

CHAPTER XIV : UNION TERRITORIES

Andaman and Nicobar Administration

Andaman Public Works Department

14.1 Unfruitful expenditure

Omission on the part of the Andaman Public Works Department to obtain the Coastal Regulation Zone clearance before commencement of the work and inadequate design resulted in unfruitful expenditure of ₹ 1.58 crore and additional liability of ₹ 0.31 crore on construction of two sea walls.

With a view to stop sea water from entering into agriculture land, two works, Construction of sea walls at Gandhi Nagar and Shastri Nagar at Campbell Bay (500 meters each) were conceived by Construction Division, Andaman Public Works Department, Campbell Bay.

Administrative Approval and Expenditure Sanction (AA&ES) were accorded (January 2008) @ ₹ 1.70 crore for each work. The estimates were revised (April 2009) to ₹ 3.19 crore for Gandhi Nagar and ₹ 3.20 crore for Shastri Nagar. The revised estimates were not sanctioned and were returned in March 2010 for reframing in accordance with the prevailing site conditions.

Without obtaining revised AA&ES, the work at Gandhi Nagar was awarded (October 2010) to a Contractor for ₹ 1.85 crore and the work at Shastri Nagar was awarded to another Contractor for ₹ 1.76 crore. The stipulated date of commencement and completion of both the works were 9th November 2010 and 8th July 2011 respectively.

It was noted by Audit that at Gandhi Nagar, 47 *per cent* work was completed valuing ₹ 1.14 crore against which the contractor was paid ₹ 0.97 crore, and at Shastri Nagar, 16 *per cent* work was completed valuing ₹ 0.75 crore and the contractor was paid ₹ 0.61 crore.

Meanwhile, the Department of Environment and Forest, sought (June 2011) Coastal Regulation Zone (CRZ) clearance for the works, and in its absence, both the works were stopped (October 2011) by the Division. During the cyclonic weather (November-December 2011), the walls were severely damaged and it was opined that mere concrete structure could not withstand severe wave action facing open sea.

Division approached (February 2012) Central Water and Power Research Station (CWPRS) for a suitable design of sea wall for both the sites, which was yet to be received.

The fact remains that the omission on the part of the Division to obtain the CRZ clearance before commencement of the work and inadequate design, resulted in unfruitful expenditure of ₹ 1.58 crore with a further liability of ₹ 0.31 crore on construction of two sea walls. Besides it also defeated the sole purpose of protecting the agriculture land.

The matter was referred to the Ministry in October 2012; their reply was awaited as of June 2013.

Directorate of Shipping Services

14.2 Unfruitful expenditure

Ignoring safety concerns and applicable Acts, as well as instructions of MoS, GOI and DGS, DSS approved faulty designs of engines of two vessels which led to unfruitful expenditure of ₹ 16.35 crore besides depriving public of their services for more than three years.

Andaman and Nicobar Administration, Directorate of Shipping Services (DSS) proposed (May 2005) to construct two 100-passenger-cum-vehicle ferries (Vessels) under Inland Vessels Act, 1917 (I.V. Act) and accordingly, wrote to Ministry of Shipping (MoS), GOI for necessary approval and sanction of expenditure. These vessels were to ply in the tidal creeks separating Baratang and Middle Strait on one hand and Gandhi Ghat and Uttara Jetty on the other.

The proposal was deliberated at the meeting of the Standing Finance Committee (SFC) in January, 2006 wherein it was queried whether the proposed areas of operation had been declared as inland waterways or not¹. It was clarified shortly (February 2006) by the A&N Administration (Administration) that the creek waters were not covered under inland vessels limit. This meant that vessels plying there could not be governed by the I.V. Act. Accordingly, the SFC recommended that a report may be sought from Directorate General of Shipping (DGS) about the safety of operation of the vessels in the creek waters, as they were proposed to be built under I.V. Act

¹ As per Section 70 of the Inland Vessels Act, 1917, only the Central Govt. can define 'tidal water' and by notification in the official gazette, define how much of any tidal water shall be deemed to be an inland water for the purpose of this Act. Also as per Section 2 of the Act, "inland water" means any canal, river, lake or other navigable water.

and not the Merchant Shipping (M.S.) Act which governed the construction of all vessels plying outside the I.V. limits. Approval was to be given subject to safety clearance from DGS only.

The MoS accordingly conveyed (March 2006) to the Administration that construction under the I.V. Class could be carried out subject to prior safety clearance by DGS only.

The DGS categorically stated (March 2006) that passenger vehicles intending to operate beyond I.V. limits should comply with relevant M.S. Rules as applicable to their Class depending on the area of operation.

The fact that DSS was aware of the MoS's directions and the DGS's clarification was evident from its correspondence with the Administration (June 2006) wherein acknowledging both the above, it argued that there were operational constraints of MS Class vessels and therefore, it was essential to operate IV Class vessels in the creeks. However, without resolving the issue of safety clearance from DGS, the DSS entered into agreement (October 2006) with M/s Garden Reach Shipbuilders and Engineers Limited, Kolkata (Builder) for construction and delivery of vessels under Inland Vessels Act at a total cost of ₹15.50 crore.

