtain TAMP approval for the adhoc tariff charged over more than two years.

2. The tariff comprised of two charges viz. berth hire charges and wharfage. ICTPL collected berth hire charges @130 *per cent* of MbPT SOR but collected wharfage at MbPT SOR rates. However, ICTPL shared only 55 *per cent* of the total revenues (berth hire and wharfage charges). Thus, the wharfage revenues were shared at a lower rate (55 *per cent* in place of 72 *per cent*) which resulted in under recovery of ₹ 17.13 crore during April 2015 to March 2017. The port thus failed to secure its financial interest while permitting interim operations by ICTPL, leading to undue benefit to the licensee.
3. The arrangement between MbPT and ICTPL allowing automobile traffic to be handled by ICTPL was an interim one. Ministry of Shipping had advised MbPT to take a legal opinion on the permissibility of the interim arrangements under the license agreement. Accordingly, MbPT obtained a legal opinion (from the Attorney General of India) which suggested that an amendment to the license agreement should be executed. This was not done by MbPT.
4. MbPT had allowed ICTPL to operate another berth, Ballard Pier Station, as per the license agreement. ICTPL operated this berth for five years (from 2008-09 to 2012-13) and defaulted payments on account of license fee (₹ 30.37 crore) and revenue share (₹ 15.47 crore) resulting in outstanding dues (September 2017) of ₹ 45.87 crore of MbPT. This aspect had been highlighted in the Performance Audit Report on PPP Projects in Major Ports (Para 5.4 of Report No. 49 of 2015).

Management stated (October 2017) that the conclusion drawn by Audit that ICTPL is gaining an undue financial benefit is incorrect since ICTPL is sharing 55 *per cent* of the revenue as against 35.064 *per cent* envisaged in the original license agreement. Management also stated that it is pursuing sharing of wharfage charges at 72 *per cent* with ICTPL. It was also highlighted that the arrangement was an interim one and no separate agreement for this arrangement was necessary.

The reply is not acceptable in view of the following:

- ICTPL continues to collect berth hire charges @ 130 *per cent* without the approval of TAMP which is irregular.

- The basis for the interim arrangement was revenue neutrality for the Port. The Port had assessed that for revenue neutrality, a share of 72 per cent of the revenues collected by ICTPL was essential which has been breached by the licensee.
- The legal opinion was obtained on the advice of the Ministry of Shipping. However, the Port did not act in line with the legal advice.

The decision to permit ICTPL to charge tariff at 130 per cent of SOR without the approval of TAMP led to undue benefit to the licensee for over two years. Also the port failed to secure its financial interest and achieve revenue neutrality as wharfage was being shared at a lower rate (55 instead of 72 per cent), which resulted in revenue loss of ₹ 17.13 crore to MbPT during 2015-17.

The para was issued to the Ministry in November 2017; its reply was awaited as of December 2017.

### **19.3 Loss of revenue due to failure to revise casual occupation and service charges**

**Mumbai Port Trust failed to revise casual occupation charges and service charges since 1990-92 which led to loss of revenue to the port. Considering the revised charges proposed by the port in May 2002, the loss amounted to ₹ 15.10 crore (approx) during April 2012 to March 2017. The loss would continue till the Port takes necessary steps to revise these charges.**

Mumbai Port Trust (MbPT) levies charges/penalties for services it provides. These levies were governed by the MbPT General Bye Laws. Three of these charges viz. parking charges, casual occupation charges and service charges are of recurring nature which have not been revised since they were fixed in 1990-92.

- (i) Audit observed that casual occupation charges are being levied in three divisions of MbPT, viz. Railways, Estate and Traffic divisions at rates fixed in June 1990. Scrutiny of records of the Railway Division of MbPT revealed that the port had levied casual occupation charges at Grain Depot and Victoria Dock railway stations (having ~35000 square meter storage area) at ₹ 1.50 per square meter per day for first 15 days and ₹ 2 per square meter per day thereafter. These charges have not been revised since June 1990. The Board of Trustees decided (May 2002), after a long spell of 12 years to revise the casual occupation charges based on the market value of land published by the State Government with return at five per cent per annum thereon. Accordingly, MbPT sent a proposal (August 2002) to Ministry of Shipping (MoS) to revise the rates for casual occupation of the sheds

as ₹ 3.50 per square meter per day for first 15 days and ₹ five per square meter per day thereafter. After protracted correspondence, MoS informed (June 2010) that the Major Port Trusts Act, 1963 did not permit amendment to Bye-Laws and directed MbPT to replace the existing Bye-Laws with fresh regulations urgently. The Port, however, failed to finalize the regulations even after seven years (December 2017) after directions of MoS and consequently, the casual occupation charges continue to be charged at the rate fixed in June 1990.

- (ii) It was also observed that MbPT levies (July 1992) service charges at the rate of 50 paise per sqm./month on all port trust plots/structures served with and/or surrounded by port trust roads and passages. The charge was intended to cover the cost of maintenance of port trust roads, passages, lighting and other facilities provided, from the occupants to whom the plot/structure have been given on lease or on tenancy basis. The Board of Trustees decided (May 2002) to revise the service charges to ₹ one per sqm. per month based on the average annual expenditure incurred on maintenance of such area by the Port. Accordingly, MbPT sent (August 2002) a proposal for revision of service charges to Ministry of Shipping and Ministry directed the replacement of existing Bye laws with Regulations. Pending the finalization of regulations, service charges continue to be charged at the rates fixed in 1992.
- (iii) The non-revision of parking charges was commented in Para 19.1 of C&AG Report No.12 of 2017.

The loss of revenue to the port due to non-revision of casual occupation charges, considering minimum rate of ₹ 3.50 per square meter for first 15 days as proposed by MbPT for revision in August 2002, worked out to ₹ 8.19 crore for the period April 2012 to March 2017<sup>4</sup> for the Railway Division alone. In the absence of details in respect of the Estate and Traffic divisions, the total impact of loss of revenue could not be worked out in Audit. The port also suffered loss of revenue to the extent of ₹ 6.91 crore (approx) due to non-revision of service charges during April 2012 to March 2017.

MbPT while not offering any comments for non-revision of these charges for such a long period stated (August 2017) that a proposal for revision of General Bye-Laws in the matter is being taken up. MbPT also stated that the rates of casual occupation charges were more or less comparable between various ports.

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<sup>4</sup> Allowing a reasonable period of nearly two years (June 2010 to March 2012) to the Port to bring in fresh regulations after the Ministry's directions.

The reply is not acceptable as MbPT had themselves proposed (May 2002) for revision of these charges. Besides, the charges levied by MbPT cannot be compared with those levied by other Major Ports due to difference in geographical locations and costs of localities. Further, MbPT did not replace the Bye-laws with regulations even after a lapse of seven years though MoS directed (June 2010) to replace the existing Bye-Laws with fresh regulations urgently.

Thus, failure of the port to revise casual occupation charges at Railway division and service charges resulted in loss of revenue of ₹ 15.10 crore (approx) (April 2012 to March 2017). The loss of revenue would continue till the Bye-laws are replaced with fresh regulations.

The para was issued to the Ministry in September 2017; its reply was awaited as of December 2017.

### **V.O. Chidambaranar Port Trust**

#### **19.4 Avoidable payment of compensation charges for Low Power Factor**

**Failure to maintain prescribed power factor resulted in avoidable payment of compensation charges amounting to ₹ 1.46 crore.**

Tamil Nadu Electricity Regulatory Commission (TNERC) (March 2012) stipulated that Average Power Factor<sup>5</sup> (APF) of the consumer installations in respect of High Tension (HT) service connection shall not be less than 0.90. In case the average power factor is less than the stipulated limit of 0.90, compensation charges will be levied. Indian Electricity Grid Code (IEGC) also stipulated that it shall be obligatory on the part of the consumer to generate adequate reactive power at his load end so as to maintain stipulated Power Factor (PF) in the network. Further, regulation 13(3) of Tamil Nadu Electricity Distribution Code (TNEDC), 2008 provided that it shall be obligatory on the part of the consumer to improve the power factor of their connected loads to the required level in accordance with the provisions made in this code.

V.O. Chidambaranar Port Trust (Port) had been receiving 22 KV High Tension (HT) power supply from 230/110KV Auto substation near Muthiapuram, Tuticorin with maximum demand of 3500 KVA per month. As the port was not maintaining the stipulated PF level of 0.90, Tamilnadu Generation and Distribution Corporation Limited (TANGEDCO) started

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<sup>5</sup> Power factor means the ratio of the real power to the apparent power. Apparent power (measured in Kilo Volt Ampere) is the vectorial summation of real power and reactive power. Real power (measured in Kilo Watts) is the power that actually powers the equipment and performs useful work. Reactive power is the power that magnetic equipment needs to produce the magnetizing flux.



levying compensation charges from November 2012. In order to avoid compensation charges, the port conducted Harmonic analysis test (2013) through M/s Edge Technologies, Hyderabad, which recommended to install active harmonic filters with neutral compensation and to avoid leading PF<sup>6</sup>. On analyzing the HT bills and the Harmonic analysis test report, the port decided (February 2014) that as the installation of compensating equipment at all the substations would be expensive, harmonics compensation equipment at major load centers would be installed. Accordingly, the port installed (December 2015) Automatic Power Factor Correction (APFC) Panels with seven *per cent* detuned harmonics filter at seven locations at a cost of ₹ 20.35 lakh.

Audit observed that even after installing APFC panels in December 2015, the PF did not improve as expected and ranged between 0.76 and 0.88, during January 2016 to July 2017. The port did not conduct performance appraisal of the installed equipment and also did not identify other locations where APFC panels were required to be installed, and therefore failed to take further corrective measures to improve the power factor. Consequently, it had to pay a penalty of ₹ 1.46 crore as compensation charges during the aforesaid period (January 2016 to July 2017).

The Port in its reply (August 2017) stated that (a) increase in non-linear loads like personal computers, CFL, UPS and induction loads like high power induction motor at water sprinkler system were some of the main causes for reducing PF as the level of PF depends on the type of loads, (b) the PF was varying due to variable load as the cranes/equipment could not be utilized by the Port/Public Private Partnership operators at all the time in constant load, (c) the Port installed APFC panels for PF improvement at seven locations and all port users were insisted to install APFC panels and penalty were imposed on them for non-compliance, (d) the electricity units consumed shall increase when PF is maintained at 0.90 and (e) it had taken necessary steps to improve PF in the Port feeders and based on the installations of APFC panels, PF would be improved in the ensuing months.

The reply of the Port needs to be viewed against the following facts (i) Maintenance of PF at 0.9 level was a statutory requirement, (ii) Though Port conducted harmonic analysis test and PF studies and had incurred ₹ 20.35 lakh for installing APFC panels, there was no improvement in PF. The Port neither measured the performance of the installed APFC panels nor identified other locations for installing more APFC panels, (iii) The port has not conducted energy re-audit which could have facilitated corrective actions,

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<sup>6</sup> When current leads the voltage (or voltage lags behind the current), the power factor is called 'leading'. A leading power factor signifies that the load is capacitive, as the load supplies reactive power.

(iv) The inference that consumption of electricity units would increase if PF is maintained at the prescribed level of 0.90, was based on presumptive readings/mathematically derived units. Besides, compensation charge was a penalty levied as a measure of punishment for non-compliance of statutory requirement, whereas electricity consumption charge is a levy on units actually consumed.

Thus, the Port's failure to comply with statutory requirement of maintenance of PF at 0.9 level resulted in payment of avoidable compensation charges amounting to ₹ 1.46 crore.

The Ministry in its reply (November 2017) stated that the port has now awarded work order to install energy monitoring devices in the distribution areas around 10 km to monitor the load distribution among the port users.

The performance of these devices in maintaining stipulated PF of 0.90 would be reviewed in future audit.

## CHAPTER XX : MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION

### Indian Statistical Institute, Kolkata

#### 20.1 Avoidable payment on electricity charges

**Inaccurate assessment of contract demand by Indian Statistical Institute Kolkata resulted in avoidable expenditure of ₹ 53.96 lakh towards electricity charges paid to Calcutta Electricity Supply Corporation Limited.**

An Institute intending to get electricity connection is required to apply in a prescribed format along with required documents to the distribution licensee. The application includes *inter alia* the requirement of load along with the basis of projection of the load. Based on site visit by engineers of the distribution licensee, the contract demand is sanctioned and institutions are required to deposit the prescribed Earnest Money Deposit and an agreement is signed between the institute and distribution licensee. The institute can change the contract demand once in a year based on the actual consumption/projections. For reduction in contract demand, the consumer shall have to submit the application in the prescribed form along with deposit of processing fee and electrical contractors test report for reduction in sanctioned demand.

