CHAPTER-IV
DEPARTMENT OF ELECTRONICS AND INFORMATION TECHNOLOGY

4.1 Deficiencies in Contract Management, Web hosting and Application Development by National Informatics Centre

Introduction

National Informatics Centre (NIC) was established in 1976 as an attached office under Department of Electronics & Information Technology (DeitY) and has since emerged as a "prime builder" of e-Government / e-Governance applications up to the grassroots level as well as a promoter of digital opportunities for sustainable development. NIC, through its Information Communication Technology (ICT) Network known as National Informatics Centre Network (NICNET), has institutional linkages with all the Ministries /Departments of the Central Government, State Governments/ Union Territories, and most of the District Administrations of India. NIC has been instrumental in steering e-Government/e-Governance applications in the government.

NIC with its Headquarters at New Delhi, has field units in all the 29 State capitals and 7 Union Territory Headquarters and more than 640 District centres in India and 19 administrative units. At the State level, NICs State/UT Units provide informatics support to the respective State Governments and at District level the NIC District Units provide informatics support to their respective District Offices. The financial outlay of NIC for five years from 2009-10 to 2013-14 is detailed below.

(₹ in crore)

Year	Revenue Expenditure	Capital Expenditure	Total Expenditure
2009-10	439.67	86.88	526.55
2010-11	564.56	132.68	697.24
2011-12	576.62	153.96	730.58
2012-13	523.39	133.87	657.26
2013-14	523.01	129.38	652.39

Source: Budget documents

NIC has set up state-of-the-art ICT infrastructure consisting of National and State Data Centres to manage the information systems of over 7000 websites of Central/State Governments, Disaster Recovery Centres, Network Operations facility to manage heterogeneous networks spread across Ministries, States and Districts to provide the services like SMS, Internet, Video-Conferencing and Capacity Building across the country.

NIC executes and maintains projects on behalf of Central, State and Union Territories Governments. Such Projects are known as paid projects in NIC which inter-alia include eight Mission Mode Projects (MMP)[1]. These project activities include procurement of specific requirements like hardware, software etc. to total solution.

Audit examined the selected contracts executed between 2009-10 to 2013-14. The audit was conducted at the NIC headquarters and selected states[2] and district data centers. Besides General Financial Rules, important audit criteria used were provisions of IT Act 2008 and rules and regulations made thereunder in respect of electronic governance, cyber security etc. internal guidelines, policies, procedures and targets lay down by the NIC for undertaking projects, hosting of websites and to provide the services were also kept in view by Audit. As the audit was conducted on test check basis, the audit findings are illustrative only and not exhaustive.

4.1.1 Audit Findings

4.1.1.1 Contract Management

(a) Due to improper planning, hardware and software worth ₹ 12.10 crore became obsolete and expenditure of ₹ 14.25 crore on digital mapping was unfruitful in Computer Aided Digital Mapping Project.

Computer Aided Digital Mapping (CADM) Project provides utility mapping in respect of six[3] Cities for five[4] infrastructure departments to build and maintain the network / services of respective department. Planning Commission sanctioned (February 2005) an amount of ₹ 47.67 crore to implement this project and the same was to be completed in 15 to 18 months. The total expenditure incurred on the project was ₹ 35.39 crore as on March 2013.

To implement this project, the base map data along with computer hardware and application software was required to be developed by National Remote Sensing Agency (NRSA) and Survey of India (SOI). Purchase Orders for procurement of hardware and software worth ₹ 12.10 crore were placed during April 2006 to July 2006 as detailed in **Annexure-IX.** The work of base map data (Aerial Photography and Geo-coded Digital Mapping data) was assigned to NRSA and SOI. For this purpose, while a Memorandum of Understanding (MoU) was executed between NIC and NRSA in June 2005, no MoU was entered with SOI. As per the MoU, the base map data was to be completed in 12 months. Work Orders were placed in May 2005 to SOI and during May 2005 to December 2007 on NRSA for base map data as detailed below:

1 e-Office, Immigration Visa Foreigners Registration & Tracking(IVFRT), e-Procurement e-Court, Road transport, India Portal, Agriculture and Public Distribution System

2 Delhi, Andhra Pradesh, Karnataka, Madhya Pradesh, Orissa, Tamil Nadu, Uttar Pradesh, Maharashtra, Haryana, Punjab West Bengal and Assam.

3 Chennai, Ahmedabad, Kolkata, Hyderabad, Mumbai and Bangalore

4 Water, Sewage, Telephone network, Power supply, Police Department

(₹ in crore)

Sl. No.	Name of Agency	Number and Date of work order (WO)	Scope of work	Value of work order	Status of execution
1	SOI	80 dated 18 May 2005	Geo-coded Digital Mapping data for Ahmedabad, Chennai and Mumbai	5.55	Ahmedabad : April 2010 Chennai : April 2009 Mumbai : January 2009
2	NRSA	912 dated 03 August 2006	Geo-coded Digital Mapping data for Bangalore	1.78	Work order cancelled 07 July 2011
3	NRSA	81 dated 18 May 2005	Geo-coding for Hyderabad and Bangalore	3.80	Hyderabad : June 2008 Bangalore : August 2009
4	NRSA	875 dated 14 July 2006	Aerial photography for Ahmedabad and Chennai	0.53	Not made available
5	NRSA	913 dated 03 August 2006	Aerial photography for Kolkata, Hyderabad and Bangalore	1.53	October 2008
6	NRSA	922 dated 10 August 2006	Digital map coding for Kolkata	1.08	June 2011
7	NRSA	921 dated 10 August 2006	Aerial photography for Mumbai	2.09	Work order cancelled (July 2011)
8 (a)	NRSA	2173 dated 14 August 2007	Aerial Photography for Bangalore	0.43	October 2009
(b)	NRSA	2173 dated 14 August 2007	Mapping for Bangalore	2.70	Work order cancelled (July 2011)

Audit scrutiny revealed that

- The work orders did not have any clause pertaining to the scheduled time for completion of the work. The work of digital mapping and Aerial Photography were completed during the year 2009 to 2011 in all cases (except cancelled WOs) and an amount of ₹ 14.25 crore[5] was paid to SOI and NRSA.

- Out of three cancelled WOs, (as mentioned at Sl No. 2, 7 and 8 (b)), two were issued to NRSA in August 2006 and one in August 2007. However, NIC failed to monitor the execution of work of these WOs. NRSA represented in February 2010 that on account of non-payment of 100 *per cent* advance, they were not in

5 ₹12.92 crore *plus* Service Tax

a position to execute the three purchase orders. NRSA further stated that they would not be in a position to execute the same at the old rates. Hence, the three WOs were cancelled by NIC in July 2011. Further, NIC took more than one year to cancel these three WOs. It was also not known from the records produced to Audit as to whether NIC got this work executed from any other agency.

- NIC, without ensuring completion of work of base map data, went ahead with the procurement of hardware and software worth ₹ 12.10 crore during June 2006 to November 2006.

- By the time (from 2009 to 2011 as shown in above table) base map data was received from SOI and NRSA, the hardware and software procured at a cost ₹ 12.10 crore for the purpose became obsolete as evident from the circulars of NIC in June 2012 and June 2014.

- Out of the five departments in six cities, five each in Bangalore and Ahmedabad, four in Kolkata, three in Mumbai and two in Hyderabad and Chennai have not been utilizing the CADM at present.

On this being pointed out, it was stated that the delay occurred due to delay in getting the required formalities from Ministry of Defence, other factors like non-availability of pilots to fly the aircrafts and guides on board for aerial photography team.

The reply is not acceptable as purchase of hardware was not a time-consuming process and hence NIC should have ensured that the mapping of data was completed before going for procurement of hardware. NIC did not monitor the execution of the WOs by NRSA to ensure that the base mapping data was received in time as the WOs were placed between May 2005 to December 2007 and NRSA came up with a representation only in February 2010 that they would not be in a position to execute the WO. Further the reply was silent on the reasons for non-utilisation of the equipment in the various locations.

Thus due to improper planning, lack of proper monitoring and delays at various stages, hardware and software worth ₹ 12.10 crore procured during June to November 2006 became obsolete. In addition the expenditure incurred on the base mapping of the data at a cost of ₹ 14.25 crore also remained unfruitful due to non-replacement of obsolete hardware.

(b) Wasteful expenditure of ₹ 3.74 crore on NPR project.

Ministry of Home Affairs sanctioned (September 2013) an amount of ₹ 90.45 crore for creating and maintaining facility at Delhi to store National Population Register (NPR) data and developing / monitoring website of NPR biometric data collection under Phase-I of NPR scheme. While approving the project, Standing Committee decided (September 2013) that NIC should monitor the project on a regular basis. This storage required a physical space of approximately 770 Sq. Mts. and was to be hosted temporarily in existing NIC National Data Centre (NDC), Shastri Park, Delhi till the time of site preparation for NPR data.

The user Ministry decided (September 2013) that there would be a requirement of committed space for keeping the entire NPR database by the middle of 2014 and directed to explore provision for separate NPR facility. Accordingly, NIC decided (January 2014) to hire 3522.20 Sq. Mts. super built up area at the rate of ₹ 675 per Sq. Mts. per month from Delhi Metro Rail Corporation (DMRC) at 8th floor, Shastri Park where NDC was located.

DMRC issued allotment letter in January 2014 whereby it was also requested to pay an amount of ₹ 6.59 crore towards advance of license fee (₹ 3.21 crore), maintenance charges (₹ 0.51 crore), water charges (₹ 0.02 crore) and refundable security deposit (₹ 2.85 crore) by 31 January 2014. The deposit was paid by NIC in three instalments during 24 March 2014 to 29 March 2014.The allotment letter stipulated that the NIC would take possession of the floor on or before the 29th day of payment (27 April 2014)[6] and in case of not taking possession by that date, the premises would be deemed to be occupied on 27 April 2014. Maintenance charge was to commence from the date of actual occupancy or 27 April 2014, whichever was earlier. The rent (Licence fee) would be charged after allowing the 45 days as a fit out period. The premises was not occupied by the NIC by the due date of 27 April 2014 and hence, the liability of maintenance charges commenced from 27 April 2014 and that of rent from 12 June 2014 (45 days from 27 April 2014).

