



**Report of the
Comptroller and Auditor General of India
for the year ended March 2014**



**Union Government (Civil)
Union Territories without Legislatures
Compliance Audit Observations
Report No. 32 of 2015**

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Preface

This Report for the year ended March 2014 has been prepared for submission to the President under Article 151 of the Constitution of India.

The Report contains significant results of the compliance audit of financial transactions of five union territories without legislatures. The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2013-14 as well those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

There are seven Union Territories (UTs) specified under Part II of the First Schedule to the Constitution of India, viz., Andaman & Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep, National Capital Territory of Delhi and Puducherry. Except for National Capital Territory of Delhi and Puducherry, the UTs do not have Legislature. Audit observations arising from the audit of the five UTs without Legislature, were being included in the C&AG's Compliance Audit Report for the Union Government, until 2014. This Audit Report has been prepared as a separate Report in respect of UTs without Legislature for the first time.

The Report contains three chapters. Chapter I gives a brief introduction and a summarised position of the Action Taken Notes furnished by the Ministries to the Audit Reports of the earlier years and status of replies received from the Ministries to the paragraphs included in this Report. Chapters II to III present detailed audit observations.

Some of the important findings included in this Report are given below :

Significant audit observations

In the last few years, audit has reported on several significant deficiencies during the audit of the UT departments/organisations. The present report contains compliance audit paragraphs based on such audits. The highlights are given in the following paragraphs.

Financial Management and Internal Control at Port Management Board

The objectives of Port Management Board (PMB) entailed extension of port facilities at the Ports of Andaman & Nicobar Islands (ANI), formulation of rules and regulations towards levy and collection of various charges and for conservancy of harbours. However, the powers required for fulfilling all the objectives were not vested with PMB. No initiative was taken by the Administration for framing periodical rules and regulations necessary for the smooth operation of the activities being executed by PMB. Thus, there were shortcomings in levy and collection of charges for vessel/cargo related services; the workforce for cargo handling was not managed efficiently; there was no policy for augmentation of revenue

nor was any policy framed for land management. The absence of proper internal control mechanism further affected the functioning of PMB. PMB accepted majority of the recommendations of Audit.

(Paragraph 2.1)

Wasteful expenditure of ₹ 317.03 lakh

Public Works Department, Union Territory, Dadra & Nagar Haveli, did not adhere to the specifications of pipes in a pipeline network, as recommended by M/s Water and Power Consultancy Services (India) Ltd, the consultant, which resulted in wasteful expenditure of ₹ 317.03 lakh.

(Paragraph 2.4)

Non modernization of communication network

Failure of the Dadra & Nagar Haveli Administration in implementation of TETRA technology for communication network for Police Department resulted in non-modernization of communication system. The system is a crucial and vital activity under modernization scheme in the coastal and sensitive UTs. The UT Administration also blocked funds of ₹ 484.38 lakh with Omnibus Industrial Development Corporation for more than four years.

(Paragraph 2.6)

Irregular parking of government funds

Parking of funds to the tune of ₹ 216.59 crore with Lakshadweep Development Corporation Limited (LDCL) and not refunding the unspent amount of ₹ 40.48 crore to Union Territory of Lakshadweep (UTL), resulted in blocking of government money to the tune of ₹ 257.07 crore.

(Paragraph 2.8)

Excess payment of Special Allowance

In contravention of the orders of Ministry of Finance, UTL Administration allowed two Special Compensatory Allowance *i.e.* Special Compensatory (Remote Locality) Allowance (SCRLA) and Hard Area Allowance (HAA) in addition to Island Special Duty Allowance (ISDA) at a time to its employees. This led to excess payment of ₹ 79.87 lakh.

(Paragraph 2.9)

Short levy of stamp duty on registration of lease deeds

Short levying applicable rate of stamp duty on registration of lease deeds by UT of Chandigarh resulted in short recovery of ₹ 226.57 lakh.

(Paragraph 3.2.2)

Non-collection of service tax on rental income

Renting of immovable property was brought under the purview of service tax in the year 2007 by the Government of India. Delayed payment of service tax also attracts interest thereon. It was observed in audit that the Tourism Department of the UT of Dadra & Nagar Haveli had given its properties at various locations on lease to private parties. The department however neither collected service tax nor deposited the same to service tax department resulting in a total liability of ₹ 51.54 lakh on account of tax and interest. On being pointed out in audit, the department accepted the audit observation and intimated that it had already recovered an amount of ₹ 10.01 lakh till October 2014.

(Paragraph 3.2.4)

CHAPTER I : INTRODUCTION

1.1 About this report

This report contains compliance audit observations of 5 union territories without legislatures. Compliance audit refers to examination of transactions relating to expenditure, receipts, assets and liabilities of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. Compliance audit also includes an examination of the rules, regulations, orders and instructions for their legality, adequacy, transparency, propriety and prudence.

Audit is conducted by the Comptroller and Auditor General (C&AG) as per the Auditing Standards¹ approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse, as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the executive to take corrective action and also to frame policies and directives that will lead to improved financial management of the organizations, thus contributing to better governance.

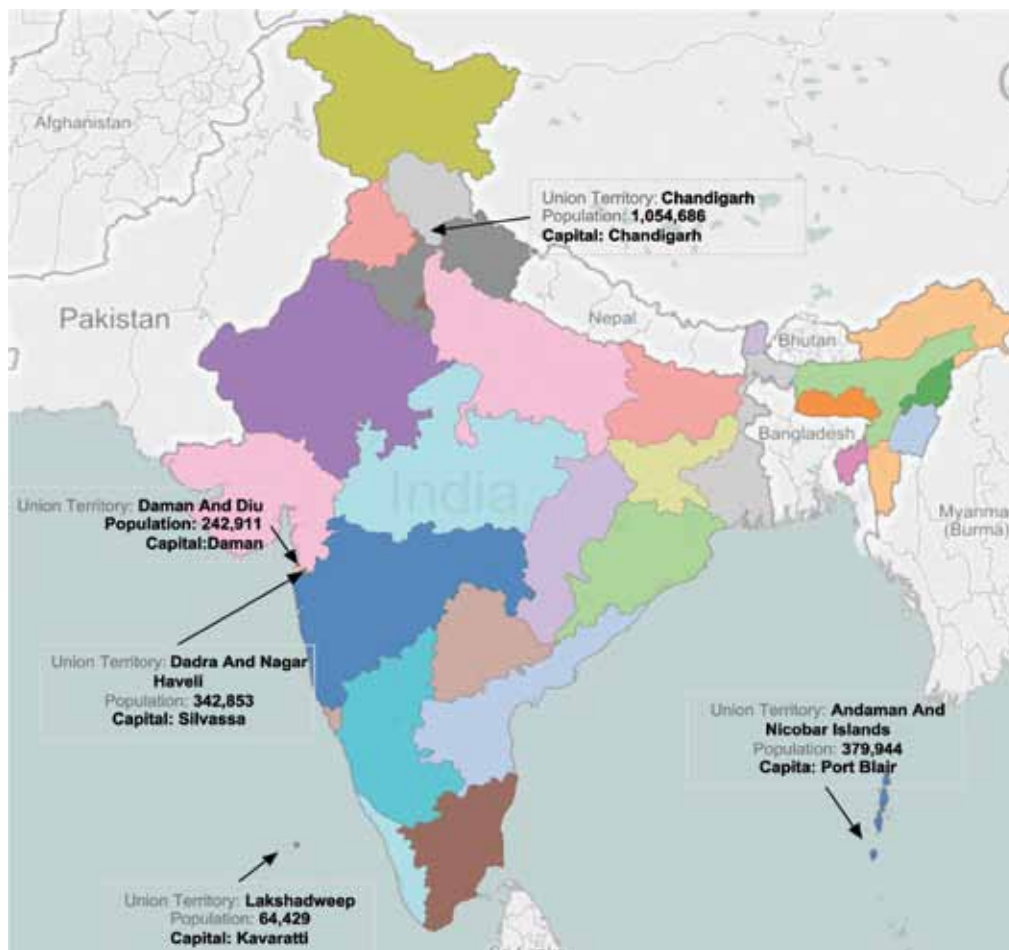
This report includes audit findings based on the compliance audit of government departments/offices/institutions under the administrative control of the UTs without legislature. Till last year, audit observations in respect of UTs without legislature had been featuring in the C&AG's audit report for the Union Government on compliance audit. To bring forward an integrated perspective of audit of the UTs and an overview of the finances a separate audit report has been prepared for the first time.

1.2 Constitutional status of the UTs

There are seven Union Territories (UTs) specified under Part-II of the First Schedule to the Constitution of India, viz., Andaman & Nicobar Islands, Chandigarh, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep, National Capital Territory of Delhi and Puducherry. Out of these, only National Capital Territory of Delhi and Puducherry have legislatures, council of ministers and their own consolidated funds. The rest five are without legislature.

¹http://www.saiindia.gov.in/english/home/Our_Process/Audit_Methology/Audit_Standards/Auditing_Standards.pdf

Map-1



1.3 Administrative arrangement

Under the Government of India (Allocation of Business) Rules, 1961, Ministry of Home Affairs (MHA) is the nodal ministry for legislative matters, finance and budget and services for the UTs. Each UT is administered by an administrator appointed by the President under Article 239 of the Constitution of India. In Andaman & Nicobar Islands, Lt. Governor is designated as the administrator while the Governor of Punjab is appointed as the administrator of Chandigarh. In Dadra & Nagar Haveli, Daman & Diu and Lakshadweep, senior IAS Officers of the AGMUT cadre are appointed as administrators. 'Administrator's Advisory Councils' are set up in the UTs without legislature to advise the administrators on matters concerning the UT. Home Minister's 'Advisory Committees' are set up in these UTs to address general issues relating to the social and economic development of the UTs. For the island UTs of Andaman & Nicobar Islands and Lakshadweep, there is Island Development Authority (IDA) under the

Prime Minister.

1.4 Financial arrangements

The budget provisions in respect of UTs are made in the Detailed Demand for Grants (DDG) of the MHA. Administrators of the UTs have been delegated financial powers upto a certain limit by MHA for sanction of plan schemes. In the DDG, UT-wise budget is provided for each UT under various ministries/departments including MHA. As per the existing funding arrangement, UT administrations are required to refer their expenditure proposals to the concerned ministry for obtaining the approval of the Government of India.

1.5 Authority for audit

The authority for audit by the C&AG and reporting to the Parliament is derived from Articles 149 and 151 of the Constitution of India respectively and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of ministries/departments of the UT administration concerned under sections 13² and 17³ of the C&AG's (DPC) Act⁴. The C&AG is the sole auditor in respect of autonomous bodies which are audited under sections 19 (2)⁵ and 20 (1)⁶ of the C&AG's (DPC) Act. Besides, C&AG also conducts audit of other autonomous bodies which are substantially financed by grants/loans from the Consolidated Fund of India under the provisions of section 14⁷ of the Act. Principles and methodology for various audits are prescribed in the 'Auditing Standards' and the 'Regulations on Audit and Accounts, 2007' issued by the C&AG.

² Audit of (i) all expenditure from the Consolidated Fund of India, (ii) all transactions relating to Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets and other subsidiary accounts.

³ Audit and report on the accounts of stores and stock kept in any office or department of the union or of a state.

⁴ Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

⁵ Audit of accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

⁶ Where the audit of the accounts of any body or authority has not been entrusted to the C&AG by or under any law made by Parliament, he shall, if requested so to do by the President of India, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the government.

⁷ (i) Audit of all receipts and expenditure of a body or authority substantially financed by grants or loans from the Consolidated Fund of India and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated Fund of India in a financial year is not less than ₹ one crore.

1.6 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of the government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of the stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, inspection reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the inspection reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these inspection reports are processed for inclusion in the audit reports of the Comptroller and Auditor General of India, which are submitted to the President of India under Article 151 of the Constitution of India.

During 2013-14, the audit offices conducted compliance audit of 293 units situated in the five UTs without Legislature.

1.7 Responsiveness of the government to audit

Intelligent, prompt and vigorous pursuance of objections and timely reporting of important irregularities to government are essential in order to ensure that the audit reports serve their intended purpose and government derives their full value. The responsibility for the settlement of objections devolves primarily upon the disbursing officers, heads of offices and controlling authorities. The heads of offices and next higher authorities are required to comply with the observations contained in the inspection reports (IRs), rectify the defects and omissions promptly and report their compliance to audit within four weeks of receipt of the IRs. Periodical reminders are issued to the heads of the departments requesting them to furnish the replies expeditiously. As of 31 March 2014, 2273 IRs containing 7482 paragraphs were outstanding for settlement in respect of various departments/institutions under the five UTs without legislature. UT-wise details of pending IRs and paragraphs are given in **Appendix-I**.

1.8 Follow-up on audit reports

The Lok Sabha secretariat issued instructions in April 1982 to all ministries to furnish notes to the Ministry of Finance (Department of Expenditure)

indicating remedial/corrective action on various paragraphs contained in the audit reports, soon after these were laid on the table of the house.

In their ninth report (Eleventh Lok Sabha) presented to the Parliament on 22 April 1997, the Public Accounts Committee (PAC) desired that submission of pending Action Taken Notes (ATNs) pertaining to audit reports for the years ended March 1994 and March 1995 should be completed within a period of three months and recommended that ATNs on all paragraphs pertaining to the audit reports for the year ended March 1996 onwards be submitted to them duly vetted by audit within four months from the laying of the reports in Parliament.

Further, the PAC, in their Eleventh Report (Fifteenth Lok Sabha) presented to the Parliament on 20 April 2010, recommended that the chief accounting authorities should be made personally accountable in all cases of abnormal delays in taking remedial action and submitting ATNs to PAC.

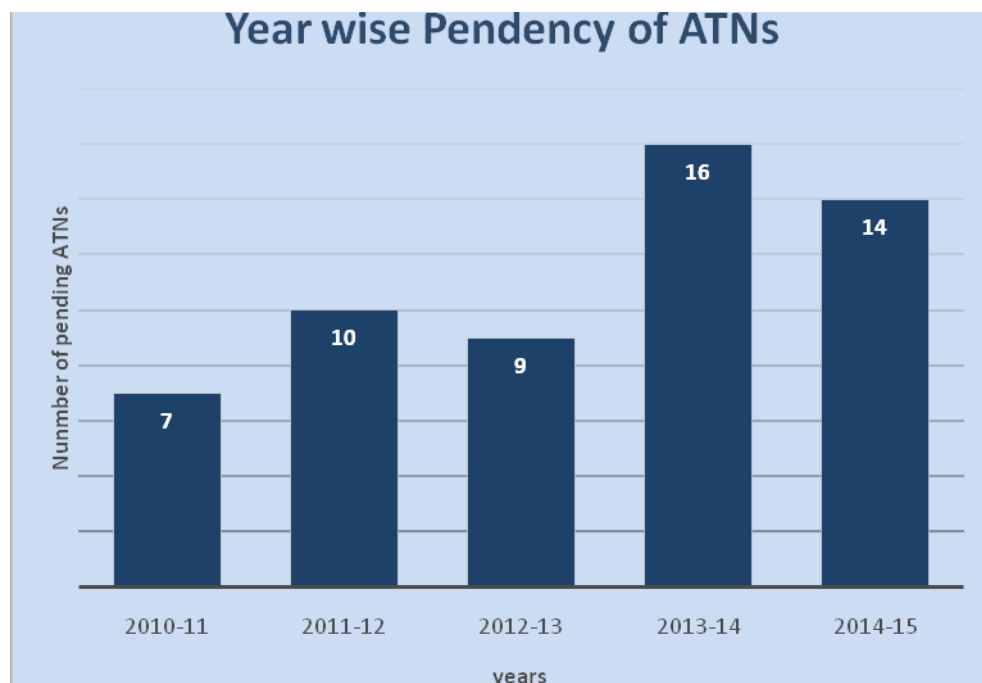
The PAC also desired that the matter relating to delays in submission of ATNs should be brought before the Committee of Secretaries (CoS) periodically, preferably at quarterly intervals so as to expedite the submission of ATNs by all the defaulting ministries/departments.

In pursuance of their recommendations, several meetings were taken by CoS in the Cabinet Secretariat in which following decisions were taken:

In their meeting held in November 2012, the CoS observed that as all ministries/departments had already set up Standing Audit Committee (SACs), they may ensure that workshops/adalats are held regularly for settlement of pending paragraphs/reports. It was also observed by them that the agreed target of 50 *per cent* reduction in old paras was not being achieved.

While it is expected that the envisaged 50 *per cent* reduction in pendency may take some time, yet the number of pending ATNs over the last five years in respect of the UTs without legislature has been increasing as reflected in the following chart:

Chart : 1



While there was no ATN pending for first reply as on 31 March 2015, 14 ATNs were pending for clearance for want of further replies from MHA. Details are given in **Appendix-II**.

1.9 Response of the Union Territories to draft paragraphs

On the recommendation of the PAC, Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs.

In 13 out of the 16 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2014, replies from the Departments/Administrators/Ministry of the Union Territories had not been received. The details are indicated in **Appendix-III**.

1.10 Recommendations

This report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedures and systems, compliance of which would help in promoting good governance and better oversight of implementation of departmental programmes and objectives at large. The government is requested to take cognizance of the recommendations and take appropriate action in a time bound manner.

