

CHAPTER II : UNION TERRITORIES (EXPENDITURE SECTOR)

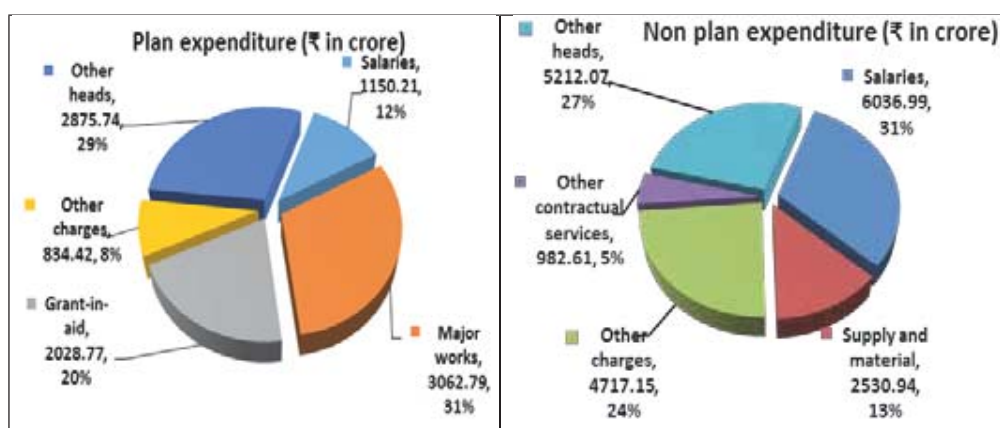
The details of budget estimates, revised estimates and actual expenditure of the UTs without legislature for the period 2011-12 to 2013-14 are as under:

(₹ in crore)

Year	Budget Estimates			Revised Estimates			Actual Expenditure		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2011-12	3140.22	6071.69	9211.91	3027.77	6682.68	9710.45	2953.40	6619.62	9573.02
2012-13	4015.20	6688.70	10703.90	3362.76	7057.05	10419.81	3334.70	7046.18	10380.88
2013-14	4483.30	5700.88	10184.18	3757.41	5817.89	9575.30	3663.83	5813.96	9477.79

Following pie charts would indicate the major constituents of the expenditure incurred under plan and non-plan during the three-year period:

Chart : 2



While 31 *per cent* of the total expenditure under plan head was incurred on major works closely followed by grants-in-aid payments at 20 *per cent*, the major share under non-plan expenditure was on salaries at 31 *per cent*.

Union Territory Andaman & Nicobar Islands

2.1 Financial Management and Internal Control at Port Management Board, Andaman & Nicobar Islands for the period 2011-14

2.1.1 Introduction

Shipping is the lifeline of the Union Territory of Andaman & Nicobar Islands (ANI). There are 23 notified ports and 14 other ports in ANI. To administer

and exercise control over the port activities the Port Management Board was established in October 1983. The Chief Secretary, A & N Administration is the Chairman and the Chief Port Administrator is the functional head of the Board.

The primary objectives of PMB are to:

- ♦ provide vessel related services and facilities such as pilotage, berthing/unberthing
- ♦ provide handling facilities for passengers and cargo and for discharge of cargo
- ♦ make regulations for the conservancy and safety of harbours
- ♦ frame charges for handling shipping and storage of goods and other property
- ♦ provide maritime communication and navigational aids for safe berthing

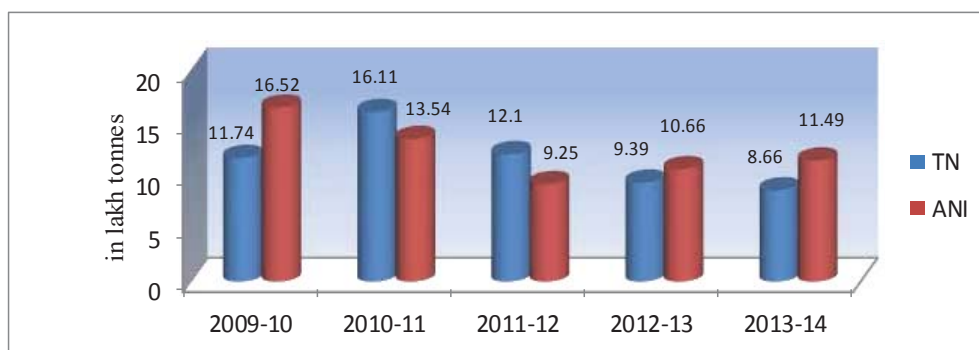
All major construction activities and the maintenance requirements of ports/harbours are carried out by Andaman Lakshadweep Harbour Works (ALHW), a department under Ministry of Shipping (MoS).

2.1.2 Scope of Audit

Audit of 'Financial Management and Internal Control of PMB' was taken up covering the period from 2011-12 to 2013-14.

2.1.3 Status of PMB

At the time of its establishment in October 1983 it was envisaged that the Port Management Board would be vested with powers and functions similar to the Board of Trustees of Major Ports under the provisions of the Major Port Trust Act, 1963. But such autonomous status or powers similar to State Maritime Boards had not been granted to the PMB, as of May 2015, to enable PMB to effectively discharge its functions and ensure development and conservation of the ports in ANI and augment its revenue. Comparison of the cargo handled at the ports of ANI during the last 5 years shows that PMB was at par with the Tamil Nadu Maritime Board as shown below:-

Chart : 3

PMB continued to function as a civil department of the Administration. Although the primary objectives of PMB entail framing of charges for providing port services and making of regulations for conservancy of the ports and harbours, in absence of appropriate powers, no such regulations/charges were ever framed by it. Neither were any rules/regulations/manuals formulated, for effective delivery of services and facilities to the people of ANI nor the charges for vessel and cargo related services were collected on the basis of notifications of MoS under the Indian Ports Act, 1908.

The present unsettled status of PMB coupled with the failure of the Administration to formulate rules for effective and efficient functioning of PMB resulted in various shortcomings as discussed in the following paras:

2.1.4 Finance and Accounts

2.1.4.1 Budget and expenditure

PMB received funds from the Union Territory (UT) budget allotted by Ministry of Home Affairs. The position of budget and expenditure for Plan (under Head 3051 & 5051) and Non-Plan funds (under Head 3051) are exhibited below:

Chart : 4

Plan Funds

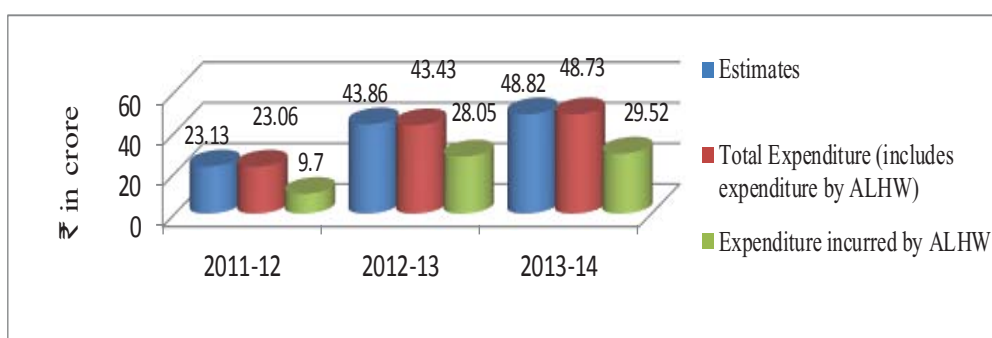
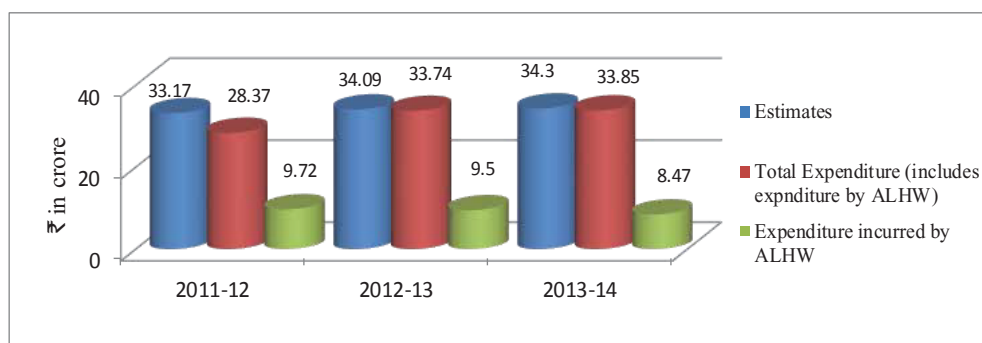


Chart : 5

Non-Plan Funds



The expenditure incurred by PMB was mainly on Piloting¹, Navigational Aids², Stevedoring Activities³, repair/maintenance, construction of jetties, etc. Audit observed that the PMB was not authorised to incur any expenditure from the revenue realised which was to be deposited in the Consolidated Fund of India.

It was found that the funds for undertaking major works, procurement of equipment, maintenance of jetties and cargo handling equipment were transferred to the executing agency namely ALHW through Letter of Authority as PMB did not have cheque drawing powers. There was, however, no system of taking over the completed assets from ALHW. Out of 22 works involving ₹ 44.14 crore undertaken by ALHW during 2011-14, nine (9) works involving ₹ 12.20 crore had been completed till March 2014 (**Annex-I**). As per the prevalent practice, none of the completed works were formally taken over by PMB. Audit further noticed that these assets were not accounted for even by the ALHW.

Recommendation: Assets created by ALHW for PMB should be formally taken over and accounted for.

The recommendation was accepted by PMB (May 2015).

¹ Piloting: The maneuvering of ships by means of buoys, soundings, landmarks, etc.

² Navigational Aids: Aids such as day beacon, beacon lights, lifted buoys and other signals for safe navigation of ships/vessels in ports.