Indian Statistical Institute, Kolkata (ISI) had a contract demand of 650 KW with the Calcutta Electricity Supply Corporation Limited (CESC) for its power supply. As per the agreement, demand charges are levied on actual maximum demand recorded in a month or 85 *per cent* of the contract demand whichever is higher along with the charges for actual consumption at rates applicable from time to time.

Audit analysis of electric load revealed that the maximum demand for power consumption was persistently lower by 73 *per cent* to 97 *per cent* than the contract demand during period from January 2013 to March 2016. On being pointed out by audit in April 2016, ISI reduced (June 2016) the contract demand to 350 KW. However, during the period June 2016 to March 2017, the maximum demand was still lesser by 59 *per cent* to 85 *per cent* than the contract demand. Non fixation of contract demand at 200 KW in January 2014 resulted in avoidable expenditure of ₹ 53.96 lakh (₹ 46.84 lakh billing demand and ₹ 7.12 lakh load factor surcharge on shortfall energy consumption).

The matter was reported to the Ministry in June 2017; its reply was awaited as of December 2017.

## CHAPTER XXI : MINISTRY OF TOURISM

### Dr. Ambedkar Institute of Hotel Management Catering and Nutrition

#### 21.1 Excess payment of departmental charges

**Incorrect application of CPWD rate for departmental charges resulted in excess payment of ₹ 61.46 lakh.**

As per section 12.1 of CPWD Works Manual, no departmental charges are levied for the government works and those of autonomous bodies fully funded by the Central Government. For other works, departmental charges as prescribed in the CPWD Works Manual are levied<sup>1</sup>.

Dr. Ambedkar Institute of Hotel Management Catering and Nutrition (Institute) is an autonomous body constituted by the Government of India. The Institute receive grants for capital works from Government of India whereas day to day expenses are met from its own resources. Hence, departmental charges as prescribed by CPWD ought to be levied on works taken up by the Institute.

Audit noticed that the Institute accorded (January 2010) administrative approval for construction of an additional block at ₹ 9.91 crore. Scrutiny of the cost estimate revealed that the executing agency of this work, i.e. Engineering Department, UT Chandigarh, had charged departmental charges at 14.30 *per cent* as against the seven *per cent* stipulated in the CPWD Works Manual. This resulted in excess payment of departmental charges amounting to ₹ 61.46 lakh<sup>2</sup>.

<sup>1</sup> Departmental charges at 12 *per cent* of estimated cost for works costing up to ₹ 200 lakh, at eight *per cent* for works costing between ₹ 200 lakh and ₹ 500 lakh and at seven *per cent* for works costing above ₹ 500 lakh.

<sup>2</sup> (a) Estimated cost: ₹ 841.89 lakh (b) Departmental charges at 14.30 *per cent*: ₹ 120.39 lakh. (c) Departmental charges at seven *per cent*: ₹ 58.93 lakh (d) Excess payment: ₹ 120.39 lakh - ₹ 58.93 lakh = ₹ 61.46 lakh.

The Institute stated (April 2017) that the matter has been taken up with the Engineering Department of UT Chandigarh.

The matter was referred to the Ministry in May 2017; its reply was awaited (December 2017).

**New Delhi**  
**Dated: 23 February 2018**



**(MAMTA KUNDRA)**  
**Director General of Audit**  
**Central Expenditure**

**Countersigned**



**New Delhi**  
**Dated: 01 March 2018**

**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

# ANNEXES



**Annexe-I***(Referred to in paragraph no. 2.3.1.2 (i))***Financial and Physical Outlay vis-à-vis Outcome -NRDWP**

Year	Budget & Expenditure (₹ in crore)			Target (in number)		Achievement (in number)
	BE	RE	Actual Expenditure	Original	Revised	For the year
2013-14	11,000.00	9,700.00	9,697.27	97,000	97,000	1,53,423
2014-15	11,000.00	9,250.00	9,242.76	95,000	95,000	1,36,117
2015-16	2,611.00	4,373.00	4,369.55	26,400	56,941	8,841
2016-17	5,000.00	6,000.00	5,982.16	62,000	62,000	34,897



## Annexe-II

(Referred to in paragraph no. 2.3.1.2 (ii))

### Financial and Physical Outlay vis-à-vis Outcome-SBM (G)

Year	Budget & Expenditure (₹ in crore)			Category	Target (in number)		Achievement (in number) For the year
	Budget Estimates	Revised Estimates	Actual Expenditure		Original	Revised	
2013-14	4,098.00	2,299.00	2,250.32	IHHL <sup>1</sup>	NA	60,00,000	49,62,000
				STB <sup>2</sup>	NA	70,000	37,645
2014-15	4,260.00	2,850.00	2,840.99	IHHL	50,00,000	50,00,000	58,84,000
				STB	30,000	30,000	25,267
2015-16	2,625.00	6,525.00	6,524.52	IHHL	50,00,000	50,00,000	1,26,64,000
				CSC <sup>3</sup>	1,500	1,500	1,899
2016-17	9,000.00	10,500.00	10,509.03	IHHL	1,50,00,000	1,50,00,000	2,19,57,000
				CSC	1,500	1,500	2,911

<sup>1</sup> IHHL-Individual Household Latrine.

<sup>2</sup> School Toilet Block.

<sup>3</sup> Community Sanitation Complex.

## Annexe-III

(Referred to in paragraph no. 6.1.2.2)

## Utilisation of grants on projects funded under the ICH scheme

Year	No. of Proposals received	No. of projects sanctioned by MoC	Total amount sanctioned	No. of projects and Amount of 1 <sup>st</sup> instalment		No. of projects and Amount of 2 <sup>nd</sup> instalment		No. of Projects completed and Amount released	
2013-14	234	75	1,01,85,000	75	50,92,500	56	19,66,250	35	13,43,750
2014-15	234	135	2,87,25,000	135	1,45,12,500#	45	21,42,500	Nil	Nil
2015-16	278	114	2,36,10,000	114	1,18,05,000	Nil	Nil	Nil	Nil
<b>Total</b>	<b>746</b>	<b>324</b>	<b>6,25,20,000</b>	<b>324</b>	<b>3,14,10,000</b>	<b>101</b>	<b>41,08,750</b>	<b>35</b>	<b>13,43,750</b>
<b>Total amount released</b>									<b>3,68,62,500</b>

# In two cases 100 per cent sanctioned amount was released in the first instalment itself.

## Annexe- IV

(Referred to in paragraph no. 8.1.3.2)

## Module-wise status of implementation

Earlier/Legacy Module to be replaced/ System to be developed	Features/Functions of Module	Timeline for integration	Current Status of functionality in PFMS
COMPACT	Lowest level of data entry based on bills from DDOs used for pre-check, passing the bills electronically, follows Civil Accounts manual.	2015-16	Partial Functionality has been built
COMPACT-RAMS	Lowest level of data entry based on bills from DDOs used for pre-check, passing the bills electronically for Revenue Accounting management system for direct taxes .	2015-16	Work not started
CFMS	Challan File management system for indirect taxes.	2015-16	Work not started
COMPACT-REVACT	Lowest level of data entry based on bills from DDOs used for pre-check, passing the bills electronically for Revenue accounting software for indirect taxes.	2015-16	Work not started
E-LEKHA	Consolidated data from COMPACT updated by PAOs, generates statutory as well as other MIS reports for decisions support.	2015-16	Partial Functionality has been built
COMPDDO		2015-16	Partial Functionality has been built
CDDO-2		2015-16	Partial Functionality has been built
PAO	Software for Pay and Accounts Offices	2015-16	Partial Functionality has been built
eDDG	Software package for Demand for Grants.	2015-16	Partial Functionality has been built
OCEANS		2015-16	Functionality has been built in PFMS
GePG	E-payment gateway used for payment by PAOs.	2015-16	Functionality has been built in PFMS
State Loan Package		2015-16	Partial Functionality has been built
Rupee Loan Package		2015-16	Work not started
RAMS	Revenue Accounting management system for direct taxes	March 2015	Work not started
REVACT	Revenue accounting software for indirect taxes	March 2015	Work not started
Non-Tax Receipt Portal (NTRP)		2014-15	Functionality has been built in PFMS
Employee Information System (EIS)		June 2016	Partial Functionality has been built

Earlier/Legacy Module to be replaced/ System to be developed	Features/Functions of Module	Timeline for integration	Current Status of functionality in PFMS
Pension Accounting System		2014-15	Work not started
Developing common format of data exchange and protocol for integration of non-Civil Ministries		March 2015	Partial Functionality has been built
Integration with GeM (Government e-Market place)			Partial Functionality has been built

**Annexe-V**

*(Referred to in paragraph no. 10.2)*

**Details of airfares claimed under LTC**

**(Amount in ₹)**

<b>Name of Delhi Police Division</b>	<b>No of cases scrutinized through Go- air lines</b>	<b>Total Inadmissible Amount</b>
DCP (Operation & communication)	145	1,04,46,940
DCP (Security)	160	96,57,214
DCP (west)	103	38,95,289
DCP (Central)	27	15,98,025
<b>Total</b>	<b>435</b>	<b>2,55,97,468</b>

## Annexe-VI

(Referred to in paragraph no. 12.3.1)

## List of Sample Projects and projects selected for site visit

Sl. No.	Year of Approval	College	Sanctioned Grant (₹)	Grant disbursed (₹)	Category	Whether selected for site visit
1.	2006-07	Bhatter College, Dantan, West Bengal	60,00,000	60,00,000	Completed	
2.	2006-07	Egra Sarada Shashi Bhusan College, West Bengal	67,39,943	67,39,943	Completed	
3.	2013-14	Mahadeo Singh Mahavidyalaya, Bihar	80,00,000	80,00,000	Completed	
4.	2009-10	Mugberia Gangadhar Mahavidyalaya, West Bengal	70,00,000	70,00,000	Completed	
5.	2006-07	Scottish Church College, West Bengal	1,99,97,400	1,99,97,400	Completed	Yes
6.	2006-07	Tarakeswar Degree College, West Bengal	90,20,492	90,20,492	Completed	Yes
7.	2006-07	Banki College, Odisha	88,63,000	88,63,000	Completed	Yes
8.	2006-07	Sailendra Narayan College, Odisha	70,00,000	70,00,000	Completed	Yes
9.	2009-10	Mrinalini Datta Mahavidyapith, West Bengal	65,00,000	65,00,000	Completed	
10.	2006-07	Nayagarh College, Odisha	70,00,000	70,00,000	Completed	
11.	2011-12	R.K. Saha Women's College, Bihar	80,00,000	80,00,000	Completed	
12.	2006-07	St. Xavier's College, Kolkata, West Bengal	2,00,00,000	2,00,00,000	Completed	Yes
13.	2011-12	Thakur Brahmdeo Sinha Janta College, Bihar	80,00,000	80,00,000	Completed	
14.	2006-07	Ispat College, Odisha	79,91,250	79,91,250	Completed	
15.	2006-07	Nistarini College, West Bengal	74,71,530	70,79,691	Completed	
16.	2009-10	Shyampur Siddeswari Mahavidyalaya, West Bengal	70,00,000	70,00,000	Completed	
17.	2013-14	Anchalika Degree Mahavidyalaya, Purunabaripada, Odisha	60,00,000	60,00,000	Completed	
18.	2006-07	Gangadhar Mohapatra Law College, Odisha	70,00,000	70,00,000	Completed	
19.	2006-07	Anandpur College, Odisha	67,14,900	67,14,900	Completed	
20.	2006-07	Gopabandhu Choudhury College, Odisha	77,87,000	77,87,000	Completed	
21.	2014-15	Bhatter College, Dantan, West Bengal	80,00,000	40,00,000	New	
22.	2014-15	Gurusahay Deosharan Memorial College, Bihar	80,00,000	72,00,000	New	Yes
23.	2014-15	K.S.T. College, Bihar	80,00,000	80,00,000	New (Completed)	Yes