CHAPTER II : UNION TERRITORIES (EXPENDITURE SECTOR)

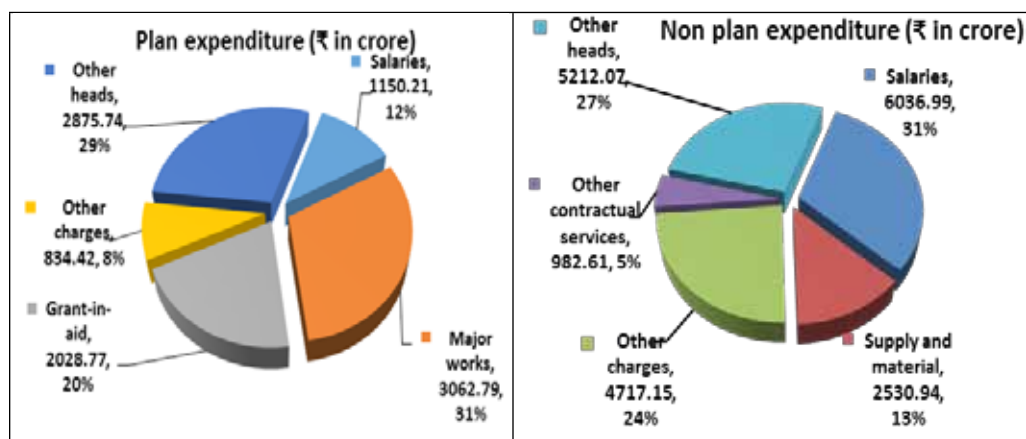
The details of budget estimates, revised estimates and actual expenditure of the UTs without legislature for the period 2011-12 to 2013-14 are as under:

(₹ in crore)

Year	Budget Estimates			Revised Estimates			Actual Expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2011-12	3140.22	6071.69	9211.91	3027.77	6682.68	9710.45	2953.40	6619.62	9573.02
2012-13	4015.20	6688.70	10703.90	3362.76	7057.05	10419.81	3334.70	7046.18	10380.88
2013-14	4483.30	5700.88	10184.18	3757.41	5817.89	9575.30	3663.83	5813.96	9477.79

Following pie charts would indicate the major constituents of the expenditure incurred under plan and non-plan during the three-year period:

Chart : 2



While 31 *per cent* of the total expenditure under plan head was incurred on major works closely followed by grants-in-aid payments at 20 *per cent*, the major share under non-plan expenditure was on salaries at 31 *per cent*.

Union Territory Andaman & Nicobar Islands

2.1 Financial Management and Internal Control at Port Management Board, Andaman & Nicobar Islands for the period 2011-14

2.1.1 Introduction

Shipping is the lifeline of the Union Territory of Andaman & Nicobar Islands (ANI). There are 23 notified ports and 14 other ports in ANI. To administer

and exercise control over the port activities the Port Management Board was established in October 1983. The Chief Secretary, A & N Administration is the Chairman and the Chief Port Administrator is the functional head of the Board.

The primary objectives of PMB are to:

- ♦ provide vessel related services and facilities such as pilotage, berthing/unberthing
- ♦ provide handling facilities for passengers and cargo and for discharge of cargo
- ♦ make regulations for the conservancy and safety of harbours
- ♦ frame charges for handling shipping and storage of goods and other property
- ♦ provide maritime communication and navigational aids for safe berthing

All major construction activities and the maintenance requirements of ports/harbours are carried out by Andaman Lakshadweep Harbour Works (ALHW), a department under Ministry of Shipping (MoS).

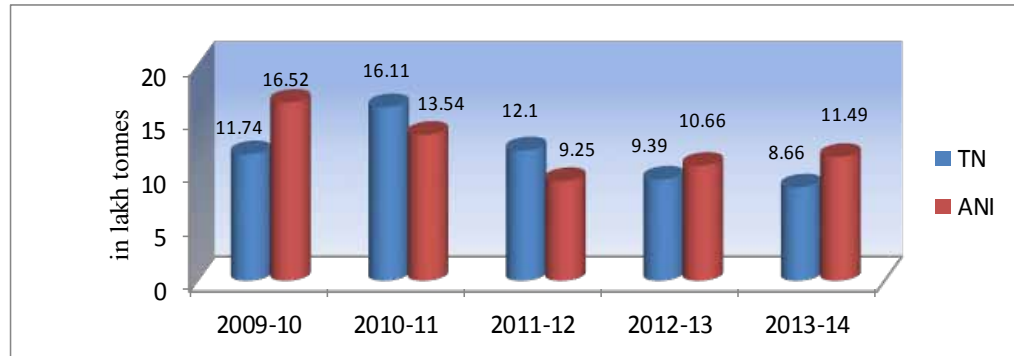
2.1.2 Scope of Audit

Audit of 'Financial Management and Internal Control of PMB' was taken up covering the period from 2011-12 to 2013-14.

2.1.3 Status of PMB

At the time of its establishment in October 1983 it was envisaged that the Port Management Board would be vested with powers and functions similar to the Board of Trustees of Major Ports under the provisions of the Major Port Trust Act, 1963. But such autonomous status or powers similar to State Maritime Boards had not been granted to the PMB, as of May 2015, to enable PMB to effectively discharge its functions and ensure development and conservation of the ports in ANI and augment its revenue. Comparison of the cargo handled at the ports of ANI during the last 5 years shows that PMB was at par with the Tamil Nadu Maritime Board as shown below:-

Chart : 3



PMB continued to function as a civil department of the Administration. Although the primary objectives of PMB entail framing of charges for providing port services and making of regulations for conservancy of the ports and harbours, in absence of appropriate powers, no such regulations/charges were ever framed by it. Neither were any rules/regulations/manuals formulated, for effective delivery of services and facilities to the people of ANI nor the charges for vessel and cargo related services were collected on the basis of notifications of MoS under the Indian Ports Act, 1908.

The present unsettled status of PMB coupled with the failure of the Administration to formulate rules for effective and efficient functioning of PMB resulted in various shortcomings as discussed in the following paras:

2.1.4 Finance and Accounts

2.1.4.1 Budget and expenditure

PMB received funds from the Union Territory (UT) budget allotted by Ministry of Home Affairs. The position of budget and expenditure for Plan (under Head 3051 & 5051) and Non-Plan funds (under Head 3051) are exhibited below:

Chart : 4

Plan Funds

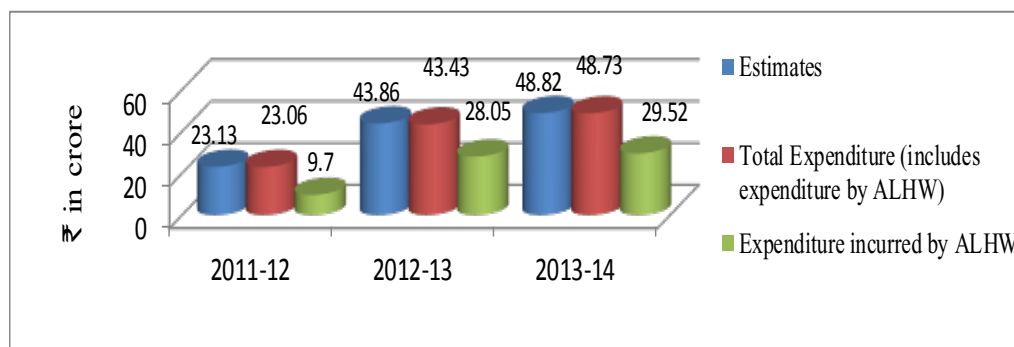
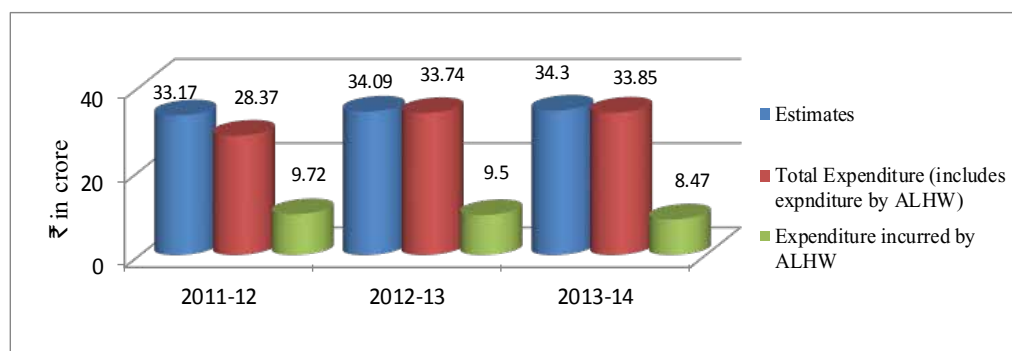


Chart : 5

Non-Plan Funds



The expenditure incurred by PMB was mainly on Piloting¹, Navigational Aids², Stevedoring Activities³, repair/maintenance, construction of jetties, etc. Audit observed that the PMB was not authorised to incur any expenditure from the revenue realised which was to be deposited in the Consolidated Fund of India.

It was found that the funds for undertaking major works, procurement of equipment, maintenance of jetties and cargo handling equipment were transferred to the executing agency namely ALHW through Letter of Authority as PMB did not have cheque drawing powers. There was, however, no system of taking over the completed assets from ALHW. Out of 22 works involving ₹ 44.14 crore undertaken by ALHW during 2011-14, nine (9) works involving ₹ 12.20 crore had been completed till March 2014 (**Annex-I**). As per the prevalent practice, none of the completed works were formally taken over by PMB. Audit further noticed that these assets were not accounted for even by the ALHW.

Recommendation: Assets created by ALHW for PMB should be formally taken over and accounted for.

The recommendation was accepted by PMB (May 2015).

¹ Piloting: The maneuvering of ships by means of buoys, soundings, landmarks, etc.

² Navigational Aids: Aids such as day beacon, beacon lights, lifted buoys and other signals for safe navigation of ships/vessels in ports.

³ Stevedoring Activities: Activities relating to loading and unloading of cargo from ships/vessels.

2.1.4.2 Non preparation of Proforma Accounts

General Financial Rules⁴ stipulate that where operations of certain Government departments working on a commercial or quasi-commercial basis cannot be suitably brought within the cash based Government Accounting System, the heads of the units should maintain such subsidiary Proforma Accounts in commercial form as may be agreed between the Government and the Comptroller and Auditor General of India. This included maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheets.

As the operations of PMB were of a commercial nature, Proforma Accounts for 1989-90 and 1990-91 were prepared by it. The same were audited and requisite audit certificates were issued with the observation that balances prior to 1989 had not been computed. The year-wise financial position of PMB could not be ascertained from 1991-92 onwards as Proforma Accounts were not prepared since 1990-91. PMB had failed to comply with the earlier audit observation till date. PMB stated (January 2015) that the Proforma Accounts could not be prepared as there was no Asset Register exhibiting the overall position of assets. This was not in conformity with the Rule 190 (2) of General Financial Rules which stipulates accounting of all assets.

Recommendation: Immediate action should be taken for presentation of yearly financial position in the Proforma Accounts of PMB, as prescribed.

The observation and recommendation were accepted by PMB (May 2015).

2.1.5 Expenditure Management

2.1.5.1 Non-revision of manning and scales and datum and over staffing in respect of port labourers

The Andaman Labour Force (ALF) consists of labourers employed by PMB in Port Blair to handle cargo from ship to shore and *vice versa* for the Administration and various Government departments/SCI vessels. The norms of manning scales⁵ and datum⁶ for payment of incentives to port labourers for various types of cargo were fixed in 1975. Audit observed that though various types of mechanised cargo were introduced between

⁴Rule 299 of GFR-1963 (now Rule 84 of GFR-2005)

⁵Manning Scales: Number of persons deployed in a gang.

⁶Datum: Minimum output per gang per shift.

1978 and 1989, PMB had not revised the manning scales and datum whereas they paid incentives based on the revised pay recommended by Central Pay Commission from time to time. No separate manning scales and datum for containerised cargo had been fixed.

- ♦ The labourers of ALF were employed in 12 gangs of 27 members⁷ each whereas in other major ports gangs have 9 to 17 members.
- ♦ The deployment of gangs during 2011-14 ranged only between 11 and 18 *per cent* but there was no transfer policy for ALF workers to wharfage ports other than Port Blair for their optimal utilisation.
- ♦ The average volume of cargo handled per gang per year during 2011-14 ranged only between 47.65 MT and 84.70 MT. The per day labour productivity ranged between 4.84 kg and 8.59 kg only worked out on the basis of total volume of cargo handled in a year divided by total number of labourers deployed.
- ♦ During 2011-14, the revenue generated per MT was between ₹ 89 and ₹ 94 whereas cost of handling cargo per MT ranged between ₹ 3,149 and ₹ 3,676.

Apart from the above, absence of norms for handling containerised cargo led to avoidable excess expenditure as elaborated in the succeeding paragraph.

2.1.5.2 Avoidable expenditure of ₹ 1.80 crore on incentive payment for containerised cargo

Incentive payments were made to the ALF on the basis of norms fixed in November 1975 as per incentive scheme approved by GOI which was exclusively meant for manual cargo handling. The relevant order prescribed re-fixation of norms with introduction of modern equipment such as open truck, trolley, trailers, fork lift and mobile jetty crane.

Containerised cargo services were introduced at Port Blair in 1991 after the procurement of mechanised machinery/equipment for cargo handling viz. 6-25 Ton Wharf cranes, 45 Ton Reach Stacker, 3-25 Ton Fork lift etc, between 1978 and 1989. Therefore, handling of containerised cargo at Port Blair was at par with other ports like Mangalore and Tuticorin and no head loads were required. As no datum or manning scales have been fixed by PMB or the Administration for handling containerised cargo, it

⁷ Each gang consists of 2 headworkers, 2 signal men, 3 winchmen and 20 mazdoor.

was converted into general cargo on the basis of total weight handled for incentive payment purpose. In other ports of India, datum for handling containerised cargo were either fixed on the number of containers handled or weight handled per labourer and the composition of gang varied between 6-12 labourers. But in PMB the entire gang of 27 members was being deployed for loading/unloading of each container. It was also noticed that for placing a container from shore to ship or from ship to shore, a maximum of 12 labourers were required per shift per hatch⁸. It follows, therefore, that there was excess deployment of at least 15 ALF workers (27-12 members) per gang per shift for handling containerised cargo.

Picture-1



Picture-2



Loading of container with the help of a crane fixed with the ship

Thus, owing to the deployment of 27 members instead of 12 members and non-revision of manning scales and datum on introduction of containerised cargo, avoidable excess expenditure of ₹ 1.80 crore was incurred by PMB

⁸ Hatch: Opening in ship's deck fitted with water tight cover for placing cargo.

towards incentive payment for 2011-14 (**Annex-II**).

While accepting the observation on deployment of excess labourers for handling containerised cargo, PMB stated that 27 members were deployed unlike 6-12 labourers since the labour unions were not ready to accept reduction of gang strength.

Recommendation: PMB should revisit the norms of manning scales and datum for payment of incentives to port labourers for various types of cargo and fix manning scales and datum for containerised cargo.

PMB accepted (May 2015) the observation and the recommendation.

2.1.5.3 Avoidable payment of additional wages amounting to ₹ 1.83 crore

The labourers of ALF handle cargo from ship to shore and *vice versa*. The shore mazdoors of PMB were deployed for handling cargo of government owned vessels between shore and godowns.

Since June 1985, the incentive scheme introduced for ALF in November 1975 was extended to the shore mazdoors. As per the incentive scheme, workers were entitled to additional wages for work done by them on sundays and other industrial holidays. Records, however, revealed that all labourers under ALF and all the shore mazdoors were paid additional wages for all sundays and industrial holidays every year. This was irrespective of cargo handled by them. During the period 2011-14, out of 190 days of sundays and holidays, ships berthed at Port Blair only on 91 days and cargo was handled on 3352 labour shifts. Scrutiny, however, revealed that payment for the entire 190 days aggregating to ₹ 2.64 crore was released against 8416 labour shifts resulting in overpayment of ₹ 1.58 crore for 99 such Sundays and holidays without any work being done by them (**Annex-III**). Similarly, overpayment of ₹ 0.25 crore was also made against 784 shore mazdoors during the corresponding period (**Annex-IV**).

The PMB accepted (May 2015) the audit observation and issued an order for discontinuance of additional wages on sundays and holidays in which the ship did not berth at the port.

2.1.5.4 Overpayment of incentive on Sundays and Holidays

Audit scrutiny of worksheets for incentive payment revealed that while calculating incentive for each labourer, the *pro-rata* wage⁹ per MT was

⁹ Wages include Basic Pay, Grade Pay, DA and Andaman Special compensatory Allowance (ASCA)

being multiplied by the weight handled in excess of the norm per gang per shift. In case of sundays and holidays, incentives were paid to the labourers and shore mazdoors at twice the *pro-rata* rate in addition to their normal wages. The overpayment on this account made to the labourers and shore mazdoors amounted to ₹ 98.10 lakh and ₹ 17.38 lakh respectively during 2011-14 (**Annex-V**).

The PMB accepted (May 2015) the audit observation and stated that recovery was awaited.

2.1.5.5 Wasteful expenditure of ₹ 1.47 crore on incomplete pollution control measures

The Andaman & Nicobar Islands are known for marine biodiversity. Port operations have the potential to impact environment. While according approval (March 1992) for construction of berth number 3 and 4 at Haddo, Ministry of Environment and Forests (MoEF) stipulated certain environment protection measures. Consequently, PMB included a Port Conservancy and Pollution Control Scheme in the Ninth Five Year Plan, consisting of two major components viz. construction of a steel dumb sullage¹⁰ barge to collect oily bilge¹¹ from the ships and oil removed through skimmers¹² and setting up of an oil pollution control treatment plant.

