

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)**

TWENTIETH REPORT

(Presented on 10th July, 2007)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2007**

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On

**Paragraphs relating to Ports Department, contained in the Reports
of the Comptroller and Auditor General of India for the years
ended 31st March 1994 No. 2 (Civil), 31st March 2000
(Civil) and 31st March 2001 (Civil)**

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COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

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Shri K. Gireesa Kumar, Joint Secretary
” K. Ravikumar, Deputy Secretary
” J. Ramakrishnan Potti, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Twentieth Report on paragraphs relating to Ports Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31st March 1994, No. 2 (Civil), 31st March 2000 (Civil) and 31st March 2001 (Civil).

The Reports of the Comptroller and Auditor General of India for the years ended 31st March 1994, No. 2 (Civil), 31st March 2000 (Civil) and 31st March 2001 (Civil) were laid on the Table of the House on March 31, 1995, July 2, 2001 and March 15, 2002 respectively.

The Committee considered and finalised this Report at the meeting held on 30th May 2007.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
10th July, 2007.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

REPORT
PORTS DEPARTMENT

AUDIT PARAGRAPH

Loss due to defective construction of steel barges

Government accorded sanction in August 1987 for the procurement of three '200 tonne self propelled steel barges' for the Ports Department. Orders for the construction and supply of the barges were placed in March 1988 with a firm in Thiruvananthapuram who offered the lowest rate of Rs. 28.43 lakhs a barge. The construction of the barges had to be done according to the departmental design and specification under the control and supervision of Surveyor, Mercantile Marine Department of Government of India. However, as the Mercantile Marine Department expressed their inability to supervise the work, Government in January 1989 nominated the consultancy cell attached to the Department of Ship Technology of the Cochin University (DESCON) as the Inspection agency for the design, approval and supervision of construction of the barges, without executing any formal agreement. The Director of Ports nominated the Chief Mechanical Engineer of the Ports Department also for supervising/checking the drawings etc., with the assistance of the Naval Architect of the Ports Department. The construction of the barges was completed between December 1989 and August 1990. A total payment of 95 *per cent* of the price (excluding duties and taxes) amounting to Rs. 76.44 lakhs was made to the firm between December 1988 and March 1990 based on first and fourth stage completion certificates issued by the Chief Mechanical Engineer of the Ports Department and second and third stage certificates issued by DESCON.

When the barges were put to use, it was noticed that their construction did not conform to the departmental specifications in some respects. The main deviations were spacing of the frames at larger intervals than the stipulated ones, reduction in the required thickness of 8 mm of the side plates by 2 millimeters and non-provision of a rest-room for the crew as specified. The department assessed the loss to Government on account of the deviations at Rs. 1.73 lakhs. According to the Director of Ports, the life span of the vessels was dependent on the thickness of the plates used and the loss on account of the reduction in life attributable to the use of plates with reduced thickness was Rs. 21.32 lakhs.

The Director of Ports stated in August 1994 that Government have taken up the matter with the authorities of Cochin University to initiate action against DESCON for issuing erroneous certificates and that recovery proceedings against the contractor firm had been stayed by the Sub Court, Thiruvananthapuram. It was

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further stated that memo of charges had been issued to the former Director of Ports and the Chief Mechanical Engineer of the Ports Department and that the remarks of the Director of Ports have been furnished to Government for taking further action. Further developments were awaited.

The matter was referred to Government in March 1994; reply has not been received (October 1994).

[Paragraph 3.18— Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 1994 No. 2 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix—II.

In calling the attention of the witness to the audit observation regarding the loss suffered by Government in the construction of a barge due to the deviation from departmental specification, the Committee enquired about the remedial action taken by the Department in rectifying the defects. The witness, the Secretary, Ports Department revealed that the main deviation was the spacing of the frames at longer intervals than stipulated and the reduction in the thickness of the plates used. These problems were rectified by fitting additional frames in the space and by changing the plates during annual maintenance. Now the vessel was under the custody of the Department and was operating on hire basis. Regarding the recovery proceedings it was informed that the case was before the court and as per the direction of court 50% of the amount to be recovered had been deposited.

2. The Committee wanted to know whether the Department had signed any MOU with DESCON. The Director, Ports Department stated that they did not have any direct agreement with DESCON. It was a tender specification that the construction should be under the supervision of IRS. The certification from DESCON was arranged when it was informed that it was inconvenient for IRS and MMD to supervise the work.

3. When asked as to what action was taken against DESCON for giving a wrong certification, the witness stated that the matter was taken up with DESCON. It was found that the consultant was Dr. Pyarilal who was an employee of the Cochin University and that he had done the supervision without the permission or official recommendation of DESCON. The witness added that Dr. Pyarilal had left for Singapore after the incident.

4. The Committee pointed out that Dr. Pyarilal who had acted as a consultant without the express permission of the DESCON had connived with the contractor. The Committee further observed that the Department would not have entrusted the supervision to a particular individual but would have given the contract to the

institution DESCON. Hence the matter should be taken up with the Cochin University. Even if Dr. Pyarilal had gone to Singapore his lien should be there in the University.

5. On asking whether any action was initiated against any departmental officials, the Director of Ports informed the Committee that action had not been taken against anybody for the lapse. Capt. P. K. Ramachandran Nair former Director of Ports was holding charge then. But he was accused in certain other cases and a liability of Rs. 41 lakhs was fixed against him. When legal opinion was sought regarding the realisation of the loss, it was advised that a civil suit be filed against the delinquent officers. The matter had been referred to Government and no final order with regard to civil suit had been obtained so far.

Conclusions/Recommendations

6. **The Committee points out that Capt. P. K. Ramachandran Nair, Director of Ports and Shri. N. Mohanachandran Nair, Chief Mechanical Engineer of Ports who were in charge of the construction of the barges are primarily responsible for the loss of Rs. 1.73 lakhs on account of deviation from the departmental specifications and Rs. 21.32 lakhs on account of the reduction in life of the barges attributable to the use of plates with reduced thickness. It is evident that these officers had connived with the officials of the Department of Ship Technology of the Cochin University (DESCON) in issuing erroneous fitness certificate to the barges. The Committee finds that the sanction for the construction of barges was given in 1987, the construction was completed in 1989 and 95% of the payment was made in 1990. The defects in the construction of the barges had been noticed on putting them into operation. The audit observation regarding the loss in the construction of the barges had been made in the Report of Comptroller and Auditor General of India for the year 1993-94 (Civil) which was presented to the House on 31-3-1995. Still at the meeting of the Committee held on 17-5-2005 the Secretary to Government, Ports Department could state that only an order for a formal enquiry had been issued in the matter. In a case where Government had incurred a loss of nearly Rs. 25 lakhs no action had been taken so far. The passive attitude of the Government in bringing to book the delinquent officers and to make good the loss suffered by the Government in cases of such wilful and deceitful action by the officers responsible is rather surprising.**

7. **The Committee also finds that the fitness certificate has to be obtained from the Mercantile Marine Department of Government of India. The DESCON was entrusted with the supervision of the construction of barges because the MMD had expressed their inability to supervise the work. But it**

is seen that no formal agreement was made by the Government of Kerala with DESCON and that the cell attached to the DESCON and especially Dr. Pyarelal was entrusted with the work without proper authorisation. It was Dr. Pyarelal who issued the 2nd and 3rd stage fitness certificates. Hence Dr. Pyarelal is also responsible for the loss suffered by the Government. The Committee understands from the evidence tendered before them that Dr. Pyarelal had undertaken the work without the permission or official recommendation of DESCON. The Committee, therefore, recommends that even if Dr. Pyarelal is on foreign employment his lien would be there in Cochin University and hence a proper enquiry should be conducted on the issue and the Cochin University should be asked to proceed against him.

8. The Committee recommends that action be taken against the former Ports Director Capt. P. K. Ramachandran Nair and former Chief Mechanical Engineer Shri. N. Mohanachandran Nair and the amount lost to Government be recovered from them. The Committee desires to be informed of the action taken without any further delay.

AUDIT PARAGRAPH

Idle investment on construction of a boat

Based on a proposal of the Director of Ports, Government accorded sanction in August 1987 for the procurement of two Fibre Reinforced Plastic (FRP) speed boats (one each for Neendakara and Beypore ports) for search and rescue operations in the sea (estimated cost: Rs. 45 lakhs). Tenders were invited by the Director, of Ports in January 1989. The offer of a firm for Rs. 40 lakhs each for fabrication and supply of the boat inclusive of all charges was accepted by Government and revised administrative approval as well as purchase sanction accorded (December 1989) for the procurement of one FRP Speed Boat. Accordingly, supply order was placed and agreement executed with the firm in December 1989. The construction of the boat was required to be completed before 7 th December 1990 which was further extended up to 30th November 1991.

The construction of the speed boat was required to be carried out under the supervision of any Classification Society or Mercantile Marine Department or by person (s) nominated by the Director of Ports. The Indian Register of Shipping, Madras (IRS) was nominated by Director Ports for the purpose. The department did not enter into any agreement with IRS. The responsibility for extracting the services of the supervising agency, however, vested with the contractor firm and the charges for such supervision were also payable by them.

According to the terms and conditions of the contract the payments were to be made in 7 stages (first 3 stages at 10 per cent, subsequent 3 stages at 20 per cent and last payment at 10 per cent). All stage payments, except the first one,

were to be made after scrutiny of the bills, supported by the certificates issued by the Inspection Agency and/or person(s) nominated by the Director of Ports for having completed up to that stage construction.

The second stage payment was made based on a conditional certificate issued by the IRS, wherein it was stated that they were not liable for any damage or loss sustained by anybody due to the advice given by them. The third stage payment was, however, made on the recommendation of the Chief Mechanical Engineer of Ports Department. Whereas the 4th and 5th stage payments were based on the IRS certificates, the last two stage payments were made without any stage certificates from anybody. The boat after construction was brought to the Kerala coast for inspection during December 1991 and was provisionally taken over by the department. The endurance test, speed and inclining test, trial runs etc., conducted till October 1992 revealed that the boat was not constructed according to the approved specifications and was defective in several respects. As the boat was not worthy of sea operation, it had not been put to use as of May 1994. A total payment of Rs. 38.60 lakhs was effected between December 1989 and March 1992 and this investment did not serve the intended purpose as the speed boat was idling for over two and a half years as of May 1994.

In reply to the statement of facts issued (January 1994) Government confirmed (May 1994) the facts of the case and stated that the disciplinary action had been initiated against the officials responsible for the lapses. Government also stated that legal action against the defaulted firm would be taken.

The matter was referred to Government in January 1994; final reply has not been received (October 1994).

[Paragraph 3.19—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 1994 No. 2 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix—II.

9. The Secretary, Ports Department informed the Committee that steps to recover the loss to Government from M/s Gear Transmission Private Limited were initiated. But from Police enquiry and from the enquiry conducted by Tahasildar for R.R action it was found out that the whereabouts of the company were not traceable. Since a huge amount was involved in the case, a request had been given to the Home Department to give necessary instruction to D.G.P. to conduct a detailed enquiry about the firm and report.

