

CHAPTER XIX: UNION TERRITORIES

Andaman and Nicobar Administration

Directorate of Shipping Services

19.1 Idling of funds due to injudicious release

Deficient planning and injudicious release of funds of Rs 188.12 lakh by Directorate of Shipping Services to Andaman and Lakshadweep Harbour Works for providing air conditioning to a shed resulted in idling of funds for more than 33 months.

The Andaman and Lakshadweep Harbour Works (ALHW) undertakes all civil engineering works for development and maintenance of Port and Harbour facilities in Andaman and Nicobar Islands (ANI). Funds for execution of works are released by Directorate of Shipping Services (DSS) as departmental advance and are adjusted after completion report.

To strengthen the infrastructural facilities in the shed for fabrication of fibre glass boat at Port Blair, DSS obtained administrative approval and expenditure sanction from A & N Administration and released funds for three works. The details of the works are given in the table below:

Sl. No.	Name of works	Estimated cost (Rs in lakh)/ date of Administrative Approval	Amount of expenditure sanction (Rs in lakh)	Date of release	Time frame for completion	Status of works as of May 2001
1	Construction of slipway from water front to inside the Fibre Glass Boat Shed (Stage II)	114.16/ 11.08.1999	12.00 10.00 70.00 Total 92.00	13.10.1999 01.02.2001 09.03.2001	6 months of A/A, E/S & release of funds	50 per cent completed
2	Additional room for storage of chemicals (Stage I)	44.61/ 04.03.1999	5.00 10.00 26.75 2.86 Total 44.61	31.03.1999 13.10.1999 09.02.2001 02.03.2001	6 months of A/A, E/S & release of funds	70 per cent completed
3	Providing air conditioning of Fibre Glass Boat shed at Port Blair	188.12/ 02.04.1998	188.12	26.08.1998	18 months of A/A, E/S & release of funds	2 per cent work completed

The table indicates (i) the DSS did not release funds in terms of the priority of work. Air-conditioning work was to be taken up only after the civil construction work was completed. However, the administrative approval was obtained in April 1998 even before the other works were approved and the entire advance of Rs 188.12 lakh was released in August 1998.

(ii) While the advance for air-conditioning remained unutilised, progress on the storage room and slipway was held up since DSS released only Rs 27 lakh between March 1999 and October 1999 against the total requirement of Rs 158.77 lakh for these works.

By March 2001, DSS released the entire amount of Rs 44.61 lakh to ALHW for the storage room while it could release only Rs 92.00 lakh against the total requirement of Rs 114.16 lakh for the slipway.

Due to delayed release of funds, only 70 *per cent* of the work on additional storage room and 50 *per cent* of the slipway construction work could be completed till May 2001.

There was however a progress of just 2 *per cent* in the work of air-conditioning and only Rs 0.05 lakh was utilized against an advance of Rs 188.12 lakh till May 2001, due to non-completion of the other works.

Thus, deficient planning and injudicious release of funds by the DSS much before actual requirement resulted in idling of Rs 188.12 lakh for more than 33 months besides delay in implementation of the whole project.

The matter was referred to the Ministry in August 2001; their reply was awaited as of November 2001.

19.2 Avoidable expenditure on manning contract of a vessel

The Directorate of Shipping Services, Andaman and Nicobar Islands handed over the manning contract of a vessel to the Shipping Corporation of India, instead of continuing with the lowest tenderer, resulting in an avoidable expenditure of Rs 261.70 lakh during the period from July 1994 to September 1999.

In November 1992, the Directorate of Shipping Services (DSS), Andaman and Nicobar Islands (ANI) awarded, the manning contract of the vessel M.V Dering to a firm, being the lowest tenderer at a cost of Rs 3.39 lakh per month initially for a period of six months and extended periodically. The cost was revised to Rs 3.99 lakh per month from August 1993 due to change in staffing pattern to meet statutory requirements.

The DSS handed over the manning of the vessel to Shipping Corporation of India (SCI) in July 1994 after terminating the contract with the private firm. The A & N Administration observed that awarding the manning contract to SCI would be economical and trouble free. However, Audit observed that the evaluation exercise of tender was not proper as the element of management remuneration and overhead charged

Report No. 2 of 2002 (Civil)

by SCI were ignored. Audit also noticed that the vessel was being manned by the same private firm on behalf of SCI from July 1994 to September 1999.

The DSS paid Rs 756.04 lakh to SCI for manning the vessel during the period July 1994 to September 1999 which could have been done at a cost of Rs 494.34 lakh had the contract been continued with the firm.

Thus, injudicious award of manning contract of the vessel to SCI instead of continuing with the lowest tenderer resulted in avoidable expenditure of Rs 261.70 lakh during the period from July 1994 to September 1999.

DSS stated in December 2000 that the manning contract was awarded to SCI as desired by the A & N Administration and also accepted that the Department was incurring considerable expenditure on SCI for this purpose.

The matter was referred to the Ministry in August 2001; their reply was awaited as of November 2001.

Directorate of Information, Publicity and Tourism

19.3 Idle investment on procurement of a tourist vessel

The investment of Rs 51.83 lakh for a tourist vessel remained idle due to Andaman and Nicobar Administration's frequent changes in design and delay in repairing. The vessel meant for transporting tourists is still not operational even after four years of its delivery by the manufacturer.

To facilitate quick transport for tourists to various islands, the Administration entered into an agreement in November 1992 with Vadyar Boats Private Limited, Madras for construction of a seagoing passenger vessel with capacity for 25 passengers at an estimated cost of Rs 35 lakh excluding taxes and duties. The vessel was to be formally delivered at Port Blair by August 1993.

