CHAPTER XV: UNION TERRITORIES

Union Territories–Andaman and Nicobar Islands Administration

15.1 Violation of codal provisions in grant of mobilisation advance

Andaman Lakshadweep Harbour Works violated codal provisions in grant of mobilisation advance, resulting in undue financial favour to the contractor to the extent of ₹ 0.66 crore.

Ministry of Shipping (MoS), Government of India approved (November 2014) a project, 'Development of Alternate Sea Route from Port Blair to Baratang in Andaman and Nicobar Islands', to be implemented by the Andaman Lakshadweep Harbour Works (ALHW). Part of the work involved the dredging of the navigational channel in Baratang. ALHW awarded (January 2015) this work to the Dredging Corporation of India Ltd. (DCI), on nomination basis, for ₹ 26.10 crore. The award included a lump-sum provision of ₹ 2.00 crore towards mobilisation charges on arrival of the dredger. Since the agreement did not provide for payment of mobilisation advance for deployment of dredger at site, at the request of DCI, ALHW authorised modification of the agreement (September 2015) to provide mobilisation advance of ₹ 10.00 crore (38.31 *per cent* of the contract value). Accordingly, ALHW released mobilisation advance of ₹ 8.00 crore to DCI. The dredging work commenced in June 2016 and completed in July 2016 at a total cost of ₹ 23.20 crore.

Audit examination revealed the following:

The CPWD Manual, which applies to ALHW, limits mobilisation advance to 10 *per cent* of the tendered amount (₹ 2.61 crore in this case). Consequently, the authorisation of ₹ 10 crore exceeded the permissible limit by ₹ 7.39 crore and ultimately resulted in undue financial assistance to DCI to the tune of ₹ 5.39 crore.

The CPWD Manual also stipulates that mobilisation advances would attract 10 *per cent* simple interest till their adjustment. The agreement of ALHW, however, did not provide for such interest, and consequently, DCI gained further undue financial benefit of ₹ 0.66 crore[1] towards unlevied interest.

1

Sl. No.	Amount of Advance (₹ in lakh)	Date of sanction of advance	Date of adjustment of advance	Period of interest	Rate of interest	Amount of interest (₹ in lakh)
1.	650	21.09.2015	26.08.2016 *	11 months	10%	59.58
2.	150	30.03.2016	26.08.2016 *	05 months	10%	6.25
Total						**65.83**
*** The advance was adjusted in final Bill on 26.08.2016**						

The matter was referred to the Ministry of Shipping in June 2018; their reply was awaited (March 2020).

15.2 Construction of protective sea wall

Andaman Public Works Department did not ensure availability of all the requisite materials before signing of a construction contract which was ultimately foreclosed after flip flops on the issue.

It delayed the construction of the Sea wall, increased the cost of shore protection, in the Tsunami affected area and also resulted in wasteful expenditure of ₹ 1.18 crore, as the incomplete work was washed away. The work has again been sanctioned with an estimated cost increase of ₹ 30.36 crore. The habitation of the affected area remained unprotected for 15 years after Tsunami.

The earthquake and tsunami of 2004 had resulted in land erosion and rise in the level of sea in Mus and other areas of Nicobar. Therefore, the Tribal Council had approached Andaman and Nicobar Administration (Administration) for construction of a sea wall for shore protection.

The Administration appointed Water and Power Consultancy Services Ltd. (WAPCOS) in March 2007 for consultancy work of survey and investigation and submission of Detailed Project Report (DPR) along with designs for the sea wall, which was finalised only in February 2010 (five years after the tsunami).

Thereafter, Andaman Public Works Department (APWD) awarded (November 2011) a contract[2] for shore protection to a private Contractor at cost of ₹ 18.03 crore, to be completed by April 2013. The scope of work required uses of stone boulders, which were to be arranged by the Contractor[3]. However, the Administration had already stopped (October 2011 i.e. before the execution of the agreement in November 2011) blasting permission for private quarry operation, and therefore the Contractor on facing difficulty in obtaining quarry products, urged (May 2012) APWD to

(i) Supply the required stone boulders from the APWD quarry on recovery basis as APWD was still extracting stone boulders; or,

(ii) Allot a quarry to them and issue them explosives for extraction of boulders; or,

(iii) Allow the contractor to bring quarry products from Mainland and pay the extra transportation cost.

2 Construction of Sea Wall/Shore Protection at Mus, Car Nicobar (800 m) Phase-I.

3 Clause 21 of the Agreement stipulated, "Stone boulders, aggregates and pulverized sand shall be arranged by the contractor on his/her own from the approved quarries at Port Blair."

APWD did not consider any of the above suggestions for execution of the work and foreclosed the contract in May 2013 under clause 3A of the agreement (for reasons beyond the control of the contractor). The work was retendered in July 2013 taking into consideration the constrains faced by the contractor in the initial stages.

Meanwhile, the erstwhile contractor requested for revocation of foreclosure stating that he has since been awarded a quarry in an auction and APWD revoked (September 2013) the foreclose agreement, for which there are no provisions available in the General Condition of Contract for Central Public Works Department's Works Manual 2010. While the work resumed and APWD incurred an expenditure of ₹ 1.18 crore for the work done, the contractor could only arrange for a limited quantity of stone boulders. He expressed (January 2015) his inability to acquire the boulders of 500-1000 kg and again requested APWD[4] to provide necessary explosives and quarry. Thereafter, the work was foreclosed again by APWD in June 2016 citing delay or suspension of work.

Meanwhile, the alignment of the proposed shore protection area had changed due to efflux of time, with erosion exposing harder soil strata and also changes in the bed profile due to dredging in nearby area.

APWD had requested Andaman Lakshadweep Harbour Works (ALHW) in June 2017 regarding willingness and opinion for taking up work of Mus Sea Wall. ALHW conveyed (August 2017) its willingness to take up work of Mus Sea Wall stating that the estimate submitted for ₹ 31.84 crore by APWD is under revision in consultation with CWPRS Pune for redesign of sea wall to a length of 800 meter. The Administration, thereafter, decided (January 2018) to transfer the work to Andaman Lakshadweep Harbour Works (ALHW). The ALHW prepared (January 2018) an estimate of ₹ 49.19 crore for the work, which has been sanctioned by the Ministry of Shipping. It was found that the limited work done has also been washed away.

