

## CHAPTER VIII : MINISTRY OF SHIPPING

### Chennai Port Trust and Visakhapatnam Port Trust

#### 8.1 Irregular expenditure on distribution of mementoes

**Chennai Port Trust and Visakhapatnam Port Trust incurred irregular expenditure of ₹ 7.56 crore on distribution of mementos to their employees, pensioners and others violating the instructions of the Government.**

As per the Ministry's instructions (January 2006), the Board of Trustees of Major Ports may decide to distribute gifts/mementos to permanent employees of the Port on completion of 15<sup>th</sup> /25<sup>th</sup> /50<sup>th</sup> /75<sup>th</sup> and centenary celebrations etc. subject to the following conditions:

- (i) The value of mementos to an individual employee should not exceed ₹ 3000 in each case.
- (ii) The total expenditure on mementos should not exceed one *per cent* of net surplus of last financial year.
- (iii) The Port Trust should have earned/reported net surplus(s) during the last three preceding financial years.

Audit scrutiny revealed that Chennai Port Trust (ChPT) procured (October/November 2006) 8,680 gold medallions of five grams each at a cost of ₹ 4.02 crore and 26000 wrist watches at a cost of ₹ 2.84 crore for distribution to its regular employees, pensioners and employees of other organisations connected to ChPT on the occasion of 125<sup>th</sup> year celebrations of Chennai Port which were held during 17-24 January 2007. Since, the net surplus of ChPT for the year 2005-06 was ₹ 158.36 crore, the ceiling for the expenditure worked out to ₹ 1.58 crore only. ChPT, thus, in violation of Ministry's instructions, incurred an irregular expenditure of ₹ 3.41 crore (₹ 4.99<sup>1</sup> crore - ₹ 1.58 crore) on distribution of gold medallions and wrist watches to its regular employees bursting the prescribed ceiling. Further, as per the instructions mementos can be given to permanent employees of the Port only, hence, whole the expenditure of ₹ 1.87 crore incurred on distribution of wrist watches to the pensioners and employees of other organisations connected to ChPT was also irregular.

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<sup>1</sup> Includes ₹ 6 lakh, cost of undistributed mementos

Similarly, Visakhapatnam Port Trust (VPT) procured (February/March 2009) 6,300 gold medallions of three grams each at a cost of ₹ 2.72 crore for distribution to its regular employees and 13,000 silver medallions of 20 grams each at a cost of ₹ 0.67 crore for distribution to the pensioners on the occasion of its Platinum Jubilee celebrations. Since, the net surplus of VPT for the year 2007-08 was ₹ 111.44 crore, the ceiling for the expenditure worked out to ₹ 1.11 crore only. VPT, thus, in violation of Ministry's instructions, incurred an irregular expenditure of ₹ 1.61 crore (₹ 2.72 crore - ₹ 1.11 crore) on distribution of gold medallions to its regular employees bursting the prescribed ceiling. Further, as per the instructions mementos can be given to permanent employees of the Port only, hence, whole the expenditure of ₹ 0.67 crore incurred on distribution of silver medallions to the pensioners was also irregular.

The Port Management stated (June 2010) that considering the surplus of ₹ 286.09 crore during the year 2007-08 the excess expenditure was equivalent to 0.15 *per cent* only. It further stated that the amount of each memento was decided in the Board and the amount was spent consciously knowing the rule.

The reply is not acceptable as the net surplus for 2007-08 was ₹ 111.44 crore and not ₹ 286.09 crore and thus, the ceiling for the expenditure worked out to ₹ 1.11 crore only. Further, the whole amount incurred on distribution of silver medallions to pensioners was irregular as the same was not admissible as per guidelines of the Ministry.

In the case of ChPT, the Ministry accepted (September 2010) the audit findings and directed the port to recoup the excess expenditure besides fixing responsibility for exceeding the prescribed limit, whereas in the case of VPT, the matter was reported to the Ministry in May 2010; their reply was awaited as of February 2011.

As such both ChPT and VPT incurred irregular expenditure of ₹ 7.56 crore on distribution of mementos in contravention of the Ministry's instructions.

