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**PROCUREMENT OF STORES
AND INVENTORY CONTROL**

DEPARTMENT OF SPACE

**PUBLIC ACCOUNTS
COMMITTEE
2009-2010**

EIGHTEENTH REPORT

FIFTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

EIGHTEENTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(2009-2010)

(FIFTEENTH LOK SABHA)

PROCUREMENT OF STORES AND
INVENTORY CONTROL

(DEPARTMENT OF SPACE)



Presented to Lok Sabha on 29 April, 2010

Laid in Rajya Sabha on 29 April, 2010

LOK SABHA SECRETARIAT
NEW DELHI

April 2010/Vaisakha 1932 (Saka)

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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10)	(iii)
COMPOSITION OF SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS COMMITTEE (2009-2010)	(v)
INTRODUCTION	(vii)

REPORT

PART-I Narrative Portion

I. Introductory	1
II. Status of Pendency Position	2
III. Performance Audit on Procurement of Stores and Inventory Control	3
IV. Persistent Savings	5
V. Deficient Procurement Procedure & Planning	7
(i) Non-prescription of any time frame	7
(ii) Inaccurate Assessment of Requirement by Indentors	8
(iii) Lack of Competitiveness in the Tendering Process	9
(iv) Purchase of Furniture on Proprietary Basis	11
(v) Non-adherence to CVC Guidelines	12
(vi) Irregular Payment of Advances to Suppliers	13
(vii) Delay in Inspection of Materials and Non-replacement of Rejected Stores	14
VI. Inventory Control & Management	16
(i) Non-conduct of Physical Verification of Bonded Stores	16
(ii) Non-Disposal/Delayed disposal of Surplus & Obsolete Items	17
PART-II Observations and Recommendations.....	19

APPENDICES

I. Minutes of the Fourth sitting of Sub-Committee-V held on 5th February, 2010	26
II. Minutes of the Seventh sitting of Sub-Committee-V held on 23rd February, 2010	29
III. Minutes of the Eleventh sitting of the Public Accounts Committee (2009-10) held on 26th April, 2010	33

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2009-10)

PRESENT

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Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Dr. Baliram
4. Shri Khagen Das
5. Shri Naveen Jindal
6. Shri Satpal Maharaj
7. Shri Bhartruhari Mahtab
8. Dr. K. Sambasiva Rao
9. Shri Jaswant Singh
10. Shri Jitendra Singh (Alwar)
11. Kunwar Rewati Raman Singh
12. Shri Yashwant Sinha
13. Shri K. Sudhakaran
14. Dr. M. Thambidurai
15. Shri Aruna Kumar Vundavalli

Rajya Sabha

16. Shri Prasanta Chatterjee
17. Shri Sharad Anantrao Joshi
18. ^sVacant
19. Shri Shanta Kumar
20. Dr. K. Malaisamy
21. Shri N.K. Singh
22. Prof. Saif-ud-Din Soz

SECRETARIAT

- | | | |
|----------------------------|---|------------------------|
| 1. Shri Ashok Sarin | — | <i>Joint Secretary</i> |
| 2. Shri Raj Shekhar Sharma | — | <i>Director</i> |
| 3. Shri D.R. Mohanty | — | <i>Under Secretary</i> |

*Appointed as the Chairman of the Committee *w.e.f.* 6th January, 2010 *vice* Shri Jaswant Singh resigned from the Chairmanship of the Committee.

^s*Vice* Shri Ashwani Kumar retired from Rajya Sabha *w.e.f.* 9th April, 2010.

COMPOSITION OF SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS
COMMITTEE (2009-2010)

*Shri Ashwani Kumar — *Convener*

Lok Sabha

2. Shri Bhartruhari Mahtab

3. Shri Naveen Jindal

Rajya Sabha

4. Shri Prasanta Chatterjee

* Ceased to be a Member of the Committee/Sub-Committee on expiry of his term in Rajya Sabha
w.e.f. 9th April, 2010.

INTRODUCTION

I, the Chairman, Public Accounts Committee as authorised by the Committee, do present this Eighteenth Report (15th Lok Sabha) on "Procurement of Stores and Inventory Control" based on Chapter II of C&AG Report No. PA 2 of 2008 for the year ended March, 2007 relating to the Department of Space.

2. The Report of the Comptroller and Auditor General of India for the year ended March, 2007 was laid on the Table of the House on 24th October, 2008.

3. Taking cognizance of the inordinate delay on the part of various Ministries/Departments in furnishing the Action Taken Notes on the Non-selected Audit Paragraphs/Chapters/Reports within the stipulated time frame, the Public Accounts Committee (2009-10) took up the subject for detailed examination and report. A Sub-Committee was specially constituted for the purpose. In due consultation with the Audit, it was decided to examine the position in respect of the Department of Space alongwith some other Ministries/Departments.

4. In the process of the scrutiny of the Audit Paragraphs/Chapters/Reports pending with the Department of Space, the Sub-Committee came across certain pending Paragraphs/Chapters on very important issues and considered it prudent to examine and report the same alongwith the Non-Compliance issue. Accordingly, the Sub-Committee took up the above mentioned Chapter of the Audit Report for in-depth examination.

5. The Sub-Committee took evidence of the representatives of the Department of Space on 5th February, 2010 and 23rd February, 2010. The Committee considered and adopted this Report at their sitting held on 26th April, 2010. Minutes of the Sittings form Appendices to the Report.

6. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report.

7. The Committee thank the Sub-Committee for their efforts in examining the subject in detail and finalizing and placing the Report before the main Committee.

8. The Committee would also like to express their thanks to the officers of the Department of Space for tendering evidence before the Sub-Committee and furnishing information that the Sub-Committee/Committee desired in connection with the examination of the subject.

9. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
26 April, 2010

6 Vaisakha, 1932 (Saka)

GOPINATH MUNDE,
Chairman,
Public Accounts Committee.

REPORT
PART-I
Narrative Portion

I. INTRODUCTORY

The Reports of the Comptroller & Auditor General of India, after being laid in Parliament in accordance with Article 151 of the Constitution of India, stand referred to the Public Accounts Committee for their scrutiny. As it becomes practically impossible for the Public Accounts Committee to examine each and every paragraph contained in the Audit Reports, the Committee adopt a selective approach and take up a few relatively more important paragraphs for indepth examination at the beginning of the term every year. As regards the paragraphs which are not formally selected for examination by the Committee, these are dealt with by means of a procedure where-by the Ministries/ Departments are required to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure).

2. But as there was inordinate delay on the part of the Ministries/Departments in furnishing the remedial/corrective Action Taken Notes, the Committee in their 105th Report (Tenth Lok Sabha) had recommended that with effect from 31st March, 1996 the Action Taken Notes on all the Paragraphs of the Reports of the C&AG, which are not formally taken up by the PAC for examination and Reports presented thereon, should be furnished to the Committee within four months of the laying of the Audit Reports.

3. During 2000-01, the Committee decided that the remedial/corrective Action Taken Notes furnished by the respective Ministries/Departments should be categorized by the Audit under three broad heads namely 'Accepted', 'Partially Accepted' and 'Not Accepted'. In subsequent developments, the Committee also decided that a brief on those Action Taken Notes which are categorized as 'Not Accepted' should be furnished by the Office of C&AG, clearly indicating the reasons for such categorization as well as the points of difference between Audit and the Ministry/Department concerned.

4. Even then, various Ministries/Departments have been unable to furnish the remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure) within the prescribed time line of four months. For example as on 28th February, 2010 remedial/corrective Action Taken Notes on a total number of 3450 Chapters/Paragraphs were pending with various Ministries/ Departments.

5. Against this backdrop, the Committee took up the subject for detailed examination during the year 2009-10. A Sub-Committee was constituted to go deep into the matter, prepare separate Reports on each Ministry/Department concerned with the subject and place the same before the Main Committee for their consideration. In the process, the Sub-Committee obtained Background Notes/Preliminary Materials and Written Replies from the Ministries/Departments concerned. The Sub-Committee also took separate evidence of the representatives of the respective Ministries/Departments on different dates.

6. This Report pertains to the remedial/corrective Action Taken Notes on the Audit Paragraphs pending with the Department of Space. Out of the 3450 Chapters/Paragraphs pending with various Ministries/Departments, four Chapters/Paragraphs were pending with DOS as on 28th February, 2010. One of the important Chapters/Paragraphs out of these four pending Chapters/Paragraphs is Chapter-II of the Report of the C&AG of India for the year ended March, 2007—Union Government, Scientific Departments No. PA 2 of 2008 relating to the Performance Audit on Procurement of Stores and Inventory Control in the Department of Space. The Sub-Committee decided to take up this Chapter for examination in order to gauge the compliance of the Department to the Audit observations/suggestions, in addition to the status of the remedial/corrective Action Taken Notes pending with the DOS.

II. STATUS OF PENDENCY POSITION

7. As mentioned above, the Sub-Committee were informed by the Audit that as of February, 2010, four Paragraphs of the C&AG Reports upon which remedial/corrective Action Taken Notes were to be furnished, were pending with the Department of Space. Out of these four pending Paragraphs, Audit was awaiting the re-submission of three ATNs consequent upon their observations and ATNs on one Paragraph was yet to be received from the Department even for the first time.

8. In the above context, the Sub-Committee desired to be apprised of the latest status of the pending ATNs. In reply, the Department of Space stated that one Audit Paragraph *i.e.*, No. PA 9 of 2006—Non-Tax Receipts was pending with them. ATN in respect of another Audit Para on Performance Audit Report on Procurement and Inventory Control had already been submitted to the Principal Director of Audit, Scientific Departments, who had sent his vetted comments on March, 2010 and the Department were seeking certain details from the DOS/ISRO centres/units for sending the revised ATN to the Audit.

9. Asked to state categorically the exact date by which the Department would be able to send the ATNs/Revised ATNs to the Audit, it was replied that the revised ATN on Performance Audit on Procurement of Stores and Inventory Control was proposed to be sent by 31st March, 2010 whereas ATN on Non-Tax Receipts was proposed to be submitted latest by 30th April, 2010 to the Principal Director of Audit, Scientific Departments, for vetting.