APWD executed the initial agreement despite being aware that the Administration had stopped blasting quarry operations in ANI. Further, APWD did not take effective measures to mitigate the problem of non-availability of requisite boulders, despite the fact that the contractor had repeatedly expressed his inability to obtain boulders and had proposed other alternatives. APWD also foreclosed the work, revoked it without citing authority and foreclosed it again. The limited portion of work executed by the contractor in the interim had been

[4] CE, APWD approved allotment of quarry phase to complete the work, however formal order could not be issued due to superannuation of then CE.

washed away completely and the total expenditure of ₹ 1.18 crore incurred thereon rendered useless while increasing the estimated cost of the Sea Wall protection from ₹ 18.83 crore to ₹ 49.19 crore. The habitation also remained unprotected till date, 15 years after the event.

The audit observation has been accepted by the Department, who stated that they are yet to prepare any loss statement or write off proposal for regularising the loss of Government property. Ministry's reply was awaited (March 2020).

Union Territories-Chandigarh Administration

15.3 Short-levy of Value Added Tax

Designated Officer allowed deduction of ₹ 2.25 crore as claimed by dealer from gross turnover on account of goods damaged due to fire without verification of documents in support of their claim, resulting into suppression of sales and consequent short levy of tax of ₹ 11.25 lakh.

As per Rules 45, 47 & 48 of Chandigarh VAT Rules, 2006 for the purpose of Audit of Returns, Annual Accounts and Statements, the designated officer may require any person to produce evidence for verification of correctness of any return and any other additional information as may be considered necessary. The designated officer after considering documentary evidence shall pass an order of assessment in writing determining the tax liability of such person.

The Designated Officer of Ward 4 UT, when he assessed the case of M/s New Ashoka Textiles (November, 2017), engaged in the business of Readymade Garments, Leather Goods and Textiles, Chandigarh for the year 2012-13, allowed a deduction of ₹ 2.25 crore as claimed by dealer from gross turnover, on account of goods damaged due to fire, without obtaining and verifying documents in support of their claim, as required under the rules.

Audit pointed out (May, 2018) that failure to verify relevant documents may have resulted in a short levy of tax ₹ 11.25 lakh (i.e. five *per cent* of ₹ 2.25 crore), due to suppression of sales.

On this being pointed out by Audit, the Department stated (October 2018) that it had initiated revision proceeding against the dealer under Section 65(i) of the Punjab Value Added Tax Act, 2005, which has resulted in an additional demand of tax amounting to ₹ 11.25 lakh, vide order dated October 2018, after adding the value of the damaged stock to the tune of ₹ 2.25 crore into the gross turnover shown in the trading account. An amount of ₹ 2.81 lakh has been deposited by the firm in March 2019, while, the Firm filed an appeal against the revisional order before the Chandigarh VAT Tribunal, UT Chandigarh.

The matter was referred to the Ministry of Home Affairs in July 2018 and reply was awaited (December 2019).

15.4 Usage of Tertiary Treated Water in UT Chandigarh

Municipal Corporation Chandigarh, (MCC) decided to implement a project to design and build a tertiary treatment plant and associated facilities with a capacity of 10 Million gallons/day (MGD), in addition to an existing tertiary treatment plant of 10 MGD, to treat the discharge from its Sewerage Treatment Plants (STPs), in order to supply treated water for irrigation purposes replacing potable water otherwise being used.

The design wrongly assumed sufficient availability of sewage water, One of the Underground Reservoirs was shifted to the older network with lower than required discharge capacity of pumps installed at both plants, and the old STP was not technically upgraded. Moreover, MCC did not ensure the required BOD level i.e. below 5mg/l. in the output of TTP likely leading to non-acceptance of treated water among the consumers.

Moreover, MCC could not recover the 43 *per cent* of the cost of operation and maintenance of the project as planned. Treated water was supplied free to the green spaces being maintained by MCC Horticulture wing. MCC also did not bill the tertiary water connections. Audit found that the intended results could not be achieved even after 6-7 years after the completion of the project, and audit could not assure itself of the viability of the project.

15.4.1 Introduction

The city of Chandigarh had a gross demand[5] of drinking water of about 110-MGD (Million Gallons per day), which is met 50 MGD from the Bhakhra Canal, 16 MGD from the Bhakhra main line and 24 MGD from underground water sources leaving a shortage of 20 MGD.

In order to meet the shortage of drinking water by replacing the drinking water that was being used for irrigation, Chandigarh Administration initially established (1991) a tertiary treatment plant of capacity 10 MGD and a distribution network for supplying tertiary treated water so generated for irrigation in Sector 1 to 12 and Sector 26, under Phase I of the project.

[5] As per Detailed Project Report on Conservation of drinking water by harvesting of the tertiary treated sewage for irrigation of green spaces in Chandigarh city.

Municipal Corporation, Chandigarh (MCC) then planned to further augment the supply of tertiary treated water under JNNURM in the year 2007 under Phase-II with funds provided by GOI (80 *per cent*), Chandigarh Administration (10 *per cent*) and MCC (10 *per cent*) totalling ₹ 36.72 crore. The MCC also took a separate work for supplying tertiary treated water for irrigation to various open spaces in 3rd phase sectors i.e. sector 48 to sector 56 with an estimated cost of ₹ 6.18 crore. This involved the following:

1. a new tertiary treatment plant having capacity 10 MGD on the newly established 30MGD STP at Phase XI, Diggian, Mohali,
2. a rising main line, 04 UGRs (Underground Reservoirs) and
3. laying of a distribution network, covering certain sectors.

The aim of this Project was to achieve the indirect augmentation of water supply system of Chandigarh city by way of conservation of 20 MGD drinking water presently being utilised for irrigation of public parks/green belts/lawn and open spaces.

A total of 3573 acres of green spaces were to be covered under three phases;

Phase	Area covered
Phase I (Sector 1-12 and 26)	1290 acres
Phase II (Sector 14 to 47 except Sector 26) and provision provided for supplying tertiary water to Sector 48 to 56	2283 acres
Phase III (Distribution network for Sector 48 to 56)	
Total area covered	**3573 acres**

Municipal Corporation, Chandigarh was responsible for implementation of the project.

15.4.2 Audit Objective

The Project was audited to derive assurance as to whether:

- the project objectives have been achieved
- execution of the work in an economical fashion and after following norms and parameters and as per the detailed project report.
- the project is operating as planned

15.4.3 Scope and Coverage

The Capital expenditure incurred on Phases II and III of the project and other capital works taken up for the augmentation were covered in the audit. The period covered under audit was from April 2012 to March 2018.

15.4.4 (a) Audit Findings

(i) Preparation of Detailed Project Report for Tertiary Treatment plant – Inflated assumption of availability of sewage water

As per DPR (Phase II) 67 Million Gallons of sewage was being generated per day in UT Chandigarh, which was taken as the basis for the TTPs.