### **Chennai Port Trust**

#### **8.2 Non-realisation of revenue**

**Chennai Port Trust failure to execute agreement and delay in raising of claim of ₹ 3.07 crore for engaging floating crane in salvage operation resulted in non-realisation of hire charges from Dredging Corporation of India for more than three years and loss of interest of ₹ 80.59 lakh thereon.**

Chennai Port Trust (ChPT) was having a floating crane 'Thangam' (FCT) with 150 ton lifting capacity for its port users. Dredging Corporation of India (DCI)

requested (27 December 2006) ChPT to spare FCT to recover broken spuds of a DCI dredger from the seabed near Adam's bridge, Rameswaram. ChPT agreed to spare the FCT subject to execution of agreement subsequently and also communicated the rate of charges<sup>2</sup> (10 January 2007) which, *inter alia*, included voyage charges for the FCT at ₹ 2.60 lakh per day and payment of ₹ 64 lakh as mobilization advance. DCI agreed to the rates offered subject to the condition that these rates were in line with ChPT's schedule of rates (SOR). ChPT allowed the FCT to be towed to the salvage area on the same day pending execution of agreement. DCI made payment of ₹ 64 lakh as mobilization advance on 22 January 2007 and FCT was engaged in the salvage operation from the next day.

During the salvage operation FCT was got damaged (25 January 2007) and returned to Chennai (16 February 2007) for repairs after abandoning the salvage operation. ChPT had not entered into agreement with DCI as proposed earlier.

ChPT, after delay of two years, raised (February 2009) a demand for ₹ 3.07 crore (Total demand ₹ 3.71 crore less ₹ 0.64 crore mobilization advance). DCI has not made the payment as of December 2010. Audit scrutiny reveals the following:

1. ChPT should have entered into agreement to safeguard its financial interest immediately after allowing FCT to DCI.
2. ChPT raised demand for hire charges (February 2009) of ₹ 7.59 lakh per day for voyage period which was three times higher than the rate of ₹ 2.6 lakh per day originally intimated to DCI in January 2007.
3. As per Accounts Manual of the Port Trust, ChPT could render service on prepayment basis to non-port users. In the instant case ChPT took advance payment of ₹ 64 lakh only instead of insisting for the entire tentative cost of operation.
4. Due to delay in raising of demand and non realization of revenue (as on December 2010), the ChPT incurred a loss of interest of ₹ 80.59 lakh<sup>3</sup> for the period from April 2007 to December 2010.

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<sup>2</sup> Charges for i. Voyage period ₹ 2.6 lakh per day; ii. Salvage operation ₹ 7.5 lakh per day; iii. Idle time ₹ 3.5 lakh/per day; iv. Insurance ₹ 10.59 lakh; v. Risk/overtime allowance for the crew ₹ 2 lakh per day.

<sup>3</sup> ₹ 3.07 crore for 45 months @ 7 per cent rate of interest.

ChPT while accepting the long period taken to arrive at the final claim stated (June 2009) that the delay in raising the claim was due to delay in working out the repair charges of FCT and clarifications required among different departments. It further stated that due to urgent nature of operation, the agreement could not be executed in time.

The contention of the ChPT that delay in raising the claim to delay in working out the repair charges is not tenable as the repair charges were not included even in the demand raised in February 2009. Hence the fact remains that due to delay in raising of claim and not entering into agreement resulted into non realization of claim of ₹ 3.07 crore and loss of interest of ₹ 80.59 lakh.

The matter was reported to the Ministry in June 2010; their reply was awaited as of February 2011.

### **8.3 Loss of revenue of ₹ 73.88 lakh**

**Waiver of penal demurrage charges in disregard to guidelines resulted in loss of revenue amounting to ₹ 73.88 lakh to Chennai Port Trust and undue benefit to a private firm.**

Chennai Port Trust (ChPT) allows 30 days for keeping export cargo at port area free of charge and if cargo is not cleared within free days, it levies penal demurrage at a rate of ₹ 79.20 per unit per day from 31<sup>st</sup> day onwards. Waiver of demurrage can be granted by the Port Trust Board in exceptional and special circumstances in accordance with the guidelines issued by the then Ministry of Surface Transport (Ports Wing), Government of India in 1992.

