सत्यमेव जयते

Report of the Comptroller and Auditor General of India for the year ended March 2017

भारतीय लेखापरीक्षा और लेखा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
सत्यमेव जयते

Union Government (Civil)
Union Territories without Legislatures
Compliance Audit Observations
Report No. 3 of 2018

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Contents

PREFACE

This report of the Comptroller and Auditor General of India for the year ended March 2017 has been prepared for submission to the President under Article 151 of the Constitution of India. The report contains the results of compliance audit of financial transactions of five Union Territories without legislatures.

Reports in relation to accounts of a Government Company or Corporation are submitted to the Government by the Comptroller and Auditor General of India under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Audit Report contains a audit observation relating to a Central Public Sector Enterprise.

The instances mentioned in this report are those which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

There are seven Union Territories (UTs) specified under Part II of the First Schedule to the Constitution of India, *viz.* Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep, National Capital Territory of Delhi and Puducherry. Except for the National Capital Territory of Delhi and Puducherry, UTs do not have Legislatures. This report includes audit observations arising from the audit of the five UTs without Legislatures.

The Report contains four chapters. Chapter I gives a brief outline of the administrative and financial arrangements in the Union Territories as well as the budgetary allocation and expenditure incurred as well as the position of response to audit in terms of replies to draft paragraphs and Action Taken Notes of earlier years. Chapter II contains paragraphs pertaining to the expenditure sector of UTs while Chapter III pertains to the revenue sector. Chapter-IV contains one paragraph relating to a Public Sector Undertaking (PSU) under UT Administration of Dadra and Nagar Haveli. The financial implication of the audit observations included in this report is ₹ 609.01 crore.

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

Expenditure Sector

Andaman and Nicobar Administration

Police Department, Port Blair

Implementation of Coastal Security Scheme and Crime and Criminal Tracking Network and Systems (CCTNS) project

All scheme components of the Coastal Security Scheme Phase II which was to augment infrastructure for coastal surveillance and security were lagging behind original scheme targets. Only one out of the ten planned Marine Operational Centers had been established even though seven years had elapsed since commencement of the scheme. Further, sites for ten planned jetties were yet to be finalized and work on upgradation of 20 Coastal Police Stations was yet to commence. The Crime and Criminal Tracking Network and Systems (CCTNS) which was envisaged to re-engineer processes and integrate various levels of the Police Department with other stakeholders in a single network had missed most of the envisaged milestones.

(Paragraph No. 2.1)

Andaman Public Works Department

Unfruitful Expenditure

Andaman Public Works Department awarded work for augmenting water supply at Aerial Bay at a cost of ₹ 1.42 crore without obtaining mandatory forest clearance leading to the work getting foreclosed. Foreclosure of the work rendered unfruitful expenditure of ₹ 92.94 lakh incurred on material procured for the work.

(Paragraph No. 2.2)

Directorate of Shipping Services

Avoidable payment of customs duties

Failure of Directorate of Shipping Services, Andaman and Nicobar Administration, to avail of exemption from payment of customs duties in terms of Custom Notifications issued under the Customs Act, 1962, led to avoidable payment of ₹ 57.99 lakh towards customs duty on procurement of imported spares for routine repair and maintenance of an ocean-going vessel.

(Paragraph No.2.3)

Chandigarh Administration

Idling of Sub-Station due to improper planning of work

Electricity Department Union Territory of Chandigarh entered into an agreement with the Power Grid Corporation of India Limited for erection of a Grid Sub-Station at Sarangpur Chandigarh at an estimated cost of ₹ 9.87 crore. The erection of the sub-station which should have been completed by November 2011 was delayed by over four years due to allotment of land with encumbrances. The newly erected sub-station is yet to be commissioned due to non-availability of 66 KV transmission lines rendering idle assets created at an expenditure of ₹ 10.19 crore.

(Paragraph No. 2.6)

Construction of market without establishing viability

Chandigarh Administration constructed an Air Conditioned Fish & Meat Market at a total cost ₹ 1.53 crore even though viability of the market was in doubt. The entire integrated market has been lying vacant for past eight years due to lack of response for shop booths from vendors.

(Paragraph No. 2.7)

Daman & Diu and Dadra & Nagar Haveli Administration

Deposit works entrusted to Omnibus Industrial Development Corporation (OIDC) of Daman & Diu (D&D) and Dadra & Nagar Haveli (DNH) Ltd

During 2011-17, seventeen Departments/Autonomous Bodies of the UTs of D&D and DNH entrusted 44 deposit works and deposited ₹ 528.87 crore with OIDC. The Departments failed to ensure adherence to the codal provisions governing release of funds to OIDC for execution of projects as deposit works. Funds were released far in excess of actual requirement which resulted in idling of ₹ 56.57 crore that seemed to serve only to sustain the Corporation without achieving their primary objective of creation of the envisaged infrastructural assets. Funds amounting to ₹ 57.70 crore were released without prior administrative approval and expenditure sanction thereby undermining budgetary control and discipline. Projects were delayed for prolonged periods as codal requirement of ensuring availability of encumbrance free sites before award of work was not adhered to. Finally, 31 deposit works valued at ₹ 454.74 crore were entrusted to it without entering into a MOU as a result of which scope of work, payment schedule and milestones for completion were left undefined.

(Paragraph No. 2.8)

Irregular grant to District Panchayat for tourism

UT Administration of Daman & Diu irregularly sanctioned Grant in Aid of ₹ 1.35 crore for tourism to District Panchayat Daman even though tourism was not a subject entrusted to panchayats. As the project for which the funds were released was not even finalized, the grant remained unutilized. Instead of promptly returning the funds to the Government, it was parked outside government accounts for more than four years depriving the Government of the opportunity of utilising the funds for other development activities.

(Paragraph No. 2.9)

Inadmissible and unjustified payment to a contractor

Failure of Daman Municipal Corporation to recover the cost of its regular workers deployed with the contractor led to inadmissible payments of ₹ 33.22 lakh to a contractor. It also allowed additional payment for items of work that were already committed in the original agreement leading to unjustified payment of ₹ 47.88 lakh to the contractor.

(Paragraph No. 2.10)

Avoidable expenditure due to demolition and reconstruction of a divider

Change in technical specifications of a road divider during execution of work without due technical approval and its subsequent demolition and reconstruction with a design similar to the original design resulted in avoidable expenditure of ₹ 58.72 lakh.

(Paragraph No. 2.11)

Union Territory of Lakshadweep Administration (UTLA)

Procurement and Distribution of essential commodities under Public Distribution System in Union Territory of Lakshadweep

The Public Distribution System (PDS) in the Union Territory of Lakshadweep (UTL) involved allocation, transportation, storage and distribution of Superior Kerosene Oil (SKO), sugar and rice. Audit of PDS revealed that quantum of SKO and sugar allocated, lifted and distributed was not commensurate with requirements computed based on the population of the UT. The estimated value of the excess expenditure on this account was ₹ 3.47 crore. Further, a large quantity of damaged rice valued at ₹ 75.24 lakh was held in godowns without any enquiry about the causes of damage and without any action for its disposal. There was also lack of internal controls and meaningful monitoring as accounts for PDS items were not prepared since 2014-15 and accounts up to 2013-14 showed outstanding remittance of sale proceeds from Island Co-operative Supply and Marketing Societies. There was also short and delayed remittance of sales proceeds by the societies into the Government account and Vigilance Committees and inspection mechanisms were either non-functional or non-existent.

(Paragraph No. 2.12)

Delay in construction of dedicated berthing facilities and parking of funds with a Public Sector Undertaking

Union Territory of Lakshadweep Administration released funds amounting to ₹ 40.34 crore meant for construction of a dedicated berth without prior project approval by the competent authority and requisite clearances. This amounted to parking of funds with Lakshadweep Development Corporation Limited with no prospect of its immediate utilisation for the intended purpose. This was not only in violation of the Receipts and Payments Rules and the GFRs but also denied UTLA of the opportunity to utilise these funds for other developmental activities. Further, the project is yet to commence even six years after it was conceived for want of clearances and approvals.

(Paragraph No. 2.13)

Avoidable expenditure due to delay in disposal of a decommissioned vessel

Lack of established procedures for disposal of decommissioned vessels coupled with delay in initiating timely action including fixing of appropriate reserve price of an outlived vessel resulted in avoidable expenditure of ₹ 7.67 crore.

(Paragraph No. 2.14)

Short deduction of Income Tax

Union Territory of Lakshadweep Administration (UTLA) did not include the Island Special Duty Allowance (ISDA) for determining income tax liability which resulted in short deduction of income tax of ₹ 51.92 lakh in case of 19 DDOs out of 118 DDOs under the PAO of UT Lakshadweep.

(Paragraph No. 2.15)

Revenue Sector

Union Territory of Dadra and Nagar Haveli

Short-levy of stamp duty on Development Agreements

Failure of the Sub-Registrar Silvassa to levy stamp duty on the basis of consideration amount with respect to Development Agreements led to short levy of stamp duty. An amount of ₹ 29 lakh was subsequently recovered in 12 cases at the instance of audit.

(Paragraph No. 3.1)

Commercial Sector

Union Territory of Dadra and Nagar Haveli

DNH Power Distribution Corporation Limited

Purchase and Sale of Power by DNH Power Distribution Corporation Limited

Inadequate assessment of power requirements led to the Company purchasing power despite having adequate allocation of power from central generating stations. Further, poor management of Power Purchase Agreements (PPAs) resulted in avoidable or irregular expenditure totaling ₹ 371.30 crore as well as in non-recovery of penalty of ₹ 8.63 crore. Non-compliance of Joint Electricity Regulatory Commission Regulations were noted in respect of security deposits, limit prescribed for power factor and frequency of field inspection.

(Paragraph No. 4.1)

CHAPTER I: INTRODUCTION

1.1 About this Report

This Report contains compliance audit observations relating to the five Union Territories without legislatures. Compliance audit refers to the examination of transactions relating to expenditure, receipts as well as the assets and liabilities of audited entities to ascertain compliance to provisions of the Constitution of India and applicable laws, rules, regulations and various orders and instructions issued by competent authorities from time to time.

The Comptroller and Auditor General (C&AG) performs audits in terms of the Auditing Standards approved by him. These standards prescribe the norms which the auditors are expected to follow in conduct of audit and require reporting on individual cases of non-compliance and abuse as well as on weaknesses that exist in systems of financial management and internal control. The findings of audit are expected to enable the Executive to take corrective action and to frame policies and issue directives that will lead to improved financial management of the organizations thereby contributing to better governance.

This Report includes audit findings based on the compliance audit of the Government Departments/Offices/Institutions under the administrative control of the UTs without legislatures.

1.2 Union Territories in India

There are seven Union Territories (UTs) specified under Part-II of the First Schedule to the Constitution of India *viz*. the Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman & Diu, Lakshadweep, the National Capital Territory of Delhi and Puducherry. Except the National Capital Territory of Delhi and Puducherry, the remaining five UTs do not have their own legislatures, councils of ministers or consolidated funds. Instead, they function under the authority of Parliament and the Government of India.

1.3 Administrative arrangements

Under the Government of India (Allocation of Business) Rules, 1961, the Ministry of Home Affairs (MHA) is the nodal ministry for legislative matters, finance and budget and services for the UTs. Each UT functions under an Administrator appointed by the President under Article 239 of the Constitution of India. In the Andaman and Nicobar Islands, the Lt. Governor is designated as the Administrator while the Governor of Punjab is the administrator of

Chandigarh. Administrators are also separately appointed for Dadra and Nagar Haveli, Daman and Diu and Lakshadweep. The Administrator's Advisory Councils in these UTs advise the administrators. The Home Minister's 'Advisory Committees' in these UTs address general issues relating to the social and economic development of the UTs. The Island Development Authority (IDA) under the Prime Minister facilitates the integration of high level decisions concerning the island UTs of the Andaman and Nicobar Islands and Lakshadweep.

1.4 Financial arrangements

The budget provisions in respect of UTs are under the administrative control of the Ministry of Home Affairs (MHA). The MHA prepares the Demands for Grants and Detailed Demand for Grants (DDGs) relating to these UTs for approval of Parliament. While the general administration of the UTs is the responsibility of the MHA, other ministries/departments of the Union Government administer funds on the subjects mentioned in Lists I and II of the Seventh Schedule to the Constitution of India insofar as they exist in regard to these territories. Thus, the DDGs also contain proposals of other ministries and departments relating to the expenditure on these UTs on activities concerning these ministries and departments. Administrators of the UTs have been delegated financial powers upto a certain limit[1] by MHA for sanction of plan schemes.

1.4.1 Provision and Expenditure

Details of budgetary allocation and expenditure in the five UTs in 2016-17 are given in **Table No. 1** below.

Table No. 1 Budgetary allocation and expenditure

(₹in crore)

Name of Union Territory	Total Grant/Appropriation		Actual Expenditure		Savings (*Per cent*)			
					Revenue		Capital	
	Revenue	Capital	Revenue	Capital	Amount	*Per cent*	Amount	*Per cent*
Andaman and Nicobar Islands	4080.87	683.68	4077.26	478.73	3.61	0.09	204.95	29.98
Chandigarh	3624.04	644.77	3524.41	644.69	99.63	2.75	0.08	0.01
Dadra and Nagar Haveli	745.37	384.49	744.33	358.57	1.04	0.14	25.92	6.74
Daman and Diu	1387.54	280.84	1154.97	280.80	232.57	16.76	0.04	0.01
Lakshadweep	1089.38	182.62	888.39	126.45	200.99	18.45	56.17	30.76
Total	**10927.20**	**2176.40**	**10389.36**	**1889.24**	**537.84**	**4.92**	**287.16**	**13.19**

Source: Union Government-Appropriation Accounts (Civil)

[1] ₹ 50 crore where Governor or Lt Governor is the Administrator and ₹ 25 crore in the remaining UTs.

Significant savings occurred under the capital section in Andaman and Nicobar Islands (ANI). This was due to delay in finalisation of ship building contracts, non-finalisation of agreement with Central Railway Information System for upgradation of Ship Ticketing Advance Reservation System, handing over of a work pertaining to National Highways to National Highways & Infrastructure Development Corporation Ltd., declaration of a stretch of State Highway as National Highway and slow progress of work. In addition, savings also occurred due to non-finalisation of tenders for purchase of High Frequency Radio Telephony equipment and delay in delivery of tugs by the construction yard.

In Chandigarh, savings occurred due to non-implementation of the recommendations of the Punjab Pay Commission, fewer foreign tours by High Court Judges**,** late finalisation of tenders for purchase of transport buses and non-filling of vacant posts in Arts and Science colleges.

In Daman and Diu, savings under revenue section were mainly due to shifting of major high tension consumers to open Access Power Purchase Scheme, reduced cost of power and cuts imposed at revised estimate stage by the Ministry of Finance.

In Dadra and Nagar Haveli, savings in the capital section was mainly due to non-clearance of a scheme for inter-connecting transmission line by Central Electricity Authority.

In Lakshadweep, savings under revenue section occurred mainly due to less requirement of funds for running and maintenance of ships, non-filling of vacant posts and reduction in provisions at revised estimate stage by the Ministry of Finance. In the Capital section, savings were due to delay in acquisition of ships and ferry vessels and reduction of provision at revised estimate stage by the Ministry of Finance.

1.4.2 Revenue

Details of tax and non-tax revenues raised by the administrations of the UTs without legislatures, in 2016-17 are given in **Table No. 2** below.

Table No. 2 Details of tax and non-tax revenues

(₹in crore)

Name of Union Territory	Tax	Non Tax	Total
Andaman and Nicobar Islands	88.26	278.58	366.84
Chandigarh	2192.35	1283.71	3476.06
Dadra and Nagar Haveli	974.80	31.10	1005.90
Daman and Diu	1028.74	112.06	1140.80
Lakshadweep	1.02	51.78	52.80
Total	**4285.17**	**1757.23**	**6042.40**

In the Andaman and Nicobar Islands (ANI), State Excise contributed 85.98 *per cent* of the total tax revenue of the UT. In the case of non-tax revenue, the largest contributor was 'Power' which contributed 48.49 *per cent* of total non-tax revenue. In Chandigarh, Sales Tax and Power contributed 70.69 *per cent* and 72.04 *per cent* of the tax revenue and non-tax revenue respectively. In Dadra and Nagar Haveli, Sales Tax contributed 88.18 *per cent* of tax revenue and power contributed 71.61 *per cent* of the non-tax revenue. In Daman and Diu, Sales Tax and Power accounted for 66.88 *per cent* and 89.91 *per cent* of the tax revenue and non-tax revenue respectively. Tax revenue in UT Lakshadweep (UTL) was meagre with stamp duty being the largest component. In the case of non-tax revenue of UTL, Power and Shipping were the largest source contributing 36.50 *per cent* and 35.53 *per cent* respectively.

1.5 Planning and conduct of audit

The audit process commences with a risk based assessment of expenditure incurred, the criticality/complexity of activities, delegated financial powers, overall position of internal controls, concerns of the stakeholders and previous audit findings. The frequency and extent of audit are decided on the basis of this risk assessment. On completion of audit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the Departments of the audited entity. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports of the Comptroller and Auditor General of India submitted to the President of India under Article 151 of the Constitution of India.

During 2016-17, Audit covered 307 units under the control of the five UTs without legislatures as detailed in **Appendix-I**.

1.6 Responsiveness of the Government to audit

Prompt and vigorous pursuance of objections and timely reporting of important irregularities to Government are essential for ensuring that the Audit Reports serve their intended purpose and Government derives their full value. The responsibility for the settlement of objections devolves primarily upon the disbursing officers, heads of offices and controlling authorities who are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to audit within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of Departments requesting them to furnish the replies expeditiously.

As of 31 March 2017, a total of 2,133 IRs containing 8,140 audit paragraphs were outstanding for settlement in respect of various departments/institutions under the five UTs without legislatures as given in **Appendix-II**.

1.7 Follow-up on Audit Reports

In its 105th Report (10th Lok Sabha-1995-96) presented to the Parliament on 17 August 1995, the Public Accounts Committee had recommended that Action Taken Notes (ATNs) on all paragraphs of the Reports of the C&AG should be furnished to the Committee through the Ministry of Finance (Department of Expenditure) within a period of four months from the date of laying of the Audit Reports on the Table of the House starting from 31 March 1996 onwards. Subsequently, a Monitoring Cell was created under the Department of Expenditure which is entrusted with the task of coordination and collection of the ATNs on the various Audit Paragraphs from all the Ministries/Departments concerned duly vetted by Audit and sending them to the Public Accounts Committee within the stipulated period of four months from the date of presentation of the Audit Report to the Parliament.

Audit observed that 11 ATNs pertaining to the Audit Report of the C&AG for the period upto 31 December 2017 were pending as given in **Appendix-III**.

1.8 Response of the Union Territories to draft paragraphs

On the recommendation of the PAC, Ministry of Finance issued directions to all Ministries in June 1960 to send their responses to the draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks of receipt of the paragraphs.

Replies from the auditee departments had been received in 14[2] out of the 17 paragraphs included in this Report of the Comptroller and Auditor General of India for the year ended March 2017. However, the Ministry did not reply to any of the paragraphs.

[2] Replies to the Paragraphs No. 2.1, 2.8 and 2.9 were not received.

