

Significant audit findings included in the Audit Reports

CAG presents a number of Audit Reports on the basis of audit of the Union Government and state/UT governments to the Parliament/legislature. This chapter contains gist of some of the more important audit findings included in the Reports of CAG to the Parliament and state/union territory legislatures. Based on the technical nature of audit involved in the various audits, the reports have been divided into seven sectors¹ and two groups namely Regularity Audit Reports and Performance Audit Reports.

Union Government

The CAG of India audits Finance accounts and Appropriation accounts of the Union Government as well as various transactions in these accounts.

Civil

The observations from the audit of various financial transactions of the civil ministries and departments are included in the Civil Audit Reports. Highlights of the some of the significant audit findings are discussed below:

Regularity audit

- Improper planning and lack of seriousness of the Income Tax Department in utilising the land and buildings acquired by it for office and residential purposes resulted in idling of Rs.50 crore for periods ranging from two to 12 years and avoidable expenditure of Rs.12 crore on payment of interest, extension charges and rent of the hired buildings. The Department also incurred additional expenditure of Rs.1.23 crore on the maintenance of an unoccupied building between March 2003 and February 2005 and continued to incur expenditure of Rs. six crore per annum on rent and maintenance of other hired and unoccupied buildings beyond February 2005.
- The Chief Postmasters General of 13 Postal circles failed to implement the instructions of the Department of Posts to deduct commission of Rs. 3.85 crore on purchase of revenue stamps from state governments.
- In disregard to the rules and regulations governing the employment of locally recruited staff, the missions and posts abroad continued to employ locally recruited staff and spent unauthorised expenditure of Rs.2.54 crore.
- Persistent non-compliance by the Indian missions abroad with the instructions of the Ministry of External Affairs for not holding cash balance in excess of requirement resulted in loss of interest of Rs.1.79 crore.
- In violation of Ministry's instructions, the Indian missions at Port Moresby, Suva and Helsinki purchased full fare economy class tickets instead of economy class excursion air tickets for 212 trainees during the period April 1996 to August 2004, resulting in an wasteful expenditure of Rs.1.44 crore.
- India Government Mint, Noida, without properly assessing its housing need, constructed 96 staff quarters which resulted in 58 quarters remaining vacant and consequential idling of investment of Rs. 2.29 crore. Besides, the Department had to pay House Rent Allowance of Rs. 44 lakh to the staff for whom the quarters had been constructed.

¹ Civil, Autonomous Bodies, Scientific Departments, Defence Services, Direct Taxes, Indirect Taxes, Railways and Commercial

- Violation of the General Financial Rules and the guidelines issued by the Ministry of Finance resulted in release of Rs. 3.28 crore to four autonomous bodies during 2001-02 to 2003-04 although these bodies were generating sufficient internal resources and were reporting excess of income over expenditure.
- Failure to complete the mandatory procedures and non-observance of contractual terms of the agreement coupled with delay in execution of the work by CPWD led to extra expenditure and loss of Rs.1.65 crore in the case of construction of quarters in Kolkata.
- Postal Life Insurance authorities of the Andhra Pradesh, Gujarat, Madhya Pradesh, Tamil Nadu and West Bengal Postal circles and the Additional Directorate General of Army Postal Service (PLI Cell), Delhi did not implement the instructions of the Department of Posts and paid bonus amounting to Rupee one crore on policies surrendered before maturity.

Information Technology audit

Implementation and functioning of 'Sanchay Post' developed by Datnet Corporation Limited

- Even after seven years of its introduction, operations were computerized in only five per cent of the post offices.
- Sample checks disclosed that insufficient validation controls and inadequate monitoring resulted in minus balances in individual savings bank accounts to the tune of Rs 12 crore.
- The software permitted deposits amounting to Rs seven crore under the Monthly Income Scheme and Rs five crore under the Public Provident Fund scheme in excess of the prescribed maximum limits. Interest amounting to Rs 39.35 lakh was allowed on such irregular deposits under the Public Provident Fund scheme.
- The software did not calculate service charges amounting to Rs 6.51 lakh in respect of silent accounts.
- DoP did not have proper change management procedure in place, resulting in non-incorporation of new schemes and changes in business rules.
- The software lacked customer friendly features like automatic transfer of funds from one savings scheme to another, which were available in the software used in banks.

Computerized Inventory Control Project in Central Ordnance Depot, Delhi

- There were many inadequacies in the completed modules of the software resulting in generation of incorrect output data.
- Even after implementation of phase-I, various functions like provision review, valuation of inventory, work of Statistical and Method Branch in Central Ordnance Depot Delhi continued to be carried out manually.
- Finalisation of the annual maintenance contract for three years effective from December 2004 for Rs.2.68 crore was injudicious as final switching over of one module was yet to take place.

Computerised Inventory management system of Ordnance Factories

- The system was not able to detect excess drawal of material. Consequently, material was drawn in excess of the authorised quantity mentioned in the material warrant in Metal and Steel Factory, Ishapore and Engine Factory, Avadi.
- The value (Rs four crore) and quantity of stock showed negative figures in three factories.
- The system accepted incorrect dates and items with blank descriptions due to inadequate validation technique.

Performance audit

Centrally Sponsored schemes

Union Government sponsors some social welfare schemes for which it releases funds. These schemes are implemented by the states. Audit observations relating to Union and states on such schemes are placed before Parliament and legislature respectively. Some of the more important audit observations of such schemes are given below:

Implementation of Consumer Protection Act and Rules

- There were delays ranging from one month to around five years in setting up the State Commissions and the District Forums. Important and fundamental requirements as the prescription of fee for filing complaints, laying down uniform procedures for the purpose, fixing time limits for disposal of appeals, and stipulating time limit for filing execution petitions were not finalized till 16 to 18 years after the passing of the Act.
- Non availability of the funds, infrastructure, and staff contributed largely to delays in disposal of complaints and appeals.
- Though the Act envisaged inexpensive redressal of grievances, the advocate fee constituted as much as 82 per cent of the average cost incurred by the complainants in the redressal forums. There was an average delay on an All-India basis of 16 months in obtaining compensation from the date of filing of complaint.
- Majority of the consumers at large were not only unaware of their rights but also of the redressal mechanism for grievances. The prospects of achieving the objectives of speedy and inexpensive redressal of consumer grievances remained rather distant though 18 years had passed since the enactment of the Act.

Sarva Shiksha Abhiyan

- A scheme for education for all namely the Sarva Shiksha Abhiyan (SSA) was launched in 2001-02 for providing useful and relevant elementary education to all children.
- Performance audit of the implementation of the SSA disclosed that the funds fell short of the requirements to fulfil the objective of education for all in the age group of 6 to 14 years by 2010 with deficiencies ranging from 43 per cent to 57 per cent during 2001-05.
- Audit findings brought out various financial irregularities amounting to Rs. 473 crore in 14 states/UTs such as non-adjustment of advances, loss of interest on funds kept in current account, excess payment of contingent grant, purchases made beyond delegated powers etc. In addition, Rs. 100 crore from SSA funds was diverted for meeting expenditure not covered under the scheme.
- Though SSA envisaged at least one primary school/Education Guarantee Scheme/Alternative Innovative Education centre within one kilometre of each habitation throughout the country. The facility was not available in 31648 habitations.

