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No IA/II/MISC/LTAR/Vol-II

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To,

All LAO(A)
(As per standard list)

Subject: 38th Internal audit report

HQ office CGDA, New Delhi Cantt. has circulated 38th Internal Audit Report for the period September 2017 to October 2018.

Three included items (Item No 3, 20 & 21) of the report which pertains to the audit of Army are forwarded herewith for your information.

All LAOs are requested to give special emphasis on the above areas of audit while conducting audit and review under their jurisdiction and report if similar irregularity is noticed.

Enclosure: As above

xx Sd/-
Accounts Officer

Copy to :-

The Officer in Charge-----For information and necessary uploading the same in the CDA Guwahati
EDP Section website please.
(Local)

Accounts Officer

3. Irregular purchase and holding of Laptops by HQrs 12 Corps.

Irregular purchase and holding of 20 nos. Laptops by HQrs 12 Corps having financial implication of Rs. 28,90,000/-, against the basic guidelines on the subject.

Case facts

1. During audit of HQrs 12 Corps, it was noticed that 20 nos. of Laptops were procured by the unit/formation during the year 2002 and 2003, which was not in conformity with the basic guidelines promulgated by GOI/Ministry of Finance on the subject, and thus was irregular. The irregular procurement and holding of Laptops by HQrs 12 Corps requires regularization under the powers of Government of India.

Audit observation and follow-up

During course of audit of I.T. Grant Ledger no. 1 of HQrs 12 Corps in the financial year 2007-08, it was observed by LAO (B) Banar, Jodhpur that, 20 nos. of Laptops were procured at a cost of Rs. 28,90,000/- during the year 2002 and 2003. The procurement was not in conformity with the basic guidelines promulgated by the Ministry of Finance on the subject. As per Government of India, Ministry of Finance letter no. 1(29)/E-II (A)/2000 dated 06.09.2000, ministries/departments may provide only "Desktop PC" and not "note book/laptop" to the officers as a matter of convenience, based on functional justification.

The above said orders were in vogue at the time of procurement of laptops by HQrs 12 Corps in 2002-03. Further, as per Ministry of Finance, Department of Expenditure O.M. dated 19.04.2004, "...the Laptops ought to be issued to the officers not below the rank of Jt. Secretary of the ministry/department. Further, the powers for procurement shall be exercised only by the Secretary of the Ministry/Department concerned in consultation with their Financial Adviser subject to the following conditions.

- (a) There is adequate functional justification for the purchase of Laptop and that the Laptop is not being issued routinely.

- (c) The cost of Laptop should not exceed Rs. 75,000/-.
 - (d) The purchase procedures prescribed in GFRs are being followed,
 - (e) Laptop is not issued to an officer below the rank of Jt. Secretary.
 - (f) The officer who is given the Laptop, will be responsible for safety and security of the Laptop, which will remain Government property and will be required to be surrendered at the time of handing over the charge.
4. The procurement and further holding of laptops by HQrs 12 Corps was not in conformity with the basic guidelines promulgated by the Ministry of Finance, Department of Expenditure vide ibid O.M.s dated 06.09.2000 and 19.04.2004, and thus irregular. The irregular procurement of Laptops is required to be regularised under the powers of appropriate Competent Financial Authority i.e., Government of India.
 5. The matter was pursued by LAO (B) Banar with HQ 12 Corps who in turn took up the matter with HQrs SC Pune vide letter dated 20.03.2017. Later on, PCDA (SC) Pune provided clarification vide their D.O. dated 22.06.2017 to the HQrs Southern Command, Pune.
 6. The subject matter was referred by HQrs 12 Corps to O/o the CGDA, Delhi Cantt and after examination, the unit authorities were appraised vide D.O. letter no. IAW/7/7279/Misc dated 07.06.2017 that the audit objection regarding procurement of Laptops holds good in light of Ministry of Finance letter/O.M. dated 19.04.2004 and the request of HQrs 12 Corps for settlement of objection "as one time measure" is not tenable in audit, as objection having financial implication of Rs. 28.90 lakh cannot be "waived-off". It was clarified to take appropriate action for obtaining the sanction of the appropriate CFA to regularize the said irregularity.