DSS appointed (May 2007) National Ship Design and Research Centre, Visakhapatnam (NSDRC) as Technical Consultant to finalize drawings, design & specification of the vessel during their construction. Thus DSS despite being fully aware of facts projected to NSDRC that the vessels were to operate within I.V. limits. Accordingly, NSDRC designed the vessel with electrical motor driven HRP hydrojets with 200 KW capacity motors.

The scheduled date of delivery of the two vessels was January 2008. These were actually delivered in January 2009 at a cost of ₹ 16.35 crore and named as MV Afra Bay and MV Karmatang.

Trials of the vessels (January 2009) revealed that the wind and current factors of the operational area were not taken into account while designing the crafts. The 200 KW electric driven motors were not effective enough to counter the effect of wind and tidal force on these vessels and thus they could not be put into operation during high wind/current condition which prevailed at Port Blair for seven to eight months in a year. Had the vessels been designed and constructed for M.S. Class as suggested by DGS, these problems could have been averted.

Indian Maritime University, Vizag campus (IMU) (erstwhile NSDRC) inspected (February 2010) the vessels and suggested re-designing of these vessels with major additions and alterations for making them operational. Examination and trials by IMU was still under progress (December 2012) pending which the vessels were lying idle.

DSS had ignored the applicable provisions of Inland Vessel and Merchant Shipping Acts while preparing their initial proposal for construction of the Vessels and violated the instructions of SFC and MoS, GOI regarding getting safety clearance from DGS prior to placing the order with the Builder. Thus they compromised the safety and security of passengers. Non compliance with the applicable provisions and consequent wrong projection of requirements resulted in faulty design of the vessels and unfruitful expenditure of ₹16.35 crore due to their idling. Besides, the public was deprived of their services for more than three years.

The matter was reported to the Ministry in October 2012 and again in July 2013; their reply was awaited as of July 2013.

14.3 Non-recovery of penalty of ₹ 3.73 crore plus cost of repair and refit for damage

Due to inaction of the Directorate of Shipping Services penalty of ₹ 3.73 crore together with the cost of repair towards damage of vessel remained unrecovered from the Manning Agent

The Directorate of Shipping Services (DSS) entered into an agreement (December 2008) with M/s ABS Marine Service Private Limited, Chennai, (Manning Agent) for manning the vessel M.V.Long Island. The Manning Agent was to be paid ₹ 12.67 lakh per month inclusive of service tax of 12.36 per cent.

As per the agreement, any loss of life, accident or serious financial loss caused to the vessel due to willful act of omission or negligence on the part of the Manning Agent or his personnel was to be treated as default. DSS reserved the right to recover any financial loss occurred due to such default. Further, if the vessel was unavailable due to fault of the Manning Agent at any point of time during the period of contract, a penalty of 0.75 per cent of the annual fees per day was required to be imposed for such period.

Audit scrutiny revealed that the vessel was grounded off Campbell Bay in July 2009. The bottom of the vessel was extensively damaged and four fresh water

tanks had ruptured. Due to this incident, the vessel had to undergo major repairs and it remained unavailable for service for the period from July 2009 to July 2010 (367 days).

In a Preliminary Enquiry Report, the Technical Manager, Shipping Corporation of India (SCI) attributed (August 2009) the reason for grounding incident to a number of lapses and navigational errors on the part of the Master and duty officers of the Manning Agent.

Since, the vessel was unavailable for service for a period of 367 days, penalty of ₹ 3.73 crore² was to be recovered from the Manning Agent, besides the cost of repairs and refit obtained from SCI. However, DSS neither levied any penalty nor recovered the cost of repair from the Manning Agent. Audit noted that Andaman and Nicobar Administration instructed DSS (February 2010) to follow up the matter with SCI and impose penalties against the Manning Agent as per provisions of agreement. Despite this, DSS did not pursue the matter with SCI any further at any point of time until pointed out by Audit (September 2012). The reason for not initiating any action for recovery from Manning Agent as stated (October 2012) by DSS was non-receipt of details from SCI.

DSS could neither get details from SCI regarding quantum of damage been assessed nor had SCI intimated the amount of insurance received by it (April 2013).

DSS further stated (May 2013) that action is under process for recovery of penalty of ₹ 3.73 crore towards non-availability of the vessels for 367 days from the Manning Agent's bills and the recovery towards damage repair cost will be done on receipt of the details from SCI.

The matter was reported to the Ministry of Home Affairs in November 2012; their reply was awaited as of May 2013.

² The manning fee was to be paid @ ₹ 1267200 inclusive of service tax @ 12.36 per cent per month. Hence, after excluding service tax, the net amount payable per month would be ₹ 1127803. Penalty = Annual fee paid ₹ 1,35,33,636 @ (1127803 X 12 months) X 0.75% = ₹ 1,01,502 X 367 days = ₹ 3,72,51,234 i.e ₹ 3.73 crore

14.4 Non-recovery of penalty

Due to inaction of the Directorate of Shipping Services to impose penalty, an amount of ₹ 2.18 crore remained unrecovered from Shipping Corporation of India besides denial of proper connectivity between the islands to the general public.

