

## CHAPTER XIX : UNION TERRITORIES

### Andaman and Nicobar Administration Secretariat

#### 19.1 Irregular drawal of ₹ 24.00 crore

**Capital Plan fund of ₹ 24.00 crore was drawn and kept outside the Government Account since March 2013 in gross violation of Rule 56 (1) of General Financial Rules.**

Andaman and Nicobar Administration (Administration) entered (March 2012) into an agreement with Bharati Shipyard Ltd., Mumbai (Shipyard) for construction of one 500 passenger cum 150 Tonne cargo vessel. The vessel was to be delivered by September 2014.

In terms of the agreement, the payment was to be made in eight instalments. The third stage payment was to be made to the Shipyard on production of documentary evidence including stage certificate issued by the Surveyor of Classification Society and the stage completion certificate issued by the Shipping Corporation of India<sup>1</sup> (SCI).

Records revealed that the first two stages were completed and the payments for the same were released by the Administration. However, it was observed that the SCI expressed (February 2013) its inability to certify the third stage as the Shipyard was unable to produce all relevant documents in line with the Shipbuilding contract.

An allocated amount of ₹ 24.50 crore for third stage payment could not be paid to the Shipyard within financial year 2012-13 in the absence of the certification from SCI and was lying with the Administration under Plan Scheme (March 2013). The anticipated savings of grants or appropriation was required to be surrendered to the Ministry of Finance (MoF) before the close of the financial year, as prescribed under Rule 56 (1) of General Financial Rules (GFR). As per records, the Principal Secretary, Shipping, held SCI responsible (25 March 2013) for the delay in certification towards completion of the third stage. He further proposed to withdraw ₹ 24.00 crore from the funds available and place the same with Andaman and Nicobar Islands Integrated Development

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<sup>1</sup> The consultant for the Administration

Corporation (ANIIDCO), in order to enable the Administration to release the third stage payment to the Shipyard immediately on receipt of certification from SCI.

The proposal was approved (26 March 2013) by Hon'ble Lieutenant Governor, subject to the condition that the expenditure should be as per the GFR norms.

The sanction order for withdrawal of ₹ 24.00 crore and depositing the same with ANIIDCO was issued citing Rule 75 (1) of Compendium of Advances incorporated under the GFR 2005, which was irrelevant in this case since setting aside of fund with ANIIDCO had nothing to do with 'Advances to Government servants and others for special departmental purposes'. In fact ₹ 24.00 crore was withdrawn and forwarded to ANIIDCO to be kept in a fixed deposit in violation of GFR. As of February 2014, the fund was lying in a fixed deposit account of ANIIDCO in State Bank of India.

Thus, irregular drawal of Capital Plan Fund, in gross violation of Rule 56 (1) of GFR, resulted in ₹ 24.00 crore remaining outside the Government Account since March 2013.

The matter was reported to the Ministry/Department in November 2013. The Department did not offer any comments. Reply of the Ministry was awaited (May 2014).

## **Electricity Department**

### **19.2 Avoidable expenditure**

**Injudicious decision to procure three new DG sets without assessing existing power generation capacity coupled with unrealistic projection of demand of power, led to avoidable expenditure of ₹ 8.08 crore and idling of old DG sets for a period ranging from 33 to 52 months.**

The Little Andaman subdivision, Electricity Department, Andaman and Nicobar Administration (Administration) had power generation capacity of 2.08 megawatt (MW)<sup>2</sup> from one 1000 KVA<sup>3</sup> and five 320 KVA Diesel Generator (DG) sets prior to Tsunami (December 2004). Further, two 1000 KVA DG sets were under installation and one 320 KVA DG set

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<sup>2</sup> { (5 X 320 KVA + 1 X 1000 KVA) X 0.8 power factor } / 1000 = 2.08 MW

<sup>3</sup> Kilo Volt Ampere

was under repair (December 2004). The Tsunami on December 2004 caused damage to all the DG sets.

Records revealed that three 320 KVA and one 1000 KVA DG sets were repaired and were installed in July 2005. Further, the matter of repairing two of the 1000 KVA DG sets (which were under installation) was taken up with the Original Equipment Manufacturer (OEM) under “Complete Recon Exchange” Scheme in January 2005. The proposal was approved April-May 2005 by the Administration and consequently, an agreement was entered (August 2005) into with the OEM. Records revealed that both the 1000 KVA DG sets were installed in December 2007. Thus, the power generation capacity of Little Andaman was restored to 1.57<sup>4</sup> MW and 3.17<sup>5</sup> MW by July 2005 and December 2007 respectively.

