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GOVERNMENT OF INDIA

**ANNUAL REVIEW OF INTERNAL AUDIT
MINISTRY OF FINANCE**



2007-2008

**CHIEF CONTROLLER OF ACCOUNTS
MINISTRY OF FINANCE
NEW DELHI**

1.
GOVERNMENT OF INDIA
MINISTRY OF FINANCE

ANNUAL REVIEW OF INTERNAL AUDIT
(2007-2008)

DEPARTMENT OF ECONOMIC AFFAIRS
DEPARTMENT OF REVENUE
DEPARTMENT OF EXPENDITURE

PREFACE

It gives me great pleasure in bringing out the Annual Review of Internal Audit of the Ministry of Finance for the year 2007-08.

In the departmentalized accounts set up role of the Internal Audit is to ensure proper maintenance of records, proper application of rules, regulations and instruction issued by the Government of India from time to time and also ensure accuracy in accounts and efficiency in operation. Basic role of the Internal Audit is to point out grey areas where authorities have to immediately focus its attention and help management take timely decision for corrective action. Keeping this aspect in view, this volume of the Annual Review has been brought out only to point out irregularities or deficiencies which need immediate attention of the Head of the Departments. Other matters which find place in regular reports already issued to the audited offices, but mainly procedural in nature or irregularities which are not very serious, have not been included in this volume.

I would like to place on record our deep appreciation of the cooperation extended by various units of the Ministry of Finance during the course of Audit. I would also wish to acknowledge and appreciate the hard work of all officers and staff of Internal Audit wing. I also record my appreciation for all officers and staff of the audited offices in rendering active cooperation during inspection of the records and providing necessary help and support to the audit team members during their visit to their offices.

The contents of the review are based on the information elicited from various units audited during the year 2007-08. Suggestions for improvement will be gratefully appreciated. The errors and omissions noticed may please be communicated to the Internal Audit Headquarters, Ministry of Finance, D.G.A.C.W.M. Building, I.P. Estate, New Delhi or may be conveyed through e-mail cca-finance@nic.in

Aug, 2008

(S.M.Kumar)
Chief Controller of Accounts

1.

OVERVIEW

The internal audit and inspection is conducted by way of “on-the-spot” verification with a view to ensure that the initial records are maintained by the executive officers properly, rules and regulations and instructions issued by the Govt. of India from time to time are complied with, uniform procedure are adopted in the matter of payment and accounting, corrective measures, wherever necessary, are initiated promptly and qualitative improvement are brought out. The Internal Audit also investigates the area of economy for appropriate action and also provide feedback information on the accounting formation of the Ministry as an aid to management function. The Principal Accounts Office, all PAOs, DDOs, as well as attached and subordinate offices come within the jurisdiction of Internal Audit.

The operative efficiency of expensive equipments and machinery, examination of records, physical verification of stores, equipment tools and plants are also covered under the jurisdiction of Internal Audit Wing. The audit does not confine to the examination of the particular case only but to scrutinize number of cases of that kind to ensure that irregularities are not of a general nature. The periodicity and jurisdiction of audit is decided by the Chief Controller of Accounts to make internal audit more effective within available time and manpower resources.

1. DEPARTMENT OF ECONOMIC AFFAIRS

A.1 DEBT RECOVERY TRIBUNALS AND THE DEBT RECOVERY APPELLATE TRIBUNALS

Parliament provided by law called as the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 for establishment of Tribunals and Appellate Tribunals for expeditious adjudication and recovery of debts due to Banks and Financial Institutions and matters connected therewith or incidental thereto. The Act was notified on 27.08.1993 allowing creation of several tribunals to be known as Debt Recovery Tribunals / Appellate Tribunals in various States of India excluding state of Jammu and Kashmir with defined jurisdiction.

At present there are 30 Debt Recovery Tribunals and 5 Debt Recovery Appellate Tribunals. These tribunals entertain cases of debts above Rs. ten lacs. Cases below Rs. ten lacs are decided by the District Courts.

A.2 NATIONAL SAVING INSTITUTE (NSI)

The National Savings Organization restructured as National Savings Institute (NSI) is under the administrative control of Ministry of Finance, Department of Economic Affairs (Budget Division) New Delhi. Its Head Quarters is at Nagpur with 10

regional offices spread over the country at Chandigarh, Lucknow, Guwahati, Kolkata, Bangalore, Chennai, Nagpur, Mumbai, Jaipur, and Delhi.

The re-structured NSI collects and collate data in regard to small savings, generate studies and policy inputs in regard to small saving instruments, their tenures, interest rate structure, rules governing withdrawals etc. Apart from these, NSI deal with the matters relating to training, product design, market research, international cooperation and litigation.

A.3. DRAWING AND DISBURSING OFFICERS (DDOs)

Under the provisions contained in Central Treasury Rules / Receipt and Payment Rules, the drawl of money from the Government accounts and disbursements are being handled by an officer called the “Drawing and Disbursing Officer” (DDOs), whose main function is to draw funds within the prescribed budget allocation, for incurring expenditure and realize receipts for credit to Govt. Accounts on behalf of the Head of Office. The under mentioned offices of the Department of Economic Affairs are attached with the Pay and Accounts Office (Banking) New Delhi, Pay and Accounts Office (NSO) Nagpur and Pay and Accounts Office (Secretariat), New Delhi and are declared as Non-cheque Drawing and Disbursing Offices:-

- (1) Cash Branch, Department of Economic Affairs,
- (2) Banking Division,
- (3) Board of Industrial and Financial Reconstruction (BIFR),
- (4) Appellate Authority of Industrial and Financial Reconstruction (AAIFR),
- (5) Custodian (set up under Special Courts Act),
- (6) Debt Recovery Tribunals and Appellate Tribunals (DRTs and DRATs),
- (7) O.S.D., Special Court, Mumbai,
- (8) Assistant Court Liquidator, Kolkata,
- (9) Pay and Accounts Offices (DDO), Department of Economic Affairs,
- (10) D.D.O., Indian Economic Service, New Delhi.

2. DEPARTMENT OF REVENUE

A. ENFORCEMENT DIRECTORATE

There are 16 zonal/sub zonal offices under Enforcement Directorate with Head Quarters at New Delhi executing enforcement functions under FEMA/FERA. The Directorate is mainly concerned with the enforcement of the provisions of Foreign Exchange Management Act and Foreign Exchange Regulation Act. In pursuance of this objective the function of the Directorate include, interalia, realization of penalty imposed on departmental adjudication orders. Apart from auditing the DDO/ Establishment, the Internal Audit Wing also check the records connected with seizure and realization of penalty money.

B. DRAWING AND DISBURSING OFFICERS (D.D.Os) IN DEPARTEMNT OF REVENUE

Apart from Enforcement Directorate, there exist some other establishments under Department of Revenue. Payments for these establishments are being made, receipts being realized and their accounts are being maintained by the Drawing and Disbursing Officers of these offices:

- (i) Cash Branch, Department of Revenue
- (ii) Appellate Tribunal for Forfeited Properties
- (iii) Central Excise & Services Tax Appellate Tribunal
- (iv) Central Economic Intelligence Bureau
- (v) Department of Govt. Opium and Alkoloid Factories
- (vi) Central Bureau of Narcotics
- (vii) Pay and Accounts Office, Departemnt of Revenue, New Delhi

3. **DEPARTMENT OF EXPENDITURE**

A DRAWING AND DISBURSING OFFICERS (D.D.Os) IN DEPARTEMNT OF EXPENDITURE

There are nine offices (D.D.Os) in the department of expenditure under the Internal Audit jurisdiction Chief Controller of Accounts Ministry of Finance. The names are

- 1. D.D.O. (Cash) Department of Expenditure New Delhi.
- 2. D.D.O. Cost Accounts Branch. New Delhi.
- 3. D.D.O. Finance Commission Division New Delhi.
- 4. D.D.O. INGAF New Delhi
- 5. D.D.O.R.T.C. INGAF Mumbai.
- 6. D.D.O. R.T.C. INGAF Kolkata.
- 7. D.D.O. R.T.C. INGAF Chennai.
- 8. P.A.O., Expenditure, New Delhi.
- 9. PA.O. C.G.A. New Delhi.

The periodicity of audit of above offices are biennial except the D.D.O. (Cash), Department of Expenditure, New Delhi which is covered by annual audit programme.

B. PUBLIC SECTOR BANKS

The internal audit of Public Sector Banks handling various deposit schemes of Ministry of Finance, Govt. of India is being conducted by this office. At present internal audit is undertaken at the Focal Point Branch of State Bank of India, its Associate Banks and Branches of other nationalized banks. The bank audit is at present limited to scrutiny

of records relating to Government transactions in respect of various schemes such as Public Provident Fund Scheme – 1968, Senior Citizens Saving Schemes – 2004, etc. The primary focus of such audit is to ensure that the codal provisions of the schemes are adhered to by the bank and to examine the transactional efficiencies of various banks in dealing with Government transactions and to streamline the collection and remittance of Government monies into Govt. Accounts. In case where the receipts are not reported by the focal point branches within the prescribed time limit, banks are liable to pay penal interest for the entire period commencing from the date of receipt at receiving branch of the bank to the date of settlement with RBI (CAS) Nagpur.

C. GRANTEE INSTITUTIONS

In exercise of the powers conferred under Rule 20 of the Delegation of Financial power Rules, 1978 the Department of Revenue and the Department of Economic Affairs in the Ministry of Finance have been sanctioning Grants-in-aid to various institutions for different purpose and objectives, in accordance with the provisions contained in Rule 148 of GFR, 1963. Rules 150(1) enjoins upon a Grantee Institution to have their accounts audited / inspected by the grant sanctioning authority.

The various Grantee Institutions, under Finance Ministry such as National Institute of Public Finance and policies, Delhi and National Institute of Financial Management etc. are being regularly audited by the Indian Audit Wing as required vide para 12.2.1 of the Civil Accounts Manual.

2.

EXECUTIVE SUMMARY**A. DEPARTMENT OF ECONOMIC AFFAIRS**

There are 69 offices in the Department of Economic Affairs, Ministry of Finance. These offices include 12 Pay and Accounts Offices including 9 PAOs attached with GM, Mints and Presses now under SPMCIL, beside Drawing and Disbursing officers (DDOs) of Debt Recovery Tribunals, National Saving Institute and other DDOs. The Audit of DDOs and PAOs is conducted on annual, biennial and once in three year basis depending on the size of Budget and sanctioned strength of posts in these offices.