Management of Foodgrains

- Performance audit of the Government of India's management of foodgrains for ensuring availability of foodgrains to the public at reasonable prices, revealed significant inefficiencies with quantified financial effect of Rs. 1310 crore and several instances of reimbursement of procurement incidentals comprising of excessive statutory levies/non-statutory charges.
- The off take of foodgrains under the APL scheme was just 10.88 per cent of the total allotment between 2000-01 and 2004-05, reflecting consistently poor assessment of APL requirements.
- As regards the BPL scheme, due to differences in norms, the number of BPL households identified by the state

governments was 32 per cent higher than the estimates of the Union Government, leading to scaling down of rations.

- There were irregularities in identification of BPL and AAY beneficiaries, including delays in the identification process and issue of ration cards, failure to weed out ineligible/ bogus beneficiaries and issue of ration cards to ineligible beneficiaries.
- There were irregularities in the distribution of foodgrains, including diversion of foodgrains and distribution of lower quantities vis-à-vis the prescribed scale. Further, there were deficiencies in the operation of Fair Price Shops, including non-display of statutorily mandated information and non-maintenance/ improper maintenance of records of issues and sales.
- The arrangements for quality control, monitoring and inspection were inadequate. There were shortfalls in quality inspection of foodgrains at the time of procurement as well as storage. The requirement of obtaining Utilisation Certificates from the states for confirming distribution of foodgrains allocated from the Central pool was, in effect, not being acted upon. Further, the Area Officers Scheme introduced by the Ministry was practically non-functional. Similarly, the system of inspection by District Level Officers and Vigilance Committees (VC) over the functioning of Fair Price Shops was deficient, with most VCs being either non-existent or defunct and the actual number of inspections being well below the prescribed frequency.

Audit of disinvestment of Government's shareholding in selected PSUs during 1999-2003

- Audit examination of nine PSUs disinvested between 1999-2000 and 2002-03 revealed that while the broad procedure for disinvestment had been defined, no clear accountability regime was in place for the disinvestment process. Responsibility for various aspects of valuation and post disinvestment issues were sought to be shifted among the PSUs, the administrative ministry and the Department of Disinvestment.
- There was hardly any critical assessment of the work done by the Global Advisors; in fact in most cases the Global Advisors were unable to generate adequate competition in the bidding process. Government also contributed to this scenario by delaying decisions on crucial questions affecting the financial health of the PSUs, including restructuring of capital which, if addressed promptly, were likely to generate more interest and keenness among prospective bidders.
- Government had no system in place to verify and ensure that post disinvestment, the strategic partners had, in fact, brought in the technology and finance for turning around and improving the performance of the disinvested PSUs. In fact three PSUs (Modern Foods Industries Limited, Hindustan Teleprinter Limited (HTL) and Paradeep Phosphates Limited (PPL)) had been referred to Board for Industrial and Financial Reconstruction after disinvestment.
- Government has also been saddled with litigation and uncertainties after disinvestment. In the case of HTL and PPL, the strategic partners have made claims on Government of about its sale values. In the case of Indian Petrochemicals Corporation Limited, there is a substantial claim on Government from the strategic partner on grounds of non-disclosure in financial statements. In the case of Videsh Sanchar Nigam Limited, Government has not been able to derive any benefit from the surplus land in the possession of the company.

Environment audit

Conservation and Protection of Tigers in Tiger Reserves

- The state governments and the Central Government in many cases did not approve the management plans. The annual plans of operation did not always have correlation with the management plans. The state governments did

not, in many cases, release their share of funds. Cases of diversion of Central funds for other purposes were also noticed during audit.

- The Project Tiger Directorate did not have the wherewithal to undertake any monitoring of the implementation of the project. It had only seven personnel including non-ministerial staff and could not even process the periodical reports and returns received from the Tiger Reserves or to critically examine the management plans and issue appropriate directions. Implementation of the project was thus entirely in the hands of the state governments whose priorities did not always coincide with those of the Project Tiger Directorate.
- Efforts for relocation of the people living within the Tiger Reserves as well as removal and prevention of encroachment essential to ease the biotic pressure on the tiger population did not succeed primarily because of lack of resources. Against the requirement of about Rs.11000 crore to relocate 64951 families living within the Tiger Reserves, the allocation in the Five Year Plan was a meagre Rs.11 crore. The state governments did not properly utilize even this money.
- The implementation of the project was severely hampered by understaffing in the Tiger Reserves. Many persons employed were overage, undertrained and underequipped in many cases. The intelligence and communication network at the Reserves level was also weak.
- In the 15 Tiger Reserves created up to 1984, the total number of tigers increased from 1121 in 1984 to 1141 in 2001-02, a rate of increase which highlights the ineffectiveness of the measures taken under the Project Tiger to attain a viable tiger population. During the same period, the overall tiger population in the country declined from 3623 to 2906.

Defence Services

Some of the more important observations noted during the audit of Defence Ministry and Defence Services are given below:

Regularity audit

- The Ministry acquired five Executive Jets at a cost of Rs 713 crore. The poor usage of the aircrafts sought to be replaced did not justify the acquisition which was made through a non-competitive process, entailing acceptance of an exorbitant amount of Rs 126.90 crore for five aircrafts towards modification of interiors and in-flight entertainment.
- Twelve Unmanned Aerial Vehicles (UAVs) imported at a cost of Rs 567 crore in the wake of the Kargil Review Committee recommendation could not be utilized due to injudicious selection of operational sites and inability of Navy to complete infrastructure facilities in time for their operations.
- Three Dornier aircrafts costing Rs 102 crore received in March 2001 by the Coast Guard for marine pollution surveillance were not provided with vital operational role equipment due to improper handling by Government. There was no assurance that the equipment contracted after much delay was appropriate.
- Poor planning resulted in delay in completion of works services for phase-I of Service Support Centre for SU-30 aircraft leading to non-commissioning of equipment worth Rs 54 crore since June/October 2004.
- The Director General Ordnance Services, Army HQ placed three indents between March 1999 and March 2001 on Bharat Electronics Limited for supply of 2500 radio sets without taking into account the post upgradation requirement of spares. After retromodification, the spares valued at Rs three crore procured earlier became surplus.
- Inadequate control over consumption of cartridges during pre-proof test coupled with the failure of the Rifle

Factory, Ishapore to stabilize the production process of 5.56 mm rifle led to excess consumption of cartridges of Rs 3.14 crore.

- Upward revision of the estimate of yarn for the manufacture of vests by the Ordnance Clothing Factory, Shahjahanpur in September 2004 to cover-up their failure to exercise adequate control over the production process led to excess consumption of yarn of Rs 1.91 crore during 2001-04.
- Failure of the Department of Defence Production and Supplies in formulating correct and comprehensive terms in supply orders placed on two firms for supply of assault track way resulted in undue benefit of Rs 1.23 crore to the firms.