Meanwhile, a high power team of Ministry of Power (MoP) and Central Electricity Authority (CEA) visited (January 2005) Andaman and Nicobar Islands (ANI) and entrusted National Thermal Power Corporation (NTPC) to revive and restore power generation system. It was decided that 15 DG sets having a capacity of 12.75 MW may be installed in all Tsunami affected islands viz. Katchal Island, Rangat Bay, Car Nicobar and Little Andaman. Of these, three new one MW DG sets were approved for Little Andaman after CEA and MoP projected future power demand of three MW. Accordingly, order for installation and commissioning of three one MW (1250 KVA) DG sets was placed in March 2006 and the Electricity Department paid ₹ 8.08 crore to NTPC between June 2006 and December 2006 under Tsunami Rehabilitation Programme (TRP). The new DG sets were installed and commissioned (July 2010) in a newly constructed power house after a delay of four years due to delay in construction of the new powerhouse and disruption of ship movement caused by adverse climatic condition. The existing DG sets were either shifted to other locations between May 2009 and June 2013 to avoid idling or were kept idle at the old power house.

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<sup>4</sup>  $\{(1 \times 1000 \text{ KVA} + 3 \times 320 \text{ KVA}) \times 0.8 \text{ power factor}\} / 1000 = 1.57 \text{ MW}$

<sup>5</sup>  $\{(3 \times 1000 \text{ KVA} + 3 \times 320 \text{ KVA}) \times 0.8 \text{ power factor}\} / 1000 = 3.17 \text{ MW}$

Audit scrutiny revealed (August 2013) that against the projected future demand of three MW for the Little Andaman subdivision, the peak demand recorded till July 2013 was 1.83 MW.

Thus, injudicious decision to procure three new one MW DG sets without assessing existing power generation capacity coupled with unrealistic projection of demand of power, led to avoidable expenditure of ₹ 8.08 crore and idling of old DG sets for a period ranging from 33 to 52 months (January 2014).

The Department stated (January 2014) that the procurement of three new DG sets was not justified but the same could not be foreseen at that time. The reply was contrary to the fact that the approval for “Complete Recon Exchange” Scheme was approved by the Administration in April-May 2005 and the agreement for the same was entered into with the OEM in August 2005 whereas the order for the new DG sets was placed in March 2006. Thus, the Department was well aware of the fact that power generation capacity would be restored to 3.17 MW on reconditioning of the old DG sets.

The matter was reported to the Ministry in November 2013; their reply was awaited (May 2014).

## **Directorate of Shipping Services**

### **19.3 Unfruitful expenditure of ₹ 7.50 crore**

**A vessel, which was procured way back in 1997 and was to become available to passengers in 1999, was utilised to a limited extent between 2006 and 2008. Expenditure of ₹ 7.50 crore spent on its acquisition was largely unfruitful as the vessel was lying idle since 2008 and the purpose for which it was acquired stood defeated.**

With a view to augment the number of cargo vessels due to rapid growth in cargo traffic, Andaman and Nicobar Administration (Administration) proposed to acquire a 400 ton cargo vessel. The Ministry of Surface Transport approved (March 1997) the acquisition from M/s Shalimar Works Limited (Builder).

Administration entered (June 1997) into a contract with the Builder for construction and delivery of the cargo vessel, M V Chuglam (Vessel). The vessel was to be delivered in February 1999. The vessel was

delivered at Port Blair in August 2006 i.e. after a delay of more than seven years.

Certain defects were noticed (August 2006) by Directorate of Shipping Services (DSS) during inspection and sea trial of the vessel. However, DSS took over (October 2006) the vessel to avoid idling with the condition that the Builder would rectify all the defects and revalidate the certificates. Audit noted that the vessel made only two voyages on 02 December 2006 and 07 February 2007 before it was laid up for guarantee defect rectification and revalidation of certificates. The defects were rectified and on completion of certification formalities, the vessel was made operational in November 2007.

Audit noted that the vessel made only 14 voyages during the period from 2006 to 2008 and after September 2008, the vessel did not perform any voyage, due to following reasons;

- Non-rectification of various guarantee defects and expiry of certain statutory certificates.
- Non-implementation of ISM Code<sup>6</sup>.
- Non-availability of qualified manpower to man the engineering department of the vessel.
- Non-availability of designated officers for implementation of ISM.