10. The Committee noted that in this case also the officials involved were Capt. P. K. Ramachandran Nair and Shri. N. Mohanachandran Nair.

Conclusions/Recommendations

11. The Committee understand that even though steps were taken by the Government to recover the loss of Rs. 38.6 lakhs from M/s. Gear Transmission Private Limited, Madras, the recovery proceedings could not be carried out since the whereabouts of the Company were not traceable. It is understood that since huge amount is involved in the case, the Home Department had been approached to conduct a detailed enquiry of the firm and to furnish report to the Ports Department. [The Committee would like to point out that the firm had filed an O.P. in the Hon. High Court Kerala against the recovery proceedings in 1995 and till 5-2-1998, the date on which the Government had furnished the reply to the Committee, no decision on the O.P had been taken. Hence it could be assumed that the firm was in existence for at least namesake till 1998.]

12. The Committee urges the Home Department to expedite the enquiry and to find out the whereabouts of the firm and its owners so that R.R. proceedings could be taken against the firm and the amount lost to Government could be recovered from them. . The Committee recommends that the Department being primarily responsible for the recovery, the Ports Department should get the enquiry done at the earliest. The results of the enquiry and the subsequent action taken by the Department to realise the money should be intimated to the Committee.

13. The Committee is given to understand that the officers involved in this case also are Capt. P. K. Ramachandran Nair and Shri. N. Mohanachandran Nair. The Committee suspects that in this case also the officers had connived with the firm to cheat the Government. The Committee understand from the evidence given by the Secretary, Ports Department that a departmental enquiry was conducted in the case and a recommendation to recover Rs. 41 lakh from the personal assets of these officers towards the loss sustained by the Government has been forwarded to Government. But yet no decision regarding the same has been taken. The Committee therefore, recommends that Government should file a civil suit against the two officers for releasing the loss caused to the Government due to the connivance of these officers with the contractor firm in cheating Government.

AUDIT PARAGRAPH

Non-levy of penalty

Penalty of Rs. 22.24 lakh was not levied on a firm for delayed delivery of two steel tugs.

In March 1992, Government sanctioned procurement of two steel tugs, one of 200 HP for Beyypore Port and the other of 300 HP for Azhikkal Port at a cost of Rs. 80 lakh, for use in shipping and rescue activities at those ports. Based on the

recommendations the Departmental Purchase Committee, Government accepted (January 1994) the rates (Rs. 39.05 lakh for 200 HP and Rs. 46.80 lakh for 300 HP tug) quoted by Steel Industrials Kerala Limited (SILK), a State Government Company. According to the supply order placed in February 1994, SILK was to effect the supply by 7th June 1995 failing which a penalty of Rs. 1000 per day was recoverable on each tug from the claims of the firm. Rupees 77.27 lakh (90 per cent of the cost) was paid in advance to the firm between March 1994 and March 1995.

SILK supplied 300 HP and 200 HP tugs in October 1997 and in February 1999 respectively after delay of 869 and 1355 days. The company attributed delay in supply of the tugs to unusual rain, frequent power failure and delay in supply of engines and parts by suppliers. However, no extension of time for supply of tugs was granted to the firm.

As per supply order, a penalty of Rs. 22.24 lakh was leviable on the firm for the failure in supplying the tugs on stipulated date but no penalty was levied as of April 2000. The balance amount payable to the firm is only Rs. 8.59 lakh. A penalty claim has been raised in November 1997 against the firm after the issue was raised by Audit, but no recovery was made even after three years.

Secretary to Government stated (October 2000) that the Director of Ports had been instructed to recover the penalty amount from SILK and to initiate revenue recovery proceedings in case the company is reluctant to pay the amount.

[Paragraph 3.10—Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix—II.

14. In responding to audit observation regarding the non levy of penalty on a Kerala Government Company SILK for the delay in supplying two steel tugs to the Ports Department, the Secretary, Ports Department submitted to the Committee that the full amount had been recovered from the firm. When enquired about the present status of tugs, the Secretary stated that the two tugs were now functioning in Azhikkal and Chaliyar.

Conclusions/Recommendations

15. **The Committee learns that eventhough the two tugs are in the state of functioning they are not put in service at these ports. Therefore the Committee recommends to put these vessels into service for the shipping and rescue operation at these two ports and wants to know the present state of affairs of the operation of these vessels at these ports.**

AUDIT PARAGRAPH

Blocking of capital due to prolonged idling of equipment in Ports Department**Introduction**

The Department of Ports consists of the Ports and Hydrographic Survey wings. The Ports wing is headed by the Director of Ports who is responsible for conservancy and maintenance of intermediate and minor ports in the State. The Hydrographic Survey wing, headed by the Chief Hydrographer, is engaged in surveys for collection of investigation data for the development of various ports. Stores in the Department comprise mainly items like marine vessels, tugs, dredgers and survey instruments. Records in the Directorate of Ports, three port offices at Kollam, Alappuzha and Kozhikode and the Chief Hydrographer for the period 1995-96 to 1999-2000 were test checked. Important points noticed in audit are mentioned below:

Idling of a new hull

Government accorded (March 1996) sanction for construction of a new hull for tug Jalashree at a cost of Rs. 70.20 lakh by Steel Industrials Kerala Limited (SILK), a Government company. SILK reported (October 1996) that overhauling and repairing of the old engines and gear boxes was not feasible as most of the vital components were extensively corroded. The Department suggested providing 2 engines of 620 HP each taking into account the ongoing developmental projects at Beypore Port. The revised estimate for Rs. 1.35 crore was pending sanction from Government (May 2000). Though the construction of the steel hull was completed in December 1998 at a cost of Rs. 45.63 lakh, the hull was lying in the open, as of October 2000, exposed to the vagaries of nature pending sanction for the new engines. SILK cautioned the Department in November 1999 that if the vessel was allowed to remain as such, it might lead to further deterioration resulting in replacement of some of the steel plates used for its construction. Had the poor condition of the engines and gear boxes been assessed in time, the present impasse of the newly built hull rotting in the open for nearly two years awaiting erection of new engines and gear boxes could have been avoided. Thus, lack of proper technical scrutiny and planning led to idle investment of Rs. 45.63 lakh.

Non-receipt of stores for nearly two years

The Director of Ports placed orders with three firms* during March 1996 to March 1998 for purchase of two barges, a tug, diesel generator and two electrical cranes at a contract cost of Rs. 2.63 crore (vide details in Appendix III. The items

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- * 1. Steel Industrials Kerala Limited
 2. Delta Marine Engineering, Kochi
 3. Western Marine Engineering, Kochi.

were to be delivered/installed and commissioned during March 1997 to September 1998. Though the firms were given stage payments of Rs. 2.01 crore between March 1996 and 1999, except two electrical cranes, the remaining items were not delivered/installed and commissioned as of October 2000. Though penalty recoverable from the firms worked out to Rs. 35.47 lakh as of May 2000, only Rs. 7.40 lakh was recovered from two firms as of October 2000. No effective action was taken by the Secretary to Government, Fisheries and Ports Department to enforce the time schedule stipulated for supply of these items and to recover the penalty from the firms for their failure to complete the supplies in time.

Idle machinery/equipment/vessels

Seven items of machinery/equipment such as outboard engines, electric cranes, mobile cranes, trolleys, etc., were idling in three Ports Offices and one office under the Hydrographic Survey Wing vide Appendix III-A. Though port operations in Alappuzha Port ceased during November 1989, five items (cost of four items was not known to the port officer) connected with port operations were neither transferred to other needy ports nor disposed of as of October 2000. Further, four vessels (cost: Rs. 52.38 lakh)# were idling in various ports; one in Alappuzha since November 1989, two in Kollam (Rs. 12.38 lakh) and one in Kozhikode (Rs. 40 lakh) since October 1998. Director of Ports stated (October 2000) that the vessels were kept in anticipation of port activities.

Disposal of obsolete items

Tug 'Ilmenite' procured in 1969 at a cost of Rs. 7.30 lakh was idling from April 1997 in Port Office, Kollam and survey report was submitted to Government in March 2000. Similarly in Mechanical Engineering Workshop, Neendakara a centre lathe was idling. The Director of Ports stated (October 2000) that survey report for disposal of the 26 year old lathe would be taken up after providing a slipway and procuring a new lathe. However, retention of such a lathe did not serve any purpose with the added risk of fetching a lesser value with passage of time.

Physical verification of stock

According to financial rules, all stores should be verified periodically at least once in a year. Audit scrutiny revealed that annual physical verification of stores has not been conducted during 1998-2000.

The above points were referred to Government in July 2000; reply has not been received (November 2000).

[Audit Paragraph 5.2— Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil)].

Excluding the cost of the vessel in Alappuzha, which is not known

Notes furnished by Government on the above audit paragraph are included as Appendix—II.

16. From the audit observation the Committee came to understand that a decision to condemn an old tug Jalashree and to purchase a new tug for an on going development project at Beypore Port was taken. But in order to reduce the expenditure of the project it was also decided to use those parts of the vessel which were not in a condemn stage. As such the SILK to whom the work of new Hull was entrusted advised that the engine of the old vessel could be used in the New Hull after conducting repair works for an estimated cost of Rs. 6 lakh since a new engine would cost Rs. 60 lakhs or more. The SILK completed the work of the Hull during the year 1998. But during the intervening period when the engine was opened it was found that most of the vital components of the engine were extensively corroded. SILK reported that overhauling and repairing of the old engine and gear box was not feasible. This resulted in a situation where the newly built Hull could not be put in to operation even though the vessel was completed in 1998. The Committee asked why the conditions of the Engine and gear box had not been properly assessed sufficiently early, the witness, marine Surveyor, Ports Department, replied that initially only a visual inspection of the engine was done by the Service Engineer of the SILK.

17. Consequent on this, the Department decided to purchase 2 new engines of 620 HP each and a revised estimate of Rs. 1.35 crore was submitted to Government for its sanction. But the Government did not accord the sanction for the proposal. Such being the situation, the Department later took the decision to purchase 2 second hand engines with a capacity of not less than 193 H P each to install in the Hull. To a question of the Committee, the witness, Secretary, Ports Department clarified that the Department preferred the less capacity engines on account of the technical viability of the project and the financial constraints of the Department. The Committee wanted to know whether the tug had been completed and put into operation. The witness submitted that before putting the tug in to operation a clearance from IRS had to be obtained. The IRS was the technical authority to examine the safety aspects and quality specification of both the Hull and Engines. The Department now was awaiting for the clearance certificate from IRS. The Committee came to know that delay in the implementation of the project had occurred due to the lengthy procedures and formalities. The Committee opined that such delays would create much difficulties to project and hence there should be a separate policy for these kind of projects. It would also be feasible to entrust the works of building, repairing and maintenance of boats, barges, etc to a separate agency having expertise in this field. The Committee strongly feels that the work relating to building, maintenance and repairing of boat, barges, tugs etc under

Government Departments should be entrusted with the Government recognised institution viz.- The Kerala State Inland Navigation Corporation— a pioneer in the field.