The sullage barge was to be acquired by PMB and ALHW was to install the pollution control equipment on the barge and construct an incinerator¹³ shed at shore (Haddo wharf). PMB acquired (2003) a 100 Ton Sullage barge at a cost of ₹ 50 lakh and handed it over to ALHW for installation of the pollution control equipment. ALHW completed (March 2007) the work on the sullage barge and the incinerator shed at Haddo at a cost of ₹ 91.92 lakh and handed over both to PMB in August 2009. Subsequently ₹ 4.98 lakh was spent by PMB on maintenance and surveys of sullage barge. However, the pollution control equipment could not be put to use till May 2015 due to non-availability of sanctioned manpower. The barge 'SagarSuchi' was lying exposed to inclement weather and was completely damaged due to rusting. While confirming the facts and figures, PMB stated (January 2015) that the equipment was not usable. Thus, lack of timely effective action i.e. providing requisite manpower and proper

¹⁰ Sullage: Waste materials or sewage.

¹¹ Bilge : Foul, brackish water that collects in the bottom of a ship.

¹² Oil skimmers: Equipment that remove oil floating on the surface of a fluid.

¹³ Incinerator: A waste treatment process which involves the combustion of organic substances contained in waste materials.

maintenance, by PMB not only led to wasteful expenditure of ₹ 1.47 crore but also resulted in non-implementation of environment protection measures as prescribed by MoEF.

PMB further stated (May 2015) that there was no case of spillage ever at Port Blair to utilise the vessel. The reply does not justify the wasteful expenditure.

Picture-3



Picture-4



Present condition of Pollution Control Equipment SagarSuchi

The PMB accepted (May 2015) the observation.

2.1.5.6 Overpayment of ₹ 10.54 lakh towards CST

In Andaman & Nicobar Islands there is no provision for Value Added Tax (VAT) but other taxes like Octroi, Central Sales Tax (CST), freight, stamp

duty of the Union Territory and Service Tax under central government were applicable. The rate of CST was reduced to two *per cent* from 01 June 2008.

PMB purchased two HEIMANN HI SCAN X-ray Baggage Inspection System (XBIS) in July 2012 at a total cost of ₹ 1.13 crore. CST at the rate of 12.5 *per cent* instead of two *per cent* was paid for the purchase resulting in overpayment of ₹ 10.54 lakh.

PMB while accepting (May 2015) the audit observation requested audit to verify the CST rate applicable in the instant case. As the CST rate was two *per cent*, the PMB needs to recover the overpayment from the supplier concerned.

2.1.6 Revenue Management

PMB collects Vessel Related Charges (VRCs)¹⁴, Cargo Related Charges (CRCs)¹⁵ and estate rentals from the port users for use of its services and facilities.

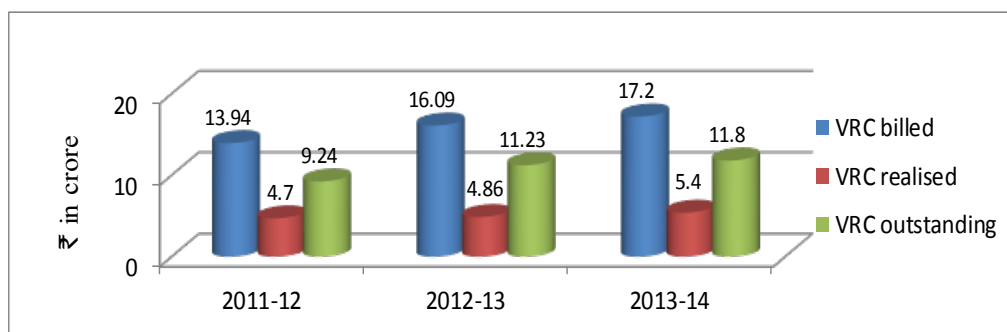
2.1.6.1 Delay in receiving VRCs/ CRCs

Section 43 of the Indian Ports Act 1908 stipulates that, port clearances for any vessel calling at the ports should not be granted until all port dues were cleared by the owners/masters of the vessels. The provision of the said Act was violated by PMB as the vessels were granted port clearances before port dues were cleared by them. Audit scrutiny revealed that bills were raised after an average delay of two to four weeks from the date of departure of ships and were paid after an average delay of one to one and a half months resulting in further delay. During 2011-12 to 2013-14, the position of VRCs and CRCs is detailed below:

¹⁴ The VRC comprises Port dues, Pilotage charges, Tug charges, Berth hire charges, Anchorage charges, shifting charges, Night navigation charges, water charges and Mooring boat charges etc.

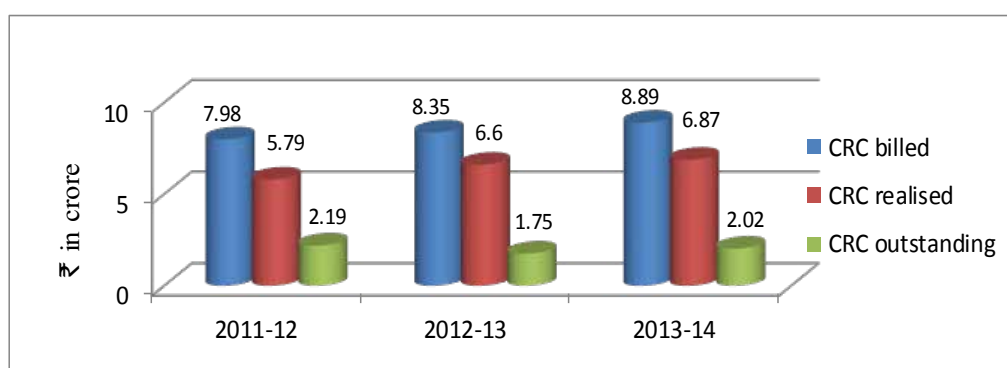
¹⁵ CRC comprises wharfage charges, shore gang charges, cargo handling equipment charges, container handling and storage charges, license fee, bunkering charges, Toll Tax, weighment and holidays charges, etc.

Chart : 6



Position of VRCs

Chart : 7



Position of CRC (No amount was outstanding for incoming cargo)

The charts depict the outstanding amount for three years only, whereas the total outstanding VRCs and CRCs as of 31 March 2014 stood at ₹ 106.54 crore and ₹ 13.45 crore respectively, the major defaulters being DSS, SCI, CCS¹⁶ and other government departments. Audit also found that the PMB did not impose any penalty on the defaulters since the notification issued by MoS for levy of charges did not stipulate any such provision.

In reply, PMB stated that there was no time frame for raising of bills and receiving payments. The processing of vouchers relating to VRCs starts after departure of the vessel as PMB has to obtain necessary information from the Pilot officer which takes a minimum of a week. The reply is not acceptable since VRCs were to be raised as notified by MoS under the Indian Ports Act, 1908 and Section 43 of the said Act stipulates realisation of all port dues before departure. PMB accepted (January 2015) the observation on CRCs stating that there was delay in billing since the billing process was not computerised.

¹⁶ Consumer Co-operative Societies

Recommendation: PMB should prefer claims and realise VRCs/ CRCs before the departure of the vessels from the ports, as stipulated in the Indian Ports Act, 1908.

While accepting the recommendation, it was stated (May 2015) that provision for imposition of penalty/interest had been made in the revised draft notification.

2.1.6.2 Undue benefit to port users

From April 2008 onwards, security deposits (to be determined on the basis of the volume of transactions) were obtained by PMB. Only those shipping companies with Fixed Deposit Rates (FDR) were to be permitted to ply their vessels without clearing the port dues. Audit scrutiny revealed that security deposits were not obtained from all private users and from the major defaulters viz. DSS, SCI, etc. It was also observed that no security deposits were obtained from repeated defaulters and instances were also noticed where the outstanding amount exceeded the amount of security held, as shown below:

SI No.	Name of Shipping company	Outstanding period	Amount (₹) (VRC)	Maximum Pendency	Security deposit (₹)
1.	M/s Meenakshi Shipping	Prior to April-09 to March-14	16,36,224	6 years	No security
2.	M/s Gati Shipping	Oct-13 to Nov-13	404240	1year	5,00,000
3.	M/s Marine N Care	Prior to Jan-09 to Nov-13	448384	6 years	No security
4.	M/s Aysha Shipping	May-11 to Feb-14	257557	3.5 years	No security
5.	M/s Jadwet ship-ping Services	Oct-12 to March-13	114170	2 years	1,42,583
6.	M/s Capt. Bath	Prior to April-09 to March-14	382143	More than 6 yrs.	No security
Total			32,42,718		

Except for issuing reminders, no effective punitive action was taken by PMB since it had no legal powers, resulting in huge accumulation.

Recommendation: Vessels of the defaulting ship owners should not be allowed to ply within the ports of ANI. Security deposits should be commensurate with their volume of transactions obtained from all port users.

The PMB accepted (May 2015) the observation and recommendation.

2.1.6.3 Outstanding Gang charges

An amount of ₹ 7.15 crore was outstanding towards gang charges from SCI and DSS as of February 2015 which were pending since 1989 and

1990 respectively (₹ 1.01 crore pertained to 2011-14). Gang charges for the period April 2011 to March 2013, were preferred by Controller, ALF after an average delay of one year¹⁷. No list indicating total dues against DSS and SCI was maintained and no reminders were issued for their realisation. The lackadaisical approach of CALF/PMB in raising and realisation of gang charges resulted in its huge accumulation.

While accepting the audit observation, it was stated (May 2015) that all the bills towards gang charges including ₹ 7.15 crore, as pointed out by audit, had already been raised. Recovery was awaited.

2.1.6.4 Loss of revenue of ₹ 11.81 crore due to non-revision of rates of VRCs

Ports usually revise their VRCs and CRCs at intervals of 3-5 years¹⁸. PMB had no such fixed periodicity for revision. Besides, PMB was not authorised to frame charges for port services provided by them. The process involved initiation of proposal by PMB for fixation of charges on discussion with stakeholders. After approval of the Board, the proposal was forwarded to the Administration for vetting/approval and onward transmission to MoS for final approval and notification in Official Gazette.

The process of revision of VRCs was not initiated by PMB till 2011-12 even after expiry of 14 years from the date of initial fixation of tariff in 1998. An increase of 25 *per cent* in VRCs was approved in the Board Meeting of July 2011 and the proposal was sent to MoS on approval of the Administration. The MoS stated (May 2013) that a comprehensive proposal on the basis of either TAMP¹⁹ or any other suitable mechanism be forwarded for approval. This has not been done and the rates for VRCs have not yet (February 2015) been revised.

PMB raised bills amounting to ₹ 47.23 crore during 2011-14 on account of VRCs as per the tariff fixed in 1998 and had the increase of even 25 *per cent* been implemented in time, PMB could have earned an additional ₹ 11.81 crore (25 *per cent* of ₹ 47.23 crore) during the corresponding period.

PMB accepted (May 2015) the audit observation and stated that their Board had resolved in March 2015 to revise the VRCs with an increase

¹⁷ Ranging from one to 29 months.

¹⁸ Mormugao Port Trust revise their rates in three years and New Mangalore Port Trust revised their rates after five years.

¹⁹ Tariff Authority for Major Ports.

of one per cent per annum from 1998 till date and thereafter two per cent per annum.

Recommendation: PMB should frame rules for periodic revision of charges for different port services and adopt a suitable mechanism for prompt realisation and augmentation of revenue in line with other ports of India.

The PMB accepted (May 2015) the recommendation.

2.1.6.5 Non-implementation of tariff for CRC

The Rules for CRCs²⁰ including Tariff were first published in April 1992 and were amended after 12 years in 2004²¹ as per notification of MoS. On the plea that the relief and rehabilitation works after tsunamis were underway, the Administration requested the Ministry to defer implementation of revised CRCs till March 2006. Accordingly, the Ministry deferred its implementation till June 2006. Thereafter, the Andaman Chamber of Commerce & Industry represented to MoS against steep hikes in the revised rates of CRCs. The Ministry, thereafter, directed (December 2006) that implementation of 2004 notification be kept in abeyance till further notification. No further action had been taken.

Audit observed that if the 2004 notification had been implemented PMB could have earned ₹ 12.44 crore during the period from April 2011 to March 2014 as detailed below:-

NAME OF THE ITEMS	Revenue not earned (₹ in crore)
SPACE ALLOTMENT (LICENSE FEES)	0.49
PASSENGER TOLL TAX	1.82
CONTAINER HANDLING CHARGES	2.93
ISSUE OF LICENSE TO PRIVATE STEVEDORERES (LICENSE/ RENEWAL FEES)	0.20
WHARF/ JETTY STEVEDORES CHARGES (ALF STAFF)	1.64
PORT EQUIPMENT CHARGE	1.66
WHARFAGE CHARGES	2.69
STORAGE AND DEMMURAGE CHARGES	1.01
Total	12.44

PMB stated that the notification issued in December 2004 was kept in

²⁰ Fixation of Rules for the use of landing places, wharves, quays, warehouses, sheds and other miscellaneous services.

²¹ Notification No GSR 786(E) dated 03.12.2004.

abeyance. This was in contravention to the opinion of the Ministry of Law and Justice which categorically explained (June 2008) that keeping the rates of 2004 notification in abeyance was not legally valid and therefore, the rates of 2004 Notification were applicable.

The fact, however, remains that CRCs were being charged as per rates notified in April 1992.

Recommendation: Action needs to be taken for immediate implementation of rates amended in December 2004 or any other legally valid amendment to avoid further loss to Government.

The PMB accepted the audit observation and recommendation (May 2015).

2.1.6.6 Non-realization of Stevedoring handling charges of ₹ 2.74 crore

Private stevedores were introduced in October 1993 to handle the cargo carried by private ships. In November 1996, the administration fixed the rates for 'Stevedoring Handling Charges'²² to be realized from licensed private stevedores for cargo handling at the ports of ANI.

PMB executed agreements with private stevedores and issued licenses to handle cargo of private shippers at ports of ANI. Audit scrutiny revealed that 'Stevedoring Handling Charges' as stipulated in the agreements were not being realised. Although, the period under report is 2011-14, it is worth mentioning that PMB failed to recover ₹ 1.93 crore from November 1996 to March 2008 (**Annex-VI**). The recovery of the said charges commenced only from April 2008 but there was short realisation of ₹ 81.06 lakh during the period from April 2008 to March 2014 (**Annex-VII**). This was mainly due to the fact that the licensees did not report monthly cargo handled and the number of gangs deployed by them to the port in-charge of respective ports though stipulated in the agreement. There was no system for reconciliation of amount to be realised and the amount actually realised at any ports in ANI with reference to total cargo handled by the licensee.

PMB accepted the audit observation. They also stated (May 2015) that the bills towards stevedoring handling charges were being checked by three different sources to prevent any short realisation in future. But, fact remained that stevedoring handling charges amounting to ₹ 2.74 crore remained unrealised as of May 2015.

²² Stevedoring handling charges are levied for the services provided by the private stevedores

2.1.6.7 Delay in deposit of revenue of ₹ 1.21 crore

Rule 6 of Receipts and Payments Rules provides that all moneys received by or tendered to Government offices on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account.

The Government of India, on 01 June 2010, declared setting up of port in ANI as Major Port with its Headquarter at Port Blair and named it as Port Blair Port Trust (PBPT). No funds were provided to the Trust either by the Ministry or by the Administration after the declaration of PBPT. All expenditure of PMB and ALF were met from the revenue generated by the erstwhile Trust by opening a current account on 13 September 2010 with the State Bank of India. The notification of 01 June 2010 was, however, kept in abeyance by the MoS and status *quo* prior to June 2010 was maintained from February 2011 onwards. From February 2011, PMB was getting regular fund from the Administration through annual budget under plan and non-plan heads. Thus, in terms of Rule 6 of Receipts and Payments, the balance of ₹ 1.21 crore as on February 2011 lying in the aforesaid current account was to be deposited into Government account without delay. However, ₹ 1.21 crore was deposited in Government account only on 03 May 2013 after a lapse of more than 26 months. This resulted in loss of ₹ 10.48 lakh to the government by way of interest calculated at four *per cent per annum*.

PMB accepted (May 2015) the audit observation.

2.1.6.8 Allotment of land/space of Port area

The land available with PMB was allotted to government departments and private parties. The allotments were made on first come first serve basis. On written requests from port users, necessary permission for utilisation of open/covered spaces was granted by PMB temporarily for a period of three months. Extensions were granted to private parties repeatedly for further periods of three months whereas the Government departments, ANIIDCO, M/s CCS Ltd. were allowed to occupy the spaces in perpetuity or till the time they vacated the spaces themselves. Ports are empowered to lease out their land for earning revenue. Unlike other ports, PMB did not have any land management policy and the same was attributed to non-demarcation of land. It was stated that areas belonging to PMB which could be leased out to port users have not yet been identified.

As PMB had no land allotment policy and legal powers, it failed to realise the applicable licence fees.

Recommendation: Land policy may be formulated at the earliest to safeguard the interest of PMB and for augmentation of revenue.

PMB accepted (May 2015) the audit observation and the recommendation. They also stated that they have initiated steps for demarcation of land and the matter has been taken up with the concerned District Commissioners.

2.1.7 Internal Control

Effective Internal Control System should provide reasonable assurance of adherence to laws, rules, regulations and orders, safeguards against fraud and mismanagement and it ensures reliable financial and management information to higher authorities. The control activities include documentation, system of authorisation and approval of payments, segregation of duties, reconciliation & verification, inspection and audit, review of operating performance and monitoring.

Though the Board of PMB was constituted in 1983 and reconstituted in 2000, no rules and regulation regarding power and responsibility of the board were framed or stipulated. The periodical meetings to be held by the Board were not scheduled. During 2011-14, the Board met twice in July 2011 and February 2012. The Board never established any committee/sub-committee for improvement of the different functions carried out by PMB. Owing to its present status, the PMB could not frame rules/regulations/charges for its operation and for revenue generation.

There was no internal audit wing at PMB to ensure that proper checks and controls were exercised and proper system was in place to avoid pilferage, loss, misappropriation, etc. In absence of the internal audit wing, the Board or the management of the PMB was not in a position to assess the state of affairs at different wings of PMB and take corrective measures, as and when required.