Performance audit

Licensed manufacture of an aircraft

- Indian Air Force (IAF) procured 50 aircraft 'A' from a foreign country between 1997 and 2004. The Government approved licensed manufacture of 140 aircraft 'A' by Hindustan Aeronautics Limited (HAL) in 2000. The project was expected to be completed by 2017-2018. The order for the first block of 34 aircraft was placed on HAL in December 2003.
- Specification of vital air borne systems to be integrated on the aircraft 'A' was not frozen before entering into a contract for its licensed manufacture.
- Delivery schedule of the licensed manufacturing programme had to be compressed to meet operational requirements of the IAF indicating inadequate planning for the programme.
- The contract with the Original Equipment Manufacturer (OEM) for licensed manufacture had several infirmities. The entire licence fee for manufacture of 140 aircraft till 2017-2018 was paid upfront, without any provision for reduction in case a lower number were finally manufactured.
- The cost of indigenous manufacture worked out to be more than import cost. Besides, there were cost escalations, and in the absence of binding provisions, the cost continues to rise.
- Establishment of repair and overhaul facilities were lagging behind schedule leading to increased dependence on the OEM for repair.

Autonomous Bodies

During 2004-05, there were 253 central autonomous bodies. Government of India released grant of Rs. 12,291 crore and loan of Rs. 90 crore to these autonomous bodies. Major audit findings are summarised as under:

Regularity audit

- Delhi Development Authority (DDA) spent Rs. 2,061 crore during 2000-01 to 2004-05 on various land developmental schemes. Performance audit of six such schemes involving expenditure of Rs. 605 crore during the five years period revealed lack of financial control over expenditure, non-adherence to codal provisions in award of works and lack of co-ordination with other civic agencies which resulted in undue delays as well as extra expenditure.
- Expenditure of Rs. 34 crore on construction of command tanks and reservoirs by DDA was rendered idle as it was not linked to the actual availability of water. Lack of adequate scrutiny of tender rates and comparison with rates accepted for similar works during the same time resulted in additional expenditure of Rs. seven crore. Further,

non-adherence to codal provisions requiring availability of structural drawings and materials as well as clear site before award of works resulted in delay in completion of works upto over three years as well as cost escalation of Rs. seven crore.

- The activities of the National Capital Region Planning Board included funding of projects in the National Capital Region. The management of funds by the Board was uneconomical and inefficient, which resulted in loss of interest of Rs. 45 crore. Tax planning was deficient. As a result, avoidable expenditure of Rs. eight crore was incurred on payment of penalty and interest. Project financing was extended without proper appraisal which resulted in withdrawal of several projects by the implementing agencies. The terms of the loan agreements did not take into account market practices; further, the lending rates were not structured to promote planned development in the region.
- Prasar Bharati extended undue financial benefit of Rs. 11 crore to the producer of a serial by way of irregular grant of additional Free Commercial Time up to July 2001. During the subsequent period of telecast, the producer enjoyed concessional telecast fee and the same total quantum of free commercial time as before.
- The Employees' Provident Fund Organisation spent Rs. nine crore on distribution of gold medallion to its staff in contravention of Government of India's economy instructions and the Fundamental Rules.

Railways

Separate Audit Reports are presented to the Parliament on Railway Ministry. The gist of more important audit findings are as under:

Regularity audit

- By adopting a less remunerative method for calculation of postal tariff charges, Railways suffered loss of revenue of Rs.81 crore. In addition, non-revision of rates resulted in short recovery of postal haulage charges of Rs.102 crore in respect of non-postal vans.
- Expenditure of Rs.95 crore on a project, which was financially unviable, ab initio, remained unproductive.
- Carrying the goods traffic regularly by the longer route, without rationalising it for charging freight resulted in loss of revenue of Rs.26 crore.
- Failure of Railway Administration to ensure availability of plans, drawings and clear site for works resulted in short-closures/ termination of the contracts leading to abnormal delay in completion of the project and consequent escalation in cost by Rs.18 crore, idling of investment of Rs.55 crore and deprived the Railways of the benefit of annual savings of Rs. nine crore.
- Failure of Railway administration to maintain the staff quarters properly and allot them to eligible employees immediately on falling vacant resulted in loss of Rs.18 crore and in another case, failure to recover damaged rent/eviction of the premise resulted in loss of Rs.15 crore from 1 April 2000 to 31 March 2005.
- Medical and Health Department of Indian Railways did not adopt a health policy after issue of the National Health Policy in 2002. It also did not devise parameters/ health indicators to evaluate its services.

Information Technology audit

- IT Audit of Pay Roll and Independent Module (PRIME), to the extent implemented by three Zonal Railways, revealed significant deficiencies as nine of the 18 sub modules developed were not put to use, leading to sub-optimal utilisation of the application.

- The Traffic Accounting System (TAS) introduced on Metro Railway, Kolkata was deficient both in application and general controls. Implementation of non-cluster solution, in contravention of the recommendation of Regional Computer Centre, Kolkata, adversely affected the on-line processing. In the absence of incorporation of validation checks, the system accepted any value entered as the amount of bill without cross verifying the availability of funds under the corresponding heads.

Direct taxes

During 2004-05, Union Government collected Rs. 1,32,771 crore as Revenue from direct taxes. Audit of collection of revenues (direct taxes and indirect taxes) was conducted under section 16 of the CAG's DPC Act, 1971. A total of 15,986 observations on underassessment/over assessment involving tax effect of Rs.6, 667 crore were raised in audit during 2004-05. The Report includes 683 cases of major irregularities involving under charge of tax of Rs.3,486 crore. Highlights of the important audit observations are indicated below:

Regularity audit

- Audit of income tax assessments of a non-life insurance companies for the assessment years 1995-2000 and eight other such companies for the assessment years 2001-04 disclosed that the companies earned a profit of Rs. 1,164 crore on realisation of investments/sale of shares of companies and redemption of such investments, which was directly taken to the 'General Reserve Account' in the Balance Sheet, without crediting it to the Profit & Loss Account of the respective assessment years. The profit was possibly escaping assessment as they were not considered to be taxable owing to omission of Rule 5(b) of first schedule to the Income Tax Act with effect from the assessment year 1989-90. This resulted in revenue loss of Rs. 407 crore to the Government. The department accepted audit observation.
- Assessment of ICICI Bank Limited for assessment year 1996-97 was revised in February 2000 at the total income of Rs.224 crore. The assessee was allowed inadmissible deduction of Rs.301 crore on account of bad debts written off which *inter alia* included provision for doubtful debts of Rs. 158 crore (current year-Rs.16 crore, earlier years Rs.142 crore) appropriated through special reserve account. Further, the assessee was also allowed deduction of Rs.12 crore on account of provision for bad & doubtful debts admissible to bank which was also required to be withdrawn as bad debts written off allowed as deduction was in excess of the provisions admissible to the bank under the Act. The omission resulted in incorrect allowance of deduction aggregating Rs.170 crore involving under assessment of income to that extent and thereby short levy of tax of Rs.78 crore.