Against target of thirty seven offices of DDO/PAOs set for audit, thirty six offices were audited in the year 2007-08, thus achieving a target of 96%.

(1) Debt Recovery Tribunals (DRT).

The DRTs were created to impart speedy adjudication of cases on recovery of debts due to banks and financial institutions. After an order is pronounced by the Tribunal and Recovery Certificate is issued by the Presiding Officer, the Recovery Officer has to follow procedural instructions to recover loans even by attaching property of the defaulters. The Recovery Officer does not have any power to drop the proceedings and close the recovery at his level in violation of rules. It has been noticed in some cases the recovery proceedings have been closed without informing the Tribunal which is seen by audit as a possibility leading to fraud.

It has also been noted that there are heavy arrears and inordinate delay in execution of recovery procedure in some of DRT's. The recovery amount goes in several crores of rupees. Administration need to tighten up areas to facilitate early recovery and close the case (Para 1.2.1, page 14).

(2) National Saving Institute.

National Saving Institute, New Delhi was making payment of rent @ Rs.77,868/- p.m.. from 13.12.2000 onwards for hired office premises without executing any legal lease deed with the owner of the premises. Earlier lease expired on 12.12.2000 and no fresh lease deed was signed since then. The rent is continuously being paid. The department fails to take action even when pointed out by audit in its report for the period 2003-05 (Para 2.1.1, page 16).

(3) Other D.D.Os –**(i) Securities Appellate Tribunals, Mumbai**

Justice N.K. Sodhi Presiding Officer, Security Appellate Tribunal Mumbai, was to proceed to New York in 2006 to attend a seminar. He was required to draw Tour

Advance @ 75% of 75 US dollar per day for six working days. Against this he claimed Tour Advance (T.A.) for 11 working days at the rate of US \$ 500 per day. Thus an amount of Rs.2,27,755/- was paid in excess. Department is to make recovery (**Para 3.1.1, page 17**).

In the same department Justice Kumar Rajaratnam was appointed as Presiding Officer and assumed the charge of the office on 20/3/2004. His usual date of retirement from office was on 20.3.2009. On demitting office after completing of term he was entitled to get T.A/D.A to settle in his chosen station. It was not payable otherwise. He resigns from the office on 20.12.2005 and claimed and paid T.A. of Rs.75,341/-. This is an unauthorized payment on account of T.A./D.A. as T.A./D.A. for settling in the place before completing full term in office was not admissible (**Para 3.1.3, page 18**)

It has also been pointed out that this department is not making recovery of Income Tax and Education Cess from the owner of the building, who has let out the premises to the department. An amount of more than Rs.95 lacs has accumulated in arrear as recovery from November 1998 till date. (**Para 3.1.2, page 18**).

(ii) DDO (Cash) Department of Economic Affairs

On review of the files relating to purchase made by Department of Economics Affairs it revealed that Rules regarding purchase of goods as provided in GFR are not being followed in spirit. Markets are not being surveyed every time while purchases made above Rs.15000/- and up to Rs. One lac. Moreover, demands are being split up to keep the order below Rs. One lac. to avoid purchases through limited tender enquiry. (**Para 3.4, page 23 to 28**)

(4) Public Sector Banks and Grantee Institutions.

All the 42 units of Public Sector Banks / Grantee Institutions approved for audit during 2007-08 were audited, thus achieving 100% target. An amount of Rs.39.43 crores Penal Interest were levied on different banks on account of delayed remittances of collection under various Deposit Scheme of Ministry of Finance and Penal Interest of Rs.20.69 crores recovered during 2007-08.

Summary of Important Observations noted in various offices under Department of Economic Affairs:

Debt Recovery Tribunals:

Irregular closing of recovery cases worth Rs.1325.34 crores at a compromise amount of Rs.288.50 crores by the Recovery Officer (**Para 1.1.1, page 13**).

Inordinate delay in execution of Recovery certificates (**Para 1.2.1, page 14**).

Loss of Rs.83.15 Lacs to government exchequer due to irregular closure of case by DRT Lucknow (**Para 1.3.1, page 14**).

National Saving Institutes

Irregular payment of rent to the tune of Rs.60 lacs by NSI N.Delhi (Para 2.1.1, page 16).

Securities Appellate Tribunals

Excess payment of Rs.2,27,755/- on account of TA on foreign tour (Para 3.1.1, page17).

Non recovery of TDS of Rs.95 lacs (Para 3.1.2, page 18).

Irregular payment of Rs.75,341/- towards T.A.(Para 3.1.3, page 18).

Asstt. Court Liquidator, Kolkata

Non realization of decrial amount of Rs.3.84 crores (Para 3.2.4, page 20).

Custodian, Special Court, New Delhi

Erroneous fixation of pay of re-employed pensioner (Para 3.3.1, page 21).

Non-recovery of decrial amount of Rs.613.81 crores (Para 3.3.2, page 22).

DDO (CASH) Department of Economic Affairs

Violation of provisions of GFR-2005 in purchases and award of AMCs'(Para 3.4.1 to 3.4.4, page 23 to 28)

DEPARTMENT OF REVENUE

There are fifty offices under the Department of Revenue which are covered by internal audit spread in annual, biennial and once in three year audit programme. Offices of the Enforcement Directorate and the Department of Revenue are covered by annual audit, whereas other offices are divided in biennial and once in three year audit coverage. List of offices are given in Annexure II.

Twenty nine offices were covered by internal audit in the year 2007-08. Between them 441 audit paras were outstanding in the pre`vious audit reports before visit of the current audit in 2007-08. Out of these 152 paras could be settled by the offices and compliance shown to internal audit. The paras which were fully complied with were settled on the spot verification during current audit leaving a balance of 289 paras. To this, another 274 audit paras were added in current report. Thus a total of 563 paras are currently outstanding in the reports now issued. Annexure - III

Paras which are important in nature have been included in the Annual Audit Review as follows:

A. ENFORCEMENT DIRECTORATE (FERA / FEMA)

Non realization of penalties imposed under Foreign Exchange Regulation Act (FERA). and Foreign Exchange Management Act (FEMA) amounting in Rs. 6022.28 crores **(Para 4.1, page 30).**

Violation of Civil Accounts Manual Rules by the office of Directorate Of Enforcement, Varanasi in Inter-departmental transfer of seized amount of Rs.317500/- **(Para 4.2, page 31).**

Non- Reconciliation of receipts by offices of Directorate Of Enforcement, New Delhi, Mumbai, Kolkata etc. with Pay and Account office, (Rev.) Delhi. **(Para 4.3, page 31).**

Non adjustment of interest amounting to Rs.711365/- by the office of Enforcement Directorate Varanasi. **(Para 4.4, page 32)**

Non- disposal of 15 Kgs Gold by o/o Enforcement Directorate (FEMA) Jalandhar confiscated in year 2000 **(Para 4.5, page 33)**

B. GOVERNMENT OPIUM & ALKOLIDE FACTORIES.

Opium Losses during handling and manufacturing in Abkari in Government Opium & Alkolide Works (GOAW) Ghazipur to tune of Rs.5.37 crores **(Para 5.1, page 33).**

Blockage of 41807.947 Kg's of inferior opium in GOAW Ghazipur stock pending disposal **(Para 5.2, page 34).**

Non-disposal of 2002.843 Kgs of contraband opium worth above Rupee Two crore lying in stock in GOAW Ghazipur **(Para 5.3, page 34)**

Non-adjustment of Advance Payments of Rs.17.58 crores drawn on Abstract Contingent Bills by Government Opium & Alkaloid Works (GOAW) **(Para 5.4, page 35).**

C. CENTRAL BUREAU OF NARCOTICS

Short recovery of TDS of Rs. 40597/-from the rent paid by o/o Dy. Commissioner of Narcotics Lucknow during 2005-2006 and 2006-2007 **(Para 6.1, page 35).**

Irregular expenditure of Rs.702512/- by o/o Dy. Narcotics Commissioner Lucknow on engagement of casual labours (**Para 6.2, page 36**).

Over payment of Rs. 6223110/- to Opium Cultivators by various Distt. Opium Offices (DOO) of Central Bureau of Narcotics (**Para 6.3, page 36**).

D. D.D.O.(CASH) DEPARTMENT OF REVENUE.

Non-adjustment of outstanding departmental advances of Rs.65,70,959/- by DDO (Cash) Department of Revenue (**Para 7.1, page 37**).

Violation of GFR in purchase of stationery worth Rs.45,33,761/- by splitting of sanction by DDO(CASH) Department Of Revenue (**Para 4.2, page 38**).

DEPARTMENT OF EXPENDITURE

There are nine Drawing and Disbursing Officers in the Ministry of Finance, Department of Expenditure. These offices include two Pay and Accounts Offices besides D.D.Os. of Deptt. Of Expenditure, Cost & Accounts Branch and Finance Commission, New Delhi. All these offices are covered in biennial audit programme, except the office of the D.D.O. (Cash) in the Department of Expenditure.

Out of nine auditee offices seven offices in the Department of Expenditure were covered by the Internal Audit programme the year 2007-08. Before taking up current audit 102 paras were outstanding in the previous reports. Only 20 paras could be settled by these offices taken together leaving a balance of 82 paras incorporated in the current report due to non compliance. D.D.O. (Cash), Deptt. of Expenditure and D.D.O., INGAF, Delhi could not settle even a single audit para. Including 56 paras taken afresh these office share 138 audit paras between themselves.

The Department of Expenditure did not extend full cooperation to the audit team in as much as some of the records were not produced to audit for scrutiny. Even Cash Book and Receipt Books were not shown which are vital documents from audit point of view. Records not produced to audit have been highlighted in the report. This is viewed as non-cooperation with audit.

Following are the summary of important observations noted in various offices under Department of Expenditure.

Violation of provisions in General Financial Rules in procurement of goods by Department of Expenditure. Rules for tender process not followed. Sanctions are split routinely to avoid the tendering process (**Para 8.1, page 43**).