Recommendation: Effective Internal Control System through framing of proper Regulation, Rules and procedure needs to be established by the Administration.

PMB accepted (May 2015) the audit observation and the recommendation thereto and stated that there would be Board meetings in every six months.

2.1.8 Conclusion:

The objectives of PMB entailed extension of port facilities at the Ports of ANI, formulation of rules and regulations towards levy and collection of charges for handling shipping and storage of goods and for conservancy of harbours. However, the powers required for fulfilling all the objectives were not vested with PMB. No initiative was taken by the Administration for framing periodical rules and regulations necessary for the smooth operation of the activities being executed by PMB. Thus, there were shortcomings in levy and collection of charges for vessel/cargo related services; the workforce for cargo handling was not managed efficiently; there was no policy for augmentation of revenue nor was any policy framed for land management. The absence of proper internal control mechanism further affected the functioning of PMB. PMB accepted majority of the recommendations of Audit. However, ANI Administration despite being given the Report (March 2015) have not offered any response (June 2015). This was also brought to the notice of the Ministry of Home Affairs (March 2015). Their reply was also awaited as of June 2015.

Andaman & Nicobar Administration

Secretariat, Port Blair

2.2 Undue delay in commencement of a project

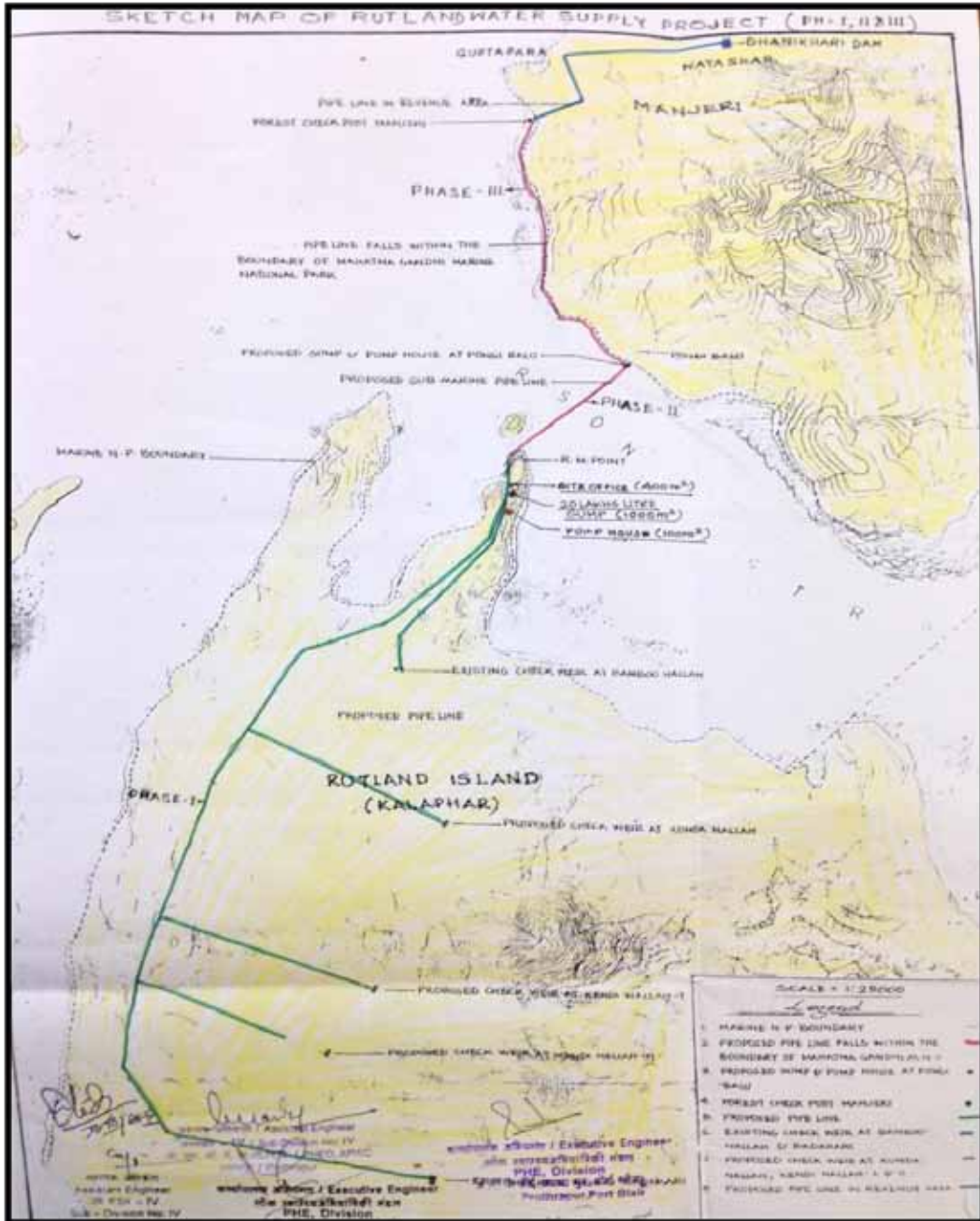
The acute crisis of drinking water at Port Blair was not mitigated due to repeated cancellation of tenders for Phase-II of the project, conceived in 2007. Infrastructure created in Phase-I and Phase-III of the project in 2011 at a cost of ₹ 13.75 crore was used minimally, for one or two months a year.

To mitigate the acute crisis of drinking water at Port Blair, Andaman & Nicobar Administration (Administration) conceived a project for transportation of water from Rutland Island to Port Blair in June 2007. The Andaman Public Works Department (APWD) worked out a preliminary plan for execution of the project in three phases consisting of:

- i. Laying of pipelines in the Rutland Island connecting all the *nallahs* with required number of weir/check dams (Phase-I);
- ii. Laying of submarine pipelines from RM Point at Rutland Island to Pongi Balu at South Andaman Island (Port Blair) (Phase-II) and;
- iii. Laying of pipelines from Pongi Balu (Near Chidyatapu) to Dhanikari Dam (in South Andaman Island) (Phase-III).

The sketch map of the three phases is also shown in the map '2':

Map-2



Sketch Map of Rutland Water Supply Project

The execution of project in three phases was approved by the Chief Secretary and the Hon'ble Lieutenant Governor in July 2007. Phase-I and Phase-III of the project were to be executed by APWD. For execution of the Phase-II, National Institute of Ocean Technology, Chennai (NIOT) was approached. NIOT submitted a proposal for execution of Phase-

II in September 2007 at an estimated cost of ₹ 13.89 crore. Necessary clearance for assigning Phase-II of the project to NIOT as deposit work was sought from the Ministry of Home Affairs (MHA) in October 2007. The MHA in turn approached the Ministry of Urban Development (MoUD) in November 2007.

After several correspondences between MoUD, MHA and the Administration, the Technical Sanction and the Administrative Approval was finally accorded by the MoUD after more than a year, in December 2008 and January 2009 respectively, with the stipulation to complete the work within scheduled time period and without time/cost overrun. Consequently, MHA approved laying of submarine pipelines from Rutland Island to South Andaman Island with a total outlay of ₹ 13.89 crore. NIOT declined to execute the work and submitted a fresh proposal in July 2009 enhancing the estimated cost from ₹ 13.89 crore to ₹ 18.89 crore as the estimate was two years old and also due to inclusion of the option of laying the pipeline over a bridge, which was not in the previous estimate.

After deliberations with NIOT, Administration decided (November 2010) to call for tenders with NIOT engaged for technical assistance. However, the Administration did not enter into any agreement with NIOT for technical consultancy. The EOIs²³ were invited in December 2010 but were cancelled in March 2011 at the behest of the Chief Secretary of the Administration acting as the Chairman of the Works Advisory Board (WAB) due to lack of certain specific terms and conditions in the advertised EOI. This was despite the fact that the EOI was duly vetted by technical personnel of the WAB and finally ratified by the Chief Secretary before being advertised. After modification, EOIs were again invited in June 2011. Final evaluation of the bids was done at the meeting of WAB (January 2012) in the presence of an expert member from NIOT. On proper justification of cost by applying the annual inflation rates from time to time, the lowest quoted rate of ₹ 28.50 crore was recommended by WAB for acceptance. However, the EOI was rejected (May 2012) by the Hon'ble Administrator on the ground that NIOT had done the estimation of the project in an un-professional manner although NIOT was engaged for its technical knowhow. On being directed by Hon'ble Administrator, EOIs were invited (May 2012) on BOOT²⁴ basis.

²³ Expressions of Interest

²⁴ Build-Own-Operate-Transfer

After negotiations (May 2013), the lowest bidder quoted a rate of 4.10 paisa *per* litre for transporting 6022.50 crore litres water over a period of 25 years. APWD found the rate justifiable considering life expectancy of 50 years and transfer of assets to APWD after 25 years of operation of BOOT system. The transportation cost *per* litre was also found to be much lower than the expenditure of 11.50 paisa *per* litre incurred in 2012 for transportation of water from Rutland to Pongi Balu in water barges²⁵.

This EOI was also cancelled. The cancellation was ascribed to absence of standard method for financial evaluation of tender in BOOT basis. Scrutiny, however, revealed that APWD had finalised a tender of a desalination plant on BOOT basis in G.B. Pant Hospital, which was running since December 2007.

Work on Phase-II of the project, thus, did not start due to repeated cancellation of tenders. The work has not been re-tendered as of April 2015. Audit noted that Phase-I and Phase-III of the project were completed by APWD in October 2011 at a total cost of ₹ 13.75 crore. However, these pipelines could not be optimally utilised for transportation of water as the connecting submarine pipelines between RM Point at Rutland Island and Pongi Balu at Port Blair had not been laid. APWD had transported only 32300 metric ton water in May 2013 and 56400 metric ton water in March-May 2014 using water barges between Rutland Island and Port Blair after incurring expenditure of ₹ 42.64 lakh and ₹ 92.50 lakh respectively. The cost of transportation of water was 13.20 paisa *per* litre in May 2013 and 16.40 paisa *per* litre in March-May 2014, which was much higher than 4.10 paisa *per* litre agreed by the lowest bidder in May 2013 under BOOT mode. Also, water was being supplied to the residents of Port Blair on alternate days, just for half an hour by Port Blair Municipal Council from its existing water supply system.

Thus, the acute crisis of drinking water at Port Blair was not mitigated due to inefficient handling of the project causing repeated cancellation of tenders for Phase-II. Infrastructure created in Phase-I and Phase-III of the project in 2011 at a cost of ₹ 13.75 crore was used minimally, for one or two months a year.

The APWD, in April 2015, confirmed the facts and figures mentioned in the para.

²⁵ A long flat-bottomed boat

The matter was reported to the Ministry in February 2015; their reply was awaited as of June 2015.

Zilla Parishad, South Andaman, Port Blair

2.3 Unfruitful expenditure

A crematorium approved for construction in October 2004 could not become operational even after a lapse of more than ten years due to lackadaisical approach of Zilla Parishad and lack of co-ordination amongst two departments of the same Administration resulting in unfruitful expenditure of ₹ 73.95 lakh.

Zilla Parishad, South Andaman (ZP) approved (October 2004) a proposal for construction of an LPG²⁶ fired crematorium at Garacharma. Accordingly, the Adhyaksh, ZP, accorded administrative approval and expenditure sanction for construction of the LPG fired crematorium at a cost of ₹ 55.60 lakh in October 2006.

The work of construction of the crematorium was awarded to a firm in April 2007 with scheduled date of completion in April 2008. The firm completed the work of crematorium in September 2010 and was paid ₹ 72.89 lakh till October 2014.

Records revealed that though the crematorium was LPG fired, a three phase electricity connection was needed for operation of its various electric components such as control panel, temperature control system, blower with ventury system etc. Hence, soon after the completion of the crematorium, the Gram Panchayat (Garacharma-II) requested (September 2010) the Electricity Department (ED), Andaman & Nicobar Administration for providing three-phase electric connection to the crematorium building and it was followed up by the ZP in January 2011. As no response was received from ED, the ZP after 18 months of its earlier request again asked (July 2012) the ED, to provide the electric connection expeditiously. The crematorium was located in the area falling under the jurisdiction of Prothrapur Sub-Division of ED. The Prothrapur Sub Division, in September 2012, raised a demand of ₹ 1.06 lakh requesting the ZP to deposit the sum in favour of Executive Engineer (HQ), ED under intimation to the sub-division. While depositing the sum with Executive Engineer (HQ), ED in January 2013, ZP failed to intimate the concerned sub-division for providing the electric connection. The ZP did not pursue the matter for next 15 months and sent a reminder to the ED only in May 2014.

²⁶ Liquefied Petroleum Gas

Unaware of the payment made by the ZP, the Prothrapur Sub-Division again asked (May 2014) the ZP to deposit the sum. Consequently, the ZP took up the matter with the Executive Engineer (HQ), ED under intimation to Prothrapur Sub-Division. However, the details of payment were received by the Prothrapur Sub-Division, from the Executive Engineer (HQ), ED only in October 2014. The three phase connection was extended to crematorium building in January 2015 but it was observed by ED that necessary wiring at the crematorium building had not been done. The ED requested (March 2015) ZP for submission of application for completion of other formalities required for the connection which was not submitted (May 2015).

Crematorium approved for construction in October 2004 could not become operational even after a lapse of more than ten years despite incurring an expenditure of ₹ 73.95 lakh due to some petty issues remaining unattended. This was due to inaction on the part of Zilla Parishad and lack of co-ordination amongst two departments of the same Administration resulting in unfruitful expenditure. This also raises concern about absence of monitoring by the Administration.

The matter was reported to the Ministry in November 2014; their reply was awaited as of June 2015.

Union Territory, Dadra & Nagar Haveli, Rural Development Department

2.4 Wasteful expenditure of ₹ 317.03 lakh

PWD department, Union Territory, Dadra & Nagar Haveli, did not adhere to the specifications of pipes in a pipeline network, as recommended by WAPCOS, the consultant, which resulted in wasteful expenditure of ₹ 317.03 lakh

The Public Works Department, District Panchayat, of Union Territory Dadra & Nagar Haveli (D&NH), had engaged (June 1999) M/s Water and Power Consultancy Services (India) Ltd (WAPCOS) as a consultant for preparation of Detailed Project Report including RCC design of various structures, Hydraulic Design of pumping machinery and pipe network system for water supply at Mandoni. WAPCOS submitted (December 2000) its final report along with pipe designing and selection of sites, with an estimated cost of ₹ 8.84 crore. In the DPR, it was recommended that the Cast Iron (CI) pipes should be used in the distribution network. The project consisting of two parts was scheduled to be completed in Sept 2007:

Part 1- Raw Water pipe line from Damanganga river to Vasda Hedvachimal into water treatment plant up to underground sump

Part 2 - Distribution network of clean water from sump to Zone I, II and III (ISI marked CI S/S pipe lines)

District Panchayat (DP) decided to carry out only Part 2 work first despite of availability of funds for Part 1 & 2 and the work was awarded (February 2007) to four²⁷ different parties at a cost of ₹ 317.03 lakh with the stipulated date of completion as September 2007 which was finally completed within time limit. It was decided in 2011 to carry out Part 1 work. The project could be treated as completed only after Part 1 is connected with Part 2, as pure water could be distributed only by connecting the already completed and installed pipeline network.

To connect the Part 1 with Part 2, joint inspection was carried out (February 2013) by Department with M/s Facile Maven Pvt. Ltd. who reported that the network was laid with Galvanized Iron (GI) pipes instead of Cast Iron (CI) pipes. The joint inspection report also revealed that due to change in diameter of pipes, non-placement of pressure relief system and heavy undulating ground profile, existing system of GI pipes was not serving the purpose and required to be replaced with CI pipes.

Audit observed that the technical sanction of the work for Part 2 (Zone I, II, III and sump) was accorded by Superintending Engineer, UT of D&NH. While according the technical sanction the design specifications given by WAPCOS were not adhered to and as a result the entire pipeline network of part 2 was found un-usable. Department had to carry out the work of distribution pipeline network of Zone I, II and III afresh. Audit also observed that for the works of phase 2, again fresh tenders were floated in October 2014 and lowest tender offered by a firm for ₹ 830.98 lakh was accepted. Thus, the expenditure of ₹ 317.03 lakh incurred on pipes laid earlier under part 2 proved wasteful and the cost of project also increased by ₹ 513.95 lakh.

The above facts were accepted by the Executive Engineer who stated that the specifications were initially designed by the WAPCOS but were not adhered to by the PWD and for such deviation necessary approval was also not found to have been obtained by the department from the competent authority.

²⁷ 1. M/s. K K Rathod (₹ 83.37 Lakh) (2) M/s. Unity Enterprises (₹ 84.31 Lakh) (3) M/s. Umiya Vilay Construction (₹ 97.44 Lakh) (4) T.B. Parmar (₹ 51.92 Lakh)

Thus, the failure of the department to adhere to the specifications recommended by the consultant agency, while framing the technical sanction of the project, resulted in wasteful expenditure of ₹ 317.03 lakh. Further due to taking up the work in two unsynchronized phases, the deviation in execution of work of part 2 could be detected and re-executed only after six years. Due to this, an additional ₹ 513.95 lakh was to be spent for the same work.

The matter was referred to the Administrator and the Ministry in March 2015 and May 2015 respectively, their reply was awaited as of June 2015.

Union Territory, Daman & Diu, Department of Tourism

2.5 Irregular draw of ₹ 5.50 crore to avoid lapse of budget grant

Union Territory Administration, Daman, irregularly parked ₹ 5.50 crore in March 2012 with Omnibus Industrial Development Corporation for a project, which was approved by the competent authority in March 2014, to avoid lapse of budget grant.

