

# **TAMIL NADU LEGISLATIVE ASSEMBLY**

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2018-2020)**

**(FIFTEENTH ASSEMBLY)**

## **NINTY FIFTH REPORT**

**REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON THE COMMENTS INCLUDED IN THE SEPARATE AUDIT REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF THE TAMIL NADU MARITIME BOARD FOR THE YEARS 2011-2012, 2012-2013 AND 2014-2015 RELATING TO HIGHWAYS AND MINOR PORTS DEPARTMENT.**

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## REPORT

REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON THE COMMENTS INCLUDED IN THE SEPARATE AUDIT REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF THE TAMIL NADU MARITIME BOARD FOR THE YEARS 2011-2012, 2012-2013 AND 2014-2015 RELATING TO HIGHWAYS AND MINOR PORTS DEPARTMENT.

### HIGHWAYS AND MINOR PORTS DEPARTMENT

#### (TAMIL NADU MARITIME BOARD)

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# TAMIL NADU LEGISLATIVE ASSEMBLY

## COMMITTEE ON PUBLIC UNDERTAKINGS (2018-2020)

(Constituted on 05.07.2018 and extended upto 31.03.2020)

### CHAIRMAN

1. Thiru. S. Semmalai

### MEMBERS

2. Thiru. N.D. Thoppu Venkatachalam,  
Chairman, Committee on Estimates (Ex-Officio)
3. Thiru. Durai Murugan,  
Chairman, Committee on Public Accounts (Ex-Officio)
4. Thiru. Anbil Mahesh Poyyamozi
5. Thiru. S. Eswaran
6. Thiru. A.B. Sakthivel
7. Thiru. A. Shanmugam
8. Thiru. I.P. Senthil Kumar
9. Dr. Govi. Chezhaan
10. Thiru. P.K. Sekar Babu
11. Thiru. A. Nallathambi
12. Tmt. M. Parameswari
13. Thiru. K. Palani
14. Thiru. V. Panneerselvam
15. Thiru. K.A. Pandiyan
16. Thiru. K. Pitchandi
17. Thiru. K.S Masthan
18. Dr. (Tmt.) Nancy Ann Cynthiya Francis

### SECRETARIAT

Thiru. K. Srinivasan	.. Secretary
Tmt. L.S. Vasanthi malar	.. Special Secretary
Tmt. R. Santhi	.. Joint Secretary
Thiru. M. Karunakaran	.. Deputy Secretary
Thiru.B. Ravichandran	.. Committee Officer
Tmt. D.Indragandhi	.. Under Secretary



## INTRODUCTION

I, the Chairman of the Committee on Public Undertakings, having been authorised by the Committee (2018-2020) to submit the Report on its behalf, present this **Ninty Fifth Report** of the Committee on Public Undertakings on the paragraphs included in the Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of the Tamil Nadu Maritime Board for the years 2011-2012, 2012-2013 and 2014-2015.

2. The Audit paragraphs relating to the Department of Highways and Minor Ports (Tamil Nadu Maritime Board-TNMB) included in the Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of TNMB for the years 2011-2012, 2012-2013 and 2014-2015 was placed before the Table of the House on 18.4.2013, 11.8.2014 and 01.09.2016 respectively.

3. The Committee for the year 2018-2020 examined the The Additional Chief Secretary to the Government, Department of Highways and Minor Ports and the Vice Chairman cum Chief Executive Officer, TNMB in Highways and Minor Ports Department, at its meeting held on 19.09.2018.

4. The Committee places on record its appreciation of the valuable assistance rendered by the Secretary, Legislative Assembly, the Accountant General (E&RSA) the Additional Chief Secretary to the Government, Department of Highways and Minor Ports and the Vice Chairman cum Chief Executive Officer, TNMB in Highways and Minor Ports Department.

5. The explanatory notes submitted by the Highways and Minor Ports Department and the particulars and clarifications made available during evidence and the further particulars furnished by the Department have been taken into consideration in finalising the Report.

6. The Committee approved this Report at its meeting held on 7th Jan 2020.

Chennai-600 009,  
7th Jan 2020,  
Vigari, Margazhi, 22  
Thiruvalluvar Aandu-2050.

**S. SEMMALAI,**  
Chairman,  
Public Undertakings Committee

REPORT ON THE PARAGRAPHS RELATING TO THE DEPARTMENT OF HIGHWAYS AND MINOR PORTS (TAMIL NADU MARITIME BOARD-TNMB) INCLUDED IN THE SEPARATE AUDIT REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF TNMB FOR THE YEAR 2011-2012, 2012-2013 AND 2014-2015.