Audit, however, observed that as certain old STPs having capacities of 15 MGD[6] at Diggian, Mohali and 05 MGD at 3BRD, Chandigarh were shut down and a 2 MGD STP at Maloya was under construction, the available treatment capacity as on 31 March 2015 was only 50 MGD (45 MGD w.e.f. October 2017).

Audit further observed that against the available treatment capacity of 50 MGD (45 MGD w.e.f. October 2017), during the period (April 2015 to March 2018), the actual sewage generation in the city ranged from 23.57 to 32.80 MGD, which meant that the planning parameters for the inlet water for the project in DPR (i.e. 67 MGD) was inflated, resulting in less production of tertiary treated water. MCC in its reply (November 2018) stated that by the end of December 2018, 116 MGD drinking water will be made available in the city and as per the parameter of CPHEEO, 80 *per cent* of the water supply, i.e. 92.8 MGD shall be considered as the sewage capacity of the city.

The reply of the MCC is not acceptable, as after considering that 20MGD potable water was being utilised for irrigation purposes. Only remaining 70 MGD potable water should be used to estimate sewage generation, even as designed. Also, it is a matter of fact that the actual minimum and maximum sewage generation in the city (April 2015 to March 2018) ranged from 23.57 to 32.80 MGD.

ii) Defective planning

A Sewage Treatment Plant at 3 BRD with a capacity of 10 MGD (approx.) is being maintained (since November 2013) by the MC Chandigarh, with the final effluent having a BOD (Biochemical Oxygen Demand) less than 5.00 mg/l, and in order to use this effluent for irrigation purposes,a pipe line, pumping machinery and other contingent works was completed in August 2015 by incurring expenditure of ₹ 2.62 crore to cover this water.

---

[6] Since the shutdown of 15MGD old STP at Diggian, Mohali, the old and the new tertiary treatment plants are taking their input from the new STP of capacity 30MGD installed at Phase XI, Diggian, Mohali

Audit scrutiny of records of Public Health Circle) revealed that out of a total of 6-7 MGD treated effluent being produced at this STP, only 0.6-0.7[7] MGD of treated effluent could be supplied to the rising main of the old distribution network, and the remaining treated water had to be flushed out in the adjoining nallah due to non-planning of underground reservoir at the exit point of treated water. Hence, the purpose of using/supplying the effluent with BOD level < 5mg/l to the rising main was not met despite expenditure of ₹ 2.62 crore, due to failure plan of the adequate capacity.

MCC accepted the fact and stated (Nov 2018) that the observations of this para have been noted for designing of UGRs in vicinity of tertiary treatment plants using the old abandoned structure at site.

15.4.4 (b) Project Design Parameters

i) Project Outcome Vis a Vis Objective

As per the DPR, 20MGD of water was required to cover a total of 3573 acre of green spaces in Chandigarh out of which 10 MGD had been done earlier which was actually producing 3-4.5 MGD.

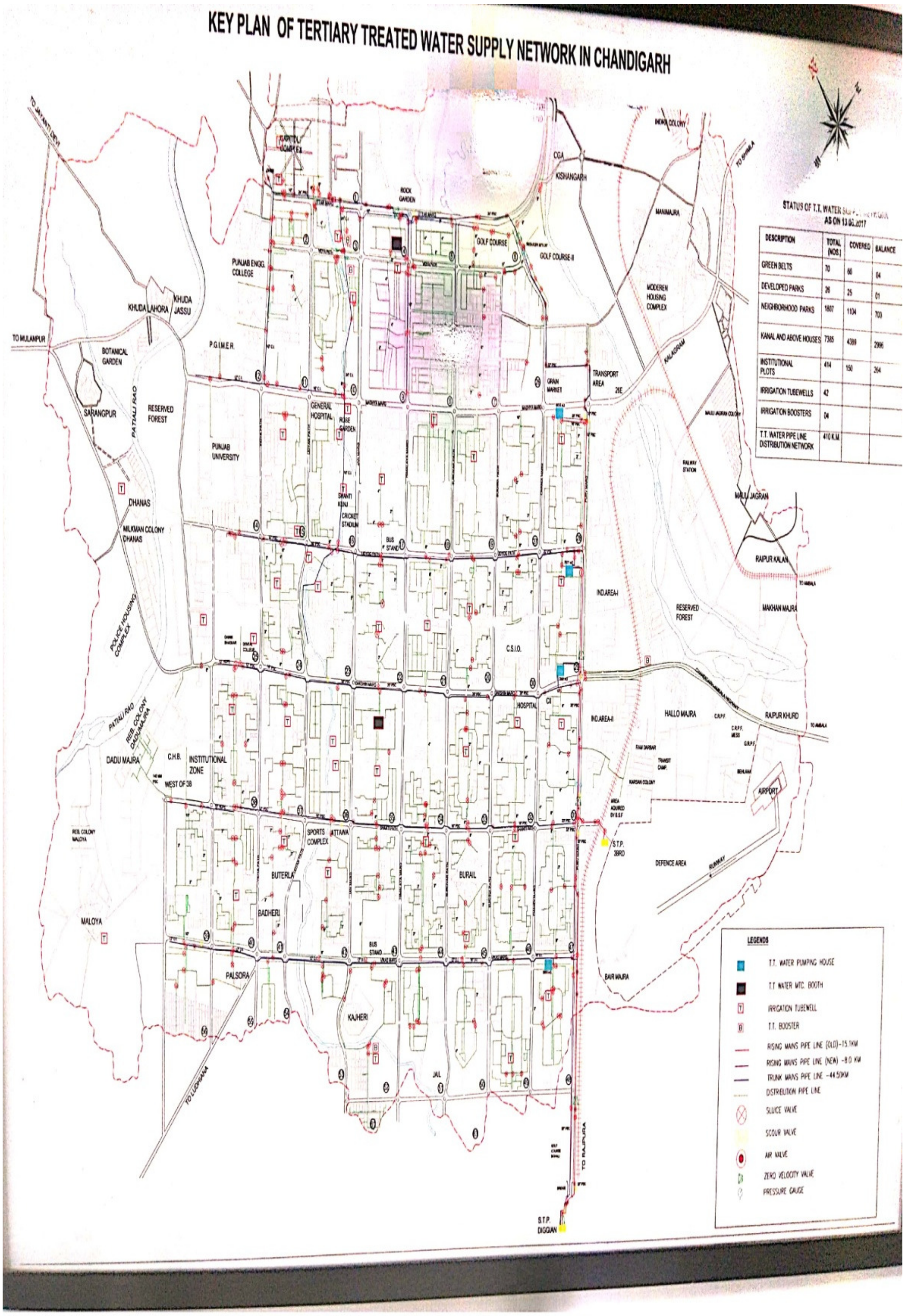
Audit noted that pumps were operated for two shifts in a day and taking into consideration the discharge capacity of the pumps at both plants, a maximum 14.90 MGD tertiary water only can be pumped to the city in 16 hours in a day. This indicates that all the components and system designed, was not capable of pumping 20 MGD of tertiary water to the city.