18. The Secretary, Ports Department informed the Committee that the SILK had assured the Department that the work of the remaining items of 2 barges, a tug, and a diesel generator would be completed and delivered to the Department within June, 2005.

19. To a question regarding the construction of 250 tonne barge, the witness stated that legal notice was served to M/s Western Marine Engineering, Kochi as recommended by the Law Department for recovering the damages and also for blacklisting the firm.

20. The Secretary, Ports Department informed the Committee that in the litigation against M/s Delta Marine Works, Kochi, the Company entrusted with the supply of 600 H.P tug, Government had won the case. As per the judgement the firm was to take up the matter with appropriate authorities and seek remedy in terms of the contract. But the judgement was silent about the time limit within which the matter had to be pursued. The firm had not till now approached Government to settle the matter.

21. After one month of receipt of the verdict, Government had requested the Government Pleader to clarify whether the Department should approach the Court once again to get a time limit fixed or to proceed departmentally in the case. Since the copy of the judgement was received only in March 2005 the G.P had advised to wait for some more time.

22. The Committee observed that the vessel had not been retrieved from the custody of the firm and recommended that immediate steps should be taken to shift the tug from the premises of M/s Delta Marine works. The Committee also pointed out that urgent steps should be taken to settle the dispute with the firm.

23. The witness apprised the Committee that M/s SILK had already supplied the Generator set for the tug Padmasree and the same was handed over to M/s KSINCO for installation. An advance amount Rs. 1.35 lakh had also been paid to the firm. The Committee was satisfied by this reply.

24. The witness clarified that the audit objection related to short levy of penalty for the delay in erection of cranes by SILK. He stated that the main reasons for the delay in replacing the old cranes were (1) the old cranes had to be dismantled and the foundation demolished and new foundation constructed for erecting the new cranes (2) the work could be carried out only during lean period when the port operation were at the minimum. Since dismantling of old cranes was not part

of agreement with SILK a new agreement was made with them on 30-7-1998 and the work was started by them after the monsoon when Port was closed down. Hence the period between 1-10-1997 to 14-1-1999 during which the Port was in operation and the old cranes had to be dismantled and foundation demolished could not be considered for charging penalty.

25. The actual delay was only 184 days and the penalty amount of Rs. 1,84,000 had been deducted from the final stage payment to SILK.

26. From the audit observation the Committee came to understand that certain items of machineries/equipment such as outboard engines, electric cranes, mobile cranes, trolleys etc were remaining idle in the Port offices of the Port Department in the State for the last several years. The Committee enquired about the reasons for the idling of machineries in Port offices in the State. The witness, Secretary, Ports Department explained that from among the idling machineries remaining in the Alappuzha Port Office certain items that were transferable were shifted to the needy centres. The remaining items were placed for disposal. Though an effort to dispose of those items were made it could not be undertaken because of resistance from the staff and the public as they wanted to revive the operation of Alappuzha Port. The witness further stated that the issue could not be sorted out so far. The Committee enquired whether there is any prospects for the development of the region. To this the witness replied that a pilot project intended for tourism development viz. Marine Development Programme was on the anvil for the overall development of the region.

27. Tenders were invited for the disposal of the Alleppy Barge No. 11 and action was under way for finalisation of the tender. He added that Brith Waite 3T Electric Cranes at Kozhicode Port office had already been disposed of. About FRP Boat Monrothurth, the Secretary replied that as per the information of the Tahsildar, the whereabouts of the firm was not traceable. Hence Kerala Police had been requested to register a case to find out the whereabouts of the firm.

28. Regarding "Coles" Mobile Crane, the Secretary revealed that action had already been taken for disposal of the crane. The highest rate quoted by M/s SILK was 44.6% below the estimate value (Book value) Now the case was under consideration of Finance Department. Clearance for it was yet to be received.

29. The Committee observed that delay in disposal of corrodible items would result in depreciation in book value and hence there should be delegation of powers in this regard. The Government should consider amendment of the rules regarding disposal of such items bringing into effect the clause that if it were Pvt. companies

who come forward to purchase them, the concerned Department have the power to dispose the items below 25% of the Book value whereas if it was Government companies then the reduction could be fixed at 50% of Book Value.

30. When enquired about the Hydrographic Survey Wing Kollam, the Secretary stated that the vessel. M.V. Gaveshini was partially repaired but pending finalisation due to demand by the contractor for higher rate due to the sudden escalation of steel price. Since the surveys had all been digitalized a decision to modernize the instruments and do additional works was taken. The estimate for additional work had been placed before the Technical Committee for approval.

31. The witness informed the Committee that the Tug Ilmenite which remained idle in Kollam Port office had already been disposed of. The Committee also opined that the retention of the lathe would not serve any purpose and it would be better to dispose it off after getting the approval of the Technical Committee.

32. About physical verification the Secretary stated that physical verification of stores had not been conducted during 1998-2000 for want of skilled staff. But physical verification from 2001-2002 to 2003-2004 had been completed.

Conclusions/Recommendations

33. **The Committee observes that the Ports Department had entrusted the work on the construction of a new hull for the tug Jalasree without ascertaining the conditions of the engines by technical experts. Had the poor condition of the engines and gear boxes been assessed beforehand, the newly built hull would not have been left in the open to rot and rust for nearly 8 years from 1998 onwards. The Committee understand that the repair and renovation of the tug Jalasree was undertaken as part of the ongoing developmental projects at Beypore Port. The sanction for construction of a new hull was given in October 1995. But till date ie even after 11 years the tug has not been made sea worthy. The Committee is concerned about the lack of foresight and planning on the part of the Department which had caused inordinate delay in completion of the tug. The Committee observes that if such inordinate delays are caused in the completion of individual components of a project, it would drag on the whole project thereby causing huge escalation in project cost.**

34. **The Committee, therefore, recommends that technical expertise be obtained wherever needed and while executing projects proper planning should be done so that the individual components are completed within the time frame.**

35. **The Committee understands that lack of expertise on the part of the Ports Department is causing much hindrance to the maintenance, repair and construction of boats, barges and tugs. The Committee therefore**

recommends that all the works relating to building, maintenance and repairing of the seagoing vessels under the control of Ports Department should be entrusted to the Kerala State Inland Navigation Corporation a pioneer in the field.

36. The Committee desires to know whether the loss sustained by Government in the construction of 250 tonne barge had been recovered from M/s Western Marine Engineering, Kochi and whether the firm had been black listed.

37. In the case of construction of 600 H.P tug entrusted to M/s Delta Marine Works, Kochi, the Committee would like to know whether the Ports Department had taken possession of the tug and shifted it to any other yard for completing the construction works. The Committee also desires to be informed of the recovery of the damages suffered by Government due to the non-fulfillment of the contractual obligation by the firm.

38. The Committee desires to be informed whether the works on two barges, one tug and one diesel generator still pending with SILK had been completed and handed over to the Department.

39. The Committee understands that the firm involved in the case of FRP Boat Monrothuruth is the same firm M/s Gear Transmission, Madras which is involved in the supply of FRP boats at Neendakara and Beypore pointed out in para 3.19 of A.R. 1993-94. The Committee therefore, recommends to link this case with that pointed out in the audit para 3.19 (1993-94) and take further action. The results of Action taken should be intimated to the Committee.

40. The Committee understands that the sale of "Coles" mobile crane was held up due to the delay in getting clearance from Finance Department. The Committee observes that delaying auction of corrodable items would only lead to depreciation in value and hence the Finance Department should take a decision in the case of auction of the mobile crane with immediate effect. The Committee finds that the Administrative Departments were empowered to dispose of obsolete items if the quoted value is above 25% of the book value. Only Finance Department had the power to sanction auction with quoted value below 25% of Book value. The Committee finds that this stipulation is causing much delay in auctioning of obsolete and outmoded machinery and other items. The Committee therefore recommends that the relevant rules be amended granting powers to the Administration Department to auction off obsolete and outmoded items with quoted value upto 50% below book value if the bidder is Government companies and 25% below book value if the bidder is private party.

41. The Committee observes that the retention of lathe would not serve any purpose as the Tug Ilmenite had been disposed off. The Committee therefore, recommends that the lathe should be disposed off with the approval of the Technical Committee.

AUDIT PARAGRAPH

Avoidable extra expenditure due to change of quarry

Selection of a construction firm not possessing licence for use of explosives necessitated change of quarry and avoidable extra expenditure of approximately Rs. 93 lakh.

In January 1995, Superintending Engineer (SE), Harbour Engineering North Circle, Kozhikode awarded the work on construction of breakwaters for Azheekkal Cargo Harbour in Kannur District to a firm for completion within June 1997 for a contract amount of Rs. 9.04 crore.

As per agreement, the quarry at Ramanthali was the approved source for granite stones required for the work at Mattul side. While the work at Mattul side was in progress, the Revenue Divisional Officer, Thalassery in August 1997 restrained the firm from quarrying with explosives at Ramanthali as they did not possess a licence to use explosives. Consequently, the firm stopped the construction activity in October 1997. Attempts made by the departmental officers to obtain 'No Objection Certificate' for storage of explosives failed. To resolve the impasse, Government constituted a Committee of Secretaries and based on its recommendation, sanctioned (August 1999) the department's proposal to bring the entire stone from Sivapuram quarry, 75 km away from the site. SE executed (December 1999) a supplementary agreement with the contractor for conveyance of stones from the latter quarry for Rs. 5.72 crore. Thus, the total value of the work through these two contracts worked out to Rs. 14.76 crore. The work has not been completed as of February 2001.

Scrutiny revealed that as per the original contract the firm was to take out the licence under Explosives Act, 1940 for storing explosives required for rock blasting. Further, no claim towards extra lead for conveyance of material was to be entertained on the ground of non-availability of materials at the approved quarry. Instead of invoking these conditions Government bailed out the contractor and the SE accordingly executed the supplemental agreement providing for subsequent change of quarry which led to avoidable extra expenditure of Rs. 93 lakh on account of conveyance charges as of February 2001.

The matter was referred to Government in May 2001; reply has not been received (October 2001).

[Paragraph 4.2— Contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2001 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix—II.