Performance audit

Efficiency of summary assessment scheme and process of selection of cases for scrutiny

Audit of the rationale, scope and actual implementation of the summary scheme and evaluation of its implication on revenues disclosed followings:

- Audit test checked 64,755 summary assessment cases pertaining to period 2002-05 and noticed mistakes in 1,392 cases as a result of which assessee's availed unentitled benefit of Rs.391 crore .
- Audit recommended that the Government may have the summary assessments scheme studied by an expert group with a view to finding ways of reducing the quantum of revenue forgone due to unentitled benefits to assessee's in the scheme.
- In case of Tata Iron & Steel Company Limited for the assessment year 2002-03 higher tax liability under special provisions, although offered by the assessee, was not adopted by the assessing officer resulting in non-levy of tax of Rs. 11 crore.

Effectiveness of Search and Seizure operations

Review of effectiveness of search and seizure operations and consequential assessments completed during the period June 2001 to September 2005 disclosed followings:

- There were cases of unsuccessful searches. In the absence of relevant satisfaction notes, the basis on which the searches were carried out could not be ascertained.
- Despite penal provisions of section 158 BFA(2), assessees returned far lower incomes than what was finally assessed to tax. Statements made under section 132(4) by the assessee during search were not correctly considered in the appraisal report/assessment.
- The reasons for variation between appraisal reports and assessment orders were not recorded in writing despite instructions of Central Board of Direct Taxes.
- Audit recommended that the Government may consider amending relevant provisions of the Income Tax Act, 1961, which inter alia included non specification of time limit for issue of notice under section 158 BD and lack of specific provisions for assessment of search cases in the Wealth Tax Act so that unintended benefits do not accrue to the assessees contrary to the spirit of special provisions of taxation.
- Overall picture of expenditure incurred by the investigation wing of 10 states as well as by the wing conducting assessment of search cases is 11 per cent of the total expenditure of the department in those states whereas the revenue gain out of block assessment cases forms only 1.80 *per cent* of the total revenue collection of the department in these states.

Assessment Information System (AST) of the Income Tax Department

- The AST system, which was one of the biggest initiatives of the IT processes of the Income Tax Department, had several process weaknesses which considerably restricted the usefulness of the system. Although the initiative commenced in 1993, only 58 *per cent* of the intended users were brought onto the system so far.
- The planning was weak for the system identification and acquisition and feasibility studies, whether technical or economic, were not done before undertaking the project. This lack of planning resulted in unaddressed integration issues with other income tax departments' applications and prior period data of the department. There was low user awareness about the features of the system and consequent non utilization of functionalities other than those for processing and rectification.
- The system required several changes since inception indicating weaknesses in design, and testing. There was no method for assessment of impact for these changes. Some of the controls which were available in the manual environment were not functioning effectively in the computerized system. There was an unacceptable level of manual overrides which affects the output integrity of the system.
- Problems were noticed in inputs, outputs and data processing integrity. The system did not evaluate the integrity of input and output data as well as that of data processing. Lack of adequate technical manpower affected operational efficiency.

Indirect taxes - Customs

During 2004-05, Union Government collected Customs duty of Rs. 57,610 crore. Some of the more important audit findings of the audit of central revenues-customs are as under:

Regularity audit

- Assessable value involved in provisionally assessed cases in 25 commissionerates represented 31 per cent of entire

assessments. Number of provisional assessments as well as their bond value increased year after year and finalisation of provisional assessment cases did not keep pace with fresh receipts leading to more than doubling of cases between 2001 and 2004.

- Age analysis of 44,169 cases with bond value of Rs.83,924 crore as on 31 December 2004 revealed pendency of 77 per cent for more than a year and 23 per cent for more than three years.
- Non compliance to Customs Valuation Rules, 1988 in 525 cases resulted in non/short levy of duty amounting to Rs.395 crore.
- 25 un-finalised cases of project imports on account of non/delayed submission of requisite documents within prescribed period in accordance with Project Import Regulations, 1986 involved non realisation of customs duty of Rs.70 crore.
- Failure to obtain security deposit from importers in violation of Customs (Provisional Assessment) Regulations, 1963 in 569 non valuation cases amounted to Rs.1,521 crore. Non recovery of extra duty deposit of Rs. 28 crore in 754 cases involving valuation dispute was also noticed.
- Despite submission of relevant documents for finalisation of provisional assessment, 79 cases involving bond value of Rs.11 crore remained un-finalised for six months to six and a half years.
- Failure to follow clear instructions to not resort to provisional assessment in cases of non-declaration, short landing etc. or to assess goods on higher assessable value resulted in postponement of duty amount of Rs. six crore in 126 cases.
- Of demand notices for Rs.35 crore issued in 575 cases, department was able to recover only Rs.1.20 crore in four cases.
- Improper maintenance of records and lack of internal control causing incorrect reporting of pendency by commissionerates to Board, as well as inconsistency in data of assessment group and special valuation branch/special intelligence and investigation branch (SVB/SIIB) along with ineffective electronic data interchange (EDI) system was in evidence.

Advance Licensing Scheme/Duty Exemption Entitlement Certificate (DEEC)

- Data furnished by 18 regional licensing authorities (RLAs) revealed that free on board (FOB) value of exports actually realised was only 27 per cent of that prescribed for 90,807 licences. It did not tally with that furnished by Director General of Foreign Trade.
- Lack of coordination between customs and RLA, non-monitoring/ submission of documents in RLAs was in evidence in 194 cases of import/ export involving customs duty of Rs.122 crore along with interest of Rs.49 crore besides penalty of Rs.51 crore.
- In 146 advance licences issued by 16 RLAs duty of Rs.68 crore and interest of Rs.26 crore was recoverable. Of this 57 per cent was recoverable from 13 licencees alone.
- In 76 cases of RLA Chennai and Kolkata, the Customs failed to initiate action against defaulter importers to recover customs duty of Rs. eight crore, interest of Rs. six crore on duty free imports of goods worth Rs.21.34 crore.
- Non-monitoring of 185 cases of non-submission of documents evidencing fulfilment of export obligations (EO) on expiry of EO period by RLAs/customs resulted in duty foregone amounting to Rs.188 crore besides interest of Rs.56 crore.
- Import of material in excess of adhoc norms/ standard input output norms (SION) fixed by special advance licensing committee (SALC) in 33 cases and imports made despite rejected applications in seven cases entailed recovery of duty amounting to Rs.3.52 crore besides interest of Rs.1.67 crore.
- Extension of EO period by seven RLAs in 18 cases without imposition of composition fee and non-recovery of duty

and interest in cases of extension beyond validity period entailed recovery of Rs.4.21crore.

- Non-monitoring of 1739 bonds for Rs.2,537 crore and non-renewal of bank guarantee (BGs) in 566 cases for Rs.34 crore executed in nine custom houses and one RLA led to non discharge/ non enforcement of bonds/ BGs on expiry of their EO/validity period.
- Non realisation of foreign exchange of Rs.19 crore in 12 cases entailed non-recovery of customs duty amounting to Rs. seven crore besides interest of Rs. two crore on unutilised inputs of Rs.14 crore.
- Other irregularities like incorrect fulfilment of EO, availing of double benefit, imports of inputs beyond validity period of licence as well as before issue licence, incorrect clubbing of licences and excess imports due to non observance of licence conditions involved incorrect grant of exemption of duty amounting to Rs.15 crore besides interest of Rs. seven crore.