Spices Trading Corporation Limited (STCL), a Government of India Undertaking, moved 5000 MT of maize during the period 16 - 30 October 2007 to Chennai Port for subsequent export to Vietnam. But, STCL could not remove the cargo within free days. ChPT intimated STCL in advance (9 November 2007) to clear the cargo before the expiry of free days, failing which penal demurrage would be imposed. STCL, however, requested (15 November 2007) ChPT to charge normal demurrage charges and not to impose penal demurrage charges stating that it was a Government of India Undertaking and in spite of its best efforts it was unable to get a vessel for shipment. Chairman, ChPT considered (5 December 2007) the request of STCL and allowed the delivery of cargo pending ratification of waiver of penal demurrage by the Port Trust Board. STCL completed the clearance of cargo by 16 December 2007 and paid an amount of ₹ 3.93 lakh for normal demurrage charges on 3 July 2008. The Port Trust Board ratified the decision

of Chairman in its meeting held on 30 August 2008 on the ground that STCL was a Government of India Undertaking and non-availability of a vessel was a valid reason. The penal demurrage waived was worked out to ₹ 73.88 lakh.

Audit scrutiny revealed the following:-

- Though the export of maize to Vietnam was done in the name of STCL, direct involvement of a private firm in export of maize was noticed from the export documents available with ChPT.
- Agreement entered between STCL and the private firm disclosed that STCL was only acting as a facilitator for which it would receive 1.25 *per cent* on the value of maize as margin of profit from the firm. It was the responsibility of the private firm to bear the expenses related to loading/unloading, transportation, storage, any penalties etc. Thus, the private firm, being the real trader, was benefited by the waiver.
- As per the guidelines, prior concurrence of FA&CAO of ChPT was required for remission of demurrage. However, FA&CAO did not concur with the proposal of remission.
- The Port Trust Board waived penal demurrage as per para 10 of guidelines which stated that the Board 'may consider an application for waiver of demurrage charges in special circumstances, if it is not covered under para (2) of the guidelines'. However, the reason of non-availability of vessel could not be termed as special circumstances. The FA&CAO also observed that the reasons indicated by the Party and recommended by the Traffic Department did not satisfy the condition under which the waiver should be considered as per the Government directions. Further, ChPT did not consider the request of waiver of penal demurrage charges on the same grounds from another Government of India Undertaking in the same period.

ChPT stated (June and July 2010) that they were not aware of agreement between STCL and the private firm. The reply is not acceptable as the documents like invoice-cum-packing list and shipping bill check list filed with ChPT indicated involvement of the private firm in the export.

Thus, the waiver of penal demurrage charges without following the prescribed guidelines and verification of facts resulted in loss of revenue to ChPT and undue benefit to a private firm by ₹ 73.88 lakh.

The matter was reported to the Ministry in August 2010; their reply was awaited as of February 2011.

### **Cochin Port Trust**

#### **8.4 Loss of revenue**

**Cochin Port Trust failed to include the pre-stage operations conducted at the additional land allotted to the licensee as a part of project facilities and services under existing license agreement. This resulted in loss of revenue of ₹ 2.53 crore due to non sharing of revenue earned by the licensee through pre-stage operations.**

Cochin Port Trust (CoPT) licensed (January 2005) its existing Rajiv Gandhi Container Terminal (RGCT) to M/s India Gateway Terminal Private Limited (IGTPL) for operation and management including necessary developments, modifications and augmentation of facilities commensurate with traffic for a maximum of eight years and six months from the date of commercial operations. As per agreement the licensee (IGTPL) was to pay the Licensor (CoPT) royalty per month equivalent to 33.3 *per cent* of the gross revenue earned by the licensee from the operations of the project facilities and services comprised in the project by levy of Tariff during the month in addition to the annual license fee. The licensee was entitled to levy and recover Tariff from the users of project facilities and services as per Scale of Rates approved and notified from time to time by the Tariff Authority for Major Port Trusts (TAMP) or any other competent authority as applicable.