Non- adjustment of L.T.C. advances Of Rs.1,16,700/- drawn during 2003 to 2006 not settled even after lapse of four years (**Para 8.2, page 43**).

Irregular hiring of vehicles by GAD section of Department Of Expenditure without approval of IFU Division – IFU approval was for one vehicle whereas one to five vehicles were routinely hired during 2005-06 and 2006-07 (**Para 8.3, page 43**).

Irregular expenditure on running of Govt. vehicles without maintaining records of purchases and repairs done by the drivers to avoid pilferages of money (**Para 8.4, page 44**).

INGAF, New Delhi

Non-recovery of course fee of Rs.46020/- by INGAF New Delhi (**Para 9.1, page 44**)

INGAF Offices other than Delhi

Incurring of expenditure beyond delegated financial powers (**Para 9.2, page 45**)

Common Observation

Non-adjustment of advances drawn on Abstract Contingent Bills amounting to Rs.46.33 lacs (**para 10.1, page 45**).

3.

TARGET AND ACHIEVEMENTS DURING 2007-08

All the offices of Department of Economic Affairs, Department of Revenue and Department of Expenditure under the purview of Internal Audit Wing of Ministry of Finance are audited on annual or biennial or once in three year basis depending on the size of budget, sanctioned strength of posts and volume of work in these offices.

Target fixed for number of units to be audited and units actually audited during 2007-08 are as follows:

DEPARTMENT OF ECONOMIC AFFAIRS

Sr.No	Name of Units (sector wise)	Nos. of units approved	Nos. of units audited
1	Drawing & Disbursing offices NSI's	10	10
2	Pay & Accounts Offices	13	12
3	DRT & DRAT's	5	5
4	Other DDO's	9	9
	Total	37	36

DEPARTMENT OF REVENUE

Sr.No	Name of Units (sector wise)	Nos. of units approved	Nos. of units audited
1	E.D. (FEMA) / Enforce Directorate	13	13
2	Govt. Opium & Alkaloid Factories	2	2
3	Central Bureau of Narcotics	12	12
4	DDO.(Cash), Department of Revenue	1	1
5	Pay and Accounts Office	1	1
	Total	29	29

DEPARTMENT OF EXPENDITURE

Sr.No	Name of Units (sector wise)	Nos. of units approved	Nos. of units audited
1	INGAF & Regional Training Centre	4	4
2	PAO, CGA	1	0
3	Other DDO including DDO (Cash) Deptt. of Revenue	3	3
	Total	8	7

PUBLIC SECTOR BANKS / GRANTEE INSTITUTIONS

Sl. No.	Name of the Units	No. of Units selected/ approved for audit	No. of units audited
1.	SBI	31	31
2	Associates of SBI	01	01
3	Other PSBs	07	07
4	Guarantee Institutions	02	02
5	Pvt. Bank	01	01
	Total	42	42

4.

MAJOR IRREGULARITIES FOUND DURING 2007-08**A DEPARTMENT OF ECONOMIC AFFAIRS****1. Debts Recovery Tribunals.****1.1 Debts Recovery Tribunal, Jaipur.****1.1.1 Irregular closing of recovery cases worth Rs. 1325.34 crore at a compromising amount of Rs. 288.59 crores by the Recovery Officer.**

Chapter V of the Recovery of Debt Due to Banks and Financial Institution Act, 1993 deals with the recovery of debts determined by the Tribunal. Section 26 of the Act stipulate that defendant shall not dispute before the Recovery Officer (RO) the correctness of the amount specified in the Certificate and no objection to the certificate on any other ground shall also be entertained by the R.O. It also provides that the Presiding Officer (PO) shall have powers to correct even any clerical or arithmetic mistake in the certificate by sending intimation to the Recovery officer and shall intimate to Recovery Office any order withdrawing or cancelling a certificate or any correction made by him in the order. The Recovery Officer has absolutely no powers to stay, alter or close the case without recovering full amount mentioned in the Recovery Certificate. In simple words the R.O. can't go behind the decree passed by the presiding officer and he has to go by letter & spirit of the decree passed by the PO.

During scrutiny of the recovery register and relevant files of the DRT, Jaipur it was observed that in 2909 cases involving decrial amount of Rs. 1537.85 crore were closed at the close of 31.3.2005 at the level of RO by making a recovery of only Rs 212.51 crores (in some cases) and in other cases they were closed by the RO on being informed by the Bank that the matter has been compromised at an amount of Rs.288.59 crores. (Total amount for recovery was Rs 1537.85 – Rs. 212.51, ie. Rs. 1325.34). Not even a single case was ever placed before the PO to get the Recovery Certificate amended or cancelled.

The authority under which the cases have been closed by the R.O. at his own level has not been explained. Not recovering full amount by R.O. does not speak that all is well in the recovery process and needs some investigation to probe into the matter and ensure that there is no fraud involved in settling the recovery cases.

1.2 Debts Recovery Tribunal Nagpur.

1.2.1 Inordinate delay in execution of Recovery certificates.

On scrutiny of the records maintained by the Recovery Officer, DRT Nagpur it has been observed that total of 436 Nos. of Recovery Certificates involving amount of Rs. 407,94,26,964.75 were pending with recovery officer for execution at the end of 31.3.2007. Age wise pendency of recovery certificates was as followed:

S.No.	Age	No. of cases	Amount involved
1	Less than one year	107	38,00,78,633.14
2	Between one and two year	86	89,85,06,758.66
3	Between two and three years	180	256,34,87,785.52
4	Between three and five years	63	23,73,53,787.43
	Total	436	407,94,26,964.75

Despite of assignment of vast powers under clause 58 of DRT Maharashtra & Goa Regulation of Practice 2003 which includes attachment of property (movable/ Immovable, live stock), arrest of the certificate debtor and even detention of certificate debtors in civil prison upto six months, delay in execution of recovery certificates has been observed. Nos. of cases pending for execution has also increased from 232 to 436 in last three years. Necessary corrective measures need to be adopted to improve the position of recovery.

1.3 Debts Recovery Tribunal Lucknow.

1.3.1 Loss of Rs. 83,14,780/- to Govt. exchequer due to irregular closure of case no. DRC-154/ 2000 Lucknow.

A Recovery Certificate in Original Application No. 146/98 was issued by the Presiding Officer in favour of Small Industries Development Bank of India, Kanpur

against M/s Yogi Pharmacy Limited, Haridwar and others for recovery of Rs. 83,14,780/- along with cost of application fee Rs.86,000/- and interest @ 16.5% per annum quarterly. The M/s Yogi Pharmacy Limited is having its corporate office at Greater Kailash-II, W-104, New Delhi. A notice was issued in the name of company in Form-1 by the DRT, Lucknow which was returned in original with the remarks “refuse to accept” in Hindi. The notice was issued only in the name of M/s Yogi Pharmacy instead of 7 persons as mentioned in the Recovery Certificate which appears to be a deliberate mistake on the parts of Recovery Officer. Action need to be taken to investigate deliberate mistake to fix responsibility.

Further, violation of RBI general guidelines for recovery of non-performing assets through compromise / one time settlement (OTS) issued vide letter no. Nil dated 28th July 1995 was made by the decree holder i.e. SIDBI, Kanpur. The RBI General Guidelines provides inter-alia that staff accountability be fixed in cases of compromise / write off on Non Performing Asset i.e. loans granted by Bank. Since write off is a terminal decision every efforts has to be made to trace attachable asset of the borrower before it is concluded that the account is irrecoverable. This was not done in the present case. The Recovery officer has closed the case on 27.05.2003 in violation of DRT Rules 26 (2) exceeding the power conferred on him. The case needs to be reopened again.

1.3.2 Dropping of recovery proceedings prematurely by Recovery Officer

During the scrutiny of records of case files and statement / information furnished by DRT, Lucknow it was revealed that there are many cases in which demand notices were issued by Recovery Officers on the basis of Recovery Certificates issued by the Presiding Officers. But the Recovery Officer has dropped the proceedings on the request of Banks who had compromised with the party, recovering much lesser amount causing huge loss of public money. Office has informed that there are 137 such cases which have been closed by the Recovery Office. The Recovery Officer has absolutely no power to close cases at his level.

As per RBI guidelines dated 28.7.95, whenever compromise proposals are approved the parties shall consent for a decree as prayed for the plaint /DRT application with provision to pay as per compromise terms subject to a default clause that in the

event of borrowers failure to pay compromise amount as per terms approved, all relief/concessions shall be treated as withdrawn. The consent decree shall be obtained for the full amount of the claim subject to the condition that in case of payment of the amount as per compromise terms the decree shall stand satisfied. Under no circumstances the consent decree for compromise amount only shall be obtained. But the Recovery officer has at a premature stage dropped the recovery of public money (e.g. bank money) and filed the cases without realizing the whole of the judgment/certified amount which was irregular. Internal Audit report points out that over Rs.38 crores of total recovery (approx) has been compromised for only Rs.18 crores (approx). The recovery officer has exceeded the power conferred on him. This involves heavy risk of settling things at the level of Recovery Officer and contributing loss both to bank and public exchequer.

This needs detailed investigation to avoid fraud.

2 National Saving Institute.

2.1 Regional Director, NSI, New Delhi

2.1.1 Payment of rent of office building to the tune of Rs. 60 lakhs without execution of lease deed agreement

The office of the Regional Director, National Saving Institute, New Delhi was found making payment of rent @ Rs.77,868/- p.m.. from 13.12.2000 onwards to the owner of ICCW Trust, for hired office premises at 4 Deen Dayal Marg, New Delhi without executing any legal lease deed with the owner of the premises. The earlier lease expired on 12.12.2000 and no fresh lease deed was signed since then. The rent is continuously being paid.

The department was instructed in the audit report for the period 2003-05 to execute proper lease deed agreement before making any payment to the ICCW Trust. No lease deed agreement was made till next audit in April' 2007 and rent is being paid without formal agreement.

2.2.1 Irregular payment of Transport Allowance to surplus staff.

Over payment on account of Transport allowance to surplus staff of NSI, were noticed in following offices as per details noted against each.

S.No.	Name of Office	Amount	Para Reference
1	R.D. NSI, Jaipur	Rs. 87,200/-	3 of IR-3
2	R.D. NSI, Lucknow	Rs.10,000/-	13 of IR-13
	Total	Rs.97,200/-	

These offices have been advised to recover this overpayment from the employees concerned.