10. The Sub-Committee then desired to know the mechanism devised by the Department to ensure submission of corrective/remedial ATNs within the stipulated time frame. In reply, the Department of Space stated that they had been taking utmost care to send the ATNs to the Principal Director of Audit (PDA) within the stipulated time for vetting on receipts of which they were presented to the Monitoring Cell of the Ministry of Finance. However, in respect of the above stated pending Audit Paras, delays occurred because extensive data/information were to be collected from various centres/units and also due to some important major decisions/action like revision of the Department's purchase procedure and guidelines issued to various centres/units that were to be taken at the Departmental level during the intervening period consequent upon the C&AG's recommendations.

11. The Department further stated that it was possible to adhere to the stipulated time period in respect of those Audit Paras which contained Audit observations on one particular transaction or on a set of similar type of financial transactions on a particular issue. However, in case of Performance Audit, observations were system based covering various issues, locations of different Centres/Units of the Department/Ministry and voluminous data for which it became extremely difficult to stick to the prescribed time line. The Department, however, assured that efforts would be made to send the ATN at the earliest in respect of the future Reports of the C&AG.

III. PERFORMANCE AUDIT ON PROCUREMENT OF STORES AND INVENTORY CONTROL

12. The Department of Space (DOS) and their constituent Units are responsible for planning and execution of national space activities. The main objectives of the Space programme include development of satellites, launch vehicles, sounding rockets and associated ground systems. DOS are also involved in research activities for the development and application of Space, Science and Technology. The programmes taken up by DOS include:—

- ▲ INSAT programme for telecommunications, broadcasting, meteorology and developmental education.
- ▲ Remote sensing programme for application of satellite imagery for various developmental purposes.
- ▲ Research and Development in space sciences and technology.
- ▲ Launch vehicle programme for launching spacecraft indigenously.

13. DOS spends around 56 per cent of its overall budget on procurement of stores and equipment for implementation of the above programmes. The procurement budget of DOS ranged from Rs. 905.43 crore in 2001-02 to Rs. 1921.10 crore in 2006-07, aggregating to Rs. 8636.18 crore over these six years.

14. The overall control of the procurement of stores and inventory control of the DOS rests with the Chairman, Indian Space Research Organisation (ISRO)/Secretary, DOS. There are nine Centres of ISRO/DOS to execute the various programmes. As far as individual Centres are concerned, the Control rests with their respective Directors, who are assisted by Associate Directors, Controller and Purchase and Stores division at each Centre. Purchase and Stores Division of a Centre is headed by Head, Purchase and Stores who is assisted by Purchase/Stores Officers. Purchase proposals beyond the powers of Directors of the Centres are approved/sanctioned by DOS.

15. The Performance Audit of the Procurement of Stores and Inventory Control in DOS was conducted during July to October, 2006 and October to November 2007, covering a period of six years from 2001-02 to 2006-07. The aims and objectives of the Audit were to examine and assess whether:—

- ▲ planning for procurement was efficient and the requirements were determined realistically;

- ▲ procurements were made in a transparent, competitive and fair manner to secure best value for money;
- ▲ adequate efforts were made to exploit available alternatives and broaden vendor base to maximize competition, especially in respect of single tender/proprietary items;
- ▲ the system of evaluation of tenders was fair and objective giving equal opportunity to all the participating bidders and selection of vendors was made in a transparent manner, following laid down criteria as per codal provisions;
- ▲ system of processing and finalization of tenders was efficient ensuring timely placement of orders at most economic rates;
- ▲ a sound mechanism of post contract management was in place in the context of inspection of materials, monitoring of rejected items & their replacement, adjustment of outstanding advances etc.;
- ▲ inventory control was effective and there were no cases of overstocking/shortages, of bonded/non-bonded stores; and
- ▲ physical verification of stores was carried out on a regular basis and surplus, obsolete & unserviceable stores were disposed off timely.

16. The Highlights of the Performance Audit were as follows:—

- ▲ Out of a total procurement budget of Rs. 8636.18 crore of the Department of Space (DOS) during 2001-02 to 2006-07, the unutilized budget increased consistently from Rs. 83.28 crore in 2002-03 to Rs. 438.28 crore in 2006-07. The extent of savings was as high as 30 to 38 per cent in some years in certain Centres, indicating serious deficiencies in procurement planning and management.
- ▲ Procurement planning of DOS was deficient as it placed orders on piecemeal indent basis. Assessment of requirement and cost estimations by indentors were inaccurate, leading to a large number of indents not resulting in purchase orders and wide variations between indent value and order value. Non-consolidation of similar purchase also resulted in uneconomical purchases and extra expenditure of Rs. 93.95 lakh.
- ▲ Procurement practices adopted by DOS did not ensure adequate transparency and competition as 67 per cent of procurements amounting to Rs. 996 crore were made on proprietary/single tender basis. There were instances of proprietary purchases being made for routine items and also in cases where more than one source of supply was available.
- ▲ In violation of codal provisions and CVC guidelines, negotiations were held with other than lowest bidders resulting in placement of irregular purchase orders in eight cases, amounting to Rs. 44.58 crore. Non-award of contract to the lowest bidders resulted in extra expenditure of Rs. 3.42 crore in two cases.

- ▲ ISAC awarded contract to a supplier who was not found technically suitable and thus, extended undue favour by awarding contracts worth Rs. 4.27 crore. In other two procurements, ISAC extended undue favour to the suppliers in award of contract worth Rs. 9.99 crore by changing the selection criteria after invitation of bids. Changes in terms of purchase order/contracts in other three cases benefited suppliers to the tune of Rs. 1.87 crore.
- ▲ Delay and inefficiencies in processing and finalization of tenders resulted in avoidable additional expenditure of Rs. 2.70 crore in two cases due to procurement of stores at higher rates, after expiry of initial validity of offer.
- ▲ There were significant delays in inspection of the stores received. Non-replacement of rejected items at Indian Space Application Centre (ISAC) which resulted in infructuous expenditure of 8.73 crore in five cases.
- ▲ Advances in 1177 cases, worth Rs. 437.73 crore, paid to foreign and indigenous suppliers were pending for 1 to 15 years and more. No interest was charged on these long pending advances by the Department of Space (DOS).
- ▲ There was lack of monitoring of adjustment of advances and renewal of Bank Guarantees. Non renewal of 147 cases of Bank Guarantees amounting to Rs. 83.65 crore may expose the organization to financial risks in cases where suppliers default in making supplies/executing work orders.
- ▲ ISAC did not revise its procurement policy for Bonded Stores since the last decade which resulted in blocking of funds worth Rs. 600 crore.
- ▲ There was overstocking in 9055 categories of electronic, electrical, electro-mechanical components (Bonded Stores) worth Rs. 75.02 crore, resulting in infructuous expenditure due to obsolescence of items. No physical verification of Bonded Stores was conducted in ISAC after 1995-96.

IV. PERSISTENT SAVINGS

17. The budget and expenditure of the Department of Space during the years 2001-02 to 2006-07 was as under:—

Expenditure Against Budget-DOS

(Rs. In crore)

Sl.No. Description	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1. Budget	2034.95	2264.99	2368.89	2731.02	2848.60	3270.42
2. Expenditure	1900.97	2162.22	2268.80	2533.48	2667.60	2988.67
3. Procurement Budget	905.43	1025.22	1433.96	1715.19	1635.28	1921.10
4. Procurement Exp.	784.25	941.94	1332.56	1583.12	1396.16	1482.82
5. Un-utilised Procurement Budget	121.18	83.28	101.40	132.07	239.12	438.28
6. Procurement Budget not utilized (Percentage)	13	8	7	8	15	15

18. Thus, during the period under Audit review, the Department could not utilize 7 to 15 per cent of their procurement budget, which was on an average 56 per cent of the overall budget and thus constituted the major activity of DOS. As would be seen from the above data, the amount of procurement budget remaining unutilized increased consistently from Rs. 83.28 crore in 2002-03 to Rs. 438.28 crore in 2006-07. According to Audit, it indicated the declining efficiency of the procurement system adopted by the Department in ensuring timely delivery of stores and equipment.

19. Responding to the above findings of Audit, the Department of Space stated that the DOS/ISRO functioned in a Project and Mission mode towards development and realization of satellites & launch vehicles, and their applications for the socio-economic benefit of the country. The satellite and launch vehicle projects were stated to be very challenging, involving advanced technologies, complex manufacturing processes and extensive development and testing. Most of the systems and sub-systems were realized from the Indian Industry as a move towards indigenization. Some of the high-end components/materials/parts/sub-assemblies required for realization of the systems/sub-systems were imported. As such the expenditure relating to the various Projects/Programmes of the Department was largely related to the progress of milestones such as design review, proto-fabrication, realization of systems/sub-systems, testing and delivery of various equipment, components, etc. It was further stated that the Department, while formulating its annual budget, arrived at the requirement of funds for the various projects/schemes based on the assessment of the progress of milestone targets to be achieved and the likely cashflow requirement during the year. However, owing to the complex nature of the space technology, developmental uncertainties and export restrictions in foreign procurements, marginal variations in actual expenditure with reference to BE became inevitable.

20. In the above context, the Sub-Committee desired to know the specific reasons for which the allocated funds could not be optimally utilized. In reply, the Department of Space stated that major savings *i.e.*, 15 per cent shown by Audit were during the years 2005-06 and 2006-07. The entire provision in 2005-06 for Satellite navigation and Resourcesat-2 could not be utilized due to non-finalisation of the Global participations and the associated financial implications and owing to detailed interaction required with various user communities for fine tuning the payload requirements. Similarly, due to non-approval of Advanced Communication Satellite, Semi-Cryogenic Engine Development and Earth Observation New Missions and non-finalisation of the Industry Contract, Management Strategy and Financial aspects of the Galileo Programme, the entire provision earmarked for these programmes could not be utilized during 2006-07.

21. The Additional Secretary, DOS, explaining the position, stated in evidence:—

".....Contrary to other Departments, we are not a monthly-oriented expenditure Department. It is a project-oriented expenditure Department. It is possible that five of my total nine projects will take fruition only in November or December. But my Revised Estimate is decided on the basis of my performance upto November. So, it can happen that when the Government of India wants us to spend 65 per cent of the Budget Estimate, we would have spent only 40 per cent only till November. We are fully capable of spending the remaining

60 per cent within March because our major expenditure will be in December and January. We still are not able to convince the Expenditure Department in the Ministry of Finance about this. Even if they are convinced, may be it would be convenient for them also to invoke the normal principle and procedure and to cut our Budget. Our RE had always been less than our BE...."