CHAPTER – II : UNION TERRITORIES (EXPENDITURE SECTOR)

Andaman and Nicobar Administration

Police Department, Port Blair

2.1 Implementation of the Coastal Security Scheme and Crime and Criminal Track Network and Systems (CCTNS) project

All scheme components of the Coastal Security Scheme Phase II were lagging behind the original scheme targets. Only one out of the ten planned Marine Operational Centers had been established even after seven years since commencement of the scheme. Further, sites for ten planned jetties were yet to be finalized and work on upgradation of 20 Coastal Police Stations yet to commence. There was also deviation from procurement rules and guidelines in procurement of boats costing ₹ 54.32 lakh. The Crime and Criminal Track Network and Systems had also missed most of the envisaged milestones. As a result, most of the functionalities and benefits envisaged from the system remained undelivered.

2.1.1 Introduction

The Police Department (Department), Andaman and Nicobar Islands (ANI), is responsible for internal and coastal security of the islands apart from maintenance of law and order including prohibition of poaching activities. The Department is headed by the Director General of Police who is assisted by an Inspector General, Superintendents and Deputy Superintendents.

Audit examined the records relating to implementation of two schemes for strengthening the Police Administration of ANI *viz.* the Coastal Security Scheme Phase II and the Crime and Criminal Track Network and Systems. Audit also examined implementation of the UT Plan Coastal Security Surveillance Scheme (CSSS) which was conceived as a supplementary scheme of CSS-II. The period covered by audit was 2011-17.

The budget allotment and expenditure under the schemes during the period 2011-17 is given in the **Table No. 1** below:

Table No. 1: Budget Allotment and Expenditure

(₹in crore)

Sl. No.	Name of Schemes/Project	2011-17	
		Allotment	Expenditure
1.	Coastal Security Scheme Phase II (CSS-II)[1]	27.02	9.40
2.	Crime and Criminal Track Network and Systems (CCTNS)[2]	5.11	4.92

[1] Funds under the scheme CSS-II of ₹ 27.02 crore were received during 2011-12 and 2012-13.

[2] GOI provided a sum of ₹ 6.71 crore from November 2009 to August 2014 for the CCTNS project which was a 100 *per cent* centrally funded scheme with a total cost of ₹ 7.27 crore. Expenditure on the project was ₹ 5.01 crore till March 2017.

2.1.2 Audit Findings

2.1.2.1 Coastal Security Scheme Phase II (CSS II)

Ministry of Home Affairs (MHA) sanctioned the Coastal Security Scheme II in November 2010 for augmentation of infrastructure in nine coastal States and four coastal UTs including ANI to supplement other coastal security initiatives undertaken by the Navy and the Coast Guard. The duration of the scheme was originally for five years i.e. up to March 2016 but has since been extended upto March 2020 at the request of the Department.

The components of the scheme along with approved cost and originally stipulated period of completion is given in **Table No. 2** below:

Table No. 2: Components of CSS-II

Sl. No.	Components of the scheme	Quantity Approved	Approved cost (₹ in crore)	Originally Stipulated period of completion
1.	Construction of Marine Operational Centers (MOC)	10	13.50	2012-15
2.	Construction of Jetties	10	5.00	2011-16
3.	Procurement of Four Wheelers	20	1.40	2011-16
4.	Procurement of Motor Cycles	20	0.12	2011-16
5.	Upgradation of existing police stations to Coastal Police Stations	20	4.00	2012-15
6.	Procurement of equipment and furniture for 20 Coastal Police Stations	-	3.00	2011-16

2.1.2.2 Poor utilization of funds

Funds amounting to ₹ 27.02 crore were sanctioned by MHA for the scheme in three stages during 2011-12 and 2012-13. All the three sanctions were issued under Major Head 4055-Capital Outlay on Police with instructions to release/remit the funds to DGP ANI by demand draft (DD). MHA accordingly remitted these funds to the Police Department of ANI which in turn deposited these funds under Major Head (MH)-8443.00.104.00.00-Civil Court Deposits in the Public Accounts. Of the above amount kept as civil deposits by the Department, only ₹ 9.40 crore had been withdrawn till March 2017. Audit noted that even out of this amount of ₹ 9.40 crore, a major part i.e. ₹ 7.33 crore (77.98 *per cent*) was only a transfer[3] to the Andaman Public Works Department (APWD) for construction of five Marine Operational Centers which were yet (November 2017) to be constructed. Thus, only ₹ 2.07 crore (7.66 *per cent*) of the fund received was actually spent on the scheme even though five years had elapsed from its commencement.

[3] Between February 2016 and December 2016.

2.1.2.3 Inordinate delay in establishment of Marine Operational Centers

Under the scheme, ten Marine Operational Centers (MOCs) were to be set up as nerve centers to undertake patrolling, raids and surveillance in remote/scattered islands. MHA suggested (November 2010) completion of all preparatory works[4] for the MOCs by 31 March 2011. However, the Department constituted joint survey teams only in May 2011 after being prompted by MHA to initiate processing of statutory clearances for identification of sites and preparation of DPRs. Audit noted that only one out of the ten planned MOCs could be set up and operationalized in Kadamtala. The present status of implementation of the balance nine MOCs is given in **Annexe-I**. Four cases that were currently at the tendering stage had suffered delays due to change in site, inadequate preparatory work and non-intimation of availability of funds. In three cases, clearances and allotment of land were awaited and administrative approval and expenditure sanction and revised estimates were awaited in one case each.

The Department attributed (November 2017) the delays to involvement of various stakeholders in the process of obtaining clearances.

The reply is not tenable as there was no evidence of concerted action on the part of the Department to take advance action and actively pursue the requisite clearances. The Empowered Committee with members drawn from all key departments such as Finance, Revenue, PWD and Forests that could have facilitated early clearances had also never met since its constitution though it was required to meet at least once every quarter. As a result, funds allotted by the Ministry have remained un-utilized and assets critical for coastal security are yet to materialize.

2.1.2.4 Delay in finalizing requirement and location of jetties

The scheme included construction of ten new jetties for berthing and maintenance of boats/interceptor boats at strategic locations. Though preparatory works for jetties was required to be completed by 31 March 2011, the Department constituted joint survey teams only in May 2011. Surveys undertaken by these teams recommended (May 2012 and November 2014) dropping construction of jetties and using the existing jetties at nine locations. At one location, construction was found to be not feasible due to high costs and unfavourable weather conditions.

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[4] Identification and acquisition of land, planning estimation and tendering.

As funds allotted for the purpose were lying unspent, the Department revived the proposal for construction of jetties in November 2016 and proposals for construction of eight jetties were obtained from the Districts. Audit noted that these fresh recommendations for eight jetties included four jetties at the same locations envisaged earlier. Hence, it was apparent that the assessment of requirement of jetties by survey teams had not been accurate. Thus, considerable time was lost in implementing a critical component of the CSS-II while ₹ five crore allotted for the purpose remained unutilized.

2.1.2.5 Non-commencement of works of upgradation of Coastal Police Stations

Funds for addition/alteration/upgradation of 20 Coastal Police Stations (CPSs) was sanctioned under the scheme. Audit noted that estimates for only 12 CPSs [5] had been received between May 2016 and September 2016 and estimates for the remaining eight CPSs were under preparation by Andaman Public Works Department as of November 2017.

The Department stated (April 2017) that though up-gradation of CPSs was delayed, the CPSs were fully functional with available infrastructure and resources and priority was being given to other time consuming works.

The reply is not tenable as other works had also not progressed and up-gradation of 20 CPSs was an independent component of the scheme for which funds had been made available much in advance.

2.1.2.6 Failure to procure critical equipment

Funds were allotted in October 2012 for providing assistance of ₹ 15 lakh per police station for procuring various types of equipment for surveillance, navigation, communication, detection and night operation capabilities of boats as also card readers, computer systems and furniture. Audit noted that the Department had only procured computer furniture worth ₹ 32.18 lakh and 20 Distress Alert Transmitter (DAT) costing ₹ 3.78 lakh till March 2017. Critical equipment for surveillance, navigation/communication, and computer systems were yet to be procured (November 2017).

The Department stated (March 2017) that a tender was floated for procurement of night vision devices and hand held devices but could not be finalized due to exorbitant rates quoted and variations in the equipment offered.

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[5] Kamorta/Nancowry, Teressa, Car Nicobar, Campbell Bay, Katchal, Havelock, Chatham, Bamboo Flat, Diglipur, Kalighat, Billyground, Baratang.

Audit observed that it was in any event incumbent upon the Department to review the tender process and bring it to a successful conclusion while adhering to the GFRs. Thus, lack of substantive progress in procurement of equipment defeated the objective of ensuring reliable communication between MOC, CPSs and Boats. Besides, ₹ 2.64 crore remained unutilized for more than five years.

2.1.2.7 Non-procurement of Large Vessels and Rigid Inflatable Boats

Ministry sanctioned (November 2010) 10 large vessels and 23 Rigid Inflatable Boats[6] (RIB) to be centrally procured at a cost of ₹ 302.30 crore. These vessels were required to exercise watch and vigilance at islands and along the coast line and were to be stationed at 10 strategic locations where MOCs were being set up.

Ministry floated limited tender enquiries in June 2016 for procurement of the large vessels and RIBs more than five years after approval of the scheme and finalized tenders for these vessels in December 2017. Thus, a critical component of CSS-II has been delayed for more than six years after approval and the objective of strengthening vigilance at strategic locations through regular patrolling has yet to be achieved.

2.1.3 Coastal Security Surveillance Scheme

2.1.3.1 Non-implementation of key components of Scheme

This scheme was proposed as a UT Plan Scheme to *inter alia* achieve self-sufficiency in patrolling and striking capability within our territorial waters. The scheme was proposed to cover items that could not be funded by the Ministry due to limited funds available under the CSS-II.

Audit noted that only three out of the 22 items envisaged under the scheme (boats[7], diving equipment and setting up a Marine Police Control Room) had materialized. Audit also observed that most of the expenditure incurred was under establishment[8] (63.38 *per cent*) and POL (25.65 *per cent*) heads. Thus, funds intended to augment assets in support of CSS-II was primarily used for funding establishment and POL expenses.

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6 A Rigid Hull Inflatable Boat is a light weight but high performance and high-capacity boat constructed with a solid, shaped hull.

7 FRP Boats were procured from CSS-II funds but achievement was shown under CSSS

8 Salary, Domestic Travel and office expenses.

2.1.3.2 Irregular procurements of boats under the scheme

Rule 137 of GFRs, 2005, stipulate that every authority delegated with financial powers of procuring goods shall bear the responsibility and accountability to ensure efficiency, economy and transparency in matter relating to public procurement and fair and equitable treatment of suppliers and promotion of competition in public procurement. This includes determining specification of goods proposed to be procured, inviting offers in a fair and transparent manner and evaluating the offer with reference to those pre-determined specifications. Further, Rule 160 states *inter alia* that bids should be evaluated in terms of conditions already incorporated in the bidding documents and the contract should be awarded to the lowest evaluated bidder who is found to be responsive in terms of the specifications and conditions stipulated in the bid documents. Where a two bid system is adopted, the technical bid is evaluated first and the financial bid of only those that are technically qualified are opened (Rule 152 GFR). In such a system, there should not be any variation between the goods offered in the technical offer and that actually contracted for and procured. Any such deviation vitiates the entire process.

Audit observed deviations from the above-mentioned fundamental principles of public procurement in two cases of procurement of boats as discussed below:

Case A: A Notice Inviting Tender (NIT) was issued in June 2012 in a two-bid system for procurement of four Fibre Reinforced Polymer (FRP) Boats[9] under the CSSS. The bid document specified the length and breadth of the boats proposed to be acquired. The technical specification of the boats as stipulated in NIT and those offered by the lowest bidder (vendor) is given in the **Table No. 3** below.

Table No. 3: Technical specification of NIT and that offered by bidder

Sl. No	Particulars	Technical specification	Technical specification offered by the lowest bidder	Technical specification of procured FRP	Deviation from offer
1.	Length overall	6.0 meter (m) (±) 10%	6 m (+10%) i.e. 6.60 m	5.48 m	1.12 m
2.	Breadth (Moulded)	1.90 m (±) 5%	1.90m(+5%)i.e.1.995 m	1.78 m	0.215 m

Audit noted variations in the specifications of the boats between that stipulated in the NIT and that offered by the vendor and that mentioned in the work order and that actually procured. The lowest bidder offered boats of a larger size in

9 Used for fast approach and fast response in costal security.

comparison with the NIT specifications. The work order issued by the Department included specifications as per the NIT. The invoice submitted by the vendor gave the specifications of the boat as per its bid. However, the boats actually delivered by the vendor were of a smaller size than that offered in its bid.

The Department justified (October 2017) the procurement stating that the specifications of the boat delivered were as per NIT.

The reply is not acceptable as there should be no deviation in the specification of boats included in the technical bid and that actually procured. Further, supply of smaller boats should have entailed price reduction as the prices accepted by the Department were for larger boats. Thus, acceptance of smaller boats at total cost of ₹ 33.82 lakh was irregular.

CASE B: The Department published (July 2012) a NIT for procurement of 10 RIBs[10] with aluminum floors following a two-bid system. The NIT *inter alia* specified that the RIBs should have aluminum floors. Of the three firms that responded to the NIT, two firms offered RIBs with aluminum floors while the third firm offered RIBs with marine grade plywood floor having aluminum stringers. Audit observed that the Department accepted the technical bids of all the firms including the firm whose technical bid did not match the specifications given in the NIT and went on to evaluate the financial bids of all the three bidders. As the bid of the vendor whose technical offer did not match the NIT specifications was the lowest, orders were placed on it (March 2013) at a cost of ₹ 20.50 lakh ignoring the fact that it was not technically compliant.

The Department justified (November 2017) the procurement of the boats with marine grade plywood floor on the grounds of saving in costs.

However, the reply was unacceptable as the financial bid of this vendor should not have been considered as its technical bid was not compliant with NIT specifications.

2.1.4 Crime and Criminal Track Network and Systems (CCTNS)

The CCTNS project was conceptualized by MHA in 2009 as a mission mode project to modernize the police force. It envisaged creation of a comprehensive and integrated system by adoption of principles of e-governance and establishment of a nation-wide networked infrastructure for

[10] Rubberized Inflatable Boats (RIBs) are used for providing beaching/landing facilities where the dinghy or speed boats cannot provide the same owing to rocky or cliffy terrain

an IT-enabled state-of-the-art tracking system. Implementation guidelines for the system were issued in July 2009.

The National Crime Records Bureau (NCRB) was appointed by MHA as the central nodal agency with responsibility for developing the Core Application Software of CCTNS (CAS) and providing the same to all states/UTs including ANI for customization. ANA set up the Andaman and Nicobar Computerization of Police Society (ANCoPS) for implementing the project.

The Department appointed a State Project Management Consultant (SPMC) in July 2010 at a fee of ₹ 16.65 lakh for preparation of a Detailed Project Report (DPR) and a Systems Integrator (SI) in May 2012 at a fee of ₹ 3.74 crore for implementation and performance[11] of CCTNS. A firm nominated by the Ministry was appointed in May 2012 as the State Programme Management Unit (SPMU) at a cost of ₹ 2.20 crore for providing consultancy services for overall project management and to monitor the technical, operational and maintenance aspects of the SI. The Department of Information Technology (DIT) of ANA was to provide network connectivity for the system. Milestones for various activities are given in **Annexe-II**.

The DPR identified 32 processes and detected a total of 153 gaps in these processes. To address the identified gaps, the DPR proposed various IT solutions aimed at meeting functional requirements and achieving specific outcomes. These solutions were in the form of 31 "Specific Modules" based on functions of the Department and nine "other modules" which covered aspects such as access requirements, monitoring and reporting, information and navigation. After deliberations, the Department removed ten out of the 31 "Specific Modules" mentioned in the DPR while floating the Request for Proposal (RFP) for selection of SI. In the case of the nine other modules, one[12] module did not require customization and two[13] other modules were not made part of RFP.

In terms of the agreement with the SI, all modules and functionalities were to be provided within seven months of signing of the agreement i.e. by December 2012. Audit noted that of the 21 "Specific Modules", eleven were either not provided or not functional, nine were partially functional to the extent ranging from 16.66 *per cent* to 85.71 *per cent* and functionality of one module could not be ascertained. Of the six remaining 'Other modules,' five were partially functional to the extent of 78.57 *per cent* and functionality of one module could not be ascertained.

[11] Operational and maintenance phase for three years.
[12] Search module.
[13] Navigation module and Configuration module.

Since the modules were mapped to 17 services of the Core Application Software (CAS) of CCTNS, incomplete customization of CAS led to non/ partial availability of the services as given in the **Table No. 4** below:

Table No. 4: Status of Services of CCTNS

Number of Service	Name of Service	Status of Service
1	User Access and Authorization Management Service	Available
8	Citizen Portal Service, Petition Management Services, Unclaimed/ Abandoned Property Register Service, Complaint and FIR Management Service, Investigation Management Service, Crime and Criminal Records and Query Management Service, Periodic Crime and Law & Order Reports and Review Dashboard Service, Notification of Alerts Important Events Reminders and Activity Calendar or Tasks Service	Partly available
5	Police e-mail & Messaging Service, User Feedback Tracking and resolution service, User help and assistance Service, PCR Call Interface and Management Service, Court and Jail Interface and Prosecution management Service	Unavailable/ Non-Functional
3	State-SCRB-NCRB Data Transfer and Management Service, State CAS Administration and Configuration management Service, Activity Log Tracking and Audit Service	Proper functioning could not be ascertained
17		**Total**

The overall status of availability of envisaged functionalities on account of non/part implementation of specific modules is that only 80 out of a total of 442 envisaged functionalities i.e. 18.10 *per cent* are fully available to the Department and the stakeholders.

The Department stated (November 2017) that work on some modules was in progress and the SI had targeted completion by January 2018. It accepted that several benefits from the system were not being provided to stakeholders.

Thus, non/partial availability of envisaged services severely limited the benefits expected from the system.

2.1.5 Conclusion

All scheme components of the Coastal Security Scheme Phase II were lagging behind original scheme targets though funds were not a constraint. Only one out of the ten planned Marine Operational Centers had been established even after seven years of commencement of the scheme and sites for ten planned jetties were yet to be finalized. Further, work on up-gradation of 20 Coastal Police Stations were yet to take off. The Crime and Criminal Track Network and Systems had also missed most of the envisaged milestones. As a result most of the functionalities and benefits envisaged from the system remained undelivered.

The matter was referred to the Ministry/Department in August 2017; their reply was awaited as of December 2017.

Andaman Public Works Department

2.2 Unfruitful Expenditure

Andaman Public Works Department awarded work for augmenting water supply at Aerial Bay at a cost of ₹ 1.42 crore without obtaining mandatory forest clearance leading to the work getting foreclosed. Foreclosure of the work rendered unfruitful expenditure of ₹ 92.94 lakh incurred on procurement of material procured for the work.

The CPWD Manual stipulates that preparation of detailed estimates, designs and drawings for a work should be taken up only after obtaining an assurance that the site would be available without any encumbrance for the work. Towards this end, it is incumbent upon the Department to seek and ensure any statutory clearances that may be required for the work to commence on the proposed site. The manual also stipulates that preparation of the detailed estimates, designs and drawings should precede tendering of the work.