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**HIGHWAYS AND MINOR PORTS DEPARTMENT**  
**(TAMIL NADU MARITIME BOARD)**

**1. Introduction**

1.1 The Committee on Public Undertakings (2018-2019) at its meeting held on 19.09.2018 examined the Audit paragraphs relating to the Department of Highways and Minor Ports (Tamil Nadu Maritime Board-TNMB) included in the Separate Audit Report of the Comptroller & Auditor General of India on the Accounts of TNMB for the years 2011-2012, 2012-2013 and 2014-2015. The Additional Chief Secretary to the Government, Department of Highways and Minor Ports and the Vice Chairman cum Chief Executive Officer of Tamil Nadu Maritime Board deposed before the Committee.

**Separate Audit Report for the year - 2011-2012**

**2. A. Balance Sheet - 1. Assets (2) Current Assets - Superannuation fund (Rs. 22.60 Crore) - Understatement of profit - Rs. 13.91 lakh**

2.1 The Superannuation fund account included an amount of Rs 13.91 lakh contributed by the Board towards Employees Benefit Expenses for employees appointed prior to 18<sup>th</sup> March 1997, which is receivable from Government which should have been considered as receipts/income due. Non-accounting of this, has resulted in understatement of profit for the year and receivable (asset) by Rs 13.91 lakh each.

2.2 The department in its explanatory notes stated that the erstwhile Tamil Nadu Port Department was converted into Tamil Nadu Maritime Board with effect from 18.03.97 and the Pension and DCRG for the period of services rendered by the employees to the Government upto 17.03.1997 has been claimed with the Accountant General through Government-Highways Department. On receipt of the amount, the amount has been credited to Superannuation Fund Account. In the Superannuation fund, the amount receivable from Government towards Pension and DCRG has been shown under one head as "Capitalised Value". The Board has made contribution to the Superannuation Fund after taking into consideration of capitalized value which include DCRG of Rs 13.91 lakhs while calculating the funds available in the Board and the differences has been paid from the Board. Therefore,



there was no overstatement of Asset of Superannuation Fund and understatement of Board Assets. However, the separation of Pension and Gratuity in the accounting of capitalized value would be carried out in the year 2012-13.

2.3 The Deputy Chairman and Chief Executive Officer, Tamil Nadu Maritime Board has deposed that the retirement benefits due to the retiring officials for the period they served in Government would be calculated and the same would be obtained from Government every year and deposited in the Superannuation fund. Retirement benefits would be paid after adding the amount due for the period they served in the Board. It was also stated it is a capitalized value and a liability to the Board from the Government.

2.4 Committee desires to know whether the Pension and Gratuity funds had been separately accounted in capitalized value in the account from the year 2012-2013. Committee also instructs that a report on calculation of gratuity and pensionary benefits payable towards retiring officials who have rendered service in Government and the action taken to get the same from Government from the year 2012-2013 may be submitted.

**3. B. Profit and loss Account - 2. Revenue from Operations (Rs.22.57 crore) - Overstatement of Income and Expenses - Rs.509.82 lakh**

3.1 As per Government of Tamil Nadu orders, 50% of the total lease rent collected by the Board from the Port Land users shall be remitted to Government as its share and the balance 50% can be retained to meet the administrative expenditure of the Board. The income earned on lease rent for the year 2011-12 was Rs. 1019.65 lakh. The entire income of Rs 1019.65 lakh was shown as income and Government share of lease rent of Rs 509.82 lakh was shown as expenses, instead of exhibiting only Rs 509.82 lakh as income. This resulted in overstatement of income and expenses to the tune of Rs 509.82 lakh.

3.2 The Department in its explanatory notes has stated that the Tamil Nadu Maritime Board issue receipts for the amount collected by it from the land users/port users. Accordingly, the receipts for lease rent have also been issued during the year. TNMB pays share of lease rent to the Government at certain percentage on the rent receipts as directed by the Government of Tamil Nadu from time to time and claims the share of lease rent amount as expenses. This method of accounting has been consistently followed since 2006-07. The same method of accounting has been followed in the year 2011-12 also to maintain consistency.

..3..

3.3 During deposition, the Deputy Chairman and Chief Executive Officer of the Board stated that after being pointed out by Audit, i.e. from the year 2012-2013, only 50 percent of the total income is being shown as income.