The Director of Shipping Services (DSS) entered into an agreement in April 2004 with the Shipping Corporation of India Ltd (SCI) for technical management of 18 vessels of 75/100 passenger capacity of Andaman and Nicobar Administration (Administration) for a period of five years. The management fee was ₹ 1.50 lakh per month per vessel. All the 18 vessels were handed over to SCI between June 2004 and March 2010. SCI continued with the management till it was handed over to the new contractor, M/s ABS Marine Service Pvt. Ltd., Chennai, between October 2010 and October 2011.

As per the agreement, SCI was to ensure availability of vessels for a minimum period of 315 days in a year after allowing 50 days for Annual Passenger Survey (APS)/ repair, barring force majeure instances, failing which SCI was liable to be penalized as per terms and conditions of the agreement. The agreement also provided that the docking and other surveys, for which the vessels needed to be laid off, were to be planned by SCI and intimated to DSS at least three month in advance to make arrangement for dry docking etc.

Audit scrutiny revealed that, during the period from June 2004 to February 2012, the vessels were under APS/repair and thus remained non-operational ranging from 56 to 258 days. SCI had neither requested DSS for docking in advance as per the terms of the agreement nor had ever invoked force majeure clause for non-availability of vessel. On other hand DSS not maintain any vessel-wise record indicating complete details of hindrances occurred as a result of APS/ repair to verify and substantiate the delay attributable to SCI and thus left wide scope for SCI to deny the delay attributable to it. After allowing the admissible non-operational period of 50 days, the total penalty to be imposed on SCI worked out to be ₹ 2.18 crore.

Thus, due to systematic lapses and inaction on the part of DSS to impose penalty, ₹ 2.18 crore remained unrecovered from SCI and the prime objective of providing the general public with timely service and proper connectivity between the islands in ANI was greatly compromised.

The DSS stated (March 2013) that a notice had been issued to SCI in December 2012 for comments/replies on the issues raised by audit but no reply was received. Pending receipt of reply from the SCI, attempts at

recovery of penalty by the DSS from the advance payment due to SCI were under process.

The matter was referred to the Ministry in November 2012; their reply was awaited as of June 2013.

14.5 Overpayment made to the Manning Agent

The Director of Shipping Services failed to recover differential Wages between officers with total competence and those with lower qualification as per agreements, leading to overpayment of ₹ 78.96 lakh.

The Andaman and Nicobar Administration own and operate seventeen 75/100/150 passenger vessels registered under Merchant Shipping (M.S.) class-VI. Agreements for manning each vessel were executed between Director of Shipping Services (DSS) and M/s ABS Marine Service Pvt. Ltd., Chennai (Manning Agent) from time to time, with the same terms and conditions.

As per Agreements drawn up after March 2007, the Manning Agent was required to provide six officers³ on board each vessel. The officers provided on board were required to be duly certified, qualified and medically fit with total competence as per the Flag State Requirement (FSR)⁴. The Agreements also provided that if the Manning Agent engaged officers with lower qualification but with proper dispensation⁵ granted by the Director General of Shipping (DGS), the difference of wages between the officer with total competence and that prescribed for officers engaged with lower qualification (as finalized in Schedule-3 of the agreements) was required to be deducted from the claims of the Manning Agent. Further, if the DGS charged any fee for granting dispensation, the deduction of the differential wage should be reduced to that extent.

Audit scrutiny revealed that during the period from April 2007 to August 2012, the Manning Agent posted officers with lower qualifications on different occasions. A total of ₹ 51.82 lakh was paid to DGS as dispensation from July 2007 to August 2012.

The wage differential for the corresponding periods was ₹ 138.50 lakh. As such, a further wage difference of ₹ 86.68 lakh⁶ was to be recovered from the

³ Master, Chief Officer, 2nd Officer, Chief Engineer, 2nd Engineer and 3rd Engineer

⁴ As per the FSR, the Chief Officer and Chief Engineer of each vessel should have the qualification of Mate (Near Coastal Vessels) and MEO-III Chief Engineer (NCV) respectively while the Second Officer and Second Engineer should have the qualification of Night Watch Keeping Officer (NCV) with GMDSS endorsement and MEO-III Second Engineer (NCV) respectively.

⁵ Dispensation means relaxation/exemption from a rule or usual requirement.

⁶ ₹ 138.50 lakh (actual wage differential) - ₹ 51.82 lakh (dispensation already paid) = ₹ 86.68 lakh

Manning Agent. However, DSS had recovered only ₹ 7.72 lakh during the period from July 2007 to July 2008, resulting in net overpayment of ₹ 78.96 lakh to the Manning Agent.

At the instance of audit, an amount of ₹ 29.03 lakh, pertaining to the period from April 2011 to September 2012 was recovered in November 2012. The Ministry directed (January 2013) DSS to recover the balance amount from the payment due to the Manning Agent. Accordingly, DSS recovered the balance amount of ₹ 49.93 lakh in April 2013.

