



## Financial Devolution of Panchayat Raj Institutions in Andaman-Nicobar Islands

### KEYWORDS

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### Introduction

Implementation of Island Transport Subsidy Scheme beyond its approved period of operation, without approval from the Ministry and reimbursement of the transport subsidy to industrial units, resulted in an unauthorised expenditure of Rs. 48.69 lakh. In January 2001 Government of India, Ministry of Commerce and Industry approved the operation of "Island Transport Subsidy Scheme 1995" for a period of three years from 2000-01 to 2002-03. The scheme was to be implemented by the Directorate of Industries, Andaman & Nicobar.

The scheme envisaged reimbursement of freight charges as transport subsidy for transportation of raw materials from the port of mainland to the location of the unit in the Islands and for transportation of finished goods from the location of the unit to the port at mainland. The subsidy was 85 per cent in the first two years and 75 per cent in the third year. In January 2003, Andaman & Nicobar Administration decided to continue the scheme beyond the stipulated period ending in 2002-03 and sought the approval of the Ministry to that effect. Though the approval was never given by the Ministry, the Administration continued to reimburse the freight charges beyond 2002-03. Test check of records of the Directorate of Industries, Andaman & Nicobar Administration revealed that the Administration had sanctioned the reimbursement of the subsidy as late as in February 2005 and payments amounting to Rs. 48.69 lakh were released to seven industrial units as detailed below:

Sl. No.	Name of the unit	Period of claim	Amount of subsidy (Rs.)
1	M/s Amuda Poultry Feed, Calicut, South Andaman	01.11.03 to 30.04.04	1,37.99
2.	M/s Sro Lord Venkateshwar Mills, Vabu Lane, Port Blair	01.04.03 to 31.12.03	2,86.312
3.	M/s Andaman Paints Pvt. Ltd., Industrial Estate, Garacharma, South Andaman	01.01.03 to 30.03.04	53,298
4.	M/s Shiva Products, Gracharma, South Andaman	01.07.03 to 31.03.04	96,371

In view of the audit observation raised during September 2005 reimbursement of further claims amounting to Rs. 30.34 lakh were kept in abeyance. Thus, continuation of the scheme without obtaining the approval of the Ministry and the Planning Commission resulted in an unauthorised expenditure of Rs. 48.69 lakh. The matter was referred to the Ministry in June 2007; their reply was awaited as of December 2007.

### Directorate of Shipping Services Loss of revenue

The Directorate of Shipping Services (DSS) is engaged in transportation of cargo between Foreshores, Inter-Islands

and Mainland-Island sectors. The freight is charged on the basis of rate fixed by Indian Coastal Conference (ICC). DSS, Andaman and Nicobar Administration decided in June 1993 to levy Bunker Surcharge as may be fixed by the ICC from time to time in addition to the freight. Test check in audit revealed that the Bunker Surcharge was revised three times during the period from March 2003 to April 2006 but the revised rates were implemented after delays ranging from seven to nineteen months. Instead of maintaining proper liaison with the appropriate agency i.e. ICC to promptly obtain revised rates of Bunker Surcharge, DSS depended on Andaman Ship-owners' Association and Chamber of Commerce, which resulted in late receipt of orders.

**Rs. 3,09,100 pertained to period from 01.01.2003 to 31.12.2003 out of which Rs. 1,50,864 was for the period 01.01.2003 to 31.03.2003.**

The delay in implementation of revised rates of Bunker Surcharge thus resulted in loss of revenue of Rs. 27.83 lakh with no scope of recovery. The matter was referred to the Ministry in July 2007; their reply was awaited as of September 2007.

### Port Management Board Unfruitful expenditure

Port Management Board ignored the provisions of the agreement regarding release of payment and failed to monitor the progress of the work of construction of a Steel Dumb Barge resulting in unfruitful expenditure of Rs. 45.76 lakh. With a view to provide fresh water to vessels calling at Port Blair harbour and to the general public at the time of water crisis, the Port Management Board (PMB) proposed for acquisition of four 250 ton capacity steel Dumb Water barges and entrusted the construction and delivery of two barges to M/s Collaboration Industries Boat Yard (firm)<sup>1</sup>. An agreement was entered into between Chief Port Administrator (CPA) and the firm in December 2002 for construction and delivery of two barges at a cost of Rs. 63.46 lakh each. The construction was to be done under the supervision of Indian Registrar of Shipping (IRS) and was to be completed within six months. The progress of work was to be monitored by the Assistant Engineer (P&S) of PMB. Terms and conditions of the contract provided for release of payment to the firm in five stages as follows: First stage: 20 per cent of the contract price to be paid on signing of the contract agreement. Second stage: 30 per cent on laying of keel of the vessels. The payment was to be released on submission of stage completion certificate issued by IRS surveyor and subject to placement of order for full quantity of steel, anchor equipment and machineries and also on submission of IRS approved designs and drawings. Third stage: 20 per cent on completion of erection of bulkhead, floors, frames and beams.

### The contract for construction and delivery of 2 more barges were awarded to M/s Inland Marine works Private Ltd, Port Blair.

Fourth stage: 20 per cent of the contract price on completion of the hull and placement of machineries on board barge and on launching and trial of the machineries. Fifth and final stage: Balance 10 per cent to be paid on completion of delivery and acceptance of the fully completed barge. Audit examination disclosed that the Board did not adhere to the conditions of the contract in releasing stage payments to the firm and made excess payment without ensuring that the requisite progress was achieved by the firm in executing the work, as discussed below.