3 Other Drawing and Disbursing Officers (DDOs)

3.1 Securities Appellate Tribunal, Mumbai

3.1.1 Excess Payment of Rs. 2,27,755/- on account of TA on foreign tour to USA in respect of Hon'ble Justice N.K. Sodhi, Presiding Officer.

Hon'ble Justice Shri N.K. Sodhi, Presiding Officer, Securities Appellate Tribunal, Mumbai has drawn tour advance of Rs.2,48,050/- to participate in a five day interactive programme in New York USA organized by the Securities and Exchange Board Commission in Washington, USA. Sanction was accorded by the President of India vide Government of India, Ministry of Finance, DEA (CM Division) No. 12/03/CM 2006, dated 24.03.2006.

As per sanction, the deputation, as authorized would commence from the date of departure in India and the total period of absence from India not to exceed 6 (Six) working days, excluding the travel time. Hon'ble Justice N.K. Sodhi would be paid Airport Tax and Visa Fee, if any, on production of receipt and Taxi charges to the Airport and back, incurred in India or abroad, if no official transport facility was extended to him

by any office/agency. Medical assistance was also entitled to him. However, any per diem allowance should be restricted to 75% of allowance as approved for Government of India officials going abroad under the normal TA/DA regulating the foreign tours.

Justice Sodhi was entitled to get D.A. of Rs.20295/- for 8 days @ 75% per day (that is 75% of \$75x8x45.10). Against this he had drawn D.A. of Rs. 2,27,755/- for 11 days at the rate of US \$500 per day.

3.1.2 Non recovery of TDS for Rs. Approx 95 lacs to be recovered from the bill of Rent for office premises.

In terms of Rule 194(1) of the Income Tax Act, 1961 income tax @ 20% plus surcharge/ cess is to be deducted as TDS from the rent paid to owner of hired premises.

On scrutiny of the bills of rent paid by the Securities appellate Tribunal (SAT) Mumbai it was noticed that the office has paid rent to the tune of Rs.4.69 crores from November'1998 to March' 2007, but no TDS had been recovered from the rent bills. This has resulted loss to Govt. by way of non-recovery of Income Tax amounting to Rs. 95 lacs approx.

This was pointed out in previous audit reports, but no action has been taken for last several years. The office has been instructed to recover the TDS which has not been deducted by the office so far.

3.1.3 Transfer T.A. Bill in respect of Justice Kumar Rajaratnam. Presiding Officer.

Hon'ble Justice Kumar Rajaratnam has been appointed as presiding Officer, SAT, Mumbai for a period of 5 (five) years from the date on which he enters upon his office or until he attains the age of 68 (sixty-eight) which is earlier vide notification S.O. 173 (E) dated 6.2.04 (5/51/CM/2002). He assumed the charge as P.O. on 20.3.04 (FN). He was to demit office on 20.3.09. On demitting office he was entitled to get T.A. for travel to his home town and not otherwise. He, however, demitted charge of office on 20.12.2005 and was paid Rs.75,341/- as TA, which was wrong.

Department need to make recovery of payment made but not due.

3.2 ASSISTANT COURT LIQUIDATORS, KOLKATA

3.2.1. An Amount of Rs.11.39 lakhs lying idle in Banks.

Scrutiny of the Deposit Register and other related records show that “Separate Imperest cash A/c” was maintained by the Asstt. Court Liquidator, Kolkata (ACL) for the payment of Pay & Allowances and other expenses of the company Staff. The company staff had been declared regular employee of the Central Govt. by the High Court order from the date of their appointment sans first 360 days from the date of appointment of each employee and Govt. of India issued order in this respect in the year 2001. Consequently “separate Imperest cash A/c” should not remain in operation. An amount of Rs. 11,08,475/- and Rs. 30,322/- are lying idle in form of Fixed Deposit Receipts and Cash Balance in current account with the State Bank of India, Kolkata..

It is, therefore, suggested that as there is no need of “Separate Imperest Cash A/c the said account may be closed and the amount of Rs. 11.39 lakhs lying in bank be transferred to Govt. accounts in consultation with competent authority.

3.2.2 Disposal of the corpus of Rs. 1,48,59,251.58 held by the office of Asstt. Court Liquidator, Kolkata.

On reviewing the record of Cash balance held by the office of the Asstt. Court Liquidator, Kolkata, it has been observed that funds of Rs. 1,48,59,251.58 net realised by them till 31.03.07 were available with them as on 31.03.07 and kept in Banks under court orders. This amount was held in form of Fixed Deposit Receipts and cash in current accounts in Bank as shown below:

	Details	Amount in Rs.
1	Fixed Deposits	13846359.50
2	Current Accounts	1010526.56
3	Cash	2365.52
	Total	148,59,251.58

The funds available are meant to be used to discharge the liabilities of liquidated banks as per the directions of Kolkata High Court. On the basis of available funds matter is required to be mentioned before the Hon’ble Court to declare dividends to discharge

the liabilities of liquidated banks. Last dividend was declared a few years ago in case of Central Kolkata Bank Ltd. (in Liquidation) on 15.11.1953.

ACL Kolkata has been suggested that availability of funds in cases of Liquidated Banks may be reviewed and matter mentioned before Hon'ble Court through Court Liquidator to order on fresh Dividends to discharge the liabilities of respective Liquidated Bank.

3.2.3 Non-investment of surplus funds by ACL Kolkata.

As per clause 293 & 294 of the Companies (Court) Rules 1959, all such money for the time being standing to the credit of the official Liquidator in the Bank not immediately required for the purpose of winding up, shall be invested in Govt. Securities or in Interest Bearing Deposits in State Bank of India or with the previous sanction of the court, in interest bearing deposits in any other Schedule Bank..

The official liquidator shall, at the end of every three months, examine the account of each company (in liquidation) in his charge to ascertain what money is available for investment and shall make an entry at the end of every three months in the records relating to the company of his having examined the accounts for the purpose and of the decision taken by him regarding the investment and in case he decides not to invest the surplus funds, the reason for such decision.

Records of the Companies under liquidation being maintained by office of Asstt. Court Liquidator, Kolkata show that an amount of Rs.9,74,034.12 were lying idle in different current accounts being maintained by ACL, Kolkata and not reviewed every three months by ACL, Kolkata as required under rule 294 of companies (court) Rules 1959. Accounts need to be reviewed and action taken as per rule.

3.2.4 Non-realisation of Decreed amount of Rs.3.84 crores.

Review of record of legal section in r/o Asstt. Court Liquidator, Kolkata show that the department could not succeed to realize the amount of Rs.3.84 crores upto 31.12.2007, decreed by courts long ago.

The department has recovered Rs.6.46 lacs only from the debtors of Banks in Liquidation during the period 01.04.2005 to 31.03.07. This performance cannot be termed satisfactory keeping in view the huge amount decreed by the court and pending

for realization. Reasons for non-recovery of decreed amount require detailed review and formulation of programme to achieve better results.

3.2.5 Irregular delegation of Financial power to Non-Govt. employee.

Sh. Girish Kumar Sharma, Deputy General Manager (RRB) United Bank of India has been authorized vide Ministry of Finance, Department of Banking letter No: 2/29/2002/BOA-BO-II dated 6.12.2007 to discharge the duties of the post of Asstt. Court Liquidator, Kolkata and has been delegated the duties of the DDO and Head of Office in terms of FR 49. As such he as Asstt. Court Liquidator is performing the duties of the Head of office and the DDO.

Rule FR-49 provides that the Central Government may appoint only a Govt. servant already holding a post in a substantive or officiating capacity, as a temporary measure as Head of Office in one or more of other independent post at one time in Govt. under Rule 14 of the Delegation of Financial Power Rules. The Department of the Central Govt. and Head of the Department shall have powers to declare any Gazetted Officer subordinate to them as Head of office to deal with Finance and Accounts as well as establishment under his administrative and financial control. Rules do not authorize to appoint non-govt official to above position.

Appointment of Shri Girish Kumar Sharma, Dy. General Manager in above posts in ACL, Kolkata, is irregular as he is not a Govt. of India officer and the Department can not delegate the powers of Head of office and the DDO to a non-govt. person. This need to be corrected immediately.

3.3 CUSTODIAN, SPECIAL COURT NEW DELHI

3.3.1 Erroneous fixation of re-employed pensioners.

In accordance with the provisions contained in the Department of Pension and Pensioners Welfare OM No. 45/73//97 –POPW © dated 02.07.1999, in the case of pensioners who held the post below Group A or Ex-service men below commissioned officers at the time of their retirement, the pay on re-employment is to be fixed at the minimum of the pay scales of the post in which they are re-employed. The following

Civil Pensioners have been re-employed in the Office of the Custodian w.e.f. the date noted against each.

S.No.	Name	Designation	Date of re-employment
1	Shri P. Gangadharan	OSD	20.10.1993
2	Shri N.K. Srivastav	OSD	19.06.1997
3	Shri K.V. Natarajan	OSD	10.08.1994
4	Shri S.S. Jadhav	Assistant	13.08.2001
5	Shri V.K. Abraham	Assistant	23.08.2001
6	Shri R. Ananthaswamy	OSD	01.01.1996
7	Shri M. Simon John	OSD	01.09.2002
8	Shri K. Aravamudhan	US	03.01.1995
9	Shri R.K. Jain	OSD	02.01.2002
10	Shri M.L. Kapoor	OSD	09.05.1997
11	Shri M.K. Bhattacharya	Assistant	10.08.1999
12	Shri T.P.S. Arya	Assistant	02.08.2002
13	Shri Ganesan	Assistant	02.12.2002

Pay fixed in the office of the Custodian, Special Court, New Delhi in above cases need to be re-examined on the basis of the orders governing pay fixation of the re-employed pensioners. If necessary the matter may be settled in consultation with the Department of Personnel and Pension Welfare.

3.3.2 Non-recovery of decrrial amounts aggregating Rs. 613.81 crores by office of the Custodian, Special Court, New Delhi.