The agreement provided that the licensee may request for additional land for development of additional project facilities and services. Accordingly, on the request of the licensee CoPT allotted (March 2005) an additional land measuring 17830 sq. m. outside the project facilities to IGTPL for staging export and import cargo for Customs clearance/processing named as 'Pre-stage operations' and to operate the area as a Customs Bond Yard for a period of 11 months on temporary license basis on a monthly rent which was being renewed from time to time.

Audit scrutiny revealed that the licensee (IGTPL) had been charging a Tariff of ₹ 75 to ₹ 500 per container depending on the size and type of container from the users for these pre-stage operations and earned ₹ 7.59 crore during the period 2005-06 to 2008-09 but the same was not included in the shareable revenue for the purpose of royalty on the apprehension that the additional land allotted was outside the project facilities. Thus, CoPT's failure to include these pre-stage operations in the project facilities and services as defined in the

license agreement for RGCT at the time of allotment of additional land resulted in loss of revenue of ₹ 2.53 crore (i.e. 33.3 *per cent* of ₹ 7.59 crore). It was further observed that the Tariff being charged by the licensee for these pre-stage operations had not been approved by TAMP or any other competent authority.

The management stated (October 2009) that the Port's eligibility for revenue share was restricted to the income earned by the licensee from the project facilities and services. Since the additional land was not covered by the project facilities and services revenue earned by the licensee was not sharable with the CoPT. It further stated that the matter was taken up with the licensee but the licensee declined the demand on the grounds that the pre-stage operations were happening outside the area defined under project facilities and TAMP's jurisdiction.

The reply of Management was not acceptable as the additional land was allotted under the provisions of existing license agreement only and the revenue earned by the licensee from pre-stage operations at additional land should have been treated as an integral part of project facilities and services and the revenue earned be shared. Further, the Tariff being charged by the licensee needed to be approved by TAMP or by any other competent authority as per license agreement. Hence, the fact remained that CoPT suffered revenue loss of ₹ 2.53 crore.

The matter was reported to the Ministry in August 2010; their reply is awaited as of February 2011.

### **Jawaharlal Nehru Port Trust**

#### **8.5 Improper planning in construction of road embankment resulted in idle investment**

**Jawaharlal Nehru Port Trust constructed two road embankments at a cost of ₹ 5.32 crore before constructing the connecting evacuation road. Further, both the road embankments were constructed up to half lengths which resulted in idle investment.**

The traffic going to Gateway Terminals India, Jawaharlal Nehru Port Trust (JNPT) and Nhava Sheva International Container Terminal takes route A-B-C (as depicted in the drawing given below). In order to ease to and fro traffic movement and congestion at the 'Y' Junction, the Chairman, JNPT approved (October 2007) the proposal of construction of road embankment measuring

approximately 1300m of length between 'Y' Junction and point 'E' on proposed evacuation road ('M' to 'N') at an estimated cost of ₹ 4.55 crore.

Accordingly, the work was awarded (March 2008) to a private agency at a price of ₹ 4.96 crore. The contractor started the work at point 'C' and completed about 40 per cent work in the stretch of about 700m, the work was stopped (May 2008) at point 'D' on the apprehension of execution of work near the mangroves as advised by the Revenue Officer of Government of Maharashtra. Subsequently, it was decided (June 2008) not to proceed further in that stretch for time being and constructing another road embankment of a



length of about 650m from point 'P' i.e. parallel to the earlier road. The same contractor was allowed to execute the work up to balance cost (including permissible

variation limits) under the existing contract. Both the works were declared completed in February 2009 with a cost of ₹ 5.32 crore.

Audit observed that the decision of the Management to construct road embankment before constructing evacuation road was not proper as the road embankment could not be used in the absence of connecting road. Further, both the road embankments were constructed to half length. Hence, the intended objective of decongesting 'Y' Junction and smooth movement of traffic remained unfulfilled. Thus, improper planning by the Management was not in the financial interest of the Port and resulted in idle investment of ₹ 5.32 crore in construction of road embankments.

