

**Press release**

**Compliance Audit Observations - Report No. 3 of 2018 of the Comptroller and Auditor General of India – Union Government (Civil), Union Territories without Legislatures tabled in Parliament.**

Compliance Audit Observations - Report No. 3 of 2018 of the Comptroller and Auditor General of India – Union Government (Civil), Union Territories without Legislatures was tabled in Parliament on 3 April 2018.

Report No. 3 of 2018 of the Comptroller and Auditor General of India – Union Government (Civil) – Union Territories without Legislatures, contains significant audit findings emerged during the audit of the five Union Territories without Legislatures (Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep).

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

**Expenditure Sector**

**Andaman and Nicobar Administration**

**Police Department, Port Blair**

**Implementation of Coastal Security Scheme and Crime and Criminal Tracking Network and Systems (CCTNS) project**

All scheme components of the Coastal Security Scheme Phase II which was to augment infrastructure for coastal surveillance and security were lagging behind original scheme targets. Only one out of the ten planned Marine Operational Centers had been established even though seven years had elapsed since commencement of the scheme. Further, sites for ten planned jetties were yet to be finalized and work on upgradation of 20 Coastal Police Stations was yet to commence. The Crime and Criminal Tracking Network and Systems (CCTNS) which was envisaged to re-engineer processes and integrate various levels of the Police Department with other stakeholders in a single network had missed most of the envisaged milestones.

***(Paragraph No. 2.1)***

## **Andaman Public Works Department**

### **Unfruitful Expenditure**

Andaman Public Works Department awarded work for augmenting water supply at Aerial Bay at a cost of ₹ 1.42 crore, without obtaining mandatory forest clearance leading to the work getting foreclosed. Foreclosure of the work rendered unfruitful expenditure of ₹ 92.94 lakh incurred on material procured for the work.

*(Paragraph No. 2.2)*

## **Directorate of Shipping Service**

### **Avoidable payment of customs duty**

Failure of Directorate of Shipping Services, Andaman and Nicobar Administration, to avail of exemption from payment of customs duties in terms of Custom Notifications issued under the Customs Act, 1962, led to avoidable payment of ₹ 57.99 lakh towards customs duty on procurement of imported spares for routine repair and maintenance of an ocean-going vessel.

*(Paragraph No.2.3)*

## **Chandigarh Administration**

### **Idling of Sub-Station due to improper planning of work**

Electricity Department, Union Territory of Chandigarh entered into an agreement with the Power Grid Corporation of India Limited for erection of a Grid Sub-Station at Sarangpur, Chandigarh at an estimated cost of ₹ 9.87 crore. The erection of the sub-station which should have been completed by November 2011 was delayed by over four years due to allotment of land with encumbrances. The newly erected sub-station is yet to be commissioned due to non-availability of 66 KV transmission lines rendering idle assets created at an expenditure of ₹ 10.19 crore.

*(Paragraph No. 2.6)*

### **Construction of market without establishing viability**

Chandigarh Administration constructed an Air Conditioned Fish & Meat Market at a total cost ₹ 1.53 crore even though viability of the market was in doubt. The entire integrated market has been lying vacant for past eight years due to lack of response for shop booths from vendors.

*(Paragraph No. 2.7)*

## **Daman & Diu and Dadra & Nagar Haveli Administration**

## **Deposit works entrusted to Omnibus Industrial Development Corporation (OIDC) of Daman & Diu (D&D) and Dadra & Nagar Haveli (DNH) Ltd**

During 2011-17, seventeen Departments/Autonomous Bodies of the UTs of D&D and DNH entrusted 44 deposit works and deposited ₹ 528.87 crore with OIDC. The Departments failed to ensure adherence to the codal provisions governing release of funds to OIDC for execution of projects as deposit works. Funds were released far in excess of actual requirement which resulted in idling of ₹ 56.57 crore that seemed to serve only to sustain the Corporation without achieving their primary objective of creation of the envisaged infrastructural assets. Funds amounting to ₹ 57.70 crore were released without prior administrative approval and expenditure sanction, thereby undermining budgetary control and discipline. Projects were delayed for prolonged periods as codal requirement of ensuring availability of encumbrance free sites before award of work was not adhered to. Finally, 31 deposit works valued at ₹ 454.74 crore were entrusted to it, without entering into a MOU as result of which scope of work, payment schedule and milestones for completion were left undefined.