The records of the O/o the Custodian, Special Court, New Delhi revealed that an Rs. 613.81 crores decreed by the Court in following cases were pending for recovery as on 31.3.2005 as detailed below:-

S. No.	Group	Outstanding amount in Rs. as on 31.03.2005
1	FFSL	2,739,310,207.34
2	DMPL	2,450,193,349.95
3	HMG	57,539,678.60
4	B.C. DALAL	10,544,616.20
5	H.P. DALAL	66,710,826.92
6	A.D. NAROTTAM	789,308,922.84
7	J.P. GANDHI	11,655,664.64
8	PREETI AGGARWALA	12,865,516.50
	TOTAL	6,13,81,28,782.99

During the year 2003-04 & 2004-05 an amount of Rs.5.94 and Rs.38.31 crores only could be recovered which can not be termed satisfactory keeping in view that heavy amount is pending for realization. (The Department could not furnish upto date position of outstanding dues).

3.4 Drawing and Disbursing Officer (DEA) New Delhi.

3.4.1 Shortcoming / Discrepancies noticed in awarding of AMC for FMS system for Rs.2,27,300 for each year.

On scrutinizing the file No.19011/ 18/ 2003 Admn. IV regarding up keeping of FMS for the hardware/operating system of net work installed at office of the CAA&A as maintained by the US (Cash) Deptt. of Economic Affair, New Delhi, it has been seen that Annual maintenance contract (Comprehensive) has been awarded to M/s Landmark Technologies, New Delhi for the period 22.3.04 to 21.3.05 at the cost. of Rs. 2,27,300/- in terms of condition contains in award letter No.19011/ 18/ 2003-Ad.IV dated 22.3.2004. The contract was further extended two more times i.e. 22.3.2005 to 21.3.2006 & from 22.3.2006 to 21.3.2007 by quoting para.13.17 of Supply Manual at the cost of Rs.

2,27,300/- for each period of contract. The following shortcoming/discrepancies have been detected.

Contract once expired cannot be renewed unless it is provided in the contract itself or fresh tender is to be invited for further requirement. Extension of contract by the Department of Economic Affairs by giving reference of Supply Manual is violation of GFR and instructions issued in this regards.

3.4.2 Violation of GFR-2005 provisions in purchasing UPS amounting to Rs. 6,25,663/-.

On scrutinizing file No.19011/32/2006-Admn.-IV for purchasing of UPS for Deptt. of Economic affair maintained by the US (Cash) Deptt. of Economic Affair, New Delhi it has been observed that 24 1KV UPS, 32 62 VA UPS & one 2KV UPS has been purchased by the Deptt. of Economic Affair, New Delhi at the cost of Rs. 6,25,663/- (Rs. Six lakh twenty five thousand six hundred and sixty three only) in the following manner.

S.No.	Name of Firm	Quantity	VAT	Bill NO.& Date	Amt. Inclusive VAT in Rs.
1	M/s Harish Industry, N. Delhi	4 1KVA	4%	275 01.9.06	58032
2	--do--	4 625 VA	”	293 15.9.06	24584
3	--do--	3 1KVA 29 625VA	”	297 09.10.06	62712
4	--do--	4 1KVA 52 625VA	”	303 6.11.06	70824
5	M/s H.S. Enterprises, N. Delhi	1 2KVA	”	102 6.11.06	75452
6	M/s Harish Industries, N. Delhi	6 625VA 5 1KVA	”	310 13.12.06	110916
7	--do--	7 625VA	”	318 22.12.06	44772
8	--do--	3 625VA 4 KVA	”	331 02.2.07	70824
9	--do--	4 1KVA	”	334 12.12.07	62775
10	--do--	4 625-VA	”	350	25584

				20.3.07	
11	--do--	3 625VA	”	351 23.3.07	19188

Purchases of UPS in piece meal during the financial year 2006-07 by the Department of Economic Affairs is contrary to the provision of Rule 148 & 151 of GFR 2005 which bars splitting of demands into small quantities and prescribed limited tender enquiry in case of purchases costing above Rs.1 lac.

3.4.3 Violation of GFR-2005 provisions in purchasing Pen drive amounting to Rs.3,20,876/-.

On scrutinizing file No.19011/ 30/ 2005-Admn.IV regarding procurement of pen drive for the officer of the level of Deputy Secretary and above in the Deptt. of Economic Affair, It has been seen that following purchases for procurement of pen drive have been made by the Deptt . of Economic Affair.

S.No.	Name of supplier	Quantity	Rate inclusive VAT 4%	Bill No.	date	amount
1	Automation Network ,N.Delhi.	11	4940	1225	28.10.05	54317
2	--do--	1	4940	1229	17.11.05	4940
3	--do--	1	4940	1228	12.11.05	4940
4	--do--	10	4940	1231	21.11.05	49400
5	--do--	12	4940	1232	28.11.05	59280
6	--do--	3	4940	1233	01.12.05	14820
7	--do--	12	4940	1235	02.12.05	59280
8	--do--	4	4940	1238	02.01.06	19760
9	--do--	3	4940	1250	21.01.06	14820
10	--do--	1	9682	1251	21.01.06	9682
11	--do--	4	4940	1255	13.02.06	19760
12	--do--	1	4940	1262	08.03.06	4940
13	--do--	1	4940	1326	21.08.06	4940
					total	320876

Procurement of pen drive has been divided into small quantity to make piece meal purchase (of pen drive) in order to make its cost within Rs. 15000/- and upto Rs. 100,000/- on each occasion which is contrary to the provision of rule 148 of GFR-

2005. Purchases have been made on very high prices and documentary evidence of survey of market in terms of Rule 146 of GFR 2005 by the purchase committee has not been shown in the files.

3.4.4 Violation of GFR-2005 provisions in purchasing photocopy paper amounting to Rs.15,03,090/-.

On reviewing the file No.15011/1/6/admn.IV regarding purchase of photocopy paper during 2006-07 by the O/o The U.S. (Cash) DEA, New Delhi the following purchases have been noticed:-

S.No.	Name of Firm	Quantity in Rims	Rate	Bill No.	date	Amount (Rs.)
1	M/s Chadha Stationer (R) New Delhi.	350-A-4	149	948	26.4.06	54236
2	--do--	350-A-4	149	996	10.5.06	54236
3	--do--	350-A-4	149	1043	24.5.06	54236
4	--do---	350-A-4	149	1095	8.6.06	54236
5	--do--	20 A-3	311	1128	19.6.06	6469
6	--do--	350-A-4	149	1137	22.6.06	54236
7	--do--	350-A-4	149	1190	8.7.06	54236
8	--do--	300-A-4 20-A-3	149 311	1241	20.7.06	52957
9	--do--	120-A-4	149	1264	25.7.06	18595
10	--do--	350-A— 4	149	1276	27.7.06	54236
11	--do--	30-A-3	311	1281	20.7.06	17451

		50 A-4	149			
12	--do--	350-A-4	149	1378	10.8.06	57959
13	--do---	350-A-4	149	1406	28.8.06	54236
14	--do--	35-A-3	311	1447	05.9.06	11320
15	--do--	350-A-4	149	1462	8.9.06	54236
16	--do--	--do--	149	1523	27.9.06	54236
17	--do--	--do-- 20FS	149 179	1585	7.10.06	57959
18	--do--	350-A-4	149	1626	19.10.06	54236
19	--do--	50A-4 35A-3	149 311	1645	24.10.06	19060
20	--do--	350-A-4	149	1681	1.11.06	54236
21	--do--	350-A-4	149	1727	15.11.06	54236
22	--do--	350-A-4 20F/S	149 179	1783	23.11.06	57959
23	--do--	--do--	149 179	1869	13.12.06	57959
24	--do--	350-A-4	149	1916	21.12.06	54236
25	--do--	350-A-4	149	1991	12.1.7	54236
26	--do--	350-A-4	149	2053	22.1.07	54236
27	--do--	350-A-4	149	2132	8.2.07	54236
28	--do--	350-A-4 20 F/S	149 179	2190	22.2.07	57959

29	--do--	350-A-4	149	2281	7.3.07	54236
30	--do--	350-A-4	149	2336	14.2.07	54236
31	--do--	350A4	149	2423	29.3.07	57959
		20F/S	179			
	Total + 4%Vat					15,03,090

Above noted purchases have been made in small quantity whereas the requirement of Deptt. as reflected in bills paid are self explanatory itself. Purchases of paper in piece meal during the financial year 2006-07 by the Department of Economic Affairs is contrary to the provision of Rules 148 and 151 of GFR 2005 which bars splitting of demand into small quantities and prescribed limited tender enquiry in cases of purchases costing Rs.1 lac.

LIST OF OFFICES AUDITED AND DETAILS OF OUTSTANDING AUDIT PARAS

Annexure - I

Sl. No.	Name of Department & Office	Audit upto	Previous O/s Paras	Paras Settled by Party	Balance Para	Current Paras	Total Paras
	Department of Economic Affairs						
1	RD NSI Bangalore	March' 2007	14	8	6	9	15
2	RD NSI Chandigarh	March' 2007	8	8	0	10	10
3	RD NSI Chennai	March' 2007	7	5	2	13	15
4	RD NSI Kolkatta	March' 2007	5	3	2	6	8
5	RD NSI Jaipur	March' 2007	19	5	14	5	19
6	RD NSI Lucknow	March' 2007	11	7	4	10	14
7	RD NSI Mumbai	March' 2007	17	7	10	12	22
8	RD NSI Nagpur	March' 2007	29	16	13	9	22
9	RD NSI New Delhi	March' 2007	12	10	2	5	7
10	National Saving Commissioner Nagpur	March' 2007	12	5	7	5	12
11	DRT Coimbtore	March' 2007	5	2	3	8	11
12	DRT Allahabad	March' 2007	7	5	2	8	10
13	DRT Jaipur	March' 2007	13	9	4	8	12
14	DRT Nagpur	March' 2007	19	8	11	11	22
15	DRT Lucknow	March' 2007	12	8	4	4	8
16	DDO Banking Division New Delhi	March' 2007	20	7	13	8	21
17	DDO Cash Branch, DEA New Delhi	March' 2007	18	3	15	11	26
18	DDO AAIFR New Delhi	March' 2007	11	7	4	6	10
19	DDO BIFR New Delhi	March' 2007	12	6	6	11	17
20	DDO Indian Economic Services New Delhi	March' 2007	8	6	2	7	9
21	DDO Custodian New Delhi	March' 2007	10	6	4	6	10
22	DDO OSD Special Court Mumbai	March' 2007	11	4	7	8	15
23	Security Appellate Tribunal Mumbai	March' 2007			0	9	9
24	Asstt. Court Liquidator Kolkata	March' 2007	10	7	3	13	16
25	PAO, Banking New, Delhi	March' 2007	28	6	22	2	24
26	PAO, Central Purchase Section, DEA, New Delhi	March' 2007	2		2	7	9
27	PAO (Estt.), DEA ,New Delhi	March' 2007	10		10	4	14
28	PAO, NSI, Nagpur	March' 2007	15	6	9	6	15
29	PAO, IGM, Noida	March' 2007	14	4	10	3	13
30	PAO, IGM, Kolkata	March' 2007	9	-	9	5	14