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24.	2014-15	Pannu Lal Singh College, Bihar	80,00,000	72,00,000	New	Yes
25.	2014-15	Baripada College, Odisha	60,00,000	54,00,000	New	Yes
26.	2014-15	R.D.S. Degree Mahavidyalaya, Kundabai, Odisha	40,00,000	40,00,000	New (Completed)	Yes
27.	2014-15	Govindpur College, Odisha	80,00,000	40,00,000	New	
28.	2014-15	Nayagarh College, Odisha	80,00,000	40,00,000	New	
29.	2014-15	Shukdeo Mahto Janta Mahavidyalaya, Bihar	80,00,000	40,00,000	New	
30.	2014-15	Phul Devi Kusheshwar Jha College, Bihar	80,00,000	40,00,000	New	
31.	2014-15	Radha Shanta Mahavidyalya, Bihar	80,00,000	40,00,000	New	
32.	2014-15	Aditya Narayan College, Jharkhand	80,00,000	40,00,000	New	
33.	2014-15	Gautam Budh Mahila College, Bihar	80,00,000	40,00,000	New	
34.	2014-15	Girish Narayan Mishra College, Bihar	80,00,000	40,00,000	New	
35.	2014-15	Indira Gandhi Women's College, Odisha	80,00,000	72,00,000	New	
36.	2014-15	Mahishadal Girls' College, West Bengal	80,00,000	40,00,000	New	
37.	2014-15	Gopabandhu Choudhury College, Odisha	80,00,000	40,00,000	New	
38.	2014-15	Krishak College, Bihar	80,00,000	40,00,000	New	
39.	2014-15	Mahabodi Mahavidyalaya, Bihar	80,00,000	40,00,000	New	
40.	2014-15	Shahid Jagdeo Smarak Mahavidyalaya, Bihar	80,00,000	40,00,000	New	
41.	2009-10	Asutosh College, West Bengal	1,20,00,000	1,08,00,000	Ongoing	
42.	2006-07	Deoghar College, Jharkhand	1,00,00,000	90,00,000	Ongoing	Yes
43.	2006-07	Sri Arvind Mahila College, Bihar	1,00,00,000	90,00,000	Ongoing	Yes
44.	2006-07	Brahmananda Keshab Chandra College, West Bengal	2,00,00,000	1,80,00,000	Ongoing	Yes
45.	2006-07	Deshbandhu College for Girls, West Bengal	1,60,00,000	1,44,00,000	Ongoing	Yes
46.	2006-07	Lady Brabourne College, West Bengal	1,91,40,690	1,72,27,222	Ongoing	Yes
47.	2006-07	Lal Bahadur Shastri Memorial College, Jharkhand	1,00,00,000	90,00,000	Ongoing	
48.	2006-07	Ramashrya Baleswar College, Bihar	1,00,00,000	90,00,000	Ongoing	
49.	2006-07	Santhal Parganas Mahila Mahavidyalaya, Jharkhand	1,00,00,000	90,00,000	Ongoing	
50.	2006-07	Tej Narain Banaili College, Bihar	1,00,00,000	90,00,000	Ongoing	
51.	2006-07	Balmiki Rajniti Mahila Mahavidyalaya, Bihar	1,00,00,000	90,00,000	Ongoing	

52.	2006-07	Ramlakhan Singh Yadav College, Bakhtiarpur, Bihar	1,00,00,000	90,00,000	Ongoing	
53.	2006-07	Kendrapara College, Odisha	1,00,00,000	90,00,000	Ongoing	
54.	2006-07	Bankura Christian College, West Bengal	1,00,00,000	90,00,000	Ongoing	
55.	2006-07	Bankura Sammilani College, West Bengal	1,00,00,000	90,00,000	Ongoing	
56.	2006-07	Bidhan Chandra College, Burdwan, West Bengal	1,00,00,000	90,00,000	Ongoing	
57.	2006-07	Bijoy Krishna Girls' College, Howrah, West Bengal	1,00,00,000	90,00,000	Ongoing	
58.	2006-07	Ghatal Rabindra Satabarsiki Mahavidyalaya, West Bengal	1,00,00,000	90,00,000	Ongoing	
59.	2006-07	Maharana Pratap College, Bihar	1,00,00,000	90,00,000	Ongoing	
60.	2006-07	Netaji Nagar College for Women, West Bengal	1,25,14,451	1,12,63,007	Ongoing	
<b>Total</b>			<b>55,57,40,656</b>	<b>47,33,83,905</b>		





# APPENDICES



## APPENDIX-I

(Referred to in paragraph 1.3)

## Outstanding Utilisation Certificates

(₹ in lakh)

Ministry/Department	Period to which grants relate (upto March 2016)	Utilisation Certificates outstanding in respect of grants released upto March 16 which were due by 31 March 2017	
		Number of UC	Amount
Agriculture (i) Agriculture Cooperation	Up to March 2010	33	12,726.56
	2010-2015	491	1,55,929.94
	2015-2016	337	1,21,615.96
	<b>Total</b>	<b>861</b>	<b>2,90,272.46</b>
Agriculture (ii) Animal Husbandry and Dairy	Up to March 2010	02	155.33
	2010-2015	137	13,277.77
	2015-2016	95	37,962.21
	<b>Total</b>	<b>234</b>	<b>5,13,95.31</b>
Housing and Urban Poverty Alleviation (HUPA)	Up to March 2010	34	4,220.78
	2010-2015	419	2,59,132.96
	2015-2016	137	1,49,154.20
	<b>Total</b>	<b>590</b>	<b>4,12,507.94</b>
Urban development	Up to March 2010	41	2,723.99
	2010-2015	94	1,54,112.86
	2015-2016	287	5,10,818.19
	<b>Total</b>	<b>422</b>	<b>6,67,655.04</b>
Culture	Up to March 2010	2,342	18,156.40
	2010-2015	1,169	22,329.73
	2015-2016	59	4,155.57
	<b>Total</b>	<b>3570</b>	<b>44,641.70</b>
Electronics and Information Technology	Up to March 2010	41	10,128.91
	2010-2015	85	16,784.03
	2015-2016	140	47,666.70
	<b>Total</b>	<b>266</b>	<b>74,579.64</b>

Ministry/Department	Period to which grants relate (upto March 2016)	Utilisation Certificates outstanding in respect of grants released upto March 16 which were due by 31 March 2017	
<b>Corporate Affairs</b>	Up to March 2010	05	1.38
	2010-2015	03	0.53
	2015-2016	01	350.00
	<b>Total</b>	<b>09</b>	<b>351.91</b>
<b>Shipping</b>	Up to March 2010	01	10.00
	2010-2015	02	39.24
	2015-2016	22	8,808.76
	<b>Total</b>	<b>25</b>	<b>8,858.00</b>
<b>Labour &amp; Employment</b>	Up to March 2010	344	2,243.96
	2010-2015	272	5,689.84
	2015-2016	199	2,656.12
	<b>Total</b>	<b>815</b>	<b>10,589.92</b>
<b>Pharmaceuticals</b>	Up to March 2010	05	1,659.80
	2010-2015	16	1,061.40
	2015-2016	45	12,485.08
	<b>Total</b>	<b>66</b>	<b>15,206.28</b>
<b>Mines</b>	Up to March 2010	-	-
	2010-2015	03	50.85
	2015-2016	22	605.54
	<b>Total</b>	<b>25</b>	<b>656.39</b>
<b>Micro, Small and Medium Enterprises (MSME)</b>	Up to March 2010	39	130.16
	2010-2015	186	3316.81
	2015-2016	144	14,979.50
	<b>Total</b>	<b>369</b>	<b>18,426.47</b>
<b>Tourism</b>	Up to March 2010	-	-
	2010-2015	140	19,998.40
	2015-2016	26	5,323.53
	<b>Total</b>	<b>166</b>	<b>25,321.93</b>
<b>Commerce</b>	Up to March 2010	05	760.40
	2010-2015	09	6,312.04
	2015-2016	10	3,999.80

Ministry/Department	Period to which grants relate (upto March 2016)	Utilisation Certificates outstanding in respect of grants released upto March 16 which were due by 31 March 2017	
	<b>Total</b>	<b>24</b>	<b>11072.24</b>
<b>Consumer Affairs</b>	Up to March 2010	36	35.25
	2010-2015	21	576.29
	2015-2016	28	1,422.36
	<b>Total</b>	<b>85</b>	<b>2,033.90</b>
<b>Food &amp; Public Distribution</b>	Up to March 2010	03	1,129.00
	2010-2015	11	1,491.21
	2015-2016	01	8.39
	<b>Total</b>	<b>15</b>	<b>2,628.60</b>
<b>Chemicals &amp; Petrochemicals</b>	Up to March 2010	02	4.00
	2010-2015	06	805.00
	2015-2016	07	263.00
	<b>Total</b>	<b>15</b>	<b>1,072.00</b>
<b>Public Enterprises</b>	Up to March 2010	-	-
	2010-2015	22	146.18
	2015-2016	45	434.53
	<b>Total</b>	<b>67</b>	<b>580.71</b>
<b>Personnel, Public Grievances and Pensions</b>	Up to March 2010	08	10.51
	2010-2015	22	178.71
	2015-2016	17	94.75
	<b>Total</b>	<b>47</b>	<b>283.97</b>
<b>Skill Development &amp; Entrepreneurship, National Skill Development Agency (NSDA)</b>	Up to March 2010	-	-
	2010-2015	-	-
	2015-2016	01	52
	<b>Total</b>	<b>01</b>	<b>52.00</b>
<b>Skill Development &amp; Entrepreneurship, National Skill Development Fund (NSDF)</b>	Up to March 2010	-	-
	2010-2015	-	-
	2015-2016	02	97,500
	<b>Total</b>	<b>02</b>	<b>97,500.00</b>
<b>Law (Legislative Department)</b>	Up to March 2010	-	-
	2010-2015	05	2.50

Ministry/Department	Period to which grants relate (upto March 2016)	Utilisation Certificates outstanding in respect of grants released upto March 16 which were due by 31 March 2017	
	2015-2016	03	2.10
	<b>Total</b>	<b>08</b>	<b>4.60</b>
<b>Steel</b>	Up to March 2010	-	-
	2010-2015	01	288.00
	2015-2016	04	503.95
	<b>Total</b>	<b>05</b>	<b>791.95</b>
<b>Textiles</b>	Up to March 2010	1,047	4,884.74
	2010-2015	2,333	1,32,682.35
	2015-2016	1,737	1,66,136.15
	<b>Total</b>	<b>5,117</b>	<b>3,03,703.24</b>
<b>Road Transport &amp; Highways</b>	Up to March 2010	23	11.72
	2010-2015	Nil	Nil
	2015-2016	Nil	Nil
	<b>Total</b>	<b>23</b>	<b>11.72</b>
<b>Heavy Industry</b>	Up to March 2010	01	20.00
	2010-2015	04	18,539.65
	2015-2016	18	11,675.18
	<b>Total</b>	<b>23</b>	<b>30,234.83</b>
<b>Power</b>	Up to March 2010	Nil	Nil
	2010-2015	Nil	Nil
	2015-2016	25	50,0979.00
	<b>Total</b>	<b>25</b>	<b>50,0979.00</b>
<b>Telecommunications, ITI Limited</b>	Up to March 2010	Nil	Nil
	2010-2015	02	2,1943.20
	2015-2016	Nil	Nil
	<b>Total</b>	<b>02</b>	<b>21,943.20</b>

Ministry/Department	Period to which grants relate (upto March 2016)	Utilisation Certificates outstanding in respect of grants released upto March 16 which were due by 31 March 2017	
<b>Rural Development</b>	Up to March 2010	37	1,48,036.00
	2010-2015	71	7,83,605.24
	2015-2016	30	3,780.27
	<b>Total</b>	<b>138</b>	<b>9,35,421.51</b>
<b>NITI Aayog</b>	Up to March 2010	Nil	Nil
	2010-2015	13	124.35
	2015-2016	Nil	Nil
	<b>Total</b>	<b>13</b>	<b>124.35</b>
<b>Grand Total</b>		<b>13,028</b>	<b>35,28,900.81</b>