Meanwhile, NIC procured (from December 2013 to March 2014) six 500TB (tera byte) storage hardware and relevant software worth ₹ 35.20 crore which were installed temporarily at earmarked space in NIC data centre. The same was kept idle till date (November 2015). An expenditure of ₹ 0.52 crore was also incurred on engagement of manpower for this project from February 2014 to May 2014. The engagement of manpower was discontinued from June 2014.

Audit scrutiny revealed that despite payment of first year advance of ₹ 3.74 crore towards advance of license fee (₹ 3.21 crore), maintenance charges (₹ 0.51 crore) and water charges (₹ 0.02 crore) in March 2014 and taking possession of the premises in May 2014, it was not put to use (October 2015) resulting in wasteful expenditure of ₹ 3.74 crore. Due to this, hardware procured for the project was lying idle in the NIC premises since May 2014 and

6 As per letter of allotment dated 10 Jauary 2014, after receipt of advance deposit, the possession was to be handed over at the earliest but not later than 29th day from the date of issue of the LOA (i.e, 10 January 2014). In case, no representative of NIC turn up for taking over the premises after making payment, by 29th day, from the date of issue of LOA, the premises would be deemed to be handed over to NIC by that day. In this case, since final payment of deposit was made on 29 March 2014, deemed date of possession has been taken as 29th day from the date of payment of deposit i.e, 27 April 2014.

the chances of its utilisation in the near future were bleak. In view of the limited life span (five years) of the IT hardware, there were also chances that the equipment would become obsolete without utilisation.

On this being pointed out, it was stated (April 2015) that the project was being reviewed by DeitY. NIC further stated (July 2015) that the process for engagement of M/s National Building Construction Corporation (NBCC) for site preparation works was initiated in April 2015. MoU was signed with NBCC on 20 May 2015. NBCC engaged a project consultant for creation of the request for proposal for selection of the executing agency for data centre and once the agency was selected, the construction work on 8th floor would start. After completion of the work, the hardware would be shifted from 3rd floor to 8th floor.

The fact remains that NIC was not in a position to use the premises hired from DMRC and the chances of its utilisation in the near future are bleak as can be construed from the reply of the NIC. Thus, inaction on the part of NIC not only resulted in wasteful expenditure of ₹ 3.74 crore on rent and maintenance charges but also idle investment of ₹ 35.20 crore on procurement of the hardware and software which remain unutilised.

(c) NIC could not forfeit the bank guarantee worth ₹ 2 crore on failure of the vendor to execute the work under e -Court Project

The e - Court project was entrusted to NIC (September 2010) as an implementing agency. NIC floated (May 2011) an open tender for Supply, Testing, Installation and Maintenance of Computer Hardware through Empanelment of Vendors under e-Court project. In November 2011, M/s HCL Infosystems Ltd was empanelled for procurement of Hardware and LAN items for implementation of e-Court project in Districts and Subordinate Courts for a period of 24 months from 14 November 2011 to 13 November 2013 with a provision of extension for one more year. The validity of empanelment was extended up to September 2014.

There was no provision in tender document for revision of price due to dollar variation. Further, clause 19.14.1 and 19.14.2 of the tender stipulated that if the supplier failed to accept the purchase order, the Bid security and the Bank Guarantee received against empanelment would be forfeited and empanelment would be cancelled. Bank Guarantee worth ₹ 2 Crore submitted by vendor was valid up to 23 August 2014 which was not renewed further.

NIC placed 586 purchase orders on M/s HCL Infosystems Ltd. during November 2011 to February 2014 for various sites under e-Court project. It was noticed that the vendor stopped executing the purchase orders since August 2013 and requested (December 2013) for an upward revision of rates due to appreciation of Dollar against Rupee. The matter was referred (April 2014) to the sponsoring Ministry i.e., Ministry of Law and Justice

(MoLJ), which after consultation with the Ministry of Finance, asked (07 July 2014) NIC to take immediate necessary action to expedite alternate procurement of the items as soon as possible by adopting NICSI empanelled vendors and also take appropriate action against the current vendor as per the contract under intimation to them. Meanwhile, vendor intimated (June 2014) that the firm could not execute the orders of 100 Purchase Orders worth ₹ 9.45 crore without price revision. The work relating to 100 Purchase Orders was not executed as of May 2015.

Audit observed that, though there was sufficient time to take action against the vendor as per advice of the sponsoring ministry, NIC could not forfeit the Bank Guarantee due to lack of coordination among the concerned user groups viz., tender processing section and financial wing. Further, neither action to black list the vendor nor seeking of compensation has been taken against the vendor.

On being pointed out by audit, NIC replied (May 2015) that the case was being put up to seek the direction and approval of the Director General (NIC) and accordingly action would be initiated by the NIC.

Reply is not acceptable as on getting the directions from the MoLJ in July 2014, immediate action should have been taken to forfeit the bank guarantee of the vendor and for further purchase of items of non-executed projects from NICSI empanelled vendors or by other vendors.

(d) Extension of old tenders instead of new for hiring of Internet Bandwidth resulted in extra expenditure of ₹ 15.00 crore

Central Vigilance Commission (CVC) instructions of 06 November 2008 clearly stipulated that tenders should be finalized and contracts should be awarded in a time-bound manner within the original validity of the tender without seeking further extension of validity. Cases requiring extension of validity should be rare and in exceptional cases where the validity period was sought to be extended, it should be imperative to bring on record in real time valid and logical grounds justifying the extension of the said validity.

NIC finalized three tenders for providing internet bandwidth to NICNET during the period from 2008 to 2014. The tenders were valid for two years and could be extended for further one year on mutually agreed terms and conditions. After processing and finalizing the tenders, the rates and empanelment and extensions were as given below:

Name of firm	Date of tender	Period of empanel-ment	Rate agreed in tender in ₹ per Mbps for internet bandwidth.	Rate actually paid		Remarks
				Period	Rate in ₹ per Mbps for internet bandwidth.	
TTSL	16.12.2008	27.01.2009 to 26.01.2011	2988	27.01.2009 to 19.05.2010	2988	
				20.05.2010 to 26.01.2011	2208	Rates were reduced through negotiation within the empanelment period
	Extended	27.01.2011 to 09.05.2011		27.01.2011 to 09.05.2011	2208	Projected Rate ₹ 1200 per Mbps (as per quoted rate in April 2011)
Reliance	16.12.2008	06.02.2009 to 05.02.2011	2988	06.02.2009 to 19.05.2010	2988	
				20.05.2010 to 05.02.2011	2208	Rates were reduced through negotiation within the empanelment period
	Extended	06.02.2011 to 09.05.2011		06.02.2011 to 09.05.2011	2208	Projected Rate ₹ 1200 per Mbps (as per quoted rate in April 2011)
TTSL	Extended	10.05.2011 to 08.06.2011	1480	10.05.2011 to 08.06.2011	1480 (quoted rate of April 2011)	
Reliance and Airtel	April 2011	09.06.2011 to 08.06.2013	1200 (45.66 *per cent* reduction compared to earlier rate i.e. 2208)	09.06.2011 to 30.06.2012	1200	
				01.07.2012 to 08.06.2013	1020	Rates were reduced through negotiation within the empanelment period
	Extended	09.06.2013 to 08.06.2014	1020	09.06.2013 to 08.06.2014	1020	Projected Rate ₹ 554 per Mbps (reduction of 45.66 *per cent* on earlier rate i.e 1020)[7]
Reliance	February 2014	09.06.2014 onwards	275			

Audit scrutiny revealed the following:

- NIC flouted CVC instructions as it was extending the validity of the existing tenders time and again instead of going for fresh tenders.
- As per the three tenders for the years 2008, 2011 and 2014, the rates per Mbps in respect of internet bandwidth were reducing by minimum 35 *per cent* every year compare to previous year from 2009 to 2014.
- While there was a declining trend in the prices for the same unit of internet bandwidth as shown in the above table, NIC did not avail the price advantage and extended the existing empanelment instead of going in for fresh tenders. Had NIC floated the new tenders in time, instead of going for extension of the current empanelment, as per the projected rates stated above, NIC could have saved ₹ 15.00 crore including service tax as detailed in **Annexure-X.**

7 Quoted Rates were reduced by 45.66 *per cent* in April 2011 as compared to earlier rate of ₹ 2208. On the same analogy, projected rate for the extension period from 09 June 2013 to 08 June 2014 has been taken as ₹ 554 by reducing 45.66 *per cent* from earlier rate of ₹ 1020.

On this being pointed out by Audit, NIC replied (December 2014) that extension of empanelment was granted as per agreed terms and conditions of respective tender agreements.

The reply of the management is not tenable as NIC had flouted the CVC instructions which laid down that cases requiring extension of validity should be rare and in exceptional cases where the validity period was sought to be extended, it should be imperative to bring on record in real time valid and logical grounds justifying the extension of the said validity. Thus failure of NIC to take advantage of the declining rates by floating the tenders in time not only resulted in extra expenditure of ₹ 15.00 crore but was also in contravention of CVC instructions.

(e) Avoidable extra expenditure of ₹ 3.62 crore on SMS services due to non-consideration of Bharat Sanchar Nigam Limited (BSNL) rates

NIC empanelled (September 2009) M/s Tata Tele Services Ltd (TTSL) for Short Message Services (SMS) - Gateway services for a period of one year which was extendable further for one year (at NIC option and mutual agreement with vendor). Rates agreed for SMS services in the empanelment were as below:

Sl. No.	Number of SMS	Rate per SMS in paisa
1	Up to 10000 (0.01million)	10
2	10001 to 50000 (above 0.01-0.05 million)	9
3	50001 to 100000 (above 0.05-0.1 million)	8
4	Above 100000 (above 0.1 million)	7.5

Empanelment was extended (March 2011) for a further period of one year upto September 2011[8]. NIC went for negotiations with TTSL in view of increase in usage of SMS and following rates were agreed by the firm upon for renewal period:

Sl. No.	Number of SMS	Rate per SMS in paisa
1	Upto 0.1 crore (0-1Million)	7.0
2	0.1crore to 1 crore (1-10 Million)	6.5
3	1 crore to 2 crore (10-20 Million)	5.0
4	Above 2 crore (> 20 Million)	3.5

During the process of renewal of empanelment effective from September 2010, NIC had enquired rates of SMS with BSNL. BSNL offered (January 2011) two paisa per SMS between two crore and five crore of SMS and one paisa per SMS for above five crore SMS. Though the rates of BSNL were much lower than that of TTSL, the same was not considered and the empanelment of TTSL was extended stating that the BSNL did not fulfill the technical requirement of virtual number[9]. It was observed by Audit that:

8 This contract was extended by NIC from October 2011 to April 2012 with renewed rates. There was a further extension from May 2012 to May 2013 with mutual understanding that the rate would be L1 rate of the new tender.