Indirect taxes : Central Excise and Service Tax

In 2004-05, Union Government collected Central Excise of Rs. 99,125 crore. Highlights of the some of the important audit findings are given below:

Regularity audit

Central excise

- The actual collections of Excise duty fell short of the budget estimates as well as the revised estimates year after year. Despite this, Government continued to make optimistic projections during presentation of the annual budget. The budget estimate 2004-05 was pitched at Rs.1,08,500 crore. The collections fell short of the budget estimates by Rs.9,375 crore or 8.64 per cent in 2004-05.
- Absence of appropriate provisions in the Modvat/ Cenvat credit rules resulted in loss of revenue of Rs 63 crore to the government. This was pointed out to the department in November 2004. While admitting the objection Ministry has reported (December 2005) that recovery mechanism have been introduced under clause 83 (Fourth schedule of Finance Act) 2005 with retrospective effect.
- Instances of undervaluation due to non-inclusion of additional consideration in assessable value, adoption of lower mutually agreed price, incorrect adoption of transaction value, incorrect adoption of assessable value of goods manufactured by job work or incorrect adoption/non-adoption of assessable value on the basis of Maximum Retail Price etc. were noticed. Duty levied short amounted to Rs.316 crore.

Service tax

During 2004-05, Union Government collected service tax of Rs. 14,196 crore. Audit of the collection of service tax disclosed that:

- The actual collections were lower than the budget estimates except in three of the five years 2000-01 to 2004-05, all through the five year period. Shortfall ranged from Rs.110 crore to Rs.1904 crore or 1.38 to 31.60 *per cent* over budget estimates during these years. In one of the five years i.e. 2002-03 receipts did not match even scaled down revised estimates and in 2003-04 did not reach increased budget estimate.

Performance audit

- In spite of incorporation of time limit in the statute with effect from 11 May 2001, 15,251 cases involving central excise duty of Rs.8,626 crore were pending adjudication as on 31 March 2004. Increase was 13 *per cent* in terms of number and 51 *per cent* in terms of amount as compared to position on 31 March 2001.

Commercial - Central Public Sector Undertakings

In 2004-05, there were 288 central government companies, 89 deemed government companies and six statutory corporations. Some of the more important findings included in the Central Commercial Audit Reports are as under:

Regularity audit

- Bharat Sanchar Nigam Limited failed to enforce the provisions of interconnect agreement with M/s Data Access (India) Limited resulting in accumulation and non-realization of dues of Rs. 220 crore.
- Two captive power plants commissioned at Kathara area of Central Coalfields Limited in May, 1995 at Rs. 80 crore remained completely idle since May, 2000.
- Hindustan Petroleum Corporation Limited incurred extra expenditure of Rs.71 crore on transportation of bulk Liquefied Petroleum Gas from Mumbai to bottling plant at Usar and its re-transportation to Mumbai for sale to consumers.
- Bharat Sanchar Nigam Limited did not implement stipulated safeguards resulting in accumulation of outstanding dues of Rs 42 crore in seven telecom circles on post-paid mobile telephones.
- North Eastern Development Finance Corporation Limited financed a project in April 2001 for setting up a call centre at the time of recession in Information Technology industry, without any detailed investigation of the promoters' past record and technical feasibility of the project. As a result, Rs. nine crore in DSS Contract Limited became wasteful. Further, the Corporation could not recover the interest on the above loan and other charges amounting to Rs. five crore for the period up to March 2005.
- New India Assurance Company Limited and National Insurance Company Limited issued group policies on undue and irregular terms and conditions to Golden Trust Financial Services and incurred loss of Rs.22 crore and Rs.5.59 respectively.
- Balmer Lawrie & Company Limited contributed Rs.15 crore in December 2003 to a superannuation fund required to be maintained solely by its officers in which the Company did not have any legal or contractual obligation to contribute. This resulted in extension of undue benefit to a certain section of employees.
- Indian Oil Corporation Limited could not recover Rs.14 crore from Dabhol Power Company due to the absence of a system for timely flow of documents between its various departments and consequent delay in raising final bills against supplies of high speed diesel/naphtha.
- GAIL (India) Limited sold gas valuing Rs.10 crore to various consumers in Agra and Firozabad. Due to tampering of meter skids by consumers, the value of gas could not be billed to the consumers.
- Rashtriya Ispat Nigam Limited procured US coal from July 2004 to August 2004 without a correct assessment of its requirement and incurred an extra expenditure of Rs.36 crore.
- Mumbai unit of Mahanagar Telephone Nigam Limited spent Rs. five crore on establishment of a Fraud Management Control Centre, which was not commissioned even after five years.
- Loans and interest of Rs. four crore including interest of Rs.1.24 crore had become doubtful of recovery due to lack of proper verification of documents and inadequate monitoring by PNB Housing Finance Limited.

Performance audit

Import of Coking Coal by Steel Authority of India Limited

- SAIL failed to take adequate and timely action through properly planned purchase of hard coking coal resulting in avoidable expenditure of Rs. 344 crore.

- It failed to take advantage of existing offers for hard coking coal and acquired 0.46 million tonnes of hard coking coal in 2003-04, resulting in excess expenditure of Rs.232 crore on spot purchases of hard coking coal.
- It incurred avoidable additional expenditure of Rs. 176 crore by signing term agreements for hard and soft coking coal with two foreign suppliers while simultaneously keeping deliveries under the Long Term agreements with them in abeyance.
- It failed to exercise the mutual option quantity of 0.150 million tonnes of soft coking coal in the LT agreement with a supplier for 2003-04 resulting in loss of Rs.32 crore.

Telecom business relating to GAIL (India) Limited

- GAIL (India) Limited started its GAIL-Tel project with an investment of Rs. 263 crore without preparing Detailed Project Report. It also implemented Phase IIB of the project without considering the unsatisfactory performance of the previous phases. The project could not achieve its targets in terms of capacity sales or sales revenue during any of the four years of its operations till March 2005. The project had been incurring losses since 2003-04. The cumulative loss of the project till September 2005 was Rs. nine crore.
- The Company also lost projected revenue of Rs. 442 crore due to delays ranging from 9 to 19 months in the completion of various phases of the project.

Wireless-in-Local Loop (WLL) telephone services in Bharat Sanchar Nigam Limited

- Expansion of the capacity during 2002-05 in seven circles despite underutilisation of the existing capacity, led to injudicious expenditure of Rs 109 crore.
- The Company procured WLL systems based on obsolete technologies valued at Rs 1,480 crore during October 2000 to March 2005 though the latest WLL CDMA 2000-1X technology was available since October 2000.
- Procurement of 40,660 fixed wireless terminals (FWTs), 3,40,380 handheld wireless terminals (HHTs), 8,975 fixed remote stations (FRS) and 8200 wall sets (WS) for 17 circles and two Metro districts without keeping in view the customers' preferences and demand led to idle investment of Rs 229 crore.
- 13 circles and the two metro districts did not prepare separate costing records for the WLL telephone service. The records of seven circles reflected a total loss of Rs 122 crore.
- Ten circles, which prepared revenue projections for the WLL telephone service failed to realise the projected revenue of Rs. 139 crore during the last five years up to 2004-05.
- Failure to obtain the performance bank guarantees and its premature release resulted in undue financial benefits of Rs 26 crore to suppliers.
- Despite the closure of WLL connections, 16,712 FWTs and 20,590 HHTs were not recovered from the concerned customers in 16 circles and one Metro District, which led to a loss of Rs 26 crore.