³ Stevedoring Activities: Activities relating to loading and unloading of cargo from ships/vessels.

2.1.4.2 Non preparation of Proforma Accounts

General Financial Rules⁴ stipulate that where operations of certain Government departments working on a commercial or quasi-commercial basis cannot be suitably brought within the cash based Government Accounting System, the heads of the units should maintain such subsidiary Proforma Accounts in commercial form as may be agreed between the Government and the Comptroller and Auditor General of India. This included maintenance of suitable Manufacturing, Trading, Profit & Loss Accounts and Balance Sheets.

As the operations of PMB were of a commercial nature, Proforma Accounts for 1989-90 and 1990-91 were prepared by it. The same were audited and requisite audit certificates were issued with the observation that balances prior to 1989 had not been computed. The year-wise financial position of PMB could not be ascertained from 1991-92 onwards as Proforma Accounts were not prepared since 1990-91. PMB had failed to comply with the earlier audit observation till date. PMB stated (January 2015) that the Proforma Accounts could not be prepared as there was no Asset Register exhibiting the overall position of assets. This was not in conformity with the Rule 190 (2) of General Financial Rules which stipulates accounting of all assets.

Recommendation: Immediate action should be taken for presentation of yearly financial position in the Proforma Accounts of PMB, as prescribed.

The observation and recommendation were accepted by PMB (May 2015).

2.1.5 Expenditure Management

2.1.5.1 Non-revision of manning and scales and datum and over staffing in respect of port labourers

The Andaman Labour Force (ALF) consists of labourers employed by PMB in Port Blair to handle cargo from ship to shore and *vice versa* for the Administration and various Government departments/SCI vessels. The norms of manning scales⁵ and datum⁶ for payment of incentives to port labourers for various types of cargo were fixed in 1975. Audit observed that though various types of mechanised cargo were introduced between

⁴Rule 299 of GFR-1963 (now Rule 84 of GFR-2005)

⁵Manning Scales: Number of persons deployed in a gang.

⁶Datum: Minimum output per gang per shift.

1978 and 1989, PMB had not revised the manning scales and datum whereas they paid incentives based on the revised pay recommended by Central Pay Commission from time to time. No separate manning scales and datum for containerised cargo had been fixed.

- ♦ The labourers of ALF were employed in 12 gangs of 27 members⁷ each whereas in other major ports gangs have 9 to 17 members.
- ♦ The deployment of gangs during 2011-14 ranged only between 11 and 18 *per cent* but there was no transfer policy for ALF workers to wharfage ports other than Port Blair for their optimal utilisation.
- ♦ The average volume of cargo handled per gang per year during 2011-14 ranged only between 47.65 MT and 84.70 MT. The per day labour productivity ranged between 4.84 kg and 8.59 kg only worked out on the basis of total volume of cargo handled in a year divided by total number of labourers deployed.
- ♦ During 2011-14, the revenue generated per MT was between ₹ 89 and ₹ 94 whereas cost of handling cargo per MT ranged between ₹ 3,149 and ₹ 3,676.

Apart from the above, absence of norms for handling containerised cargo led to avoidable excess expenditure as elaborated in the succeeding paragraph.

2.1.5.2 Avoidable expenditure of ₹ 1.80 crore on incentive payment for containerised cargo

Incentive payments were made to the ALF on the basis of norms fixed in November 1975 as per incentive scheme approved by GOI which was exclusively meant for manual cargo handling. The relevant order prescribed re-fixation of norms with introduction of modern equipment such as open truck, trolley, trailers, fork lift and mobile jetty crane.

Containerised cargo services were introduced at Port Blair in 1991 after the procurement of mechanised machinery/equipment for cargo handling viz. 6-25 Ton Wharf cranes, 45 Ton Reach Stacker, 3-25 Ton Fork lift etc, between 1978 and 1989. Therefore, handling of containerised cargo at Port Blair was at par with other ports like Mangalore and Tuticorin and no head loads were required. As no datum or manning scales have been fixed by PMB or the Administration for handling containerised cargo, it

⁷ Each gang consists of 2 headworkers, 2 signal men, 3 winchmen and 20 mazdoor.

was converted into general cargo on the basis of total weight handled for incentive payment purpose. In other ports of India, datum for handling containerised cargo were either fixed on the number of containers handled or weight handled per labourer and the composition of gang varied between 6-12 labourers. But in PMB the entire gang of 27 members was being deployed for loading/unloading of each container. It was also noticed that for placing a container from shore to ship or from ship to shore, a maximum of 12 labourers were required per shift per hatch⁸. It follows, therefore, that there was excess deployment of at least 15 ALF workers (27-12 members) per gang per shift for handling containerised cargo.

Picture-1



Picture-2



Loading of container with the help of a crane fixed with the ship

Thus, owing to the deployment of 27 members instead of 12 members and non-revision of manning scales and datum on introduction of containerised cargo, avoidable excess expenditure of ₹ 1.80 crore was incurred by PMB

⁸ Hatch: Opening in ship's deck fitted with water tight cover for placing cargo.

towards incentive payment for 2011-14 (**Annex-II**).

While accepting the observation on deployment of excess labourers for handling containerised cargo, PMB stated that 27 members were deployed unlike 6-12 labourers since the labour unions were not ready to accept reduction of gang strength.

Recommendation: PMB should revisit the norms of manning scales and datum for payment of incentives to port labourers for various types of cargo and fix manning scales and datum for containerised cargo.

PMB accepted (May 2015) the observation and the recommendation.

2.1.5.3 Avoidable payment of additional wages amounting to ₹ 1.83 crore

The labourers of ALF handle cargo from ship to shore and *vice versa*. The shore mazdoors of PMB were deployed for handling cargo of government owned vessels between shore and godowns.

Since June 1985, the incentive scheme introduced for ALF in November 1975 was extended to the shore mazdoors. As per the incentive scheme, workers were entitled to additional wages for work done by them on sundays and other industrial holidays. Records, however, revealed that all labourers under ALF and all the shore mazdoors were paid additional wages for all sundays and industrial holidays every year. This was irrespective of cargo handled by them. During the period 2011-14, out of 190 days of sundays and holidays, ships berthed at Port Blair only on 91 days and cargo was handled on 3352 labour shifts. Scrutiny, however, revealed that payment for the entire 190 days aggregating to ₹ 2.64 crore was released against 8416 labour shifts resulting in overpayment of ₹ 1.58 crore for 99 such Sundays and holidays without any work being done by them (**Annex-III**). Similarly, overpayment of ₹ 0.25 crore was also made against 784 shore mazdoors during the corresponding period (**Annex-IV**).

The PMB accepted (May 2015) the audit observation and issued an order for discontinuance of additional wages on sundays and holidays in which the ship did not berth at the port.

2.1.5.4 Overpayment of incentive on Sundays and Holidays

Audit scrutiny of worksheets for incentive payment revealed that while calculating incentive for each labourer, the *pro-rata* wage⁹ per MT was

⁹ Wages include Basic Pay, Grade Pay, DA and Andaman Special compensatory Allowance (ASCA)

being multiplied by the weight handled in excess of the norm per gang per shift. In case of sundays and holidays, incentives were paid to the labourers and shore mazdoors at twice the *pro-rata* rate in addition to their normal wages. The overpayment on this account made to the labourers and shore mazdoors amounted to ₹ 98.10 lakh and ₹ 17.38 lakh respectively during 2011-14 (**Annex-V**).

The PMB accepted (May 2015) the audit observation and stated that recovery was awaited.

2.1.5.5 Wasteful expenditure of ₹ 1.47 crore on incomplete pollution control measures

The Andaman & Nicobar Islands are known for marine biodiversity. Port operations have the potential to impact environment. While according approval (March 1992) for construction of berth number 3 and 4 at Haddo, Ministry of Environment and Forests (MoEF) stipulated certain environment protection measures. Consequently, PMB included a Port Conservancy and Pollution Control Scheme in the Ninth Five Year Plan, consisting of two major components viz. construction of a steel dumb sullage¹⁰ barge to collect oily bilge¹¹ from the ships and oil removed through skimmers¹² and setting up of an oil pollution control treatment plant.

The sullage barge was to be acquired by PMB and ALHW was to install the pollution control equipment on the barge and construct an incinerator¹³ shed at shore (Haddo wharf). PMB acquired (2003) a 100 Ton Sullage barge at a cost of ₹ 50 lakh and handed it over to ALHW for installation of the pollution control equipment. ALHW completed (March 2007) the work on the sullage barge and the incinerator shed at Haddo at a cost of ₹ 91.92 lakh and handed over both to PMB in August 2009. Subsequently ₹ 4.98 lakh was spent by PMB on maintenance and surveys of sullage barge. However, the pollution control equipment could not be put to use till May 2015 due to non-availability of sanctioned manpower. The barge 'SagarSuchi' was lying exposed to inclement weather and was completely damaged due to rusting. While confirming the facts and figures, PMB stated (January 2015) that the equipment was not usable. Thus, lack of timely effective action i.e. providing requisite manpower and proper

¹⁰ Sullage: Waste materials or sewage.

¹¹ Bilge : Foul, brackish water that collects in the bottom of a ship.

¹² Oil skimmers: Equipment that remove oil floating on the surface of a fluid.

¹³ Incinerator: A waste treatment process which involves the combustion of organic substances contained in waste materials.

maintenance, by PMB not only led to wasteful expenditure of ₹ 1.47 crore but also resulted in non-implementation of environment protection measures as prescribed by MoEF.

PMB further stated (May 2015) that there was no case of spillage ever at Port Blair to utilise the vessel. The reply does not justify the wasteful expenditure.

Picture-3



Picture-4



Present condition of Pollution Control Equipment SagarSuchi

The PMB accepted (May 2015) the observation.