9 NIC is providing both Push and Pull SMS services and as part of Pull SMS, a virtual Number is mandatory as the same needs to be integrated with the application.

- BSNL had never refused to provide pull message services. Instead, it was stated by the BSNL that push and pull message services would be provided step by step. Pull messages would be a separate service for which separate short codes would be allotted and tariff would depend on services offered by the NIC. It was also stated by the BSNL that revenue share would be provided to NIC based queries and replies. However, neither BSNL was awarded message service contract at cheaper rates, nor any enquiry was made with BSNL to ascertain the probable delay in providing pull message service.

- The traffic reports indicate that the Push SMS was 99 *per cent* whereas the pull SMS was only one *per cent*. However, no options were explored to award push message to BSNL at cheaper rate and pull message to TTSL or some other agency. NIC did not even negotiate with TTSL to provide a separate rate at par with that of BSNL for push message.

- Due to non-consideration of BSNL rates in February 2011, NIC paid higher rate for the period from March 2011 to May 2013 to TTSL, which resulted in an avoidable excess expenditure of ₹ 3.62 crore[10] as detailed in the **Annexure-XI.**

On being pointed out by audit, no reply was furnished by NIC. Reply of the Ministry was still awaited (November 2015).

4.1.1.2 Software development and hosting of web sites

(a) e-Office application

The Government of India introduced (December 2009) a Mission Mode Project electronic office (e-Office) for transforming conventional government offices into more efficient and transparent e-Offices, thereby eliminating huge amount of paper work. The project would automatically promote the desirable values of transparency, efficiency, accountability and economy. The product comprised a set of modules[11] to promote working with files, documents, records, HR, Court cases, RTI etc. electronically, which automates the internal functioning within and across government offices. The Government of India entrusted NIC to implement this project in Central and State Government offices throughout India.

During the test check of the six application modules in e-office project various shortcomings were noticed. Some of important shortcomings are mentioned below:

10 Payment was effected based on the rates obtained in the new tender finalised in August 2013with M/s Velti India Private Limited for the period from 01 May 2012 to 31 May 2013.

11 File Management System (e-file), Knowledge Management system (KMS), Leave Management System (eLeave), Personal Information System (PIS): Tour Management System (e-Tour), Collaboration and Messaging Services.

- Leave Management System (LMS) module –

  In the LMS module there was no provision to facilitate an employee to apply for extraordinary leave (EXOL) when there was no leave at credit in his leave account.

- Personal Information System

  i) Half Pay Leave (HPL) was being updated only when an employee applied for HPL. HPL was not being credited automatically as and when due.

  ii) The software was not automatically crediting the earned leave half yearly on 01 January and July. Also, when an official went on leave it was debiting leave period without updating the leave at credit due on earlier 01 January and July.

  iii) Service book part IIIA – No details were available in LTC availed column for EL encashment and leave availed on LTC.

  iv) Annual attestation of the service book by the employees in confirmation of the entries of service book was not feasible digitally, as no digital signature was provided to them. Even getting a printout of service book was not possible so as to obtain at least manual signature.

  v) Qualifying Service Module – The dropdown icon under Foreign Service Section was not having the field for name of Organisation / Station of posting of employee. Instead, only name of countries were showing in the drop down. Further there was no field to show the due amount in respect of Leave Service and Pension contribution (LSPC) from the foreign employer.

- Tour Management system.

  i) No fields were available for transit period in respect of tours.

  ii) There was no integration between e-Tour and leave management system so as to facilitate automatic updating of leave account in case an employee applied leave on tour.

  iii) When an employee goes on tour, no link option was available to delegate the work of that employee to other employee by the controlling officer.

- File management system

  i) e-file – If an employee puts up a note in e-File then it requires some references which are mostly in Knowledge Module System (KMS). But there was no link field in e-File to references from KMS module.

  ii) e-File inbox: flagging facility was not provided for pending files to categorizing based on importance and urgency of disposal.

  iii) There was no spell check for corrections in e-File.

- Other deficiency

  There was no provision at all for application and sanction of advances like motor car, computer, HBA, tour, LTC etc.

On being pointed out, it was replied (March 2015) by NIC that shortcomings noticed by the Audit would be incorporated in future release of e-office.

(b) Agriculture Marketing Information Network (AGMARKNET)

The main objective of Agriculture Marketing Information Network (AGMARKNET) project is to establish a nationwide information network for speedy collection and dissemination of market information and data for efficient and timely utilization by farmers and others. It also intended to facilitate collection and dissemination of information related to better price realization and market access by farmers. By the end of 11th Plan AGMARKNET covered 3241 markets out of 7190 markets in the country. In these 3241 markets, all the hardware and software and allied peripherals were installed to feed the data online.

During test check by Audit, deficiencies in the project were noticed and some of them are mentioned below:

- Out of 3241 markets, 1009 markets were not reporting since installation.
- The vital information like support price of Government for each crop was not displayed in the website.
- The website should have displayed the prices of all crops, but in the test check it was noticed that price template was not displaying prices of sugar cane.
- In this application, there was no field to feed sales data. Hence information of sales on a particular day in a particular market was not available on the website. Therefore, it was difficult to determine the stock balance of the crops at the end of a particular day in a particular market which could be placed to storage or stocked safely in order to save from unexpected natural occurrences like rain / snowfall /fog / moisture etc.

The reply to this observation was awaited from NIC / Ministry (November 2015).

(c) National Portal of India

The National Portal of India was developed with an objective to enable a single window access to information and services being provided by the various Indian Government entities. The content in this Portal is the result of a collaborative effort of various Indian Government Ministries and Departments, at the Central / State / District level. This Portal is a Mission Mode Project under the National E-Governance Plan, designed and maintained by National Informatics Centre (NIC).

Following significant shortcomings were noticed on test check of National Portal by Audit:

1. There are main tabs namely Topics, Services, People groups etc. in the site. When the mouse is placed on each of these tabs, sub topics appear. If these sub topics are clicked, relevant page opens. However, in popup menu, name of only two or three states appear for every service. For example on clicking Agriculture only results for Tamil Nadu and Rajasthan are shown. Similarly, in respect of Education, only Tamil Nadu, Nagaland and Sikkim appear.

2. In respect of Karnataka State, the following deficiencies were found :

   a. "Directorate of Municipal Administration" link was displaying 'Page not found'.

   b. "Attendance Monitoring System" link was not opening (webpage is not available)

   c. "Names of PS / Secretaries" under "My Government" link, is displaying blank page

   d. "Donate Blood" under "emergency numbers" link was not opening (webpage was not available)

3. In respect of Uttar Pradesh State, the following deficiencies were observed:

   a. Uttar Pradesh Forest Corporation Act 1974 was not uploaded.

   b. Online services of Uttar Pradesh State Transport Corporation were not found.

   c. The enrolment form for Rakshak Dal was not uploaded.

Thus, the portal was not giving information in complete form.

On being pointed out by Audit, NIC replied (March 2015) that the integration and availability with National Portal are to be ensured by respective owners. The reply confirms that integration of data and broken links need to be streamlined by NIC in coordination with user department from time to time.

(d) e-procurement portal

Department of Expenditure decided to set up a Central Public Procurement Portal (CPP Portal). National Informatics Centre (NIC) was given the responsibility for setting up this portal.

The primary objective of the portal is to provide a single point access to the information on procurements made across various Central / State Government Departments, Directorates, Statutory Organisations, Local bodies, Undertakings / Boards in their respective States. The Mission Mode Project Portal is accessible at the URL http://eprocure.gov.in/mmp.

Audit examination of the portal revealed that some URLs were not working / linked as detailed below:

Home page	Next Screen	Observation
Instructions related to MMP	Guidelines on e-procurement	Page not found
Rules and Procedures	A.P, Bihar, H.P, Karnataka, Kerala, Rajasthan, Tamil Nadu, West Bengal	In the remaining 21 states and 8 UTs rules and procedures have not been uploaded
Downloads	Nodal Officer Creation form	Not found
	MMP e-procurement portal image	Not found
State e-tendering portal	four State Portals (A.P, Arunachal Pradesh, Assam and Gujarat) are working	1. Dadra and Nagar Haveli – File or URL not found 2. Andaman – 403: Forbidden, Access Denied 3. Remaining 29 States URL were not linked
e-procurement – Map		1. Six states were marked with Gray and other states marked with red-brick but no indication of colours denoted. 2. Public Sector Undertaking websites were hosted in the MMP of MP (http://mpeprocurement.gov.in) and Bihar (https://www.eproc.bihar.gov.in) but not linked to state websites. http://mpeprocurement.gov.in https://www.eproc.bihar.gov.in

On this being pointed out, NIC accepted the facts and replied (April 2015) that they have updated all the shortcomings pointed out by Audit and as regards to rules and procedures it was stated that the state specific nodal officers have to provide the same and they had been reminded again.

(e) Department of Agriculture and Cooperative Network (DACNET)

The Vision-2020 document of Department of Agriculture envisaged that "the tools of ICT will provide networking of Agriculture Sector not only in the country but also globally and the Centre and State Government Departments will have reservoir of databases" and also "bring farmers, researchers, scientists and administrators together by establishing "Agriculture Online" through exchange of ideas and information". For achieving this, DACNET (Department of Agriculture and Cooperation Network) website was created for interactive exchange of information, for planning, day to day operations and availability of all advisory services on demand to farmers.

From the DACNET webpage it was observed that the following URLs were not working.