The Management stated (August 2010) that the site was free from mangroves at the time of preparation of proposal, except at natural streams crossing, where it was planned to provide pipe culvert so that the mangroves should not be disturbed and the tidal water could flow freely. It further stated that embankments constructed are proposed to be used for Port Operational activities in near future.



The reply is not acceptable as the Management did not approach the concerned authorities for clearance before constructing the road embankment despite knowing that mangroves were there at the site. Further, the use of these embankments in near future is very remote as construction of proposed evacuation road is also uncertain due to development of mangroves at some stretches in the alignment.

The matter was reported to the Ministry (July 2010); their reply was awaited as of February 2011.

### **Kolkata Port Trust**

#### **8.6 Time and cost overrun due to delay in decision**

**Delay in evaluation and indecision on finalisation of a tender led to time overrun of 22 months and cost overrun of ₹ 2.05 crore.**

Manual for Civil Engineering Works of Kolkata Port Trust (KoPT) recommended time frame to minimize the chances of delay to decide the award of the work. A time frame of 15 days should be observed in evaluation followed by 7 days for financial scrutiny, 21 days for organizing Tender Committee Meeting / finalization of tender and 14 days for placement of the order.

In March 2005, the Kolkata Port Trust (KoPT) decided to replace two existing Stacker-cum-Reclaimer tracks at the estimated cost of ₹ 3.12 crore each. The work was planned to be taken up in two phases so that iron ore handling operation at the port could go on uninterrupted. The first phase of work was completed at a cost of ₹ 3.22 crore.

The tender for the second phase was invited with same terms and conditions in May 2007 at a revised estimated cost of ₹ 3.61 crore. Among the three respondents, two ('A' & 'B'<sup>4</sup>) had qualified in the first phase as well. After opening of techno-commercial bid in June 2007, it was held by the convenor of the Tender Committee (KoPT) that the bidders lacked pre-qualification credentials.

Audit observed that:

There was delay of more than four months in organising Tender Committee Meeting.

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<sup>4</sup> M/s Premco Rail Engineers Limited

There was unjustified delay in issue of notices to the bidders (10 August 2007) and to obtain (16 October 2007) valid credentials of the firms 'A' and 'B'. ( In spite of the fact that these contractors had already qualified in the first phase itself and the credential submitted by firm 'A' was a certificate issued by the port for the first phase of the work and in case of 'B' it was the documents on the basis of which the firm became qualified earlier).

The Tender Committee could meet for the first time only after six months from closing of the tender in December 2007, when validity of all offers had expired. The bidders, however, agreed to extend the validity of their offers upto 31 January 2008.

The third bidder, however, could not submit the requisite documents and was disqualified (14 January 2008) and the Tender Committee recommended for extension of tender by 10 days followed by another 10 days, although the validity of offers would expire during that period.

The firm 'A' declined to extend the validity of their offer beyond 31 January 2008 as such the tender had to be discharged in March 2008.

The work was re-tendered in August 2008 at a revised estimated cost of ₹ 5.97 crore. Among the three offers received, firm 'A', being L1, was awarded the work (August 2009) at a cost of ₹ 5.66 crore.

These unjustified delays which were not supported by provisions led to award of the work to the same contractor after 22 months along with avoidable cost escalation of ₹ 2.05 crore.

In reply KoPT stated(October,2010) that two qualified bidders of the 1<sup>st</sup> phase of the work were not considered to be automatically qualified in the 2<sup>nd</sup> phase of the work as they did not submit their requisite documents along with the bid, and each tender and contract is considered as a separate tender. Delay was solely due to following tendering procedure and also for encouraging more participation and competition. KoPT further stated that as the Tender Committee was virtually left with only one valid offer in the extended period, it was decided to discharge the tender.

The reply was not tenable as the credentials qualifying the bidders in first phase of the work should have been considered valid for the second phase of the same project also. The delay in meeting of the tender committee and the extension of date of submission of tender after opening of technical bids was

irregular and had resulted in discharge of the tender leading to cost and time run over.