## APPENDIX - II

*(Referred to in paragraph 1.4)***List of bodies, which submitted accounts after delay of over three months**

Sl. No.	Name of Autonomous Bodies	Date of submission of Accounts	Delay in months
1.	Central Agricultural University, Imphal	02.12.2016	5
2.	National Museum Institute, Delhi	26.10.2016	3
3.	North-Central Zone Cultural Centre, Allahabad	03.10.2016	3
4.	South Zone Cultural Centre, Thanjavur	04.10.2016	3
5.	The Asiatic Society, Kolkata	02.11.2016	4
6.	Victoria Memorial Hall, Kolkata	01.12.2016	5
7.	Central Council of Indian Medicine	28.10.2016	3
8.	National Institute of Naturopathy, Pune	11.11.2016	4
9.	National Institute of Homeopathy, Kolkata	07.10.2016	3
10.	Building & Other Construction Workers Welfare Board, Chandigarh	11.11.2016	4
11.	Lakshadweep Building Dev. Board, Kavaratti	13.10.2016	3
12.	Board of Practical Training, Kolkata	15.12.2016	5
13.	Central University of Himachal Pradesh, Kangra	05.10.2016	3
14.	Central University of Kashmir, Sonwar	31.10.2016	3
15.	Centre for Studies in Civilization, New Delhi	24.10.2016	3
16.	Dr. B.R. Ambedkar National Institute of Technology, Jalandhar.	20.12.2016	5
17.	Indian Institute of Technology, Mumbai	05.10.2016	3
18.	Indian Institute of Management, Raipur	24.10.2016	3
19.	Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha	13.10.2016	3
20.	National Institute of Technology, Imphal	11.11.2016	4
21.	National Institute of Technology, Sikkim	24.10.2016	3
22.	Indian Institute of Information Technology, Srirangam	21.11.2016	4

Sl. No.	Name of Autonomous Bodies	Date of submission of Accounts	Delay in months
23.	Indian Institute of Engineering Science and Technology, Shibpur	07.12.2016	5
24.	Indian Institute of Information Technology, Kottayam	07.10.2016	3
25.	Indian Institute of Science Education and Research, Tirupati	13.10.2016	3
26.	Institute for the Physically Handicapped, New Delhi	14.10.2016	3
27.	Lakshmibai National Institute Of Physical Education, Gwalior	11.11.2016	4
28.	National Dope Testing Laboratory	02.11.2016	4
29.	Maulana Abul Kalam Azad Institute of Asian Studies Kolkata	30.1.2017	6
30.	Nehru Memorial Museum and Library, New Delhi.	03.03.2017	8
31.	National Book Trust, New Delhi	30.01.2017	6
32.	Indian Institute of Information Technology, Kalyani	01.04.2017	9
33.	Central Board of Workers Education, Nagpur	06.01.2017	6
34.	National Judicial Academy, Bhopal	06.03.2017	8
35.	Food Safety and Standard Authority of India	08.02.2017	7
36.	Sports Authority of India, New Delhi	08.03.2017	8

## APPENDIX -III

(Referred to in paragraph 1.5)

**List of Autonomous Bodies in respect of which audited accounts for the year 2013-14, 2014-15 and 2015-16 had not been presented before the Parliament as on 30 November 2017**

Sl. No.	Name of Autonomous Body
<b>For the year 2013-14</b>	
<b>Ministry of Chemicals and Fertilisers</b>	
1.	National Institute of Pharmaceutical Education and Research, Hajipur
<b>For the year 2014-15</b>	
<b>Ministry of Chemicals and Fertilisers</b>	
2.	National Institute of Pharmaceutical Education and Research, Hajipur
<b>For the year 2015-16</b>	
<b>Ministry of Agriculture and Farmers Welfare</b>	
3.	Coastal Aquaculture Authority, Chennai
4.	Veterinary Council of India, New Delhi
<b>Ministry of Chemicals and Fertilisers</b>	
5.	National Institute of Pharmaceutical Education and Research, Hajipur
6.	National Institute of Pharmaceutical Education and Research, Hyderabad
<b>Ministry of Civil Aviation</b>	
7.	Airport Economic Regulatory Authority, Delhi
<b>Ministry of Coal</b>	
8.	Coal Mines Provident Fund Organisation, Dhanbad
<b>Ministry of Commerce and Industry</b>	
9.	Agricultural & Processed Food Products Export Development Authority, New Delhi
10.	Nodia Special Economic Zone Authority
<b>Ministry of Culture</b>	
11.	International Buddhist Confederation, Delhi
12.	Library of Tibetan Work and Archives Dharamshala
13.	Maulana Abul Kamal Azad Institute of Higher Studies
14.	Nav Nalanda Mahavira, Nalanda
15.	Nehru Memorial Museum and Library, New Delhi.

Sl. No.	Name of Autonomous Body
16.	Victoria Memorial Hall, Kolkata
<b>Ministry of External Affairs</b>	
17.	Indian Council for Cultural Relations, New Delhi.
18.	Nalanda University
<b>Ministry of Finance</b>	
19.	Pension Fund Regulatory Development Authority, Delhi
<b>Ministry of Home Affairs</b>	
20.	Landport Authority of India
<b>Ministry of Human Resource Development</b>	
21.	AB Vajpai Indian Institute of Information Technology and Management, Gwalior
22.	Board of Practical Training, Kolkata
23.	Indian Institute of Engineering Science and Technology, Shibpur
24.	Indian Institute of Information Technology Kottayam
25.	Indian Institute of Information Technology, Guwahati
26.	Indian Institute of Information Technology, Kalyani
27.	National Institute of Technology, Agartala
28.	National Institute of Technology, Goa
29.	National Institute of Technology, Sikkim
30.	National Institute of Technology, Tiruchirappalli
31.	Sardar Vallabhbhai National Institute of Technology, Surat
32.	National Council of Educational Research & Training, New Delhi.
33.	National Institute of Open Schooling, Noida.
<b>Ministry of Labour and Employment</b>	
34.	Employees Provident Fund Organisation. New Delhi.
<b>Ministry of Law and Justice</b>	
35.	National Judicial Academy, Bhopal
36.	National Legal Service Authority, New Delhi
<b>Ministry of Skill Development &amp; Entrepreneurship</b>	
37.	National Skill Development Agency, Delhi

Sl. No.	Name of Autonomous Body
<b>Ministry of Social Justice &amp; Empowerment</b>	
38.	National Commission for Backward Classes, New Delhi
<b>Ministry of Youth Affairs &amp; Sports</b>	
39.	Lakshmibai National Institute of Physical Education, Gwalior
40.	National Dope Testing Laboratory, Delhi
41.	National Sports Development Fund, Delhi

## APPENDIX -IV

(Referred to in paragraph 1.5)

### Delay in presentation of audited accounts for the years 2014-15 and 2015-16 by autonomous bodies to Parliament

Sl. No.	Name of Autonomous Body	Year of Audited Account	Delay in month
<b>Ministry of Ayush</b>			
1.	National Institute of Ayurveda, Jaipur	2015-16	1
2.	National Institute of Siddha, Chennai	2015-16	1
3.	National Institute of Unani Medicine, Bangalore	2015-16	1
4.	Central Council for Research in Yoga and Naturopathy, New Delhi.	2015-16	3
5.	Central Council of Homoeopathy, New Delhi.	2015-16	3
6.	Morarji Desai National Institute of Yoga, New Delhi.	2015-16	3
<b>Ministry of Culture</b>			
7.	West Zone Cultural Centre, Udaipur	2015-16	1
8.	Centre for Cultural Resources and Training, New Delhi	2015-16	1
9.	Kalakshetra Foundation, Chennai	2015-16	1
10.	Khuda Bux Oriental Public Library, Patna	2015-16	1
11.	Raja Ram Mohan Roy Library Foundation, Kolkata	2015-16	1
12.	Sahitya Akademi, New Delhi.	2015-16	1
13.	Salarjung Museum Board, Hyderabad	2015-16	3
14.	Central University of Higher Tibetan Studies Sarnath, Varanasi	2015-16	3
15.	Gandhi Smriti & Darshan Samiti, Delhi	2015-16	3
<b>Ministry of Health &amp; Family Welfare</b>			
16.	Chittaranjan National Cancer Institute, Kolkata	2015-16	1
17.	National Institute of Health & Family Welfare, New Delhi.	2015-16	1
18.	Medical Council of India, New Delhi.	2015-16	3
<b>Ministry of Human Resource Development</b>			
19.	Indian Institute of Management Ahmedabad	2014-15	7
20.	Indian School of Mines, Dhanbad	2014-15	2
21.	National Institute of Technology, Silchar	2014-15	2

Sl. No.	Name of Autonomous Body	Year of Audited Account	Delay in month
22.	Assam University, Silchar	2015-16	1
23.	University of Hyderabad, Hyderabad	2015-16	1
24.	Shri Lal Bahadur Shastri Rashtriya Sanskrit Vidyapeeth, New Delhi.	2015-16	1
25.	The English and Foreign Languages University, Hyderabad	2015-16	1
26.	Pandit Dwarka Prasad Mishra Indian Institute of Information Technology Design & Manufacturing, Jabalpur	2015-16	1
27.	Indian Institute of Management, Kolkata	2015-16	3
28.	Indian Institute of Science Education & Research, Mohali	2015-16	3
29.	Indian Institute of Science Education & Research, Kolkata	2015-16	3
30.	Indian Institute of Science, Bangalore	2015-16	3
31.	Indian Institute of Technology, Mandi	2015-16	3
32.	National Institute of Industrial Engineering	2015-16	3
33.	Sant Longowal Institute of Engineering and Technology, Longowal	2015-16	3
34.	Indian Institute of Science Education & Research, Bhopal	2015-16	3
35.	Indira Gandhi National Tribal University, Amarkantak	2015-16	3
36.	Board of Apprenticeship Training, Kanpur	2015-16	3
37.	Central Institute of Technology, Kokrajhar	2015-16	3
38.	Indian Institute of Management, Kashipur	2015-16	3
39.	National Institute of Technical Teachers Training & Research, Chandigarh	2015-16	3
40.	National Institute of Technical Teachers Training & Research, Kolkata	2015-16	3
41.	School of Planning and Architecture, Vijayawada.	2015-16	3
42.	National Institute of Technology, Nagaland, Chumukedima	2015-16	3
43.	National Institute of Technology, Pauri Uttarakhand	2015-16	3
44.	National Institute of Technology, Silchar	2015-16	3
45.	National Institute of Technology, Shillong	2015-16	3

Sl. No.	Name of Autonomous Body	Year of Audited Account	Delay in month
46.	National Institute of Technology, Surathkal.	2015-16	3
47.	Jamia Milia Islamia, New Delhi.	2015-16	3
48.	Indain Institute of Technology (BHU), Varanasi	2015-16	3
49.	Indian Institute of Technology, Chennai	2015-16	3
50.	Indian Institute of Technology, Jodhpur	2015-16	3
51.	Indian Institute of Technology, Kanpur	2015-16	3
52.	Indian Institute of Technology, Gandhinagar	2015-16	3
53.	Indian School of Mines, Dhanbad	2015-16	3
54.	National Institute of Technology, Durgapur	2015-16	3
55.	Indian Institute of Advanced Studies, Shimla	2015-16	7
56.	Indian Institute of Management, Ahemdabad	2015-16	7
57.	National Institute of Technology, Warangal.	2015-16	7
<b>Ministry of Information &amp; Broadcasting</b>			
58.	Press Council of India, New Delhi.	2015-16	3
<b>Ministry of Petroleum &amp; Natural Gas</b>			
59.	Rajiv Gandhi Institute of Petroleum Technology, Rae Bareli	2015-16	3
<b>Ministry of Power</b>			
60.	Bureau of Energy Efficiency New Delhi	2015-16	3
<b>Ministry of Rural Development</b>			
61.	National Institute of Rural Development and Panchayati Raj, Hyderabad	2015-16	1
62.	Council for Advancement of People's Action & Rural Technology, New Delhi.	2015-16	7
<b>Ministry of Shipping</b>			
63.	Indian Maritime University	2015-16	7



Sl. No.	Name of Autonomous Body	Year of Audited Account	Delay in month
<b>Ministry of Social Justice &amp; Empowerment</b>			
64.	National Trust for Welfare of Persons with Autism Cerebral Palsy, Mental Retardation and Multiple Disabilities.	2015-16	1
65.	Rehabilitation Council of India, New Delhi.	2015-16	3
<b>Ministry of Women and Child Development</b>			
66.	Central Adoption Resource Agency Delhi	2014-15	<b>7</b>

## APPENDIX - V

(Referred to in paragraph 1.6)

### Significant observations on the accounts of individual Central Autonomous Bodies

#### 1. National Institute of Technology (NIT), Yupia, Papum Pare District, Arunachal Pradesh

##### Capital Work in Progress (Schedule-4A) - ₹ 276.34 crore

The above includes Fixed Assets valuing ₹ 2.55 crore being the cost of the Approach Road, Retaining Wall and Steel bridge which were constructed, completed and handed over to the Institute during 2016-17 but have been booked under “Capital Work in Progress” resulting in overstatement of “Capital Work in Progress” and understatement of “Fixed Assets” to the extent of ₹ 2.55 crore.