- Under the field "second green revolution" it was showing "file or directory not found".
- Field on "Opinion poll'' was not showing any result. It was not moving further after click on "submit".
- Speech → Speeches of Ministers →"file or directory not found"
- 42 number of V-SAT usage was not available. It was showing "not found".
- When clicked on Market prices, it was linked to AGMARKNET and showing the dates. But when clicked on the dates it was not showing market prices.
- Under the Directorate Portal →Agricultural Marketing Division →Directorate of Marketing & Inspection, it was showing "file or directory not found".
- Under plant quarantine reports → under quarantine status, integrated pest management system, Bio control labs it was showing "file or directory not found".

The reply from the Ministry was awaited (November 2015).

(f) Deficiencies in GOI web search engine

Existing search engines such as Google, Microsoft Bing etc. have demonstrated the usefulness of search technology for the World Wide Web. Search technology allows users to have a simple interface to extract the information from large volumes of structured and unstructured data. Keeping this in view, NIC decided (April 2011) to create Government of India (GOI) web search platform for government websites. The work was assigned to the C-DAC Pune (August 2011) at a cost of ₹ 7.90 crore. Work was completed by the C-DAC in July 2013.

While going through the GOI search engine Audit observed that

- There was no provision for search in Indian languages and floating keyboard was also not available except for Hindi and Urdu.
- The crawling, index and faceting for content management was not accurate, relevant and reasonable as discussed below
  - o Searched for 'MP[12] Nizamabad' – the MP website was not shown as per C-DAC proposal. Even, the name of the MP was not shown.
  - o Searched for 'Maharashtra' - it was retrieving the web based addresses of State NIC etc and not furnishing the details of population, area, capital and official language etc.

12 Member of Parliament

- Searched for 'Navodaya School' - it was giving irrelevant results.
- Query for 'what is the service tax rate in India' – it was not responding to the query, it simply gave the relevant pdf files and web site URL address.
- Searched for 'Prime Minister of India' (in January 2015) - it was showing Dr. Manmohan Singh as Prime Minister of India.
- No spell check: i) when a query was wrongly typed i.e. "Inocme tax" it was not responding as "did you mean income tax". Simply resulted in giving irrelevant data than what actually we get for income tax query. (ii) Similarly, for service tax typed as "sarvice tax", it was responding as "did you mean service tax" but resulted in irrelevant data than what was actually required.
- C-DAC project proposal stipulated to provide intranet search but the same was not provided. The respond time in the agreement was three seconds but, it was ranging between 15 to 60 seconds. There was no provision for display of response time along with number results for the query in the web site.

On this being pointed out, the department accepted (March 2015) the observation and corrective steps had been initiated.

(g) Non-compatible websites for mobile

With rapid technological developments, mobile phone has evolved from a mere communication device to smart phone with an ability to tap a plethora of information and services. The services provided over a mobile phone today have moved beyond their fundamental role of voice communications to a range of value added services.

It was observed that NIC websites are not compatible to mobile (cellular) technology.

On being pointed out, it was stated (May 2015) that NIC was in the process of developing a content management framework for Government websites. This framework would be developed in open source technology and would be made available to Government entities for migration of their websites. The websites migrated to this platform would be mobile friendly with responsive design features.

The fact remains that NIC websites were not compatible to mobile technology.

(h) Non-inclusion of minimum content in Government websites

NIC has formulated 'Guidelines for Indian Government Websites (GIGW)' in January 2009 which was adopted by Department of Administrative Reforms and Public Grievances (DARPG), Ministry of Personnel, Public Grievances & Pension, GoI. As per para 4.5.1 of Guidelines, Indian Government websites must have nine minimum contents as shown below:

- Department Name (alternatively, the name of the Project, Service etc as applicable)
- National Emblem / Logo (as applicable)
- About the Department (including its main activities and functions)
- Link to all the major modules/sections of the site
- Link to all the Citizen services offered by the Department
- A link to the 'Contact Us' page of the website
- A link to the "Feedback" page
- A link to National Portal
- Search / Site map
- Terms and Conditions of use.

Further, the Department must have a clear-cut Archival Policy with regard to old documents stating for how long they would be kept online. The same was very important, since these old documents sometimes need to be referred to for regulatory or legal purposes.

a. Audit verified 526 Govt. websites and found that only 81 websites had the minimum contents and the remaining 445 websites did not have one or more contents.

While accepting the audit observation it was stated (November 2014) that the steps were taken to follow the Guidelines for Indian Government Websites (GIGW) but user department did not adhere to. All user departments would again be instructed to follow the GIGW guidelines.

b. It was seen from NIC websites that most of the websites did not have archival policy which continued for years together. Due to non-adherence to Archival Policy in websites, space in servers remained occupied which may result in forcible and unnecessary procurement of storage servers.

On being pointed out it was replied (March 2015) that these policies are back end policies and their existence / implementation needs to be checked with the respective Ministry/ departments.

The reply is not acceptable since NIC should ensure the implementation of these policies before hosting the website in NIC data centres.

(i) Hosting of websites without Security Audit

As per the NIC guidelines for Indian Government Websites, the website management teams should ensure that all Government websites undergo and clear a security audit carried out by an authorized empanelled agency before being hosted as well as after major revisions.

Audit scrutiny revealed that out of 7743 websites available in the NIC NICNET, only 4585 sites have been audited, 1929 audits were under process and 1229 have not been audited. From the above, it was observed that 3158 websites have been hosted without completion of the audit.

Thus, due to absence of security audit, NIC compromised the security of 3158 websites leaving them open to possibility of cyber-attack.

In reply, management accepted the fact and stated (December 2014) that due to the urgency, websites were launched/inaugurated with the permission of competent authority.

Conclusion

Audit observed deficiencies in the functioning of NIC in respect of planning and execution of projects, web applications of various projects and design and development of websites.

Being a premier Science and Technology Organisation at the forefront for the active promotion and implementation of ICT solutions in the Government, NIC should evolve an appropriate monitoring mechanism so as to ensure proper planning and timely completion of projects, economy in tender processes, efficient working of project applications and software, efficient management of web sites.

4.2 Abnormal delay in construction of building at Pune and in taking up of construction of office building at Jasola, New Delhi by C-DAC

Inordinate delay in completion of building for C-DAC Pune resulted in escalation of cost of the proposed building by ₹ 66.39 crore besides blocking up of funds of ₹ 47.62 crore.

Also, C-DAC, Delhi acquired a plot of land at Jasola, New Delhi and took physical possession in September 2001 by paying ₹ 1.52 crore to Delhi Development Authority (DDA). C-DAC is yet to commence the work (March 2015) and paid Composition fee and penalties of ₹ 6.08 crore to DDA for getting extensions from time to time.

Centre for Development of Advanced Computing (C-DAC) (formerly Electronic Research & Development Centre of India) was established in March 1988 as a Society under the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology. The Society was primarily setup as an R&D institution involved in the design and development of Advanced Information Technology (IT) based solutions. CDAC has 11[13] centres across India with headquarters at Pune.

C-DAC, Pune:

C-DAC headquarters at Pune was operating from rented premises located at five different places within Pune. C-DAC submitted (September 2007) a proposal to DeitY, Ministry of Communication and Information Technology, Government of India for construction of own building on land measuring 1.50 acres at Pashan, Pune. The main objective of the proposed project was to shift entire operations of C-DAC, Pune functioning presently from five rented buildings (74,149 sq. ft.) to its proposed building with 1.68 lakh sq. ft. functional area to save expenditure on rent[14] besides other operational and administrative benefits[15]. Administrative approval for the project was given (February 2008) by DeitY for an amount of ₹ 49.80[16] crore which was to be shared between DeitY and C-DAC in the ratio of 60:40. The project was scheduled to be completed within two years from the date of sanction (i.e. by February 2010).

Tenders were invited (July 2008) by C-DAC, Pune for construction of the proposed building. The proposed building was to have high voltage AC, fire protection and lifts system besides Civil and Electrical works. The building was to be designed to meet regulatory requirements like safety, earthquake, lightening and environment. M/s Nagarjuna Construction Company Ltd. (NCCL) was the L1 bidder with bid amount of ₹ 61.73 crore. As the quote of successful bidder (L1 bid) was exceeding the sanctioned cost of ₹ 49.80 crore, the scope of work was reduced and bids of all the technically qualified bidders were re-evaluated as per the reduced scope of work. The same did not include interior works worth ₹ 14.59 crore, false flooring (to suit technological needs) and sewage treatment plant which were to be undertaken separately and subsequently. Two Diesel Generator (DG) sets, which were not a part of the proposal, were included in tender. M/s NCCL again stood as L1 bidder with bid amount of ₹ 49.18 crore. Even though CDAC was aware of the fact that the proposed building can not be put to use without interiors etc., it went ahead and obtained (January 2009) approval of DeitY for placing work order on M/s NCCL, instead of submitting revised estimate to DeitY for approval.

C-DAC issued work order in May 2009 to NCCL with the stipulation that the project should be completed within 15 months from the date of issue of work order. The work commenced during May 2009 but it was decided (April 2010) to further reduce the scope of work in view of cost constraints. Work as per reduced scope was completed (September 2011) by M/s NCCL and the total amount incurred on the project was ₹ 47.62 crore.

13 Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mohali, Mumbai, Noida, Pune, Silchar and Thiruvanathapuram.

14 Present (March 2015) rent burden is ₹ 90.67 lakh per month.

15 Ease in technical interactions between various groups operating from various locations, duplication of shared equipment and their operational costs, improper hired building configuration required for a National Research Lab like C-DAC etc.

16 ₹ 29.88 crore as Grant from Government of India and ₹ 19.92 crore by C-DAC funds from internal accruals.

Meanwhile, C-DAC Pune moved (February 2011) a proposal to the Standing Finance Committee (SFC) for approval of DeitY for enhanced outlay for completing the balance work as per the original plan and requirement of additional funds of ₹ 16.12 crores. DeitY asked (September 2011) to re-submit the revised proposal since the additional funds required were in excess of 20 *per cent* of the approved project cost. Thereafter C-DAC submitted (October 2011) the revised proposal to DeitY for approval of Expenditure Finance Committee (EFC). In turn, DeitY advised (February 2012) C-DAC for getting the proposal vetted and examined by a third party preferably CPWD, NBCC or other such government department. This proposal was again returned (April 2012) for modification to C-DAC by DeitY. C-DAC submitted (September 2012) a revised proposal to DeitY for the balance work wherein the total project cost increased to ₹ 116.19 crore resulting in additional funds requirement of ₹ 66.39[17]crore (₹ 116.19 crore – ₹ 49.80 crore) due to cost overrun (₹ 25.19 crore), increase in scope of work (₹ 11.16 crore), cost of extra items executed (₹ 5.84 crore), statutory and other items which were not considered in the initial estimates (₹ 9.61 crore) and interior works excluded from the scope of work (₹ 14.59 crore). After due vetting by Ministry of Finance, Planning Commission and DeitY, the meeting of EFC was held (October 2013) and administrative approval was received (February 2014). DeitY sanctioned (February 2014) the revised proposal with a stipulation to complete the same within two years i.e. by February 2016.