2.1.5.6 Overpayment of ₹ 10.54 lakh towards CST

In Andaman & Nicobar Islands there is no provision for Value Added Tax (VAT) but other taxes like Octroi, Central Sales Tax (CST), freight, stamp

duty of the Union Territory and Service Tax under central government were applicable. The rate of CST was reduced to two *per cent* from 01 June 2008.

PMB purchased two HEIMANN HI SCAN X-ray Baggage Inspection System (XBIS) in July 2012 at a total cost of ₹ 1.13 crore. CST at the rate of 12.5 *per cent* instead of two *per cent* was paid for the purchase resulting in overpayment of ₹ 10.54 lakh.

PMB while accepting (May 2015) the audit observation requested audit to verify the CST rate applicable in the instant case. As the CST rate was two *per cent*, the PMB needs to recover the overpayment from the supplier concerned.

2.1.6 Revenue Management

PMB collects Vessel Related Charges (VRCs)¹⁴, Cargo Related Charges (CRCs)¹⁵ and estate rentals from the port users for use of its services and facilities.

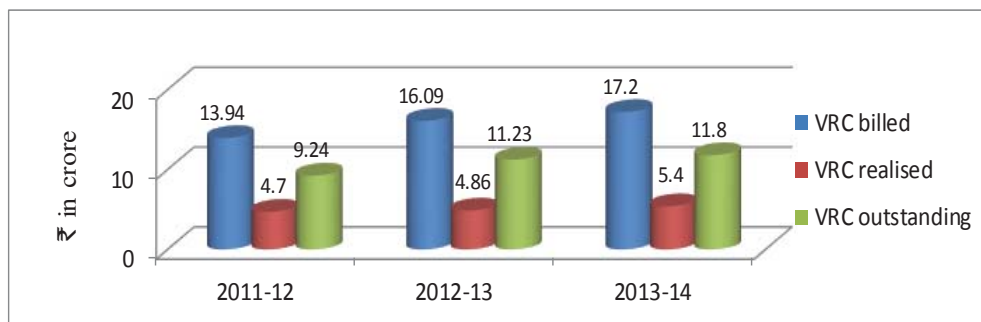
2.1.6.1 Delay in receiving VRCs/ CRCs

Section 43 of the Indian Ports Act 1908 stipulates that, port clearances for any vessel calling at the ports should not be granted until all port dues were cleared by the owners/masters of the vessels. The provision of the said Act was violated by PMB as the vessels were granted port clearances before port dues were cleared by them. Audit scrutiny revealed that bills were raised after an average delay of two to four weeks from the date of departure of ships and were paid after an average delay of one to one and a half months resulting in further delay. During 2011-12 to 2013-14, the position of VRCs and CRCs is detailed below:

¹⁴ The VRC comprises Port dues, Pilotage charges, Tug charges, Berth hire charges, Anchorage charges, shifting charges, Night navigation charges, water charges and Mooring boat charges etc.

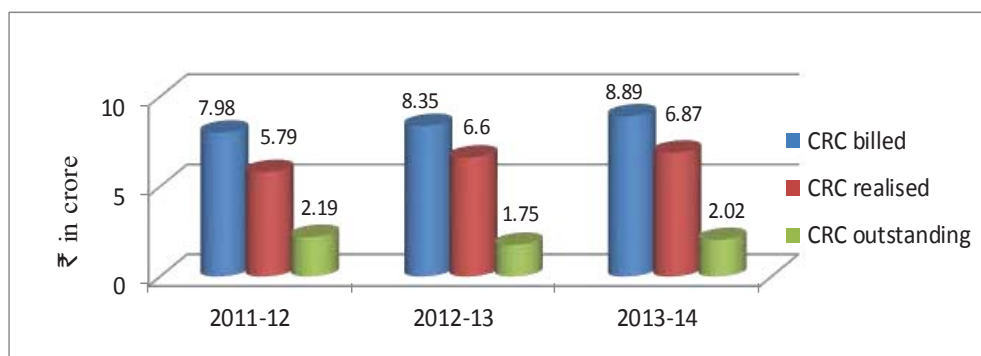
¹⁵ CRC comprises wharfage charges, shore gang charges, cargo handling equipment charges, container handling and storage charges, license fee, bunkering charges, Toll Tax, weighment and holidays charges, etc.

Chart : 6



Position of VRCs

Chart : 7



Position of CRC (No amount was outstanding for incoming cargo)

The charts depict the outstanding amount for three years only, whereas the total outstanding VRCs and CRCs as of 31 March 2014 stood at ₹ 106.54 crore and ₹ 13.45 crore respectively, the major defaulters being DSS, SCI, CCS¹⁶ and other government departments. Audit also found that the PMB did not impose any penalty on the defaulters since the notification issued by MoS for levy of charges did not stipulate any such provision.

In reply, PMB stated that there was no time frame for raising of bills and receiving payments. The processing of vouchers relating to VRCs starts after departure of the vessel as PMB has to obtain necessary information from the Pilot officer which takes a minimum of a week. The reply is not acceptable since VRCs were to be raised as notified by MoS under the Indian Ports Act, 1908 and Section 43 of the said Act stipulates realisation of all port dues before departure. PMB accepted (January 2015) the observation on CRCs stating that there was delay in billing since the billing process was not computerised.

¹⁶ Consumer Co-operative Societies

Recommendation: PMB should prefer claims and realise VRCs/ CRCs before the departure of the vessels from the ports, as stipulated in the Indian Ports Act, 1908.

While accepting the recommendation, it was stated (May 2015) that provision for imposition of penalty/interest had been made in the revised draft notification.

2.1.6.2 Undue benefit to port users

From April 2008 onwards, security deposits (to be determined on the basis of the volume of transactions) were obtained by PMB. Only those shipping companies with Fixed Deposit Rates (FDR) were to be permitted to ply their vessels without clearing the port dues. Audit scrutiny revealed that security deposits were not obtained from all private users and from the major defaulters viz. DSS, SCI, etc. It was also observed that no security deposits were obtained from repeated defaulters and instances were also noticed where the outstanding amount exceeded the amount of security held, as shown below:

SI No.	Name of Shipping company	Outstanding period	Amount (₹) (VRC)	Maximum Pendency	Security deposit (₹)
1.	M/s Meenakshi Shipping	Prior to April-09 to March-14	16,36,224	6 years	No security
2.	M/s Gati Shipping	Oct-13 to Nov-13	404240	1year	5,00,000
3.	M/s Marine N Care	Prior to Jan-09 to Nov-13	448384	6 years	No security
4.	M/s Aysha Shipping	May-11 to Feb-14	257557	3.5 years	No security
5.	M/s Jadwet shipping Services	Oct-12 to March-13	114170	2 years	1,42,583
6.	M/s Capt. Bath	Prior to April-09 to March-14	382143	More than 6 yrs.	No security
Total			32,42,718		

Except for issuing reminders, no effective punitive action was taken by PMB since it had no legal powers, resulting in huge accumulation.

Recommendation: Vessels of the defaulting ship owners should not be allowed to ply within the ports of ANI. Security deposits should be commensurate with their volume of transactions obtained from all port users.

The PMB accepted (May 2015) the observation and recommendation.

2.1.6.3 Outstanding Gang charges

An amount of ₹ 7.15 crore was outstanding towards gang charges from SCI and DSS as of February 2015 which were pending since 1989 and

1990 respectively (₹ 1.01 crore pertained to 2011-14). Gang charges for the period April 2011 to March 2013, were preferred by Controller, ALF after an average delay of one year¹⁷. No list indicating total dues against DSS and SCI was maintained and no reminders were issued for their realisation. The lackadaisical approach of CALF/PMB in raising and realisation of gang charges resulted in its huge accumulation.

While accepting the audit observation, it was stated (May 2015) that all the bills towards gang charges including ₹ 7.15 crore, as pointed out by audit, had already been raised. Recovery was awaited.

2.1.6.4 Loss of revenue of ₹ 11.81 crore due to non-revision of rates of VRCs

Ports usually revise their VRCs and CRCs at intervals of 3-5 years¹⁸. PMB had no such fixed periodicity for revision. Besides, PMB was not authorised to frame charges for port services provided by them. The process involved initiation of proposal by PMB for fixation of charges on discussion with stakeholders. After approval of the Board, the proposal was forwarded to the Administration for vetting/approval and onward transmission to MoS for final approval and notification in Official Gazette.

The process of revision of VRCs was not initiated by PMB till 2011-12 even after expiry of 14 years from the date of initial fixation of tariff in 1998. An increase of 25 per cent in VRCs was approved in the Board Meeting of July 2011 and the proposal was sent to MoS on approval of the Administration. The MoS stated (May 2013) that a comprehensive proposal on the basis of either TAMP¹⁹ or any other suitable mechanism be forwarded for approval. This has not been done and the rates for VRCs have not yet (February 2015) been revised.

PMB raised bills amounting to ₹ 47.23 crore during 2011-14 on account of VRCs as per the tariff fixed in 1998 and had the increase of even 25 per cent been implemented in time, PMB could have earned an additional ₹ 11.81 crore (25 per cent of ₹ 47.23 crore) during the corresponding period.

PMB accepted (May 2015) the audit observation and stated that their Board had resolved in March 2015 to revise the VRCs with an increase

¹⁷ Ranging from one to 29 months.

¹⁸ Mormugao Port Trust revise their rates in three years and New Mangalore Port Trust revised their rates after five years.

¹⁹ Tariff Authority for Major Ports.

of one per cent per annum from 1998 till date and thereafter two per cent per annum.

Recommendation: PMB should frame rules for periodic revision of charges for different port services and adopt a suitable mechanism for prompt realisation and augmentation of revenue in line with other ports of India.

The PMB accepted (May 2015) the recommendation.