14.6 Irregular payments of ₹ 58.43 lakh to contractors

The Directorate of Shipping Services allowed irregular payments of ₹ 58.43 lakh to contractors for victuals which were not actually supplied.

Directorate of Shipping Services (DSS) entered into agreement (December 2007) with M/s Fareedh Traders, Port Blair and M/s Y.A.R. Shipping & Catering Private Ltd. (Contractors) for running catering establishments on board of the vessels M.V. Nancowry and M.V. Swaraj Dweep respectively. The agreements were initially for one year with retrospective effect from September 2007 and were extended from time to time up to January 2010.

As per the terms and conditions of the agreements, the contractors were required to supply ration/victuals⁷ to the crew on board of the vessels at prevalent scale of provisions at the rate of ₹ 200 per head per day and to submit bills for every calendar month, duly certified by the Master of the vessel, to DSS for payment.

Audit scrutiny revealed that the crew of M.V. Nancowry and M.V. Swaraj Dweep had stopped receiving victuals from the contractors and started self messing from 1 March 2008 and 4 September 2008 onwards respectively as the quality of provisions supplied was unfit for human consumption. The matter was intimated to DSS through the Masters of the ships concerned and was also confirmed by the contractors in the bills submitted for officers/petty⁸ officers.

The contractors submitted (April- May 2009) bills for ₹ 58.43 lakh to DSS in respect of supply of victuals for the crew of the vessels M.V. Nancowry⁹ and

⁷ Food or provisions.

⁸ A rank of non-commissioned officer in the Navy, above leading seaman or seaman and below Chief petty officer.

⁹ For the period from 1st March 2008 to 28th February 2009.

M.V. Swaraj Dweep¹⁰. These claims were supported by the contractors with the attendance list of crew of the vessels concerned but were not duly authenticated by the Messing Certificates that were necessary as per Clause 43 of the agreements. The bills for ₹ 58.43 lakh were accepted and paid by the DSS between May and July 2009 despite the fact that the crew had self messed during the periods of the claims. The same had also been intimated to DSS by the crew-members of M.V.Nancowry in April 2009, i.e. before the bills of the contractors were passed for payment (May/July 2009). Such irregular payment extension thus amounted to showing undue favour to contractors.

At the instance of audit, the Andaman and Nicobar Administration (Administration) asked DSS (July 2012) to recover the entire payment from the contractors and fix responsibility against the officials responsible for such lapse.

In the four months since the issue was scrutinized and raised by Audit, DSS had recovered ₹ 33.76 lakhs from the contractors (i.e. till November 2012), which had remained pending for over 39 months from May 2009¹¹.

The Ministry accepted (April 2013) the observation and the fact that their were lapses on the part of officials in releasing payment to contractors, further stating that action on fixing responsibility was being initiated.

Lakshadweep Administration

14.7 Failure to procure Landing Barges resulted in wasteful expenditure of ₹ 12.21 crore

Failure of the UTL Administration in timely renewal of Bank Guarantees as per contract clause, resulted in non-recovery of the amount of ₹ 12.21 crore from supplier.

The Government of India, Ministry of Shipping, accorded sanction (April 2007) to Union Territory of Lakshadweep, (UTL) Administration for acquisition of six 200 Passenger capacity landing barges¹² at a cost of ₹ 51.06 crore for each of the six¹³ islands. The objective of procurement of barges was to minimize the risks and ease the passenger embarkation and disembarkation which was being done through small boats from the ship to the shore.

¹⁰ For the period from 4th September 2008 to 28th February 2009.

¹¹ Date of payment to the contractors

¹² Hull No. 165 to 170

¹³ Agatti, Amini, Androth, Kadamat, Kavaratti and Minicoy

UTL Administration signed (November 2007) a ship building contracts with M/s. Vipul Shipyards Pvt. Ltd, Goa for construction and supply of six barges. As per the contract the UTL Administration made stage payments in seven installments to the supplier against bank guarantees (BGs) for equivalent amounts, valid till the date of delivery. The 3rd installment was to be paid on account of 100 *per cent* hull fabrication. As per the inspection clause of the contract, the buyer/or buyer's supervisors had the right to attend to such test and inspection relating to the vessels, to monitor and inspect the construction and workman ship, if considered necessary.

Earlier in March 2006, the UTL Administration also entered into an agreement with the Shipping Corporation of India (SCI) to provide managerial services for assisting the UTL Administration in ordering the barges, approval of plans and drawings, supervision and inspection of the construction of the barges at a selected Shipyard until the delivery and acceptance of the barges.

The construction of the first and second barge¹⁴ was scheduled to start in January 2008 and delivered in October 2008 and November 2008. Accordingly stage payments¹⁵ amounting to ₹ 12.21 crore were released for the construction of the two barges, based on certification by SCI against bank guarantees for an equal amount valid till 25 November 2010 and 28 January 2011.

Audit noted that the UTL Administration sought exemptions from Director General of Shipping (DGS) to provide forward mast¹⁶ (March 2010) on the barges, davits for the life rafts (June 2010), Simplified Voyage Data Recorder (SVDR) and Long Range Identification and Tracking (LRIT) (October 2010), and to provide sewage tank for minimum one day capacity (August 2010), as these specifications were not included in the approved design.