42. On the examination of audit observation— Avoidable extra expenditure due to change of quarry—the Committee came to understand that in a work of the construction of backwaters for Azheekal Cargo Harbour awarded by the Harbour Engineering Department an avoidable extra expenditure of Rs. 93 lakh was incurred due to change of quarry. As per the agreement the granite stone required for the work was to be procured from nearby quarry within 24 km distance from the site. While the work at Mattul side was in progress there was resistance from the local residents. Also the RDO, Thalassery restricted the firm from quarrying with explosives as they did not possess a licence as per the Explosives Act 1940 to use explosives. Despite many attempts the District Collector did not issue NOC to the firm on the ground of law and order problem. Hence the work was delayed for 2 years. To resolve the impasse, on the recommendation of the Committee constituted for the purpose, it was decided to bring the entire stone from Sivapuram quarry situated 75 km away from the site. Thus the Superintending Engineer, Harbour Engineering Department executed a supplementary agreement with the contractor and approved a revised schedule of rate as there was a hike in the conveyance cost. The witness added that now the port was in operation and the total extra expenditure due to rise in the transportation cost was estimated as Rs. 9 crore. The Committee asked why the work was awarded to a firm which had no licence to use explosives. To this the witness presented that normally the explosive licence was not to be given to the firm but a permission for the use of explosives at the site was necessary. The firm had already applied for the permission but the same was not obtained due to law and order situations. The witness maintained that the work agreement was executed in 1995 but the issue, law and order problem came only at a later stage which could not have been anticipated at the time of agreement. The witness informed the Committee that the work was of a typical nature where certain precautions were to be taken by the Department. The Department would identify the quarry site and then the firm with the lowest quotation would select the quarry within 24 km of the work site. After identifying the site, the local residents within the vicinity of 500 meters were to be evicted and a road to the site was to be constructed for conveyance. After identifying the quarry, the Department would approve the quarry site.

Conclusion/Recommendation

43. No Comments.

Thiruvananthapuram,
10th July 2007.

ARYADAN MUHAMMED,
Chairman,
Committee on Public Accounts.

APPENDIX I

SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	6	Ports Department	The Committee points out that Capt. P. K. Ramachandran Nair, Director of Ports and Shri. N. Mohanachandran Nair, Chief Mechanical Engineer of Ports who were in charge of the construction of the barges are primarily responsible for the loss of Rs. 1.73 lakhs on account of deviation from the departmental specifications and Rs. 21.32 lakhs on account of the reduction in life of the barges attributable to the use of plates with reduced thickness. It is evident that these officers had connived with the officials of the Department of Ship Technology of the Cochin University (DESCON) in issuing erroneous fitness certificate to the barges. The Committee finds that the sanction for the construction of barges was given in 1987, the construction was completed in 1989 and 95% of the payment was made in 1990. The defects in the construction of the barges had been noticed on putting them into operation. The audit observation regarding the loss in the construction of the barges had been made in the Report of Comptroller and Auditor General of India for the year 1993-94 (Civil) which was presented to the House on 31-3-1995. Still at the meeting of the Committee held on 17-5-2005 the Secretary to Government, Ports Department could state that only an order

(1)	(2)	(3)	(4)
			<p>for a formal enquiry had been issued in the matter. In a case where Government had incurred a loss of nearly Rs. 25 lakhs no action had been taken so far. The passive attitude of the Government in bringing to book the delinquent officers and to make good the loss suffered by the Government in cases of such wilful and deceitful action by the officers responsible is rather surprising.</p>
2.	7	Ports Department	<p>The Committee also finds that the fitness certificate has to be obtained from the Mercantile Marine Department of Government of India. The DESCON was entrusted with the supervision of the construction of barges because the MMD had expressed their inability to supervise the work. But it is seen that no formal agreement was made by the Government of Kerala with DESCON and that the cell attached to the DESCON and especially Dr. Pyarelal was entrusted with the work without proper authorisation. It was Dr. Pyarelal who issued the 2nd and 3rd stage fitness certificates. Hence Dr. Pyarelal is also responsible for the loss suffered by the Government. The Committee understands from the evidence tendered before them that Dr. Pyarelal had undertaken the work without the permission or official recommendation of DESCON. The Committee, therefore, recommends that even if Dr. Pyarelal is on foreign employment his lien would be there in Cochin University and hence a proper enquiry should be conducted on the issue and the Cochin University should be asked to proceed against him.</p>

(1)	(2)	(3)	(4)
3	8	Ports Department	The Committee recommends that action be taken against the former Ports Director Capt. P. K. Ramachandran Nair and former Chief Mechanical Engineer Shri. N. Mohanachandran Nair and the amount lost to Government be recovered from them. The Committee desires to be informed of the action taken without any further delay.
4	11	„	The Committee understand that even though steps were taken by the Government to recover the loss of Rs. 38.6 lakhs from M/s. Gear Transmission Private Limited, Madras, the recovery proceedings could not be carried out since the whereabouts of the Company were not traceable. It is understood that since huge amount is involved in the case, the Home Department had been approached to conduct a detailed enquiry of the firm and to furnish report to the Ports Department. [The Committee would like to point out that the firm had filed an O.P. in the Hon. High Court Kerala against the recovery proceedings in 1995 and till 5-2-1998, the date on which the Government had furnished the reply to the Committee, no decision on the O.P had been taken. Hence it could be assumed that the firm was in existence for at least namesake till 1998.]
5	12	Ports Department	The Committee urges the Home Department to expedite the enquiry and to find out the whereabouts of the firm and its owners so that R.R. proceedings could be taken against the firm and the amount lost to Government could be recovered from them. The Committee recommends that the

(1)	(2)	(3)	(4)
			Department being primarily responsible for the recovery, the Ports Department should get the enquiry done at the earliest. The results of the enquiry and the subsequent action taken by the Department to realise the money should be intimated to the Committee.
6	13	Ports Department	The Committee is given to understand that the officers involved in this case also are Capt. P. K. Ramachandran Nair and Shri. N. Mohanachandran Nair. The Committee suspects that in this case also the officers had connived with the firm to cheat the Government. The Committee understand from the evidence given by the Secretary, Ports Department that a departmental enquiry was conducted in the case and a recommendation to recover Rs. 41 lakh from the personal assets of these officers towards the loss sustained by the Government has been forwarded to Government. But yet no decision regarding the same has been taken. The Committee therefore, recommends that Government should file a civil suit against the two officers for realising the loss caused to the Government due to the connivance of these officers with the contractor firm in cheating Government.
7	15	,,	The Committee learns that eventhough the two tugs are in the state of functioning they are not put in service at these ports. Therefore the Committee recommends to put these vessels into service for the shipping and rescue operation at these two ports and wants to know the present state of affairs of the operation of these vessels at these ports.

(1)	(2)	(3)	(4)
8	33	Ports Department	<p>The Committee observes that the Ports Department had entrusted the work on the construction of a new hull for the tug Jalasree without ascertaining the conditions of the engines by technical experts. Had the poor condition of the engines and gear boxes been assessed beforehand, the newly built hull would not have been left in the open to rot and rust for nearly 8 years from 1998 onwards. The Committee understand that the repair and renovation of the tug Jalasree was undertaken as part of the ongoing developmental projects at Beypore Port. The sanction for construction of a new hull was given in October 1995. But till date ie even after 11 years the tug has not been made sea worthy. The Committee is concerned about the lack of foresight and planning on the part of the Department which had caused inordinate delay in completion of the tug. The Committee observes that if such inordinate delays are caused in the completion of individual components of a project, it would drag on the whole project thereby causing huge escalation in project cost.</p>
9	34	,,	<p>The Committee, therefore, recommends that technical expertise be obtained wherever needed and while executing projects proper planning should be done so that the individual components are completed within the time frame.</p>
10	35	,,	<p>The Committee understands that lack of expertise on the part of the Ports Department is causing much hindrance to the maintenance, repair and construction of boats, barges and tugs. The Committee</p>

(1)	(2)	(3)	(4)
			therefore recommends that all the works relating to building, maintenance and repairing of the sea-going vessels under the control of Ports Department should be entrusted to the Kerala State Inland Navigation Corporation a pioneer in the field.
11	36	Ports Department	The Committee desires to know whether the loss sustained by Government in the construction of 250 tonne barge had been recovered from M/s Western Marine Engineering, Kochi and whether the firm had been black listed.
12	37	„	In the case of construction of 600 H.P tug entrusted to M/s Delta Marine Works, Kochi, the Committee would like to know whether the Ports Department had taken possession of the tug and shifted it to any other yard for completing the construction works. The Committee also desires to be informed of the recovery of the damages suffered by Government due to the non-fulfillment of the contractual obligation by the firm.
13	38	„	The Committee desires to be informed whether the works on two barges, one tug and one diesel generator still pending with SILK had been completed and handed over to the Department.
14	39	„	The Committee understands that the firm involved in the case of FRP Boat Monrothuruth is the same firm M/s Gear Transmission, Madras which is involved in the supply of FRP boats at Neendakara and Beypore pointed out in para 3.19 of A.R. 1993-94. The Committee therefore, recommends to link this case with that

(1)	(2)	(3)	(4)
15	40	Ports Department	<p>pointed out in the audit para 3.19 (1993-94) and take further action. The results of Action taken should be intimated to the Committee.</p> <p>The Committee understands that the sale of “Coles” mobile crane was held up due to the delay in getting clearance from Finance Department. The Committee observes that delaying auction of corrodable items would only lead to depreciation in value and hence the Finance Department should take a decision in the case of auction of the mobile crane with immediate effect. The Committee finds that the Administrative Departments were empowered to dispose of obsolete items if the quoted value is above 25% of the book value. Only Finance Department had the power to sanction auction with quoted value below 25% of Book value. The Committee finds that this stipulation is causing much delay in auctioning of obsolete and outmoded machinery and other items. The Committee therefore recommends that the relevant rules be amended granting powers to the Administration Department to auction off obsolete and outmoded items with quoted value upto 50% below book value if the bidder is Government companies and 25% below book value if the bidder is private party.</p>
16	41	,,	<p>The Committee observes that the retention of lathe would not serve any purpose as the Tug Ilmenite had been disposed off. The Committee therefore, recommends that the lathe should be disposed off with the approval of the Technical Committee.</p>

APPENDIX II

STATEMENT OF ACTION TAKEN ON THE REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH, 1994 NO. 2 (CIVIL)

<i>Sl. No.</i>	<i>Para No.</i>	<i>Title</i>	<i>Action Taken /Remarks</i>
(1)	(2)	(3)	(4)
1	3.18	<p>Loss due to defective construction of steel barges</p> <p>Government accorded sanction in August 1987 for the procurement of three '200 tonne self propelled steel barges' for the ports Department. Orders for the construction and supply of the barges were placed in March 1988 with a firm in Thiruvananthapuram who offered the lowest rate of Rs. 28.43 lakhs a barge. The construction of the barges had to be done according to the departmental design and specification under the control and supervision of Surveyor, Mercantile Marine Department of Government of India. However, as the Mercantile Marine Department expressed their inability to supervise the work, Government in January 1989 nominated the consultancy cell attached to the Department of Ship Technology of Cochin University (DESCON) as the Inspection agency for the design, approval and</p>	<p>The findings in the Audit Report (Civil) 1993-94 are found correct. As per the G.O.(Rt.) 47/93/F&PD dated 23-1-1993. Government have directed the Director of Port to evaluate the lossess suffered by Govt. on account of the deviation from the departmental specifications etc. and take necessary actions to realise the losses sustained in construction of three self propelled barges by M/s. Jacob Machine Tools, Thiruvananthapuram as per conditions agreement and also to take appropriate remedial action to achieve the stability and longevity for the barges. As the quality certificate issued by the Inspection Agency DESCON was found to erreneous Government requested the CUSAT to take appropriate action against</p>

supervision of construction of the barges, without executing any formal agreement. The Director of Ports nominated the Chief Mechanical Engineer of the Ports Department also for supervising/checking the drawings etc., with the assistance of the Naval Architect of the Ports Department. The construction of the barges was completed between December 1989 and August 1990. A total payment of 95 per cent of the price (excluding duties and taxes) amounting to Rs. 76.44 lakhs was made to the firm between December 1988 and March 1990 based on first and fourth stage completion certificates issued by the Chief Mechanical Engineer of the Ports Department and second and third stage certificates issued by DESCON.