*(Paragraph No. 2.8)*

### **Irregular grant to District Panchayat for tourism**

UT Administration of Daman & Diu irregularly sanctioned Grant in Aid of ₹ 1.35 crore for tourism to District Panchayat, Daman even though tourism was not a subject entrusted to panchayats. As the project for which the funds were released was not even finalized, the grant remained unutilized. Instead of promptly returning the funds to the Government, it was parked outside government accounts for more than four years, depriving the Government of the opportunity of utilising the funds for other development activities.

*(Paragraph No. 2.9)*

### **Inadmissible and unjustified payment to a contractor**

Failure of Daman Municipal Corporation to recover the cost of its regular workers deployed with the contractor led to inadmissible payments of ₹ 33.22 lakh to a contractor. It also allowed additional payment for items of work that were already committed in the original agreement leading to unjustified payment of ₹ 47.88 lakh to the contractor.

*(Paragraph No. 2.10)*

### **Avoidable expenditure due to demolition and reconstruction of a divider**

Change in technical specifications of a road divider during execution of work without due technical approval and its subsequent demolition and reconstruction with a design similar to the original design resulted in avoidable expenditure of ₹ 58.72 lakh.

*(Paragraph No. 2.11)*

## **Union Territory of Lakshadweep Administration (UTLA)**

### **Procurement and Distribution of essential commodities under Public Distribution System in Union Territory of Lakshadweep**

The Public Distribution System (PDS) in the Union Territory of Lakshadweep (UTL) involved allocation, transportation, storage and distribution of Superior Kerosene Oil (SKO), sugar and rice. Audit of PDS revealed that quantum of SKO and sugar allocated, lifted and distributed was not commensurate with requirements computed based on the population of the UT. The estimated value of the excess expenditure on this account was ₹ 3.47 crore. Further, a large quantity of damaged rice valued at ₹ 75.24 lakh was held in godowns without any enquiry about the causes of damage and without any action for its disposal. There was also lack of internal controls and meaningful monitoring as accounts for PDS items were not prepared since 2014-15 and accounts up to 2013-14 showed outstanding remittance of sale proceeds from Island Co-operative Supply and Marketing Societies. There was also short and delayed remittance of sales proceeds by the societies into the Government account and Vigilance Committees and inspection mechanisms were either non-functional or non-existent.

*(Paragraph No. 2.12)*

### **Delay in construction of dedicated berthing facilities and parking of funds with a Public Sector Undertaking**

Union Territory of Lakshadweep Administration released funds amounting to ₹ 40.34 crore meant for construction of a dedicated berth without prior project approval by the competent authority and requisite clearances. This amounted to parking of funds with Lakshadweep Development Corporation Limited with no prospect of its immediate utilisation for the intended purpose. This was not only in violation of the Receipts and Payments Rules and the GFRs but also denied UTLA of the opportunity to utilise these funds for other developmental activities. Further, the project is yet to commence even six years after it was conceived for want of clearances and approvals.

*(Paragraph No. 2.13)*

### **Avoidable expenditure due to delay in disposal of a decommissioned vessel**

Lack of established procedures for disposal of decommissioned vessels coupled with delay in initiating timely action including fixing of appropriate reserve price of an outlived vessel resulted in avoidable expenditure of ₹ 7.67 crore.

*(Paragraph No. 2.14)*

## **Short deduction of Income Tax**

Union Territory of Lakshadweep Administration (UTLA) did not include the Island Special Duty Allowance (ISDA) for determining income tax liability which resulted in short deduction of income tax of ₹ 51.92 lakh in case of 19 DDOs out of 118 DDOs under the PAO of UT Lakshadweep.

*(Paragraph No. 2.15)*

## **Revenue Sector**

### **Union Territory of Dadra and Nagar Haveli**

#### **Short-levy of stamp duty on Development Agreements**

Failure of the Sub-Registrar, Silvassa to levy stamp duty on the basis of consideration amount with respect to Development Agreements led to short levy of stamp duty. An amount of ₹ 29 lakh was subsequently recovered in 12 cases at the instance of Audit.

*(Paragraph No. 3.1)*

## **Commercial Sector**

### **Union Territory of Dadra and Nagar Haveli**

#### **DNH Power Distribution Corporation Limited**

#### **Purchase and Sale of Power by DNH Power Distribution Corporation Limited**

Inadequate assessment of power requirements led to the Company purchasing power despite having adequate allocation of power from central generating stations. Further, poor management of Power Purchase Agreements resulted in avoidable or irregular expenditure totaling ₹ 371.30 crore as well as in non-recovery of penalty of ₹ 8.63 crore. Non-compliance of Joint Electricity Regulatory Commission Regulations were noted in respect of security deposits, limit prescribed for power factor and frequency of field inspection.

*(Paragraph No. 4.1)*

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