22. The Additional Secretary, DOS further submitted:—

"....Our expenditure compared to RE in the past three years is 95 per cent plus....."

23. When asked about the measures taken to convince the Department of Expenditure to get the required Budgetary support, the Additional Secretary, DOS deposed:—

".....Now, this year we made a new attempt. We said our projects would be advanced in the first and the second quarter itself."

24. The Department responding to another query, stated in a Post-Evidence Reply that during the years 2007-08 and 2008-09, the non-utilisation of the Procurement Budget had been 5.55 per cent and 7.59 per cent respectively.

V. DEFICIENT PROCUREMENT PROCEDURE & PLANNING

(i) Non-prescription of any time frame

25. Procurement by Ministries/Departments, is an important activity, which should facilitate availability of stores/equipment at the optimal level and in a timely manner for carrying out various organizational activities and programmes. Besides being economical, efficient and effective, procurement process should ensure transparency and fairness. But, Audit review revealed that the DOS purchase procedure did not prescribe any time frame for various stages of procurement, which adversely impacted efficiency and economy of the procurement system.

26. Responding to the above observation by Audit, the Department of Space stated that though the Department did not prescribe any time frame for various stages of procurement, they had a mechanism in place to periodically monitor/control various sub-processes involved in the procurement cycle.

27. Not convinced with the clarification made by the Department, the Sub-Committee desired to know the reasons for not prescribing any time frame at different stages of procurement, in accordance with the General Financial Rules (GFR). In reply, the Department stated that taking into account the observation of Audit and the requirement under GFR 2005, the Department *vide* its Circular No. 13045/8/2008-III dated November, 28, 2008 had issued necessary instructions to the DOS/ISRO Centres/Units prescribing a time limit of 3 months from the date of indent to the date of placement of purchase order as under:—

- (a) The lead time (from the date of finalization of indent to the date of procurement of purchase order) should not exceed 3 months in case of all the procurements

(indigenous as well as foreign procurements). Reasons for delay, if any should be recorded; and

- (b) Depending upon the type of item, each Centre may chart out a calendar in this regard covering different stages like indent finalization, tendering, purchase approvals, issue of PO, etc., conforming to the prescribed lead time.

(ii) Inaccurate Assessment of Requirement by Indentors

28. Audit pointed out that the procurement planning of DOS was weak as requirements were not accurately assessed by the Indentors, cost of estimates were not realistic and requirements of different users were not clubbed, which led to inefficiencies and uneconomical purchases. For example, during the period 2001-06 at ISAC, out of 15478 items raised, 1798 indents (12 per cent) amounting to Rs. 682.50 crore did not result in purchase orders. Similarly, at Space Application Centre (SAC), random test check revealed that 83 indents valuing Rs. 63.42 crore did not result in purchase orders.

29. The Department clarified that the DOS Purchase Procedure prescribed that whenever there was a change in the specifications, a fresh indent should be raised. The systems, sub-systems, equipment, etc., used in the Space projects/programmes involved complex technologies susceptible to changes/modifications due to scientific/technological innovations/improvements took place with regard to the indented item, the initial indent would be cancelled and a fresh indent raised for the improved item. Most often, there would be no response to the tenders floated by DOS/ISRO for procurement of strategic items, resulting in the closure of the purchase file concerned, and a fresh indent raised with revised specifications or scaled down requirements. The Department further stated that all the above cases were beyond the control of the indentors. The indents in such cases, therefore, would not fructify into purchase orders, and this could not be termed as inadequate planning at the indenting stage.

30. Drawing the attention of the Department to the importance of a prudent and realistic procurement planning for releasing purchase orders according to plan and requirement, the Sub-Committee asked about the measures taken by the Department in that direction. In reply, DOS stated that they had a system of preparing the White Book (Budget Proposals) wherein the proposed Annual Budget indicated expenditure to be incurred on projects/equipment/civil works for a particular year as well as the following year. It was further stated that as the Department operated in a project/programme mode, the procurements of various items were prioritized and carried out by various centres/units accordingly.

31. Asked to state the specific efforts made by the Department to ensure accurate projection of requirements and realistic estimation of cost etc., the Department replied that they had issued instruction to consolidate the requirements of all the end users at the central level for procurement of the same items on half-yearly/annual basis and chalk out procurement plans to avoid delays, repetitive procurements etc., and to maximize value for money by availing quantity discounts. It was also stated that the

Department had issued its revised purchase procedure effective from 1st April, 2009 consistent with GFR-2005 to the possible extent.

(iii) Lack of competitiveness in the Tendering Process

32. Audit observed that majority of the procurements were made on proprietary/single tender basis. This mode of procurement was observed even in cases of routine items and where more than one source of supply was available.

33. In response to the above observation by Audit, the DOS stated that the systems, sub-systems, components, equipment, etc., used in the satellite and launch vehicle projects/programmes of DOS/ISRO involved complex technologies and were to be space-qualified. For space applications, one of the most important criteria was the heritage of the items being used on board the satellite, etc. Usage of any component, etc., without any heritage, however, small, might jeopardize the entire satellite or launch vehicle resulting in the failure of the entire project. It would, therefore, be inevitable to go in for proprietary procurement of space-qualified components. Taking into account the specific requirements of ISRO for implementing its various projects and programmes, the DOS has formulated its own Purchase Procedure. The DOS Purchase Procedure provided that purchase of proprietary goods might be made on single tender basis from either the manufactures or their authorized distributors or agents. DOS/ISRO Centres/Units accordingly raised proprietary indents wherever required duly following the DOS Purchase Procedure. However, before proprietary indent was raised, the Centres/Units had to ensure that there was no other manufacturer available to meet their critical requirements. For this purpose, the Centres/Units utilized all the available means including internet before embarking on proprietary indent. The availability of the provision for proprietary procurement in the DOS Purchase Procedure notwithstanding all proprietary indents whose value exceeded Rs. 2.00 lakh, were vetted and cleared by the Indent Review Committee.

34. When the Sub-Committee desired to be apprised of the exact position, the Director, Space Commission deposed in evidence:—

"In regard to space activities, we have a very strange requirement of specific electronic components, metals, materials and the like. Most of them are imported. The percentage of import is very large. We have a major difficulty in importing from foreign countries. They have put a total ban on the components being obtained for India very specifically. It has come to a stage where they are watching what we are buying, what is our intention of buying. These are being watched very carefully. So, we have one reason of the type. The other one is, for Space, we use very specific electronic components which are not manufactured by so many people. I would cite a few very specific examples, which are the radiation hardened Integrated Circuits (ICs) and the electronic Devices. In the world, only one or two companies make them and most of them are in the US. We have done extensive survey and we found that worldwide there are only very few electronic items which can be used for the space programme. The point is that the normal electronic items will not work in the Space programme. So, we have prepared a big document called Preferred

Part List for ISRO and similar thing is there for NASA as well as the Space Agency of the Europe. So, we strictly follow it. We are allowed to use components from that book only. Hence, we are constrained to use that along for Space programmes. Therefore, there is no point in going for a public tender etc. This is one of the reasons. Here, I would like to mention that we are trying to get the support from the Indian industry. We have cultivated 125 Indian industries investing our own money, instrumentation and machinery. They are now the partners with us. There also, again, some very specific areas are there which we have cultivated with them. We selected those as our preferred manufacturing companies. A majority of the items for Space come from these two heads..... We are constrained to buy very specialised components available from very restricted suppliers. There is also very tight. Political compulsions tell us that we have to go for this mode of procurement."

35. The Additional Secretary, DOS supplemented this colleague by stating:—

"I want to add that what the Space Department needs cannot be produced *en masse*. We need materials which are very few in number. We have to take into consideration two factors: one, the continuous efforts to have indigenization to the best extent possible so that tomorrow we are not under threat by any external forces, and, two, to keep the Space Department going. So, what we do is apart from going abroad for purchase wherever essential, we spend a lot of money on R&D. We choose industries which are capable of manufacturing what we want. We also help them in developing our research. In some of the cases, we have provided them facilities in our own campus because we do not want to let know the material combination to outsiders. Even, manufacturing is done here because components are so little in number that they do not have a big market. So, if I have to spend again on another person, I have to spend a lot of money. This is one reason why when I go for indigenization, perforce, I am constrained to go one particular party repeatedly. After the last Audit, what we have done is that where there are going to be materials, units which are to be procured by us in large numbers, we try to create competition within the industry. Even there, we first try to approach our public sector units. If they are not able to produce, then, we go to the private sector. In reality, our dependence, to some extent, on foreign elements will be continuing for some more time because right are the moment, the Indian industry is not capable of manufacturing everything that we want. So, we have targeted those items where there can be a threat of ban as the priority items to be given to the Indian industry for manufacturing."

36. Asked to state specifically the remedial measures taken by the Department post Audit Observation, the Director, Space Commission submitted:—

"As you have rightly pointed out, there are some aberrations which we found from the observations of Audit. We had made some of the few mistakes that you have mentioned. We have tightened the procedures. We assure you that even such small errors will not occur in future."

37. The Department also stated that they had issued instruction to various DOS/ISRO Centres/Units:—

- (a) To ensure that in case of proprietary/specific brand items, the detailed justification for purchase on proprietary basis/specific brand is to be placed on record to be approved by the Competent Authority.
- (b) To provide equal and fair opportunity, it is essential that utmost importance is given to the preparation, continuous evaluation and updating of the vendor's list.
- (c) To build up centralized database of vendors for generic products to bring in more competition in the procurement process and reduce proprietary/single tender procurements, which could be accessed by other Centres also, if required.

38. It was further stated that during the period 2006-07 to 2008-09, the percentage of proprietary/single mode of tendering/procurement had substantially reduced in terms of amount as well as number.