In January 2003, Board paid the first stage payment of Rs. 25.38 lakh, being 20 per cent of the contract price, to the firm. The second stage payment of Rs. 38.10 lakh was released in March 2003 for both the barges without verifying the fact that the firm had placed orders for machineries and anchor equipment only for one barge. The third stage payment of Rs. 25.38 lakh for the two barges was released during August – September 2003, in two instalments of Rs. 12.69 lakh each. The remaining fourth stage payment for the first barge amounting to Rs. 12.69 lakh was released in March 2004 by PMB and the first barge was delivered in November 2004.

PMB did not enquire and follow up on the construction and delivery of the second barge before releasing stage payments. A joint inspection was carried out by the PMB and the IRS only in November 2005 when it was revealed that the construction of the second barge was still incomplete. It prepared a showcause notice in February 2006 informing the Board's intention to terminate the contract for delayed construction and completing the work at the risk and cost of the contractor by a third party, which, however, could not be served, the firm allegedly having vacated its premises. It was published in a local daily in March 2006, with no response from the firm till date. The Board had spent Rs. 1.34 lakh on the security personnel deployed to guard the semi-constructed barge. It had taken no further action to complete its construction either.

Payment of Rs. 31.74 lakh for second and third stage payment was made on the basis of completion certificates issued by the Assistant Engineer (P&S). The matter needs investigation for fixing responsibility of the authorities concerned for releasing stage payments on the basis of incorrect certificates. Thus, failure on the part of PMB to closely follow up the various stages of construction of the second barge resulted in unfruitful expenditure of Rs. 45.76 lakh so far. The matter was referred to the Ministry in July 2007; their reply was awaited as of December 2007.

### Chandigarh Administration Recovery at the instance of Audit

Non-auctioning of lease for sale of printed forms resulted in non-recovery of Rs. 41.46 lakh. On being pointed out in audit, Chandigarh Administration recovered an amount of Rs. 35.33 lakh from the Society. District Office Manual (Kutchery Compound Fund Rules 1937)<sup>2</sup> envisage that in March every year, on a date to be fixed by the Deputy Commissioner and previously notified, the lease of culturable areas as well as the lease for the sale of printed forms shall be auctioned by an officer not below the rank of an Extra Assistant Commissioner for one year with effect from the 1st April next.

It was noticed in audit that in Union Territory, Chandigarh lease contract for the sale of different types of forms used in courts was being awarded by auction. As the contractor started selling forms at rates higher than the prescribed rates, U.T. Administration decided to give the lease contract to the Secretary, Red Cross Society, UT Chandigarh for the year 1996-97 by adding additional amount of 10 per cent in

the lease money for the previous year. The department referred the case to the Chandigarh Administration for write off of the lease money for the year 1996-97 on the grounds that the society was engaged in helping the persons in distress which was rejected (January 1998).

The society deposited the lease money for the year 1996-97. The lease contract for the year 1997-98 was renewed for the Rs. 2,60,150/- on the condition that monthly instalment of lease money would be deposited by 7th of each month in advance. Thereafter neither auction for the sale of the said forms was held nor was the lease contract renewed with Red Cross Society for the year 1998-99 to 2006-07 although the society continued to sell the forms. The Society did not pay lease money amounting to Rs.41.46 lakh for the year 1997-98 to 2006-07 which resulted in loss of revenue to the Government.

On being pointed out in audit in May 2002 and July 2005, Chandigarh Administration intimated (September 2007) that a sum of Rs.35.33 lakh has been deposited by the Society in Government account in August 2007 and the Society has also been asked to deposit the balance amount of Rs. 6.13 lakh.

### Union Territory of Lakshadweep

Unfruitful expenditure on a swimming pool project Land acquired in Androth Island of Union Territory of Lakshadweep for construction of a sea water swimming pool for imparting coaching could not be put to use as the project was later found ill-conceived, rendering entire expenditure of Rs. 77.11 lakh on acquisition of land unfruitful. Director of Education in the Union Territory of Lakshadweep acquired 8,490 square metre of land in Androth Island during 2001-02 at a total cost of Rs.77.11 lakh for construction of a sea water swimming pool. The Department intended to construct a 50 metre six lane swimming pool to provide long term scientific coaching in swimming to sports enthusiasts of the island for producing top class swimmers. The cost of construction of the swimming pool was estimated at Rs. 2.72 crore.

After acquiring the land, the Department discussed the viability of the project with the National Swimming Coach (technical expert) in February 2003 who pointed out that swimming competitions were conducted in fresh water pools and therefore, swimmers trained in salt water pools would be at a disadvantage due to variance in buoyancy of saline and non-saline water. He also opined that 50 metre pool was not a viable option in view of the high cost of construction and maintenance, smaller number of trainees available in the island and the high demand of fresh water for the pool. Though possibility of constructing a 25 metre fresh water swimming pool was explored after the advice of National Coach was received, no effective follow up action was taken.

Audit scrutiny revealed poor planning and lack of foresight and understanding on the part of the Department in projecting construction of a large sea water swimming pool to train swimmers for competitive sports. It was only after the land was acquired that the Department consulted (February 2003) the technical expert and found that its proposals were not viable. Going into a project of this magnitude, involving expenditure of over Rupees three crore, without proper study of its feasibility and viability was imprudent and resulted in locking up of government funds with no tangible benefit. The Department in its reply stated (February 2007) that currently there was no proposal to construct a swimming pool and the Department was exploring ways to utilise the land acquired for some other departmental purpose.

### Conclusion :

The reply is not tenable as even four years after the project was found unviable by the technical expert, the Department did not take any effective action to utilise the land for any other purpose or dispose it off, if not needed. Thus, the ex-

penditure of Rs. 77.11 lakh incurred on acquisition of land was unfruitful. Government may examine whether an effective system of conducting proper study and obtaining expert technical opinion is in place before acquiring land for large

projects as land in Lakshadweep is a scarce resource. The matter was referred to the Ministry in July 2007; their reply was awaited as of January 2008.