Accordingly, bids for the balance work were invited (July 2014) from Central / State PSUs and C-DAC entered (January 2015) into an agreement with M/s Engineering Projects India Ltd (EPIL), the L1 bidder, at ₹ 51.40 crore. The site was handed over to EPIL on 26 February 2015. As per the agreement, the work was to be completed within 15 months from the date of handing over of the site i.e. by May 2016.

Scrutiny of records of C-DAC (December 2014) by Audit revealed the following:

- Before inviting tenders, due diligence of the project cost was not carried out by C-DAC to ensure that cost of the project was within the limits of sanctioned cost and sought revised approvals. This resulted in non-completion of the work within the approved outlay.
- Though C-DAC has no technical / engineering division, it relied on a private consultant (M/s Kirloskar Consultants Ltd.) for preparation of project estimate instead of approaching CPWD or other Central / State PSUs or departments engaged in construction activity. As a result, estimates were not prepared correctly due to which bids received for the project were in excess of the sanctioned cost, indicating defective planning. This was observed (October 2013) by the EFC while approving the revised proposal stating that the estimates had gone wrong.

17 ₹ 39.83 crore (60 *per cent*) Grant from Central Government and ₹26.56 crore (40 *per cent*) C-DAC funds from internal accruals.

- While reviewing the proposal submitted to DeitY for sanction of the balance work, Planning Commission observed (August 2013) that there was no due diligence done at the time of preparing the initial cost estimates and also instead of approaching EFC for Revised Cost Estimates (RCE) when actual expenditure exceeded 50 *per cent* limit of the approved cost, C-DAC sought approval for RCE after spending almost 95 *per cent* of the approved budget. C-DAC should have sought approval for RCE in 2008 itself.

- Imprudent decision of C-DAC, Pune to construct only the structure of the building and substantial delay in taking up the balance work resulted in non-completion of the project which led to additional burden / expenditure of ₹ 61.99 crore towards cost overrun (₹ 25.19 crore) and rent on hired premises (₹ 36.80[18] crore) (**Annexure- XII & XIII**) besides blocking up of capital to the tune of ₹ 47.62 crore for more than six years.

On this being pointed out, Ministry stated (August 2015) that:

- Scope of the work was reduced with the intention to start the work as per approval of the competent authority and initially only the interior work and few other items were reduced as mentioned in the approval of DeitY.

- The work of construction of Pashan building continued till September 2011 by NCCL who agreed to complete the work at the quoted rate in 2009 and the new proposal was sent to DeitY for approval in February 2011. However due to administrative reasons and the pending approval of EFC, the sanction was not processed. Administrative approval was received in February 2014.

- As per the revised estimate, cost increased due to various factors including statutory levies, change in scope of civil work, increase in capacity of batteries, cost escalation due to change in schedule rates, etc.

The replies of the Ministry are not acceptable to Audit due to the following reasons:

➢ Decision to construct the structure of the building while excluding the interiors from the tenders and further reduction of project scope after opening of the bids was not appropriate since the building cannot be put to use even after spending the entire project cost.

➢ Receiving bids in excess of the estimated cost cannot be attributed as a reason for delay of the project. As observed by the Planning Commission, C-DAC, Pune should have sought approval for revised cost estimate in 2008 itself instead of reducing the scope of the work.

18 Scheduled completion of the project was February 2010. Avoidable expenditure on rent calculated from April 2010 to March 2015 which is likely to increase if there is further delay in completing the project.

- Pre-project study had not been carried out properly taking all parameters into consideration, resulted into very low initial sanction cost compared to the quoted amount of L1 bidder. Cost escalation should have been avoided by obtaining timely approvals for revised cost estimate.

Moreover, the completion of the project by May 2016 doesn't seem likely looking at the meagre budget allocation of ₹ 1 crore during 2014-15 and ₹ 1.5 crore during 2015-16 against its share of ₹ 39.84 crore as Grant-in-aid of the DeitY's share. In the meanwhile, C-DAC would be incurring ₹ 12.69 crore per annum (at the present rate) till such time the building is completed and entire operation is shifted to its own premises. Further, the realisation of other benefits[19] envisaged in the project proposal was also delayed by more than six years due to defective planning and imprudent decision by C-DAC.

C-DAC, Delhi:

In May 2001, C-DAC, Delhi was allotted a plot of land measuring 3185 square meters by Delhi Development Authority (DDA) on lease hold at Jasola, New Delhi for construction of its office building at a cost of ₹ 1.52 crore. The physical possession of land was taken in September 2001. In terms of Clause-xxii of allotment letter of DDA, C-DAC had to complete the construction of building within a period of two years from the date of taking over physical possession of the land / plot. But till date (March 2015), the construction of the building has not commenced. Administrative approval for construction of the building was obtained in February 2008 at a total estimated cost of ₹ 17.25 crore with DeitY's contribution as ₹ 10.35 crore and that of C-DAC as ₹ 6.90 crore. This cost estimate was revised to ₹ 50.55 crore during February 2014 as approved by Standing Finance Committee (SFC) with DeitY's share as ₹ 30.33 crore and that of C-DAC as ₹ 20.22 crore.

Scrutiny of records (Nov.2014) of C-DAC Delhi revealed that:

- C-DAC did not utilise the land even after passing of 14 years from the date of physical possession of the land. Even though action for the construction work was initiated by C-DAC on 23 September 2001 by calling bids for short-listing of architect for the said work, no further progress was noticed;
- C-DAC instead of undertaking construction of the building, kept on obtaining extension from DDA from time to time for construction of the said building. For getting these extensions (the latest extension obtained up to September 2016), C-DAC had been paying ground rent, composition fee, as well as interests/ penalties to DDA. Till date, C-DAC Delhi paid ₹ 6.08 crore as ground rent, composition fee, interest besides cost of the land (₹ 1.52 crore);

19 Ease in technical interactions between various groups operating from various locations, duplication of shared equipment and their operational costs, improper hired building configuration required for a National Research Lab like C-DAC etc.,

- As C-DAC, Delhi failed to commence the construction of its office building even after the passage of over 14 years, the unit was forced to continue its operation from hired premises. Besides paying ground rent, composition fees etc., as stated above, C-DAC Delhi had paid ₹ 4.04 crore as rent for the hired premises from April 2004 to November 2014.

On this being pointed out by audit, C-DAC, Delhi stated (March 2015) that:

- The Jasola building project could not materialize initially due to various administrative and technical reasons and was kept under abeyance for quite a long.
- In the year 2007, the Governing Council of C-DAC approved the proposal of constructing C-DAC's building at the said land.
- The building drawings for 150 Floor Area Ratio (FAR) were submitted with DDA keeping the current as well as future activities & requirements into mind for approval in May 2008 against approved FAR of 100. Due to the issue of FAR charges by DDA, the project could not progress.
- A revised proposal regarding construction was submitted to DeitY in July 2013 which was approved by SFC of DeitY in February 2014 with 60:40 share. But in spite of their demand, the allocation for infrastructure project had not been made by DeitY and hence the project had been further delayed.
- The avoidable expenditure as pointed out by Audit was in fact fruitful in view of the fact that the present value of the Jasola land is more than ₹ 50 crore.

The reply of the C-DAC, Delhi is not acceptable due to the following reasons:

- The reply of C-DAC itself confirms the abnormal delay as it has been admitted that the project was kept under abeyance for a long time.
- It took nearly six years for the Governing Council to give its approval for construction of the building.
- Proper planning for Floor Area requirement was not done in advance due to which project could not progress and was badly delayed which led to the estimated cost of the building escalate to ₹ 50.55 crore from ₹ 17.25 crore.
- As no funds were allocated in the budget during 2015-16 except a sum of ₹ 1.50 crore in the Detailed Demands for Grants towards DeitY's share of ₹ 30.33 crore, the completion of the project in the near future is doubtful. Thus, the fact remains that even after a lapse of 14 years, the unit was forced to continue its operation from hired premises.

- Management's contention that the amount incurred on the land was fruitful in view of the fact that the present value of the land is more than ₹ 50 crore is not acceptable as the land was allotted and acquired for a specific purpose, not for value appreciation.

Further, indecisiveness of C-DAC, Delhi to construct building at the allotted plot (Jasola, New Delhi) even after 14 years of acquiring and seven years after the approval given by its Governing Council for construction of a building led to avoidable payment of ₹ 10.12 crore towards rent, composition fee, interest.

Ministry's reply is awaited (November 2015).

4.3 Avoidable payment of ₹ 91.78 lakh towards purchase of plot from NOIDA due to imprudent decisions of management of C-DAC

C-DAC purchased a plot of land measuring 20000 sqm at ₹ 1375 per sqm on lease basis from NOIDA, Uttar Pradesh (UP) for construction of National Institute of Advance Technology Building. As per the payment schedule in the lease deed, C-DAC had to pay 30 half-yearly instalments with interest after paying allotment money. C-DAC deviated from the payment schedule and paid only principal amounts for some period and lump sum amounts thereafter. NOIDA did not accept the request of C-DAC for waiver of interest amounts. As a result, C-DAC, ended up paying ₹ 569.45 lakh against the total amount of ₹ 477.68 lakh resulting in avoidable payment of ₹ 91.78 lakh besides loss of interest of ₹ 31.54 lakh for such advance payments made.

Centre for Development of Advanced Computing (C-DAC), NOIDA Centre acquired a plot measuring 20,000 sqm from New Okhla Industrial Development Authority (NOIDA) for the purpose of constructing and setting up National Institute of Advance Technology building, at a subsidized rate of ₹ 1375 per sqm on lease for a period of 90 years. One of the conditions of the lease deed was that the construction should start within six months from the date of possession and complete within five years from the date of possession.