State Governments

CAG conducts audit of all expenditure incurred from the Consolidated Fund of each state/union territory and audit of their Public Accounts and Contingency Funds. The Audit Reports on each state/union territory are presented in the legislature of the respective state/union territory. More important audit findings are given below:

Regularity audit

- In Panchyati Raj and Rural Development Department in Andhra Pradesh, improper selection of water source for a

comprehensive water supply scheme had deprived the targeted habitation in Bibinagar area, District Nalgonda, of fluoride free drinking water. This rendered the entire outlay of Rs 25 crore on the scheme unfruitful.

- In West Bengal, the money collected on toll proceeds by Hoogly River Bridge Commissioners remained idle in the deposit account with Pay and Accounts Office, Kolkata, which led to loss of interest of Rs 22 crore and penal interest of Rs 10 crore.
- In Maharashtra, delay in taking a decision to accept beneficial offer of the Ballarpur Industries Limited (BILT) necessitated the Government to sell bamboo to the BILT at lower price resulting in unintended recurring benefit to a contractor from 2004-05 onward and a loss of Rs 12 crore for 2001-04.
- Excavation of branch canals to irrigate 4,191 acres of new ayacut of Periyar System in Tamil Nadu, even when there was insufficient water to irrigate the existing ayacut resulted in expenditure of Rs 12 crore remaining unfruitful.
- A bridge, constructed by Road Construction Department in Jharkhand over Damodar river between Bokaro and Chandrapura at a cost of Rs. four crore was not put to use in the absence of an approach road rendering the investment idle.
- In Karnataka, delay in disposing of an old helicopter and injudicious action to overhaul and maintain it resulted in a wasteful expenditure of Rs 2.41 crore.
- In Chhattisgarh, the Conservator of Forest issued of irregular orders for physical verifications of saw mills without budget provisions and approval of higher authorities resulted in fraudulent payment of Rs 2.29 crore.
- Disregard to rules and failure to conduct physical verifications by district rural development agencies resulted in misappropriation of 19,908 quintals of wheat valuing Rs 1.19 crore in Haryana.
- In Goa, indecision of the Housing Department to restructure the loans availed from the Life Insurance Corporation resulted in avoidable liability of Rs 1.62 crore to the government.

Performance audit

Integrated Child Development Scheme in Jharkhand, Madhya Pradesh and West Bengal

- Review on implementation of integrated child development scheme disclosed that the implementation of scheme was marginal on health and nutritional status of children as more than 55 *per cent* of the children were malnourished (Madhya Pradesh).
- The implementation of the scheme was hampered by inadequate infrastructural facilities, shortage of staff in the key areas, delayed procurement of food grains under Supplementary Nutrition Programme, inadequate visits to Anganwadis by supervisory and health staff and failure to create the desired level of awareness among mothers (West Bengal).
- In Jharkhand, supply of poshahar for supplementary nutrition was irregular and poshahar was deficient in stipulated calories. Important records like immunization registers, health cards were either not maintained or maintained improperly. Procurement and distribution of pre-school kits was inadequate.

Animal Husbandry, Tamil Nadu

- The integrated audit of Animal Husbandry Department in Tamil Nadu, disclosed that due to shortage of staff in Artificial Insemination Centres and reduction in the number of bulls for production of Frozen Semen Strews, the number of artificial insemination declined from 32-35 lakh in 2000-01 to 29-23 lakh in 2004-05. The average number of cattle units served per veterinary institution was 9,939 against the norm of 5,000.

Gujarat Maritime Board

- A review of working of the Gujarat Maritime Board (GMB) disclosed that meagre contribution in cargo handling by the GMB jetties and underutilization of wharfs, unfruitful expenditure on repairs to tugs and dredgers, unfruitful expenditure on dredging, incorrect application of rules for recovery of revenue, improper terms and conditions in the agreements leading to non-recovery.
- In addition, following performance audits were also conducted:
 - National Oil Seeds Production Programme (Andhra Pradesh),
 - Flood Control Measures (Bihar),
 - Employment Assurance Scheme (Jharkhand),
 - National Slum Development Programme (Maharashtra),
 - Health Systems Development Project (Orissa),
 - Impact of the Reproductive Child Health Programme (Uttar Pradesh),
 - Integrated audit of Jail Department (Rajasthan), and
 - Water Management for Irrigation (Haryana), etc.

Information Technology audit

- Deficiencies in the application software, security controls, audit trails, system documentation, etc. were noticed in the following IT Audits conducted during the year:
 - Computerization of Municipal Corporation of Hyderabad, Andhra Pradesh;
 - Recruitment application processing system in Kerala Public Service Commission, Kerala;
 - Koshwahini Treasury Information System for collection, accountal and utilisation of charges collected by Nagpur Improvement Trust under Gunthewari Act, 2001, Maharashtra;
 - Application and general controls in Karnataka Housing Board (Karnataka);
 - Teachers Provident Fund Accounting System in Orissa; and
 - Computerisation of employment exchanges in West Bengal.

Special Category States

For special attention to the audit of special category states, a separate wing in the Headquarters is responsible for processing the Audit Reports of those states. Some of the findings included in their Audit Reports are as follows:

Regularity audit

- In Manipur, misusing special provisions applicable to award work in cases of urgency, three Executive Engineers of Minor Irrigation Department awarded 126 contracts of Rs.six crore without calling for tenders. Four divisions of the Public Works Department also awarded 83 contracts valuing Rs. five crore for execution of normal repair and maintenance works without inviting tenders.
- Central allocation of Rs.2.68 crore provided for health care system was diverted to salary payments of staff while Rs. two crore meant for improvement of water supply projects in Kohima, was diverted to purchase/repair of departmental vehicles.

- In Sikkim, casual approach of the Rural Management and Development Department in framing estimates for 'Creation of Model Village in Sikkim' resulted in excess expenditure of Rs.2.29 crore. Further, Power Department incurred wasteful expenditure of Rs. four crore in providing power lines to a factory at government cost.
- In Uttaranchal, excess procurement of food grains at higher rates by the Food and Civil Supplies Department resulted in avoidable loss of Rs.1.73 crore.
- In Nagaland, the Likimro hydroelectric project completed at a cost of Rs.216 crore (with time and cost overrun of nine years and Rs.169 crore respectively) remained non-operational for two and half years after commissioning though Nagaland is a power deficit state and it imported almost all its energy requirement at a cost of Rs. 67 crore in the previous year.
- In Meghalaya, the Executive Engineer, PWD (Roads), Central Division, Jowai failed to restrict payment to the value of materials actually utilized by the contractor for construction of the sub-base course of the Dawaki-Amlarem Jowai section of national highway-40, resulting in extra expenditure of Rs.54 lakh.