As the supplier did not supply the barge within schedule time, the UTL Administration deputed its representative twice (November 2010 and February

¹⁴ Hull No. 165 and Hull No. 166

¹⁵

Installments	Hull No 165 Amount in lakh	Release of installment	Hull No. 166 Amount in lakh	Release of installment
First (15%)	126.60	15.03.2008	126.60	10.09.2008
Second (15%)	126.60	10.09.2008	126.60	10.09.2008
Third (15%)	126.60	30.12.2008	126.60	20.11.2008
Fourth (20%)	168.80	30.12.2008	168.00	30.12.2008
Fifth (15%)			126.00	06.05.2010
Total	548.60		671.80	

¹⁶ A spar or structure rising above the hull and upper portions of a ship to hold sails, spars, rigging etc.

2011) for inspection. Subsequently, it also deputed a team¹⁷ (July 2011) comprising of its officials and the representatives of the SCI to report the progress of the construction of the barges at the shipyard. While both the representatives pointed out slow progress of the work, the team reported significant deviations/revisions from the approved specification, discrepancies in various parameters i.e. length of draft, weight of vessel, speed of vessel, etc,. The team unanimously viewed that these barges could not be accepted by the UTL Administration in its present shape as it was not likely to serve the purpose, for which it was intended. Accordingly the UTL Administration issued notice rejecting the barges and rescinded the contract with the supplier (January 2012). Since the validity of the bank guarantees was not renewed, the UTL Administration directed (January 2012) the supplier to refund the entire amount with penal interest at the rate of 12 *per cent per annum*.

Audit noted that the UTL Administration had made payment to the supplier on the basis of certificate given by SCI. No effort was made by UTL Administration to assess the factual position on the ground, until November 2010. Audit further noticed that despite delay in delivery the UTL Administration failed to get the bank guarantees renewed for protecting Government interest.

The matter was referred to the Ministry of Home Affairs (August 2012). In their reply, the Ministry stated (November 2012) that UTL Administration had taken up the matter with both SCI and the Shipyard, not to deviate from the approved design/specification. All the stage payments were also made as per the certificate given by SCI in accordance with the terms and condition of the contract. Ministry, further, added that UTL Administration had also entered into timely correspondence with the SCI for renewal of all the BGs.

The Ministry's reply does not explain following accountability issues:

- Although the Ministry took up the matter regarding revalidation of BGs with SCI, the agreement did not bind SCI through a contract clause with the responsibility of keeping the BGs and getting them revalidated/renewed till delivery of vessels.
- The statement the UTL Administration did not make any modification in the original design is not correct as based on the request of SCI/supplier, the UTL Administration claimed exemption/modification from DGS in

¹⁷ Engineering Superintendent (September 2010), Retired CMD of Goa Shipyard (March 2011), Team (July 2011)

the original design. The barges which were initially intended to bring the passengers from the ship to the shore in each of the islands were actually constructed as sea going vessel.

- There were no independent checks applied by UTL Administration to ensure that SCI was carrying out adequate supervision.

The fact remains that an amount of ₹ 12.21 crore paid to the firm was rendered unfruitful for the last three 5 years, as UTL failed to protect this amount by not ensuring timely renewal of Bank Guarantees.

14.8 Non-commissioning of Radar Transponders

Failure to obtain Wireless Operating Licence (WOL) from Department of Telecommunication (DoT) resulted in non-commissioning of Radar Transponders valuing ₹ 1.52 crore despite incurring ₹ 1.17 crore towards royalty/spectrum charges.

The Union Territory of Lakshadweep (UTL) Administration uses helicopters as medical ambulance to evacuate critically ill patients from various islands of Lakshadweep to the main land (Kochi) for urgent and specialized medical treatment. In order to enhance to air safety of the helicopters and ensure navigational support for helicopter pilots in locating the islands/destination even in turbulent weather conditions, UTL sanctioned (July 2005) ₹ 1.52 crore for procurement of five Radar Transponders for the five islands¹⁸. The Airports Authority of India (AAI) was entrusted with the procurement of Transponders by UTL without entering into any formal agreement.

Airport Authority of India (AAI) in September 2006 and the Department of Telecommunications (DoT), Ministry of Communications (MoC) in May 2007 clarified to UTL that the Transponders could be commissioned for operation only after obtaining a Wireless Operating Licence (WOL) from the DoT. The pre-conditions for grant of WOL were site clearance and advance payment of licence fee and spectrum charges, calculated from the date of issue of DoT's decision letter. It was therefore, imperative on the part of UTL to ensure that WOL was obtained in time.