3.4 The Committee expresses its unhappiness to the justification of the Department that incorrect accounting of income earned on lease rent was followed to maintain consistency to the accounting made in the earlier year. The Committee also instructs that a report has to be submitted whether the Income tax was paid for the entire Rs.10.19 crore.

**4. Income –Other Income (Rs. 3.77 Crore) - Under statement of Income and over statement of current liabilities - Rs.10.82 lakh**

4.1 An amount of Rs. 10.82 lakh received as centage charges from the Director, Geodetic & Research Branch, Survey of India, Dehradun for construction of three Tidal Observatory Buildings, for which services have been rendered, has been taken as advance for service, instead of under the above head, which resulted in understatement of income and overstatement of current liabilities by Rs. 10.82 lakh.

4.2 The department in its explanatory notes had replied that Centage charges received from the Director, Geodetic & Research Branch, Survey of India, Dehradun for construction of 3 Tidal Observatory Buildings had been accounted during the year 2012-13.

4.3 In view of the reply of the Department, the Committee decided to treat the paragraph as settled.

**5. C. General 4, Demand Collection and Balance Statement for Board Revenue - Not submitted**

5.1 The Demand Collection and Balance Statement upto 2011-12 for Board Revenues, though called for, was not submitted during the course of audit and as such, audit could not ascertain the correctness of accounts receivable shown in the Annual Accounts.

5.2 It was replied by the department (October 2016) that the particulars of demand and collection statement are maintained in the form of soft copy and will be produced to AG in due course.



5.3 During witness examination, the officials of the Board have agreed to produce the printout of demand and collection statement to Audit.

5.4 With instructions that in future the demand collection balance statement of revenue if maintained should be produced to audit in document form, the Committee decided to treat the paragraph as settled.

#### **Separate Audit Report for the year - 2012-2013**

#### **6. A. General 1. Physical Verification Report- Non existence of assets**

6.1 On a scrutiny of physical verification report of fixed assets of the Board for the year 2012-13, it was noticed that some of the assets of the Board are not really in existence. Some have become obsolete and not fit for use. The report also contains assets which were auctioned, completely damaged due to Tsunami and assets transferred to Public Works Department. The discrepancies between the actual available assets and the book value are not reconciled. Without reconciliation, accounts have been prepared and finalized. As such, inclusion of the value of fixed assets and provision of depreciation for the assets that are not in existence is not proper and the accounts do not depict the true picture of the assets.

6.2 Department in its explanatory notes stated that the Depreciation of Fixed Assets has been provided in written down value method at the rates provided under Income Tax Act. As the value of certain fixed assets was less than Rs. 5000/- applying 100% depreciation, the value had become "Nil" in the books of accounts. But, these items were available in Port officers in the list of fixed assets at the time of verification of assets as on 31<sup>st</sup> March of the corresponding year. The difference was due to above fact. Department has also replied that the action was being taken in the financial year 2014-2015 to reconcile the fixed assets as pointed in Audit without any deviation.

6.3 During witness examination the Vice Chairman and Chief Executive Officer of the Board has agreed to submit the report pertaining to the above item for the year 2017-2018 to audit.

6.4 Committee desires to have a report on the reconciliation of fixed assets from the year 2017-2018

#### **7. B. Profit and Loss Account 2. Omission to treat capital grant as deferred income resulted in understatement of profit and overstatement of Grant**

7.1 Grant from ADB & ASIDE shown under schedule 2.3 were utilised for the purpose of creation of depreciable assets. Accounting standard prescribe that



the capital grant related to depreciable asset should be treated as deferred income which should be recognised in the Profit and Loss Statement on a systematic and rational basis over the useful life of asset. However, the Board has not treated the grant as deferred income but kept as capital reserve and continued to provide depreciation annually on the assets created. Omission to treat grant as deferred income resulted in overstatement of grant to the tune of Rs. 25, 18, 34,487/- understatement of current year profit to the extent of Rs 4, 16, 12,079/- and understatement of profit & loss under shareholders fund to the tune of Rs 21, 02, 22,408/- .

7.2 Department in its explanatory notes (April 2016) has stated that they had requested the Government to issue necessary orders for the financial assistance from Asian Development Bank to be considered as interest free loan vide their letter No.8243/F2/2013, dt: 30.01.2014.