When the barges were put to use, it was noticed that their construction did not conform to the departmental specifications in some respects. The main deviations were spacing of the frames at larger intervals than the stipulated ones, reduction in the required thickness of 8mm of the side plates by 2 millimetres and non-provision of a rest-room for the crew as specified. The department assessed the loss to Government on account of the deviations at Rs. 1.73 lakhs. According to the Director of Ports, the

the officials of DESCON who are responsible for issuance of the false certificate which resulted in huge monetary loss to Govt. Since no agreement was executed between the Port Department and the DESCON for supervision and inspection and certifying quality strength etc. of the barges no legal action against the agency was possible.

The officials responsible for the irregularities in construction of barges are Capt. P. K. Ramachandran Nair, Director of Ports (retired) and Sri. N. Mohanachandran Nair, Chief Mechanical Engineer. As the explanations furnished by the accused officers were not satisfactory, Government ordered formal enquiry against them by the Chief Technical Examiner, Finance Department as per G. O. Rt. No. 404/95/F&PD dt. 11-10-1995. The recovery proceedings against the defaulted company (M/s. Jacob Machine Tools) has been stayed by the Court in O. S. 1417/93 in Sub-Court, Thiruvananthapuram, counter affidavit in the O. S. was filed by the Department. The case is yet to be disposed of.

(1)	(2)	(3)	(4)
		<p>life span of the vessels was dependent on the tickness of the plates used and the loss on account the reduction in life attributable to the use of plates with reduced thickness was Rs. 21.32 lakhs.</p> <p>The Director of Ports stated in August 1994 that Government have taken up the matter with the authorities of Cochin University to initiate action against DESCOR for issuing erroneous certificates and that recovery proceedings against the contractor firm had been stayed by the Sub Court, Thiruvananthapuram. It was further stated that memo of charges had been issued to the former Director of Ports and the Chief Mechanical Engineer of the Ports Department and that the remarks of the Director of Ports have been furnished to Government for taking further action. Further developments were awaited.</p> <p>The matter was referred to government in March 1994; reply has not been received (October 1994).</p>	
2	3.19	<p>Idle investment on construction of FRP Speed Boat</p> <p>Based on a proposal of the Director of Ports, Government accorded sanction in August 1987 for the procurement of two Fibre Reinforced Plastic</p>	<p>As per G. O. (MS) 50/89/F&PD dated 2-12-1989 an agreement was made with M/s Gear-Transmission Pvt. Ltd. Madras for the construction and supply of one number FRP Speed Boat as per</p>

(FRP) speed boats (one each for Neendakara and Baypore Ports) for search and rescue operations in the sea (estimated cost: Rs. 45 lakhs). Tenders were invited by the Director of Ports in January 1989. The offer of a firm for Rs. 40 lakhs each for fabrication and supply of the boat inclusive of all charges was accepted by Government and revised administrative approval as well as purchase sanction accorded (December 1989) for the procurement of one FRP Speed Boat. Accordingly, supply order was placed and agreement executed with the firm in December 1989. The construction of the boat was required to be completed before 7th December 1990 which was further extended upto 30th November 1991.

The construction of the speed boat was required to be carried out under the supervision of any Classification society of Mercantile Marine Department of by person (s) nominated by the Director of Ports. The Indian Register of Shipping, Madras (IRS) was nominated by Director of Ports for the purpose. The department did not enter into any agreement with IRS. The responsibility for extracting the services of the supervising agency, however, vested with the contractor firm and the charges for such supervision were also payable by them.

departmental specification at a cost of Rs. 40 lakhs on 8-12-1989. As per the agreement the vessel should have been delivered to the department on or before 7-12-1990, but the vessel was brought to Vizihinjam only during December 1991. Moreover it was not constructed as per departmental specifications and had serious defects. The department have paid Rs. 38.6 lakhs to the firm. The balance amount of Rs. 1.4 lakhs was pending. The Action was initiated against the Director of Ports, Sri. P. K. Ramachandran Nair and Sri. N. Mohanachandran Nair, the Chief Mechanical Engineer for committing the irregularities in the purchase of FRP Boat and have failed to take legal action against the firm either to terminate the contract or to realise the loss. This matter is pending with Government. As per G. O. (MS) 17/93/F&PD dated 28-5-1993 Government have terminated the contract entrusted with the M/s Gear-Transmission Private Ltd. under clause (13) of the agreement and ordered to recover a sum of Rs. 38.6 lakhs paid to the firm under the revenue recovery act as laid down under clause 15 of the said agreement. The default firm

(1)	(2)	(3)	(4)
		<p>According to the terms and conditions of the contract the payments were to be made in 7 stages (first 3 stages at 10 per cent subsequent 3 stages at 20 per cent and last payment at 10 per cent). All stage payments, except the first one, were to be made after scrutiny of the bills, supported by the certificates issued by the Inspection Agency and/or person (s) nominated by the Director of Ports for having completed up to that stage construction.</p> <p>The second stage payment was made based on a conditional certificate issued by the IRS, wherein it was stated that they were not liable for any damage or loss sustained by anybody due to the advice given by them. The third stage payment was, however, made on the recommendation of the Chief Mechanical Engineer of Ports Department. Whereas the 4th and 5th stage payments were based on the IRS certificates, the last two stage payments were made with out any stage certificates from anybody. The boat after construction was brought to the Kerala coast for inspection during December 1991 and was provisionally taken over by the department. The endurance test, speed and inclining test, trial runs etc., conducted till October 1992 revealed that the</p>	<p>have filed convest under section 143 A of code of Civil procedure 1908 before the principal Sub Judge, Thiruvananthapuram on 19th June, 1993 against obtaining any exparte interim order. The Government filed a suit for realisation of loss sustained from the defaulted firm and the M/s. Gear-Transmission Ltd. has filed on O. P. No. 7258/95 before Honourable High Court and Government have submitted counter affidavit to Advocate General. The above O. P. is yet to be disposed of.</p>

boat was not constructed according to the approved specifications and was defective in several respects. As the boat was not worthy of sea operation, it had not been put to use as of May 1994. A total payment of Rs. 38.60 lakhs was effected between December 1989 and March 1992 and this investment did not serve the intended purpose as the speed boat was idling for over two and half years as of May 1994.

In reply to the statement of facts issued (January 1994) Government confirmed (May 1994) the facts of the case and stated that the disciplinary action had been initiated against the officials responsible for the lapses. Government also stated that legal action against the defaulted firm would be taken.

The matter was referred to Government in January 1994; final reply has not been received (October 1994.)

FISHERIES & PORT (D) DEPARTMENT
**Action Taken Statement on the Audit Paras included in the Report of the Comptroller
and Auditor General of India for the year ended 31st March, 1994
No. 2 (Civil)—relating to the Port Department**

<i>Details of Para in the Report</i>	<i>Action Taken Report by the Port Department</i>
(1)	(2)
<p>Para 3.19—Idle Investment on construction of a boat Based on a proposal of the Director of Ports, Government accorded sanction in August 1987 for the Procurement of two Fibre Reinforced Plastic (FRP) speed boats (one each for Neendakara and Beypore Ports) for search and rescue operation in the sea (estimated cost Rs. 45 lakhs). Tenders were invited by the Director of Ports in the January 1989. The offer of a firm for Rs. 40 lakhs each for fabrication and supply of the boat inclusive of all charges was accepted by Government and revised administrative approval as well as purchase sanction accorded (December 1989) for the procurement of one FRP Speed Boat. Accordingly, supply order was placed and agreement executed with the firm in December 1989. The construction of the Boat was required to be completed before 7th December 1990, which was further extended up to 30th November 1991.</p>	<p>Government accorded sanction to procure 2 Nos. FRP Speed boats, one each for Neendakara and Beypore ports at a total cost of Rs. 45 lakhs vide G.O. (MS) 32/87/F&PD dated 11-8-1987. Accordingly tenders were invited and in response to the tender, 6 firms submitted their offers. The details of the firms who have submitted tenders with their offers are as follows:</p> <ol style="list-style-type: none"> 1. M/s. Mandovi Marine Indore : Rs. 33,89,600+ST, ED. 2. M/s. Fibre Plast, New Delhi : Rs. 33,90,000+ED, Freight, Insurance. 3. M/s. Sagar Manthan, New Delhi : Rs. 36 lakhs for a smaller boat of 9 M 4. M/s. WADIA, Billimora : Rs.38 lakhs

The Construction of the speedboat was required to be carried out under the supervision of any Classification Society or Mercantile Marine Department or by person (s) nominated by the Director of Ports. The Indian Register of Shipping, Madras, (IRS) was nominated by the Director of Ports for the purpose . The department did not enter into any agreement with IRS. The responsibility for extracting the services of the supervising agency, however, vested with the contractor firm and the charges for such supervision were also payable by them.

According to the terms and conditions of the contract the payments were to be made in 7 stages (first 3 stages at 10 per cent, subsequent 3 stages at 20 per cent and last payment at 10 percent). All stage

5. M/s. Gear Transmission, Madras : Rs. 40 lakhs

6. M/s. Mechem (P) Ltd, Bhuvanesar : Rs. 69.75 lakhs

Out of the above six tenders department accepted the offer of M/s. Gear Transmission, Madras as the first four offers did not conform to departmental specification. Supply order was placed with firm for one FRP speedboat, due to paucity of funds.

The FRP speedboat constructed by M/s/ Gear Transmission, Madras was delivered in 1991. On delivery of the vessel, it was found not in accordance with the department specification. One scrutiny of records it was found that M/s. Gear Transmission, Madras was at fault in fulfilling agreement obligation with the convince of Sri. P. K. Ramachandran Nair former Director of Ports and Shri N. Mohanachandran Nair former Chief Mechanical Engineer. Accordingly Government have initiated disciplinary proceedings against the above officers for their lapses and also initiated revenue recovery proceedings against the firm to recover 38.60 lakhs, vide G. O. (MS) No. 17/93 dated 28-5-1993. But the firm obtained a stay order against the recovery proceedings in OP NO. 7258/95 of the Hon'ble High Court of Kerala. The Hon'ble High Court of Kerala finally dismissed this OP in July 2002.

(1)

payment, except the first one, were to be made after scrutiny of the bills, supported by the certificates issued by the Inspection Agency and or person(s) nominated by the Director of Ports for having completed up to the stage construction.