#### 2. Rajiv Gandhi Indian Institute of Management (RGIIM), Shillong

##### Current Assets (Schedule-7):

##### Bank Balances with Scheduled Banks in Savings Account: ₹ 3.06 crore

The above does not include ₹ 18.05 crore being the value of cheques issued prior to 31 December 2016 by the Institute but were not presented for payment up to 31 March 2016. Since validity of these cheques have already expired, liability has to be created against these stale cheques and reverse entry has to be made in the Cash Book. This has resulted in understatement of Current Liabilities and Current Assets by ₹ 18.05 crore each.

#### 3. IIT, Bhubaneswar 2016-17

##### Fixed Assets : ₹ 213.80 crore (Schedule-4)

The above does not include expenditure of ₹ 159.50 crore on completed deposit works, reported by CPWD as handed over and occupied by the Institute (July 2016) and put to use, but not capitalized, which was incorrectly shown under Capital Works-in-Progress. This has resulted in understatement of Fixed Assets and overstatement of Capital Works-in-Progress by ₹ 159.50 crore and also understatement of depreciation thereon.

#### 4. NIT Agartala

##### (i) Capital work-in-progress ₹ 243.45 crore (Schedule-4)

The above head is overstated by ₹ 125.68 crore due to non-transfer of 8 construction works (plan fund: 6 and non-plan fund: 2) to Tangible Assets though these were already taken over by NIT, Agartala between 2011-12 and 2016-17 after completion of construction activities.

This has also resulted in understatement of Tangible Assets (Net Block) by ₹ 123.01 crore and overstatement of Corpus Fund by ₹ 2.67 crore due to non-provision of depreciation on these assets.

**(ii) General**

The erstwhile Tripura Engineering College (TEC) was converted into NIT Agartala vide decision of the Union Cabinet on 23 February 2006. The Institute had identified total net assets of ₹ 16.08 crore which was examined and approved by the Government of Tripura (May 2008). The Institute is yet to incorporate those assets and liabilities into its accounts even though it is in possession of the same.

**5. Central of University, Kalaburagi, (Gulbarga)**

**Capital Works in Progress**

Completed buildings and air conditioning works valued at ₹ 6.80 crore were not capitalised. This resulted in overstatement of Work in Progress and understatement of Fixed Assets to the said extent. This also resulted in understatement of expenditure and depreciation by ₹ 16.48 lakh.

**6. IIT Kanpur**

**Fixed Assets**

This is understated by ₹ 17.89 crore as the Institute charged excess depreciation by charging it at different rates than the rates prescribed in the format of MHRD. This also resulted in overstatement of expenditure by the same amount. This observation was also included in the Separate Audit Report of the previous year 2015-16.

**7. National Institute of Technology, Kurukshetra**

**Fixed assets - Intangible Assets: Nil (Schedule-4)**

The above does not include ₹ 1.79 crore on account of E-Journals valuing ₹ 1.19 crore purchased from main Grant and ₹ 59.83 lakh purchased from TEQ-IP grant. As E-Journal are the part of Intangible Assets, they should have been capitalized as Intangible Assets (Schedule-4). However, these have been treated as revenue expenditure (Subscription Expenses - Schedule-16) and ₹ 59.83 lakh was included in Magazine and Journal (Administrative and General Expenses Schedule-17). This has resulted in understatement of

fixed assets/intangible and overstatement of the expenditure account by ₹ 1.32 crore (₹ 1.79 crore less depreciation on Main Grant Assets ₹ 47.79 lakh).

**8. Indian Institute of Technology, Mandi**

**Capital Work in Progress: ₹ 161.06 crore**

Above includes three buildings valuing ₹ 17.51 crore which had been completed and handed over to the Institute by the executing agency during the months of May, July and December 2016. Since the construction work was completed and these three buildings have been handed over and put to use by the Institute, these should have been capitalized. Non capitalizing the completed buildings resulted into overstatement of the capital work in progress by ₹ 17.51 crore, understatement of Buildings by ₹ 16.63 crore (₹ 17.51 crore less depreciation ₹ 0.88 crore) and understatement of deficit as well as overstatement of Capital Fund by ₹ 0.88 crore.

**9. Central University of Kerala, Kasargode**

**Current liabilities (Schedule-3): ₹ 155.74 crore.**

Corpus Fund is overstated by ₹ 7.97 crore due to accounting of additions of Fixed Asset amounting to ₹ 7.97 crore twice which were capitalized by the CPWD during 2016-17 as the same amount have already been included in Fixed Assets-Additions against Buildings amounting to ₹ 38.42 crore in the fixed assets (Schedule-4). This has also resulted in understatement of Current Liabilities- Unutilised Grants (Schedule-10) to that extent.

**10. Indian Institute of Technology, Indore**

**Intangible Assets- ₹ 36.79 lakh**

The above does not include ₹ 3.49 crore on account of subscription of online journals (E Journals). The Institute has treated the same as recurring expenses under Academic expenses. As per instructions contained in the revised formats of Financial statement for Central Higher Educational Institutions (CHEIs) issued by the MHRD, E- Journals are to be treated as Intangible assets. However, the Institute has considered the same as academic expenses under Schedule-13. This resulted in understatement of Fixed Assets by ₹ 1.39 crore (₹ 3.49 crore less depreciation ₹ 2.10 crore) and overstatement of Expenditure by the same amount.

**11. Indian Institute of Science Education and Research (IISER), Pune**

**Corpus/Capital Fund (Schedule-1) ₹ 550.76 crore.**

The deficit of ₹ 49.46 crore which represents expenditure over income from Income & Expenditure Account for the year was not transferred to the Corpus as prescribed in the Revised Format of Financial Statements for Central Higher Educational Institutions, but transferred the net excess of expenditure over income of ₹ 9.14 crore (excluding academic receipts, other income and depreciation) to Current Liabilities (Schedule-3 (c)). This has resulted in overstatement of Corpus by ₹ 9.14 crore and understatement of Current Liabilities by the same extent.

**12. Indian Institute of Technology, Guwahati**

**Corpus/Capital Fund (Schedule-1): ₹ 1162.82 crore**

The above head was understated by ₹ 8.99 crore due to non-capitalisation of Fixed Assets of 69 Nos. of completed sponsored Projects although those assets were transferred to respective departments of the Institute after completion of Sponsored Projects. This non-capitalisation further resulted in understatement of Fixed Assets by ₹ 8.99 crore at the end of 2016.

**13. Calcutta Dock Labour Board (CDLB)**

The liability for Superannuation Pension for CDLB as on 31 March 2017 was shown as ₹ 782.61 crore instead of ₹ 859.39 crore worked out by Life Insurance Corporation of India. This has resulted in understatement of Current Liabilities as well as Excess of Expenditure over Income by ₹ 76.78 crore.

**14. Paradip Port Trust (PPT)**

Investment also includes investment of ₹ 40 crore towards equity shares in Paradip Port Road Co. Ltd. (PPRCL), a Special Purpose Vehicle with National Highway Authority of India. The net worth of PPRCL has fully eroded and stood at (-)₹ 495.52 crore as on 31 March 2016. Therefore, provision should be made for diminution in the value of long term investment as required under Accounting Standard 13, Accounting for Investments. This has resulted in overstatement of investment and corresponding overstatement of Net surplus before tax by ₹ 40 crore. Similar comment was included in the Separate Audit Report of 2015-16, but no corrective action has been taken.

### **15. Chennai Port Trust**

(i) As per actuarial valuation done by LIC for Pension, Gratuity and Leave Encashment for existing employees and existing Pensioners as on 31 March 2017, the liabilities worked out to ₹4854.40 crore. The Port has provided an amount of ₹ 3159.89 crore towards Pension, Gratuity and Leave Encashment Fund. This has resulted in understatement of Current Liabilities and Provisions and Expenditure by ₹ 1694.51 crore. Consequently, the profit is overstated to the same extent.

(ii) The port booked an amount of ₹ 1.28 crore as current liabilities during the year 2015-16 for the auctioned scrap which was not lifted. During the year 2016-17, the port auctioned further scrap to the tune of ₹ 25.80 crore. Out of the total scrap sold worth of ₹ 27.08 crore which was to be delivered, scrap to the tune of ₹ 17.73 crore was actually delivered during the year 2016-17 which should have been booked as an income. Instead, the port has booked income to the tune of ₹ 4.38 crore only resulting in understatement of income and overstatement of liabilities to the tune of ₹ 13.35 crore.

### **16. Cochin Port Trust**

The liability on account of pension and gratuity contribution of existing employees and pensioners as per actuarial valuation worked out to ₹ 2949.98 crore for the year 2016-17 against which the investment in the Pension and Gratuity Fund was ₹ 78.13 crore, leaving a shortfall of ₹ 2871.85 crore. This has resulted in understatement of Current Liabilities & Provisions and consequent understatement of Loss by ₹ 2871.85 crore.

### **17. New Mangalore Port Trust**

Finance and Miscellaneous Expenditure does not include ₹ 179.82 crore being the shortfall in provision to be made towards superannuation and gratuity. As per actuarial valuation, provision was to be made to an extent of ₹ 926.69 crore. However, the port provided for ₹ 746.87 crore only. Non-creation of adequate liability has resulted in understatement of Current Liability and Finance and Miscellaneous Expenditure to the extent of ₹ 179.82 crore and consequent overstatement of profit to the same extent.

### **18. V.O. Chidambaranar Port Trust**

As per actuarial valuation done by LIC on Pension and Gratuity Liability for existing employees and existing Pensioners (Port and Cargo Handling Division) as on 31 March 2017,

the liabilities worked out to ₹ 1131.33 crore. The Port provided an amount of ₹ 894.63 crore towards Pension and Gratuity Fund. This resulted in understatement of Current Liabilities and Provision and overstatement of net surplus by ₹ 236.70 crore.

#### **19. Jawaharlal Nehru Port Trust**

(i) Term Deposit Receipt (TDR) with Nationalized Banks includes an amount of ₹ 67.59 crore deposited in February 2014 with Oriental Bank of Commerce (OBC) and interest accrued thereon upto 31 March 2017 amounting to ₹ 29.20 crore. As the matter is pending in the CBI Court and JNPT did not have fixed deposit receipt/term deposit receipt for ₹ 67.59 crore, it should have provided for doubtful investment of ₹ 67.59 crore and interest accrued amounting to ₹ 29.20 crore. This has resulted in overstatement of Cash and Bank balances by ₹ 67.59 crore, overstatement of interest Accrued on investments by ₹ 29.20 crore and overstatement of profit by ₹ 96.79 crore.

The comment was made also in the report of Comptroller and Auditor General of India on the accounts of JNPT for the year 2013-14, 2014-15 and 2015-16.

#### **20. Mumbai Port Trust**

According to Accounting Standard 22 (Accounting for Taxes on Income), Deferred Tax Asset (DTA) should be recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which tax can be realized. The standard further provides that reasonable level of certainty would normally be achieved by examining the past records of the enterprise and by making realistic estimates of the profits for the future.

Analysis of the past as well as projected financial statements for the future does not provide reasonable level of certainty that future taxable income will be available against which deferred tax assets can be realized. This is evident from the fact that MbPT incurred losses during 2012-13 to 2016-17. Further, the port has not provided for the Actuarial Liability of ₹ 3040.03 crore.