Audit noted that as against a planned supply of 20 MGD in all only 6-9 MGD was being actually supplied, which includes about 3-4.5 MGD from Phase II.

To meet the shortage of water for irrigation purpose, 25 irrigation tube wells installed prior to the tertiary water project in gardens/parks/green belts were still operational.

MCC in their reply (November 2018) stated that the connections for usage of tertiary treated water are being inactive, which will be extended and the same would take time, thereby implicitly accepting the audit conclusion.

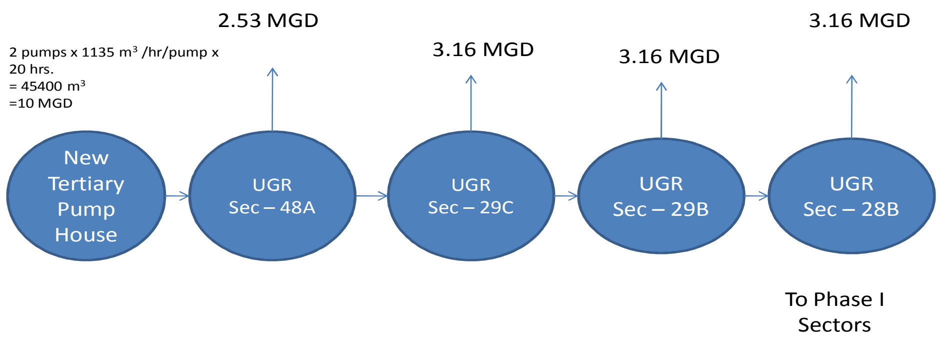
[7] One MGD = 4546 cubic meter, maximum time run of each pump 3.3o hr, Discharged of two pumps – 920 cubic meter/hr, total discharge – 3220 cubic meter/per day, treated water supplied 3220/4546 = 0.71 MGD.



ii) Shifting of Under Ground Reservoirs (UGR) hampering the overall capacity of the Tertiary water Distribution network

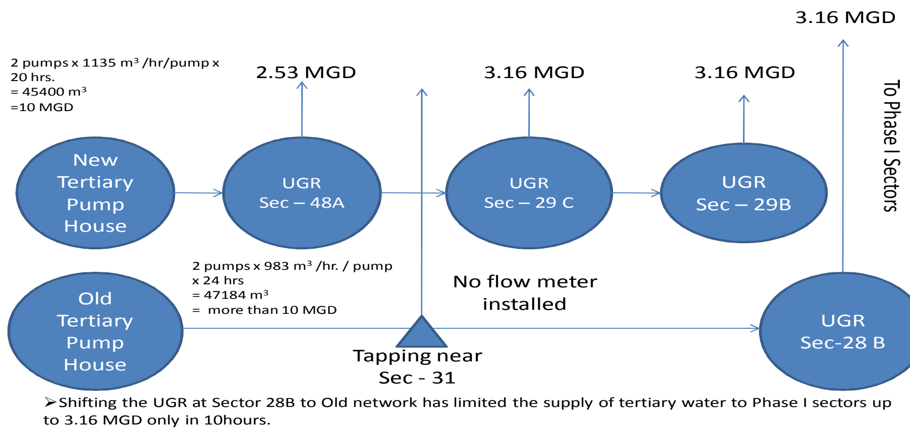
As per DPR, four Underground Reservoirs (UGR) were proposed to be constructed in Sectors 47C, 29C, 29B and 28B in new distribution network to balance the inflow and supply of treated water.

Proposed Scheme



Audit noticed that three out of the four UGRs i.e. UGRs at Sectors 48A (UGR originally proposed at Sector 47C), 29B and 29C were constructed in the new distribution network but the UGR at Sector 28B was shifted to the old distribution network which was already being used for providing irrigation water under Phase 1 of the project. No justification/approval of the competent authority in support of these alterations could be found on record.

Executed Scheme



Audit is of the view that shifting of UGR at Sec 28B from new distribution network to old distribution network, changed the thrust of the whole project:

1. Despite the extra UGR, only 3-4 MGD of tertiary water like before was supplied in the old network and thus no major significant change in the supply of tertiary water to Phase I sectors.

2. In new distributions network, the maximum capacity of pumping was reduced to 7.08 MGD of tertiary water from 10 MGD as per original

design, in 10 hours against which 3-4.5 MGD only tertiary water was supplied during the period April 2015 to March 2018, thus not operating as per the design capacity.

MCC in its reply (Nov 2018) stated that Sec 31 UGR is not justified near the STP of 11 MGD at 3BRD. It was then proposed that tertiary treated water shall be supplied from this STP plant directly to the feeding area.

The reply of MCC is not tenable as area of the sector-31 (near STP of 11 MGD capacity at 3BRD) is being fed directly through the rising main and not from the STP directly as stated by the MCC. Moreover, if it was desirable to shift the UGR at Sector 28B to the old network, the desired specifications/design of the pumps to be installed in all the UGRs should have been reworked keeping in view the requirement of tertiary water to be supplied in the respective networks so that optimal supply of the tertiary water could be made to the end consumers.

iii) Tertiary treated water Connections not billed

As per DPR *(Viability of the Project),* a part of the operation and maintenance cost of the project to the tune of 43 *per cent* shall be recovered from sale of TT water and remaining expenditure was to be met from the revenue generated by the sale of saved drinking water.

Audit noticed that out of a total 5,734 tertiary water connections under the Tertiary Treated project, bills were being raised for 1,327 tertiary water connections only, resulting in 4,407 tertiary treated water connections remaining unbilled.

MCC in its reply (Nov 2018) stated that tertiary treated water bills are being raised as per record maintained in Public Health Division".

The reply is not tenable as the figures reflected above have been provided by the MCC. Moreover, MCC has been supplying free of cost tertiary water to the Green belts/gardens/parks etc. which were being maintained by the Horticulture wing of MCC, the revenues of which had not been excluded at the time of approval of the DPR.

iv) Revolving fund as desired in the Detailed Project Report was not maintained

As per DPR approved in 2007 at least 25 *per cent* of the funds released are to be recovered and credited in revolving fund at the city level to meet the Operation and Maintenance expenses of the assets created under the mission, and it would amount to ₹ 372.58 lakh per year.