As per the payment plan contained in the lease deed, after payment of allotment money of ₹ 27.50 lakh (10 *per cent* of total Land Premium ₹ 275 lakh), lease deed was executed in December 2001 and the balance premium of ₹ 247.50 lakh was to be paid in 30 half yearly equal instalments of ₹ 8.25 lakh along with interest at the rate of 12 *per cent* per annum compounded half yearly, failing which penal interest at the rate of 18 *per cent* per annum compounded every half yearly on defaulted amount for delayed period was to be charged. Thus, in case of timely observance of payment schedules, ₹ 477.68 lakh was to be paid by C-DAC towards balance premium and interest during the period from 24 April 2001 to 24 October 2015 as detailed in **Annexure-XIV.**

Audit scrutiny of records (August 2014) revealed that:

i. C-DAC paid only principal amounts of six half yearly instalments to NOIDA between April 2001 and October 2003 in contravention of the payment plan as mentioned in the lease deed.

ii. Additional Secretary, MoC & IT, DeitY (erstwhile DIT) approached NOIDA in October 2003 for waiver of interest on the instalments or in case of non-feasibility of waiver, settlement of balance premium on cash down payment basis but NOIDA did not respond.

iii. C-DAC Management in December 2003 took injudicious and unilateral decision and made lump sum payment of ₹ 198 lakh against balance 24 half yearly instalments.

iv. As payments were made in contravention of the provisions of the lease agreement, NOIDA raised a demand of ₹ 204.83 lakh (July 2011). The demanded amount was paid by CDAC in October 2011. Further, in May 2014, C-DAC paid ₹ 117.12 lakh towards balance instalment / penal interest.

v. Thus, C-DAC NOIDA paid ₹ 569.45 lakh instead of the pre-determined amount of ₹ 477.68 lakh due to deviation from the payment schedule, resulting in avoidable extra payment of ₹ 91.78 lakh.

Thus, imprudent decision taken by Management of C-DAC NOIDA resulted in avoidable expenditure of ₹ 91.78 lakh besides loss of interest of ₹ 31.54 lakh at the prime lending rate of State Bank of India as detailed in **Annexure -XV.**

The matter was referred to Ministry during March 2015. The Ministry while accepting the facts & figures pointed out by audit, replied (May 2015) that:

i. C-DAC NOIDA initially paid six instalments on its due dates without interest. During 2003, C-DAC proposed to pay all the remaining 24 instalments in one go so as to save interest charges.

ii. Additional Secretary, DeitY, during October 2003 also took up the matter with CEO, NOIDA who, while accepting the down payment, indicated that the outstanding issues, if any, would be discussed and put up to the Board for consideration, if required.

iii. Thereafter NOIDA authority had never asked for any remaining payment during 2003 to 2011 except that they have sent a demand note during July, 2011 for ₹ 204.83 lakh.

iv. C-DAC officials also took up the matter with NOIDA through personal meeting on 26 July 2011 and corresponded with them during August 2011 and September 2011 but there was no positive outcome. C-DAC further approached NOIDA authority during December 2011, October 2013 and November 2013 also however, there was no response from NOIDA all through.

v. As NOIDA Authority had threatened to cancel the plot in case C-DAC did not pay the dues, ₹ 2.05 crore was paid on 14 October 2011 under protest to overcome the problem.

vi. Subsequently, NOIDA Authority had sent two more demands for ₹ 78.25 lakh in January 2014 and ₹ 38.87 lakh in May 2014, respectively, towards balance payment and interest.

vii. In the interest of the Society and with the a view to avoid legal complications, C-DAC NOIDA had also paid ₹ 78.25 lakh and ₹ 38.87 lakh respectively and the payments had been released from Govt. of India Society to another state Govt. organization on account of lease agreement clause.

The contention put forth by management is not acceptable due to the following reasons:

1. C-DAC / DeitY (erstwhile DIT) took up the matter for waiving of interest and accepting down payment only in October 2003. Even before taking up the matter with NOIDA for waiving interest, C-DAC paid only principal amounts between April 2001 and October 2003.

2. NOIDA did not give any approval for interest waiving and stated (November 2003) that issues, if any, would be discussed and put up to their Board for consideration, if required in their response to Additional Secretary's request for waiving of interest.

3. The objective of leasing of the land to C-DAC for the purpose of constructing and setting up National Institute of Advance Technology building was not achieved.

Thus, C-DAC, deviated from the original payment schedule as contained in the lease deed without obtaining proper approval from NOIDA. This deviation attracted interest / penal interest and resulted in excess and avoidable payment of ₹ 91.78 lakh besides losing interest on the advance payments made.

4.4 Avoidable extra expenditure of ₹ 4.78 crore due to failure to avail concessional electricity tariff by C-DAC Pune

Though C-DAC, Pune obtained registration as ITES unit from Directorate of Industries, Pune in 2005, they did not pursue for revalidation after 2008 and failed to avail the eligible concessional electricity tariff resulting in avoidable extra expenditure of ₹ 4.78 crore towards electricity charges during 2010-11 to 2014-15 in respect of hired buildings[20] at Pune.

Centre for Development of Advanced Computing (C-DAC) Headquartered at Pune, has its offices/units in hired accommodations in Pune. C-DAC, Pune was granted registration as IT Enabled Services (ITES) unit under the category "IT Solutions Providers / Implementers" in 2005 by Joint Director of Industries, Pune Region.

In terms of Maharashtra IT / ITES policy, 2009, the IT / ITES units will be supplied power at industrial rates applicable under the Maharashtra Electricity Regulatory Commissioner's tariff orders and will be exempt from payment of Electricity duty.

According to guidelines issued by Maharashtra State Electricity Distribution Co. Ltd., (MSEDCL) in Circular No. 212 dated 01 October 2013, the HT consumers (IT Parks) shall apply to MSEDCL for individual connections for IT / ITES units situated in IT Park with valid LOI / Registration certificates. If the HT consumer (IT Park) does not want to take individual connections as indicated above for IT / ITES units situated in IT Park, then said HT consumer shall apply to MSEDCL for Distribution Franchisee (DF) (through MOU route). In such case, the supply will be governed by terms and conditions of DF agreement.

Audit scrutiny of records in C-DAC, Pune (November 2014) revealed that all lease and license agreements entered into by C-DAC (Licensee) with the landlords (Licensor) for hiring of premises, contained a clause that "till the execution of tripartite agreement between Licensor, Licensee and MSEDCL, the licensee will pay the appropriate electricity charges as per the electricity bill issued by MSEDCL towards the sub meter for the respective floor which stands in the name of the Licensor and after execution of tripartite agreement, the bill will be received in the name of the Licensee and the Licensee will pay electricity charges to MSEDCL." This indicated that C-DAC was well aware of the electricity concession available to it for which it had provided for tripartite agreement with other parties, viz., landlords and MSEDCL to apply for separate electricity connection in its own name. The landlords also, by agreeing to this clause, had no objection to C-DAC having its own meter and paying electricity bills in its own name. Further as per provisions of Maharashtra

20 NSG IT Park/ Westend Center and Pune University Campus

Electricity Supply Code and other conditions of Supply Regulations, 2005, C-DAC could have applied for electricity connection in its own name by providing No Objection Certificate from the Licensors.

However, C-DAC neither made any effort to obtain electricity connection in its own name nor applied for Distribution Franchisee route for which it was eligible under Maharashtra IT/ITES Policy 2009 to avail concessional tariff at industrial rates. Further, C-DAC did not take any steps to renew the ITES unit registration issued in February 2005 by Directorate of Industries which expired in February 2008.

This led to C-DAC, Pune paying electricity charges at higher rates[21] ranging from ₹ 7.15 to ₹ 9.83 per unit to the landlord of the rented buildings based on readings of sub-meters arranged by them instead of availing concessional tariff at industrial rates ranging from ₹ 3.40 to ₹ 7.01 per unit resulting in avoidable excess expenditure of ₹ 4.78 crore (**Annexure XVI and XVII**) during the period 2010-11 to 2014-15 (up to September 2014) with further recurring effect in respect of hired buildings viz. NSG IT Park / Westend Centre and Pune University Campus.

On this being pointed out (November/December 2014), C-DAC, Pune / Ministry replied (August 2015) that:

i. For availing concessions, the consumer needs to have individual connection under relevant category and the electricity connections for the rented premises were in the name of the landlords and C-DAC was not permitted by any of the landlords for taking individual connection and the tripartite agreement was not the basis to get concessional tariff. The landlords had already installed the required infrastructure like transformer, switch gear etc., for the premises.

ii. As landlords have not taken franchisee with MSEDCL, C-DAC could not have taken individual connection and availed any other tariff other than the tariff paid by the landlords. The electricity bills are issued in the name of landlords as per MSEDCL approved tariff and C-DAC had been reimbursing the charges at the same tariff as charged by MSEDCL.

iii. It was further stated that in respect of hired accommodation at Pune University, the concessional tariff under Public Service category was availed by Pune University and passed on to C-DAC with the exemption from payment of electricity duty. In this case, even if C-DAC applied for individual connection, there would have been nominal saving of one paisa per unit.

21 Tariff applicable under commercial category (NSG IT Park &Westend Center) and tariff applicable to educational institutes/ public services (Pune University).

iv. The matter was referred to Maharashtra State Electricity Distribution Co. Ltd (MSEDCL) during March 2015 which informed that companies requesting for supply for IT / ITES purpose in IT Parks either have to operate through distribution franchises route or take individual connections for each IT unit under relevant tariff category. MSEDCL further stated that as in this case the connection is in the name of the IT Park owner, Industrial Tariff would not be applicable to C-DAC even if C-DAC is IT registered unit.