31	PAO, IGM, Hyderabad	March' 2007	16	8	8	6	14
32	PAO, SPM, Hoshangabad	March' 2007	12	8	4	5	9
33	PAO, IGM, Mumbai	March' 2007	11	-	11	4	15
34	PAO, ISP, Nasik	March' 2007	9	5	4	3	7
35	PAO, CNP, Nasik	March' 2007	17	12	5	6	11
36	PAO, GOAW, Gazhipur	March' 2007	4	4	0	5	5

B DEPARTMENT OF REVENUE**4. ENFORCEMENT DIRECTORATE (FERA / FEMA)****4.1 Non realization of penalties imposed under Foreign Exchange Regulation Act (FERA). and Foreign Exchange Management Act (FEMA) amounting in Rs. 6022.28 crores.**

There are 16 Zonal/Sub Zonal offices under Enforcement Directorate with Hdqrs at New Delhi executing enforcement functions under FERA/FEMA. Out of which 12 offices and Hdqrs New Delhi were covered under audit in 2007-08. As per fig. available in ten offices penalties amounting to Rs. 6022.28 crores levied under Foreign Exchange Regulation Act (FERA) and Foreign Exchange Management Act (FEMA) by the Adjudicating authorities of Enforcement Directorate were pending for recovery as detailed below:

SR. NO.	NAME OF OFFICES	AMOUNT OF PENALTIES OUTSTANDING UNDER FERA	AMOUNT OF PENALTIES OUTSTANDING UNDER FEMA	TOTAL
1	ED (FEMA) AHMEDABAD	26,22,75,993	191,09,000	28,13,84,993
2	ED (FEMA) BANGALORE	496,80,79,054	13,45,26,500	510,26,05,554
3	ED (FEMA) CHENNAI	394,51,43,110	26,12,93,900	420,64,37,010
4	ED (FEMA) DELHI	NA	NA	1348,86,00,000
5	ED (FEMA) HYDERABD	27,35,95,700	13,72,43,500	41,08,39,200
6	ED (FEMA) JAIPUR	47,19,035	--	47,19,035
7	ED (FEMA) KOKATA	324,74,,74,492	4,13,14,900	328,87,89,392
8	ED (FEMA) MUMBAI	2827,10,47,676	463,53,40,000	3290,63,87,676
9	ED (FEMA) THIRUVANANHAPURAM	36,69,685	9,19,500	45,89,185

10	ED (FEMA) VARANASI	52,84,59,095	--	52,84,59,095
	TOTAL			6022,28,11,140

The recovery in these offices is very meager compared to the outstanding amount. In some cases offices replied that recovery depends on the efficiency of District Revenue Authorities while in some other cases matter is pending in High Courts and Appellate Tribunals. Audit advises a policy be evolved to effect the recoveries expeditiously.

4.2 Violation of Civil Accounts Manual Rules by the office of Directorate Of Enforcement, Varanasi in Inter-departmental transfer of seized amount of Rs.317500/-.

The office of Directorate Of Enforcement Varanasi had seized an amount of Rs.247,500/- and Rs.70,000/- from M/S Durga Prasad Aggarwal and others under Foreign Exchange Regulation Act (FEMA) and converted it into Fixed Deposit Receipts (FDR) of Rs. 247,500/- and Rs.70,000/- (Nos.190058 & 190059) on 8-10-2001 with date of maturity on 8-10-2002 (Ref: F. No.T-3/10-CP/VSI/2001/AD(SK)).

Both the FDR's were encashed pre-maturely on 8-04-2002 and cash of Rs.317,500/- handed over to Income Tax (CBI) varanasi on the same date. Amount of Rs.9952/- earned as interest on FDR's was placed in FDR. Necessity of transfer of money in cash mode has not been explained. Considerable risk is involved when physical cash is transferred from one office to another for deposit in Govt. account. There is no counter mechanism to verify that cash has actually got deposited in Govt. account by the receiving officer.

Use of cash by the Office of Directorate of Enforcement, Varanasi in transfer of money from a Government Deptt. to another Government Deptt. is not in conformity with the accounting Rules which provides for use of 'C' category cheque for inter-departmental payments. The Deptt. need to verify that transferred amount has in fact been properly deposited in govt. account and no pilferage has occurred.

4.3 Non- Reconciliation of receipts by offices of Directorate Of Enforcement, New Delhi, Mumbai Kolkata etc. with Pay and Account office, (Rev.) Delhi.

Penalties are realized by the zonal/sub-zonal offices of Enforcement Directorate under FERA/FEMA and properties (cash etc.) are seized or confiscated. After adjudication and recovery, the receipts (cash) are required to be deposited in the govt. account through Pay & Accounts officer (Revenue).

On reviewing the records of offices of Directorate Of Enforcement at Delhi, Mumbai, Kolkata, Jaipur and Varanasi it has been noticed that though money is deposited with the PAO (Revenue) Delhi but required reconciliation of receipts as provided in para 1.10.4 of Civil Accounts Manual are not being made by Zonal/Sub-Zonal offices under Enforcement Directorate. In the absence of reconciliation it could not be confirmed that all the amount collected by the units have been deposited by these offices and that the deposited money has actually been credited to Govt. account. Without a reconciliation process there is high risk of money being misappropriated by vested interests.

Internal Audit suggests these offices to take up reconciliation with Pay & accounts office and ensure that there is no discrepancy in govt. receipts. Immediate reconciliation of last 10 years receipts and deposits is recommended to test check that no embezzlement has taken place.

4.4 Non adjustment of interest amounting to Rs.711365/- by the office of Enforcement Directorate Varanasi.

On seizure of Indian currency under FERA/FEMA, the amount seized by the offices of Enforcement Directorate is initially deposited as Fixed Deposit Receipts (FDR's) with Public Sector Bank. After adjudication of the case, the impounded currency is either returned to the owner of the currency or confiscated and deposited to govt. account. Interest earned on FDR's is treated as ordered by the Adjudication authority in its orders.

On reviewing the records of Enforcement Directorate Varanasi it has been observed that interest amounting to Rs.711,365/- earned on FDR's on account of seized currencies has not been settled even after release of impounded currency to owner or by

crediting it to govt. account. But the entire interest earned has been kept in FDR's as detailed below:

Sr. No	File No	Name of party	Amount	FDR No.
1	T-3/429/EXP/VSI/96	M/S Sharma Carpets	Rs.64,109/-	59278
2	T-3/49/EXP/VSI/99	M/S Virender Singh	Rs.609,607/-	762217
3	T-3/04CP/VSI/03	Sh. Ashok Kumar	Rs.15,000/-	762965
4	T-3/04-CP/VSI/02	Sh. Siraj Ahmed	Rs.8,104/-	762291
5	T-3/01-CP/VSI/04	Sh. Mohd. Hashim	Rs.14,545/-	684498
	Total		Rs.711,365/-	

Action on the part of office of Enforcement Directorate, Varanasi as ordered by the Adjudication authorities in said cases is pending since long ago. The concerned office has been instructed to treat the interest amount earned on seized currency in above cases as directed by the Adjudication authority in its orders.

4.5 Non- disposal of 15 Kgs Gold by o/o Enforcement Directorate (FEMA) Jalandhar confiscated in year 2000

15 Kgs gold seized under Foreign Exchange Regulations Act (FERA) as on 19/06/1994 and valued Rs.67,83,750/- on the date of seizure is lying / kept in hired locker by o/o Enforcement Directorate (FEMA) Jalandhar even after order of its confiscation to government account on 19/06/2000. The gold is to be disposed of by way of sale and the amount realized is to be deposited into Government Account.

The State Bank of India, overseas Branch, Cuffe Parade, Mumbai vide its letter No.OBMU/Gold/1379 dated.23/11/2004 has conveyed its willingness to arrange disposal of the gold after its delivery at their branch.

Due to non-decision by the authorities of Enforcement Directorate, suitable action could not be taken to dispose of gold till date. This involves heavy risk to retain the yellow metal in hired lockers besides creating fear of theft etc. This needs early action to avoid loss to Govt.

5. GOVERNMENT OPIUM & ALKOLIDE FACTORIES.

5.1 Opium Losses during handling and manufacturing in Abkari in Government Opium & Alkolide Works (GOAW) Ghazipur to tune of Rs.5.37 crores.

On security of file No.11/12/2/sales/91-95 it has been revealed that GOAW Ghazipur had suffered huge losses of opium during manufacturing in Abkari which are in excess of norms fixed by the Chandra J. Committee on Losses Report - 1996. The committee on losses had suggested that losses in handling / manufacturing should not be more than 1% in Abkari section. Losses occurred during handling/ manufacturing in Abkari section of GOAW in last 4 years were as follows:

Year	Actual loss (in Kg.)	Percentage of loss	Amount of loss (in Rs.)
2002-2003	11513.812	2.20%	18849722.00
2003-2004	4722.948	2.18%	9803943.00
2004-2005	5077.294	2.15%	11353794.00
2005-2006	5278.483	2.13%	13737569.00
		Total	53745028.00

Trend in losses in last four years show that the figures are ranging between 2.10% to 2.20% indicating always a fixed result in losses. Since the Chandra J. committee has consciously worked out loss should not be more than 1%, hovering of losses figure around 2.10% to 2.20% indicate some deficiency in system in handling/

manufacturing etc. This warrants immediate remedial measures to be taken by authorities and to avoid any intentional manipulation.

Losses occurred during Financial Year 2006-2007 were not worked out till date of audit. It was suggested that losses suffered by the factory are to be reviewed at higher level and remedial steps may be taken to bring it to level of norms fixed for it.