Out of this 43 *per cent* expenditure was to be met from the revenue generated from sale of tertiary water and the remaining was to be met from revenue generated from sale of potable water saved by using tertiary water for irrigation purposes.

Scrutiny of the records of MCC revealed that no such revolving fund was created by the implementing agency, and no separate account of revenue collected from supply of tertiary water was maintained by the MCC. MCC stated (November 2018), that the revenue generated as tertiary water charges is being used for maintenance of tertiary water network, but there was no records available to validate this.

v) Avoidable expenditure on rehabilitation of Old Tertiary Treatment Plant

The MCC completed the work of Rehabilitation of 10 MGD capacity at old TTP (September 2015) for ₹ 3.13 crore.

Audit noticed that while undertaking this work the specification relating to BOD (Biochemical Oxygen Demand) level of the final effluent was not upgraded to the level of less than 5mg/l which was approved in the DPR for Phase II, thereby rendering it unsuitable for tertiary water supply.

In opinion of audit the higher level of BOD[8] is the likely reason for non-acceptance of tertiary water among the consumers. Hence, the entire expenditure incurred in rehabilitation of the plant was rendered infructuous.

MCC in its reply (November 2018) agreed that only secondary treatment removes 80 *per cent* to 95 *per cent* of BOD and that that tertiary treatment plant does not play a vital role, in restricting BOD.

The reply of MCC is to be viewed in the light of the fact that as per parameters prescribed under JNNURM, tertiary water should be of BOD level <5mg/l, which was not achieved.

---

[8] BOD is a measure of, the amount of oxygen that required for the bacteria to degrade the organic components present in water/waste water. Biochemical Oxygen Demand is an important water quality parameter because it provides an index to assess the effect discharged wastewater will have on the receiving environment. The higher the BOD value, the greater the amount of organic matter or "food" available for oxygen consuming bacteria. A BOD level of 1-2 ppm is considered very good. A water supply with a BOD level of 3-5 ppm is considered moderately clean. In water with a BOD level of 6-9 ppm, the water is considered somewhat polluted because there is usually organic matter present and bacteria are decomposing this waste.

vi) Less utilisation of pump house due to improper estimation of sewage water

Audit noted that the discharge of pumps installed at the old and new tertiary plants is 983[9] cubic meter per hour and 1135[10] cubic meter per hour respectively for each pump. As a result, sewage after secondary treatment in excess of 4,236 cubic meter per hour was bound to be flushed in the adjoining nallah, even at optimum pumping efficiency.

Audit further noted that on the other hand, the inflow of sewage to the treatment facility at night time is quite low i.e. around 1800 cubic meter per hour, thereby reducing the inflow for tertiary plant. As a result, the tertiary plant cannot be run at its full strength at night, contrary to the assumptions made while designing the capacity of the pumps to be installed at tertiary plants. Also, there is no demand for irrigation in the city at night.

Audit observed that the entire calculation for design parameters was based on the requirement of supplying 20 MGD of tertiary water to the city for irrigation completely ignoring the fact that the inflow of sewage during peak hours was far in excess of the discharge capacity of the pumps installed at the tertiary plants and at night time, is far below than what is required to run the plant at its full strength.

MCC in their reply stated that pumping capacity was designed for maximum peak load & pumping is done as per the requirement of tertiary treated water and the storage of TT water by constructing underground reservoir at TT plant or the secondary places for further distribution to end user.

The reply of M.C.C. is not tenable in view of the fact that during peak hours due to less pumping capacity (i.e. 4236 cubic meter/hour) secondary treated water was being flushed out into the adjoining nallah and during low hours pumps were operated below capacity.

15.4.4 (c) Execution

i) Irregularities in the execution of work

MCC Chandigarh concluded a contract with M/s H L Handa & Co for construction of 10 MGD capacity TTP to treat Biologically Treated Sewage by installing Dual Media Filters and other associated units at Diggian for

---

9 Discharge specification of old tertiary pump.

10 Discharge specification of new tertiary pump.

₹ 7.78 crore (₹ 7.29 crore for Capital work & ₹ 0.49 crore for Operation & Maintenance). Audit noted that:

1. As against the administrative approval of ₹ 4.73 crore for aforesaid work an amount of ₹ 7.29 crores (54 *per cent* excess) was incurred. The justification for enhancement of cost of the project to the extent, without any significant change in the capacity/technology of the tertiary plant to be installed, could not be found on record.

2. Against the capacity of 10MGD tertiary treated water from the aforesaid plant on an average only 3 - 4 MGD tertiary treated water was being supplied.

3. The parameters of BOD level as agreed upon between the agency and MC Chandigarh was below 20 mg/l, which was far above what was approved in the DPR i.e. five mg/l.

As per the reports obtained from Chandigarh Pollution Control Committee (CPCC), the parameters for BOD and Chemical Oxygen Demand (COD) were also on the higher side in comparison to the parameters approved in the DPR, establishing the fact that the quality of tertiary water being supplied to the green spaces/houses for irrigation was sub-standard.

MCC in their reply stated that the administratively sanction was for the whole project and excess in any phase cannot be termed as irregularity.

(i) The supply through two different cannot be consolidated as their nomenclature is different.

(ii) The old and the new tertiary plant were designed for BOD level more than five mg/l.

The reply of MCC was not tenable in view of the fact that the work cost was enhanced by 54 *per cent* without introducing any significant change in the capacity/technology of the tertiary plant and no reasons were given for not adhering to Ministry's standard for less than five mg/ l BOD[11].

[11] BOD is a measure of, the amount of oxygen that required for the bacteria to degrade the organic components present in water/waste water. Biochemical Oxygen Demand is an important water quality parameter because it provides an index to assess the effect discharged wastewater will have on the receiving environment. The higher the BOD value, the greater the amount of organic matter or "food" available for oxygen consuming bacteria. ABOD level of 1-2 ppm is considered very good. A water supply with a BOD level of 3-5 ppm is considered moderately clean. In water with a BOD level of 6-9 ppm, the water is considered somewhat polluted because there is usually organic matter present and bacteria are decomposing this waste.

15.4.5 Conclusion

A total tertiary treated water of only 6-9 MGD instead of 20 MGD as planned is being supplied, due to both design and implementation failures, while the project viability is affected due to Non billing etc.

15.4.6 Reporting

The matter has been reported to the Municipal Corporation, Chandigarh in July 2018 and August 2019 and to the Ministry of Home Affairs, New Delhi in August 2018; their reply is awaited as of December 2019.

15.5 Fixation of lease rentals

Punjab Engineering College Chandigarh failed to adopt the prescribed rates of rent to banks operating in their premises, resulted in short realisation of rent from Banks of ₹ 1.15 crore.