Reply of C-DAC is not acceptable due to the following:

i. In terms of Maharashtra Electricity Supply Code and Other Conditions of Supply Regulations 2005, C-DAC could have obtained a connection in its own name by obtaining a NOC from the Licensor and thereby availed eligible concessional tariff. Savings from availing concessional tariff would have outweighed the initial infrastructure expenditure in transformer, switch gear etc. in the long run so far.

ii. The reason that the landlords have not taken franchisee with MSEDCL and hence CDAC could not have taken individual connection is not tenable, as in terms of guidelines of MSEDCL, HT consumers were entitled either to operate through franchisee route or take individual connection for each IT unit under relevant tariff category.

iii. The contention of C-DAC that 'there would be nominal saving of one paisa even if individual connection was taken in respect of Pune University' was factually incorrect as the difference of one paise was worked out after adding electricity duty @ 17 *per cent* to industrial tariff. Since IT / ITES units are exempted from paying electricity duty alongwith concessional industrial tariff as per IT and ITES policy of Government of Maharashtra, the actual difference per unit between tariff of Public Service category and Industrial tariff during period April 2010 to September 2014 worked out ₹ 1.20 to ₹ 4.97 per unit.

Thus, the failure of C-DAC management to make an effort to avail the eligible concessional electrical tariff as per Maharashtra IT / ITES policy 2009 resulted in avoidable expenditure of ₹ 4.78 crore towards electricity charges during the period 2010-11 to 2014-15 (upto September 2014) with further recurring impact in the future.

4.5 Deficiencies in regulation of personnel and establishment matters

C-DAC Pune violated various provisions of not only Staff Rules based on Government of India rules approved by its Governing Council but also GFRs and FR&SRs. This resulted in irregular extension of leased accommodation facility to its ineligible employees, excess payment of gratuity, irregular payment of honorarium to internal faculty in contravention of Management Board's directions, irregular provision of gifts to staff, lack of transparency in hiring of consultants for technical / project works and abnormal expenditure on engagement of a legal consultant.

As per General Financial Rule 209 (6) (iv) (a), all grantee institutions or organizations which receive more than fifty *per cent* of their recurring expenditure in the form of Grants-in-aid, should ordinarily formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government. In exceptional cases, relaxation may be made in consultation with the Ministry of Finance (MoF).

Audit scrutiny (November – December 2014) revealed that C-DAC is receiving more than fifty *per cent* of their recurring expenditure in the form of Grants-in-aid from Central Government and has its own Staff Rules approved by the Governing council, however, in several areas of personnel and establishment matters, C-DAC Pune deviated from its own Staff Rules[22] and Government of India (GoI) rules which resulted in excess / irregular/ avoidable expenditure to the tune of ₹ 9.29 crore as discussed in succeeding paragraphs.

I. Excess payment due to extension of leased accommodation facility to ineligible employees.

Ministry of Finance, Department of Expenditure delegated (May 2009) powers to Ministries/ Departments which would be competent to sanction hiring of residential accommodation only for the Chief Executives of the autonomous bodies subject to certain ceilings[23].

Audit noticed (December 2014 / August 2015) that C-DAC, Pune extended leased accommodation facility (including self-lease) to its employees, other than the Chief Executives, at 40 *per cent* of the pay plus grade pay which was double the house rent allowance of 20 *per cent* payable at Pune without obtaining concurrence of Ministry of Finance (MoF). It is pertinent to mention here that C-MET, Pune which is also a unit under the control of DeitY, did not extend leased accommodation facility to its officials including

22 Staff Rules of C-DAC –October 2006 for service conditions and staff benefits of C-DAC employees framed under the bye-laws for administration and management of the society

23 In respect of 'Y' class cities, Ministries/Departments can hire accommodation ranging from ₹ 18400 to ₹ 32000 per month for Chief Executives with Grade Pay of ₹ 8700 and above. C-DAC, Pune however did not even follow the ceiling limit prescribed by the MoF.

24 The Act provides for a scheme for payment of gratuity to employees engaged in factories, mines, oil fields, ports, shops and other establishments.

its Chief Executive. Extension of leased accommodation facility to ineligible officials of C-DAC, Pune in violation of GFRs and orders of MoF resulted in excess payment of ₹ 6.09 crore (**Annexure-XVIII**) during 2010-15.

C-DAC, Pune did not offer its views / comments on the audit observations so far.

II. Excess payment of gratuity.

Staff Rules (Service Conditions and Staff Benefits) 2006 of C-DAC provide that its employees shall be eligible for gratuity as per Gratuity Scheme as applicable to employees of Government of India effective from 01 January 2006. Scrutiny of gratuity payments of CDAC Pune unit during December 2014 however revealed that C-DAC paid gratuity to its employees as per provisions of Payment of Gratuity Act[24], 1972 which is applicable to non-government servants. Gratuity was paid in excess of ₹ 10 lakh being the maximum gratuity payable under CCS (Pension) Rules which is also against the provisions of Staff Rules. Gratuity was also paid to the employees who resigned and were not eligible for gratuity as they had not completed minimum qualifying service under CCS (Pension) Rules 1972 for the purpose of gratuity. This had resulted in excess payment to the tune of ₹ 0.40 crore for the officials superannuated/ resigned between March 2006 and June 2013 as detailed in (**Annexure –XIX**).

It was replied (December 2014) that as per Memorandum of Association and Recruitment Rules (MoARR) of C-DAC, Gratuity was payable to all the employees on resignation / retirement and the same was to be calculated at $^{15}/_{26}{}^{th}$ of the monthly emoluments for each completed year of service and subsequent to the amendment, gratuity was paid as per gratuity scheme applicable to government employees.

Reply of C-DAC is not acceptable as the same was not in conformity with the C-DAC Staff Rules which are effective from 01 January 2006 and thereby with CCS (Pension) Rules 1972 of Government of India.

III. Irregular payment of honorarium to internal faculty.

As per Fundamental Rules (FRs), honorarium is defined as a recurring or non-recurring payment granted to a government servant as remuneration for special work of an occasional or intermittent character. Competent authority may grant or permit a government servant to receive an honorarium as remuneration for work performed, which is of occasional or intermittent character and is either so laborious or of such special merit as to justify a special reward subject to a maximum of ₹ 5000 per annum to an individual in a financial year.

C-DAC offers its various training programmes through its own training centres, Pune centre being one of them. There was no provision for payment of honorarium to the internal faculty. Further, C-DAC Management also decided (October 2013) not to pay honorarium to internal faculty.

Audit scrutiny during November 2014 however revealed that:

- C-DAC Pune paid honorarium of ₹ 53.75 lakh during 2009-10 to 2013-14 **(Annexure XX)** in excess of the ceiling limit of ₹ 5000 per annum to 62 officials (as internal faculty).
- The highest amount paid to an individual during a financial year (2010-11) was ₹ 3.51 lakh in excess of ₹ 5000 (Shri Ashish Kuvelkar, Internal Faculty).
- Out of the total excess paid honorarium of ₹ 53.75 lakh, ₹ 13.50 lakh (25.93 *per cent*) was paid to only one individual official (Shri Ashish Kuvelkar, Internal Faculty).
- C-DAC did not furnish the details of honorarium paid during 2014-15 and did not confirm whether payment of honorarium in excess of the ceiling limit is still being continued or not.
- Thus, payment of honorarium in violation of provisions of FRs, ignoring the direction of the Management Board, without provision in the delegation of powers resulted in excess/ irregular payment of ₹ 53.75 lakh.

C-DAC Pune replied (December 2014) that honorarium was considered for income tax purpose by adding it to the salary income. However, the reply was silent on payment of honorarium in excess of the prescribed limit, payment of honorarium without delegation of powers and payment of the same in contravention to the directions of the Management Board.

IV. Provision of gifts to employees resulted in irregular expenditure.

Audit noticed (July 2013 and April 2015) that C-DAC Pune incurred expenditure of ₹ 1.08 crore for providing gifts[25] to its employees during 2010-11 to 2014-15. It was also observed that expenditure on procurement of gifts was met from the core grant sanctioned for mission projects which was in violation of the provisions of GFRs as incurring of expenditure from the grant should be for the purpose for which it was granted. Audit observed that there is no provision in the Staff Rules of C-DAC / GoI rules and regulations for providing gifts to Government employees. Further, gifts provided to staff by C-DAC does not fall under the list of amenities mentioned under Rule 215 (1) (iii) of GFRs. Thus, incurring expenditure of ₹ 1.08 crore towards gifts to employees is irregular.

25 Gifts such as Electric cooker, Dinner set, Mixer / Grinder, Fashion bags, Blankets, Sandwich toaster, Cutlery, Suitcase, Vacuum Cleaner etc.,

C-DAC replied (July 2013 and April 2015) that the expenditure is incurred from the grants released by DeitY under Mission Projects and the same are accounted for as staff welfare expense and payments were made with the approval of Director General, C-DAC.

Reply is not acceptable. C-DAC did not provide proper authority under which gifts could be provided to its employees. Charging such kind of expenditure to Mission Projects is irregular as funds allotted for Mission Projects should be utilized for the purpose for which they were sanctioned / allotted.

V. Lack of transparency in hiring of consultants for technical / project works

It was noticed in Audit (December 2014) that C-DAC Pune incurred ₹ 3.50 crore on hiring of 48 consultants for technical / project works during May 2009 to October 2014. Out of which 18 consultants (expenditure ₹ 1.38 crore) were hired on Head of the Department's request and two consultants (expenditure ₹ 0.08 crore) were identified as per requirement. Mode of selection of four consultants (expenditure of ₹ 0.42 crore) was not available and the remaining 24 consultants (expenditure ₹ 1.62 crore) were stated to be hired based on interviews. C-DAC Pune did not furnish any evidence of issue of advertisements and following due selection process for hiring the consultants.

Thus, there was no transparency in hiring of consultants for technical / project works and incurred ₹ 3.50 Crore which was in violation of orders of GoI and provisions of GFRs.

VI. Abnormal expenditure on engagement of a legal consultant.

C-DAC Pune has a Legal Division headed by Head, Legal and Contracts assisted by three to four legal consultants. As per the information made available to Audit, 11 legal cases (three court cases and eight CAT cases) were pending as on 17 November 2014. All the cases relate to establishment matters such as applicants challenging suspension (three similar cases), applicants challenging pay fixation (three similar cases) etc., and there were no cases pending either at High Court or at the Supreme Court.