In August 2013, APWD proposed to take up a work for augmenting water supply at Aerial Bay as the yield of water from the existing water source at Lamiya Bay was insufficient to meet the demand of the local population. Further, the existing water supply was frequently disrupted during the rainy season due to landslides and restoration of supply was difficult and time consuming.

The work proposed by APWD involved construction of an alternate pipeline from another source at Lamiya Bay which would avoid vulnerable stretches of land. The work consisted of construction of a check weir, RCC supporting pillar for pipeline and laying of 300 mm dia and 200 mm dia pipe including all necessary fittings. Administrative Approval and Expenditure Sanction for the work was accorded in October 2013 for ₹ 1.42 crore. The tender for the work was issued in December 2014 and the work was awarded at a cost of ₹ 1.43 crore in June 2015.

As the work was to be executed in a forest area, APWD was required to apply for diversion of land under Sections 2 and 6 of the Forest (Conservation) Act, 1980. Audit noted that APWD did not initiate any action for obtaining forest clearance either prior to preparation of estimates, designs and drawings or the tendering of the work. APWD requested the Forest Department for permission to execute the work only on 15 December 2015 *viz*. after a lapse of around six months from the date of award of work. APWD could not secure the forest clearance even after a lapse of 16 months after the award of work

In the meantime, APWD released (December 2015) a secured advance of ₹ 83.09 lakh to the contractor against total cost of material purchased and brought on site by the contractor of ₹ 92.94 lakh though forest clearance was yet to be received. In October 2016, the contractor requested for foreclosure of the work due to non-availability of forest clearance. Subsequently, in November 2016, APWD agreed to foreclose the work stating that there was no scope of the work starting in the near future. The balance amount of ₹ 9.85 lakh towards cost of material was also released (November 2016) to the contractor.

Thus, failure of APWD to ensure timely action to obtain the mandatory forest clearance and provide encumbrance free land to the contractor before award of work led to unfruitful expenditure of ₹ 92.94 lakh on material procured for the work.

APWD stated (July 2017) that the aspect of forest clearance had not been considered during the estimation stage since the proposed work was only an augmentation of the water supply scheme which was already operational and which had been commissioned with the co-operation of the Forest Department. However, the laying of the pipe lines was subsequently objected to by the Forest Department as the site fell within the jurisdiction of a Wildlife sanctuary. APWD added that the material procured i.e. pipes and gaskets were under the safe custody of the Department and would be utilized in future water supply projects.

The reply reflects the lack of due diligence on the part of the APWD to ascertain the status of the proposed site and ensure obtaining of requisite statutory clearances before award of work as envisaged in the codal provisions. Further, procurement of material and payment of advance against the same when there was no forest clearance for the work has led to funds of ₹ 92.94 lakh getting blocked in stores that have remained idle since the foreclosure of the contract. In addition, the objective of augmenting the water supply to the targeted population remains unfulfilled.

The matter has been referred to the Ministry in July 2017; their reply was awaited (December 2017).

Directorate of Shipping Services

2.3 Avoidable payment towards customs duty

Failure of Directorate of Shipping Services, Andaman and Nicobar Administration, to avail of exemption in terms of Custom Notifications issued under the Customs Act, 1962, led to avoidable payment of ₹ 57.99 lakh towards customs duty on procurement of imported spares for routine repair and maintenance of an ocean-going vessel.

In terms of Customs Notification No.12/2012 dated 17 March 2012 issued under Section 25(1) of the Customs Act, 1962, Ship Repair Units (SRUs) registered with the Directorate General of Shipping were exempted from payment of customs duty on import of capital goods and spares thereof, raw materials, parts, material handling equipment and consumables when such procurement was required for repairs of ocean-going vessels. Subsequently, by Customs Notification No.43/2015 dated 4 August 2015, the Ministry of Finance (Department of Revenue) removed the requirement for registration of SRUs with Directorate General of Shipping for availing of the aforesaid exemption.

On 12 December 2012, the Directorate of Shipping Services, Andaman and Nicobar Administration, Port Blair (DSS), entered into an agreement with a private company for engine and thruster maintenance and supply of spare parts and price guarantees in respect of spares and availability of spares for the vessel M.V. Campbell Bay[14]. In terms of Article 12 of the agreement, any exemptions from payment of direct and indirect taxes availed of due to applicable laws of the time were to accrue to the Andaman & Nicobar Administration.

Audit observed that DSS paid ₹ 2.80 crore to the company between November 2015 and June 2016 towards supply of engine spare parts for M.V. Campbell Bay which included the component of customs duty amounting to ₹ 57.99 lakh. Although DSS functioned as an SRU, it failed to avail exemption under the provisions of the Customs Act cited above which resulted in avoidable payment of ₹ 57.99 lakh towards customs duty on procurement of imported spares for routine repair and maintenance of MV Campbell Bay.

DSS stated (May 2017) that though Article 12 of the agreement empowered the Administration to avail exemption of customs duty on spares, availing of such exemption was practically not possible since it was a time consuming process and delay in supply of spares could have adversely affected the

[14] A ship owned by the DSS equipped with main engines, auxiliary engines and other equipment manufactured/supplied by Yanmar Co. Ltd, Japan and thrusters by Kawasaki Heavy Industries Limited, Japan.

operational availability of the vessel. However, the matter has been taken up with the appropriate authority for availing such exemption. Subsequently, DSS added (July 2017) that the Marine Dockyard (under the DSS) was responsible for repairs and maintenance of the fleet of ship/boats and there would not be any savings to the Government exchequer since the pricing of the spares were as per the price list of original equipment manufacturers.

The reply is not tenable since customs duty on spares for ocean going vessels was exempted by the Government of India that should have been availed of by the company and the benefit passed on to DSS.

The matter was referred to the Ministry of Home Affairs in May 2017; their reply was awaited as of December 2017.

Andaman & Nicobar Island Building and other Construction Workers' Welfare Board

2.4 Avoidable payment towards income tax

Failure of Building and Other Construction Workers' Welfare Board, Port Blair, to apply for exemption in compliance with the Income Tax Act resulted in avoidable payment of ₹ 34.68 lakh towards income tax which would otherwise have been available for utilization on social welfare measures of the workers and their families.

Section 10 (46) of the Income Tax Act, 1961, provides for exemption from income tax on specified income of any entity set up under a central or state Act mainly for the benefit of public. Such entities are required to apply to the Income Tax Department for exemption which is then notified in the official Gazette.

Andaman and Nicobar Islands Building and Other Construction Workers' Welfare Board (BOCWWB) was constituted in January 2009 by the Andaman and Nicobar Administration in accordance with Section 18 of the Building and other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996. The BOCWWB was established for the welfare of building and other construction workers and hence satisfied the necessary conditions for income tax exemption under Section 10 (46) of the Income Tax Act, 1961.

Audit noticed that BOCWWB failed to apply for exemption to the income tax authorities and hence no notification for exemption had been issued by the Central Government. In the absence of a notification for exemption, TDS[15] of

[15] Tax deducted at Source.

₹ 46.79 lakh was deducted by banks on interest earned on deposits kept with them by BOCWWB between November 2013 and December 2016.

BOCWWB filed an Income Tax Return (ITR) for the Assessment Year 2015-16 showing nil income and was given a refund by the Income Tax Department of the TDS collected by banks of ₹ 12.11lakh for that year. BOCWWB thus made an avoidable payment of ₹ 34.68 lakh[16] towards Income Tax.

The Department stated (February 2017) that an application for exemption has been submitted to the Government of India in view of the audit observation.

Thus, failure of BOCWWB to apply for exemption in compliance with the provisions of the Income Tax Act resulted in avoidable payment of ₹ 34.68 lakh towards income tax. Had the exemption been obtained, this amount would have become available for utilization on social welfare measures of the workers and their families**.**

The matter was referred to the Ministry in May 2017; their reply was awaited (December 2017).

Resident Commissioner, Andaman and Nicobar Bhawan

2.5 Irregular expenditure on camp office in Delhi

Andaman and Nicobar Administration declared the private residence of incumbent Lieutenant General's (LG's) as camp office for their use during their official visits to Delhi though establishment of such camp office was not covered under any rule and despite availability of earmarked accommodation for LG at Andaman Bhawan, New Delhi. This resulted in irregular expenditure of ₹ 29.45 lakh from the government exchequer.

The terms of appointment of Lieutenant Governors (LGs) of Union Territories[17] prescribes the pay and allowances and other facilities *viz.* residence, medical facilities, travelling allowances, etc. admissible to the appointed LGs. It provides *inter alia* for a furnished residential accommodation without payment of any rent. However, there is no provision for setting up any camp office in addition to the furnished house.

Audit scrutiny brought out that the private residence[18] of the then incumbent LG in Gurugram, Haryana, was declared (September 2013) as a camp office

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16 Tax deducted ₹ 46.79 lakh minus tax refunded ₹ 12.11 lakh.

17 Government of India, Ministry of Home Affairs letter no. U-14016/31/85-UTS dated 20 April 1987.

18 House No. 964, Sector 17-B, Gurugram, Haryana.

on the ground that the Hon'ble LG had to discharge official duties during his official visits to Delhi. The declaration was subsequently (October 2013) ante-dated retrospectively from the date of assumption of office by the LG *viz.* July 2013. The camp office was attached to the office of the Resident Commissioner (RC), Andaman and Nicobar Bhawan, New Delhi, for manpower and material requirements and the entire expenditure towards the camp office of approximately ₹ 23.18 lakh including telephone bills, repair of goods, water and electricity charges, vehicles and salary of outsourced staff, was met out of the budget of the RC.

Similarly, the private residence of the next incumbent LG at Janakpuri[19], New Delhi, was also declared as camp office from August 2016 i.e. the date of assumption of office till October 2017 i.e. on relinquishment of charge and expenditure amounting to ₹ 6.27 lakh was incurred for the camp office from the budget allocated for Andaman Bhawan, New Delhi, as of March 2017.

Audit observed that the Andaman Bhawan in New Delhi was a 54 bedded Guest House and included a designated suite for the LG while in Delhi. Therefore, separate camp offices in Delhi was unwarranted. Moreover, there was no provision or rule for setting up such camp office separately and that too in private residences of the respective LGs. Therefore, the expenditure of ₹ 29.45 lakh from Government exchequer was both injudicious and irregular.

The Andaman and Nicobar Administration cited (June 2017) the precedence of declaration of residence of Chief Minister of Himachal Pradesh at Delhi as Camp Office by the Governor of Himachal Pradesh and added that Camp Office facilities with manpower, water charges, electricity charges, telephone charges and technology devices were provided to IAS and DANICS officers by the Delhi Government.

The reply was not tenable as there was no rule provision under which private residence of concerned LGs could be declared as camp office and its expenses met out from the Government exchequer. Moreover, the fact that designated LG accommodation was available at the station rendered the expenditure even more injudicious and violative of the canons of financial propriety.

The matter was referred to the Ministry in September 2017; their reply was awaited as of December 2017.

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[19] PremKutir, A-2/70 JanakPuri, New Delhi – 110058.

Chandigarh Administration

2.6 Idling of Sub-Station due to improper planning of work

Electricity Department, Union Territory of Chandigarh, entered into an agreement with the Power Grid Corporation of India Limited for erection of a Grid Sub-Station at Sarangpur, Chandigarh at an estimated cost of ₹ 9.87 crore. The erection of the sub-station which should have been completed by November 2011 was delayed by over four years due to allotment of land with encumbrances. The erected sub-station is yet to be commissioned due to non-availability of transmission lines rendering idle assets created at a cost of ₹ 10.19 crore.

In February 2009, Chandigarh Administration accorded administrative approval for construction of a 66/11KVMVA Grid Sub-Station (sub-station) at Sarangpur, Chandigarh at an estimated cost of ₹ 9.89 crore. Subsequently, in November 2009, Electricity Department, Union Territory, Chandigarh (EDUTC) entered into an agreement with Power Grid Corporation of India Limited (PGCIL) for the work at an estimated cost of ₹ 9.87 crore.

As per the agreement, construction of the sub-station was to be completed within 18 months from the date of release of first instalment or signing of the agreement whichever was later. As the first instalment was released in June 2010, the project should have been completed by November 2011. This date would be extended if EDUTC did not fulfil its obligations such as obtaining Right of Way and forest/environmental clearances.

EDUTC released ₹ 9.48 crore for the project to PGCIL during the period from June 2010 to February 2013. Of this amount, ₹ 7.48 crore had been released by the time land had been handed over to PGCIL in January 2012. The sub-station was completed and handed over by PGCIL to EDUTC in September 2016. The total completion cost of the sub-station was ₹ 10.19 crore. In addition, ₹ 45.85 lakh was spent on construction of a boundary wall around the sub-station.

Audit scrutiny of records revealed the following:

(i) Land for the sub-station was earmarked by the Chandigarh Administration in April 2010. However, possession of the land was handed over to EDUTC/PGCIL only in January 2012 i.e. after two and half years of signing of the agreement with PGCIL and 20 months after earmarking of the land. This was despite issue of several reminders[20] by PGCIL to EDUTC for handing over the site for the sub-station.

(ii) A dispute was raised by the Wakf Board (Board) in September 2012 on the title of a part of the land handed over by the Chandigarh Administration for the sub-station. Though this part of the land belonging to the Board had been exempted from land acquisition, the Architect Department of the Chandigarh Administration failed to depict this in the layout plan for the site. As a result, critical work relating to the sub-station was planned on the disputed portion of the land. These works could be taken up only after the dispute with the Board was resolved in February 2015. Failure of the Administration to taken into account the dispute with the Wakf Board contributed to the delay in erection of the sub-station by over four years.

(iii) Installation of 66 KV transmission lines and associated works was a critical requirement for operationalizing the sub-station. The Chandigarh Administration gave administrative approval and expenditure sanction for works relating to construction of 66 KV line bays and overhead transmission lines in December 2012 and January 2013 and issued Letters of Intent (March 2013) to PGCIL. It also released ₹ 17.67 lakh and ₹ 46.76 lakh for these works as advance to the company without any formal agreement/work order. Later, due to the alignment of the transmission lines crossing the proposed Metro line, these works were not taken forward. EDUTC had not catered for this aspect despite advice of the Chandigarh Administration to do so while issuing the administrative approval and expenditure sanction.

(iv) Tendering for installation of the 66 KV transmission line was re-initiated in September 2015 and the work was allotted in November 2016 to M/s REC Power Distribution Company Ltd. at an estimated cost of ₹ 88 lakh. The work was to be completed within 18 months from the date of release of first instalment/or signing of agreement whichever was earlier. Though several reminders had been issued to the company, work was yet to commence as of December 2017. In the absence of the 66 KV transmission lines, the sub-station though erected in September 2016 could not be tested and commissioned.

(v) An inspection undertaken by the Electrical Inspector in September 2016 disclosed deterioration in the condition of the installed equipment and in site conditions. Besides, EDUTC had shifted (September 2016) one transformer of 20-MVA from this site to another sub-station. These had the potential of further impeding commissioning of the sub-station.

[20] Letters dated 26 February 2010, 05 August 2010, 04 January 2011, 25 July 2011, 17 August 2011 and 15 September 2011.

EDUTC stated (June 2017) that the land allotted for the sub-station could not be utilised due to land dispute with Wakf Board. The delay in taking up the work for the 66 KVA transmission line was attributed to change in scope of work due to alignment of the Metro route crossing the proposed transmission line.

The reply is not tenable as the Chandigarh Administration should have taken due cognizance of the matter raised by the Wakf Board and ensured encumbrance free site for the sub-station either at the same location or alternate location so as to take forward the project for which funds were released. Moreover, the fact that the metro line was coming in the way of the transmission lines was known to the Administration while giving administrative approval and expenditure sanction for the work.

The matter was reported to the Ministry of Home Affairs, Government of India in May 2017; its reply was awaited (December 2017).

2.7 Construction of market without establishing viability

Chandigarh Administration constructed an air conditioned Fish and Meat Market at a cost ₹ 1.53 crore even though viability of the market was in doubt. The entire integrated market has been lying vacant for the past eight years due to lack of response from vendors.

Chandigarh Administration undertook a project to establish a modern air conditioned Fish and Meat Market at an estimated cost of ₹ 98.75 lakh. The construction of the Integrated Fish and Meat Market was completed at a total cost of ₹ 1.53 crore. The wholesale and retail booths along with a chilled room in the complex was handed over to the Municipal Corporation of Chandigarh (MCC) in two stages in May 2007 and December 2009 respectively.

Audit scrutiny revealed that during studies and consultation undertaken by the Chandigarh Administration and the MCC to establish the feasibility of establishing a fish market, the Agriculture Ministry had expressed the view that the project would not be economically viable as the cost of fish would be more than that of other fish outlets in the city. The concept of the project was thereafter broadened to include a meat market also. However, no reference was made to the Municipal Corporation for its viability after inclusion of meat markets. Fish dealers in Chandigarh had also opined that they would not be able to take up shops in such a market. The Fish and Meat Market has been lying vacant since its construction due to lack of response from vendors during auctions.

MCC stated (May 2017) that auctions to rent out the Fish and Meat Market was conducted five times between April 2010 and July 2015 but were not successful. MCC added (May 2017) that it was now proposed to convert the market from a fish and meat market into a general trade market and a decision was awaited (November 2017).

Thus, failure of Chandigarh Administration to properly assess the viability of the Fish and Meat Market before undertaking its construction resulted in the market constructed at a cost of ₹ 1.53 crore remaining vacant for the past eight years.

The matter was referred to the Ministry in July 2017; its reply was awaited as of December 2017.

Union Territory of Daman & Diu and Dadra & Nagar Haveli Administration

2.8 Deposit works entrusted to Omnibus Industrial Development Corporation (OIDC) of Daman & Diu (D&D) and Dadra & Nagar Haveli (DNH) Ltd

During 2011-17, 17 Departments/Autonomous Bodies of the UTs of D&D and DNH entrusted 44 deposit works and deposited ₹ 528.87 crore with OIDC. Funds were released in many cases to OIDC in advance of requirements in contravention of the Receipt and Payment Rules and the CPWD Manual leading to idling of funds. OIDC awarded works without adequate planning and ensuring availability of clearances and encumbrance free land which led to inordinate delays and wasteful expenditure. Though OIDC followed the CPWD Manual for its works, 31 deposit works costing ₹ 454.74 crore were entrusted to it without entering into a MOU as result of which scope of work, payment schedule and milestones for completion were left undefined.

2.8.1 Introduction

Daman and Diu (D&D) and Dadra and Nagar Haveli (DNH) are Union Territories (UTs) without legislature and are administered by an Administrator under the Ministry of Home Affairs (MHA), Government of India (GOI). Funds for developmental works are provided to the UTs through the Union Government budget.

The Omnibus Industrial Development Corporation (OIDC) of Daman & Diu and Dadra & Nagar Haveli Ltd. was incorporated on 27 March 1992 under the Companies Act, 1956, to carry out the business of providing financial assistance to industrial enterprises and act as the Infrastructure Development Corporation in the UTs of D&D and DNH. OIDC also executes deposit works entrusted by various departments of both the UTs in accordance with the provisions of the Central Public Works Department (CPWD) Manual and Codes. The Administrator of UT of D&D is the Chairman of OIDC and the

Development Commissioner is its Managing Director. During 2011-17, 44 deposit works[21] were entrusted to OIDC by 17 Departments/Autonomous Bodies of UTs of D&D and DNH and ₹ 528.87 crore was deposited with OIDC for these works.