Audit further noted that the Administration did not form a committee to determine the amount of Liquidated Damages (LD) for the delayed supply of vessel.

In their reply, the DSS stated (July 2013) that various measures were initiated to resolve the shortcomings such as revalidation of statutory certificate with IRS surveyor, organisation of manning problem, training at Dr. B. R. Ambedkar Institute of Technology, Port Blair and for deficiencies of technical management a proposal for outsourcing was initiated in May 2012. Moreover, the SCI also approached for manning and technical management and requested to offer their willingness along with terms of the contract. The SCI had submitted the budget

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<sup>6</sup> ISM Code: International Safety Management Code means the International Management Code for the safe operation of Ships and for pollution prevention

estimate of ₹ 119.62 lakh per month, whereas the rate quoted by L1 in the floated tender was ₹ 9.90 lakh only. The matter was again referred to Administration for a suitable decision.

The reply does not explain the reasons for not outsourcing the manning and technical management of the vessel, as was being done in cases of several other passenger vessels, for long period (from September 2008 to October 2013). Audit noted that as per the tender documents specification, for delayed supply of vessel, the maximum ceiling of levying of LD charges was five *per cent*, however, while framing the agreement the ceiling of five *per cent* for levy of LD was omitted. Later on it was decided that a committee may be formed to go into the entire issue and suggest solution which could be followed by all shipyards and owners. The amount of LD for delayed supply of vessel, however, could not be finalised in absence of formation of the committee, by the Administration.

No concrete efforts were made by DSS to make the vessel operational and thus a vessel, which was procured way back in 1997 at a cost of ₹ 7.50 crore could be utilised to a limited extent between 2006 and 2008, rendering the expenditure unfruitful. Vessel was lying idle since 2008 and the purpose for which it was acquired stood defeated.

The matter was reported to the Ministry in October 2013; their reply was awaited (May 2014).

## **Directorate of Health Services**

### **19.4 Unfruitful expenditure**

**Lack of planning coupled with hasty decision of the Administration to install a decompression chamber without any feasibility study resulted in unfruitful expenditure of ₹ 77.15 lakh.**

Planning Commission, Government of India sanctioned (December 2005) an amount of ₹ 50.00 lakh under Tsunami Rehabilitation Programme (TRP) for installation of a Decompression Chamber<sup>7</sup> (Chamber), for promoting deep sea diving spots in Andaman Sea. The

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<sup>7</sup> A chamber in which the pressure of the air can be varied slowly for returning people from abnormal pressures to atmospheric pressure without inducing decompression sickness especially to readjust divers to normal atmospheric pressures.



Director (Tourism) proposed (September 2006) to install the Chamber at G. B. Pant Hospital, Port Blair (Hospital) but no action was taken at that time as the SCUBA<sup>8</sup> diving centres were located at far off locations like Wandoor and Havelock. An Expression of Interest was invited (January 2008) by the Director (Tourism) to set up the Chamber under Public Private Partnership. However, no response was received. Thereafter, the Department of Tourism decided (August 2009) to combine the project with Renovation, Operation, Maintenance and Transfer (ROMT) of SCUBA dive centre at Wandoor and accordingly, Request For Proposal (RFP) was invited. However, this time also no proposal was received (November 2009). Consequently, the Administration had to revert (December 2009) to the old proposal of installation of the Chamber at the Hospital by delinking the same from the project of ROMT. It was also decided (March 2010) that the Directorate of Health Services (DHS) should process the matter. Records revealed that after cancellation of the initial tender notice (August 2010), quotations were re-invited (August-September 2010) by DHS for installation of the chamber. Supply order was issued (March 2011) to the lowest bidder M/s Bengal Animate Inc., Kolkata (Firm) at a cost of ₹ 77.15 lakh.

The Firm supplied and installed (December 2011) the chamber at the hospital and ₹ 77.15 lakh was released (January 2012) to the Firm.

Immediately after the installation of the chamber, the Firm informed (December 2011) that steady supply of oxygen was required for effective operation of the Chamber and pointed out that the oxygen supply available at the Hospital was insufficient. The same was corroborated (March 2012) by the statement of a medical specialist of the Hospital wherein it was mentioned that the Chamber required large amount of oxygen supply for treating a patient and the same was not available at the Hospital. It was further emphasized that specialised training was to be provided on the operational aspect of the Chamber for patient safety as the therapy was not without danger.