The matter was reported (June 2010) to the Ministry; their reply has not been received as of February 2011.

### **8.7 Avoidable extra expenditure**

**Kolkata Port Trust failed to issue work order on lowest bidder in initial tender and the work was awarded at higher rate in re-tender which resulted in avoidable extra expenditure of ₹ 70.24 lakh.**

As per Central Vigilance Commission guidelines there should be no post-tender negotiation with the lowest bidder except in exceptional situations. Further, the manual for civil engineering works of Kolkata Port Trust (KoPT) provided that work order should be placed within 14 days from the date of finalization of tender by the tender committee.

KoPT decided (April 2007) to undertake thorough maintenance of a road network<sup>5</sup> with an estimated cost of ₹ 27.57 lakh. Accordingly, KoPT invited (July 2007) tender and three bidders qualified in techno-commercial part. The firm 'A'<sup>6</sup> offered rate of ₹ 29.17 lakh which was found lowest in price bids opened on 1 October 2007. The rate offered by the lowest bidder was valid up to 9 December 2007. The tender committee adjudged the offer of lowest bidder as reasonable and recommended (9 October 2007) for acceptance.

Audit observed that inspite of clear recommendation of tender committee to accept the offer and in contravention of the guidelines issued by Central Vigilance Commission, KoPT decided (30 November 2007) to negotiate the rate with the lowest bidder. However the bidder, during the discussion held on 6 December 2007, did not agree to reduce the rate. Meantime, KoPT requested (5 December 2007) the lowest bidder to extend the validity of his offer but the same was not agreed to by the later expressing his inability to execute the work due to increase in cost of material. Finally, the present tender was discharged in March 2008 and a fresh tender was invited (April 2008) with a revised estimated cost of ₹ 74.05 lakh (including a new item of work valuing ₹ 7.91 lakh). The work was awarded (September 2008) to the firm 'B'<sup>7</sup> at ₹ 1.11 crore being the lowest bidder and completed at a cost of ₹ 1.12 crore.

<sup>5</sup> Road between Makhan Babur Bazar to Superlor Petrol Pump, Vidyasagar park to Anchorage Camp Bus shed, Haldia Bhaban road and road from Hindustan market to Central School at Haldia township, Haldia Dock Complex.

<sup>6</sup> M/s Kanu Binod Giri

<sup>7</sup> M/s Kamal Krishna Ghosh and Associates

Thus failure of KoPT in issuing work order on the lowest bidder in initial tender resulted in avoidable extra expenditure of ₹ 70.24 lakh on account of increased rate and quantity in addition to delay in completion of work.

KoPT stated (October 2010) that as the rate quoted by lowest bidder was nine *per cent* above the estimated cost (based on PWD Schedule of Rates, 2002) and the revised estimates based PWD Schedule of Rates effective from 2007 worked out to be 24 *per cent* above the original. It was considered necessary to discuss the issue with the lowest bidder regarding the reasonability of the rates as rates quoted by bidders differed considerably. Moreover, disinclination of the lowest bidder to extend the validity of his offer was ample indication that the bidder might fail to execute the work at his quoted rates and abandon the work midway. KoPT, further, stated that the enhanced cost was mainly due to extended scope of work due to natural wear and tear of roads and revised schedule of rates.

The reply was not acceptable as the tender committee was aware of the fact that estimates had been prepared based on PWD Schedule of Rates, 2002 and increase in cost of materials as well as revised estimates. The tender committee observed that lowest offer was reasonable and workable compared to the present market rate and recommended to accept the offer. However, the Finance wing of KoPT, instead of giving its concurrence to the proposal for issue of work order on the lowest bidder, took a long time and recommended to negotiate the rates with the lowest bidder which led to expiry of validity of offer. Further, reasons for increase in cost of work were mainly attributable to enhanced cost of labour and material coupled with the increased quantity of work due to deterioration of the road during the intervening period. Moreover, the recommendation of the General Manager (Ops.) to fix responsibility for lapses occurred in this respect also strengthened the audit observation.

Had the timely action been taken by KoPT, the loss on account of extra expenditure of ₹ 70.24 lakh could have been avoided.