In view of the above, recognition of DTA is not in order. The net deficit is understated by ₹ 386.92 crore which includes ₹ 141.70 crore being DTA recognized by the Port during 2016-17 and ₹ 245.22 crore relating to earlier years.

This has resulted in overstatement of Deferred Tax Asset and understatement of loss by ₹ 386.92 crore.

(This Comment have been included in the reports of the Comptroller & Auditor General of India on the accounts of MbPT since 2014-15).

## **21. Kandla (Deendayal) Port Trust**

(i) Government of India granted (28 November 1955) 2600 acres of land on a 99 years lease to the Sindhu Resettlement Corporation Limited. Ministry of Shipping vide letter dated 16 December 1964 had conveyed that the Chairman, KPT has been nominated to exercise all powers exercisable by the Government as per Clause 10 of revised lease deed dated 28 November 1955 executed. During the period from October 2013 to March 2017 KPT collected mortgage fee amounting to ₹ 6.16 crore and during the period from April 2013 to March 2017 it collected transfer fee amounting to ₹ 0.90 crore. As the land do not pertain to KPT and Government has given the powers only Development Commissioner to the Chairman of KPT, the mortgage fee and transfer fee collected by KPT should have been remitted to Government. However, KPT has accounted mortgage fee and transfer fee as its income. This has resulted in understatement of Current Liabilities and over statement of profit by ₹ 7.06 core.

This Comment was included in the Separate Audit Report on the accounts of KPT for the year 2015-16 also.

(ii) The Notes to Accounts of the port stated that no provision for Income Tax amounting to ₹ 204.66 crore has been made as KPT claimed exemption under Section 11 to 13 of Income Tax Act on the basis of report of a Tax Planner.

As KPT is yet to obtain exemption under Section 11 to 13 of Income Tax Act, 1961 and has also paid Advance Tax/ TDS amounting to ₹ 216 crore for the year 2016-17, it should have provided for Income Tax liability amounting to ₹ 204.66 crore for the year 2016-17. This has resulted in understatement of Current Liability and overstatement of Profit after Tax by ₹ 204.66 crore.

This Comment was also included in the Separate Audit Report on the accounts of KPT for the year 2015-16 also.



## Ministry of Micro Small and Medium Enterprise

### 22. Khadi and Village Industries Commission

Endowment Fund includes ₹ 55.53 crore being the aggregate of imprest grant advances provided by the Commission over the years from 1964 onwards to its Field Offices, and Institutions financed by it and nodal banks, not adjusted in the books of accounts due to non-receipt/non-entry of recoupment bills/vouchers. In the absence of details, Audit is unable to certify the accuracy and recoverability of the 'Endowment Fund' balances to the extent of these imprest advances of ₹ 55.53 crore.

This Comment was included in the SARs for the years 2011-12 to 2015-16 where the non-adjustment of advances has been repeatedly commented upon.

### 23. Oil Industry Development Board

- (i) Current Liabilities and Provisions is understated by ₹ 29.06 crore due to the following:
- Non-provision of ₹ 27.64 crore being the cost incurred by Oil and Natural Gas Corporation Limited (ONGC) towards appraisal of un-appraised area of sedimentary basins in India, though relevant directions were received from Ministry of Petroleum and Natural Gas (MoP&NG) and Directorate General of Hydrocarbons.
  - Non-provision of ₹ 0.80 crore being the amount payable towards initial Corpus Fund for setting up Hydrocarbon Sector Skill Council as decided by MoP&NG.
  - Non-provision of ₹ 0.32 crore being the expenditure incurred by Oil India Limited (OIL) towards expenditure of the committee set up to look into the dispute between ONGC and Reliance India Limited in respect of KG-DWN 98/2 and KG-DWN 98/3 blocks in KG basin.
  - Non-provision of ₹ 0.30 crore being the arrear salary payable to employees on account of implementation of Seventh Pay Commission with effect from 01 January 2016.

Non-provision of the above also resulted in overstatement of 'Excess of Income over Expenditure' by ₹ 29.06 crore.

- (ii) Investments are is overstated by ₹ 40.13 crore due to non-reduction of equity investment in M/s Biecco Lawrie Limited in line with the decision of Cabinet Committee on Economic Affairs. Consequently, 'Excess of Income over Expenditure' is also overstated by the same amount.

## 24. Delhi Development Authority

(i) A reference is invited to comment no. 4.3 (a) in the SAR of CAG of India for the year 2015-16 on the financial statements of DDA relating to overstatement of stock of land which resulted in over-booking of profit by ₹ 108.06 crore. Though DDA has revised its accounting policy in line with Accounting Standard 2 (Valuation of Inventories), however, amount of profit booked earlier has not been reversed in current year. This has resulted in overstatement of value of stock of land by ₹ 108.06 crore as well as surplus carried to the Balance sheet.

(ii) As per schedule-H, DDA showed an interest income of ₹ 77.84 crore from investments made out of 'EWS Houses Reserve Fund', but credited the same to the Income and expenditure account. Since EWS fund has been created out of statutory requirement of Income tax Act, it is a Restricted/Earmarked Fund and income earned from investment out of "EWS Houses Reserve Fund" should not be credited to Income and Expenditure Account. Instead, this should be directly credited to 'EWS Houses Reserve Fund' Account.

This has resulted in over statement of total income as well as surplus for theyear to the extent of ₹ 77.84 crore.

(iii) A reference is invited to comment no. B. 1.1 (a) in the SAR of CAG of India on the financial statements of DDA for 2015-16 wherein it was pointed out that expenditure incurred and income earned in connection with construction of EWS houses should be adjusted in EWS Houses Reserve Fund instead of routing it through Income and Expenditure A/c. However, during the current year also, ₹ 83.62 crore incurred towards construction of EWS houses has been debited to Income and Expenditure Account. Further an amount of ₹ 96.16<sup>1</sup> crore has been credited as income (increase in WIP of EWS houses). This has resulted in overstatement of expenditure by ₹ 83.62 crore and overstatement of income by ₹ 96.16 crore in the Income & Expenditure Account.

## 25. Food Safety and Standards Authority of India

### Current Liabilities & Provisions (Schedule-7): ₹ 7.12 crore

An amount of ₹ 18.19 crore was collected as fees under the Product Approval Scheme during the period 2012-13 to 2015-16 which was stated to be non-refundable. However, the Product Approval Scheme was quashed by Supreme Court on 19 August 2015. At that time 1876 applications were pending with the Authority. The fee of the same was not refunded to the

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<sup>1</sup> Includes overheads at the rate of 15 per cent as per policy of DDA.

applicants and the same was taken as receipt of the Authority in previous year accounts. As these applications were pending decision of either rejection or approval of the application, the fees received on these applications should have been shown as liability in the accounts. Hence, the liabilities of the Authority were understated by ₹ 4.69 crore (1,876 X ₹ 25,000).

**26. Central Council of Indian Medicine**

**Income and Expenditure Account**

**Overstatement of income – ₹ 19.24 crore (Schedule-11)**

The Council received fees of ₹ 19.24 crore during the year 2016-17, which included advance fee of ₹ 4.84 crore for the year 2017-18. However, total fee amounting to ₹ 19.24 crore was depicted as income in Income & Expenditure Account (Schedule-11). This led to overstatement of income and understatement of liability by ₹ 4.84 crore.

**27. Employees' State Insurance Corporation**

**Fixed Assets (Schedule-8)-₹ 12,089.29 crore**

Fixed Assets does not include computer/peripherals amounting to ₹ 3.71 crore purchased from M/s WIPRO under the project Panchdeep and also the assets amounting to ₹ 1.63 crore received in excess of its contractual obligation (treated by ESIC against the short supply of assets of ₹ 1.25 crore) during the year 2016-17. This resulted in understatement of Fixed Asset and understatement of General Reserve by ₹ 5.34 crore.

**28. National Institute of Technology, Delhi (NIT)**

**(i) Fixed assets - Tangible Assets: ₹ 111.47 crore (Schedule-4):**

(a) As per the significant accounting policy No. 5 “Depreciation has been provided on straight line method”. However, during 2015-16 and 2016-17 depreciation on fixed asset has been provided on written down value method instead of straight line method as prescribed by the MHRD.

Due to non-adoption of the method of depreciation as prescribed by the MHRD the above asset is overstated by ₹ 1.03 crore (2015-16: ₹ 36.65 lakh and 2016-17: ₹ 66.60 lakh). Less charging of depreciation has also resulted in understatement of deficit by ₹ 1.03 crore with corresponding overstatement of Corpus/Capital Fund by the same amount.

(b) During 2016-17 work value of ₹ 7.92 crore were completed and final payment made by the Institute to M/S Hindustan Prefab Limited (HPL). However, the same was not

capitalized and ₹ 6.56 crore has been booked under Capital-Work-in- Progress and ₹ 1.35 crore as Advances.

Non-capitalization of the above assets has resulted in understatement of Fixed Assets by ₹ 7.76 crore (Net) with corresponding overstatement of capital Work-in-Progress as well as Advances by ₹ 6.56 crore and ₹ 1.35 crore respectively. This has also resulted in understatement of Depreciation for the year by ₹ 15.84 lakh (@ two *per cent*) with corresponding overstatement of Corpus/Capital Fund by the same amount.

**(i) Intangible Assets: ₹ 383.37 lakh**

Similarly, intangible assets is overstated by ₹ 1.30 crore due to less charging of depreciation for the year 2015-16 (₹ 30.79 lakh), 2016-17 (₹ 98.93 lakh). Due to less charging of depreciation deficit has been understated by ₹ 1.30 crore with corresponding overstatement of Corpus/Capital Fund by the same.

**29. Kolkata Port Trust**

There is a shortfall in Provision for Pension & Gratuity as the difference between Actuarial valuation and funds available was ₹ 3969.99 crore for the year 2016-17

**30. Calcutta Dock Labour Board**

There is a Shortfall in Provision for Superannuation Pension of ₹ 76.78 crore as the difference between Actuarial valuation by LIC and funds available was for the year 2016-17

**APPENDIX - VI**

*(Referred to in paragraph 1.6(a))*

**List of autonomous bodies where internal audit was not conducted during the year 2016-17**

Sl. No.	Name of Autonomous Body
1.	National Board of Education, New Delhi
2.	Medical Council of India, New Delhi
3.	Food Safety and Standards Authority of India, New Delhi
4.	Central Council for Research in Yoga and Naturopathy, New Delhi
5.	Dental Council of India, New Delhi
6.	Central Council for Indian Medicine, New Delhi
7.	Morarji Desai National Institute of Yoga, New Delhi
8.	Indian Nursing Council, New Delhi
9.	All India Institute of Medical Sciences, New Delhi
10.	Rashtriya Ayurved Vidyapeeth, New Delhi
11.	Central Council of Homeopathy, New Delhi
12.	Indira Gandhi National Centre for the Arts, New Delhi
13.	National Commission for Women, New Delhi
14.	National Commission for Protection of Child Rights, New Delhi
15.	Warehousing Development and Regulatory Authority, New Delhi
16.	National Legal Services Authority, New Delhi
17.	National Skill Development Agency, New Delhi
18.	National Trust, New Delhi
19.	Central Waqf Council, New Delhi
20.	Indian Council of World Affairs, New Delhi
21.	National Commission for Minority Educational Institutions, New Delhi
22.	Rashtriya Sanskrit Sansthan, New Delhi
23.	National Institute of Technology, New Delhi
24.	Protection of Plants Varieties and Farmers Right Authority, New Delhi
25.	Indian Council for Historical Research, New Delhi
26.	National Bal Bhawan, New Delhi
27.	Central Board of Secondary Education, New Delhi
28.	National Institute of Technology (NIT) Arunachal Pradesh
29.	North East Regional Institute of Science & Technology (NERIST), Arunachal Pradesh