Records revealed that on installation of the Chamber, DHS floated a tender (December 2012) for supply and installation of Medical Compressed Air System for the Chamber. The same subsequently stood cancelled as of March 2013. It was observed that the DHS

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<sup>8</sup> Self Contained Underwater Breathing Apparatus.

proposed (June 2013) that the Chamber may be shifted to Indian Navy, A & N Command. However, the proposal was not agreed upon by the Department of Tourism as the Chamber was useful not only for treating diving complications but it could also be used for treatment of burns, gangrene, non-healing wounds, carbon monoxide poisoning etc., thereby giving treatment to larger section of general public who visit the Hospital with different ailments. But the fact remains that the issues of supply of oxygen and specialised training for proper operation of the Chamber, was yet to be addressed (December 2013).

The Administration accepted the audit observation and stated (November 2013) that no feasibility study was conducted for installation of the Chamber. It also stated that the DHS would invite tenders for outsourcing operation and maintenance of the Chamber.

Thus, lack of planning coupled with hasty decision of the Administration to install a decompression chamber without any feasibility study resulted in unfruitful expenditure of ₹ 77.15 lakh as the same was lying idle for two years since its installation, the period for which warranty was applicable. Further, the primary purpose of providing a life saving measure for the SCUBA divers was not fulfilled.

The matter was reported to the Ministry in October 2013; their reply was awaited (May 2014).

### **Chandigarh Administration, Chandigarh Housing Board**

#### **19.5 Irregular retention of conversion fee by Chandigarh Housing Board**

**Chandigarh Housing Board did not deposit the interest earned on the funds of Chandigarh Estate Office amounting to ₹ 5.60 crore and kept it in their accounts irregularly. Also the interest amount was not invested in Fixed Deposit Receipts which resulted into loss of revenue to the tune of ₹ 1.80 crore.**

The Chandigarh Housing Board (CHB) was nominated as the nodal agency of a scheme<sup>9</sup> and remained so up to 13 June 2008. Thereafter, the role of nodal agency was entrusted to the Estate Office, UT Chandigarh. As per the Scheme, conversion fees received from the plot holders (applicants) for conversion of land use of industrial activity to commercial activity were to be kept in a separate account and funds so accumulated were not to be counted as income of the Agency. The

<sup>9</sup> Scheme-Chandigarh Conversion of Land Use of Industrial Sites into Commercial activities/services in Industrial Area Phase I & II, Chandigarh Scheme 2005



funds along with interest accruing thereupon were to be kept as 'special funds' to be utilized in accordance with the rules to be framed with the approval of the Government of India.

Audit noted (May 2013) that the Agency collected (up to 13 June 2008) ₹ 166.46 crore as conversion fee. Out of this an amount of ₹ 5.16 crore was refunded to the applicants whose applications were either rejected or withdrawn by them subsequently. Further, the CHB deposited ₹ 118.04 crore in Government Treasury and transferred a further amount of ₹ 43.26 crore to the Estate Office (July 2008) on them being notified as nodal agency.

Audit scrutiny of the records revealed that the CHB kept the conversion fee during the years 2006-2008 in various banks in the shape of FDRs before depositing it into the treasury. On these FDRs, CHB earned interest to the tune of ₹ 5.60 crore up to July 2008, which was shown as 'Payable' in the balance sheet as on March 2009. Audit, further, noted that it was continued to be shown as "Payable" in the subsequent years' balance sheet (March 2013) of CHB. Thus, the amount of interest earned by CHB was neither deposited into treasury nor transferred to the Estate Office, even after expiry of a period of four financial years. Moreover, the interest amount was also not invested in FDRs, which resulted into loss of revenue to the tune of ₹ 1.80 crore<sup>10</sup>.

On being pointed out by Audit (January 2014), CHB replied (February 2014) that the Finance Secretary, UT, Chandigarh was informed (December 2009 and December 2010) that the interest amount was retained by the CHB because it was subject to outcome of assessment cases pending with the Income Tax Department. The reply of CHB was not acceptable because as per conversion policy, the accumulated funds of conversion fees were not to be counted as income of the Agency and was meant for specified uses under the Rules to be approved by Gol.

Thus, the omission resulted in irregular retention of ₹ 5.60 crore by CHB for more than four financial years and a revenue loss of ₹ 1.80 crore due to non investment of funds in FDRs.

The matter was referred to Finance Secretary, Chandigarh Administration in November 2013; their reply was awaited (May 2014).

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<sup>10</sup> Interest : ₹ 5.60 crore X 8.05 (borrowing rate of Government)/100 = ₹ 45.09 lakh X 4 years = ₹ 1.80 crore