5.2 Blockage of 41807.947 Kg's of inferior opium in Government Opium & Alkaloid Works (GOAW) Ghazipur.

On scrutiny of stock book of GOAW Ghazipur it has been observed that huge quantity of Inferior Opium was lying in stock awaiting disposal as detailed below:

(Quantity in Kg.)

Year	O. Balance	Receipt	Total	Issued	C. Balance
2003-04	57649.206	12145.544	69794.750	2970.125	66,824.625
2004-05	66824.625	-	66824.625	10623.948	56,200.677
2005-06	56200.677	19636.090	75836.767	1275.951	74,560.816
2006.07	74560.816	2216.350	76777.166	34969.219	41,807.947

Opium classed as Inferior is used for manufacturing of Alkaloids. Stock of opium procured in 2002-03 could not be utilized even after lapse of four years. It was suggested that stock of Inferior Opium lying in Malkhana maybe utilized at the earliest.

5.3 Non-disposal of contraband opium by the Government Opium & Alkaloid Works (GOAW) Ghazipur

On reviewing the stock register of contraband opium (OF-26) being maintained by the Government Opium & Alkaloid Works (GOAW) Ghazipur it was noticed that 2002.843 Kgs of contraband opium was lying in stock of GOAW since long time at close of 3/2007.

Rule 5.23 of Opium Manual prescribed that contraband opium with a morphine strength of more than 6% may be used for manufacture of Alkaloids and unsuitable contraband opium is to be destroyed by burning in the factory incinerator.

Stock of contraband opium was last issued for manufacture of Alkaloid on 28.05.1992. Since then no step is taken to use stock for last 15 years.

It was suggested that contraband opium lying in stock since long time may be utilized or destroyed after obtaining the sanction from competent authority.

5.4 Non-adjustment of Advance Payments of Rs.17.58 crores drawn on Abstract Contingent Bills by Government Opium & Alkaloid Works (GOAW)

On reviewing the records of payment of GOAW Neemuch and GOAW Ghazipur it has been observed that contingent expenditure to the tune of Rs.17.58 crores drawn on Abstract Contingent Bills were outstanding for adjustment as on 3/2007.

(amount in Rupee)

Name of Unit	Total amount involved	Period of payments
GOAW Neemuch	15,56,05,544	02/1986 to 03/2007
GOAW Ghazipur	2,01,94,911	01/1981 to 03/2007
Total	17,58,00,455	

As per GID 4 below Rule 258 (2) of General Financial Rules, adjustment bill for advances drawn on Abstract Contingent Bills are to be submitted within one month from the date of drawl of advances. Any advance taken from government funds but not immediately accounted for by submitting adjustment bills are exposed to risk of either full or partial misuse of government money. To avoid this and to ensure that no embezzlement to take place, outstanding advances need to be settled in one month.

DDO (GOAW) Neemuch and DDO (GOAW) Ghazipur have been advised to take immediate steps to adjust the outstanding advances on priority basis.

6. CENTRAL BUREAU OF NARCOTICS

6.1 Short recovery of TDS of Rs.40597/-from the rent paid by o/o Dy. Commissioner of Narcotics Lucknow during 2005-2006 and 2006-2007.

Finance Act 2005 and 2006 provides for deduction of TDS @ 15.3 % (15%-Income Tax + 2% Edu. cess) from rent paid to an individual or a Hindu Undivided Family and TDS @ 20.4 % (20% Income Tax + 2% Edu. Cess) from the rent paid to any person other than Individual / HUF of aggregating upto Rs.10 lakh.

On verification of record of rent paid by o/o Dy. Narcotics Commissioner Lucknow for hire of premises for office it has been observed that TDS of Rs.40,597/- has been short deducted from 1/04/2005 to 31/03/2007.

DDO o/o Dy. Narcotics Commissioner Lucknow has been advised to recover the TDS short deducted by it during the period 1/04/2005 to 31/03/2007.

6.2 Irregular expenditure of Rs.702512/- by o/o Dy. Narcotics Commissioner Lucknow on engagement of casual labours.

The office of Dy. Narcotics Commissioner, Lucknow had made an agreement with M/S Priya Placement Lucknow for supply of labour for cleaning, gardening, water filling in coolers and washing of vehicles etc. The agency has provided 12 casual labours to the department and was paid at the prevailing labour rates per head under the minimum wage act 1948 plus 6% commission plus 12.24% Service Tax . The department has paid Rs.276,122/- and Rs.426,390/- during 2005-06 and 2006-07 to the placement agency for providing of labour.

Hiring of labour through placement agency by o/o Dy. Narcotics Commissioner Lucknow is not in conformity with the guidance issued in this regard. Further CBEC (Ministry Of Finance) vide its circular No.A-12034/53/2002-Ad III (B) dt.26.11.2002 has also put a ban on engagement of casual worker as daily wagers.

Department has been suggested to obtain ex-post facto approval of Head of Department to regularize the expenditure incurred by it during 2005-07 on hiring of labourers.

6.3 Over payment of Rs. 6223110/- to Opium Cultivators by various Distt. Opium Offices (DOO) of Central Bureau of Narcotics.

The Distt. Opium Offices of Central Bureau Of Narcotics while purchasing opium from the cultivator, pays the cultivator 90% value of the opium at the approved rates as advance at the purchasing centre by assessing on the spot quality of opium and weighing the opium brought by the cultivator. The balance 10% is paid on receipt of report on quality /weight of the opium from the opium chemist working in opium factory.

On comparison of the advance payments record with the final payments record it has been noticed that an amount of Rs.62,23,110/- paid in excess by the various Distt. Opium Offices of Central Bureau of Narcotics were pending for recovery as on 31/03/2007 as detailed below:

(Amount in Rupees)

Sr. No.	Name Of Unit	Excess amount paid	Year of Payment
1	DOO -I Chittorgarh	12,94,540	2000-2006
2	DOO- III Chittorgarh	13,01,727	1998-2006
3.	DOO-I Kota	27,74,154	2000-2007
4.	DOO Mandsaur	473,878	2000-2006
5.	DOO-I Neemuch	214,546	2003-2006
6.	DOO-II Neemuch	164,265	2003-2006
	Total	62,23,110	

The concern District Opium Offices has been suggested to recover the overpayment made by them at the earliest possible.

7. D.D.O.(CASH) DEPARTMENT OF REVENUE.

7.1 Non – adjustment of outstanding departmental advances of Rs.65,70,959/- by DDO (Cash) Department Of Revenue.

On reviewing the payment record of DDO(CASH) Department Of Revenue it has been observed that departmental advances to the tune of Rs.6570959/- drawn on Abstract Contingent Bills during 4/1995 to 3/2007 were pending for adjustment as on 31/03/2007.

As per GID 4 below Rule 258 (2) of General Financial Rules, Detailed Contingent Bill towards adjustment for advances drawn on Abstract Contingent Bills are to be submitted within one month from the date of drawl of advances.

Non submission of Detailed Contingent Bill against departmental advances is a serious lapse on the part of the DDO and possibility of misappropriation of Govt. money cannot be ruled out.

DDO (CASH) Department Of Revenue has been advised to take immediate steps to adjust the outstanding advances on priority basis.

7.2 Violation of GFR in purchase of stationery worth Rs.45,33,761/- by DDO(CASH) Department Of Revenue

On reviewing the record relating to purchases made by the DDO (Cash) Department Of Revenue during 2006-2007 it has been observed that it has not followed the provisions in GFR while making purchases of stationery in 2006-2007. Stationery worth Rs.45,33,761/- has been purchased in piecemeal violating Rule 148 and 150 of

GFR which provides for non splitting of demand and purchase of goods of estimated value of Rs.25 lakh and above through Advertised Tender Enquiry.

The DDO (CASH) Department Of Revenue has been suggested to prepare annual indent in future and purchase goods through Limited Tender Enquiry /Advertised Tender Enquiry as the case may be.

ANNEXURE -II

NAMES OF AUDITTEE OFFICES UNDER DEPARTMENT OF REVENUE

Sr.No	A. Enforcement Directorate
1	ED(FEMA) Agra
2	ED(FEMA) Bangalore
3	ED(FEMA) Calicut
4	ED(FEMA)Delhi Zone New Delhi
5	ED(FEMA) Mumbai
6	ED(FEMA) Chennai
7	ED(FEMA) Kolkata
8	ED(FEMA) Guwhati
9	ED(FEMA) Thiruvananthapuram
10	ED(FEMA) Jalandhar
11	ED(FEMA) Ahmedabad
12	ED(FEMA) Varanasi
13	ED(FEMA) Srinagar
14	ED(FEMA) Hyderabad
15	ED(FEMA) jaipur
16	ED(FEMA) Panaji Goa
17	ED(FEMA) HDQR New Delhi
	B. Government Opium & Alkaloid Factories
18*	ACAO GOAW Neemuch
19*	ACAO GOAW Ghazipur
20*	GM GOAW Nehru Place N. Delhi
	C. Central Bureau Of Narcotics
21*	DNC Neemuch
22*	DNC Lucknow
23*	DNC Kota
24*	DOO-I Neemuch
25*	DOO-II Neemuch
26*	DOO Barabanki
27*	DOO Kota
28*	DOO Bariely
29*	DOO Bhilwara
30*	DOO-I Chittorgarh
31*	DOO-II Chittorgarh
32*	DOO Jaora
33*	DOO Jhalawar
34*	DOO Faizabad
35*	DOO-I Mandsaur
36*	DOO-II Mandsaur

37*	CBN Gwalior
38*	NCB Gwalior
39*	Commissioner NC Gwalior
	D. Main Sectt./ Merged DDO
40	DDO(CASH) Deptt.Of Revenue
	E. Other DDO's
41	Central Excise & service Tax Appellate Tribunal Kolkata
42	Central Excise & service Tax Appellate Tribunal Mumbai
43	Central Excise & service Tax Appellate Tribunal Chennai
44	Central Excise & service Tax Appellate Tribunal N. Delhi
45	Appellate Tribunal for Forfeited Properties N. Delhi
46	Central Economic Intelligence Bureau N. Delhi
	F. Pay & Accounts Offices
47	PAO Deptt. Of Revenue
48*	PAO GOAW Ghazipur
49*	PAO GOAW Neemuch
50*	PAO CBN Gwalior