Ministry of Finance Office Memorandum of 04 October 2016 invoked provisions of Rule 208 of General Financial Rules which included that i) all autonomous organisations, new or already in existence should be encouraged to maximise generation of internal resources and eventually attain self-sufficiency, ii) whether user charges, wherever the output or services are utilised by others, are levied at appropriate rates and iii) the scope for maximising internal resources generation in the organisation so that the dependence upon government budgetary support is minimised.

The Directorate of Estates (DoE), Ministry of Urban Development & Poverty Alleviation, notified (1 January 2004) for the first time separate rates of licence fee to be recovered from Service Departments/entities like banks/post offices which operate from General Pool Office Accommodations. The rates prescribed by the DoE were effective from March 1999 and revised from time to time. The DoE, Ministry of Urban Development, Government of India, (MoUD) is responsible for the administration and management of estates residential/office accommodation of GOI in the city of Chandigarh.

The Punjab Engineering College, (PEC) Chandigarh, is a fully funded Institute of Union Territory, Chandigarh, which leased its building to two nationalised banks i.e. State Bank of India (SBI) and Punjab National Bank (PNB) from October 1992 and March 2005 with space allocation of 315 square meter and 104 square meter for their premises respectively, at a lump sum rental of ₹ 1,876 per month and ₹ 10,800 per month respectively, which was ultimately escalated to ₹ 18,772 per month (04/2013) and ₹ 29,738 per month (10/2014), respectively.

Audit noted that PEC had not adopted the latest DoE prescribed rates i.e. @ ₹ 455 per square meter (April 2011) and @ ₹ 585 per square meter (April 2014), in their rental agreements for banking services within its premises. This resulted in a short realisation of license fee amounting to ₹ 1.15 crore for the period from April 2013 to March/November 2018, in respect of both the banks.

PEC replied (September 2018) that the rent was fixed initially as per assessment made by PWD department Chandigarh with the approval of Chandigarh Administration. PEC also claimed that they are a non-commercial organisation and hence the DOE's instructions regarding rent are not applicable. On being clarified that while PEC is an academic Institution, the banks who have rented its premises are commercial undertakings and they are liable to pay as per the norms. Thereafter, PEC took up the matter with Engineering Department of UT to reassess the rent for bank premises in the campus, but failed to ensure that the base deed covered the entire period in question.

In a meeting held on September 2019, PEC informed (September 2019) that the rents have been revised in respect of both the banks. SBI has also deposited rent with effect from 01 April 2018, as per the revised lease deed, while PNB's rent is being revised from 01.10.2019 and the lease deed is awaited. The banks are yet to pay the arrears for the earlier periods.

Thus, the failure of the PEC to apply the prescribed rates of license fees on the banks in time resulted in short charging of rent from banks, amounting to ₹ 1.15 crore.

The matter was referred to the Ministry of Home Affairs in July 2018 and their reply was awaited (December 2019).

15.6 Irregular payment of Service Tax

Department of Information Technology, Chandigarh made irregular payment of ₹ 64.83 lakh to the Society of Promotion of Information Technology, Chandigarh on account of service tax, which was recovered after being pointed out by Audit.

Department of Information Technology (DIT), Chandigarh Administration designed (2001) an IT project named e-Sampark for the betterment of the residents of Union Territory Chandigarh and engaged two vendors viz SQL Star

International Limited (September 2004) and M/s Datamation (December 2006) for operating the Urban e-Sampark Centres and Rural Sampark Centers at the rate of ₹ 8.89/- per transaction and ₹ 3.90/- per transaction respectively, inclusive of any kind of duties charges, and taxes levied/applicable, whereas contract with both the agencies were ended on December 2010.

The DIT assigned (January 2011) the job of running these e-Sampark Centres to the Society for Promotion of Information Technology, Chandigarh (SPIC) on same terms and conditions as was agreed upon with the former service providers (M/s SQL Star International and M/s Datamation) on temporary basis initially for a period of six months. Extension of service period on six months basis continued till June 2015 and thereafter the project was transferred to SPIC on permanent basis w.e.f. 01 July 2015.

Audit noted that (September 2017) that the DIT, UT Chandigarh, paid ₹ 2.08 crore in the form of Service Tax for the period September 2011 to March 2017 as claimed by SPIC, in contravention to the agreed terms and conditions under which the SPIC was liable to pay the Service Tax.

While accepting the audit observation, the DIT had recovered ₹ 64.83 lakh from the SPIC for the period September 2011 to June 2015 where the transaction rates were inclusive of Service Tax. DIT further stated that they had revised the transaction rates subsequently on July 2015 after which Service Tax are reimbursable.

The matter was referred to the Ministry of Home Affairs in May 2019; their reply was awaited (December 2019).

Chandigarh Industrial and Tourism Development Corporation Limited

15.7 Operation and Management of Secretariat Canteen, Chandigarh and Guest House, New Delhi on behalf of Union Territory, Chandigarh Administration

CITCO operated Union Territory Chandigarh Secretariat Canteen at Chandigarh and Guest House at New Delhi without any agreements or operational arrangements and incurring a deficit of ₹ 8.27 crore and ₹ 1.52 crore respectively.

Chandigarh Industrial and Tourism Development Corporation Limited (CITCO) manages and operates a secretariat canteen at Chandigarh and a guest house at New Delhi on behalf of Union Territory (UT), Chandigarh Administration since 1983 and 1990 respectively.

Board of Directors (BoD) of CITCO had approved the arrangement for operations of canteen considering it a package deal from UT Administration Chandigarh which also involved transfer of hotels and cafeteria. The operations and management of guest house at New Delhi was approved by the BoD on the request of UT Administration, considering the lack of accommodation facilities at New Delhi for visiting officers. However, CITCO did not enter into any agreement or even reach an understanding regarding terms and conditions for performing such functions at both the establishments. A draft agreement for UT guest house at Delhi was sent by CITCO to UT Chandigarh Administration for execution only in May 2016, which is yet to be formalised (July 2019). CITCO did not seek any agreement in respect of UT Secretariat canteen at Chandigarh. CITCO operated a similar guest house at Chandigarh on behalf of UT Chandigarh Administration, where an agreement for defraying the expenses was available.

CITCO had incurred net expenditure of ₹ 8.27 crore[12] during 2004-05 to 2017-18[13] for running UT Secretariat canteen at Chandigarh and during 2009-10 to 2017-18[13], ₹ 1.52 crore for UT guest House at Delhi. In view of financial constraints and declining profitability faced by the CITCO, it took up the matter with UT Chandigarh Administration for reimbursement of the expenditure only in February 2014, but to no avail, in the absence of any agreement or even an understanding.

