

## CHAPTER XVII: UNION TERRITORIES

### Andaman and Nicobar Administration

#### Directorate of Shipping Services (DSS)

##### 17.1 Unfruitful expenditure on construction of two passenger vessels

**Lack of effective action by the Administration against a builder for non-fulfilment of contractual obligations and release of advance payment in violation of the contractual provisions resulted in an unfruitful expenditure of Rs. 13.42 crore. Besides, an amount of Rs. 2.35 crore remained recoverable from the firm on account of interest on advances and liquidated damages.**

With a view to replace the outlived vessel MV Tapi, a 200 passenger vessel, the Andaman and Nicobar Administration (Administration) entered into two agreements in March 1999 with M/S. Shalimar Works (1980) Ltd, Calcutta (builder) for construction of two 100 passenger vessels M.V. Rani Laxmi and M.V.Rani Changa, at a cost of Rs. 7.12 crore each.

As per the agreement, the vessels were to be delivered within 15 months from the date of signing of the contracts or receipt of the first payment, whichever was later. The agreement further stipulated that in case the vessels were not delivered after six months from the specified time, the buyer would be entitled to terminate the agreement and claim refund of the amount paid to the supplier. The buyer could enter into fresh contracts with any other builder(s) to complete construction of the vessels. The date of delivery of both the vessels were July 2000.

Audit examination revealed that the firm completed the work upto 50 *per cent* hull stage (3<sup>rd</sup> stage) till February 2000 and was paid Rs. 9.26 crore by DSS on the basis of certificates issued by the technical consultants M/s. National Ship Design and Research Centre (NSDRC).

Though the construction of vessels did not progress beyond the third stage and the terms and conditions of the contract did not provide for payment of any advance, yet the Administration released a further sum of Rs. 4.14 crore as a special case till September 2002 and a further amount of Rs. 3.07 lakh in May 2004 in violation of conditions stipulated in the agreement.

Thus, a total amount of Rs. 13.42 crore being 94.26 *per cent* of the contractual cost of Rs. 14.24 crore had been paid to the builder though the work of construction of the vessels had not progressed beyond 50 *per cent* hull stage. Further, there was a time over run of six years from the stipulated date of

delivery (July 2000) of the vessels and the work was not yet completed. The Administration had also not taken any action to terminate the contract and have the balance work completed through another firm.

Thus, lack of effective action by the Administration against the builder for non-fulfilment of contractual obligations and release of advance payments in violation of the contractual provisions resulted in the construction of vessels getting inordinately delayed and the investment of Rs. 13.42 crore remaining unfruitful. Besides, an amount of Rs. 2.35 crore remained recoverable from the firm on account of interest on advances and liquidated damages (April 2006).

The matter was referred to the Ministry (July 2006). Reply was awaited (October 2006).

### **Electricity Department, Daman**

#### **17.2 Non-recovery of outstanding dues**

**Failure on the part of the Electricity Department to obtain security deposits, renew them and enhance their value as per the revised tariff led to accumulation of outstanding dues of Rs. 2.32 crore from consumers.**

With a view to safeguarding revenues of Electricity Department, a clause imposing payment of security deposit amounting to three months average consumption of electricity or prescribed minimum amount which was higher, was required to be incorporated in agreements executed with consumers. The Electricity Department, Daman issued instructions in April 1979 for evolving a system in its billing section to watch recovery of arrears every month and disconnect the supply in the case of default. It was also stressed that in no case should arrears be allowed to accumulate beyond the amount of the security deposit.

Audit of the Electricity Department, Daman (February 02/ June 05) disclosed that an amount of Rs. 2.32 crore was outstanding on account of electricity charges against various consumers between February 1994 and March 2006. Scrutiny of the list of defaulting consumers revealed the following:

- (i) As against the outstanding amount of Rs. 1.86 crore in respect of 16 consumers, the security deposit, in the form of bank guarantee, available was only for Rs. 22.43 lakh.
- (ii) An amount of Rs. 8.21 lakh was outstanding in respect of six consumers against which bank guarantee for Rs. 3.62 lakh had already expired.

- (iii) In the case of 23 consumers, though outstanding dues had accumulated to Rs. 0.76 crore whereas bank guarantee was either not obtained or not received from the bank.

Hence, failure of the Department to raise the security deposit amounts commensurate with electricity consumed and non-pursuance of bank guarantee either for revalidation or for recovery, resulted in accumulation of arrears of electricity dues amounting to Rs. 2.32 crore as of March 2006.

In reply, Department stated (November 2005) that the clause imposing payment of security deposit was included in the tariff notification and the same would be included in the power supply agreement. The department also stated that at the time of release of connection, security deposit had been collected from the consumers at the rate applicable but security deposit remained to be enhanced due to hike in the tariff. Department further replied (October 2006) that subsequent to issue of audit observation, security deposit in the form of bank guarantee had been enhanced from Rs. 1000 to Rs. 1500 (July 2004) or three months average consumption whichever was higher, and to Rs. 2000 in October 2006. The security deposit at the revised rates would be collected from the new consumers and also from the existing consumers on expiry of present bank guarantee. The defaulting cases had already been referred to the Revenue Recovery Court (RRC) for recovery of outstanding dues after permanent disconnection.

The reply of the department confirms that arrears were allowed to accumulate beyond the security deposit amounts and prompt action was not taken by disconnecting the electric supplies to defaulting consumers.

Thus, due to lack of vigilance on the part of the Electricity Department, an amount of Rs. 2.32 crore remained outstanding for the period from February 1994 to March 2006 resulting in loss of interest of Rs. 0.79 crore calculated at a nominal rate of 6 *per cent per annum*.

The matter was referred to the Ministry in June 2006; their reply was awaited as of September 2006.