An audit was conducted to ascertain whether the funds deposited against the works entrusted were in accordance with rules, regulations and other instructions issued by the Government of India (GOI) and the Administration of UTs of D&D and DNH from time to time and whether OIDC ensured timely completion of works. The audit covered the period from 2011-12 to 2016-17. Records of 39 out of 41 deposit works[22] entrusted to OIDC during 2011-16 were examined. No expenditure was incurred on three works entrusted during 2016-17 as these were still in the tender/RFP stage. Out of 39 works examined, 23 works were completed, nine works were in progress, six works were dropped by the UT Administration and one work was decided to be executed through PWD-Daman.

2.8.2 Audit findings

2.8.2.1 Idling of funds

The CPWD Manual stipulates that works of government departments are to be carried out by CPWD through issue of authorizations. In the case of deposit works funded entirely from government grants and where receipt of deposits is assured, 33.33 *per cent* of the estimated cost of the work may be deposited in advance. The Receipt and Payment (R&P) Rules, 1983, provides that no money shall be drawn from government accounts unless it is required for immediate disbursement. It is not permissible to draw money in anticipation of demands or to prevent lapse of budget grant.

Audit noted that six departments of D&D and DNH deposited ₹ 56.57 crore in advance for 10 works with OIDC before placing work orders between April

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[21] **UT of D & D**: (i) PWD Daman: 12 works, (ii) PWD-Diu: 03 works, (iii) Forest Daman:02 works, (iv) Forest Diu: 01 work, (v) Tourism Daman: 01 work (vi) District Panchayat, Daman:01 work (vii) Rashtriya Madhyamik Siksha Abhiyan (RMSA), Daman: 01 work (viii) District Industries Centre, Daman: 01 work and (ix) Director of Health, D & D: 01 work.

UT of D&NH : (i) PWD Road: 06 works (ii) PWD Building : 03 works, (iii) PWD Electricals: 03 works (iv) Silvassa Municipal Council (SMC) : 03 works, (v) Tourism Department, Silvassa:01 work (vi) Institute of Hotel Management, Silvassa: 02 works, (vii) Dr. A P J Abdul Kalam Govt. College: 02 works and (viii) DRDA Silvassa: 01 work.

[22] One work pertaining to maintenance of UT Bhavan at Delhi was transferred to PWD-Daman and hence not examined. Work of protection wall of Tourism Department, Daman had been examined separately and an audit para on the case was included (para no. 2.5) in the CAG Report No.32 of 2015.

2011 and February 2016. The funds deposited in advance in each case ranged from 118 *per cent* to 831 *per cent* of the tendered cost as against the provision of 33.33 *per cent* provided for in the CPWD manual. The advances paid exceeded even the tendered cost by ₹ 23.23 crore with the excess paid over tendered cost ranging from 18 to 731 *per cent.* The funds deposited into OIDC remained idle in nine out of 10 cases as detailed in the **Table No. 5** below:

Table No. 5 Idling of Funds

Sl. No.	Name of work/UT department	Audit finding
1.	Consultancy work of six bridges **PWD-Daman**	PWD Daman entrusted the work to OIDC at a cost of ₹ 6 crore and transferred (July 2011) 100 *per cent* of the estimated cost to OIDC. OIDC incurred an expenditure of ₹ 3.23 crore till August 2016. The balance deposit of ₹ 2.77 crore has been lying idle with OIDC (October 2017) for almost six years.
2.	Construction of RCC storm water drain with utility trench and providing paver block on both side of road from Bamanpuja check post to Dholar Junction and from Bamnipuja check post to Bamnipuja gate **PWD-Daman**	PWD-Daman transferred ₹ 13.01 crore in March 2012 and October 2012 as an advance equal to the estimated cost of the work. The work was awarded in November 2012 by OIDC to a contractor at a tendered cost of ₹ 10.13 crore with stipulated date of completion of September 2013. Thus, PWD-Daman transferred an excess amount of ₹ 2.88 crore (₹ 13.01 crore - ₹ 10.13 crore) before placement of work order. During execution of the work, certain site related constraints emerged and the scope of the work was curtailed (March 2014) and tendered cost was revised to ₹ 7.95 crore. The work was finally completed at a cost of ₹ 6.65 crore in March 2014. The excess deposit of ₹ 6.36 crore was refunded[23] only in May 2015. This resulted in idling of Government funds for 14 months.
3.	Construction of Prefabricated portable cabins at sea beaches of Daman **PWD-Daman**	On the basis of estimate prepared by OIDC, PWD-Daman transferred (February 2016) the total estimated cost of the work of ₹ 0.90 crore in advance. Due to non-availability of land, the work was finally dropped and ₹ 0.89 crore was returned in November 2016 to PWD-Daman after keeping these funds out of Government account for nine months.
4.	Implementation of water supply scheme, Dunetha, Nani Daman **PWD-Daman**	PWD-Daman deposited (April 2013) the entire estimated cost of the work of ₹ 19.92 crore in advance. The total expenditure incurred on the work was ₹ 10.57 crore as on July 2017 and the work was 90 *per cent* complete. Thus, Government funds amounting to ₹ 9.35 crore was kept blocked for a period of 52 months (July 2017).
5.	Construction of protection wall for anti-sea erosion from Jetty to Light House **PWD-Daman**	PWD-Daman transferred ₹ 1.89 crore as 100 *per cent* advance in December 2011. OIDC incurred an expenditure of ₹ 0.47 crore on consultancy and establishment charges against the advance paid up to July 2017. UT Administration decided (December 2016) not to execute the work with OIDC and decided to get it done through PWD. As PWD-Daman did not foreclose the work even after repeated requests by OIDC between March and October 2017, remaining funds amounting to ₹ 1.42 crore was lying idle with the OIDC (November 2017) for almost six years.

[23] ₹ 5.26 crore was transferred to construction of bridge with permission of UT Administration and remaining ₹ 1.10 crore was refunded to PWD-Daman.

6.	Construction of bridge connecting Vanakbara in DIU and Kotda in Gujarat **PWD-Diu**	PWD-DIU transferred (October 2012) ₹ 10 crore without assessing the immediate requirement for the work and more than three years before OIDC issued work order for consultancy for the work for ₹ 1.50 crore. The work was foreclosed in November 2016 after incurring expenditure of ₹ 0.32 crore as the land in Kotada (Gujarat) could not be acquired. The remaining amount of ₹ 9.68 crore has remained idle in the accounts of OIDC from September 2012 till date (November 2017).
7 & 8.	Construction of two Inspection Huts at Daman and three Inspection Huts at Diu **Forest Department D&D**	The works were entrusted (December 2015/February 2016) to OIDC and ₹ 1.43 crore (Daman ₹ 0.57 crore and Diu ₹ 0.86 crore) which was 100 *per cent* of the estimated cost was transferred to the Corporation. OIDC later prepared revised estimates for these works of ₹ 0.74 crore and ₹ 1.16 crore respectively in April/May 2016. These works were later dropped on directions of the Administrator in June 2017. OIDC continued to hold the advance received by it awaiting consent for returning the same from the Forest Department, Daman & Diu leading to idling of funds of ₹ 1.43 crore for almost 21 months.
9.	Construction of Protection wall at Kadaya Village (Phase-II & III) **District Panchayat (DP), Daman**	Phase I of the work was completed (November 2012) by the DP Daman at a cost of ₹ 0.96 crore. Phase II & III of the work were entrusted (February 2013) to OIDC by DP Daman for which a deposit of ₹ 2.09 crore was made. OIDC issued (November 2015) work order for consultancy for marine and meteorological information, conceptual layouts for alternative site and preparation of detailed estimate, etc. at a cost of ₹ 0.25 crore. The work was not taken forward (December 2016) by OIDC after incurring expenditure of ₹ 0.12 crore on consultancy without adducing any reason and remaining funds of ₹ 1.96 crore was returned (January 2017) to the DP-Daman. Thus, release of fund without immediate requirement led to idling of ₹ 1.96 crore for 47 months.

Thus, failure of UT Administration to comply with the provisions of the CPWD Manual and Receipt and Payment Rules led to release of funds in advance of requirements and idling of government funds amounting to ₹ 56.57 crore for prolonged periods which only benefitted OIDC and did not serve the stated objective for which the funds were released.

2.8.2.2 Non-compliance with codal provisions

(a) Release of funds without Administrative Approval and Expenditure Sanction

As per paras 2.1 and 2.4 of the CPWD Manual 2012, no work should normally be commenced or any liability incurred thereon until an administrative approval has been obtained, a properly prepared detailed estimate has been technically sanctioned and necessary expenditure sanction has been accorded and allotment of funds made. Expenditure sanction is to be accorded by the administrative Ministry/Department to indicate that funds for the project/work have been provided and liability can be incurred.

Audit noted that the UT Administration released funds amounting to ₹ 57.70 crore to OIDC eight to 33 months prior to grant of administrative approval as detailed in the **Table No. 6** below.

Table No. 6 Release of funds without Administrative Approval

Sl. No.	Name of the work/UT department	Audit finding
1.	Bridge from Village Magarwada to Kachigam on Damanganga river (PWD-Daman)	PWD Daman entrusted (June 2011) the work to OIDC and transferred ₹ 15 crore in December 2012 and ₹ 20 crore in September 2013. The Administration accorded AA&ES for ₹ 47.89 crore only in February 2015.
2.	Construction of Parallel bridge at Ghoghla, Diu (PWD-Diu)	PWD Diu entrusted the work to OIDC in January 2012 and transferred ₹ 7.70 crore in February 2012. The Administration accorded AA&ES only in August 2013.
3.	03 High level bridges at Athal, Rakholi and Piparia at DNH (PWD-Road, Silvassa)	PWD (Road) Silvassa entrusted the deposit work to OIDC in July 2011 and transferred ₹ 15 crore[24] in March 2012 for construction of the three bridges. The Administration however accorded AA&ES only in December 2012.

In four out of the five cases, funds were released in the months of February and March indicating that the purpose of releasing the funds ahead of grant of administrative approval and financial sanction was to prevent the budget allocation from lapsing. However, release of funds without prior administrative approval and expenditure sanction resulted in bypassing an important element of budgetary control and financial discipline.

(b) Award of work of Fishery Harbour and Minor Port at Daman and Diu without obtaining revised AA & ES

As per para 2.3.5 of CPWD Works Manual, excess of up to 10 *per cent* of the amount of the administrative approval may be authorized by officers of the CPWD up to their respective powers of technical sanction. In case this limit is exceeded, a revised administrative approval must be obtained from the authority competent to approve the cost so enhanced.

PWD Daman proposed (February 2012) construction of a fishery harbor at Daman District and made a provision of ₹ 81 crore[25] during the 12th Five Year Plan (2012-17). An amount ₹ one crore was provided during 2012-13 for preparation of feasibility report, detailed plan, estimates and drawings of the work. PWD Daman deposited (December 2012) ₹ five crore with OIDC against estimate of consultancy work of ₹ 3.47 crore and the remaining amount of ₹ 1.53 crore was earmarked for construction activity. OIDC

24 Athal bridge: ₹ six crore; Rakholi bridge: ₹ five crore; and Piparia bridge: ₹ four crore.

25 2012-13: ₹ one crore, 2013-14: ₹ 20.00 crore, 2014-15: ₹ 20.00 crore, 2015-16: ₹ 20.00 crore, 2016-17: ₹ 20.00 crore.

thereafter (May 2012) uploaded a Request for Proposal (RFP) for consultancy relating to "Construction of Fisheries Harbour and Minor port". On the basis of the technical bid[26], it issued a work order for consultancy (January 2013) to a Firm at a cost of ₹ 14.22 crore against the estimated cost of ₹ 3.47 crore. Audit observed that the contract was concluded without obtaining revised administrative approval and expenditure sanction from the UT Administration in terms of the CPWD Manual though the cost of the work had increased by 410 *per cent*.

2.8.2.3 Entrustment of work without ensuring encumbrance free site

As per para 3.3 of the CPWD Manual, no deposit of funds should be accepted by the works agency until an estimate has been sent to the client after fully ascertaining all necessary site details, technical feasibility, topographical details, ownership of land, etc. Further, as per para 4.2 of the CPWD Manual 2012, preparation of detailed estimates, drawings and designs should not be taken up until an assurance is obtained from the Department/Ministry about availability of encumbrance free site.

Audit noticed delays ranging from three months to over three years' in execution of works entrusted to OIDC in 23 (15 completed and eight work in progress) out of a total of 39 cases. These delays were attributable to non-provision of encumbrance free sites, changes in design at later stage, shortage of labour, change in working conditions, shortage of funds, etc. Six illustrative instances are discussed in **Table No. 7** below:

Table No. 7 Delay in execution of works

Sl. No.	Name of the work/UT department	Audit finding
1.	Construction of bridge across river Kalai from village Bamanipuja to village Pali" **(PWD-Daman)**	PWD Daman entrusted (June 2011) the work to OIDC and deposited (October 2012) ₹ 8.63 crore. The work was awarded (January 2013) to a contractor at a cost of ₹ 6.72 crore with stipulated date of completion of May 2014. Land for the work was not acquired and written consent of the land holders were also not obtained before entrustment of the work. The design and span of the bridge was changed during execution of the work due to re-allotment of land and revised estimate was prepared and sanctioned (July 2015) for ₹ 10.08 crore and PWD-Daman deposited (December 2015) additional amount of ₹ 1.45 crore. Clearance for removal of trees and electrical poles were taken during execution of the work (November 2015). The work was completed in December 2015 at the cost of ₹ 9.14 crore. Thus, non-acquisition of land before start of work led to need for change in designs and span of the bridge resulting in both delay of 18 months and cost increase of ₹ 2.42 crore.

[26] Two bids were received.

2.	Water supply pipe line from Madhuban Dam to different tank at Magarwada **PWD-Daman**	Ministry of Drinking Water & Sanitation accorded (November 2011) AA & ES for the work at an estimated cost of ₹ 45.27 crore. PWD Daman entrusted (November 2011) the work to OIDC before taking necessary permission from Irrigation Department (Government of Gujarat), Railways, National Highway Authority of India (NHAI), GAIL, Gujarat Gas Ltd, Forest Department, etc. and deposited ₹ 19 crore with OIDC in December 2011. The work was awarded (May 2012) to a contractor at a cost of ₹ 49.32 crore with stipulated date of completion of May 2014. The work was only 93 *per cent* complete after incurring expenditure of ₹ 45.97 crore as of July 2017. As necessary permissions were not obtained prior to award of work, the work was delayed by 37 months.
3.	"Underground Sewerage Scheme for Silvassa, DNH" **Silvassa Municipal Council.**	SMC entrusted (September 2011) the work to OIDC without making provision for land for the Sewerage Treatment Plant (STP) and pumping stations and deposited (November 2011) ₹ 12.94 crore. The work was awarded (July 2013) to a contractor at a cost of ₹ 26.89 crore with stipulated date of completion of January 2015. Land for the STP was allotted after award of the work which became subject to litigation which was finalized only in June 2014. Further, the design of the STP was upgraded (December 2014) at an extra estimated cost of ₹ 7.41 crore. The location of the pumping stations were also changed during execution of work and SMC failed to provide encumbrance free site to OIDC till May 2017. Thus, only 92 *per cent* of the work had been completed after incurring an expenditure of ₹ 30.66 crore as of July 2017.
4.	Construction of office of the Conservator of Forest **Department, Daman (Forest Department Daman)**	Forest Department, Daman entrusted the work in October 2015 without a clear site and made a deposit of ₹ 1.34 crore in November 2015. OIDC awarded the work in May 2016 at a cost of ₹ 0.97 crore with stipulated date of completion of May 2017. Demolition of old structure and cutting of trees were done in November 2016 and soil investigation report and structural proof design were taken from Forest department after awarding the work (September 2016). Hence, the work was not started till November 2016. The value of work completed was only ₹ 0.30 crore (31 *per cent*) in July 2017 even after the stipulated date of completion.
5.	Consultancy work for six bridges PWD Daman	OIDC awarded consultancy work for four bridges[27] entrusted (October 2011) to OIDC to a company for preparation of DPR and estimates at a cost of ₹ 1.76 crore (October 2011) considering consultancy fee of each bridge to be 1/4th (₹ 0.44 crore) of the tendered cost. Audit observed that out of the four bridges, work of two bridges[28] was dropped in September 2013 after preparation of DPR and estimates due to non-acquisition of land for these two bridges. OIDC had made payment of ₹ 143.41 lakh to the consultant for preparation of DPR of these four bridges (January

[27] (i) Construction of bridge from Jampore, Moti Daman to Kalai Village in Gujarat across Kalai River, (ii) Construction of bridge from Magarwada, Moti Daman to Kachigam, Nani Daman across Damanganga river, (iii) Construction of bridge across Kalai river connecting Pali Village in Gujarat State and Bamnipuja in Daman and (iv) Construction of bridge across Kolak river connecting Udwada village in Gujarat State and Patalia in Daman.

[28] Construction of bridge from Jampore, Moti Daman to Kalai Village in Gujarat across Kalai River and Construction of bridge from Kadaiya, Nani Daman to Kolak Village in Gujarat state across Kolak River.

		2012 to August 2016). Thus, entrustment of work to OIDC and further award of consultancy work without land being available for 2 bridges led to expenditure of ₹ 71.70 lakh (being *50 per cent* of the cost of ₹ 143.41 lakh) on consultancy being rendered wasteful.
6.	Scheme for upgradation of industrial infrastructure under UT Plan, Daman and Diu, **District Industrial Centre, Daman**	District Industry Centre (DIC) Daman initiated a scheme for "Upgradation of industrial infrastructure" at a cost of ₹ 10 crore for the 12th Five Year Plan @ ₹ two crore per year. DIC entrusted (July 2012) the scheme to OIDC and deposited ₹ two crore for the plan year 2012-13 without ascertaining the site details of the existing industrial area and without entering into MOU with industries as envisage in the scheme guidelines. Until July 2017, OIDC could only complete three works at a cost of ₹ 0.81 crore. One work which was awarded in September 2016 was held up after incurring expenditure of ₹ 6.05 lakh (July 2017) due to land related problems. Thus, only ₹ 0.96[29] crore could be utilized (July 2017) out of provision of ₹ 10 crore for FYP 2012-17 due to site related problems.

2.8.2.4 Lack of monitoring by Departments of deposit works

(a) Absence of MOU with OIDC

The CPWD made (June 2006) signing of a Memorandum of Understanding (MOU) with client departments compulsory for all deposit works having estimated cost of more than ₹ two crore as a control framework to monitor various aspects of the work. The MOU introduced by CPWD provided *inter alia* for a schedule of activities, scope of work, fund flow details, project completion milestones and departmental charges leviable.

Audit observed that though OIDC was required to follow provisions of the CPWD manual, it did not sign any MOU with the concerned departments for 31 works each costing more than ₹ two crore and totaling ₹ 454.74 crore. Thus, milestones crucial to ensuring that works were executed within agreed time lines and within approved costs were not fixed while entrusting the work to OIDC. In absence of a MOU, the departments could neither monitor fund utilization nor the physical progress of works entrusted to OIDC.