The second stage payment was made based on a conditional certificate issued by the IRS, therein it was stated that they were not liable for any damage or loss sustained by anybody due to the advice given by them. The third stage payment was, however, made on the recommendation of the Chief mechanical Engineer of Ports Department. Whereas the 4th and 5th stage payments were based on IRS Certificates, the last two stage payments were made without any stage certificates from any body. The boat after construction was brought to the Kerala coast for inspection during December 1991 and was provisionally taken over by the department. The endurance test, speed and inclining test, trial runs etc. conducted till October 1992 revealed that the boat was not constructed according to the approved specifications and was defective in several respects. As the boat was not worthy of sea operation, it has not been put to use as of May 1994. A total payment of

(2)

In the OP the firm has claimed that it has discharged its part of contractual obligation on the basis of the agreement and also sought a direction to the Government not to take action as recovery proceedings. The Hon'ble High Court on dismissing the OP has stated, "the agreement was to supply the vessel in accordance with specification agreed. It shall be duly certified. There was no such certificate by Indian Register of Shipping . In such circumstances it cannot be contended that the petitioner had executed the contract in accordance with the terms agreed. Therefore, this court cannot declare that the petitioner company has discharged its obligation. When contractual obligation have not been met, Government is perfectly justified in terminating the contract".

The action to recover Rs. 38.60 lakhs by way of Revenue Recovery was initiated through District Collector, Chennai. But the Tahasildar, Mambalam, Gindy has informed that on enquiry he could not find out a firm in the name of M/s Gear Transmission Pvt. Ltd, Chennai. Therefore, Government have instructed the department to report the details of the case to the Police so as to conduct a detailed enquiry to find out the where about of the firm. Accordingly a compliant was lodged with the Circle

Rs. 38.60 lakhs was effected between December 1989 and March 1992 and this investment did not serve the intended purpose as the speedboat was idling for over two and a half years as of May 1994.

In reply to the statement of facts issued (January 1994) Government confirmed (May 1994) the facts of the case and stated that the disciplinary action had been initiated against the officials responsible for the lapses. Government also stated that legal action against the defaulted firm would be taken.

The matter was referred to Government in January 1994; final reply has not been received (October 1994).

Inspector of Museum Police, Thiruvananthapuram. Now a reply have been received from the Police that departmental enquiry is enough at this stage and there is no need to register a case and Police assistance will be provided as and when required. The Matter is being referred to Home Department for arranging detailed investigation to find out the whereabouts of the firm.

Disciplinary action was initiated against Shri. K. P. Ramachandran Nair, Director of Ports (Retd) and Shri. Mohanachandran Nair, Chief Mechanical Engineer (Retd). The liability fixed is Rs. 41 lakhs. Government is examining the possibility of filing a Civil Suit against the delinquent officers for recovery of the loss substained to Government.

FISHERIES & PORT (E) DEPARTMENT
**Action Taken Statement for the Draft Para included in the Report of the
 Comptroller and Auditor General for the year ended 31-3-2000
 relating to Port Department**

<i>Details of Para in the Report</i>	<i>Action Taken Report by the Port Department</i>
(1)	(2)

Details of Para in the Report

Para 3.10-Non-levy of Penalty

Penalty of Rs. 22.24 lakhs was not levied on a firm for delayed delivery of two steel tugs.

In March 1992, Government sanctioned procurement of two steel tugs. One of 200 HP for Beypore Port and the other of 300 HP for Azhikkal Port at a cost of Rs. 80 lakh for use in shipping and rescue activities at those ports. Based on the recommendations of the Departmental Purchase Committee, Government accepted (January 1994) the rates (Rs. 39.05 lakh for 200 HP and Rs. 46.80 lakh for 300 HP Tugs) quoted by steel Industries Kerala Limited (SILK), a State Government Company. According to the supply order placed in February 1994, SILK was effect the supply by 7th June 1995 failing which a penalty of Rs. 1000

Director of Ports placed two supply order with M/s. SILK for the supply of one 200 HP Tugs and one 300 HP Tug. The delivery period for these tugs was 16 months from the date of supply order ie. 8-2-1994. The due date for the delivery of the tugs was 7-6-1995. The stage payments towards the construction of tugs were released as per the agreement condition. M/s. SILK failed to supply both tugs in the stipulated period as in the agreement. The supplied the 300 HP Tug on 24-10-1997 and 200 HP tug on 22-2-1999. As per the agreement condition that the Penalty @ Rs.1000 has to be levied from the firm. An amount of Rs. 23,22,000 (Rs.8,86,000 and Rs. 14,54,000

per day was srecoverable on each tug from the claims of the firm, Rs. 77.27 (90 per cent of the cost) was paid in advance to the firm between March 1994 and March 1995.

SILK supplied 300 HP and 200 HP tugs in October 1997 and in February 1999 respectively after delay of 869 and 1355 days. The company attributed delay in supply of the tugs to unusual rain frequent power failure and delay in supply of engines and parts by suppliers. However, no extension of time for supply of tugs was granted to the firm.

As per supply order a penalty of Rs. 22. 24 lakh was leviable on the firm for the failure in supplying the tugs on stipulated date but no penalty was levied as of April 2000. The balance amount payable to the firm is only Rs. 8.59 lakh. A penalty claim has been raised in November 1997 against the firm after the issue was raised by Audit, but no recovery was made even after three years.

Secretary to Government stated (October 2000) that the Director of Ports had been instructed to recover the penalty amount from silk and to initiate revenue recovery proceedings in case the company is reluctant to pay the amount.

towards the penalty for the delay in delivery of 300 HP and 200 HP tugs respectively has accrued as penalty. This amount has to be recovered from M/s. SILK vide director of Ports letter D. 2646/92 dated 28-4-2001. M/s. SILK was asked to remit this amount, but they had not remitted this amount. Hence the Director of Ports made arrangements to encash the Bank Guarantee amounting to Rs. 19,52,700 furnished by M/s. SILK M/s. Vijaya Bank, Kannur-1 forwarded a demand draft amounting to Rs. 19,52,700 vide proceedings of the Director of Ports No. D-2646/92 dated 1-11-2001 and credited the above amount to Government revenue. The balance penalty amount is Rs. 3,69,300 has been deducted from the balance 10% payment due to M/s. SILK. Thus the full penalty amount Rs. 23,22,000 has been recovered from M/s. SILK, Azhikkal.

(1)

(2)

Para 5:2:2 (Idling of a New Hull)

A hull constructed at Rs. 45.63 lakh lying idle for about two years

Government accorded (March 1996) sanction for construction of a new hull for tug Jalasree at a cost of Rs. 70.20 lakh by Steel Industrials Kerala Limited (SILK) a Government company. SILK reported (October 1996) that overhauling and repairing of the old engines and gearboxes was not feasible as most of the vital components were extensively Corroded.

The Department suggested providing 2 engines of 620 HP each taking in to account ongoing developmental projects at Bypore Port. The revised estimate for Rs. 1.35 crore was pending sanction from Government (May 2000). Though the construction of the steel hull was completed in December 1998 at a cost of Rs. 45.63 lakh, the hull was laying in the open, as of October 2000, exposed to the vagaries of nature pending sanction for the new engines. SILK cautioned the department in November 1999 that if the vessel was allowed to remain as such, it might lead to further deterioration resulting in replacement of some of the

Government have accorded sanction to provide a new hull for Tug Jalasree at an estimated cost of Rs. 42.50 lakhs vide G.O. (Rt) No. 427/95/F&PD dated 30-10-1995. Accordingly tenders were invited and work was awarded to M/s. Steel Industrials Kerala Limited, Azhikkal at an estimated cost of Rs. 70.2 lakhs. As per the supply order the firm M/s. Steel Industrials Kerala Limited was to install the engines and gearboxes of the old Tug Jalaree in the hull. The supply order was issued in 21-3-1996.

During the course of the construction of the tug M/s. Steel Industrials Kerala Limited in February 1997 has informed that the old engines and gearboxes have undergone extensive corrosion and cannot be economically repaired. They also suggested the department to propose alternate engines. Department after considering the development potential of the Bypore port, decided to install 2 numbers 600 HP engines (original engine had only around 300 HP). The cost of the two engines came to Rs. 76.5 lakhs (approx). Government was approached for Administrative Sanction in December 1997 for a total amount of Rs. 135.2 lakhs. The hull planting was completed in December 1998.

steel plates used for its construction. Had the poor condition of the engines and gearboxes been assessed in time, the present impasse of the newly built hull rotting in the open for nearly two years awaiting erection of new engines and gearboxes could have been avoided. Thus, lack of proper technical scrutiny and planning led to idle investment of Rs. 45.63 lakh.

Government accorded Administrative Sanction for the procurement of 2 numbers 600 HP engines vide G. O. (Rt) 209/2001/F&PD dated 15-5-2001. Accordingly tenders were invited in June 2001 with date of opening on 6-10-2001. Government constituted a technical committee for evaluating the tender in December 2001. One scrutiny of the two tenders received, it was found that both were not acceptable to department. Hence department invited fresh tender in July 2002 with 28-2-2002 as the date of opening. In response department received 3 offers. The Technical Committee was convened on 12-12-2002 to evaluate the tender. However in December 2002 Indian Register of Shipping raised doubts on the condition and ability of the hull accommodate the high-powered engines since corrosion has set in on the hull. The department conducted the thickness gauging of the hull and submitted the report in the condition of the hull to Indian Register of Shipping in May 2003. But Indian Register of Shipping insisted that gauging has to be carried out under their supervision with approved firms.

In August 2003 Department took up the matter with M/s. Steel Industrials Kerala Limited to carryout the gauging. However it was not found fruitful. In August 2004 department placed work order with M/s. Aries to carryout the gauging of the hull was carried out only 5th January 2005.

(1)

(2)

Taking into consideration the condition of the hull, the department approached India Register of Shipping for approval for placing low powered engines. In January 2005, Indian Register of Shipping gave approval for placing 2 numbers 193 HP engines. Accordingly tenders have been invited and the offers are being procured.

Department proposed the installation of the old engines of Tug Jalasree on the Hull with the intension to cut down the financial commitment required for the vessel. Two new engines with gearboxes having similar horsepower cost around 30 lakhs at that time. It was estimated on visual inspection that amount of Rs. 5 lakhs only would be required for repairing the engine. Since the engine was installed on Jalasree and that versed was proposed to be condemned, no detailed inspection by opening the engine was carried out as it would also incur additional financial commitment. It was on opening the engine by SILK in 1997 at the time of construction of hull the extent of corrosion actually occurred to the hull could be detected. In 1995, when the proposal was sent the engine and gearboxes were in reasonable good condition and they needed only repair.

Para 5.2.3. Non-receipt of stores for nearly two years.