(iv) Purchase of Furniture on Proprietary Basis

39. Audit scrutiny revealed that Space Application Centre (SAC) raised a limited tender indent for supply and installation of furniture items. Six firms responded, out of which three, including M/s. Godrej and Boyce Co., were rejected on technical grounds. M/s. Sudama Furniture Ltd. was selected, whose offer of Rs. 63.26 lakh was the lowest and the Indentor decided to place the order with the firm. However, the items were not purchased by SAC from the L₁ and another indent was raised on proprietary basis in favour of M/s. Godrej and Boyce Co., which was rejected earlier on technical grounds. Finally, order was placed on M/s. Godrej and Boyce Co., at a total cost of Rs. 79.88 lakh. Thus, Proprietary Article Certificat was issued for a common item like furniture for which other manufacturers were available in the market, as proved by the response to the limited tenders issued. Further, having known that earlier offer was only for Rs. 63.26 lakh which was accepted by the Indentor, order was placed for Rs. 79.88 lakh, thus, incurring avoidable expenditure of Rs. 16.62 lakh.

40. The Department of Space clarified that the furniture items were for the Laboratory in the Radar Imaging Satellite (RISAT) building in SAC. The offer of M/s. Godrej & Boyce Co., contained in two pages, did not contain any information regarding made-go-order furniture items, which were the main requirement of SAC. Further, M/s. Godrej & Boyce Co. did not give the material specifications in the Request for Proposal (RFP). The offer of M/s. Godrej & Boyce Co. did not meet the technical requirements of SAC, and hence, was not considered. The order, thereafter, was to be placed on M/s. Sudama Furniture Ltd., whose offer was the lowest, viz. Rs. 63.26 lakh. At that stage, SAC reconsidered the issue taking into account the facts that (a) M/s. Godrej & Boyce Co., had already supplied furniture items to SAC, (b) their products were of high quality, (c) furniture items required were made-to-order, i.e. non-standard items, and decided to go in for proprietary procurement from M/s. Godrej & Boyce Co., mainly to have uniformity in the furniture items in SAC and the high

quality of the products of M/s. Godrej & Boyce Co., were superior in quality when compared to the furniture products of small-time traders.

41. Not satisfied with the Department's clarifications when the Sub-Committee further enquired into the matter, the Director, Space Commission deposed in evidence:—

".....It is a very small aberration. But I would tell what happened. There was a purchase order from our Ahmedabad Centre. The purchase file was ready for signing. But the highest authority there found that the party we were going to place order was a small furniture shop. Somehow it got missed. So, immediately correction was done, not to go with large money to a small furniture shop, and go for a reputed company as we are buying for the Government. The furniture should be durable and its quality should be good. It was a correction done at the last moment. Before signing it, they recognized that we were making an error."

42. The Additional Secretary, DOS supplemented:—

"In the tender conditions, we should have stated that whoever is giving tender should have had a minimum turnover of this much. This point was missed. So, we will rectify it in future. We admit that it is a point which was missed."

43. The Sub- Committee enquired whether specification of a minimum turnover in the tender condition would not discourage competition and encourage monopoly. In reply, the Additional Secretary, DOS submitted:—

"Sir, in matters of furniture we may not create a monopoly because today in India, we have a number of concerns and good companies."

(v) Non-adherence to CVC Guidelines.

44. As per the Central Vigilance Commission (CVC) Guidelines issued in November, 1998 and as per DOS purchase procedure, all post tender negotiations are banned except in the case of negotiations with L₁ (Lowest Tender). But Audit observed that DOS not only violated its own purchase procedure but also CVC Guidelines and provisions contained in GFR, by negotiating with the firms and awarding contracts to the firms who were not found lowest in the bid evaluation and who were not technically suitable. To be specific, in eight cases negotiations were held with vendors other than L₁ and in two cases and Liquid Propulsion System Centre (LPSC) and Space Application Centre (SAC), orders were placed in L₂ bidders, ignoring L₁, despite the lowest bidders being found technically suitable by the Technical Evaluation Committee.

45. Clarifying the position, the Department of Space stated that the Best and Final Offers (BAFOs) were called for not only from the L₁ bidder but also from other technically suitable bidders primarily to ensure that the final prices were advantageous and result in savings to the exchequer. The Department further clarified that if L₁ was alone called for price negotiation, there might not be any reduction in the price offered and if at all

there was any price reduction, it would only be marginal, as the party would surely know that its quotation was the lowest.

46. Not satisfied with the reasonings offered by the Department, the Sub-Committee queried whether it would not be prudent to adhere to the CVC Guidelines as well as to the Department's own Purchase Procedure. In reply, DOS stated that they had instructed Centres/Units to strictly comply with the instructions of CVC and accordingly negotiations except with L₁, would be banned without any exception. It was further stated that similar provisions had been included in the Department's Purchase procedure also.

(vi) Irregular Payment of Advances to Suppliers

47. As per DOS Purchase Procedure, the normal terms of payment provided for the release of 100 per cent payment within 30 days time after receipt and acceptance of materials in good condition. As a relaxation, payment upto 98 per cent against proof of dispatch was allowed. Advance payment should be made in exceptional cases only. For imported items, the DOS Purchase Procedure provided for advance payment through 'Sight Draft' and letter of Credit. As per the CVC Guidelines, advance payments should be made only against payment of interest. But Audit review revealed that ISAC Satellite Centre (ISAC), Space Application Centre (SAC) and Liquid Propulsion System Centre (LPSC) were making advance payments in a routine and liberal manner, without documenting any reasons. As of march, 2006, Rs. 437.73 crore paid as advances in 1177 cases was pending settlement. In case of imports, in 557 cases, advance payments amounting to Rs. 199.64 crore had been outstanding for more than one year of which, advances paid in 250 cases amounting to Rs. 5.43 crore were pending for more than five years. Similarly, in 620 cases of indigenous purchases, advance payments amounting to Rs. 238 crore were outstanding for more than one year of which, advance paid in 155 cases amounting to Rs. 14.85 crore were pending for more than five years.

48. Responding to the above revelations by Audit, the Department of Space *inter-alia* stated that DOS/ISRO Centres/Units normally gave advances only when the suppliers insisted for the same either for setting up the facility or for procuring costly raw materials. Any insistence of interest on such advances would only result in increase in the cost/price to that extent or more by the suppliers. Normally, most of the advances got cleared as soon as the supply was completed. In many of the large value purchase orders/contracts, payments were released in different milestones and final payment were released on delivery and acceptance where the lead time was between 3-4 years for completion of the contract. Hence, in these types of contracts, all milestone payments made were treated as advances till final product was delivered and accepted. The Department further stated that all these milestone payments were supported by Bank Guarantees and were kept valid till the contractual obligations are fulfilled. The payments released on Letter of Credit (LC)/Sight Draft (SD) cases were also treated as advances and being monitored till the materials were received and accepted. Out of the total advances outstanding, major portion were payments against LC/SD and milestone payments in the real sense, these were not advances since the payments were made against dispatch of materials. However, these were treated as advances to have effective internal control for its receipt in good condition and acceptance. These payments

might not be treated as advances since the materials had already been received and Objection Register was not closed for want of Stores Receipt Voucher on acceptance by the Indentor. It was further stated that majority of Import related to space qualified devices/components etc., which would be further subject to various test procedures by Quality Assurance Department before integrating/assembling on-board which was most time consuming process. Hence, clearance could be given by the indentor after satisfying all the tests as per standards. Most of the outstanding advances for clearance pertained to previous year and the advances were treated as "outstanding advances" due to discrepancy in supply or short-supply of items. In these cases, 100% advances were shown as outstanding for small discrepancies/short-supply only.

49. When the Sub-Committee desired to be apprised of the latest position with regard to the advance payments pending settlement, the Director, Space Commission deposed in evidence:—

"I do not have the numbers with me, but I want to add one point that the advances paid, what is accounted in the Audit include what is called LC opening. That is also accounted in the advances. The actual cash has not gone. The real monies are less."

50. In a post-evidence information, the DOS stated that as on 28th February, 2010, 273 Foreign cases amounting to Rs. 8.13 crore and 265 indigenous cases amounting to Rs. 97.93 crore were pending settlement in respect of ISAC, SAC and LPSC.

51. Asked to state the measures taken to expeditiously settle the pending advance payments as well as to comply with the CVC Guidelines and DOS Purchase Procedure, it was replied that action had already been initiated to clear the old outstanding advances by review with Purchase, Stores and Indentors on top priority basis. Moreover, in addition to the instructions issued by DOS in November, 2008, based on the C&AG's recommendations, the Department had once again instructed all the Centres/Units to scrupulously monitor the advances and settle/clear them expeditiously as far as possible and to ensure that advance payments to the suppliers were made only in exceptional circumstances. The Department had further directed that the objection book should contain and update the reasons for giving advances and pendencies thereof besides other information already available therein.

(vii) Delay in Inspection of Materials and Non-replacement of Rejected Stores

52. As per the DOS Stores Procedure, inspection of materials should normally be completed within three days from the date of receipt. In case of materials which require qualitative test, it shall be completed within seven days. In cases where 100 per cent advance payment has already been made, the SRVs shall be forwarded to the Accounts Officer for adjustment of the pending advance in the books of Accounts. But Audit Scrutiny revealed that ISAC did not follow the prescribed time limit, delayed the inspection of material and failed to obtain replacement of rejected stores worth Rs. 8.73 crore from the suppliers. To be specific, in five particular cases of placement of orders with different foreign firms, ISAC failed to conduct timely inspection of the materials received from the suppliers and thus lost the opportunity of getting rejected materials

replaced from them. It also did not take effective action to obtain replacement of the rejected stores. Thus, expenditure of Rs. 8.73 crore was rendered unfruitful.

53. The Department of Space clarified that generally, the time limit of ten days for inspection of all standard general items was followed. However, Electrical, Electronics and Electro-mechanical High reliance (Hi-rel) components were to be inspected and accepted under controlled environmental conditions. Most of the components, etc., were required to undergo various lab tests such as lot acceptance test, QCI test, quality test, burn-in test, reliability test, performance test, etc., and a simple visual inspection would not be enough in such cases. In the normal course, inspection of such items took about 3 to 4 weeks. In cases such as ICs, ASICs, Microprocessors and other sensitive active items, a minimum inspection period of 3 to 4 months would be required. However, the Department, taking into account the observations of the Audit, stated that inspection activity would be expedited to the extent possible depending on various tests/screening to be conducted on each component before they were sent to the bonded stores.