2.1.6.5 Non-implementation of tariff for CRC

The Rules for CRCs²⁰ including Tariff were first published in April 1992 and were amended after 12 years in 2004²¹ as per notification of MoS. On the plea that the relief and rehabilitation works after tsunamis were underway, the Administration requested the Ministry to defer implementation of revised CRCs till March 2006. Accordingly, the Ministry deferred its implementation till June 2006. Thereafter, the Andaman Chamber of Commerce & Industry represented to MoS against steep hikes in the revised rates of CRCs. The Ministry, thereafter, directed (December 2006) that implementation of 2004 notification be kept in abeyance till further notification. No further action had been taken.

Audit observed that if the 2004 notification had been implemented PMB could have earned ₹ 12.44 crore during the period from April 2011 to March 2014 as detailed below:-

NAME OF THE ITEMS	Revenue not earned (₹ in crore)
SPACE ALLOTMENT (LICENSE FEES)	0.49
PASSENGER TOLL TAX	1.82
CONTAINER HANDLING CHARGES	2.93
ISSUE OF LICENSE TO PRIVATE STEVEDORERES (LICENSE/ RENEWAL FEES)	0.20
WHARF/ JETTY STEVEDORES CHARGES (ALF STAFF)	1.64
PORT EQUIPMENT CHARGE	1.66
WHARFAGE CHARGES	2.69
STORAGE AND DEMMURAGE CHARGES	1.01
Total	12.44

PMB stated that the notification issued in December 2004 was kept in

²⁰ Fixation of Rules for the use of landing places, wharves, quays, warehouses, sheds and other miscellaneous services.

²¹ Notification No GSR 786(E) dated 03.12.2004.

abeyance. This was in contravention to the opinion of the Ministry of Law and Justice which categorically explained (June 2008) that keeping the rates of 2004 notification in abeyance was not legally valid and therefore, the rates of 2004 Notification were applicable.

The fact, however, remains that CRCs were being charged as per rates notified in April 1992.

Recommendation: Action needs to be taken for immediate implementation of rates amended in December 2004 or any other legally valid amendment to avoid further loss to Government.

The PMB accepted the audit observation and recommendation (May 2015).

2.1.6.6 Non-realization of Stevedoring handling charges of ₹ 2.74 crore

Private stevedores were introduced in October 1993 to handle the cargo carried by private ships. In November 1996, the administration fixed the rates for 'Stevedoring Handling Charges'²² to be realized from licensed private stevedores for cargo handling at the ports of ANI.

PMB executed agreements with private stevedores and issued licenses to handle cargo of private shippers at ports of ANI. Audit scrutiny revealed that 'Stevedoring Handling Charges' as stipulated in the agreements were not being realised. Although, the period under report is 2011-14, it is worth mentioning that PMB failed to recover ₹ 1.93 crore from November 1996 to March 2008 (**Annex-VI**). The recovery of the said charges commenced only from April 2008 but there was short realisation of ₹ 81.06 lakh during the period from April 2008 to March 2014 (**Annex-VII**). This was mainly due to the fact that the licensees did not report monthly cargo handled and the number of gangs deployed by them to the port in-charge of respective ports though stipulated in the agreement. There was no system for reconciliation of amount to be realised and the amount actually realised at any ports in ANI with reference to total cargo handled by the licensee.

PMB accepted the audit observation. They also stated (May 2015) that the bills towards stevedoring handling charges were being checked by three different sources to prevent any short realisation in future. But, fact remained that stevedoring handling charges amounting to ₹ 2.74 crore remained unrealised as of May 2015.

²² Stevedoring handling charges are levied for the services provided by the private stevedores

2.1.6.7 Delay in deposit of revenue of ₹ 1.21 crore

Rule 6 of Receipts and Payments Rules provides that all moneys received by or tendered to Government offices on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account.

The Government of India, on 01 June 2010, declared setting up of port in ANI as Major Port with its Headquarter at Port Blair and named it as Port Blair Port Trust (PBPT). No funds were provided to the Trust either by the Ministry or by the Administration after the declaration of PBPT. All expenditure of PMB and ALF were met from the revenue generated by the erstwhile Trust by opening a current account on 13 September 2010 with the State Bank of India. The notification of 01 June 2010 was, however, kept in abeyance by the MoS and status *quo* prior to June 2010 was maintained from February 2011 onwards. From February 2011, PMB was getting regular fund from the Administration through annual budget under plan and non-plan heads. Thus, in terms of Rule 6 of Receipts and Payments, the balance of ₹ 1.21 crore as on February 2011 lying in the aforesaid current account was to be deposited into Government account without delay. However, ₹ 1.21 crore was deposited in Government account only on 03 May 2013 after a lapse of more than 26 months. This resulted in loss of ₹ 10.48 lakh to the government by way of interest calculated at four *per cent per annum*.

PMB accepted (May 2015) the audit observation.

2.1.6.8 Allotment of land/space of Port area

The land available with PMB was allotted to government departments and private parties. The allotments were made on first come first serve basis. On written requests from port users, necessary permission for utilisation of open/covered spaces was granted by PMB temporarily for a period of three months. Extensions were granted to private parties repeatedly for further periods of three months whereas the Government departments, ANIIDCO, M/s CCS Ltd. were allowed to occupy the spaces in perpetuity or till the time they vacated the spaces themselves. Ports are empowered to lease out their land for earning revenue. Unlike other ports, PMB did not have any land management policy and the same was attributed to non-demarcation of land. It was stated that areas belonging to PMB which could be leased out to port users have not yet been identified.

As PMB had no land allotment policy and legal powers, it failed to realise the applicable licence fees.

Recommendation: Land policy may be formulated at the earliest to safeguard the interest of PMB and for augmentation of revenue.

PMB accepted (May 2015) the audit observation and the recommendation. They also stated that they have initiated steps for demarcation of land and the matter has been taken up with the concerned District Commissioners.

2.1.7 Internal Control

Effective Internal Control System should provide reasonable assurance of adherence to laws, rules, regulations and orders, safeguards against fraud and mismanagement and it ensures reliable financial and management information to higher authorities. The control activities include documentation, system of authorisation and approval of payments, segregation of duties, reconciliation & verification, inspection and audit, review of operating performance and monitoring.

Though the Board of PMB was constituted in 1983 and reconstituted in 2000, no rules and regulation regarding power and responsibility of the board were framed or stipulated. The periodical meetings to be held by the Board were not scheduled. During 2011-14, the Board met twice in July 2011 and February 2012. The Board never established any committee/sub-committee for improvement of the different functions carried out by PMB. Owing to its present status, the PMB could not frame rules/regulations/charges for its operation and for revenue generation.

There was no internal audit wing at PMB to ensure that proper checks and controls were exercised and proper system was in place to avoid pilferage, loss, misappropriation, etc. In absence of the internal audit wing, the Board or the management of the PMB was not in a position to assess the state of affairs at different wings of PMB and take corrective measures, as and when required.

Recommendation: Effective Internal Control System through framing of proper Regulation, Rules and procedure needs to be established by the Administration.

PMB accepted (May 2015) the audit observation and the recommendation thereto and stated that there would be Board meetings in every six months.

2.1.8 Conclusion:

The objectives of PMB entailed extension of port facilities at the Ports of ANI, formulation of rules and regulations towards levy and collection of charges for handling shipping and storage of goods and for conservancy of harbours. However, the powers required for fulfilling all the objectives were not vested with PMB. No initiative was taken by the Administration for framing periodical rules and regulations necessary for the smooth operation of the activities being executed by PMB. Thus, there were shortcomings in levy and collection of charges for vessel/cargo related services; the workforce for cargo handling was not managed efficiently; there was no policy for augmentation of revenue nor was any policy framed for land management. The absence of proper internal control mechanism further affected the functioning of PMB. PMB accepted majority of the recommendations of Audit. However, ANI Administration despite being given the Report (March 2015) have not offered any response (June 2015). This was also brought to the notice of the Ministry of Home Affairs (March 2015). Their reply was also awaited as of June 2015.