The matter was reported to the Ministry in July 2010; their reply was awaited as of February 2011.

## **Mumbai Port Trust**

### **8.8 Loss of revenue**

**Failure of Mumbai Port Trust to avail opportunity of collecting octroi on behalf of Municipal Corporation of Greater Mumbai on goods imported by certain public sector undertakings and earning commission of three per cent on gross collection resulted in loss of ₹ 64.07 crore during the year 2007-08 to 2009-10.**

For the purpose of collection of town duty in respect of goods imported into the City of Bombay, the Municipal Corporation of Greater Mumbai (MCGM) the then Bombay Municipal Corporation authorized (1869 renewed in 1898) Bombay (Mumbai) Port Trust (MbPT), Central and Western Railways as agents to collect the duty on the basis of three *per cent* commission on gross collection. Initially no agreement was signed by either of the agents with MCGM, Central Railways, subsequently, pursued the matter with MCGM and got an agreement signed (May 1956) in this regard. MbPT, however, did not raise the issue of the written agreement and continued with the arrangement without any agreement in this regard. Under the above arrangement, MbPT was recovering octroi on the goods imported into the City.

Test check of the records of the port for the years 2007-08 to 2009-10 revealed that MbPT collected octroi amounting to ₹ 2028.50 crore on the goods imported by Bharat Petroleum Corporation Limited (BPCL) and earned three *per cent* commission amounting to ₹ 60.86 crore thereon, whereas octroi amounting to ₹ 2135.74 crore on the goods imported by Oil and Natural Gas Commission (ONGC), Hindustan Petroleum Corporation Limited (HPCL) and Indian Oil Corporation Limited (IOCL) was not collected by MbPT and these companies paid octroi directly to MCGM without routing through MbPT. This resulted in loss of revenue of ₹ 64.07 crore during the above period only. Reasons for (i) non-collection of octroi on goods imported by ONGC, HPCL and IOCL and (ii) not pursuing with MCGM for the written agreement in line with Central Railways were not found on record.

This loss could have been avoided had MbPT collected octroi on the goods imported by the remaining three public sector companies also by enforcing proper arrangement on holistic basis instead of partially collecting octroi on goods imported by some companies and leaving the others to pay directly to MCGM.

The matter was reported to the Management in May 2010 and to the Ministry in July 2010; their reply was awaited as of February 2011.

### 8.9 Recovery at the instance of audit

**On being pointed out by audit, Mumbai Port Trust recovered an amount of ₹ 17.02 crore on account of wharfage charges from a customer.**

Mumbai Port Trust (MbPT) provides cargo related services to the public sector oil companies. These companies maintain Personal Deposit Accounts (PDA) with MbPT for the purpose of wharfage charges on the cargo cleared by them. As per procedure laid down by MbPT, before arrival or within seven days of the sailing of vessels chartered by them, the companies are required to come forward with provisional payment advice showing quantity scheduled to be handled on their account and with request to debit the wharfage charges to their PDA. Subsequently, these companies are required to produce advice for final payment with Customs attested Outturn Report/Ullage Report Intake Certificate. Based on these reports, charges towards actual quantity handled are to be billed and the final payment is adjusted by debiting their PDA.

Audit scrutiny revealed (March 2010) that Hindustan Petroleum Corporation Limited (HPCL) did not submit the required documents for a quantity of 3533716.69 MT of oil cargo handled during 2005-06 to 2009-10. Consequently, MbPT neither debited the PDA account of HPCL nor did it raise the bills. Persistent failure on the part of MbPT to collect the relevant documents required for raising of provisional/final bills and also non monitoring of existing system by management resulted in accumulation and non-realisation of wharfage charges to the tune of ₹ 20.11 crore.

On being pointed out by Audit, MbPT raised provisional bills for ₹ 28.03 crore (including service tax of ₹ 2.35 crore and interest of ₹ 5.56 crore for delayed payments) on HPCL in September 2010 and recovered ₹ 17.02 crore till November 2010.