Audit Conclusion

7. The procurement of 20 nos. of laptops by HQrs 12 Corps and further issuing to the officers was not in the conformity with the basic guidelines promulgated by the Ministry of Finance O.M. dated 06.09.2000, which says that due to austerity measures and due to substantial cost difference between Note book/Laptop and that of a conventional Desktop PC, laptops cannot be provided as a matter of convenience.
8. Further, the Secretary of the ministry/department are only delegated powers. to purchase of Notebook/laptop in consultation with their Financial Adviser, which was infringed by HQrs 12 Corps by procuring at their end.

Proposed action

- Sanction of the Government of India is therefore required to regularize the irregular purchase and holding of Laptops by HQrs 12 Corps. Army HQrs may further also like to disseminate instructions to lower formations to adhere to the GOI/Ministry of Finance, Department of Expenditure guidelines on the subject procurement of Laptops, in order to avoid recurrence of similar irregularity.

PCDA (SC) Pune

20.	Loss of revenue due to non-revision/irregular revision of "All-in-cost" rates of water/electricity.
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<p>Loss of revenue to the extent of Rs. 67,91,500/- due to non-revision/irregular revision of "All-in-cost" rates of water/electricity provided to MES formations, contractors, commercial shops and establishments located at Visakhapatnam- CE (Navy) Visakhapatnam.</p>
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Case facts

1. As per the provisions of Appendix "O" RMES, electricity and water charges in respect of contractors, commercial consumers like shops and establishments located in Defence area are to be levied at "All-in-cost" rates of the preceding year.
2. All-in-cost rates are required to be notified by MES authorities every year based on the annual review of Electrical and Water Supply installations under their jurisdiction.
3. Due to non-revision of rates of recovery for water & Electricity charges in respect of Contractors, commercial shops and establishments in MES formations at Visakhapatnam area under CE (Navy) Visakhapatnam, in terms of above orders, State suffered a loss of revenue to the extent of Rs. 67,91,500/-.

Audit observation and follow-up

4. As per the provisions of Appendix "O" RMES, electricity and water charges in respect of contractors, commercial consumers like shops and establishments located in Defence area are to be levied at "All-in-cost" rates of the preceding year.
5. All-in-cost rates are required to be notified by MES authorities every year based on the annual review of Electrical and Water Supply installations under their jurisdiction taking into account various components like man-power, fuel, Tools and Plant, procurement cost and generation cost of Electricity and treatment cost of water etc.
6. As per directions of CDA, Secunderabad, a detailed study on the loss of revenue due to non-revision of All-in-Cost rates of Electricity and water for the period 2010-11 to 2014-15 for the establishment under CE (Navy) Visakhapatnam area, was carried out by RAO (MES) Visakhapatnam. During the course of detailed study, RAO (MES) observed that the revision of "All-in-Cost" rates of electricity and water supplied was notified by C.E. (Navy) Visakhapatnam, vide letter no. 40032/2079/E4 dated 25/08/2012 for the period 2007-2008 to 2010-2011 in one go which was irregular and in gross violation of the procedures regarding revision of the rates

every year. Further, no revision took place for the year 2011-12 onwards resulting in a loss to state.

7. The matter of issue of revision of All-in-Cost rates of Electricity and water by CE (Navy) Visakhapatnam in "one go" for the period 2007-08 to 2010-11 and further non-revision of rates since 2011-12 was taken up by the Officer incharge Area Accounts Office, Visakhapatnam vide their D.O. letters no. AN/944/MES Issues/Corr dated 12/09/2013 and 11/12/2014 with CE (Navy) Visakhapatnam.
8. Due to non-revision of "All-in-cost" rates for electricity and water supplied by MES for the period 2010-11 to 2014-15, there was considerable loss of revenue to the state to the tune of Rs. 67,91,500/- as per following table

Loss due to non-revision of "All-in-cost" rates of electricity and water supplied by MES to contractors