Absence of MOUs and consequent lack of a suitable monitoring mechanism, contributed to the lack of synchronization of release of advance with actual commencement of work and inordinate delays in completion of works and settlements of accounts.

PWD Daman Diu and Silvassa stated (November 2017) that progress of works was monitored through periodical meetings and site inspections by the Chief Engineer/Executive Engineer (November 2017).

[29] ₹ Nine lakh incurred on tender, advertisement, ₹ 81 lakh completed work, ₹ six lakh incomplete work.

The reply is not acceptable as there was no binding mechanism available for monitoring funds flow, scope of work and progress of works.

(b) Failure to seek quarterly report on deposits and expenditure

As per para 3.6 of CPWD Works Manual, 2012, Executive Engineers (EE) are required to send a quarterly report to the clients showing the amounts deposited and the expenditure incurred against each work for settlement of accounts. Audit observed that quarterly reports of expenditure were not sent by OIDC to the concerned departments with respect to any of the deposit works. Further, the Departments had also not asked for progress reports as envisaged under the CPWD manual.

(c) Retention of savings on works by OIDC

The Silvassa Municipal Corporation (SMC) entrusted (September 2011) the work of "Water Supply Scheme for Silvassa & Amli Township in UT of DNH" to OIDC and deposited ₹ 29.22 crore (November 2011 and December 2012) with a stipulation that interest earned on the advance deposit would be credited to the Government. OIDC credited interest of ₹ 6.02 crore on advance deposit till completion of work. The work was completed in May 2016 at a cost of ₹ 32.68 crore but OIDC failed to settle the account and refund the savings of ₹ 2.56 crore to the SMC as of November 2017.

(d) Non regularization of excess expenditure

As per para no. 51.2 of the CPWD Manual, sanction of Government is required to regularize excess expenditure. Audit observed that OIDC incurred excess expenditure of ₹ 3.49 crore in seven out of the 39 works completed between July 2014 to March 2017 which remained to be regularized (November 2017) due to non-submission of settlement accounts for periods ranging from eight months to over three years after completion of work.

2.8.3 Conclusion

The Departments failed to ensure adherence to the codal provisions governing release of funds to OIDC for execution of projects as deposit works. Funds were released far in excess of actual requirement which resulted in idling of ₹ 56.57 crore that seemed to serve only to sustain the Corporation without achieving their primary objective of creation of the envisaged infrastructural assets. Funds amounting to ₹ 57.70 crore were released without prior administrative approval and expenditure sanction thereby undermining budgetary control and discipline. Projects were delayed for prolonged periods as codal requirement of ensuring availability of encumbrance free sites before award of work was not adhered to. Finally, institutional and procedural mechanism for monitoring purpose were absent.

The matter was referred to the Ministry in September 2017; its reply was awaited (December 2017).

2.9 Irregular grant to District Panchayat for tourism

UT Administration of Daman & Diu irregularly sanctioned grant in aid of ₹ 1.35 crore for tourism to District Panchayat Daman even though tourism was not a subject entrusted to PRIs. As the project for which the funds were released was not even finalized, the grants remained unutilized. Instead of promptly returning the funds to the Government, it was parked outside government accounts for more than four years depriving the Government of the opportunity of utilizing the funds for other development activities.

Tourism is not included in the 29 subjects entrusted to Panchayati Raj Institutions (PRI) under 11th Schedule of the Constitution. It is also not a subject allotted to the District Panchayat (DP) of Daman in terms of the second schedule of the Daman and Diu Panchayat Regulation, 2012, promulgated by the Ministry of Law and Justice in July 2012. Thus, PRIs were not eligible to get grants-in-aid for the purpose of tourism.

Audit noted that the UT Administration had sanctioned and released Grants in Aid (GIA) of ₹ one crore in October 2012 for development of water sports at Jampore Beach, Daman and Nagoa Beach, Diu and ₹ 35 lakh in September 2013 for development of various recreational infrastructure to District Panchayat, Daman. In terms of the sanction orders, the entire amount was to be utilized within one year from the date of sanction and any portion of the grant not required was to be returned. However, these funds were kept idle in the accounts of the DP Daman (July 2017) without incurring any expenditure.

DP, Daman stated (July, 2017) that the GIA remained unutilized as the project could not be finalized. It added that the DP Daman is now proposing to return the unutilized grant to the Tourism Department.

Thus, the UT Administration of Daman & Diu irregularly sanctioned GIA of ₹ 1.35 crore for tourism to DP Daman even though tourism was not a subject entrusted to PRIs. Further, the funds remained unutilized as the projects were not even finalized. Instead of promptly returning the funds to the Government, they remained parked outside government accounts for more than four years depriving the Government of the opportunity of utilizing the funds for other development activities.

The matter was referred to the Ministry in July 2017; its reply was awaited (December 2017).

2.10 Inadmissible and unjustified payment to a contractor

Failure of DMC to recover the cost of its regular workers deployed with a contractor led to inadmissible payments of ₹ 33.22 lakh to the contractor. Besides it allowed additional payment for items of work that were already committed in the original agreement leading to unjustified payment of ₹ 47.88 lakh to the contractor.

The Daman Municipal Corporation (DMC) entered into an agreement (February 2013) for outsourcing the work of management of Municipal solid waste to a contractor at a cost of ₹ 2.30 crore for the period from February 2013 to January 2014. The validity of the agreement was later extended by the DMC upto 15 December 2015.

As per the conditions of the agreement, the contractor was required to engage regular and casual workers of the DMC for sanitation work and the pay and wages of these workers would be recovered in accordance with the Minimum Wages Act from the payments due to the contractor. Further, the contractor in its action plan submitted along with the tender, committed to conduct a special cleaning drive every week on a single road including removal of advertisements, paint jobs, unwanted grass and trees, etc.

Audit noticed that in October 2013, the DMC decided to discontinue deduction of the wages of regular workers from the contractor's bill. Though it had also been decided that the services of regular workers would be withdrawn later, DMC continued to attach 15 to 16 of their regular workers with the contractor during the validity of the contract. On account of this it incurred additional expenditure of ₹ 33.22 lakh which in terms of the tender was recoverable from the contractor.

Further, while renewing the contract from February 2014 till January 2015, DMC entrusted work consisting of cutting grass, bushes from the footpaths and cleaning of DMC's open ground spaces to the contractor at an additional cost of ₹ 3,99,050 per month and paid ₹ 47.88 lakh between February 2014 and January 2015 for the same. The entrustment of this work as additional scope was not justified as the contractor had already committed to conduct special cleaning drive every week on single road including removal of advertisements, paint jobs, unwanted grass and trees, etc. without extra consideration in terms of the action plan submitted by him along with his tender in 2013. Moreover, the charges approved for the additional work were apparently not based on an assessment of extra area to be covered and of resources to be deployed as no records relating to measurement of additional area covered and mobilization of additional resources in support of payment could be made available to audit. Subsequently, during the second extension of the contract from February 2015 neither was this additional work incorporated in the contract nor was any separate order given to the contractor.

The D&D Administration stated (September 2017) that if the DMC had insisted on recovering the salary and wages of its permanent and casual labour from the contractor's bill there were likelihood that the contractor would either degrade the quality of his services or abandon the contract. Hence, DMC decided not to deduct the salary and wages of its permanent workers from the contractor's bills. DMC also held that award of additional scope of work was in accordance with the Memorandum of Agreement (MoA) signed (February 2013) with the contractor.

The reply is not tenable as the contractor's bid was based on tender conditions which stipulated that recovery of pay and wages of DMC employees attached with the contractor would be made from the payments due to the contractor. Stopping deduction on account of pay and wages of regular workers of DMC attached to the contractor thus amounts to a post tender revision of the contract that benefitted the contractor. Further, even though it had been decided to remove the regular workers, DMC continued to deploy them with the contractor without being compensated for the same. The stand of DMC that entrustment of additional work to the contractor was in accordance with the MoA is also not correct as in terms of the action plan submitted by the contractor such services were to be performed as a special drive each week without any remuneration.

Thus, failure of DMC to recover the cost of its permanent workers deployed with the contractor as well as allowing additional payments for items of works already committed under the terms of the original agreement led to unjustified payment of ₹ 81.10 lakh to the contractor.

The matter was communicated to the Ministry in June 2017; its reply was awaited as of December 2017.

2.11 Avoidable expenditure due to demolition and reconstruction of a divider

Change in technical specification of a road divider during execution of work without due technical approval and its subsequent demolition and reconstruction in adopting a design similar to the original design resulted in avoidable expenditure of ₹ 58.72 lakh.

As per paragraph 2.5.2 of the CPWD Manual, if material structural alterations are contemplated subsequent to accord of technical sanction, orders of the authority which gave technical sanction of the estimate should be obtained even if the alterations do not entail any additional expenditure. Further, minimum economic life of semi-permanent structures constructed by the CPWD has been estimated as 30 years.

In December 2010, the Superintending Engineer, Public Works Division, Daman, accorded Technical Sanction for construction of a road divider for Major District Road (MDR) from Kalaria Junction to Dabhel Check Post at Dabhel, Nani Daman. The divider was 61 cms in height and had two concrete sides each of 20/15 cm width with earth filling at the center covering 60 cms. In January 2011, the Development Commissioner/ Finance Secretary of UT of Daman and Diu (D&D) accorded administrative approval and expenditure sanction for ₹ 50.80 lakh for the work.

The work was awarded in March 2011 to a contractor at a cost of ₹ 40.80 lakh with completion time of four months. During execution of the work, the height of the divider was enhanced to 90 cms against the approved height of 61cms whereas the width of the divider was reduced from 100/90 cms to 50/30 cms on the oral directions of Chief Engineer (CE) PWD during a site visit. The work was completed in November 2011 at a cost of ₹ 44.82 lakh.

In January 2015, within five years of construction of the divider, a proposal was submitted by the Executive Engineer PWD Daman for removal of the divider and reconstruction of a new divider of about 60 cms height on the same road. This was done following a direction given by the Development Commissioner/Secretary (PWD) during his visit to various MDRs in Daman district. The proposal included filling of the divider with soil and provision of PVC pipes for weep holes. Technical sanction for demolition and reconstruction was accorded in the same month and administrative approval and expenditure sanction was accorded in March 2015 by the Collector, Daman, for ₹ 89.73 lakh. The work was awarded to another contractor in May 2015 at a cost of ₹ 58.72 lakh. The work was completed in July 2016 and an amount of ₹ 57.10 lakh had been paid upto July 2016.

Audit observed that in contravention of provisions of CPWD manual, PWD failed to obtain approval of the competent authority for the change in specifications which were effected during the course of execution of the work. Hence, the changes in specifications escaped a proper assessment of its technical implications. Audit examination also revealed that while submitting and approving the proposal, no reasons were cited for demolishing the existing divider and reconstructing a new one except that this was being done on the instructions of the Development Commissioner/Secretary PWD. Further, the reconstructed divider was broadly of the same specifications as the original specifications approved in 2010 in terms of height and width. Hence, the decision to change the original design and specifications of the divider in 2011 was evidently not justified.

PWD Daman explained (May and August 2017) that the divider had to be demolished due to water logging, damage to divider and ribbon development. It added that rain water accumulated on the road due to height of the divider and that the divider was broken at many places to prevent water logging. It was therefore decided to reconstruct the divider with a lower height and with provision for proper median gaps for pedestrian movement and for drainage of rain water.

This reply is not acceptable as the issues relating to water logging and measures necessary to overcome it would have been known even at the time of the initial technical specification and should have been taken into account while finalizing the design and specifications. Further, had the height of the divider not been increased from 61 cms to 90 cms without proper technical assessment and had effective drainage and proper median gaps been provided initially, demolition of the divider within five years of its construction and re-construction of a new divider at a cost of ₹ 58.72 lakh could have been avoided.

The para was issued to the Ministry in May 2017; its reply was awaited as of December 2017.

Union Territory of Lakshadweep Administration (UTLA)

2.12 Procurement and Distribution of essential commodities under Public Distribution System in Union Territory of Lakshadweep

Public Distribution System (PDS) in the Union Territory of Lakshadweep (UTL) involved allocation, transportation, storage and distribution of Superior Kerosene Oil (SKO), sugar and rice. Audit of PDS revealed that quantum of SKO and sugar allocated, lifted and distributed was not commensurate with the requirements computed based on the population of the UT. The estimated value of the excess expenditure was ₹ 3.47 crore. Further, a large quantity of damaged rice valued at ₹ 75.24 lakh was held in godowns without any enquiry about the causes of damage and without any action for its disposal. There was also lack of internal controls and meaningful monitoring as accounts for PDS items were not prepared since 2014-15, accounts up to 2013-14 showed outstanding remittance of sale proceeds from Island Co-operative Supply and Marketing Societies and short and delayed remittance of sales proceeds by the societies into the government account. Further, Vigilance Committees and inspection mechanisms were either non-functional or non-existent.

2.12.1 Introduction

The Public Distribution System (PDS) in Union Territory of Lakshadweep (UTL) covers procurement, storage and distribution of rice, sugar and Superior Kerosene Oil (SKO) to ration card holders through Fair Price Shops (FPS). PDS is regulated under the Public Distribution (Control) Order 2001, the Targeted Public Distribution System (Control) Order, 2015, and the National Food Security Act (NFSA) 2013. The quantity of rice, sugar and SKO required for the islanders is assessed by the Civil Supplies Department based on the number of beneficiaries under different categories and their entitlement. The categories of beneficiaries and entitlement for each PDS item is given in **Annexe-III**.

2.12.2 Organizational Setup

The Department of Food, Civil Supplies and Consumer Affairs (Department), UTL, is headed by a Secretary. The Director Food Civil Supplies and Consumer Affairs is the administrative Head of the Department and has been declared as the Chief Civil Supplies Authority in UTL overseeing all arrangements relating to allotment, lifting and distribution of PDS items in the 10 islands[30]. The Deputy Collector/Sub Divisional Officers positioned in each island have been declared as the Civil Supplies Authority of the island and are responsible for implementation of PDS in that island.

2.12.3 Functioning of PDS in UTL

PDS in UTL is implemented through Island Co-operative Supply and Marketing Societies (ICSMS). The Lakshadweep Co-operative Marketing Federation (LCMF), the apex body of these societies, is entrusted with procurement, storage, transportation and distribution of PDS items. Sugar and SKO are procured by LCMF from the Kerala State Civil Supplies Corporation (SUPPLYCO) and Indian Oil Corporation respectively and transported to different islands in cargo barges. The Androth Island Co-operative Supply and Marketing Society is entrusted with lifting and transportation of PDS rice from Food Corporation of India godowns at Androth to different islands through cargo barges. The ICSMSs distribute these items through 39 Fair Price Shops (FPS). The sales proceeds of PDS items for a month are required to be deposited in the government account by the ICSMSs in the first week of the succeeding month. The Food and Civil Supplies Department has a unit at Kochi which keeps accounts of PDS items, issues release orders to FCI and IOC for rice and SKO, prepares statements of lifting of PDS items and monitors movement of the items to various islands.

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[30] Agatti, Amini, Andrott, Bitra, Chetlet, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy.

The budget allocation for the Food, Civil Supplies and Consumer Affairs Department of UTLA ranged between ₹ 4.33 crore and ₹ 6.85 crore and expenditure ranged from ₹ 3.89 crore and ₹ 6.53 crore during the period 2012-13 to 2016-17.

2.12.4 An audit was undertaken of the functioning of the Public Distribution System during the period 2013-14 to 2016-17 with the objective of assessing the effectiveness of systems for storage, distribution and delivery of essential commodities and of the system for ensuring timely receipt of dues from various societies and marketing federations.

2.12.5 Audit findings

2.12.5.1 Distribution, storage and delivery of essential commodities

2.12.5.2 Distribution of Superior Kerosene Oil to ineligible purposes

Government of India (GoI) allocates SKO for distribution under PDS to UTL on an annual basis. This is distributed to card holders through FPS at the rate of one litre per person per month at a selling price fixed by the Administration[31]. In accordance with instructions of Ministry of Petroleum and Natural Gas (March 2013), UTLA was directed to ensure availability of subsidized SKO meant for distribution under PDS to the targeted beneficiaries only for the purpose of cooking and illumination.

Audit noted that Liquefied Petroleum Gas (LPG) at subsidized rate was being supplied to residents of Kavaratti and Minicoy Islands for cooking purposes. These LPG consumers were however also being supplied SKO in the same quantity as was being supplied to residents of other islands who were not supplied LPG. As all the houses in the two islands were electrified and residents were being supplied with LPG, supply of SKO which was meant only for cooking and illumination was irregular. Audit further noted that approximately 80 *per cent* of PDS card holders in Karavatti and Minicoy had been issued LPG connections. The total cost of SKO supplied to card holders in these two islands during the period 2013-14 to 2016-17 was ₹ 2.05 crore. As such, UTLA incurred an avoidable expenditure of ₹ 1.64 crore on supply of SKO to residents with LPG connections during this period.

Further, as LPG consumers would not require SKO in the same quantity as non-LPG consumers, the possibility of diversion of subsidized SKO for other purposes cannot be ruled out.

The Department stated (September 2017) that UTLA had allowed supply of SKO as LPG provided was not sufficient for joint families in these islands,

[31] April 2013- ₹ 18 per litre, May 2013 to January 2017 ₹ 20 per litre, February 2017- ₹ 22 per litre onwards, however, we considered ₹ 20 per litre throughout the period.

reduce use of electricity for cooking purpose and to meet LPG shortage during off seasons.

Audit observed that the UTLA should have made a realistic assessment of the requirement of SKO of residents provided with LPG connections taking into account all factors instead of just continuing supply at the rate of one litre per person per month.

2.12.5.3 Allocation and lifting of SKO in excess of actual entitlement

Audit scrutiny revealed that the quantum of SKO allocated and lifted was not commensurate with the number of beneficiaries and the entitled quantity. The total population of UTL was 64,500 as per the 2011 Census and 71,900 as on April 2017. Assuming an average population of UTL of 70,000 during the period 2013-14 to 2016-17, the maximum quantity required for distribution under PDS was approximately 840 kilo litres (KL) *per annum*. However, based on the maximum quantity of SKO required *per annum*, the Department had lifted an excess quantity of 436.45 KL kerosene worth ₹ 87.29 lakh during 2013-14 to 2016-17 as detailed in **Table No. 8** below:

Table No. 8 : Allocation, lifting and sale of Kerosene

Year	Allocation	Lifting	Total sales	Excess	Cost per litre (₹)	Value of excess lifting (₹ in lakh)
	quantity in kilo litres					
2013-14	1008	1008	867.93	140.07	20	28.01
2014-15	1008	1008	894.78	113.22	20	22.64
2015-16	984	984	860.83	123.17	20	24.64
2016-17	936	936	876.01	59.99	20	12.00
Total		**3936**	**3499.55**	**436.45**		**87.29**

Source: Ministry of Petroleum & Natural Gas allocation details, despatch details from LCMF and sales details from each Co-operative Society collected through the Directorate of FCS&CA.

Audit noted that the UTLA had itself acknowledged (December 2014) that monthly sales of SKO in the islands was exceeding the total population of islands and had directed the Cooperative Supply & Marketing Societies to limit sales of PDS SKO to the population as per ration cards in that islands. However, allocation and lifting of SKO continued to be higher than what was justified based on population.