Performance audit

- A review of the nutrition programme under the Pradhan Mantri Gramodaya Yojana (PMGY) in Arunachal Pradesh revealed diversion of central assistance of Rs.56 crore, failure in implementing the schemes in 27 out of 85 blocks, non-maintenance of records of distribution of food by Anganwadi Centres and loss of Rs. six crore due to procurement of food at higher rate and short shelf life.

Status of medical equipment, buildings and vehicles in hospitals/health centres and their utilization in Health Care Services

- The health care institutes were not established as per population norms. In six test checked districts of Aasam, shortfall of 52 Community Health Centres (60 *per cent*), 151 Primary Health Centres (44 *per cent*), and 394 SCs (19 *per cent*) indicated that there was inadequacy of infrastructure for rendering health care services. Due to the shortage of Community Health Centres and Primary Health Centres 45 lakh persons and 62 lakh persons were deprived of health care facilities and referral health care services respectively.

Working of Revenue Department

- The consolidation of holdings in 53 *per cent* of identified area in Himachal Pradesh was lying incomplete even after 50 years of launching of the scheme and incurring expenditure of Rs. 22 crore on running the department during 2000-2005 alone. Deputy Commissioners of Kinnaur, Mandi and Sirmour spent Rs.five crore of calamity relief fund on works not related to natural calamities during 2000-2005 and a sum of Rs. five crore released by them for execution of 806 works during the same period had not been utilized thereby depriving the victims of the natural calamities of immediate relief.
- The Public Health Engineering Department's objective of providing sufficient and safe drinking water to the urban and rural areas of Jammu and Kashmir was not achieved due to faulty planning, delayed/defective execution of works, wasteful and avoidable expenditure and diversion of funds. Despite availability of water in Srinagar, residents were deprived of this facility due to an improper distribution system.
- Material management in Food, Civil Supplies and Consumer Affairs Department in Tripura was unsatisfactory. The objective of ensuring food security to the people of the most remote localities was frustrated due to the absence of the fair price shops in those areas. Existence of 19,897 ration cards in excess of the population during the years 2001-03 resulted in excess lifting of 5,852 tonnes of rice valued at Rs. 3.64 crore. Due to non-completion of identification of beneficiaries under the targeted groups of below poverty line and AAY, subsidized rice worth Rs.19 crore failed to reach the eligible households.

- Under the Pradhan Mantri Gram Sadak Yojana (PMGSY) execution of seven road works in Mizoram, which did not connect any habitation, resulted in irregular expenditure/injudicious utilization of Rs.17 crore.

State Receipts

Audit of state revenue receipts embraces the audit of all tax and non-tax receipts of state government/UTs. Important findings in the Audit Reports are as under:

Regularity audit

Sales tax

- In Rajasthan, Gujarat, Uttar Pradesh and Delhi, contrary to the provision of the schemes, irregular exemption of tax of Rs 446 crore on interstate sales was granted for transfer of goods to places other than that declared in registration certificates without proof of movement of goods.
- Exemption was allowed against evasion-prone commodities on turnover of Rs.3,940 crore involving tax of Rs. 182 crore without sufferance of tax at earlier stages in Tamil Nadu.
- Grant of exemption on invalid/ fake defective/time barred declaration forms resulted in short realisation of tax of Rs. 179 crore in Delhi and Maharashtra.
- Incorrect application of rate of tax and non/short levy of tax resulted in under assessment of tax of Rs. 54 crore in Gujarat, Uttar Pradesh, Himachal Pradesh, Bihar and Karnataka.
- Due to non-existence of provision for levy of interest in Bombay Sales of Motor Spirit Taxation Act as applicable to Gujarat, government had to forego interest of Rs. 44 crore in seven assessments of four dealers.
- Cross verification in audit with other states revealed suppression of sales/purchases, use of unauthorised forms and dealers carrying business without getting themselves registered with the department resulting in short levy/evasion of tax of Rs. 32 crore in Jharkhand and Tamil Nadu.

State excise

- Considerable low yield of rectified spirit in private units as compared to co-operative/ government units resulted in loss of revenue of Rs. 102 crore in Karnataka.
- Non-realisation of arrears in Motor Vehicle Transport (MVT) departments on 31 March 2004 in Uttar Pradesh and Mumbai amounted to Rs. 732 crore. In Mumbai, arrears of land revenue amounting to Rs.55 crore were not processed for recovery. Similarly, Non-checking of vehicles plying without permit and without certificate of fitness in Mumbai and Uttar Pradesh resulted in loss of revenue of Rs. 58 crore.
- In 24 districts transport offices, tax dues of Rs.46 crore pertaining to 3,647 vehicles were neither paid by the vehicle owners nor demanded by the concerned authorities.
- In Bihar and Jharkhand, 406 retail excise shops remained unsettled and the department failed to run them departmentally. This led to loss of excise duty of Rs 34 crore. Similarly non-observance of prescribed procedure in settlement of India Made Foreign Liquor (IMFL) shops resulted in loss of Rs. 10 crore in Orissa.
- Inaction on the part of department against three licensees resulted in non-realisation of duty of Rs.11 crore on short/ non-receipt of rectified spirit/ extra neutral alcohol during the course of import under bond in West Bengal.

Stamp duty & registration fee

- In eight districts registries, adoption of incorrect rate resulted in short levy of stamp duty of Rs. 22 crore in Andhra Pradesh.

Electricity duty

- Failure of the West Bengal State Electricity Board and Calcutta Electricity Supply Corporation to raise demand notices resulted in unauthorised retention of government dues of Rs. 285 crore. Failure of the assessing authority to raise demand for short payment of electricity duty by the licensees resulted in non-realisation of duty of Rs. 40 crore.
- Interest of Rs. 71 crore was not levied and demanded from Maharashtra State Electricity Board for delay in remittance of electricity duty between March 2004 and 2005.

Land revenue

- In six cases, short levy of lease rent resulted in short realisation of revenue of Rs.568 crore of which Rs.478 crore was for the last five years in Tamil Nadu.

Interest receipts

- In Orissa, release of fresh grants/assistance to five organisations without making any recovery towards outstanding principal and interest resulted in non-realisation of interest of Rs. 193 crore (inclusive of penal interest of Rs. 58 crore).

Mining receipts

- Not raising demand for royalty and cost of ore for illegal extraction/removal of chromate ore in Orissa resulted in loss of revenue of Rs.16 crore.

Non tax

- Non compliance to provisions and determination of lower lease rent in respect of three leases relating to Bangalore Gulf club, Karnataka State Cricket Association and a retail petrol pump resulted in foregoing revenue of Rs. 514 crore for the period 1999-2004.