7.3 During deposition, the Officials of the Board has confirmed that the Government order had been received in 2016 and the amount is being shown as interest free loan from the year 2016-17.

7.4 Committee desires to have a copy of the Government Order with regard to the treatment of Financial Assistance from Asian Development Bank as interest free loan. Committee also instructs that in future such orders should be brought to the notice of Audit immediately.

#### Management Letter (ML) Paragraphs (2012-2013)

#### **8 ML 1. Age-wise details of Accounts receivable**

8.1 Age-wise details of Accounts receivable shown in the balance sheet as on 31.03.2013 was not made available to assess the correctness.

8.2 Department in its explanatory notes stated that they had prepared the Age wise details of accounts receivable shown in the balance sheet as on 31.03.2013.

8.3 As the Age wise details of accounts had been prepared, the Committee had decided that the paragraph may be treated as settled.

#### **9. ML2 - Improper maintenance of DCB register**

9.1 Demand, Collection, Balance (DCB) Statement/ Register is one of the prime means of effective internal control that place a check on the amount demanded, amount received and balance to be received. However, on verification, it is noticed that DCB Statement / Register is not in full shape. The statement/register produced to audit includes only 2 items namely licence fees- rent on Portland, licence fees- marine structures. Items like ground rent on Portland, rent on staff quarters, rent on passenger Transit Shed, shed rent, electricity charges are

not included in the statement /register. Improper maintenance of DCB does not ensure effective internal control on the amount to be received by the Board.

9.2 The Department in its reply stated that the Demand, Collection, Balance details are maintained in the soft copy and the latest print out copy had already been submitted to the AG Audit for the year 2013-2014. DCB register is being maintained for the year 2014-2015.

9.3 During witness examination also the Vice Chairman and Chief Executive Officer of Board had reiterated that the all the registers are maintained.

9.4 The Committee directs the Board to submit detailed report on the maintenance of DCB register like ground rent on Portland, rent on staff quarters, rent on passenger transit shed, shed rent and Electricity charges to the Committee.

### 10. ML 3 Non remittance of Statutory dues to Government

10.1 The Tamil Nadu Maritime Board on 11.02.2009 has entered into agreement with M/s. L&T Ship Building Ltd., for leasing of port land measuring approximately 76.86 acres situated in Kattupalli, Tiruvallur district for marine purpose for an annual licence fee of Rs. 77,76,250/- plus service tax. The annual licence fee was subsequently raised to Rs. 93, 31,500/- with effect from 01.04.2011. As Tamil Nadu Maritime Board being service provider, the board has the liability to collect and pay the Service tax to Government of India. However, on verification of records, it is noticed that service tax is not being collected from the licensee on the ground that the licensee is exempted from service tax as it is approved developer of SEZ. Further Verification of agreement and enclosed land map revealed that, only a part of the land leased has been covered SEZ area and eligible for exemption. The remaining part of the land leased out attract levy of service tax. The omission of the Board to collect the proportionate service tax for payment of statutory obligation to the Government of India has resulted in non-provision of taxes due to Government.

10.2 Department in its explanatory notes (April 2016) stated that M/s. L&T Shipbuilding Limited had informed (February 2014) that the entire coastal land of 76.86 acres had been notified as part of the special Economic Zone, as per the Gazette Notifications issued by Ministry of Commerce, New Delhi and hence the Service tax was not applicable. Further, as per the Gazette notification No. 17/2011 Service Tax dt: 01.03.2011, the entire land leased by Tamil Nadu Maritime Board comes under SEZ. However, the Commissioner of Service Tax vide their letter No. C.No.III/10/790/2013-IA (ST) GR.XXI, dated: 19.06.2014 had informed that M/s. L&T Shipbuilding Ltd., demarcated as non-processing



area, has become operational for commercial purposes from January 2013. Accordingly the services rendered to the L&T Port from January 2013 becomes taxable. Accordingly Tamil Nadu Maritime Board communicated to M/s. L&T Ship building Ltd., to remit the Service tax with interest for the Annual License fee of Rs. 93,31,500/- for the Port land at Kattupalli for the period from 01.12.2012 to 30.11.2013. In reply, M/s L&T Ship building Ltd., had informed that the current notification 12/2013-ST which is prevalent as on date supersedes the earlier Notification No.17/2011-ST and non-processing area for commercial purpose which is endorsed by SEZ officials. Form A-1 and Form A-2, submitted by M/s. L&T Ship building Ltd., for exemption claimed for services rendered to SEZ was forwarded by Tamil Nadu Maritime board to the Service tax department for further necessary action.