UTLA stated (September 2017) that the higher allocation and lifting of SKO was to ensure availability of sufficient quantity of SKO in the islands during the difficult seasons and attributed the differences in actual quantity allocated, lifted and sold to the possible transportation and storage losses.

The reply is not tenable as there is no justification for not basing requirement of SKO on the actual population of the islands and the differences between quantity lifted and sold can be attributed to losses in transit and storage only if norms for the same have been fixed. It was evident that SKO was being allocated and lifted without any realistic assessment of requirement.

2.12.5.4 Excess supply of PDS sugar

Consequent on abolition of levy sugar by GOI with effect from January 2013, sugar required for distribution under PDS in UTL was procured by the LCMF through Kerala State Civil Supplies Corporation Limited (SUPPLYCO). As per guidelines issued by GOI, sugar supplied under PDS would continue to be subsidized as per existing allocation and per capita norms. States/UTs distributing sugar under PDS at the Retail Issue Price of not more than ₹ 13.50 per kg were to be provided subsidy at the rate of ₹ 18.50 per kg limited to the existing allocation of the State/UTs.

UTLA was distributing PDS sugar at the rate of one kg per person per month. GOI fixed a quota of 115 MT per month of PDS sugar for UTL along with an annual festival quota of 22 MT totaling 1,402 MT to UTL for a year. The position of allotment, procurement and sale of sugar during period from 2013-14 to 2016-17 is brought out in **Table No. 9** below.

Table No. 9: Details of Sale of Sugar

Year	Quantity allotted (MT)	Opening stock*	Quantity Procured (MT)	Quantity sold(MT)	Closing stock*
2013-14	1402	918.54	627.40	1044.18	186.11
2014-15	1402	186.11	1094	977.76	287.77
2015-16	1402	287.77	750	994.88	45.31
2016-17	1402	45.31	1100	949.49	118.42

** The opening stock and the closing stock indicate only the stock at the godown of the societies and do not include the stock held at the 39 FPS in the 10 islands.*

Source: Details collected from Dept. of FCS&CA

Audit scrutiny revealed that the allocation and sale of sugar did not tally with the total number of beneficiaries. Assuming an average population of 70,000 during the years 2013-14 to 2016-17, the maximum quantity required for distribution works out to approximately 862 MT *per annum* i.e. 840 MT sugar per annum @ 70 MT per month plus 22 MT annual festival quota. However, the average sale of PDS sugar for the above period was 991 MT *per annum*. Sale of PDS sugar was thus not in conformity with the total number of beneficiaries with the excess sale of sugar being approximately 516 MT involving a subsidy of ₹ 95.46 lakh[32].

The Department informed (September 2017) that additional sugar at the rate of one kg per head was distributed under the festival quota for two festivals in a year with the approval of the Administrator. Hence, the total requirement of sugar worked out by the Administration was 980 MT *per annum*.

Audit noted that GOI had fixed a festival quota of sugar of 22 MT *per annum* and distribution of 140 MT of sugar per annum towards festival quota requires ratification from GOI. Moreover, the quantity of PDS sugar allotted needs to be revised based on the actual requirement.

2.12.5.5 Non disposal of damaged Rice

As per guidelines for the disposal of damaged food grains communicated to State Government/Union Territories by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India in May 2013, damaged food grains shall be disposed after fixing reserve price within a maximum period of sixty days from the date of declaration of stock as damaged. Further, reasons for the damage are required to be determined through an inquiry. Audit of the records of the Food, Civil Supplies and Consumer Affairs Department disclosed that 650.35 MT of rice valuing ₹ 75.24 lakh received for distribution under PDS were damaged and kept by the eight Island Societies in their godowns as shown in **Table No. 10** below:

Table No. 10 : Details of damaged rice

Sl. No.	Name of Island	Year of receipt	Quantity damaged (in Kg)	Rate (₹)	Value of damaged rice (₹)
1.	Kavaratti	2002-03	34736	10.40	361254
			5164	8.80	45443
2.	Andrott	2000-01	223900	12.50	2798750
3.	Minicoy	2000-01	81396	9.55	777332
			110378	12.30	1357649
		2001-02	163600	11.80	1930480
4.	Agathi	2011-12	400	10.40	4160

32 The total sale for four years is 3966.31MT and the average sale for one year is 991 MT. The excess sale worked out as : (Average sale 991MT – Max required 862 MT) x four years x GOI subsidy of ₹ 18.50 =₹ 95.46 lakh.

		2012-13	2596	10.40	26998
		2014-15	11600	12.5	145000
5.	Kadmat	1991-92	1000	3.45	3450
		2010-11	750	10.40	7800
			1239	6.15	7620
6.	Kiltan	2002-03	1350	8.80	11880
7.	Chetlat	2003-04	848	8.80	7462
8.	Bitra	2011-12	3750	10.40	39000
	Total		650348		7524278

Source: Details collected from Island Co-operative Societies through the Directorate, FCS&CA.

Despite the stock of damaged rice being held for long periods, the Department had not taken any action to dispose the damaged stock kept in the godowns. The damaged stock posed a threat to the existing stock of food grains through fungal infection. Further, no system existed for taking prompt action for ascertaining the reasons for damage, disposal of damaged stocks, issue of orders for write off and for recovering losses from the persons responsible for the damage. Audit observed that though stocks of damaged rice were held from 2002-03 onwards, action for analysing the cause of damage had been initiated only after December 2014 and it was only in May 2016 that UTLA directed the Food Supply Officers of all the islands to collect samples of old stock of rice and send the same to a laboratory for analysing and categorising the stock.

2.12.5.6 Maintenance of godowns

The Ministry of Consumer Affairs, Food and Public Distribution, Department of Food and Public Distribution issued (June 2015) a Code of Practices for the maintenance of godowns as well as FPS. As per this Code, the floor and walls of the godowns are to be treated with chemicals to check insect infestation and prophylactic (spray of insecticide) and curative treatment (fumigation) are to be carried out for the control of insects/pests and for effective rodent control.

Audit observed that though rice and sugar issued under PDS were kept in government godowns in the islands, none of the measures envisaged by the Code of Practices were being followed in the three elected islands.

The Department replied (September 2017) that this would be taken up with the Food Supply Officers and the Island Co-operative Supplies and Marketing Societies for necessary action.

2.12.5.7 Delay in receipt of dues from various Societies/Marketing federations

UTLA issued directions (June 2014) that the Co-operative Supply and Marketing Societies in the islands should remit sales proceeds of PDS items of month to the government account before the 7th of every succeeding month. The societies should forward a challan (in original) to the Administrative Officer, Kochi, with a copy to the Directorate/Administration for the amount remitted towards rice, sugar and kerosene oil credit account before the 15th of every month. The Assistant Registrar of Co-operative Societies (ARCS)/ co-Inspectors in the islands should check the records of the societies by 7th of every month to ensure timely remittance of sales proceeds into the government accounts.

Audit scrutiny disclosed the following;

(i) The Department had finalized Credit Accounts only up to March 2014. As per these accounts, an amount of ₹ 2.95 crore was outstanding from seven Island Co-operative Supply and Marketing Societies (ICSMS) as on 31 March 2014. Scrutiny of remittance challans up to June 2017 revealed that only ₹ 1.91 crore out of the outstanding amount had been remitted to government account leaving a balance of ₹ 1.03 crore due for remittance from the Societies of the four Islands.

(ii) Though UTLA had issued directions for remitting entire sale proceeds of PDS items into government account before 7th of the succeeding month, the Department did not have a system for verifying remittances made by the Societies. Scrutiny of records of the three test checked Island Societies revealed that the Societies had not remitted sales proceeds amounting to ₹ 2.33 crore for the period 2014-15 to 2016-17 into the government account.

(iii) There was also delay with respect to due dates in making remittances into the government account. During the period 2014-15 to 2016-17, the Agatti ICSMS remitted dues in to government account by the due date only on three occasions (September 2015, October 2015 and January 2017). The delay for the remaining months varied from three to 48 days. Androth ICSMS had remitted the dues in time only on two occasions (July and August 2015). The delay in other months ranged from one to 46 days. Kavaratti ICSMS has remitted the dues in time only on two occasions (February 2015 and June 2015) and the delay in other months ranged from two to 38 days.

The Department stated (September 2017) that the Administrative Officer Kochi has been asked to reconcile/update accounts/records with the remittance figures and that details will be submitted after reconciliation and if non remittance is proved, action will be taken against the responsible officer. It added that reconciliation of remittance details was pending and on completion of reconciliation action would be taken against officers responsible for non-remittances.

2.12.5.8 Lack of Monitoring

Audit observed that there was no mechanism for monitoring of the functioning of the PDS that could ensure effective delivery of the PDS items for the intended beneficiaries and obviate the possibility of leakages as brought out below:

(i) The sale proceeds of rice, sugar and kerosene oil under PDS are remitted by the ICSMSs into the government account. It was seen that the Annual Credit Accounts were prepared only up to 2013-14. No effective action appeared to have been taken by the Department for preparation of Annual Credit Accounts from 2014-15 to 2016-17. Moreover, reconciliation of remittances made to government account by the ICSMSs was not being conducted and the Department was relying on figures booked by the PAO.

(ii) The PDS (Control) Order 2001 and TPDS (Control) Order 2015 envisaged that Vigilance Committees should be formed at State and Taluk levels and they should meet at least once in a quarter. Audit scrutiny disclosed that no meeting of the Vigilance Committee at UTL (District) level was held during the period 2014-15 to 2016-17. In the three tests checked islands, Island Level Vigilance Committee met only once in 2016-17 in Agatti Island and no meeting of Vigilance Committees were held in Androth and Kavaratti Islands, during the period 2014-15 to 2016-17.

(iii) PDS (Control) Order 2001 State/UT Government envisages inspection of FPSs once in six months and TPDS (Control) Order 2015 provides for quarterly inspections of FPSs. During the period 2014-15 to 2016-17, among the three test checked islands only one inspection was conducted in Agatti in 2016-17.

(iv) As per the TPDS (Control) Order 2015, the State Government was required to regularly review the list of eligible households for the purpose of deletion of ineligible households and organise an annual special drive before the end of every financial year for the elimination of bogus or ineligible ration cards. No such special drive had been undertaken by the UTLA.

(v) While implementing the NFSA 2013, UTLA had stipulated that beneficiaries falling under 10 specified categories[33] were not eligible to be included in the Priority House Hold (PHH) category. However, no periodical review for verifying whether beneficiaries came under one of the ten categories was conducted in the three test checked Islands.

2.12.6 Conclusion

Audit of the PDS in UTL revealed that quantum of SKO and sugar allocated, lifted and distributed was higher and not commensurate with requirements computed based on the population of the UT. Further, a large quantity of damaged rice was held in godowns without any enquiry about the causes of damage and without any action for its disposal. Accounts for PDS items were not prepared since 2014-15 and accounts upto 2013-14 showed outstanding remittance of sale proceeds from Island Co-operative Supply and Marketing Societies. Further, check of remittance of sale proceeds by the island societies in three test checked islands showed short and delayed remittance of sales proceeds by the societies into government account. Audit also disclosed inadequate monitoring as envisaged Vigilance Committees either did not meet or met infrequently and mandated inspections of Fair Price Shops were infrequent.

The matter was referred to the Administration/Ministry in August 2017/December 2017. While the reply from Department was received in September 2017, the reply of the Ministry was awaited as of December 2017.

2.13 Delay in construction of dedicated berthing facilities and parking of funds with a Public Sector Undertaking

Union Territory of Lakshadweep Administration released ₹ 40.34 crore meant for construction of a dedicated berth without prior project approval by the competent authority and requisite clearances. This amounted to parking of funds with Lakshadweep Development Corporation Ltd. with no prospect of its immediate utilization for the intended purpose. This was not only in violation of the Receipts and Payments Rules and the GFRs but also denied the UTLA of the opportunity to utilize these funds for other developmental activities. Further, the project is yet to commence even six years after it was conceived for want of clearances and approvals.

Union Territory of Lakshadweep Administration (UTLA) submitted a proposal in February 2010 to the Government of Kerala (GoK) for

[33] Government employees/retired, income tax payer, home with A/c or double stories, possession of more than one two wheeler, possession of motorized four wheeler, fishing boats greater than 10 HP, all professionals, registered contractors, employees of undertaking like companies, corporations and persons receiving rent from residential or non-residential properties.

construction of a 200 metres dedicated berth at Beypore[34] in Kerala due to limited and delayed availability of berthing facilities for its passenger/cargo ships at the existing Cargo Terminal and Wharf facility at Beypore Port. The GoK accorded approval for construction of the berth in October 2010 and agreed to lease land for the purpose for 30 years. Accordingly, a Memorandum of Understanding (MoU) was signed in November 2010 between the GoK and UTLA.

In the meantime, UTLA placed ₹ 22.28 crore at the disposal of the Lakshadweep Development Corporation Limited (LDCL) for making payment for construction of the dedicated berth at Beypore. In March 2011, an MOU was signed by UTLA with CPWD for construction of the dedicated berth at Beypore as a deposit work. An amount of ₹ 8.19 lakh was released to CPWD in April 2011 from funds placed with LDCL for conducting soil investigations. CPWD thereafter prepared a preliminary estimate for the work of ₹ 49.23 crore and provided a period of six months for planning and 18 months for execution after depositing of the funds. A detailed agreement for lease of land for the berth was signed with GoK in January 2012 and a sum of ₹ 57.20 lakh was deposited with GoK towards annual lease rent and Earnest Money Deposit. The agreement also stipulated that construction of the berth should comply with Coastal Regulation Zone (CRZ) and Environment Rules.

Based on the preliminary estimates submitted by CPWD, UTLA circulated a proposal on 14 February 2012 for consideration of the Expenditure Finance Committee (EFC) in the Union Ministry of Finance. On 29 March 2012, the Ministry of Shipping asked UTLA to clarify certain observations and submit an amended EFC proposal. UTLA asked CPWD in August 2012 to attend to the observations and also advised it to undertake necessary technical and feasibility studies and obtain requisite CRZ and environmental clearances. A sum of ₹ 1.90 crore was sanctioned on 23 November 2012 to CPWD for undertaking Environmental Impact Assessment and Hydraulic Model Studies. In the meantime, relying on an in-principle approval conveyed by the Planning Commission on 19 March 2012, a further amount of ₹ 18.14 crore was released by UTLA to LDCL on 31 March 2012 for construction of the dedicated berth.

UTLA's proposal incorporating results of various studies was examined by the Union Ministry of Shipping and Ministry of Home Affairs and the latter sought a fresh proposal incorporating revised costs based on cost index as on 01 April 2014. CPWD informed UTLA that while it has prepared the revised estimates, it would submit the same after getting necessary environmental

[34] In the space available between the existing berth and fishing harbour wharf.

clearances. Though the environmental clearances were received by CPWD in May 2017, submission of the fresh EFC proposal with updated costs for obtaining project approval was awaited (October 2017).

Audit examination of project records revealed the following:

- Rule 100 of the Receipts and Payments (R&P) Rules, 1983, stipulates that no money shall be drawn from Government Account unless it is required for immediate disbursement and that it is not permissible to draw money from government account in anticipation of demands. However, UTLA placed ₹ 40.42 crore with LDCL prior to EFC approval for the project. Except for a payment of ₹ 8.19 lakh made to CPWD, the funds have remained idle for over five years. Further, LDCL also held back interest earned on the funds parked with it amounting to ₹ 9.38 crore.

- In addition to Rule 100 of R&P Rules 1983 cited above, Rule 56 (2) of the General Financial Rules stipulates that budget provisions that cannot be profitably utilized should be surrendered to Government as soon as these are foreseen. However, budget grants were made for construction of dedicated berths in the budgets of 2010-11 and 2011-12 though there was no sanction/approval for spending these grants. Instead of surrendering the grants, funds were drawn and transferred to LDCL without any actual requirement.

- As per instructions of Department of Expenditure, Ministry of Finance (April 2010), approval of the Secretary of the Administrative Ministry is required for pre-investment activities. However, UTLA released ₹ 2.56 crore towards pre-investment activities *viz.* leasing of land, soil investigation and conducting EIA and Hydraulic Studies without the approval of the Secretary of the Department.

- While submitting the Preliminary Estimates for the work, CPWD estimated a completion period of 24 months. However, UTLA submitted its initial EFC proposal without conducting technical and feasibility studies for the project and initiating action for environmental and CRZ clearances. It belatedly gave clearance in August 2012 for undertaking necessary studies and provided funds for the same. Final submission of EFC proposal is still awaited even though Environmental Clearance had been received in May 2017. As a result, construction of the berth is yet to commence even though it is more than six years since GoK gave approval for the same.

UTLA stated (March/October 2016) that LDCL was appointed as the nodal agency due to non-availability of technically qualified personnel in the Port and the Shipping and Aviation Department was authorised to release funds to CPWD. However, no explanation was given for parking of funds with LDCL without there being any immediate requirement.

Thus, release of ₹ 40.34 crore meant for construction of dedicated berth without firm approvals nor even requisite clearances amounted to parking of funds with LDCL with no prospect of its immediate utilisation for the intended purpose. This was not only violative of the Receipts and Payments Rules as well as the GFRs but also denied the UTLA of the opportunity to utilise these funds for other developmental activities. Further, even as these funds continue to remain parked, the project is yet to commence even six years after it was conceived for want of clearances and approvals.

The matter was communicated to the Ministry in June 2017; its reply was awaited as of December 2017.

2.14 Avoidable expenditure due to delay in disposal of a decommissioned vessel

Lack of established procedures for disposal of decommissioned vessels coupled with delay in initiating timely action including fixing of appropriate reserve price resulted in avoidable expenditure of ₹ 7.67 crore.

A vessel, MV DweepSethu, owned by the Union Territory of Lakshadweep Administration (UTLA), was entrusted to the Lakshadweep Development Corporation Limited (LDCL) for operation and maintenance with effect from July 2010. In March 2012, it was decided to place the vessel for condemnation. Since then, the vessel remained non-operational and it was finally decided in May 2013 to scrap the same.

UTLA initiated (October 2013-January 2014) action to dispose the vessel within three months through the Shipping Corporation of India (SCI). In February 2014, UTLA requested LDCL to place the issue of finalizing the modalities for decommissioning of vessel in its next board meeting. However, these efforts yielded no results and no follow up action was taken either by UTLA or LDCL to finalise modalities for disposal of the vessel.

Subsequently, UTLA decided to conduct an auction and floated an Expression of Interest (EOI) in March 2014 for engagement of approved valuers to fix a reserve price. Subsequently, based on the recommendation of the valuers, UTLA approved (July 2015) a reserve price of ₹ one crore. Meanwhile**,** procedures for e-auction were taken up with MSTC (September 2014) and the vessel was put up for auction in July 2015. Two offers received were cancelled as the purchase price received of ₹ 0.36 crore was only one third of the reserve price. Subsequently, three attempts were made by ULTA for the disposal of the vessel. In the first two attempts, the highest offer price obtained was ₹ 44.73 lakh for the vessel and spares which was much lower than the reserve price. In the third tender, a minimum quote price of ₹ 44 lakh was fixed but no bidder participated. Meanwhile, the statutory certification and H&M insurance of the vessel expired in November 2015.

In May 2016, it was decided to again entrust the task of de-commissioning and auction of the vessel to LDCL. An agreement was executed with MSTC in October 2016 by LDCL for disposal of all scrap material, obsolete items, plants and machinery.

