

**OFFICE OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA**

NEW DELHI
24th March, 2017

**CAG COMPLIANCE AUDIT REPORT ON UNION TERRITORIES WITHOUT
LEGISLATURES PRESENTED IN PARLIAMENT**

The Compliance Audit Report of the Comptroller and Auditor General of India on Union Government (Civil), Union Territories without Legislatures, Report no 8 of 2017 was tabled in Parliament today. It contains significant audit findings which arose from the audit of the five Union Territories without Legislatures (Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, and Lakshadweep).

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

Expenditure Sector

Andaman and Nicobar Administration

Andaman Public Works Department (APWD) deviated from provisions of the CPWD Manual and failed to obtain mandatory clearances. These resulted in instances of unfruitful expenditure, wasteful expenditure, delays, cost escalation, foreclosures, works remaining incomplete for long periods, etc., due to which the intended benefit of providing connectivity in rural and urban areas of Andaman and Nicobar Islands was not achieved. *(Para no. 2.1)*

The Panchayati Raj Institutions of the Andaman and Nicobar Islands deviated from provisions of the CPWD Manual and Rules and Regulations of Andaman and Nicobar Administration. Consequently, there were instances of faulty planning in eight works valued at ₹ 161.91 lakh, improper site survey involving expenditure of ₹ 86.41 lakh for four works, unrealistic assessment of works in seven cases aggregating to ₹ 174.90 lakh and lack of monitoring deviations in 103 works amounting to ₹ 740.25 lakh which led to cancellation of works, delays in completion, and time and cost overruns. *(Para no. 2.2)*

Failure of Andaman and Lakshadweep Harbours Works (ALHW) to adhere to guidelines regarding planning, execution and monitoring of projects resulted in non-fulfillment of objectives. Improper planning, delayed action and non-compliance to rules resulted in unfruitful/ wasteful expenditure of ₹ 3.41 crore, blockage of ₹ 4.08 crore, and cost overrun of ₹ 37.45 lakh. Incorrect application of rates in execution of works led to excess payment of ₹ 1.79 crore. *(Para no. 2.3)*

Port Management Board, Port Blair is illegally operating two defective and unregistered tugs in Port Blair putting its personnel and craft at risk. *(Para no. 2.4)*

Failure of APWD to avail of excise duty exemptions and to purchase pipes directly from the manufacturer, resulted in avoidable expenditure of ₹ 2.30 crore on drinking water supply projects. *(Para no. 2.5)*

Andaman and Lakshadweep Harbour Works (ALHW) falsely informed ANI Administration that they had a legal obligation to pay a firm, resulting in continuation of a project that was subsequently stopped after incurring ₹ 1.18 crore. Despite ANI Administration's subsequent orders to stop all work and withdrawal of funds, ALHW continued to incur expenditure. *(Para no. 2.6)*

Andaman Public Works Department awarded work to construct a sea wall partly located in reserved forest areas, but made no effort to secure mandatory permission. Consequently, the work was abandoned after part-construction, defeating the objective of preventing sea erosion and led to unfruitful expenditure of ₹ 0.96 crore. *(Para no. 2.7)*

Tourism Department leased water sports equipment to a private operator charging lease rent at far less rates than what Government itself pays to borrow funds. In addition, the Department provided rent-free use of building and premises to the operator in the sports complex. The Department also deleted/ omitted clauses in the agreement that would have ensured that the operator did not charge unduly high fees from the public and would have also ensured greater financial and legal control over the operator. *(Para no. 2.8)*

Chandigarh

Chandigarh Housing Board (CHB) failed to deduct TDS before making payment to contractor. Subsequently, at the instance of Income Tax Department, CHB deposited ₹ 5.55 crore from its own funds as TDS with the IT Department. *(Para no. 2.9)*

In violation of rules, Central Project Division, Chandigarh Administration prematurely withdrew and irregularly retained ₹ 3.82 crore out of Government account for 30 months, and thereafter irregularly continued to retain the balance of ₹ 1.73 crore for a further period of more than 32 months. The interest loss on this account till date is ₹ 1.12 crore.

(Para no. 2.10)

Daman and Diu

Failure of Daman and Diu Administration to adhere to financial rules resulted in release of funds despite non-execution of Flood Control and Drainage Anti-Sea Erosion Projects and idling of ₹ 6.50 crore with Daman Municipal Council (DMC) during 2012-16.

(Para no. 2.12)

Lakshadweep Islands

Union Territory of Lakshadweep continues to depend primarily on diesel generators to generate electricity. No system is in place to ensure that the DG sets are installed as per requirement. Non-commissioning of bulk storage facilities at Kavaratti and Minicoy resulted in transit loss, amounting to ₹ 2.65 crore. Diesel consumption in excess of norms, high transmission and distribution losses were noticed. Four solar photovoltaic (SPV) plants were not working while two were under renovation. No follow up action on

JERC directives to collect overdue revenues and non-collection of dues from NTPC were also noticed. *(Para no. 2.13)*

Failure of Ministry of Science and Technology to monitor expenditure on installation of bio-toilets, resulted in UTL Administration parking of ₹ 17.27 crore outside Government account in violation of rules. Ultimately, the objective of installing 12,000 bio-toilets in Lakshadweep remains unfulfilled. *(Para no. 2.14)*

Revenue Sector

Chandigarh

The Excise and Taxation Department failed to re-assess dealers of mobile chargers at the higher rate in the light of Supreme Court judgment, resulted in short levy of ₹ 9.69 lakh.

(Para no. 3.1)

Dadra and Nagar Haveli

Failure of the VAT department of Dadra and Nagar Haveli to levy penalty on late filing of return, resulted in non-recovery of penalty, of which, ₹ 21.79 lakh was recovered at the instance of Audit. *(Para no. 3.2)*

Daman and Diu

Failure of Administration Daman to fix land revenue for urban areas on lines adopted for rural areas has resulted in non-recovery of ₹ 3.44 crore over 15 years. *(Para no. 3.3)*

Commercial Sector

Lakshadweep Development Corporation Limited

Modernization of Tuna Canning Factory at Minicoy

Upgradation in capacity of Tuna Canning Factory, Minicoy from 1,500 cans per day to 10,000 cans per day was approved without ensuring the availability of raw material (Tuna). UTL Administration also failed to ensure that proposals emanating from LDCL had the approval of its Board of Directors and scrutinize them accordingly. Further, failure of Ministry of Agriculture and Fisheries and Ministry of Commerce to adhere to finance rules, resulted in unfruitful expenditure of ₹ 7.64 crore, and blocking up of funds to the extent of ₹ 6.89 crore for more than six years. *(Para no. 4.1)*