Andaman & Nicobar Administration

Secretariat, Port Blair

2.2 Undue delay in commencement of a project

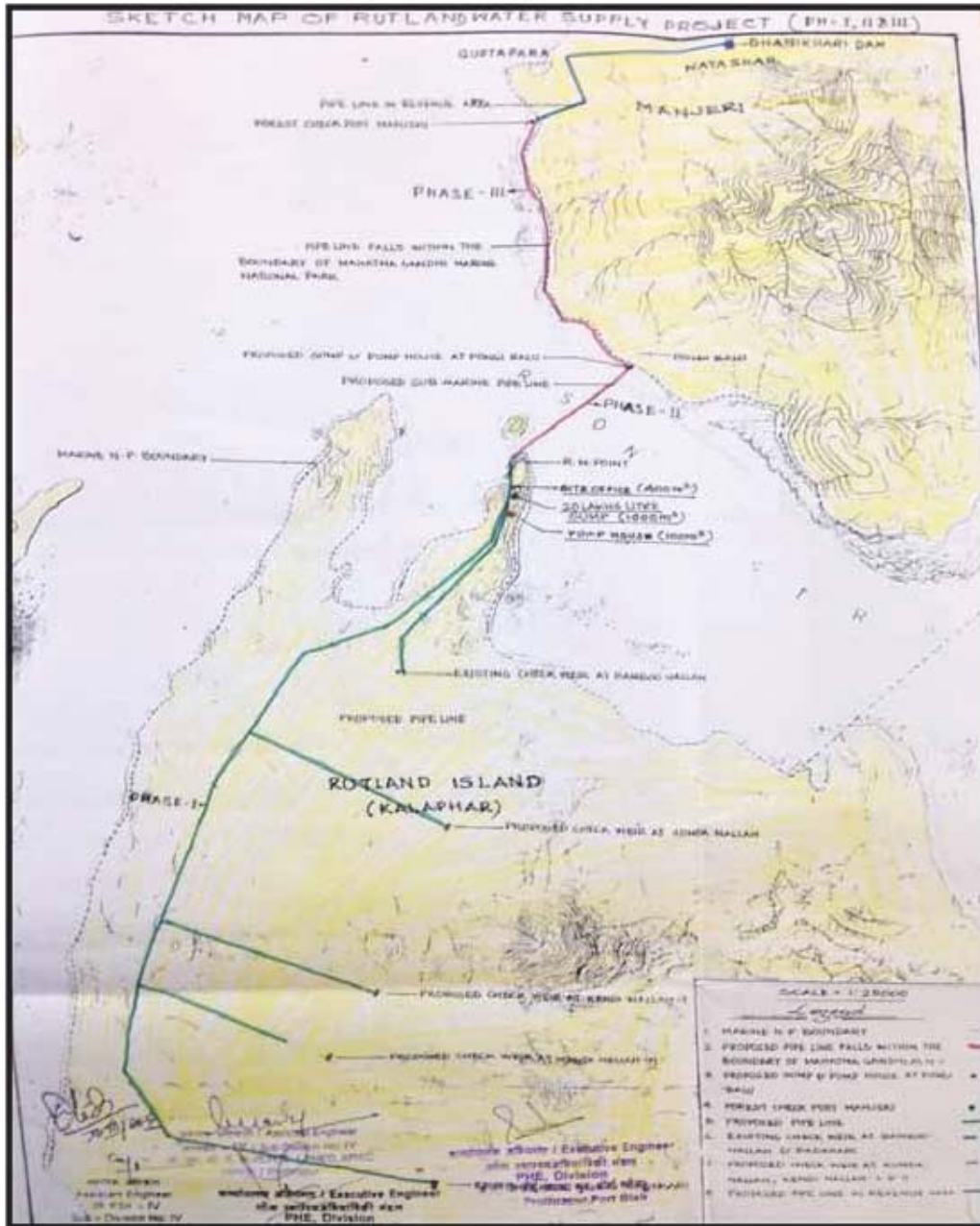
The acute crisis of drinking water at Port Blair was not mitigated due to repeated cancellation of tenders for Phase-II of the project, conceived in 2007. Infrastructure created in Phase-I and Phase-III of the project in 2011 at a cost of ₹ 13.75 crore was used minimally, for one or two months a year.

To mitigate the acute crisis of drinking water at Port Blair, Andaman & Nicobar Administration (Administration) conceived a project for transportation of water from Rutland Island to Port Blair in June 2007. The Andaman Public Works Department (APWD) worked out a preliminary plan for execution of the project in three phases consisting of:

- i. Laying of pipelines in the Rutland Island connecting all the *nallahs* with required number of weir/check dams (Phase-I);
- ii. Laying of submarine pipelines from RM Point at Rutland Island to Pongi Balu at South Andaman Island (Port Blair) (Phase-II) and;
- iii. Laying of pipelines from Pongi Balu (Near Chidyatapu) to Dhanikari Dam (in South Andaman Island) (Phase-III).

The sketch map of the three phases is also shown in the map '2':

Map-2



Sketch Map of Rutland Water Supply Project

The execution of project in three phases was approved by the Chief Secretary and the Hon'ble Lieutenant Governor in July 2007. Phase-I and Phase-III of the project were to be executed by APWD. For execution of the Phase-II, National Institute of Ocean Technology, Chennai (NIOT) was approached. NIOT submitted a proposal for execution of Phase-

II in September 2007 at an estimated cost of ₹ 13.89 crore. Necessary clearance for assigning Phase-II of the project to NIOT as deposit work was sought from the Ministry of Home Affairs (MHA) in October 2007. The MHA in turn approached the Ministry of Urban Development (MoUD) in November 2007.

After several correspondences between MoUD, MHA and the Administration, the Technical Sanction and the Administrative Approval was finally accorded by the MoUD after more than a year, in December 2008 and January 2009 respectively, with the stipulation to complete the work within scheduled time period and without time/cost overrun. Consequently, MHA approved laying of submarine pipelines from Rutland Island to South Andaman Island with a total outlay of ₹ 13.89 crore. NIOT declined to execute the work and submitted a fresh proposal in July 2009 enhancing the estimated cost from ₹ 13.89 crore to ₹ 18.89 crore as the estimate was two years old and also due to inclusion of the option of laying the pipeline over a bridge, which was not in the previous estimate.

After deliberations with NIOT, Administration decided (November 2010) to call for tenders with NIOT engaged for technical assistance. However, the Administration did not enter into any agreement with NIOT for technical consultancy. The EOIs²³ were invited in December 2010 but were cancelled in March 2011 at the behest of the Chief Secretary of the Administration acting as the Chairman of the Works Advisory Board (WAB) due to lack of certain specific terms and conditions in the advertised EOI. This was despite the fact that the EOI was duly vetted by technical personnel of the WAB and finally ratified by the Chief Secretary before being advertised. After modification, EOIs were again invited in June 2011. Final evaluation of the bids was done at the meeting of WAB (January 2012) in the presence of an expert member from NIOT. On proper justification of cost by applying the annual inflation rates from time to time, the lowest quoted rate of ₹ 28.50 crore was recommended by WAB for acceptance. However, the EOI was rejected (May 2012) by the Hon'ble Administrator on the ground that NIOT had done the estimation of the project in an un-professional manner although NIOT was engaged for its technical knowhow. On being directed by Hon'ble Administrator, EOIs were invited (May 2012) on BOOT²⁴ basis.

²³ Expressions of Interest

²⁴ Build-Own-Operate-Transfer

After negotiations (May 2013), the lowest bidder quoted a rate of 4.10 paisa *per* litre for transporting 6022.50 crore litres water over a period of 25 years. APWD found the rate justifiable considering life expectancy of 50 years and transfer of assets to APWD after 25 years of operation of BOOT system. The transportation cost *per* litre was also found to be much lower than the expenditure of 11.50 paisa *per* litre incurred in 2012 for transportation of water from Rutland to Pongi Balu in water barges²⁵.

This EOI was also cancelled. The cancellation was ascribed to absence of standard method for financial evaluation of tender in BOOT basis. Scrutiny, however, revealed that APWD had finalised a tender of a desalination plant on BOOT basis in G.B. Pant Hospital, which was running since December 2007.

Work on Phase-II of the project, thus, did not start due to repeated cancellation of tenders. The work has not been re-tendered as of April 2015. Audit noted that Phase-I and Phase-III of the project were completed by APWD in October 2011 at a total cost of ₹ 13.75 crore. However, these pipelines could not be optimally utilised for transportation of water as the connecting submarine pipelines between RM Point at Rutland Island and Pongi Balu at Port Blair had not been laid. APWD had transported only 32300 metric ton water in May 2013 and 56400 metric ton water in March-May 2014 using water barges between Rutland Island and Port Blair after incurring expenditure of ₹ 42.64 lakh and ₹ 92.50 lakh respectively. The cost of transportation of water was 13.20 paisa *per* litre in May 2013 and 16.40 paisa *per* litre in March-May 2014, which was much higher than 4.10 paisa *per* litre agreed by the lowest bidder in May 2013 under BOOT mode. Also, water was being supplied to the residents of Port Blair on alternate days, just for half an hour by Port Blair Municipal Council from its existing water supply system.

Thus, the acute crisis of drinking water at Port Blair was not mitigated due to inefficient handling of the project causing repeated cancellation of tenders for Phase-II. Infrastructure created in Phase-I and Phase-III of the project in 2011 at a cost of ₹ 13.75 crore was used minimally, for one or two months a year.

The APWD, in April 2015, confirmed the facts and figures mentioned in the para.

²⁵ A long flat-bottomed boat

The matter was reported to the Ministry in February 2015; their reply was awaited as of June 2015.

Zilla Parishad, South Andaman, Port Blair

2.3 Unfruitful expenditure

A crematorium approved for construction in October 2004 could not become operational even after a lapse of more than ten years due to lackadaisical approach of Zilla Parishad and lack of co-ordination amongst two departments of the same Administration resulting in unfruitful expenditure of ₹ 73.95 lakh.

Zilla Parishad, South Andaman (ZP) approved (October 2004) a proposal for construction of an LPG²⁶ fired crematorium at Garacharma. Accordingly, the Adhyaksh, ZP, accorded administrative approval and expenditure sanction for construction of the LPG fired crematorium at a cost of ₹ 55.60 lakh in October 2006.

The work of construction of the crematorium was awarded to a firm in April 2007 with scheduled date of completion in April 2008. The firm completed the work of crematorium in September 2010 and was paid ₹ 72.89 lakh till October 2014.

Records revealed that though the crematorium was LPG fired, a three phase electricity connection was needed for operation of its various electric components such as control panel, temperature control system, blower with ventury system etc. Hence, soon after the completion of the crematorium, the Gram Panchayat (Garacharma-II) requested (September 2010) the Electricity Department (ED), Andaman & Nicobar Administration for providing three-phase electric connection to the crematorium building and it was followed up by the ZP in January 2011. As no response was received from ED, the ZP after 18 months of its earlier request again asked (July 2012) the ED, to provide the electric connection expeditiously. The crematorium was located in the area falling under the jurisdiction of Prothrapur Sub-Division of ED. The Prothrapur Sub Division, in September 2012, raised a demand of ₹ 1.06 lakh requesting the ZP to deposit the sum in favour of Executive Engineer (HQ), ED under intimation to the sub-division. While depositing the sum with Executive Engineer (HQ), ED in January 2013, ZP failed to intimate the concerned sub-division for providing the electric connection. The ZP did not pursue the matter for next 15 months and sent a reminder to the ED only in May 2014.