Subsequently, the reserve price for e-auction was fixed at ₹ 51 lakh (October 2016) and e- auction was conducted. The highest offer received of ₹ 35.02 lakh was accepted by UTLA after considering the approximate monthly expenditure towards monthly manning fee, crew wages/month, steamer agency fee, fuel charges, proportionate monthly expenditure towards H&M and P&I insurance being incurred to keep the vessel afloat (approximately ₹ 12.34 lakh). In January 2017, it was decided to dispose of the vessel. Though an agreement was executed in June 2017 with the buyer for taking over the vessel from LDCL, it has not been shifted even after the lapse of extended date for lifting the vessel for want of various documents such as fitness certificate and insurance.

As the vessel had to be safely manned till it was finally disposed of/scrapped in accordance with statutory requirements, the Administration had to incur an expenditure of ₹ 10.94 crore [35] towards establishment costs of the vessel between April 2012 and March 2017.

UTLA stated (July 2017) that the expenditure could not be avoided as the vessel was to be safely manned till such time it was finally disposed of. It had given top priority for disposal of the vessel and the delay in disposal was due to codal formalities and procedures that were to be complied with. It added that the buyer had been asked to settle crew wages, manning fees and ground rent for delay in lifting the vessel. Further, as the buyer has taken over legal possession of the vessel (June 2017), the Registrar, Mercantile Marine Department has been requested to de-register the vessel.

Audit observed that over three years had lapsed since the decision for disposal of the vessel. Neither UTLA nor LDCL had framed any procedures or

[35] Expenditure incurred towards establishment cost of the vessel after allowing a reasonable period of one year i.e. 2012-13 within which the UTLA could have disposed of the vessel, has been taken as avoidable. Total expenditure incurred during the period 2012-13 to 2016-17 (₹ 10.94 crore) 2012-13 - ₹ 3.27 crore, 2013-14 – ₹ 3.22 crore, 2014-15 – ₹ 1.84 crore& 2015-16 – ₹ 1.32 crore, 2016-17 –₹ 1.29 crore.

modalities for disposal of vessels though they operate and manage a number of vessels. Consequently, their efforts were largely ad-hoc and sporadic. Timely and prompt action for the safe disposal of the vessel and its effective follow-up could have saved at least ₹ 7.67[36] crore incurred during 2013-14 to 2016-17. The vessel is still lying with LDCL even after a lapse of more than four years and UTLA is incurring a continuing expenditure towards crew wages, fuel charges, etc. Moreover, as UTLA is yet to ensure availability of documents such as insurance, fitness certificate etc. the buyer has not been able to shift the vessel from the port.

The matter was referred to the Ministry (July 2017); its reply is awaited (December 2017).

2.15 Short deduction of Income Tax

Union Territory of Lakshadweep Administration (UTLA) did not include the Island Special Duty Allowance (ISDA) for determining income tax liability which resulted in short deduction of income tax of ₹ 51.92 lakh in case of 19 DDOs out of 118 DDOs under the PAO of UT Lakshadweep.

Ministry of Finance vide Office Memorandum dated 29 August 2008 sanctioned Island Special Duty Allowance (ISDA) to Central Government civilian employees on their posting to the Andaman & Nicobar Islands and Lakshadweep. ISDA is to be calculated at 12.5 *per cent* of the total of Band Pay, Grade Pay and Non Practising Allowance in respect of Kavaratti and Agatti and at 25 *per cent* in Minicoy. In respect of all the other islands, the applicable rate is 20 *per cent*.

According to Rule 2BB (1) of the Income Tax Rules, only allowances prescribed under Section 10(14) of the Act will qualify for exemption. ISDA is not a prescribed item of allowance which qualifies for exemption under section 10(14).

A test check of pay bill registers and Income Tax statements of various offices/ departments of UTL for the financial year 2010-11 onwards revealed that income tax was calculated by excluding the entire ISDA drawn by them from the salary income of the officials. This resulted in short-deduction of IT and Education cess.

On this being pointed out during audit, UTLA (August 2013) included ISDA in salary income while calculating income tax during the financial year

[36] Total expenditure incurred during the period 2012-13 to 2016-17 (₹ 10.94 crore) less expenditure incurred during 2012-13 (₹ 3.27 crore) = avoidable expenditure of ₹ 7.67 crore.

2013-14. It also directed (February 2015) all Department heads to effect recovery of income tax short-deducted after re-calculating the income tax for the year by including ISDA in salary. Audit sought details of Income Tax calculation from the Pay and Account Officer (UTL) in September 2016. In response, the Finance Department of UTL (September 2016) forwarded a format to all Distributing and Drawing Officers[37] to furnish details of income tax calculations taking into account ISDA. Based on replies furnished up to October 2017 by the DDOs, short deduction of income tax amounting to ₹ 53.30 lakh on account of non-inclusion of ISDA in salary income have been worked out of which an amount of ₹ 1.38 lakh has been subsequently recovered by four DDOs. Thus, an amount of ₹ 51.92 lakh remained to be deducted from the officials of UTLA as of November 2017. In addition, 99 DDOs are still to provide information in the required format with regard to recovery of income tax on ISDA.

UTLA stated (November 2017) that the omission of non-inclusion of ISDA for determining income at the initial stage of introduction of ISDA was due to misinterpretation of Rules by the concerned DDOs. It added that remedial action had been taken immediately on receipt of the audit objection but recovery could not be completed due to shortage of staff in some Departments.

Thus, non-inclusion of ISDA in salary income for calculation of income tax liability by the UTLA had resulted in short-deduction of income tax aggregating to ₹ 51.92 lakh in respect of 19 DDOs during the period from 2010-11 to 2013-14. Further, as per section 201 of the Income Tax Act, if any deductor fails to deduct tax at source, it would be deemed to be an assessee-in-default and be liable to pay simple interest at one *per cent* for every month or part of a month on the amount of such tax from the date on which such tax was deductible to the date on which such tax is deducted.

The matter was referred to the Ministry in September 2017; its reply was awaited (December 2017).

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[37] Total 118 DDOs available in UTL.

CHAPTER – III: UNION TERRITORIES (REVENUE SECTOR)

Union Territory of Dadra and Nagar Haveli

3.1 Short-levy of stamp duty on Development Agreements

Failure of the Sub-Registrar, Silvassa, to levy stamp duty on the basis of consideration amount with respect to Development Agreements led to short levy of stamp duty. An amount of ₹ 29.03 lakh was subsequently recovered in 12 cases at the instance of Audit.

In terms of the Indian Stamp Act, 1899, stamp duty is payable on conveyance agreements relating to sale and transfer of properties based on the sale consideration. The stamp duty payable on sale consideration of properties as fixed by the UT Administration in April 2011 was one *per cent* for tribal to tribal sale and two *per cent* in the case of all other sales. For safeguarding government revenue, the UT Administration also fixes circle rates for the purpose of charging stamp duty on transfer of properties.

Test check of 500 documents out of a total of 22,123 documents registered during the period from 2011-12 to 2015-16 in the Office of the Sub-Registrar (SR) Dadra and Nagar Haveli, Silvassa, revealed that nine Development Agreements were registered between land owners and developers for transferring development rights on stamp paper of only ₹ 100. In four of these cases, the developers had agreed to pay ₹ 6.88 crore as consideration to the land owners. In the remaining five cases, the consideration amount was not clearly[1] mentioned. Since ownership of land had been transferred through Development Agreements, these were to be treated as conveyance agreements attracting stamp duty at the rate of two *per cent* on the consideration value.

Consequent to the audit observation, the SR Silvassa issued notices to the Developers (June 2017) in all the nine cases and recovered an amount of ₹ 19.90 lakh (August 2017). In five cases, stamp duty was collected as per circle rates and in the other four cases it was collected based on declared value. The SR Silvassa assured that this position would be reviewed once construction permission is accorded and differential stamp duty, if any, would be collected based on the area for which developmental rights is transferred.

[1] In such cases, stamp duty may be collected on the value of property fixed based on Circle Rate fixed by the UT Administration.

Audit noted that though a computerised system for recording all registration documents was in place since August 2011, the same did not provide for Development Agreements as a distinct category of documents. Hence, the system could not segregate Development Agreements from amongst the 22,123 documents registered during the period from 2011-12 to 2015-16 for the purpose of estimating and collecting short levied stamp duty. The SR Silvassa had to therefore manually identify all Development Agreements registered during 2011-12 to 2015-16 and calculate short-levy of stamp duty and collect the same.

SR Silvassa stated (August 2017) that there was no possibility of creating a separate category of Development Agreements in the existing software. Further, it was difficult to demand stamp duty at the time of registration of Development Agreements and that stamp duty can only be estimated and demanded when developers register the constructed buildings. It added that an additional amount of stamp duty of ₹ 9.13 lakh has been recovered in the case of three more Development Agreements.

Audit observed that the Department of Revenue should have interacted with NIC to ensure that changes are made in the software which captures all the different types of instruments. This is necessary to ensure that stamp duty is correctly estimated and collected and not evaded on account of ambiguous classification of instruments. It should also have undertaken a manual check of documents registered to identify all cases of Development Agreements where stamp duty had been short collected.

Thus, failure of the Sub-Registrar, Silvassa to levy stamp duty on the basis of consideration amount with respect to Development Agreements led to short levy of stamp duty. Further, as the cases of short levy of stamp duty were identified only from amongst a small sample of registered documents, the chances of more cases being in existence cannot be ruled out as the computerised system in use was not able to segregate the Development Agreements registered.

The paragraph was issued to the Ministry in June 2017; its reply was awaited (December 2017).

CHAPTER – IV: UNION TERRITORIES (COMMERCIAL SECTOR)

Union Territory of Dadra and Nagar Haveli

DNH Power Distribution Corporation Limited

4.1 Purchase and Sale of Power by DNH Power Distribution Corporation Limited

Inadequate assessment of power requirements led to the Company purchasing power despite having adequate allocation of power from central generating stations. Further, poor management of PPAs resulted in avoidable or irregular expenditure of ₹ 371.30 crore as well as non-recovery of penalty of ₹ 8.63 crore. Non-compliance of Joint Electricity Regulatory Commission Regulations were noted in respect of security deposits, limit prescribed for power factor and frequency of field inspection.

4.1.1 Introduction

DNH Power Distribution Corporation Limited (the Company) was incorporated in July 2012 on unbundling of the erstwhile Electricity Department of the Union Territory of Dadra and Nagar Haveli (ED-DNH). The UT Administration notified (March 2013) the "Dadra & Nagar Haveli Electricity Reforms Transfer Scheme 2013" and transferred the electricity business including assets and liabilities of ED-DNH to the Company with effect from 1 April 2013. Accordingly, the Company is the distribution licensee for the Union Territory of Dadra and Nagar Haveli (UT) and is vested with responsibility for distribution and supply of electricity in the Union Territory. The Company commenced commercial operations from 1 April 2013 with 60,744 consumers with a total contracted demand of 1,051 MW[1]. As on 31 March 2017, there were 70,300 consumers with contracted demand of 1228.20 MW.

An audit was undertaken to ascertain whether demand of power was properly assessed and whether purchase of power as well as its transmission and distribution was planned and carried out efficiently, effectively and economically. The audit covers scrutiny of long term Power Purchase Agreements (PPAs), short term power purchases and examination of operational efficiency in billing, collection and monitoring during the period 2013-14 to 2016-17.

1 MW-Mega Watt.

4.1.2 Audit findings

4.1.2.1 Planning for procurement of power

The Company does not have its own captive generation plants and procures power from Central Generating Stations (CGS) such as NTPC Limited (NTPC), Nuclear Power Corporation India Limited (NPCIL), Ratnagiri Gas and Power Private Limited (RGPPL) and NTPC-SAIL Power Company Limited (NSPCL) and from private parties such as M/s EMCO Energy Limited (EMCO). Long Term PPAs were executed during May 2003 to May 2011 with eight CGS (six generating stations of NTPC, NSPCL and RGPPL) and with EMCO (March 2013).

(a) Purchase of power from EMCO despite having adequate allocation of power

The number of consumers, total demand (connected load and contract demand) and availability of power during the last four years ended 31 March 2017 is given in the **Table No. 1** below:

Table No. 1: Power Allocation and Demand for Power

S. No.	Particulars	As on 31 March			
		2014	2015	2016	2017
1.	Allocation from CGS and other regions (MW)	930.45	899.00	871.00	911.00
2.	PPA with EMCO Energy limited (MW)	200.00	200.00	200.00	200.00
3.	Total power allocation (MW)	1130.45	1099.00	1071.00	1111.00
4.	Contracted demand from consumers (MW)	1051.52	1098.85	1122.54	1228.20
5.	Average Peak demand/running load (MW)	643.00	678.00	722.00	624.00
6.	Maximum peak demand (MW)	775.00	743.00	781.00	784.00
7.	Percentage of power allocation over and above average peak demand (*per cent*) {(S. No. 1 – S. No. 5) x100/S. No. 5}	45	33	21	46

The Company had secured firm allocation of power in excess of the maximum peak demand in the all the four years from CGS. The allocation from CGS and other regions was 21 to 46 *per cent* more than the average peak demand during the same period and any short fall in this allocation/availability of power could be met from unscheduled interchange (UI) upto 12 *per cent* of the total scheduled power. Audit observed that despite having sufficient allocation, the ED-DNH executed (21 March 2013) a Power Purchase Agreement (PPA) with EMCO for the purchase of 200 MW power for a period of seven years and three months with effect from 1 April 2013 and paid ₹ 1,564.03 crore during 2013-14 to 2016-17 towards fixed charges besides ₹ 1,190.42 crore as energy charges for procurement of electricity.

Management stated (June 2017) that the allocation of power was higher than the running load looking to the demand of the territory as all the plants are not compulsorily available in the system and generate power regularly. The

Company was unable to get full quantum of allocated power and continuous over drawl was not permissible. Due to open access, there was surplus power which was sold through NTPC on 50-50 sharing basis. It added that the Administration of UT of DNH has taken up with Ministry of Power for surrender of surplus power.

The reply is not tenable as there was no justification for entering into the PPA with EMCO in view of the firm allocation of power from CGS and it was evident that it had been entered into without conducting any scientific study for assessing the requirement of power.

(b) Non-levy of penalty for shortage in availability of capacity

Clause no. 4.2.5 of schedule 4 of PPA entered into with EMCO (March 2013) provide for penalty to be levied if the availability of power for a contract year falls below 80 *per cent* and Clause 4.2.4 provides incentive in case of availability exceeding 85 *per cent.* Review of records revealed that during the contract year (April 2013 to March 2014), the Company had incorrectly treated the actual capacity made available by EMCO as contracted capacity and the availability factor was worked out as 99.16 *per cent* to 100 *per cent* against the actual availability factor of 67.26 *per cent* in July 2013 and 45.90 to 55.04 *per cent* during November 2013 to March 2014. Details of contracted capacity and contracted capacity adopted by the company during the contract year April 2013 to March 2014 is given in the **Table No. 2** below:

Table No. 2: Details of contracted capacity and capacity adopted by the company

Sl. No.	Period	Contracted capacity as per PPA (MW)	Contracted Capacity adopted by the Company (MW)
1.	April 2013	100	100
2.	May 2013	100	100
3.	June 2013	100	100
4.	July 2013	150	101.75
5.	August 2013	150	150.00
6.	September 2013	150	150.00
7.	October 2013	200	200.00
8.	November 2013	200	101.94
9.	December 2013	200	91.66
10.	January 2014	200	91.10
11.	February 2014	200	110.09
12.	March 2014	200	109.93

The available capacity remained less than the prescribed limit in July 2013 and from November 2013 to March 2014. Thus, instead of levying penalty of ₹ 8.63 crore, the Company paid an incentive of ₹ 3.13 crore due to incorrect adoption of contracted capacity. This resulted in non-levying penalty of ₹ 8.63 crore as well as irregular expenditure of ₹ 3.13 crore.

Management stated (May 2017) that EMCO was not able to obtain the open access to supply full quantum of power due to constraints of the transmission system of Power Grid Corporation of India Limited (PGCIL) and the Company has not paid the capacity charges for the quantum for which Open Access was not granted by PGCIL.

The reply of the Management did not address the issue of incorrect adoption of contracted capacity. Further as per the PPA, penalty was to be paid by EMCO in addition to capacity charges that were payable on proportionate basis.

(c) Avoidable payment of capacity charges to NSPCL

The Company had a long term PPA (October 2007) with NTPC-SAIL Power Company Limited (NSPCL) for purchase of 100 MW power. In December 2012, the Company entered into a Supplementary Agreement (SA) for additional 65.5 MW for the period from April 2013 to March 2014. Though the Company had Medium Term Open Access (MTOA) from Power Grid Corporation Ltd (PGCIL) for additional 40.5 MW, the Company entered into SA for 65.5 MW without ensuring the arrangements for evacuation of the balance 25 MW. The request made (December 2012) by the Company for MTOA for 25 MW was rejected (April 2013) by PGCIL. This resulted in non-drawing of power of 25 MW from April 2013 to February 2014 and avoidable payment of ₹ 29.13 crore towards capacity charges.

Management stated (May 2017) that the matter of rejection of MTOA by PGCIL was intimated to NSPCL and was also discussed the issue in the 64th Meeting (May 2013) of the Western Regional Power Committee (WRPC). The Standing Committee of WRPC stated that the charges have to be paid. The CERC had also dismissed (October 2013) the petition of the Company. The appeal (December 2014) of the Company before the Appellate Tribunal for Electricity (APTEL) was pending (May 2017).

The fact remains that the Company incurred avoidable payment of ₹ 29.13 crore due to lack of proper assessment of the availability of MTOA before entering into supplementary agreement for additional 65.5 MW.

(d) Short-scheduling[2] due to unjustified sanction of STOA

As per the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Open Access in Transmission and Distribution) Regulations, 2009, Short-Term Open Access (STOA) shall be allowed if open access[3] can be accommodated by utilizing (i) inherent design margins, (ii) margins available due to variation in power flows, and (iii) margins available due to in-built spare transmission capacity created to cater to future load growth.

As per clause 2.1.8 of the procedures notified for according STOA by the UT Administration, consent from the distribution licensee is mandatory for according sanction for open access. Audit noticed that the Company accorded

[2] Scheduling of power – is the availability of power fixed by WRLDC for drawl in each time block.

[3] Open access user means a person permitted to use intra-State transmission system or receive supply of electricity from a person other than the distribution licensee of his area of supply.

short term open access for purchase upto 323 MW capacity power to 22 HT consumers during the period May 2016 to March 2017. The sanction of STOA resulted in reduction of demand from the consumers who had been sanctioned STOA as they purchased power from other sources and the Company had to reduce the scheduling of power from the firm sources. The Company approached NTPC, NSPCL and the Ministry of Power for surrender of allocated power/electricity. NSPCL and NTPC refused to accept the Company's request for surrender of allocated power/electricity.

As per the PPAs entered with the parties and the National Tariff Policy Resolution (NTPR) issued by the Union Ministry of Power, the excess available power with a licensee (power procurer) can be permitted to be sold by the seller and the generator and power procurer would share the gains realized from sale, if any, of such Un-Requisitioned Surplus[4] (URS) power in the ratio of 50:50 in the absence of any related provision in PPA.