**10.3** During deposition, The Vice Chairman and Chief Executive Officer of the Board has stated that it was ordered to pay Rs.11 lakh as Service tax and the same had been collected and paid. Thereafter the exemption from payment of service tax had been obtained. To a specific question the officials clarified that the amount was obtained from M/s L&T limited only and paid and no service tax was paid in earlier years as the same was exempted.

**10.4** Since the Service tax had been paid by the Board on receipt of amount from M/s L&T, the Committee decided to treat the para as settled.

#### **Separate Audit Report for the year - 2014-2015**

#### **11. 2.1.1 Liabilities-Current Liabilities-Other Current Liabilities- Rs. 16,01,66,581**

#### **Overstatement of Rs. 11,13,531/-**

**11.1** This includes a sum of Rs.11,13,531/- due from the Colachel Fishing Harbour which was paid by the lessee directly to the Government. As this amount has been paid to Government, the share of lease rent payable to Government should be reduced to this extent. The non-deduction of the above amount had resulted in overstatement of above head to the extent of Rs.11,13,531.

**11.2** The Vice Chairman and Chief Executive Officer of the Board has stated that as the amount of Rs. 11,13,531/- was directly remitted to Government by the fisheries department, during next year only balance amount was paid to Government after deducting this amount.

**11.3** Committee desires to have report on actual payment made to Government after taking into account the share of amount actually paid.

**Management Letter**

**12. B Non-Conduct of Internal Audit**

**12.1** On a perusal of Internal Audit records it was noticed that for seven ports, the internal audit was not conducted from the year 2011-2012. Further the Internal Audit of Tamil Nadu Maritime Board (Head Office) was also not conducted by the Secretariat Department of the Government, which is brought to the notice for necessary action.

**12.2** In the Explanatory notes, the department stated that Internal audit would be conducted the next year.

**12.3** During witness examination, the Vice Chairman and Chief Executive Officer of the Board has stated that Internal Audit in respect of external ports have been undertaken upto the year 2017-2018.

**12.4** Committee desires to have detailed report on the Internal Audit conducted in respect of ports and head office along with the year upto which the internal audit report has been issued.

**13. General**

**13.1** The Committee desires that expeditious action should be taken by Government on all the recommendations in this report, wherever specific time limits have been indicated in the recommendations, they should be adhered to, In other cases the final report of action taken should be sent within three months.

Chennai-600 009,  
7th Jan 2020,  
Vigari, Margazhi, 22  
Thiruvalluvar Aandu-2050.

**S. SEMMALAI,**  
Chairman,  
Public Undertakings Committee



## APPENDIX

### SUMMARY OF RECOMMENDATIONS

1. Committee desires to know whether the Pension and Gratuity funds had been separately accounted in capitalized value in the account from the year 2012-2013. Committee also instructs that a report on calculation of gratuity and pensionary benefits payable towards retiring officials who have rendered service in Government and the action taken to get the same from Government from the year 2012-2013 may be submitted. (Para No. 2.4)
2. The Committee expresses its unhappiness to the justification of the Department that incorrect accounting of income earned on lease rent was followed to maintain consistency to the accounting made in the earlier year. The Committee also instructs that a report has to be submitted whether the Income tax was paid for the entire Rs.10.19 crore. (Para No.3.4)
3. Committee desires to have a report on the reconciliation of fixed assets from the year 2017-2018. (Para No. 6.4)
4. Committee desires to have a copy of the Government Order with regard to the treatment of Financial Assistance from Asian Development Bank as interest free loan. Committee also instructs that in future such orders should be brought to the notice of Audit immediately. (Para No. 7.4)
5. The Committee directs the Board to submit detailed report on the maintenance of DCB register like ground rent on Portland, rent on staff quarters, rent on passenger transit shed, shed rent and Electricity charges to the Committee. (Para No. 9.4)
6. Committee desires to have report on actual payment made to Government after taking into account the share of amount actually paid. (Para No. 11.3)
7. Committee desires to have detailed report on the Internal Audit conducted in respect of ports and head office along with the year upto which the internal audit report has been issued. (Para No. 12.4)
8. The Committee desires that expeditious action should be taken by Government on all the recommendations in this report, wherever specific time limits have been indicated in the recommendations, they should be adhered to, in other cases the final report of action taken should be sent within three months. (Para No. 13.1)

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