Year	Loss on account of Electricity charges	Loss on account of water charges
2010-11	Rs. 12,444/-	Rs. 2,45,668/-
2011-12	Rs. 18,771/-	Rs. 1,45,265/-
2012-13	Rs. 1,85,345/-	Rs. 48,607/-
2013-14	Rs. 3,56,749/-	Rs. 1,35,932/-
2014-15	Rs. 2,258/-	--
Total	Rs. 5,75,567/-	Rs. 5,75,472/-

Loss due to non-revision of "All-in-cost" rates of electricity and water supplied by MES to private parties

Year	Loss on account of Electricity charges	Loss on account of water charges
2010-11	Rs. 4,40,632/-	Rs. 2,55,576/-
2011-12	Rs. 8,91,070/-	Rs. 3,19,628/-
2012-13	Rs. 2,71,232/-	Rs. 47,434/-
2013-14	Rs. 14,28,412/-	Rs. 4,22,468/-
2014-15	Rs. 11,88,236/-	Rs. 3,75,773/-
Total	Rs. 42,19,582/-	Rs. 14,20,879/-
Grand Total	Rs. 47,95,149/-	Rs. 19,96,351/-

9. As observed from above table the total loss of revenue was to the extent of Rs. 67,91,500/- {Electricity Charges - Rs. 47,95,149/- + Water Charges Rs. 19,96,351/-}, the case was projected through MFAI report for quarter ending 03/2016.
10. Subsequently, Headquarters CE (Navy) Visakhapatnam vide their letter no. 50000/MFAI/100/E5 dated 08.05.2018 stated that revision in All-in-Cost rates has been approved by HQ CE (Navy) for the years 2014-15, 2015-16, 2016-17. To discuss the issue, a meeting was held with ENC, Visakhapatnam on 18.07.2017, wherein the engineering authorities stated that a Board of Officers has been set up for revision of All-in-Cost rates. The report of the Board is awaited.

Audit Conclusion

11. Consequent on projecting the subject matter of non-revision/irregular revision of "All-in-Cost rates" in MFAI Report, engineering authorities revised the rates for the years 2014-15, 2015-16 & 2016-17. But no justification was offered for notifying the revision for the year 2007-08 to 2010-11 in one go. Further, no reasons were offered on revision of All-in-Cost for the period 2010-11 to 2013-14 and for 2017-18. Further also no efforts were initiated to recover the arrears of previous years. Thus due to non-revision/irregular revision of All-in-Cost rates there has been substantive loss of revenue to the extent of Rs. 67,91,500/- to the State.

Action proposed

12. Comprehensive action is required to be taken by the engineering authorities to notify the All-in-Cost rates for the entire period under report and to ensure implementation of the revised rates with the directions to all MES divisions to effect recoveries from private parties and contractors with arrears apart from initiating action to regularise the loss of Rs. 67,91,500/- due to non-revision.
13. All-in-cost rates are required to be notified by MES authorities each year as per provisions of appendix "O" of RMES without fail in order to avoid any loss in future due to non-revision.

CDA Secunderabad

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| 21. | Construction of accommodation without providing basic amenities viz., water supply, sanitary fittings / plumbing facilities resulting in its non-occupancy and further blockage of Government money. |
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Construction of PI staff accommodation at 24 Andhra Batallion NCC unit at Nellore, Andhra Pradesh, without providing basic amenities viz., water supply, sanitary fittings/plumbing facilities resulting in non-occupancy of accommodation/building and ultimately blockage of Government money/infructuous expenditure to the extent of Rs. 25.00 lakh due to poor/inadequate planning.