Sub rule 2 of Rule 100 of Receipt and Payment Rules, 1983 stipulates that no money shall be drawn from Government accounts unless it is required for immediate disbursement. It is not permissible to draw money from Government accounts in anticipation of demands or to prevent the lapse of budget grant.

Audit noticed that Tourism Department, Daman deposited ₹ 5.50 crore in March 2012 with Omnibus Industrial Development Corporation (OIDC) for work of construction of protection wall (sea erosion) at Jampore Beach ch. 350 Mt. to 1850 Mtr. At the time of deposit of funds with OIDC, neither administrative approval and expenditure sanction was availed nor technical sanction was obtained from the competent authorities. Audit further noticed that technical sanction for this work was accorded by the Chief Engineer of OIDC in December 2013 for an amount of ₹ 33.09 crore. The deposit ₹ 5.50 crore was considered as initial deposit for the entire work. Moreover, administrative approval for the above project was granted by the Standing Finance Committee (comprising of the Administrator, Development Commissioner and Finance Secretary) of the UT in March 2014. Hence, at the time of the deposit of ₹ 5.50 crore with OIDC, Daman in March 2012, neither there was any detailed project report nor the required sanctions were obtained.

Scrutiny of records at OIDC also revealed that tender for the said work

was also not finalized by OI DC (till December 2014) and no expenditure had been incurred by till then.

Thus, an amount of ₹ 5.50 crore drawn from the Government accounts and deposited with OI DC in the month of March 2012 was not for immediate disbursement for the work, but it was drawn to avoid lapse of budget grant which was irregular.

The matter was referred to the Ministry of Home Affairs in May 2015; their reply was awaited as of June 2015.

Union Territories, Daman & Diu and Dadra & Nagar Haveli, Department of Police

2.6 Non-modernization of communication network

Failure of the UT Administration in implementation of Terrestrial Trunked Radio technology for communication network for Police Department resulted in lack of modernization of communication system. The system is a crucial and vital activity under modernization scheme in the coastal and sensitive UTs. The UT Administration also blocked fund of ₹ 484.38 lakh with Omnibus Industrial Development Corporation (OIDC) for more than four years.

With a view to improving infrastructure facilities and strengthening operational efficiencies of Police Force of Union Territories, the Ministry of Home Affairs (MHA) sanctioned ₹ 884 crore in April 2006 for introduction of Police Modernization Scheme (PMS) for NCT of Delhi, Chandigarh, Daman & Diu, Dadra & Nagar Haveli, Pondicherry, Andaman & Nicobar Island and Lakshadweep. The period of PMS was for five years beginning from 2006-07 to 2010-11 which was further extended up to 2012-13.

Audit noted that the Union Territory of Daman & Diu was sanctioned ₹ 22.50 crore over a period of five years under PMS on various components like communication, equipment, vehicles, police stations/buildings, forensic science laboratory, weaponry etc. Committee of Action Plan for the year 2007-08 decided (January 2008) to set up a composite Radio Trunking Wireless System covering both the Union Territories (Daman & Diu and Dadra & Nagar Haveli) as a single project. The purpose of the project was to strengthen the communication network and improve the policing environment. The estimated cost of the project was ₹ 500 lakh (₹ 200 lakh for Dadra & Nagar Haveli and ₹ 300 lakh for Daman & Diu).

M/s Tele Communication Consultant India Ltd., (TCIL) was appointed (May, 2009) as technical consultant. TCIL conducted technical survey and recommended TETRA technology for Wireless Radio Tracking Wireless System. The TCIL was paid ₹ 12.40 lakh as consultant fees.

The Police Department Daman & Diu floated (March 2009) tenders for implementation of Multisite UHF Digital Trunking System (TETRA) and four bidders viz. (i) HCL (ii) 3 G Wireless Communication (iii) Tech-Mahindra and (iv) Motorola India submitted the bids. Technical bid was opened on 23 March 2009. After due diligence by Technical Committee, the committee invited price bid from above four bidders. Later on the Central Vigilance Commission (CVC) found deficiencies during scrutiny of bid documents of the project and suggested to take suitable corrective measure. It was decided (November, 2009) by the purchase committee (on recommendation of the consultant) to cancel the tender, and invite a fresh tender for the project.

Meanwhile, Omnibus Industrial Development Corporation (OIDC) Ltd. Daman was appointed as nodal agency on 03 February, 2010 for implementation of TETRA system without any terms of reference and without fixing any time limit for completion of the project. The police department deposited ₹ 397.72 lakh on 04 February 2010 and ₹ 86.66 lakh on 12 May 2010 with OIDC Ltd. towards the cost of the project.

Audit scrutiny of records, revealed that no further action was taken by OIDC and the police department to implement this project. In the Meeting of High Power Committee for PMS (UT), MHA held on 14 March 2012, it was mentioned that 2012-13 was last financial year for PMS and no such work should be taken up where concerned UT was not confident of finishing tender activities and finalizing purchase order by 2012-13. The MHA in May 2013 also turned down the request of I.G.P. Daman and D&NH for re-appropriation/revalidation of fund relating to previous financial years 2008-12 (except 2012-13) and directed to surrender unspent balance of previous financial years. It was noted that the unspent funds of ₹ 478.86 lakh was not surrendered by the Police Department till July 2014 to MHA. In July 2014, the OIDC refunded an amount of ₹ 188.55 lakh pertaining to UT of D&NH, which was surrendered to MHA by UT Administration in December 2014. The funds amounting to ₹ 290.31 lakh pertaining to UT of Daman & Diu were still lying (April 2015) with OIDC Limited.

Thus, tardy action initiated by the UT Administration resulted in non-implementation of TETRA technology for communication network for Police Departments of Daman & Diu and Dadra & Nagar Haveli and resulted in blocking of ₹ 484.38 lakh for more than four years. Although an amount of ₹ 188.55 lakh pertaining to UT of D&NH was refunded by the OI DC in July 2014, ₹ 290.31 lakh pertaining to UT of Daman & Diu was still lying with OI DC. The purpose of installation of Radio Trunking Wireless System also remained unachieved, in these coastal and sensitive Union Territories. The exercise became infructuous.

This was brought to the notice of the UT Administration and Ministry of Home Affairs in March 2014 and November 2014 respectively; their reply was awaited as of June 2015.

Union Territory, Daman & Diu, Department of Tourism

2.7 Recovery at the instance of Audit

Public Works Department, Daman in December 2006, had irregularly drawn funds amounting to ₹ 200.00 lakh for a work and deposited it with Omnibus Industrial Development Corporation (OIDC). The work did not commence and the amount was lying with OI DC for more than eight years (till December 2014). On being pointed out by Audit, the amount was refunded by OI DC. (March 2015)

Rule 290 of the Central Treasury Rules prescribes that *“No Money shall be drawn from treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent lapse of budget grants”*.

During scrutiny of the records of the Public Works Department (PWD), Daman and OI DC, Daman Audit noticed that PWD, Daman had deposited ₹ 200.00 lakh with OI DC as detailed below;

Sr. No	Name of work	Date of administrative approval	Date of deposit	Funds received (₹ in Lakh)
1.	Beautification of Sea face Road along M G Road’.	September 2006	December 2006	200.00

Audit noticed that the fund was released without preparation of detailed project report. There was no immediate requirement of fund as only an expenditure of ₹ 0.38 lakh had been incurred towards consultancy/other expenditure and no NIT had been issued even after eight years. Balance

funds amounting to ₹ 199.62 lakh were lying with OI DC in deposits (December 2014).

On being pointed out in Audit, PWD, Daman stated (June 2015) that funds were earmarked to OI DC as per the Note approved by the Administrator and no specific terms and conditions for depositing it to OI DC were on record. No stipulated dates of completion were prescribed to OI DC and till date no correspondence had been done with the OI DC for completion of the work. It further stated (July 2015) that OI DC had refunded the amount of ₹ 200.00 lakh (March 2015) towards the full deposit work of PWD “Beautification of Sea Face Road M.G. Road”. The refunded amount of ₹ 200.00 lakh was deposited (March 2015) to Government Account by PWD, Daman.

Thus, irregular drawal of ₹ 200.00 lakh by PWD led to its blocking for more than eight years and it was finally recovered and deposited in Government Accounts at the instance of Audit.

The matter was referred to the Ministry in May 2015; their reply is awaited as of June 2015.

Union Territory of Lakshadweep

2.8 Irregular parking of government funds

Parking of funds to the tune of ₹ 216.59 crore with Lakshadweep Development Corporation Limited (LDCL) and non-transfer of unspent amount of ₹ 40.48 crore to Union Territory of Lakshadweep (UTL), resulted in blocking of government money to the tune of ₹ 257.07 crore.

Rule 26 of General Financial Rules (GFR) stipulates that the expenditure should be incurred for the purpose for which the funds have been provided. Rule 30 (ii) stipulates that when the sanction provides for expenditure from the budget provision of a specified financial year, it shall lapse at the close of that financial year. Further GFR Rule 56(1&2) also stipulates that “the funds provided during the financial year and not utilized before the close of the financial year shall stand lapsed at the close of the financial year and the provision not utilized should be surrendered to government”.

Audit noted that the Union Territory of Lakshadweep (UTL) Administration prepared estimates for procurement of new vessels during each year and the Government of India allocated funds to UTL through budgetary allocation as Capital outlay for acquisition of new passenger vessels. The

funds received by UTL Administration were transferred to Lakshadweep Development Corporation Limited (LDCL) with the instructions to keep the same in an interest bearing account for stage payments to the respective shipyards.

2.8.1 Parking of funds

Audit observed that a total amount of ₹ 749.70 crore were transferred to LDCL (**Annex VIII**) for the period from 2002-03 to 2013-14, of which, LDCL had released an amount of ₹ 525.92 crore (this included refunds made in 2013-14) only to the clients up to March 2014 and remaining amount of ₹ 223.78 crore (**Annex-VIII**) was still lying with them. Audit further noted that in the amount of ₹ 223.78 crore, ₹ 7.19 crore was earned by LDCL (December 2007) by levy of liquidated damages from various shipyards for various violations, such as delay in delivery, insufficient speed, excess fuel consumption, deadweight tonnage etc. These were to be returned to UTL immediately on recovery instead of keeping it with LDCL.

The department, while confirming the fact and figures, replied (March 2014) that as the release of money depends on work completion by the shipyards, the accurate time of outflow could not be predicted in advance and the fund had to be kept ready for releasing payments to shipyards. No excess fund was parked with LDCL other than the total construction cost of vessels. The department accepted that only ₹ 7.19 crore was pending refund from LDCL.

2.8.2 Non- remittance of interest amount

Audit noted that as per the annual accounts of the LDCL for the period 2013-14, the total amount of interest earned by the LDCL up to March 2014 was ₹ 33.29 crore, which was yet to be remitted into the Government Account (**Annex-IX**). Reconciliation of figures of deposits and balances between the department and LDCL had not been done in many cases for ascertaining the balance.

The department, while confirming the fact and figures, replied (March 2014) that the fund was invested by LDCL in fixed deposits as per the directions of the competent authority. LDCL replied (December 2014) that the process of reconciliation of department funds with the concerned department had been started and steps to refund the deposits along with interest for the closed projects had been initiated.

The reply of the department as well as LDCL is to be viewed in light of the following:

- (i) Drawing of Government money in anticipation of future demands stretching beyond a financial year to prevent the lapse of budget grants is in violation of Rules. The UTL Administration was liable to make only stage payments to the ship building units and draw funds accordingly.
- (ii) Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken as reduction of expenditure under the concerned Major Head except where, under the rules of allocation applicable to a particular department, such receipts have to be taken as revenue in terms of Rule 94 of GFR. As such, ₹ 7.19 crore levied and recovered in December 2007 towards liquidated damages should have been returned to UTL immediately on recovery instead of keeping it with LDCL.

Thus, the unauthorized parking of fund to the tune of ₹ 216.59 crore with LDCL violating the GFR Provisions and not transferring the refundable amount of ₹ 40.48 crore (₹ 7.19 crore + ₹ 33.29) to UTL Administration had resulted in blocking of government money to the tune of ₹ 257.07 crore. It was not prudent to park excess funds meant for development activities merely for earning interest from fixed deposit. Action may be taken to streamline the system and to ensure receipt of all parked funds along with the interests.

The matter was referred to the Ministry of Home Affairs in April 2014; their reply was awaited as of June 2015.

2.9 Excess payment of Special Allowance

In contravention of Ministry of Finance orders, UTL Administration allowed two Special Compensatory Allowances i.e Special Compensatory (Remote Locality) Allowance (SCRLA) and Hard Area Allowance (HAA) in addition to Island Special Duty Allowance (ISDA) at a time to its employees. This led to excess payment of ₹ 79.87 lakh on account of special allowance to its employees.

Ministry of Finance (March 2004) granted Hard Area allowance (HAA) @ 25 per cent of basic pay to all the Central Government employees posted in the Nicobar Group of Islands w.e.f April 1, 2004 as a special

compensatory allowance. As per orders, in places where more than one Special Compensatory Allowance is admissible, the Central Government employees posted in such stations will have the option to choose the allowance which benefits them the most.

Ministry of Finance in August 2008 extended this allowance to all Central Government employees posted in Minicoy in Lakshadweep w.e.f. 01 September 2008 with the same condition. This special compensatory allowance (HAA) was further extended (November 2011) to all Central Government employees posted in Kiltan, Andrott, Kalpeni, Chetlat, Kadmat, Amini and Bitra Islands of Lakshadweep @ 15 per cent of basic pay + NPA, where ever applicable.

Audit scrutiny of the Pay Bill Registers of Village (Dweep) Panchayats (VDPs) in UTL, employees working in the UTL Light Houses and Light Ships and employees of Door Darshan Maintenance Centre Kochi working in UTL revealed that, employees were given both Special Compensatory (Remote Locality) Allowance (SCRLA) and Hard Area Allowance (HAA) in addition to Island Special Duty Allowance (ISDA) in contravention to the Government orders. As per the orders of Ministry of Finance, ISDA along with either SCRLA or HAA can be drawn, and SCA being the least may be forgone. Thus, the excess payment made to the employees worked out to ₹ 79.87 lakh (**Annex-X**).

On this being pointed out (May 2013), the Administration took up the matter with the Ministry of Finance. The Ministry clarified (February 2014) that the employees cannot draw both HAA and SCRLA simultaneously with Island Special Duty Allowance (ISDA) and can draw either SCRLA or HAA along with ISDA. After receiving the clarification, the Finance and Accounts Department, UTL Administration issued direction (February 2014) to all Heads of the Department to stop the irregular payment. Further, on the basis of the directions from the Ministry of Home Affairs, UTL Administration issued an Office Memorandum (September 2014) directing all the DDOs concerned to start recovery of the excess payments made from 01 September 2008 to March 2014 from the salary bills of September 2014 onwards.

The Ministry (March 2015) also endorsed the reply of UTL (October 2014) that necessary instruction to the DDOs under UTL Administration for starting recovery of the excess amount drawn irregularly towards Hard Area Allowance (HAA) and Special Compensatory (Remote Locality)

Allowance (SCRLA) simultaneously with Island Special Duty Allowance (ISDA) was communicated.

Thus, the non-observance of clauses in the Ministry of Finance's OM (March 2004 and August 2008) by the UTL Administration had resulted in excess payment of ₹ 79.87 lakh. Recovery of this amount was awaited.

2.10 Delay in procurement and installation of incinerators

Failure of Administration of the UT of Lakshadweep in procurement of incinerators and delay in installation despite having sufficient funds, resulted in blocking of ₹ 39.48 lakh with National Rural Health Mission for more than 4 years and diversion of funds of ₹ 23.45 lakh for other purposes.

Mention was made in the CAG's Audit Report No.25 of 2014 that the waste generated from medical activities can be hazardous, toxic and even lethal. While reporting the management of bio-medical waste, audit found that government hospitals were generating, collecting and disposing of bio-medical waste without mandatory authorisation in the selected hospitals. Bio-medical waste were to be treated and disposed of in accordance with Schedule 1 to the Environment (protection) Act, 1986 (29 of 1986), which states that human anatomical waste is to be disposed of either by incinerators or by deep burial.

During the audit of Directorate of Medical and Health Services, Kavaratti it was noticed that ₹ 89.90 lakh was entrusted to the Mission Director, NRHM, for the procurement of eight incinerators in March/November 2010 of which an amount of ₹ 23.45 lakh was diverted by the department for other purposes in violation of the Rule 26 of GFR. The department could utilise only ₹ 26.97 lakh leaving a balance of ₹ 39.48 lakh as unutilised for more than 4 years without serving the intended purpose of handling bio-medical waste in accordance with environmental norms. The details of the case are explained below:

Considering the necessity for installation of incinerators from environmental point of view, the Directorate of Medical and Health Services (Department), Kavaratti, placed supply order (February 2010) with M/s. Esco Engineering Pvt. Ltd., Kolkata, for procurement of four incinerators of 10Kg per hour capacity for installation of one each at Government Hospital Minicoy and Community Health Centers at Amini, Androth and Agatti at a total amount of ₹ 38.80 lakh. The due date of supply was 20 March 2010 which was

further extended to June 2010.

Audit further noted that the Department released ₹ 41 lakh (17 March 2010) to the Mission Director, Directorate of National Rural Health Mission (NRHM), State Health Society, Kavarratti, by authorizing them to procure and install the incinerators and to make payment to the supplier as per agreed terms and conditions.

The first incinerator was supplied (July 2010) and installed (April 2011) at Government Hospital at Minicoy, after a delay of one year by the firm M/s. Esco Engineering Pvt. Ltd, Kolkata. They failed to supply the remaining three incinerators within the due date. Hence the department decided (August 2010) to cancel the order.