*Transferred from CBEC on 1/04/2006

ANNEXURE. III

OFFICES OF DEPTT OF REVENUE AUDITED DURING 2007-08

A. ENFORCEMENT DIRECTORATE (FEMA)

Sr. No	Name of office	outstanding paras of previous Reports	Paras settled on spot verification	Balance paras	paras added in the new Report.	Total paras outstanding
1	E D (FEMA) Kolkata	10	6	4	6	10
2	E D (FEMA) Mumbai	15	3	12	6	18
3	E D (FEMA) Ahmedabad	8	3	5	14	19
4	E D (FEMA) Jaipur	16	-	16	10	26
5	E D(FEMA)HQ Delhi	14	3	11	12	23
6	E D(FEMA) DZ. Delhi	20	7	13	11	24
7	E D(FEMA) Jalandhar	8	3	5	8	13
8	E D(FEMA) Gauwhati	8	6	2	6	8
9	E D (FEMA) Varanasi	12	8	4	11	15
10	E D (FEMA) Chennai	11	9	2	11	13
11	E D (FEMA) Hyderabad	10	5	5	7	12
12	E D (FEMA) Bangalore	21	5	16	8	24
13	E D (FEMA) Thiruvananthapuram	8	3	5	5	10
		161	61	100	115	215

B. GOVT. OPIUM & ALKALOID FACTORIES.

Sr. No	Name of office	outstanding paras of previous Reports	Paras settled	Balance paras	paras added in the new Report.	Total paras outstanding
1	ACAO(GOAW) Neemuch	24	13	11	9	20
2	ACAO(GOAW) Ghazipur	35	4	31	11	42
	Total	59	17	42	20	62

C CENTRAL BUREAU OF NARCOTICS

Sr. No	Name of office	outstanding paras of previous Reports	Paras settled	Balance paras	paras added in the new Report.	Total paras outstanding
1	DDO(CBN) Gwalior	34	-	34	9	43
2	DDO DNC Neemuch	24	9	15	2	17
3	DDO DNC Lucknow	-	-	-	26	26
4	DDO DNC Kota	12	2	10	11	21
5	DDO DOO-I Neemuch	6	1	5	5	10
6	DDO DOO-II Neemuch	21	16	5	9	14
7	DDO DOO Kota	29	8	21	12	33
8	DDO DOO Bhilwara	12	6	6	6	12
9	DDO DOO-I Chittorgarh	-	-	-	19	19
10	DOO - III Chittorgarh	18	10	8	5	13
11	DDO DOO-I Mandsaur	18	8	10	12	22
12	DDO DOO-II Mandsaur	14	9	5	11	16
	Total	188	69	119	127	246

D. MAIN SECRETARIAT/MERGED DDO

Sr.No	Name of office	outstanding paras of previous Reports	Paras settled	Balance paras	paras added in the new Report.	Total paras outstanding
1	DDO (CASH) Deptt. of Revenue	29	2	27	8	35

E. PAY & ACCOUNTS OFFICE

Sr. No	Name of office	outstanding paras of previous Reports	Paras settled	Balance paras	paras added in the new Report.	Total paras outstanding
1	PAO(GOAW) Ghazipur	4	3	1	4	5

C. DEPARTMENT OF EXPENDITURE

8. D.D.O. (CASH), EXPENDITURE

8.1 Violation of provisions in General Financial Rules in procurement of goods by Department of Expenditure.

Rule 146 of General Financial Rules (GFR) provides that goods costing above Rs.15000/ and upto Rs.1 Lac may be purchased on recommendation of Local Purchase Committee, made by them after survey of the market. Goods costing above Rs.1 lac and upto Rs.25 lacs are to be procured through Limited Tender Enquiry (Rule 151). Further demand should not be divided into small quantities to avoid the necessity of obtaining the sanction of higher authority (Rule 148).

On reviewing the purchase files of Department of Expenditure it has been observed that demand of the goods is being divided into small quantities and cost is being kept below Rs.1 lac in many cases to avoid purchases through Limited Tender Enquiry.

Department has been suggested not to split the demand to avoid open tender enquiry and float open tender enquiry in cases of goods costing above Rs. 1 lac is to be procured to obtain more responsive bids on competitive basis and to get benefit of bulk supply from the supplier.

8.2 Non- adjustment of L.T.C. advance after lapse of four years

L.T.C. advances amounting to Rs.1,16,700/- drawn by three officials of Department of Expenditure between 8/2003 to 3/2006 are found not adjusted. One of the advance of Rs.1,10,520/- drawn as early as 5.08.2003 has not been adjusted even after lapse of four years.

As per GID (2) below Rule 52(2) of GFR Part II- Compendium of Rules on Advances, in cases where LTC advance has been drawn, the final bill is to be preferred within one month of the completion of journey. If not done so, the authority should enforce lump sum recovery of the advance with penal interest thereon.

The department has been advised to adjust the outstanding L.T.C. advances at the earliest.

8.3 Irregular hiring of vehicles by GAD section of Department Of Expenditure.

Instructions have been issued vide Min. of Finance, O.M. No.F-15/2/2006-IFU-III dated 25/08/2006 that hiring of taxis may not be restored to unless the same are approved by Integrated finance Division.

The Integrated Finance Unit Department of Expenditure vide its approval had permitted the GAD branch of Department of Expenditure to hire a DLY car for meeting day to day requirement of the department.

Against the approval of hiring of one vehicle, the department has hired one to five vehicles a day and has incurred Rs.4.81Lacs and Rs.8.36Lacs during 2005-06 and 2006-07. Agency has also been paid for mileage from garage to garage of the agency, also violating the instruction issued in this regard.

Hiring of more than one vehicle, without the approval of IFU Div. by the GAD section of the Department of Expenditure and payment of dead mileage to the agency is against the D.F.P. Rules 1978 and austerity measures issued by the Government of India on time to time.

8.4 Irregular expenditure on running of Govt. vehicles.

The Department of Expenditure has made arrangement with petrol dealer M/S Prem Oil Corporation for supply of petrol to the vehicles owned by the department. In addition to the cost of the petrol, the department is also paying dealer thousands of rupees every month toward cost of other items being taken by drivers of the vehicles. These other items being paid every month have never been checked by the responsible officer and also not taken in the consumable stock register of the department.

Payment of the cost of items not surveyed and without recording in the appropriate Stock Register by the department is violation of Rule 187 (1), (2) & (3) of GFR. The pilferage of Govt. money in this case also cannot be ruled out.

Department has been suggested that other items needed by the driver to run the vehicle may be procured at department's level and be issued as per requirement of the vehicle to enforce economy and to prevent likely pilferages.

9. INSTITUTE OF GOVT. ACCOUNTS AND FINANCE (INGAF)

9.1 Non-recovery of course fee of Rs.46020/- by INGAF New Delhi.

The Institute of Govt. Accounts & Finance (INGAF) New Delhi, a training arm of Controller General of Accounts, conducts training courses for accounting staff of Ministries of Govt. of India and charge fee for courses conducted by it.

During internal inspection on records of the institute it revealed that course fee amounting to Rs.46,020/- for courses conducted during Nov.2004 to March 2007 were outstanding against various civil ministries.

INGAF New Delhi is to recover the outstanding fee at the earliest.

9.2 Incurring of expenditure beyond delegated financial powers.

In the following cases the competent authority have delegated powers to Head of office to make local purchase of stationery/stores up to Rs. 4,000/- p.a. only. But it has been observed that the offices have purchased stationery beyond delegated financial powers as mentioned against them below:-

Sl. No.	Name of office	YEAR	AMOUNT OF PURCHASE	REMARKS
1.	D.D.O., RTC (INGAF) Kolkata	2005-06 2006-07	23402 51481	Para 12 of IR. 5
2.	D.D.O., RTC,(INGAF) Mumbai	2005-06 2006-07	40213 52676	Para 5 of IR-15
3.	D.D.O., RTC (INGAF) Chennai	2005-06 2006-2007	6521 45562	Para 10 of IR- 48

The offices have been advised to obtain ex post-facto sanction of the competent Authority in this regard.

10. COMMON IRREGULARITY

10.1 Non-adjustment of advances drawn on Abstract Contingent Bills amounting to Rs.46.33 lacs.

Contingent expenditure to the tune of Rs.46,33,079/-drawn on Abstract Contingent Bills were pending awaiting Detailed Bills with various DDO's under Department of Expenditure as on 31/03/2007 as detailed below:

(Amount in Rupees)

Sr.No.	Name of Office	Amount
1	DDO (CASH) Department of Expenditure.	38,66,673
2	DDO INGAF New Delhi	6,08,213
3	DDO Finance Commission Divn.	1,58,193
	Total	46,33,079

GID 4 below Rule 258(2) of GFR provides that adjustment bills for advances drawn on Abstract Contingent Bills are to be submitted within one month of drawl of advances. Advances taken from Govt. funds and not accounted for by submitting adjustment bills are exposed to risk of either full or partial misuse of money. To avoid this and to ensure that no embezzlement could take place, advances taken from Govt. funds must be settled within shortest possible time not exceeding one month.

The respective DDO has been asked to adjust the outstanding advance on priority basis.

ANNEXURE. IV

LIST OF THE OFFICES AUDITED DURING THE YEAR 2007-08 AND STATUS OF AUDIT PARAS

Sl. No.	Name of Office	No. of Paras taken in previous report	No. of paras settled by the party after verifying compliances during current audit	No. of paras that could not be settled and shown to current audit	No. of paras taken afresh during current audit	Total No. of paras in current report
1.	D.D.O.(Cash) Deptt. of Expenditure, New Delhi	34	0	34	11	45
2.	D.D.O. Cost and Accounts Branch, New Delhi	18	5	13	7	20
3.	D.D.O. Finance Commission Div. New Delhi	8	4	4	6	10
4.	D.D.O. INGAF, New Delhi	11	0	11	8	19
5.	D.D.O. ,RTC, INGAF, Mumbai	9	5	4	6	10
6.	D.D.O. RTC, INGAF, Kolkata	13	5	8	4	12
7.	D.D.O. RTC, INGAF, Chennai	9	1	8	14	22
	TOTAL	102	20	82	56	138