Delay of two years in supply of stores though Rs. 2.01 crores were paid

The Director of Ports placed orders with three firms during March 1996 to March 1998 for purchase of two barges, a tug, diesel generator and two electrical cranes at a contract cost of Rs. 2.63 crores (vide details in appendix XXXVI). The items were to be delivered/installed and commissioned during March 1997 to September 1998. Though the firms were given stage payments of Rs. 2.01 crore between March 1996 and March 1999, except two electrical cranes, the remaining items were not delivered/installed and commissioned as of October 2000, though penalty recoverable. From the firms, worked out to Rs. 33.471 lakhs as May 2000 only Rs. 7.40 lakh was recovered from two firms as of October 2000. No effective action was taken by the Secretary to Government, Fisheries and Ports Department to enforce the time schedule stipulated for supply of these items and to recover the penalty from the firms for their failure to complete the supplies in time.

Construction of 150 Ton Barge

As per G.O. Rt 117/971F&PD dated 26-3-1997, Government had accorded Administrative Sanction for the procurement of 150 Ton Capacity Barge at a total cost of Rs. 62.73 lakhs for use of Neendakara port and supply order was placed with M/s. SILK accordingly. As per the agreement condition the supply period was 16 months from the date of supply order i.e. the due date for the delivery of the barge is 3-7-1998. M/s. SILK failed to complete the construction and deliver the vessel in due time Rs. 2 lakhs is deducted from the firm towards penalty.

75% of the cost has already been paid. After erection of both engines and gear boxes from the middle of 2001 onwards, no progress was noticed in the construction work of the barge. SILK Azhikkal has reported that they are in acute financial crisis and they need financial assistance for completing the work.

On the basis of the above request, Director of Ports managed discussions with representatives of SILK on 13-6-2003. The payment condition to SILK was restructured as per G.O. (Rt) 33/2004/F&PD dated 21-1-2004. as follows:

- (A) As per the original agreement the payment are to be released to the firm only after completion of each stage of work on support of the stage completion

(1)

(2)

certificate issued by the inspecting authority M/S. IRS M/s. SILK requested to restructure the payment conditions.

- (a) The payment towards the procurement of materials, machines, equipments etc. are to be released to M/s. SILK on production of the bill towards the purchase by M/s. SILK with satisfactory documentary evidence for the supply being arranged supplied .
- (b) Regarding the labour cost the payment towards the labour cost is to be released to M/s. SILK according to the quantum of work carried out as per requirement.

Noting the slow progress in the construction of the 150 ton water barge Secretary (C&P) convened a meeting with the concerned officials on 23-2-2005. The Managing Director, SILK discribed the acute financial problems faced by them. The financial crisis has occurred due to encasing Government guarantee of Rs. 19,52,7001 furnished by the firm in an earlier work for the delay caused in the execution of the work procurement of two steel tugs-one of 200 HP for Beypore Port and the other of 300 HP for Azhikkal Port.

The Managing Director requested that if SILK is exempted from payment of these penalty amounts, they will get relieved from the financial stringency and they can complete the work of the vessel by June 2005. SILK has restarted the work of the barge and the work is in progress and expected to complete by the end of June 2005.

5.2.3 (B) Constriction of 250 Tonne Barge

The work order for the construction and supply of a 250 Ton Cargo barge was given to M/s. Western Marine Engineering, Edakochi on 31-3-1997 on condition that the barge should be completed in all respects and as per IRD/MMD specification and the supply period prescribed was 16 months from the date of supply of the order. The due date for the supply was 31-7-1998. But the firm has not supplied the barge till date nor completed the construction.

The amount of contract was Rs. 76.73 lakhs and the rate was quoted by the firm for the design/construction and delivery of barges per the departmental requirement and as per the requirement of MMD/IRS specifications.

As per the conditions of contract, the payment towards the construction was to be effected in five stages as follows:—

- (i) 30% of the cost after laying the keel (against Bank guarantee)
-

(1)	(2)
	<ul style="list-style-type: none"> (ii) 20% of the cost on completion of framing. (iii) 25% of the cost on erection of both engines and gear boxes. (iv) 15% of the cost on completion of the vessel. (v) 10% on completion of successful trials.
	<p>After receiving the 2nd stage payment , the firm requested for amending the payment conditions and asking for extra fund and extra equipments in the name of MMD/IRS specifications. The third stage payment was released for taking delivery of the gear boxes. After receiving the amount, the firm has not carried out any work.</p>
	<p>An amount of Rs. 57,54,466 has been given to the company so far for execution of the work. The firm has not completed the work, but asked for an additional fund of Rs. 48 lakhs for additional work on the basis of changes on IRS/MMD specifications. Hence as instructed by Government, Director of Ports issued a show-cause notice to the firm asking reasons.</p>
	<ul style="list-style-type: none"> (i) why the contract should not be terminated at the risk and cost of the firm. (ii) Why RR proceedings should not be initiated against the firm. In reply, the firm has requested that they may be given an opportunity of hearing.

In the circumstances, as per G.O.(Rt) 450/04/F&PD dated 16-10-2004 Government have constituted a High Level Committee in order to discuss all the aspects regarding construction of the barge. The Committee in their meeting held on 23-2-2005 decided to allow one month time to the firm for finishing the work of the barge and handing over this to the Port Authorities as per the contract. If so, Government will release 4th instalment + Rs. 7 lakhs for providing additional equipment to meet IRS requirement. It was also decided that if the firm fail to handover the barge in time, coercive steps will be taken against the firm to recover the cost of the barge so far expended by Government + damages for non-sailing of the barge from 31-7-1998 onwards. Government have issued a legal notice to the company stating the above points and if they do not comply, steps will be initiated to blacklist them and recover the damages.

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5.2.3.(C) Supply of 600 HP Tug by M/s. Delta Marine works, Kochi for Vizhinjam Port

The supply order was placed with M/s Delta Marine Works, Kochi for the supply of one 600 HP Tug. The supply period was 16 months from the date of supply order, which is due on 27-1-1997. As per the agreement condition, the agreement was to be effected in different stages. 90% of the payment was effected and also an amount of Rs. 5.4 lakhs has been deducted from the payments being penalty.

(1)	(2)
	<p>Trial run of the vessel was not done. During inspection of the vessel it was noticed that some of the equipments/ machineries erected on board the vessel are of inferior quality. These were brought to the notice of the firm, but they did not respond. At this juncture the department decided to terminate the contract.</p> <p>On receipt of the termination notice dated 17-10-2003 issued by the department M/s Delta Marine filed an O.P. No. 2840/04 before the Hon'ble High Court of Kerala. In the OP he has requested the Hon'ble High Court to direct the Government on the following.</p> <p>“To return the vessel to the firm on payment of the money received by the firm from Government as per the agreement or accept the vessel as such and exonerate the firm from government liabilities and penalties.”</p> <p>The Hon. High court in its judgment dated 15-3-2004 dismissed the O.P. with the following directions.</p> <p>“It is for the petitioner or the second respondent to seek remedy strictly in accordance with the terms of contract and this court cannot confer any power over the Government or any other authority to settle the dispute between the parties. The writ petition is dismissed giving freedom to the petitioner to seek remedy in terms of the contract”.</p>

Aggrieved by the above order of the High Court the firm filed writ appeal No. 2075/2004 and the court in its judgment dated 17-11-2004 disposed writ appeal by upholding the decision of the single bench and allowed the petition to take up the matter with appropriate authorities. So far the firm has not taken up the matter with the authorities. The judgment received only in March 2005. Inorder to complete the construction of the tug it has to be shifted from the premises of M/s. Delta Marine works since the firm has not taken up the matter with the authorities, the department sought legal opinion from the Government Pleader in April followed by a written communication in May to advise the cause of action to physically recover the tug.

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5.2.3.(D)15 KVA Diesel Generator Set for Tug Padmasree

Supply order was placed M/s. SILK for the supply and erection of one 15 KVA generator set on board tug Padmasree on 30-8-1998 at a total. cost of Rs. 2.71akhs. The due date for delivery of the generator set was 30-9-1998. Tug Padmasree is a vessel about 20 years old and for installing new generator set, the IRS surveyor suggested new electrical wiring panel board as safety measure. This incurs substantial additional expenditure. Discussions were made with IRS surveyors for sorting out the issue.

(1)	(2)
	<p>M/s SILK has already supplied the generator set. For erecting the generator set on Padmasreee, it can be taken up along with special requairs of the tug. Now the vessel is undergoing special repairs at the yard of M/s KSINCO, Kochi. Only an advance amount of Rs. 1.35 lakhs has been paid to the firm.</p> <p><i>5.2.3.(E) Supply of Cranes from M/s. Steel Industrials Kerala Ltd.</i></p> <p>Government accorded sanction to procure two cranes from M/s Steel Industrials Kerala Limited for Beypore Port at an estimated cost of Rs. 40 lakhs vide G.O.(Rt) No. 145/97/F&PD dated 31-3-1997. Accordingly supply order was placed with M/s Steel Industrials Kerala Limited on 31-3-1997. As per the agreement, M/s Steel Industrials Kerala Limited was to supply and install the crane within 6 months from the date of supply order. A penalty of Rs. 1000 per day was to be imposed for delay in delivery of the cranes. This was to be made operable from 1-10-1997. The cranes were supplied in March 1998.</p> <p>These new cranes were to be installed replacing old No. III and IV cranes. Since the cranes were fully engaged in shipping operations it was not possible to dismantle the crane immediately on delivery of new cranes. The</p>

dismantling of old cranes was not part of the original work order given to M/s Steel Industrials Kerala Limited and hence separate work order has to given. The orders for the dismantling of cranes were given on 30-7-1998 after closure the port during monsoon.

M/s Steel Industrials Kerala Limited started the dismantling work on 10-8-1998 and it was completed on 22-8-1998. After this the demolition work of the old foundation started on 11-9-1998 and finally the cranes were erected on 14-1-1999.

Though as per original supply order the crane was to be erected and commissioned on or before 30-9-1997, the actual erection was made only on 14-1-1999. But the period between 1-10-1997 to 14-1-1999 cannot be considered for calculating penalty. The delay occurred due to dismantling of old cranes, demolition work of foundation etc which are not due to any fault of M/s Steel Industrials Kerala Limited. They are separate works not covered by original agreement between Director of Ports and M/s Steel Industrials Kerala Limited Hence only period from 30-9-1997 to 31-3-1998 (i.e period from date of commissioning of cranes as per supply order and date on which M/s Steel Industrials Kerala Limited. actually supplied the crane) was considered for computing penalty. Thus a penalty of Rs. 1,84,000 for the above was deducted from final stage payment effected from the firm. The penalty after 31-3-1998 was waived off, as the delay was only for 184 days for the supply of cranes.

(1)	(2)
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The balance period of delay was due to the continuation of cargo operations in the port and not because of the fault of the firm. The balance amount waived relates to the penalty calculated for the period for which the firm was not responsible. This was agreed by Government as per G.O.(Rt) No. 1757/99/F&PD dated 26-2-2001.

5.2.4 Idle machinery/equipment/vessels Machinery/equipment idling in various Ports.

Seven items of machinery/equipment such as outboard engines, electric, cranes, mobile crane, trolleys, etc. were idling in three Ports offices and one under the Hydrographic Survey Wing vide appendix XXXVIII. Though port operations in Alappuzha Port ceased during November 1989, five item (cost of four items was not known to the port officer) connected with port operations were neither transferred to other needy ports nor disposed of as of October 2000. Further, four vessels (cost Rs. 52.38 lakh)# were idling in various ports : one in Alappuzha since November 1989, two in Kollam (Rs. 12.38 lakh) and one in Kozhikode (Rs. 40 lakh) since October 1998, Director of Ports stated (October 2000) that the vessels were kept in anticipation of port activities.