In the meanwhile, UT Administration, in August 2010, issued a supply order to M/s Aseptic Systems Coimbatore, the second lowest bidder for procurement of four more incinerators for installation at Primary Health Centres at Kapleni, Kadamat, Kiltan and Chetlat islands. An amount of ₹ 48.90 lakh was released (November 2010) to NRHM for these four additional incinerators. Audit noted that of the four incinerators supplied in 2011 by M/s. Aseptic Systems, three meant for installation at Kalpeni, Kiltan and Chetlat, as per the supply order, were actually supplied/installed at Amini, Androth and Agatti Island, the locations where the earlier firm M/s. Esco Engineering Pvt. Limited had to install. Audit further noticed that the incinerators were installed at Androth (May 2011) and Agatti (January 2014). However, the installation of incinerators at Amini and Kadamath was not completed due to non-readiness of site at CHC Amini and PHC Kadamat. Further the Administration had diverted an amount of ₹ 23.45 lakh on account of installation charges of air conditioner and purchase of ultra sound machine from the remaining funds available for procurement of incinerators.

Thus, out of total amount of ₹ 89.90 lakh entrusted to the Mission Director, NRHM, State Health Society for the procurement of 8 incinerators in March/ November 2010, and an amount of ₹ 23.45 lakh was diverted by the Administration for other purpose. Five incinerators were procured of which only three were installed.

The Department could utilize only ₹ 26.97 lakh leaving a balance of ₹ 39.48 lakh as unutilized for more than four years without serving the intended purpose (**Annex XI**).

On the above facts being pointed out by audit (July 2013), the Department replied (February 2014) that in spite of repeated reminders the firm had not supplied the incinerators for Kalpeni, Kiltan and Cheltlat. Non-readiness of the site was cited as the reason for non-installation at Kadamat and Amini. It was further replied (December 2014) that the amount was parked with the State Health Society (NHRM) with the approval of competent authority and would be used for certain other important activities with due approval.

The reply does not explain the failure of the Administration in ensuring prompt supply and installation of the incinerators. It also does not explain the reasons for not executing any agreement with the Mission for procurement while transferring the money, which resulted in blocking of ₹ 39.48 lakh with state agency for more than four years, and diversion of funds for other purposes in contravention of GFR provisions. The procurement without creating necessary basic infrastructure facilities resulted in idling of two incinerators for more than four years. The purpose of procurement and installation of the incinerators to adhere to the environmental norms for handling bio-medical waste was also defeated.

The matter was communicated to the Ministry of Home Affairs (January 2015); their reply was awaited as of June 2015

2.11 Recovery at the instance of audit – ₹ 27 lakh

Union Territory, Lakshadweep released subsidy of ₹ 27 lakh to a Co-Operative Society between January 2009 and August 2010, without ensuring fulfilment of required formalities towards construction of godown office. The work could not be commenced for more than four years. The Co-Operative Society refunded the subsidy in January 2015 without achieving the purpose for which it was released.

Lakshadweep Co-Operative Marketing Federation (LCMF) is a registered society that aims to procure consumable and non-consumable durable products and also the transportation of essential commodities under Public Distribution system from the mainland to the islands of UTL. The entire cargo required by the Primary Co-Operative societies in the UTL for public distribution are procured and dispatched through Beypore port. LCMF covers a major portion of cargo handled through Beypore Port. Hence, it was decided (2009) by the UTL Administration to construct godown/office for LCMF at Beypore. The Administration provided ₹ 54 lakhs (₹ 27 lakh loan and ₹ 27 lakh subsidy) to LCMF between January 2009 and August 2010 in six instalments. The amount on account of subsidy and loan was

paid on the basis of the application and Executive Committee resolution/ Deed of Mortgage submitted by LCMF. The loan was repayable in 15 equal instalment of principal together with interest due on outstanding principal from time to time with an interest rate of 11 *per cent per annum*. It was clearly mentioned in the order for payment of subsidy that the amount shall be utilised for the purpose for which it was sanctioned within one year and if any portion of the amount sanctioned is left unutilised, it shall be remitted back to the Government, and a certificate to that effect shall be furnished to the Administration.

Audit noted that the UT Lakshadweep Administration accorded administrative approval and expenditure sanction for the construction of four godowns in LCMF complex at Beypore only in December 2010, at a cost of ₹ 1.35 crore. So the funds were released before AA and ES was accorded.

In March 2011, the LPWD Authorities took up the matter with the Director of Port, Kerala for seeking permission to execute the construction work in the Port Development Area. This was followed up after a lapse of two years in February 2013 and subsequently in October 2013, January 2014 and June 2014. However, the construction could not be carried out as no permission was received from Director, Port, Kerala (December 2014).

On this being pointed out (December 2014), the Registrar of Co-Operative Societies, Department of Co-Operation, UTL Administration replied (January 2015) that, the delay was due to statutory requirements and delay in getting the concurrence from the Government of Kerala. The LCMF had refunded the subsidy amount of ₹ 27 lakh in UT's account in January 2015 i.e. after more five years. It was further replied (June 2015) that release of subsidy was based on the expectation that as the LCMF godowns/ office complex were already functioning at the proposed site since 1970, for which permission had been granted by the Kerala when LCMF was established, requirement of fresh permission may not arise.

The Ministry of Home Affairs (April 2015) also endorsed copy of Draft paragraph to the Administrator, UTL for furnishing the reply to audit.

The reply of the Registrar was considered by audit in view of following facts;

- ♦ The Subsidy was released for construction of godown/office between January 2009 to August 2010 on the basis of Board's resolution

and application submitted by LCMF, even before the Administrative Approval and Expenditure sanction (December 2010) were accorded. Later on, the Administrative approval was issued for construction of four godowns, in place of earlier proposal of establishing godown/ office.

- ♦ Though the Executive Engineer LPWD and LCMF authorities had applied for permission of Director port, Kerala, no concrete efforts were made by the Administration to ensure utilisation of funds by LCMF and obtain Utilisation Certificate within 12 months from the closure of the financial year, required as per sanction. Moreover, the sanction order stipulated the refund of the unutilised portion of the amount sanctioned, if any, at the close of the financial year into Government Account, the Administration failed to ensure compliance, resulting in blocking up of fund of ₹ 27 lakh for more than four years. It was only after the Audit pointed in December 2014, the LCMF refunded ₹ 27 lakh to the Administration (January 2015).

CHAPTER III : REVENUE SECTOR

3.1 Introduction

3.1.1 Trends of Revenue Receipts

The tax and non-tax revenues raised by the UT administrations during the last three years are mentioned in **table-3.1.1**.

Table: 3.1.1

Trend of revenue receipts

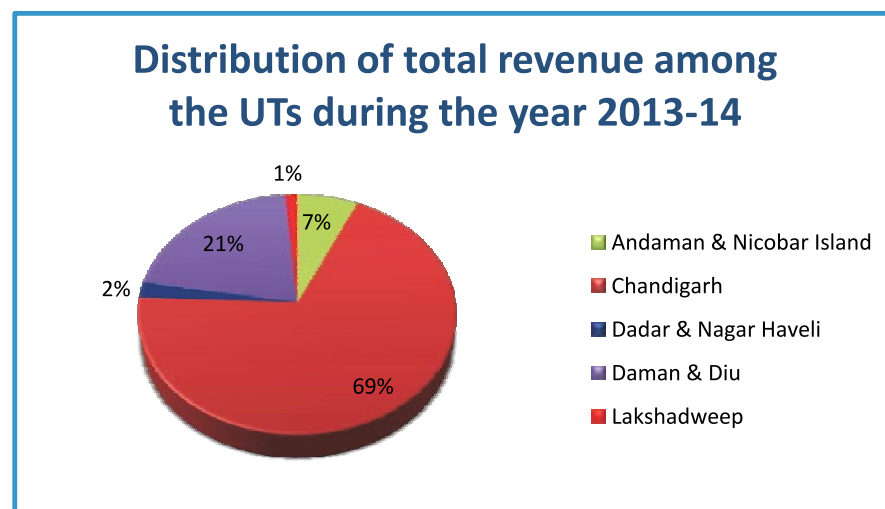
(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14
1.	Tax revenue	2599.93	2593.67	2795.67
2.	Non-tax revenue	1003.15	1105.27	1364.69
	Total revenue receipts of the UT administrations	3603.08	3698.94	4160.36

Source: figures provided by MHA

While the total revenue receipts marked an increase of 12.47% over the last year in 2013-14 as against an increase of only 2.66% in the previous year i.e. 2012-13, the share of tax revenue dipped from 72.16% in 2011-12 to 67.20% in 2013-14. Share of each of the five UTs in the revenue receipts during 2013-14 has been illustrated in the following pie chart:

Chart : 8



3.1.2 Tax Revenue

The details of tax revenue raised by the five UT administrations during the period 2012-13 and 2013-14 are indicated in **table 3.1.2**.

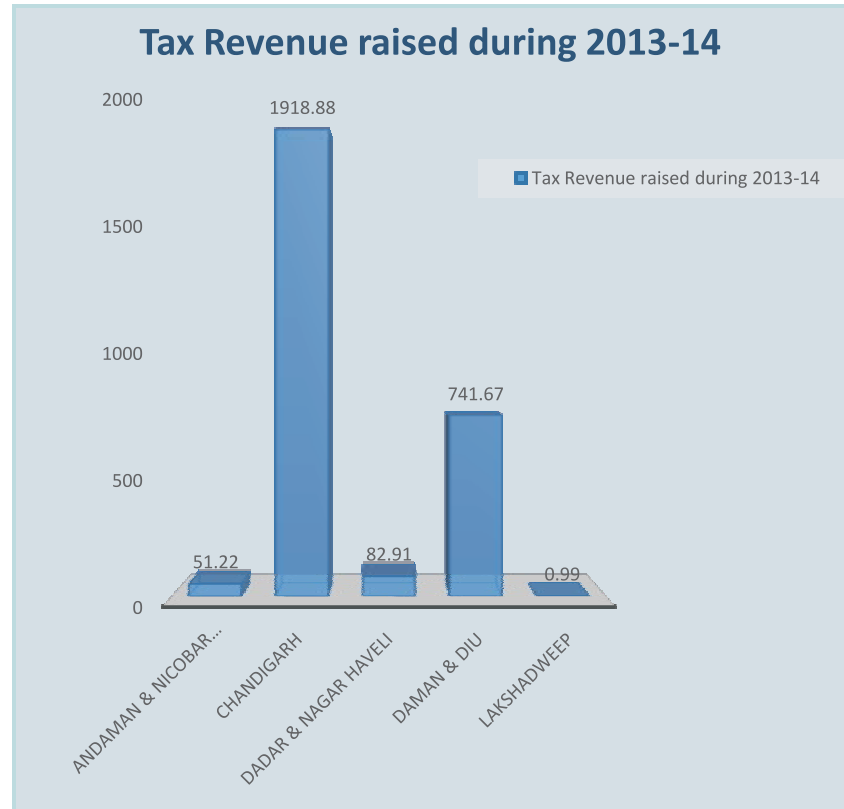
Table 3.1.2

(₹ in crore)

Sl. No.	Head of Revenue receipt	Year	Andaman & Nicobar Islands	Chandigarh	Dadra & Nagar Haveli	Daman & Diu	Lakshadweep	Total
1.	Land Revenue	2012-13	24.32	--	0.69	0.43	0.12	25.56
		2013-14	0.80	--	0.01	0.63	0.17	1.61
2.	Stamps and Registrations	2012-13	4.04	90.43	13.88	19.37	0.47	128.19
		2013-14	4.18	126.07	2.20	14.43	0.51	147.39
3.	State Excise	2012-13	33.80	277.05	1.75	131.49	--	444.09
		2013-14	41.80	256.00	3.18	199.38	--	500.36
4.	Sales tax	2012-13	--	1100.93	321.39	384.13	--	1806.45
		2013-14	--	1332.04	74.65	514.46	--	1921.15
5.	Taxes on vehicles	2012-13	1.47	104.06	20.33	14.45	--	140.31
		2013-14	2.05	133.13	2.87	11.33	--	149.38
6.	Others	2012-13	0.31	46.81	--	1.45	0.50	49.07
		2013-14	2.39	71.64	--	1.44	0.31	75.78
Total		2012-13	63.94	1619.28	358.04	551.32	1.09	2593.67
		2013-14	51.22	1918.88	82.91	741.67	0.99	2795.67

It would be seen from the above that the total tax revenue raised by the five UTs registered a marginal increase of 7.79 *per cent* from 2012-13 to 2013-14. This increase was mainly due to more collections by Chandigarh (+18.50 *per cent*) and Daman & Diu (+34.53 *per cent*) which were offset by the reverse trend in the rest three UTs [Andaman & Nicobar Islands (-19.89 *per cent*), Dadra & Nagar Haveli (-76.84 *per cent*) and Lakshadweep (-9.17 *per cent*)]. Chandigarh was the largest contributor among the five UTs while most collections were made under the head "Sales Tax". UT-wise distribution of the tax proceeds during the year 2013-14 has been depicted in the following chart:-

Chart : 9



3.1.3 Non-Tax Revenue

The details of the non-tax revenue raised during the period 2012-13 to 2013-14 are indicated in the **table 3.1.3**.

Table 3.1.3

Details of non-tax revenue raised

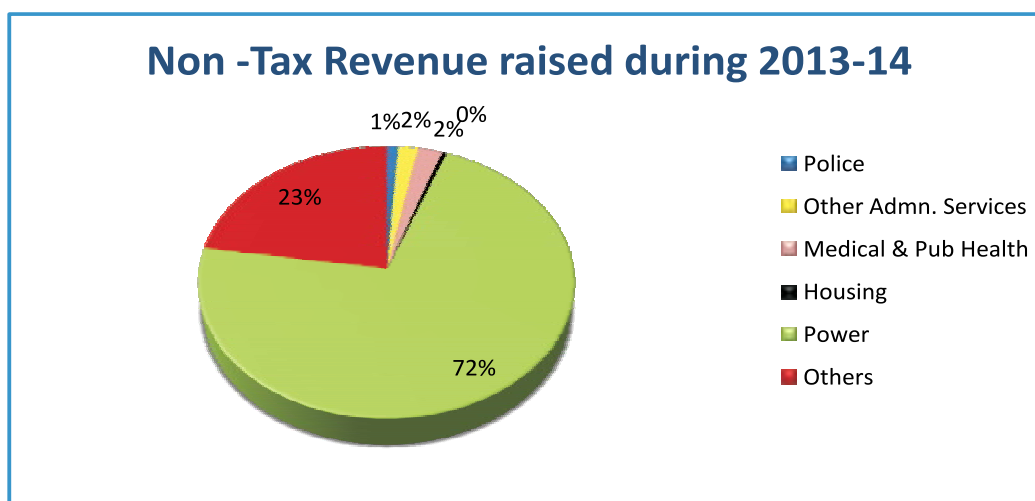
(₹ in crore)

Sl. No.	Head of Revenue receipt	Year	Andaman & Nicobar Islands	Chandigarh	Dadra & Nagar Haveli	Daman & Diu	Lakshadweep	Total
1.	Police	2012-13	0.36	10.44	0.58	0.26	0.05	11.69
		2013-14	0.54	13.39	0.06	0.29	0.04	14.32
2.	Other Administrative Services	2012-13	3.02	15.41	0.13	0.83	0.15	19.54
		2013-14	2.84	20.77	0.01	1.34	0.02	24.98
3.	Medical and Public Health	2012-13	0.44	31.14	0.64	0.34	0.03	32.59
		2013-14	0.29	30.76	0.02	0.43	0.04	31.54
4.	Housing	2012-13	0.53	7.97	0.15	0.20	0.25	9.1
		2013-14	0.60	5.18	0.01	0.31	0.10	6.2

5.	Power	2012-13	84.53	614.2	16.65	1.44	11.20	728.02
		2013-14	100.39	741.07	0	127.04	12.67	981.17
6.	Others	2012-13	110.24	154.83	6.94	3.61	28.70	304.32
		2013-14	123.75	139.24	0.37	4.80	38.33	306.49
Total		2012-13	199.12	833.99	25.09	6.68	40.38	1105.27
2013-14			228.41	950.41	0.47	134.21	51.20	1364.69

Total non-tax revenues marked an improvement of 23.47 per cent from 2012-13 to 2013-14. During the given two-year period, the UTs of Dadra & Nagar Haveli and Daman & Diu exhibited contrasting trends. While Dadra & Nagar Haveli registered a sharp decline of 98.18 *per cent*, the revenues earned by Daman & Diu jumped by 1909.13 *per cent* over the same period. In terms of head-wise collections, *Power* was the largest contributor constituting 65.87 *per cent* and 71.90 *per cent* of the total non-tax revenue collections in 2012-13 and 2013-14 respectively. Share of major non-tax revenues collected during 2013-14 has been illustrated in the following pie chart:

Chart : 10



3.1.4. Variation between the budget estimates and actuals

The variations between the budget estimate and actuals of revenue receipts under the tax and non-tax revenue heads of various UTs for the year 2013-14 are mentioned in **table 3.1.4**.