Case facts

1. State Government land situated at Nellore District of Andhra Pradesh was allotted to NCC by State Government Andhra Pradesh for construction of "NCC Nagar". Phase-I of the project was completed in 2012 without providing basic amenities viz., water supply, sanitary fittings and plumbing facilities.
2. Out of the total sanctioned amount of Rs. 25.00 lakh for the said construction, an amount to the extent of Rs. 1,84,182/- was left with the builder. As the estimated cost of left over work i.e. water supply, sanitary/plumbing facilities was Rs. 2,60,000 the builder (R&B department) requested NCC authorities to release the remaining amount of Rs. 75,818/- (Rs. 2,60,000 - Rs. 1,84,182/-) to complete the outstanding work. DGNCC did not release the amount resulting in non-completion of remaining work/building work and non-occupancy of accommodation and further blockage of Government funds to the extent of Rs. 25.00 lakh.

Audit observation and follow-up

3. Four acres of State Government land (survey no. 2137/1) situated at Kothur village Nellore District of Andhra Pradesh was allotted to the NCC authorities by the State Government of Andhra Pradesh in April 1987 for construction of "NCC Nagar".
4. During the course of audit, it was observed that a new building (Phase-I of the project) consisting 6 units of single accommodation for PI staff of 24 Andhra Battalion NCC, Nellore was completed in the year 2012 by R&B department (builder) without providing basic amenities viz., water supply, sanitary fittings and plumbing facilities for which DGNCC had paid Rs. 25.00 lakh to the builder.
5. It was observed that out of the sanctioned amount of 25.00 lakh, an amount to the extent of Rs. 1,84,182/- was left with the builder i.e R & B department. As the

estimated cost of left over work i.e. sanitary fitting, water supply/plumbing facilities was Rs. 2,60,000/-. R&B department requested DGNCC to release the remaining amount of Rs. 75,818/- (Rs. 2,60,000 - Rs. 1,84,182/-) to complete the remaining sanitary/plumbing work. Despite Group HQrs Guntur request vide their letter dated 15.03.2013 for allotment of Rs. 75,818/- for completion of work (as they were having the unspent amount of Rs. 1,84,182/-), DGNCC did not release the amount resulting in non-completion of remaining work due to which the accommodation could not be occupied and ultimately resulted in infructuous expenditure/blockage of Government fund to the extent of Rs. 25.00 lakh.

6. **The issue** was taken up with DDG, NCC Directorate (AP & T) Secunderabad vide CDA Secunderabad letter no. IA/I/1201/MFAI/Vol-XXX dated 20.09.2016 to take necessary action for completion of building. DDG NCC Directorate (AP & T) Secunderabad directed NCC Group Hqrs Guntur vide their letter dated 22.12.2016 to initiate a statement of case with justification.
7. Since no reply was received from NCC authorities, the subject matter was reported through MFAI report. Further DGNCC, New Delhi vide their letter no. 3344/MFAI/AP-2/DGNCC/Budget/Fin Funds dated 22.08.2017 requested NCC Directorate (AP&T) Secunderabad to submit the case along with documents/clarifications.

Audit Conclusion

8. A new building consisting 6 units (single accommodation) for staff of 24 Andhra Battalion NCC, Nellore was constructed in the year 2012 without providing basic amenities such as water supply, sanitary fittings and plumbing arrangements. This had resulted in non-occupancy of the said dwelling units/building and ultimately blockage of Government money.
9. Thus, constructing residential accommodation without providing basic amenities resulted in the dwelling units being unfit for occupation. Further, efforts were not taken by the NCC unit authorities in getting additional allotment of Rs. 75,818/- so that the work relating to the left over basic amenities in the said accommodation could be completed and therefore can be occupied by the concerned staff of 24 Andhra Battalion NCC.
10. Apart from the aforesaid, HRA was also paid to the staff during the period of non-occupation, which is an additional loss to the State. Thus the blockage of public money/infructuous expenditure to the extent of 25.00 lakh, reflects poor, improper and inadequate planning on part of NCC authorities.

Action proposed

11. **Immediate action** is required to be taken by the NCC authorities to provide the basic **amenities in** the said building to ensure occupancy by the NCC staff/personnel. The **NCC unit** authorities are also require to obtain regularization sanction for the **revenue loss** due to non-occupation of the building and payment of HRA to the staff **for the period** of non-allotment/non-occupancy.

CDA Secunderabad