54. When the Sub-Committee further enquired into the matter, the Director, ISAC submitted in evidence:—

"...They (Components) came in sealed conditions. We stock it. What we do is that as soon as it comes, we only do a visual inspection and we do not open it....It so happened, actual use came after 18 months or 20 months or so. When we opened, we found that some of them were not of good quality. We immediately took action and returned the thing to the Company and recovered the materials. The process if you look at it is that we have not inspected the day it came because we could not open it...."

55. Expressing surprise, the Sub-Committee asked whether it was appropriate to inspect the quality of the product without unpacking it and the basis on which the suppliers would replace a faulty product after a considerable delayed period of storage. In reply, the Director, ISAC submitted:—

"Most of the time, I would say 99 per cent of the time, they immediately replace them. They are all good companies....There will be a very valid reason when they have not been able to replace them. Otherwise, they are all reputed companies and they return the items immediately. This is a very particular case and we are very pained with the loss of items."

56. The Director, ISAC further stated:—

"...Within a year, if something happens, we immediately get replacement. This particular case happened after the warranty period. That is why, we have to use only the goodwill..... Legally we could not argue. They can always say that we have misused or whatever it is. It is beyond the warranty period. That is why, all the problems cropped up."

57. In response to a specific query regarding the commencement of the warranty period, the Director, ISAC stated that the warranty period started from the date of shipment. Asked to state whether agreement should not be made in such a way that

the warranty period started from the date of actual use, the Additional Secretary submitted:—

"I think we will follow this advice. It is better that we correct the procedure to ensure that it is after installation that the warranty starts. They can certainly demand a reasonable period for this installation. We will find out what best will be the period. Then, we will follow it up accordingly."

58. The Director, ISAC supplemented:—

"I will add one more thing, to the extent possible, we will ask even pre-shipment inspection either by our people or by our representatives in the foreign country. We have taken it very seriously because some items we believed that they were good and this way we lose money. So we are taking it very seriously."

59. As regards inspection of items/components immediately after receipt, the Director, ISAC deposed:—

"...We have now made it mandatory that inspection should be completed as soon as possible....The Department of Space has issued orders to all the Centres saying that it is compulsory that inspection should be completed....."

60. In a Post-Evidence Information, the Sub-Committee were apprised that majority of the rejected items/components had been replaced/received/accepted. A few more items were likely to be received in the near future and as such no substantial financial loss was envisaged.

VI. INVENTORY CONTROL & MANAGEMENT

61. The formulation of appropriate policy and procedures relating to Inventory Control and Management assumes greater significance, especially in the context of the organizations where the level of procurement is very high. But Audit review of the Inventory Control and Management by the Department of Space revealed that physical verification of stores was not conducted; the procurement policy of Bonded Stores was not revised; and there were cases of overstocking and non-disposal of rejected/obsolete/surplus stores in the DOS/ISRO Centres/Units.

(i) Non-conduct of Physical Verification of Bonded Stores

62. Audit Review revealed that physical verification of Bonded Stores in ISAC was not conducted after 1995 and thus, discrepancies were not identified for disposal. Similarly, no physical verification of Bonded Stores was conducted in SAC except in March, 2004. In LPSC, however, such verification was carried out every year.

63. In response, the Department of Space clarified that physical verification of all types of Stores were generally conducted in the Centres/Units. However, DOS had issued instructions to its Centres/Units to ensure that the physical verification of all types of stores was conducted periodically to reduce the inventory cost and make inventory management more efficient. Based on this, the Centres/Units have constituted different Committees for this purpose.

64. When the Sub-Committee desired to know the specific efforts made by the DOS/ISRO Centres/Units to conduct annual inspection of the Bonded Stores to reduce the inventory cost as well as to make inventory management more efficient, the Department stated that based on the instructions issued, the Centres/Units had constituted different Committees for this purpose. The Department had issued instructions to the Centres/Units (including ISAC) to develop Management Information System (MIS)/Software to monitor the stock position and track the requirements in pipeline. It was also stated that the stock verification of Bonded Stores items had been completed during January 2010 in respect of ISAC.

65. Throwing more light on the inventory management, the Director, ISAC submitted in evidence:—

"Sir, with regard to component management, I would like to submit that we have one of the best component management arrangements in the Space Centres. Somehow the information was not fully exposed to the Audit team. In the Bangalore Centre where I come from, we have almost a million components, not one or two and each one of them is put in a very small cabin like bank lockers. They are all computerized. Every item is numbered and the data is available on the computer. We have information such as where it came from, what is the manufacturing date, when it expires, what has to be done etc. Periodically, whole checking goes on, on a day-to-day basis. We check about 100 lockers in a day. There is a continuous operation of stock checking. The information is also classified as to what is there inside. It is only on 'need to know' basis, the information is shared. Then, obsolete items have to be removed and once they are removed, we do not want the items to come back to market. So, we cannot sell it in the open market as scrap because they may come back through another source as a good one. So, we make sure that obsolete ones and the corroded ones are actually destroyed. We have a very fool-proof technique of dealing with these components and it is one of the best methods. They are well protected from the security point of view and they are kept at more than one place. The temperature is maintained and it is very large arrangement....."

(ii) Non-Disposal/Delayed disposal of Surplus & Obsolete Items

66. Audit observed that ISAC did not carry out any exercise to dispose off Bonded Stores since 1995. Moreover, in ISAC, for non-bonded store items, there was a delay ranging from 8 to 25 months, in final disposal of nine lots of obsolete surplus/unserviceable materials in 2004-05. Further, during the period under review, out of 694 items, which were more than one year old, 192 items remained to be disposed off till date.

67. The DOS clarified that necessary instructions had been issued by the Department to dispose off obsolete/surplus/unserviceable items to avoid intrinsic value from diminishing and thus incurring avoidable carrying cost.

68. The Sub-Committee desired to be apprised of the measures taken by DOS to change the policy to stock the Bonded Stores on actual need basis and past utilization

pattern. In reply, the Department stated that the procurement policy of ISAC on Bonded Stores items was based on programmatic/strategic requirements giving considerations for consumption pattern, shelf life, cost advantages due to bulk procurement, lead time for space grade parts etc.

PART-II

OBSERVATIONS/RECOMMENDATIONS

1. Pursuant to the recommendation made by the Public Accounts Committee in their 105th Report (Tenth Lok Sabha), the Ministries/Departments are required to furnish remedial/corrective Action Taken Notes to the Committee through the Ministry of Finance (Department of Expenditure) on those Paragraphs of the Reports of the Comptroller & Auditor General of India (C&AG) which are not formally selected for examination by the Committee and upon which Reports of the Committee have not been presented to Parliament. With effect from March, 1996 such remedial/corrective ATNs are to be furnished within four months of the laying of the Audit Reports in Parliament. The Committee's examination of the subject has revealed that there has been inordinate delay on the part of various Ministries/Departments in furnishing the remedial/corrective ATNs within the prescribed time line. This can be corroborated from the fact that as on 28th February, 2010, as many as 3450 Audit Paragraphs upon which ATNs were to be furnished, were pending with different Ministries/Departments. Out of all these pending Paragraphs, four Paragraphs pertained to the Department of Space, as revealed by Audit. The break-up of these pending four Paragraphs is the re-submission of ATNs on three Paragraphs consequent upon Audit Observations and furnishing of ATN on one Paragraph even for the first time. The Department of Space clarified that only two Paragraphs are pending with them, the break-up being submission of the revised ATN on Performance Audit Report on 'Procurement and Inventory Control' and ATN on 'Non-Tax Receipts'. In this context, the Committee are informed that delays in submission of ATNs occurred on the part of the Department as extensive data/information were to be collected from various Centres/Units and also due to some major decisions taken by the Department in revising the Purchase Procedure and issuing fresh guidelines to the Centres/Units, consequent upon the C&AG's recommendations. The Department have further contended that it becomes extremely difficult to stick to the prescribed time line in case of Performance Audit where observations are system based covering various issues, voluminous data etc. The Committee are somehow not convinced with the reasons advanced by the Department in their failure to adhere to the stipulated time frame for furnishing the ATNs on Audit Paragraphs. The basic objective of the Performance Audit of the Ministries/Departments by the C&AG is to examine in depth the performance of the Ministry/Department concerned on whole lot of issues which obviously involve voluminous data and various Centres/Units under their administrative control. Such Audit guide/help the Ministries/Departments in plugging the loopholes and taking corrective action for overall better performance in many spheres of activities. The Department of Space have also been benefited from the Audit review, as is evident from their own admission that based on the C&AG recommendations they have revised their decade old Purchase Procedure and issued guidelines to the Centres/Units accordingly. So, instead of advancing Performance Audit as a plea for delay in submission of ATNs, the Department should rather welcome such review which is intended to facilitate corrective action. The Committee, therefore, desire the Department to submit/re-submit the pending ATNs by April, 2010, as assured, and strengthen their co-ordination mechanism with different Centres/Units for timely

collection of data/information so that ATNs in respect of future Reports of the C&AG are furnished well within the prescribed time line of four months. In fact, the Committee would like the Department of Space to set an example, akin to their excellence in the execution of national space activities, for other Ministries/Departments in timely submission of ATNs on Audit Observations.