Audit further noted that UT Chandigarh Administration had agreed (February 1995) for grant of ₹ 50,000 per month to CITCO for subsidising the eatables served in the canteen. However, UT Chandigarh Administration neither released the subsidy of ₹ 50,000 per month to CITCO nor did CITCO made a formal claim for the same, which amounted to ₹ 1.38 crore as on March 2018.

In the absence of any agreement with UT Administration, expenditure incurred by CITCO on these two establishments, to the tune of ₹ 9.79 crore till March 2018 are irregular.

The Management replied (August 2018) that these activities were taken up as 'a social function on non-commercial basis'. It further stated that the issue of reimbursement of expenses with UT Administration Chandigarh has also been followed up periodically. UT Administration Chandigarh replied (August 2019) that a meeting was held on 29 July 2019 to discuss the issue of reimbursement of expenses in running of UT Secretariat canteen at Chandigarh and it was decided that CITCO and Hospitality Department will send a proposal to Finance Department, which is still awaited from CITCO.

[12] Expenditure (₹ 11.71 crore) *less* Revenue from sales (₹ 3.44 crore)
[13] Figures for prior period not available.

The Management's contention that activities were taken up as a social function on non-commercial basis, is not acceptable as CITCO was set up as a commercial undertaking and supplying food items at subsidised rates to UT Administration employees or running UT guest house at Delhi without reimbursement of expenses incurred, is not covered under its object clause in the Memorandum of Association. UT Administration, Chandigarh informed that a proposal has been sought from CITCO for grant in aid for reimbursement of expenses incurred in running UT Secretariat canteen at Chandigarh, however the reply was silent about the reimbursement of expenses on running UT guest house at Delhi.

Union Territories-Dadra & Nagar Haveli and Daman & Diu Administrations

15.8 Delayed Filing of Returns

VAT Departments Dadra & Nagar Haveli (DNH) and Daman & Diu (DD) did not monitor the timely filing of return of the dealers which resulted in penalty of ₹ 1.14 crore for filing of return by the dealers not being levied.

As per Rule 26 of DNH and DD VAT Rules 2005, a dealer whose turnover in the preceding year exceeds ₹ five crore shall file monthly return. Further, as per section 86 (8) of the DNH and DD VAT Regulations, if a person required to furnish a return fails to furnish any return by the prescribed date such person shall be liable to pay, by way of penalty, a sum of one hundred rupees for each day during which such failure continues or ten thousand rupees, whichever is less.

Audit observed (July-August 2018) that 139 dealers (2015-16) and 179 dealers (2016-17) of VAT departments DNH and DD whose Total Turnover (TTO) were ranging from ₹ 5.02 crore to ₹ 464.31 crore filed returns quarterly instead of monthly. Audit, further, observed that the department did not levy penalty for delay in filing the return ranging from one month to two months which resulted in loss of revenue to the extent of ₹ 1.14 crore.

VAT Department, DD and DNH accepted the audit observation and replied that demand notices have been issued to the defaulter for recovery of penalties for late filling of returns and action to recover the penalty would be taken under intimation to audit (October 2019).

VAT DD has also recovered ₹ 2.06 lakh from seven dealers and assured that recovery of penalty from the remaining dealers would be adjusted in final assessment till the end of March 2020 (October 2019).

15.9 Excess refund due to Non/Less reversal of tax credit on Branch Stock Transfer

VAT Departments Dadra & Nagar Haveli (DNH) did not reverse tax credit on Branch Stock Transfer (BST) of ₹ 23 lakh in case of M/s Time Techno Plast Ltd. for the tax period 2013-14 and reversed less credit on BST of ₹ 13 lakh in case of M/s KEI Industries Ltd. for the tax periods 2012-13 to 2015-16 which resulted in excess refund of tax credit of ₹ 36 lakh.

As per Section 9(*6*) of DNH VAT Regulation 2005, where a dealer has purchased goods (other than capital goods) for which a tax credit arises and the goods so purchased or goods manufactured out of such goods so purchased are to be exported from Dadra & Nagar Haveli (DNH), by way of transfer to a (*i*) consignment agent who is not residing in DNH and such transfer is not by way of sale in the DNH; or(*ii*) branch of the dealer when such branch is located outside DNH and such transfer is not by way of sale in the DNH, the amount of the tax credit shall be reduced by such percentage as may be prescribed.

During test check of the records of DNH VAT, audit observed (July 2018) that tax credit in case of two dealers as discussed below were not reversal/short reversal:

Case-I

Tax credit on branch stock transfer not reversed

As per section 32(1) of the DNH VAT Regulation 2005, if any person has furnished incomplete or incorrect returns; the Commissioner may, for reasons to be recorded in writing, assess or re-assess to the best of his judgment the amount of net tax due for any tax period or tax periods.

Audit observed (July 2018) that a dealer[14] had made Interstate Branch Stock Transfer (BST) of ₹ 22.15 crore during 2013-14 out of local purchases for which the dealer did not reverse tax credit of ₹ 23.00 lakh while filing return as detailed in the **Table No. 1**:

Table No. 1: Details of non-reversal of tax credit

(₹ in crore)

Tax period	Interstate Branch stock transfer	Gross Turn Over (GTO) Sales	Total credit availed	Credit to be reversed
2013-14	22.15	175.71	1.82	0.23[15]

Thus, failure to reverse tax credit by the dealer resulted in to short levy of VAT of ₹ 23 lakh for the period 2013-14 which also attracted levy of interest of

14 M/s Time Techno Plast limited.
15 (₹ 22.15 crore/₹ 175.71 crore) x ₹ 1.82 crore.

₹ 14 lakh[16] at the rate 15 *per cent* under Section 42(2) of the DNH VAT Regulation 2005.

The observation was made by the audit in July 2018 but while making assessment for the period 2013-14 in December 2018 also, the VAT Department, DNH did not reverse the tax credit.

VAT department is required to make re-assessment under section 32 (1) of the DNH VAT Regulation 2005 and take necessary action to recover the tax not reversed including accrued interest.