It was further noted that DoT's decision to grant WOL was communicated to UTL on 21 May 2007, with the direction to pay licence fee of 5000/- and Spectrum charges of ₹ 36.00 lakh per year and to take immediate action for site clearance and procurement of equipment. By that time procurement was

¹⁸ Bitra, Chetalatgh Kavaratti, Kiltan and Minicoy

already under way through AAI. All the five transponders were received in May 2008 and were installed between August 2008 and May 2009. The equipment were made ready for operation between March 2009 and May 2009. It was, however, seen that the application for site clearance was made almost after a year i.e. in September 2009 and the application for issue of WOL was submitted simultaneously along with the demand draft of ₹ 36.05 lakh payable for one year from 21 May 2007. In the mean time, DoT raised (15 October 2009) another demand of ₹ 92.06 lakh for spectrum charges and licence fee for the period 01 April 2008 to 31 March 2010, against which the UTL paid ₹ 80.66 lakh in May 2010, excluding late fee for 2009-10. Thus, UTL paid spectrum charges of ₹ 1.17 crore from May 2007 to May 2010 to the DoT.

Audit observed that due to non-receipt of WOL for over four years since August 2008, the transponders could not be operationalized and expenditure of ₹ 1.17 crore was rendered unfruitful. The transponders worth ₹ 1.52 crore also remained idle and their warranty period expired in July 2009.

The Ministry of Home Affairs admitted (March 2013) the above facts stating that though the Directorate of Port, Shipping and Aviation had constantly followed up with the Ministry of Telecommunications for issue of licence, it was not been received. The Ministry further added that they had deployed staff to the DoT to liaise in the matter.

Thus even after paying Spectrum charges of ₹ 1.17 crore, the Department failed to ensure air safety of the helicopters by providing navigational support to pilots as intended. Not only was this amount rendered unfruitful, the equipment worth ₹ 1.52 crore was also lying idle with expired warranty.

UT Chandigarh Administration

14.9 Loss of revenue

CTU suffered a loss of revenue of ₹ 58.97 lakh for initially not operating the 20 newly purchased A.C. buses and later operating them on local routes instead of on long routes for which they were structurally designed.

The Chandigarh Transport Undertaking (CTU) sent (September 2009) a proposal to the Chandigarh Administration for purchase of 20 ordinary A.C. buses against condemned ordinary long route buses. The need for replacement of ordinary buses with A.C buses was felt in order to compete with the long route A.C. buses plying in Punjab area with only 10 *per cent* extra fare.

Chandigarh Administration accorded (22 February 2010) approval for purchase of 20 chassis (ordinary District type A.C.) at a cost of ₹ 3.06 crore. The chassis received during September-October 2010 were fabricated¹⁹ as per norms for long route buses at the cost of ₹ 2.87 crore. These buses were passed by the State Transport Authority (STA) during January 2011 to March 2011.

After passing of these buses by the State Transport Authority (STA), a few buses were put on road for local operation on 27th and 28th January 2011. During the local operation, certain structural problems as detailed below were noted because the buses were designed for long route.

- These buses were fabricated as per norms meant for District Type buses. The dimensions i.e length, height and doors of these buses were different than the local buses.
- The height of these buses was one and half feet more than the existing local buses.
- The doors were very small which were not conducive to local operation. Moreover, there were no handle bars fitted to support the standing commuters in the bus. The height of the foot board of bus for disembarking and embarking the passengers was much higher as compared to the low floor local buses causing inconvenience to the children, senior citizens and disabled persons.
- Driver cabin was present in the bus which caused great hurdle for the driver to see the rear view of the bus while parking and driving the bus.

Audit noted that after observing the structural problems (January 2011) these buses were not put on the road averaging 57 days during the period February and March 2011, which led to non-realization of revenue of ₹ 49.22 lakh **(Annex-13)**.

Audit further noted that the CTU operated (April 2011) 13 buses on local routes for periods averaging 23 days despite the fact that these were fabricated for long route. Meanwhile, the Director Transport requested (5 April 2011) Chandigarh Administration for allowing operations of these AC buses on long routes. The Chandigarh Administration directed (15 April 2011) CTU to put these buses to strengthen the transport facilities in sub-urban areas so that the technical problems were taken care of. Accordingly, these 20 buses were put

¹⁹ District type buses were fabricated as per norms meant for long route buses viz, length, height, doors and interiors are different from local route buses.

on sub urban routes from 28 April 2011 onwards. Since the local routes buses were earning less revenue in comparison to long routes buses, Audit examination revealed that by operating these buses on local routes instead of on long route, there was short realization of ₹ 9.74 lakh (**Annex-13**). Finally in February 2012, the Chandigarh Administration allowed to operate these buses on long routes.

On being pointed out in Audit, the Management stated (August 2012) that the AC buses could not be plied on the long routes due to increase in the population of Tri City²⁰ manifold resulting in increase in demand for bus services. The reply was silent on non-operation of buses for 57 days after passing by the STA. Further, the reply is not convincing as Chandigarh Administration were well aware of the demand on the local routes while purchasing/fabricating the AC buses for long routes. Also, the Director Transport who was in charge of the day to day management of the operations of CTU, had clearly intimated (April 2011) Chandigarh Administration that there were already sufficient buses on local routes and demand for plying these buses on long routes existed.

Thus, adhoc decisions based on poor planning on the part of Chandigarh Administration for initially keeping A.C. buses grounded and later not operating them on long routes for which permit was available, resulted in potential loss of revenue of ₹ 58.97 lakh to the public exchequer.