Commercial-State Public Sector Undertakings

During 2004-05, there were 1062 state government companies, 64 deemed government companies and 107 statutory corporations owned or controlled by state governments/union territories. Highlights of the more important audit observations in respect of state public sector companies are given below:

Regularity audit

- Lack of control by Punjab Agro Foodgrains Corporations Limited facilitated misappropriation of 17,554 tonnes of rice.
- In Rajasthan, three Vidyut Vitran Companies (Discoms) suffered revenue loss of Rs.110 crore due to grant of relief to agriculture consumers without a firm commitment from the government for reimbursement.
- Injudicious appointment of liaisoning agents by Maharashtra State Electricity Board to coordinate with coal fields and railways, with a view to minimising idle freight due to under loading of wagons and monitoring quality of coal though such agents had no official role to play in the above tasks, caused wasteful expenditure of Rs.76 crore.
- Madhya Pradesh State Electricity Board incurred avoidable extra expenditure of Rs.70 crore due to delay in evaluation of bids, commissioning of transformers and construction of substations.
- Audit of power sector companies disclosed instances of cost over run of Rs.55 crore, idle investment of Rs.59 crore and extra consumption of fuel to the tune of Rs.347 crore.
- Audit of energy conservation in West Bengal Power Development Corporation Limited and Durgapur Projects Limited revealed consumption of heat and electricity in excess of the respective norms entailing huge extra expenditure of Rs.648 crore.

- Bihar State Electricity Board sustained loss of Rs.59 crore due to time barred dues, failure to claim from the government the concession allowed to high tension consumers and defective tariff notification.
- Bihar Police Buildings Construction Corporation incurred extra expenditure of Rs.15 crore without the approval of the Government and Bihar Rajya Pul Nirman Nigam spent Rs.49 crore in excess of the sanction.
- Uttar Pradesh State Industrial Development Corporation Limited (UPSIDC) failed to develop vast area of land despite investment of Rs.76 crore leading to slow industrial development. It failed to evict encroachment from land valuing Rs.31 crore.
- Inaction on the part of the government in taking decision in respect of energy charges recoverable by Kerala State Electricity Board from a private consumer despite court directions resulted in non realisation of Rs.14 crore and interest loss of Rs. six crore.
- Sardar Sarovar Narmada Nigam Limited paid extra amount of Rs.11 crore to a contractor for machinery and manpower utilised in another work.
- Non-insertion of put/call option clause in the bonds issued by Gujarat Electricity Board would result in avoidable interest of Rs.106 crore when redeemed on maturity.
- Orissa Mining Corporation Limited extended undue benefit of Rs.16 crore to a contractor owing to incorrect assumption for price escalation and not taking corrective action even after knowing that the actual payment of wages by the contractor was substantially lower.
- Punjab State Electricity Board repaired 39,427 transformers and manufactured PCC poles in its workshops at an extra cost of Rs.15 crore as compared with the repair cost by private firms and prevailing market price of PCC poles.
- Sanction and disbursement of loans by Haryana State Industrial Corporation and Haryana Financial Corporation without safeguarding their interest led to non-recovery of Rs.10 crore.
- Failure of the Transmission Corporation of Andhra Pradesh Limited to finalise tenders for the work of erection of substations and connected lines within the validity period of the respective bids and subsequent award of work on rebid resulted in extra expenditure of Rs. eight crore.
- Failure of Tamil Nadu Electricity Board to restrict interest payment to an independent power producer as per terms of the power purchase agreement led to excess payment of Rs. four crore.
- Karnataka Neeravari Nigam Limited failed to utilise the hard rocks obtained from excavation of canal in a dam and allied work resulting in extra expenditure of Rs. two crore.
- In Assam, Audit noted loss of Rs. two crore on account of sale of tea leaves at lower rates, non enforcement of the terms of the agreement, undue benefit to consumers and incorrect categorization of consumers.

Environment audit

- West Bengal Power Development Corporation Limited and Durgapur Projects Limited failed to comply with emission and effluent standards prescribed by the Central West Bengal Pollution Control Boards. Consequently, these companies incurred additional expenditure of Rs. 5.55 crore.
- Even after spending Rs. 70.39 crore over a decade on replacement, renovation and modernisation of electrostatic precipitators, the emission level remained high in 18 out of 19 units.
- Pollutants like suspended particulates matters, respirable particulate matters, sulphur dioxide and nitrous oxides exceeded the standards prescribed for safe emission.
- Durgapur Chemical Limited, classified as the highest level of polluting industry, failed to control excessive effluent level to within norms. It consumed 24 per cent more electricity valuing Rs. eight crore.

- Review of record of three thermal power stations of Gujarat revealed the emission of excessive air pollutants in all the three plants mainly due to high ash content in coal, delay in construction of silos for dry ash handling and of microprocessor based controller in Gandhinagar TPS and delay in augmentation of ash handling system in Wanakbari TPS. Ukai TPS failed to bring the suspended solid effluents within prescribed limits in spite of show cause notices of the Gujarat Pollution Control Board.

Local Bodies

Local bodies mainly comprises of Zilla Parishad, Panchayat Samities, Gram Panchayat and urban local bodies like municipal corporations. Some of the major audit findings in the audit of local bodies are as under:

Regularity audit

Karnataka

- Prescribed internal controls were rendered ineffective as reconciliation of balances between controlling officers and zilla panchayats was in arrears. Subversion of internal controls by the officials of Zilla Panchayat, Kolar and Taluk Panchayat/ Sub-treasury, Malur facilitated misappropriation of Rs.1.74 crore by the Executive Officer, Taluk Panchayat, Malur.
- Programme implementation was deficient in many ways. The shelf of programmes was not prepared and there was delay in approval of action plan. In the implementation of Pradhan Mantri Gram Sadak Yojana, selection of roads was not realistic, financial impositions deprived the complete connectivity, quality control mechanism was very weak and impact assessment to assess the socio-economic improvement was not undertaken.

Kerala

- Government did not take appropriate measures to amend the provisions of the Acts and Rules for achieving clarity in the institutional and regulatory framework for accounts and audit of Local Self Government Institutions (LSGIs). Maintenance of primary accounting records is in complete disarray thereby seriously affecting the quality of governance within the corporation. There was no evidence of proper oversight by the Director of Urban Affairs to control and facilitate generation of reliable financial information.
- As a consequence of inadequate financial reporting, there was a near complete absence of reliable information about the overall finances of LSGIs. Determined efforts are called for to improve the unsatisfactory position of financial reporting in LSGIs. The state government should take strong initiatives in this area.

Tamil Nadu

- On account of deficiencies in planning, the computerization in the municipalities that started in 1997 is incomplete even after incurring an expenditure of Rs.15 crore and software developed was not fully utilized.
- Proper planning should precede any computerization efforts, focusing on the in-house expertise available and an effective internal control mechanism to monitor the implementation and operation of the computerization process may be put in place.
- Though all municipalities were required to set up complete waste processing and disposal facilities by December 2003, only two out of 151 municipalities did so as of September 2005 and only 45 obtained authorization from Tamil Nadu Pollution Control Board for setting up such facility. It was recommended that concerted action should be taken for acquisition of land and setting up waste disposal facilities with the authorization of Tamil Nadu Pollution Control Board.