2. The Performance Audit of the Procurement of Stores and Inventory Control, the Department of Space was conducted during July to October, 2006 and October to November, 2007, covering a period of six years from 2001-02 to 2006-07. During the period under review, the Committee find that the Department could not utilize 7 to 15 per cent of their Procurement Budget which was on an average 56 per cent of the overall Budget and thus constituted a major activity of the Department. The Committee are more concerned to note that the unutilized amount of the Procurement Budget increased consistently from Rs. 83.28 crore in 2002-03 to Rs. 438.28 crore in 2006-07. The Department have stated that the major savings i.e. 15 per cent occurred during the years 2005-06 and 2006-07 when the entire provision could not be utilized due to non-finalisation of the Global participations and the associative financial implications, the Industry Contract and Management Strategy as well as due to the non-approval of Advanced Communication Satellite, Semi-Cryogenic Engine Development and Earth Observation New Mission programmes. The Department have further argued that owing to the complex nature of the space technology, developmental uncertainties and export restrictions in foreign procurements, marginal variations in actual expenditure with reference to the Budget Estimates become inevitable. The Committee are aware of the complex nature of the Space Technology and the restrictions/uncertainties involved therein, but 15 per cent savings during the years 2005-06 and 2006-07 are no marginal variations *vis-a-vis* the BE and that too for a Department which has been engaged in so many importance space activities like development of satellites, launch vehicles and research in Space Science and Technology. Moreover, such savings occurred due to non-finalisation and non-approval of certain programmes/activities which imply that there are deficiencies in the planning and management of the projects undertaken by the Department. The Additional Secretary, DOS's statement that they are fully capable of spending hundred per cent Budgetary allocation by the end of March of a particular year does not convince the Committee in view of the generally 40 per cent utilization of funds by the Department upto November in a given fiscal. Moreover, the Ministry of Finance (Department of Expenditure) determine the RE on the basis of the performance of a Ministry/Department upto the month of November/December. In such cases, if the spending pattern is not consistent right from the beginning of a financial year, the Department of Space might face fund constraints at the RE stage which in turn would adversely impact the achievement of important projects/activities. The savings of 5.55 per cent and 7.59 per cent during the years 2007-08 and 2008-09 respectively, although an improved performance on the part of the Department compared to the preceding years, are still a matter of concern as savings in any form amount to bad budgeting. The Committee, therefore, would like to impress upon the Department to resort to appropriate planning and prudent management of their Budgetary exercise for a realistic projection of their fund requirements as well as effective execution of the activities/projects undertaken.

3. The Committee are constrained to note that the DOS Purchase Order does not prescribe any time frame for various stages of procurement, adversely impacting thereby the efficiency and economy of the procurement system. The Department's contention that they have a mechanism in place to periodically monitor/control various processes in the procurement cycle does not convince the Committee, because timely procurement of stores/equipment carries utmost significance for a project oriented organization like the Department of Space. And for that, prescription of a definite time frame for each of the procurement activities is an absolute imperative. Now that the Department, taking into account the Audit Observations and the requirements under the General Financial Rules, 2005, have issued instructions to the Centres/Units to adhere to a time limit of three months from the date of indent to the date of placement of the Purchase Order, the Committee recommend that DOS should also intensify their monitoring mechanism to ensure strict adherence to the prescribed time limit by the Centres/Units so that optimal availability of stores/equipment in a timely manner is facilitated.

4. The Committee observe that during the period 2001-06, out of 15478 items raised by Indian Space Application Centre (ISAC), 1798 indents (12 per cent) amounting to Rs. 682.50 crore did not result in purchase orders. Similarly, a random test check by Audit revealed that 83 indents valuing Rs. 63.42 crore raised by Space Application Centre (SAC) did not result in purchase orders. It implies that requirements of the Centres/Units were not accurately assessed by the Indentors. The Department have clarified that the systems, sub-systems, equipment etc. used in the Space projects/programmes are susceptible to changes/modifications due to scientific/technological innovations/improvements in the global market. If such innovations take place after an indent is raised, the initial indent is cancelled and a fresh indent raised for the improved items. The Department have further submitted that most often, there is no response to the tenders floated by DOS/ISRO for procurement of strategic items, resulting in the closure of the purchase file concerned. The Committee are, however, of the view that if the actual requirements of the Centres/Units and the specifications of the equipment are firmed up prior to raising the indent, keeping in view the technological advances, knowledge of which is necessary on the part of DOS, the cancellation of indents due to scientific/technological innovations/improvements can be avoided to a great extent. Similarly, if sources of supplies of the equipment, status of technology and availability in the market are judiciously assessed and evaluated before raising the indent, there would be hardly any occasion of non-response to the tenders floated by DOS/ISRO. The revision of the Purchase Order by the Department is a measure in right direction and the Committee hope that the Department will now streamline the system of assessment of requirement by the indentors by maintaining a centralized database of various items, specifications thereof etc. so that there is adequate planning at the indenting stage itself to avoid complications later on.

5. The Committee note that the DOS Purchase Order provides for purchase of proprietary goods on single tender basis from either the manufacturers or their authorized agents. However, before proprietary indent is raised, the Centres/Units have to ensure that there is no other manufacturer available in the market to meet

their critical requirements. The Committee's examination of the subject have revealed that majority of the procurements by the Centres/Units have been made on proprietary/single tender basis, even when more than one source of supply was available. Specific requirement of electronic components, metals, materials etc., manufacture of such components by very limited companies, over-dependence on import of these components, reservations on the part of the foreign countries in the supply of critical components to India and political compulsions have *inter-alia* been attributed towards the Department's preference for proprietary/single tender mode of procurement of components. In order to overcome these problems, the Committee find that the Department are spending substantial sums of money on Research and Development and making continuous efforts to have indigenization to the best possible extent. Besides, instructions have been issued to the Centres/Units to continuously evaluate, prepare and update the vendor's list and build up a centralized database of vendors to bring in more competition in the procurement process and reduce proprietary/single tender procurements. As a result, the Committee are informed that during the period from 2006-07 to 2008-09, the percentage of proprietary/single mode of tendering procurement has been substantially reduced both in terms of amount and number. However, it is a matter of concern for the Committee to note the statement of the Additional Secretary, DOS that their dependence, to some extent, on foreign elements will be continuing for some more time because right at the moment, the Indian Industry is not capable of manufacturing everything that the Department requires. The Committee recommend that DOS should further intensify the measures adopted towards indigenization, R&D activities and promotion of competition so that dependence on import of critical components and proprietary/single tender procurements come to an end sooner than later.

6. The Committee note that pursuant to a limited tender floated by Space Application Centre (SAC) for supply and installation of furniture items, six firms responded, out of which three firms were rejected on technical grounds. Out of the remaining three, the lowest bidder at an offer of Rs. 63.26 lakh was preferred and SAC decided to place the order with the firm. At the last moment, it was detected that the firm upon which orders were about to be placed was a small furniture shop, therefore, instead another indent was raised on proprietary basis in favour of two firms, which were earlier rejected on technical grounds, and that too at a cost of Rs.79.88 lakh. The logic advanced by the Department in raising the indent on proprietary basis in favour of the rejected firms is that their products were of high quality and they have already supplied furniture items to SAC. According to the Committee, SAC committed two fundamental mistakes. Firstly, before rejecting the offer of the two firms at the first instance, the quality of their products and earlier supply of furniture to SAC should have been taken into consideration. Secondly, since the offer of the lowest bidder was technically and financially acceptable to SAC, a fresh indent on proprietary basis should not have been raised in favour of the two rejected firms at a higher cost. It appears to be clear case of indifference and mismanagement on the part of SAC. The Committee, therefore, advise the Department

of Space to prevail upon their Centres/Units to take all possible precautionary measures in the tender terms and conditions and ensure that indents on proprietary basis are not raised for routine items like furniture.

7. The Committee's examination of the subject has revealed that in eight cases of procurement of equipments/components negotiations were held with vendors other than the lowest bidders (L_1), and in two cases at Liquid Propulsion System Centre (LPSC) and Space Application Centre (SAC), orders were placed with the L_2 bidders, ignoring L_1 , despite the latter being found technically suitable by the Technical Evaluation Committee. By doing so, the DOS violated not only its own Purchase Procedure but also Central Vigilance Commission Guidelines and provisions contained in the General Financial Rules, all of which ban any sort of post tender negotiations with any bidder other than the lowest tenderer. The Department have clarified that the Best and Final Offers (BAFOs) were called for not only from the L_1 bidder but also from other technically suitable bidders primarily to ensure that the final prices are advantageous which would result in savings to the exchequer. The Committee are not satisfied with the clarifications as the price quoted by the lowest bidder ought to be considered as the best offer and if at all any negotiations are to be carried out to bring down the price further, it should be done with the lowest tenderer. However, the Committee note that the Department have now issued instructions to the Centres/Units to strictly comply with the CVC Guidelines, General Financial Rules and the Department's own Purchase Procedure. The Committee would like to impress upon the Department to monitor the actual implementation of their instructions with a view to ensuring that all post tender negotiations, except with L_1 , are disallowed.

8. Audit scrutiny has revealed that Indian Space Application Centre (ISAC), Space Application Centre (SAC) and Liquid Propulsion System Centre (LPSC) have been making advance payments in a routine and liberal manner, without documenting any reasons and in violation of the provisions contained in the DOS Purchase Order according to which advance payments should be made in exceptional cases only. The Committee find that as of March, 2006, Rs.437.73 crore paid as advances in 1177 cases was pending settlement, the break up being Rs. 199.64 crore pertaining to 557 cases of import and Rs. 238.09 crore pertaining to 620 cases of indigenous purchases. Updating the figure as on 28th February, 2010, the Department have later on stated that 273 import cases amounting to Rs. 8.13 crore and 265 indigenous cases amounting to Rs. 97.93 crore were pending settlement in respect of ISAC, SAC and LPSC. According to the Department, the DOS/ISRO Centres/Units normally give advances only when the suppliers insist for the same either for setting up the facility or for procuring costly raw materials. Any insistence of interest on such advances would only result in increase in the cost/price to that extent or more by the suppliers. The Committee are not convinced with the reasoning of the Department as advances worth crores of rupees remaining outstanding for long periods involve financial risk in case the suppliers fail to honour the contractual obligations. The Department have further deposed that out of the total advances outstanding, major portion are payments against 'sight Draft', Letter of Credit and milestone payments supported by bank Guarantees. In this context, the Committee desire that a system should be evolved for

prompt and timely renewal of the Performance Bank Guarantees in order to avert any financial loss in cases of default by the suppliers. The Committee also recommend that an effective mechanism be devised by the Department to monitor the present outstanding advances of Rs. 106.06 crore and that may arise in future also and settle them expeditiously. It is also desirable that the Centres/Units may be prevailed upon to make advance payments only in exceptional circumstances, documenting reasons therefor, in tune with the provisions contained in the DOS Purchase Order.