The matter was referred to the Ministry in March 2013; their reply was awaited as of May 2013.

14.10 Misappropriation of Government money

Non-remittance of cash in the treasury received from the cash counters of the Registering and Licensing Authority of UT Chandigarh, resulted in misappropriation of Government money of ₹ 25.68 lakh.

Rule 13 (ii) of the Central Government Account (Receipts and payments) Rules 1983 provides that all monetary transactions should be entered in the cash book as soon as they occur and attested by the Head of the office in token of check. Further, Rule 7 (i) subject to sub-rule (2) provides that all moneys received by or tendered to Government Officers on account of the revenues of the Government shall, without undue delay be paid in full into the treasury and shall be included in the accounts of the Government. During the audit of cash

²⁰ Cities of Mohali, Chandigarh and Panchkula are termed as Tri-city

counter receipts with day book, day book with cash book and cash book with treasury challan of the Registering and Licensing Authority (RLA), U.T. Chandigarh (December 2011), revealed that RLA received an amount of ₹ 23.91 lakh²¹ at its different cash counters towards the registration fee of motor vehicles and issue of Driving Licenses between September 2010 and March 2011, which was neither entered in the day book/cash book nor remitted in the treasury. The entire amount as shown in **Annex-14** was misappropriated by the cashiers.

Further scrutiny of records of RLA also revealed that out of ₹ 15.91 lakh received in cash towards the registration fees of motor vehicles between May 2010 and March 2011, only ₹ 14.14 lakh were entered in the day book/cash book and remitted in the treasury. The remaining amount of ₹ 1.77 lakh²² was neither entered in the day book/cash book nor remitted in the treasury as shown in **Annex-15**. Thus in this case also there was misappropriation of the government money of ₹ 25.68 lakh.

Audit noted that the nodal officer (DDO) did not discharge his prescribed duty i.e. non reconciliation of receipts from base to treasury level (cash counter receipts with day book, day book with cash book and cash book with treasury challan), which resulted in misappropriation of government money.

In reply to a audit query, the Registering and Licensing Authority intimated (August 2012) that misappropriated amount had not been recovered and final outcome of the case would be intimated shortly.

The matter was reported to Finance secretary, Home Secretary and Deputy Commissioner of UT, Chandigarh (January 2012, November 2012 and March 2013); their reply was awaited as of April 2013.

Chandigarh Administration-Police Department

14.11 Non-recovery of charges for deployment of police force

Non-compliance of rules for providing police force to Punjab Cricket Association (PCA) and Kings XI, Punjab, resulted in non-recovery of ₹ 8.92 crore by UT Administration, Chandigarh

As per Punjab Police Rules 1934 (applicable to UT, Chandigarh), additional police applied for by private persons, corporate bodies, or commercial

²¹ ₹ 23,41,705/- Registration Fee and ₹ 49,345/- Driving License Fee

²² ₹ 15,91,120/- minus ₹ 14,14,185/-

companies, shall be supplied at the discretion of the Superintendent, subject to the general directions of the Magistrate of the district. Further as per Rules, additional police may not be given without the payment in full and in advance.

The Union Territory Chandigarh provided the police forces for security purpose to the private parties i.e. Nationalized Bank, Punjab Cricket Association Mohali and Indian Premier League Team-King XI Punjab on payment basis.

Audit scrutiny of records of the office of Inspector General of Police, U.T. Administration, Chandigarh revealed that on request of Punjab Cricket Association (PCA), Mohali and Kings XI Punjab (IPL Team), the UT Administration Chandigarh (IG Police) provided police forces for security of various teams participating in the World Cup (2011) and IPL cricket matches in 2010, 2011 and 2012. Audit further noted that the forces were provided without receiving full payment of ₹ 8.92 crore in advance (**Annex-16**). In five cases, the UT Administration had raised even the bills after the completion of the event. In case of nationalized banks, the payments were received from time to time.

On being pointed out by Audit (December 2011), the Inspector General of Police UT Administration Chandigarh intimated (July 2012) that they had already raised the bills to concerned authorities for the recovery of amount of police force provided for security of cricket teams. The reply is not acceptable as the UT Administration did not adhere to the provisions of the Rules, which stipulated that additional police may not be given without payment receiving in full in advance from the private parties.

Notwithstanding the matter being pointed out by Audit (November 2011), the UT Administration continued to provide the police force without raising the bill in advance to private parties during March 2012 to May 2012, the bill for which was raised in July 2012. Further no effective measures had been taken by the UT Administration to recover the long outstanding amounts (November 2009 onwards) from the private parties. This resulted in Government receipts amounting to ₹ 8.92 crore, remaining unreleased.

The matter was referred to the Ministry of Home Affairs in August 2012; their reply was awaited as of April 2013.

**Chandigarh Building & Other Construction Workers Welfare Board,
Chandigarh**

**14.12 Non-achievement of objectives due to non-utilization of cess of
₹ 28.04 crore collected for welfare of construction workers**

Due to non-implementation of welfare schemes for the benefit of building and other construction workers', cess of ₹ 28.04 crore collected from Government, public sector undertakings and others remained unutilized.