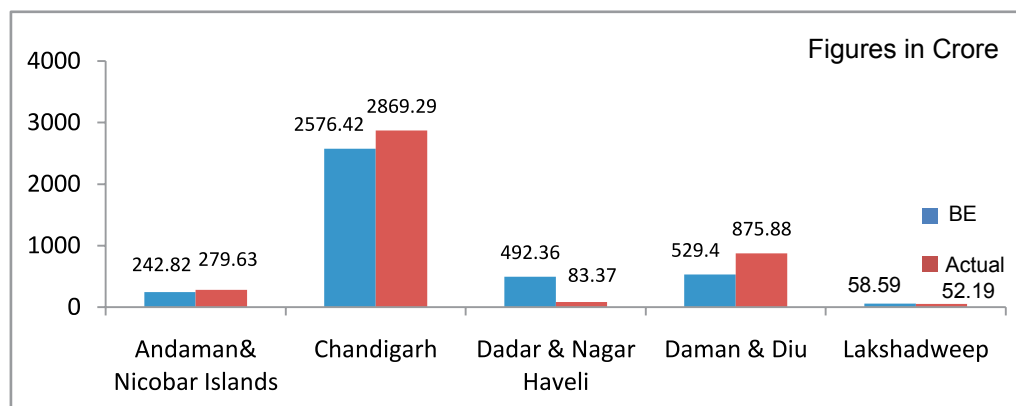
Table 3.1.4
Variation between the budget estimates and actuals

(₹ in crore)

Sl. No.	Name of UT	Revenue head	Budget Estimates	Actuals	Variation (+) increase (-) decrease	Percentage (variation over BE)
1.	Andaman & Nicobar Islands	Tax	42.54	51.22	8.68	20.40
		Non Tax	200.28	228.41	28.13	14.05
		Total	242.82	279.63	36.81	15.16
2.	Chandigarh	Tax	1691.27	1918.88	227.61	13.46
		Non Tax	885.15	950.41	65.26	7.37
		Total	2576.42	2869.29	292.87	11.37
3.	Dadra & Nagar Haveli	Tax	484.84	82.91	-401.93	-82.90
		Non Tax	7.52	0.47	-7.06	-93.88
		Total	492.36	83.37	-408.99	-83.07
4.	Daman & Diu	Tax	523.91	741.67	217.76	41.56
		Non Tax	5.49	134.21	128.72	2344.63
		Total	529.4	875.88	346.48	65.45
5.	Lakshadweep	Tax	3.94	0.99	-2.95	-74.87
		Non Tax	54.65	51.2	-3.45	-6.31
		Total	58.59	52.19	-6.4	-10.92

Actual revenue receipts exceeded budgetary estimates in all the UTs except Dadra & Nagar Haveli where actual realisations dipped by 83.07 per cent against estimates. On the other hand, the actuals exceeded the estimates by a sharp 65.45 per cent in the UT of Daman & Diu. Comparisons of the actual revenue realisations against the budget estimates for the year 2013-14 in respect of the five UTs without legislature have been illustrated in the following chart:

Chart : 11



3.2 Compliance audit issues

This chapter contains five paragraphs relating to observations made on issues pertaining to non-realisation of revenue as per rules. The same are discussed hereunder:

Andaman & Nicobar Administration

Directorate of Shipping Services

3.2.1 Non-levy of service tax

Directorate of Shipping Services (DSS) failed to levy, collect and remit service tax amounting to ₹ 31.93 lakh for services classifiable under “Transportation of coastal goods and goods transported through national waterways and inland water” during the period from 01 September 2009 to 31 March 2012.

The services in relation to transport of (i) coastal goods; (ii) goods through national waterways; or (iii) goods through inland water were brought under the ambit of service tax as per the Finance Act 2009. The service tax was leviable from 01 September 2009 at consolidated rate of 10.30 *per cent* on transport of goods which were otherwise not exempted by the Government of India (GoI) by gazette notifications.

The Directorate of Shipping Services (DSS), Andaman & Nicobar Administration provided the transportation service classifiable under “Transportation of coastal goods and goods transported through national waterways and inland water” as per Section 68(1) of Finance Act 1994 and was liable to pay service tax from 01 September 2009.

Audit scrutiny (October 2012) revealed that during the period 01 September 2009 to 31 March 2012, although the freight charges amounting to ₹ 1.28 crore and ₹ 1.82 crore were collected for non-exempted items by DSS at Port Blair and Chennai respectively, DSS did not levy any service tax.

Thus, DSS failed to levy, collect and remit the service tax amounting to ₹ 31.93 lakh¹ for the services classifiable under “Transportation of coastal goods and goods transported through national waterways and inland water” for the period from 01 September 2009 to 31 March 2012.

The DSS stated (November 2012) that matter of levy of service tax prior to April 2012 on the goods was not known to the department. The reply was not acceptable since the transport service extended by DSS was

¹(₹ 1.82 + ₹ 1.28 crore) * 10.30 *per cent*

brought under the ambit of service tax as per Finance Act 2009. It raises a concern about the professionalism and capacity of the department in keeping itself abreast of the latest Rules, Regulations and Government orders. Further, Assistant Commissioner, Central Excise & Service Tax, Andaman & Nicobar Division intimated (August 2011) DSS regarding the levy of service tax on transportation of goods and the requirement for registration under Section 69 of the Finance Act, 1994. It was noted in audit that despite communication from tax department DSS was yet (January 2015) to obtain the registration from the Service Tax Department and the service tax collected since April 2012 was being directly remitted to government account with other departmental receipts.

The matter was reported to the Ministry and the department in January 2015. The department had confirmed the facts and figures. However, reply from the Ministry was awaited as of June 2015.

Union Territory, Chandigarh

3.2.2 Short levy of stamp duty on registration of lease deeds – ₹ 226.57 lakh

Short levying applicable rate of stamp duty on registration of lease deeds, resulted in short recovery of ₹ 226.57 lakh

As per article 35 of Schedule I-A of the Indian Stamp (Punjab Amendment) Act 1994 and Act 1998, as extended to the UT of Chandigarh vide Ministry of Home Affairs, GOI Memo No. U-11015/1/2006-UTL, dated 30-11-2007, following rates of stamp duty were leviable on registration of lease deeds.

Sl. No.	Period	Rate of duty
1.	Lease deed of rent for a period less than one year	₹ 20/- per ₹ 1000/- of the whole amount payable and ₹ 10/- for every ₹ 500/- or part thereof in excess of ₹ 1000/-.
2.	Lease deed of rent for a term of not less than one year and not more than 5 years	₹ 20/- per 1000/- of the amount of average annual rent reserved and ₹ 10 for every ₹ 500/- or part thereof in excess of ₹ 1000/-.
3.	Lease deed of rent for a term exceeding 5 years not exceeding 10 years	₹ 30/- per 1000/- of a consideration equal to the amount or value of average annual rent reserved and ₹ 15/- for every ₹ 500/- or part thereof in excess of ₹ 1000/-.
4.	Lease deed of rent for a term exceeding 10 years and not exceeding 20 years	₹ 30/- per ₹ 1000/- of a consideration equal to twice the amount or value of average annual rent reserved. And ₹ 15/- for every ₹ 500/- or part thereof in excess of ₹ 1000/-.

During test-check of records of the Sub Registrar, UT Chandigarh (May 2014) for the month of December 2013 and March 2014, Audit noticed that lease deeds were registered by levying ₹ 15/- per 1000/- of the amount of average annual rent reserved, for lease deeds of rent for a term of not less than one year and not more than 5 years (Sr. No. 2 of table above) whereas rate of ₹ 20 per 1000 of the amount of average annual rent reserved was to be levied as per notification. This omission resulted in short levy amounting to ₹ 2,75,333 during the two months test checked. The Sub Registrar was further asked (October 2014) to work out the short recovery of stamp duty departmentally from 30.11.2007 to 31.03.2014 under intimation to Audit.

The Sub Registrar Chandigarh intimated (December 2014 and April 2015) that an amount of ₹ 2,26,56,840 (on 10,072 number of lease deeds) short recovered during November 2007 to May 2014 had been identified out of which ₹ 73,50,808 was recovered from the parties in the shape of treasury challans deposited in the Government Treasury Chandigarh. Notices were issued to recover the remaining amount of ₹ 1,53,06,032 (on 6241 lease deeds). Dy. Commissioner cum Registrar UT Chandigarh declared the deficient amount as arrears of land revenue and list of lease deeds has been forwarded to the concerned branch of the collector's office for recovery as land revenue. Lease deeds were registered by levying stamp duty @ 1.5 % instead of 2 % as wrong rates were fed in the computer systems by the NIC. The Deputy Commissioner cum Registrar has ordered (December 2014) to fix responsibility for the lapse.

Thus, due to weak input controls and unvigilant attitude of the officers involved lease deeds were registered by levying less rates of stamp duty resulting into short recovery of stamp duty of ₹ 226.57 lakh, out of which ₹ 153.06 lakh was yet to be recovered as of April 2015.

The matter was referred to Secretary to GOI, MOHA and Secretary Finance UT (October 2014 and March 2015). Reply was awaited as of June 2015.

3.2.3 Delay in raising of Electricity Bill

Electricity Department, UT Chandigarh failed to raise the demand of fixed charges timely from Hotel Mount View Chandigarh, resulted in loss of revenue of ₹ 40.18 lakh.

As per section 56(1) of the Electricity Act, 2003 "Where any person neglects to pay any charge for electricity or any sum other than a charge

for electricity due from him to a licensee or the generating company in respect of supply, transmission or distribution or wheeling of electricity to him, the licensee or the generating company may, after giving not less than fifteen clear days notice in writing to such person and without prejudice to his rights to recover such charge or other sum by suit, cut off the supply of electricity and for that purpose cut or disconnect any electric supply line or other works being the property of such licensee or the generating company through which electricity may have been supplied, transmitted, distributed or wheeled and may discontinue the supply until such charge or other sum together with any expenses incurred by him in cutting off and reconnecting the supply are paid”.

Also as per section 56(2) of this Electricity Act “Notwithstanding anything contained in any other law for the time being in force, no sum due from any consumer, under this section shall be recoverable after the period of two years from the date when such sum became first due unless such sum has been shown continuously as recoverable as arrear of charges for electricity supplied and the licensee shall not cut off the supply of the electricity”.

Chandigarh Administration, Engineering Department (Electricity Wing) vide notification dated 30 June 2005 revised the Electricity Tariff Rates w.e.f. 1st August, 2005. As per this schedule, Large Supply Consumers (LS), Medium Supply (MS), Bulk Supply and Non Residential Supply (NRS) Consumers were to pay - Energy Charges - @ 336 paise/unit and Fixed Charges - @ ₹ 60 per KW or part thereof, of sanctioned load per month.

Scrutiny of the records of the Executive Engineer (XEN), O.P Division I, of Chandigarh Electricity Department (CED) (June 2014) revealed that the Enforcement Wing of UT Electricity Department checked the electric connection of Hotel Mount view (HMV) Chandigarh under Chandigarh Industrial Tourism Corporation (CITCO) on 06.02.2006 and detected that 2244.340 KW load was connected against sanctioned load of 682.50 KW to HMV. Thus 1561.840 KW was unauthorized extension. Penalty of ₹ 1171500/- was levied against unauthorized load by the department in March 2006. The penalty imposed by the department was not deposited by the hotel on the plea that their electric load already stands sanctioned. Matter remained under correspondence between Assistant Executive Engineer, (AEE) Elect. OP Sub Division no.2, Xen, CITCO Chandigarh and XEN, Electricity OP Division no.1 till February 2009.

AEE, Elect. O.P Sub Division 2 informed XEN Electricity OP Division No.1 in February 2009 that load of 982.50 KW and 1559.870 KW (total 2543 KW) was sanctioned to HMV by Superintending Engineer, Electrical OP Circle UT in October 1990 but this load was not regularized due to non fulfilment of the conditions by the consumers. If the load is deemed to be regularized from back date then fixed charges @ ₹ 60 per KW w.e.f. 01 August 2005 can be charged from the consumer and recommended that extension of load may be regularized after getting the fixed charges of ₹ 62,55,780 (41 months from 01 August 2005 to 31 January 2009 @ 60 per month for 2543 KW). The department raised a demand in March 2012 of ₹ 87,11,160 to HMV for fixed charges as per tariff notification w.e.f. 01 August 2005 @ ₹ 60/- for additional load of 1860 KW(2543-683) for the period of 79 months(01 August 2005 to 04 March 2012), after protracted correspondence within department.

Hotel Mount View refused to pay the demanded amount and protested that the department is not liable to recover the amount beyond the period of two years as per section 56(2) of Electricity Act 2003. HMV referred the matter to Dispute Settlement Committee (DSC). DSC ordered in December 2012 to recover the fixed charges of ₹ 26,78,400 for two years from 04. March 2010 to 04. March 2012. The payment of ₹ 26,78,400 was made by HMV in February 2013.

Audit noted that had the Electricity department; Chandigarh raised the demand for fixed charges in February 2009 itself, when it came to their notice an amount of ₹ 40.18 lakh could have been recovered (March 2007 to February 2010 - 36 months X 60 per KW charges X 1860 KW). However, protracted internal correspondence wasted nearly three years and the demand was raised by them only in March 2012. Such instances call for improved efficiency and better systems for timely raising of demands.

The matter was referred to Secretary to GOI, MOHA, and Secretary Finance UT (September 2014); their reply was awaited as of June 2015.

Union Territory, Dadra & Nagar Haveli, Department of Tourism

3.2.4 Non-collection of Service Tax on rental income

Tourism Department, Dadra & Nagar Haveli did not levy Service Tax on the properties given on lease. This resulted in non-recovery of Service Tax of ₹ 32.74 lakh from the lease holders and Tourists and consequent liability to pay interest of ₹ 18.79 lakh due to delayed payment of Service Tax.

Renting of immovable property was brought under the purview of Service Tax vide Notification No. 23/2007. As per definition under Section 65 (90 a) of Finance Act, 1994, "Renting of immovable property" includes, renting, letting, leasing licensing or other similar arrangements of immovable property for the use in the course or furtherance of business or commerce. Accordingly, for the property which was given on rent, Service Tax was also required to be recovered, in addition to rent, at the rate specified by Service Tax Department from time to time and be credited the same into the Government account. Further, section 75 of the Finance Act, 1994 provides for mandatory charging of interest on delayed payment of Service Tax.

Audit of the records of the Tourism Department, Silvassa has revealed that Tourism Department, Silvassa had given the properties on lease to private parties/tourists on rent;

- (1) Vanvihar Tourist Complex at Chauda leased to Vandhara Resorts Pvt. Ltd. @ ₹ 15, 71,400/- per year from 28 December 2001,
- (2) Hotel Yatrivas, Silvassa leased to Popular Hotel, Silvassa @ ₹ 15, 11,155/- per year from 23, April 2011,
- (3) Fast Food Restaurant, Silvassa leased to Blue Havan Hospitalities, Silvassa @ ₹ 1,40,001/- per year from 08, May 2007,
- (4) 18 Bungalows at Dudhni and Kancha, given on rent to tourists by Tourism Department

As per lease agreements executed with Vandhara Resorts Pvt. Ltd, Popular Hotel, Silvassa and Blue Havan Hospitalities, Silvassa any other charges payable under any other law during the lease period was required to be paid by the lessee separately.

Audit scrutiny of records, further, revealed that the Tourism Department had neither collected service Tax of ₹ 25.85 lakh from the lease holders nor

paid the same to Service Tax Department. Moreover, the 18 bungalows situated at Dudhni and Kancha were given on rent by the Tourism Department, Silvassa at the rate of ₹ 1500/- & ₹ 1000/- per day for A.C. and Non A.C rooms respectively. However, service tax of ₹ 6.89 lakh (**Annex-XII**) was not charged and recovered from the tourists from 2007-08 to 2013-14. Since, the primary responsibility for collection of Service Tax rests with the service provider i.e. Tourism Department, interest of ₹ 18.79 lakh (**Annex-XII**) was also payable by the Department. Thus, due to non-levy of Service tax by the Tourism Department on the properties given on lease, the Department had incurred a liability of ₹ 51.54 lakh (**Annex-XII**) which if not collected from the lessees, was payable by Government.

On this being pointed out (February 2014) the Department accepted (October 2014) the audit observation and intimated that an amount of ₹ 10.01 lakh had been recovered from the two parties on account of Service Tax. Recovery of balance amount was awaited.

The UT Government needs to sensitize its departments and offices suitably, so that statutory taxes and levies are collected and paid timely.

The matter was referred to Ministry of Home Affairs in December 2014; their reply was awaited as of June 2015.

Union Territory, Daman & Diu, Department of Tourism

3.2.5 Loss of revenue

Failure of the UT Administration in implementing the policy for 'Erection of Temporary shacks at Jampore and Devka beaches of Daman District' resulted in loss of revenue amounting to ₹ 114.60 lakh.

Director of Tourism, Daman, (June 2011) vide notification dated 27th June 2011 approved policy for "Erection of Temporary Shacks at Jampore and Devka Beaches of Daman District". As per the policy, the permission once granted will be valid for one year only, and will be renewed/re-allotted at the discretion of the Department. Every beneficiary shall pay in advance an amount of ₹ 15000/- for the period allotted to him/her. The licenses would require to be renewed every year after receiving a deposit of ₹ 15,000 from each shack allottee.

Audit scrutiny of the records of the Tourism Department of UTs noticed the following irregularities during the implementation of the policy;

(a) Loss due to non-renewal of licenses

The licenses for 50 shacks at Jampore Beach were issued in November 2011 for one season (October to June). The policy provides that the licenses were to be renewed every year by receiving ₹ 15,000 from each allottee. Audit, however, noticed that the department did not renew the licences and the shacks were working without payment of any renewal fees. Thus, due to non-renewal of licenses, the department suffered a revenue loss of ₹ 22.50 lakh (₹ 15000 x 50 shacks x 3 years). In their reply to the audit observation, the department stated (April 2015) that no licenses were renewed as the draft policy had been prepared but was not finalized. The reply of the department is not correct as the policy was framed in June 2011 covering every aspect despite which they failed to ensure a mechanism to collect the renewal fees from time to time.

(b) Non crediting ₹ 7.5 lakh in Government Accounts

The department issued 50 licenses (November, 2011) of shacks for Jampore Beach and received ₹ 15000 as deposit from each allottee through Demand Draft. Audit noticed that the department failed to deposit the demand drafts in Government account and the drafts had been kept in the office for more than three years. Therefore, due to negligence of department, revenue of ₹ 7.50 lakh was not credited into Government accounts, resulting in loss to Government. In their reply to the audit observation, the department stated (April 2015) that the amount of ₹ 7.50 lakh was collected in the form of demand draft and at the time of deposit into the bank the validity period was over. However, remedial action was being taken with the Bank and Shack Holders.