During the period April 2016 to March 2017, the Company incurred ₹ 805.40 crore towards fixed charges for procurement of 3933.7 million kwh but scheduled only 2,014.36 million kwh which resulted in under recovery of fixed charges. Thus, due to allowing STOA and resultant short scheduling, the Company could not recover fixed charges amounted to ₹ 384.32 crore. This resulted in avoidable payment of ₹ 326.86 crore after adjusting the URS revenue of ₹ 17.35 crore and STOA charges of ₹ 40.11 crore.

Management stated (June 2017) that the STOA was sanctioned within the contract demand of the respective consumers. Due to the implication of open access, the power remained surplus and hence consent was given to sell the URS power.

The reply is not tenable as the Company has to consider the effects of granting STOA and take appropriate action to avoid possible losses.

(e) Non-availing of full rebate on billing for power purchase

As per clause 8.3.6 of the PPA (March 2013) with EMCO, the seller would raise a provisional invoice on the last business day of the month and if the Company makes the payment on the first day of the next month, a rebate of 2.25 *per cent* of the amount will be admissible to the company. Further rebate amount would reduce at the rate 0.05 *per cent* for each day up to the fifth day of the month. The rebate of two *per cent* would be provided if the payment to EMCO is made within one day of presentation of final monthly bill.

Audit noted that during 2013-14 to 2016-17, the Company did not obtain provisional invoice and the monthly bills raised by the seller in the first week of the next month were settled within due dates and a rebate of only two *per*

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[4] URS - Un-Requisitioned Surplus power is the power available for the licensee as per the PPA but not scheduled due to less demand.

cent was availed as per PPA. In the absence of obtaining provisional invoice from EMCO, the Company had to forgo additional saving of ₹ 5.91 crore on account of additional rebate of 0.25 *per cent*.

Management replied (May 2017) that the seller has not issued provisional bills on the last day of the month. However, Company availed 100 *per cent* rebate mechanism for all the payments made towards power procurement and hence the additional rebate could not be availed.

The reply of the Management is not tenable as no action was taken by the Company for ensuring provisional bills on the last business day of the month to avail of the maximum rebate.

(f) Avoidable payment of Reactive Energy Charges[5]

As per Regulation 6.6 (1) of Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010 (Grid Code), reactive power compensation should ideally be provided locally by generating reactive power as close to the reactive power consumption as possible. In case licensees draw reactive energy when the grid voltage is not between 97 and 103 *per cent*, penalty will be levied by WRLDC at specified rates. As such, the licensee should install capacitor banks at appropriate locations to maintain proper voltage and reduce the drawal of reactive energy from the grid. However, the Company had not installed capacitor banks to compensate the reactive energy in the low voltage lines and incurred avoidable reactive energy charges of ₹ 6.27 crore during the period 2013-14 to 2016-17.

Management stated (May 2017) that a study of transmission and distribution network was being carried out by engaging (September 2014) PGCIL and the company would plan for capacitors and reactors after getting their report.

The reply of the Management is not acceptable as the clause for installation of capacitor banks was already envisaged in the CERC regulations in the year 2010 itself and the Management should have taken expeditious action in the wake of levy of reactive energy charges by the Western Regional Power Committee (WRPC).

4.1.2.2 Monitoring and Control

The Company has to ensure that there is no unauthorized use/theft of power by instituting suitable mechanisms for regular inspection of consumer premises for checking of metering equipment and electrical installations.

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[5] REC is the penal charges payable by the licensee for drawl of VAr compensation when the voltage is not in the specified limits.

(a) Shortfall in field inspection

As per Regulation 7.4 of Joint Electricity Regulatory Commission (Electricity Supply Code) Regulations 2010, inspection/testing of the consumer meters (LT, HT, EHT) should be conducted as per prescribed periodicity and records of these test results should be maintained in accordance with Central Electricity Authority (Installation and operation of Meters) Regulations 2006.

As against 61,008 inspections (LT 57,333 and HT/EHT 3,675) to be conducted during the years 2013-14 to 2016-17 the Company had conducted only 190 inspections. Further, of the 190 inspections, 186 inspections were in the premises of LT three phase and HT/EHT consumers and the inspection conducted in the premises of single phase consumers were negligible. The shortfall in field inspections ranged between 92 and 100 *per cent*.

Management stated (June 2017) that the field inspections could not be carried out by its Lab & Vigilance Section due to man power shortage.

(b) Non replacement of defective meters of LT consumers

As per Regulation 7.3(1) of Joint Electricity Regulatory Commission (Electricity Supply Code) Regulations 2010, if the Company fails to keep the meter or metering equipment in proper working condition, the consumer shall not be liable to pay the meter rent for the period the meter remains defective.

As per the amended Regulations (August 2013), in case of faulty meter, average consumption is to be billed based on the consumption of the corresponding month of the previous year. In case the consumption of the corresponding month is not available, average of the previous 12 months was to be considered. It was noticed that due to defective meters, 3,865 consumers were billed on average consumption during March 2017. During the period 2013-14 to 2016-17, 1,15,323 bills were issued on average consumption basis, of which 55,532 bills were issued to 2,805 consumers for periods ranging from 13 to 48 months.

As per Regulation 8.1(15), the defective meter should be replaced immediately. Since the billing system does not provide any data relating to replacement of meters, audit could not ascertain whether the reported faulty meters were replaced within a reasonable time. Further, contrary to the provisions of the Regulations, the Company levied ₹ 16 lakh towards meter rent in 1,12,640 bills which had defective meters.

Management stated (August 2017) that the Company is in the process of purchasing the meters and will complete the replacement by the end of this financial year. Further necessary conditions will be included in the software for non-recovery of meter rent during defect in meter.

Though the Management has indicated that it is in the process of initiating rectificatory steps, the fact remains that 2,805 consumers were billed on average consumption for more than 12 months during the period 2013-14 to 2016-17.

(c) Non-monitoring of adherence to the limits prescribed in respect of Power Factor[6]

As per the Joint Electricity Regulatory Commission (Electricity Supply Code) Regulations 2010, the HT/EHT consumers should maintain a Power Factor (PF) of 90 *per cent* and above. PF incentive in 2015-16 and 2016-17 was to be paid to HT/EHT consumers at the rate of one *per cent* (0.50 *per cent* for the year 2013-14 and 2014-15) for every one *per cent* addition to the PF in excess of 95 *per cent* and a penalty is levied at the same rate if the PF falls below 90 *per cent*. If the average power factor falls below 70 *per cent* (lagging) consecutively for three months, the Company may disconnect the HT consumer's service connection. Scrutiny of records/data of HT/EHT and LT consumer billing revealed the following:

(i) 194 HT/EHT consumers registered a power factor of less than 70 *per cent* (lagging) consecutively for three months during the period 2013-14 to 2016-17. In case of nine consumers, power factor recorded constantly below 70 *per cent* between April 2013 and March 2017. The Company did not initiate any action to disconnect these connections. Further, the Company could not recover any penal charges from these consumers for the drop in PF below 70 *per cent*. Non-disconnection has resulted in continued non-compliance of the Regulation and undue benefit to the consumers besides non-recovery of penalty.

Management stated (August 2017) that due to paucity of field staff and overload, no disconnections were made in respect of HT consumers whose PF was less than 70 *per cent*.

(ii) As per Regulation 4.6 (2) (a), supply to LT installation with induction motor(s) of capacity of 3 Horse Power and above was not be provided unless Low Tension Shunt Capacitor was installed to ensure power factor not less than 90 *per cent*. Analysis of data revealed that shunt capacitor was not installed for 123 LT consumers with connected load of more than three HP. Further, though the licensee (the Company) has the right to install the capacitor and to recover the cost, the Company has not initiated any action to install the capacitors.

[6] Power Factor means the average monthly power factor and shall be the ratio expressed as a percentage of the total kilowatt hours to the total kilovolt ampere hours (KVAH) supplied during the month; the ratio being rounded off to two decimal figures.

Management replied (August 2017) that in case of LT consumers installation of capacitors is mandatory and installation of capacitors were being effected at the time of release of connection.

The fact remains that 123 LT consumers did not have the shunt capacitors installed.

(d) Non-compliance of JERC Regulation in respect of Security Deposit

As per Clause 6.10 of the Joint Electricity Regulatory Commission (Electricity Supply Code) Regulations 2010, the Company collects security deposit from consumers for energy charges equivalent to the estimated consumption for three months from agricultural consumers and two months from seasonal and other consumers. This is reviewed half yearly and annually on the basis of consumption during the previous six months and twelve months for HT/EHT and Low Tension consumers respectively and additional security deposit is to be collected/refunded for deviations of more than 20 *per cent* of the amount of security deposit held by the licensee. Scrutiny of data made available by the Company revealed that:

(i) No SD was available in consumer data base for 91 HT/EHT consumers amounting to ₹ 7.61 crore calculated based on bills from April 2016 to September 2016. Further, as per the consumption for this period, there was a short fall in SD in respect of 73 HT/EHT consumers which worked out to ₹ 10.29 crore.

(ii) Data was not captured in the data base for 42,762 LT consumers by the Company. Hence, Audit could not verify the collection of prescribed SD.

(iii) Consumer-wise details for meter number and consumer number was not reconciled with security deposit of ₹ 16.58 crore that was collected from the UT Administration. In the absence of this data, the Company could not transfer the interest on SD to the concerned consumers.

(iv) Security deposit for ₹ 40.21 crore was accepted as Fixed Deposit Receipts from 720 HT consumers instead of in the prescribed form such as cash, cheque/draft and bank guarantee.

Management stated (August 2017) that the Company obtained security deposit from consumers at the time of release of connection as well as at the time of release of additional load and review is done regularly for HT consumers and additional security deposit is being collected. In case of LT consumers, review was not possible as the data base was not available.

The Management reply that LT consumer review was not possible points to a lacunae in the data collection and collation. Further, Management has not addressed the other deficiencies viz. non-capturing of data, security deposit taken in the form of fixed deposit receipts and non-accountal and non-reconciliation of security deposit received from the UT Administration.

4.1.3 Conclusions

The Company failed to ensure proper assessment of its power requirements which resulted in entering into PPAs for power that was not required. This involved payment of fixed charges as well as procurement of power of ₹ 2,754.45 crore between 2013-14 and 2016-17. Further, poor implementation of PPAs resulted in avoidable or irregular expenditure totalling ₹ 371.30 crore due to incorrect adoption of contracted capacity, unjustified sanction of short term access, avoidable payment of capacity charges, reactive energy charges and non-availing of rebate. In addition it failed to levy penalty of ₹ 8.63 crore.

In the light of the audit findings, the Management as well as the Administrator of the Union Territory should review the process of entering into PPAs and of their implementation so as to ensure that possibilities of such avoidable expenditure are obviated and responsibility fixed where necessary.

The audit observations were reported to the Administrator of Union Territory of Dadra & Nagar Haveli in October 2017; their reply was awaited (December 2017).

New Delhi
Dated: 22 February 2018

(MAMTA KUNDRA)
Director General of Audit
Central Expenditure

Countersigned

New Delhi
Dated: 23 February 2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Annexes

Annexe-I

(Referred to in paragraph no. 2.1.2.3)

Inordinate delay in establishment of Marine Operational Centers

Sl. No.	Name of the MOC	Date of selection of site	Estimated cost (₹ in lakh)	Present status
1	Havelock	Land not allotted	--	Site for MOC though initially finalized in September 2011 was not allotted to the Department. The reason for non-allotment was not available on records. Department made no correspondence till February 2015 and finally applied for allotment of land only in April 2017. The matter is pending with land authorities.
2	Campbell Bay	February 2012	-	Department took more than a year (May 2013 to August 2014) to apply for CRZ clearance after being informed by APWD of the requirement. It also took nine months (May 2015 to March 2016) for taking administrative approval for conducting Rapid Environmental Impact Assessment (REIA) study. The CRZ clearance has not yet been obtained.
3	Pongi Balu	January 2013	58.78	Department decided (March 2012) to utilise two abandoned buildings of Port Management Board (PMB) for which PMB gave in principle approval. However, the department took 33 months to seek permission for demolishing the buildings, which was given only in February 2017. The department was yet to apply for required forest clearance (November 2017) and demolition of existing structures awaited.
4	Diglipur	January 2016	189.28	The initial site which was identified in November 2011 was later changed in October 2012. However, in January 2016 it was decided to revert to the initial site as the second site was located at a distant location in a dense forest. The work of MOC is at tendering stage at present. Final site selection in January 2016. The work is under tendering.
5	Interview Island	November 2011	49.97	Construction of MOC has been delayed as the site selected in November 2011 was located in a reserve forest. Further, site inspection and preparation of estimates by APWD has been delayed due to remoteness of the site. Audit noticed that preparatory work at site was not pursued adequately by APWD after identification of site. The work of MOC is at tendering stage at present.
6	Haddo, Port Blair	September 2011	350.00	Department requested APWD (June 2013) to provide estimate without specifying availability of funds in terms of approval of Ministry for the MOCs. Hence, Department had to obtain approval of additional amount which took 22 months (October 2013 to October 2015) to obtain. No reasons for the time taken were found on record. The MOC at Haddo is at tendering stage.
7	East island	November 2011	47.03	In the case of MOC's at East Island and Hutbay, Police Department requested (September 2012, December 2012) APWD to provide estimate without specifying the amount approved by the Ministry for the work. APWD thus, provided estimates which exceeded the
8	Hutbay	December 2012	115.44	

				expenditure limit approved by the Ministry. This necessitated further revision in the estimates for the two MOCs (March 2017 and April 2016) leading to delay in construction of the MOCs. In case of MOC at East Island a/a & e/s is still awaited and MOC at Hutbay is at tendering stage.
9	Nancowry	February 2012	28.29	Site was in an area prone to water logging. Estimates prepared were revised two times i.e. in September 2013 and January 2016 and fresh estimates are still under preparation.

Annexe-II

(Referred to in paragraph no. 2.1.4)

Milestones for various activities in the scheme

Date of signing of Agreement -06.07.2010	**Milestone/Deliverables**	**Timelines**
	Preparation and submission of draft DPR and Project Implementation and Monitoring Plan (PIM) & on acceptance of the same by the competent authority.	10Weeks (13.09.10)
	Submission of Final DPR and RFP & on acceptance of the same by the competent authority.	14 Weeks (11.10.10)
	Assist in floating RFP after approval from MHA/SCRB.	16Weeks (25.10.10)
	Submission of technical evaluation report & on acceptance of the same by the competent authority.	22 Weeks (06.12.10)
	Submission of Draft contract & on acceptance of the same by the competent authority.	24 Weeks (20.12.10)

SI

Date of signing of Agreement- **17.05.12**	**Milestone**	**Deliverables**	**Timelines**
		Deployment of resources	
	Go-Live in Pilot Location	Customization of CAS State, development of new modules and integration with CAS (State) provided by NCRB	Month-6 (16.11.12)
		Data digitisation	
		Installation and commissioning of Network Infrastructure at Pilot Location	
		Go-Live in Pilot Location	
	Go-Live Readiness in Phase-I Location	Improvement in CAS State if required based on feedback from Pilot Locations	Month-7 (16.12.12)
		Data digitisation at other Phase-I locations	
		Installation and commissioning of Hardware at other Phase-I Locations	
	Go-Live in Phase-I Location	Site Go-Live at other Phase-I locations	Month-8 (16.01.12)
	Go-Live Readiness in Phase-II Location	Data digitisation in Phase-II locations	Month-11 (16.01.12)
		Installation and commissioning of hardware at other Phase-II Locations	
		Capacity building Activities at Phase-II Locations	
	Go-Live in Phase-II Location	Site Go-Live at other Phase-II locations	Month-12 (16.05.13)

SPMU

<table>
<tr><td rowspan="5">Date of signing of Agreement- 09.10.2012</td><th>Payment Milestones</th><th>Deliverables</th><th>Timelines</th></tr>
<tr><td>Commissioning of hardware for Police Stations and Higher Offices</td><td colspan="2" rowspan="4">The timelines/ deliverables of SPMU were to be reckoned with reference to deliverables of SI</td></tr>
<tr><td>Networking Solution</td></tr>
<tr><td>Data digitisation completion</td></tr>
<tr><td>Quarterly payments for 3 years</td></tr>
</table>

Annexe-III

(Referred to in paragraph no. 2.12.1)

The allocation and category wise distribution of Rice and other commodities under TPDS and under NFSA with effect from 01 August 2015 is given in below:

Commodities	Entitlement under Targeted Public Distribution System	Entitlement after introduction of National Food Security Act
Rice	AP[1] - 10 Kgs per person per month at free of cost	AP - 10 Kgs per person per month at free of cost*
	AAY[2] - 35 Kgs per month per household @ ₹ three per Kg	AAY - 35 Kgs per month per household @ ₹ three per Kg
	BPL[3] - 35 kgs per month per household @ ₹ 6.15 per Kg	PHH[4] - five kgs of rice per person per household for a month @ ₹ three per Kg
	APL[5] - eight kgs of rice for each adult and 4 kgs of rice for each child in a House Hold for a month @ ₹ 12.50 per kg	T.O.[6] - 6 kilograms of rice for each adult and two kgs of rice for each child in a House Hold for a month @ ₹ 9.5 per kg
Total allocation of Rice by GOI	AAY - 43 MT/month BPL - 62 MT/month APL - 280 MT/month	AAY - 36.785 MT/month PHH - 90.065 MT/month T.O.- 258.15 MT/month AAY
Kerosene	@ one litre per person per month	
Sugar	@ one Kg per person per month	

* *Only 10 beneficiaries*

1 Annapoorna,
2 Antyodaya Anna Yojana
3 Below Poverty Line
4 Priority House Holds
5 Above Poverty Line
6 Tide Over

Appendix

Appendix-I

(Referred to in Paragraph 1.5)

Details of Audit units covered during 2016-17

Sl. No.	Name of the UT	Audit covered during 2016-17
1.	Andaman and Nicobar Islands	126
2.	Chandigarh	106
3.	Dadra and Nagar Haveli and Daman and Diu	39
4.	Lakshadweep	36
	Total	**307**

Appendix-II

(Referred to in Paragraph 1.6)

UT wise position of outstanding Paras and IRs upto 31 March 2017

Sl. No.	Name of the UT	IRs	Paras
1.	Andaman and Nicobar Islands	564	2426
2.	Chandigarh	1028	3215
3.	Dadra and Nagar Havel and Daman and Diu	354	1534
4.	Lakshadweep	187	965
Total		**2133**	**8140**

Appendix-III

(Referred to in Paragraph 1.7)

Year wise pendency of ATNs

Sl. No	Name of the UT	Report for the year ended March	Union Territories without Legislatures			ATNs vetted and submitted to PAC
			Due	Not received at all	Under correspondence	
1.	Andaman & Nicobar Islands	2014	-	-	-	4
		2015	1	-	1	3
		2016	6	-	6	2
2.	Chandigarh	2014	-	-	-	2
		2015	1	-	1	4
		2016	-	-	-	3
3.	Dadra and Nagar Haveli	2014	-	-	-	2
		2015	-	-	-	1
		2016	-	-	-	2
4.	Daman and Diu	2014	-	-	-	4
		2015	-	-	-	2
		2016	-	-	-	2
5.	Lakshadweep	2014	1	-	1	3
		2015	-	-	-	3
		2016	2	-	2	1
	Total		11		11	