²⁶ Liquefied Petroleum Gas

Unaware of the payment made by the ZP, the Prothrapur Sub-Division again asked (May 2014) the ZP to deposit the sum. Consequently, the ZP took up the matter with the Executive Engineer (HQ), ED under intimation to Prothrapur Sub-Division. However, the details of payment were received by the Prothrapur Sub-Division, from the Executive Engineer (HQ), ED only in October 2014. The three phase connection was extended to crematorium building in January 2015 but it was observed by ED that necessary wiring at the crematorium building had not been done. The ED requested (March 2015) ZP for submission of application for completion of other formalities required for the connection which was not submitted (May 2015).

Crematorium approved for construction in October 2004 could not become operational even after a lapse of more than ten years despite incurring an expenditure of ₹ 73.95 lakh due to some petty issues remaining unattended. This was due to inaction on the part of Zilla Parishad and lack of co-ordination amongst two departments of the same Administration resulting in unfruitful expenditure. This also raises concern about absence of monitoring by the Administration.

The matter was reported to the Ministry in November 2014; their reply was awaited as of June 2015.

Union Territory, Dadra & Nagar Haveli, Rural Development Department

2.4 Wasteful expenditure of ₹ 317.03 lakh

PWD department, Union Territory, Dadra & Nagar Haveli, did not adhere to the specifications of pipes in a pipeline network, as recommended by WAPCOS, the consultant, which resulted in wasteful expenditure of ₹ 317.03 lakh

The Public Works Department, District Panchayat, of Union Territory Dadra & Nagar Haveli (D&NH), had engaged (June 1999) M/s Water and Power Consultancy Services (India) Ltd (WAPCOS) as a consultant for preparation of Detailed Project Report including RCC design of various structures, Hydraulic Design of pumping machinery and pipe network system for water supply at Mandoni. WAPCOS submitted (December 2000) its final report along with pipe designing and selection of sites, with an estimated cost of ₹ 8.84 crore. In the DPR, it was recommended that the Cast Iron (CI) pipes should be used in the distribution network. The project consisting of two parts was scheduled to be completed in Sept 2007:

Part 1- Raw Water pipe line from Damanganga river to Vasda Hedvachimal into water treatment plant up to underground sump

Part 2 - Distribution network of clean water from sump to Zone I, II and III (ISI marked CI S/S pipe lines)

District Panchayat (DP) decided to carry out only Part 2 work first despite of availability of funds for Part 1 & 2 and the work was awarded (February 2007) to four²⁷ different parties at a cost of ₹ 317.03 lakh with the stipulated date of completion as September 2007 which was finally completed within time limit. It was decided in 2011 to carry out Part 1 work. The project could be treated as completed only after Part 1 is connected with Part 2, as pure water could be distributed only by connecting the already completed and installed pipeline network.

To connect the Part 1 with Part 2, joint inspection was carried out (February 2013) by Department with M/s Facile Maven Pvt. Ltd. who reported that the network was laid with Galvanized Iron (GI) pipes instead of Cast Iron (CI) pipes. The joint inspection report also revealed that due to change in diameter of pipes, non-placement of pressure relief system and heavy undulating ground profile, existing system of GI pipes was not serving the purpose and required to be replaced with CI pipes.

Audit observed that the technical sanction of the work for Part 2 (Zone I, II, III and sump) was accorded by Superintending Engineer, UT of D&NH. While according the technical sanction the design specifications given by WAPCOS were not adhered to and as a result the entire pipeline network of part 2 was found un-usable. Department had to carry out the work of distribution pipeline network of Zone I, II and III afresh. Audit also observed that for the works of phase 2, again fresh tenders were floated in October 2014 and lowest tender offered by a firm for ₹ 830.98 lakh was accepted. Thus, the expenditure of ₹ 317.03 lakh incurred on pipes laid earlier under part 2 proved wasteful and the cost of project also increased by ₹ 513.95 lakh.

The above facts were accepted by the Executive Engineer who stated that the specifications were initially designed by the WAPCOS but were not adhered to by the PWD and for such deviation necessary approval was also not found to have been obtained by the department from the competent authority.

²⁷ 1. M/s. K K Rathod (₹ 83.37 Lakh) (2) M/s. Unity Enterprises (₹ 84.31 Lakh) (3) M/s. Umiya Vilay Construction (₹ 97.44 Lakh) (4) T.B. Parmar (₹ 51.92 Lakh)

Thus, the failure of the department to adhere to the specifications recommended by the consultant agency, while framing the technical sanction of the project, resulted in wasteful expenditure of ₹ 317.03 lakh. Further due to taking up the work in two unsynchronized phases, the deviation in execution of work of part 2 could be detected and re-executed only after six years. Due to this, an additional ₹ 513.95 lakh was to be spent for the same work.

The matter was referred to the Administrator and the Ministry in March 2015 and May 2015 respectively, their reply was awaited as of June 2015.

Union Territory, Daman & Diu, Department of Tourism

2.5 Irregular draw of ₹ 5.50 crore to avoid lapse of budget grant

Union Territory Administration, Daman, irregularly parked ₹ 5.50 crore in March 2012 with Omnibus Industrial Development Corporation for a project, which was approved by the competent authority in March 2014, to avoid lapse of budget grant.

Sub rule 2 of Rule 100 of Receipt and Payment Rules, 1983 stipulates that no money shall be drawn from Government accounts unless it is required for immediate disbursement. It is not permissible to draw money from Government accounts in anticipation of demands or to prevent the lapse of budget grant.

Audit noticed that Tourism Department, Daman deposited ₹ 5.50 crore in March 2012 with Omnibus Industrial Development Corporation (OIDC) for work of construction of protection wall (sea erosion) at Jampore Beach ch. 350 Mt. to 1850 Mtr. At the time of deposit of funds with OIDC, neither administrative approval and expenditure sanction was availed nor technical sanction was obtained from the competent authorities. Audit further noticed that technical sanction for this work was accorded by the Chief Engineer of OIDC in December 2013 for an amount of ₹ 33.09 crore. The deposit ₹ 5.50 crore was considered as initial deposit for the entire work. Moreover, administrative approval for the above project was granted by the Standing Finance Committee (comprising of the Administrator, Development Commissioner and Finance Secretary) of the UT in March 2014. Hence, at the time of the deposit of ₹ 5.50 crore with OIDC, Daman in March 2012, neither there was any detailed project report nor the required sanctions were obtained.

Scrutiny of records at OIDC also revealed that tender for the said work

was also not finalized by OIDC (till December 2014) and no expenditure had been incurred by till then.

Thus, an amount of ₹ 5.50 crore drawn from the Government accounts and deposited with OIDC in the month of March 2012 was not for immediate disbursement for the work, but it was drawn to avoid lapse of budget grant which was irregular.

The matter was referred to the Ministry of Home Affairs in May 2015; their reply was awaited as of June 2015.

Union Territories, Daman & Diu and Dadra & Nagar Haveli, Department of Police

2.6 Non-modernization of communication network

Failure of the UT Administration in implementation of Terrestrial Trunked Radio technology for communication network for Police Department resulted in lack of modernization of communication system. The system is a crucial and vital activity under modernization scheme in the coastal and sensitive UTs. The UT Administration also blocked fund of ₹ 484.38 lakh with Omnibus Industrial Development Corporation (OIDC) for more than four years.

With a view to improving infrastructure facilities and strengthening operational efficiencies of Police Force of Union Territories, the Ministry of Home Affairs (MHA) sanctioned ₹ 884 crore in April 2006 for introduction of Police Modernization Scheme (PMS) for NCT of Delhi, Chandigarh, Daman & Diu, Dadra & Nagar Haveli, Pondicherry, Andaman & Nicobar Island and Lakshadweep. The period of PMS was for five years beginning from 2006-07 to 2010-11 which was further extended up to 2012-13.

Audit noted that the Union Territory of Daman & Diu was sanctioned ₹ 22.50 crore over a period of five years under PMS on various components like communication, equipment, vehicles, police stations/buildings, forensic science laboratory, weaponry etc. Committee of Action Plan for the year 2007-08 decided (January 2008) to set up a composite Radio Trunking Wireless System covering both the Union Territories (Daman & Diu and Dadra & Nagar Haveli) as a single project. The purpose of the project was to strengthen the communication network and improve the policing environment. The estimated cost of the project was ₹ 500 lakh (₹ 200 lakh for Dadra & Nagar Haveli and ₹ 300 lakh for Daman & Diu).

M/s Tele Communication Consultant India Ltd., (TCIL) was appointed (May, 2009) as technical consultant. TCIL conducted technical survey and recommended TETRA technology for Wireless Radio Tracking Wireless System. The TCIL was paid ₹ 12.40 lakh as consultant fees.

The Police Department Daman & Diu floated (March 2009) tenders for implementation of Multisite UHF Digital Trunking System (TETRA) and four bidders viz. (i) HCL (ii) 3 G Wireless Communication (iii) Tech-Mahindra and (iv) Motorola India submitted the bids. Technical bid was opened on 23 March 2009. After due diligence by Technical Committee, the committee invited price bid from above four bidders. Later on the Central Vigilance Commission (CVC) found deficiencies during scrutiny of bid documents of the project and suggested to take suitable corrective measure. It was decided (November, 2009) by the purchase committee (on recommendation of the consultant) to cancel the tender, and invite a fresh tender for the project.

Meanwhile, Omnibus Industrial Development Corporation (OIDC) Ltd. Daman was appointed as nodal agency on 03 February, 2010 for implementation of TETRA system without any terms of reference and without fixing any time limit for completion of the project. The police department deposited ₹ 397.72 lakh on 04 February 2010 and ₹ 86.66 lakh on 12 May 2010 with OIDC Ltd. towards the cost of the project.