9. The Committee note that as per the DOS Stores Procedure, inspection of materials should normally be completed within three days from the receipt of ordinary materials and within seven days in respect of those materials which require qualitative test. But one of the Centres *i.e.* ISAC failed to follow the prescribed time limit by delaying the inspection of material and consequently replacement of the rejected stores worth Rs. 8.73 crore could not be obtained from the suppliers. The Committee's examinations has revealed that the Department follow a somewhat unusual procedure for inspection of materials upon receipt. They do not unpack the containers and just resort to a visual inspection of the materials. Moreover, there is no system of pre-shipment inspection also. Further, the warranty period starts from the date of shipment and not from the date of use/installation. What happens, therefore, at the time of actual requirement when the container is unpacked, some materials even if found to be deficient/faulty, cannot be replaced as by that time the warranty period normally expires. This state of affairs is totally unacceptable to the Committee as it depicts lack of planning and farsightendness, to say the least. The Committee, therefore, urge upon DOS, ISRO and their Centres/Units to overhaul their inspection mechanism and evolve a foolproof system wherein there is proper and through inspection of materials/componentets with a definite time frame both at pre-shipment and post-receipt stages.

10. The Committee are constrained to note that physical verification of Bonded Stores in ISAC has not been conducted after 1995 and such verification has been conducted only once in March, 2004 in respect of SAC. The Department on their part have issued instructions to the Centres/Units to ensure that physical verification of all types of stores are conducted periodically. The Department have also instructed the Centres/Units to develop Management Information System (MIS)/Software to monitor the stock position and track the requirements in pipeline. The Committee are of the view that mere issuance of instructions would serve little purpose unless an effective mechanism is put in place to ensure their execution. The Committee, therefore, desire that the Department should strengthen their monitoring system to see that the instructions issued to the Centres/Units for physical verification of all types of stores are carried out without fail for reducing the inventory cost and making inventory management more efficient.

11. Another disquieting aspect that has come to the notice of the Committee is that ISAC has not carried out any exercise since 1995 to dispose off the Bonded Stores. Similarly, out of the 694 non-bonded items, which were more than one year old, 192 items remained to be disposed off till the time of Audit review. In this case also, the Department more have just issued instructions to the Centres to dispose off

the obsolete/surplus/in-serviceable items. The Committee would like to reiterate that along with the issuance of instructions, the monitoring aspect needs to be intensified so that surplus and obsolete items are timely disposed off to prevent avoidable carrying cost.

NEW DELHI;
26 April, 2010

6 Vaisakha, 1932 (Saka)

GOPINATH MUNDE,
Chairman,
Public Accounts Committee.

APPENDIX-I

MINUTES OF THE FOURTH SITTING OF THE SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS COMMITTEE (2009-2010) ON "NON-COMPLIANCE BY MINISTRIES/DEPARTMENTS IN TIMELY SUBMISSION OF THE REPLIES TO THE AUDIT PARAGRAPHS OF C&AG OF INDIA" HELD ON 5TH FEBRUARY, 2010

The Sub-Committee-V of the Public Accounts Committee sat on Friday, the 5th February, 2010 from 1500 hrs to 1750 hrs. in Committee Room No. 'A', Parliament House Annexe, New Delhi.

PRESENT

Shri Ashwani Kumar — *Convenor*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Naveen Jindal

Rajya Sabha

1. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri Sanjeev Sharma — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor-General of India

1. Shri Subir Mallick — Pr. Director (INDT)
2. Ms. Rebecca — Pr. Director (DT)
3. Shri Shourjo Chatterjee — Director
4. Shri Partha Sarathy Das — Director (CX)

Representatives of the Ministry of Finance (Department of Revenue)

CBDT

1. Shri Sunil Mitra — Revenue Secretary
2. Shri S.S.N. Moorthy — Chairman, CBDT
3. Shri Narinder Singh — Member (A&J) CBDT
4. Shri R.K. Yadav — Commissioner (A&J) CBDT
5. Shri Shravan Kumar Gotru — Director (A&PAC) CBDT

CBEC

1. Shri V. Sridhar — Chairman and Spl. Secretary, CBEC
2. Shri S.D. Majumdar — Member (CX)
3. Shri Najib Shah — Joint Secretary (Drawback)
4. Shri Ranjan Jha — Commissioner (PAC), CBEC
5. Ms. Vandana K. Jain — Director (CX) CBEC

Representatives of the Ministry of Finance (Department of Revenue)

1. Shri S.K. Goel — Member (Customs)
2. Ms. Kameswari Subramanian — Joint Secretary (Customs)
3. Shri M.M. Parthiban — Director (Customs)

Representatives of the Ministry of Commerce and Industry

1. Shri Amitabh Jain — Additional Director General
2. Shri Sanjay Rastogi — Zonal Joint Director

Representatives of the Department of Space

1. Dr. T.K. Alex — Member, Space Commission
2. Shri G. Balachandhran — Additional Secretary, Department of Space
3. Shri S.K. Jha — Director, Department of Space
4. Shri H.N. Madhusudhana — Director, Budget Evaluation and Analysis, ISRO HQ

2. At the outset, the Convenor, Sub-Committee-V of the Public Accounts Committee, [Hon'ble Ashwani Kumar] welcomed the representatives of the Office of the C&AG of India to the sitting of the Sub-Committee. Thereafter, the Audit Officers and the Secretariat briefed the Sub-Committee on the various issues concerning the subject on "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India".

3. The Convenor then informed the Members that the sitting has been convened for taking oral evidence of the representatives of the (i) Ministry of Finance, Department of Revenue-CBDT/CBEC and (ii) Department of Space on the subject relating to "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India". The Convenor also informed the Members that the meeting will proceed with a discussion on (i) **Loss of Revenue due to short levy of Tax re: M/s. India Overseas Bank** as Contained in para 3.2.24 of Chapter-III of Audit Report No. 8 of 2007 (Direct Taxes); (ii) **Incorrect classification of excisable goods resulting in short levy of duty—Hair Oil** as contained in para 2.2.1 of Chapter-I of Audit Report No. CA 7 of 2008 (Central Excise); (iii) **Non-fulfilment of export obligation** as contained in para 7.1 of Audit Report No. 10, 1998 (Customs) and (iv) **"Procurement of Stores and Inventory Control"** as contained in Chapter-II of Audit Report No. PA₂ of 2008 relating to the Department of Space.

4. Thereafter, the representatives of the Ministry of Finance, Department of Revenue—CBDT/CBEC were called in and the Convenor welcomed them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry in timely submission of replies to the Audit paragraphs of C&AG. They also, *inter-alia*, threw light on the current status of pending paras in

their Ministry. The representatives also elaborated on the various issues and concerns raised by the Sub-Committee. To certain queries, which the representatives of the Ministry could not give immediate clarification or explanation, the Sub-Committee directed the representatives to furnish written information/replies at the earliest with a view to timely finalization of the Report on the subject.

5. The Convenor thanked the representatives of the Ministry of Finance, Department of Revenue—CBDT/CB EC for appearing before the Sub-Committee and for furnishing information that the Sub-Committee desired in connection with the examination of the subject.

The witnesses, then withdrew.

6. After a short break the sitting was resumed and the Audit Officers and the Secretariat briefed the Committee on the various issues concerning the subject on Non-compliance with special reference to the Department of Space.

7. Thereafter, the representatives of the Department of Space were called in and the Convenor welcome them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry in timely submission of replies to the Audit paragraphs of C&AG. They also, *inter-alia*, threw light on the current status of pending paras in their Ministry. The representatives also explained on the various issues and concerns raised by the Sub-Committee. To certain queries, which the representatives of the Ministry could not give immediate clarification or explanation, the Committee desired the representatives to appear before the Committee again on 23rd February, 2010 with a view to timely finalization of the Report on the Subject.

The Convenor thanked the representatives of the Department of Space for appearing before the Sub-Committee and furnishing the information and urged the representatives to come again with the requisite information and material on those select points where they failed to give satisfactory answers.

The witnessess, then withdrew.

A copy of the verbatim proceeding has been kept on record.

The Sub-Committee then adjourned.

APPENDIX-II

MINUTES OF THE SEVENTH SITTING OF THE SUB-COMMITTEE-V OF THE PUBLIC ACCOUNTS COMMITTEE (2009-10) ON "NON-COMPLIANCE BY MINISTRIES/DEPARTMENTS IN TIMELY SUBMISSION OF REPLIES TO THE AUDIT PARAGRAPHS OF C&AG OF INDIA" HELD ON 23RD FEBRUARY, 2010

The Sub-Committee-V of the Public Accounts Committee sat on Tuesday, the 23rd February, 2010 from 1430 hrs to 1610 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Ashwani Kumar — *Convenor*

MEMBERS

Lok Sabha

2. Shri Bhartruhari Mahtab
3. Shri Naveen Jindal

Rajya Sabha

4. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri Sanjeev Sharma — *Deputy Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Shri Subir Mallick — Pr. Director (INDT)
2. Shri Anadi Mishra — Director (Costoms)
3. Shri Raj G. Viswanathan — Pr. Director of Audit Scientific Deptt.
4. Ms. Nameta Prasad — Director (Report)

A. Representatives of the Ministry of Finance (Department of Revenue)

1. Shri Sunil Mitra — Revenue Secretary

CBEC

2. Shri V. Sridhar — Chairman and Spl. Secretary, CBEC
3. Shri S. Dutt Majumdar — Member (CX)
4. Shri S.K. Goel — Member (Customs)
5. Ms. Kameswari Subramanian — Joint Secretary (Customs)
6. Shri Najib Shah — Joint Secretary (DBK)
7. Shri Sushil Solanki — Commissioner (CX)

CBDT

8. Shri S.S.N. Moorthy — Chairman, CBDT
9. Shri Narinder Singh — Member (A&J) CBDT
10. Shri R.K. Yadav — Commissioner (A&J) CBDT

B. Representatives of the Ministry of Commerce & Industry (DGFT)

1. Shri R.S. Gujral — Director General of Foreign Trade
2. Shri Amitabh Jain — ADG DGFT

C. Representatives of the Department of Space

1. Shri G. Balachandran — Additional Secretary, DOS
2. Shri S.K. Jha — Director, DOS
3. Shri H.N. Madhusudhana — Director, Budget Evaluation & Analysis, ISRO HQ

D. Representatives of the Ministry of Environment and Forests

1. Dr. P.J. Dilip Kumar — DGF&SS
2. Shri J.M. Mauskar — Additional Secretary
3. Shri M.B. Lal — ADG (WL)
4. Shri P.B. Gangopadhyay — ADG (FC)
5. Shri Saurabh Chandra — AS&FA
6. Dr. Rajesh Gopal — MS(NTCA)
7. Dr. Rajneesh Dube — Joint Secretary
8. Shri A.K. Goyal — Joint Secretary
9. Shri S.P. Yadav — DIG
10. Shri Atul Chadha — DIG
11. Mrs. Renu C. Deshpande — CA
12. Shri N. Muruganandam — Director
13. Shri S.K. Agarwal — Director
14. Dr. Subba Rao — Director
15. Shri A.K. Johri — DIG
16. Shri M. Hota — Additional Director
17. Dr. B. Sikka — Director
18. Shri B.B. Barman — Additional Director

2. At the outset, the Convenor, Sub-Committee-V of the Public Accounts Committee, [Hon'ble Ashwani Kumar] welcomed the representatives of the Officers of the C&AG of India to the sitting of the Sub-Committee. Thereafter, the Audit Officers and the Secretariat briefed the Sub-Committee on the various issues concerning the

subject on "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India".