Introduction

Government of India (GOI) enacted (August 1996) the “Building and Other Construction Workers’ (Regulation of Employment and Conditions of Service) Act, 1996” for constitution of a Welfare Board in each State undertake social security schemes. The GOI also enacted “Building and Other Construction Workers’ Welfare Cess Act, 1996” which stipulated that rule making power under the Act vests only with the GOI. To augment the resources of the Board, section 3 of the Cess Act as amended in September 1996 provided for levy of cess at the rate of one *per cent* of the total cost of construction on the employer. At least in five Audit Reports of the Comptroller and Audit General in respect of State Government²³, irregularities in implementation of welfare schemes for the benefit of building and other construction workers’ cess were mentioned.

For the safety, health and welfare of the workers, the Union Territory Administration Chandigarh, vide notification dated 18th July 2008, constituted the “Chandigarh Building & Other Construction Workers’ Welfare Board (Board), Chandigarh”. Further, Chandigarh Administration, Labour Department, vide notification of 17 September 2009 framed “Chandigarh Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2009 and imposed (September 2009) cess at the rate of one *per cent* in accordance with the requirements of the Cess Act.

Creation of Funds and its objectives:

Rule 268 of the Chandigarh Building & Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2009 stipulated that the Board as soon as may be after the coming into force of these rules, constitute a fund by the name “The Chandigarh building and other

²³ HP-Para 3.1 of Report No 1 of 2012, J&K – Para 2.4 of Report No 1 of 2013, Haryana-Para 2.1 of report No 3 of 2013, Delhi-Para 3.4 of Report No 2 of 2013 and Punjab-Para 3.3 of Report No. 3 of 2013,

construction workers' Welfare fund" and it shall be inter alia credited with the proceeds of the cess collected under the Building and Other Construction Workers Welfare Cess Act, 1996. The funds so collected were required to be spent for the welfare of building and other construction workers on schemes like pension benefits, assistance in case of accident, loans for construction of house, insurance Scheme, financial assistance for education of children, medical assistance, maternity assistance etc. Construction workers between the age group of 18 and 60 years, were to register themselves with Board to become eligible for availing the benefits under such schemes.

Resources of the Board:

The cess collected under the Cess Act, registration fee from employers and workers and monthly subscription from the workers were the main sources of funds of the Board. The fund was required to be applied by the Board for meeting the expenses on welfare schemes of workers, salaries, allowances and other remunerations of the members, officers and other employees and other administrative expenses, etc, of the Board. The year-wise position of funds received, and expenditure incurred during the years 2010-11, 2011-12 and 2012-13 in indicated in Table below:

(₹ in lakh)

Particular	2010-11	2011-12	2012-13	Total
Receipts	746.60	976.67	1166.81	2890.08
Expenditure				
Welfare scheme	27.04	11.72	24.03	62.79
Other expenditure	4.99	6.06	12.02	23.07
Total expenditure	32.03	17.78	36.05	85.86
Utilization percentage	4.29	1.82	3.49	
Unutilized amount				2804.22

(a) As revealed from the above table, the percentage utilization of funds ranged between 1.82 and 4.29 only during the years 2010-11, 2011-12 and 2012-13.

(b) The Board received an amount of ₹ 28.90 crore during the period 2009-13 (upto 31 March 2013) from different Government Departments, public sector undertakings and private contractors as proceeds of labour cess. Of this ₹ 62.79 lakh i.e. only 2.17 *per cent* was utilized on the welfare

schemes/measures and ₹ 23.07 lakh on administrative expenses during the above period. It was further observed that major portion of the expenditure of ₹ 62.79 lakh incurred on welfare schemes was one time expense on purchase of ambulance van and mobile dispensary and distribution of blankets and pressure cookers. The balance amount of ₹ 28.04 crore (excluding interest earned on the investment of fund during the same period) was lying unutilized.

Deficiencies in implementation of schemes:

Audit scrutiny of the records of the implementing agencies noticed the following deficiencies;

- The Board had not conducted any survey to find out the actual number of building and other construction workers working in the Chandigarh.
- Only 12 of 9768 workers (member) registered (upto 31-3-2013) got benefit of ₹ 3.32 lakh under the death/accident/funeral assistance.
- Only two workers got benefit of ₹ 0.10 lakh under the maternity benefit scheme.
- Only two workers got benefit of ₹ 0.26 lakh under the Kanyadan scheme.
- Out of 9768 members only 24 workers were getting monthly pension and total amount paid was ₹ 1.04 lakh upto 31-3-2013.

Thus, release of a meager amount of ₹ 5.12 lakh was unlikely to fulfill the objective of benefiting the workers through the welfare schemes.

Board while accepting that no survey had been conducted to find actual number of workers, further stated (December 2012) that it will be the endeavor of the Board to provide more benefit to building workers so as to utilize the maximum labour cess for the welfare of the building and other construction workers.

The matter was reported to the U.T. Administration (August 2012) and also to Government of India (February 2013); their reply was awaited as of April 2013.