Audit scrutiny of records, revealed that no further action was taken by OIDC and the police department to implement this project. In the Meeting of High Power Committee for PMS (UT), MHA held on 14 March 2012, it was mentioned that 2012-13 was last financial year for PMS and no such work should be taken up where concerned UT was not confident of finishing tender activities and finalizing purchase order by 2012-13. The MHA in May 2013 also turned down the request of I.G.P. Daman and D&NH for re-appropriation/revalidation of fund relating to previous financial years 2008-12 (except 2012-13) and directed to surrender unspent balance of previous financial years. It was noted that the unspent funds of ₹ 478.86 lakh was not surrendered by the Police Department till July 2014 to MHA. In July 2014, the OIDC refunded an amount of ₹ 188.55 lakh pertaining to UT of D&NH, which was surrendered to MHA by UT Administration in December 2014. The funds amounting to ₹ 290.31 lakh pertaining to UT of Daman & Diu were still lying (April 2015) with OIDC Limited.

Thus, tardy action initiated by the UT Administration resulted in non-implementation of TETRA technology for communication network for Police Departments of Daman & Diu and Dadra & Nagar Haveli and resulted in blocking of ₹ 484.38 lakh for more than four years. Although an amount of ₹ 188.55 lakh pertaining to UT of D&NH was refunded by the OI DC in July 2014, ₹ 290.31 lakh pertaining to UT of Daman & Diu was still lying with OI DC. The purpose of installation of Radio Trunking Wireless System also remained unachieved, in these coastal and sensitive Union Territories. The exercise became infructuous.

This was brought to the notice of the UT Administration and Ministry of Home Affairs in March 2014 and November 2014 respectively; their reply was awaited as of June 2015.

Union Territory, Daman & Diu, Department of Tourism

2.7 Recovery at the instance of Audit

Public Works Department, Daman in December 2006, had irregularly drawn funds amounting to ₹ 200.00 lakh for a work and deposited it with Omnibus Industrial Development Corporation (OIDC). The work did not commence and the amount was lying with OI DC for more than eight years (till December 2014). On being pointed out by Audit, the amount was refunded by OI DC. (March 2015)

Rule 290 of the Central Treasury Rules prescribes that “No Money shall be drawn from treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent lapse of budget grants”.

During scrutiny of the records of the Public Works Department (PWD), Daman and OI DC, Daman Audit noticed that PWD, Daman had deposited ₹ 200.00 lakh with OI DC as detailed below;

Sr. No	Name of work	Date of administrative approval	Date of deposit	Funds received (₹ in Lakh)
1.	Beautification of Sea face Road along M G Road’.	September 2006	December 2006	200.00

Audit noticed that the fund was released without preparation of detailed project report. There was no immediate requirement of fund as only an expenditure of ₹ 0.38 lakh had been incurred towards consultancy/other expenditure and no NIT had been issued even after eight years. Balance

funds amounting to ₹ 199.62 lakh were lying with OIDC in deposits (December 2014).

On being pointed out in Audit, PWD, Daman stated (June 2015) that funds were earmarked to OIDC as per the Note approved by the Administrator and no specific terms and conditions for depositing it to OIDC were on record. No stipulated dates of completion were prescribed to OIDC and till date no correspondence had been done with the OIDC for completion of the work. It further stated (July 2015) that OIDC had refunded the amount of ₹ 200.00 lakh (March 2015) towards the full deposit work of PWD "Beautification of Sea Face Road M.G. Road". The refunded amount of ₹ 200.00 lakh was deposited (March 2015) to Government Account by PWD, Daman.

Thus, irregular drawal of ₹ 200.00 lakh by PWD led to its blocking for more than eight years and it was finally recovered and deposited in Government Accounts at the instance of Audit.

The matter was referred to the Ministry in May 2015; their reply is awaited as of June 2015.

Union Territory of Lakshadweep

2.8 Irregular parking of government funds

Parking of funds to the tune of ₹ 216.59 crore with Lakshadweep Development Corporation Limited (LDCL) and non-transfer of unspent amount of ₹ 40.48 crore to Union Territory of Lakshadweep (UTL), resulted in blocking of government money to the tune of ₹ 257.07 crore.

Rule 26 of General Financial Rules (GFR) stipulates that the expenditure should be incurred for the purpose for which the funds have been provided. Rule 30 (ii) stipulates that when the sanction provides for expenditure from the budget provision of a specified financial year, it shall lapse at the close of that financial year. Further GFR Rule 56(1&2) also stipulates that "the funds provided during the financial year and not utilized before the close of the financial year shall stand lapsed at the close of the financial year and the provision not utilized should be surrendered to government".

Audit noted that the Union Territory of Lakshadweep (UTL) Administration prepared estimates for procurement of new vessels during each year and the Government of India allocated funds to UTL through budgetary allocation as Capital outlay for acquisition of new passenger vessels. The

funds received by UTL Administration were transferred to Lakshadweep Development Corporation Limited (LDCL) with the instructions to keep the same in an interest bearing account for stage payments to the respective shipyards.

2.8.1 Parking of funds

Audit observed that a total amount of ₹ 749.70 crore were transferred to LDCL (**Annex VIII**) for the period from 2002-03 to 2013-14, of which, LDCL had released an amount of ₹ 525.92 crore (this included refunds made in 2013-14) only to the clients up to March 2014 and remaining amount of ₹ 223.78 crore (**Annex-VIII**) was still lying with them. Audit further noted that in the amount of ₹ 223.78 crore, ₹ 7.19 crore was earned by LDCL (December 2007) by levy of liquidated damages from various shipyards for various violations, such as delay in delivery, insufficient speed, excess fuel consumption, deadweight tonnage etc. These were to be returned to UTL immediately on recovery instead of keeping it with LDCL.

The department, while confirming the fact and figures, replied (March 2014) that as the release of money depends on work completion by the shipyards, the accurate time of outflow could not be predicted in advance and the fund had to be kept ready for releasing payments to shipyards. No excess fund was parked with LDCL other than the total construction cost of vessels. The department accepted that only ₹ 7.19 crore was pending refund from LDCL.

2.8.2 Non- remittance of interest amount

Audit noted that as per the annual accounts of the LDCL for the period 2013-14, the total amount of interest earned by the LDCL up to March 2014 was ₹ 33.29 crore, which was yet to be remitted into the Government Account (**Annex-IX**). Reconciliation of figures of deposits and balances between the department and LDCL had not been done in many cases for ascertaining the balance.

The department, while confirming the fact and figures, replied (March 2014) that the fund was invested by LDCL in fixed deposits as per the directions of the competent authority. LDCL replied (December 2014) that the process of reconciliation of department funds with the concerned department had been started and steps to refund the deposits along with interest for the closed projects had been initiated.

The reply of the department as well as LDCL is to be viewed in light of the following:

- (i) Drawing of Government money in anticipation of future demands stretching beyond a financial year to prevent the lapse of budget grants is in violation of Rules. The UTL Administration was liable to make only stage payments to the ship building units and draw funds accordingly.
- (ii) Receipts and recoveries on Capital Account in so far as they represent recoveries of expenditure previously debited to a Capital Major Head shall be taken as reduction of expenditure under the concerned Major Head except where, under the rules of allocation applicable to a particular department, such receipts have to be taken as revenue in terms of Rule 94 of GFR. As such, ₹ 7.19 crore levied and recovered in December 2007 towards liquidated damages should have been returned to UTL immediately on recovery instead of keeping it with LDCL.

Thus, the unauthorized parking of fund to the tune of ₹ 216.59 crore with LDCL violating the GFR Provisions and not transferring the refundable amount of ₹ 40.48 crore (₹ 7.19 crore + ₹ 33.29) to UTL Administration had resulted in blocking of government money to the tune of ₹ 257.07 crore. It was not prudent to park excess funds meant for development activities merely for earning interest from fixed deposit. Action may be taken to streamline the system and to ensure receipt of all parked funds along with the interests.

The matter was referred to the Ministry of Home Affairs in April 2014; their reply was awaited as of June 2015.

2.9 Excess payment of Special Allowance

In contravention of Ministry of Finance orders, UTL Administration allowed two Special Compensatory Allowances i.e Special Compensatory (Remote Locality) Allowance (SCRLA) and Hard Area Allowance (HAA) in addition to Island Special Duty Allowance (ISDA) at a time to its employees. This led to excess payment of ₹ 79.87 lakh on account of special allowance to its employees.

Ministry of Finance (March 2004) granted Hard Area allowance (HAA) @ 25 per cent of basic pay to all the Central Government employees posted in the Nicobar Group of Islands w.e.f April 1, 2004 as a special

compensatory allowance. As per orders, in places where more than one Special Compensatory Allowance is admissible, the Central Government employees posted in such stations will have the option to choose the allowance which benefits them the most.

Ministry of Finance in August 2008 extended this allowance to all Central Government employees posted in Minicoy in Lakshadweep w.e.f. 01 September 2008 with the same condition. This special compensatory allowance (HAA) was further extended (November 2011) to all Central Government employees posted in Kiltan, Andrott, Kalpeni, Chetlat, Kadmat, Amini and Bitra Islands of Lakshadweep @ 15 per cent of basic pay + NPA, where ever applicable.

Audit scrutiny of the Pay Bill Registers of Village (Dweep) Panchayats (VDPs) in UTL, employees working in the UTL Light Houses and Light Ships and employees of Door Darshan Maintenance Centre Kochi working in UTL revealed that, employees were given both Special Compensatory (Remote Locality) Allowance (SCRLA) and Hard Area Allowance (HAA) in addition to Island Special Duty Allowance (ISDA) in contravention to the Government orders. As per the orders of Ministry of Finance, ISDA along with either SCRLA or HAA can be drawn, and SCA being the least may be forgone. Thus, the excess payment made to the employees worked out to ₹ 79.87 lakh (**Annex-X**).