(c) Illegal running of 141 shacks in Jampor and Devka Beach

The main objective of the policy was to remove illegal shacks from these Beaches. Audit noticed that there were 51 shacks at Jampor Beach and 90 shacks at Devka Beach which were running without any licence since last four years. However, the department did not take any action to regularize/remove the illegal shacks. Thus, even though the shacks were running without license, indecisiveness on the part of the department, resulted in loss of revenue of ₹ 84,60,000 (15,000 x 141 x 4 years). The department stated that since the draft policy was prepared but not finalized, no action was taken to remove/regularize illegal shacks.

Audit is of the view that the notification was issued in June 2011, clearly framing the policy for erection of temporary shacks at Jampore and Devka Beaches. The UT Administration failed to implement the terms and conditions of the notification, which resulted in loss of ₹ 30 lakh. This happened because the demand drafts were not deposited into the government accounts timely and non-collection of renewal fees from the shack allottees. Moreover, lack of action on the illegal shacks also deprived the government of revenue of ₹ 84.60 lakh.

The matter was referred to the UT Administration in March 2015 and to the Ministry in May 2015; their reply was awaited as of June 2015.

New Delhi
Dated:

(SATISH LOOMBA)
Director General of Audit
Central Expenditure

Countersigned

New Delhi
Dated:

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Annexures

Annex-I**(Refer to Para No. 2.1.4.1)****Statement showing the expenditure on major works executed by ALHW during 2011-14**

Sl. No.	Name of the work	Amount (in ₹)	Status
1.	Reconstruction of jetty approach at Arial Bay	3,27,98,059	Completed
2.	Construction of Passenger shelter over berthing jetty, Havelock	7,00,000	Completed
3.	Providing Berm on the sea side of Breakwater at MUS at Carnicobar up to 170 m chainage	7,75,88,000	Completed
4.	Construction of fire barrack facilities for Fireman at Hut BayPort in Breakwater complex	11,70,000	Completed
5.	Providing HDPE floating jetty at Jagannath Dera in Mayabunder	23,00,000	Completed
6.	Providing HDPE floating jetty at Hanspuri in Mayabunder	38,00,000	Completed
7.	Construction of Solid approach road at 7 km jetty in Chingam Basthi at Great Nicobar Island	15,00,000	Completed
8.	Construction of Passenger shed at Hitui Village	10,30,016	Completed
9.	Construction of Passenger shed at Munak Village	10,82,878	Completed
Total of Completed works		12,19,68,953	
10.	Construction of Port Control Tower at Baratang	29,15,412	Not completed
11.	Construction of new berthing jetty at Sagar Dweep	2,35,00,000	Not completed
12.	Extension of Havelock jetty by 100 mtrs	2,84,24,000	Not completed
13.	Reconstruction of RCC jetty	1,32,76,027	Not completed
14.	Construction of 2 Nos. Mooring Dolphins & Dredging the hard strata for Deep water wharf at Campbell Bay	2,95,17,974	Not completed
15.	Construction of passenger Hall at the root of Breakwater at HutBay	1,35,00,187	Not completed
16.	Providing rigid concrete road in between Godown No. 5 & 6 behind berth No. 2 at Haddo	44,28,000	Not completed
17.	Construction of Vehicle Parking shed near new Workshop building at Haddo wharf	98,77,000	Not completed
18.	Construction of Jetty for inter islands vessels at Katchal	50,00,000	Not completed
19.	Providing Wharf crane track at Indes finger jetty in the RCC Finger Jetty at Junglighat	82,61,000	Not completed
20.	Construction of Operational office with Computer facilities for container handling operation near to the recently constructed canteen building at Haddo wharf	3,00,000	Not completed
21.	Construction of jetty at Safed Balu in Teressa (Construction of Jetty for 3 mtrs. Draft speed boats at Teressa island)	17,68,32,056	Not completed
22.	Immediate restoration of Malacca Jetty at Car Nicobar	36,03,034	Not completed
Total of non-completed works		31,94,34,690	
GRAND TOTAL		44,14,03,643	

Annex - II

(Refer to Para No. 2.1.5.2)

Excess Incentive paid to Govt. labourer for handling of container cargo

Sub-Divisions				
Year	Excess Incentive paid to Govt. labourer under A division	Excess Incentive paid to Govt. labourer under B division	Excess Incentive paid to Govt. labourer under C division	Total (in ₹)
2011-12	2905206	1023902	2070979	6000088
2012-13	1124092	2227306	1558101	4909499
2013-14	2713675	2162309	2238332	7114316
Total				18023903
Note: Total Excess incentive payment made to the labourer excludes the amount paid to them on Sundays and Industrial Holidays as they have been commented separately (Para 2.1.5.4).				

Annex-III

(Refer to Para No. 2.1.5.3)

Statement showing the details of additional wages paid to ALF staff during the year 2011-14

Year	Total number of Sundays and other industrial holidays during the year	Number of days for additional wages paid during the year	Number of ship days during the year	Difference (Col.3- col.4)	Total additional wages paid during year	Total number ALF worker to whom additional wages paid during the year	Total numbers of ALF workers actually employed on ship days during the year	Additional workers engaged (Col.7- col.8)
(1)	(2)	(3)	(4)	(5)	(6) Amount in ₹	(7)	(8)	(9)
2011-12	62	62	25	37	79,14,123	2941	942	1999
2012-13	68	68	39	29	95,60,750	2803	1289	1514
2013-14	60	60	31	29	89,55,677	2672	1121	1551
	190	190	95	95	2,64,30,550	8416	3352	5064

Additional wages of each ALF worker= $\frac{\text{Total additional wages paid during 2011-14}}{\text{Total ALF workers engaged during 2011-14}} = \frac{₹26430550}{8416} = ₹ 3140.51$

Total ALF workers engaged during 2011-14 8416

Overpayment = additional wage of each worker X additional workers engaged during 2011-14 = ₹ 3140.51 X 5046 additional workers = ₹ 1,58,47,013

Annex-IV**(Refer to Para No. 2.1.5.3)****Statement showing the details of additional wages paid to shore mazdoors during the year 2011-14**

Year	Total number of Sundays and other industrial holidays during the year	Number of days for additional wages paid during the year	Number of ship days during the year	Difference (Col.3- col.4)	Total additional wages paid during year	Total number of shore mazdoors to whom additional wages paid during the year	Total numbers off shore mazdoors actually employed on ship days during the year	Additional workers engaged (Col.7- col.8)
(1)	(2)	(3)	(4)	(5)	(6) Amount in ₹	(7)	(8)	(9)
2011-12	62	62	16	46	1411110	514	235	279
2012-13	68	68	14	54	1766578	502	174	328
2013-14	60	60	18	42	1482076	444	267	177
	190	190	48	142	4659764	1460	676	784

Additional wages of each shore mazdoor = $\frac{\text{Total additional wages paid during 2011-14}}{\text{Total shore mazdoors engaged during 2011-14}} = \frac{₹4659764}{1460} = ₹ 3191.62$

Total shore mazdoors engaged during 2011-14 1460

Overpayment = additional wage of each worker X additional workers engaged during 2011-14 = ₹ 3191.62 X 784 additional workers = ₹ **25,02,230**

Annex-V*(Refer to Para No. 2.1.5.4)***Statement showing the payment of double incentive paid to ALF workers and shore mazdoors on Sundays and Holidays:****A. Year-wise payment of double Incentive in respect of ALF Workers**

Year	Total amount of incentive paid (in ₹)	Excess amount paid (in ₹) (Col. 2/2)
1	2	3
2011-12	5320324	2660162
2012-13	7007748	3503874
2013-14	7292353	3646177
Total	19620425	9810213

B. Year-wise payment of double Incentive in respect of Shore Mazdoors

Year	Total amount of incentive paid (in ₹)	Excess amount paid (in ₹) (Col. 2/2)
1	2	3
2011-12	969040	484520
2012-13	1041460	520730
2013-14	1465188	732594
Total	3475688	1737844

Annex-VI

(Refer to Para No. 2.1.6.6)

Statement showing the details of loss due to non-implementation of stevedoring handling charges

Year	Cargo handled by private stevedores	Amount of Stevedores handling charge not realized (in ₹)
1996-97	86464 (November 1996 to March 1997)	216160
1997-98	230824	577060
1998-99	237727	594318
1999-00	345027	630057
2000-01	298471	1129986
2001-02	464212	1706855
2002-03	634877	1416794
2003-04	666847	1542156
2004-05	818097	1840530
2005-06	873090	1913732
2006-07	1529085	3263928
2007-08	2108611	4441659
Total		19273235

Annex-VII**(Refer to Para No. 2.1.6.6)****Statement showing the details of short realization of stevedoring handling charges**

(1) Place of port	(2) Total cargo handled by the private stevedores (in MT)		(3) Rate applicable (in ₹)	(4) Total amount to be realized (in ₹)(Col.2 x col.3)		(5) Amount realized during 2008-13 (in ₹)	(6) Short realization (in ₹)(Col.4-col.5)
	Year	Cargo handled (MT)					
1. At Port Blair	08-09	1291142	2.5	3227855	17302935	9196868	8106067
	09-10	1147675		2869188			
	10-11	890910		2227275			
	11-12	684283		1710708			
	12-13	751393		1878483			
	13-14	805020		2012550			
2. At Diglipur, Mayabunder, Rangat, Hut Bay, Car Nicobar, Campbell bay	08-09	524171	1.5	786257	17302935	9196868	8106067
	09-10	420124		630186			
	10-11	430612		645918			
	11-12	180421		270632			
	12-13	260055		390083			
	13-14	238024		357036			
3. At other ports	08-09	154532	1.0	154532	17302935	9196868	8106067
	09-10	60556		60556			
	10-11	nil		-			
	11-12	21933		21933			
	12-13	23456		23456			
	13-14	36287		36287			

Annex-VIII

(Refer to Para No. 2.8.1)

Amount parked with LDCL during the period from 2002-03 to 2013-14

Name of work	Period of deposit	Amount (₹ in crore)	Period of expenditure	Amount (₹ in crore) Expenditure + refund made in 2013-14	Unspent balance (₹ in crore)
1 .8 Landing barges	2007-08 to 2010-11	67.90	2009-10 to 2010-11	12.21	55.69
2.250 pax vessel	2007-08 to 2009-10	164.70	2007-08 to 2011-12	164.70 Reconciliation completed	Nil
3.700 pax vessel	2002-03 to 2006-07	33.10	2005-06 to 2010-11	33.10 Reconciliation completed	Nil
4.400 pax vessel	2009-10 to 2013-14	314.37	2010-11 to 2011-12	*188.74	125.63
LP Gcarrier vessel	2007-08 to 2013-14	28.95	2008-09 to 2013-14	28.95 Reconciliation completed	Nil
6.150 MT Oil barrage	2010-11		2011-12 to 2012-13		
800 Multipurpose cargo vessel	2008-09 to 2011-12	31.00	-	*2.83	28.17
1000 MT oil barge	2008-09 to 2010-11	7.10	-	-	7.10
3X150 pax HSC,3x50 Pax HSC,1x15 Pax HSC,	2002-03 to 2006-07	92.77	2005-06 to 2010-11	85.58	7.19
2X Bullard Tugs	2002-03 to 2006-07	9.81	2005-06 to 2010-11	9.81 Reconciliation completed	Nil
Total		749.70		525.92	223.78

Reconciliation was not done previously. Hence there was some difference between the figures in respect of completed projects furnished by the department 22 December 2014 and 11 March 2014. * Expenditure as per ledger a/c of LDCL 2013-14 has been taken.

Annex-IX
(Refer to Para No. 2.8.2)

Interest due from LDCL

Project & Year of deposit	Interest Payable to UTL by LDCL up to 31 March 2013 as per liability statement of LDCL(in ₹)	Interest earned in 2013-14 as per liability statement of LDCL (amount in ₹)	Total interest payable as on 31/3/2014 (amount in ₹)
Landing barges(07-08 to 10-11)	5853600.00	22277600.00	28131200.00
1000MT oil Barge(08-09 to 10-11)	3780371.51	2841047.00	6621418.51
400 PAX(09-10 to 13-14)	42719939.00	-	42719939.00
250 PAX(07-08 to 09-10)	55206983	-55206983.00 Refunded in 2013-14	NIL
150 MT oil barge & 250 LPG vessel (06-07 to 07-08)	39991167.12	*7874367.00	47865534.12
800 MT barge (08-09 to 11-12)	15479474.40	12387573.00	27867047.40
150MT oil barge(10-11) & 2000cylinder LPG carrier(07-08)	17781527.10	1184894.00 (Refunded 18215360)	751061.00
Ship building account(02-03 to 07-08)	123189470.22	Refunded 39496)	123149974.22
Ship building account-HSL A/c(05-06 to 07-08)	41408516.99	- 41408516.99 Refunded in 2013-14	NIL
Dedicated Berth Mainland(10-11 to 11-12)	29217685.31	16136432.00	45354117.31
Dedicated Berth(08-09)	9804385.58	-	9804385.58
Small fuel supply vessel- 5 Nos(08-09 to 11-12)	8092302.15	-	8092302.15
VHF Agatti(03-04 to 04-05)	366439	39630.00	406069
Total	392891861.38	-52128812.99	340763048.29

*This amount was provided in excess due to clerical error by LDCL Hence deducted from the total

Less ₹ 7874367.00
Balance ₹ 332888681.29

Annex-X

(Refer to Para No. 2.9)

Excess payment made to the employees on account HAA/SCRLA

Sl. No.	Name of the department	Period	HAA/SCRLA [least of the two allowances drawn which is to be forfeited] (In ₹)
1.	VDP Amini (49 cases)	11/11to 01/14	9,47,323
2.	VDP Bittra (17 cases)	11/11to 01/14	3,17,081
3.	VDP Androth(39 cases)	11/11to 01/14	6,89,740
4.	VDP Minicoy (66 cases)	04/10 to 01/14	25,69,415
5.	VDP Kiltan (23 cases)	11/11 to 03/12	1,68,032
6.	VDP Kalpeni (cases)	11/11to 01/14	7,46,142
7.	VDP Kadamat (47 cases)	11/11to 01/14	8,68,726
8.	VDP Chetlat (28 cases)	11/11to 03/13	3,42,570
9.	Light houses and light ships (24 cases)	11/11to 01/14	9,32,992
10.	Staff of DMC Kochi working in UTL	04/11 to 03/14	2,08,241
Total			77,90,262
11.	India Reserve Battalion (153)	Recovery made during September 2014	1,96,918
Total Amount			79,87,180

Annex-XI**(Refer to Para No. 2.10)****Procurement of incinerators**

Details	Amount (₹ in lakh)	Description
Total amount deposited with NRHM by UTL	89.90	For procurement of 8 incinerators.
Amount utilised for procurement	26.97	Utilised for procurement of three incinerators
Amount diverted for other purpose	23.45	For supply and installation of Air conditioners to DHS, Kavaratti (₹ 404465) and cost of Ultar sound machine with Doppler installed at PHC kavaratti (₹ 1940346)
Balance lying with NRHM	39.48	

Annex-XII
(Refer to Para No. 3.2.4)
Non-collection of Service Tax on rental income

Sl. No	Name property	Lease signed on	Lease Rent per year	Amount of ST ¹ , not paid from 2007-08 to 2013-14 (in ₹)	Interest ² to be paid (in ₹)	Total amount payable (in ₹)
1.	Hotel Yatrivas, Silvassa	23/4/2001	15,11,151	12,12,246	7,47,296	19,59,542
2.	Vanvihar Tourist Complex, Chauda	28/12/2001	15,71,400	12,60,666	7,77,250	20,37,916
3.	Fast Food Restaurant, Silvassa	8/5/2007	1,40,001	1,12,308	68,838	1,81,146
4.	18 Bungalows	--	--	6,89,252	2,86,076	9,75,328
			Total	32,74,472	18,79,460	51,53,932

Appendices

Appendix-I
(Refers Paragraph 1.7)

**Details of outstanding inspection reports and paragraphs as on 31
March 2014**

Name of the Union Territory	No. of inspection reports	No. of paragraphs
Andaman & Nicobar Islands	413	1779
Chandigarh	1491	3988
Dadra & Nagar Haveli	90	596
Daman & Diu	129	292
Lakshadweep	150	827

Appendix-II

(Refers Paragraph 1.8)

Year wise pendency of ATNs

Sl. No.	Name of the UT	Report for the year ended March	Position of ATNs		
			Due	Not received at all	Under correspondence
1.	Andaman & Nicobar Islands	2011	1	-	1
		2012	5	-	5
		2013	4	-	4
2.	Chandigarh	2012	2	-	2
		2013	1	-	1
3.	Dadra & Nagar Haveli	-	-	-	-
4.	Daman & Diu	-	-	-	-
5.	Lakshadweep	2012	1	-	1
Total			14	-	14

Appendix-III
(Referred to in Paragraph No. 1.9)

Response of the Union Territories to draft paragraphs

Sl. No	Name of UTs	Total No. of Paragraphs	No. and reference to Paragraphs of the Audit Report to which reply not received
1.	Andaman & Nicobar Islands	4	2.1,2.2 , 2.3& 3.2.1
2.	Chandigarh	2	3.2.2 &3.2.3
3.	Dadra & Nagar Haveli	2	2.4
4.	Daman & Diu	4	2.5, 2.6, 2.7 & 3.2.5
5.	Lakshadweep	4	2.8 & 2.10
Total		16	13

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