3. The Convenor then informed the Members that the sitting has been convened for taking further oral evidence of the representatives of the (i) Ministry of Finance—Department of Revenue and the Ministry of Commerce & Industry (DGFT); (ii) Department of Space; and the (iii) Ministry of Environment and Forests on the subject relating to "Non-Compliance by Ministries/Departments in timely submission of replies to the Audit Paragraphs of C&AG of India" especially on those issues where select information were sought by the Committee in their earlier sitting held on 5th February, 2010.

4. The Convenor also informed the Members that the meeting will proceed with a discussion on (i) Para 2.2.1 of Audit Report CA 7 of 2008 relating to "**Incorrect Classification of Excisable Goods Resulting in Short Levy of duty—Hair Oil**" and Para 7.1 of Audit Report No. 10 of 1998 relating to "**Non-fulfillment of Export Obligation**", (ii) Chapter II of Audit Report No. PA 2 of 2008 relating to "**Procurement of Stores and Inventory Control in Department of Space**" and (iii) Audit Report No. 18 of 2006 relating to "**Conservation and Protection of Tigers in Tiger Reserves**".

5. Thereafter, the representatives of the Ministry of Finance, Department of Revenue—CBDT/CBEC and the Ministry of Commerce & Industry (DGFT) were called in and the Convenor welcomed them to the sitting of the Sub-Committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry after the last sitting with regard to timely submission of replies to the Audit Paragraphs of C&AG. They also, *inter-alia*, threw light on the current status of pending paras in their Ministry. The representatives also explained on the various issues and concerns raised by the Sub-Committee. In response to certain queries, to which the representatives of the Ministry could not provide the requisite information, the Sub-Committee gave them seven days time to submit the same with a view to timely finalization of the Report on the Subject.

The Convenor thanked the representatives of the Ministry of Finance—Department of Revenue—CBDT/CBEC and the Ministry of Commerce & Industry (DGFT) for appearing before the Sub-Committee and furnishing the information. The first session concludes.

The representatives of the Ministry of Finance—Department of Revenue—CBDT/CBEC and the Ministry of Commerce & Industry (DGFT), then withdrew. This was followed by a short break.

6. After the short break the Committee resumed the sitting. The Audit Officers and the Secretariat briefed the Committee on the various issues concerning the subject on Non-compliance with special reference to the Department of Space.

7. Thereafter, the representatives of the Department of Space were called in and the Convenor welcomed them to the sitting of the Sub-committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry after the last sitting with regard to timely submission of replies to the Audit Paragraphs of C&AG.

They also, *inter-alia*, threw light on the current status of pending paras in their Ministry. The representatives also explained on the various issues and concerns raised by the Sub-Committee. To certain queries, which the representatives of the Ministry could not give immediate accurate data, the Committee gave them 10 days time to submit those information with a view to timely finalization of the Report on the Subject.

The Convenor thanked the representatives of the Department of Space for appearing before the Sub-Committee and furnishing the information.

The witnesses, then withdrew.

8. Thereafter, the representatives of the Ministry of Environment and Forests were called in and the Convenor welcomed them to the sitting of the Sub-committee. The representatives then, briefed the Sub-Committee on the initiatives taken by their Ministry after the last sitting with regard to timely submission of replies to the Audit Paragraphs of C&AG. They also, *inter alia*, threw light on the current status of pending paras in their Ministry. The Committee asked the representatives of the Ministry of Environment and Forests to appear before the Committee again for further evidence at a later date.

9. The Convenor thanked the representatives of the Ministry of Environment and Forests for appearing before the Sub-Committee and for furnishing information that the Sub-Committee desired in connection with the examination of the subject.

The witnesses, then withdrew.

A copy of the verbatim proceeding has been kept on record.

The Sub-Committee then adjourned.

APPENDIX-III

**MINUTES OF THE ELEVENTH SITTING OF THE PUBLIC ACCOUNTS
COMMITTEE (2009-10) HELD ON 26TH APRIL, 2010**

The Committee sat on Monday, the 26th April, 2010 from 1530 hrs. to 1650 hrs. in
Committee Room 'C', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Shri Gopinath Munde — *Chairman*

MEMBERS

Lok Sabha

2. Shri Anandrao Vithoba Adsul
3. Shri Khagen Das
4. Shri Naveen Jindal
5. Shri Satpal Maharaj
6. Shri Bhartruhari Mahtab
7. Dr. K. Sambasiva Rao
8. Shri Yashwant Sinha
9. Shri Aruna Kumar Vundavalli

Rajya Sabha

10. Dr. K. Malaisamy
11. Shri N.K. Singh

SECRETARIAT

1. Shri Raj Shekhar Sharma — *Director*
2. Shri M.K. Madhusudhan — *Additional Director*
3. Shri D.R. Mohanty — *Under Secretary*

Representatives of the Office of the Comptroller and Auditor General of India

1. Ms. Rekha Gupta — Dy. CAG Central (RC)
2. Shri R.B. Sinha — Director General (Report Central)
3. Ms. Usha Sankar — Director General (Autonomous Bodies)
4. Shri Gautham Guha — Director General of Audit (Defence Services)
5. Shri P.K. Kataria — Pr. Director of Audit, Report Central (RC)

- | | |
|----------------------------|---|
| 6. Shri K.R. Sriram | — Pr. Director of Audit, Report Central
(Economic & Services Ministries) |
| 7. Shri R.G. Viswanathan | — Pr. Director of Audit (Scientific
Departments) |
| 8. Shri C.M. Sane | — Principal Director of Audit (Air Force &
Navy) |
| 9. Shri H.K. Dharmadhekari | — Pr. Director (State Report Audit) |
| 10. Shri Rajvir Singh | — Accountant General (Audit) Delhi |
| 11. Ms. Divya Malhotra | — Pr. Director of Audit (Railways) |

2. At the outset, the Chairman, PAC welcomed the Members of the Committee and the Audit Officers to the sitting of the Committee. The Chairman, then apprised the Committee that out of the eleven Draft Reports slated for consideration, eight have been finalized by Sub-Committee V. Thereafter, the Committee took up the following Draft Reports for consideration and adoption:

- (i) Draft Report on "**Non-compliance by Ministries/Departments in timely submission of Action Taken Notes on Non-selected Audit Paragraphs**" (Ministry of Finance—Department of Expenditure);
- (ii) Draft Report on "**Functioning of A.D.G.E.S. Radar, Procurement of Special Clothing and Mountaineering Equipment and Delay in Execution/Renewal of lease**" (Ministry of Defence) based on Chapter 1 of C&AG Report No. PA 5 of 2008 (Air Force and Navy), Para No. 3.1 of C&AG Report No. CA 4 of 2008 (Army) and Para No. 2.1 of C&AG Report No. 4 of 2007 (Army) respectively;
- (iii) Draft Report on "**Revenue loss due to delay in levy of Toll Fees**" (Ministry of Road Transport and Highways) based on Chapter XIV of C&AG Report No. CA 2 of 2007;
- (iv) Draft Report on "**Administration of Universal Service Obligation (USO) Fund**" (Ministry of Communications and Information Technology—Department of Telecommunications) based on Chapter 1 of C&AG Report No. PA 1 of 2008;
- (v) Draft Report on "**Loss of Revenue due to Short Levy of Tax, Incorrect Classification of Excisable Goods and Non-fulfillment of Export Obligation**" (Ministry of Finance—Department of Revenue) based on Para No. 3.24.4 of C&AG Report No. 8 of 2007 (Direct Taxes), Para No. 2.2.1 of C&AG Report No. CA 7 of 2008 (Central Excise) & Para No. 7.1 of C&AG Report No. 10 of 1998 (Customs) respectively;
- (vi) Draft Report on "**Disaster Management and Land Management in Indian Railways**" (Ministry of Railways) based on Chapter I and Chapter II respectively of C&AG Report No. 8 of 2008;

- (vii) Draft Report on "**Conservation and Protection of Tigers in Tiger Reserves**" (Ministry of Environment and Forests) based on C&AG Report No. 18 of 2006;
- (viii) Draft Report on "**Procurement of Stores and Inventory Control**" (Department of Space) based on Chapter II of C&AG Report No. PA 2 of 2008;
- (ix) Draft Report on "**Freight and Wagon Management on Indian Railways**" (Ministry of Railways) based on Chapter I of C&AG Report No. 6 of 2007 (Railway-Performance Audit);
- (x) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Fifty-fifth Report (Fourteenth Lok Sabha) on "**Development of Land by Delhi Development Authority**" (Ministry of Urban Development); and
- (xi) Draft Report on Action Taken by the Government on the Observations/ Recommendations of the Committee contained in their Eighty-third Report (Fourteenth Lok Sabha) on "**Cleanliness and Sanitation on Indian Railways**" (Ministry of Railways).

3. After some deliberations, the Committee adopted the abovementioned Draft Reports with some modifications and authorized the Chairman to finalise these Reports in light of the suggestions made by the Members and the consequential changes arising out of the factual verification by the Audit and present the same to Parliament.

4. The Chairman thanked the Members for their cooperation and active participation in the Committee's deliberations. He also thanked the PAC Secretariat and the Audit Officers for the assistance rendered to the Committee in the examination of the subject and finalization of the Reports.

5. The Members of the Committee thanked the Chairman for his guidance in the smooth conduct of the meetings of the Committee.

The Committee then adjourned.