The construction of the vessel was delayed due to delay in receipt of engine. In April 1994, the Administration suggested an alteration in the accommodation arrangement of the vessel whereby the forward portion was converted into a VIP cabin, thus reducing the passenger capacity to 8. The vessel with the revised design arrived at Port Blair in February 1997. The Administration paid Rs 44.08 lakh inclusive of Rs 3.50 lakh for conversion to the builder between November 1992 and February 1997. The balance amount of Rs 1.75 lakh was yet to be paid as of June 2001. Liquidated damages for Rs 3.50 lakh were to be deducted from the builder's bill for delay in delivery of the vessel beyond permissible limit out of which only Rs 1.75 lakh had been recovered.

The capacity of the vessel had been reduced to eight and Mercantile Marine Department (MMD) could not certify it as a passenger vessel in July 1997 as a passenger vessel is one, which carries more than 12 passengers. Meanwhile, the vessel suffered an accident in May 1997. In March 1998, after a lapse of 11 months from the date of accident, the Administration entrusted the work of reconversion and repair to a private firm at a cost of Rs 7.75 lakh inclusive of Rs 3.15 lakh for reconversion. The vessel was repaired in May 1998. After repair, the seating capacity was only 12. The Administration, however, did not approach the MMD for certification. The bill for Rs 7.75 lakh for the reconversion and repair work was yet to be paid as of May 2001. To keep the boat in running condition, the Directorate of Shipping Services (DSS) conducted trial run in January 1999 in the course of which the vessel was again damaged. Thereafter, in November 1999, the vessel was inspected by MMD for estimation of repair. Though MMD submitted its report in December 1999, no arrangement for repair was made as of June 2001. The vessel, therefore, has not been made operational as of June 2001.

The commissioning of the vessel was, thus delayed due to Administration's frequent change in decision regarding conversion and reconversion and delay in making arrangements for repair. Thus, the vessel which was meant for transportation of tourists has never been used for the intended purpose. It is yet to be made operational even after more than four years since its delivery. Investment of Rs 51.83 lakh inclusive of cost of repair thus remained idle, out of which Rs 6.65 lakh being the cost of conversion and reconversion work became infructuous. Moreover, due to substantial reduction in passenger capacity, the certification of the vessel as passenger vessel was not possible.

The matter was reported to the Ministry in August 2001; their reply was awaited as of November 2001.

Andaman Lakshadweep Harbour Works - Ministry of Shipping

19.4 Loss due to non-compliance with agreement

The Executive Engineer (Marine) neither proposed levy of compensation for delayed execution nor recovered risk and cost amount from the defaulting contractor leading to loss of Rs 2.61 crore.

Ministry of Surface Transport accorded administrative approval and expenditure sanction in January 1994 of Rs 47.63 crore for the construction of a break water and wharf at Mus, Car Nicobar in Andaman and Nicobar Islands, to be completed by July 2001.

The Chief Engineer, Andaman Lakshadweep Harbour Works accorded technical sanction in October 1994 to a portion of the total work, namely, construction of break water at chainage⁷ 22M to chainage 200 M for Rs 15.43 crore. Executive Engineer (Marine) awarded the work in April 1995

⁷ Jointed measuring line consisting of linked metal rods

Report No. 2 of 2002 (Civil)

to Ellon Hinengo Limited at a cost of Rs 14.10 crore, to be completed by February 1998. Till January 1998 the contractor had completed only 15 to 47 percent of various components of the work. In April 1998, the Executive Engineer took out only a part of the unexecuted work from Ellon Hinengo Limited for awarding it to other contractor.

Test check conducted by Audit revealed that:

(i) In April 1998, the Chief Engineer permitted the contractor to continue with part of the balance work to be completed by May 2000. However, as per CPWD Manual, in case of breach of contract the department cannot cancel only a part of the unexecuted work and permit the original contractor to execute the other part under the same contract.

In July 1998, the Executive Engineer awarded the remaining part of the work taken out from Ellon Hinengo Limited to Reacon International at Rs 6.28 crore with scheduled completion in May 2000. Reacon International completed the work in February 2000, while Ellon Hinengo Limited completed remaining part of the work only in May 2000. The Executive Engineer had not settled the final bill till September 2001. Moreover, as per terms of contract, the Executive Engineer did not take any action to recover the amount of Rs 2.61 crore from Ellon Hinengo Limited as detailed below:

Description	Amount (Rs in crore)	Remarks
Levy of compensation under clause 2 of the contract for delay in execution of work limited to 10 per cent of the tendered value of the work.	1.19	Not levied
Recovery of risk and cost under clause 3 of the contract for breach of contract.	1.42	Not invoked
Total	2.61	

In October 2001, the Chief Engineer stated that there was no extra expenditure as the rates quoted by Reacon International were less than the rates quoted by the original contractor after allowing escalation. Hence by awarding the balance work to Reacon International there was a saving of Rs 35 lakh. This is factually not correct since while computing the cost of the balance work at accepted rates of Ellon Hinengo Limited, the escalation to be paid beyond the initial stipulated date of completion i.e., February 1998 was taken into account. The Chief Engineer's contention that compensation was not levied as the work was delayed mainly because of involvement of multi modal transportation and Ellon Hinengo Limited completed the work within extended time was also not correct, as the contractor could not complete two main items of the work within the extended period and the department at the time of award of the work to Ellon Hinengo Limited was aware of the adoption of various modes of transport.

Thus, due to delay in construction of a portion of the breakwater coupled with non-compliance with agreement terms, the department had sustained a loss of Rs 2.61 crore, apart from increase in cost of the work by Rs 3.55 crore.

The matter was referred to the Ministry in July 2001; their reply was awaited as of November 2001.