30.	North Eastern Indira Gandhi Regional Institute of Health and Medical Sciences (NEIGRIHMS), Shillong
31.	Rajiv Gandhi Indian Institute of Management (RGIIM), Shillong
32.	North Eastern Institute of Ayurveda & Homoeopathy (NEIAH), Shillong
33.	National Institute of Technology, Warangal
34.	University of Hyderabad
35.	Maulana Azad National Urdu University, Hyderabad
36.	Rashtriya Sanskrit Vidyapeeth, Tirupati
37.	Indian Institute of Technology, Hyderabad
38.	The English and Foreign Languages University, Hyderabad
39.	National Institute of Rural Development and Panchayati Raj, Hyderabad
40.	Indian Institute of Technology, Bhubaneswar
41.	All India Institute of Medical Science, Bhubaneswar
42.	National Institute of Technology, Agartala
43.	Central University of Karnataka, Gulbarga
44.	National Institute of Unani Medicine, Bangalore
45.	National Institute of Mental Health and Neuro Sciences, Bangalore
46.	Assam University, Silchar
47.	Indian Institute of Technology, Guwahati
48.	National Institute of Technology, Silchar
49.	Auroville Foundation, Puducherry
50.	National Institute of Siddha, Chennai
51.	National Institute of Technology, Tiruchirappalli
52.	Indian Institute of Technology, Kanpur
53.	Indian Institute of Technology BHU, Varanasi
54.	University of Allahabad, Allahabad
55.	Babasaheb Bhimrao Ambedkar University, Lucknow
56.	Indian Institute of Information Technology, Allahabad
57.	Indian Institute of Technology, Mandi
58.	Central University of Punjab, Bathinda
59.	Central University of Jammu, Jammu
60.	Library of Tibetan Works and Archives, Dharamshala
61.	Central University of Kerala, Kasargode
62.	Coconut Development Board, Kochi
63.	Indian Institute of Technology, Palakkad

64.	All India Institute of Medical Sciences, Raipur
65.	All India Institute of Medical Sciences, Bhopal
66.	Maulana Azad National Institute of Technology, Bhopal
67.	National Institute of Technology, Sikkim
68.	Mizoram University
69.	National Institute of Technology, Nagaland
70.	Nagaland University
71.	National Institute of Ayurveda, Jaipur
72.	Indian Institute of Technology, Jodhpur
73.	Central University of Rajasthan, Kishangarh, Ajmer
74.	Bureau of Energy Efficiency, New Delhi
75.	National Institute Of Pharmaceutical Education And Research (NIPER) Raebareli
76.	Kolkata Port Trust
77.	Calcutta Dock Labour Board
78.	Cochin Port Trust
79.	National Institute of Pharmaceutical Education and Research, Mohali, Punjab
80.	RGIPT, Jais, Amethi, UP
81.	Coir Board

## APPENDIX - VII

*(Referred to in paragraph 1.6(b))*

**List of autonomous bodies where physical verification of fixed assets was not conducted during the year 2016-17**

Sl. No.	Name of Autonomous Body
1.	Food Safety and Standards Authority of India, New Delhi
2.	All India Institute of Medical Sciences, New Delhi
3.	Delhi Public Library, New Delhi
4.	Lalit Kala Akademi, New Delhi
5.	Sangeet Natak Akademi, New Delhi
6.	Organizing Committee, 12th SAG, New Delhi
7.	National Commission for Women, New Delhi
8.	National Human Rights Commission, New Delhi
9.	Warehousing Development and Regulatory Authority, New Delhi
10.	Sahitya Akademi, New Delhi
11.	National Legal Services Authority, New Delhi
12.	Rashtriya Sanskrit Sansthan, New Delhi
13.	Employees State Insurance Corporation, New Delhi
14.	Indian Council for Historical Research, New Delhi
15.	Delhi University
16.	School of Planning & Architecture, Delhi
17.	National Institute of Technology (NIT) Arunachal Pradesh
18.	North East Regional Institute of Science & Technology (NERIST), Arunachal Pradesh
19.	National Institute of Technology, Warangal
20.	University of Hyderabad
21.	Maulana Azad National Urdu University, Hyderabad
22.	Rashtriya Sanskrit Vidyapeeth, Tirupati
23.	Indian Institute of Technology, Hyderabad
24.	The English and Foreign Languages University, Hyderabad
25.	All India Institute of Medical Science, Bhubaneswar
26.	Tripura University
27.	Central University of Karnataka, Gulbarga
28.	National Institute of Unani Medicine, Bangalore



29.	National Institute of Mental Health and Neuro Sciences, Bangalore
30.	Assam University, Silchar
31.	Indian Institute of Science Education and Research, Kolkata
32.	National Institute of Technology, Silchar
33.	Tezpur University, Tezpur
34.	Chittaranjan National Cancer Institute, Kolkata
35.	Auroville Foundation, Puducherry
36.	Central University of TamilNadu, Thiruvarur
37.	National Institute of Technology, Tiruchirappalli
38.	Banaras Hindu University, Varanasi
39.	Motilal Nehru National Institute of Technology, Allahabad
40.	Babasaheb Bhimrao Ambedkar University, Lucknow
41.	Indian Institute of Technology, Mandi
42.	Indian Institute of Advanced Studies, Shimla
43.	Central University of Punjab, Bathinda
44.	Central Institute of Buddhist Studies, Leh
45.	Library of Tibetan Works and Archives, Dharamshala
46.	Indian Institute of Technology, Palakkad
47.	Central University of Kerala, Kasargode
48.	Pt. Dwarka Prasad Mishra, Indian Institute of Information Technology, Jabalpur
49.	School of Planning and Architecture, Bhopal
50.	Mizoram University
51.	National Institute of Technology, Nagaland
52.	Nagaland University
53.	Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya (MGAHV), Wardha
54.	National Institute of Ayurveda, Jaipur
55.	Bureau of Energy Efficiency
56.	National Power training Institute (Physical verification of fixed assets has been conducted only for corporate office and not at any of its nine institutes)
57.	National Institute Of Pharmaceutical Education And Research (NIPER) Raebareli
58.	Kolkata Port Trust
59.	Calcutta Dock Labour Board
60.	V.O. Chidambaranar Port Trust
61.	Mumbai Port Trust
62.	National Institute of Pharmaceutical Education and Research, Mohali, Punjab
63.	Spices Board, Kochi

64.	Coir Board, Kochi
65.	Tea Board of India, Kolkata
66.	Competition Commission of India, New Delhi

**APPENDIX - VIII**

*(Referred to in paragraph 1.6(c))*

**List of autonomous bodies where physical verification of inventories was not conducted during the year 2016-17**

Sl. No.	Name of Autonomous Body
1.	All India Institute of Medical Sciences, New Delhi
2.	Press Council of India, New Delhi
3.	Lalit Kala Akademi, New Delhi
4.	Sangeet Natak Akademi, New Delhi
5.	Warehousing Development and Regulatory Authority, New Delhi
6.	Organizing Committee, 12th SAG, New Delhi
7.	Sahitya Akademi, New Delhi
8.	National Human Rights Commission, New Delhi
9.	National Legal Services Authority, New Delhi
10.	Rashtriya Sanskrit Sansthan, New Delhi
11.	Indian Council of Social Science Research, New Delhi
12.	Indian Council of Agricultural Research, New Delhi
13.	Protection of Plants Varieties and Farmers Right Authority, New Delhi
14.	Indian Council for Historical Research, New Delhi
15.	Delhi University
16.	School of Planning & Architecture, Delhi
17.	Central Board of Secondary Education, New Delhi
18.	National Institute of Technology (NIT) Arunachal Pradesh
19.	North Eastern Regional Institute of Science & Technology (NERIST), Arunachal Pradesh
20.	National Institute of Technology, Warangal
21.	University of Hyderabad
22.	Maulana Azad National Urdu University, Hyderabad
23.	Rashtriya Sanskrit Vidyapeeth, Tirupati
24.	Indian Institute of Technology, Hyderabad
25.	The English and Foreign Languages University, Hyderabad

26.	All India Institute of Medical Science, Bhubaneswar
27.	Tripura University
28.	Central University of Karnataka, Gulbarga
29.	National Institute of Unani Medicine, Bangalore
30.	National Institute of Mental Health and Neuro Sciences, Bangalore
31.	Assam University, Silchar
32.	Indian Institute of Science Education and Research, Kolkata
33.	Chittaranjan National Cancer Institute, Kolkata
34.	Auroville Foundation, Puducherry
35.	Central University of Tamil Nadu, Thiruvarur
36.	National Institute of Technology, Tiruchirappalli
37.	Banaras Hindu University, Varanasi
38.	Motilal Nehru National Institute of Technology, Allahabad
39.	University of Allahabad, Allahabad
40.	Babasaheb Bhimrao Ambedkar University, Lucknow
41.	Indian Institute of Technology, Mandi
42.	Indian Institute of Advanced Study, Shimla
43.	Central University of Punjab, Bathinda
44.	Central Institute of Buddhist Studies, Leh
45.	Indian Institute of Technology, Palakkad
46.	Central University of Kerala, Kasargode
47.	Pt. Dwarka Prasad Mishra, Indian Institute of Information Technology, Jabalpur
48.	Maulana Azad National Institute of Technology, Bhopal
49.	School of Planning and Architecture , Bhopal
50.	Indira Gandhi National Tribal University, Amarkantak
51.	Indian Institute of Technology, Indore
52.	Mizoram University
53.	National Institute of Technology, Nagaland
54.	Nagaland University
55.	Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya (MGAHV), Wardha
56.	Indian Institute of Science Education and Research (IISER), Pune

57.	Indian Institute of Science Education and Research(IISER), Tirupati.
58.	National Institute of Ayurveda, Jaipur
59.	Bureau of Energy Efficiency, New Delhi
60.	National Institute Of Pharmaceutical Education And Research (NIPER) Raebareli
61.	Kolkata Port Trust
62.	Calcutta Dock Labour Board
63.	Mumbai Port Trust
64.	Spices Board, Kochi
65.	Coir Board, Kochi
66.	Tea Board India, Kolkata

## APPENDIX - IX

*(Referred to in paragraph 1.6(d))***List of autonomous bodies which are accounting for the grants on realisation/cash basis**

Sl. No.	Name of Autonomous Body
1.	National Board of Education, New Delhi
2.	All India Institute of Medical Sciences, New Delhi
3.	Delhi Public Library, New Delhi
4.	National Dope Testing Laboratory, New Delhi
5.	Warehousing Development and Regulatory Authority, New Delhi
6.	Land Port & Authority of India, New Delhi
7.	National Commission for Women, New Delhi
8.	Gandhi Smriti & Darshan Samiti, New Delhi
9.	Bureau of Indian Standard, New Delhi
10.	Sahitya Akademi, New Delhi
11.	National School of Drama , New Delhi
12.	Sangeet Natak Akademi, New Delhi
13.	Lalit Kala Akademi, New Delhi
14.	National Legal Services Authority, New Delhi
15.	National Council for Promotion of Sindhi Language, New Delhi
16.	Indira Gandhi National Open University, New Delhi
17.	National Institute of Technology (NIT) Arunachal Pradesh
18.	North Eastern Regional Institute of Science & Technology (NERIST), Arunachal Pradesh
19.	Central University of South Bihar, Patna
20.	Khuda Bakhsh Oriental Public Library, Patna
21.	Central University of Karnataka, Gulbarga
22.	Indian Institute of Science, Bangalore
23.	Indian Institute of Information Technology, Dharwad
24.	Allahabad Museum, Allahabad
25.	Sant Longowal Institute of Engineering and Technology, Longowal
26.	Central University of Punjab, Bathinda
27.	National Horticulture Board, Gurgaon
28.	Central Institute of Buddhist Studies, Leh
29.	Central University of Kerala, Kasargode
30.	All India Institute of Medical Sciences, Raipur, Chhattisgarh
31.	All India Institute of Medical Sciences, Bhopal

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32.	Bureau of Energy Efficiency, New Delhi
33.	National Power Training Institute, Faridabad
34.	National Institute Of Pharmaceutical Education And Research (NIPER) Raebareli
35.	Khadi and Village Industries Commission, Mumbai

**APPENDIX - X**

*(Referred to in paragraph 1.6(e))*

**List of autonomous bodies which have not accounted for gratuity and other retirement benefits on the basis of actuarial valuation**