In view of the above, there was no scope for major expenditure towards legal fee. Audit scrutiny however revealed that during 2013-15 (up to November 2014), C-DAC Pune paid ₹ 1.18 crore (**Annexure –XXI**) to legal consultancy firm M/s Pavan Duggal Associates towards legal consultancy charges for advice on various challenges and issues consuming C-DAC (₹ 55.67 lakh), advice on RTI queries (₹ 24.42 lakh), advice on legal conference (₹ 13.58 lakh) and advice on other miscellaneous matters[26] (₹ 24.08 lakh). It was also observed that fees paid to legal consultant were at very high rates ranging between ₹ 16666 to ₹ 25000 per hour. C-DAC, neither explored utilizing the services of standing / panel counsels available in Pune nor limited the fees/remuneration to those notified by Ministry of Law and Justice (MoLJ).

26 Advice on CCS (CCA) Rules, Amendments to Criminal Law Act, drafting of the template for presenting officers in IE proceeding, reasonable security practices and procedures to be adopted for data and information in the electronic form, employee sensitization about the Sexual Harassment on Women at work place (Prevention, Prohibition and Redressal Act 2013) etc.

Audit also observed that C-DAC engaged the private legal consultant without prior approval of the MoLJ, GoI which was in violation of the instructions issued (November 2002 and January 2015) by MoLJ. The fee / remuneration to the legal consultants are to be regulated as per the rates notified by MoLJ from time to time which was also not followed by C-DAC. It was observed that as per the instructions (September 2011) of MoLJ, maximum fee payable to the standing / panel counsels for attending hearing even at Supreme Court is ₹ 9000 per day. Whereas, C-DAC paid fee to the legal consultant at rates ranging up to ₹ 25000 per hour that too without any specific requirement. C-DAC did not furnish basis of appointment of legal consultant. Further, CDAC also did not furnish the details of payments made to the legal consultant for the period up to March 2013 and from November 2014 onwards and approval of competent authority for approaching the legal consultant in each case.

C-DAC replied that professionals like doctors, lawyers are not selected / engaged by way of advertisement but they are hired based on their expertise / specialization / reputation. It was also stated that due to increasing trend of RTI applications it was felt necessary to consult legal consultants to safeguard its legal interests. It was further stated that MoLJ circular regarding engagement of private advocates was not applicable to C-DAC which is free to engage private advocates.

Reply is not tenable as despite having a full-fledged legal wing, C-DAC incurred expenditure on hiring of a legal firm against the various orders of the GoI/ GFRs and also against the canons of financial propriety. The rates adopted are very high. C-DAC did not avail the services of Standing Counsel/panel available in Pune.

Thus, C-DAC Pune violated various provisions of not only Staff Rules based on Government of India rules approved by its Governing Council but also GFRs and FR&SRs. This lapse on the part of C-DAC resulted in excess / irregular / avoidable payment.

Ministry's reply is awaited (November 2015).

4.6 Avoidable and unfruitful rental expenditure due to abnormal delay in completing the interior furnishing work for hired accommodation

ERNET India hired accommodation from M/s Delhi Metro Rail Corporation in August 2010. Though work order was issued in June 2012, the works could not be completed as of March 2015. As a result ERNET continued functioning in the hired accommodation and paid rent of ₹ 5.52 crore between April 2011 to December 2014. An additional avoidable rental expenditure of ₹ 7.17 crore on hiring of accommodation was also incurred during the period from August 2010 to December 2014.

Education and Research Network (ERNET)[27] India hired a space of approximately 700 sq.m from Delhi Metro Rail Corporation (DMRC) in February 2010 for which a lease

27 ERNET India was established in 1998 as an autonomous scientific society under the DeitY

agreement was signed in August, 2010. Later, in April 2011, ERNET India requested DMRC to consider allotment of about 1858.1 sq.m area in replacement of existing allotted space with a view to shift all its office and operational activities under one roof. A revised lease agreement was signed between ERNET and DMRC in August 2011 for 1869.109 sq.m super built up area at DMRC IT park building, Delhi. The revised lease agreement, stipulated as following:

(i) A monthly license fee (rental) of ₹ 675 per sq.m plus applicable service tax and surcharge thereon had to be paid to DMRC. This was to be revised by 15 *per cent* of the license fee at the end of each term of three years.

(ii) Initial tenure of the license was for six years and ERNET had deposited a sum of ₹ 1.51 crore towards interest free security deposit.

(iii) A monthly amount of ₹ 1.81 lakh plus applicable service tax was to be paid towards maintenance of common facilities and parking charges extra.

(iv) Clause 11 of the agreement stipulates that licensee will take approval of all interior partitioning plans before execution of the work.

ERNET floated (July 2011) a tender for interior furnishing work for the rented space and Purchase Order for ₹ 1.61 crore was issued to M/s Woodfun Interiors & Decorators in June 2012. The Purchase Order stipulated that the entire work was to be completed in all respects within 90 days of the issue[28] of the Purchase Order. In case of delays the contractor was to pay liquidated damages (LD)[29] at one *per cent* of the contract value of the non-completed works per week subject to a limit of 10 *per cent* of the contract value.

Audit scrutiny (February 2015) of the records of ERNET revealed that:

a. Only 50 *per cent* work was completed till June 2013 at an expenditure of ₹ 65.41 lakh against the total project cost of ₹1.60 crore.

b. In the process of partitioning work, DMRC did not allow laying of PVC pipes and insisted for GI Pipes which was not a tendered item. This resulted in delay in finalization of rates of GI pipes which led to granting of four extensions to the contractor for completion of the work without LD charges. The contract was cancelled in October 2013.

c. ERNET continued to pay the rent (license fee) despite non-occupance of the hired accommodation even after a lapse of four years from the date of possession. An amount of ₹ 7.17 crore was paid to DMRC from August 2010 to December 2014

28 Clause 21 of the Purchase Order
29 Clause 16 of the Purchase Order

towards rent, maintenance, and electricity and water charges. Further, ERNET also incurred an amount of ₹ 5.52 crore between April 2011 and December 2014 on account of hiring charges of the present accommodation.

On this being pointed out by Audit (September 2015), the Ministry stated (November 2015) that rent paid to DMRC, a Government organization cannot be said as loss to exchequer. It was also stated that extensions were granted to the contractor many times without invoking LD charges because ERNET India was keen to get the work completed to enable it to shift in DMRC building and after ascertaining the failure of contractor, the contract was cancelled on 25 October 2013. It was also stated that contractor declined to supply GI pipes for fire systems at the price quoted under civil works as GI pipes were not included as tender item in the electrical works which resulted in certain unavoidable delay. It was also intimated that LD charges had been claimed during arbitration process.

The reply of the Ministry is not acceptable. Payment of rent to DMRC is unfruitful expenditure as the space allotted had not been occupied by ERNET due to non-completion of partition work even after four years from the date of hiring. Further, as per Clause 11 of the license agreement, ERNET had to take prior approval of DMRC before undertaking all interior partitioning work. However, this was not done which resulted in DMRC objecting to laying PVC pipes and insisted for GI Pipes instead. This also led to delay in completing the work and cancelling the work order issued to the firm.

Thus poor management / indecisiveness of ERNET led to unfruitful and avoidable expenditure of ₹ 7.17 crore. Even after more than four years from the date of signing of the lease agreement, ERNET was unable to utilize the hired space.

4.7 Non-levy of penal interest

Non-levy of penal interest of ₹ 0.67 crore by Electronics Regional Test Laboratory (ERTL), Kolkata, Electronics Test and Development Centre (ETDC) Bangalore and Jaipur under STQC Directorate on their Bankers for delayed remittance of Government receipts into Central Government Account (Consolidated Fund of India).

The Standardisation, Testing and Quality Certification (STQC) Directorate, an attached office of the Department of Electronics and Information Technology (DeitY) Government of India, provides quality assurance services in the area of Electronics and Information Technology through a countrywide network of Electronics Regional Test Laboratories (ERTLs) and Electronic Test and Development Centres (ETDCs). The services include testing, calibration, training and certification for public and private organisations.

Rule 8 of Preliminary and General Principles of Central Government Accounts (Receipts & Payments) states that immediately on receipt of government revenues, receipts or dues, the receiving branch of the bank shall cause them to be included in the deposits of the Government held by the Reserve Bank of India (RBI) in accordance with provisions of Rule 3, which stipulates that unless otherwise specified, moneys credited to Government account shall be held either in the RBI or in a central treasury, the cash business of which is not conducted by the bank.

As per RBI letter dated January 2007, the period of delay in transaction of ₹ 1 lakh and above shall attract delayed period interest at Bank Rate plus two *per cent*. Further for the transaction below ₹ 1 lakh each, the delayed period interest shall be the Bank rate for delays up to five calendar days and above five calendar days at the Bank rate plus two *per cent* for the full period of delay. The Bank rate will be the rate as being notified by the RBI from time to time.

Audit scrutiny of bank statements for the period January 2009 to March 2015 in respect of current account[30] opened by STQC units viz. ETDC Bangalore, ETDC Jaipur and ERTL Kolkata for remitting Government dues, revealed that the STQC units were remitting daily receipts received on account of IT Services and STQC to their Current Accounts opened at respective Banks in their city. The receipts remitted to the Bank on a daily basis were required to be credited by the Bank in Central Government Accounts immediately. However, the same were remitted by the Banks partially once or twice in a month keeping the majority of the receipts in the Bank account itself. This was in contravention of the applicable clauses of Receipts and Payments Rules and hence attracted penal interest of ₹ 0.67 crore for the period from January 2009 to March 2015 (**Annexure-XXII**). This has resulted in loss of revenue to Central Government by the same amount.

On this being pointed out by audit (September 2015), Ministry stated (November 2015) that steps have been initiated to prevent such lapses. ERTL Kolkata unit replied that necessary correspondence had been made with the respective Banks to remit the penal interest to Consolidated Fund of India. Similarly, ETDC Bangalore and Jaipur replied that letters had been sent to the Manager, Bank of India, Bangalore and Bank of India, Jaipur respectively to pay the due interest for delayed remittance of Government receipts by the Bankers to Central Government Accounts.

However, the fact remains that due to lack of proper monitoring by the STQC units, the concerned Banks delayed the remittance of Government money and used the funds without paying any interest to Government. Therefore, they are liable to pay penal interest of ₹ 0.67 crore to the Government.

30 No interest paid on deposit.