Case-II

Short-reversal of tax credit on branch stock transfer

M/s KEI Industries Ltd. under VAT Commissioner, DNH transferred goods to its branch depot outside DNH against form-F and showed sale of depot in its Sales Gross Turn Over (GTO). Thus, due to wrong inclusion of depot sale in its GTO, DNH VAT made less reversal of tax credit of ₹ 13 lakh for the periods 2012-13, 2013-14, 2014-15 and 2015-16 as detailed in **Table No. 2**:

Table No. 2: Details of less reversal of tax credit

(₹ in crore)

Tax period	Interstate stock transfer	Gross Turn Over (GTO) Sales including Depot sale	Depot sale	Tax credit availed	Tax credit to be reversed	Tax actually reversed	Difference
2012-13	38.23	597.78	23.97	1.94	0.13[17]	0.07	0.06
2013-14	66.42	635.64	44.74	1.80	0.20	0.19	0.01
2014-15	119.43	752.75	73.67	1.83	0.32	0.29	0.03
2015-16	198.57	820.54	50.27	1.82	0.47	0.44	0.03
Total					**1.12**	**0.99**	**0.13**

Thus, irregular inclusion of Depot sale in GTO resulted in excess refund of tax credit of ₹ 13 lakh attracting interest of ₹ 7 lakh[18] at the rate 15 *per cent* for the period up to March 2018 under Section 42(2) of the Regulation 2005.

VAT Department, DNH accepted (August 2018) the audit observation and issued (May 2019) notice of default assessment under section 32 of the DNH VAT Regulation 2005.

15.10 Refund of Input Tax Credit

VAT Department Daman & Diu (DD) allowed inadmissible Input Tax Credit (ITC) of ₹ 30.13 lakh for construction activity to two dealers. On being pointed out by Audit, the VAT Department recovered the inadmissible ITC along with interest of ₹ 6.78 lakh

As per Section 9 of the Daman and Diu Value Added Tax (DDVAT) Regulation 2005, a dealer shall be entitled to a tax credit in respect of the turnover of

16 ₹ 0.14 crore for the period 2013-14 for four years up to March 2018.

17 (₹ 38.23 crore/₹ 573.81 crore) x ₹ 1.94 crore.

18 ₹ 4.5 lakh for 2012-13, ₹ 0.6 lakh for 2013-14, ₹ 1.35 lakh for 2014-15 and ₹ 0.9 lakh for 2015-16.

purchases made during the tax period. However, no tax credit shall be allowed for the purchase of goods by a person, which is to be used as a part of the structure of a building owned or occupied by such person. Further, explanation below Section 9 (2) of the Act ibid stipulates that tax credit shall be allowed in respect of goods and building materials which are purchased by a person either for the purpose of re-sale without alteration, or for the performance of a works contract in respect of a building owned or occupied by another person. Thus tax credit on construction of factory building or shed owned by the factory shall not be allowed.

Audit observed (March 2018) that VAT Department, Daman refunded (September 2016) ITC of ₹ 30.13 lakh for construction activity in case of two dealers as detailed in the **Table No. 3**:

Table No. 3: Inadmissible ITC and refund

(₹ in lakh)

Sl. No.	Name of the dealer and TIN No.	Period of tax credit	Inadmissible ITC and refund	Remarks
1.	M/s Flair Writing Instrument 25000007033	2014-15	26.64	Construction of two factory buildings at Kachigam through STAR BUILDCON, Daman
2.	M/s Hertz Chemicals Pvt. Ltd. 25000003675	2015-16	3.49	Various construction work for factory building through M. B. Developers Daman
Total			**30.13**	

This resulted in excess allowance of tax credit to the extent of ₹ 30.13 lakh.

VAT Department, Daman accepted the audit observation and recovered (April-June 2018) the inadmissible ITC of ₹ 36.91 lakh including interest.

Union Territories–Lakshadweep Administration

15.11 Retention of Government money in Savings Bank Account

Directorate of Port, Shipping and Aviation, Union Territory of Lakshadweep (UTL) had retained an amount of ₹ 29.18 crore in their SB Account without remitting it to Government Account in violation of the provisions of Receipt & Payment Rules, thereby frustrating optimum cash management.

Rule 100 (2) of R&P Rules *inter alia* stipulates that, the bills should be drawn for making payments, only when it is required and no moneys should be drawn in anticipation and kept outside the Government Account. Shipping Corporation of India Limited (SCI), a Public Sector Undertaking had received an advance of ₹ 72.24 crore in 2009-10 from the Administration of the Union Territory of Lakshadweep (UTL) for running, manning and maintenance of its vessels.

Similarly, the Land Acquisition Collectorate (LAC) of UTL Administration had received an advance of ₹ 5.75 crore in May 2009 and ₹ 14 crore in March 2014 for land acquisition for the extension of existing airport at Agatti Island. These moneys were kept with them unutilised, which were reported by CAG in his Compliance Audit Report No.24 of 2016. While forwarding Action Taken Note to Public Accounts Committee, the Ministry of Home Affairs (March 2017) gave an assurance to the PAC in the case of land acquisition that action had been initiated to get the amount refunded and remit the same back to Government Account.

Audit noted that Land Acquisition Collectorate, Agatti had however refunded (July 2017) an amount of ₹ 19.75 crore into the Savings Bank Account of the Department which was opened for the purpose of receiving Earnest Money Deposit (EMD). Similarly, SCI had also refunded an amount of ₹ 9.43[19] crore only into the Savings Bank Account of the department.

On being pointed out by Audit (April 2018), the Department informed (October 2019) that balance amount of ₹ 9.43 crore refunded by the SCI has been remitted to the Government Account in August 2019. It was further stated that, as the issue of extension of Agatti airport was being pursued vigorously, the competent authority had decided not to deposit this fund into Government Account on the plea that the land acquisition would be undertaken on a war footing and funds would be utilised soon.

Although the amount of ₹ 9.43 crore (refunded by the SCI) was remitted in the Government Account by the Department only in August 2019, the remaining amount of ₹ 19.75 crore (refunded by the LAC) is yet to be remitted into the Government Account.

[19] ₹ Two crore on 17.03.2016, ₹ two crore on 10.05.2016, ₹ two crore on 07.07.2016, ₹ two crore on 02.08.2016 and ₹ 1.43 crore on 09.06.2017.

Thus an amount of ₹ 29.18 crore has been held irregularly outside the Government Account for more than two years in violation of the provisions of R&P, and in contravention to the assurance of the Ministry to the PAC. Moreover, unnecessary retention of money adversely affects the cost of borrowing of Government, which worked out to ₹ 5.43 crore on account of interest on the retained Government money at the highest borrowing rate of Government of India during the period of 2016-17 to up to August 2019.

The matter was communicated to the Ministry of Home Affairs in August 2018; its reply was awaited as of May 2020.

New Delhi **(SUNIL DADHE)**
Dated: 16 July 2020 **Director General of Audit**

Countersigned

New Delhi **(RAJIV MEHRISHI)**
Dated: 23 July 2020 **Comptroller and Auditor General of India**