Sl. No.	Name of Autonomous Body
1.	National Board of Education, New Delhi
2.	Medical Council of India, New Delhi
3.	Food Safety and Standards Authority of India, New Delhi
4.	Central Council for Research in Yoga and Naturopathy, New Delhi
5.	Central Council for Indian Medicine, New Delhi
6.	Morarji Desai National Institute of Yoga, New Delhi
7.	Indian Nursing Council, New Delhi
8.	All India Institute of Medical Sciences, New Delhi
9.	Rashtriya Ayurved Vidyapeeth, New Delhi
10.	Central Council of Homeopathy, New Delhi
11.	Press Council of India, New Delhi
12.	Dental Council of India, New Delhi
13.	Centre for Cultural Resources and Training, New Delhi
14.	Lalit Kala Akademi, New Delhi
15.	Sangeet Natak Akademi, New Delhi
16.	Warehousing Development and Regulatory Authority, New Delhi
17.	Delhi Public Library, New Delhi
18.	Sahitya Akademi, New Delhi
19.	National Skill Development Agency, New Delhi
20.	National Trust, New Delhi
21.	Pandit Deendayal Upadhyaya National Institute for Persons with Physical Disabilities, New Delhi
22.	Rehabilitation Council of India, New Delhi
23.	Central Waqf Council, New Delhi
24.	Indian Council of World Affairs, New Delhi
25.	Rashtriya Sanskrit Sansthan, New Delhi
26.	Indian Council of Social Science Research, New Delhi
27.	Indian Council of Agricultural Research, New Delhi
28.	Kendriya Vidyalaya Sangathan



Sl. No.	Name of Autonomous Body
29.	All India Council for Teacher Education, New Delhi
30.	National Council for Promotion of Urdu Language, New Delhi
31.	Central Board of Secondary Education, New Delhi
32.	National Institute of Technology, Delhi
33.	University Grant Commission, New Delhi
34.	School of Planning and Architecture, New Delhi
35.	National Institute of Technology (NIT), Arunachal Pradesh
36.	North Eastern Indira Gandhi Regional Institute of Health and Medical Sciences (NEIGRIHMS), Shillong
37.	Rajiv Gandhi Indian Institute of Management (RGIIM), Shillong
38.	Khuda Bakhsh Oriental Public Library, Patna
39.	National Institute of Technology, Warangal
40.	Rashtriya Sanskrit Vidyapeeth, Tirupati
41.	Indian Institute of Technology, Hyderabad
42.	National Institute of Rural Development and Panchayati Raj, Hyderabad
43.	National Institute of Plant Health Management, Hyderabad
44.	National Institute of Agricultural Extension Management, Hyderabad
45.	Salarjung Museum, Hyderabad
46.	Indian Institute of Technology, Bhubaneswar
47.	Central University of Orissa, Koraput
48.	National Institute of Technology, Rourkela
49.	Swami Vivekanand National Institute of Rehabilitation Training and Research Olatpur, Cuttack
50.	Indian Institute of Science, Bangalore
51.	Indian Institute of Information Technology, Dharwad
52.	National Institute of Unani Medicine, Bangalore
53.	Assam University, Silchar
54.	Board of Practical Training (ER), Kolkata
55.	National Institute of Technology, Silchar
56.	Indian Institute of Information Technology, Guwahati
57.	Indian Institute of Science Education and Research, Kolkata
58.	Tezpur University, Tezpur
59.	National Institute of Technical Teachers' Training and Research, Kolkata
60.	National Council of Science Museum, Kolkata

Sl. No.	Name of Autonomous Body
61.	Chittaranjan National Cancer Institute, Kolkata
62.	Gandhigram Rural Institute, Gandhigram
63.	Indian Institute of Information Technology Design and Manufacturing, Kancheepuram
64.	Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry
65.	National Institute of Technology, Tiruchirappalli
66.	Coconut Development Board, Kochi
67.	Banaras Hindu University, Varanasi
68.	All India Institute of Medical Sciences, Rishikesh
69.	Allahabad Museum Society, Allahabad
70.	Indian Institute of Technology BHU, Varanasi
71.	Motilal Nehru National Institute of Technology, Allahabad
72.	Indian Institute of Information Technology, Allahabad
73.	Sant Longowal Institute of Engineering and Technology, Longowal
74.	Indian Institute of Technology, Mandi
75.	Indian Institute of Advanced Studies, Shimla
76.	Indian Institute of Management, Rohtak
77.	Central University of Punjab, Bathinda
78.	National Horticulture Board, Gurgaon
79.	Central Institute of Buddhist Studies, Leh
80.	Library of Tibetan Works and Archives, Dharamshala
81.	Coconut Development Board, Kochi
82.	All India Institute of Medical Sciences, Raipur, Chhattisgarh
83.	All India Institute of Medical Sciences, Bhopal
84.	Maulana Azad National Institute of Technology, Bhopal
85.	Guru Ghasidas Vishwavidyalaya, Central University, Bilaspur, Chhattisgarh
86.	National Institute of Technology, Raipur
87.	Indian Institute of Science Education & Research, Bhopal
88.	Pt. Dwarka Prasad Mishra, Indian Institute of Information Technology, Jabalpur
89.	Board of Apprenticeship Training, Mumbai
90.	Ali Yavar Jung National Institute for the Hearing Handicapped, Mumbai
91.	Indian Institute of Science Education and Research, Tirupati
92.	Mahatma Gandhi Antarrashtriya Hindi Vishwavidyalaya, Wardha

Sl. No.	Name of Autonomous Body
93.	National Institute of Ayurveda, Jaipur.
94.	Indian Institute of Technology, Jodhpur.
95.	National Power Training Institute
96.	National Institute of Pharmaceutical Education and Research, Mohali, Punjab
97.	Cochin Port Trust
98.	V.O. Chidambaranar Port Trust
99.	Indian Maritime University
100.	Seamen's Provident Fund Organization
101.	Marine Products Export Development Authority
102.	Rubber Board
103.	Spices Board, Kochi
104.	Tea Board of India, Kolkata
105.	Coffee Board, Bangalore

## APPENDIX - XI

*(Referred to in paragraph 1.6(f))*

### List of autonomous bodies, which had not provided depreciation on fixed assets

Sl. No.	Name of Autonomous Body
1.	All India Institute of Medical Sciences, New Delhi
2.	National Legal Services Authority, New Delhi
3.	National Skill Development Agency, New Delhi
4.	National Institute of Ayurveda, Jaipur
5.	National Institute of Technology, Warangal
6.	Kandla (Deendayal) Port Trust (KPT)
7.	Khadi and Village Industries Commission

## APPENDIX - XII

(Referred to in paragraph 1.6(g))

**List of autonomous bodies that revised their accounts as a result of Audit**

Sl. No.	Name of Autonomous Body
1.	National Commission for Minority Educational Institutions, New Delhi
2.	Indian Institute of Management, Bangalore
3.	National Institute of Technology Karnataka, Surathkal, Mangalore
4.	Central University of Karnataka, Gulbarga
5.	Indian Institute of Science, Bangalore
6.	Indian Institute of Information Technology, Dharwad
7.	National Institute of Unani Medicine, Bangalore
8.	National Institute of Mental Health and Neuro Sciences, Bangalore
9.	Sikkim University
10.	Central University of Tamil Nadu, Thiruvarur
11.	Gandhigram Rural Institute, Gandhigram
12.	National Institute of Siddha, Chennai
13.	National Institute of Technology, Tiruchirappalli.
14.	Indian Institute of Information Technology Design and Manufacturing, Kancheepuram
15.	Indian Institute of Technology, Madras
16.	Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry
17.	Kalakshetra Foundation, Chennai
18.	Indian Institute of Management, Vishakhapatnam
19.	Indian Institute of Technology, Hyderabad
20.	National Institute of Rural Development and Panchayati Raj, Hyderabad
21.	Swami Vivekanand National Institute of Rehabilitation Training and Research Olatpur, Cuttack
22.	Coffee Board, General Fund, Bangalore
23.	Visakhapatnam Port Trust, Visakhapatnam
24.	Central Silk Board, Bangalore
25.	Insurance Regulatory Development Authority

## APPENDIX - XIII

(Referred to in paragraph 1.7)

## Summarised position of Action Taken Notes awaited from various Ministries/Departments up to the year ended March 2016 as on November 2017

Sl. No.	Name of the Ministry/ Department	Report for the year ended March	Civil			Autonomous Bodies			Total		
			Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence	Due	Not received at all	Under correspondence
1.	Agriculture	2013	1	-	1	-	-	-	1	-	1
		2016	2	-	2	-	-	-	2	-	2
2.	AYUSH	2016	3	3	-	-	-	-	3	3	-
3.	Chemical and Fertilizers	2016	1	-	1	-	-	-	1	-	1
4.	Civil Aviation	2016	1	-	1	-	-	-	1	-	1
5.	Coal	2016	1	-	1	-	-	-	1	-	1
6.	Commerce & Industries Deptt. of Commerce	2016	1	-	1	-	-	-	1	-	1
7.	Consumer Affairs, Food and Public Distribution	2011	-	-	-	1	-	1	1	-	1
		2014	3	-	3	-	-	-	3	-	3
		2015	1	-	1	-	-	-	1	-	1
8.	Culture	2012	-	-	-	1	-	1	1	-	1
		2013	-	-	-	2	-	2	2	-	2
		2014	-	-	-	1	-	1	1	-	1
		2015	-	-	-	1	-	1	1	-	1
		2016	-	-	-	2	2	-	2	2	-

9.	Drinking Water and Sanitation	2014	1	-	1	-	-	-	1	-	1
10.	External Affairs	2016	2	1	1	-	-	-	2	1	1
11.	Finance	2015	1	-	1	-	-	-	1	-	1
		2016	2	2	-	-	-	-	2	2	-
12.	Health and Family Welfare	2008	-	-	-	1	-	1	1	-	1
		2010	-	-	-	1	-	1	1	-	1
		2014	2	-	2	1	-	1	3	-	3
		2015	-	-	-	1	-	1	1	-	1
		2016	2	-	2	5	-	5	7	-	7
13.	Home Affairs	2016	4	1	3	-	-	-	4	1	3
14.	Human Resource Development	2004	-	-	-	1	-	1	1	-	1
		2006	-	-	-	1	-	1	1	-	1
		2008	-	-	-	1	-	1	1	-	1
		2013	-	-	-	1	-	1	1	-	1
		2014	1	-	1	1	-	1	2	-	2
		2015	-	-	-	2	-	2	2	-	2
		2016	-	-	-	21	15	6	21	15	6
15.	Information and Broadcasting	2015	-	-	-	1	-	1	1	-	1
		2016	-	-	-	1	-	1	1	-	1
16.	Labour & Employment	2014	-	-	-	1	-	1	1	-	1
		2016	1	1	-	-	-	-	1	1	-
17.	Micro, Small and Medium Enterprises	2016	1	1	-	-	-	-	1	1	-
18.	Mines	2016	1	1	-	-	-	-	1	1	-

19.	Petroleum & Natural Gas	2015	1	-	1	-	-	-	1	-	1
20.	Road Transport and Highway	2016	1	-	1	-	-	-	1	-	1
21.	Rural Development	2010	1	-	1	-	-	-	1	-	1
		2015	2	1	1	-	-	-	2	1	1
22.	Shipping	2016	6	-	6	-	-	-	6	-	6
23.	Skill Development and Entrepreneurship	2014	1	-	1	-	-	-	1	-	1
24.	Social Justice and Empowerment	2003	1	-	1	-	-	-	1	-	1
		2006	1	-	1	-	-	-	1	-	1
		2015	-	-	-	1	-	1	1	-	1
25.	Textiles	2016	1	-	1	-	-	-	1	-	1
26.	Tribal Affairs	2014	1	-	1	-	-	-	1	-	1
		2016	-	-	-	1	1	-	1	1	-
27.	Urban Development	2016	2	-	2	1	-	1	3	-	3
28.	Woman and Child Development	2015	-	-	-	1	-	1	1	-	1
29.	Youth Affairs & Sports	2010	-	-	-	1	-	1	1	-	1
		2012	1	-	1	-	-	-	1	-	1
		2013	1	-	1	-	-	-	1	-	1
		2014	-	-	-	2	-	2	2	-	2
		2015	-	-	-	1	1	-	1	1	-
		2016	1	1	-	-	-	-	1	1	-
<b>Total</b>			<b>53</b>	<b>12</b>	<b>41</b>	<b>56</b>	<b>19</b>	<b>37</b>	<b>109</b>	<b>31</b>	<b>78</b>



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