On this being pointed out (May 2013), the Administration took up the matter with the Ministry of Finance. The Ministry clarified (February 2014) that the employees cannot draw both HAA and SCRLA simultaneously with Island Special Duty Allowance (ISDA) and can draw either SCRLA or HAA along with ISDA. After receiving the clarification, the Finance and Accounts Department, UTL Administration issued direction (February 2014) to all Heads of the Department to stop the irregular payment. Further, on the basis of the directions from the Ministry of Home Affairs, UTL Administration issued an Office Memorandum (September 2014) directing all the DDOs concerned to start recovery of the excess payments made from 01 September 2008 to March 2014 from the salary bills of September 2014 onwards.

The Ministry (March 2015) also endorsed the reply of UTL (October 2014) that necessary instruction to the DDOs under UTL Administration for starting recovery of the excess amount drawn irregularly towards Hard Area Allowance (HAA) and Special Compensatory (Remote Locality)

Allowance (SCRLA) simultaneously with Island Special Duty Allowance (ISDA) was communicated.

Thus, the non-observance of clauses in the Ministry of Finance's OM (March 2004 and August 2008) by the UTL Administration had resulted in excess payment of ₹ 79.87 lakh. Recovery of this amount was awaited.

2.10 Delay in procurement and installation of incinerators

Failure of Administration of the UT of Lakshadweep in procurement of incinerators and delay in installation despite having sufficient funds, resulted in blocking of ₹ 39.48 lakh with National Rural Health Mission for more than 4 years and diversion of funds of ₹ 23.45 lakh for other purposes.

Mention was made in the CAG's Audit Report No.25 of 2014 that the waste generated from medical activities can be hazardous, toxic and even lethal. While reporting the management of bio-medical waste, audit found that government hospitals were generating, collecting and disposing of bio-medical waste without mandatory authorisation in the selected hospitals. Bio-medical waste were to be treated and disposed of in accordance with Schedule 1 to the Environment (protection) Act, 1986 (29 of 1986), which states that human anatomical waste is to be disposed of either by incinerators or by deep burial.

During the audit of Directorate of Medical and Health Services, Kavaratti it was noticed that ₹ 89.90 lakh was entrusted to the Mission Director, NRHM, for the procurement of eight incinerators in March/November 2010 of which an amount of ₹ 23.45 lakh was diverted by the department for other purposes in violation of the Rule 26 of GFR. The department could utilise only ₹ 26.97 lakh leaving a balance of ₹ 39.48 lakh as unutilised for more than 4 years without serving the intended purpose of handling bio-medical waste in accordance with environmental norms. The details of the case are explained below:

Considering the necessity for installation of incinerators from environmental point of view, the Directorate of Medical and Health Services (Department), Kavaratti, placed supply order (February 2010) with M/s. Esco Engineering Pvt. Ltd., Kolkata, for procurement of four incinerators of 10Kg per hour capacity for installation of one each at Government Hospital Minicoy and Community Health Centers at Amini, Androth and Agatti at a total amount of ₹ 38.80 lakh. The due date of supply was 20 March 2010 which was

further extended to June 2010.

Audit further noted that the Department released ₹ 41 lakh (17 March 2010) to the Mission Director, Directorate of National Rural Health Mission (NRHM), State Health Society, Kavaratti, by authorizing them to procure and install the incinerators and to make payment to the supplier as per agreed terms and conditions.

The first incinerator was supplied (July 2010)) and installed (April 2011) at Government Hospital at Minicoy, after a delay of one year by the firm M/s. Esco Engineering Pvt. Ltd, Kolkata. They failed to supply the remaining three incinerators within the due date. Hence the department decided (August 2010) to cancel the order.

In the meanwhile, UT Administration, in August 2010, issued a supply order to M/s Aseptic Systems Coimbatore, the second lowest bidder for procurement of four more incinerators for installation at Primary Health Centres at Kapleni, Kadamat, Kiltan and Chetlat islands. An amount of ₹ 48.90 lakh was released (November 2010) to NRHM for these four additional incinerators. Audit noted that of the four incinerators supplied in 2011 by M/s. Aseptic Systems, three meant for installation at Kalpeni, Kiltan and Chetlat, as per the supply order, were actually supplied/installed at Amini, Androth and Agatti Island, the locations where the earlier firm M/s. Esco Engineering Pvt. Limited had to install. Audit further noticed that the incinerators were installed at Androth (May 2011) and Agatti (January 2014). However, the installation of incinerators at Amini and Kadamath was not completed due to non-readiness of site at CHC Amini and PHC Kadamat. Further the Administration had diverted an amount of ₹ 23.45 lakh on account of installation charges of air conditioner and purchase of ultra sound machine from the remaining funds available for procurement of incinerators.

Thus, out of total amount of ₹ 89.90 lakh entrusted to the Mission Director, NRHM, State Health Society for the procurement of 8 incinerators in March/ November 2010, and an amount of ₹ 23.45 lakh was diverted by the Administration for other purpose. Five incinerators were procured of which only three were installed.

The Department could utilize only ₹ 26.97 lakh leaving a balance of ₹ 39.48 lakh as unutilized for more than four years without serving the intended purpose (**Annex XI**).

On the above facts being pointed out by audit (July 2013), the Department replied (February 2014) that in spite of repeated reminders the firm had not supplied the incinerators for Kalpeni, Kiltan and Cheltlat. Non-readiness of the site was cited as the reason for non-installation at Kadamat and Amini. It was further replied (December 2014) that the amount was parked with the State Health Society (NHRM) with the approval of competent authority and would be used for certain other important activities with due approval.

The reply does not explain the failure of the Administration in ensuring prompt supply and installation of the incinerators. It also does not explain the reasons for not executing any agreement with the Mission for procurement while transferring the money, which resulted in blocking of ₹ 39.48 lakh with state agency for more than four years, and diversion of funds for other purposes in contravention of GFR provisions. The procurement without creating necessary basic infrastructure facilities resulted in idling of two incinerators for more than four years. The purpose of procurement and installation of the incinerators to adhere to the environmental norms for handling bio-medical waste was also defeated.

The matter was communicated to the Ministry of Home Affairs (January 2015); their reply was awaited as of June 2015

2.11 Recovery at the instance of audit – ₹ 27 lakh

Union Territory, Lakshadweep released subsidy of ₹ 27 lakh to a Co-Operative Society between January 2009 and August 2010, without ensuring fulfilment of required formalities towards construction of godown office. The work could not be commenced for more than four years. The Co-Operative Society refunded the subsidy in January 2015 without achieving the purpose for which it was released.

Lakshadweep Co-Operative Marketing Federation (LCMF) is a registered society that aims to procure consumable and non-consumable durable products and also the transportation of essential commodities under Public Distribution system from the mainland to the islands of UTL. The entire cargo required by the Primary Co-Operative societies in the UTL for public distribution are procured and dispatched through Beypore port. LCMF covers a major portion of cargo handled through Beypore Port. Hence, it was decided (2009) by the UTL Administration to construct godown/office for LCMF at Beypore. The Administration provided ₹ 54 lakhs (₹ 27 lakh loan and ₹ 27 lakh subsidy) to LCMF between January 2009 and August 2010 in six instalments. The amount on account of subsidy and loan was

paid on the basis of the application and Executive Committee resolution/ Deed of Mortgage submitted by LCMF. The loan was repayable in 15 equal instalment of principal together with interest due on outstanding principal from time to time with an interest rate of 11 *per cent per annum*. It was clearly mentioned in the order for payment of subsidy that the amount shall be utilised for the purpose for which it was sanctioned within one year and if any portion of the amount sanctioned is left unutilised, it shall be remitted back to the Government, and a certificate to that effect shall be furnished to the Administration.

Audit noted that the UT Lakshadweep Administration accorded administrative approval and expenditure sanction for the construction of four godowns in LCMF complex at Beypore only in December 2010, at a cost of ₹ 1.35 crore. So the funds were released before AA and ES was accorded.

In March 2011, the LPWD Authorities took up the matter with the Director of Port, Kerala for seeking permission to execute the construction work in the Port Development Area. This was followed up after a lapse of two years in February 2013 and subsequently in October 2013, January 2014 and June 2014. However, the construction could not be carried out as no permission was received from Director, Port, Kerala (December 2014).

On this being pointed out (December 2014), the Registrar of Co-Operative Societies, Department of Co-Operation, UTL Administration replied (January 2015) that, the delay was due to statutory requirements and delay in getting the concurrence from the Government of Kerala. The LCMF had refunded the subsidy amount of ₹ 27 lakh in UT's account in January 2015 i.e. after more five years. It was further replied (June 2015) that release of subsidy was based on the expectation that as the LCMF godowns/ office complex were already functioning at the proposed site since 1970, for which permission had been granted by the Kerala when LCMF was established, requirement of fresh permission may not arise.

The Ministry of Home Affairs (April 2015) also endorsed copy of Draft paragraph to the Administrator, UTL for furnishing the reply to audit.

The reply of the Registrar was considered by audit in view of following facts;

- ♦ The Subsidy was released for construction of godown/office between January 2009 to August 2010 on the basis of Board's resolution

and application submitted by LCMF, even before the Administrative Approval and Expenditure sanction (December 2010) were accorded. Later on, the Administrative approval was issued for construction of four godowns, in place of earlier proposal of establishing godown/ office.

- ♦ Though the Executive Engineer LPWD and LCMF authorities had applied for permission of Director port, Kerala, no concrete efforts were made by the Administration to ensure utilisation of funds by LCMF and obtain Utilisation Certificate within 12 months from the closure of the financial year, required as per sanction. Moreover, the sanction order stipulated the refund of the unutilised portion of the amount sanctioned, if any, at the close of the financial year into Government Account, the Administration failed to ensure compliance, resulting in blocking up of fund of ₹ 27 lakh for more than four years. It was only after the Audit pointed in December 2014, the LCMF refunded ₹ 27 lakh to the Administration (January 2015).