5.2.4. Idle machinery/equipment/vessels Appendix XXXVIII

<i>Office to which attached</i>	<i>Name of vessel/ machinery equipment</i>	<i>Date from which idling</i>	<i>Present Srage</i>
(1)	(2)	(3)	(4)

1. Port Office Alappuzha	Mail Boat Jalakanyaka	November 89	Store items kept at Alleppy Port which can be used where shifted to Neendakara. A survey report for the unusable unserviceable items were prepared. Auction
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(1)	(2)	(3)	(4)
			cum tender to dispose off the items could not be completed due to opposition from the public as they wanted the port to be revived. Therefore the action was stopped.
2. Port Office Alappuzha	Out Board engine Yamaha	November 89	Store items kept at Alleppy Port which can be used where shifted to Neendakara. A survey report for the unusable unserviceable items were prepared. Auction cum tender to dispose off the items could not be completed due to opposition from the public as they wanted the port to be revived. Therefore the action was stopped.

(1)		(2)	
(1)	(2)	(3)	(4)
3. Port Office Alappuzha	Wooden trolleys	November 89	Store items kept at Alleppy Port which can be used where shifted to Neendakara. A survey report for the unusable unserviceable items were prepared. Auction cum tender to dispose off the items could not be completed due to opposition from the public as they wanted the port to be revived. Therefore the action was stopped.
4. „	Iron trolleys	„	„
5. „	Steel Rollers	„	„
6. „	Electric Cranes 2 nos.	„	„

(1)	(2)	(3)	(4)
7. Port Office Kollam	Alleppey Barge No. II		Govt ordered the disposal of the Alleppy Barge No. II wide letter No.11218/E1/03/F&PD dated 9-2-2005. Accordingly tenders were invited for the disposal of the barge. The tenders were received on 13-5-2005 action will be taken immediately on finalization of tender.
8. Port Office Kozhikode	Birth wait 3 T Electric Crane 2 nos.	October 1998	Already disposed of.
9. Port Office Kozhikode	FRP Boat Monrothuruthu	1992	Case filed by M/s Gear Transmissions finally dismissed by High Court. RR initiated against the firm. The Thasildar

(1)		(2)	
(1)	(2)	(3)	(4)
			informed that the whereabouts of the firm not traceable. Kerala Polic have been requested to register a case to find the whereabouts of the firm.
10. Port Office Kozhikode	“Coles” Mobile Crane	September 1993	Action has already been taken for disposal of the cranes by inviting tenders. The highest rate was quoted by M/s. SILK. The rate quoted by M/s. SILK is 44.6% below the assessed value in the Survey Report. Therefore the DOP has requested sanction from Government. The matter is under examination of Government in consul-tation with Finance Department.

(1)	(2)	(3)	(4)
11. Hydrographic Survey Wing Kollam	M. V. Gaveshni	January 1998	Administrative Sanction issued vide G.O.(Rt) 498/2000/F&PD dated 1-12-2000 for an amount of Rs. 9,67,300 lakhs for repair of M. V. Gaveshni work awarded to M/s Indo-Jap shipyard, Kochi at 23.7% below PAC. Partially repaired, and pending for finalization of demand by the Contractor for higher rate due to escalation of Steel price and Labour. A discussion has been conducted with the firm by Chief Hydrographer, Hydrographic Survey Wing

(1)	(2)		
(1)	(2)	(3)	(4)

and it was decided to do some additional works to make the vessel sea-worthy. The estimate for additional work has been prepared and it will be placed before the Standing Committee for approval.

5.2.5. Disposal of obsolete items : Obsolete Tug and lathe not disposed of

Tug "Ilmenite" procured in 1969 at a cost of Rs. 7.30 lakh was idling from April 1997 in Port office, Kollam and survey report was submitted to Government in March 2000. Similarly in Mechanical Engineering Workshop, Neendakara a centre lathe was idling. The Director of Ports stated (October 2000) that survey report for disposal of the 26 year old lathe would be taken up after providing a slip way and procuring a new lathe. However

Disposal of Obsolete item

- (a) Tug Ilmenite is already disposed off
- (b) Informally taken a decision to use the lathe for the slipway proposed to be constructed. But the slipway construction process is getting delayed.

retention of such a late did not serve any purpose with the added risk of fetching a lesser value with passage of time.

5.2.6. Physical Verification of stock

According to financial rules, all stores should be verified periodically at least once in a year. Audit scrutiny revealed that annual physical verification of stores has not been conducted during 1998-2000.

Physical verification of Stock

Physical verification of stock has already been done

**Statement of action taken on the Audit paras contained in the Report of the Comptroller
and Auditor General for the year ended on 31-3-2001 (Civil)**

<i>Sl. No.</i>	<i>Para No.</i>	<i>Audit para</i>	<i>Statement of action taken on the Audit para</i>
(1)	(2)	(3)	(4)
4.2		<p>Avoidable extra expenditure due to change of quarry</p> <p>Selection of a construction firm not possessing licence for use of explosives necessitated change of quarry and avoidable extra expenditure of approximately Rs. 93 lakh.</p> <p>In January 1995, Superintending Engineer (SE), Harbour Engineering North Circle, Kozhikode awarded the work on construction of breakwaters for Azheekkal Cargo Harbour in Kannur District to a firm for completion within June 1997 for a Contract amount of Rs. 9.04 crore.</p> <p>As per agreement the quarry at Ramanthali was the approved source for granite stones required for the work at Mattul side. While the work at Mattul side was in progress, the Revenue Divisional Officer,</p>	<p>Agreement for the work development of Azhikkal Cargo Harbour Construction of Breakwaters was executed on 31-1-1995 by M/s Top Constructions. As per agreement conditions, the Contractor should possess a valid explosive licence for extraction of stones. Accordingly the Contractor has submitted his application for granting licence for storing explosives required for the quarrying operations to the Department of explosives, Madras on 20-6-1995. As per rules such licence will be issued based on the strength of 'No Objection Certificate' issued by the District Collector . Hence the application of the Contractor was forwarded to the District Collector, Kannur by the Department of explosives on 5-7-1995. But after a lapse</p>

Thalassery in August 1997 restrained the firm from quarrying with explosives. at Ramanthali as they did not possess licence to use explosives. Consequently, the firm stopped the construction activity in October 1997. Attempts made by the departmental officers to obtain 'No Objection Certificate' for storage of explosives failed. To resolve the impasse, Government constituted a Committee of Secretaries and based on its recommendation, sanctioned (August 1999) the departments proposal to bring the entire stone from Sivapuram quarry, 75 km away from the site. Superintending Engineer executed (December 1999) a Supplementary agreement with the Contractor for conveyance of stones from the latter quarry for Rs. 5.72 crore. Thus, the total value of the work through these two contracts worked out to Rs. 14.76 crore. The work has not been completed as of February 2001.

Scrutiny revealed that as per the original contract the firm was to take out the licence under explosives Act, 1940 for storing explosives required for rock blasting. Further, no claim towards extra lead for conveyance of material was to be entertained on the ground of non-availability of materials at the

of two years, the application of the Contractor was rejected by the additional District Magistrate, Kannur vide letter No. D4-31195/95 dated 5-6-1997 owing that the proposed premises is highly sensitive from the political and communal point of view and enquiry revealed that it is not advisable to grant 'No Objection Certificate' as required. However the contractor was requested to appear before the Additional District Magistrate on 11-6-1997 to represent anything against the rejection application. Even after several personal appearances by the contractor before the Additional District Magistrate the matter was not considered, in view of the law and order situation prevailing at Kannur District. However, the contractor continued the quarrying operations in anticipating favourable orders from the revenue authorities. But based on petitions from the Convenor, Ezhimala Samrakshna Samithi, the entire quarrying operation at Ramanthali quarry was stopped by the Revenue Divisional Officer, Tellicherry by an injection order with effect from

(1)	(2)	(3)	(4)
		<p>approved quarry. Instead of invoking these conditions Government bailed out the contractor and the Superintending Engineer accordingly executed the Supplemental agreement providing for subsequent change of quarry which led to avoidable extra expenditure of Rs. 93 lakh on account of conveyance charges as of February 2001.</p>	<p>30-10-1997 stating that the Contractor is carrying out quarrying operations using explosives without valid licence for storing. Several requests were made with the District Collector for giving 'No Objection Certificate' for storing explosives at respective quarries site as a special case otherwise the contractor cannot continue the work.</p>
		<p>The matter was referred to Government in May 2001; reply has not been received (October 2001).</p>	<p>The matter was also discussed with District Collector, Kannur and he agreed to review the decision. Eventhough, contractor has submitted a revised application as directed by the District Collector, Kannur the No Objection Certificate has not been issued by the District Collector, Kannur.</p>
			<p>The lead proposed in the original estimate for conveyance of granite stones required for the work at Mattul side was 24 kms. and that of Azhikkal side was 40 kms. and with in this limit, large quantum of stones available at Ramanthali and</p>

Sivapuram respectively. While preparing the estimate; there was no Law and Order problem in the area. So in this estimate, nearest available source was given. If Sivapuram quarry is proposed as a source for the Mattul side work, the lead will be 75 kms. This will unnecessarily enhance the estimate cost by 25% (Rs. 900 lakhs).

As the Breakwater work at Mattul side was in a stand still from 30-8-1997 onwards following the prohibition order issued by the Sub Divisional Magistrate, Thalassery against the quarrying operations at Ramanthaly quarry, a Committee has been constituted to examine and offer due recommendations to how the remaining works relating to break water at Mattul side can be resumed and completed vide G.O. (Rt) No. 204/99/F&PD dated 21-4-1999. The Chief Engineer, Harbour Engineering Department has placed 3 options for resuming and completing the work of Construction of Break Water on Mattul side. Based on the report of the Chief Engineer, Harbour Engineering Department

(1)	(2)	(3)	(4)
			<p>and the circumstance stated by the Contractor, the Committee felt that the 3rd option submitted by the Chief Engineer, ie to bring the entire quantity of stones from the Sivapuram quarry is the only feasible option and hence acceptable.</p> <p>The Contractor requested the committee to allow the 1996 schedule of PWD rate. The Committee considered the request and felt that since contract has been extended up to 2000 with the consent of the contractor there is no scope for revising the rates. The Committee recommended to accept the option of bringing stone from the Sivapuram quarry at the contracted scheduled rate of 1992 to complete the remaining work of Mattul side breakwater.</p> <p>Based on the recommendations of the committee sanction was accorded to complete the remaining work at Mattul side by bringing stone from Sivapuram quarry by admitting extra conveyance charges as per order G.O. (Ms) No. 24/99/F&PD dated 9-8-1999.</p>