The Ministry stated (November 2010) that the necessary corrective action would be taken to avoid accumulation of outstanding dues after a review of present practice. However, the reply was silent about recovery of interest.

### 8.10 Recovery at the instance of audit

**On being pointed out by audit, Mumbai Port Trust recovered an amount of ₹ 84.99 lakh on account of grant in aid receivable from the Government of India for maintenance of its lighthouses.**

The Mumbai Port Trust (MbPT) was entitled to grant in aid from Government of India through Director General of Lighthouses and Lightships (DGLL)

equal to 25 per cent of the annual operating expenses incurred by it on its Kanhoji Angre Lighthouse.

Audit scrutiny (May 2009) revealed that MbPT had been receiving the grant in aid up to 1995-96 regularly but against its claim for 1996-97 and 1997-98, DGLL expressed (January 2000) difficulty in recommending sanction of grant in aid to the Government of India as the total annual expenditure being incurred by them (DGLL) for a similar lighthouse was much less than the operational maintenance cost billed by MbPT. DGLL further suggested (February 2000) that either MbPT hand over the lighthouse to them for maintenance and upkeep or itself maintain the same without calling for any contribution from them. Thereafter, the issue of management of the lighthouses was under correspondence between MbPT and DGLL.

MbPT approached (August 2002) the Ministry with a request to intervene in the matter. Since the impasse regarding the grant in aid remained unresolved, MbPT again requested (April 2007) the Ministry for its intervention and issue of suitable instruction to DGLL for an amicable settlement. The Ministry conveyed (September 2007) its decision that MbPT would transfer the lighthouse along with its other lighthouse to DGLL unconditionally by October 2007 as a matter of uniform policy and in the interest of their more efficient operation under DGLL. The Ministry also decided that the claim of MbPT towards settlement of outstanding dues with DGLL would be enquired into by its Additional Secretary and Financial Advisor. Accordingly, MbPT handed over its two lighthouses to DGLL in October 2007 but the matter of settlement of outstanding dues amounting to ₹ 94.97 lakh was still pending as of May 2009 for want of effective pursuance.

On this being pointed out, the Ministry stated (August 2010) that based on the proposal of MbPT DGLL had been directed to disburse the sum of ₹ 86.96 lakh in favour of MbPT as full and final settlement of the claim.

Finally, DGLL released ₹ 84.99 lakh net of TDS in December 2010.

### **8.11 Under-recovery of labour charges**

**Failure of Mumbai Port Trust to correctly charge the rate of labour charges in the bills raised on the port users for the services provided, resulted in under-recovery of ₹ 28.61 lakh in respect of 535 bills test checked in audit.**

Mumbai Port Trust (MbPT) through its Chief Mechanical Engineer (CME) and Chief Engineer (CE) provides various services like slipway, electricity to

the port users and to its staff for marriages and similar community functions, repairs of its property etc. In addition to charges for the utilities provided, CME and CE were required to recover charges on account of supply of labour at the manhour rates prescribed by accounts department of MbPT from time to time. The accounts department of MbPT intimated (February 2007) to add 20 *per cent* to the labour charges (manhour rate) in respect of Miscellaneous Trade (MT) Account jobs/estimates with effect from January 2007 in order to cover additional liability on account of general pay revision of class III and IV employees. The accounts department again revised (October 2008) manhour rates by merging 50 *per cent* of dearness allowance in basic pay and instructed to continue the additional levy of 20 *per cent* to cover the likely liability on account of pay revision.

Audit scrutiny revealed (March 2009) that i) CME did not add 20 *per cent* to the labour charges as instructed by the accounts department in the bills raised for MT Account jobs; ii) further the CME and CE departments did not raise the bills as per revised man-hour rates effective from October 2008. This failure resulted in under-recovery of ₹ 28.61 lakh (excluding service tax) in respect of 535 bills raised during the period from April 2007 to May 2009 randomly selected by audit. This exhibited lack of an effective internal control mechanism in MbPT.

While accepting the audit observation the Ministry stated (October 2010) that suitable corrective action for billing against short claims and to strengthen the internal control mechanism has been taken. However, the reply was silent about the recovery made so far.